2015-16
TANZANIA GOVERNANCE REVIEW

policy forum

From Kikwete to Magufuli:

Break with the past or more of the same?

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OUTCOMES OF POLICY FORUM

Policy Forum's outcomes 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 2017-2020 identifies the following key outcomes:

Overall Outcome: Policy Forum seeks improved quality of life of the Tanzanian people through enhanced governance and accountable use of public resources, as well as the effective protection of human rights, by means of strengthening the capacity of CSOs to influence policy processes.

- **Outcome 1.** Strengthened PF members' capacity to influence and monitor the implementation of policies relating to public resources
- **Outcome 2.** Improved State responsiveness to Policy Forum's advocacy agenda relating to the accountable use of public resources
- **Outcome 3.** Institutional effectiveness and efficiency of Policy Forum network is sustainably enhanced.

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TANZANIA GOVERNANCE REVIEW 2015-16

From Kikwete to Magufuli: break with the past or more of the same?

Chapter 1: Introduction and overview

1.1 Overview 2015

The year 2015 saw the peaceful transition from the 'Fourth Phase' government of President Jakaya Kikwete to 'Phase 5' under new President John Pombe Magufuli. In a region where such transitions are the exception rather than the rule, Tanzania is widely praised for respecting its two five-year terms limits to presidential power. Yet the transition was fraught with problems. First, as reported in TGR2014, the constitutional review process initiated during President Kikwete's second term collapsed, and in April the referendum planned to endorse the new constitution before the 2015 elections was postponed indefinitely. Second, 2015 started as 2014 had ended, with the unresolved IPTL/Escrow scandal still cause for public outrage. Observers linked growing support for opposition parties in local government elections in December 2014 to the Kikwete government's failure to resolve the scandal, and by the time of the presidential election in October, 'Escrow' was still a major talking point. Third, the aborted Zanzibar elections led to widespread condemnation both at home and abroad, though CUF supporters did not take to the streets as in previous contested elections. Throughout the year there were complaints of police harassment and sometimes violence targeting opposition leaders and supporters, including the 'roughing up' of CUF Chairman Professor Ibrahim Lipumba and his arrest for 'incitement' in January.[1] The following sections summarise the Constitutional Review process, the unresolved Escrow affair, the October elections, and governance trends, including corruption control.

1.2 The Constitutional Review

TGR2014 described the failure of the *Constitutional Review Commission* (CRC) initiated by President Kikwete in 2011. The review's potential for contributing to Kikwete's leadership legacy was undermined by the inter-party bickering that followed Kikwete's surprise rejection of the first draft of the review in favour of the *status quo ante*, meaning there would be no change in the two government union set-up. It was announced in September 2014 that the new constitution would not be ready before the 2015 elections. The failure of the review process had major implications for the October 2015 elections. First, it led directly to the creation of UKAWA, a group of four opposition parties that boycotted the CR after the first draft of the new constitution was rejected. Second, UKAWA joined forces to field a joint presidential candidate to increase their chances of ending CCM's political dominance. But third, the unresolved CR process added to the usual tensions in Zanzibar during national elections, discussed below.

1.3 The unresolved Escrow affair

TGR2014 related in detail the looting of the *Tegeta Escrow Account* (TEA) in the Bank of Tanzania (BOT) by businessman Harbinder Singh Sethi with the complicity of senior government officials, politicians, regulators, judges and private banks. In late 2013, the government instructed the BOT to transfer over US$120m to Mr Sethi, who claimed to have acquired the IPTL power plant legally. The exposure of the scam during 2014 led eventually to President Kikwete stating publicly that the TEA deal was clean, as the escrow money was 'private' not 'public'.

[1] Citizen Reporter 2015. 'Chikawe and IGP in focus over brutality targeting members of opposition', *Citizen,* 29 January.

Mr Kikwete's government suffered the political fall-out from the TEA scandal throughout 2015, with continued criticism from opposition parties and the media, as the IPTL plant continued to produce overpriced power under Mr Sethi's ownership. In response to continued pressure to address the Escrow issue, Minister of Energy and Minerals Sospeter Muhongo lost his job in a cabinet reshuffle.[2] Cosmetic moves by the government in response to continued opposition campaigning and donor pressure included further investigations and sackings, but PCCB brought no high-profile cases to court, while claiming that the IPTL files were 'still active.'[3]

By the end of the year, new President John Magufuli's government had not addressed the IPTL issue, despite his strong commitment to fighting corruption, including the power sector (see below, **Chapter 9** and **Appendix 1**).

1.4 The parliamentary and presidential elections

'If money is allowed to hold sway, then that will be a precursor for disaster, not only within the ruling party, but also at the national level because good and electable leader[s] will not be secured.'[4]

In countries dominated by single parties, presidents are essentially selected by a small group of power-brokers, with voters simply endorsing their choice. In Tanzania, President Nyerere is known to have selected both Presidents Mwinyi (1985-95) and Mkapa (1995-2005), neither of whom were front-runners for the presidency. President Kikwete (2005-15) was Tanzania's first president not to be selected by Nyerere, but by a group within CCM comprised of senior politicians and wealthy businessmen. Economic and political liberalisation fuelled the rise of money politics, and the wealthy and popular Edward Lowassa was widely expected to be selected as CCM's candidate, with a strong chance of winning the 2015 elections, despite electoral gains by opposition parties, particularly during Kikwete's second term, and Lowassa's apparently poor health.[5]

A total of 38 aspirants vied for the CCM presidential nomination. Thirty four were from the Mainland and four from Zanzibar. There were 32 men and six women, and similar numbers of Christians and Muslims.[6] **Appendix 1.1** summarises their policy priorities. The economy, fighting corruption and reducing poverty accounted for over half the promises made, followed by strengthening the private sector and encouraging investment. Sectors given little attention were gender and children, social services and agriculture. There was *no mention* of health (Tanzanians' main priority), maternal mortality or domestic water, and little mention of education. Land, conservation and environmental issues were also notable by their absence. Surveys cited elsewhere in this and previous TGRs show that, as well as healthcare, Tanzanians prioritise education and domestic water, and job creation. 'Governance' and corruption control are not major priorities. On a purely subjective assessment, at least 17 of the 145 promises (12 percent) were either too vague to be meaningful or of minor policy interest, for example, 'implement the CCM manifesto' (yes, but what are the priorities?)[7]; 'fight evils in society'; 'show leadership'; 'instil responsibility'; promote both English and Kiswahili for MPs.[8]

Leaders of both CCM and CHADEMA used anti-private sector rhetoric to whip up popular support, much to the consternation of private sector representatives, including TPSF's Godfrey Simbeye and

2 Athuman Mtulya 2015. 'Muhongo quits over escrow scam', *Citizen,* 25 January; Queenter Mawinda 2015. 'Muhongo resigns as JK reshuffles cabinet', *Guardian,* 25 January.

