TANZANIA GOVERNANCE REVIEW 2014

The year of 'Escrow'

policy forum

TANZANIA GOVERNANCE REVIEW 2014

The year of 'Escrow'

Supported by BEST-Dialogue

Acknowledgements

Policy Forum would like to thank BEST-Dialogue for financial support in the production of the *Tanzania Governance Review 2014*, which was drafted by *Tanzania Development Research Group* and edited by *Policy Forum*.

The cartoons were drawn by *Adam Lutta (Adamu).*

Tanzania Governance Reviews for 2006-7, 2008-9, 2010-11, 2012, 2013 and 2014 can be downloaded from the Policy Forum website.

The views expressed and conclusions drawn on the basis of data and analysis presented in this review do not necessarily reflect those of Policy Forum. TGRs review published and unpublished materials from official sources, civil society and academia, and from the media. Policy Forum has made every effort to verify the accuracy of the information contained in TGR2014, particularly with media sources. However, Policy Forum cannot guarantee the accuracy of all reported claims, statements, and statistics. Whereas any part of this review can be reproduced provided it is duly sourced, Policy Forum cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

ISBN: 978-9987-708-22-2

For more information and to order copies of the report please contact:

Policy Forum
P.O. Box 38486
Dar es Salaam
Tel +255 22 2780200
Website: www.policyforum.or.tz
Email: info@policyforum.or.tz

© Policy Forum

TABLES

BOXES .....

CHARTS

FIGURES

Objectives of Policy Forum

Policy Forum's objectives are to strengthen Tanzanian civil society's capacity to understand, analyse, and disseminate information on public resource management, and to engage in national policy dialogue. Policy Forum's *Strategic Plan* for 2014-16 identifies the following key objectives:

Objective 1: The effectiveness of public resource management is analysed

- The resulting evidence is used by civil society.
- The quality of their advocacy improves.

Objective 2: The body of evidence produced by Policy Forum is widely disseminated

- The information is widely accessible, relevant and useful.
- The public, policy makers, the media, civil society and academia use it.

Objective 3: The capability of civil society organisations to understand public resource management is enhanced

- CSOs engage more effectively in local and national processes through evidence-based advocacy.

Objective 4: Engagement by Policy Forum improves national policy processes

- Selective and strategic engagement focusing on areas where impact is most achieved.
- Improved public resource management.

Policy Forum: www.policyforum.or.tz

Regions of Tanzania

Source: www.mapsofworld.com

Chapter 1: Introduction and Overview

1.0 Introduction

2004 saw two crises in Tanzania, one of grand/political corruption, one of politics. The **Tegeta Escrow Account** (TEA) scandal reported in this TGR was by far the most important public policy issue of 2014. The scandal highlighted both the strengths and weaknesses of Tanzania's formal governance institutions, and had serious consequences for President Kikwete's government's reputation both inside and outside the country.

The origins of the TEA date back more than 20 years, when Independent Power Tanzania Ltd (IPTL) entered the power sector. The main events in the IPTL-Escrow story are summarised in **Appendix 1.** The costs and losses incurred as a result of IPTL/Tegeta have contributed massively to TANESCO's financial troubles, discussed in **Chapter 2**, where we also consider the performance of the executive, parliament, the judicial system, PCCB and the CAG in handling the Escrow affair. **Chapter 4** reviews the affair from a regulatory and a power policy perspective, and **Chapter 5** examines media and civil society responses. Finally, **Chapter 6** summarises the donor community's reaction of withholding aid disbursements pending the satisfactory resolution of the Escrow saga. These chapters also report many issues other than the TEA, however.

Initiated by President Kikwete in 2011, the **Constitutional Review Commission** (CRC) process involved setting up a 32 member Commission to draft a new constitution and a 600+ Constitutional Assembly (CA) to endorse it prior to a referendum before the end of president Kikwete's second term. During 2014, the review process virtually collapsed as party politics took over from the inclusive CRC process. The demise of the CRC is discussed in detail below.

The failure of both initiatives reflects the key weakness of Tanzania's fledgling democracy, namely, the power of the president as head of a still dominant ruling party to resist demands for greater executive accountability in the conduct of public affairs.

1.1 The Tegeta Escrow Account (TEA)

In 2014, the credibility of President Jakaya Kikwete's government was seriously shaken after a series of revelations implicated high-level official and local middlemen in large-scale fraud and embezzlement of public funds. In early March, the *Citizen* newspaper began running a series of investigative reports on the payment of over US$120m to Pan-African Power Solutions (PAP)[1], owned by Harbinder Singh Sethi, a hitherto not widely known Tanzanian businessman, by the Bank of Tanzania (see **Appendix 2**). What became known as the 'Escrow' scandal came to a climax in December 2014, when the Parliamentary Public Accounts Committee (PAC) chairman Zitto Kabwe's presented a damning report to parliament summarising the results of investigations undertaken on the PAC's request by the Prevention and Combating of Corruption Bureau (PCCB) and the Controller and Auditor General (CAG).[2] Additional pieces of the

[1] PAP is not to be confused with *PanAfrican Energy*, a subsidiary of Orca Exploration Group, which is listed on the Toronto Stock Exchange. Orca was involved in the original development of the SongoSongo gas field.
[2] Zitto Kabwe 2014. 'How Pan Africa Power Ltd acquired Independent Power Tanzania Ltd for almost nothing and looted US$124m from the Bank of Tanzania,' Briefing Paper, June.

IPTL/ESCROW jig-saw were put in place by Kabwe, further investigations by the *Citizen*, and legal proceedings in Malaysia, Tanzania, London, and the British Virgin Islands. As a result, most of the relevant facts required to draw firm conclusions on the case are well established. **Box 1.1** summarises TEA.

Box 1.1:Escrow in a nutshell

- Since 2002, **Independent Power Tanzania Limited** (IPTL) has been running a 100MW, diesel-fuelled power plant at Tegeta, outside Dar es Salaam;
- IPTL was a joint venture between **Mechmar Bhd** of Malaysia (70%) and **VIP Engineering Ltd** (30%);
- In August 2005, **Standard Chartered Bank, Hong Kong** (SCB-HK) buys the IPTL debt, valued at US$125m, for US$ 75 million, after Mechmar goes into receivership;
- In November 2006, **TANESCO**, Tanzania's monopoly power utility, sets up the **Tegeta Escrow Account** in the **Bank of Tanzania** to receive capacity payments while the **International Centre for the Settlement of Investment Disputes (ICSID)** deliberates on TANESCO's claim that they overpaid IPTL for power since VIP had not paid up their 30% share capital;
- **Pan-African Power Solutions** (PAP), owned by Tanzanian-born **Harbinder Singh Sethi**, claims to have purchased Mechmar's 70% shares in IPTL from a company known as '**Piper Link**' for **US$300,000**, a claim dismissed by Mechmar's liquidators in Malaysia and by the **High Court** of the **British Virgin Islands**, where Piper Link was domiciled;
- During November and December 2013, the Bank of Tanzania transfers the equivalent of **US$122m** to IPTL/PAPs account in **Stanbic Bank** with which PAP buys VIP's 30% stake in IPTL for **US$75million** from **James Rugemalira**, described as the owner of VIP, through payments to his personal account in **Mkombozi Bank**;
- In March 2014, the ***Citizen*** begins to publish investigative articles describing how Sethi acquired IPTL and how he engineered the plunder of the TEA with the collusion of senior politicians and government officials, judges and private banks.
- On 27 November 2014 , the **Public Accounts Committee** Chairman **Zitto Kabwe** presents a 110 page report on PAP and TEA which states that public agencies failed to perform due diligence and that numerous high functionaries, including **Andrew Chenge** and **Anna Tibaijuka**, received large bribes out of the TEA loot;
- On 22 December 2014, **President Kikwete** repeats the argument that the TEA is private money and belongs to IPTL/PAP.

On 26 November 2014, the PAC report was finally tabled in parliament.[3] A *Citizen* headline the following day reported 'Country at standstill as Bunge receives report on IPTL saga'. 'Halls used for screening football matches…were packed, with a fee of between Sh200 and Sh500 to watch...' [4] The PAC report concluded that gross irregularities in the sale of IPTL to PAP meant that Sethi's claim to own the firm was invalid. The committee argued that most of (or all) the funds in the escrow account were the rightful property of TANESCO. BOT, MEM, MOF and the AG failed 'to conduct due diligence' on PAP's claimed acquisition of Mechmar's shares.[5]

[3] Delaying tactics by the government added months to the TEA saga. Eleventh hour attempts by PAP's lawyers to prevent parliament discussing the issue were unsuccessful.
[4] The *Citizen* Team, 27 November (**Appendix 1**)
[5] *Citizen* Reporter 2014, 27 November (**Appendix 1**).

After long and heated debate, the national assembly endorsed eight recommendations to take action against all those mentioned in the PAC report, and others yet to be identified. In particular, the Minister for Energy and Minerals and its PS, the Minister of Lands, Housing and Human Settlement, the AG and the TANESCO board chairpersons should be dismissed. Andrew Chenge, Victor Mwambalaswa and William Ngeleja should be removed as Chairpersons of the parliamentary Budget, Energy and Minerals, and Constitutional Affairs Committees respectively. Two High Court judges should be investigated for 'unethical conduct' (see **Appendix 1** for details). Stanbic Bank, Mkombozi Bank and 'other financial institutions' should be investigated for failures in due diligence and money laundering. Finally, the government should consider nationalising the IPTL plant and all power generation contracts should be reviewed.[6]

There was no discussion of the claim by Standard Chartered Bank-Hong Kong (SCB-HK) to own the IPTL debt (See **Appendix 1**). This was not accidental. Though keen to investigate every facet of the scam, PAC chairman Zitto Kabwe had reservations about SCB-HK's claim on IPTL, and declared in parliament that he had refused to meet a delegation of SCB officials when lobbied by British High Commissioner Diane Melrose.[7]

By the time the PAC report was presented to parliament, key players had already committed to the argument that the TEA was 'private', not 'public' money. Attorney General Frederick Werema, Minister of Energy and Minerals Professor Sospeter Muhongo, Prime Minister Mizengo Pinda and finally President Kikwete all argued that Sethi was the rightful owner of IPTL, and that the escrow account funds were therefore his. In June 2014, Zitto Kabwe had already debunked this position, pointing out that: 'Since TANESCO's books show the escrow money as reserves, it is obviously public money.'[8] **Box 1.2** deconstructs the issue.

Box 1.2 TEA: Public or private money?

Was TEA public or private money? The relevant facts are the following:

- The TEA was opened in 2006 on TANESCO's initiative to hold the monthly capacity charges that the power utility previously paid to IPTL.
- The TEA would be held in the BoT until the International Centre for the Settlement of Investment Disputes (ICSID) established whether IPTL had been overcharging TANESCO through investing less in the company than claimed (capacity charges depend on the size of the investment).
- If TANESCO's claim was upheld by ICSID, TANESCO and IPTL would agree on a new capacity charge and the TEA would be distributed between TANESCO and IPTL accordingly.
- In the event, ICSID found that IPTL had indeed been overcharging TANESCO, but by the time of the decision, *TEA money had already been paid to PAP via IPTL*. The very reason for the TEA--to establish what was owed to IPTL and what should be retained by TANESCO--had been made redundant.
- The ICSID found that IPTL had been overcharging TANESCO from 2002 to 2006, and

[6] Orton Kiishweko 2014. 'Bunge finally decides', *Sunday News*, 30 November. A new PCCB Act was also recommended to deal with grand corruption and 'economic sabotage'.

[7] Kabwe said he reported the incident to the Minister of Foreign Affairs Bernard Membe. SCB-HK is a subsidiary of Standard Chartered, a multinational British bank.

[8] Zitto Kabwe 2014. 'Tegeta Escrow Account is public money', *Citizen*, Dar es Salaam, 29 June.

instructed the parties to work out a new capacity charge and to report back within 90 days.

- Tanzanian government officials, high court judges and private lawyers collaborated to deny the legality of the international tribunal that TANESCO had itself approached to arbitrate on the capacity charge issue, asserting the supremacy of Tanzanian law.

IPTL would indeed have received the lion's share of the TEA after the recalculations proposed by the ICSID. But the main issue glossed over by the 'private versus public' intervention was of course Sethi's arguably fraudulent acquisition of the power plant. But by the time the full story (or most of it) was known, the TEA had already been transferred to Sethi 12 months earlier, making any chance of recovering the stolen billions extremely unlikely.

On 22nd December, President Kikwete finally addressed Dar es Salaam 'elders' in a packed Diamond Jubilee Hall to give his long-awaited response to the PAC enquiry and parliamentary resolutions.[9] Work stopped countrywide for a second time in less than a month as the president went through the IPTL story.[10] In the event, the meeting was an anti-climax, leaving 'many questions unanswered', as one journalist put it.[11] In his two-hour address to mostly CCM supporters, Kikwete said the government would carry out 'further investigations to satisfy itself'

[9] Addressing elders on important issues was first practiced by Julius Nyerere (Reporter 2014. 'Mood swings in Jubilee hall crowd', *Citizen*, 23 December).
[10] The speech was reproduced in its entirety in the *Daily News* on Saturday (December 27 2014) as 'Hotuba ya Rais wa Jamhuri ya Muungano wa Tanzania, Mheshimiwa Jakaya Mrisho Kikwete, akizungumza na Wazee wa Mkoa wa Dar es Salaam, tarehe 22 Desemba, 2014'.
[11] Frank Kimboy 2014. 'Escrow still rages as Tibaijuka is sacked, *Citizen,* 23 December.

that the parliamentary resolutions were well founded;[12] he refused to sanction high court judges receiving payments from James Rugemalira;[13] declared that he had appointed a new board chairman of TANESCO as its term had expired; and argued that nationalising IPTL or examining all power contracts would send the wrong signal to private investors. Muhando and Maswi, who the PAC said should be dismissed, were to be further investigated (though they later resigned, they were subsequently cleared of any wrongdoing).[14] Crucially, Kikwete concluded that the 'escrow money did not belong to the government. It belonged to IPTL.'[15]

The *Daily News* of December 23rd declared that 'Escrow has taken political responsibility to greater heights', though (unnamed) 'politicians … seized the opportunity to mislead … the masses that the hefty amount paid to the IPTL's new owner … PAP were … public funds…'. The following day, CCM's youth wing, the UVCCM, called the President's performance "a great show of state leadership."[16]

But Kikwete's account of TEA/IPTL raised more questions than it answered.[17] If the transfer of TShs 200 billion from the BOT to PAP, IPTL's 'rightful owner', was deemed to be above board, why should there be any further investigations, suspensions or sackings? Why did Kikwete praise "legislators for standing up against evil deeds"?[18] For what reason was the Attourney General forced to resign? The obvious contradiction was compounded by the suspension of PS Eliakim Maswi two days after Kikwete's intervention. [19]

By way of attributing 'responsibility', Kikwete had sacked Anna Tibaijuka, Minister of Lands, Housing and Human Settlements Development, for "ethical shortfalls in her conduct…"[20] The previous week, Tibaijuka had told a press conference that she would not resign over the Escrow issue, as the money she received from Rugemalira was 'not corrupt.' She went on to speculate that the president would not want her to resign, a grave miscalculation on her part.[21] Her apparent self-confidence did not go down well with the public.[22] Despite the *Daily News'* claim that she was dismissed 'because of adherence to the principle of transparency and

---

[12] These 'further investigations' had been announced earlier. Activist Deus Kibamba suggested this meant that the government "doesn't trust its own institutions and even the parliament." David Kisanga and Gadiosa Lamtey 2014. 'Concerns surface as State House moves to probe Tegeta escrow account saga reports', *Guardian,* 13 December.
[13] He argued that he did not have the constitutional powers to suspend judges, which was immediately challenged by constitutional lawyers including Professor Chris Peter of the University of Dar es Salaam.
[14] To anticipate the continuation of the story, Professor Muhongo again found himself Minister for Energy and Minerals in Kikwete's successor's first cabinet, and Maswi moved to the TRA.
[15] Reporter 2014. 'Mood swings in Jubilee hall crowd', *Citizen*, 23 December.
[16] Ally Saleh 2014. 'When escrow saga refuses to die even after 'speech'' *Citizen*, 28 December.
[17] Jenerali Ulimwengu 2014. 'Whose goat was it? Why is owner disowning it? Who's telling the truth?' *East African* 27 December–2 January.
[18] Devota Mwanchang'a 2014. 'JK comments MPs' solidarity on handling escrow scandal', *Guardian,* 24 December.
[19] Athuman Mtulya 2014. 'PS Maswi sent home ahead of new probe', *Citizen,* 24 December. A presidential directive 'said that disciplinary action would be taken … should [Maswi] be found to have erred.'
[20] Gertrude Mbago and James Kandoya 2014. 'Escrow account fiasco: Maswi suspended', *Guardian*, 24 December.
[21] One observer saw her press conference 'accelerating her downfall' (Kiangiosekazi wa Nyoka 2014. 'Escrow silhouette still haunting', *Daily News*, 27 December).
[22] Frank Kimboy 2014. 'Escrow still rages as Tibaijuka is sacked, *Citizen*, 23 December.

accountability over her involvement in the scandal', her 'involvement' has never been investigated or explained.[23]

Critical reactions to Kikwete's performance came from politicians, civil society and the media. CHADEMA leader Freeman Mbowe 'said by failing to sack the architects of the scandal the President showed the country that he is part of the wider corruption problem.'[24] Zitto Kabwe pointed out that the PAC resolutions were endorsed by the entire parliament which has a majority of CCM members, so that Kikwete was undermining his own party by not endorsing the *bunge*'s recommendations,[25] while David Kafulila (NCCR) and John Mnyika (CHADEMA) also wondered why Muhongo and Maswi were not removed from office as recommended by parliament.[26] The Ukawa alliance of opposition parties consisting of CHADEMA, CUF and NCCR-Mageuzi 'accused President Kikwete of defending the "illegal withdrawal" of Sh306 billion from the Tegeta escrow account.'[27] CUF Chairman Ibrahim Lipumba said President Kikwete had 'ridiculed Parliament by commending its stand on the escrow account scandal, while at the same time dismissing its conclusion that the money belonged to TANESCO.'[28] Helen Kijo-Bisimba of the Legal and Human Rights Centre, said that Kikwete "acted like an advocate of Pan African Power Solutions",[29] asserting that Tibaijuka was "not directly involved, thus sacking her and leaving [Muhongo and Maswi] was unfair."[30] Most *Jamii Forums, Twitter* and *Facebook* commentary was predictably critical after the speech.[31] The *Guardian*'s 'Whisperer' reported that: "The majority were disappointed…they say he [JK] failed to lay the escrow account thing to rest. Generally, they were not happy with his performance."[32] Finally, the president of the Trade Union Congress of Tanzania (TUCTA), Gratian Mukoba, 'said Tanzanians were fed up seeing a few people plundering public resources as if they were their personal property.' "We are not ready to see the nation descend into chaos because of a few greedy people."[33]

Escrow figured in some Christmas messages from Tanzania's main churches, albeit mostly without direct references. An exception was Bishop Alex Malasusa, head of the Evangelical Lutheran Church (ELCT), who accused leaders of 'snubbing God.' "We are all witnesses of what has been going on recently—leaders taking a defensive stance instead of taking responsibility for their actions."[34] "You can't take billions of public funds while many Tanzanians live in abject

---

[23] Reporter 2014. 'We say 'No' to greedy leaders', *Daily News,* 24 December.
[24] Ben Taylor 2015. 'Energy scandal claims two senior politicians', *Tanzania Affairs*, January
[25] Athuman Mulya 2014. 'How social media reacted to JK's escrow speech', *Citizen*, 24 December. Zitto added on Facebook that "Our leaders must move away from the culture of denials, cover-ups and proxies."
[26] *Guardian* Reporters 2014. 'Public: President downplayed Bunge resolutions on escrow account culprits', *Guardian*, 23 December.
[27] James Kandoya 2014. 'UKAWA queries President's stand on IPTL saga', *Guardian*, 25 December.
[28] Frank Kimboy 2014. 'Ukawa wants House to act against Premier', *Citizen*, 25 December.
[29] Athuman Mtulya 2014. 'Pundits: JK fell short of expectation', *Citizen*, 23 December.
[30] Florence Mugarula 2014. 'JK escrow speech disappointing: LHRC', *Citizen*, 25 December.
[31] Honourable mention should be made of bloggers Zitto Kabwe and Chambi Chachage, and Ben Taylor of Twaweza and mtega.com, who provided both information and analysis of TEA throughout. See Athuman Mulya 2014. 'How social media reacted to JK's escrow speech', *Citizen*, 24 December.
[32] The Whisperer 2014. 'Of the CEO and his performance', *Guardian on Sunday,* 28 December.
[33] Frank Kimboy 2014. 'Punish escrow architects, says Tucta', *Citizen*, 25 November.
[34] Reporters 2014. 'Clerics relay turn-to-God message', *Daily News*, 26 December.

poverty…"[35] Catholic clerics implicated in the TEA scam were understandably less outspoken. After celebrating mass at St Joseph's Cathedral on Christmas day, Auxiliary Bishop Eusebius Nzigilwa was asked by journalists to comment on his role in TEA. He said he would issue a statement 'in the near future.' His statement of early January 2015 said that he received TShs 40m from James Rugemalira in good faith, since Rugemalira "runs big businesses in accordance with the law … [and therefore] no one could harbor doubts when he gives such an amount of money." He did not explain why the money was transferred to his personal account if it was an 'offertory' to the church, as he claimed. [36]

Despite some resignations and Tibaijuka's dismissal, the key issues raised by the PAC remained unresolved. Sethy kept IPTL and the TEA money was not reclaimed or returned. SCB-HK continues to lay claim to all IPTL income, to no avail. The efforts of Zitto Kabwe, the *Citizen* and others were in vain, at least in the short term.

The escrow saga led the major development agencies to suspend budget and programme support until the issue was resolved (**Chapter 6**). First, in May, all major donors including the World Bank announced the suspension of US$558m general budget support planned for FY2014-15 pending resolution of the escrow affair. On December 10, the US government's Millennium Challenge Corporation (MCC) issued a statement saying that it expected the Tanzanian authorities to take strong action against corruption. MCC's Board voted to continue engagement with Tanzania with the 'understanding that ... the Tanzanian government would act promptly and decisively on the ... parliamentary resolutions regarding IPTL."[37] Finally, after Kikwete's poor showing on December 22, the GBS donors repeated their hope that 'Tanzania's accountability systems (sic) will handle the case thoroughly.'[38]

TEA highlights some of Tanzania's key accountability weaknesses:

- Parliament and the judiciary are not empowered to hold the executive answerable. Despite exemplary work by the Public Accounts Committee (PAC), and relative unity between the ruling party and opposition, the executive stood firm and successfully resisted all attempts to resolve the scandal in the public interest;
- The power sector showed its continued vulnerability to capture by private interests, making it impossible to implement a coherent or financially responsible energy policy, including private participation;
- Tanzania has demonstrated a casual attitude towards its international legal commitments by asserting 'national' judicial sovereignty over the ICSID process which it had itself initiated to resolve the capacity charge issue.

In addition:

[35] James Kandoya 2014. 'Clerics urge JK to be bolder on corruption', *Guardian*, 26 December.
[36] Reporter 2015. 'Nzigilwa: Yes, I accepted escrow cash and this is why', *Citizen,* January 2. The Tanzania Episcopal Conference vice president Severin Niwemugizi said the church would not investigate the issue. Reporter 2014. 'Only the Pope can act on escrow bishops' *Citizen,* 29 December.
[37] MCC website. Tanzania was the recipient of the largest MCC grant during the first round of disbursements—almost US$700m—which was spent on power infrastructure, roads, airports and water supply.
[38] Reporter 2014. 'Donors call for concrete action after JK's speech', *Citizen,* 25 December.

- The private banking sector in Dar es Salaam exposed its lack of effective internal or external oversight mechanisms by allowing huge short-term deposits and withdrawals to be made unchallenged;
- By withholding budget support, donor agencies added to the GoT's budgetary crisis, but ultimately failed to influence the outcome of the TEA scandal.

***

For all the local and international interest generated by the IPTL/Escrow saga, and the legal and other costs incurred and time wasted over the years as a result of IPTL, not to mention the enormous costs to businesses and households resulting from constant power crises, the reader would be forgiven for imagining that IPTL was a major power producer.[39] In fact, the 100 megawatt Tegeta plant is modest by industry standards, and accounted for only about 7 percent of the country's on-grid power generation capacity in 2013. It is tragic from a development perspective that such a small investment could cause so much disruption to the power sector at such cost.

EAT is further discussed in **Chapters 2, 4, 5** and **6** below, covering respectively public finance implications, regulatory issues in the power sector, media and civil society involvement in reporting and lobbying, and relations to aid donors in the power sector and more generally. Below TEA is examined from a governance perspective.

1.2 Governance trends

'The Escrow Account saga came as a leadership, ethics, national values and principles of good governance issue.' [40]

'The so-called Escrow Account Scandal has once again highlighted the degeneration of the Tanzanian state and public service. It would appear as though there is no depth too deep for them to plumb.'[41]

Escrow was a victory for the free press and for parliament as a constraint on executive power. As a result of investigative journalism, principally by Kenya's *Nation Media Group*,[42] the public had access to a steady stream of shocking revelations.

1.2.1 Voice and Accountability

TGR 2012 was subtitled *'Transparency with Impunity'* to signal the trend towards greater public access to information and more open parliamentary debate on governance issues, corruption in particular, but without a concomitant improvement in accountability and *answerability*, beyond

[39] In one article, a *Daily News* reporter refers to IPTL's 'giant' Tegeta plant.
[40] Legal and Human Rights Centre 2015. 'Tanzania Human Rights Report 2014', Dar es Salaam, page 253. LHRC notes that that the Constituent Assembly (see text) left out such governance issues from the proposed new constitution although they were included in the Second Draft Constitution. '… some of those implicated in the ESCROW account' [saga] were members of the Assembly.
[41] Jenerali Ulimwengu 2014. 'Instead of men and women of honor, we have careerists', *East African* 6-12 December.
[42] Founded by the Aga Khan in 1959, the Nation Media Group (NMG, www.nationmedia.com) owns newspapers and FM radio stations in Kenya, Uganda, Tanzania and Rwanda. In early 2015, the GoT banned NMG's flagship *East African* after it published a cartoon of President Kikwete surrounded by scantily dressed young women, though this was not cited as the reason for the ban, which lasted a year.

the sacking or resignation of some ministers and senior officials. The TEA saga is an outstanding example of the trend towards transparency without answerability.

Without pressure from CCM and opposition MPs, the executive might have postponed parliamentary discussion of the TEA scandal indefinitely. Despite having a large majority in parliament, the ruling party could not count on compliant legislators, most of whom gained nothing materially from the 'Escrow' deal but had to suffer their share of the public outrage directed against CCM following the shocking revelations of the looting of public funds by members of the Kikwete government. With less than a year to go to elections, the last thing CCM backbenchers needed was further proof of official corruption. For example, Esther Bulaya (CCM, Special Seats) said 'she was not ready to see her party's image tarnished because of [a] few corrupt individuals', while Michael Laizer (CCM, Longido) 'said only an open debate would shed light on the scandal or clear the innocent who have been falsely mentioned.'[43]

However, although ruling party and opposition MPs were successful in getting TEA discussed in parliament, the executive ultimately succeeded in preventing a just resolution. Alarmed by the prospect of a back-bench revolt, government leaders ordered MPs to stop criticising the executive in parliament. The move was largely successful, with CCM MPs lining up to denounce the PAC as an 'opposition' committee, even though the majority of PAC members were from CCM.[44]

Some ministers and CCM officials were extremely uneasy at the negative fall-out from the Escrow saga, which seemed to be playing into the opposition's hands. Mark Mwandosya, Minister of State in the President's Office, CCM Secretary General Abdulrahman Kinana, and CCM Publicity Secretary Nape Nnauye all made public statements denouncing the scam. Mwandosya said "as one of the clean members of the party, I would wish all those implicated in the [PAC] report to quit the party."[45] In an environment where limiting the arbitrary exercise of executive power is a core component of 'good governance', Escrow seemed to be a throw-back to the bad old days of unbridled presidential power, seriously challenging the notion that the country was transiting from one-party rule to something approaching a parliamentary democracy.

1.2.2 Rule of Law

'Mr Zitto said what happened with the Tegeta Escrow scandal can only happen in a country where there is no rule of law…'[46]

In order to prevent or delay the discussion of the PCCB and CAG reports in parliament, PAP/IPTL's lawyers and CCM politicians, including the Prime Minister, came up with various arguments concerning the primacy of judicial over parliamentary processes. In early November,

[43] Katare Mbashiru 2014. 'Pinda booed as MPs close ranks on IPTL scam', *Citizen*, 21 November.
[44] Erick Kabendera 2014. 'Taxman reverses 'fraudulent' takeover of company as escrow row heats up', *East African,* November 29 – December 5. Lacking substantive counter-arguments to the PAC, members resorted to character assassination and questioning the motives of Zitto et al.
[45] Katare Mbashiru 2014. 'Minister quizzed over escrow scam', *Citizen,* 24 November.
[46] Rose Athumani 2014. 'MPs cautioned over "three pillars"', *Daily News*, 21 November.

IPTL/PAP lawyer Joseph Makandege argued that parliament's decision to deliberate on the TEA issue "was tantamount to contempt of court" since "everything was being addressed within the judicial system."[47] Later in the month, Prime Minister Mizengo Pinda was booed as he argues that parliament 'should not interfere' with the authority and duties of the executive and the judiciary.[48]

The revelation that High Court judges received money from Rugemalira strongly suggests that they were corrupted. National surveys show that the judiciary is perceived as one of the most corrupt institutions in the country. In August-September 2014, Afrobarometer found that a third (34 percent) of respondents nationwide thought that most or all judges and magistrates were involved in corruption and a further 46 percent thought that 'some of them' were.[49]

1.2.3 Policy and Regulation

Recent TGRs have flagged the poor performance of the Ministry of Energy and Minerals (MEM) and TANESCO in making and implementing a viable power policy for Tanzanian businesses and domestic consumers. Local business lobbies and international surveys repeatedly flag power availability and reliability as among the main constraints on doing business in Tanzania (see **Chapter 4**).

When IPTL was first conceived, the National Energy Policy of 1992 had just been completed. The strategic vision of the policy was to reduce dependence on imported fuel by turning to locally available natural gas to supplement hydro, which was the main source of electricity (see **Appendix 1**). Nearly a quarter of a century later, Tanzania still spends foreign exchange to import diesel fuel to run IPTL.

1.2.4 Corruption Control

'Quis custodiet ipsos custodes?[50]

'It is because of corruption that a country can have a few billionaires and millions of paupers.'[51]

Behind IPTL 'is a criminal syndicate that successfully captured the state.'[52]

Tanzania ranked 119th/175 (68th percentile) in Transparency International's Corruption Perception Index in 2014, down from 90/146 countries (61st percentile) in 2004 (see **Chapter 7**). Afrobarometer found that fully two-thirds of respondents in an August-September poll thought that corruption had increased during the previous year.[53] The East African Bribery Index ranks 'the judiciary' as among the most corrupt institutions, behind the police.[54]

---

[47] Aisia Rweyemamu 2014. 'Release CAG, PCCB reports on IPTL probes says MP', *Guardian on Sunday,* 2-8 November.
[48] Rose Athumani 2014. 'MPs cautioned over "three pillars"', *Daily News*, 21 November.
[49] REPOA 2014. 'Afrobarometer Round 6, Summary of Results, Survey in Tanzania', question 5G3. Judges and magistrates were on a par with tax officials, the police and PCCB in this respect.
[50] 'Who will guard the guardians?' a Latin phrase attributed to the Latin poet Juvenal.
[51] Saumu Jumanne 2014. 'Tegeta escrow or just a scarecrow, you decide', *Citizen on Sunday*, 28 December.
[52] View attributed to PAC chair Zitto Kabwe.
[53] REPOA 2014. 'Afrobarometer Round 6, Summary of Results, Survey in Tanzania', Q54.
[54] Transparency International Kenya 2014. 'The East African Bribery Index 2014', page xv.

Opening the AGM of the Southern African Forum Against Corruption (SAFAC) in Dar es Salaam in November 2014, President Kikwete said: "The speed of corruption can be seen as escalating at certain stages but its speed must be stopped using all possible and available strategies as many public officials and government leaders [are] getting increasingly involved in it."[55]

In November, details emerged of transfers made from James Rugemalira's personal account at Mkombozi Bank to various politicians, officials, judges and priests (see **Chapter 4** and **Appendix 1**). Both Anna Tibaijuka and Andrew Chenge received the equivalent of US$1m. Andrew Chenge's receipt of TShs 1.6billion came as no surprise to the public. Even the government-owned *Sunday News* allowed the following opinion to pass:

> '…the mention of 'Mzee Vijisenti' was cause of no reaction except maybe for rolling eyes. This man's name has come up in the Radar scandal, Uncle Jack's [Kikwete's] plane scandal, EPA and Richmond. How is he still given opportunity to steal by being given posts within the government? When will the 'vijisenti' be enough, I wonder.[56]

Finally, opening a two-day seminar for CCM's parents' wing, Prime Minister Mizengo Pinda said that 'most CCM members who aspire for electoral positions have been using corruption as a means to realise their ambition.' He claimed that some of CCM's wings 'have been used by corrupt politicians to push for their aspiration', though he did not name names.[57]

1.3 The Constitutional Reform Process

'…democratization is more than the introduction of multiparty politics. …'
'…multipartyism itself does not make the government transparent and accountable.'[58]
'The current stalemate is the result of politicians hijacking the process to score political points rather than to help the country get a better mother law.'[59]
'CCM…will make sure if Tanzanians are to get a new constitution, it will be [one] that suits CCM's interests.'[60]
'…without that kind of latitude to appoint incompetents and thieves to lucrative positions, the rulers would find themselves seriously constrained.'[61]

---

[55] Moses Matthew 2014. 'JK opens anti – corruption bodies' meet in Mwanza', 4 November.
[56] Amby Lusekelo 2014. 'All hail, the Tanzania Superman', *Daily News,* 30 November. 'Vijisenti' (small change) is how Chenge described a US$ one million transfer he received in connection to the infamous BEA radar deal. Another opinion piece in the same edition of the Sunday News lamented 'a people who have lost all sanity', as well as 'a loss of faith in those entrusted with the sacred task of guiding us out of our quagmire.' Kilasa Mtambalike 2014. 'Sanity is gone and it's not coming back', *Daily News*, 30 November.
[57] Frank Kimboy 2014. 'Corruption a blot on CCM, Pinda laments', *Citizen*, 23 February.
[58] Mohabe Nyirabu 2002. 'The Multiparty Reform Process in Tanzania: The Dominance of the Ruling Party', *African Journal of Political Science*, Vol 7, No. 2, 109-110.
[59] Reporter 2014. 'Salim advises Katiba rivals to step back from the brink', *Citizen*, 27 June. Quoting former Prime Minister Salim Ahmed Salim.
[60] Mwassa Jingi 2014.'CCM 'not ready' for new Katiba', *Citizen*, 3 August.
[61] Jenerali Ulimwengu 2014. 'Trying to be too clever by half, CCM has divided the country into two parts', *East African*, October 11 – 17.

The other high-profile political event of 2014 was the virtual collapse of the constitutional reform process. Initiated by President Kikwete in 2012,[62] the process involved setting up a 32 member Constitutional Reform Commission (CRC) and a 600+ Constitutional Assembly (CA) to endorse a new draft constitution that would be voted on in a referendum before the end of Kikwete's second term. The constitutional reforms and the elections were linked, since the fate of the union was the key issue at stake in both. The CRC was led by former Prime Minister Joseph Warioba, who was tasked to gather views from public meetings across the country and from submissions by special interest groups.

The draft new constitution was presented to President Kikwete in December 2013. The CA formed to discuss the draft constitution in early 2014 was made up of the union (357 MPs) and interest groups of the population.[63] In all, 618 members were called to deliberate in Dodoma for 70 days, each receiving TShs 300,000 a day.[64] Veteran journalist Jenerali Ulimwengu predicted that 'the CA will be so disparate and so divergent in political views as to make it incapable of reaching any substantive decisions on the mooted draft…'[65] The prediction proved accurate, as political jousting and special interest lobbying turned the CA process into a farce.[66] Absenteeism, especially by Ministers, turned out to be a major problem. By the end of April, the CA was said to have consumed TShs 27 billion in sitting allowances.[67] Charles Kayoka observed in the *Citizen* that 'The CA has gone on leave after 67 days of political haggling, with none of the 271 articles of the Draft katiba [constitution] being approved.' [68]

"I will make sure I apply my professional skills to help the assembly come up with a constitution that will safeguard the interests of all Tanzanians, irrespective of their backgrounds."
Andrew Chenge. 14 March 2014

On inaugurating the CA in March, the president bluntly declared his opposition to the proposed 'three government solution' to the union question.[69] According to Kayoka, 'His was not the tone for negotiation and mediation, but the tone of absolute power…'[70] In protest, a group of opposition parties known as the Alliance of Defenders of the People's Constitution (*UKAWA* in Kiswahili) boycotted the

[62] The reform was largely a 'presidential' initiative since it was not part of CCM's 2010 election manifesto.
[63] Kitila Mkumbo 2014. 'Union to dominate Katiba House', *Citizen,* 12 February. The groups are: NGOs, workers, disability, pastoralists, fishers, religious bodies, farmers, education institutions, common interest (n=139). See also: Katare Mbashiru 2014. 'Make or break team', *Citizen,* 8 February. The textbox quotation is from: Florence Mugarula 2014. 'Chenge's pledge to CA members', *Citizen,* 15 March.
[64] The main concern of some members was the level of allowances, which were considered too low: Frank Kimboy 2014. 'Give us more money: CA delegates', *Citizen,* 20 February.
[65] Jenerali Ulimwengu 2014. 'Constitutional review grinds on, but could it be heading towards collapse?' *East African*, 15-21 February. See; also Reporter 2014. 'members call for freedom to present views of their groups', *Citizen,* 28 February.
[66] Jenerali Ulimwengu 2014. 'In Dodoma, the confusion is rising, and look, our leaders are smiling and smiling', *East African*, 1-7 March
[67] Lydia Shekighenda and Martha Majura 2014. 'CA members pocket nearly 27bn/-, *Guardian*, 25 April.
[68] Charles Kayoka 2014. 'Why CA must manage differences', *Citizen,* 7 May.
[69] Polycarp Machira 2014. 'JK rejects three-tier government structure', *Guardian*, 22 March; Reporter 2014. 'Kikwete pours cold water on Warioba draft, law process at stake', *East African*, 29March–4 April.
[70] Charles Kayoka 2014, op. cit.

commission's subsequent proceedings in protest.[71] Professor Mwesiga Baregu, a member of the CR, said it was "absurd for the President to disagree with the commission report" having 'personally formed' the commission, which had "spent a lot of time and money gathering views and opinions around the country."[72]

According to Ulimwengu, Warioba's commission:

> 'was disbanded unceremoniously, its members treated as if they had been unwanted all along, and their vehicles reclaimed in a morning; the commission's website, with the draft constitution, appendices and matrices was taken off air, as if to make sure no one could access its work and rationale.'[73]

Despite attempts to resolve the impasse, UKAWA, led by CUF chairman Ibrahim Lipumba, stuck to its position.[74] Former High Court Judge Thomas Mihayo lamented that: 'The more we get a strong opposition, the more we have a divided House even on matters of national importance.'[75] Judge Warioba argued that those against the three government option 'are against Tanzanians', who were widely canvassed over the new constitution.[76] A Twaweza study in April found that 80 percent of Zanzibaris interviewed were in favour of three governments compared to only 43 percent on the mainland.[77]

In late September, Andrew Chenge 'unveiled the proposed new Constitution', which contained radical changes to the Warioba draft.[78] The second draft was watered down on accountability issues, and, critically, the two government structure was retained.[79] Judge Warioba took up the issue of the revised draft, and at a meeting organised by the Mwalimu Nyerere Foundation his presentation, which was broadcast live, was brought to a halt by a group of young men, described as students, who began to disrupt the meeting, chanting CCM slogans and throwing chairs around. Activists questioned President Kikwete's failure to condemn the incident and its perpetrators.[80]

Warioba flagged interference with proposals for strengthening constitutional provisions to contain corruption.[81] He 'noted that some articles on how to deal with dishonest leaders … were deleted from the draft presented by the CRC without giving reasons for ignoring people's views

---

[71] Jenerali Ulimwengu 2014. 'Tanzanian's Katiba process dogged by lack of trust, boycotts, wrangling and deceit', *East Africa*, 30 August – 5 September.
[72] Reporter 2014. 'JK was 'biased and pro–CCM' – critics', *Guardian*, 23 – 29 March; Jenerali Ulimwengu 2014. 'Kikwete pours cold water on Warioba draft, law process at stake', East African, March 29 – April 4 .
[73] Jenerali Ulimwengu 2014. 'Trying to be too clever by half, CCM has divided the country into two parts', *East African*, October 11 – 17.
[74] Reporter 2014. 'JK's speech scorecard', *Citizen,* 23 March.
[75] Thomas Mihayo 2014. 'Lawlessness bad for good governance, human rights', *Citizen*, 8 March.
[76] Polycarp Machira 2014. 'Warioba: Those against three govts are against Tanzanians', *Guardian*, 22 March.
[77] Katare Mbashiru 2014. '65pc happy with new Constitution draft, says survey', *Citizen,* 24 April. 445 Zanzibaris were interviewed and 1,547 mainlanders. The report is titled 'What do people really think of the constitution?'
[78] Athuman Mtulya 2014. 'Chenge unveils proposed Constitution in Dodoma', *Citizen,* 25 September.
[79] This is denied by Andrew Chenge, chair of the drafting committee. See Athuman Mtulya op. cit.
[80] Henry Mwangonde 2014. 'Activists fault JK over Warioba attack remark', *Citizen,* date pending.
[81] Reporter 2014. 'It's pity proposed katiba omits frees graft body', *Citizen*, 26 *September*; Henry Mwangonde 2014. 'Nation divided over Chenge katiba draft', *Citizen,* 28 September.

expressed during [the] consultation exercise.' [82] There were complaints that the Executive would have more control over the CAG under the revised draft constitution.[83] The author points out that some members of the assembly were 'on the list of beneficiaries of the stolen [escrow] billions',[84] referring *inter alia* to Andrew Chenge, who is at the centre of the CCM resistance to changing the union, reducing presidential powers, or improving accountability. But the fundamental issue was the rejection of the proposed three government solution, which CCM members, who were the majority of the Constituent Assembly, rejected in favour of retaining the present two government (Union and Zanzibar) arrangement, leading to the resignation of the Zanzibar Attourney General Othman Masoud Othman from the Drafting Committee.[85]

On October 2, the so-called 'Chenge draft' of the proposed new constitution was passed by the requisite two-thirds of Constitutional Commission delegates from both the mainland and Zanzibar.[86] The draft passed easily among mainland voters, who were overwhelmingly CCM supporters, but just scraped through among Zanzibaris, many of whom favoured the three states solution. It is unclear whether the Zanzibar vote was rigged. Prime Minister Mizengo Pinda announced that the process to finalise the new constitution should be completed by the 2015 general elections, but it was announced in September that the new constitution would not go through before the end of Kikwete's presidency.[87]

Failure to vote on the new constitution or resolve the long-standing Zanzibar issue led to a further political crisis during the 2015 elections, to be reported in the final TGR of the Kikwete presidency. What was to have been a lasting show of statesmanship turned out to be an expensive exercise in party politics, with CCM refusing to budge on the issue of the union.[88] The final draft of the proposed new constitution was presented to the Presidents of the Union and Zanzibar governments on October 9th.

Why did President Kikwete initiate a review process in a statesmanlike gesture if the ruling party could (and did) so summarily veto some of its main conclusions? After all, until Kikwete's initiative, constitutional reform, aimed at reducing the powers of the executive that CCM currently enjoys, was largely an opposition agenda. One view is that CCM's inner circle was more concerned to retain the union structure than to go along with Kikwete's 'legacy' of

---

[82] Reporter 2014. 'PCCB misses slot in Katiba', *Citizen*, 29 September; Mwassa Jingi 2014. 'Why PCCB 'not issue' in Katiba', *Citizen*, 2 November.
[83] The CAG budget would not be 'ring-fenced' against possible cuts: See CAG 2014: 304-5. 'Instead, the Executive has been given more influence over the External Auditor in the Current Constitution and Acts.'
[84] Henry Muhanika 2014. 'IPTL scandal and our proposed constitution', *Guardian*, 7 December.
[85] Frank Aman 2014. '2014: From death of Dr Mgimwa to resignation of AG Warema', *Guardian on Sunday*, 28 December.
[86] Athuman Mtulya 2014. 'Chenge unveils proposed Constitution in Dodoma', *Citizen*, 25 September. According to Chenge, 186 sections of the second draft constitution 'were changed in context and technicality', 28 sections were removed, and 'only' 41 sections are new. One close reviewer (name withheld) said the changes 'obliterated all the progressive elements of … the Warioba version…'
[87] Katare Mbashiru 2014. 'Confirmed: No Katiba until after 2015 election', *Citizen*, 10 September.
[88] Hilal Sued 2014. 'Who will pick up pieces when Katiba process collapses?' *African*, April 28 – May 4.

constitutional reform, and arm-twisted him into rejecting the three-government solution. This suggests lack of prior consultation between Kikwete and CCM's inner circle.[89]

1.4 Conclusion

Professional opinion tends to lament the escrow saga as a sign of the short-sightedness of the elite rent-seeking strategy of recent years.[90] As a result of President Kikwete's failure to resolve the TEA saga in 2014, it dragged on into his last year in power, and the avoidable drain on public resources from procuring IPTL power continued, with knock-on effects on TANESCO's finances and the cost of electricity.

IPTL/Escrow is easily the most extreme example of political corruption and state capture by private interests that Tanzania has ever seen.[91] As with the EPA scandal, the BOT was looted, but unlike the EPA scandal, it is not a one-off event: the owners of IPTL continue to reap regular rents. Moreover, despite high level resignations, dismissals and arraignments (of minor players), the efforts of parliament and the free press were finally frustrated by the key players, none of whom has been charged to date. While IPTL continued to produce over-priced power at full capacity and receive prompt and full payments by TANESCO, other private suppliers have outstanding unpaid bills with the utility totalling many millions of US$s. In this respect, TEA is a striking example of transparency with impunity.

Is the TEA case, as one observer speculated, 'a defining moment for our beloved motherland'?[92] Successful nations are those that have managed, over time, to limit the exercise of arbitrary power by kings, sultans, and emperors through the creation, often involving violence and revolution, of more or less broadly representative elected assemblies and parliaments.[93] A key element of this limiting exercise is the progressive protection of individual and collective property rights, backed by law and an independent judiciary, to restrain rulers from appropriating land and property at will. TEA demonstrates that Tanzania has not developed anything approaching inclusive political institutions to constrain the appropriation of public resources by the ruling elite. The independent judiciary that should have enforced property rights according to the law was flagrantly manipulated to serve illicit and informal interests.

In sum, TEA/IPTL represents a significant step backwards in terms of developing inclusive political and economic institutions. One might argue that, after only two decades of competitive politics, it is still much too early to expect any great improvements in governance. A counter-argument is that perhaps TEA is at least in part the result of the introduction of competitive party politics, which has had the perverse effect of increasing competition for political rents.

---

[89] Mwassa Jingi 2014.'CCM 'not ready' for new Katiba', *Citizen*, 3 August.

[90] Rents were discussed at some length in earlier TGRs.
'Bad' rents can be created, for example, through policy capture by private interests, by corrupt tendering and contracting ('looting'), and by giving politicians opportunities to practice extortion.

[91] Hazel Gray 2015. 'A political economy of grand corruption in Tanzania', *African Affairs,* 114/456, 382–403.

[92] Saumu Jumanne 2014, op. cit.

[93] See Daron Acemoglu and James Robinson 2013. *Why nations fail: the Origins of power, prosperity and poverty,* London: Profile Books. The authors contrast inclusive and extractive economic and political institutions.

In April 2014, President Kikwete received *Africa's Most Impactful Leader of the Year* Award from the London based *African Leadership* Magazine 'for his good governance and Tanzanian remarkable growth and development during the years of his presidency.' The magazine 'recognized the leadership role of the President, and progress made in such areas as education, healthcare, water supply, energy, and infrastructure, during his presidency...' [94] A subsequent 8-page pull out in the East African contained (belated) congratulatory advertisements from official bodies, private companies and international organisations.[95]

Finally, in July, Voice Magazine, published in the Netherlands, awarded Kikwete the *Icon of Democracy Award* for 2014 in recognition of his 'leadership track record.' "The story of Tanzania's leadership has been one of success…" Voice editor Pastor Elvis Iruh is quoted as saying. [96]

TGRs have been monitoring these and other sectors under President Kikwete's administration, and will hopefully provide a more objective and evidence-based assessment of his administration's achievements in due course.

[94] http://www.tanzaniainvest.com/economy/tanzanian-president-kikwete-named-africas-most-impactful-leader-of-2013-2. 'African Leadership Magazine is a UK based pan African publication targeting international investors, business executives, government policy makers and multilateral agencies across the world.'

[95] Special Report 2014. 'Africas (sic) most impactful leader of the year 2013', *East African*, June 7. The energy sector crisis was blamed on 'the overdependence on hydropower' and president Kikwete was praised for seeing the need 'to embrace an energy mix.' The praise-singing of the East African contrasts with the careful investigation of its sister paper *the Citizen* into the Escrow disaster.

[96] Reporter 2014. 'JK wins another global award', *Citizen* 31 July; Reporter 2014. 'PRESIDENT KIKWETE ICON OF DEMOCRACY IN AFRICA', *Citizen*, 17 October.

Chapter 2: Public Money and National Governance

'The deterioration of the financial situation in the energy sector has been a key concern … due to its potential implication for the central government's budget. As a result, the World Bank and IMF teams have collaborated closely in pursuing a dialogue with the authorities on the financial gap in TANESCO and the set of actions required to restore the sector's sustainability in both the short and longer terms.'[97]
'At end June 2014, the level of arrears accumulated by the Government with contractors and pension funds was approximately six percent of GDP.'[98]

2.1 Introduction

According to official statistics, the GPD for Tanzania mainland grew by 7 percent during 2014, down slightly from 7.3 percent the previous year. Foreign Direct Investment (FDI) was stable at US$2.1billion for the year.[99] Inflation fell from 7.9 percent in 2013 to 6.0 percent in January 2014 and 4.8 percent at the end of the year.[100]

The major growth sectors in 2014 were construction (14.1 percent), transport (12.5), and financial services (10.8), while agriculture, livestock, forestry and fishing grew by only 3.4 percent.[101] Export earnings fell in 2013/14, largely through falling gold prices. Exports were led by tourism (US$2.2billion), mining (mostly gold, US$1.4billion) and manufactures (US$1.3billion). Traditional agricultural exports were worth US$0.9 billion. The rise of tourism as Tanzania's leading forex earner is good news since the sector is quite widely spread across the country and is a much bigger employer of local workers than mining.[102] Regulatory issues concerning tourism are presented in **Chapter 4**.

A growing economy means an expanding tax base. 2014 per capita GDP was estimated at TShs 1.7m (US$ 1,038), compared to TShs 1.6m (US$ 948) in 2013.

But behind these positive statistics, FY2013-14 saw further worrying trends in budgetary shortfalls and mounting debt.[103] The following section looks at taxation and public expenditure.

---

[97] World Bank 2014. 'Second Power and Gas Sector Development Policy Operation', February, paragraph 34.
[98] PER Annual Progress Report, February 2015.
[99] UNCTAD 2015. *World Investment Report 2015: Reforming International Investment Governance*, p80. The top five recipients were Mozambique ($4.9 billion), Zambia ($2.5 billion), Tanzania ($2.1 billion), the Democratic Republic of the Congo ($2.1 billion) and Equatorial Guinea ($1.9 billion). 'These five countries accounted for 58 per cent of total FDI inflows to LDCs.' UNCTAD 2015:82.
[100] BOT Quarterly Review, September 2015.
[101] URT 2015. 'Speech by Mary Nagu, Minister of State, Planning Commission, President's Office, Social Relations and Coordination, presenting the state of the national economy 2014 and annual development plan 2015-16', June, page 4.
[102] Moses Matthew 2014. 'Tourism sector racks up 3 trillion/-', *Daily News*, 27 May; Samuel Kamndaya 2014. 'Tourisms earnings cross Sh3trillion', *Citizen*, 15 August; Adam Ihucha 2014. 'Tourism outshines gold as top earners', *East Africa*, 23-29 August.
[103] Reporter 2014. 'Poor Revenue, high debts haunts govt in 2013/14 fiscal year', *Citizen*, 9 March.

2.2 Taxation and Aid

When TRA was established in 1996 its main mission was, in the words of its Chairman Professor Benno Ndulu, "to establish a sustained revenue base to enable Tanzania finance her recurrent and development needs."[104] TRA has managed to increase significantly the tax take as a proportion of GDP, helped by the introduction of VAT after 1998, but exemptions and tax evasion have undermined its performance. Tax exemptions have become a recurrent issue under president Kikwete's watch.[105] Opinions are divided as to who is to blame. Foreign mining companies and other investors have been a major target for critical commentary, while others see trading companies obtaining *ad hoc* licences to import foodstuffs duty free as a crucial leakage. Smuggling, and corruption in Dar es Salaam port with TRA officials' collusion is a third source of *de facto* 'exemptions'. Last, tax evasion by companies and individuals also undermines tax collection performance. TRA's failed to meet its tax collection target for 2013/14 by about ten percent.[106]

Tax economists argue that Tanzania should collect more taxes.[107] Past TGRs have endeavoured to track tax collection as a percentage of GDP, but the recent rebasing of GDP figures, which yields a one-third (32 percent) larger GDP, requires a new time series.[108] For example, the tax take previously reported for 2010 was 16.5 percent of GDP, now reduced to only 10.9, using government and IMF data. The TGR figure for 2012 of 16.6 falls to 11.4, and for 2014 the new series estimate is only 12.6 of GDP collected in taxes.[109] Evidence that tax performance was much lower than previously thought--making Tanzania one of the lowest tax-collecting countries in the world--may lead policymakers and their advisors to push for further efforts to increase compliance, tax more small and medium businesses, and reduce unjustifiable exemptions.[110] While some of the least justifiable exemptions are politically driven, and therefore resistant to attempts to eliminate them, the other two tactics to increase revenue (broaden the tax base by taxing SMEs, enforce compliance) could increase extortion and trigger a further deterioration in the business environment for SMEs and larger companies (see **Chapter 4**). Business lobbies complain of the constant imposition of multiple nuisance taxes on companies in the formal sector, imposing high compliance costs. Squeezing existing large tax payers like the gold mining companies to pay more in taxes has contributed to the fall in exploration and new mining activities. In PriceWaterhouseCooper's 2015 Paying Taxes index (2014 data) Tanzania ranks 148th/189 (75th centile), similar to the 2014 ranking. Tanzania's 'Total Tax

---

[104] Ernest C. Ambali 2014. 'Tax exemptions now in deathbed', *African*, May 19 -25.
[105] Ibid.
[106] Reporter 2014. 'Tanzanians should prepare for more, new taxes', *Citizen,* 9 March.
[107] In 2013, Denmark had a tax-GDP ratio of 47.6 percent, the highest among the 34 OECD (most economically developed) countries, followed by France, Belgium and Italy. Australia, Chile, Ireland, Korea, Mexico, Switzerland, Turkey and the United States had tax ratios of below 30 percent. See: http://www.oecd.org/tax/tax-policy/chart-a-total-tax-revenue--gdp-2013.htm.
[108] Alawi Masare 2014. 'National wealth up 32pc as data revised', *Citizen*, 20 December.
[109] World Bank 2015:20.
[110] Puzzlingly, the WB suggests that 'The real tax yield might be closer to six percent of the national income *when the informal economy is factored into the equation*.' TGR understands that estimates of the value of the informal economy, which is a large component of the total economy, providing jobs and incomes for millions of working people, are axiomatic for producing a figure for GDP. The main lesson is: don't trust the statistics!

Rate' is higher than in the rest of the EAC, though it is about the African average.[111] PwC partner Rishit Shah argued that: '…in the last few years Tanzania has not done enough to simplify the tax administration and making it easier for taxpayers to comply…'[112] The World Bank warned that: 'The Government must implement a series of bold and innovative actions, in addition to the traditional administrative measures, to make the current tax system affordable, fair and transparent.'[113]

In 2014, aid continued to fall as a proportion of total spending, and budget support fell in absolute terms. The main forms of budget support are General Budget Support (GBS), which is financial aid to the treasury, and 'basket' funding, especially in the social sectors. GBS fell from US$369m in 2011/12 to US$280m in 2014/15.[114] World Bank statistics show a decline in Overseas Development Assistance (ODA) as a percentage of GDP, from 13.1 per cent in 2010 to 10.4 per cent in 2011 and 10.2 per cent in 2012. In the national budget of 2014/2015, the share of ODA was only 15 per cent, half of what it was a decade earlier.[115] Though donor financial aid has declined significantly as a proportion of the Tanzanian budget in recent years, the donors' decision to withhold budget support as a result of IPTL/TEA further undermined the fiscal balance.[116] Policy Forum urged the government to 'expand its tax base…to fund our various development projects', in a context of 'decreasing donor funding.'[117]

Lower than anticipated tax collection, the accumulation of payment arrears, and declining aid commitments meant that the 2013/14 budget objective of reducing the overall fiscal deficit to five percent of GDP was not met.[118] Falling export earnings, large infrastructure projects and 'the state's appetite for borrowing for consumption' all contributed to the rising fiscal deficit, described below.[119]

2.3 Public Expenditure

'The Government should provide basic services to the country's citizens, while citizens should be able to demand accountability from the Government regarding its expenditures. If this contract does not exist, citizens do not feel a moral obligation to pay tax.'[120]

---

[111] PriceWaterhouseCoopers 2015. 'Paying taxes 2015: The Global Picture'. https://www.pwc.com/.../paying-taxes.
[112] Rishit Shah 2014. 'Going up the tax league', *Citizen*, 12 June.
[113] World Bank 2015:22.
[114] Maya Prabhu 2014. 'Donors pose challenge to oversight of Bunge on gvt', *Citizen*, 21 December.
[115] Heiner Janus and Niels Keijzer 2015. 'Big Results Now? Emerging Lessons from Results-Based Aid in Tanzania', German Development Institute, Discussion Paper 4/2015, page 5, citing Hon. Saada Mkuya Salum (MP), Minister for Finance 2014. Budget speech for FY 2014/15, Ministry of Finance, June.
[116] Polycarp Machira 2014. 'With donors benched, govt to pursue borrowing spree', *Guardian*, 14 June; Reporter 2014. 'What govt must do to plug the financial hole donors left', *Citizen*, 1 November.
[117] Policy Forum 2014. 'BUDGET 2014/2015 POSITION STATEMENT', *Citizen*, 11 June. The statement concluded that: 'The water, health and education systems and agriculture sector … cannot be allowed to continue to fail.'
[118] PER Working Group 2013. 'Rapid Budget Analysis 2013, Synoptic Note', November 15, 2013.
[119] Alawi Masare 2014. 'WB: How 7pc economic growth can be sustained', *Citizen,* 25 June.
[120] World Bank 2015. 'Tanzania Economic Update', July 2015, 7th edition, page 33. http://www.worldbank.org/tanzania/economicupdate.

'Everywhere you look you see the trappings of luxury and excess.'[121]
'… the evaluation team judged that the modest improvements recorded in PFM systems would not have been sufficient to generate a significant change in the efficiency of public expenditure.'[122]

Public expenditure depends on taxes collected from companies and individuals, plus transfers from donor agencies in the form of grants or soft loans. When government spending exceeds tax and aid money, it incurs debt, either locally or externally, to fill the financial gap. In 2013/14, the overall fiscal deficit rose to 6.8 percent of GDP.[123] The growing budget deficit led to deep cuts in public spending during FY 2013/14. At TShs 18.2 trillion (about US$11billion), the FY2013-14 budget was the biggest ever, but by the end of the financial year the value of arrears to suppliers stood at close to TShs 2trillion, over ten percent of the budget. The development budget suffered the most, with an execution rate of only 62 percent.[124] According to the World Bank, '[t]he vast majority of arrears have been accumulated with road contractors and pension funds.'[125] Mr Thomas Baunsgaard, resident representative of the IMF, said "The IMF team that visited Tanzania in February 2014 did … raise concerns about the considerable rise in expenditure arrears, especially for road projects."[126] The under-disbursement of the development budget was blamed on donors.[127]

Not all the government debt is on budget. 'Contingent liabilities' are debts accumulated by public enterprises and other companies that ultimately have to be met by the government, discounted or written off. The example discussed at length in this TGR is TANESCO, but there are many others, with varying degrees of indebtedness. A frequently cited example is Air Tanzania Company Ltd (ACTL), the national flag carrier, that had outstanding debts of TShs133bn (US$83m) by mid-2014.[128] The Tanzania-Zambia Railway (TAZARA) 'has been making losses since it was set up,' and has received over US$400m in interest-free loans from China since 1968, when the railway was opened.[129] By mid-2013, TANESCO had outstanding government

[121] Jenerali Ulimwengu 2014. 'A broke county with an expensive govt: guess who pays the price', *East African*, June 7 – 13.
[122] ITAD 2013. 'Independent Evaluation of Budget Support to Tanzania, 2006 -2012', Independent evaluation jointly managed by the European Commission, the Ministry of Foreign Affairs of Denmark, Irish Aid, the Ministry of Foreign Affairs of the Netherlands and the Ministry of Finance of Tanzania.
[123] Alawi Masare 2014. 'WB: How 7pc economic growth can be sustained', *Citizen,* 25 June.
[124] PER Annual Progress Report 2015:5. According to the CAG, development funds to the tune of TZS.1.9 trillion TShs (38% of the approved estimates) were not released during the year (CAG 2015a: xxx). At 4.8 percent of GDP, development spending was the lowest in the last five years, and was far below the Big Results Now target. See also: Sturmius Mteweve and Felix Lazaro. 'Development budget deficit hits 60 per cent', *Citizen,* 30 April.
[125] World Bank 2015, page 11. According to the World Bank: 'This situation is not sustainable, with the accumulation of arrears already affecting road construction and leading to financial distress in a major public pension fund (PSPF).'
[126] Reporter 2014. 'Govt in overdue debts mess', *Citizen*, 6 April.
[127] Polycarp Machira 2014. 'How donor dependency hurt 2013/14 budget', *Guardian*, June 8-14. No ministry except the ministry of Works received 'even half of the budgeted funds, thanks to donors' failure to meet their promises.'
[128] Abdulwakil Saiboko 2014. 'MPs irked by huge Air Tanzania debt', *Daily News,* 27 May.
[129] Erick Kabendera 2014. 'Troubled Tazara to get $80m boost', *East African*, 26 July-1 August.

guaranteed debts of US$432m, mostly owed to banks and pension funds.[130] Pension funds' contingent liabilities are discussed further below.

The government and donors no longer publish comprehensive Public Expenditure Reviews (PER) looking in detail at the overall performance of central government in executing national budgets. Instead, a number of *ad hoc* reviews and a 'rapid' review are produced. TGR 2013 cited a number of these useful studies, including those on fiscal inequalities in local government spending and tax exemptions, and the present report surveys contingent liabilities, payment arrears, government-backed debts to pension funds, and the agricultural voucher scheme (NAIVS). What is missing is a comprehensive view of public expenditure that provides insights into the constraints on state performance in providing social services and building (and maintaining) infrastructure. IPTL/TEA teaches us that tax and donor money that could be used to further social and economic development is diverted to bail out inefficient and politically compromised bodies like TANESCO.

When government spending is constrained by the factors discussed above, the main casualties are development budgets, non-salary recurrent expenditure, and ministries/sectors with the least political leverage. Only 40 percent of the development budget was disbursed.[131] Who suffers most from budget cuts is determined by complex political factors, not by public-interest inspired choices. For example, the ministry of Education and Vocational Training only received a fifth of its development budget allocation, while the Works ministry received 72 percent.[132] But even under budgetary constraints, wasteful spending continues. A random example: in 2014 the Ministry of Home Affairs procured 15 top of the range Toyota Land Cruiser Prado TXs at a cost of just under TShs 2 billion, which works out at about US$80,000 per unit. [133] Other examples are given in the following chapter. In a scathing opinion piece, cited above, Jenerali Ulimwengu observed that 'You wouldn't know that our government was broke if you looked at the way they are going about their business.'[134]

2.3.1 National Debt

As a result of the fiscal problems related above, Tanzania's national debt rose, as the government borrowed heavily both locally and abroad. Of the total debt of TShs 27 trillion, Shs 20 trillion is external and TShs 7 trillion internal. Three-quarters of internal debt are held by commercial banks and the BOT.[135] At around 32 percent of GDP in 2014, Tanzania's public debt is still not excessive, but it is rising rapidly, and debt servicing was 'projected to absorb

[130] Ministry of Finance 2014: 28, downloadable at: http://www.mof.go.tz/mofdocs/PER/PER%20Reports/Contingent%20Liability%20Study%20%20Final%20Report.pdf
[131] Sturmius Mteweve and Felix Lazaro. 'Development budget deficit hits 60 per cent', *Citizen,* 30 April.
[132] Polycarp Machira 2014. 'How donor dependency hurt 2013/14 budget', *Guardian*, June 8-14.
[133] Reporter 2014. 'Awarded Contracts', *Tanzania Procurement Journal*, 17 June. The suppliers were Toyota Tanzania Ltd. Palm-greasing is routinely involved in procurement, but how much and to whose benefit?
[134] Jenerali Ulimwengu 2014. 'A broke county with an expensive govt: guess who pays the price', *East African*, June 7 – 13.
[135] Reporter 2014. 'Govt borrows Sh850bn to fill gap in national budget', *Citizen*, 2 February.

approximately 12 percent of total domestic revenues in 2014/15 against only seven percent in 2011/12.'[136]

Tanzania's last external debt crisis was in the late 1990s, when the World Bank and other donor agencies wrote off most of the country's external debts. [137] The Tanzanian Coalition on Debt and Development (TCDD) raised the alarm over the rapid increase in the debt.[138] The IMF was more guarded, but still warned that present trends were unsustainable.[139] A major source of government debt is loans from pension funds, discussed below.

2.3.2 Government Guarantees and Pension Funds

The government guarantees many loans to local and foreign lenders, including pension funds and banks. Pension funds, the custodians of the mandatory savings of both state and private sector employees, designed to finance their retirements, are the favoured source of long-term borrowing.[140] In 2014, the government acknowledged outstanding debts of US$700million to the five pension funds.[141] The funds' lending portfolios are heavily influenced by the state and well-connected institutions (army, police…), ministries, companies and individuals, both private and public. Since large construction projects are favoured, the potential for cronyism in contracting and tendering is substantial. This is not to say that all pension fund investments are bogus, of course. The total value of outstanding government guaranteed loans from the five pension funds by the end of December 2013 was over TShs 1.5 trillion (cUS$940) (**Table 2.1**).

Table 2.1: Loans Outstanding for Tanzanian Pension Funds and the Default Rate, 2013-14

	Number of loans	Value ('000 TShs)	Repayment default ('000 TShs)	Repayment default percentage	Major borrowers (TShs bn)
NSSF	17	733,196,439	661,342,680.8	90	UOD (94), TPDF (78)
PSPF	10	480,145,880	460,995,168.7	96	HESLB (166)
LAPF	8	198,829,644	162,293,341.8	82	MOF (76)
PPF	8	146,857,790	128,157,892.7	87	UOD (94)
GEPF	2	11,900,503	10,233,409	86	MOF (10)
Total	45	1,570,930,253	1,423,022,493	91	

Source: http://www.mof.go.tz/mofdocs/PER/PER%20Reports/Contingent%20Liability%20Study%20-%20Final%20Report.pdf (adapted).

The National Social Security Fund (NSSF) had assets valued at over USD850 million in 2011. NSSF loans helped finance University of Dodoma (UOD), viewed by President Jakaya Kikwete as part of his legacy. NSSF has collected no rents since the first phase of the UOD construction was completed in 2008.

[136] The debt rose by nearly TShs 5 trillion between January and October 2013. PER Annual Progress Report 2015, page 6. See Aisia Rweyemamu 2014. 'Internal debt worrisome – TCDD', *Daily News*, 5 April.

[137] Reporter 2014. 'Experts: Dar faces new debt dilemma', *Citizen,* 27 January. Debt relief reduced the external debt from 70 percent to 20 percent of GDP.

[138] Aisia Rweyemamu 2014, op. cit.. "We are heading into a danger zone" said Agenda Participation 2000's Moses Kulaba. See Reporter 2014, op. cit.

[139] Reporter 2014. 'IMF warns 'using' African nations on sovereign debt risks', *Business Standard*, June 3 – 9.

[140] The five funds had a combined membership of 1.8 million in 2014.Adam Ihucha 2014. 'Returns on pension hit record high', *Citizen on Sunday,* 26 January.

[141] World Bank 2015: 16. A further US$400m were owed to contractors, mostly to TANROADS.

In 2005, NSSF loan US$5.5 million to Kiwira Coal and Power Ltd (KCPL) a company controlled by former president Benjamin Mkapa and his Minister for Energy and Minerals, Daniel Yona. Minimal investment has been made in the mine.[142] The NSSF loan was guaranteed under the Export Credit Guarantee Scheme. No repayments have been made and the guarantee has not been activated, thus causing NSSF a substantial loss.[143]

At the end of 2012, the estimated total value of the government arrears with PSPF amounted to USD700 million.[144] PSPF lent TShs 216 billion for the construction of the University of Dodoma, and a further TShs 166 billion to the Higher Education Students Loans Board (HESLB) to finance student loans. PPF's largest outstanding loan (TShs 94 billion) was also for the construction of the University of Dodoma.

Lending to government is usually more secure than lending to a private company, but governments can also default on debt.[145] Informal influence-peddling will likely determine which loans are serviced and which aren't. In general, the larger loans are the least likely to be serviced or repaid. The losers in the growing crisis in pension fund finance are the members, whose future pensions could be adversely affected if present trends continue. Already many senior citizens complain about delayed payment of their (increasingly modest) pensions.

Legislators have been accused of taking money from pension funds that they oversee in parliamentary committees. In May, opposition MP and Chief Whip Tundu Lissu accused 11 MPs, including four ministers and deputy ministers, of soliciting money from LAPF, supposedly for projects in their constituencies.[146] Minister of State William Lukuvi 'admitted…he requested money several times and he got Sh3 million once', which he used 'to supply solar power to a school in his constituency.'[147] Lukuvi termed the practice 'CSR' (corporate social responsibility) on the part of LAPF. Lissu wondered why LAPF favoured CCM legislators: "I don't get a clear picture of why workers' money should go to Mr Magufuli's constituency to buy sports equipment."[148]

As well as loans from pension funds, the government also guarantees private loans to state corporations, some of which have tuned out to be commercially ill-advised or suspect. The list of outstanding debtors in this category includes ATC, Friendship Textile Mills (*Urafiki*), General Tire, Tanzania Fertiliser Company and numerous cooperative unions.[149]

---

[142] Stamico requires an estimated US$460m to develop the mine and produce electricity. Ludger Kasumuni 2014. Kiwira needs over Sh736 billion just for take-off', *Citizen*, 13 October.
[143] NAOT 2015c. 'Audit of Public Authorities and Other Bodies for the financial year 2013/2014'.
[144]Rapid Budget Analysis 2013. Synoptic Note, November, page iv.
[145] Reporter 2014. 'Law doesn't deter defaulting on pension fund contributions', *Guardian*, 15 November.
[146] Katare Mbashiru 2014. 'Lissu names Mps in LAPF 'cash scam', *Citizen*, 26 May. Only TShs 22m was involved.
[147] Katare Mbashiru 2014. 'House divided over 'beggar MPs' claims', *Citizen*, 27 May. The list (all CCM) included Deputy Speaker Job Ndugai and ministers William Lukuvi and John Magufuli.
[148] Op. cit. Minister of Employment and Labour Gaudensia Kabaka said "If the opposition MPs aren't requesting any money, that isn't our problem…" LAPF Director General Eliud Sanga said the fund supported CCM legislators so as not to appear to be supporting the opposition. Opposition MPs' requests for funds had been refused.
[149] http://www.mof.go.tz/mofdocs/PER/PER%20Reports/Contingent%20Liability%20Study%20-%20Final%20Report.pdf. In July, President Kikwete said endebted unions would not be baled out by the

Last, in order to help finance investment projects, the government confirmed plans to issue a Eurobond in December 2014, as announced by President Jakaya Kikwete in April.[150] It later emerged that the government had abandoned discussions with Citigroup to launch a Eurobond in favour of a private floated bond for US$600million, facilitated by Standard Bank of UK and its local branch Stanbic Bank Tanzania. The bond was raised in April 2014. Bond market observers saw no reason why Tanzania, which lacks a risk rating for international borrowing, would prefer a more expensive private placement to a (cheaper) Eurobond. Corruption Watch UK estimated a "potential additional cost to Tanzania of more than US$80 million in excess interests and fees".[151] The bond issue emerged when Standard Bank UK plea-bargained over evidence brought in a UK court that its Tanzanian subsidiary has been involved in promoting the private placement by facilitating illicit payments to politically exposed people.[152] The full story will be recounted in TGR 2015.

2.3.3 Public Procurement and Contracting

The Public Procurement Regulatory Authority (PPRA) monitors procurement in the country. In October 2014, PPRA blacklisted 19 firms involved in procurement for local authorities in which work paid for was not done, and barred another four companies indefinitely. Kibondo DC was the worst offender (TShs424m), followed by Mwanza City Council (TShs360m) and Lushoto DC (TShs150m).[153] Out of 205 projects reviewed, involving over 4,500 procurement contracts, only 33 (16 percent) were deemed 'satisfactory'.

Irregularities in large contracts also come under PPRA's remit. One such was the procurement of biometric voters registration kits (BVRs) in preparation for the 2015 elections. The Public Procurement Appeals Authority (PPAA) nullified the original tender for US$78.9m in November 2013 after two losing bidders (Safran Morpho of France and Iris Corporation of Malaysia) complained and 'it was established that the process was marred by serious irregularities.'[154] But in February, the National Electoral Commission (NEC) raised the cost to over US$117m, single-sourcing the kits to South African firm LithoTech Exports, who had originally bid US$84m, but had been disqualified. Even though the number of BVR kits ordered rose from 12,323 to 15,500, a kit now cost US$7,548 compared to US$US$6,445.[155] Safran Morpho again complained to the

---

government 'unless legal action is taken against those who stole from them,' Reporter 2014. 'JK: Bring embezzlers to justice', *Citizen*, 24 July.

[150] Eric Kabendera 2014. 'Dar prepares to float $700 million bond in December', *East Africa*, September 20 – 26; Sebastian Mrindoko 2014. 'Tanzania's Eurobond plans to track–Minister', *Daily News*, 30 December. The delays were because Tanzania did not have an official international credit rating, which could influence the rate at which the bond would be funded.

[151] http://www.reuters.com/article/tanzania-bond-idUSL6N0BT8WU20130301

[152] http://www.dailynews.co.tz/index.php/home-news/46470-graft-booty-worth-11bn-frozen

[153] Sylivester Domasa 2014. '19 procurement firms suspended over 'graft', *Daily News*, 7 October.

[154] Katere Mbashiru 2014. 'How voter kit tender was inflated by Sh65bn', *Citizen*, 8 July. The tender was originally awarded to a consortium consisting of SCI Tanzania, Invu IT Solutions and Jazz Matrix Corporation.

[155] Frank Kimboy and Songa wa Songa 2014. 'Why biometric voter kit surged by Sh65bn', *Citizen*, 10 July

PPAA. The NEC subsequently declared that the price of the kits was US$89m, not US$117m 'as reported.'[156]

The *Citizen* claims rivalry between the NEC and NIDA, the National Identification Agency (NIDA), who were already involved in producing 2.5 million national ID cards with Iris Corporation. The rationale for producing two ID cards rather than one seems not to have been discussed. Further delays in resolving the issue, with the elections drawing nearer, saw PPAA accused of 'politicking'.[157]

Much of the evidence on irregular tendering in central and local government is collected by the Controller and Auditor General. Issues related to the CAG's auditing function and contracting in oil and gas are dealt with in **Chapter 4.**

2.4 Transparency and Accountability

Previous TGRs have flagged the growing mismatch between levels of transparency and accountability in Tanzanian public affairs. Tanzanians know more and more about the misuse of public resources by politicians and government officials, but accountability is reserved for (a handful of) the small fry at the bottom of the governance food chain. TEA/IPTL represents the most extreme example of 'transparency with impunity' that Tanzanians are ever likely to experience, as documented in detail in the previous chapter. The TEA saga showed that parliament could not hold the executive to account for its involvement in gifting Harbinder Sethi the IPTL plant and the contents of the Escrow account. Transparency in budgeting and PFM are summarised from a civil society perspective in **Chapter 5.** Although there has been a significant increase in access to public information, the government continues to limit access to information on core activities. **Box 2.1** contains an example from government dealings with the oil and gas industry.

Box 2.1: Who is the most secretive of them all?

In October 2014, the **Public Accounts Committee** (PAC) requested the **Tanzania Petroleum Development Corporation** (TPDC) to present 26 'production sharing agreements' (PSA), with mostly foreign oil and gas companies, which TPDC was reluctant to do. The **Minister for Energy and Minerals, Prof. Sospeter Muhongo,** 'ruled out any possibility' of allowing parliament to review the contracts, because the government would have to get the agreement of the investors. PAC demanded access to audit reports of the PSA that it had itself commissioned and had been presented to the minister, to no avail. In November, the PAC again demanded that the minister make public the 26 agreements. In a belated response, a number of investors claimed that they were not against full disclosure, but that it was the government that insisted on secrecy. **Oystein Michelsen**, head of **Statoil** in Tanzania, said that his company "had no problem with details of the contract … being made public." "In Tanzania, the contracts are confidential and we comply with that position." The *Citizen* reported that: 'The government and its technocrats have, for many years, made it appear as if it was the investors and suppliers who did not want the contracts to come under public scrutiny.' This conclusion supports that of the **Resource Governance Index**, which reported that 'failure to publish mining contracts and the lack of data on the state-owned mining company contributed to a "weak" score. Tanzania also scored poorly on government

[156] Katare Mbashiru 2014. 'Voter BVR kit price now cut to Sh149bn', *Citizen,* 12 July.
[157] Reporter 2014. 'Procurement watchdog should stop politicking', *Citizen*, 7 October.

effectiveness, rule of law, corruption and accountability indicators. In addition: 'Little information was available on the minerals licensing process before licences are granted. Once mining rights are awarded, information is available only in a complex digital format for a hefty fee, and environmental impact assessments are released only upon request.'There was local support for more transparency. Opposition MPs and civil society organisations lobbied to make contracts between government and investors public so as to avoid speculation about private deal-making. Former PS in MEM **Patrick Rutabanzibwa** declared "we should start by making investment contracts in the natural gas sector public." In July, **Zitto Kabwe**, chair of the PAC, caused a minor sensation by leaking a confidential Addendum to Norwegian giant StatOil's Production Sharing Agreement (PSA) with TPDC, signed in 2009, which suggested a significant improvement from the investor's perspective. Kabwe claimed, along with blogger **Ben Taylor**, that, if the revised profit sharing model is adopted, the government would lose between US$400million and US$1billion a year compared to the original agreement.
Sources: [158]

[158] Sources: Aisia Rweyemamu 2014. 'Dar too secretive with data on gas, minerals', *Guardian*, 7 June; Frank Kimboy 2014. 'Call for transparency in contracts', *Citizen*, 1 July; http://www.resourcegovernance.org/rgi; Reporter 2014. 'Tanzania to lose up to $1bn under StatOil PSA, says MP Zitto Kabwe', *Guardian*, 5 July; Reporter 2014. '$55bn: What StatOil deal will cost the taxpayers', *Citizen*, 28 August; Policy Forum 2014. 'Statement: Leaked Statoil addendum demonstrates how confidentiality intensifies controversy', *Citizen*, 4 September; Reporter 2014. 'Pressure mounts on govt to disclose details of deals with investors', *Citizen on Sunday*, 21 September; Daniel Semberya 2014. 'CSO: Transparency in fiscal policies, contractual term in extractive industries needed'; *Guardian*, 24 September; Reporter 2014. 'Statoil: Transparency depends on partner states', *Citizen*, 21 September; Alex Bitekeye 2014. 'Contracts: Govt, Bunge lock horns', *Citizen*, 31 October; Katare Mbashiru 2014. 'Muhongo: Why Bunge won't see gas contracts', *Citizen*, 14 November; Rosemary Mirondo 2014. 'Secret oil and gas deal generates heat in Dar', *East African*, November 15 – 21.

Past TGRs have flagged the daunting challenges involved in imposing accountability on the ruling elite in a context where 'the politics of competitive patronage steadily increase the cost of maintaining the political order.'[159] The following sections examine the performance of Tanzania's formal institutions of accountability during the target year.

2.4.1 Parliament and Corruption Control

While parliamentary committees were notching up significant oversight victories during this period, those politicians intent on limiting Tanzanian 'glasnost' to the minimum were busy limiting the damage and making sure parliament was eventually brought to heel.[160] First, the committee that had raised many important issues during Zitto Kabwe's chairmanship (POAC) was merged into a new Public Accounts Committee, which he chaired until the end of Kikwete's presidency.[161] In addition, discussion of annual parliamentary committee reports was pushed to the November session, and the Public Audit Act of 2008 was amended to reduce committees' oversight powers of CAG reports. Parallel moves by ruling party leaders to water down references to corruption in the draft constitution were noted in **Chapter 1**. A prime mover in terms of influencing legislation and parliamentary procedures with a view to ensuring continued executive privilege and impunity is former AG Andrew Chenge, who, despite his proven involvement in TEA/IPTL, remains at the epicentre of CCM's power elite.

2.4.2 The Judiciary

'… to…bring meaningful development…, we must have strong and unimpeachable leaders assisted by like-minded lieutenants, and a robust, independent and corruption free judiciary, among others.' [162]

Chapter 1 concluded that certain high court judges were lacking in integrity in key judgements relevant to the TEA. Advocate Nuhu Mkumbukwa argues that 'rampant' corruption involving judges and magistrates, registrars and court clerks is the major cause of dissatisfaction with the judicial system.[163] To TGR's knowledge, the involvement of numerous law firms, lawyers and judges in Escrow has led to neither private nor official investigation of possible professional misconduct, which denotes a lack of institutional depth or a culture in which individual and collective reputations for integrity matter enough to affect collective behaviour. Anecdotal evidence suggests that criminals are let off the hook on irrelevant technicalities; [164] many cases are drawn out for years on end. In infrequent cases where court rulings clash with the interests of the executive, the government simply ignores them.[165]

---

[159] DFID 2014. AcT II, Strategic Case, September.
[160] A PAC Reporter 2014. 'Stolen $ 300m: PAC wants forensic audit', *Citizen*, 14 February.
[161] Zitto Kabwe. 'Corruption stinks, let's end it now', *Citizen*, 24 August.
[162] Nuhu Mkumbukwa 2014. 'Why people are dissatisfied with Tanzania judicial system', *Citizen*, 2 November.
[163] Mkumbukwa, op. cit.
[164] Faustine Kapama 2014. High Court acquits three EPA convicts', *Daily News*, 3 November. The three were originally sentenced by a panel of magistrates to a total of 26 years for their alleged role in the theft of over 1bn/- of EPA money. Judge Augustine Shangwa said the case had not been proved 'beyond reasonable doubt.' Note that the original sentences were arguably excessive for the amount involved, given that a major player in the EPA--well-connected businessman Jittu Patel--was never convicted for his claimed TShs 32billion cut of the EPA money.
[165] Songa wa Songa 2014. 'Govt interferes with court, lawyers claim', *Citizen*, 19 February.

On occasion, top officials are prosecuted, but on a highly selective basis.[166] A case relevant to our main theme involves PCCB's arraignment of the former managing director of TANESCO, William Mhando for abuse of office. The case involved Mhando's wife Eva and three other former TANESCO officials. It is claimed that he awarded a contract worth more than 880 million Tanzanian shillings (US$555,000) for office supplies to a company, Santa Clara Supplies, he jointly owned with his wife and children. The charges stemmed from a CAG report.[167] Last, though the military is widely thought to be above the law, some claimed abuses are brought to court. In one such case, Major Yohana Nyuchi and six colleagues on the SUMA-JKT tender board were arraigned for an alleged conspiracy over a road construction tender worth TShs 4billion involving Korean company TAKOPA.[168] The accused included former SUMA-JKT managing director Ayoub Mwakang'ata. The accused were acquitted as "nothing indicated that they received benefits of any kind."[169]

2.4.3 Prevention and Combating of Corruption Bureau

'While it is a tall order to strictly prove corruption, it is not that difficult to smell it.'[170]

While opening new PCCB premises in Songea in July, President Kikwete said the Bureau's performance 'was improving every year', but urged it to only file cases in court 'that are substantially proven' so that 'accused persons are convicted.'[171] Past TGRs have documented numerous major PCCB investigations where no prosecutions have taken place, since PCCB has no autonomy in bringing cases to court.[172]

PCCB has a reputation for prosecuting only minor offenders, with many cases concerning bribes of a few hundred thousand shillings or less. For example, the first entry on PCCB website's lengthy *List of Shame* reads as follows:

Name:	**THOMAS AMAN MAKUNGA**
Age:	**47**
Region:	**Mbeya**
Crime:	***'Kuomba na kupokea hongo ya Tsh 10,000 ili asimchukulie hatua za kisheria mtuhumiwa wa kuchafua mazingira.'***
Judgment:	**Fine of Shs 200,000 (US$90) or two years in prison.[173]**

[166] A case involving two ministers and a PS from Mkapa's presidency (1995-2005) dragged on for years, resulting in the PS (Gray Mgonja) going free and ministers Basil Mramba (76) and Daniel Yona(75) getting a three year sentence, later commuted to two, plus community service. http://www.thecitizen.co.tz/News/-/1840340/2895822/-/7rhja3/-/index.html.

[167] Rosina John 2014. 'Ex-TANESCO MD and wife hauled to court', *Citizen,* 27 May. The CAG "found clear evidence of abuse of company procedures and abuse of office against the managing director." http://www.reuters.com/article/tanzania-corruption-idUSL5E8LVDQX20121031.

[168] Faustine Kapama 2014. 'Prosecution closes Suma JKT abuse of office case', *Daily News*, 16 January; Karama Kenyuko 2014. 'High-ranking military official pleads innocent, asks court to free him', *Guardian*, 7 April.

[169] Faustine Kapama 2014. 'Accused defends roadwork money transfer to JKT', *Daily News*, 13 March; Rosina John 2014. 'Court acquits former army officers', *Citizen*, 24 April.

[170] Nuhu Mkumbukwa 2014. 'Why people are dissatisfied with Tanzania judicial system', *Citizen*, 2 November.

[171] Reporter 2014. 'Take provable cases to court, JK tells PCCB', *Guardian*, 19 July.

[172] The DPP decides on prosecutions. Both the DPP and head of PCCB are presidential appointments. The present Anti-corruption legislation was crafted by those who would be most exposed to an independent PCCB. See **Chapter 1** for a similar observation concerning the drafting of the proposed new constitution.

[173] http://www.pccb.go.tz/index.php/investigation/list-of-shame. The List of Shame provides voluminous data that could make an interesting empirical study on equity issues in PCCB prosecutions.

The list consists entirely of relatively minor offenders. Press coverage of PCCB prosecutions consists largely of such petty cases.[174] PCCB stands accused of harassing minor offenders while ignoring large-scale corruption, which is far more serious in its overall impact than petty bribery. With the routine disappearance of many billions of shillings from central local government coffers, it is tantamount to human rights abuse to hound petty offenders over trivial offences. If they are guilty of corruption, there are many who are much guiltier on a *pro rata* basis. **Table 2.3** reports PCCB performance trends.

Table 2.3: PCCB Performance 2008-2014

	2008	2009	2010	2011	2012	2013	2014
Allegations received	6,137	5,930	5,685	5,084	4,765	5,056	5,456
Files opened	928	884	870	819	1,178	1,100	808
Files in progress	2,101	2,356	3,410	2,151	2,911	2,546	3,014
Files closed	486	616	416	323	273	209	204
Files referred to other departments/agencies	184	152	135	84	72	98	31
Disciplinary action taken	74	40	29	30	27	19	15
Files sent to DPP	128	176	171	172	273	420	302
Files received from DPP	118	145	156	160	238	445	291
Files returned with DPP consent	63	57	58	79	135	267	164
Files returned for further investigation	40	62	71	70	95	169	113
New cases filed in court	147	222	227	193	288	343	256
Ongoing cases in courts	308	369	409	435	551	684	646
Conviction	37	47	61	52	47	89	135
Acquittals	71	73	98	61	71	62	142
Cases withdrawn	16	12	30	26	24	17	33
Appeals	34	9	15	10	6	16	5
Savings (TShs billion)	**13.2**	**0.43**	**10.10**	**4.6**	**9.7**	**4.3**	**39.4**

Source: http://www.pccb.go.tz/

According to PCCB statistics, the number of complaints increased in 2014, though they are still below 2008-10 levels. Over 40 percent of files received back from the DPP require 'further investigation', which suggests shoddy work by PCCB (why forward incomplete cases?) or an excuse by the DPP for not recommending prosecuting. Even when cases are brought to court, acquittals outnumber convictions by 51 to 49 percent, again suggesting remarkably inefficient procedures.

Donor agencies have provided large quantities of financial and technical assistance to PCCB over the years (see **Chapter 6**). A new source of anti-corruption advice in 2014 was the Chinese ambassador Mr. Lu Youqing, who told *the Citizen* that "A sound legal system and clean business environment are the ultimate solutions to corruption." Mr Lu had earlier admitted to the *South China Morning Post* that 'some Chinese nationals and companies were engaged in corruption and illegal ivory trade in Tanzania.' He deplored 'our people's bad habits', 'referring to

[174] Karama Kenyunko 2014. 'Govt hospital accountant charged with soliciting bride', *Guardian,* 26 February.

competition among Chinese companies over contracts and bribes offered to Tanzanian officials to lobby on their behalf.' [175]

2.4.4 The Controller and Auditor General

'Unachosoma siyo hata asilimia 10 ya hali halisi.'[176]

'…CAG reports have, over the years, been increasingly meaningless, for they're hardly ever followed up by legal action against those who steal tax-payers billions, [177]

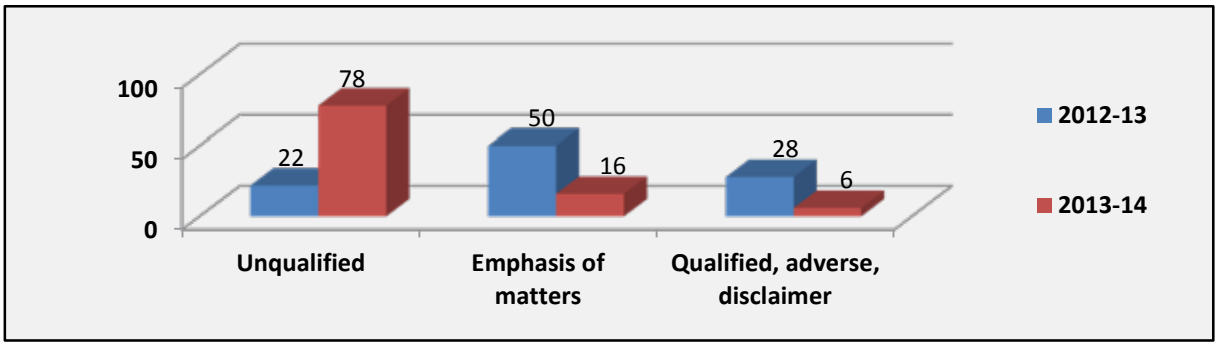
Past TGRs have dedicated considerable space to summarising CAG audit reports on central and local government spending, other statutory bodies, donor-financed projects and 'special' audits. In January 2011, the Controller and Auditor General Ludovick Utouh confided in an off-the-record conversation: 'What is reported [in the annual audit reports] is not even a tenth of the actual amount [of public resources misused].[178] Even if this is an exaggeration, the point is very serious, and leads us to reconsider the rationale behind summarising the voluminous CAG reports if, as he suggested, they are far from presenting an accurate picture of the performance of central and local government administration.[179] This section looks briefly at the CAG's audit reports for FY2013/14 on central government and other public bodies while **Chapter 3** considers local government audit results.

It is routine for the CAG to complain that many of his office's recommendations are not followed up by ministries, LGAs and regional secretariats.[180] For the year under review, 2,228 audit recommendations were issued to 119 MDAs and 25 RSs, out of which 846 (38%) were fully implemented, 653 (29%) were under implementation, 681 (31%) were not implemented and 48 (2%) were overtaken by events. The CAG comments that 'this indicates unsatisfactory performance'.[181] Yet despite this negative conclusion, no less than 94 percent of the total of 176 auditees were issued with an unqualified[182] audit, while 'qualified audits' were issues to 5 percent of auditees, and there was only one adverse opinion.[183] **Chart 2.1** shows the apparent change in performance of ministries, agencies and missions between FY2012/13 and FY2013/14.

---

[175] Reporter 2014. 'Chinese bribe in Dar, admits China envoy', *Citizen*, 15 July. Songa wa Songa; 'China envoy: This is how Dar can end corruption', *Citizen*, 21 July. Bribing foreign officials was made an offence in China in 2011.
[176] Controller and Auditor General Ludovick Utouh.
[177] Editorial 2014. 'CAG'S AUDIT REPORTS ARE SO DAMNING, BUT SO WHAT?', *Citizen*, 9 May.
[178] Translation of the introductory quotation. The source requested anonymity.
[179] The President's, Vice-President's and Prime Minister's Offices were all given clean audits.
[180] Reporter 2014. 'CAG Report: Varying levels of impunity use of public finances', *Business Times*, May 16 – 22.
[181] Page xxix. Foreign missions, agencies and 'special funds' are also audited, making a total of 176 auditees.
[182] Unqualified audits include 'emphasis of matters'. We separate the two categories in the analysis.
[183] CAG 2015a:9.

Chart 2.1: Audit Performance of Ministries and Agencies 2012-14, percent



Source: CAG 2015a, pages 910 (adapted).

It is unlikely that the trend indicted in **Chart 2.1** represents real improvements by audited entities in performance over the 12-month period. Unqualified audits (without 'emphasis of matters') jumped from 22 percent to 78 percent of all audits, an increase of 350 percent. Audits with 'emphasis of matters' and qualified and adverse audits/disclaimers fell *pro rata*. One possible explanation for this apparent abrupt improvement is that more auditees are being rewarded for adhering to new audit procedures, which has been a problem in past years.[184] But TGR 2013 quotes the CAG as saying that 'where such [internal audit] systems exist *they are to a large extent neglected*.'[185] The most likely explanation for the apparent positive trend is a lowering of the CAG's audit standards.

Surprisingly positive results also characterise the CAG's audits of 'Public Authorities and Other Bodies (PA&OB)'.[186] In the target year, of 109 bodies audited, 105 (96 percent) were given 'unqualified' opinions, although 41 (38 percent) of these contained 'emphasis of matters' paragraphs.[187] PA&OB include government training and higher education institutions, sector regulators such as EWURA and SUMATRA, agricultural crop boards, regional water and sanitation authorities, and the five public pension funds. A number of these organisations appear in this and previous TGRs on suspicion of involvement in political/grand corruption, including TPA, UDA, DAWASCO, the Cashewnut Board and, of course TANESCO, which also received a clean audit (albeit with 'emphasis of matters'). A number of these 'emphasis of matters' are serious red flags for corruption, for example, non-competitive tendering is common.

CAG were the first to reveal that the flow meters to measure oil consignments arriving in the country had been purposely turned off by the CEO of Weights and Measures (WMA), because they were deemed 'inaccurate'. TPA thus had to go back to the manual way of measuring the

[184] The CAG said that from July 2012, his office had started to employ the International Public Sector Accounting Standards (IPSAS). Editorial 2014. 'CAG'S AUDIT REPORTS ARE SO DAMNING, BUT SO WHAT?', *Citizen*, 9 May.
[185] TGR 2013, chart 22.3, page 30. Emphasis added.
[186] CAG 2015b. 'Audit of Public Authorities and Other Bodies for the financial year 2013/2014'.
[187] CAG 2015b, Table 1, page 9. In FY2012-13 the figure was 99 percent clean audits! Arguably, many of the 'emphasis of matters' are serious enough to merit a qualified audit.

volumes of fuel, using a measuring stick, 'the situation which has impact on the collection of taxes by TRA as well as TPA revenue from the services rendered.'[188]

In 2014, the PAC tasked the CAG with conducting a special investigation into the expenditure of TShs26b by TPA.[189] 'This expenditure included Tshs. 9.6 billion used for a single staff meeting, Tshs. 6.4 billion used for advertisement and Tshs. 10 billion used for trips as contained in CAG Report for the year 2012/2013.' In July, the former Director General of TPA, Mr. Ephraim Mgawe, and his deputy were charged for abuse of office in fraudulently awarding a US$523million contract to China Communications Construction Company Ltd for a major port expansion project.[190]

It is important to remember that many of the audits eventually published by NAOT are undertaken by private (local and international) auditors. For example, the audit of PA&OB involved a total of 33 private auditors. How thorough are the audits undertaken? What happens if an auditor stumbles across evidence of major malfeasance? There is no reason to believe that either public or private auditors cannot be persuaded to turn a blind eye to such evidence. More likely, they will not be looking for it in the first place.

In sum, it is probable that most of the financial mismanagement in the public sphere goes undetected and therefore unpunished. But even most of the revealed malpractices go unpunished anyway (see PCCB above). The lack of disciplinary action against those misusing public money is an example of Tanzania's 'decentralised' patronage system, in which systemic misuse of resources is largely tolerated in exchange for political loyalty.[191] In an editorial in May 2014, *Business Times* explained the tendency for officials to 'put their hand into the till' in terms of a pervasive sense 'that impunity is more or less assured…' In the build up to national elections, 'electoral strategies where the ruling party expects local government to do much of the canvassing on its behalf especially among civil servants…counts (sic) in how it sees misdemeanors at that level.' [192] Calls to put an end to impunity will fail as long as the political incentives driving impunity go unchallenged.

2.5 Big Results Now!

Big Results Now! (BRN) is an initiative by the Kikwete government to speed up policy implementation in key sectors. TGR2013 described the 'labs' process that identified the priority interventions in the BRN priority sectors--energy, transport, education, agriculture, water, and 'resource mobilisation' (**Figure 1**).[193] In February 2014, a Business Environment Lab added a seventh key sector. President Kikwete admitted that "we do have problems … in delivering … services that are key to private sector development. The good news is that we have resolved to

[188] CAG 2015b: 9.
[189] Aisia Rweyemamu 2014. 'TPA officials to appear before MPs', *Guardian*, 1 November.
[190] LHCR 2015: 255. See also: Faustine Kapama 2014. 'Ex-TPA boss charged with fraud', *Daily News,* 15 July.
[191] Reporter 2014. 'Citizens unhappy about action against corruption officials: CAG', *Citizen*, 8 November.
[192] Reporter 2014. 'CAG Report: Varying levels of impunity use of public finances', *Business Times*, May 16 – 22.
[193] Government of Tanzania (2015). Tanzania Development Vision 2025, Big Results Now!, 2014/2014 Annual Report: http://65.175.71.188/documents/ANNUAL%20REPORT.pdf

address these challenges."[194] In June, head of the President's Delivery Bureau (PDB) Omari Issa said that health was to be added to the list.[195]

The National Key Results Areas (NKRA) were originally five, with resource mobilisation added later. In June, head of the PDB Omari Issa said that health was to be added to the list.[196] Governance/anti-corruption, which figured in the Malaysian BRN equivalent, was not included, to the consternation of some. An even more notable absence was manufacturing industry, which is the basis for any inclusive development strategy.[197]

BRN was mainly financed by DFID, an agency that in recent years has been pushing for 'results based aid' (RBA) or 'payment by results' (PbR).[198] Other agencies have aligned some new sector programmes and projects with BRN objectives, including water and education.[199] Under PbR, for example, local councils will be paid for projects already completed. Blogger Ben Taylor asks whether the additional transaction costs in TA and independent monitoring of results required by PbR 'are justified and really translate into improved development results.'[200] A number of other technical issues make the new approach problematic, at least in the water sector: 'even with ... transparency and careful monitoring, there are plenty of things that could go wrong.'[201]

[194] Reporter 2014. 'Tanzania keen on improved business', *Daily News*, 27 February
[195] Lugezi Kabale 2014. 'BRN targets solving problems that slow down project speed', *Citizen on Sunday*, 20 July.
[196] Lugezi Kabale 2014.
[197] Andrew Coulson, personal communication, 03/04/16.
[198] Department for International Development 2013. 'Big results now delivery programme phase II – Business case and intervention summary', London; Heiner Janus and Niels Keijzer 2015. 'Big Results Now? Emerging Lessons from Results-Based Aid in Tanzania', German Development Institute, Discussion Paper 4/2015.
[199] Janus and Keijzer 2015: 14. 'The World Bank, together with DFID and Sweden, are funding the "Big Results Now in Education" programme as the first PforR pilot … in the education sector. The programme duration is four years (2014–2018) and the overall budget is US$ 416 million, with contributions from the World Bank (US$ 122 million), the United Kingdom (US$100 million), Sweden (US$ 30 million) and the government of Tanzania (US$ 164 million).'
[200] Ben Taylor 2014. DFID turns to "Payment by Results" for rural water supply in Tanzania: http://mtega.com/2014/07/dfid-turns-to-payment-by-results-for-rural-water-supply-intanzania/
[201] Ben Taylor 2014. 'DFID initiates 'payment by results' in aid', *Citizen*, 3 August.

Figure 1 summarises BRN's 'key results areas'. Since the objectives in the six sectors are designed to be 'quick wins'—with responsibility for their achievement given to specific officials—it would be too easy to argue that they are overambitious. Yet clearly that is precisely what some of the objectives are, as their non-achievement by the end of 2015 will probably demonstrate.

All sectors listed in **Figure 1** are discussed in the relevant sections of this report.

Figure 1: National Key Results Areas of Big Results Now! initiative

	Big Results by 2015
Agriculture	• 25 commercial farming deals for paddy and sugarcane • 78 collective rice irrigation and marketing schemes • 275 collective warehouse-based marketing schemes
Education	• Pass rate of 80% for primary and secondary school students • Improve students' mastering of 3R in Standard I and II by implementing skills assessment and training teachers
Energy	• Increase generation capacity from 1,010 to 2,260 MW • Access to electricity to 5 mil more Tanzanians • Eliminate EPP reliance
Transportation	• Passage of 5 mil tons per year through the Central Corridor • Increase port throughput by 6 mil tons, rail by 2.8 mil tons • Reduce road travel time from 3.5 to 2.5 days
Water	• Sustaining water supply to 15.2 mil people • Restoring water supply to 5.3 mil people • Extending water supply to 7 mil new users
Resource mobilisation	• Increase tax revenue by Tsh 3 trillion • Implementation of PPP projects valued at Tsh 6 trillion

Source: Figure reproduced from GoT (2013, p. 10)

Source: Heiner Janus and Niels Keijzer 2015. 'Big Results Now? Emerging Lessons from Results-Based Aid in Tanzania', German Development Institute, Discussion Paper 4/2015.

2.6 Conclusion

'The Kikwete Presidency stands out like a sore thumb in terms of poor governance compared to the preceding governments.'[202]

The year in review seriously undermined the credibility of the Kikwete regime for the quality of governance and degree of accountability, as seasoned commentator Karl Lyimo states in the above quote. Others echoed this view, including the *East African*, which pointed out that

[202] Karl Lyimo 2014. 'JK legacy: forget new Katiba, clean up bits', *Citizen, Business Week,* 30 October.

'Escrow' was the third power sector scandal under Kikwete's watch involving reshuffles of his own appointees.[203]

A conspiracy theorist could interpret the *modus operandi* of Tanzania's institutions of accountability--in particular the CAG and PCCB--as an elaborate public relations exercise designed to give an impression of impartiality and thoroughness, while politicians, bureaucrats and businesspersons continue to loot public resources with impunity. When large suspected crimes are involved, these organisations protest that "we produce the evidence--it's not our fault if our masters ignore it!" to justify the elaborate and costly rituals involved. Such an argument leads to the conclusion that state power is exercised primarily to protect the property and interests of the rich and powerful, and that taxation *performs essentially the same function*. A 'social compact' cannot emerge between state and citizen as long as taxes subsidise the elite's political agenda at the expense of building and maintaining public infrastructure and providing social services. Those advocating for a larger tax take ignore this side of the 'social compact' equation.

It is widely believed that benefits from economic growth have been very unevenly distributed, with a few businesses and individuals making fortunes, while for many urban and rural poor, life is still full of privations. These issues are discussed in **Chapter 8**.

Chapter 3 examines the available evidence of how the government performed in providing social and economic services during 2014.

[203] Joint Report 2014. 'Scandals taint Kikwete legacy, jeopardise CCM aspirants' chances', *East African*, 27 December. Richmond (2006-08) saw Prime Minister Lowassa replaced by Mizengo Pinda and two other ministers sacked.

Chapter 3: Public Money and Local Governance

3.1 Introduction

'In 2013/14 only TZS 10,700 (US$6) per capita was budgeted for the combined running costs of health services, water and primary and secondary education, representing a fall of 40% over four years.'[204]

The number of Tanzanian regions has grown from 25 in 1975 to 30 currently, 25 of which are on the mainland. In 2003, Manyara was carved out of Arusha region, and in 2012, Geita, Katavi, Njombe and Simiyu Regions were created. The country now has 169 districts, 159 of which are on the mainland.[205] In the 2013/2014, 23 'newly established LGAs effectively came into operation....'[206] The CAG noted some predictable problems with the new councils:

- Acute shortage of infrastructures at their new headquarters in particular office buildings and staff houses for key personnel. Most of the LGAs remained in the old Councils' buildings.
- Shortage of key staff. For the ten leading Councils with shortage of staff, seven are the newly established Councils.
- Inadequate directives on preparation of Financial Statements.
- Payroll management functions largely were still managed by parent councils.
- Inadequate documentation of assets and liabilities before splitting of the LGAs.
- Use of manual accounting systems. Twenty two new LGAs were not installed with Epicor Application System.

The CAG ' concludes: These … weaknesses have made operations of the new LGAs … challenging, including costs for renting buildings, running generators … inadequate preparation of Financial Statements … due to lack of reliable information on assets, liabilities and salaries.'[207]

New districts and regions require new and upgraded administrative infrastructure, district and regional commissioners need offices and houses, and so on. In May, the Tanzania Building Agency (TBA) was commissioned to build 149 office complexes and houses in four new regions and 38 districts costing TShs18b. 'The officials include regional commissioners, regional administrative secretaries and district commissioners in Katavi, Manyara, Njombe and Simiyu regions.'[208]

The rationale for creating more regions and districts is to bring government closer to the people, which is the objective of the Local Government Reform Program (LGRP), reported on critically in past TGRs. Capacity constraints at national and local levels are a major weakness from the point of view of improving service delivery through decentralisation, and 'capacity building' is a

[204] http://www.tzdpg.or.tz/fileadmin/documents/external/public_expenditure_review/Reports/Volume_I_LGA_Final_Report_30.04.14_final_final.pdf, accessed 17/02/16.
[205] https://en.wikipedia.org/wiki/Districts_of_Tanzania, accessed 13/02/16.
[206] CAG 2015c: 170.
[207] CAG 2015c: 171-2.
[208] Frank Aman 2014. 'Building of houses for RCs and DCs in 4 regions approved', *Guardian*, 6 May.

routine component of donor projects and programmes. But 'capacity' is also constrained by politics, and the increase in block grant transfers to LGs in recent years makes local government a growing source of rents. Local government and parliamentary elections for councillors and MPs respectively are therefore increasingly significant and hotly contested.[209] Does political competition hold out promise for improvements in local democracy and the quality of service provision?

Local elections in December 2014 were marred by delays in the delivery of voting materials, errors in voters' lists, voting irregularities and opposition claims of manipulation by the ruling party, leading to chaos and postponement of the polls in affected areas, including Dar es Salaam.[210] The LHCR and TACCEO (Tanzania Civil Society Consortium for Election Observation) reported irregularities and infringement of human rights during the voter registration process, during campaigns and rallies, on voting day and during vote counting. Opposition supporters unhappy with the results resorted to violence and arson in a number of areas.[211] *The Citizen* went so far as to describe the elections as 'a farce,' and *the Guardian* described the use of 'tear gas to disperse angry voters.' Both The PMO and the councils were blamed for the poor logistics surrounding the polls nationwide.[212] In the event, CCM won a majority in both urban and rural areas,[213] with opposition parties increasing their number of seats since the last poll in 2009 (**Table 3.1**).[214]

Table 3.1: Performance of Main Political Parties in Local Polls, 2009 and 2014

	2009				2014			
Seats	**Urban**	**Rural**	**Total**	**Percent**	**Urban**	**Rural**	**Total**	**Percent**
CCM	2,242	9,800	12,042	92	2,116	7,290	9,406	75
Opposition	268	834	1,102	8	1,008	2,200	3,208	25
Total	2,510	10,634	13,144	100	3,124	9,490	12,614	100
Of which:								
CHADEMA	134	289	423	3	753	1,248	2,001	16
CUF	133	407	540	4	235	946	1,181	9
Others	1	138	139	1	20	6	26	<1

Source: PMO-RALG, cited by Mugarula 2014

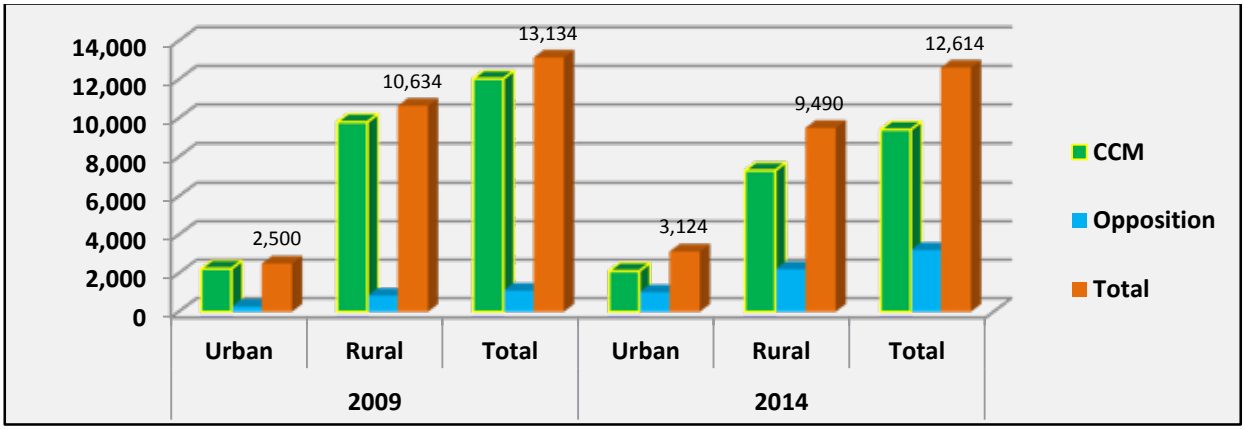
While CCM is still dominant, it is clearly losing ground to the opposition.[215]

[209] Emmanuel Onyango 2014. 'Tanzania Policy Forum wants fairness, transparency in local gvt elections', *Guardian*, *2* December.
[210] Alvar Mwakyusa 2014. 'Peace, calm as civic polls take off', *Daily News*, 15 December. Despite the reassuring headline, the article reports the postponement of elections in Ilala and Kinondoni due to 'errors on voting papers' and claims of ballot rigging. In Arusha, voter lists were not in alphabetical order.
[211] LHRC and TACCEO 2014. 'Local Government Election Report', pp 90 on.
[212] Reporter 2014. 'Local elections a farce', *Citizen*, 15 December. See also Reporter 2014. 'Chaos taints civic polls, forcing postponements', *Guardian*, 15 November.
[213] Florence Mgarula 2014. 'Local polls bad omen for CCM', *Citizen*, 24 December. In urban areas the electoral unit is a 'street' (*mtaa*), in rural areas a 'hamlet' (*kitongoji*).
[214] Habel Chidawali and Rachel Chibwete 2014. 'CCM beats opposition despite decline', *Citizen*, 18 December.
[215] These figures may be unreliable--for example, why has the number of seats reported declined over five years? They are cited as suggesting a growing trend towards a less dominant ruling party.

Chart 3.1 presents the same data visually.

Will councils controlled by opposition parties be able to improve on the performance of the formerly dominant CCM in term of service provision? Or will one patronage system simply be replaced by another? This is a subject for future investigation by academics and think tanks concerned with the practical pay-offs of competitive politics in terms of downward accountability.

Chart 3.1: Performance of Main Political Parties in Local Polls, 2009 and 2014



Source: PMO-RALG, cited by Mugarula 2014; LHRC 2015.