3 Bernard Lugongo 2015. 'PCCB says won't close escrow case files', *Citizen*, 18 May. This continued to be the PCCB position even after the sacking of the Bureau's DG Dr Edward Hosea in December 2015.

4 Makwaia wa Kuhenga 2015. 'How enjoyable it is to live in a democracy!', *Daily News*, 5 June.

5 Citizen Reporters 2015. 'Lowassa on Richmond, Ikulu bid and his health', *Citizen,* 26 May.

6 Daily News 2015. 'CCM presidential aspirants and their promises', 9 July.

7 Strong candidate Asha-Rose Migiro and eventual President Magufuli gave this response.

8 The main parties' positions on corruption, education, agriculture and manufacturing are laid out in: Election Platform 2015. 'Parties' stand on major issues', Citizen, 23 September.

CTI Chairman Dr Samuel Nyantahe. 'It was unfortunate that there is talk of repossessing privatised firms, idle farms and renegotiat[ing] gas contracts.'[9]

The final selection of CCM's compromise candidate is a saga in itself that cannot be summarised in a few words.[10] An alleged attempt to influence the outcome of the lengthy selection process was foiled when police and PCCB officials arrested an Indian national carrying TShs725m in two suitcases, allegedly for distribution to 'members of the CCM general congress and higher party organs.'[11] Amit Kevarami (31) was said to be an employee of *Quality Group*, a company owned by businessmen Yusuf Manji. Dodoma regional police commander, David Misime, subsequently declared Mr Kevarami innocent: he was about to return the money to the bank after his intended purchase of cereals fell through, he said.[12]

On 25 October 2015, elections were held for the Union President, Members of the National Assembly, the President of Zanzibar, Members of the House of Representatives of Zanzibar and Local Councils. The ruling CCM party retained the presidency, with John Pombe Magufuli winning over 58 percent of the vote compared to CHADEMA's Edward Lowassa's 40 percent, making it the closest election of the multi-party period (**Table 1.1**).[13]

Table 1.1: Presidential election results, October 2015

Candidate	Party	Votes	Percent
John Pombe Magufuli	CCM	8,882,935	58.5
Edward Ngoyai Lowassa	CHADEMA	6,072,848	40.0
Others	Various	238,079	1.5
Total		15,193,862	100

Source: TEMCO 2015. General Elections Report, p 149. 402,248 votes were deemed invalid or blank.

CCM won 195 (74 percent) of the 264 constituencies, CHADEMA 35 (13 percent) and CUF 32 (12 percent), while NCCR-Mageuzi and ACT-Wazalendo each won a single seat. UKAWA coalition parties CHADEMA, CUF, and NCCR-Mageuzi won 68 constituencies (26 percent).[14]

The majority (59 percent) of the *Tanzania Election Monitoring Coalition* (TEMCO) observers maintained that the irregularities observed during the elections were not serious enough to influence the outcome. However, 'anecdotal … evidence show that in many circumstances the law [Election Expenses Act] was flouted and the enforcement mechanisms did not work properly.'[15] According to

9 Finnigan wa Simbeye 2015. 'Businesses urge politicians to tone down rhetoric', *Guardian*, 29 September. Magufuli said he would take nonperforming firms back into public ownership, while Lowassa said he would renegotiate mining contracts. CHADEMA chairman Freeman Mbowe 'saw nothing wrong with Lowassa's promises.'

10 See: Dickson Ng'ihly 2015. 'NEC axes Membe', *Guardian on Sunday*, 12 June; Damas Kanyabwoya 2015. 'CCM nomination enters crucial stage', *Citizen*, 9 July; Damas Kanyabwoya 2015. 'CCM members differ over Lowassa's elimination from race', *Citizen*, 12 July; Reporters 2015. 'CCM candidate for Ikulu to be known today', *Citizen*, 12 July; Ayoub Ryoba 2015. 'Industrious Magufuli CCM picked candidate amid 'excessive democracy', *Citizen,* 15 July; Nelly Mtema 2015. 'For Magufuli, there are no debts to repay, no camps to reward', *Daily News*,Special Magufuli nomination supplement, 20 July; Pius Msekwa 2015. 'How CCM conducted its presidential candidate selection process', *Daily News,* 23 July.

11 Guardian Reporters 2015. 'Manji agent nabbed in alleged Sh700m bribe', *Guardian,* 12 July.

12 Rachel Chimbwete 2015. 'RPC: Sh700m not for bribes', Citizen, 15 July.

13 TEMCO 2015. General Elections Report, page 149, citing National Electoral Commission. Six other parties' candidates shared the remaining votes.

14 The fourth member of UKAWA (NLD) did not win any seats.

15 TEMCO op. cit., page 109.See also: Tanzania Election Monitoring Committee 2016. 'Report on the 2015 elections in Tanzania', May.

the United States Department of State: 'Three media outlets, Channel Ten, TBC1, and Star TV, were each fined for broadcasting footage of "provocative" language during the election campaign.'[16] The *Commonwealth Observers'* report concluded that the elections were 'conducted in accordance with the laws of the United Republic of Tanzania, in a credible, peaceful and orderly manner' but went on to criticise 'the tallying and results process in Zanzibar, leading to the unexpected nullification of those elections by the Chairman of the ZEC,…' which 'cast a shadow on the entire process.' [17] As in previous elections, Zanzibar voters were evenly split between CCM and CUF, and delays in proclaiming the results led to suspicions that Zanzibar's Election Commission was under pressure not to declare a CUF victory.[18] Though there was little violence by Zanzibari standards, the nullification led to local and international outrage, and subsequent confirmation that the US$472m *Millennium Challenge Account* infrastructure grant would not be renewed.[19] The elections were run again in March 2016, and were boycotted by CUF.