The government's financial problems discussed in **Chapter 2** had major consequences for local government finances. Treasury figures showed that only 43 percent of budgeted LGA transfers for FY2013/14 had been made by May 2014.[216] Nevertheless, the total spent on procurement increased slightly during 2013/14, from TShs1 trillion to TShs 1.2trillion.[217] The CAG lists procurement irregularities in LGAs for FY2013-14, summarised in **Table 3.2.**

Table 3.2: LGA Procurement Irregularities, 2013/14

Irregularity	TShs
• **Procurements made outside the annual procurement plan**	4,237,790,791
• **Stores not taken on ledger charge**	504,297,029
• **Goods received but not inspected**	338,994,365
• **Procurement of goods and services by using imprest**	323,716,079
• **Goods and services procured from unapproved suppliers**	318,160,711
• **Fuel issued but not recorded in the vehicle's logbooks**	300,397,825
• **Goods and services procured without Tender Board approval**	201,377,615
• **Uncompetitive procurement processes**	176,919,303
• **Goods and services paid for but not delivered**	156,710,739
Total	6,558,364,457

Source: CAG 2015c: 121-30.

If the CAG's off-the-record statement cited in **section 2.4.4** above is close to the truth, it is likely that the amounts reported in the table represent only the tip of the iceberg of irregular procurement at LGA level.

[216] Peter Nyanje 2014. 'Tanzania admits to a financial crunch ahead of $12.3b budget', *East African*, 3-9 May.
[217] GAC 2015c: 119.

Councils frequently allocate funds for activities of dubious priority. For example, 48 Mbeya City Councillors and 14 council officials went on a 9-day study tour of Mwanza, Arusha and Moshi, costing TShs67m, or TShs120,000 per person per day. Mbeya residents interviewed said this was an abuse of public funds given the dilapidated state of public infrastructure.[218]

3.2 Trends in Service Delivery Performance

In the 2014 Afrobarometer survey, respondents were asked: 'In your opinion, what are the most important problems facing this country that government should address?'[219]

Table 3.3 Summarises the results.

Table 3.3: Most Important Problems for Government to Address

Rank	Sector	Percent	Cumulative
1	**Health**	17	17
2	**Education**	11	28
3	**Farming/agriculture**	9	37
4=	**Water**	8	45
4=	**Infrastructure/roads**	8	53
6	**Economic management**	5	58
7=	**Poverty**	4	62
7=	**Corruption**	4	66
9	**Other**	34	100
	Total	100	100

Source: Afrobarometer/REPOA 2015: Q60, authors' summary.

Health, education, agriculture (including marketing), water and infrastructure/roads accounted for more than half of all responses. Economic management, poverty and corruption are secondary concerns.[220] The sectors that concern citizens the most constitute the core responsibilities of local government. How well are these sectors faring under growing budgetary constraints?

LGAs are seriously understaffed. In a sample of 102 councils, the CAG found staffing levels at 24 percent 'below requirements'. 'Such deficiency has an impact on the general performance of the LGAs including inadequate service delivery, overloading and de-motivating the present employees in the LGA. Most affected sectors were Health, Agriculture and Education', the three key sectors according to survey respondents.[221]

Weren't priority social sectors protected against spending cuts?[222] To an extent, health and education spending is ring-fenced against drastic budgetary cuts through major donor basket funding, and other support through vertical programmes. TGR could not find any breakdown or

[218] Hawa Mathias 2014. 'Sh67m spending on four queried', *Citizen,* 11 September. The group's objectives included learning about environmental conservation, town planning laws, and preparation of revenue and expenditure reports.
[219] Afrobarometer/REPOA 2014. The percentages are the average of three open-ended responses.
[220] Saumu Mwalimu 2014. 'Poverty, health, education top Citizens' worries list', *Citizen,* 13 November.
[221] CAG 2015c: 76. Staff shortages were 2 percent up on the previous year.
[222] Lack of a comprehensive Public Expenditure Review makes it difficult to answer this question definitively.

analysis of spending for key sectors compared to budget allocations voted by parliament that would allow us to grasp the size and direction of budget reallocations and cuts during the financial year 2013/14. Some *ad hoc* examples are given below.

The CAG found that, despite the budgetary constraints under which LGAs operate, much programme and project money remains unspent at the end of the financial year. In a dozen programmes and projects, the underspend averaged 28 percent of available funds, ranging from 76 percent for the Urban Local Government Strengthening Programme (ULGSP) to 14 percent for the Elisabeth Glasier Paediatric Aids Foundation (EGPAF). For the Local Government Capital Development Grant (LGCDG), TShs 14 billion remained unspent out of TShs 51 billion available (27 percent).[223] For capital development projects, the underspend in 157 LGAs sampled was 26 percent (TShs187billion out of TShs 719billion budgeted) (CAG 2015c: 112). The usual explanations given are late disbursement of funds by central government and by donors.

3.2.1 Education

The education budget for 2013/14 fell from TShs 724 billion to TShs 690 billion, a fall of almost 5 percent in nominal terms.[224] The allocation of teachers continued to favour the regions with the most teachers already, leaving regions including Mara, Shinyanga, Kigoma, Tabora and Singida continuing to lack teachers. Elizabeth Missokia, head of HAKIELIMU, linked poor performance in these regions to lack of teachers. HAKIELIMU also pointed out that the illiteracy rate among primary school pupils had risen from 10 percent in the 1990s to 30 percent currently. [225]

A key education quality issue for many years has been the authorship of school books and management of finance, procurement and distribution. Government policy has vacillated between total central control to various degrees of liberalisation, involvement of private publishers, and devolution of procurement to the district level.[226] In 2014, the government reversed its liberal textbook policy and gave the Tanzania Institute of Education (TIE) the monopoly of production and publishing textbooks for early education, primary and secondary, and teachers' training. This decision was made, according to the ministry of Education and Vocational Training, as a result of 'claims that [private firms] have failed to produce quality materials.' The unstated assumption is that the monopoly TIE is capable of resolving the textbook issue. [227]

Textbook procurement has been a source of corruption among education officials. In 2014, the Mbinga District Education Officer (DEO) and six secondary school headmasters were transferred for 'misusing' TShs 268m, some of which was intended for purchasing school books. The Deputy Minister in the Prime Minister's Office (Regional Administration and Local Government), Mr Kassim Majaliwa, 'blamed district executive directors and district council

[223] CAG 2015c: 110.
[224] Jamila Shemni 2014. 'Schools face shortage of teachers as student levels soar in 12 regions', *African*, April 7-13.
[225] Jamila Shemni 2014.
[226] See Policy Forum 2010, TGR 2008/09 for a detailed discussion of the schoolbook issue.
[227] Malela Kassim and Waryoba Yankami 2014. 'Govt waives liberal policy on school books publishing', *Guardian*, 1 September.

directors for not following up on how development funds are spent.' 'Further comments from the deputy minister point to the fact that embezzlement of public money in the education sector is a country-wide problem.' [228]

The CAG collects information on shortages of teachers and teaching resources (**Table 3.4**). The figures are based on a sample of 35 districts.

Table 3.4: Primary and Secondary School Infrastructure Shortages, 2014

	Requirements	Available	Shortage	Shortage Percent
Primary				
Teachers	19,408	17,538	1,870	**10**
Classrooms	48,302	29,775	18,527	**38**
Desks	422,855	259,965	162,890	**39**
Pit latrines	59,092	29,742	29,350	**50**
Teachers' houses	34,091	7,343	26,748	**78**
Secondary				
Teachers[229]	8,515	6,049	2,466	**29**
Classrooms	9,824	7,529	2,295	**23**
Desks	189,258	158,036	31,222	**67**
Laboratories	2,372	656	1,716	**72**
Pit latrines	25,925	8,653	17,272	**67**
Teachers' houses	12,359	2,062	10,297	**83**

Source: Adapted from CAG 2015c: 109

Teachers' houses are in short supply in both sectors, otherwise secondary schools are more under-provisioned than primary.

Chart 3.2 summarises MOEVT figures for availability of state secondary school facilities and infrastructure.[230]

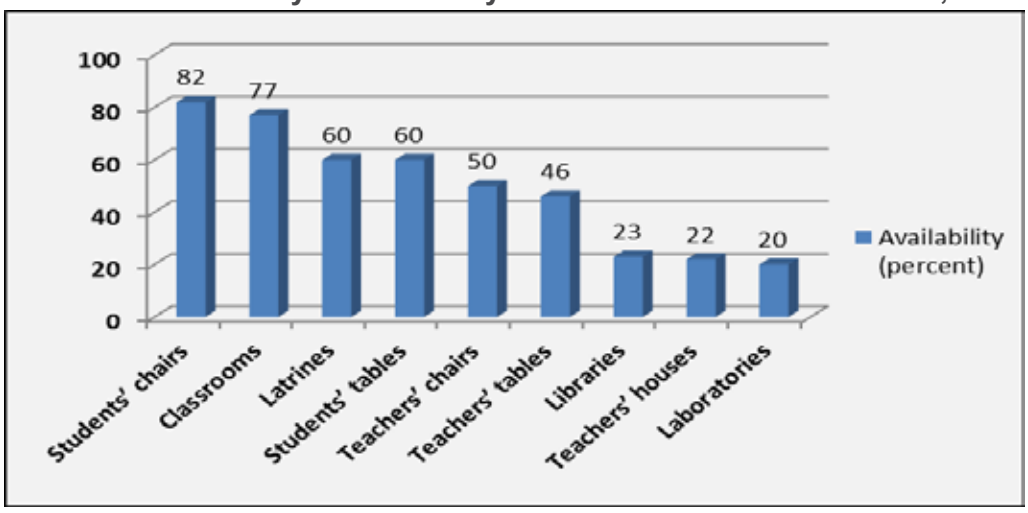
The results correspond quite closely between the two sources with the exception of latrines, which are much better provided according to BEST than the CAG.

[228] Marycelina Masha 2014. 'Embezzlers of School Funds Deserve Harsh Punishment', *Daily News*, 12 February. http://allafrica.com/stories/201402120051.html

[229] Teacher shortages are subject specific: '…many secondary schools were overwhelmingly staffed with arts teachers who only were assigned teaching in two subjects, with the result that many secondary school teachers … were assigned five hours of classroom teaching per week.' http://www.tzdpg.or.tz/fileadmin/documents/external/public_expenditure_review/Reports/Volume_I_LGA_Final_Report_30.04.14_final_final.pdf, accessed 16/02/16.

[230] http://www.hakielimu.org/files/publications/Ten%20Years%20of%20Jakaya%20Kikwetes%20Presidency-Final%20%20Report.pdf, accessed 17/02/16.

Chart 3.2: Availability of Secondary School Facilities/Infrastructure, 2014



Source: Based on HAKIELIMU 2015, citing BEST statistics (2014).

Box 3.1 describes an initiative to build science labs in ward secondary schools.

Box 3.1: Science laboratories by presidential directive

In mid-2014, **President Jakaya Kikwete** directed 'regional and district leaders to work with school managements and parents to ensure that … every secondary school in their areas have (sic) a science laboratory' by November. The Commissioner for Education, Professor **Eustella Bhalalusesa,** endorsed the directive, saying that the construction of science laboratories in all secondary schools was 'in line with President Jakaya Kikwete's directive.' Regional and district commissioners took charge of the crash campaign to build science labs through parental and other contributions. Complaints that parents, teachers and businesses were being forced to contribute to the campaign were widespread. 'Teachers in Mwanza threatened to go on strike and take to court the municipal executive director if 10,000/- would be deducted from their October salaries for the laboratories project.' **Ruvuma** Regional Commissioner **Said Mwambungu** said 214 labs had been completed out of 429 required in the region, adding that 'he would deal with leaders of political parties found to agitate 'wananchi' against contributing towards the construction of laboratories because the project was initiated by President Jakaya Kikwete.' Businesses in **Tanga region** were told to contribute TShs 1 million. All villagers were to pay TShs 5,000 each. The author saw the labs project turning into 'huge 'white elephants', since most schools do not have and/or cannot afford, the electricity, water, gas, chemicals and other disposals that such labs require.' The capitation grants that could be used to help fund labs 'hardly ever reached the schools anyway.'

Sources: Masozi Nyirenda 2014. 'Time out for education contributions', *Guardian*, 21 April; Reporter 2014. 'Ruvuma RC issues directive on science lab construction', *Guardian,* 10 December.

The Afrobarometer survey asked respondents what they thought about teachers' salaries, teacher training and the school curriculum. On Tanzania mainland:

- 71 percent of respondents agreed that teachers' salaries were 'insufficient';[231]
- 62 percent thought teachers are 'not well trained'; and
- 72 percent thought the 'entire education curriculum should be reformed'.[232]

For the last decade, CSOs have raised concerns with educational quality at all levels. Education quality is judged by the learning outcomes, that is, the ability of students, "not how many classrooms are built or desks purchased or the pupil: book ratio or the formal qualification of teachers."[233] In addition, budgetary constraints, widespread diversion of funds and inequitable resource allocation make quality education an ever receding vision.

3.2.2 Healthcare

A study by Boex, Fuller and Malik (2015) examined official health spending from a sample of six rural councils: Kasulu, Ludewa, Mbinga, Mkuranga, Nkasi and Ukerewe.[234] The finances for these expenditures are from block grants and health basket funds. Essential drugs from MSD and inputs from vertical programmes such as TACAIDS are not included (**Table 3.5).**

Table 3.5: Total Non-Wage Health Expenditures by Cost Centre as % of Total

District	CHMT[235]	Hospital Services	Health Centres	Dispensaries	Community Health	Total
Kasulu	16.5	44.9	17.1	21.5	0.0	100
Ludewa	19.1	41.6	15.8	23.4	0.0	99
Mbinga	18.7	43.4	10.2	27.6	0.0	99
Mkuranga	20.4	29.0	18.2	32.0	0.4	100
Nkasi	30.3	15.7	28.2	25.9	0.0	101
Ukerewe	17.9	43.1	18.4	20.6	0.0	100
Average	20.5	36.3	18.0	25.2	0.1	101

Source: Boex, Fuller, and Malik, 2015: 13.

An average of 25 percent of non-wage expenditure was spent at the dispensary level, which is the Ministry of Health and Social Welfare's guideline.[236] By contrast, over a third of non-wage expenditure was on hospitals, both public and voluntary. The authors conclude that: 'more resources need to be directed in support of front-line services to improve overall health outcome indicators across the board in Tanzania.'[237] However, 'health facilities located further away from district headquarters have less access to council-level resources than those physically nearby', an equity issue discussed by Tidemand et al. (2014), reviewed in **TGR 2013**, Chapter 3, who

[231] Even so, salaries account for 87 and 74 percent of sector transfers for primary and secondary education respectively. Coffey 2015 'Local Government Authority (LGA) Fiscal Inequities and the Challenges of 'Disadvantaged' LGAs', ODI.
[232] Afrobarometer/REPOA 2015.
[233] Lucas Liganga 2014. 'Why the game plan is all wrong and won't yield desired fruits', *Citizen,* 19 May. The quote is from head of Twaweza Rakesh Rajani.
[234] Jamie Boex, Luke Fuller, Ammar Malik, 2015. 'Decentralized Local Health Services in Tanzania: Are Health Resources Reaching Primary Health Facilities, or Are They Getting Stuck at the District Level?', Urban Institute, April. The analysis is based on actual expenditures as opposed to budget estimates.
[235] CHMT= Council Health Management Team, headed by the District Medical Officer (DMO).
[236] The funds for individual dispensaries are allocated at the discretion of the DMO/CHMT.
[237] Boex et al. 2015: 14.

found that 'the number of staff per dispensary ranging from 9 to 1 within the same district.'[238] The underlying cause for this inequity in services is health sector (and other sector) workers preference for living in or near urban areas.

Table 3.6 looks at the equity issue from the citizen's point of view. Nearly half (48 percent) of urban interviewees in the Afrobarometer survey of 2014 said it was 'easy' or 'very easy' to obtain medical care, less than a third (29 percent) of rural respondents said the same. But rural respondents were 18 percentage points *less likely* to seek medical care than urban respondents, suggesting that many rural people were either using traditional remedies or simply not seeking care.

Table 3.6: Difficulty Obtaining Medical Care (Percent)

	Urban	Rural	Male	Female	Mainland
No contact	47	65	58	55	59
Very easy	21	13	17	8	16
Easy	27	16	19	36	19
Difficult	5	5	4	1	5
Very difficult	1	1	1	1	1
Total	101	100	99	101	100

Source: Afrobarometer/REPOA 2014: 35.

In the same survey, 15 percent of respondents said they had 'to pay a bribe, give a gift, or do a favour for a health worker or clinic or hospital staff in order to get the medical care' they needed, with minor differences between urban and rural sub-samples.[239]

In October, a growing crisis in the supply of essential drugs and supplies led the Minister of Health Dr Seif Rashid to order government hospitals to 'use 50 per cent of their revenue to buy medical supplies.'[240] Irenei Kiria, executive director of health advocacy NGO Sikita, pointed out that 70 per cent of the Sh90 billion debt that had paralysed operations of the' Medical Stores Department (MSD) was owed by the ministry.[241] At the end of FY20113/14, Kirai had warned that the health budget was too dependent on donors, arguing that, if development partners reduced their commitment to the health basket fund by over TShs 180billion as planned, the 'funding gap for essential medicines' would rise 'to over Sh200 billion.'[242] In an op-ed, Sikika's Josephine Nyonyi related transparency in the health sector to the government's commitments to the Open Government Partnership (OGP, discussed in **Chapter 5**). She observed that information provided by MSD on drug availability and distribution was not user-friendly from a citizen perspective.[243] Kirai's prediction appeared to be coming true when the Medical Stores

[238]Per Tidemand, Nazar Sola, Alloyce Maziku, Tim Williamson, Julia Tobias, Cathal Long, and Helen Tilley. 2014. 'Local Government Authority (LGA) Fiscal Inequities and the Challenges of 'Disadvantaged' LGAs', London: ODI.
[239] Afrobarometer 2014 ibid.
[240] Athuman Mtulya 2014. 'No medical supplies as MSD wants Sh90bn', *Citizen*, 27 October.
[241] Fariji Msonsa 2014. 'Rashid's order may backfire', *Citizen*, 31 October.
[242] Irenei Kiria 2014. 'Decisive action needed after qualified audit opinion for ministry', *Citizen*, 14 June.
[243] Josephine Nyonyi 2014. 'Tanzania yet to fully embrace openness', *Citizen*, 22 October.

Department (MSD) stopped providing essential drugs to facilities with outstanding bills 'to protect its depleted working capital.'[244]

Finally, in 2014 the Ministry of Health announced that it had stopped the distribution of subsidised bednets. The reason given by deputy minister Stephen Kebwe was the discovery of 'massive cheating involving some public servants in the distribution of nets.' As a result, the UK government ('the sole sponsor of the project') stopped funding. At least 13 million subsidised nets, which are produced in Arusha, were distributed from 2004 to 2014.[245]

3.2.3 Water and Sanitation

'Elite capture at the district is a serious impediment to increasing access to water for marginalized communities. Local discretion has resulted in funds going to the wealthiest, best organized, and/or most politically influential communities.'[246]

'According to the World Health Organisation, in 2014, a total of 32,665 Tanzanians died from illnesses directly related to poor water, sanitation and hygiene, accounting for…12 per cent of all deaths that year...'[247]

Since independence, successive plans to achieve universal access to clean water have failed. TGR 2013 reported the poor performance of the government and donor agencies in increasing access to clean water across the country under the Water Sector Development Programme (WSDP), which began in 2007.[248] Money has been less of a problem than the way it has been used. The water sector budget jumped from about TShs 25 billion (US$ 40million) in 2000 to nearly TShs 300 billion (US$250 million) in 2009.[249] District water planning was supposed to be a 'bottom-up' process, based on village plans, and financed through block grants managed at district level. Villages were responsible for managing and maintaining completed water schemes. TGR 2013 concluded that there was little to show for these huge investments, totaling more than US$1.42billion by mid-2014.[250] The water budget is falling. In 2012/13, TShs140bn was budgeted but only TShs104bn received, while in 2013/14 TShs312bn were voted by parliament but only TShs68 had been disbursed by March.[251]

In Dar es Salaam, the story was the same: large investments, including donors, and stagnant coverage, albeit at a higher level than in rural areas.[252] This is reflected in survey results. For example, in the 2014 Afrobarometer/REPOA survey, respondents were asked: 'Over the past

---

[244] Reporter 2014. '90bn/- govt debt to MSD hurting health sector', *Guardian*, 27 October;
Reporter 2014. 'Medical supplies dry over huge debt', *Citizen*, 27 October.
[245] Saumu Mwalimu 2014. 'Govt halts delivery of subsidised nets', *Citizen,* 25 July.
[246] Barak Hoffman 2013. 'The Politics of Water in Rural Tanzania, Center for Democracy and Civil Society', Georgetown University, May.
[247] Jacob Kushner and Tom Murphy 2014. 'Why WB's water failure in Tanzania 'grim news', *Citizen,* 5 December.
[248] Heiner Janus and Niels Keijzer 2015. 'Big Results Now? Emerging Lessons from Results-Based Aid in Tanzania', German Development Institute, Discussion Paper 4/2015.
[249] Hoffman op. cit., page 10.
[250] This figure includes GOT, budget support, and project funding by the World Bank and other donors. See Jacob Kushner and Tom Murphy 2014, op. cit.
[251] Nelson Kessy 2014. DAWASCO admits pathetic capacity to supply water', *Daily News*, 21 June
[252] If access to clean water rates stay , this still means that increasing numbers of people are enjoying clean water, since the population is increasing. It also means that there are more people without access, of course!

year, how often, if ever, have you or anyone in your family gone without enough clean water for home use? Results are reported in **Table 3.7.**

Table 3.7: Frequency of Going Without Clean Water, Percent

	Urban	Rural	Male	Female	Mainland
Never	59	46	49	52	51
Once or twice	16	15	16	15	16
Several times	12	17	16	15	15
Many times	11	18	15	16	15
Always	2	3	3	2	3

Source: Afrobarometer/REPOA 2014: Q8B

Nearly two out of five rural respondents (38 percent) said they went without clean water sometime during the previous year, with nearly a fifth (18 percent) saying 'many times', compared to a quarter of urban respondents.

According to DAWASCO, the main cause of water shortages in Dar is the repeated breakdown of water pumps at Upper Ruvu pumping station, which are 'old.' Repairs are delayed since spares for the pumps 'have to be ordered from England.' [253] If this is the case, then government and donor money has been spent on the wrong priorities, since developing Dar's water distribution system will yield no benefits without some water in the pipes.[254]

Despite routine underperformance, donor agencies continue to finance large water projects of all sizes. In 2014, the African Development Bank loaned the GoT US$26m for the Lake Victoria Water and Sanitation Programme II covering Geita, Sengerema and Ukerewe districts. Although deputy Water minister Binilith Mahenge warned village chairpersons, district executive directors, and district engineers in the three districts to 'ensure the project is properly implemented or else they risk punitive measures', the likelihood of such an eventuality is low, given the generally low level of public scrutiny of such projects, which are simply announced by the government with minimum 'stakeholder' involvement.[255] Longido provides an example of why water projects fail. Citing the CAG's annual report for 2013/14 'which reveled massive rot', Longido MP Michael Laizer chastised Minister Jumanne Magembe for protecting 'individuals from his ministry' who ended up pocketing the TShs 1 billion for the project. Longido was one of a handful of LGAs to receive a qualified audit in 2013/14. [256]

3.2.4 Rural Roads

Rural road construction and maintenance is the responsibility of LGAs, and is financed through the Road Fund. Opening a Road Fund stakeholders meeting in Arusha in August, Prime Minister Mizengo Pinda said road projects were poorly implemented because 'leaders who are supposed to supervise these projects are themselves involved in carrying them out.' The PM warned stakeholders "not to influence contract awards to your own firms or those belonging to

[253] Nelson Kessy 2014. DAWASCO admits pathetic capacity to supply water', *Daily News,* 21 June.
[254] Hilda Mhagama 2014. 'DAWASCO explains Dar water woes', *Daily News*, 3 December.
[255] Miguel Suleyman 2014. 'Sh48.6bn water, sanitation programme gets underway', *Citizen on Sunday*, 5 January
[256] Katare Mbashiru 2014. 'Ministers quizzed over graft claims', *Citizen*, 9 May.

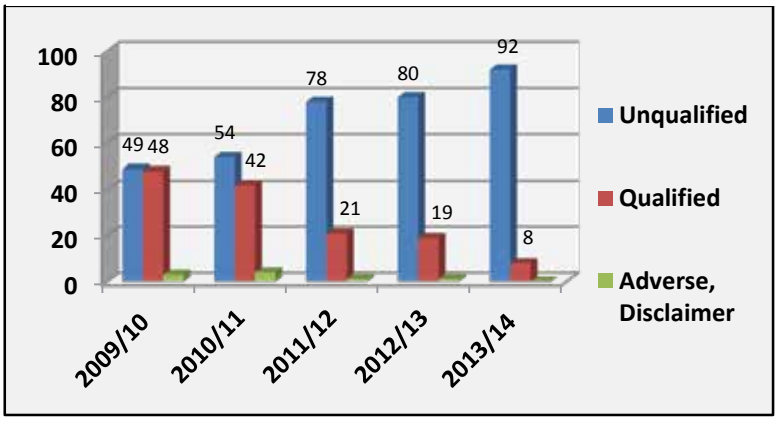
your close associates." [257] In a similar context, President Kikwete warned Mwanza Region leaders to use the TShs7.2bn from the Road Fund for the intended purpose, not for "sitting allowances."[258]

3.3 Controller and Auditor General

'Review of the responses received noted that out of 25 recommendations issued in the previous year, no recommendation was fully implemented, 10 were under implementation and 15 were not implemented at all.' 'Non clearance of long outstanding matters may lead to recurrence of the same anomalies in the subsequent years which may cause loss of public resources.'[259]

In **Chapter 2** we noted a significant short-term improvement in the audit performance of ministries and agencies, which was attributed to CAG procedural changes rather than to material changes on the ground. The upward trend in audit performance is also found in LGAs (**Chart 3.3**). Unqualified audits accounted for half of the total in 2009 rising to an implausible 92 percent in 2013/14. In addition, 'no LGA has been issued with Adverse Opinion [or Disclaimer of Opinion] in the year under review.'[260]

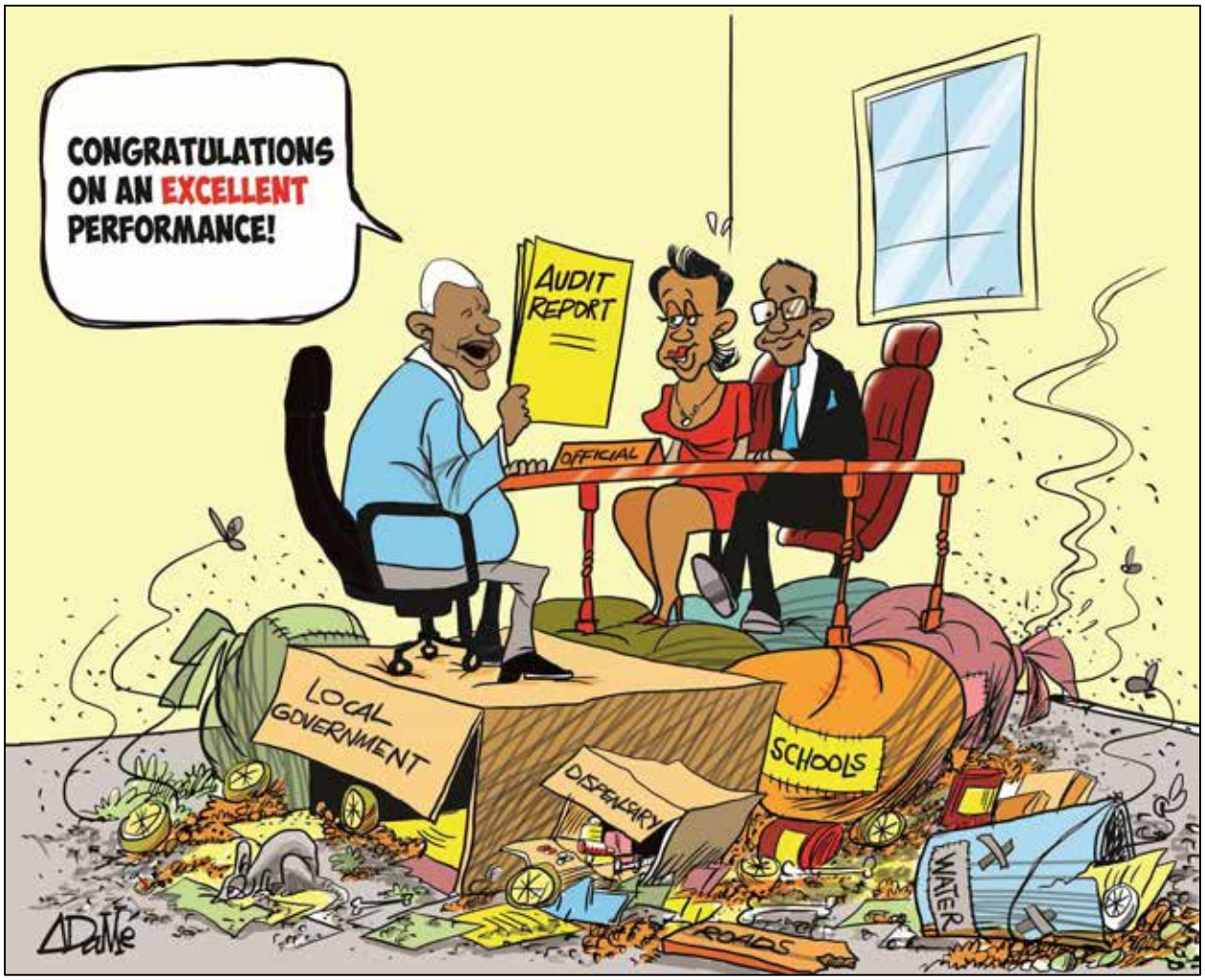
Chart 3.3: Audit Performance of LGAs 2013/14, Percent



Source: CAG 2015b

The CAG lists three potential explanations for this apparently positive trend: '(a) Local Government Reform Programme (LGRP) undertaken …, (b) Seriousness in implementing the CAG's recommendations and enforcement on the use of IFMS EPICOR version 9.05 in LGAs, (c) Revision of the Financial Statements after being audited and noted to contain a lot of errors which could have resulted into misstatements had those errors not [been] corrected and the revised version of the Financial Statement issued.'[261]

[257] Reporter 2014. 'PM warns councilors against conflict of interest, nepotism', *Daily News*, 26 August. The five day meeting 'attracted 900 participants including 24 regional commissioners, 25 regional administrative secretaries, 133 district commissioners, as well as 168 mayors and council chairpersons.' PPRA does not tell us how much all this cost. The non-transfer of tax revenue to the Road Fund is discussed in **Chapter 2**.
[258] Reporter 2014. 'JK warns authorities over development fund abuse', *Citizen*, 12 October.
[259] CAG 2015b: xxiii-iv.
[260] CAG 2015b: xxi.
[261] CAG 2015b: xxi-xxii.



Earlier TGRs have commented on the extent to which the LGRP can be considered a success. How it has impacted positively on LGA financial management has to be explained. Explanation (b) suggests that LGA audit performance has improved with the adoption of IFMS (Integrated Financial Management System) EPICOR, a claim worth investigating further. Are LGAs simply 'rewarded' for using EPICOR or has it had a substantial impact on financial management? Serious problems with EPICOR, seeming to challenge argument (b) above, are reported by the CAG, including the need for manual consolidation before accounts can be finalised.[262]

Despite the CAG's frustrations concerning lack of follow-up on his recommendations, there is evidence that audit findings have been used to sanction errant officials. For example, a special CAG audit led to the ouster of Bukoba Mayor Anatory Amani after confirming 'longstanding claims linking the mayor with dubious goings-on in development projects…'[263] In a case brought

[262] CAG 2015b:

[263] Jonas Kaijage 2014. 'CAG report tosses out Bukoba mayor', *Citizen*, 18 January. Dubious contracts included TShs 12 billion to build the Bukoba Central Market and bus station, and the sale of 5,800 building plots. There is evidence that the ouster was the result of a local power struggle rather than a disinterested investigation. It appears

before the Ethics Secretariat, which enforces the Leadership Code, a District Commissioner (DC) and District Executive Director (DED) were accused respectively of 'harassing' civil servants and rejecting the CAG's report.[264] The outcome is not known.

3.4 Parliamentary Oversight

This report has had cause to praise the Public Accounts Committee (PAC) for its hard work and tenacity over the TEA affair and the leadership shown by Zitto Kabwe. **Chapter 1**noted that, despite strenuous efforts by the executive to prevent or postpone parliamentary discussion of the affair, ultimately legislators dealt with the PAC report on 'escrow' as a public interest rather than a party political issue.[265]

In May, the Parliamentary Budget Committee met with officials of EWURA and TRA to establish what happened to over TShs83bn petrol tax that is used to finance the Rural Energy Agency (REA). According to Mr Julius Gashaza, EWURA's director of petroleum, Tshs100bn were transferred to TRA, but TRA officials claimed to have transferred only TShs17b to the REA. Committee chairman Andrew Chenge wanted to know what happened to the remaining TShs83bn, and ordered TRA and EWURA to sort out the issue. Two days later, the body of Mr Gashaza was found 'in his hotel room in Dar es Salaam, just hours after expressing fear for his life.'[266] The Temeke Regional Police Commander Engbert Kiondo later told the Citizen that Mr Gashaza 'may have taken his own life,' but an unnamed hotel staff member is quoted as saying "we saw…the body lying in a pool of blood". [267]

A number of parliamentary committees have followed up on CAG findings, which are now prepared in time for committees to review the previous year's spending. The CAG undertook a special audit of Mbinga DC, Ilala MC, Kinondoni MC, Mwanza CC, Bariadi DC, and Mbozi DC for FY2012/13. In the case of Mwanza CC, a highly critical audit produced a list of 23 queries, including the apparent loss of over TShs3billion in taxes collected locally. In January, the Parliamentary Local Authority Accounts Committee (PLAAC) 'uncovered corruption and financial mismanagement in most district councils assessed in the last few months.' [268] In the case of Mwanza, it appears that the council was seriously underfinanced because local taxes collected were not remitted or corrupt deals with tax collectors reduced collection rates. The audit also revealed systematic sub-standard works carried out by underqualified contractors.

It is worth pausing to reflect on the gloomy implications of these special audits. There is no reason to believe that they exaggerate the amount of theft and cronyism that characterise councils both big and small, urban and rural, across the country; in which case the total extent of financial mismanagement nationwide is absolutely horrendous.

---

that the mayor was not going quietly: Reporter 2014. 'I am here to stay, boasts troubled Bukoba mayor', *Guardian*, 24 January.

[264] Orton Kiishweko 2014. 'Ethics body quizzes two leaders', *Daily News*, 14 October. The Secretariat is better known for collecting 'leaders'' declarations of assets. Its modest impact was reviewed in TGR2012.

[265] Zitto Kabwe 2014. 'Zitto: Why parliaments must ensure openness in policies', *Citizen,* 19 October.

[266] Reporter 2014. 'Sh83bn link in death of top Ewura officials,', *Citizen,* 20 May.

[267] Athumn Mtilya 2014. 'New clues in death of top Ewura official', *Citizen,* 21 May.

[268] Annastazia Freddy 2014. 'Bunge rejects Mwanza report', *Citizen*, 30 January.

Though examples of committees taking their job seriously are worth noting, it is also clear that some members of some committees accept or extort money from vulnerable state entities so that their budget proposals and accounts are passed over without too much critical commentary. Examples were given in relation to TEA, and past TGRs relate other examples, where senior officials were forced to resign over such practices, which are thought to be 'routine'. With evidence of its committee members seeking rents, the public-spiritedness of the PLAAC interest in Mwanza cannot be taken for granted. Mwanza CC had similar problems during the previous year, which were evidently not resolved.

3.5 Conclusion

Readers of TGRs will by now be familiar with the failure of blueprint policies aimed at achieving universal access to basic services. Routinely, human and material resources to implement policies are lacking, as are coordination capacity, and accountability in the use of funds. Since pro-poor policies imply transfers of resources from the wealthier to the poorer classes of society, it is not surprising if the poor do not have a strong sense of ownership or entitlement over what they didn't pay for. Neither is it surprising if the ruling elite looks after its own interests first when it comes to budget cuts and reallocations during the financial year. Since the pro-poor agenda is essentially donor-driven rather than a reflection of local politics, it is likely that basket funding of basic services has helped lessen the negative impact of budgetary cuts on services. A comprehensive public expenditure review is needed to provide firm evidence on which to judge these issues.

Chapter 4: Policy, Regulation and Economic Governance

4.1 Introduction

Though different countries have different levels of direct state ownership and management of productive assets, all countries require some degree of state regulation of the national economy. State regulation is needed to address various market failures, for example, to provide public goods, which are often natural monopolies, to control cartels and monopoly tendencies within productive sectors, and to promote public health and safety. Economists disagree on the optimum degree of regulation. Ineffective regulation can result from inadequate human or financial resources, corruption among regulators or 'capture' by private interests. How well does the Tanzanian state play its regulatory roles? How wide are the powers enjoyed by regulators? Does regulation improve the business environment and increase competition? These are big questions that economists have yet to address systematically in the Tanzanian context. This section looks at some of the main developments in regulation in 2014.

An issue that cannot be dealt with in depth is the promotion of Public-Private Partnerships (PPP) as a preferred strategy. After nearly two decades of unprecedented economic growth, Tanzania and many other African countries are said to be facing acute infrastructural bottlenecks, leading policymakers to promote large investments that emphasise PPP. While traditional donors, in particular the World Bank, continue to finance capital projects with soft loans, China has come on stream as a major lender, and PPPs are becoming increasingly popular as a proposed solution to the infrastructure deficit.

Tanzania's National Public Private Partnership (PPP) Policy was launched in 2009, setting out the various types of PPP appropriate for different sectors and activities.[269] Sectors considered suitable for PPP arrangements include: agriculture, infrastructure, manufacturing, education and health, natural resources and tourism, energy and mining, water and irrigation, land development, environment and solid waste management, appropriate defense infrastructure, sports, information and communication technology, trade, entertainment and recreation.[270] Tanzanian policy in the mining and oil and gas industries promotes joint-ventures (JVs) in which the state holds varying amounts of share capital (equity). Here the key regulatory function is establishing fair tax and royalty rates.

The success of PPPs depends in large part on the capacity of the state to regulate the number of market players, prices charged for services, workers' safety and welfare, and environmental standards. 'Capacity' includes deploying sufficient qualified and motivated staff (technical capacity) and the autonomy, transparency and accountability required to regulate services in the public interest (governance capacity).

---

[269] Prime Minister's Office 2009. 'National Public Private Partnership (PPP) Policy', November. The types of PPP arrangements discussed are: Build-Own-Operate (BOO), Buy-Build-Operate (BBO), Build-Lease-Transfer (BLT), Build-Own-Operate-Transfer (BOOT), Build-Operate-Transfer (BOT), Design-Build (DB), Design-Build-Operate (DBO), Design-Build-Finance-Operate/Maintain (DBFO/M), Design-Build-Operate-Maintain (DBOM).

[270] Berna Namata 2014. 'Govts have to work with private sector on roads, power generation', East African, October 25-31. Electricity can be produced 'by allowing independent power producers to supply to the national grid.'

The Chinese government and private sector have rapidly become major players in addressing infrastructural shortfalls, areas that were formerly the province of the World Bank and other lending agencies. In June, Chalinze MP Ridhiwan Kikwete, 'hailed the government for plans to incorporate the private sector under the [PPP], saying that the move was a remedy in fast tracking development projects.'[271]

4.2 Private Sector Policy and Regulation

'The establishment of tax rates and the enforcement of tax schemes reveals that government does not see the private sector as a legitimate actor or partner in economic development. In addition, the state's lack of a fundamental business understanding leads to tax rates and enforcement measures that constrain PSD [private sector development]. Further, the negative experience of lower-level tax enforcement keeps enterprises in informality and PSD underdeveloped in Tanzania. The economy loses jobs and incomes that would expand the tax base…' [272]

Officially, Tanzania is a market economy led by the private sector, in which the role of the state is to provide public goods and services, and to create a business environment that attracts local and foreign investors. The state is responsible for developing policies, imposing and collecting taxes, and regulating productive sectors in the public interest. Examples from different economic sectors of how this works in practice are presented below. A selection of regulatory bodies is listed in **Appendix 4.1**.

Most key sectors of the economy are formally regulated by semi-autonomous executive agencies (EAs). In theory, 'Executive agencies are expected to improve operational efficiency in service delivery areas through greater managerial discretion and flexibility with relatively secure funding and organizational autonomy.'[273]According to the CAG, there are 37 EAs.[274] Banking and finance are regulated by the Bank of Tanzania. These agencies were created as a result of the Executive Agencies Act of 1997. The EA model, which has been widely adopted internationally, is designed to separate ministerial policy making from direct service provision and regulation, where appropriate, with the intention of making service provision more efficient and 'customer-oriented.'[275] The CEOs of EAs are appointed by the minister of the 'parent' ministry to which they are formally accountable.

Like any government institutions, EAs are vulnerable to corruption and capture by interested parties. The CAG summarised the audit performance of EAs in 2014 as follows: 'Several irregularities have been highlighted … showing lack of probity and propriety or the extent of

[271] Ridhiwan is following in his fathers' footsteps. Twenty-two years earlier, Minister of Water, Energy and Minerals Jakaya Kikwete was extolling the virtues of private participation in the energy sector (see **Appendix 1, Table 1**).
[272] Tillmann Gunther 2014. 'The right to fail but not the right to succeed – Private sector development in Tanzania', PhD, University of Vienna, page 417.
[273] http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTPUBLICSECTORANDGOVERNANCE/
[274] CAG 2015a p xxxiii.
[275] Hanif Tuwa 2009. 'Assessing performance accountability by executive agencies to the public in Tanzania', M.A. Dissertation (Political Science and Public Administration), University of Dar es Salaam, June.

noncompliance with or deviation from laws and regulations.'[276] Empowering EAs to raise income through charging for compulsory, often symbolic, inspections, and imposing penalties and fines for non-compliance with regulations is a recipe for predation and extortion. A number of agencies have growing reputations for extortion and rent-seeking, often employing the police as enforcers. For example, the Tanzania Bureau of Standards (TBS) regularly arrests small traders for selling second-hand underwear in urban centres across the country, ostensibly on hygienic grounds. In Mwanza, police were holding seven traders 'caught selling unhygienic undergarments in a crackdown.'[277] The big importers are never targeted, and the illegal items are back on the streets within days.[278] Such crackdowns have no long-term impact. In August 2014, the former Executive Director of the TBS Mr. Charles Ekelege, was convicted of abuse of power and given a three year sentence.[279] Last, the National Environment Management Council (NEMC) incurs the wrath of investors over the costs and quality of the environmental impact assessments which they are obliged to undertake with NEMC. Hussein Kamote, director of policy and research at the Confederation of Tanzania Industries (CTI) complained of the delays and costs incurred by investors "due to cumbersome procedures" at NEMC and lack of guidelines on what fees NEMC consultants should charge.[280]

Some EAs have taken large loans to build high-rise headquarters that are disproportionate to their role and significance.[281] Conflicts of interest arise when the EA is both a commercial player and regulator of a sector, which is often the case. To cite one example, the Cereals and other Produce Board (CPB) is mandated to regulate grain and other crop purchases through 'commercial activities and such other activities as are necessary, advantageous or proper for the development of the cereals and other produce industry'.[282] Crop boards (**Appendix 4.1**) also play this dual role. In addition, stakeholders often complain that agencies have overlapping mandates. For example, the Tanzania Bureau of Standards, Tanzania Food and Drugs Authority and Government Chemist Laboratory Agency all require the same information from food processors. Audax Rukonge, head of the Agricultural Non-State Actors Forum's (ANSEF) pointed out that the CPB mentioned above duplicates the functions of the National Food Reserve Agency (NFRA).[283]

---

[276] CAG 2015a: xxxiii. 'Deficiencies noted include, unsupported payments, accumulation of liabilities, receivables not collected, relief funds not properly managed, lack of ownership documents of land and buildings.'
[277] Diana Heriel 2014. '7 in trouble over banned underwear', *Citizen,* 10 March.
[278] Reporter 2014. 'TBS, Ilala municipality burn tonnes of undergarments', *Guardian,* 20 January; Lusekelo Philemon 2014. 'Six in custody in Arusha for selling used undergarments', *Guardian,* 24 January; Reporter 2014. 'Importation of used undergarments thrive despite ban', *Guardian*, 6 July.
[279] Rosina John 2014. 'Former TBS boss gets 3 years', *Citizen,* 29 August. The loss Mr Ekelege incurred was TShs 68million.
[280] Ludger Kasumuni 2014. 'NEMC red tape anger investors', *Citizen*, 20 March.
[281] A number of senior staff of EAs, including BRELA and RITA, were identified as recipients of large, unexplained transfers from James Rugemalira's Mkombozi Bank account, into which PAP/IPTL transferred TEA money to purchase IPTL's 30% shares from VIP. Employees of the TRA (not an EA) were also beneficiaries.
[282] The Cereals and Other Produce Act, 2009, page 2.
[283] Maleka Kassim 2014. 'Govt promises to provide reliable market for cereals', *Guardian*, 15 January. As regards NFRA, critics argue that it stocks much more maize than is necessary to assure food security, leading to unnecessary storage costs and discouraging the export of surpluses.

Research sponsored by BEST-AC looking at regulation in the food processing industry found that: '…a multiplicity of legislative frameworks and regulations have been affecting the competitiveness of food processors in the country.' [284] The problems experienced as a result of this include:

- 'Food processing being regulated by more than fifteen regulators, involving multiple fees, duplication of regulatory functions, delays in business, bureaucracy and corruption;
- Most regulators appearing to be largely motivated by revenue collection rather than facilitating enterprises compliance with the regulations;
- The existing over-regulation causing problems for enterprises, such as time wasting in following up compliance issues;
- increased costs of businesses due to multiple fees paid for services; increased number of informal operators that cause increased bureaucracy which tend to create loopholes for corruption;
- Multiplicity of licenses required in business which has proven to be the main impingement on the competitiveness of enterprises because of the fragmentation and duplication of the regulators' tasks and coordination failure;
- Multiple testing and inspections of products, followed by multiple fees charged by the regulators;
- Delays in service delivery because of excessive bureaucracy, all of which affects negatively the sector; and
- The attitude of most regulatory agency staff appearing to be unsupportive of enterprises.'[285]

Numerous studies sponsored by BEST-AC (now BEST-D) have aired similar complaints. Regulation and taxation are frequently excessive and extractive. The proliferation of nuisance taxes affects hotels, tourism, agriculture and other sectors. Again, coordination is notable by its absence, including among the numerous donors financing projects designed to improve the business environment.[286]

The following sections look briefly at selected policy, taxes and other regulatory issues in key sectors.

4.2.1 Extractive Industries

'It is estimated that the construction of the LNG plant in Tanzania will remain cost effective as long as the price of gas remains above USD 10-12/mm BTU, which is equivalent to an oil price of about USD 70-80/bbl.'[287]

'It won't be easy for East Africa to jump onto an energy bandwagon already crowded with established producers, which is starting to topple with newcomers such as the United States and Australia on board.'[288]

---

[284] Confederation of Tanzania Industries 2013. 'Simplifying Compliance with Regulations to Enhance Ease of Doing Business in Tanzania', CTI/BEST-AC.

[285] CTI, 2014. 'Simplifying compliance with regulations in the food processing sector,, http://www.best-dialogue.org/wp-content/uploads/Policy-Brief-CTI-Food_-151002.pdf?eae10f, page 1.

[286] The World Bank's US$60m Private Sector Competitiveness Project (PSCP) 'supports the Tanzanian government's programme to develop the private sector "by improving legal certainty and lowering the cost of doing business."' The project focuses on 'securing land ownership and securing access to finance.' Paul Redfern 2014. 'World Bank gives Dar $60m loan', *East African,* January 4.

[287] World Bank 2015: 15-16.

[288] Reporter 2014. 'Analysts paint gloomy picture of East Africa's energy boom', *Guardian*, 21 October.

TGR2013 highlighted contrasting views on the future prospects of the Tanzanian gas industry. Sub-titled 'Who will benefit from the gas economy, if it happens?', TGR2013 argued that widespread expectations of an imminent gas bonanza were misplaced.[289] The main gas policy issue for the moment is assuring adequate gas supplies to run the growing number of gas-fuelled power stations in Dar es Salaam. The following section further examines the natural gas policy arena.

4.2.1.1 Natural Gas

'We need to manage expectations from potential rents that may flow from gas discoveries.'[290]

"Tanzania adheres to the rule of law and practice good governance principles whereas these principles are missing in other countries.'[291]

The optimists, including TPDC, pointed to total investments of US$4.7bn by international oil and gas companies to date.[292] No developments in 2014 contradicted TGR 2013's cautionary note that Tanzania was unlikely to become a Liquefied Natural Gas (LNG) exporter in the near future. The key issue is the global supply of oil and gas, which is growing much faster than demand, leading to huge falls in global fuel prices. Jason Bordoff, head of Columbia University's Centre on Global Energy Policy, argued that future U.S. natural gas exports 'would dim East Africa's prospects.' "As prices come down…, various projects start to look less economic, and East Africa [Tanzania and Mozambique] gets hit the hardest."[293]

Continued downward pressure on world oil and gas prices during 2014 'put LNG export projects worldwide under heavy cost pressure and even kill some off…'. Fuel prices fell 50 percent in the first half of 2014, and, since large LNG export projects are very price sensitive 'because the margins are so thin … only a small fraction of them will get built.' [294]

The Dutch Disease

'The Dutch disease occurs when a country earns a lot of foreign exchange from an export of natural resources that leads to an appreciation of the domestic currency. In other words, the price of foreign exchange (dollars) in terms of domestic currency (shillings) goes down. The profitability of exports … decreases.'

Professor Lipumba, September 2014

[289] Paul Redfern 2014. 'BG to sell one key Tanzanian gas site to finance offshore projects', *East African*, August 30–September 5; J. Mwamunyango 2014. 'TPDC seeks to compete in drilling for oil', *East African*, 6 – 12 September; Reporter 2014. 'Envoy outlines opportunities in gas, oil sector', *Citizen*, 26 September; Reporter 2014. 'For investment in oil and gas, EA's potential remains largely untapped', *East African*, 22-28 September.
[290] Ibrahim Lipumba 2014. 'It's wrong to ignore gas, oil risks', *Citizen*, 14 September. The riots were reported in TGR2013. The quote is from TPDC managing director Yona Killagane when asked what is Tanzania's competitive edge in the oil and gas industry. He also mentioned political stability.
[291] Reporter 2014. 'Oil and gas: Now the hard work begin in EA', *Citizen*.
[292] Reporter 2014. 'Tanzania tops gas league with Sh7.5tr FDI', *Citizen,* 19 July; Reporter 2014. 'Gas Economy: How Tanzania Stands to Benefit' (ref. incomplete).
[293] Reporter 2014. 'Analysts paint gloomy picture of East Africa's energy boom', *Guardian*, 21 October.
[294] Henning Gloystein 2014. 'Falling gas prices in Europe, Asia threaten LNG export projects', *Daily News*, 15 July.

Nevertheless, both the government and O&G companies continued to plan for the assumed liquefaction plant bonanza on the most optimistic of assumptions.[295] In March, President Kikwete's stated at Chatham House, London, that legislation for a Natural Gas Revenue Fund would be tabled in parliament by October. This didn't happen. In a Letter of Intent to the International Monetary Fund (IMF) in July, the Minister for Finance, Saada Mkuya and the Bank of Tanzania Governor Benno Ndulu committed to having a policy for natural gas revenue management presented to cabinet in December, to be approved by March 2015. In May, British High Commissioner Dianna Melrose warned that Tanzania's latest PSA model, described as 'the toughest on the continent, 'may prompt oil and gas firms to consider other options elsewhere…'[296]

In September, Professor Ibrahim Lipumba, economist and chairman of the Civic United Front (CUF) berated the Minister of Minister of Energy and Minerals, Professor Sospeter Muhongo for not taking the 'natural resource curse and Dutch disease' seriously (**sidebar** above).[297] Professor Lipumba also berated the government for the manner in which it 'had mishandled expectations of our fellow citizens in Mtwara and Lindi regions…', blaming the minister for the riots that took place in the southern regions after he summarily abandoned the idea of producing power in Mtwara in favour of the gas pipeline from Mtwara to Dar es Salaam.[298] In November, the minister of Energy and Minerals Prof Sospeter Muhongo told *Engineering News* that preparations for a US$20 to 30bn LNG plant were underway. "We will make formal announcements when everything is ready."[299]

LNG investors watched the unfolding Escrow drama with concern as it raised questions about the commitment of the Tanzanian government to honouring contractual obligations. The oil and gas majors were also concerned over the slow progress of the Natural Gas bill, which had been under preparation since at least 2009. They were also concerned that the government's 'local content' policy was open to abuse,[300] and that identifying a location for the expected gas plant was also attracting rent-seeking.[301] A report by PriceWaterhouseCoopers (PwC) of the oil and

---

[295] Reporter 2014. 'Oil and gas: Now the hard work begin in EA', *Citizen*, undated; Press Release 2014. 'Ministry of Energy and Minerals Draft Local Content Policy for Oil and Gas-2014', *Daily News*, 7 May; Reporter 2014. 'Preparing Reporter 2014. 'Tanzania to have LNG plant', *Citizen*, 18 November. Reporter 2014. 'Preparing East Africa's Workforce for the Oil and Gas sector', East Africa, 22-28 September; Reporter 2014. 'Tanzania to have LNG plant', *Citizen*, 18 November.

[296] Erick Kabendera 2014. 'Britain faults govt policy on profile sharing', *East African*, May 10-16.

[297] Ibrahim Lipumba 2014. 'It's wrong to ignore gas, oil risks', *Citizen,* 14 September. See also Reporter 2014. 'Avoid Dutch disease to enjoy growth', *Citizen*, 30 January. The natural resource curse links conflicts over natural resources—including diamonds, gold, ivory, hardwood, oil, with the financing of terrorist or secessionist activities worldwide. Johan Bergenas and Monica Medina 2014. 'How poaching and terrorism relate, *Citizen,* 3 February; Reporter 2014. 'Poaching accord signed as world agrees to fight wildlife crimes', *East African*, 15-21 February

[298] The riots were described in TGR2013.

[299] Reporter 2014. 'Tanzania to have LNG plant', *Citizen*, 18 November.

[300] Orton Kiishweko 2014. 'Forum demands for more local content in gas industry', *Daily News*, 12 June. Press Release 2014. 'UNITED REPUBLIC OF TANZANIA MINISTRY OF ENERGY AND MINERALS DRAFT LOCAL CONTENT POLICY OF TANZANIA FOR OIL AND GAS INDUSTRY-2014', *Daily News*, 7 May. According to the policy, only companies at least 50 percent Tanzanian owned will be allowed to procure goods and services externally. This is potentially a recipe for bribery and corruption.

[301] Reporter 2014. 'Lindi, Mtwara proposed sites for first liquefied natural gas plant', *Citizen,* 7 July. The site chosen for the LNG plant is reported to belong to one of Tanzania's trading moguls.

gas industry in Africa flagged 'the uncertain regulatory framework' as 'a significant impediment to developing an … oil and gas business.'[302]

In a lecture at the Bank of Tanzania in June, Professor John Sutton of the London School of Economics made the case for maximising local companies' inputs into the oil and gas industry, and argued that "Global companies should source their needs locally and provide institutional support to local firms to help them grow…" British Gas maintained that it procured most of its goods and services through local companies. Dr Charles Kimei, chair of Tanzania Bankers' Association (TBA), cautioned that it was preferable to "avoid strict rules on local content," in favour of transparent coordination among government, local firms and multinationals.[303] StatOil country manager Oystein Michelsen changing taxes "will significantly make investment more expensive … and the government ought to be careful on changing its rules."[304]

The government's capacity to regulate the gas industry effectively is one criterion the big gas companies use to decide whether to invest in a new plant, but it is unlikely to be a major determinant. That is to say, if the economic argument for proceeding with a large investment in Tanzania, compared to alternative investments, or none, was extremely strong, then weak governance can always be addressed as and when required.[305] However, the potential investors could use bad governance as an excuse for not proceeding with the plant.