1.5 Governance trends

'Citizens want public leaders with highest levels of integrity whom they can trust. They don't want corrupt, thieving and deceitful leaders.'[20]

Compared to 2014, or even earlier, parliament and parliamentary committees have been less effective in their watchdog role more recently. The end of Zitto Kabwe's chairmanship of the Public Accounts Committee (PAC) and an increase in its workload, a large reduction in the Controller and Auditor General's (CAG) budget, and the rejection of the proposed constitutional changes to reduce presidential and executive autonomy, all combined to weaken useful political debate or effective parliamentary committee oversight of MDAs.[21] It became clear that the PAC was selective in its targeting of grand corruption among MDA's. While TEA/IPTL was a legitimate target, the politically exposed pension funds, including NSSF, were let off the hook (**Chapter 9**).

In the build up to presidential and parliamentary elections, state resources, including those of the Bank of Tanzania and government budgets are particularly vulnerable to embezzlement on behalf of the ruling party and ruling elite. Grand corruption cases are linked to the election cycle: the External Payments Arrears (EPA) scam was said to have helped finance the 2005 elections that brought President Kikwete to power, though there is also evidence of massive private transfers with no obvious political rationale.[22] In the case of Escrow, the attraction to the elite of the Harbinder initiative to loot the Bank of Tanzania was that it would provide ample funds for the elections, though the distribution of the proceeds that became public knowledge in 2014 reveals across-the-board bribery with no red-thread indicating a well-orchestrated CCM fund-raising campaign.[23]

On November 17, the new National Assembly sat to elect a Speaker. The Clerk of the Assembly appointed Andrew Chenge to chair the session. By now TGR readers will know that Mr Chenge has been involved in every major corruption scandal since he gave his stamp of approval to the IPTL project in the early 1990s. Despite having to explain to the Ethics Secretariat how he came to be paid

16 United States Department of State 2015. 'Tanzania Human Rights Report 2015', Country Reports on Human Rights Practices for 2015, Bureau of Democracy, Human Rights and Labor, page 10: https://www.state.gov/documents/organization/252949.pdf.

17 Report of the Commonwealth Observer Group 'Tanzania General Elections 25 October 2015', p40.

18 Legal and Human Rights Centre and Tanzania Civil Society Consortium for Election Observation 2016. 'Report on the Unite Republic of Tanzania general elections October of 2015', March, Chapter 7.

19 Kevin Kelly 2016. 'US donor agency suspends $472m aid to Tanzania over Zanzibar elections', *Daily Nation,* 29 March. Negotiations for the second MMC grant were suspended in 2015 because of the TEA scam.

20 Alvar Mwakyusa 2015. 'JK extols virtues of ethical leadership', *Daily News*, 14 April. President Kikwete speaking at the inaugural session of the Leadership Ethics and Governance Programme at the Mwalimu Nyerere memorial Academy in Dar es Salaam.

21 Guardian Reporter 2015. 'Audit office faces 40% budget crunch', *Guardian*, 12 July.

22 Hazel Gray 2015: The Political Economy of Grand Corruption in Tanzania. *African Affairs,* 114, 382–403. http://journals.sagepub.com/doi/abs/10.1177/1464993416641587

23 EPA was a one-off transfer, whereas IPTL is a long-term source of rents.

TShs1.6bn following the Escrow scam, he remains one of the National Assembly's most respected and powerful figures.

Finally, in July, President Kikwete won the *African Achievers Award*, which is presented annually by the South Africa-based *Institute for Good Governance* in South Africa. The award is designed to recognise 'excellent individuals and organisations that have distinguished themselves while contributing to the growth and development of Africa.' Previous winners of the award include Archbishop Desmond Tutu.[24]

1.5.1 Voice and accountability

In July 2015, for the first time in Tanzanian history, former senior cabinet ministers were jailed for corruption. Basil Mramba and Daniel Yona were each sentenced to three years in prison plus a fine of TShs5m. They were originally charged in 2009 for abuse of power which cost the country TShs11.7bn.[25] The convictions were not seen as a victory for accountability so much as selective justice meted out to dispensable members of the previous (Mkapa) regime. [26]

After coming to power in October, President Magufuli wasted no time in showing he meant business on implementing his campaign promises to fight laziness, waste, and corruption in government. The new President adopted a hands-on approach to governance, intervening personally or through his Prime Minister Kassim Majaliwa, adopting a punitive (stick) rather than a restitutive (carrot) approach to problems of waste, laziness and corruption. **Chapter 5** describes the new challenges to press freedom and access to information posed by legislation passed in 2015. As a supplement to this final TGR of the Kikwete era, **Chapter 9** provides an overview of some of the main events during JPM's first year in power.

1.5.2 Rule of law

Deputy Finance Minister Mwigulu Nchemba 'thanked President Kikwete for what he described as upholding the rule of law [over Escrow]'.'[27]

'The LHRC's report on extra judicial killings by security forces in Tanzania submitted to the International Criminal Court reveals that a total 246 people died in the hands of security forces between 2003 and 2012.'[28]

'The road to Bagamoyo is … bound to be one of the busiest for much of the rest of this year…' [29]

The rule of law can be compromised by agents of state power and by private actors, acting individually or collectively.[30] 2015 witnessed a rising trend in such actions. Some denote the use of disproportionate force by the state; others are acts of violence by citizens against the state or against each other. Below we summarise trends in each during 2015.

In the build-up to the October elections, political violence was relatively rare, though skirmishes between supporters of rival political parties were not uncommon. In September, CCM and CHADEMA

24 Citizen Reporter 2015. 'JK wins African Achievers Award', *Citizen*, 25 July. JK topped the list of 1,202 nominees.

25 Reporter 2015. 'Mramba, Yona jailed', *Citizen*, 7 July. See **Chapter 2** for a discussion of the anomalies in the levels of fines compared to the amount of public resources stolen.

26 LHRC 2015: 182-3.

27 Daily News Reportr 2015. 'Funds flowing in as DPs open up', *Daily News*, 8 January. The deputy minister said the recipients of Escrow money, including Sethi, must pay tax on their ill-gotten gains, which seems to suggest that they would not be prosecuted. 'The government cannot let them walk freely without paying.'

28 Onesmo Olengurumwa, 2015. 'The recent attack on police stations, an indicator of state of insecurity in Tanzania', National Coordinator, Tanzania Human Rights Defenders Coalition, no date.

29 Wilson Kaigarula 2015. 'Only non-juju believers can tackle superstition', *Citizen*, 21 January. Bagamoyo is a popular venue for consulting witchdoctors.

30 'Corruption' of all kinds fits this description: here we are talking about violence involving injury and death, whether corruption is involved or not.

youth activists clashed in Tarime, just prior to CCM presidential aspirant Magufuli's arrival for a rally. The incident resulted in one death, five hospitalisations and the destruction of a CHADEMA candidate's car.[31] The October elections were relatively violence-free. A large show of force on Zanzibar may have contributed to the lack of violent protest when the results for the Zanzibar presidency were annulled at the eleventh hour. The decision was condemned by the *Commission for Human Rights and Good Governance,* the *Tanganyika Law Society* and the *Zanzibar Law Society*. International condemnation came from the *African Union*, the *East African Community,* the *European Union*, the *Commonwealth*, and the *United States Embassy*, all calling for the count to be resumed. Observers were informally in agreement that the votes in the constituencies were showing CUF's Seif Sharif to have won the Zanzibar presidency, beating CCM incumbent Mohammed Ali Shein, albeit by a narrow margin.[32]

In January, the government banned the activities of 'witch doctors' in response to growing concerns over the mutilation and murder of albinos, which was linked to the forthcoming elections.[33] But on 2 March, the police banned a well-publicised demonstration to State House by the *Tanzania Albino Society* on the implausible grounds that the demonstration might turn violent. Critics doubted that the government had the will to deal with the issue decisively. The *UN Resident Coordinator* to Tanzania, Alvaro Rodriguez, 'raised the red flag over the wave of attacks on people living with albinism.'[34] It was claimed that the incidence of albino maimings and killings is fuelled by politicians seeking office. 'In March, the *UN High Commissioner for Human Rights*, Mr Zeid Ra'ad al Hussein, condemned the wave of albino killings in Tanzania, warning that the upsurge could be linked to the forthcoming General Election campaigns.'[35] In June, Deputy Home Affairs Minister Pereira Silima admitted to parliament that reports linking albino killing to elections 'could be true'.[36] The following month, Vicky Ntetema, executive director of NGO *Under the Same Sun*, said she was "glad that finally this is an official acknowledgement" of the link between albino killings and politics.[37] Earlier, Minister of Home Affairs Mathias Chikawe had claimed that "41 cases were filed [against albino killers and abductors] during the last ten years and judgements have been issued for four cases in which … 14 people have been convicted." Chikawe described beliefs in the magical power of albino parts as "absurd in this modern era."[38] Just before the elections, the government reacted negatively to a documentary on albino killings in Tanzania.[39] It was reported that Kenyan albinos living close to the Tanzanian border were moved for fear of being targeted in relation to the forthcoming Tanzanian elections.[40]

Research suggests that almost all Tanzanians believe in witchcraft.[41] According to Maia Green: 'Witchcraft…transcends local and national culture and is part of daily life in all social settings and in all locations.'[42] While most Tanzanians identify themselves as either Christian or Muslim, 94 percent

31 Nick Branston 2015. How will Tanzanians vote on Sunday 25 October? The Battle for Bunge', *Africa Research Institute*, 13 October.

32 http://www.tanzaniatoday.co.tz/news/tanzania-election-winner-declared-despite-vote-rigging-claims

33 Huffington Post 2015. 'Tanzania Bans Witch Doctors To Protect Albino People From Ritual Murder', 15 January. http://www.huffingtonpost.com/2015/01/15/tanzania-witch-doctors_n_6479802.html; James Kandoya 2015. Government forms task force to battle albinism', *Guardian,* 14 January; Saumu Jumanne 2015. 'Of witchcraft, economy and elections year', *Citizen*, 25 January.

34 Aidan Mhando 2015. 'UN condemns abduction of albino girl', *Citizen*, 9 January.

35 Bernard Lugongo 2015. ' 'Politicians killing albinos' ', *Citizen*, 28 May. Mussa Mwangoka 2015. '8 arraigned over albino attack', *Citizen*, 4 June; Kizito Makoye and Belinda Goldsmith 2015. 'Politicians warned about witchcraft with General Elections approaching', *Guardian*, 5 June; Alvar Mwakyusa 2015. '14 on death row over albino killing', *Daily News*, 7 July. The UN claims that at least 74 (or 75) albinos have been murdered in Tanzania since 2000.

36 Kizito Makoye and Belinda Goldsmith 2015. 'Politicians warned about witchcraft with General Election approaching', *Guardian*, 5 June.

37 Morgan Winsor 2015. 'Politicians warn against witchcraft', *Daily News*, 21 July.

38 Alvar Mwakyusa 2015. '14 on death row over albino killings', *Daily News,* 7 July.

39 Daily News Reporter 2015. 'Govt condemns 'biased' albino film', *Daily News,* 16 October.

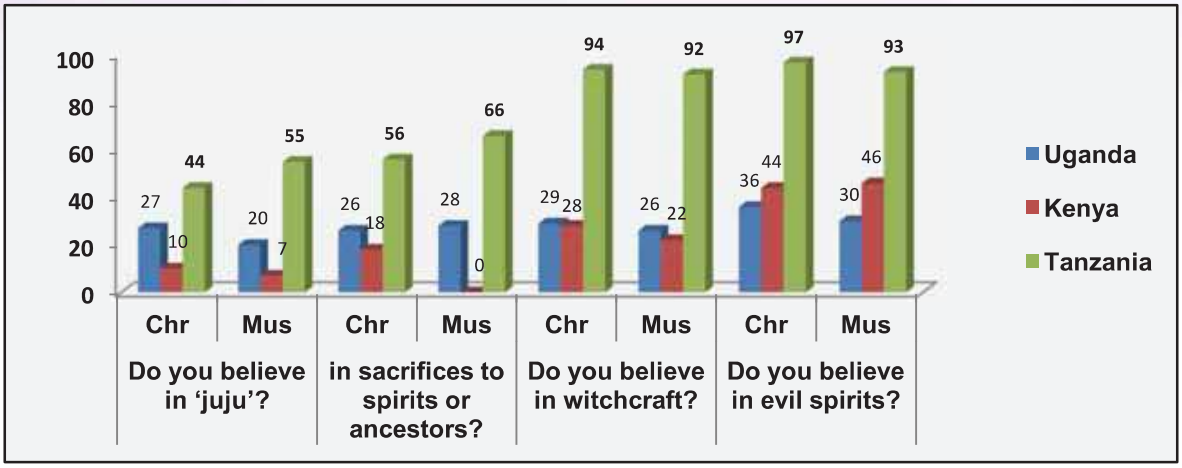
40 Nairobi 2015. 'Kenya's albinos moved away from Tanzania border amid witch doctor threat', *This Day,* 28 September.