4.2.1.2 Mining

"…the government loses about $248 million annually in tax revenue through misinvoicing by mining companies alone."[306]
"Anyone who says mining companies are cheating in any form is lying and the [Global Financial Integrity] report grossly misrepresents facts…'[307]
'The clamour about transfer pricing is one of the last remaining tools of trying to shore up inefficient African economies where land is still the property of the government and foreign purchasing of major companies…is by and large prohibited.'[308]

Claims that FMCs don't play enough taxes continued in 2014, albeit with less intensity than previously.[309] Past TGRs have reported criticisms of big gold mining companies over tax payments. There are two main criticisms. One is that Tanzanian officials were bribed or fooled into giving the FMCs unnecessarily generous tax breaks in their original MDAs.[310] The second

[302] Correspondent 2014. 'Oil and gas investors face regulatory uncertainty and corruption', *Business Times,* 25 July.
[303] Orton Kiishweko 2014. 'Forum demands for more local content in gas industry', *Daily News*, 12 June. Though it is not clear which goods and services are included. BG has financed a number of scholarships abroad and helped train 450 students in Mtwara and Lindi in collaboration with Voluntary Service Oversea (VSO), a British NGO.
[304] Reporter 2014. 'Lindi, Mtwara proposed sites for first liquefied natural gas plant', *Citizen*, 7 July.
[305] This includes paying political protection money to members of the ruling elite.
[306] Reporter 2014. 'How mining firms are milking Tanzania dry', *Citizen*, 10 June
[307] Finnigan wa Simbeye 2014. 'Minerals chamber warns mining, oil firms', *Daily News*, 16 June.
[308] Nimi Mweta 2015. 'Financial integrity and tax evasion: Flogging the wrong horse?' *Guardian*, 14 June.
[309] Olav Lundstøl 2014. 'Low revenue from the mining sector in Zambia and Tanzania: fiscal design, technical capacity or political will?', blogpost, 20 January http://www.ictd.ac/en/low-revenue-zambia-and-tanzania#Global.
[310] A strong case can be made that big mining companies received overly generous investment incentives that served to postpone payment of corporate tax by some years. See http://www.institutions-africa.org/filestream/20121217-the-investment-and-business-environment-for-gold-exploration-and-mining-in-tanzania. This loophole, dating from 2004, was not plugged until October 2014, see Jaston Binala 2014. 'Tanzania sealed new tax deal with mining firms', *East African*, October 11 – 17.

more recent criticism is that the FMCs practice transfer pricing (or 'trade misinvoicing') to reduce their tax liabilities.[311]

Despite close scrutiny by the TEITI, TRA, CAG and the Tanzania Minerals Audit Agency, big mining companies are still accused of trade misinvoicing, as reported in TGR2013.[312] The report by Global Financial Integrity *Hiding in Plain Sight* claimed that Tanzanian mining companies '*could be*' inflating their import costs, for fuel in particular 'to shift capital out of Tanzania.'[313] The response of the Chairman of the Tanzania Chamber of Mines and Minerals, Ami Mpungwe, was quite blunt (see quote above). He went on to warn 'that continued mistrust of the mining sector and multinational corporations investing in the industry, is hurting further investments.' He also warned that further tax impositions and mandatory state participation in new mining ventures would undermine new investments in exploration and mining. [314]

The misinvoicing argument came to the fore just as the FMCs tax payments criticism was waning. In February, Minister for Energy and Minerals Prof. Sospeter Muhongo announced that 'the days of Barrick…not paying requisite taxes are over because currently most of its mines are paying what is due to the government. Tanzania Mineral Audit Agency (TMAA) showed that "Barrick are paying close to 50 per cent in revenue to the government…"[315] But in June, the Wall Street Journal accused ABG of paying more than US$400,000 in cash to 'government officials.' Law firm Steptoe and Johnson found no wrong-doing on ABG's part. [316]

Barrick's response to a depressed global gold market and a poor local business environment was to sell off one of its mines, suspend new exploration investments and cut staff.[317] Barrick had already separated its Tanzanian activities from the parent Canadian company through the creation of African Barrick Gold, and in November 2014 African Barrick Gold became Acacia Mining plc.[318] Acacia's accounts for 2014 show that the company:

> 'paid more than US$65 million in taxes and royalties in Tanzania … . Approximately 63% of Acacia's direct Tanzanian tax payments was related to corporate income taxes and royalties, while the remaining 37% was related to unrecovered VAT, customs & excise

[311] For a crash course on transfer pricing see: http://www.taxjustice.net/topics/corporate-tax/transfer-pricing/
[312] Adam Ihucha 2014. 'What Dar has lost through trade mis-invoicing', *East African,* December 13 – 19.
[313] TGR 2013: 19. Raymond Baker 2014. 'Curtailing illicit capital flows is vital for economic growth', *Citizen,* 22 June. Baker estimates that, between 2002-11, Uganda 'may have' lost 12.7 percent of its budget through trade misinvoicing, Ghana 11 percent, Mozambique 10.4 percent, Kenya 8.3 percent and Tanzania 7.4percent. Nimi Mweta 2014. 'A feasible problematic of business and human rights' *Guardian*, 22 June, makes the point that illicit funds are not just outflows but also inflows, used to buy state companies or build high-rise structures.
[314] Nimi Mweta 2015. 'Financial integrity and tax evasion: Flogging the wrong horse?' *Guardian*, 14 June; Finnigan wa Simbeye 2014. 'Minerals chamber warns mining, oil firms', *Daily News,* 16 June.
[315] Finnigan wa Simbeye 2014. 'Barrick Gold spends half of its revenue on taxes', *Citizen*, 6 February
[316] Haika Kimaro 2014. 'Barrick Gold accused of illegal money deals', *Citizen,* 21 June.
[317] Reporter 2014. 'Is Africa Barrick's gold losing its glitter?' *East African*, 15 March
[318] Henry Lyimo 2014. 'Red tape dogs Tanzania's leading gold mining firm', *Daily News,* July 22 -28; Pius Rugonzibwa 2014. 'Quality gold rolls out of Biharamulo Mine line', *Daily News*, 22 August; Press Release, Acacia Mining plc (formerly African Barrick Gold plc), *Citizen,* 29 November. The change of name, which took place in November 2014, was, according to Barrick, '… part of a larger rebranding effort to reflect our new business approach and strategy.' It was not, as some suspected, a ploy 'to avoid paying any taxes.'

taxes, payroll taxes, and other levies. The amount of tax paid by Acacia declined by approximately US$6 million (8%) from 2013 to 2014.'[319]

Barrick's relations with local communities have been a public relations disaster. In North Mara, Barrick has been locked in a permanent conflict with the local community and small-scale miners, leading to frequent, sometimes deadly, confrontations between mine guards and 'intruders'.[320] There is a cottage industry in building houses close to the mine in the hope of receiving compensation if the mine expands.[321] Bad publicity has contributed to Barrick's revealed desire to shed their Tanzanian interests. Barrick's unsuccessful attempt to sell its Tanzanian mines to a Chinese conglomerate were described in TGR2012. Various exploration and mining companies are said to have suspended their exploration activities as a result of 'intruders', perhaps instigated by local politicians.[322] A Tanzania Chamber of Minerals and Energy (TCME) spokesperson said that 'the frequency of these incidents…has become a serious challenge to mining investors.'[323]

According to the PWC report cited above: 'Tanzania's mining industry faces a challenging future for lack of assurance with regard to policy stability, particularly against a background of a number of changes in recent years to increase taxes.' 'Too many taxes… discourage new … investors.'[324]

Though the mining industry was under external stress, the government continued to turn the tax screw in a 'business as usual' mode. For example, new fees introduced in 2014 raised the annual cost of a prospecting licence from US$40 to US$100 per sq km, and annual primary mining licence fees increased from TShs 20,000 to TShs 80,000 per hectare.[325] According to Peter Kafumu, former Commissioner for Minerals, the increase in fees has 'forced some investors in exploration and small scale mining to stop their activities.' '[V]ery few new investors in the exploration sector are coming.' One small exploration company manager said 'if we can survive 2013 and 2014 we can survive most things.'[326]

As the FMCs cut back their activities and exploration collapses, so the state is reasserting its active role in the mining industry. The Mining Act of 2010 and subsequent Mining Regulations

---

[319] 2015. 'Acacia Mining plc total economic and tax contributions in Tanzania, 2014', prepared for Acacia Mining plc, April.
[320] Leonard Magomba 2014. 'Intruders force three mining firms to quit exploration in Tanzania', *East African*, 31 March. In one FMC, a third of the mine's expatriate staff were for internal and external security in around 2010.
[321] Mugini Jacob 2014. 'Anticipating compensation villagers move closer to gold mine', *Daily News*, 14 November.
[322] Mugini Jacob 2014.
[323] Leonard Magomba 2014. 'Intruders force three mining firms to quit exploration in Tanzania', *East African Business Week*, 31 March.
[324]Leonard Magomba 2014. 'Intruders force three mining firms to quit exploration in Tanzania', *East African*, 31 March. Unpaid VAT refunds owed to FMCs reached about US$100m in 2014. US$60m was owed to Barrick Gold; Reporter 2014. 'Govt, ABG open escrow account to solve VAT refund debacle', *Daily News*, 26 August.
[325] Dalaly Peter Kafumu 2014. 'Reforming Tanzania mineral sector', *Citizen,* 21 August. Transfer fees for prospecting licences were increased from US$200 to US$3,000. These fees are multiples of those charged in other countries in the region. 'By any standards, Tanzania is very expensive in exploration fees…'
[326] Dalaly Peter Kafumu 2014. 'Reforming Tanzania mineral sector', *Citizen,* 21 August, and confidential comment, 10 December 2014. This source also acknowledged that some procedures had speeded up in the MEM—from years to only months!

have re-empowered the State Mining Corporation (Stamico) to own and run mines on its own or take an equity share with a JV partner. Stamico has taken a 50 percent stake in a tanzanite mine (see below), a 45 percent share in Buckreef, owned by Tanzanian Royalty Exploration Corporation, has repossessed the Kiwira Coal Mine, and taken over the Buhemba Gold Mine from the Treasury Registrar. In July 2014, Stamico subsidiary Stamigold started running Biharamulo Mine, formerly Tulawaka, which Barrick sold to Stamico in 2013 for US$4.5million. Peter Kafumu wondered whether 'this time around', Stamico can avoid 'the misuse of public funds, [lack of] 'business drive, capital and capacity' that characterised 'the Stamico of the 1970s.' In August, acting mine manager Dennis Ssebugwao told Minister of Energy and Minerals Sospeter Muhongo that mining equipment was expensive 'as it had to be imported', that 'bureaucracies' made it difficult to get permits to import equipment, and that it is difficult to attract and retain qualified engineers.[327] In November, former Tanzanian High Commissioner to the UK and USA, Ms Mwanaidi Maajar, told the Legal Expertise Access Platform conference in Dar es Salaam that she had "no confidence with these public corporations, [Stamico and TPDC][328] may be until the attitude changes and we get good executives with a proven record of managing resources."[329]

Mining sectors other than gold also suffered as a result of downward pressures on profitability. For example, in 2013, Richland Resources, a UK gemstones mining company, was obliged to give the State Mining Corporation (Stamico) a 50 percent stake in the TanzaniteOne mine in order to comply with the Mining Act of 2010, which stipulates that gemstone operations must be at least 50 percent owned by Tanzanians. Richland is said to have failed 'to dislodge illegal miners occupying a substantial portion of its concession.' No help was forthcoming from Stamico. For years, the Tanzanite industry has been plagued by the absence of effective state or private regulation, leading to lethal underground clashes between miners on adjacent plots in Merelani. TanzaniteOne is said to be producing very little since the Stamico buy-in. The underground security issue has not been tackled as Stamico promised.

4.2.1.3 Tanzania Extractive Industries Transparency Initiative (TEITI)

Gold mining and oil and gas companies are now both monitored under the TEITI. The EITI is a global initiative involving civil society, government and the mining, oil and gas companies in regular reviews and updates. TEITI collected data from 43 extractive companies in 2012 which paid combined taxes of US$468million. The growth of revenue was accounted for by the increase in the number of companies covered (up from 29 in 2011) and rising income from gas production (up 23 percent) and gold (up 3 percent). [330] Tanzania was declared EITI 'compliant' in December 2012. To obtain the EITI Compliance Status, 'Tanzania had to demonstrate that it has an effective process for disclosure and reconciliation of revenues from its mining, oil and gas sectors.'[331]

---

[327] Pius Rugonzibwa 2014. 'Gold firm marks first 'hit' with grandiose plans', *Daily News*, 25 August.
[328] Reporter 2014. 'TPSF forms firm to take part in oil, gas economy', *Guardian*, 20 May.
[329] Frank Kimboy 2014. 'Maajar not confident with state firms on investments', *Citizen,* 20 November.
[330] Aisia Rweyemamu 2014. 'Dar too secretive with data on gas, minerals', *Guardian,* 7 June .
[331] https://eiti.org/files/TEITI-Workplan_final.pdf, accessed 10/02/16.

Has TEITI reduced tax avoidance or transfer pricing practices by extractive companies? It is impossible to say. What is sorely lacking in the transfer pricing debate is direct evidence rather than speculation based on gross aggregates (TGR 2013). Fuel imports are said to be a major source of transfer pricing, but TGR could not find direct evidence to back this up. The TEITI is discussed from a civil society perspective in **Chapter 5**.

4.2.2 Tourism

'The story of hosting a million tourists annually could have been written many years ago. By now we would be talking of two to three million visitors…'[332]

'Overall, East Africa is losing the highest number of elephants as criminal gangs ruthlessly target the remaining herds to feed the seemingly insatiable markets of Asia and, especially, China.'[333]

'Between 2009 and 2011 37 percent of all ivory seized world-wide came from Tanzania, with Kenya a close second.'[334]

'That is what Selous has become, an elephant graveyard.'[335]

Beach and safari tourism has become Tanzania's largest foreign exchange earner in recent years and will hopefully retain this position.[336] But representatives of the travel and tourism industry complain that the government is not doing enough to promote the industry, provide the necessary infrastructure and put in place tax and regulator regimes that will encourage more private investment. Recurrent complaints include: insufficient promotion budgets; an unsupportive tax regime; inadequate customer care services; underqualified labour; poor airport facilities; and cumbersome visa procedures.[337] This section looks at tax and regulatory developments in travel and tourism during the target year. **Table 4.1** compares Tanzania's travel and tourism industry performance with another 140 tourist destinations worldwide.

Tanzania scores high marks for its natural resources (top 5 percent of the sample), but scores poorly on health and hygiene (bottom 4 percent) and infrastructure (bottom 15 to 18 percent). The Index shows that most of the improvements required to boost tourism are the responsibility of the state, in particular health and hygiene and transport infrastructure.[338] In addition, conservationists warn that poaching and blast fishing are undermining the future of game park and coastal tourism respectively. In the Global Reefs at Risk initiative, 'Tanzania is the only

---

[332] Reporter 2014. 'Tourism boom long overdue says top travel agent', *Citizen*, 28 September. The quote is from Moustafa Khataw, chair of the Tanzania Society of Travel Agents (TASOTA).

[333] Environmental Investigations Agency 2014. 'Vanishing Point" Criminality, Corruption and the Devastation of Tanzania's Elephants', November, page 4.

[334] Elias Msuya 2014. 'Massive jumbo poaching threatens Selous prestige', *Citizen*, 1 January; Martin Fletcher 2014. 'The war to save the elephants', *Prospect,* January, page 36; . Amina Yahya 2014. 'Why elephants face extinction in Tanzania', *Guardian,* 11 January; Boniface Meena 2014. 'Poaching: New report puts Tanzania on 'list of shame', *Citizen*, 24 April; Amina Yahya 2014. 'Why elephants face extinction in Tanzania', *Guardian*, 11 January.

[335] Reporter 2014. 'Poaching: Govt PR stunt backfires', *This Day,* 24-30 March. The article also claims that President Kikwete was given a list of 'nearly 50 senior politicians, officials and businessmen involved in the ivory trade.' Perhaps not surprisingly: 'He finds it very difficult to go after anybody related to him or his friends.'

[336] Adam Ihucha 2014. 'Tourism outshines gold as top earners', *East African*, August 23-29.

[337] Reporter 2014. 'Tourism boom long overdue says top travel agent', *Citizen*, 28 September.

[338] Prioritisation of T&T scores relatively well, though there is a sense that the country could do much more to promote the sector. See: Editorial 2014. 'Tourism: let us put our cash where our mouth is', *Citizen,* 29 May, citing Ibrahim Mussa, Director of Tourism and Marketing at TANAPA.

African country where dynamite fishing occurs.'[339] Environmentalists criticise the proposed Lake Natron soda ash project[340] and the all-weather road across the Serengeti for their potentially devastating effects on local fauna. In June the East African Court of Justice found against Tanzania in a case brought by the Africa Network for Animal Welfare, to which the minister of Natural Resources and Tourism responded that "the government had long decided not to build the road across the Serengeti."[341]

Table 4.1: Travel & Tourism Competitiveness Index 2014-15 (n=141)

	Rank	Percentile	Score (/7)
Policy and Enabling Conditions:	**67**	**48**	**4.18**
• *Prioritisation of Travel & Tourism*	51	36	4.83
• *International Openness*	62	43	3.25
• *Price Competitiveness*	56	40	4.87
Enabling Environment:	**124**	**88**	**3.60**
• *Business Environment*	111	79	3.97
• *Safety and Security*	100	71	4.85
• *Health and Hygiene*	136	96	2.68
Natural and Cultural Resources:	**31**	**22**	**3.22**
• *Natural Resources*	7	5	4.91
• *Cultural Resources/Business Travel*	74	52	1.54
Infrastructure:	**119**	**84**	**2.40**
• *Air Transport Infrastructure*	116	82	1.94
• *Ground and Port Infrastructure*	120	85	2.56
• *Tourist Service Infrastructure*	115	82	2.70
Competitiveness index	**93**	**66**	**3.35**

Source: World Economic Forum 2015. 'Global Travel and Tourism Report 2015'.

In Loliondo, the long drawn-out conflict pitting local Maasai against a hunting company--Green Miles Safari--owned by the Dubai royal family continued, despite the company having its licence revoked in July.[342]

Poaching continued to threaten Tanzania's elephant population. Already in 2013, global outrage at the rate of slaughter of Tanzania's elephant population forced the government to act, but the hurriedly prepared Operation '*Tokomeza Ujangili*', involving game rangers, the police and the army, deteriorated into an exercise in state brutality that was widely condemned, leading to the dismissal of four ministers, including Minister for natural resources and Tourism, Ambassador Khamis Kagasheki.[343] Kagashaki was said to be 'getting too close to revealing the names of government officials, business people, party officials and politicians…controlling…poaching

[339] Lucas Liganga 2014. 'Disaster that's dynamite fishing', *Citizen,* 17 April.
[340] Sebastian Mrindoko 2014. 'Lake Natron soda ash project still on', *Daily News*, 20 May; Daniel Semberya 2014. 'Tanzania set to become global giant in soda ash production', *Guardian*, 20 May; Anne Outwater 2014. 'Lake Natron is worth far more than its soda ash alone', *Citizen,* 20 July. Officials of the NDC, who are promoting the project, said the proposed project 'posed no threat' to the lake resources.
[341] John Mbaria and Erick Kabendera 2014. 'Win for conservationists as court stops Serengeti road', *East African,* 21-27 June. See also Zephania Ubwani 2014. 'Serengeti road case: TZ called EAC's bluff', *Citizen,* 6 August.
[342] Prosper Makene 2014. 'Govt scraps Green Miles Safaris licenses', *Guardian*, 12 July; Sturmius Mtweve and Zephania Ubwani 2014. 'Banned hunting firm threatens court action', *Citizen*, 14 July.
[343] A parliamentary enquiry found that 13 people were murdered and thousands of livestock killed. Reporter 2014. 'Why anti–poaching campaign ineffective', *Citizen,* 10 February; Lucas Liganga 2014. 'Dar delegation on a mission to stop poaching', *Citizen*, 11 February; Bernard Lugongo 2014. 'It's push and pull over poaching controversy', *Citizen,* 13 February.

operations in Tanzania.'[344] In November, former Prime Minister Frederick Sumaye told a group of graduands that 'top officials have been condoning corruption within their ranks, thus fueling the raging poaching menace in the country.'[345] Chinese diplomats and businessmen and women were also implicated, since most of the poached ivory ends up in China.[346] In an exhaustive and carefully documented treatment of the subject, the London-based *Environmental Investigation Agency (EIA)* provided video and documentary evidence of an organised ivory smuggling syndicate that took advantage of the visit of President Xi Jinping to Tanzania in March 2013 to smuggle ivory to China.[347] The GoT's response was to accuse the EIA of wanting to undermine Tanzania-China relations.[348] A subsequent visit by the Chinese navy has similar consequences (see sidebar).

The Chinese Navy Visit

'In late December 2013, the port of Dar es Salaam received an official visit from a Chinese naval task force which was en route to China after conducting anti-piracy patrols in the Gulf of Aden. …The visit prompted a surge in business for Dar es Salaam-based ivory traders. One dealer based in the Mwenge handicrafts market boasted of making US$50,000 from sales to personnel from the vessels. One Chinese national in town at the time, Yu Bo, was not so fortunate; he was detained on the evening of December 30 while trying to enter Dar es Salaam port in a truck loaded with 81 elephant tusks weighing 303kg concealed under wood carvings.'

Environmental Investigation Agency 2013. 'Vanishing Point: Criminality, Corruption and the Devastation of Tanzania's Elephants', November, page 21

In January 2014, Deputy Minister of Natural Resources and Tourism, Lazaro Nyalandu, claimed that the government was now targeting the 'big fish'.[349] "Some senior government officials and other influential individuals are being investigated as part of wider efforts to stamp out poaching." In February, President Kikwete attended a high-level conference in London on the Illegal Wildlife Trade hosted by British Prime Minister David Cameron and involving the British royal family.[350] Just before the conference, Britain's *Mail on Sunday* 'launched a scathing attack on President Kikwete and his regime for failure to

[344] Kevin Heath 2014. 'Can Tanzania's elephants survive British diplomacy?', *Citizen on Sunday,* 19 July. in 2013, the Kagasheki, 'named four CCM Members of Parliament as being involved in elephant poaching. All came from the Selous area in southern Tanzania. The accused were Faith Mitambo (MP for Liwale), Miriam Kasembe (MP for Massassi), Mtutura Abdallah Mtutara (MP for Tunduru South) and Vita Kawawa (MP for Namtumbo).' EIA 2014: 13. 'in 2013, CCM Secretary-General Abdulrahman Kinana was named in Parliament as being involved in the smuggling of ivory tusks from Tanzania to Vietnam in 2009, due to his ownership of one of the shipping companies involved in transporting the consignment. He denied the accusation.' Ibid.
[345] Reporter 2014. 'Poaching fueled by corrupt top officials – Sumaye', *Guardian*, 9-15 November.
[346] Reporter 2014. 'Why anti-poaching campaign ineffective', *Citizen,* 10 February. Gao Yufang, a Chinese researcher, claims that 'the general public [in China] don't know the ivory came from poached elephants.' Reporter 2014. 'Q&A: CHINA'S ROLE IN INTERNATIONAL IVORY TRADE AS SEEN BY GAO YUFANG', *Business Times*, July 25-31; Reporter 2014. 'Anti-poaching report points an accusing finger at Chinese diplomats in Dar', *East African*, November 8-14.
[347] Reporter 2014. 'Anti-poaching report points an accusing finger at Chinese diplomats in Dar', *East African,* November 8-14. The report is titled: 'Vanishing Point" Criminality, Corruption and the Devastation of Tanzania's Elephants', November. The Chinese government as equally dismissive of the report's claims.
[348] Katare Mbarishu 2014. 'Govt fury over claims of illegal deals in ivory', *Citizen,* 8 November.
[349] Frank Kimboy 2014. 'We're now going after the big fish, says govt', *Citizen*, 11 January
[350] Reporter 2014. 'Poaching accord signed as world agrees to fight wildlife crimes', *East African*, 15–21 February.

tame poaching,'[351] virtually accusing his government of 'complicity in poaching and the illegal ivory trade.' In an interview with CNN, President Kikwete said the poaching ring-leaders were known and that their leader was a 'renowned business tycoon' based in Arusha.[352] State House and an entity known as the Tanzania Parliamentary Group on Sustainable Natural Resource Utilisation condemned the report as malicious and unfounded.[353]

> **"In the end, our elephants' ivory will adorn houses and hotels in Beijing, Tokyo, Manila, Bangkok, Singapore and New York. Whilst all that will be left for our children are skeletons and bones. Is that what we want?"**
>
> **Dr Alfred Kikoti**

In a follow-up article, Martin Fletcher of the *Mail on Sunday* repeated the claim that 'many politicians, officials and well-connected businessmen were active accomplices in the illegal ivory trade, and that there was corruption from top to bottom.'[354] A report by two American conservation organisations listed Tanzania with Kenya, Zimbabwe, Mozambique, Sudan, Gabon and the DRC as having "corrupt governments" 'that support elephant poaching.'[355] In October, the Development Partners Group on Environment chairperson Amb. Sinikka Antila said that "unabated wildlife poaching, illegal wildlife and timber trade do not only destroy the pristine [?] of this country but also denies (sic) the majority of Tanzanians their rights to benefit from the resources."[356]

In Kenya, ivory poaching is also out of control. Renowned conservationist Richard Leakey said 'the known ringleaders are operating with "outrageous impunity."'[357]

The scale of the slaughter was daunting. Selous Game Reserve chief conservator, Benson Kibonde, said that … the elephant population had fallen from 110,000 in 1976 to a mere 13,500 in 2014.[358] Current estimates are that only 50,000 elephants remain nationwide.[359] President

---

[351] Lucas Liganga 2014. 'Dar delegation on a mission to stop poaching', *Citizen*, 11 February.
[352] Aisia Rweyemamu 2014. 'JK 'runs away from catching poachers'', *Guardian,* 15 February
[353] Bernard Lugongo 2014. 'It's push and pull over poaching controversy', *Citizen*, 13 February. The textbox quote is from Dr Alfred Kikoti, Director of the World Elephant Centre project in Arusha (www.worldelephantcentre.org), cited by Anne Outwater2014. 'Status of elephant poaching in Tanzania and 'Operesheni Tokomeza'', *Sunday News,* 16 March.
[354] Reporter 2014. 'Poaching: Govt PR stunt backfires', *This Day*, 24-30 March.
[355] Boniface Meena 2014. 'Poaching: New report puts Tanzania on 'list of shame', *Citizen,* 24 April. The report by Born Free USA and CAADS is entitled 'Ivory's curse: The militarization and professionalization of poaching in Africa'.
[356] David Kisaga 2014. 'Govt blamed for poor management of natural resources', *Guardian,* 17 October.
[357] Reporter 2014. 'Counting the cost of East Africa's poaching economy', *Thisday,* 24 March. See also Reporter 2014. 'Elephant poaching under investigation', *ThisDay,* 19 May.
[358] Elias Msuya 2014. 'Massive jumbo poaching threatens Selous prestige, *Citizen*, 1 January; Amina Yahya 2014. 'Why elephants face extinction in Tanzania', *Guardian*, 11 January; Brian Jackman 2014. 'Poaching in Africa: Selous Game Reserve warning highlights scale of epidemic', *Guardian,* 2 August.
[359] Anne Outwater 2014. 'Status of elephant poaching in Tanzania and Operesheni Tokomeza', *Sunday News*, 16 March.

Kikwete launched a follow-up *Tokomeza II* in 2014.[360] Donor agencies and private philanthropies supported the government initiative.[361]

For their part, travel and tourism lobbies complain constantly about poor tax administration and regulation. The policy of empowering local communities in wildlife management areas (WMA) has proven difficult to implement, and there are regular, sometimes violent, conflicts between the state and communities bordering game parks, game protected areas and hunting blocks over alleged encroachment by villagers.[362] Cultural tourism has been undermined by 'local authorities…coming up with charges for tourists…' Councils impose 'transit fees' of US$10 per tourist, collected at barriers at district borders. This has led many tour operators to avoid these routes, to the detriment of the cultural tourism groups that they used to supply with tourists.[363]

The Tourist Confederation of Tanzania (CTC) and other tourism stakeholders have been active in lobbying the treasury, the ministry of natural resources and tourism (MNRT), local government authorities and TANAPA (Tanzania Parks Authority) on the number of nuisance taxes, fees and levies facing the industry. The strategies adopted by industry PSOs range from lobbying with evidence of what the downsize is for business, to the more confrontational, as when the Hotels Association of Tanzania (HAT) took TANAPA to court for raising park fees without prior consultation or warning. At the same time, the government protects local tour companies and hotels against Kenyan competition by keeping the Bologonja gate on the Serengeti border with Kenya closed.[364] Those resisting the reopening of the gate included tour operators and Arusha hoteliers who feared they would lose custom if tourists could visit Serengeti on a day trip from Nairobi. [365] In the 2014 parliamentary budget session, Zakia Meghji, former minister of Natural Resources and Tourism, defended the closure in parliament in words which were ghosted for her by local 'stakeholders'.[366] These continued protectionist measures have been generally popular in the industry. For example, Mustafa Khataw, chair of Tanzanian Travel Agents' Association (TASOTA) declared: "I believe that denial of tour operators' vehicles from other countries should stand unchanged".[367]

---

[360] Reporter 2014. 'JK: Joint efforts needed to fight poaching', *Daily News*, 16 February; Reporter 2014. 'Relaunched anti-poaching operation gaining ground', *Guardian*, 4 July.

[361] Reporter 2014. 'Im euro to combat elephant poaching', *Daily News*, 25 June. Mark Simmonds 2014. 'UK govt responds to article on ivory stock', *Citizen,* 27 July; Lucas Liganga 2014. 'Anti-poaching campaign gets shot in the arm', *Citizen*, 17 December.

[362] Fred Nelson and Emmanuel Sulle 2014. 'Locals key in addressing Tanzania's poaching crisis', *Citizen,* 22 February.

[363] Reporter 2014. 'Tourists bypass Arusha region cultural sites to avoid extra charges', *East African*, November 22.

[364] Andrew Zablon 2014. 'Tanzania MP queries Bolongonja closure', *East Africa Business Week,* 18 August.

[365] Reporter 2014. 'Tasota wants status of tour operators' vehicles to stay unchanged in EA', *Guardian,* 21 February. Kenyan and other non-Tanzanian tour operators had complained of: 'denial of entry of tourist vehicles registered in other partner states, harassment of driver guides at crossings…, disparities in fees charged, lack of cross border cooperation in wildlife law enforcement, [and] lack of cooperation in addressing environmental agreements.'

366 Mrs Meghji has interests in the tourism industry, as do numerous other senior politicians, including former President Mkapa and former Minister of Finance Basil Mramba.

367 Reporter 2014. 'Tasota wants status of tour operators' vehicles to stay unchanged in EA', *Guardian*, 21 February.

Travel and tourism lobbies protested loudly when the government announced plans to remove VAT exemptions from the industry, which would increase costs by up to 18 percent. Tourism Confederation of Tanzania (TCT) Executive Secretary Richard Rugimbana said the rise in prices that the introduction of VAT would cause 'will result in a drop in the country's share of international tourism.'[368] Not for the first time, the industry pointed out that there was no prior warning of these increases, which could not be passed on to tourists because internationally binding contracts had already been signed with tour operators, sometimes up to two years in advance.[369] In response to industry complaints, Minister of Natural Resources and Tourism Lazaro Nyalandu 'said the government would reduce the taxes and levies to make Tanzania a leading tourist destination in Africa.'[370]

4.3 Land and Agriculture

"To some extent, agriculture is very unattractive, in terms of policies, to both local and foreign investors."[371]

"The time to be discussing past failure is over. We all know the bottlenecks to developing agriculture so we only need solutions and how to go about implementing them. I assure you, the political will is there."[372]

Increasing smallholder incomes through commercialisation and rising productivity is the starting point for pro-poor growth. Over many years, state policies, supported by donor agencies, have failed to help smallholder households raise productivity to levels required to bring about significant poverty reduction and structural change.

This argument is challenged by the bumper maize and rice harvests enjoyed in 2013/14.[373] According to Karimu Mtambo, Director for National Food security at the Ministry of Agriculture, Food security and Cooperatives, the country harvested 14.4m tonnes of food against a national demand of 12.1m tonnes.[374] Those given credit for this strong performance include the Agriculture Sector Development Programme (ASDP),[375] *kilimo kwanza*,[376] the National Agricultural Input Voucher Scheme (NAIVS), the Warehouse Receipt System (WRS), and the

[368] Veneranda Sumila 2014. Help us to help you grown, tourism sector tells govt', *Citizen*, 10 June.
[369] Veneranda Sumila 2014. 'Airlines pay over 20 taxes, and they are not amused' *Citizen*, 10 June; Adam Ihucha 2014. 'Tour operators' fury as new tourism tax looms', *Citizen*, 19 September.
[370]Adam Ihucha 2014. 'Dar to cut taxes in tourism industry', *East African*, 12-18 July.
[371] Daniel Machemba, executive director of TCCIA, quoted by Sturmius Mtweve 2014. 'Concern over sluggish growth of backbone sector funding', *Citizen,* 16 March.
[372] PM Mizengo Pinda on kilimo kwanza in June 2009. See Editorial 2014. 'Kilimo Kwanza: Where did we lose the plot?', *Citizen*, 22 May.
[373] Ashery Mkama 2014. 'Food agency boasts of abundant grain reserves', *Daily News*, 21 June; Waryoba Yankami 2014. 'Govt appeals to traders to buy, export surplus maize', *Daily News,* 18 August.
[374] Felister Peter 2014. '829,000 people get 23,000 tonnes of relief food', *Guardian*, 17 January; Sturmius Mtweve 2014. 'Relief as Tanzanians enjoy food', *Citizen,* 19 July. 'Tanzania: Food Agency Boasts of Abundant Grain Reserves': http://allafrica.com/stories/201406230094.html.
[375] Sturmius Mtweve 2014. 'Concern over sluggish growth of backbone sector funding', *Citizen,* 16 March.
[376] Lusekelo Philemon 2014. '50,000t of maize exports to land in Kenya next month', *Daily News*, 18 July.

weather.[377] Whatever the causes, the National Food Reserve Agency (NFRA), which is an executive agency under the Ministry of Agriculture, could not handle the bumper surplus.[378]

Early in the year, NFRA announced that it could not purchase all the surplus grain, and encouraged farmers and traders to look for markets in neighbouring countries.[379] The NFRA contracted to sell 200,000 tonnes of maize to Kenya to avert food shortages and a smaller amount (24,000 tonnes) to the World Food Programme (WFP).[380] If these transactions took place, they were never reported, though there were reports that imported Ugandan and Tanzanian maize were depressing prices in the Rift Valley.[381] By November, Kenyan officials were complaining that 'middlemen had imported huge maize consignment into the country from the neighbouring countries' to sell to the National Cereals and Produce Board (NCPB).[382] Towards the end of the year, NFRA again warned that it did not have enough funds to buy up grain surpluses, receiving only TShs45b of the TShs148b required.[383] According to the Minister of Agriculture, Christopher Chiza: "The food situation is very good, the only challenge that exists now is that we can't be sure where we will sell the surplus."[384] There were reports between August and November of surplus maize going bad in storage.[385]

Despite reassurances to farmers that NFRA would buy maize at market prices, there were stories of farmers selling to the agency on credit.[386] Critics argue that the NFRA stocks much more maize than is necessary to assure food security, leading to unnecessary storage costs and discouraging the export of surpluses. NFRA had 250,000 tonnes of storage capacity nationwide but was planning to increase this to 400,000. The public is regularly informed that so

---

[377] Ashery Mkama 2014. 'Food agency mulls stock disposal after bumper harvest', *Daily News*, 9 July; Christopher Majaliwa 2014. 'Local traders export surplus grains', *Daily News*.

[378] http://kilimo.go.tz/attached%20web%20pages/NFRA/index.htm. The NFRA website has not been updated since 2009. A master's degree awaits the student or students who take the EAs websites as a database, to establish (a) whether the EA has a website; (b) when it was last updated; (c) whether it contains up to date information on a range of topics, including the names of the chairperson and board of directors, financial statements, and availability of easily downloadable research reports, policy briefs, and so on.

[379] Malela Kassim 2014. 'Govt to farmers: Food reserve is full, look for markets elsewhere', *Guardian,* 9 January; Lawrence Raphaely 2014. 'Food export ban relaxed as local supply goes up', *Daily News*, 25 February.

[380] Allan Olingo 2014. 'Kenya now turns to Tanzania for maize', *East African*, 6 July; Yakobe Chiwambo 2014, 'Govt, WFP to buy 200,000 tonnes of surplus maize', *Guardian*, 6 October. See **Chapter 7** for more on cross-border trade in the EAC.

[381]Reporter 2014. 'Imports affect maize prices in Rift Valley', *the Star*, 27 August 2014. http://www.the-star.co.ke/news/article-186776/imports-affect-maize-price

[382] Reporter 2014. 'Unscrupulous importers force Kenyan government to hold up maize purchases from Tanzania', *Guardian,* 3 November. It was claimed that 'some tycoons have imported 6,700 metric tonnes and are positioning themselves to grab the opportunity to sell them to the board.'

[383] Reporters 20144. 'Barely a quarter of needed funds to purchase surplus maize available', *Citizen,* 5 September. For example: Khalfan Said and Waryoba Yankami 2014. 'Lack of market threatens 300,000 tonnes of maize', *Guardian,* 14 August.

[384] Bernard Lugongo 2014. 'We have too much food, says minister', *Citizen,* 5 September.

[385] For example: Khalfan Said and Waryoba Yankami 2014. 'Lack of market threatens 300,000 tonnes of maize', *Guardian,* 14 August; Anthony Muchoki 2014. 'Farmers fear maize losses could reach catastrophic levels', *Guardian,* 15 November; Reporter 2014. 'Maize farmers in Tanga Region say unsold stocks now almost going bad', *Guardian,* 20 November.

[386] Maleka Kassim 2014. 'Govt promises to provide reliable market for cereals', *Guardian,* 15 January. nd Waryoba Yankami 2014. 'Lack of market threatens 300,000 tonnes of maize', *Guardian,* 14 August.

many tonnes of emergency food relief have been sent to such and such a locality to avoid hunger as a result of poor harvests.[387] The relationship between farmers, traders and the NFRA remains opaque.

Both the fertiliser voucher scheme and the WRS have their supporters and detractors. While the World Bank, who part-funded the project, comes to pretty positive conclusions in its assessment of NAIVS, for example, concerning the success of targeting and the impact of the input package on yields, others are more critical.[388] A study by the Moshi University College of Cooperatives and Business Studies (MUCCoBS) questioned the targeting process, the quality and timeliness of the inputs, and the manner in which vouchers were redeemed.[389] The scheme was discontinued at the end of FY2013-14. Minister of Agriculture Christopher Chiza added 'corruption' to the list of defects of the NAIVS just reported in explaining its suspension.[390] For a number of years, the press has reported cases of the abuse of the voucher system.[391] But the underlying reason for ending the system is probably the lack of funds to finance such expensive projects as a result of the growing fiscal crisis.[392] The WRS is discussed in the cashewnut sector below.

In 2014, a group of CSOs claimed that District Agricultural Development Plans (DADPs), a core component of the Agricultural Sector Development Programme (ASPD), are 'an inefficient way of spending donor funds…' and both donor and government money 'had no impact on the ground.'[393] It seems inevitable that the selection of the lucky villages for (say) a small-scale irrigation project will be determined by patronage rather than more objective criteria. In one case, Ward councilors in Kilosa and Chamwino districts accused government officials of 'hijacking and monopolising irrigation schemes' and diverting TShs 1.2billion 'to large farms belonging to government officials, retired officers and big investors.'[394] Poor contracting and shoddy work also undermine the impact of irrigation schemes. In Mbarali, Mbeya Region, for example, two irrigation schemes worth TShs 3.5bn were 'implemented below standards' and could not be commissioned.[395]

---

[387] Reporter 2014. 'Over 8,000 starving families in Hai receive emergency food', *Citizen,* 27 January.
[388] World Bank 2014 'Tanzania: Public Expenditure Review, the National Agricultural Input Voucher Scheme', February. According to the WB (2014: 9): 'It is estimated than less than one percent of the vouchers may have been fraudulently redeemed.' This unsourced 'estimate' rebuts widespread press reports of irregularities in the voucher redemption system.
[389] Lymuya Stanley 2014. 'Survey: Farm inputs voucher system has not made any difference', *Guardian,* 17 February.
[390] Sylivester Domasa 2014. 'Government freezes subsidies', *Guardian,* May 11- 17. Subsidies were worth TShs112billion in 2013-14.
[391] Frank Kimboy 2014. 'House team gears up to nail farming inputs crooks', *Citizen,* 29 January.
[392] www.tzdpg.or.tz/fileadmin/documents/external/public_expenditure_review/Reports/PER_NAIVS_Tanzania_Final_Report-March_2014.pdf.
[393] Reporter 2014. 'Enhancing land security, agro productivity for small farmers (2)', *Guardian*, 31 October. The group consisted of ActionAid, Tanzanian Community Forest Conservation Network (MJUMITA), Farmers' Network of Tanzania (MVIWATA), Tanzania Forest Conservation Group (TFCG) and Tanzania Organic Agriculture Movement (TOAM).
[394] Gerald Kitabu Kilosa 2014. 'Councillors accuse govt officials of 'hijacking' irrigation scheme', *Guardian*, 6 May.
[395] Brandy Nelson 2014. 'Govt loses over Sh3bn in shoddy dam project', *Citizen,* 28 August.

Tanzanian crop research has helped increase farm yields. There have been some successful improvements in seed and plant varieties, but these have not reached critical mass. Poor research-extension linkages are one major constraint.[396] Agricultural production has both diversified and kept up with population growth, but more by increasing the cultivated area than by improving land and labour productivity.[397] The benefits that could accrue to smallholders through liberalisation and new private investment have been undermined by continued and, in some cases, intensified state involvement in input and output markets, as discussed below. This involvement could be beneficial in addressing market imperfections if state and state-dependent institutions were efficiently managed, coordinated, and overseen, but they are not. All major commercial crops are regulated by boards under the Ministry of Agriculture (see **Appendix 4.1** for an incomplete list). These boards play both commercial and regulatory roles, which is an obvious conflict of interests. Cashewnuts are discussed below.

State-led farmer-oriented policy as described above has been challenged by the *Kilimo Kwanza* initiative, which represents large, commercial farmers. The Southern Agricultural Corridor of Tanzania (SAGCOT) is Kilimo Kwanza's flagship project. Designed as a Public Private Partnership (PPP), SAGCOT was launched at the World Economic Forum Africa summit in 2010. The project's goals include bringing 350,000 hectares into profitable production, turning 10,000 small-scale farming households into commercial entitles, 'creating 420,000 new employment opportunities, lifting two million people out of poverty and generating US$1.2billion in annual farming revenue by 2030.' [398] In February 2014, SAGCOT signed an MoU with the Agriculture Council of Tanzania (ACT), the Agricultural Non-State Actors Forum (ANSAF) and the Tanzania Horticulture Association (TAHA), to "mobilize and monitor inclusive investments", according to SAGCOT Centre CEO, Geoffrey Kirenga.[399] Two issues have slowed the take-up of SAGCOT investment opportunities: land rights and cheap imports (see below).[400]

Despite its 'private sector' focus, the guiding hand of the state is strongly in evidence in Kilimo Kwanza. An example flagged in earlier TGRs is the tractor importation project funded by an Indian government loan and involving SUMA JKT, the economic wing of the National Service. Phase 1 of the project imported 1,846 Indian tractors worth US$40m. Politicians were lobbying the Indian government to extend another loan for 'phase two' of the scheme. [401] In February, a new entity *Equator Suma KJT* announced its intention to assemble Polish tractors in collaboration with *Farmer Poland*, a Polish firm in a deal worth US$70m.[402] Chairman of Equator

[396] Andrew Coulson and Bitrina Diamett 2012. 'Improving the Contribution of Agricultural Research to Economic Growth in Tanzania', International Policy Centre, Policy Brief, April.
[397] Sturmius Mtweve 2014. 'Agricultural reforms billed to improve food supply position', *Citizen,* 9 February.
[398] Reporter 2014. 'TZ has 0.5mt of rice in surplus, says Sagcot boss', *Citizen*, 6 February.
[399] David Mtei 2014. 'Farmers, SAGCOT sign MoU, earmark transition to commercial production', *Guardian,* 27 February. The agreement is implemented with a grant from BEST-AC.
[400] Finnigan Wa Simbeye 2014. 'SAGCOT cautions govt evils of imported rice', *Daily News,* 29 April.
[401] Prosper Makene 2014. 'Implement phase two of Kilimo Kwanza tractor project, farmers urge government', *Guardian,* 13 January. Managing Director of Equator is Robert Ndege, a partner in Africa Practice, which 'advises industry and governments ; helping them to identify opportunity , manage risk and overcome critical communications challenges'. http://www.africapractice.com/wp-content/uploads/2014/08/Africa-InDepth-East-African-integration-State-of-play-August-2014.pdf.
[402] Prosper Makene 2014. 'Polish govt extends USD70m for tractor assembly plant', *Guardian,* 28 February. 1,200 tractors are to be assembled annually in a plant at Ruvu, Coast Region.

Suma JKT Ramesh Patel opined: "This is how we practically take part in the government's Kilimo Kwanza initiative."[403] To our knowledge, nobody has queried the rationale for the army to serve as middleman for the importation and distribution (or assembly) of tractors, which are also sold on credit. The performance of 'phase one' is not known.

Despite Prime Minister Mizengo Pinda's claim that "we all know the bottlenecks" to developing agriculture, collective action to address them through *kilimo kwanza*/SAGCOT seems to have stalled. Continued slow growth in agricultural finance, investment and productivity mean that the sector is not contributing to the structural transformation of the economy necessary for inclusive growth to gain traction.

Conflicts over land ownership and use take a number of forms.[404] Foreign investors face obstacles obtaining and enforcing land titles.[405] There is widespread opposition to the notion of foreigners, including Kenyans, obtaining land titles in Tanzania.[406] Investors are routinely characterised as 'so called.'[407] In a 2014 survey, 70 percent of Tanzanians disapproved of 'freedom of land ownership across EAC countries'.[408] Existing investors, both local and foreign, are vulnerable to invasions from neighbouring farmers and cattle-owners.[409] In November, Ndarakwai Tourist Camp in Siha District, Kilimanjaro Region was said to have been invaded by 'Maasai herdsmen', who torched the camp and destroyed property worth TSh1.5bn.[410] New investors may find it difficult to enforce their land rights, often taking over areas that were formerly large estates but have been occupied by local or non-local populations for farming and grazing. On a tour of Tanga Region, CCM secretary general Abdulrahman Kinana observed that 'border problems between national parks, forest reserves and similar areas were common across the country.' Kinana was told that it was common for land allocated to villagers from 'abandoned' sisal estates to be sold to new investors by 'unscrupulous' village leaders.[411]

---

[403] Elias Msuya 2014. 'Suma JKT, Polish firm ink Sh110bn tractor deal', *Citizen*, 28 February. Equator Suma JKT is a JV between Equator Authomech, a private Tanzanian firm, and Suma JKT, the national service economic wing. In July 2015, Ramesh Patel was arrested by PCCB officials for suspected bribery over the selection of the CCM parliamentary candidate for Ukonga: 'Ramesh Patel Mgombea Ubunge Ukonga Dar, akamatwa na Takukuru akitoa Rushwa Check Point Pugu': http://www.jamiiforums.com/threads/ramesh-patel-mgombea-ubunge-ukonga-dar-akamatwa-na-takukuru-akitoa-rushwa-check-point-pugu.893888/. See also: http://www.kajunason.com/2015/07/vituko-vya-uchaguzi-mhindi-aliyekamatwa.html. Ramesh Patel owns stock in Bank M: https://en.wikipedia.org/wiki/Bank_M, site visited 05/04/16.

[404] LHRC 2015, section 5.1.3 gives examples of different types of land conflict. Peter Nyanje 2014. 'How land ownership still critical issue in Tanzania', *Citizen*, 8 November.

[405] Elisha Mayalla 2014. 'Tz on land ownership', *East African*, 31 March.

[406] Patty Magubira 2014. 'Member: Bar alien from land ownership,' *Citizen*, 25 April.

[407] Makwaia wa Kuhenga 2014. 'The land question: 'Investors versus our peasants' 'Capitalism is Beastly…Socialism is Humane…'', *Daily News*, 17 January.

[408] Twaweza 2014. 'What Tanzanians think about the East African Community', Brief No. 16, October.

[409] Lusekelo Philemon 2014. 'Govt suspends activities at Arusha investor's farm', *Guardian,* 31 March. The investor is a Tanzanian Asian, and the estate, which grows maize, beans, fruit and mangoes, is in Arumeru, where such disputes are common. The Arusha Regional Commissioner 'asked politicians to stop fueling land conflict in the area.' Local farmers were upset when the Arusha RC declared the ownership of the estate legal. See: Reporter 2014. 'Arumeru land dispute takes new twist', Arusha Times, August 2 – 8; Lusekelo Philemon 2014. 'Govt rules in favour of investor over disputed plantation in Arusha', *Guardian*, 3 October.

[410] Daniel Mjema 2014. 'Suspect who torched a tourist camp sought', *Citizen,* 24 December. The DC Dr Charles Mlingwa said there was no history of boundary disputes between the camp and surrounding community.

[411] Peter Nyanje 2014. 'How land ownership still critical issue in Tanzania', *Citizen,* 8 November.

Conflicts arise when privatised sisal estates are 'invaded' by local residents.[412] In June, Kinana had urged the renationalisation of the former Bassotu and Warreta wheat farms in Manyara Region that had eventually been privatised, one to a Kenyan investor, after the failure of the Canadian-funded Hanang Wheat Scheme under The National Food and Agricultural Corporation (NAFCO).[413]

Increasingly, land conflicts cost lives.[414] In December 2013 and January 2014, 19 people were killed and 14 injured in clashes in different villages in Kiteko District, Manyara Region.[415] The deaths followed years of feuding and cattle raiding between Maasai pastoralists and local farmers. Unlike in other areas, the farmers were said to have 'invaded' Maasai land.[416] Further killings in the area during the year (four more people were killed in November) exposed the inability of the local security apparatus to keep the peace.[417] It appears that the problem started when Maasai began selling off tracts of land to farmers from outside the region.[418] Chronic conflicts between farmers and non-local pastoralists in Morogoro Region led President Kikwete to say: "We need peace in the area [Kilombero] and for that to be realized pastoralists should stop invading farmers' fields."[419] In April, five farmers were hacked to death by 'pastoralists' for alleged encroachment on their grazing land in Igunga, Tabora region.[420]

Large scale local and particularly foreign investment in Tanzanian agriculture has been labelled 'land-grabbing' by national and international NGOs and FBOs concerned with the implications of landlessness for poverty and food security. The debate over 'land grabbing' that once focused on foreign investors was widened to include local 'land grabbers' including senior members of the government and ruling party. In Simanjiro, the government was said to have 'handed back' 8,000 hectares of land that had been 'occupied by some CCM and government leaders.' [421]

Numerous international initiatives aim to improve smallholder productivity to raise food security while others target commercial farming to replace imported foodstuffs and generate surpluses for export. The Comprehensive African Agriculture Programme (CAADP) is an African Union intervention designed to boost agricultural spending and productivity across the continent.[422]

---

[412] George Sembony 2014. 'We'll take back idle farms, says minister', *Citizen on Sunday*, 6 July. Deputy Minister for Lands, Housing and Human Settlement, George Simbachewene, was talking about sisal estates that were not developed after privatisation. Villagers were trying to acquire 3,900 hectares of the 22,700 hectare Mjesani Sisal Estate owned by Mohamed Enterprises.
[413] Joseph Lyimo 2014. 'CCM defends farmers', *Citizen*, 2 June.
[414] Makwaia wa Kuhenga 2014. 'The land question: 'Investors versus our peasants' 'Capitalism is Beastly…Socialism is Humane…'', *Daily News*, 17 January.
[415] Reporter 2014. '60 people arrested over killings in Kiteto', *Guardian*, 20 January.
[416] Gerald Kitabu 2014. 'Revealed: Govt takes blame on Kiteto killings', *Guardian,* 16-22 February.
[417] Peter Nyanje 2014. 'We'll bury many if Kiteto situation isn't addressed', *Citizen*, 19 November.
[418] Gerald Kitabu 2014. 'Greed for land, dirty politics fuel killing fields of Kiteto', *Guardian on Sunday,* 23 February-1 March.
[419] Ashton Balaigwa 2014. 'President promises to end pastoralists', farmers' differences', *Guardian on Sunday*, 24 August.
[420] Mustapha Kapalata 2014. 'DC calls on farmers not to retaliate', *Citizen,* 5 April.
[421] Anne Robi 2014. 'Simanjiro residents get back 'invaded' land', *Daily News*, 3 June. The move was initiated by the Simanjiro MP Christopher ole Sendeka and the CCM Secretary General Abdulrahman Kinana.
[422] See Brian Cooksey 2013. 'What difference has CAADP made to Tanzanian agriculture?'

Advocacy groups including ANSAF have campaigned to get the GoT to allocate 10 percent of its budget to agriculture in line with the 'Maputo Declaration'.[423] Big Results Now! has three priorities: to promote 25 commercial sugar and rice investments, 78 rice irrigation and marketing schemes, and 275 collective warehouse-based marketing schemes, all to be achieved by 2015! As pointed out in TGR2013, all three objectives are problematic, as described below.

4.3.1 Sugar and Rice

In recent years, Tanzania has spent over US$600 million per annum on imported sugar, rice, wheatflour, dairy products and vegetable oil.[424] Producing these locally has been government policy for many years, and is part of the SAGCOT blueprint. The US$500m Bagamoyo EcoEnergy (BEE) project, which has been under preparation since 2007/08, was further delayed in 2014 over rival claims of ownership and non-payment of compensation. "Our shareholders and development bankers cannot invest massively in this project before the government addresses policy and regulatory issues…" said Agro EcoEnergy Ltd Chairman Per Carstedt.[425] In May 2014, Robert Baisack, CEO of TPC Ltd (Moshi), told Deputy Minister of Agriculture Godfrey Zambi that the company had 37,000 tons of unsold sugar by January 2014. As a result, profits and taxes paid fell, and investment plans of US$57 million were put on hold.[426] Minister of Agriculture Christopher Chiza defended the imports on the grounds that they brought down retail prices. In addition, "...producers are complaining because the decision to import denies them an opportunity to maximise from the shortfall," the minister said.[427]

At the heart of the stand-off is the inability of the government to arbitrate consistently between the interests of local producers and processors and importers, wholesalers and retailers. TGR2013 recounted the duty free importation of 40,000 tonnes of Asian rice in contravention of the EAC external tariff of 75 percent. One large rice farm failed to pay its outgrowers 'due to a saturated local market.' In February, the manager of Kilombero Plantation Ltd (KPL) claimed that "no Tanzanian rice producer, large or small, can sell rice above the cost of production." [428] In April, Sagcot CEO Geoffrey Kirenga said waiving import duty on rice imports 'frustrates both big and smallholder farmers' efforts.'[429] As with sugar, minister Chiza justified the decision to allow imports by accusing local producers of hoarding. Expanding small-scale and plantation

http://www.future-agricultures.org/publications/research-and-analysis/working-papers/1815-what-difference-has-caadp-made-to-tanzanian-agriculture

[423] Polycarp Machira 2014. 'Tanzania fails to achieve Maputo declaration on African agriculture year', *Guardian,* 19 April.

[424] Bank of Tanzania Quarterly Report, October 2015. Food and foodstuffs account for six per cent of the import bill. This figure does not include smuggled produce.

[425] David Kisaga 2014. 'Villagers in land row with foreign investor', *Guardian,* 23 January; Songa wa Songa. 'Bagamoyo embarks on model sugar production program', *Citizen*, 17 March; Finnigan wa Simbeye 2014. 'Project to support Bagamoyo sugarcane imminent', *Daily News*, 9 May; Sylivester Domasa 2014. 'Bagamoyo sugar factory in limbo pending court ruling', *Guardian*, 11 June; Staff writer 2014. 'Bright prospects seen on Bagamoyo energy farm project', *Daily News*, 17 June.

[426] Stanley Lyamuya 2014. 'Cheap imported sugar floods market, chocks (sic) economy', *Guardian*, 12 May.

[427] Stanley Lyamuya 2014. 'How cheap imported sugar affects whole sugar industry', *Guardian,* 6 May.

[428] Finnigan wa Simbeye 2014. 'Rice imports impoverish local farmers', *Daily News,* 5 February; Ray Naluyanga 2014. 'Tanzania faces sugar crisis as imports flood markets', *East African*, April 12 – 18. According to the manager of KPM, the imported rice depressed wholesale prices by over 50 percent "and impoverishing hundreds of thousands (sic) of rice smallholders."

[429] Finnigan Wa Simbeye 2014. 'SAGCOT cautions govt evils of imported rice', *Daily News*, 29 April.

rice production in the country is one of the three priorities of the Big Results Now plan in the agriculture sector.

Concluding a review of the sugar estate and outgrowers industry, FAC/PLAS (2014) observed:

> 'The importation of sugar causes frustration among the domestic millers and … badly hurts smallholder cane growers. During 2013, KSCL [Kilombero Sugar Company Ltd.] delayed payments to outgrowers because, it said, imports had affected its sugar sales … and … its cash flow. Downward pressure on domestic sugar prices from cheap imports has also led the company to reduce the price paid to outgrowers ….' 'For this industry to provide its maximum benefits …, a policy, legal and institutional framework is needed that provides greater efficiency, accountability and transparency, as well as greater security for all … stakeholders.' [430]

A small number of local trading conglomerates control the importation of sugar, rice, cooking oil, dairy products and other foodstuffs, and these are close allies of the ruling party and leading politicians. The rents involved in importing sugar and rice duty free are very substantial.[431] It is strongly rumoured that sugar importers are behind the endless land ownership and compensation disputes that are preventing the Bagamoyo Eco-Energy (BEE) project from taking off.