41 Pew Forum on Religion & Public Life 2010. 'Tolerance and Tension: Islam and Christianity in Sub-Saharan Africa', April. http://www.pewforum.org/files/2010/04/sub-saharan-africa-full-report.pdf.

42 Maia Green 2014. *The development state: Aid, culture and civil society in Tanzania*, Woodbridge: James Currey, page 141.

also believe in witchcraft, far higher than in other African countries.[43] **Figure 1.1** compares Tanzania, Uganda and Kenya on witchcraft and related beliefs.[44] Tanzanians are more than three times as likely as Ugandans to believe in witchcraft. No Kenyan Muslims profess to believe in making sacrifices to spirits or ancestors, but two out of three Tanzanian Muslims do.[45]

Figure 1.1: Supernatural beliefs, Uganda, Kenya and Tanzania, percent



Source: Pew Forum on Religion & Public Life 2010. 'Tolerance and Tension: Islam and Christianity in Sub-Saharan Africa', April. http://www.pewforum.org/files/2010/04/sub-saharan-africa-full-report.pdf. 'Yes' answers are reported. Chr=Christian respondents, Mus=Muslims. Sample size: Christians 907, Muslims 539.

In 2013, police in Simiyu (Lake Zone) recorded 121 murders related to witchcraft, inheritance and crimes of passion (love, jealousy, and vengeance). In 2014, the figure was 112.[46] Other headlines give a flavour of gruesome extrajudicial practices: 'Katavi police nab 3 for killing, beheading and cooking man';[47] 'High court sentences three to death for beheading woman'.[48] Relatives accuse their elders of witchcraft in order to grab their land and other property. 'Tanzanian rights groups recorded 765 witchcraft related murders in 2013, but warned the real figure is likely far higher.'[49]

Finally, 2015 also saw numerous acts of collective violence and suspected terrorism. The 'culture of lawlessness and lack of respect for the police has grown to the extent that … police officers themselves have become victims of mob violence and banditry.'[50] Some violent events pitting youth mobs against the police during 2015 are reported in **Box 1.1.**

43 Pew Forum op. cit.

44 Though the data are not recent, beliefs like these are unlikely to change rapidly over the short- to medium-term.

45 The full 'juju' question was: 'Do you believe that juju, shrines, or other sacred objects can protect you from bad things happening?'

46 Faustine Fabian 2015. 'Over 100 people murdered in 12 months: police', *Citizen*, 9 January.

47 Peti Siyame 2015. 'Katavi police nab 3 for killing, beheading and cooking man', *Daily News*, 26 January. The victim, 31 year old Richard Madirisha was beheaded and dismembered by five assailants. His head was boiled in a pot outside his house, while his arms, legs and private parts were 'cooked in another container.' He was accused of eloping with another man's wife.

48 Meryciana Nyamuda 2015. 'High court sentences three to death for beheading woman', *Guardian*, 22 July; Shaaban Ndyamukama 2015. 'Old woman killed over witchcraft allegations', *Citizen,* 22 July.

49 Erin Byrnes 2015. 'Murder, magic as Tanzania tackles killings', *Citizen*, 23 January. The author is quoting Paul Mikongoti of the LHRC.

50 Damas Kanyabwoya 2015. 'Lawlessness a frightening culture: view', *Citizen,* 4 February. Views expressed are attributed to Former President Ali Hassan Mwinyi on the opening of National Law Week.

Box 1.1: A rising tide of street violence, and terrorism?

On January 2, **Dar es Salaam** saw a second outbreak of street gang violence, when the so-called ***Panya Road*** gang ran amok after the death of one of its leaders, who had been killed by vigilantes on New Year's Eve. Over 500 arrests are said to have followed. Panya Road is one of a number of teenage street gangs that periodically wreak havoc in parts of the city, moving in large groups, and stealing from individuals and businesses. Dar es Salaam is an increasingly heavily policed city and these incidents are seen as indicative of the police's inability to control rising levels of violent crime. On 9th March, three men appeared before the **Kisutu Resident Magistrates' Court** charged with five counts of facilitating acts of terrorism within and outside the country. The charges were linked to police claims that ***Al Shabaab*** were mobilising to commit terrorist attacks in **Tanga region**. On 13th July, gangsters shot and killed four policemen at **Stakishari Police Station** in Dar es Salaam, one of a growing number of armed attacks on police stations across the country, usually sparked off by the arrest, detention, or death in custody of one or more citizens. Some attacks on police posts, when arms and amunitions are stolen, are said to be linked to terrorism. On 22nd July, twenty three people appeared in Kisutu Magistrates Court on charges including possession of arms, bomb making equipment and **Tanzania People's Defence Forces** uniforms.

Sources: Jimmy Lwangili 2015. 'Panya road arrests continue in Dar', *Daily News*, 7 January;

Karama Kenyunko, 10th March 2015: http://www.ippmedia.com/frontend/index. php?l=78199; Calvin Onsarigo 2015. http://allafrica.com/stories/201507210383.html; Onesmo Olengurumwa 2015. 'The recent attack on police stations, an indicator of state of insecurity in Tanzania', Tanzania Human Rights Defenders Coalition, no date.