4.3.2 Cashewnuts

Cashewnuts are Tanzania's first agricultural export by value, earning the country US$136.3million to the year ending April 2014.[432] Issues discussed in past TGRs include the controversial Warehouse Receipt System and the policy of processing nuts locally rather than exporting them raw. Building processing factories to increase value has been government policy since the 1970s, but most nuts continue to be exported raw.[433] Policy favours both the rehabilitation of old processing plants and the construction of new ones. But rather than encourage private investment in processing, the government and the Cashewnut Board foresee further 'rehabilitation' and new state- or cooperative-owned plants. One of the companies involved in the original ill-fated cashew processing project was hired to assess the cost of 'reviving' specific factories. At the same time, existing private plants have been forced to close because of the relatively unhelpful business environment, including tax issues and the WRS, discussed below.[434]

---

[430] FAC/PLAAS 2014. 'Opportunities and Challenges in Tanzania's Sugar Industry: Lessons for SAGCOT and the New Alliance', Policy Brief 76, July. www.future-agricultures.org. See also: Ray Naluyanga 2014. 'Tanzania faces sugar crisis as imports flood markets', *East African*, April 12 – 18.

[431] Waryoba Yankami 2014. 'Govt lost almost 377bn/- in revenues in sugar industry', *Guardian*, 18 December.

[432] Reporter 2014. 'Politics affects crop – buying system', *Citizen,* 26 June.

[433] A dozen donor-financed processing plants were built in the 1970s–not one ever produced cashew at full capacity. They remain one of Tanzania's outstanding white elephant donor follies.

[434] James Fitzpatrick 2013. 'Advocating for effective regulation of the cashew nut industry in Tanzania' ANSAF, January.

The main criticisms of the WRS is that second payments are often late or never paid, so the quoted farm-gate price is rarely the price received by the farmer.[435] Farmers comment that under private purchasing they were paid cash, though they were also short-changed, in their view. The official justification for the WRS is that it protects farmers against exploitative traders.[436] Apart from the inefficiencies of the WRS, farmers complained that they receive farm inputs late,[437] and were charged no less than seven levies and deductions.[438] In a political rally in November, CCM Secretary General Abdulrahman Kinana 'lambasted Tandahimba District authorities' over levies on cashew growers.[439] There were numerus reports of farmers abandoning cashew in favour of sesame or cassava. [440] Few cashew farmers ever see an extension officer. An additional cost of the WRS is the inefficiency of the cooperatives, who borrow from the NBC to buy cashewnuts, under treasury guarantee.[441] In July, President Kikwete refused to underwrite TShs 2.6bn owed by Tunduru Agricultural Marketing Cooperative Union (TAMCU) to 'various banks' until union officials were investigated for embezzlement.[442]

4.4 Banking

The Bank of Tanzania (BOT) supervises Tanzania's banking system. In July the BOT placed the Federal Bank of the Middle East (FBME) under administration.[443] The bank had moved its headquarters from the Cayman Islands to Tanzania in 2003. FBME's operations in Cyprus[444] had been taken over by the Central Bank of Cyprus the previous week following a notice from the US's Financial Crimes Enforcement Network (FinCEN). The FinCEN notice said: "FBME is used by its customers to facilitate money laundering, terrorist financing, transnational organized crime, fraud, sanctions evasions and other illicit activity internationally and through the US financial system."[445]

FBME has been headquartered in Tanzania since 2003, but ninety percent of its business was conducted in Cyprus. FBME entered Tanzania through the takeover of Delphis Bank,

[435] Haika Kimaro 2014. 'TZ growers earn record price in cashew production history,' *Citizen,* 13 November presents the official view; whereas Gwamaka Alipipi 2014. 'Warehouse Receipt System: Farmers' poverty trap (1)', *Guardian*, 23 June, gives a farmer perspective.
[436] Nelson Kessy 2014. 'Famers told to use warehouse receipt to access loan', *Guardian*, 10 August; Haika Kimaro 2014. 'TZ growers earn record price in cashew production history,' *Citizen*, 13 November.
[437] Christopher Lilai 2014. 'Agro-inputs delay 'leads to low cashew production', *Citizen*, 6 December.
[438] Reporter 2014. 'Warehouse Receipt System: Farmers' poverty trap (2)', *Guardian*, 24 June. TShs 300/kg for the primary cooperative, 30/- for the district cooperative, 60/- for district council, 7/- for warehouse handling, 5/- for chemical spray, 5/- for scale adjusting (?) and 3,700/- for packaging materials.
[439] Ludovick Kazoka 2014. 'Tandhahimba cashew farmers call for crop tax reduction', *Daily News*, 29 November.
[440] Felix Andrew 2014. 'Cashewnut farmers abandon country's leading cash crop', *Guardian*, 25 August.
[441] Felix Andrew 2014. 'Cashewnut farmers abandon country's leading cash crop', *Guardian*, 25 August.
[442] Reporter 2014. 'Kikwete: for govt to help pay coop debts, thieves must be arraigned', *Guardian*, 24 July.
[443] Constantine Sebastian 2014. 'Central bank chief defends FBME controversial license', *Citizen*, 27 July.
[444] In 1982, FBME Bank was established Nicosia, Cyprus, as a subsidiary of the Federal Bank of Lebanon. In 1986, FBME Bank changed its country of incorporation to the Cayman Islands. See: https://www.fbme.com/en/ourbank/fbme-bank.
[445] http://www.legalfloris.com/the-downfall-of-fbme-bank/. See also: https://www.fincen.gov/.

established by Kenyan trickster Ketan Somaia, that was under administration.[446] FBME was registered under a special waiver granted by the then BOT governor, Daudi Ballali.[447]

The scale of FBME's operations in Tanzania has long raised eyebrows. In April 2012, it was revealed that Italian authorities were investigating the deposit of US$13 million into a FBME account in Dar es Salaam by the then treasurer of Italy's Northern League party.[448] Unconfirmed rumours linked FBME with illicit trade in minerals and arms in the Great Lakes region and with political financing. Governor Ndulu's action is widely thought to have been the result of the FinCEN notice.

The BOT was also one of the key players in TEA, as described in **Chapter 1.** Stanbic Bank and Mkombozi Bank were shown to be recipients of TEA money, but to date neither has been formally charged with misconduct. Stanbic Bank Tanzania is a branch of South Africa's Standard Bank Group, which has branches in 17 African countries and others across the world. The removal of billions of shillings in cash from IPTL account at Stanbic on January 23, 2014 revealed high level collusion between the bank's senior management and Sethi. Further evidence of high-level collusion in criminal acts involving Stanbic, the treasury and Tanzanian brokers will be presented in TGR 2015. Stanbic's subsequent (belated) attempts to weed out undesirable customers inconvenienced many personal and small business account owners who felt that they were being unfairly targeted for the shortcomings of others, including Stanbic itself.

In February 2014, the U.K. *Guardian* began publishing details of offshore accounts held in various tax havens worldwide in collaboration with the Investigative Consortium of Investigative Journalists (ICIJ). Seven accounts worth US$40m held in the British Virgin Islands were traced to Tanzanian companies and addresses.[449] Three of these were deemed to be 'agents' for 'local leaders and businesspeople in illicit financial deals.'[450] These revelations came in the wake of claims that Tanzanians held nearly US$200m in Swiss banks, and that between 2008 and 2011 illicit outflows from Tanzania totalled nearly US$3bn. During the election year 2010, 'the amount transferred from Tanzania to various offshore accounts rose by 400 percent.' Zitto Kabwe, chairman of the Public Accounts Committee, urged the government to "fast track its investigations into illicit financial outflows."[451] Most of those deemed guilty were large foreign companies. 'Tanzanians' were said to own assets worth US$750m in Jersey, according to the Global Financial Integrity report of 2013.[452] In support of Kabwe's move, the Tax Justice

[446] In June 2014, Somaia was found guilty in a London court of swindling a businessman out of almost US$20 million. http://www.theguardian.com/uk-news/2014/jun/13/tycoon-ketan-somaia-guilty-convicted-swindle.
[447] The waiver was because FBME is family owned, which is not allowed under Tanzanian law.
[448] Mike Mande 2012. 'Dar linked to Italian mafia dirty money scandal', *East African,* 21 April. http://www.theeastafrican.co.ke/news/Dar+linked+to+Italian+mafia+dirty+money+scandal/-/2558/1390814/-/2jp2b/-/index.html.
[449] Florence Majani 2014. 'Revealed: Tycoons with offshore bank accounts', *Citizen,* 17 February. Five of the account 'master clients' had Asian names, and two others were Germanic and Scottish names.
[450] Reporter 2014. 'Investigations reveal more details on Tanzania's' offshore billions', *Citizen,* 18 February. Five of the account
[451] Kabwe was behind the initial demand to investigate the Swiss-held millions.
[452] Lucas Liganga 2014. 'House team set to recover Sh1.5tr from tax dodgers', *Citizen,* 31 March.

Working Group issued a 'Call for Action' to put an end to tax holidays and 'discretionary incentives'.[453]

4.5 Regulating State Enterprises and Corporations

Tanzania's performance in energy access, security and contribution to economic growth is ranked the second worst in the world.[454] **Table 4.2** presents the results of the World Economic Forum's *New Energy Architecture Performance Index* for the 13 African countries ranked in both 2013 and 2015.[455]

Tanzania ranked 123rd out of 125 countries listed in the 2015 index. In the global rankings, only Mongolia and Yemen had worse performances. The NEAP index has three components: economic growth and development, environmental sustainability, and energy access and security. Tanzania's 2015 score in the latter was 22 percent, the second lowest among the 125 countries in the index--only Ethiopia performed worse. Tanzania and Ethiopia are outliers even in Africa, ranking 25 percentage points behind Ghana (or 32 places in global rankings) and 48 behind Namibia Africa's best performer (60 places).[456] This lowly ranking reflects the effects of energy policy capture by private actors, local and foreign, following economic liberalisation and the adoption of PPP policy in the energy sector. This sorry outcome was predictable, predicted, and came to pass.

---

[453] Actionaid Tanzania 2014. 'Call for Action', *Guardian on Sunday*, 30 March.
[454] Ludger Kasumuni 2014. 'Report shows Tanzania lagging behind in energy development', *Citizen*, 24 March.
[455] World Economic Forum 2015. 'Global Energy Architecture Performance Index Report 2015'.
[456] http://www3.weforum.org/docs/WEF_GlobalEnergyArchitecture_2015.pdf.

Table 4.2: New Energy Architecture Performance Index 2013 & 2015, African Countries

	2013			2015		
	Score/100	Rank /105	Percentile/100	Score/100	Rank/125	Percentile/100
Namibia	47	79	75	59	63	50
S Africa	54	59	56	58	66	53
Cameroun	46	80	76	56	70	56
Cote d'Ivoire	45	84	80	54	79	63
Zambia	42	97	92	53	88	70
Ghana	45	85	81	52	91	73
Average	**44**	**87**	**83**	**51**	**94**	**75**
Botswana	50	71	68	50	99	79
Mozambique	39	102	97	49	103	82
Senegal	46	81	77	49	104	83
Kenya	43	93	89	49	105	84
Nigeria	44	89	85	46	114	91
Ethiopia	36	105	100	42	122	98
Tanzania	37	104	99	42	123	98

Source: Adapted from: http://www3.weforum.org/docs/WEF_GlobalEnergyArchitecture_2015.pdf Large scores are good, large ranks and percentiles are bad.

4.5.1 TANESCO

Largely as a result of poor policy implementation, demand for electric power far exceeds supply. A REPOA/Afrobarometer survey found that more than three-quarters of mainland households were not connect to the national grid in 2014 (**Table 1.1**).[457] Even in urban areas, few households use electricity for purposes other than lighting.[458] The World Economic Forum's *Global Energy Architecture Performance Index Report 2014* maintains that 'Mozambique and Tanzania have the lowest scores globally and within the region, with an average 15% electrification rate.'[459] Tanzania's score for 'energy security and access' was the lowest of the 17 African countries listed.[460] In other words, TANESCO's poor performance contributes to the rapid deforestation of the country.[461]

A key role for regulators is establishing fair consumer prices for monopoly services. On January 1, 2014, TANESCO increased electricity prices by 40 percent following authorisation from EWURA (the Energy and Water Utilities Regulatory Authority), who also agreed to a 16 percent increase in the cost of cooking gas. The electricity price increase was designed to enable

[457] Respondents were asked (Q94): 'Do you have an electric connection to your home from the mains? [If yes] How often is the electricity actually available?'
[458] A 2012 REPOA study found that 89 percent of Dar es Salaam households used charcoal or firewood for cooking while 70 percent used electricity for lighting.
[459] World Economic Forum 2014. 'The Global Energy Architecture Performance Index Report 2014', p74. http://www3.weforum.org/docs/WEF_EN_NEA_Report_2014.pdf
[460] With a score of 0.17/1, half the sub-Saharan average of 0.35/1.
[461] TGR does not deal with the environmental dimension of power policy. Here, the big issue is whether Tanzania should develop its large coal resources as an energy source given global commitments to reduce greenhouse gas emissions.

TANESCO 'to meet operational costs', but it did not eliminate the gap between electricity purchase and sales prices. TANESCO's debts were estimated at US$270million. [462]

Table 4.3: Availability and Reliability of Electricity 2014

	Urban	Rural	Mainland
No mains electric supply	44	93	77
Never available	2	1	2
Occasionally available	20	1	8
Half to most of the time	27	4	11
All the time	7	1	3
ALL	100	100	101

Source: Adapted from REPOA 2014 Q94

The costs incurred in procuring IPTL and 'emergency' power from private suppliers is the underlying cause of TANESCO's chronic indebtedness.[463] Private power providers—IPTL, Symbion, Aggreko, and Songas—continued to sell electricity to TANESCO for far higher prices than TANESCO could sell it to the public, even after the 40 percent price increase in January. While African power utilities are frequently cash-strapped, some perform better than others. **Box 4.1** compares TANESCO with Kenya's KenGen.

Box 4.1: Compare and contrast: TANESCO and KenGen

The political corruption and inefficiencies underlying **TANESCO**'s financial woes are not unique to Tanzania: many other countries suffer from lack of reliable and affordable power for similar reasons. Yet power utilities are not inevitably underperforming loss makers. **Kenya**'s **KenGen**, for example, posted net profits for the year July 2014-June 2015 of **KShs 11.5 billion** (TShs 230 billion, USD 107m in October 2015 prices), a fourfold increase on 2013-14. Whereas Tanzania was slow to turn to gas-fired power, Kenya rapidly developed its geothermal energy sources. Gas deposits were discovered in Tanzania in the 1970s, but commercial exploitation did not begin until 2004. By contrast, while Kenya's geothermal potential was also recognised during the 1970s, exploitation began in the early 1980s. Thermal, which is produced by both KenGen and private companies, now accounts for just over half the national power mix, followed by hydro with 40 percent of generating capacity. Whereas KenGen pays dividends to its shareholders, TANESCO had debts of an estimated US$260m (TShs 216 billion) by the end of 2013, 'posing risk to Tanzania's economy', according to the **World Bank**.

Sources: Ludger Kasumuni 2013. 'TANESCO's debts pose risk to Tanzania's economy: World Bank', *Citizen,* 22 December; Reporter 2015. 'Increased power sales sees KenGen post Sh11.5bn net profit', *Nation,* 14 October; IPS 2015. 'Kenya's geothermal overtakes hydro before completion of plant', *Daily News*, 22 October.

TANESCO's finances are not helped by customers, mostly public corporations, that do not pay their power bills, valued at TShs233b by December 2013.[464] Despite its weak finances,

[462] Kizito Makoye 2014. 'Tanzania grapples with higher electricity costs', *Thomson Reuters Foundation*, 28 January.
[463] IPTL was originally intended as an 'emergency' supplier, but the emergency came and went before the plant came on stream, and the 'emergency' tag was quietly dropped.
[464] Reporter 2014. 'TANESCO owed 233bn/- in unpaid power bills', *Daily News,* 17 January. TShs129b was owed by public organisations, including Zanzibar.

TANESCO continues to pursue a policy of rural electrification, including solar, with strong support from donors.

Current policy is to 'unbundle' TANESCO into three companies dealing with power production, transmission and distribution. Championed by the World Bank, this policy will have to confront vested interests and rent-seeking in TANESCO and 'upstream', something that has not been achieved to date.

Space prevents a full review of regulation in other state enterprises. While TANESCO is the most cash-strapped, many others are chronically indebted and dependent on state budgets rather than their own cash-flow. Tanzania Telecommunications Company Ltd (TCCL), for example, incurred accumulated debts of TShs335b by the end of 2014.[465] Other examples include Air Tanzania Company Limited (ATCL), various cooperative unions, TAZARA, and URAFIKI Textiles, in which the government owns a minority stake. ATCL had an accumulated debt of TShs133bn by the end of FY 2013/14.[466] An interesting research question is the extent to which regulation has limited or contributed to the indebtedness of state corporations.

4.6 Sector Lobbying and Advocacy

While the state regulates private companies, private companies lobby the state to protect or advance their interests. Professional bodies represent lawyers, architects, doctors, teachers, engineers and so on, while trade unions protect the interests of public and private sector workers. Most major sectors have their 'umbrella' organisations responsible for collective representation at national and local levels. An incomplete list[467] is in **Appendix 4.2.**

Some of the lobbies listed have regional and district representation in different parts of the country. In addition, there are numerous lobbies made up of foreign investors from various countries, including the European Union, France, Britain, USA, China, and India.

Do these lobbies make any difference to the business environment in which their members operate? Do they get the state to change policies and practices as a result of their collective lobbying activities? The BEST-D programme (formerly BEST-AC) has been supporting different sector lobbies to undertake studies and use the findings to make a case for a change in government policy or practice. The most frequent issue raise by private sector lobbies is taxation. Business lobbies complain that government introduces new taxes or changes tax rates without adequate consultation or warning, with knock-on effects on financial planning, and that compliance costs for the plethora of uncoordinated 'nuisance' taxes are excessive. For example, in 2014 commercial farmers complained at the reintroduction of a skills development levy (SDL) of five percent of gross emoluments for all employees. Tanzania Horticulture Association (TAHA) executive director Jacqueline Mkindi complained in April that "…multiple taxes, levies and fees are going to cripple the growth of the horticultural industry."[468] In

[465] Alvar Mwakyusa 2016. 'State telecoms firm suffers 334.5bn/- loss, owed 7.3bn/-', *Daily News,* 7 April.
[466] Polycarp Machira 2014. 'No instant plans to reduce ATCL', *Daily News,* 15 November.
[467] Not included are umbrella advocacy bodies and CSOs registered under company or NGO legislation, such as TPSF (private sector), ANSAF (agriculture) and PF (governance).
[468] Adam Ihucha 2014. 'Farmers protest over 5pc levy', *East African*, 26 April.

December Ms Mkindi told the President's Delivery Bureau (PDB) that there were 'about' 46 taxes, levies and fees facing farmers.[469] Though apparently collaborating effectively with central and local government, horticulturalists and their representatives are extremely wary of government designs to bring their sector under a crop board arrangement.[470] In September, Uledi Musa, PS in the Ministry of Industry and Trade, said his ministry was in negotiations with the Ministry of Agriculture 'to help protect horticulture farmers from monopolizing tycoons who buy in bulk at low prices.' Unnamed 'stakeholders in horticulture say they have for a long time now appealed to the government to establish the board as it has done for cashew nuts, coffee and tea.'[471] **Table 4.4** gives a slightly earlier estimate of taxes on commercial farmers.

Table 4.4: Taxes, Levies and Fees Facing Commercial Farmers, 2014

Fees to regulatory bodies		LGA levies & fees	TRA taxes
1. Fire inspection/certificate 2. Safety Inspection 3. Health inspection (OSHA) 4. Water Use fee 5. Certificate of Conformity 6. Plant Import Permit 7. Phytosanitary certificate 8. Radiation analysis 9. SUMATRA container transportation fee 10. Chemical importation permit 11. Immigration (CTA) 12. Holiday/entry visa 13. Immigration (work Permits) 14. Land rent 15. Fertilizer registration	16. Fertilizer testing 17. Pesticide testing 18. Pesticide registration 19. Pesticide registration permit 20. TFDA inspection fees 21. TFDA registration fees 22. Seed inspection 23. Variety registration 24. Certificate of seed testing 25. Certificate of seed import/export 26. Pension Fund 27. On farm crop inspection 28. Plant quarantine inspection	1. Produce cess 2. On transit fees 3. Health Inspection 4. *Mazingira* fees 5. Parking fees 6. Service levy 7. Business license	1. VAT on packaging materials 2. Excise duty 3. Vehicle inspection fees 4. Import levies (various) 5. PAYE 6. Fuel levy 7. Skills Development Levy

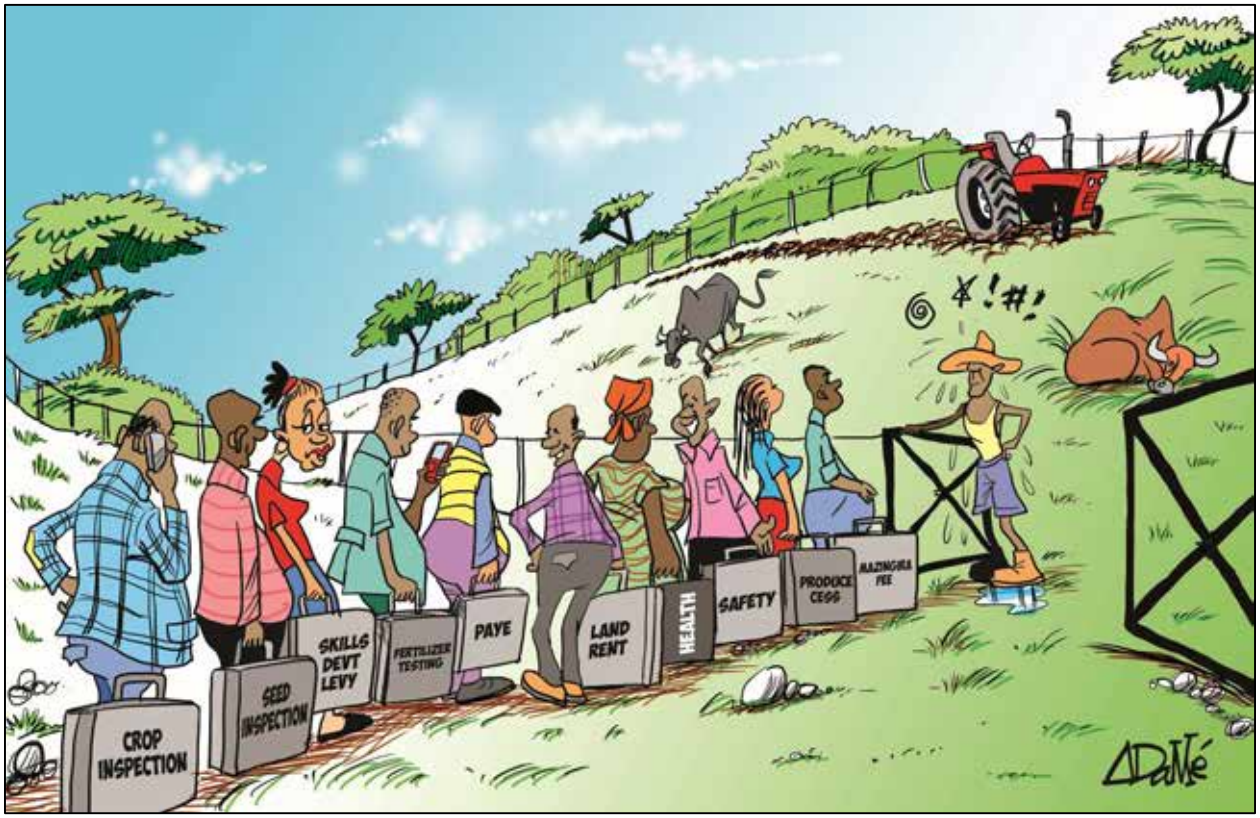
Source: Adapted from TAHA power-point presentation, 2014

This array of regulators and tax collectors is considered a major business cost by commercial farmers and firms in other productive sectors. The four key issues that Tanzanian business leaders see as undermining the investment environment are power supply, corruption, tax administration and the tax burden.[472] The Confederation of Tanzanian Industry (CTI) has lobbied on power supply, while most private sector lobbies have lobbied more on tax issues than on anything else.[473]

The Tanzania Revenue Authority (TRA) is frequently criticised for extortion, coercion and corruption among some of its staff. In a judgement in July, the Tax Revenue Appeals Board (TRAB) found that TRA was intrusive and coercive: "tax administration has become more … oppressive." In September, a TRA official was found not guilty through lack of evidence in a

[469] Felix Lazaro 2014. 'We'll review agro-taxes, govt pledges', *Citizen on Sunday,* 6 December. The PDB manages Big Results Now!
[470] Finnigan wa Simbeye 2014. 'Phase 4 era more 'farming friendly'', *Daily News,* 30 January.
[471] James Kandoya 2014. 'Board proposed to protect horticulture farmers against emerging monopolies', *Guardian,* 11 September.
[472] BEST Dialogue 2015. 'Business leaders' perceptions of the investment climate in Tanzania 2015', Tanzania National Business Council.
[473] TCCIA were 'up in arms' over the government's proposal to reintroduce an annual business licence fee. Pius Rugonzibwa 2014. 'Annual trade licenses opposed', *Daily News*, 17 January

case concerning the loss of TShs 944m. Sangu John was charged with forgery and obtaining money by false pretences. Fifty-two witnesses were called and 117 exhibits presented.[474]



Since TRA has annual collection targets to achieve, it is likely that large companies will be continuously targeted. As pointed out previously, outstanding VAT claims by mining companies involve large sums of money and endless arbitration.[475]

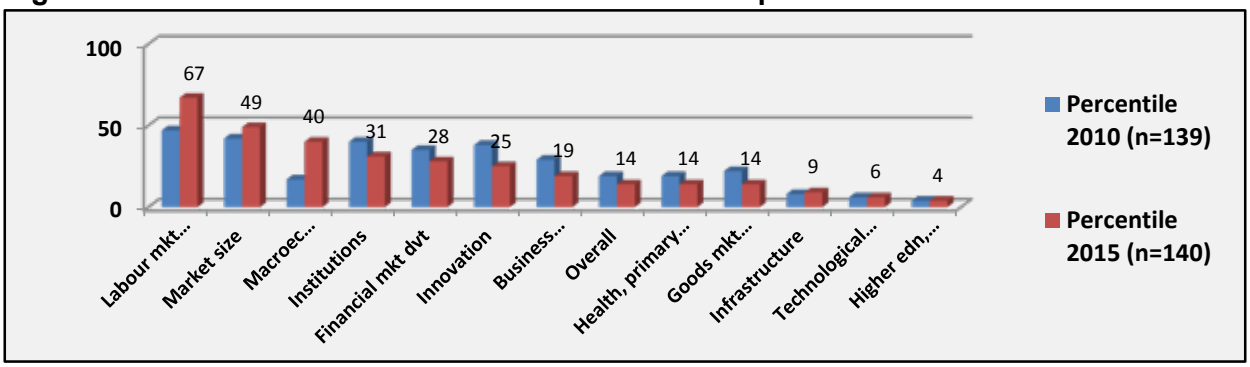
4.7 Taxation, Regulation and the Ease of Doing Business

"We have been travelling across the world to encourage investors to come and invest in our country only to come here to encounter obstacles.'[476]

Despite major reform efforts and strong formal political commitments, Tanzania continues to perform comparatively poorly in facilitating business development. For example, according to the World Bank's *Ease of Doing Business* survey: 'In terms of the quality of the … investment climate, the country's ranking has actually declined ...' Tanzania was in the 72nd percentile in 2010 and the 74th currently (ranked 139 out of 189 countries).[477] The World Economic Forum's *Global Competitiveness Index* tells a similar story of slow progress and stalled reforms (**Figure 4.1**).

[474] Karama Kenyunko 2014. 'TRA official charged with 100 counts', *Guardian*, 18 September.
[475] Bernard James and Veneranda Sumila 2014. 'Arbitrator says TRA tends to play rough', *Citizen*, 18 August; Pius Rugonzibwa 2014. 'Gold firm marks first 'hit' with grandiose plans', *Daily News*, 25 August.
[476] Editorial 2014. 'Investors wish to flee under red tape', *East Africa Business Week*, November 17-23.
[477] http://www.worldbank.org/en/country/tanzania/overview; Gadiosa Lamtey 2014. 'Don't frustrate investors, JK tells officials', *Guardian*, 31 October.

Figure 4.1: Tanzania's Performance in the Global Competitiveness Index 2010-2015



Source: Adapted from https://www.weforum.org/reports/global-competitiveness-report-2014-2015

Tanzania ranks 120th out of 140 countries in the latest index (2015), compared to 100th in 2006 (out of 139) and is currently in the bottom quartile in eight of the thirteen indicators in the GCI, and in the top half of the global rankings for only one (labour market efficiency). Last, Tanzania ranked 119/175 (68th percentile) in Transparency International's Corruption Perception Index in 2014, down from 90/146 countries (61st percentile) in 2004.[478] In May, nine European Union ambassadors urged the government to make registering a company less expensive and bureaucratic so as to encourage foreign investors. The British High Commissioner said "bureaucracy is very rampant here to the extent that it creates a corrupt environment." [479] At the same meeting, Tanzania Private Sector Foundation (TPSF) chairman Dr Reginald Mengi said that 'Rampant corruption across East Africa is hampering development of the private sector…', adding that "international companies which give bribes so as to be favoured in investment projects … should be punished.[480]

Continued hostility to the legitimacy of private-sector led development in the GoT is associated with "the unfortunate legacy of our dalliance with socialism in the early

Who should run the breweries?

Those opposed to privatisation often claim that *even profitable companies* were privatised, which constitutes an implicit loss to the Tanzanian government and people. The argument--which was first made by Julius Nyerere--that 'profitable' products like cigarettes, beer and soft drinks should be produced by the state in the public interest assumes that the state has the capacity to operate more efficiently and profitably than private companies. This may be true in some countries, but the disastrous record of state-run companies in Tanzania makes it difficult to support the argument. The pro-liberalisation argument is that the role of the state should be to control monopoly tendencies and to create a supportive business environment and fair tax regime to encourage investment and risk-taking.

[478] http://www.transparency.org/research/cpi. But Tanzania's CPI score improved from 2.8 to 3.1 over the decade.
[479] Alex Bitekeye 2014. 'Investment reforms key: EU envoys', *Citizen,* 6 May.
[480] Charles le Ngereza 2014. 'Dr Mengi warns of rampant corruption hampering private sector development', *Citizen*, 8 May.

years of our independence," according to businessman and opinion leader Ali Mufuruki.[481] Mufuruki was referring to the dismissive attitude of Minister of Energy and Minerals Sospeter Muhongo towards IPP founder Reginald Mengi, over the latter's advocacy for greater opportunities for local businesses in the growing oil and gas sector. Negative attitudes towards foreign private investors are equally if not more common in official circles, and are often accompanied by claims that liberalisation, which led to deindustrialisation, was a mistake (see **sidebar**).[482] In a rejoinder to this claim, an (unnamed) reader commented: "…we [Tanzanians] do not have the slightest understanding of entrepreneurship and management that is needed to profitably operate those industries that were liberalized".[483] Even in academic, civil society and media circles, it is generally assumed that the state must play the main, if not the sole, role in economic policy making and implementation. Some observers still see Nyererian socialism as a viable development model.[484] State capacity, rent-seeking and the possibility of state capture are ignored in this formulation.

4.8 Conclusion

In a long article in the *Guardian*, Nimi Mweta warned against a fixation with transfer pricing and the demonisation of multinational companies, which can undermine investor confidence and play into the hands of those who are ultimately hostile to a market economy and to the value of FDI.[485] FDI contributed to the phenomenal growth of the Asian Tigers and more recent high performers such as Vietnam.[486] The human and financial resources consumed monitoring extractive companies could be better deployed addressing Tanzania's internal weaknesses, which are under national control and are ultimately responsible for the country's development shortcomings.[487] Arguably, CSOs could usefully spend more time and resources monitoring the economic governance shortcomings of the local business community, and less on extractive industries.

TGR 2014's main focus has been on TEA, and its main policy conclusion is that political corruption and incompetence have swamped what technical capacity the government had to

[481] Ali Mufuruki 2014. 'African Leaders Who Believe Africans Are Incapable of Great things should Go', *Guardian,* 30 May.
[482]Charles Kayoka 2014. 'Economic liberalization: a hoax?' *Citizen,* 28 May. Former minister Omar Nundu claimed that 'private individuals (the foreigners) who bought the factories did not … intend to improve their efficiency, but … to weaken them' in the interest of foreign consumer goods producers.
[483] Charles Kayoka 2014. 'Liberalisation inhumane face', *Citizen,* 4 June. Even natural monopolies (railways, ports) generally profit from privatisation and private participation: Christine Mungai 2014. 'Who's afraid of privatisation in Africa? The successes, heartaches and (sometimes bizarre) reversals', *Guardian*, 10 April
[484] Rose Athumani 2014. 'CCM, China to boost socialism, self -reliance', *Daily News,* 25 June.Makwaia wa Kuhenga 2014. 'Why socialism is still relevant in Tanzania today', *Citizen,* 9 July. 'The country has been turned into a huge supermarket for foreign produced goods, including second hand clothes.'
[485] Nimi Mweta 2015. 'Financial integrity and tax evasion: Flogging the wrong horse?' *Guardian*, 14 June.
[486] Do Duc Dinh 2012. 'Growth with Equity: Double Click for High Economic Growth and Quick Poverty Reduction, The Case of Vietnam', REPOA 17th Annual Research Workshop, March 28. Total FDI of US$40billion over twenty years created 'millions of jobs.' In 2007 alone, 'FDI contributed US$1.5 billion to the Vietnamese Governments budget, created 1.2 million direct jobs and some few million indirect jobs, … and raising of income for the poor.' Pages 13-14.
[487] Liberata Mulamula and Patrick Plonski 2014. 'Tanzania's growth bears a closer look', *This Day*, May 19–25.

plan for the development of an energy strategy based on formal institutions with the necessary degree of autonomy from politics.

Many African countries suffer from under-capitalised and badly managed utilities, including power. But underlying the lack of investment funds, low human capacities and poor regulation, lies the fundamental challenge of poor 'governance, non-transparent government transactions and scarcity of political will at the highest level...' [488]

[488] London 2015. 'What Africa needs to end energy woes', *Citizen*, 15 October.

Appendix 4.1: Selected Tanzanian Regulatory Agencies

Sector	Regulator
Civil Aviation	Tanzania Civil Aviation Authority (TCAA)
Drilling and Dam Construction	Drilling and Dam Construction Agency (DDCA)
Electricity and Water	Energy and Water Utility Regulatory Authority (EWURA)
Environment	National Environment Management Council (NEMC)
Food and drugs	Tanzania Foods and Drugs Authority (TFDA) National Food Control Commission (NFCC)
Forestry	Tanzania Forest Services Agency (TFSA)
Chemical testing	Government Chemist Laboratory Agency (GCLA)
Consumer Goods Standards	Tanzania Bureau of Standards (TBS)
Fertilizer	Tanzania Fertilizer Regulatory Authority
Housing	National Housing and Building Research Agency (NHBRA)
Insurance	Tanzanian Insurance Regulatory Authority (TIRA)
Media	Tanzania Media Owners Association (TMOA)
Banks & financial institutions	Bank of Tanzania (BOT)
Marine transport (ferries)	Tanzania Electrical, Mechanical and Electronics Services Agency (TAMESA)
Occupational health	Occupational Safety and Health Authority (OSHA)
Pesticides	Tropical Pesticides Research Institute (TPRI)
Pension Funds	Social Security Regulatory Authority (SSRA)
Public procurement	Public Procurement Regulatory Authority (PPRA)
Quality control	National Quality Testing Laboratory (NQTL)
Radiation	Tanzania Atomic Energy Commission (TAEC)
Registration & insolvency	Registration, Insolvency and Trusteeship Agency (RITA)
Science and Technology	Commission of Science and Technology (COSTECH)
Standards certification	Tanzania Bureau of Standards (TBS)
Telecommunications	Tanzania Communications Regulatory Authority (TCRA)
Terrestrial transport	Surface and Marine Regulatory Authority (SUMATRA)
Vocational Training	Vocational Education and Training Authority (VETA)
Weights and measures	Weights and Measures Authority (WMA)
Agriculture	
Cashew	Cashewnut Board of Tanzania (CBT)
Coffee	Tanzania Coffee Board (TCB)
Cotton	Tanzania Cotton Board (TCB)
Dairy	Tanzania Dairy Board (TDB)
Pyrethrum	Tanzania Pyrethrum Board (TPB)
Sisal	Tanzania Sisal Board (TSB)
Sugar	Sugar Board of Tanzania (SBT)
Tea	Tanzania Tea Board (TTB)
Tobacco	Tanzania Tobacco Board (TTB)
Cereals, fruit, vegetables	Cereals and Other Produce Board (COPB)

Appendix 4.2: Selected Sector Umbrellas and Lobbies, Tanzania Mainland

Agriculture	Agricultural Council of Tanzania (ACT)
	Agriculture non-State Actors Forum (ANSAF)
Building contracting	Contractors Association of Tanzania (CATA)
Cotton ginning	Tanzania Cotton Ginners Association (TACOGA)
Business	Tanzania Business Council (TBC)
Container depots	Container Depot Association of Tanzania (CDAT)
Dairy produce	Tanzania Milk Processors Association (TAMPA)
Employers	Association of Tanzania Employers (ATE)
Exporters	Tanzania Exporters Association (TEA)
Food processing	Tanzania Food Processors Association (TFPA)
Food security	National Food Reserve Agency (NFRA)
Freight Forwarders	Tanzania Freight Forwarders Association (TFFA)
Horticulture	Tanzania Horticulture Association (TAHA)
Hotels and lodges	Hotel Association of Tanzania (HAT)
Hunting	Tanzania Hunting Operators Association (THOA)
Industry & commerce	Confederation of Tanzania Industries (CTI)
	Tanzania Chamber of Commerce, Industry & Agriculture (TCCIA)
Mining	Tanzania Chamber of Minerals and Energy (TCME)
	Tanzania Women Miners Association's (TAWOMA)
Microfinance	Tanzania Association of Microfinance Institutions (TAMFI)
Rice	Rice Council of Tanzania (RCT)
Road haulage	Tanzania Truck Owners Association (TATOA)
Oil seeds	Tanzania Edible Oil Seeds Association (TEOSA)
Sugar	Tanzania Sugar Growers Association (TASGA)
Shipping agents	Tanzania Shipping Agents Association (TASAA)
Tourism	Tourism Confederation of Tanzania (TCT)
Tour operators	Tanzania Association of Tour Operators (TATO)
Urban transport (DSM)	Dar es Salaam Commuter Bus Owners Association (DARCOBOA)

Chapter 5: CSO's, Media and Citizens' Voice

5.1 Introduction

'Civil society has come a long way in Tanzania in the last 10 years: e.g. gaining credibility and weight with regards to dialogue with the government; gaining in professionalism regarding transparency, management skills etc.'[489]

The main actors informing the public on the TEA scandal were the PAC led by Zitto Kabwe and *Mwananchi Corporation*, owners of the *Citizen* and *Mwananchi*. Both Zitto and the Citizen thoroughly investigated TEA, along with the CAG and the PCCB, who looked respectively at the financial and corruption dimensions of the scam. The Citizen and Mwananchi have circulations of 25,000 and 50,000-60,000 respectively, so it is important not to exaggerate the overall impact of the press in informing the nation.[490] A *Twaweza* survey in June 2014, found that 78 percent of respondents had not heard of the IPTL scandal.[491] Social media served to spread the latest information (and misinformation) on TEA to a larger (younger, better-off) audience than the traditional press. This chapter considers major governance events during the target year involving the non-government sector and the media, starting with TEA.[492] Details of donor commitments to CSOs can be found in **Chapter 6,** and **Appendix 6.1.**

5.2 Civil society

'The IPTL scandal represents a serious crisis in the legitimacy of the Government of Tanzania that can only be resolved by strong leadership and decisive action…' [493]

How did civil society react to the TEA saga? First, it should be said that CSO reaction to the scandal was muted, given the enormity of the issue. Although widely discussed and denounced (and defended) in social media, CSOs did not organise public discussions or demonstrations in protest against TEA (**Chapter 1**). In early December, the Legal and Human Rights Centre (LHRC) issued a statement condemning the embezzlement and mishandling of the affair and calling for 'investigations and accountability for all those involved…' At the same time, the Union of NGOs (UNGOS) in Morogoro urged the president to implement the parliamentary recommendations in full. On 15 December, Policy Forum and seven other CSOs--Tanzania Coalition on Debt and Development, ACTIVISTA, Tanzania Youth Vision Association, SIKIKA, Action Aid Tanzania, HakiElimu, Youth Partnership Countrywide--issued a press statement endorsing the PAC's main recommendations (**Box 5.1**).

---

[489] EU 2014. 'EU country roadmap for engagement with civil society 2014-17', page 26.
[490] https://www.linkedin.com/company/mwananchi-communications-limited'.
[491] Twaweza 2014. 'Have more laws, agencies and commitments against corruption made a difference?', Sauti za Wananchi, August.
[492] Space precludes a review of radio and television coverage of the issues discussed in the text. Television coverage of bunge proceedings was an important ingredient in the transparency mix.
[493] Policy Forum et al. 2014, 'Press Statement: Power sector fraud tests the Tanzanian government's integrity and accountability', 15 December. : http://www.policyforum-tz.org/power-sector-fraud-tests-tanzanian-government%E2%80%99s-integrity-and-accountability

Box 5.1: 'Power Sector Fraud Tests the Tanzanian Government's Integrity and Accountability'

In their statement on the TEA case, CSOs supported the view that PAP's acquisition of Mechmar shares was fraudulent; that the transfer of the TEA money to IPTL/PAP was the culmination of two decades of energy policy capture by private interests; that the arbitration process initiated by TANESCO with the International Centre for the Settlement of Investment Disputes(ICSID) in 2008 to resolve the claimed over-payment of capacity charges was sabotaged by PAP and IPTL's former minority shareholders VIP Engineering and Marketing (VIP) through the manipulation of Tanzania's legal system; and that the 'notion that TEA 'is not public money' is an argument put forward by the apologists of IPTL/PAP/VIP to confuse informed discussion of the basic issues at stake.'

The statement expressed concern at the apparent lack of due diligence by the BoT and private banks involved, with the suspicion that they were facilitating money laundering, and by the complicity of officials in BRELA over the irregular transfer of shares.

Policy Forum recommended full disclosure of energy sector contracts and an end to the 'culture of impunity' protecting those involved in acts of grand corruption. 'There is a risk that continued impunity will communicate the wrong messages, namely: 1) that it is risk-free to misappropriate public funds on a huge scale, and 2) the state has no moral authority to caution against wrongdoing.'

Finally, the statement urged the government to demand the repayment of all escrow monies paid fraudulently to PAP, and to implement parliament's recommendations to resolve the IPTL affair in the public interest.

Sources: Policy Forum et al. 2014. 'Press Statement: Power sector fraud tests the Tanzanian government's integrity and accountability'; Bernard Lugongo 2014. 'Civil societies want refund of Tegeta escrow cash', Citizen, 16 December.

Open government continued to be a priority for CSOs during 2014. Tanzania is party to two international initiatives to improve transparency in budgets and public expenditure, the International Budget Partnership (IBP) and the Open Governance Partnership (OGP). IBP is a non-government initiative started in 1997 to 'promote transparent and inclusive government budget processes as a means to improve governance and service delivery in the developing world.' Of the eight budget documents that IBP track in 30 countries worldwide, Tanzania published only five in 2014, leaving HakiElimu Acting Director Godfrey Boniventura to maintain that: "This leaves critical gaps in the public's ability to understand how public money is being managed and …how well the government is doing in delivering essential services." Numerous documents were published too late to make them actionable.[494]

The OGP 'is a voluntary, multi-stakeholder international initiative seeking to secure concrete commitments from governments to their citizenry to promote transparency, empower citizens, fight corruption and harness new technologies to strengthen governance.' Tanzania's first OGP Action Plan contained an ambitious list of 25 commitments to be met between 2011 and 2013. In a summary of the Tanzania's performance from OGP's Independent Reporting Mechanism, Ben Taylor from Twaweza showed that only three of the 25 commitments have been successfully completed, 'substantial progress' has been made on four more, 'limited progress on eight', five where progress was 'unclear' and five where there was 'no progress' at

[494] Elizabeth Tungaraza 2014. 'Dar fails on budget feedback', *Citizen*, 22 November. IBP is funded by the Ford Foundation, the Open Society Foundations, the William and Flora Hewlett Foundation and the UK Department for International Development (UKAid).

all. According to Taylor, '…many of the government websites that were developed as part of delivering on OGP commitments and/or intended as a space for publishing reports or data, were not working.' Civil society involvement in the OGP process was limited.

In June 2014, Tanzania's second OGP Action Plan was published, focusing on five key areas: freedom of information, open data, budget transparency, land and the extractive industries. The government pledged to enact a Freedom of Information Act by December 2014; to publish data on public services, census data, and ward and village boundaries; to publish eight key budget documents annually; to release information on tax exemptions; and to make public all new contracts with mining and oil and gas companies from 2014 onwards.[495] George Mkuchika, Minister of State for Good Governance, claimed that '…OGP has helped to some extent to reduce corruption and cheating [because] government operations are now open and people were aware [of] what is going on.'[496]

5.2.1 Tracking the Extractive Industries

'The [Statoil addendum] leak compels all stakeholders…to begin a serious conversation about the continuing secrecy of extractive industry contracts despite the obvious benefits of disclosure.'[497]

Chapter 2 discussed the leaked addendum to Statoil's original PSA with TPDC. Though quite revealing, there was little reaction in either the Tanzanian parliament, where the leak was not discussed, or in Norway, where Statoil is based, though a national daily newspaper did reproduce the document.[498]

In a statement in September four CSOs the Interfaith Standing Committee on Economic Justice and the Integrity of Creation, HakiMadini, Policy Forum and the Oil and Natural Gas Environment Alliance—made the case for full disclosure of the content of PSAs.[499] The statement made the point that it is impossible to comment on the likely fairness or unfairness of the contract amendment since the data on which the government made its initial calculations (in 2007) 'are still not publicly available.'[500] An in-depth analysis by David Manley and Thomas Lassourd of the Natural Resources Institute concluded that the addendum:

> '…is not out of line with international standards for a country that had no proven offshore reserves of natural gas at the time when the original contract was signed. Thus claims that the addendum is … grossly unfair to Tanzania appear to be premature. … The

[495] http://www.opengov.go.tz/; http://twaweza.org/go/tz-ogpplan2.
[496] Ndeninsia Lisley and Crispin Gerald 2014. 'Tanzania tops EAC region in government openness', *Guardian*, 11 June.
[497] Policy forum 2014. 'Statement: Leaked Statoil addendum demonstrates how confidentiality intensifies controversy', *Citizen*, 4 September.
[498] Morgenbladet: https://morgenbladet.no/.
[499] Daniel Semberya 2014. 'CSOs: Transparency in fiscal policies, contractual term in extractive industries needed', *Guardian*, 4 September
[500] Policy Forum 2014. The group is known as the CSO Extractive Industries Working Group.

debate would be significantly enriched if TPDC were to share and discuss the hypothesis on which its calculations are based.[501]

As reported in **Chapter 4**, there is only a slim chance that Tanzania will become a major LNG exporter during the 2020s, so the demand to publish all extant PSAs may not be a major priority. **Chapter 4** also noted that the secrecy was largely on the government side: some mining companies already publish their MDAs while others claimed to follow the national requirements on the issue.

New research on capital flight from Africa focuses on tax exemptions enjoyed by large international companies. Tax researcher Prof Odd-Helge Fjeldstad from Norway argued that tax exemptions penalised the tax compliant, whose tax burden increases. Big companies "block tax reforms that could result in more fair distribution of the tax burden."[502]

5.2.2 Social Accountability Monitoring (SAM)

NGOs and FBOs continued to undertake Social Accountability Monitoring in urban and rural areas. In July 2014, Sikika, a Dar-based health monitoring NGO, was barred from operating in Kondoa District as a result of its health sector monitoring activities. The Kondoa District Council accused SIKIKA of "trying to undermine the peace and progress of Kondoa." Sikika had pointed out the poor state of health services in the district, alleging embezzlement of funds. [503] According to the LHRC, 'The Council acted ultra vires as it is not vested with the powers to suspend Sikika's operations. Further, in its decision rendered against Sikika the District Council did not cite any law upon which the decision was based.'[504]

In an expenditure tracking exercise in Kinondoni, Sikika found that funds to expand Mwananyamala Hospital mortuary had been spent but there was no extension. However, the sum said to have been involved was insignificant (TShs20m) compared to the planned expansion (from 15 bodies to 50). [505] Monies allocated for new maternity wards in two other hospitals also disappeared, but no figures are cited.[506]

In 2014 PF partnered with Forum Syd and Magu Civil Societies Network (MACSONET) to carry out SAM in Magu District Council in the education sector. The SAM team found that secondary education capitation grants worth TShs92m were not disbursed, that only 11 out of 57 school laboratories had been completed on time, and that secondary school dropout rates were unacceptably high. In addition, 'most schools in the area' suffered from regular water shortages, shortage of teacher's houses and science teachers, and most newly-built laboratories were not

[501] David Manley and Thoma Lassourd 2014. 'What leaked gas agreement means', *Citizen*, 13 August; David Manley and Thoma Lassourd 2014. 'Did Tanzania get a good deal?' *Citizen*, 15 August.
[502] Prosper Makene 2014. 'Giant international companies receiving undue tax exemptions', *Guardian*, 5 September.
[503] http://sikika.or.tz/wp-content/uploads/2014/08/Kondoa-Report-FINAL.pdf; Katare Mbashiru 2014. 'NGO opposes decision to kick it out of district', *Citizen,* 4 August.
[504] LHCR 2015. 'Tanzania Human Rights Report 2014', Dar es Salaam, page 83.
[505] Fariji Msonsa 2014. 'New report reveals mess in execution of public health projects', *Citizen*, 11 February.
[506] 'Dar hospital accused of embezzling project cash.' http://www.ibn-tv.com/2014/02/dar-hospital-accused-of-embezzling-project-cash/.

functioning.[507] MACSONET resolved to continue monitoring these issues by 'working very close with the local authorities.'[508]

Policy Forum undertakes training sessions for district-level SAM teams. There is no central repository of data on SAM activities countrywide, so it is not possible to establish their overall scale, distribution or impact. While not a repository per se, PF does have a webpage that puts SAM documentation together.[509]

5.3 The Print and Social Media

In Freedom House's Freedom of the Press Index for 2014, Tanzania emerged as the 'freest' East African state, followed by Uganda and Kenya, Burundi and Rwanda. The Press Freedom Index (PFI) by Reporters without Borders (RWB) for the preceding year ranked Tanzania and Kenya much higher up the global press freedom ladder, with Burundi and Rwanda close to the bottom of the pile (**Table 5.1**).[510]

Table 5.1: Press Freedom In East Africa 2014 (N= 199)

Country	Tanzania	Uganda	Kenya	Burundi	Rwanda
Press Freedom Index 2013 (/179)	70	104	71	132	161
Percentile	39	58	40	74	90
Freedom of the Press 2014 Index (/199)	115	123	124	164	172
Percentile	58	62	62	82	86

Source: https://freedomhouse.org/sites/default/files/FreedomofthePress_2015_FINAL.pdf

Tanzania fell from 34th to 70th in the PFI rankings between 2012 and 2013, and the Freedom House performance shows a further deterioration in 2014. Commenting on apparently declining press freedom, Kajubi Mukajanga, Tanzania Media Council Executive Secretary, identified a series of attacks on journalists, and closing and suspension of some local papers as the likely cause.[511] In a long article deploring the apparent rise in extrajudicial police violence and killings, former High Court judge Thomas Mihayo argued that a 'society that condones injustice and fears state organs can't be free.'[512]

The non-state media were instrumental in bringing 'Escrow' to the attention of the public and sticking with the story despite threats and court cases demanding outlandish damages (see **Timeline, Appendix 1.1**). Social media were used by both pro- and anti-Sethi factions. Jamiiforums[513] followed the story assiduously, while pro-Sethi campaigning also flourished. In a written statement, Zitto Kabwe claimed that during the build up to the tabling of the PAC report in November: "there have been underground campaigns within Parliament and on social media

[507] In 2009/2010, Ng'wamabanza secondary school in Mwamabanza ward enrolled 72 students but only 26 completed in 2013/2014.
[508] Forum Syd/MACSONET SAM implementation note to Policy Forum, reviewed on 3 April, 2016. There was no reported friction between the SAM team and the district education authorities.
[509] See http://www.policyforum-tz.org/resources/pf-social-accountability-monitoring-page
[510] Christopher Majaliwa 2014. 'Tanzania impresses in press freedom', *Daily News*, 13 February.
[511] Christopher Majaliwa 2014. 'Tanzania impresses in press freedom', *Daily News,* 13 February.
[512] Thomas Mihayo 2014. 'Society that condones injustice, fears state organs 'can't be free'', *Citizen,* 16 November. See next section, last paragraph, for an example.
[513] www.jamiiforums.co.

against me and other MPs known to be against the theft of billion from the Bank of Tanzania…" Zitto and Kigoma South MP David Kafulila were said to be vocal only 'because they have been promised billions of shillings.' Kabwe and colleagues were accused of 'being used by Kenya and UK to derail investments in the country.' [514]

Press coverage of the Tegeta Escrow Saga was massive, reaching its zenith in November and December, when well over 200 articles, editorials and cartoons were recorded in the main English language press alone.[515] From March 3, the *Citizen's* investigative reports provided the core information on the issue. Richard Mgamba, editor of the Citizen, said that 'without the citizen, nobody would have known what really transpired…', predicting (this was in September) that 'very soon, Tanzanians will come to know the bitter truth of how fraud, corruption and abuse of power facilitated this dubious [Escrow] deal at the expense of taxpayers.' [516]

The *Daily News*' and *Sunday News'* coverage was consistently sympathetic to the interests of the main private sector actors involved. Research by the Media Council of Tanzania (MCT) found that 'a number of media outlets continue to flout journalism ethics in reportage of court sessions,' but did not give names.[517]

The media continued to campaign for a Freedom of Information law, on which government promises were long outstanding. Article 18 of the current constitution of URT states that citizens have the right 'to seek, receive and disseminate information.' Hopes were raised in 2013, when President Kikwete committed to enact such a law by December 2014. This deadline was not met, and Tanzania's media continued to be regulated under legislation from the 1970s. In a *Twaweza* meeting in August, Zitto Kabwe said that efforts to introduce new legislation had failed for almost a decade because most influential people were against more transparency and accountability either inside or outside government.[518]

5.4 Corruption and Human Rights

'It is the poor that pay the highest price for corruption.'[519]
'Tanzania slumped from the 55th percentile in Transparency International's Corruption Perception Index in 2011 to the 68th percentile in 2014. The 2014 East African Bribery Index concluded that Tanzania is...challenged by the inability to break the vicious circle of corruption.'[520]

---

[514] Songa wa Songa 2014. 'Zitto: We are facing threats: *Citizen*, 10 November.
[515] Two hundred and eighteen articles, commentaries and cartoons were recorded in the *East African, Citizen*, *Guardian* and *Daily News* during November-December 2014.
[516] Richard Mgamba 2014. 'The Citizen @ 10 – It's indeed TZ's most influential English daily', *Citizen,* 16 September.
[517] Reporter 2014. 'MCT hails journalists, says some outlets still biased', *Guardian,* 7 February.
[518] Lawrence Raphaely 2014. 'Corruption main obstacle to freedom of information law, says Zitto', *Guardian*, 16 August.
[519] Zitto Kabwe. 'Corruption stinks, let's end it now', *Citizen*, 24 August. This is similar to the Latin American case of a decade ago: 'Most countries in Latin America turn out to do better than other countries with similar per capita incomes with respect to voice and accountability, but worse with respect to government effectiveness, rule of law and corruption…' (Keefer 2004: 7).
[520] http://www.tikenya.org/index.php/the-east-african-bribery-index

'It is one thing to be able to attack individuals for corruption, but wide-reaching systemic decay is an altogether different proposition.'[521]

Human Rights advocates who brand 'corruption' a crime against humanity are quite right to highlight the linkage, but different types of corruption are consequential in different ways.[522] When a baby dies because a nurse demands money for a drip that the mother can't afford, it is termed 'petty' corruption. When politicians, officials and businessmen embezzle hundreds of millions of US$s of public money, it is termed 'grand' or 'political' corruption, but because nobody dies directly as a result, it is considered a 'victimless crime'. Blaming the nurse for withholding the drip from the sick child is to miss the point: the nurse is as much a victim of an unjust distribution of power and public resources as her desperately poor 'victims'. Grand and political corruption help keep her underpaid and overworked. The issue is structural, not a matter of individual morality. **Chapter 2** highlighted PCCB's clear tendency to prosecute the nurse and leave the thieves of billions untouched. LHRC might consider this imbalance as a blatant crime against humanity, and might usefully take up the issue of PCCB's mandate and performance as a matter of urgency.

In a mobile phone survey in June 2014, *Twaweza* found that 78 percent of 1,425 respondents thought that corruption was 'worse than 10 years ago', with only 11 percent saying it was 'better'. Just over half believed that 'corruption cannot be reduced' compared to seven percent who thought it 'can be completely eradicated.' [523]

LHRC are blunt in their assessment of trends in corruption:

> 'Eighteen years since the anti-corruption commission was formed and presented its findings, the situation of corruption in Tanzania has worsened, particularly in the last 10 years whereby the country has witnessed some high-profile grand corruption scandals. These scandals coupled with rampant petty corruption in accessing public services, have seen loss of public confidence in PCCB and other anti-corruption bodies.'

Although a LHRC survey found that the majority of Tanzanians were pessimistic about the future of corruption in Tanzania, 'they however cited the media as an effective tool in revealing corrupt practices in the country. There is thus a need for the civil society, LHRC inclusive to increase efforts to advocate for the freedom of the press.'

Though challenging corruption directly is rare, have Tanzanians who stood up against corruption suffered as a consequence? Worldwide, whistle blowers are routinely ostracised by their colleagues for exposing wrongdoing. Dismissals are routine. In some countries, whistleblower protection laws include the state providing false identities and paying to relocate the whistle-blowers. In Escrow, the nearest one gets to a whistle blower is the case of the

---

[521] Elsie Eyakuze 2014. 'Consider Mobutu the kleptocrat King of Zaire, he was once tall and strong as you', *East African*, 20 December.
[522] Thomas Mihayo 2014. 'Respect for good governance principals and human rights', *Citizen*, 2 November.
[523] Twaweza 2014. 'Have more laws, agencies and commitments against corruption made a difference?', Sauti za Wananchi, August; Florence Mugarura 2014. 'Graft on the rise in Tanzania, says study', *Citizen,* 2 August. .

TANESCO lawyer, Godwin Ngwilimi, sent to Malaysia by the Attourney General, who came back with the 'wrong' answer to the question: does Mechmar belong to Mr Sethi?

Grand corruption often contains elements of greed and vainglory, and on any reasonable grounds its beneficiaries should be held accountable. The fact that they rarely are made accountable reflects the affinity of power and money. In November 2014, the University of Dar es Salaam hosted the first 'Voice of Social Sciences' international conference with Minister of Foreign Affairs Bernard Membe as guest of honour. Mr Membe, a presidential aspirant, referred to the ongoing TEA/IPTL case 'as an example of the level of corruption in the country and its impact on the economy.' Professor Sam Maghimbi of the University of Dar es Salaam, agreed that corruption was crippling the country, and claimed that most academics 'chose not to be vocal because they feared for their lives.' "We are scared. When you conduct … independent research, you will be accused of taking sides. Some will go out of their way to silence you. Many of those accused of grand corruption are very powerful individuals," he said.[524]

5.5 Civil society governance

'… a culture of oppression is creeping upon us…'[525]

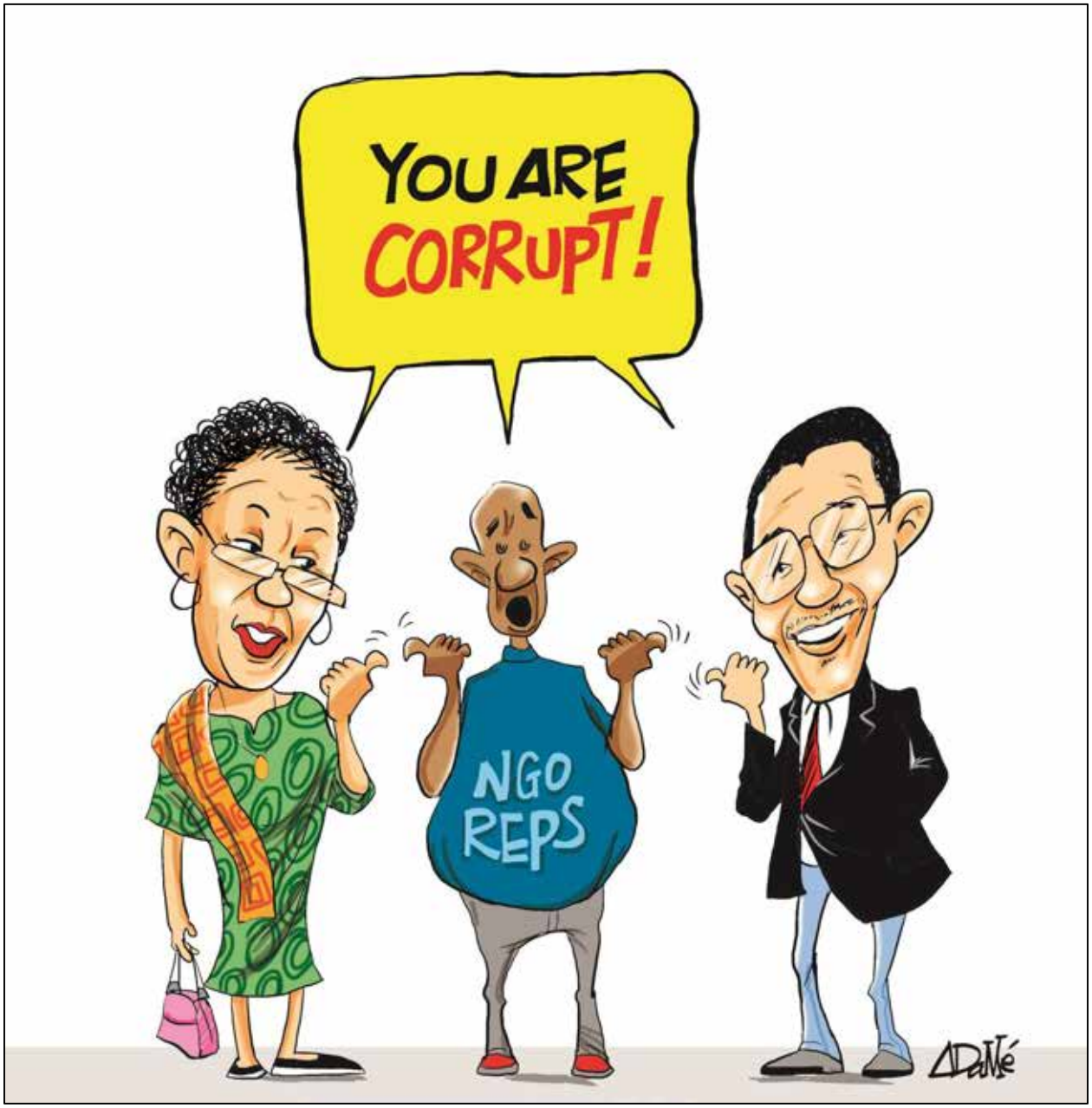
'… the level of self-regulation in umbrella CSOs is ranked low; and CSOs are described as under-resourced, dependent on donor funding and mostly urban-based. There is a lack of democratic leadership and skilled staff; limited ability to document impact; and limited collaboration in the sector. Donor influence is also identified as compelling some organisations to shelve their primary objectives to respond to donor funding demands.'[526]

'…many [CSOs] lack the attributes of good governance they themselves supposedly seek to promote. Accountability, responsiveness and capability in civil society are often weak, when it comes to voicing the interests of citizens.'[527]

In December 2014, Minister for Community Development, Gender and Children, Sophia Simba, said district governments had been instructed 'to register and monitor proceedings of NGOs and CSOs.' She said that 'many of the NGOs and CSOs are poorly managed and face numerous allegations of fund misappropriation.'[528] Earlier in the year, President Kikwete again raised the issue of civil society accountability with the minister, worried that 'most of the funds channelled through such organisations did not reach the intended beneficiaries.'[529] In September, the Prime Minister issued a directive to CSOs to 'submit their annual budgetary estimates, list of activities planned for every quarter, and the regions in which such activities were planned.'[530] In the mobile phone survey cited above, Twaweza found that over a third of respondent (35 percent)

[524] Athumani Mtulya 2014. 'Corruption has reached alarming levels: Membe', *Citizen,* 18 November.
[525] Sylivester Domasa 2014. 'Govt to toughen regulation of NGOs, CSOs', *Guardian*, 2 December.
[526] INTRAC et al. 2013. 'Evaluation of Danish Support to Civil Society, Annex I: Tanzania 'at distance review'', Informal background working paper, April., pp 1-2.
[527] IDL Group 2014. 'Accountability in Tanzania (AcT) Phase II First Stage of Design, Draft, 11th September.
[528] Sylivester Domasa 2014. 'Govt to toughen regulation of NGOs, CSOs', *Guardian*, 2 December.
[529] See Policy Forum 2015. 'TGR2013', chapter 5.
[530] Bernard Mwinzi 2014. 'Jittery times ahead of polls as grip on civil society tightened', *Citizen*, 23 November.

thought that corruption was 'very common' among NGOs and a further fifth (20 percent) thought it 'somewhat common'.[531]



Some civil society actors see a gradual clamp-down on democratic freedoms in the country, building up to the presidential elections in 2015. The Tanzania Human Rights Defenders Coalition (THRDC) predicted that: "The most affected groups will be political activists, human rights defenders, journalists and whoever is presumed a threat to the current regime." The underlying cause of this likely trend is the 'competitive political environment' in which

[531] Twaweza 2014. 'Have more laws, agencies and commitments against corruption made a difference?', Sauti za Wananchi, August. The comparable figures for business were 26 and 19 percent respectively.

NGOs/CSOs are considered enemies of the state, perhaps with foreign masters, links to opposition parties, or simply opportunistic 'trouble-mongers.' [532]

According to LHRC, 'In Dodoma, the Regional Commissioner prohibited CSOs to conduct public meetings on the current constitution-making process. LHRC was barred from providing civic education on the Proposed Constitution by Regional Commissioners in Kilimanjaro, Geita, Rukwa and Kagera.' 'Songea-Non-Governmental Organisation Network (Songo-Net) has been facing similar restrictions since 2010.' 'CSOs who engage in advocating for land rights of the Maasai in Loliondo [see **Chapter 4**] are most of the time threatened by both the Government and the investor.' [533]

In April 2014, the Ministry of Community Development, Gender and Children deregistered *Sisi kwa Sisi Foundation* on the grounds that it was 'promoting deviant behaviour by campaigning for gay and lesbian rights.' The Foundation was allied to the *PlanetRomeo Foundation*, that campaigns 'for a world in which lesbian, gay, bisexual, transgender and intersex people enjoy equal rights, equal opportunities and respect.'[534]

5.6 Conclusion

'…until the Government decides to take serious measures against the "big fish" involved in grand corruption scandals and make sure they are brought to justice, corruption will continue to thrive and hinder economic development.'[535]

The establishment of the Commission on Human Rights and Good Governance in 2002 after much lobbying by local and external human rights activists was a step towards recognising the link between human rights and corruption control, but the Commission's recommendations are not legally binding.[536]

Corrupt practices that constrain competition and undermine investment in public goods and services reduce a country's chances of sustaining growth and poverty reduction. While corruption cannot be justified, some corrupt practices are more ruinous in developmental terms than others. It is one thing for politicians and bureaucrats to take (say) a ten percent cut from a valid investment that generates significant employment, turns out useful products, and contributes to government revenue. It is quite another for this group to take a corrupt cut from a project that permanently derails a key national policy, and imposes huge additional costs on the end-users and tax payers. Faced with the threat of state retribution if they step over the line, CSOs are understandably reluctant to provoke the perpetrators of grand theft. On the side of the print media, 2014 showed that independent investigative reporting can have major impact, at least on the urban, middle-class audience, if not more generally.

---

[532] Bernard Mwinzi 2014. 'Jittery times ahead of polls as grip on civil society tightened', *Citizen*, 23 November.
[533] Legal and Human Rights Centre 2015. 'Tanzania Human Rights Report 2015', pages xli and 84.
[534] https://www.planetromeofoundation.org/
[535] LHRC 2015: 254-5.
[536] Thomas Mihayo 2014. 'Respect for good governance principals and human rights', *Citizen*, 2 November. CHRAGG is part of the executive, not the judiciary, and cannot investigate complaints against the president.

Chapter 6: Governance and Development Aid

6.1 Introduction

The TEA crisis seriously undermined 'donor confidence', worsening an already critical fiscal situation, as recounted in **Chapter 2**. Tanzania's main donors withheld over US$550 million in protest against TEA, and the Millennium Challenge Corporation put a further large compact with Tanzania on hold pending resolution of TEA and the abandonment of what MCC considers repressive legislation.[537] As a result, Tanzania 'lost'—temporarily or permanently—over a billion USDs (TShs2trillion) in foreign aid.

Most of the official bodies actively involved in handling the TEA saga have benefited from financial and technical assistance from donor agencies. These include parliament, PCCB, NAO (CAG), the judiciary, the treasury and line ministries including MEM/TANESCO, TRA, BRELA, and RITA. Is it fair to conclude that the failure of the Tanzanian state to bring closure to the TEA saga in the public interest is also a failure of development assistance to help create viable mechanisms of accountability? At the very least, donor efforts to strengthen existing institutions of accountability and create new ones seem to have had limited success. More serious, corruption risks in project aid are routinely underestimated, as illustrated below in the case of World Bank loans to the power sector.

TGR2013 examined aid modalities and effectiveness in relation to governance and corruption control in some detail. In the past, donors have relied upon withholding or cancelling aid commitments, or (rarely) requesting repayment in the event of demonstrated corruption.[538] In some ways, TEA was a re-run of the looting of the External Payments Arrears (EPA) account in the BOT preceding the 2005 elections, when over US$100 million was paid to local Asian and African-owned businesses with ruling party connections, and donors suspended aid to force a full enquiry. But while some of the EPA money was returned to the treasury (albeit non-transparently) and some businessmen were selectively prosecuted, there have been no similar consequences with the TEA. Indeed, not only were no TEA monies repaid to the BOT, but IPTL under PAP has continued to operate at more or less full capacity and to receive prompt payment from TANESCO.

[537] At its board meeting in December 2015, MCC announced five new compacts but 'deferred a vote on the reselection of Tanzania and Lesotho for compact eligibility until relevant governance concerns in both countries have been addressed.' See https://www.mcc.gov/news-and-events/release/mcc-board-selects-five-countries-for-mcc-partnerships-121715, accessed 12/01/16.

[538] An example of the latter from Norwegian bilateral aid can be found in TGR2012.

6.2 Budget Support and Changing Aid Modalities

'Tanzania has been one of the largest recipients of Budget Support in the world. During the years 2005/6–2011/12, the total amount of Budget Support was 5 billion USD.'[539]

'…Tanzania received $5.07billion from China as loans, grants and [other] aid between 2001 and 2012.'[540]

In May 2014, budget support donors including the World Bank announced the suspension of US$558m GBS planned for FY2014-15 pending resolution of the escrow affair.[541] The Finnish ambassador, Ms Sinikka Antila, emphasised that:

> "Good governance, accountability and an active fight against corruption are part of the jointly agreed underlying principles of budget support, which constitute the basic elements of the partnership."[542]

Since little had been achieved in resolving the TEA during the period of GBS suspension, the resumption can be considered a 'victory' for the beneficiaries of the scam. In a press statement on Budget Support, dated March 11, 2015, budget support development partners (BSDP):

> '…expressed appreciation on how Tanzania's accountability institutions addressed the issues arising from the IPTL saga, as reflected in the resolutions of the Parliament and the guidance by the President in speech (sic) on 22nd December 2014.'[543]

On the basis of an analysis of cases of grand corruption in Tanzania, Hazel Gray (2015) concludes that: '… the policy responses of the donor community to grand corruption in Tanzania, in particular the halting of aid disbursements, are likely to continue to be ineffective in stopping grand corruption.'[544] **Table 6.1** shows GBS commitment and disbursements during 2007-/08 to 2013/14.[545]

---

[539] http://www.tzdpg.or.tz/fileadmin/_migrated/content_uploads/Budget_Support_in_Tanzania_2014-2015.pdf.

[540] Reporter 2014. 'How Chinese firms win lucrative deals', *Citizen*, 15 August.

[541] http://www.tzdpg.or.tz/budgetsupport. Disbursements did not begin again until March 2015, with only US$383.4 committed. Commitments for 2014/15 were: WB (US$100m); AfDB (77.5m); UK (57.7m); EU (55.9m); Sweden (31.5m); Denmark (19.9m); Japan (14.6m); Finland (14.5m); Germany (6.3m); and Canada (5.5m). Ireland did not commit.

[542] Reporter 2014. 'People have role in sound public funds', *Citizen,* 11 June.

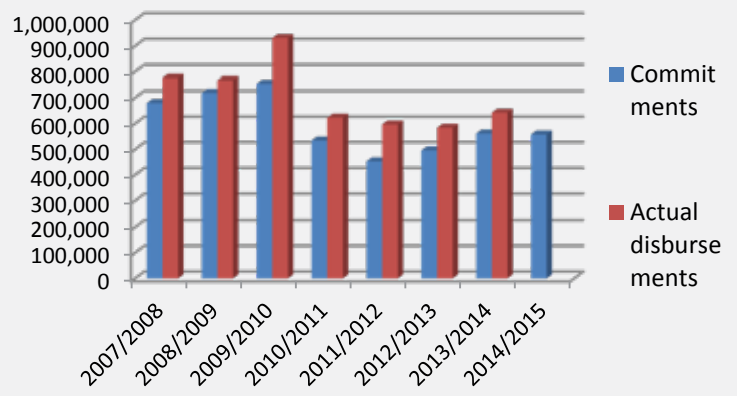
[543] A Joint Press Statement on Budget Support, March 11, 2015, stated: '… BSDPs expressed appreciation on how Tanzania's accountability institutions addressed the issues arising from the IPTL saga, as reflected in the resolutions of the Parliament and the guidance by the President in speech on 22nd December 2014.'

[544] Hazel Gray 2015. 'A political economy of grand corruption in Tanzania', *African Affairs*, 114/456, 382–403.

[545] GBS disbursements were 118 percent of commitments during 2007-2013.

Table/Chart 6.1: General Budget Support to Tanzania, FY2007/08-2013/14, '000 of U$s.

Financial year	Commit-ments	Disburse-ments
2007/08	679,867	776,106
2008/09	719,134	767,781
2009/10	754,758	930,527
2010/11	534,317	623,252
2011/12	452,973	597,047
2012/13	495,729	584,118
2013/14	561,582	643,014



Source: Budget Support in Tanzania 2014-15. http://www.tzdpg.or.tz/budgetsupport.

Disbursements fell from US$930m in 2009 to US$623m in 2010.

TEA/IPTL further undermined donor commitment to budget support. According to Janus and Keijzer (2015:4):

> 'Although many donors were already in the process of reducing general and sector budget support contributions, the scandal accelerated the search for – and use of – alternative modalities for financial cooperation, including forms of RBA [Results Based Aid].' [546]

Though concerned with growing fiscal problems, the World Bank still sees Tanzania as a good borrower, with total disbursements of US$503m in 2011, US$503m in 2012, US$613m in 2013 and US$637m in 2014.[547] The African Development Bank also 'upgraded' Tanzania's status 'due to its economic growth and creditworthiness', according to Ms Tonia Kandiero, AfDB's resident representative in Tanzania.[548]

The Kikwete years saw a progressive assertion of control over the policy framework and a move from a strong poverty focus to a greater concern with infrastructure development and economic growth. Under the first MKUKUTA (2005-10), Tanzania's Poverty Reduction Strategy, the DAC donors[549] promoted the poverty reduction and service provision components of government policy, leveraged through budget support for health, education and so on. Governance also became a core component of the DAC strategy. The second MKUKUTA (2010-15) contained a

[546] Heiner Janus and Niels Keijzer 2015. 'Big Results Now? Emerging Lessons from Results-Based Aid in Tanzania', German Development Institute, Discussion Paper 4/2015.
[547] http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/0,,countrycode:TZ.
[548] Reporter 2014. 'Dar set for bigger loans as AfDB ups status', *Daily News*, 25 July.
[549] The Development Assistance Committee (DAC) currently consists of 26 development agencies. DAC describes itself as being the "venue and voice" of the world's major donor countries.

greater emphasis on economic growth, which represented a victory for Tanzanian policy makers, who considered the DAC poverty focus unbalanced.[550]

The assertion of national ownership continued with the replacement of the MKUKUTA framework by the Development Vision 2025, a product of the Planning Commission (PC), with no donor input. The PC was moved from the Ministry of Finance to the President's Office in 2008. The Five Year Development Plan (FYDP) 2011/12-2015/16 operationalised the Development Vision 2025. The plan's five 'core priorities' are infrastructure, agriculture, industrial development, human capital, and tourism.[551]

The transition to greater local ownership of the development agenda coincides with the rise of China as a major 'development partner'. China is not a DAC member, does not provide budget support or attend donor coordination meetings, or follow Tanzanian procurement laws. Chinese aid is also neutral on questions of governance, including corruption, democracy and human rights, all big issues for western donors. China's strategy is to negotiate turn-key projects, financed with soft loans and executed by Chinese corporations, in transport infrastructure, energy, ICT and industrial development.[552] According to Furukawa:

> 'In response to the expansion of Chinese aid and development finance,…the Tanzanian government…gave the…Planning Commission jurisdiction over all projects while keeping GBS under the Ministry of Finance's jurisdiction.' [553]

China's project portfolio under the current FYDP consists of six projects worth US$3.4billion.[554] Not all of these projects will inevitably take off, and they are or have been controversial on issues of cost, corruption and priority.[555] According to the Chinese ambassador to Tanzania, Dr Lu Younging, "By June 2013, China's total investment in Tanzania reached $2.17 billion, creating over 100,000 jobs for local people."[556] On an official visit to Beijing in October, President Kikwete signed nine 'government-to-government agreements' for large investment

---

[550] This section is based on Furukawa, M. 2014. 'Management of the international development aid system and the creation of political space for China: The case of Tanzania', Working Paper 82. Tokyo: Japan International Cooperation Agency Research Institute.

[551] Planning Commission 2012. 'The Tanzania Five Year Development Plan 2011/12-2015/16; Unleashing Tanzania's Latent Growth Potentials', President's Office, June.

[552] Chinese corporations compete for loans from Exim Bank to undertake infrastructure projects. Chinese contractors have also captured a growing proportion of road construction projects in recent years. See Reporter 2014. 'Chinese bribe in Dar, admits China envoy', *Citizen,* 15 July; Reporter 2014. 'How Chinese firms win lucrative deals', *Citizen,* 15 August.

[553] Furukawa 2014: 42.

[554] Furukawa 2014: 31. The projects are: Tanzania-Zambia railway• (TAZARA) US$66m; National Fibre-Optic Backbone Project (Phase Two) US$100m; Kurasini Tanzania China Logistics Centre US$400m; Mtwara-Dar Es Salaam Gas Pipeline US$1.2b; Bagamoyo Port Development Plan (3 projects) >US$1b; Liganga and Mchuchuma Project US$600m (coal and power, initial cost).

[555] Continued Chinese support for Urafiki Textile Company is largely political. Chinese banks have loaned Urafiki at least US$ 200m in recent years, but it is unclear what the money has been used for. Some suspect asset stripping, the sale/rental of Urafiki floor space and staff housing. See Florence Mugarula 2014. 'Team: Probe use of Sh43bn Chinese funds', *Citizen,* 21 May; Reporter 2015. 'Urafiki Textiles Loan Fund "Missing"', *Daily News*, 5 February. Florence Mugarula 2014. 'Team: Probe use of Sh43bn Chinese funds', *Citizen,* 21 May. TAZARA is also working at low capacity and incurring huge losses.

[556] Sammy Awami 2014. 'Secrets behind success stories of firms from China', *Citizen*, 19 February

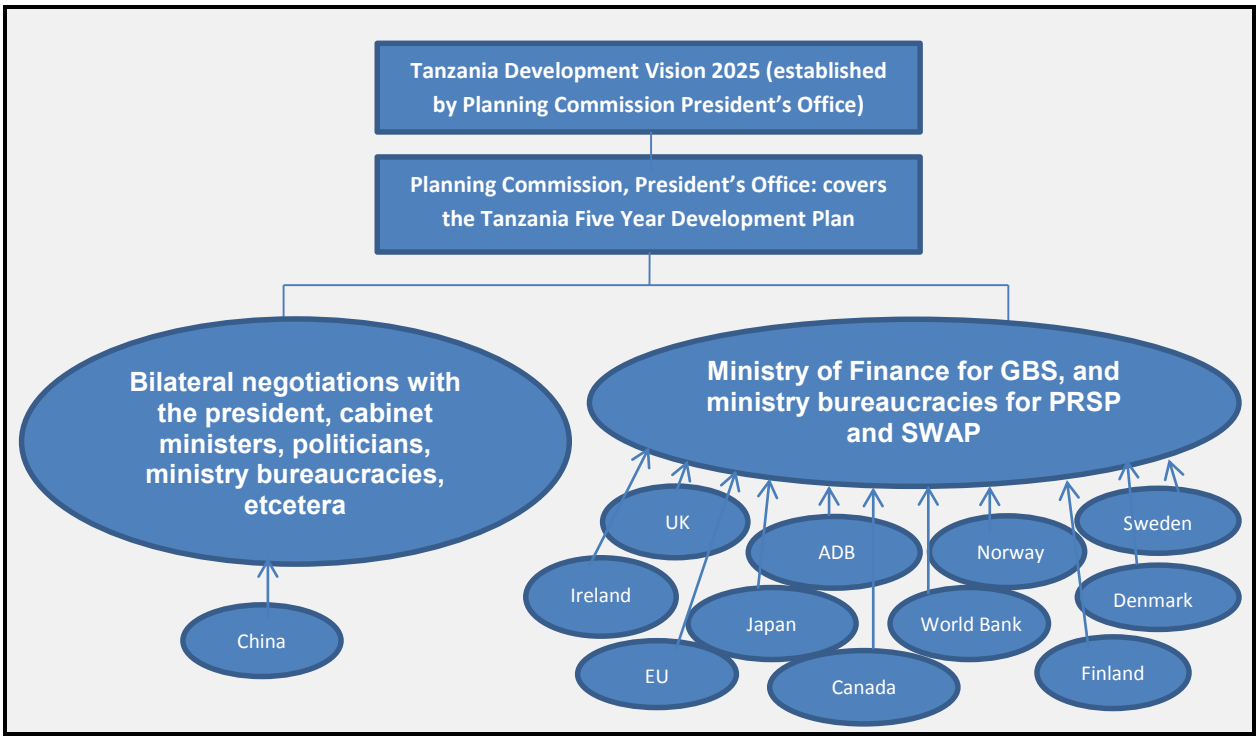
projects in housing and urban development, railway construction, and power generation.[557] Proposed projects include *Salama Creek Satellite City* in Uvumba, Temeke District (US$1bn), US$500m for a 'modern financial square' in Upanga and US$200m for the Valhalla project in Masaki, all with the NHC as local partner. Though most FDI to Tanzania is still sourced from OECD countries, it is reasonable to see the growing importance of China in development aid as coinciding with the relative marginalisation of traditional sources of aid.[558]

Figure 6.1 represents schematically the current interfaces between aid donors and the GOT.

National ownership of the development agenda is one of the main goals of the Paris Declaration on Aid Effectiveness, so the trend described above can be considered a success for DAC/OECD development principles.

Section 6.3 examines the corruption dimension of development aid.

Figure 6.1: New government-donor interfaces



Source: Adapted from M. Furukawa 2014. Note: GBS donors as of 2014/15.

[557] Godfrey Obonyo 2014. 'Tanzania, China sign multibillion-dollar investment deal', *Guardian,* 25 October; Abduel Elinaza 2014. 'China revives abolished protocol in honour of JK', *Guardian*, 26 October.
[558] Michael Mbiro 2014. 'China emerges Tanzania's major investor', *Daily News,* 28 April.

6.3 Corruption Control and Aid Effectiveness

'Huge amounts of UK aid money is (sic) being wasted because we are either funding corrupt programmes directly or not doing enough to tackle the culture of bribery in many countries.'[559]

'I think donors themselves are the ones who contribute to the culture of theft of public money.'[560]

The first quote was the conclusion of a 2014 report by the UK's Independent Commission for Aid Impact.[561] Critics of aid claim that it is vulnerable to capture by local interest groups and that it provides incentives to corrupt behaviour. Aid agencies are of course careful to put in place anti-corruption procedures and penalties, particularly in procurement, but often fail to abide by them in practice.[562]

Cooksey (2014) identifies six factors influencing the likelihood that aid will be misused. Aid proliferation makes fragmentation inevitable and coordination almost impossible.[563] When aid negotiations also lack transparency, the context is ripe for corruption.[564] An example of the GoT taking advantage of lack of coordination between Chinese and other donors is found in the rail transport sector, reported in the following chapter.

Projects aimed at improving power sector performance through policy and structural reform tend to fail because they underestimate the strength of vested interests and 'capture' involved in sector management. For example, paragraph 103 (p25) of the World Bank's 2014 appraisal document for a US$100 million loan known as the Second Power and Gas Sector Development Policy Operation[565] says '*Fraud and corruption risks exist but are not severe in Tanzania*. Tanzania performs better than the average in Sub-Saharan Africa on many international governance indices...'[566] But a few paragraphs later it is stated:

> 'Political and country-level governance risks. ... [T]he energy sector is ... prone to political economic factors (sic), which may impact some decisions related to sector reforms. ... [L]eadership from the top political leaders, will mitigate such risks. The

[559] Daniel Martin 2014. 'UK aid foreign aid fuel corruption', *Guardian*, November 2 – 8.
[560] Reporter 2014. 'What govt must do to plug the financial hole donors left', *Citizen*, 1 November, quoting Mr Joseph Mwambigija, a resident of Iringa. He adds '…embezzlement…is reported year after year, yet they continue to dish out billions…without attaching…conditions…'
[561] http://icai.independent.gov.uk/
[562] Brian Cooksey https://www.unodc.org/pdf/crime/publications/forum2vol2.pdf#page=56
[563] Brian Cooksey 2014. 'Corruption and the misuse of development aid', Swiss Development Cooperation Learning Event, November. See TGR2013 for a longer discussion.
[564] In the 2013 Aid Transparency Index, China was ranked last out of 67 agencies and programmes surveyed. file:///C:/Users/Admin/Downloads/Aid%20Transparency%20Index%20%20Results.htm
[565] Victor Karega 2014. 'Dar to reinforce management of public funds', *African*, 7 April. The project is to 'improve financial sustainability … and promote public private partnerships.'
[566] World Bank. 2014. Tanzania - Second Power and Gas Sector Development Policy Operation Project. Washington DC ; World Bank Group, Report No. 84028 –TZ, dated February 26, 2014. *Emphasis added.* http://documents.worldbank.org/curated/en/2014/02/19196116/tanzania-second-power-gas-sector-development-policy-operation-project.

emphasis on greater transparency should help enhance accountability and commitment to results.'[567]

So whilst conceding that 'political economic factors' bring risks, the World Bank is confident that they can be mitigated through 'leadership'. The notion that corruption risk can be mitigated by 'top political leaders' (presumably starting with the President) is a common donor fallback position, based on wishful thinking rather than evidence that it works. Though donors frequently appeal to 'political will' to push through 'difficult' reforms that involve 'confronting vested interests', there is plenty of anecdotal evidence that a presidential stamp of approval on such issues has little practical value. This is not very far from the view that state house is at the very heart of the intractable governance dilemmas that the World Bank and other donors believe political leadership can resolve.

The World Bank document claims that the 2008 Electricity Act 'led to the strengthening of the governance of TANESCO, reforming its top management structure and creating a Board of Directors with public and private sector stakeholder representations.'[568] We now know that TANESCO's board was complicit in the TEA scam, leading parliament to urge the president to dissolve it for 'failure to properly advise the company on the Tegeta Escrow saga.'[569] Such unfounded claims for the success of donor-inspired policies, reforms and other initiatives are very common, and serve to legitimate a fundamentally flawed process.

More generally, how do donor-funded projects fare in corruption control? CAG reports for development project spending at the district level reveals a similar apparent improvement in financial performance to that noted in **Chapters 2** and **3**. **Table 6.2** shows the upward trend in clean audits for 2010/11 to 2013/14.

Table 6.2: Trends in Audit Opinions for Development Projects 2010-2013/14

F/Y	Unqualified	%	Qualified	%	Adverse/ Disclaimer	%	Total %	Total audits
2010/2011	484	*83.4*	92	*16*	4	*0.6*	100	580
2011/2012	497	*80.8*	117	*19*	1	*0.2*	100	615
2012/2013	527	*86.3*	73	*11.9*	11	*1.8*	100	611
2013/2014	703	*90.7*	68	*8.8*	4	*0.5*	100	775

Source: CAG 2015d. 'Annual Report on the Audit of the Financial Statements of Development Projects,p20 (adapted).

Over the four year period, the proportion of unqualified audits improved from 83 to 91 percent, while qualified and adverse audits fell from 17 to 9 percent. The Health Basket Fund (HBF) had 86 percent unqualified audits in 2013/14, the Water Sector Development Programme (WSDP) 88 had percent, the Agriculture Sector Development Programme (ASDP) and the Road Fund (RF) both had 91 percent, and the Tanzania Social Action Fund (TASAF) had 100 percent. With the exception of TASAF, most of the issues raised in previous audits had not been dealt with.[570]

[567] Op. cit., Paragraph 110.Underlining added for clarity.
[568] Op cit., paragraph 38.
[569] Reporter 2015. 'Tanzania: New TANESCO Board Appointed', *Daily News,* 3 January.
[570] CAG 2015d: 20. 'There is a big improvement in financial management which led to almost elimination of adverse and disclaimer of opinions.' But the improvement is not explained.

Given that the Road Fund involved spending of TShs 142 billion by LGAs during 2013/14, the notion that nine out of ten contracts between LGAs and local contractors to undertake various road building and repair works were negotiated without an iota of corruption cannot be seriously entertained.[571]

Past TGR's have cited evidence suggesting that most donor programmes and projects targeting improved 'governance' have failed to achieve their stated objectives. Through its relatively small 'Strengthening Tanzania's Anti-Corruption Action' (STACA) programme, Britain's Department for International Development (DFID) has been supporting the Prevention and Combatting of Corruption Bureau (PCCB) the Directorate of Public Prosecutions (DPP), the Financial Intelligence Unit (FIU), and the National Audit Office (NAO).[572] This support is in addition to interventions aimed at 'improved management of public finances including procurement, parliamentary scrutiny of spending, improved human resource management in the civil service, and empowering civil society to hold government to account.' [573]

Summarising research that public perceptions that corruption is rising year on year, the STACA review argues that 'a real step change in the fight against corruption can only come with greater political will and this looks unlikely to happen before the elections.' The likelihood that 'Corruption is uncovered in the programme, undermining its credibility and forcing DFID to suspend funding' was rated a high risk by the DFID evaluators. Who will guard the guardians?

6.4 Aid, Governance and Democracy

'…the influence of DAC donors over the Tanzanian government has become relatively weak and, in a sense, they are at a crucial moment in their quest to maintain influence over Tanzanian development policies.'[574]

"We are about to conclude the Millennium Development Goals … and we need to come up with other goals like eradication of poverty, provision of clean and safe water, fighting corruption and good governance. I believe that we shall continue to assist you after the current goals are met."[575]

Tanzania's main DPs have been accused of undermining the democratic institutions they are formally committed to 'strengthening.' 'Parallel accountability' means that the government is torn between local and external paymasters.[576] In 2014, members of the Budget Committee confirmed that it had not been informed of the donors' decision to withhold budget support in protest at the unfolding TEA scandal, a move condemned as 'premature.'[577] Ironically, the best example of parliamentary attempts to hold the executive accountable—the PAC's use of CAG reports to question ministers' and officials' competence and probity—would not have happened

[571] CAG 2015d: Annex XIV.
[572] STATA is a four-year GBP 11m (16.5m US$) programme. DFID 2014. 'Strengthening Tanzania's anti-Corruption Action Annual Review', February-March.
[573] Annual DFID Review 2014. Project Title: Strengthening Tanzania's Anti-Corruption Action, February-March.
[574] Furukawa 2014:44.
[575] The quote is from British prime minister David Cameron. Felister Peter 2014. 'JK welcomes British investors, says country stable', *Guardian,* 2 April.
[576] Maya Prabhu 2014. 'Donors pose challenge to oversight of Bunge on gvt', *Citizen*, 24 December.
[577] Maya Prabhu 2014. 'Tanzania Politics at a crossroad', *Citizen* 17 December.

without the aid for capacity-building that these organisations have enjoyed over the last decade. The expansion and upgrading of the National Audit Office of Tanzania (NAOT/CAG) was largely financed by the Swedish National Audit Office (SNAO)/SIDA.[578]

An example of the donor-driven nature of Tanzanian governance and democratisation is the support given to civil society as advocates for accountability and service provision at both national and local levels **(Table 6.3).**

Table 6.3: Estimates of Main Donor Support to CSO Accountability Work, 2009-16

Donor	Area of Accountability	Funds (€s)
Sweden	Gender, human rights, advocacy, education, core support to CSOs	76,700,000
UK	Specific projects focused on civil society accountability	71,297,984
Germany	Strengthening civil society, capacity building of CSOs, health	14,000,000
USA	Policy advocacy, women empowerment, civic awareness	8,000,000
Ireland	Health, education, policy advocacy, livelihoods, social accountability, pastoralists, small farmers	6,520,000
Switzerland	Media, social accountability, core support to CSOs	1, 900,000
France	Farmers, agriculture, land	1,104,000
Finland	Human rights, land rights, advocacy	690,000
Total		180,211,984

Source: Adapted from DFID 2014. 'AcT II strategic case'.

Sweden and the UK are by far the major bilateral donors. **Appendix 6.1** lists over 70 NGO/CSO funding initiatives by eight bilateral donors for 2013-18.[579] Whereas Sweden supports over 20 NGOs/CSOs directly, DFID finances organisations that provide grants. A content analysis of the Appendix gives the following breakdown by sector (**Table 6.4**):

[578] NAOT 2014. 'Transformation of NAOT: The story of a transforming partnership 2004-2013', Dar es Salaam, page 302. PFMRP is the Public Finance Management Reform Programme. . In addition NAOT has received support from PFMRP, GiZ, DFID, USAID, UNDP, and ADB, while future support is expected from CCAF/OAG Canada, GAO-USA, DFID, AFROSAI-E, the Indian CAG and Chinese National Audit Office.

[579] The breakdown does not take the size of support into account. The list is not inclusive of all donors supporting the third sector. For example, EU, Danish, Netherlands, Canadian and Italian CSO support programmes are not included. In addition, many countries, including UK, USA, South Korea Germany and Finland have many volunteers and 'experts' working in the country, some with FBOs, though there is no central data bank giving full details.

Table 6.4: Bilateral Donors Support to CSOs, 2013-18[580]

	Projects	Percent
Agriculture, livestock, forestry, land	14	19
Transparency, accountability, governance	13	18
Child labour, child rights, nutrition	7	10
Gender	6	8
Health, HIV/AIDS	5	7
Media	5	7
Human and legal rights	4	5
Education	4	5
Wildlife and tourism	3	4
Youth	3	4
Participation, empowerment	3	4
Capacity building	2	3
Others[581]	4	5
Total	**73**	**99**

Source: Calculated from DFID 2014. 'AcT II strategic case'.

Smallholder agriculture, land rights, governance and child rights account for nearly half (47 percent) of the support received, followed by gender, health/HIV/AIDS and the media (22 percent). In addition, donors finance many other activities indirectly, for example, the Foundation for Civil Society (FSC), Accountability in Tanzania (ACT), and the Tanzania Media Fund (TMF) all provide grants of varying sizes to CSOs and media houses.

Section 5.4 above recounted government concerns that much of the funding channeled through local NGOs/CSOs did not reach the intended beneficiaries, while TGR 2013 (**Chapter 5**) discussed the issue of donors rather than civil society setting the local development agenda. Coordination remains a chronic problem. A major review of aid to civil society is overdue.

The rise of China as a key 'development partner' and the relative decline of the influence of 'traditional' donors suggest that governance issues are likely to lose prominence in the development discourse going forward. The conclusions of much comparative and historical research and analysis is persuasive on why democracy and 'good governance' are unlikely to generate sustainable and inclusive development have yet to filter into the aid industry's worldview, even though much of this research is commissioned and financed by aid agencies. Political economy analysis suggests that aid only addresses the symptoms of poor governance, not the underlying causes. This issue is discussed in **Chapter 8**.

6.5 Conclusions

Treating 'good governance' as a thing in itself allows donors to get away with inadequate oversight of the 'governance risks' attached to their projects. To claim in 2014 that a project in the power sector carries a low corruption risk is almost beyond belief. Numerous World Bank and IMF loans have been used in whole or in part to bail out TANESCO while the underlying cause of the utility's malaise remained.

[580] Authors' calculations.
[581] Arts, NGO coordination, election monitoring, research.

Appendix 6.1: List of Bilateral Aid Projects to Tanzanian CSOs, 2013-18

Donor/Beneficiary	Project Title	Area of activities	Contribution	Duration
France (euros)				
Pastoral Council	Vocational training	Agriculture &livestock	30,000	Dec 2013
Plan International	Child labour in Geita	Human rights (child labour)	180,000	2013 -14
IGF	Integrated management of Tarangire-Manyara corridor	Wildlife management area and local development	849,000	2013-2016
Craterre/Rochefort	Kilwa project	Heritage tourism development	~20,000	2013-2015
6 NGOs	Volunteers in NGOs		~24,000/	2014-2015
Sweden (MSEK)				
Legal and Human Rights Centre	Core-support for strategic plan 2013-2018	Human Rights mainland, advocacy, legal aid	49 MSEK	2013-2018
Zanzibar Legal Service Centre	Core support for strategic plan 2013-2017	Human Rights Zanzibar, legal aid and advocacy	9,2 MSEK	2013-2017
HakiElimu	Core support strategic plan 2012-2016	Education, advocacy and governance	16,5 MSEK	2014-2016
TENMET	Core support	Education, CSO coordination	11 MSEK	2014-2016
Uwezo	Core support	Education, accountability and transparency for service delivery	17 MSEK	2009-2013
Twaweza	Core support	Accountability, transparency, communication, citizen agency	114 MSEK	2009-2014
Forum Syd	Project for local accountability	Local accountability in 3 districts: 2 in Mwanza and 1 in Kagera	46,7 MSEK	2009-2014
RFSU	Project support to "Tanzanian Men as Equal Partners" in Rukwa and Singida regions	Gender, SRHR	58,4 MSEK	2014-2015
AMREF		Health, service delivery	52 MSEK	2010-2013
CCBRT	Core support	Health, service delivery	45 MSEK	2012-2013
Restless Development	Core support	Youth, civic participation, SRHR, livelihood	50,1 MSEK	2014
Femina HIP	Core support for strategic plan	Sexual and Reproductive Health and Rights, Youth Rights, Entrepreneurship, Communication platforms	32,5 MSEK	2013-2017
Save the Children, mainland	Core support	Child rights	34,6 MSEK	
Save the Children, Zanzibar	Core support	Child rights	17,2 MSEK	2011-2013
PINGOS Forum	Core support	Land rights, pastoralist rights	18,7 MSEK	2007-2015
TGNP	Core support	Gender rights	31,2 MSEK	2008-2012
TAWLA	Core support	Gender, legal aid to female vulnerable groups	17,6 MSEK	
REPOA	Core support	Policy Research for development, citizen voice	14 MSEK	
Association of Local Authorities, ALAT	Core support	Better local governance, membership based organising	10 MSEK	2014-2016
Union of Tanzania Press Clubs	Core support to Strategic Plan	Media organizing countrywide (23 clubs), media ethics, training, advocacy	34,7 MSEK	2011-2014
Media Council of Tanzania	Core support to Strategic Plan	Media ethics, advocacy, self-regulation of media, settling disputes	21,6 MSEK	2012-2015
Germany (Euros)				
GIZ	Tanzanian German Programme to Support Health	- Strengthening of project management capacities - Involving CSO in planning and decision making processes - Promotion of enrolment to the Community Health Fund	Overall (not only for CSO support): 14 Mio Euro	04/2013-03/2016
Wildaf	Women in Development	Nationwide	US 1,000,000	Extended

				for a year
PELUM	CEGO-Citizens Engage Government Organizations	5 districts in SAGCOT area	500,000	Two years
TACOSODE	CEGO	Mpwapwa and Kondoa districts	500,000	Two years
LEAT	CEGO	4 districts in SAGCOT corridor	500,000	Two years
NACOPHA	CEGO	12 districts in SAGCOT corridor	500,000	Two years
TBD	Elections Observation	National wide	4,000,000	Two years
TACCI	Civic awareness	Nationwide	2,000,000	extended
Switzerland (CHF)				
Foundation for Civil Society (FCS)	Contribution to FCS' strategic plan	Funding civil society organisations to promote citizen participation and empowerment, social accountability and professionalism of CSOs	~ 800'000 CHF / year	2003 - 2013
Media Council of Tanzania (MCT)	Contribution to MCT's strategic plan	Lobbying for media freedom, adherence to ethical & professional standards in the media sector, promotion of media self-regulation & arbitration	~ 650'000 CHF / year	2007 - 2015
Sikika	Contribution to Sikika's strategic plan	Social accountability in the field of health	~350'000 CHF / year	2011 - 2014
Policy Forum (PF)	Contribution to PF's strategic plan	Secretariat of a network of organizations promoting social accountability; budget analysis, lobbying at central and LGA level, mentoring of members	~350'000 CHF / year	2011 – 2014
ANSAF	Contribution to ANSAF's strategic plan	Social accountability in the field of agriculture	~250'000 CHF / year	2011 - 2014
Jukwaa La Katiba (JuKaTa)	Enhancing citizens' participation in the constitution making process	Lobbying, mediation	~ 50'000 CHF for 18 months	2013 - 2014
Mviwata	Contribution to Strategic Plan	Network of small holder farmers across Tanzania	~ 190'000 CHF for 18 months	2013-2014
Ireland (Euros)				
HakiElimu	Contribution to Strategic Plan 2012-2016	Nationwide in 42pre/primary and 40 secondary schools in Musoma, Serengeti, Ukerewe, Bariadi, Tabora, Kigoma North, Kilwa, Kilosa, Arusha Rural, Iramba and Muleba	250,000	2012-2016
Tanzania Media Fund – TMF	TMF Strategic Plan 2012 to 2015	Tanzania Mainland and Zanzibar	200,000	2012 to 2015
Wildaf	Strategic plan 2012-2016	Nationwide	400,000	2012-2016
CCBRT	CCBRT Strategic Plan 2013 to 2017	Dsm with outreach in Pwani, Zanzibar, Morogoro, Tanga, Lindi and Kilimanjaro regions.	700,000	2013-2017
COUNSENUTH	Improving Child Nutrition through Community Action in Ruvuma	Ruvuma Region in Tanzania	250,000	2011-2016
HANO	Harnessing Agriculture for Nutrition Outcomes	Lindi Rural and Ruangwa Districts in Lindi Region	370,000	2012 to 2015
Helen Keller International HKI	Enhanced Homestead Food Production (EHFP) Project	Ukerewe Island and Sengerema districts in the Lake zone	250,000	2010-2015
PANITA	Mobilizing Civil Society in Scaling Up Nutrition (Sun) Movement Project	Tanzania mainland	200,000	2011-2014
Agricultural Non State Actors Forum (ANSAF)	Contribution to Strategic Plan 2013-2016	Tanzania mainland	100,000	2013-2014
The Benjamin W.	BMAF Strategic Plan 2012 to	Rukwa, Shinyanga, Zanzibar	500,000	2012-2017

Mkapa HIV/AIDS Foundation	2017	Pemba		
CARE International-	Pastoral Programme	Iringa, Geita, Kilindi, Dodoma, Meru, Longido, Hanang, Babati, Mvomero, Kishapu, Mwanza, Kiteto and Mara	400,000	2011-2015
Farm Input Promotion Services Africa ltd (FIPS-Africa)	Increasing farmers' access to improved seed and fertilizers by strengthening input markets in Dodoma and Singida regions.	Dodoma, Singida and Morogoro	200,000	2011-2013
Ifakara Health Institute (IHI)	IHI Strategic Plan	Dsm,Dodoma ,Pwani,Tanga, Morogoro & Mtwara	500,000	2013-2018
International Livestock Research Institute (ILRI)	Strategic Plan 2011-2015 Adapting dairy market hubs for smallholder value chains	Morogoro and Tanga	400,000	2011-2015
Netherland Development Organisation (SNV)	Edible Oilseeds- Value Chain Development Programme Tanzania	Lindi, Mtwara, Morogoro, Mbeya and Ruvuma Regions	500,000	2012 - 2015
TECHNOSERVE	Cocoa Quality and Market Access Programme	Mbeya and Ifakara	1,000,000	2011-2015
MVIWATA	Supporting Strategic Plan 2010-2014	Tanzania mainland and Zanzibar	300,000	2010-2014
Twaweza	Strategic plan 2011-2014	Tanzania	-	2011-2014
Finland (Euros)				
Zanzibar Legal Service Centre	Implementation of the Strategic Plan (2013 - 2017	Human rights, Legal aid and advocacy	150 000	3 yrs (2013-16)
Tanzania Human Rights Defenders Coalition	Implementation of the Strategic plan (2013 – 2017)	Protection and security management	80 000	1 year 2013
Tanzania Youth Alliance	SMS for Health related MDGs 3, 4, 5, and 6	Equality Service Delivery	60 000	1 year 2013
Feed the Children Tanzania	School feeding as a practical model of good governance	Equality Service Delivery	80 000	1 year 2013
Tanzania Pastoralist Community Forum	Loliondo Pastoralist Land rights	Land rights	78 529	1 year 2013/14
Community Forests Pemba			68 516	1year 2014
The Centre for African Development through Economics and the Arts (ADEA)	MAKUYA Festival in Mtwara	Sustainability issues and capacity building	30 000	1 year 2014
Equality for Growth (EfG)	Promoting gender equality for women market traders	Inclusive economic growth	80 000	1 year 2014
Tanzania Environmental and Tourism Educational Organization	Promotion of community Based Nature Tourism for Community Better Life in Mwanga District	Inclusive economic growth	50 000	1year 2013/14
UK/DFID (UKP)				
24 CSOs are partners	ACT	Accountability	£ 31 m	2009-2015
Foundation for Civil Society (FCS)	Contribution to FCS	citizen participation & empowerment, social accountability & professionalism of CSOs	£ 8 m	2003-2013
Tanzania Media Fund	Contribution to TZM	Access to information	£ 2 m	2012-2015

Chapter 7: East African Perspectives

7.1 Introduction

Tanzania's commitment to implementing certain aspects of the EAC Treaty was in the news in 2014. TGR 2013 reported the apparent emergence of Kenya, Uganda and Rwanda as a group within the EAC more committed to regional integration than Tanzania (and Burundi), that were perceived to be dragging their feet. Though the gap between the two groups seems to have narrowed, issues remain, including respecting common external tariffs, the prevalence of non-tariff barriers (NTB), freedom of movement of East African citizens, protectionism in tourism[582] (see **Chapter 4),** and collaborating on joint infrastructure projects. The governance aspects of these issues are reviewed below.

Tanzania and Kenya together account for 84 percent of the East African land mass, 62 percent of its population (**Table 7.1**), and its entire seaboard.

Table 7.1: Eac Member States: Size and Population Estimates, 2014

	Surface area ('000 sq. kms)	Percent	Population (m) 2014	Percent	Population density (per sq. km)
Tanzania	947.3	52.0	47.2	32.4	50
Kenya	580.4	31.8	43.0	30.0	74
Uganda	241.6	13.2	34.7	23.8	144
Rwanda	26.3	1.5	10.9	7.5	414
Burundi	27.8	1.5	9.7	6.6	349
Total	1,823.4	100.0	145.5	100.0	80

Source: East African Community Facts and Figures, September 2015.

Conducting their terrestrial trade through Dar and Mombasa ports gives landlocked Uganda, Rwanda and Burundi compelling reasons to be concerned with the costs, reliability, and security of Kenya's and Tanzania's transport systems, as explored further below.

7.2 Tanzania-EAC Economic Relations

The EAC is one of eight regional economic communities (RECs) in Africa. The EAC region is currently said to be the second fastest growing economic bloc *in the world*, and the fastest in Africa. Though this is encouraging, there are still major constraints on the depth and speed of trade integration and other aspects of the EAC project. **Table 7.2** compares EAC members on the ease of doing business, according to the World Bank's global annual survey.

Rwanda continues to outperform the rest of the region by a long way, ranking a full 85 places higher than second placed Tanzania and an astonishing 106 positions above neighbouring Burundi.[583] Given Kenya's economic dominance in the region, it is interesting that the World

[582] Leonard Magambo 2014. 'Tz locks out Kenyans', *East African Business Week*, 10 March.

[583] How two neighbouring countries with a common pre-colonial and colonial history, language and culture, surface area and population size (**Table 7.1**), topography and natural resource base can have such contrasting trajectories over the last quarter century is a subject for academics to investigate and explain.

Bank ranks Tanzania as an easier country to do business.[584] From the point of view of EAC integration it is disturbing to note that all five EAC members score very badly in the 'trading across borders' indicator (74th to 91st percentile). This section reports on constraints on regional trade integration.

Table 7.2: Doing Business in East Africa 2014, Rank and Percentile (N=185)

	Rwanda	Tanzania	Kenya	Uganda	Burundi
Ease of doing business	*46*	*131*	*136*	*150*	*152*
Percentile	*25*	*71*	*74*	*81*	*82*
Starting a business	112	124	55	166	18
Dealing with construction permits	34	168	154	163	135
Getting electricity	62	87	97	184	182
Registering property	15	123	14	125	48
Getting credit	4	151	71	131	171
Protecting investors	117	141	122	110	94
Paying taxes	27	148	102	104	124
Trading across borders	164	137	159	161	169
Enforcing contracts	62	45	137	80	158
Resolving insolvency	101	105	134	98	144

Source: Based on World Bank 2014. 'Doing Business'

Two other areas in which the region as a whole underperforms badly are protecting investors and starting a business.[585] The obstacles to starting a business explain why there are 'missing middles' in all major sectors of the region's economies.[586] The poor performance in protecting investors contrasts with the continued high rates of inward investment, Burundi excepted, shown in **Table 7.3**.

Table 7.3: EAC FDI Inflows, 2009-14 (US$ millions)

	2009	2010	2011	2012	2013	2014	Total
Burundi	0	1	3	7	32	-	43
Kenya	115	178	335	259	505	989	2,381
Rwanda	119	251	119	255	258	268	1,270
Tanzania	953	1,813	1,229	1,800	2,131	2,142	10,068
Uganda	842	544	894	1,205	1,096	1,147	5,728
EAC	2,029	2,787	2,580	3,526	4,022	4,546	19,490

Source: Frederick Onyango Ogola, George N. Njenga, Peter C. Mhando and Moses N. Kiggundu 2015. 'A profile of the East African Community', Africa Journal of Management, Vol. 1 No. 4, 333-364.

[584] Both Uganda and Kenya slipped considerably in the rankings, while Tanzania improved slightly (see TGR2013: 93).

[585] Burundi is apparently the best regional performer, but more businesses have closed in Burundi than new ones opened in recent year.

[586] Most productive sectors are characterised by thousands of informal, African-owned micro enterprises, a much smaller number of local, mostly non-African-owned, small and medium-size companies, and a handful of large, local family foreign owned, companies and corporations in high tech, capital intensive industries such as telecommunications, gold mining, and oil and gas.

Tanzania accounted for just over half of all FDI into the EAC (52 percent) between 2009 and 2014, followed by Uganda (29 percent) and Kenya (12 percent).[587] Though receiving less FDI than Tanzania and Uganda, "Kenya is developing as a favoured business hub"--according to UNCTAD's 2014 World Investment Report--in oil and gas exploration, manufacturing, transport and services.[588]

Surveys also reveal commonalities in local business views on constraints on profitability. For example, World Economic Forum's Executive Opinion survey yields the following breakdown of constraints, averaged over 2005 to 2015 (**Table 7.4**).