Examples of police violence against opposition politicians and their supporters are reported in **Chapter 5.**

1.5.3 Corruption control

'Corruption is a way of life in the Tanzanian society.'[51]
'President Kikwete said the [integrity] pledges signed yesterday [14th August] were to ensure that the state is free from corruption besides acting as a warning to those involved in corrupt practices.'[52]
Chairman of the CEO Roundtable Ali Mfuruki 'said that evidence of official corruption has been mounting, raising fears among foreign investors…'[53]

Concern with levels of official corruption continued during the build-up to the 2015 elections. In January, President Kikwete reshuffled his cabinet after the resignation of Minister of Energy and Minerals Sospeter Muhongo and Minister of Transport Dr Harrison Mwakyembe. PAC chairman Zitto Kabwe cited various CAG and TRA reports of corruption and waste in a number of areas, including Dar es Salaam Port, TTCL, tax exemptions, various development projects, cashew marketing, and the diversion of budgeted funds, including the fuel levy. [54] CAG findings are reported briefly in **Chapters 2** and **3**.

In August, President Kikwete and private sector representatives 'signed a declaration to combat corruption and promote ethics in the public and private sector as part of wider efforts to improve good governance.' "Grand corruption kills the national economy and petty corruption is a nuisance", he opined. Cynics wondered why JK made this gesture at the end of, rather than at the beginning of, his 10-year presidency.[55] The answer appears to be that the signing is part of 'implementing international agreements under the *African Peer Review Mechanism*.'[56]

51 Damas Kanyabwoya 2015. 'What graft in CCM says about Tanzania', Citizen, 5 August.
52 Frank Aman 2015. 'Kikwete signs three integrity pledges', Guardian, 15 August; Syriacus Buguzi 2015. 'JK sets out plans to combat corruption', *Citizen,* 15 August.
53 Frank Aman 2015, op. cit.
54 Athuman Mtulya 2015. 'Muhongo quits over escrow scam', Citizen, 25 January; *Citizen* Reporter 2015. 'PAC tables step to end govt waste', *Citizen,* 30 January; Peter Nyanje 2015. 'MPs uproar over runaway corruption in government', *Citizen,* 31 January.
55 Frank Aman 2015, op. cit.
56 Ibid. Emphasis added.

The *Global Corruption Barometer 2016* (2015 data) published by *Transparency International* asked respondents how well they thought the government was performing in fighting official corruption. Fifty-eight percent replied 'badly' or 'very badly' compared to 37 percent who replied 'well' or 'very well'. For every respondent replying 'very well', nine respondents replied 'very badly'. [57] A quarter of interviewees said they had paid a bribe to one of six listed government agencies in the previous year.[58]

The systemic corruption that plagued the Kikwete presidency was the key issue that opposition parties, CHADEMA in particular, focused on in their attempt to put an end to decades of CCM hegemony. All this changed when Edward Lowassa, Kikwete's former close ally and Prime Minister until the Richmond scandal, failed to secure CCM's endorsement to run for the presidency, and immediately decamped to CHADEMA (27 July), [59] whose presidential candidate he became on behalf of the UKAWA alliance.[60] Described as 'breathtakingly cynical' by CCM's Secretary General Abdulrahman Kinana, Lowassa's move was hailed by opposition parties as increasing their electoral chances.[61] Only CHADEMA's 2015 presidential candidate Wilbrod [62] Slaa resigned from CHADEMA, and CUF General Secretary Ibrahim Lipumba resigned his post in protest over UKAWA embracing Lowassa. More significant, there was no mass exodus of CCM politicians to the opposition, though four CCM MPs and numerous senior party officials, including regional chairpersons, defected in Manyara, Arusha, and Kilimanjaro, all pro-Lowassa regions, and Shinyanga.[63] Other defectors include former minister Lawrence Masha and deputy minister Makongoro Mahanga. The main reason given for following Lowassa to the opposition camp was corruption 'and lack of internal democracy' in CCM, which leads to the obvious question of whether these defects would have exercised the moral outrage of the defectors in the event of Lowassa clinching the nomination…[64] In his first public statement after resigning from CHADEMA, Dr Slaa, a former CHADEMA presidential candidate, declared that most of those who had followed Lowassa to CHADEMA 'are of dubious probity and are generally corrupt.' Slaa described Lowassa as 'one of the most corrupt politicians in the country'. Mr Slaa claimed that 'the Lutheran church was firmly behind' Lowassa and that 30 Catholic bishops had received bribes of between TShs 60 and 300m. [65] Dr Slaa was ordained as a RC priest in 1977 and is a former secretary of the *Tanzania Episcopal Conference.*

During his campaign, Lowassa declared that he tried to get the Richmond deal stopped after convening permanent secretaries in all relevant ministries, 'only for "higher authorities" to veto his suggestion'.[66] CHADEMA Legal Advisor Tundu Lissu repeated the claim that Kikwete was behind Richmond.[67] But those waiting for Lowassa to 'spill the beans' on corruption under the Kikwete regime as part of his electoral campaign were disappointed. Indeed, though he attracted vast crowds throughout the country, his speeches were short and lacklustre, fuelling rumours that he was seriously ill.

57 Transparency International 2016. 'Global Corruption Barometer', Sample size 2,386. The Barometer findings are reported in more detail in Chapter 2.
58 These were courts, police, utilities (power, water), identity documents, voter cards, etcetera, schools and health facilities. Transparency International op. cit.
59 Attilio Tagalile 2015. 'Could Lowassa's defection mark CCM's demise?', *Guardian Weekend Review*, 2 August.
60 Citizen Reporter 2015. ' Richmond, Lowassa and the race for Ikulu', *Citizen,* 30 May; Lawrence Kilimwiko 2015. 'Past political blunders that may haunt Lowassa', Guardian, 7 June.
61 Abdulrahman Kinana 2015. 'Tanzania cannot be allowed to be the new front for terrorists', Congress Blog, 10 September. Lowassa was the joint UKAWA candidate.
62 Numerous spellings of Dr Slaa's first name are used in the media.
63 The highest-profile defectors were former PM Frederick Sumaye (22 August) and CCM elder statesman Kingunge Ngombale Mwiru (3 October). Anthony Tambwe 2015. '2015 events in retrospect', Daily News, 31 December. Prominent diplomat and businessman Juma Mwapachu also jumped ship in support of Lowassa, claiming that a Lowassa victory "will change the political map of the country."
64 Songa wa Songa 2015. 'Will Lowassa spill the beans?', *Citizen,* 21 August
65 Ibid.
66 Ibid.
67 Lillian Lucas 2015. 'War of words as Lissu links JK with Richmond', *Citizen,* 16 September.