Table 7.4: Five Constrains on Doing Business in EAC Countries, 2005-15

	First	Second	Third	Fourth	Fifth
Burundi	Corruption	Finance	Policy	Taxation	Inflation
Kenya	Corruption	Finance	Infrastructure	Crime	Taxation
Rwanda	Finance	Taxation	Infrastructure	Education	Innovation
Tanzania	Corruption	Finance	Infrastructure	Taxation	Education
Uganda	Corruption	Finance	Infrastructure	Taxation	Work ethic

Source: Global Competitiveness Reports, cited by Ogola et al. 2016: 357 (adapted).

Business executives across the region identify official corruption, access to finance, infrastructure inadequacies (power in particular) and taxation as the main constraints on doing business. As usual, Rwanda is the outlier, with no mention of corruption in the top five constraints, though it shares concerns over taxation and infrastructure with the rest of the region.[589]

7.2.1 Transport and Logistics

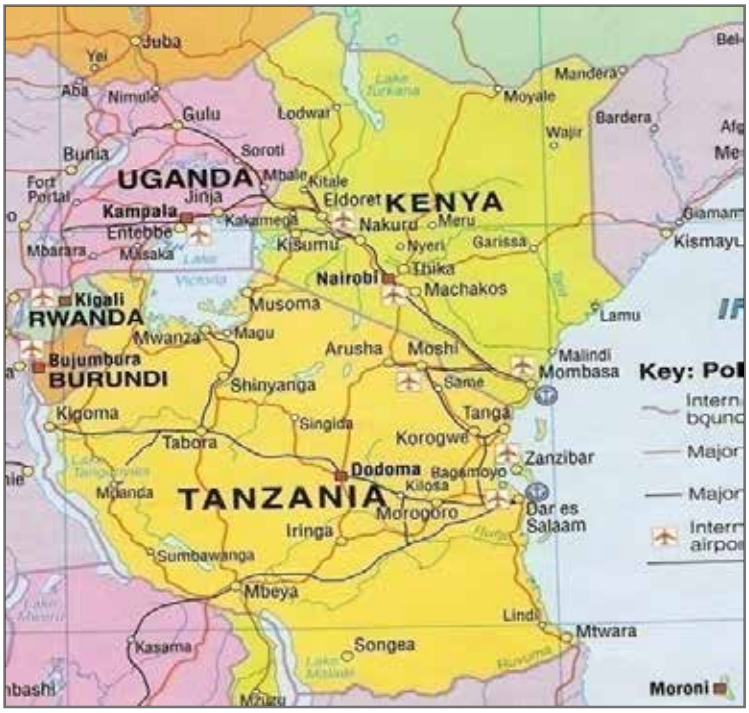
Transport economists use the term 'multi-modal' to describe an integrated approach to transport logistics. Transport 'hubs' and 'corridors' are part of the same vocabulary. Mombasa and Dar es Salaam ports are competitors for both national and cross-border business.[590] Tanzania has ambitions to become the main transport hub in East Africa through a proposed US$10b Bagamoyo port project,[591] the biggest construction ever seen in the region, plus new railway connections with Rwanda and Burundi (over US$4b).[592]

[587] Given the country's poor performance in economic governance, as described in detail in **Chapter 4**, it is likely that much potential foreign investment is foregone in key sectors.
[588] Allan Olingo 2014. 'Tanzania tops in foreign investments into the region', *East African*, 27 September.
[589] **Table 7.2** shows access to credit is excellent in Rwanda, suggesting a major improvement since 2005. See also: BEST Dialogue 2015. 'Business leaders' perceptions of the investment climate in Tanzania 2015', Tanzania National Business Council.
[590] For example, commercial farmers in Kilimanjaro and Arusha regularly use Mombasa rather than Dar es Salaam ports because the former is nearer, faster and cheaper.
[591] Shermarx Ngahemera 2014. 'Bagamoyo economic Zone beckons investors', *African*, April 7-13.
[592] Reporter and agencies 2014. 'Kikwete spells out Dar's potential as transport hub', *Daily News,* 14 April. Kikwete foresaw Tanzania becoming "another Dubai".

7.2.1.1 Dar es Salaam Port

Land-locked East African countries have a choice between Mombasa and Dar es Salaam for their imports and exports. Dar es Salaam is an important transport hub for Tanzania's neighbours to the north-west, west and south west (**Map 7.1**).

Map 1: East Africa



Code: roads, railways

Mombasa and Dar es Salaam ports handle the lion's share of EAC external trade. Eighty percent of Uganda's imports pass through Mombasa, while Rwanda and Burundi depend on both Dar and Mombasa for imports and exports.[593] It is in the interest of these countries to maintain good diplomatic and political relations with their coastal neighbours. Other things being equal, it is likely that the land-locked countries would be particularly eager members of an economic community that promises to speed up and cheapen cross-border trade in capital and consumer goods.[594]

With PPP and donor support, the throughput of cargo and speed of clearing containers and general cargo have improved, and revenue collection has increased.[595] Recent efforts to improve the efficiency of Dar port (see TGR 2013) are good news for Tanzania's neighbours. One controversial investment was a US$600m turnkey port expansion project financed by

[593] Wachira Mwangi 2014. 'The road and pipeline from Mombasa is the region's economic lifeline', *East African,* 26 April.
[594] Bruce Byiers, Jan Vanheukelom, Quentin de Roquefeuil, 2013. 'Arguing a Political Economy Approach to Regional Integration', Draft, 5 November.
[595] Reporter 2014. 'Dar port raises efficiency, boosts revenues by 14.3pc', *Guardian,* 24 February; Reporter 2014. 'Dar port ultramodern, best equipped', *Guardian*, 28 February. Port issues were discussed at length in TGR2013, section 4.4.2.

China's Exim Bank to be implemented by China Communication Construction Company. The project was put on hold when Minister of Transport Omar Nundu accused the TPA 'management of being bribed by the Chinese firm.' [596]

Total transport costs from port to destination include the cost, speed and safety of the roads and railway systems, discussed briefly below.

7.2.1.2 Roads and Railways

The ports of Dar es Salaam and Mombasa link EAC member states and neigbouring countries with the outside world through the Southern, Central and Northern road and rail transport corridors. In recent years, road transport has increased rapidly at the expense of rail in all three corridors. The replacement of rail by road haulage along both the Tanzam/TAZARA and central corridors was rapid and near total. While TAZARA was built initially to transport Zambian copper to Dar, the Tanzam highway now accounts for 95 percent of cross-border freight, and the central corridor road from Dar to Mwanza about the same. The EAC strategy favours the replacement of existing railway tracks with a new 'Standard Gauge' railway designed to claw back both freight and passenger traffic from the roads. The huge cost of these proposed railways and numerous other infrastructural projects in the region raises questions of finance and long-term profitability.[597]

Plans to rehabilitate and expand existing transport infrastructure are key components of the EAC integration project. For Tanzania, this means coordinating new road and rail investments with the other EAC countries as well as potential financiers, namely the World Bank in particular, China, and the private sector. The WB has financed many infrastructure projects in the past, and in 2014 committed to upgrading the Central railway Line from Dar to Isaka, discussed below.

The private sector is key to the EAC members' investment ambitions since without private capital it is unlikely that many of the projects will take off. This matters because the business cases for the huge planned investments are frequently unconvincing. For example, the Standard Gauge Railway (SGR) proposed for the region have been justified *inter alia* in terms of their superior haulage capacity and speed compared to standard or narrow gauges. This may be true, but to make profits the railways must somehow claw back massive volumes of cargo and passengers from the roads, which means *inter alia* challenging politically well-connected trucking industries in Tanzania and Kenya.[598] Speed is a red herring: what is required is reliable, safe and secure services, precisely what existing railways lack. WB transport specialist Yonas Mchomvu argued that the "Business case for railway depends on the improvement of train

[596] Reporter 2014. '$ 523m port bid: Who's offering Tz a raw deal?', *Citizen*, 6 January

[597] CPCS 2009 'East Africa Railways Master Plan Study', East African Community, January. This study by Canadian transport consultants concluded that the conversion of the entire EAC rail backbone ('trunk lines') to SG was 'cost prohibitive', in light of 'even the most optimistic' traffic and income projections. How this finding was ignored in the formulation of the actual Master Plan is a subject for future research. See 'Why region went for the SGR option', *East African,* 18 January, 2014,(quoting Nduva Muli, PS in the Kenyan Ministry of Transport), for an erroneous interpretation.

[598] Rwandan truckers find it difficult to compete with Tanzanian and Kenyan truckers. Kigai 2014. 'Rwandan truckers see barriers to trade in Tanzania reduced,' *Daily News,* 29 May. Tanzania reduced the transit fee from US$500 for Rwandan trucks to $152, the rate Rwanda charges.

availability, reliability, punctuality, and financial sustainability, not the size of track gauge."[599] Members of parliament had a different solution to the roads versus railways issue: a law compelling businesses to transport bulk goods by rail. In Kenya, an additional tax on imports has been proposed to help finance the Mombasa-Nairobi railway. In such ways do politicians play god with market forces?[600]

Box 7.1 reports the lack of transparency and coordination over new investments in the Central Railway.

Box 7.1: World Bank, China and the Central Railway

In March 2014, the **World Bank** announced a **US$300m** loan to rehabilitate the Central Railway Line from Dar es Salaam to Isaka. The following month (April 2014), the **Minister of Transport, Dr Harrison Mwakyembe,** announced that the government was in discussions with private banks 'to finance the construction of a standard gauge railway for the Central Railway Line ....' In July, Prime Minister **Mizengo Pinda** told a London audience that "…we have decided to construct a new railway line as we are tired of making repairs all the time along the current line." Such an investment would be a multiple of the WB loan, but there was no public discussion of the merits of one project over the other. The Tanzanian government's commitment to a new SGR from Dar to Isaka seems to predate the agreement with the WB to rehabilitate the existing (narrow gauge) line. According to the **EAC Transport Sector Strategy of 2011**: 'The ... proposed line ... from **Isaka** to **Kigali** ... has been planned to be standard gauge, implying that the existing TRL line would have to be upgraded to standard gauge as well. The participating member states have therefore extended the description of the project to include the Port of Dar es Salaam, the Dar es Salaam – Isaka rail section as well as the Isaka-Kigali/Keza-Gitega-Musongati sections.' When the US$ 300 million loan to rehabilitate the Central Line was agreed, there was no mention of the SGR issue, but subsequently President Kikwete and government officials pledged their commitment to it, justifying the upgrade in terms of increased freight carrying capacity and reducing wear and tear of heavy goods traffic on the roads. **Reli Assets Holding Company** (RAHCO) managing director **Benhadard Tito** said that "…short and medium-term aims are to upgrade the existing meter gauge line with a view to…regain the lost market share." Still the WB insisted that rehabilitation was the better policy option.

Sources: CPCS 2009 'East Africa Railways Master Plan Study': page 19; Felister Peter 2014. 'Govt seeks funds to boost rail capacity', *Guardian*, 4 April; Reporter 2014. 'WB assents to 490bn/- for Dar-Isaka railway', *Daily News*, 29 April; Veneranda Sumila 2014. 'World Bank okays $300m to open up central corridor', *Citizen*, 29 April; Veneranda Sumila 2014. 'Rahco cries for funds', *Citizen*, 1 May; Polycarp Machira 2014. 'Govt to revamp Central Railway', *Daily News*, 4 May; Reporter 2014. 'PM Pinda sets out new central railway plans', *Guardian,* 12 July; Finnigan wa Simbeye 2014. 'Transport reforms to boost Tanzania's economic growth', *Daily News*, October 28-November 3.

Another justification for the rehabilitation and expansion of the Central Line from Dar es Salaam to Rwanda and Burundi is the potential for exploiting Tanzania's and Burundi's substantial nickel deposits.[601] However, insecurity in Burundi is likely to discourage potential investors, while the Tanzanian deposits are unlikely to be exploited without a secure power supply—and a railway!

[599] Reporter and Agencies 2014. 'Kikwete spells out Dar's potential as transport hub', *Daily News*, 14 April.
[600] Reporter 2014. 'MPs call for laws to transport bulk good by rail', *Daily News*, 7 November.
[601] Reporter 2014. 'Fast central corridor pace urged', *Daily News*, 16 April.

The chicken and egg nature of the debate adds to the complexity of planning and coordinating coherent transport investments.

Rwanda uses both the Central and Northern corridors for its trade with the outside world. Though the Kigali-Mombasa route is 200 kms longer than Kigali-Dar and involves an additional border crossing, more efficient clearing at Mombasa and fewer weighbridges and checkpoints along the road could tilt the balance in favour of deeper KUR integration at the expense of Dar port and the central corridor truckers.[602] Dar freight forwarders are reluctant to embrace a single customs territory, another initiative fast-tracked by KUR, with excellent results,[603] because of the competition it may bring with it.[604] As a result, Rwandan goods arriving in Dar es Salaam 'continue being subjected to tedious processes at the port.'[605]

---

[602] Reporter 2014. 'Tanzania pledges to address corridor barriers', *Daily News*, 28 August. '…roadblocks, weighbridges, corruption and theft…have hindered free movement of labour and goods along the corridor.'
[603] Transit times and costs from Mombasa to Uganda and Rwanda have fallen dramatically as a result of the elimination of road blocks and the harmonization of customs procedures. Ludger Kasumuni 2014 'Fear of the unknown persists over single customs territory; *Citizen*, 26 June.
[604] Tanzania Freight Forwarders Association (TFFA) president, Steven Ngatunga said the single customs territory will affect the clearing and forwarding agencies in the country ,by allowing other members to operate in Tanzania.'

The chances of improving cross-border trade with both Burundi and Rwanda receded in 2014. Deteriorating political relations between Tanzania and its two small northern neighbours threatened to undermine progress made in raising transport and logistics efficiency along the main transport corridors. At the end of 2013, Tanzania tightened its immigration controls and repatriated significant numbers of refugees from Burundi and Rwanda. Though popular among Tanzanians in the border district of Ngara, where the Burundian refugees were living, their return 'home' in large numbers adds to the ongoing political crisis in the country.[606] Business relations also deteriorated, with CCM secretary general Abdulrahman Kinana citing the 'legal hurdles and difficult trading conditions [that] were frustrating business people from Burundi to enter Tanzania.[607]

At the same time, Tanzania naturalised over 160,000 Burundian refugees and their children who had been in the country since 1973.[608]

In January 2014, Kigali accused the GoT of sheltering Rwandan dissidents. In May 2014, Foreign Minister Bernard Membe, repeated in parliament his statement to the BBC's *Focus on Africa* programme that the Rwandan government was backing the M23 Tutsi rebels in eastern DRC.[609] President Kagame's government described President Kikwete as a 'sympathiser' of the FDLR, the former HUTU *génocidaires*.[610] Personal relations between Presidents Kikwete and Kagame that had never been good, reached an all-time low. While the stand-off created political capital on both sides, tempers later cooled, apparently on Kagame's initiative.[611]

7.2.2 Investment and Trade

Though we tend to think of 'FDI' as emanating from the rich world, in fact Kenyan companies are the second largest investor in Tanzania after the UK and one of the largest in Uganda.[612] According to Booth et al. (2014:22): '…by 2009, there were [nearly 50] Kenyan companies in Tanzania doing business in the manufacturing, financial, tourism and natural resource sectors.'[613]

Joseph Lino 2014. 'Tanzania to rollout first phase of single customs territory', *African,* 26 May; Ludger Kasumuni 2014. 'Fear of the unknown persists over single customs territory', *Citizen,* 26 June; Veneranda Sumila 2014. 'Tanzania not well prepared for single customs territory', *Citizen on Sunday*, 8 June: Reporter 2014. 'Call for postponement of regional customs scheme', *Daily News*, 16 June; Veneranda Sumila 2014. 'We're excluded from policy making: Freight forwarders', *Citizen*, 26 June.

[605] Kabona Esiara 2014. 'Kigali, Dar fail to fix SCT system', *East African,* 4 October.

[606] Liesl Louw-Vaudran 2014. 'Burundi: Alarm bells growing louder over political tensions', *African*, 5 May.

[607] Kelvin Matandiko 2014. 'Kinana: Traders scared away', *Citizen,* 12 April.

[608] Reporter 2014. '162,156 Burundians get TZ citizenship', *Citizen*, 31 May. The naturalised refugees are still at Katumba and Mishamo camps (Katavi) and Ulyankuku (Tabora), where many are tobacco farmers. See: Rosemary Mirondo 2014. 'Tanzania grants citizenship to Burundi refugees', *East African*, 18 October.

[609] Polycarp Machira 2014. 'Tanzania-Rwanda relations may worsen –MPs', *Daily News,* 31 May.

[610] Reporters 2014. 'Membe: I will stand down if…', *Citizen*, 28 May. Membe branded his critics n the opposition as 'unpatriotic' or Rwandan 'stooges'. See also: Joint report 2014. 'Kigali, Dar face off again over DRC conflict', *East African*, 31 May.

[611] Reporter 2014. 'TZ in Kagame's mind', *Citizen on Sunday*, 6 July.

[612] Pearl Thandrayan 2013. 'The EAC: Regional engine, African model', World Politics Review, 20 February.

[613] David Booth, Brian Cooksey, Frederick Golooba-Mutebi and Karuti Kanyinga 2014. 'East African prospects: An update on the political economy of Kenya, Rwanda, Tanzania and Uganda', ODI, May. Already in 1996-8, companies with Kenyan shareholdings had 26 projects in Tanzania (Tanzania Investment Centre figures).

Table 7.5 highlights the gap between Kenya, Uganda and Rwanda (KUR) and Tanzania and Burundi in terms of freedom of movement of capital, services and goods within the EAC.

Table 7.5: Restrictions on the Free Movement of Capital, Services and Goods in the EAC

Nature of capital transaction	BRI	TNZ	KYA	RWA	UGA
Purchase by residents of foreign shares or other securities					
Local purchase by non-residents of shares and other securities					
Participation of residents in IPOs in foreign capital markets					
Local sale by non-residents of foreign shares or other securities					
Foreign sale by residents of shares or other securities					
Local purchase of bonds and other debt instruments by non-residents					
Local sale of bonds and other debt instruments by non-residents					
Sale of bonds and other debt instruments abroad by residents					
Local purchase or sale of money market instruments by non-residents					
Foreign purchase or sale of money market instruments by residents					
Local purchase by non-residents of collective purchase schemes					
Local sale or issue by non-residents of collective investment schemes					
External borrowing by residents					
Lending abroad by residents					
Inward direct investments					
Outward direct investments					
Repatriation of proceeds from the sale of assets					
Personal capital transactions					
Open, no restrictions (percent)	**22**	**22**	**94**	**83**	**83**
Number of NTBs reported and resolved (2008- 2013)	**3 2**	**18 13**	**16 9**	**5 2**	**9 4**

Source: Adapted from World Bank, EAC Secretariat 2014. 'East African Common Market Scorecard 2014.' https://www.wbginvestmentclimate.org/publications/eac-market-scorecard-2014.cfm. Colour code: Restricted; open; No regulatory framework

The report says the following on non-tariff barriers (NTBs): 'All Partner States still apply non-tariff barriers, with most related to sanitary and phytosanitary measures, rules of origin, additional taxes and charges, and technical barriers to trade.' [614] Tanzania and Kenya are the main creators and eliminators of NTBs, with two-thirds of the total reported NTBs and three quarters of those resolved. However, it is not at all clear that NTBs are all definitively 'resolved': they may be suspended temporarily or reintroduced under different guises, or merely reported as 'resolved'.615 The constant creation of new NTBs reflects the difficulty of enforcing central discipline on regulators and tax authorities who are vulnerable to the individual and collective lobbying of powerful vested interests.

As regards tariffs within and between EAC states, the situation is complex. For a start, all partners 'are all members of multiple free trade areas' meaning that they 'apply different tariffs to extra-regional trade partners', which weakens the concept of a common external tariff (CET).[616] For example, in June, Tanzania ratified the SADC Protocol on Finance and

[614] East African Community 2014. 'The 2nd Joint Technical Meeting of the East African Corridors', with TradeMark East Africa, Rubavu, Rwanda, 13-14 March, pp 2-4.
[615] Robert Kirk, personal communication, 30/07/14. See also Zephania Ubwani 2014. 'Tanzania serious in tackling trade curbs', *Citizen*, 13 March.
[616]East African Community 2014. 'The 2nd Joint Technical Meeting of the East African Corridors', with TradeMark East Africa, Rubavu, Rwanda, 13-14 March, pp 2-4.

Investment to assure that 'Tanzania benefited equally from economic and investment opportunities available in the region.'[617]

In terms of zero tariffs on EAC products, none of the EAC states are compliant. Tanzania has fully adjusted its tariff regime, but: '…compared to the other Partner States she [Tanzania] applied the most additional charges of equivalent effect to tariffs on EAC originating products and … in the application of the EAC Rules of Origin she accounts for most of the problems reported...'[618] In May, Tanzania objected to a proposal by the region's finance ministers to reduce the CET on rice imports to 35 percent, on the grounds that it provided insufficient protection for local rice producers. The producers agreed with the government position.[619] This is ironic, since it was the GoT that allowed the duty free importation of 40,000 tonnes of rice from Pakistan in 2013 that undermined the local rice market and had a ripple effect throughout the region.

The Scorecard constitutes a severe indictment of the GoT's performance in promoting EAC integration. Yet its launch did not prompt political debate on Tanzania's commitment or how to catch up with the KUR countries, though the GoT declared its intentions to take action to reduce barriers to trade.[620] Tanzania is not alone in the slow realisation of the EAC Protocol, but is seen as by far the slowest of the group.

It is worth remembering that improvements in transport and communications facilitate both legitimate trade and the plunder of natural resources, which if often linked to financing insurrections and violence (**Box 7.2**).

Box 7. 2 : Not All Cross-Border Trade is Desirable

Illicit cross-border trade is facilitated by improvements in infrastructure, including trade in arms, minerals, timber, ivory, drugs and other illicit products. According to the UN Group of Experts report on the DRC, gold smuggling to Uganda, Kenya, or to Tanzania, directly or via Burundi, is financing wars in the eastern DRC. Gold, tin, coltan and tungsten 'comprise the primary sources for funding of rebel groups', including the Hutu-led FDLR. If true, this is ironic, since Uganda and Rwanda are allies in relation to the DRC. These illegal trades are facilitated by government officials and transported by private (mostly) Tanzanian and Kenyan truckers. According to Transparency International research, the police are considered the most corrupt public agency in Kenya, Rwanda, Uganda and Tanzania, and the second most corrupt in Burundi. Gold is smuggled from South Kivu into Tanzania primarily by boat across Lake Tanganyika to Kigoma.
Sources: Kevin Kelly 2014. 'EA fingered in $400m worth of RDC Congo gold smuggled to Uganda', East African, 8 February; Transparency International Kenya 2012. 'East African Bribery Index 2012'; Jeff Otieno 2014. 'Kenya-Tanzania popular route for illegal loggers', *East African*, 12 July.

[617] Abdulwakil Saiboko 2014. 'House ratifies SADC protocol on finance, investment', *Daily News*, 7 June. The potential benefits are cited by Mwigulu Nchemba, deputy minister of finance talking to the national assembly. The protocol dates from 2006.
[618] Ibid., pp 42-54.
[619] Finnigan wa Simbeye 2014. 'Dar to oppose proposed 35% CET on rice', *Daily News,* 3 June.
[620] Reporter 2014. 'EA common market rules on Dar 'radar'', *Daily News*, 6 March; Malela Kassim 2014. 'Tanzania committed to welcoming East African Common market', *Guardian*, 7 March; Patrick Kisembo 2014. 'Tanzania promises better scores', *East African Business Week*, 10 March.

Finally, much legitimate cross-border trade is either under-recorded by customs officials or traded unofficially. The director general of Tantrade, Jacqueline Maleko, admitted that: "We are feeding Kenya with cereals, fruit and vegetables but such exports are unrecorded."[621]

7.2.3 Visas and Work Permits

Tanzania's reluctance to facilitate the free movement of East Africans within the region also helped fuel the image of Tanzania as a reluctant partner in the EAC project. In 2014, the GoT refused to participate in the single tourist visa scheme with Kenya, Uganda and Rwanda,[622] citing security concerns.[623] Tanzania's deputy minister of East Africa Cooperation, Dr Abdullah Juma, is quoted as telling the National Assembly that "some bad people could use it [the single visa] as a loophole to conduct terrorist activities in the region under the guise of tourism."[624] Tanzania also rejected the use of EA members' national identity cards for immigration purposes. Both the single visa and use of ID cards were favoured by a large majority of Tanzanians.[625]

The manipulation of immigration procedures is used against East African and other expatriates. According to lawyer Ayoub Mtafya:

> '… some Tanzanian citizens use immigration officers to cover their wrongdoing by harassing foreign nationals on the pretence that a particular foreigner has no valid work permit. And here there are many cases from businesses gone sour, personal relationships, business rivalry and rogue staff looking for an easy escape route.'[626]

Regional 'foreigners'-–teachers in particular—are vulnerable to the summary withdrawal of work permits. On Labour Day (1st of May) 2014, President Kikwete is quoted as saying: "People have been complaining that foreigners are employed in positions that Tanzanians can serve in, which is true" and promised to centralise the issuing of work permits to foreigners.[627] He said a new law on work permits was necessary since the number of foreigners working in the country was 'alarmingly high.' KUR have abolished work permits and fees for East African citizens, while Tanzania has increased the fees.[628]

---

[621] The DG added: "Kenyans come with trucks, load them and leave Tanzania without any records." Informal traders are mainly women and young people.
[622] Ray Naluyaga 2014. 'Tanzania rejects EAC single tourist visa plan', *East African*, 18 January.
[623] Christabel Ligami 2014. 'Tanzania derailing uptake of single tourist visa – industry stakeholders', *East African*, 27 December.
[624] Abdulwakil Saiboko 2014. 'Dar reserved over single tourism visa', *Daily News*, 24 May. The deputy minister saw "nothing wrong" with Kenya, Rwanda and Uganda implementing joint projects, adding: "we are also free to collaborate with countries like Burundi and DRC…on the construction of central railway line."
[625] Eighty-two percent of respondents in a telephone interview (n=1,408) were in favour of both measures Twaweza 2014. 'What Tanzanians think about the East African Community', Brief No. 16, October. See also: Christopher Kidanka 2014. 'Tanzanians cll for fasttracking of integration', *East African*, 11 October.
[626] Ayoub Mtafya 2014. 'Immigration laws and practice – A challenge to investors', *Citizen,* 16 March
[627] Frank Kimboy 2014. 'Govt to streamline hiring of foreigners', *Guardian*, 2 May. Though issuing work permits is supposed to be decentralised to regional immigration offices, in practice all decisions are still made in Dar es Salaam, leaving many up-country foreigners without work permits for months on end. See also Saumu Mwalimu 2013. '1,500 foreign teachers leave', *Citizen*, 19 October.
[628] Jeff Otieno 2014. 'Tanzanian law to check inflow of foreign workers stokes controversy', *East African*, 10 May.

7.3 Political Integration

The complexity, instability, and volatility of the region are fundamental constraints on all collective efforts at economic and political integration. For various reasons,[629] KUR are more committed than Tanzania to fast-tracking political integration. In November 2011, Tanzania refused to sign an EAC Council of Ministers' report on political integration until the issue of land ownership was removed and clauses on military cooperation revised. The GoT is wary of its perceived land-hungry neighbours' designs on the country's land (Naluyaga 2013).[630] The right to own land across the region and a defence pact are basic components of the proposed political federation.[631] As described above, the GoT refused to participate in the single tourist visa scheme with Kenya, Uganda and Rwanda over security concerns,[632] and rejected the use of EA members' national identity cards for immigration purposes.[633]

The GoT is in line with public sentiments on political union: in a 2014 survey only 26 percent of respondents were in favour of a unitary government and parliament, 71 percent disapproved.[634] The majority of respondents (70 percent) were also against freedom of land ownership across EAC countries. But on the single tourist visa issue and freedom to travel within the region using ID cards, 82 percent of respondents approved.[635] Seventy-eight percent favoured joint infrastructural projects and 69 percent favoured free labour movement among EAC countries.[636]

7.4 Donors and the EAC Project

The indirect impact of donors and global political trends more generally on the revived EAC are substantial. The end of the cold war in the late 1980s, the intensification of globalization, and rise of 'structural adjustment programmes' were the main external drivers, while the abandonment of Tanzanian state socialism was also strongly 'donor driven'. In addition, donors strongly influenced macro-economic policy from the 1990s. According to Goto: 'the degree of confluence in macroeconomic variables, such as inflation, growth, and exchange rates, is high,..'[637] Finally, the three countries moved towards more competitive political systems during the 1990s, again under pressure from the main donor countries.[638] While these convergences facilitated the revival of the EAC project, aid has increasingly driven the integration process.

---

[629] KUR have histories of civil-war, refugees and internal population displacements, post-election violence, and cross-border military action, while Kenya is also a growing target for Al-Shabaab terrorist attacks.
[630] Ray Naluyaga 2013. 'Dar's isolation due to refusal to 'free' its land – EALA member', *East African*, 7-13 September.
[631] Policy Forum 2012. 'Tanzania Governance Review 2010-11'.
[632] Ray Naluyaga 2014. 'Tanzania rejects EAC single tourist visa plan', *East African*, 18 January.
[633] Mwapachu, Juma 2013. 'Structural challenges impeding deeper EAC integration', *Citizen,* 22 September.
[634] Daniel Semberya 2014. 'Research finds many Tanzanians in support of EAC integration', *Guardian,* 8 October.
[635] David Kisaga 2014. 'Survey shows Tanzanians wary of cross-border land ownership, joint army under EA integration', *Guardian*, 8 October.
[636] Twaweza 2014. 'What Tanzanians think about the East African Community', Brief No. 16, October.
[637] Junichi Goto 2012. 'Regional Integration in East Africa: Diversity or Economic Conformity', Ethnic Diversity and Economic Instability in Africa: Policies for Harmonious Development, JICA-RI Working Paper No. 46 June, page 29.
[638] World Bank 2012. 'East African Community Reshaping Economic Geography of East Africa: From Regional to Global Integration', Report No. 65699-AFR, Poverty Reduction and Economic Management Unit, Africa Region, June.

Kalinaki reports that donors contribute over 60 per cent of the EAC's US$140 million budget in 2013, and the proportion of external funding is rising, as is the number of development partners, which poses the usual coordination and 'ownership' problems.[639] External bilateral support comes from the UK, Finland, Norway, USA, Germany, France, Canada, Sweden, Belgium, Denmark and Japan. Multilateral assistance comes from the WB and EU, and the AfDB. Other sources of assistance are the Rockefeller Foundation, International Migration Organisation, UNHCR, the Investment Climate Facility for Africa, the African Capacity Building Facility, the Association of European Parliamentarians with Africa, and Trade Mark East Africa.[640] How the heavy donor presence influences the activities of the EAC Secretariat and other common institutions is a subject for further research.

Despite rising levels of donor aid, the EAC does not have the capacity or the mandate to coordinate initiatives between member states. All laws passed by the East African Legislative Assembly (EALA) have to be ratified through national legislation. Finally, EAC departments are small and under-resourced, and most major technical work is undertaken by external, often donor-financed, consultants.

Allegations of corruption in the EAC Secretariat have served to undermine the public image of the organisation, with suggestions that donors were withholding funding as a result. In February 2014, the Senior Estate Management Officer was suspended in connection with the loss of 'items belonging to the Community.'[641]

7.5 Comparative Governance Indicators

This section compares the performance of EAC members on a number of governance indicators taken from global surveys. Overall, Tanzania is a medium performer both within the EAC and in Africa more generally. **Table 7.6** compares competitiveness among EAC members.

Table 7.6: Eac Countries Global Competitiveness Ranks, Scores, and Percentiles, 2011-15

	2011/12			2012/13			2013/14			2014/15		
	/139	/10	%	/142	/10	%	/148	/10	%	/148	/10	%
Rwanda	80	4.00	58	63	4.2	44	66	4.21	45	62	4.27	42
Kenya	106	3.65	76	106	3.7	75	96	3.85	65	90	3.93	61
Tanzania	113	3.56	81	120	3.6	85	125	3.50	84	121	3.57	82
Uganda	118	3.51	85	123	3.5	87	129	3.45	87	122	3.56	82
Burundi	137	2.96	99	142	2.8	100	146	2.92	99	139	3.09	94

Source: http://www.weforum.org. Small percentages=better performance.

Over the period 2011-15, Rwanda moved from the 58th to the 42nd percentile, and Kenya from the 76th to the 61st, suggesting significant improvements in competitiveness. By contrast, Tanzania and Uganda experienced stagnant scores and rankings over the four years, and

[639] Daniel Kalinaki 2013. 'It is wiser to reform EAC than to kill it off', *East African*, 23-29 November.
[640] URT 2014. Speech for Financial Year 2014-15 by Samuel Sitta, Minister for East African Cooperation, to the National Assembly, Dodoma, 22 May.
[641] Zephania Ubwani 2014. 'EAC suspends officer on graft claims', *Citizen,* 10 March. Mr Phil Kleruu supervised the construction of the new EAC headquarters.

Burundi remained in the bottom 10th of the global rankings. Tanzania's overall performance is reported in **Chapter 8**.

7.6 Conclusion

"Once you have decided to be a member of a trade bloc, you must be ready to concede on some issues even if you don't want to. It is all about give and take since members have different interests."[642]

It is probably not correct to point to the absence of Tanzania in new joint projects as proof of a rift between the two groups, since geographically the developments that were under discussion did not directly involve Tanzania. However, perceptions that Tanzania was being left behind by the KUR trio were not far off the mark.

Tanzania has participated in growing intra-EAC trade in the last decade, in fuel, building materials and consumer goods in particular. In addition, there have been some collective gains in addressing NTBs and other constraints on integration through collective efforts.[643] Though still low, Dar port efficiency is improving, and cargo movements are increasing. The Tanzanian trucking industry has expanded rapidly since liberalisation, and is responsible for most of the additional trade with DRC, Burundi, and Rwanda. Unfortunately, the country's railways almost collapsed during the same period.

Recent negotiations between the KUR presidents on joint infrastructure projects, that include (in theory) South Sudan, Burundi and Ethiopia, worth many billions of US dollars, seem to have set KUR apart from Tanzania. It is clear that there has not been an inclusive discussion of EAC infrastructural development priorities. Still it was reasonable for KUR to come together, if for the moment mainly symbolically, to express their common objectives on infrastructure investments that did not involve Tanzania *directly*, though of course there are good reasons for handling all major infrastructure investments as EAC-wide issues.

The lack of political or economic risk analysis around these planned investments highlights their 'disconnected' nature. Issues of governance, management and profitability in a context where 'private sector' participation (through PPPs) has largely failed are ignored, with the partial exception of the WB. The enormous costs involved stretch national budgets and add to the national debt.

Any attempt to set up common economic institutions across countries is likely to face serious collective action problems if it is not grounded in perceived common interests, both public and private, and formal institutional capacities.

---

[642] Jack Odingo, political analyst, cited by Jeff Otieno 2014. 'Tanzanian law to check inflow of foreign workers stokes controversy', *East African*, 10 May.

[643] Albeit with substantial external finance and technical support. As well as supporting EAC institutions through budget and project support, donors also finance private sector and non-profit activities, the most prominent of which is the multi-donor financed TradeMark East Africa (TMEA), which has offices in each EAC capital as well as Arusha. The impact of TMEA and other initiatives is limited by the informality and poor coordination capacities described in this report.

Chapter 8: Monitoring Poverty and Well-Being

8.1 Introduction

'Tanzania [is] on course to becoming a middle income economy by 2025.'[644]
'Poor countries are poor because those who have power make decisions that create poverty.' [645]

Past TGRs have reviewed progress on the implementation of the Millennium Development Goals (MDG) through the implementation of MKUKUTA, the National Strategy for Growth and Poverty Reduction. **Chapter 3** reviewed progress in health, education and domestic water supply. This section summarises related trends in poverty reduction using a number well-known global indicators. **Table 8.1** summarises trends in child nutrition, wasting, stunting and mortality in the EAC from 2005 to 2015, using IFPRI statistics.[646]

Table 8.1: Trends in Nutrition & Mortality Among Under 5S in EAC Counties, 2005-15, %

	Undernourished		Wasted		Stunted		U5 mortality		Score	
	2005	2015	2005	2015	2005	2015	2005	2015	2005	2015
Kenya	31.8	21.2	7.7	4.0	40.9	26.0	9.8	7.1	36.3	24.0
Uganda	21.9	25.5	6.3	4.8	38.7	33.7	10.9	6.6	32.2	27.6
Tanzania	36.7	32.1	3.5	3.8	44.4	34.7	9.0	5.2	36.4	28.7
Rwanda	46.7	31.6	4.8	3.0	51.7	44.3	10.6	5.2	44.5	30.3
Burundi	-	-	9.0	6.1	57.7	57.5	11.9	8.3	-	-
EAC av.	34.3	27.6	6.3	4.3	46.7	39.2	10.4	6.5	37.4	27.7

Source: Adapted from IFPRI: http://ghi.ifpri.org/trends/. Low numbers better than high. Wasted=low weight for height; Stunted=low height for age.

In the decade 2005-15, levels of child malnutrition and mortality have generally fallen throughout the region. Exceptions are the proportion of undernourished children in Uganda, and wasting in Tanzania. Still, hunger levels remain serious according to the IFPRI definition.[647]

8.2 Human Development Indicators 2014

'… the levels of human development in most parts of Tanzania are still very low.'[648]

Table 8.2 summarises Tanzania's performance on a selection of governance and development indicators.

[644] Emmanuel Muga 2014. 'Calls for audit of $6m missing gas cash', East African, June 7-13. The article quotes Minister of Energy and Minerals Sospeter Muhongo, 'citing the recent massive discovery of gas…'
[645] Daron Acemoglu and James Robinson 2013. *Why Nations Fail: The origins of power, prosperity and poverty,* London: Profile Books, page 68.
[646] International Food Policy Research Institute. A hunger score of 20.0 to 34.9 is defined as 'serious'.
[647] Reporter 2014. 'TZ improves in war on hunger', *Citizen*, 13 October.
[648] THDR 2014: 5.

Table 8.2: Tanzanian Development Indicators 2014

Democracy Index		Press freedom index		Open Budget Survey		Ibrahim Index*		Human Development	
n=167		n=180		n=101		n=54		N=188	
Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent	Rank	Percent
86	51	69	38	54	54	18	33	159	85

*2015 figures (2014 not available on website)

With the exception of the UNDP's Human Development Index (HDI), Tanzania performed relatively well in these indicators. The country's performance in relation to other EAC members can be summarised as follows.

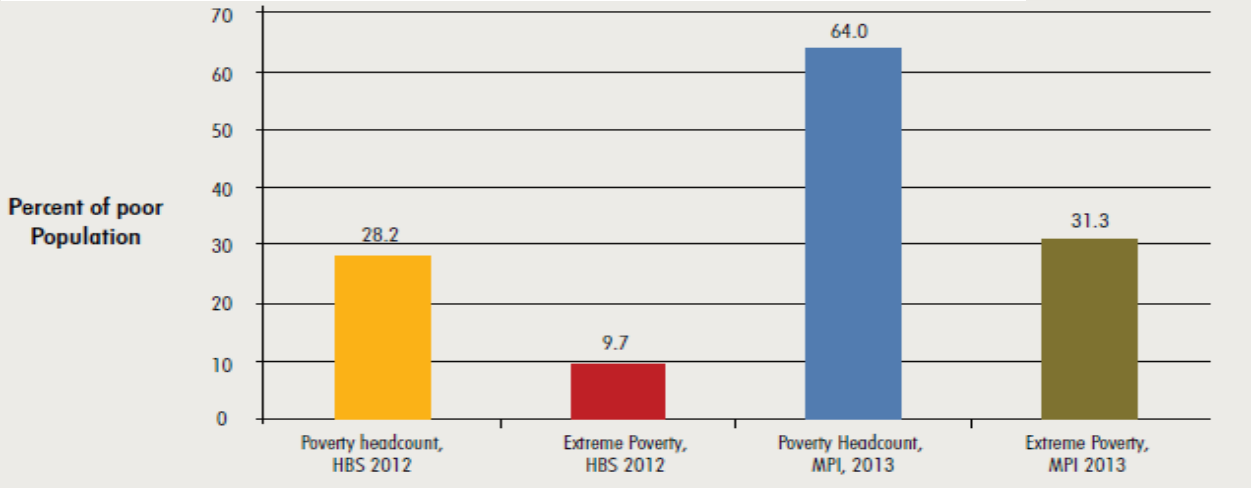
- Tanzania ranks in the middle of the Economist Intelligence Unit's global *Democracy Index* and is classified as a 'hybrid regime', along with Uganda (96th) and Kenya (97th). Burundi (134th) and Rwanda (135th) are classified as 'authoritarian regimes'.[649]
- In Reporters Without Borders' 2014 *Press Freedom Index*, Kenya ranked 90th, Uganda, 110th, Burundi 142nd and Rwanda 162nd (90th percentile). [650]
- In the *Open Budget Survey*, Kenya ranked 46th and Rwanda 76th.[651]
- In the 2015 Ibrahim Index of African Governance (IIAG) Rwanda ranked 11th, Kenya 14th, Uganda 19th and Burundi 38th.[652]
- In the UNDP's 2014 Human Development Index (HDI) Tanzania ranked lower than Kenya (145th or 77th percentile) but ahead of Uganda and Rwanda (163rd equal) and Burundi (184th, 98th percentile).[653]

Overall, with few exceptions, Tanzania performs as well as, or better than, its EAC neighbours. However, Tanzania lost ground in the HDR, falling 7 places between 2013 and 2014.[654] The HDR is based on three indicators: school enrollments, life expectancy and GNI per capita. In recent years the HDR has been supplemented with additional indicators to produce a Multidimensional Poverty Index (MPI).[655]

Figure 8.1 compares poverty headcount data from the 2012 Household Budget Survey.

[649] http://www.eiu.com/democracy
[650] https://en.wikipedia.org/wiki/Press_Freedom_Index; Sylivester Ernest 2014. 'How Dar nosedives in freedom of the press amid stalled reforms', *Citizen on Sunday*, 23 February.
[651] http://survey.internationalbudget.org/#timeline. Uganda and Burundi were not listed.
[652652] http://www.moibrahimfoundation.org; Songa wa Songa 2014. 'Tanzania tumbles in governance index', *Citizen,* 30 September.
[653] http://hdr.undp.org/en/composite/HDI
[654] http://hdr.undp.org/en/composite/HDI, page 5.
[655] URT/UNDP 2015. 'Tanzania Human Development Report 2014', page 4. The MPI adds the following indicators: school attendance levels and expected years of schooling replace gross enrolments and adult literacy, nutrition is added to child mortality, and instead of GDP, cooking fuel, sanitation, water, electricity, type of floor and asset ownership are used to measure standard of living.

Figure 8.1: Status of Poverty by HBS and MPI, Tanzania Mainland

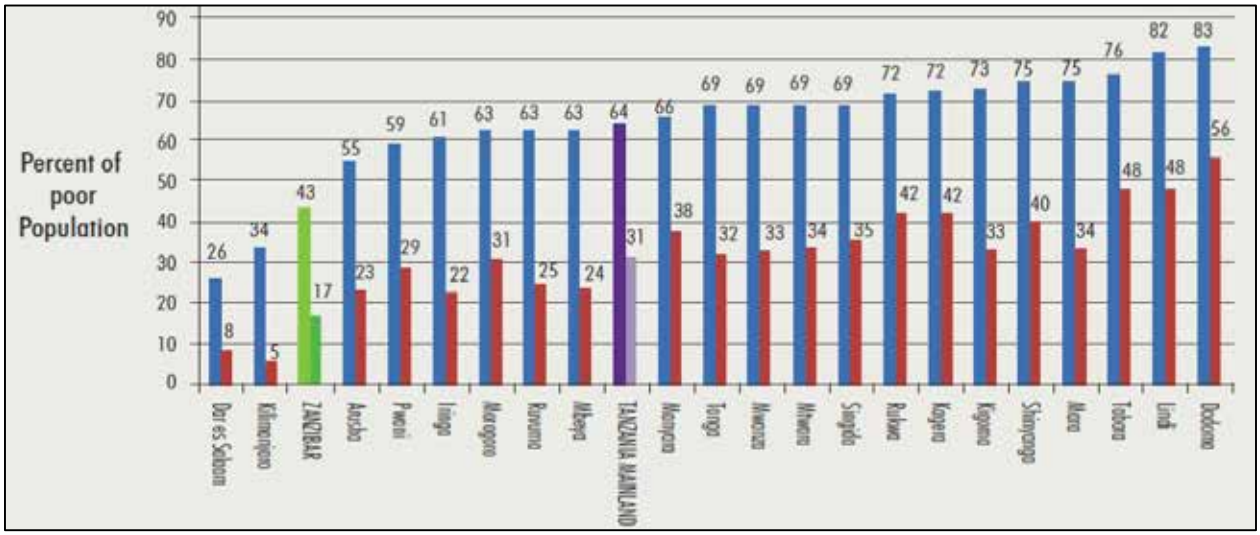


Source: THDR 2014, based on Household Budget Survey 2012 and 2010 Demographic and Health Survey data

The poverty headcount using the MPI is nearly 36 percentage points higher than the HBS-based estimate, and extreme poverty[656] is nearly 22 percentage points higher on the same comparison. The THDR 2014 concludes that: 'It is evident from these analyses that MPI reveals more alarming poverty numbers in Tanzania than the levels reported by Household Budget Survey data.'[657] Two-thirds of Tanzanians live below the poverty line and half of those live in extreme poverty.

Figure 8.2 presents MPI estimates for Tanzania mainland's regions and Zanzibar.

Figure 8.2: Regional Multiple Poverty Indicators for Tanzania



Source: THDR 2014: 8. New regions Geita, Simiyu, Katavi and Njombe are not included.

[656] Extreme poverty is taken to mean living on less than the equivalent of US$1.25 a day, which is the World Bank's definition(THDR does not define the term).

[657] URT/UNDP 2015. 'Tanzania Human Development Report 2014', page 7. The HBS figures are based on household expenditure on goods and services. See http://www.nbs.go.tz/tnada/index.php/catalog/36

The blue columns represent the poverty headcount while the red columns represent extreme poverty. Eight mainland regions have MPI levels of above seventy percent, while six of these have extreme poverty levels of 40-56 percent. Using MPI rather than HBS poverty estimates highlights the failure of current economic and social policies to address poverty. This conclusion is in line with public perceptions of who benefits from growth and the widening gap between rich and poor presented in this and previous TGRs.

8.3 Monitoring MKUKUTA and the Millennium Development Goals

'…poverty levels are unacceptably high and the Millennium Development Goal of reaching a poverty level of 18% by 2015 is unattainable.'[658]

'About 40% of rural water points are non-functional, only 30% of children passed their primary school leaving examination last year, there are stockouts of essential medicines in 50% of health facilities, 42% of all children are stunted through chronic malnutrition, one woman in every 23 will die in childbirth, the fertility rate is still over 5, and yet there is an unmet need for contraception of around 25%.'[659]

MKUKUTA 1 ran from 2005 to 2010 and MKUKUTA 2 from 2011 to 2015. Readers will recall that MKUKUTA monitors progress in three areas:

- Growth and reduction of income poverty;
- Improvements in the quality of life and social wellbeing; and
- Governance and accountability.

TGRs to date have been at pains to review progress in these areas. TGR 2015 will review the GOT's successes and failures in achieving MKUKUTA/MDG objectives.

The 2014 AfroBarometer survey asked respondents how well they thought the government was doing in 'improving the living standards of the poor.' While 29 percent responded 'fairly well', 41 percent responded 'fairly badly' and 27 percent 'very badly'.[660] Nearly three-quarters of respondents (72 percent) thought the government was handling narrowing the rich-poor gap fairy or very badly.[661] On the positive side, opinions were evenly divided between those who thought the government was handling health services well or badly.[662]

Poor performance in reducing chronic poverty is reflected in Tanzanian's subjective happiness assessments, discussed below.

8.4 Well-being

'The central message that needs to be got across is that the conditions which keep the African masses in poverty are the result of decisions by politicians who are responding

[658] URT/UNDP 2015. 'Tanzania Human Development Report 2014', page xii.
[659] Department for International Development 2013. 'Big results now delivery programme phase II – Business case and intervention summary'.
[660] One percent responded 'very well'. REPOA and Afrobarometer 2014, Q66B.
[661] REPOA and Afrobarometer 2014, Q66E.
[662] REPOA and Afrobarometer 2014, Q66G. Opinions were less positive on education and WATSAN.

to incentives that change slowly and are not in the short term very favourable to development.'[663]

TGR 2013 reported the results of the first *World Happiness Report* (WHR 2013), using data collected by Gallup, an international polling company, from 2005-2011. The second iteration of the report uses Gallup data from 2005 to 2014, so there is a substantial overlap in the data on which the two reports are based.[664] **Table 8.3** compares the performance of the EAC countries.[665]

Table 8.3: Happiness Rankings for EAC Countries, 2013 and 2014

	Uganda		Kenya		Tanzania		Rwanda		Burundi	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Score /10	4.44	3.93	4.40	4.42	3.77	3.78	3.72	3.47	3.71	2.91
Rank*	120	141	123	125	151	146	152	154	153	157
Percentile	77	89	79	79	97	92	97	97	98	99

*Source: WHRs 2013 and 2014. *Number of countries ranked 2013=156, 2014=158*

Overall, East Africa is among the unhappiest regions in the world. Uganda has joined Tanzania, Rwanda and Burundi towards the bottom of global rankings, with Kenya retaining its position and Tanzania improving five places in the rankings, though its score has not changed significantly. Uganda, Tanzania, and Rwanda all regressed in happiness levels between 2005-07 and 2012-14.[666] The Rwandan performance is difficult to interpret in light of its solid gains in service delivery and welfare shown in other comparative studies.

WHR 2015 argues that:

> 'Three-quarters of the differences among countries … is accounted for by differences in six key variables: GDP per capita, healthy years of life expectancy, social support, trust, perceived freedom to make life decisions, and generosity. *Differences in social support, incomes, and healthy life expectancy are the three most important factors*.'[667]

Relative stagnation in perceptions of well-being suggest that the benefits of sustained growth are being shared unequally, which is the view of most Tanzanians. According to the 2014 Tanzania Human Development Report:

> 'The process of economic growth also causes changes within families and communities, in gender relations and in patterns of asset ownership that have wide implications for

[663] 'The political economy of development in Africa: A joint statement from five research programmes' 2012, on behalf of Africa Power and Politics Programme, Developmental Leadership Programme, Elites, Production and Poverty: A Comparative Analysis, Political Economy of Agricultural Policy in Africa, and Tracking Development, page 20.
[664] John Helliwell, Richard Layard and Jeffrey Sachs 2015 (eds). 'World Happiness Report'
[665] The methodology used to establish the happiness index is discussed in some detail in TGR2013.
[666] WHR 2014, page 32
[667] http://worldhappiness.report/wp-content/uploads/sites/2/2015/04/WHR-2015-summary_final.pdf (emphasis added).

human welfare. Thus, while economic growth is a necessary condition for successful transformation, in itself it does not necessarily engender successful transformation.'[668]

The *Legatum Prosperity Index* ranks countries on eight indicators.[669] **Table 8.4** extracts the performance of EAC members in 2014 from a sub-set of 38 African countries.

Table 8.4: Legatum Prosperity Index for EAC Members in a Sample of 38 African Countries, 2014

	Overall rank / 38	Percentile	Economy	Entrepreneur-ship & opportunity	Governance	Education	Health	Safety and security	Personal freedom	Social capital
Rwanda	8	21	15	10	3	12	6	10	13	14
Kenya	13	34	22	9	14	15	13	32	11	5
Uganda	14	37	19	18	18	17	24	30	10	2
Tanzania	19	50	11	19	16	18	18	23	28	9
Burundi	35	92	35	32	23	19	33	26	30	36

Source: Legatum Institute, Africa Rankings 2014.

Tanzania fell from 11th to19th position in the African rankings between 2012 and 2014, while Rwanda, Uganda and Kenya improved by 5, 4 and 4 places respectively, and Burundi continued to languish near the bottom of the sample.[670] However, Tanzania occupied the 77th percentile in the global rankings, a significant improvement over recent years, reflecting the inclusion of an additional 32 mostly poor countries to the index.[671] Tanzania is located exactly in the middle of the Prosperity Index's African sample, below the KUR countries (especially Rwanda) and well ahead of Burundi.[672]

The *Chronic Poverty Report 2014-15* examines 'four specific inequalities…which hold back the poorest people', namely, land ownership, access and rights of residence; labour market segmentation; polarisation of the poorest women, who are left behind; and expulsion of the dependent and unemployed poor from state, social and household support.[673]

Land inheritance has declined as population has grown and wealthier Tanzanians have purchased or acquired more land through political influence. In many cases, land fertility has also fallen as soils are overworked.[674] Tanzanian and international NGOs argue that large numbers of poor Tanzanians have become landless as a result of biofuel (*jatropha,* sugar cane

[668] THDR 2014: 26.
[669] Veneranda Sumila 2014. 'Tanzania fares badly in global prosperity index', *Citizen,* 13 November.
[670] The social capital indicator sub-index does not seem plausible.
[671] In 2009-11, Tanzania ranked in the 87-88th percentile, when the index was based on 110 countries. Thus the country's apparent drop in the African rankings is misleading. See: Songa wa Songa 20915. 'Tanzania drops in prosperity ranking', *Guardian*, 12 August. http://media.prosperity.com/2014/pdf/publications/africa-report-2014.pdf
[672] Tanzania's personal freedom score (its lowest) is questionable, compared to the scores of the KUR countries.
[673] Chronic Poverty Advisory Network 2014. 'Chronic Poverty Report 2014-15: Getting to Zero.' Overseas Development Institute 2014, page 24. Chronic poverty is defined as less than $1.25 a day. Researcher Flora Kessy is the Tanzanian member of the CPAN.
[674] Chronic Poverty Report 2014-15: 25.

and palm oil) investments by foreign companies. A figure of 641,179 ha dedicated to (mostly) jatropha is cited.[675] To our knowledge, no investor has ever harvested a significant jatropha crop, let alone made a profit, to which the rejoinder is made that the land acquired has been put to other uses, or retained for speculative purposes. How investors protect their large land acquisitions against 'invasions' by farmers, cattle-herders and natural resource harvesters (firewood/charcoal, building materials) remains unclear. Though figures are lacking, it is probable that the (legal and Illegal) acquisition of land for productive or speculative purposes by Tanzania's business, political, military and administrative elites dwarfs foreign acquisitions of village and other land. Lastly, conflicts, often violent, between farmers and cattle-herders are a potent source of impoverishment (destruction of property, crops and livestock). Lack of secure and enforceable land rights is at the heart of the problem (see **Chapter 4**).

Labour market segmentation contrasts secure, well-paid employment with casual and exploitative labour relations. An example given by the Chronic Poverty Report is casual labour on cashew plantations which is not paid until the harvest has been sold. This puts some of the risk of cashew farming onto the labourer. It is not known how common these kinds of labour relation are.[676]

Polarisation of the poorest women. According to the Chronic Poverty Report:

> '…many women have been thrust into the position of being the main breadwinner, either indirectly as a result of male underemployment, despair and alcoholism or more directly through a significant rise in female-headed households through divorce, widowhood or single parenthood.'[677]

The report argues that rural society tends to look down on women who, for whatever reason, are forced to seek livelihoods outside agriculture. The widespread practice of repossessing the property of a deceased family male member may also force widows into avoidable poverty. An opinion expressed by OXFAM represents the civil society view:

> '...disillusionment has been expressed by members of prominent Women rights CSOs that not much has changed at grassroots level over the last decade. Equitable female participation in development and decision making is still restricted by socio-cultural beliefs and practices.'[678]

The *Good Country Index* ranks 125 nations 'on how much they do for others globally in seven areas: science and technology, culture, international peace and security, world order, planet and climate, prosperity and equality, and health and wellbeing' (**Table 8.5**). [679]

---

[675] See for example Tanzania Natural Resource Forum 2014. 'Current issues on land/forest related investment in Tanzania', October. This source repeats the claim that Bagamoyo EcoEnergy (BEE) illegally acquired 5,000 ha of 'community-held customary land' is challenged by the potential investor, as described in Chapter 4.
[676] Ibid.
[677] Page 27.
[678] Oxfam 2014, page 12 (full reference pending).
[679] http://goodcountry.org/index/overall-rankings?p=overall.

Table 8.5: Good Country Index Rankings for Four East African Countries, 2014

N=125	Good country index	Percentile	Science & technology	Culture	Peace & security	World order	Planet & climate	Prosperity & equality	Health & wellbeing
Kenya	26	21	47	84	20	48	98	16	28
Uganda	59	47	71	108	41	66	9	91	69
Tanzania	63	50	113	74	3	43	93	102	32
Rwanda	108	86	102	121	56	120	40	34	102

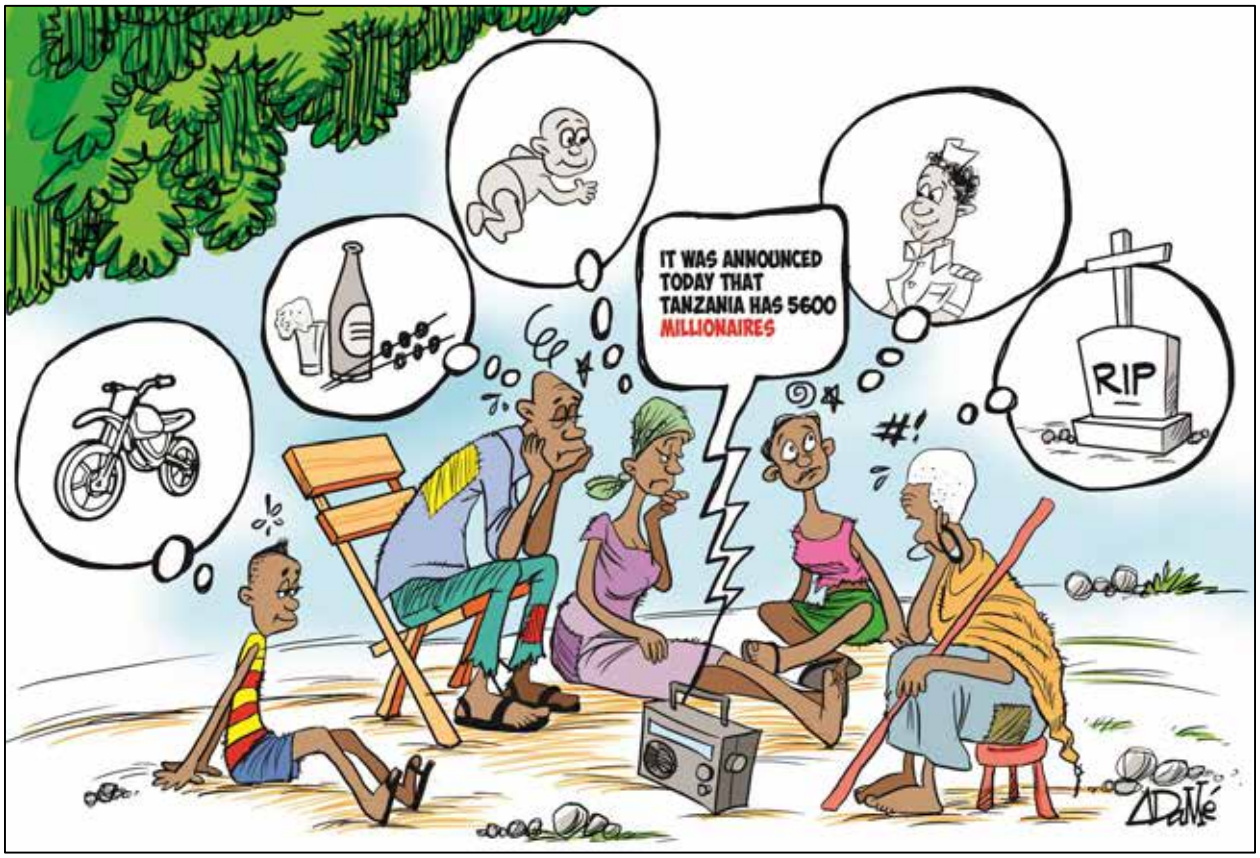
Source: http://goodcountry.org/index/overall-rankings?p=overall

Only Rwanda is in the bottom half of the global distribution of 'good countries', with Tanzania in the middle and Kenya in the top quintile.[680] Tanzania's rank is boosted by its strong showing in 'peace and security', which includes hosting large numbers of refugees.

Tanzania performs poorly on prosperity and equality. According to the *Africa 2013 Wealth Book*, Tanzania had 3,700 millionaires in 2007, rising to 5,600 in 2013.[681] In November 2014, Ventures Africa declared Mr. Mohamed Dewji Africa's youngest billionaire, along with Igho Sanomi of Nigeria, who were only 39 years old.[682] Mr. Dewji is said to be worth US$2bn. Since Mohamed Enterprises is 'his family's business', established by his father, it is most unlikely that Mohamed Dewji has a personal fortune of US$2bn. It may never be known whether Tanzania can boast 5,600 US$ millionaires (worth TShs2.2bn each) or whether Mr. Dewji is 'worth' US$2bn (TShs4.4trillion) since most wealthy Tanzanians take care not to reveal what they are worth, or where they keep their money (See **Chapter 4.4** above). Another exception is IPP owner Reginald Mengi, who Forbes Magazine declared to be worth US$550m in 2014.[683]

Tanzania, like other African countries, is said to be blessed with a 'growing middle-class', which drives luxury goods consumption, shopping malls, and serviced apartment blocks. But the growing elite-mass gap. Ben Taylor asked rhetorically whether it matters that six individuals have as much wealth as 66 million East Africans, making the point that unequal wealth is likely to translate into unequal power, with the interests of the wealthy few trumping those of the majority poor.[684] High rates of inequality within a nation are also bad for trust, crime, happiness (see below) and economic growth.

[680] Edward Qorro 2014. 'Tanzania performs poorly in prosperity, equality survey', *Citizen*, 22 July. Kenya's strong showing in peace and security is puzzling, as is Tanzania's score in health and wellbeing, which is not supported by other indicators (see for example **Table 8.1**).
[681] Reporter 2014. 'Africa: Tanzania creating next wave of millionaires', *Business Times*, 21 March; Veneranda Sumila 2014. 'TZ is EAC's fastest millionaire creator', *Citizen,* 31 July. For Kenya the comparable figures are 6,700 and 8,300.
[682] Reporter 2014. 'Dewji named youngest billionaire in Africa', *Daily News,* 13 November.
[683] Reporter 2014. 'Mengi: From barefoot to $550m man', *Citizen*, 11 July.
[684] Ben Taylor 2014. 'Does it matter that six individuals have as much wealth as 66m East Africans?' *East African,* October 18 -24.



This section concludes by reflecting on the significance of population growth, often referred to as a 'time-bomb' in poor developing countries, as one of the major development and poverty reduction challenges facing Tanzania in years to come. **Box 8.1** gives the overall picture.

Box 8.1: Population Growth – A Time-Bomb?

Along with Nigeria, Democratic Republic of Congo, Uganda and Afghanistan, Tanzania has one of the highest population growth rates in the world, and its population is projected to reach 299 million by 2100. According to Agwanda and Amani: 'At a rate of growth of 2.7 percent per annum, the national average population growth rate ranks as one of the fastest in the world and translates to a net total of about 1.2 million people being added to the population annually.' Tanzania's population rose from 12.3m in 1967 to 45m in 2012. At this rate, Tanzania's population is projected to reach 70.1 million by 2025. The high population growth rate is driven by continued high fertility, reduced mortality and low net migration. Total fertility rates have fallen from 6.3 in 1991 to 5.4 in 2010 and the use of modern contraceptive methods rose from 7 percent in 1991 to 27 percent in 2010. At the same time, under-five mortality declined from 141 per 1,000 live births in 1990 to 81 in 2010, and life expectancy rose from 51 years in 2002 to 61 years in 2012.

Sources: URT and UNDP 2014. 'Tanzania Human Development Report 2014'; Alfred Agwanda and Haidari Amani 2014. 'Population growth, structure and momentum in Tanzania', Background paper No. 7, ESRF Discussion Paper 61; UN Population Report Key Findings 2015.

Rapid population growth requires additional resources to provide basic social services, which are already inadequate and unevenly distributed. Two strategies that are proposed to address extreme poverty are financial transfers to poor households and universal old age pensions, which have been successfully promoted by HelpAge International.[685] In April, the World Bank committed US$200m to support cash transfers by the Tanzania Social Action Fund (TASAF), another World Bank vehicle. Beneficiaries are identified by village governments and district authorities. The programme was to be implemented in 106 councils. Both financial transfers and old age pensions are excellent ideas, but are no better than the state's capacity to deliver. Given the huge amounts that would be required to provide cover to Tanzania's poor (**Figure 8.1**) and growing numbers of old people, it is unlikely that such transfers are ever likely to figure highly in government budgets.[686] Makongoro Mahanga, deputy Minister of Labour, said "Sustainability of universal elders pension fund is very challenging…"[687]

8.5 Conclusion

'Levels of poverty over the past two decades have been declining so slowly that it will be virtually impossible for the country to achieve a poverty incidence of 18% by 2015, as envisaged by the Millennium Development Goals (MDGs).'[688]

'Many good … plans are not properly implemented because they are interrupted by politics.'[689]

Continued rapid population growth, declining land fertility, competition for resources among poor communities, and high levels of low-productivity informal employment are among the main causes of persistent, chronic poverty in Tanzania, particularly in rural areas. It is now widely accepted by economists that high and sustained levels of saving and investment in poor countries do not lead to inclusive and transformative growth if they are concentrated in extractive sectors rather than in labour-intensive industries.[690] At the heart of the growth/transformation problem lies the lack of dynamism in the agricultural sector, where low productivity helps keep the price of food high, and thus the cost of urban labour uncompetitive. As Wuyts and Kilama put it:

> '…while the share of agriculture in GDP fell consistently, its share in employment remained consistently high. And, similarly, the growth in wage employment outside agriculture remained stunted, while the ranks of so-called 'self-employment' in the informal sector swelled in size.'[691]

---

[685] Beldina Nyakeke 2014. 'Dar gets over Sh320bn for cash transfer programme', *Citizen,* 28 April. The transfers require parents to immunise their children and enrol them in school.
[686] Bernard Lugongo 2014. 'Old age: What a gloomy stage for the majority in Tanzania', *Citizen*, 19 October.
[687] Nelly Mtema 2014. 'Labour ministry mulls elders pension fund', *Daily News,* 26 May.
[688] THDR2014: 7-8.
[689] Getrude Mbago and Joseph Klanda 2014. 'Political interference impeding national development plans', *Guardian,* 7 October. The speaker is former chief secretary Martens Lumbanga, endorsing a similar sentiment by Dr Philip Mpango of the Planning Commission.
[690] Marc Wuyts and Blandina Kilama 2014. 'Economic transformation in Tanzania: Vicious or virtuous circle?', Special THDR Issue: ESRF Discussion Paper 56; Daniel Semberya 2014. 'Why TZ needs to change its economic transformation strategies', *Guardian*, 19 August.
[691] Wuyts and Kilama 2014: 27.

Poor educational standards, low technical skills and productive capacities are likely to continue as long as 'jobless growth' is the norm.

The IMF managing director Christine Lagarde rightly flags Tanzania's achievements of the last few years: GDP growth, low inflation and macroeconomic stability, spending on social programs. More contentious are the claims that the standard of living has increased and that poverty has declined. Is Tanzania really 'an example of ongoing economic transformation for the region'? In a long interview, Ms Lagarde flags the rise of the manufacturing sector, including regional exports, but mentions agriculture, Tanzania's main productive sector, only once. [692]

Throughout, this report has stressed the systemic disconnect between policy formulation and implementation in all productive sectors, electricity supply in particular. To quote CCM's secretary general again, *'the country does not develop* not because it lacks good plans, but because of failure to put the plans into actions. … *political leaders are largely to blame for this*.'[693] In a similar vein, former chief secretary Martens Lumbanga, said in October that 'Many good … plans are not properly implemented because they are interrupted by politics', endorsing a similar sentiment made by Dr Philip Mpango of the Planning Commission.[694] Finally, former prime minister Cleopa Msuya subsequently 'riled against conflicts of interest among top leaders – such as callously mixing business and other private/personal vested interests with public service.'[695] Given the first-hand experience of those quoted, their observations should carry considerable weight.

Donor-funded projects, social service provision and infrastructure development are all seriously compromised by the same factors that undermined the power sector, with the same dire consequences from the point of view of national development.

---

[692] Reporter 2014. 'Tanzania's dramatic growth embodies Africa's story of rising continent – IMF', *Daily News*, October

[693] Peter Nyanje 2014. 'Inaction harms Tanzania: Kinana', *Citizen,* 23 October. *Emphasis added.*

[694] Getrude Mbago and Joseph Klanda 2014. 'Political interference impeding national development plans', *Guardian,* 7 October.

[695] Karl Lyimo 2014. 'Should (failed) past leaders tell us how to govern today: Yes…? No…?', *Business Times,* November 7 – 13. Illegal capital flight, public leaders secreting 'looted funds abroad, incompetent or unskilled security officials, including investigators, prosecutors, legal councilors…,' and so on.

Appendix 1: IPTL and TEA Background and Timelines

A1 Introduction

This Appendix summarises the main events concerning IPTL/TEA from the origins of IPTL up to and including the target year 2014. To understand the origins of the Tegeta Escrow Account (TEA), it is neceessary to go back to Tanzania's first private power project Independent Power Tanzania Ltd (IPTL). In the early 1990s, Malaysian Prime Minister Mahathir Mohamed (1981-2003) actively promoted Malaysian business in Africa, including Tanzania, as a means of overcoming the economic dominance of the West through 'South-South Cooperation'. IPTL was just one of many Malaysian investments in Africa at the time. IPTL was 'fast-tracked' in order to avoid a power crisis, in the process sidelining Songas, a gas-fired power project awaiting the government's approval. In the event, both IPTL and Songas were delayed by seven years, resulting in recurrent power crises.

The 1992 *National Power Policy* proposed eliminating dependence on imported fuel for power generation by expanding hydropower and investing in state-owned gas-fired power plants using natural gas from *Songo Songo Island* in Lindi.[696] The arrival of IPTL--a diesel-fuelled, privately-owned plant--effectively sidelined the NPP. Instead of easing Tanzania's growing power deficit, IPTL spent the years 1998-2001 in legal disputes with TANESCO, including international arbitration over the appropriate tariff to be charged, the same issue that led to the establishment of TEA in 2006. Eight years elapsed between IPTL's launch (1994) and its commissioning (2002). What was initially described as an 'emergency' power project became a 'medium- to long-term solution' to Tanzania's power problems. By the end of the review period, IPTL was running at full capacity, still using imported diesel despite promises to convert to gas.

The key Tanzanian promoter of IPTL was businessman James Rugemalira, a former employee of the Bank of Tanzania, who acted as broker between Malaysian company Mechmar and the GOT, and whose company VIP Engineering Ltd (VIP) took a 30 percent share of IPTL.[697] When the plant was eventually commissioned, Rugemalira fell out with his Malaysian partners, requesting the high court of Tanzania to wind up the company. He accused Mechmar of overpricing the plant in order to inflate the capacity charges payable. The International Centre for the Settlement of Investment Disputes (ICSID) had already passed judgement to this effect. Rugemalira's concern was that VIP was not receiving a share of IPTL's income flow. But VIP's 30 percent share in IPTL was never paid up: TANESCO's belated discovery in 2006 that the project was undercapitalised is the source of the TEA. Rugemalira considered that his in-kind contribution--including obtaining land title for the Tegeta plant (often a problem for foreign companies), navigating the project through the bureaucracy, and assuring top political support--justified his share of the company, and thus its revenue stream.

---

[696] United Republic of Tanzania 1992. 'The Energy Policy of Tanzania', Ministry of Water, Energy, and Minerals, April.

[697] Brian Cooksey 2002. 'The power and the vainglory: Anatomy of a Malaysian Independent Power Project in Tanzania', in K. S. Jomo (ed). *Ugly Malaysians: South-South Investments Abused*, Institute for Black Research, Durban. This section is based on this source.

The long delay in commissioning the 100 MW plant resulting from IPTL's attempts to overprice the facility seriously compromised the projects finances. When Mechmar went into receivership, its main creditors SCB-HK took steps to have IPTL wound up, by appointing a provisional liquidator in Dar es Salaam. Rugemalira eventually abandoned his attempts to have IPTL wound up when fellow broker Harbinder Singh Sethi bought his shares.

The following summary of events leaves out a lot of relevant details including legal actions taken in numerous jurisdictions[698] over the ownership of Mechmar's debt, receivership of both Mechmar and IPTL, claims over taxes, and other issues. Claims and counterclaims on ownership of IPTL and its debt continued to be filed during the review year, and beyond.

Table A1: IPTL/TEA Timeline 1991-2014

	IPTL	Source
1991	**23 October**. **Malaysian Prime Minister Mahathir Mohamed** and a business delegation visit Tanzania. Mahathir looks forward to 'greater bilateral economic interaction' based on 'our mutual commitment to South-South Cooperation.' 'As long as there is the political will, our endeavour to achieve a better life for our peoples in the true spirit of South-South Cooperation could be realised.'	http://www.mahathir.com/malaysia/speeches/
1992	**April.** '... [T]he long term strategy of the National Energy Policy is the reduction of dependence on external energy sources...' 'The overall goals of the National Energy Policy [are]: i) to exploit hydro-electric sources; ii) to develop and utilise natural gas resources...' 'Construction of a pipeline from Songo Songo to Dar es Salaam, the distribution network, conversion of industries to gas and development of gas power station will be implemented as soon as possible.'	United Republic of Tanzania 1992. 'The Energy Policy of Tanzania', Ministry of Water, Energy, and Minerals, April
	September. Minister for Water, Energy and Minerals Jakaya Kikwete tells Parliament that it would take years for the whole country to be 'energised unless private organisations and individuals were free to enter the power market.'	*Tanzanian Affairs*, Issue 43, September: www.tzaffairs.org
1994	Joint Venture set up between **Mechmar Corporation** of Malaysia (70%) and VIP Engineering of Tanzania (30%) known as **Independent Power Tanzania Ltd.** **August.** IPTL sign an MOU under a 'fast-track' measure, but a 'medium to long term solution' is proposed in November.	Brian Cooksey 2002. 'The power and the vainglory: Anatomy of a Malaysian Independent Power Project in Tanzania', in K. S. Jomo (ed). *Ugly Malaysians: South-South Investments Abused*, Institute for Black Research, Durban
1995	**May.** TANESCO and IPTL sign a 20 year **Power Purchase Agreement**.	Brian Cooksey 2002.
1998	GOT take IPTL to international arbitration, claiming that the proposed capacity charges were excessive and the investment highly inflated. The ICSID found in favour of TANESCO, and the charges were revised downwards.	Zitto Kabwe2014. 'How Pan Africa Power Ltd acquired Independent Power Tanzania Ltd for almost nothing and looted US$124m from the Bank of Tanzania'
2002	**January.** IPTL starts supplying power to the national grid.	Brian Cooksey 2002.
	February. Affidavit filed in the High Court by VIP Engineering and Management director **James Rugemalira** to wind up IPTL on the grounds that VIP has not received 30 percent of IPTL equity.	Zitto Kabwe 2014.
2005	**August.** Standard Chartered Bank, Hong Kong (SCB-HK) buys the IPTL debt, valued at US$125m, for US$ 75 million.	Zitto Kabwe 2014.
2006	**TANESCO** pays IPTL in full for power produced between 2002 and 2006.	
	November. Tegeta Escrow Account opened in BoT.	Zitto Kabwe 2014.
2007	**August.** TANESCO freezes payments to IPTL claiming the amount of equity used to calculate the capacity charges was not fully paid up.	
2009	In a government audit the IPTL deal is described as 'severely limiting TANESCO's liquidity'.	*Africa Confidential* 2011. 'Ministry of power struggles', Vol. 52 No. 20.
2013	**Escrow**	
5	**September.** High court judge justice **Utamwa** recognises the sale of IPTL to Pan-African Power(PAP), including VIP Engineering's 30 percent stake.	Reporter 2014. 'VIP okays escrow account probe', *Daily News*, 8 December
	September. Attourney General Frederick Werema instructs TANESCO's chief legal counsel, **Mr Godwin Ngwilimi,** to establish the validity of Sethi's acquisition of Mechmar's shares in IPTL. After visiting Malaysia, Mr Ngwilimi	Reporter 2014. 'What CAG found out in escrow deal', *Citizen* , 17 November; Frank Kimboy 2014. 'Sacked TANESCO

[698] At the last count: British Virgin Islands, Malaysia, Singapore, Tanzania, UK, USA.

	'established that the purported acquisition did not take place, but the AG overrules him and advises that the escrow billions be paid to PAP.' Mr Ngwilimi 'was later forced to resign by the TANESCO board.' **MEM PS Eliakim Maswi** 'facilitated the release of the escrow billions to PAP without having concrete proof of the purported acquisition.'	lawyer speaks out on escrow', *Citizen* , 28 November
	September. 'Mechmar' pays TRA taxes of Shs 776,000 on IPTL's 70 percent shares the Malaysian company purportedly sold to Piper Link, a British Virgin Islands-registered company, for TShs 6 million (US$3,760), which it sold to PAP two weeks later for US$300,000 (taxes paid to TRA Shs 62million). Both payments were made on the same day from 'c/o IPTL', Dar es Salaam, despite the companies being registered abroad.	Reporter 2014. 'Documents raise new questions on IPTL sale', *Citizen* , 13 October
3	**October.** IPTL and TANESCO officials meet to agree on transfer of TEA money to IPTL/PAP based on the **Utamwa r**uling, though the latter does not even mention the escrow account.	https://escrowscandaltz.wordpress.com/2014/08/24/important-files-you-should-about-tegeta-escrow-account-scandal (see IPTL 2).
	November. Governor of the BoT **Benno Ndulu** raised serious concerns about the purported PAP-IPTL acquisition, a week before US$122 million is looted from the TEA, but the deal has already been endorsed by the AG, Treasury and MEM.	Reporter 2014. 'How Ndulu's queries on IPTL were ditched', *Citizen* , 19 November
	November-December. Sethi receives US$122million equivalent from the TEA, with which he buys Rugemalira's shares for US$75million.	Citizen Investigative Team 2014. 'Why IPTL takeover deal raises concern', *Citizen*, 3 March.
2014		
	January	
23	**TShs 73.5 billion** taken from PAP's account in **Stanbic Bank** in one day in suitcases and sacks. 27 January-14 February: more than TShs 6 billion are transferred from James Rugemalira's **Mkombozi Bank** account where he deposited (all or part of the) US$ 75 million received from Harbinder Sethi for his IPTL shares.	Songa wa Songa 2014. 'Escrow's theatrical twists', *Citizen*, 28 November
	February	
14	ICSID rules: "… SCB HK [Standard Chartered Bank Hong Kong] is entitled to recover the tariff payments due during the period when the [IPTL] was being operated by the provisional liquidator, which will include capacity charges and bonus payments, less the amount that covered the operation and maintenance of the plant…."	Citizen investigative team 2014. 'Why IPTL takeover deal raises concern', *Citizen*, 3 March.
	March	
11	**Standard Chartered Bank-Hong Kong** sues PAP and IPTL in London commercial court for the recovery of IPTL's outstanding debt of US$145m as of December 23, 2013. SCB-HK also claim the US$122 escrow account money was paid to PAP illegally since the latter was not a party to the Escrow Agreement.	Citizen Investigative Team 2014. 'CAG, Bunge committee to meet over $122 IPTL deal', *Citizen,* 12 March.
12	**Public Accounts Committee** (PAC) chairman **Zitto Kabwe** congratulates **the *Citizen*, *Mwananchi* and *Mtanzania*** for reporting the case, and announces a special audit to be undertaken by the Controller and Auditor General (CAG). "Our concern is the way the ministry of Energy and Minerals handled the entire process...we also want to establish whether Mechmar … signed any agreement to sell its shares to PAP as claimed." Kabwe claimed that **Attorney General 'Frederick Werema** approved VAT exemption amounting to Sh26 billion...' and that **Governor of the BOT Benno Ndulu** tried 'his level best to advice (sic) the government on the escrow account but part of his opinion was ignored.'	Citizen Investigative Team 2014. 'CAG, Bunge committee to meet over $122 IPTL deal', *Citizen*, 12 March.
13	Executive chairman of PAP, Harbinder **Singh Sethi** declares that PAP 'is the legally-accredited holding company for IPTL.' He said: "I did not come to Tanzania to make money...I want to help Tanzania to get sufficient electricity that is vital for economic development."	Samuel Kamndaya 2014. 'PAP: IPTL takeover was a clean deal', *Citizen,* 13 March.
17	**IPTL** and **PAP** sue **The Citizen, Mwananchi** and **Mwananchi Communications Ltd** for defamation in their coverage of the IPTL saga, claiming **US$5 billion** (sic) in damages. According to the plaint: articles in the two papers were intended to depict IPTL and PAP as 'fraudsters, criminals, involved in dubious transactions with intent to defraud and were individuals of moral turpitude.'	Daily News Reporter 2014. 'IPTL drags tabloids to court for defamation', *Daily News*, 17 March.
21	Mechmar's liquidators **Mr Lim Lit** and **Mr Andrew Heng** request that Sethi and his legal counsel **Joseph Makandege** refrain from claiming to be Mechmar's legal representative(s)...", arguing that Sethi's claim that he bought Mechmar's 70% share of IPTl from Piper Link is bogus, a claim supported by the High Court of the **British Virgin Islands**.	Citizen Team 2014. 'Court freezes $75m in IPTL sale saga', *Citizen*, 21 March.
30	IPTL's Company Secretary and Chief Counsel **Joseph Makandege** claims that PAP "acquired shares of Mechmar on February 20, 2010 through Harbinder Singh Sethi..." "as representative of Mechmar, Harbinder bought these shares from Piper Link … in his capacity as a natural person (sic). By that time PAP had not been incorporated. … [Harbinder] was acting as Mechmar representative here.	Faustine Kapama 2014. 'PAP's acquisition of IPTL shares legal', *Sunday News*, 30 March.

	Harbinder developed the appetite (sic) to purchase Mechmar shares in IPTL." "...the decision by ICSID...has been fraudulently procured..." "The money that was kept in the escrow account was money belonging to IPTL and PAP."	
	April	
2	TRA attaches Bank accounts belonging to IPTL in a bid to recover Sh 26billion in VAT owed as a result of the release of $122m from the escrow account.	Citizen Reporters 2014. 'Revenue authority attaches IPTL accounts', *Citizen*, 2 April.
25	High Court Judge **Fauz Twaib** rules in favour of IPTL and PAP's request to restrain CSB-HK from enforcing a decision by the ICSID to recalculate power tariffs.	Faustine Kapama 2014. 'Judge blocks foreign bank from enforcing ICSID decision', *Daily News,* 25 April.
	May	
7	British High Commissioner **Dianna Melrose** confirms that she wrote to the governor of the BoT 'seeking to know on what grounds were the escrow billions released...while the main case was still pending before an international tribunal.'	Florence Mugarula 2014. 'UK speaks out on IPTL $122m deal', *Citizen*, 7 May.
31	Minister of Energy and Minerals Sospeter Muhongo 'said the government had evidence that opposition MPs were bribed to raise the issue of IPTL sale in the House'.	Saiboko, Abdulwakil 2014. 'Light shed on IPTL smear plot', *Daily News*, 31 May.
31	**Stephen Masele,** deputy minister for Energy and Minerals, claims that British High Commissioner has been meeting with civil society organisations, inciting other donors to cut Tanzanian aid over corruption, and fronting for **Standard Chartered Bank**.	Florence Mugarula 2014. 'UK envoy accused of ill will, opposition MPs march out', *Citizen*, 31 May.
	June	
	GoT launches 2014-25 **Electricity Supply Industry Reform Strategy and Roadmap**, with plans to increase generating capacity from 1,583 MW to 10,800. Diversification to include more gas and to introduce coal.	Reuters 2014. 'Govt turns to more gas and coal to meet its energy needs', Thomson Reuters Foundation, 29 July.
26	Attorney General **Frederick Werema** says in parliament: "the money paid to IPTL is not public funds... the government doesn't keep money in escrow account."	Felister Peter 2014. 'AG: Escrow funds not public money', *Guardian,* 26 June.
29	The Tegeta Escrow Account is public money, argues **Zitto Kabwe**, chairman of the **Public Accounts Committee**, on the grounds that the money appears in TANESCO's 2012 annual accounts as reserves. The February ruling of the ICSID agreed that TANESCO had been overcharged by IPTL, but the ruling has been ignored by the principal actors PAP's acquisition of Mechmar's 70% shares in IPTL was fraudulent. There is no evidence that Piper Link bought the shares from Mechmar, or that the transfer was publicly endorsed by the relevant authorities.	Zitto Kabwe 2014. 'Tegeta Escrow Account is public money', Citizen, 29 June.
	July	
3	NCCR MP David Kafulila: "I'm appealing to [Honourable Kikwete] to take this [IPTL] matter seriously otherwise it will tarnish his leadership image."	Bernard Lugongo 2014. 'Kafulila asks JK to intervene in IPTL sale saga', *Citizen,* 4 July
4	IPTL is now generating 100MW as promised, according to **Joseph Makendege**, IPTL/PAP Company Secretary and Chief Counsel.	Daily News Reporter 2014. 'IPTL now generates power at full capacity', *Daily News,* 4 July
25	**Songas** and **IPTL** are the only independent producers currently generation electricity, while **Aggreko** and **Symbion** are on stand-by. Songas (189MW natural gas); IPTL (100MW HFO); Aggreko (100MW HFO); Symbion (60MW jetfuel, 60MW natural gas).	Times Reporter 2014. 'Songas, IPTL only contributors to national grid-TANESCO', *Business Times,* 25 July.
	August	
2	TANESCO current debts said to be US$ 270m. Plan announced to 'unbundle' TANESCO into three companies. The *Electricity Supply Industry Reform Strategy and Roadmap 2014-2025* envisages greater private investment and ownership of power generation.	Erick Kabendera 2014. 'TANESCO to go public, be split into three firms after $1.15b reforms', *East African*, 2 August.
	September	
2	The Malaysian liquidators of Mechmar file a commercial case against Harbinder Singh Sethi claiming that he 'fraudulently and falsely' obtained their 70 percent of IPTL shares.	Reporter 2014. 'IPTL liquidator move to sue Harbinder Sethi', *Citizen*, 2 September.
	October	
8	Donors have not released any budget support out of the US$558m pledged for 2014-15, 'pending the release of the IPTL probe reports.'	Florence Mugarula 2014. 'Donors confirm withhold of Sh1tr', *Citizen*, 8 October; Mkinga Mkinga 2014. 'IPTL saga throws next Budget in limbo', *Citizen*, 22 October.
12	PS in the Ministry of Finance **Dr Servacius Likwelile** tells the World Bank that "this IPTL issue was never in our agreements" with budget support donors, including the World Bank. The **Prime Minister Mizengo Pinda** is also "saddened" by the donor's move.	Reporter 2014. 'How IPTL saga frustrates govt', *Guardian*, 12-18 October.
	November	
2	IPTL/PAP Company Secretary and Chief Counsel Joseph Makandege complains that parliament's decision to deliberate on the TEA issue "was tantamount to contempt of court" since "everything was being addressed within the judicial system."	Aisia Rweyemamu 2014. 'Release CAG, PCCB reports on IPTL probes says MP', *Guardian on Sunday*, 2 – 8 November.
3	Eight months after the Citizen broke the TEA story, PCCB Director General	Reporter 2014. 'Hoseah submits escrow

	Edward Hoseah, confirms that he had submitted the final report to the Prime Minister.	account probe dossier', *Citizen*, 4 November.
13	**Chief Secretary Ombeni Sefue** said the CAG should not be forced to 'compromise their professional standards, by 'rushing' their report on TEA, arguing that the issue of 'who owns IPTL' should be dealt with by the Judiciary, not parliament.	Reporter 2014. 'Give CAG time on IPTL, MPs told', *Daily News,* 13 November.
14	IPTL's Company Secretary and Chief Counsel Joseph Makandege declares that the 'Kikwete family has no stake in PAP', denying claims to that effect circulating in the social media that the first family owed 50 percent of IPTL through the Australia-registered **Simba Trust**, which owns half of PAP (Harbinder Singh owns the other half).	Daily News Reporter 2014. 'Kikwete family has no stake in PAP – counsel', *Daily News*, 14 November.
17	CAG report reveals that Sethi presented forged documents to TRA and BRELA 'in an attempt to hide the dubious nature of the transactions.' The Attourney General, **Frederick Werema** 'facilitated payment [of Escrow billions] to Mr Sethi. '	Reporter 2014. 'What CAG found out in escrow deal', *Citizen*, 17 November.
21	Prime Minister Mizengo Pinda booed as he argues that parliament 'should not interfere' with the authority and duties of the executive and the judiciary.	Athumani, Rose 2014. 'MPs cautioned over "three pillars"', *Daily News*, 21 November.
22	'David Kafulila, shadow minister for industry and trade said allowing PAP to access the escrow account in the middle of the ICSID dispute gave foreign investors the impression that Tanzania does not respect international business arbitration.'	Erick Kabendera 2014. '$120m scandal hangs over heads of officials', East African, 22 – 28 November.
23	'Mr Pinda and other top executives have reportedly resorted to restraining vocal party legislators, warning them that they risk being disciplined should they continue with public condemnation of their party and leaders.'	Citizen Reporters 2014. 'PM's bid to get govt out of scandal flops', *Citizen* , 23 November.
24	Chairman of CUF, **Prof Ibrahim Lipumba** states: "Mr Sethi and Mr Rugemalira should be arrested and charged with stealing Sh306 billion from poor Tanzanians through TANESCO."	Frank Kimboy 2014. 'Lipumba calls for arrests', *Citizen*, 24 November.
27	PAC presents 110 page report on PAP and TEA. All public agencies fail to perform due diligence on PAP/IPTL and numerous high functionaries received astronomical bribes out of the TEA loot. Recommends sackings and prosecutions.	Reporter 2014. 'The verdict', Citizen, 27 November.
	December	
8	Rugemalira claims his sale of shares to PAP was 'conditional' on the expansion and upgrading (conversion from diesel to gas fuel) of the Tegeta plant.	Reporter 2014. 'VIP okay escrow account probe', *Daily News*, 8 December.
8	'…efforts to characterize the acquisition of IPTL by PAP as a "scandal" or "corruption" are simply part of a campaign to allow a foreign bank—SCB—to collect a fraudulent debt incurred by a foreign investor at the expense of Tanzanians.' 'In VIP's view, the real scandal is how foreign companies feel free to use their economic and political power to extract payments to which they are not entitled and to manipulate local politics to work for them.' '…the public and Parliament have been misled into believing false allegations that can only benefit foreign powers, at the expense of Tanzanians.' James Rugemalira	Reporter 2014. 'VIP okay escrow account probe', *Daily News*, 8 December
10	The US government's **Millennium Challenge Corporation** (MCC) issues a statement saying that it has put on hold the signing of a second pact pending resolution of the TEA scandal.	http://tanzania.usembassy.gov/pr_11122014.html
14	Head of Sikh Temple in Dar es Salaam **Sarbjit Singh** publishes a detailed defence of Sethi, complaining at the use of the term 'singa singa' to describe Sethi and Sikhs in general.	Advertisment 2014. 'Tamko la Singh kuhusu kuita waumini wake singa singa', *Citizen on Sunday*,14 December.
16	AG **Frederick Werema** resigns 'because his advice on the TEA scandal "was not understood and had in turn polluted the country's socio-economic and political atmosphere."' President Kikwete thanks him for his "honest and diligent" service.	Reporter 2014. 'Attorney General Warema resigns', *Guardian*, 17 December; Reporter 2014. 'Call for prosecution as AG Warema quits', *Citizen*, 17 December.
19	IPTL, PAP and Sethi file 'constitutional petition' against the implementation of the parliamentary resolutions.	Faustine Kapama 2014. 'Case against Escrow Bunge proposals filed', *Daily News*, 19 December.
20	Eight civil society organisations led by Policy Forum urge punishment for the perpetrators of the Escrow scam.	Emmanuel Onyango 2014. 'Forum: Vividly punish Tegeta escrow money fraudsters', *Guardian*, 20 December.
22	President Kikwete speaks publicly for the first time on the escrow saga. **Anna Tibaijuka** is fired. **Muhongo** and **Maswi** are suspended, pending investigation (they are later cleared of any wrongdoing).	Alvar Mwakyusa 2014. 'Tibaijuka fired over Escrow', *Daily News*, 23 December.

Appendix 2 provides a profile of Harbinder Sethi and links to numerous reports and articles concerning IPTL and PAP.

Appendix 2 : Web links for IPTL/PAP/TANESCO/Sethi

Born in Iringa, Mr Harbinder Singh Sethi first rose to prominence during the presidency of Daniel arap Moi in Kenya, where he became one of a number of young Asian brokers who were involved in major procurement and corruption scandals (**Box A2.1**).[699]

Box A2 : Profile of Harbinder Singh Sethi
A forensic audit report by **Kroll Ltd** on corruption during the **Moi** era named Sethi as 'bagman' for Moi's eldest son **Gideon**, on whose behalf he manages 74 luxury properties in **South Africa**. The Kroll Report describes Sethi hiring a jet to fly presidential personalities from one African country to another, carrying massive amounts of foreign exchange in suitcases. His companies were awarded engineering and building projects with Kenyan parastatals, which invariably ended in disputes and litigation. The 1997 Report of the **Kenya Auditor General** recommended that Sethi's **Ruaha Concrete** should be blacklisted and investigated over delays, huge cost overruns, and poor workmanship in a road building contract for a Kenyan parastatal. The project cost rose from KShs197m in February 1995 to over KShs510m in June 1998. Another of Sethi's companies sued the **National Social Security Fund (NSSF)** when it refused to pay for 'shoddy' work on a KSh2b (US$22m) building project that was completed seven years late. Sethi won the case. The same company failed to pay the Kenya Revenue Authority tax amounting to KShs260m (US$2.9m). As a result of his shady business practices, the parliamentary **Public Investments Committee** (PIC) blacklisted Mr Sethi, recommending that he should not be allowed to undertake construction work anywhere in the country. An American journalist cites Mr Sethi as a player in **New York** real estate, and talks quite openly of a network of political and underworld connections including Sethi, other businessmen, and senior South African politicians.
Mr Sethi's Tanzanian business interests are not limited to IPTL. His company **Hydrotanz Ltd**, is involved in oil and gas exploration in **Mnazi Bay**. Hydrotanz is located at the same **Dar es Salaam** address as PAP, and is registered at the same Australian address as Simba Trust, the owner of PAP. Hydrotaz is said to have had its exploration licence renewed despite not carrying out the minimum drilling specified in the licence.
Sources: 'Report of the Auditor-General on the Accounts of Kenya Pipeline Company for the year ended 30th June 1997'; Zitto Kabwe 2014; Eric Kabendera 2014. 'Tanzania House Committee Wants Heads to Roll over IPTL Saga', *East African*, 22 November.

[699] See web links in **Appendix 1** and Michela Wrong's 2010 account in "*It's Our Turn to Eat" – The Story of a Kenyan Whistleblower'*, London: Fourth Estate, the story of Kenyan anti-corruption campaigner John Githongo.

Appendix 2 : Web links for IPTL/Sethi/PAP/TANESCO

news room/latest news/press_releases/1998/1998 06 12 tanzania-iptl
Press releases - Default of IPTL deal victory for the Tanzanian people
IPTL Diesel Power Plant Tanzania - GEO
Corrupt energy: Govt's decision on IPTL raises questions
Analysis: How did Tanzania become the loneliest kid on the East African bloc? | Daily Maverick
allAfrica.com: Tanzania: Statement at the Conclusion of the IMF Mission to Tanzania
DailyNews Online Edition - Pan Africa to take over IPTL assets
TANZANIA: Court quashes IPTL order | Jaba
Tanzania: IPTL Handed Over to New Owner | Africatime
US court denies bank right to backtrack on Dar courts | online News
TANESCO NOW FACES LOSS OF SH1.6 TRILLION #TANZANIA
allAfrica.com: Tanzania: TANESCO to Cancel Generators Contract
Tanzania to unveil plan to save TANESCO - Business - www.theeastafrican.co.ke
TANESCO could raise tariffs as government looks to drop subsidies - News - www.theeastafrican.co.ke
allAfrica.com: Tanzania: User Relief As TANESCO Drops Electricity Tarrif Hike Plans
Sh800bn for TANESCO revival - National - thecitizen.co.tz
allAfrica.com: Tanzania: U.S$500 Million to Transform TANESCO
Tanzania seeks $100 mln World Bank loan for emergency power | Reuters
Tz should fix electricity sector to maintain growth – IMF - The New Times Rwanda
allAfrica.com: Tanzania Energy Sector Expected to Surge With World Bank Loan
The National Microfinance Bank of Tanzania helps Bail out the Tanzania Electric Supply Company (TANESCO) with a USD 56million Loan
Tanzania: Dar es Salaam Gets $121 Million World Bank Loan for Power | AfricanLiberty.org
allAfrica.com: Tanzania: Energy and Minerals Minister, Permanent Secretary Survive 'Coup' (Page 1 of 2)
allAfrica.com: Tanzania: Power Company Under Fresh Investigations By Corruption Bureau
allAfrica.com: Tanzania: ICSID Dismisses Malaysian Power Firm's Claims Against Tanzania
TANZANIA - Standard Bank v TANESCO - The Indian Ocean Newsletter
The cumulative financial and economic loss to IPTL, SONGAS and RICHMOND's corruption Enterprise
TANZANIA, UNITED REPUBLIC OF : TANESCO to pay Sh15 billion to IPTL for 60MW. - Free Online Library
Press releases - Default of IPTL deal victory for the Tanzanian people
allAfrica.com: Tanzania: TANESCO Seeks 67.9 Percent Power Tariff Increase
allAfrica.com: Tanzania: Firm in State Rescue Over Power Funds
allAfrica.com: Tanzania: Court Blocks Lawyer From Running Power Plant
allAfrica.com: Tanzania: Court Quashes IPTL Order
allAfrica.com: Tanzania: Speaker Issues Strong Warning to Energy Permanent Secretary Over Corruption Claims
allAfrica.com: Tanzania: Investor Claims Liquidation of IPTL to Cause 200bn/ - Loss
allAfrica.com: Tanzania: MPs Want Power Plant Probed Over Bribery
allAfrica.com: Tanzania: Subsidising Electricity Right Move - Experts
allAfrica.com: Tanzania: New TANESCO Power Tariff Back-Breaking

allAfrica.com: Tanzania: Country Probes Loss of Over U.S. $54 Million Meant for IPTL Fuel Oil Purchase
allAfrica.com: Tanzania: Govt Warned Over Electricity Subsidy
allAfrica.com: Tanzania: State Unveils Sh1.2 Trillion Emergency Power Proposal
allAfrica.com: Tanzania: Power Rations 'Self-Imposed'
allAfrica.com: Tanzania: Sh46 Billion Spent On Fuel for IPTL
allAfrica.com: Tanzania: TANESCO Says Power Crisis May Ease Soon
allAfrica.com: Tanzania: TANESCO Pays IPTL Sh15 Billion for 60MW
allAfrica.com: Tanzania: Technicians Busy Setting Up IPTL Machines
allAfrica.com: Tanzania: Dar Turns on Generators
allAfrica.com: Tanzania: Govt's IPTL Pledge Fails to Materialise
allAfrica.com: Tanzania: Switch On Dowans, IPTL Now, Businesses Tell Government
allAfrica.com: Tanzania: IPTL Suffer Legal Setback in Resisting Winding Up
allAfrica.com: Tanzania: TANESCO - We Need Sh1.5 Trillion to End Electricity Shortage
allAfrica.com: Tanzania: Country Faces $27m IPTL Lawsuit in the U.S.
allAfrica.com: Tanzania: Former President Mkapa Under Fire in Parliament
allAfrica.com: Tanzania: Mkapa Accused of Corruption in Deal With Power Firm
allAfrica.com: Tanzania Plans to Buy Out IPTL Power Firm
allAfrica.com: Tanzania: Dar Plan to Buy IPPTL Could Save $1.5m Monthly
allAfrica.com: Tanzania: Study On Converting IPTL to Gas Planned
allAfrica.com: Tanzania: IPTL Costs $100,000 a Day; Isn't That Brilliant?
allAfrica.com: Tanzania: No Word on IPTL Talks as Power Plant Nears Completion
allAfrica.com: Tanzania: IPTL Supplier Shrugs off Malaysians' Protest
allAfrica.com: Tanzania: Controversy Over Independent Power Project
allAfrica.com: Tanzania: World Bank Pressure on Mkapa to Rethink Electricity Contracts
allAfrica.com: Tanzania: Lawyers to Appear Before ICSID On Power Tariff Dispute
allAfrica.com: Tanzania: International Centre for Disputes to Rule Disputes On Power Tariffs Soon
http://www.thecitizen.co.tz/business/13-local-business/30953-legal-battle-over-iptl-management-far-from-over.html
Pan Africa to take over IPTL assets | online News
Tanzania will never prosper with corrupt Msian investments: consultant - Malaysiakini
Tanzania: IPTL expects 10,000 tonnes of oil this week
Tanzania Plans to Buy Out IPTL Power Firm
LAWRENCE AKIBA MWORIA: MPs shocked by 15bn/-monthly pay to IPTL
IPTL Shareholders Join Hands In ICSID Case
DailyNews Online Edition - VIP firm demands 787bn/- damages for 'fraud' in IPTL case
allAfrica.com: Tanzania: VIP Firm Demands Sh787 Billion Damages for 'Fraud' in IPTL Case
DailyNews Online Edition - Court to rule on application lodged by Hong Kong bank
Tanzania: PanAfrican Energy refuses to pay money demanded by Tanzania
Energy firm talking to official left tainted trail in Tanzania - DominicanToday.com
Independent Power Tanzania Ltd.: Private Company Information - Businessweek
BBC NEWS | Africa | Tanzanian PM to resign over graft
Corruption scandals in Tanzania history - Just to memorize

allAfrica.com: Tanzania: Govt Not Interested in Buying IPTL
Aggreko, IPTL slash power production : News Headline
Tanzania: IPTL Could Lose Sh200 Billion After Liquidation Order | Humanitarian News
DailyNews Online Edition - New firm takes over IPTL operations
international independent consultant | 24 Tanzania News
allAfrica.com: Tanzania: IPTL New Admin in Fresh Partnership With TANESCO
allAfrica.com: Tanzania: IPTL Handed Over to New Owner
DailyNews Online Edition - TANESCO in critical financial mess
TANZANIA - Standard Bank v TANESCO - The Indian Ocean Newsletter
TANZANIA, UNITED REPUBLIC OF : TANESCO to pay Sh15 billion to IPTL for 60MW. - Free Online Library
DailyNews Online Edition - Firm in state rescue over power funds
DailyNews Online Edition - US court upholds decision on IPTL case
DailyNews Mobile Edition - IPTL new admin in fresh partnership with TANESCO
DailyNews Online Edition - Court blocks lawyer from running power plant
BBC News - Tanzania leader sacks ministers amid corruption scandal
DailyNews Online Edition - Firm seeks dismissal of Bank's IPTL application
IPTL opposes handover of firm to new owner | In2EastAfrica – East African news, Headlines, Business, Tourism, Sports, Health, Entertainment, Education
DailyNews Online Edition - IPTL opposes handover of firm to new owner
www.esi-africa.com | TANESCO and IPPs under pressure after corruption scandal
TANESCO: Rationing is back
FT.com / Reports - Electricity: The daily struggle to meet rising demand for power
allAfrica.com: Tanzania: Firm to Expand IPTL Capacity to 500mw
DailyNews Online Edition - IPTL shareholders challenge bank's claims
Tanzania probes loss of over $54m meant for IPTL fuel
Tanzania Government not interested in buying IPTL | 24 Tanzania News
DailyNews Online Edition - IPTL partner demands 776bn/- in damages
James Rugemalira | 24 Tanzania News
UFISADI: The Making Of IPTL
James Rugemalira | Independent Power Tanzania Limited | ZoomInfo.com
VIP Engineering and Marketing Limited v Mechmar Corporation (Malaysia) Berhard of Malaysia (Civil Application No. 163 of 2004) [2006] TZCA 84 (26 July 2006)
IPTL on winding up, sold to PAP
New firm takes over IPTL operations | 24 Tanzania News
Court hears IPTL case - Tanzania Exchange
Court Of Appeal Quashes IPTL Wind up Order
Power Tarrifs to raise to Save TANESCO
DailyNews Online Edition - Power consumers to pay more as TANESCO seeks tariff hike

Harbinder Singh Sethi

RI Consulting Services: Harbinder Singh Sethi - Chairman
Mars Group - Corruption Articles - Who Owns What and with Whom
allAfrica.com: Kenya: Court Orders NSSF to Deposit Sh104 Million in Legal Fee Dispute
Kenyanomics: Gideon Moi and the Looting of Kenya
Kenya, Africa, Arap Moi and the looted billions | NowPublic News Coverage
http://www.kenyacentral.com/feed/general/21738-agency-probes-nssf-over-sh2-8bn-scandal.txt
IndexKenya Project - Order against firm upheld
allAfrica.com: Kenya: NSSF - Put an End to These Scandals Now
Court rejects former NSSF boss' reinstatement | News24 Kenya
Standard Digital News : : Business - Now police dragged into cash scandal at NSSF
harbinder singh sethi | East Africa Standard
Standard Digital News - Kenya : House wants Fund probed for evading tax
Businessman sues CBK, AG - News - nation.co.ke
MPs query loss of Sh261m in NSSF payout - Politics - nation.co.ke
Anti-graft team asked to probe NSSF deals - News - nation.co.ke
Firm in NSSF scandal evaded Sh260m taxes - News - nation.co.ke
The looting of Kenya | World news | The Guardian
Kenyanomics: Gideon Moi and the Looting of Kenya
Kenya Stockholm Blog | Daily Archive | 2nd May, 2012
Kenya, Africa, Arap Moi and the looted billions | NowPublic News Coverage
NSSF risks assets auction over Sh662m dispute - Business - nation.co.ke
allAfrica.com: Kenya: NSSF to Pay Sh590m for Controversial Housing Deal
IndexKenya Project - 3 summoned to court over fraud case
allAfrica.com: Kenya: Businessman sues CBK, AG
Standard Digital News : : Business - Row over NSSF's billions hots up
Sethi v Abalegani Supplies (Pty) Ltd and Another (45091/09) [2010] ZAGPJHC 142 (18 February 2010)
HARBINDER SINGH SETHI , company director check UK
HARBINDER SINGH SETHI director information. Free director information.
Harbinder Singh Sethi profile | free company director check
NSSF to pay Sh590m for controversial housing deal
allAfrica.com: Kenya: Sh531m Scandal Company in New Deal
allAfrica.com: Kenya: Court Orders NSSF to Pay Contractor Sh300 Million
NSSF to pay Sh590m for controversial housing deal - Corporate News - businessdailyafrica.com
Arap Moi and the Billion-dollar Plundering of Kenya - Confidential Kroll Report
Fw: wikileaks exposes - Moi and the 40 Thieves of Kenya ...Julian Assange - Ομάδες Google
Pan African company in sh 32 billion gas scandal

Selected websites

Africa Confidential	www.africa-confidential.com
African Development Bank	www.afdb.org
Afrobarometer	www.afrobarometer.org
All Africa news service	http://allafrica.com
Bank of Tanzania	www.bot.go.tz
Ben Taylor's Blog	http://mtega.com
BEST-Dialogue	http://www.best-dialogue.org/
Citizen	www.thecitizen.co.tz
Controller and Auditor General	www.nao.go.tz
Development Partners Group	www.tzdpg.or.tz
Daily News	http://www.dailynews.co.tz
East African	http://www.theeastafrican.co.ke/news/
Economist Intelligence Unit	http://www.eiu.com/d
Financial Action Task Force	www.fatf-gafi.org
Future Agricultures Consortium	www.future-agricultures.org
HAKIARDHI	info@hakiardhi.org
Haki Elimu	http://www.hakielimu.org/
International Food Policy Research Institute	http://www.ifpri.org/
Integrity Watch	www.integrity-watch.com
International Budget Partnership	www.internationalbudget.org
IPP Media	www.ippmedia.com
JamiiForums	http://www.jamiiforums.com/
Land Matrix Database	www.landportal.info/landmatrix
Local Government Finance Working Group	www.logintanzania.net
Millennium Challenge Corporation	https://www.mcc.gov/
Ministry of Finance	http://www.mof.go.tz/
Mo Ibrahim Foundation	http://www.moibrahimfoundation.org
MKUKUTA	www.povertymonitoring.go.tz
National Bureau of Statistics	www.nbs.go.tz
Nation Media Group	www.nationmedia.com
Prime Minister's Office	www.pmoralg.go.tz
Policy Forum	www.policyforum.or.tz
Prevention and Combating of Corruption Bureau	www.pccb.go.tz
REPOA	www.repoa.or.tz
Tanzania Corruption Tracker System	www.corruptiontracker.or.tz
Tanzania Natural Resources Forum	www.tnrf.org
Transparency International	www.transparency.org
UNDP	www.undp.org
Uwazi	www.uwazi.org
Wikileaks	www.wikileaks.org
Wikipedia	https://en.wikipedia.org/
World Bank	www.worldbank.org
World Bank Institute	www.worldbank.org/wbi
World Economic Forum	www.weforum.org

Acronyms

ASDP	Agriculture Sector Development Program
BEST	Business Environment Strengthening for Tanzania
BOT	Bank of Tanzania
CAADP	Comprehensive African Agricultural Development Programme
CAG	Controller and Auditor General
CCM	Chama cha Mapinduzi
CDG	Capital Development Grant
Chadema	Chama cha Demokarsia na Maendeleo
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment
CSO	Civil society organisation
CUF	Civic United Front
DAWASCO	Dar es Salaam Water and Sewerage Corporation
DC	District Commissioner
DFID	Department for International Development
DPG	Development Partners Group
DPP	Director of Public Prosecutions
DSM	Dar es Salaam
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EPA	External Payments Account
EWURA	Energy and Water Utilities Regulatory Authority
FATF	Financial Action Task Force
FBO	Faith-Based Organisation
FY	Financial year
GBS	General Budget Support
GDP	Gross Domestic Product
GOT	Government of Tanzania's
HBF	Health Basket Fund
HEG	Health Equity Group
IFMS	Integrated Financial Management System
ILD	Institute of Liberty and Democracy
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IPTL	Independent Power Tanzania Ltd
JAS	Joint Assistance Strategy
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant
LGRP	Local Government Reform Programme
LHRC	Legal and Human Rights Centre
MCA	Millennium Challenge Account
MCT	Media Council of Tanzania
MDA	Ministry Departments and Agencies
MDG	Millennium Development Goals
MKUKUTA	Mpango wa Kukuza Uchumi na Kupunguza Umaskini Tanzania (National Strategy for Growth and the Reduction of Poverty)
MKURABITA	Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania
MNRT	Ministry of Natural Resources and Tourism
MOAT	Media Owners Association of Tanzania
MOAFS	Ministry of Agriculture and Food Security

MOF	Ministry of Finance
MOHSW	Ministry of Health and Social Work
NACSAP	National Anti-Corruption Strategy and Action Plan
NAO	National Audit Office
NCAA	Ngorongoro Conservation Area Authority
NDC	National Development Corporation
NEC	National Electoral Commission
NGO	Non-government organisation
NHC	National Housing Corporation
NLD	National League for Democracy
PAC	Public Accounts Committee
PADEP	Participatory Agricultural Development and Empowerment Project
PCCB	Prevention and Combating of Corruption Bureau
PEDP	Primary Education Development Plan
PEFAR	Public Expenditure and Financial Accountability Review
PER	Public Expenditure Review
PETS	Public Expenditure Tracking System
PF	Policy Forum
PFM	Public finance management
PFMRP	Public Financial Management Reform Programme
PMU	Procurement Management Units
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
PRSP	Poverty Reduction Strategy Paper
PSA	Production Sharing Agreement
RC	Regional Commissioner
REDD	Reduced Emissions from Deforestation and Forest Degradation
REPOA	Research on Poverty Alleviation
RWSSP	Rural Water Supply and Sanitation Project
SEDP	Secondary Education Development Programme
TACCEO	Tanzania Civil Society Consortium for Election Observation
TADREG	Tanzania Development Research Group
TANAPA	Tanzania National Parks
TANESCO	Tanzania Electric Supply Company
TANROADS	Tanzania National Roads Agency
TASAF	Tanzania Social Action Fund
TGN	Tanzania Governance Noticeboard
TGR	Tanzania Governance Review
TICTS	Tanzania International Container Terminal Services
TLP	Tanzania Labour Party
TPDC	Tanzania Petroleum Development Corporation
TPDF	Tanzania People's Defence Force
TRA	Tanzania Revenue Authority
TRC	Tanzania Railways Corporation
TTCL	Tanzania Telecommunications Company Ltd
URT	United Republic of Tanzania
VAT	Value Added Tax
WBI	World Bank Institute
WRS	Warehouse Receipt System
WTO	World Trade Organisation

POLICY FORUM
P.O Box 38486
Dar es Salaam
Tel: +255 22 2780200/255 782317434
Email: info@policyforum.or.tz
Website: www.policyforum.or.tz