Most CHADEMA members seem to have embraced Lowassa with open arms. One is forced to conclude that anti-corruption was not a core element of the opposition's agenda, or of the electorate's priorities, a point illustrated by an *AfroBarometer* survey of 2014.[68]

We cannot know how many votes Lowassa's corrupt past lost UKAWA in the October elections, compared to how many votes his wealth and popularity earned.[69] Had he been the CCM candidate, it is highly likely that he would have garnered considerably more votes than the eventual winner.[70] It is ironic that President Magufuli took up anti-corruption as one of two main themes of his presidency, thereby stealing what is normally the opposition's thunder.

Public expectations concerning the likelihood of successful corruption control remained low. In a study undertaken in July and August 2015 in Dar es Salaam, Mtwara and Lindi, respondents (n=3,000) were asked whether they thought corruption would likely rise or fall in coming years. Three out of five (60%) thought corruption would increase (see **Chapter 4**).[71]

1.6 Conclusion

'10 years of successful national governance.'[72]
'Whatever happened to the man who inspired so many?'[73]
'IMPUNITY is the major problem here. As long as these public figures know they will not meet some serious repercussions for their engagement in corrupt and abuse of power practices, they will continue to steal from the people they lead. …[74]

Jakaya Kikwete's decade in power ended in a peaceful transition to 'Phase 5', with Zanzibar and the aborted constitutional review the main outstanding political issues. Despite a relatively poor business environment, FDI and economic growth continued at high rates throughout his decade in power. Inflation was brought down and budget deficits kept at tolerable levels, though poor tax performance, rising public debt and 'contingent liabilities' became major concerns during Kikwete's second term.

On dissolving the 18th parliament in July 2015, President Kikwete listed 'his achievements' over the previous decade, in no less than 28 areas.[75] As regards corruption, he claimed the number of cases appearing in court had increased from 50 in 2005 to 1,900 in 2014, and that TShs87.8bn 'had been saved.'[76] In agriculture, a sector in which he admitted failure, the main success was an increase in the agriculture budget from TShs233bn in 2005/06 to TShs1,085bn in 2014/15.[77] His government's achievements on the economy, investment, mobile phones and health were more convincing.

A review of past TGRs suggests that Kikwete's governance performance was mixed. During his first term, parliament enjoyed a brief period of relative empowerment, with a vibrant opposition and more credible committee system, and both civil society and the private media flourished.[78] Kikwete did not actively oppose these trends, which reflected a growing political opposition, donor pressures, and activism by both local and international NGOs.

68 TGR2014, chapter 7. Elisante John 2015. 'Zitto: Magufuli, Lowassa equally corrupt', Guardian, 8 August.
69 Damas Kanyabwoya 2015. 'CCM members differ over Lowassa's elimination from race', Citizen, 12 July.
70 Attilio Tagalile 2015. 'Could Lowassa's defection mark CCM's demise?', Guardian, 2 August.
71 Alexander Wright Cappelen, Odd-Helge Fjeldstad, Cornel Jahari, Donald Mmari, Ingrid Hoem Sjursen, Bertil Tungodden 2016. 'Not so great expectations: Gas revenue, corruption and willingness to pay tax in Tanzania', CMI BRIEF Volume 15 No.4, March.
72 Gabby Mgaya 2015. '10 years of successful national governance', Daily News, 8 April. Lead article in the Daily News supplement 'Ten years of Kikwete's government'. The eight page supplement covers tourism, Sino-Tanzanian relations, mining (large-scale), soccer, energy (gas), and agriculture. There is no further mention of 'governance'.
73 Erick Mwakibete 2015. 'What happened to the man who inspired so many?', Citizen, 12 April.
74 LHRC 2016: 198.
75 Aisia Rweyemamu 2015. 'JK: This is what I achieved', Daily News, 11 July; Asia Rweyemamu 2015. 'President Jakaya Kikwete dissolved the 10th Parliament on Thursday', Guardian, 11 July.
76 Ibid. If correct, this could indicate a rapid rise in the incidence of corruption under his watch, while the 'savings' indicated are a small fraction of the losses incurred.
77 Guardain Reporter 2015. 'JK: I have failed agriculture sector', Guardian, 10 June.
78 Athuman Mtulya 2015. 'Graft will certainly tarnish JK's legacy', Citizen, 24 June.

During this period, both scandals rocked the ruling donor confidence, despite cabinet reshuffles (and stolen funds).[79] However, in 2014, the convenient was somehow above the horse-trading of political his regime, and shortened senior cabinet ministers, weak (see **Textbox**). The elements in the party against of international open tolerance of private media the EPA and Richmond party's reputation and high-level resignations and some symbolic return of with the Escrow revelations myth that State House sordid machinations and corruption that punctuated the tenure of numerous began looking increasingly reaction by conservative Kikwete's endorsement governance initiatives and and civil society intensified after Escrow. Parliamentary Committees were emasculated, the CAG budget was slashed, the constitutional review guillotined, and dramatically repressive legislated passed by parliament concerning access to information and freedom of speech, as discussed further in **Chapter 5.**

'Plausible deniability'
When a head of state denies knowledge of or involvement in a major corruption scandal, he is practicing plausible deniability, implying that his advisors, agents, ministers and other appointees were working on their own account. In a presidential system, maintaining such a myth requires the suspension of all critical faculties. But to challenge the plausibility of the myth is to risk annoying the repressive state apparatus, that also answers to State House….

After Escrow, President Magufuli's frontal attack on corruption, waste and laziness in government provided further proof of the governance shortcomings of the Kikwete years. Surveys by *Transparency International,* the *World Bank*, the *World Economic Forum*, *Afrobarometer* and other pollsters indicate flat or declining performance during the Kikwete decade in core aspects of governance, including service delivery and public goods, corruption control, media and civil society freedom, economic reform and regulation. These trends should not be particularly surprising given that it was competitive money politics that brought Kikwete to power (a first in Tanzanian politics) and which further emasculated already fragile state institutions during his incumbency. Continued in-fighting after his election led to numerous cabinet reshuffles (most notably the resignation of PM Lowassa), 'ushering in' (according to one commentator) 'the chaos and dithering that came to characterize his rule.'[80] Rather than crown his legacy as a leader and statesman, the aborted constitutional process showed Kikwete to be beholden to the most conservative elements in the ruling party.[81]

President Magufuli claims not to be part of any power network within CCM. His status as a compromise candidate to resolve the Kikwete-Lowassa stand-off gives credence to this claim. Still it remains to be seen how long his war on corruption and waste can last in the absence of robust institutions, political support or public mobilisation. These points are discussed further in **Chapter 9.**

A review of the governance record of the Kikwete decade is yet to be written. A major theme for such a review would be the effect of the consolidation of competitive politics on the political system, including the rising cost of maintaining political order. In a long opinion piece ahead of the 2015 elections, Pius Msekwa, former speaker of the house and vice chairman of CCM, said the following:

> 'IT has always been my contention that multi-party democracy is essentially a product of the political culture of Western countries, and in countries where this particular culture does not exist, such countries have faced a variety of challenges affecting the smooth operation of the multi-party political system. [82]

These challenges include violence, when opposition parties fail to accept election results, and the phenomenon of 'crossing the floor' to the opposition. The piece is an unstated criticism of Lowassa,

79 Numerous scandals of the Mkapa era first came to light or were addressed during Kikwete's first years in power. See TGR2006/07.

80 Erick Mwakibete 2015. 'What happened to the man who inspired so many?', *Citizen,* 12 April.

81 Damas Kanyabwoya 2015. 'Leaving behind a credible legacy may elude Kikwete', *Citizen,* 15 April.

82 Pius Msekwa 2015. 'The hidden challenges of multi-party politics', *Daily News*, 3 September.

and has a limited definition of what a 'culture of democracy' entails, but Msekwa has surely hit on an import topic, though not one that can be further examined here.

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To date, Policy Forum has published a total of seven TGRs covering the 10 years of the Phase 4 government (2005-15).[83] TGR2015-16 is the last in the present series.

Appendix 1.1: Promises of CCM presidential aspirants

Promises	N	%	cum
Improve, revitalise, modernise, strengthen the economy, industrial sector, make Tanzania a middle-income country	31	21	21
Fight corruption, ensure honesty, good governance, freedom of expression	29	20	42
Fight poverty, underdevelopment, ignorance, disease, improve living standards, bridge rich-poor gap, remove emerging social classes	15	10	52
Strengthen private sector, foreign and local investment, industry, tourism, energy sector, infrastructure, natural resources	13	9	61
Develop agriculture, irrigation	8	6	67
Fight unemployment, labour crisis, train skilled labour	8	6	73
Strengthen the Union, unity and solidarity, peace	4	3	76
Implement the CCM manifesto	4	3	79
Peace, justice, love, solidarity, equality before the law, rule of law	4	3	82
Fight evils in society	4	3	85
Improve social services, education	4	3	88
Consolidate gains of current administration	3	2	90
Lead with fear of God	2	1	91
Lead without discrimination	2	1	92
Strengthen international cooperation	2	1	93
Strengthen CCM, consolidate its economic base	2	1	94
Uplift women and children	2	1	95
End donor dependence	2	1	96
Instil responsibility among Tanzanians	1	1	97
Overtake other EA countries	1	1	98
Show leadership	1	1	99
English and Kiswahili for MPs	1	1	100
Research obstacles to development	1	1	101
Supervise revenue collection	1	1	102
Total	**145**		

Source: Daily News 2015. 'CCM presidential aspirants and their promises

Note: The number of 'promises' per aspirant varied from one (e.g. 'implement the CCM manifesto') to eight, with an average of 3.8.

83 Available at http://www.policyforum-tz.org/pf-governance-studies

Chapter 2: Public money and national governance

2.1 Introduction

'Of the revenue collections for [FY2014/15], 39 per cent come from Customs and Excise (taxes on imports), 43 per cent from Large Taxpayers Department, and … 18 per cent from the Domestic Revenue Department.'[84]

During 2014/15, Tanzania's economy continued to grow at about 7 percent per annum, driven largely by construction, communication, finance, and transport.[85] Nominal GDP for the year was TShs 84.3 trillion.[86] Headline inflation fell from 6 percent in January 2014 to 5.6 percent for 2015, driven largely by lower fuel prices.[87] According to the *International Monetary Fund* (IMF): 'Macroeconomic performance in Tanzania remains strong and medium-term prospects are favorable.'[88] Between 2008 and 2015, agriculture, livestock, forestry and fishing fell from 27 to 22 percent of GDP, industry and construction increased from 20 to 23 percent, and services, including government, rose from 47 to 49 percent. Within the industrial sector, manufacturing stagnated at 7.4-7.5 percent of GDP, while construction rose from 7.5 to 10.4 percent, reflecting the ongoing high-rise boom in Dar es Salaam. Mining fell dramatically from 19 to 8 percent of GNP during this seven year period.[89]

The main story of 2014/15 is the continued struggle to balance the national budget in the face of falling aid receipts and low levels of tax collection. Though the national debt is still considered manageable, recourse to non-concessional borrowing and the accumulation of arrears to suppliers, contractors and pension funds is not considered sustainable in the medium- to longer-term. Growing debt led to a rapid increase in public debt servicing,[90] which was projected to absorb approximately 12 percent of total domestic revenues in 2014/15, compared to only seven percent in 2011/12.[91]

2.2 Taxation and aid

'…with successes in revenue collections, we have been able to reduce donor dependency in our budgets from 42% to 15%.'[92]

During FY 2014/2015, TRA collected a total of TShs10.8 trillion against a target of TShs 12.1 trillion, an undercollection of 11 per cent of revenue targets.[93] This was the third year in a row that collections missed targets.[94] At the same time, aid transfers fell in response to the Escrow/IPTL scandal and

84 David Tarimo 2015. 'Where might Finance minister look for more revenue?', *Citizen,* 10 June.

85 International Monetary Fund 2016. Press Release 16/347, July 2016.

86 Or USD US$39bn. National Audit Office 2016a. 'THE ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2015 CENTRAL GOVERNMENT, March, page 58.

87 IMF 2016 op. cit., page 4.

88 International Monetary Fund 2015. 'UNITED REPUBLIC OF TANZANIA, SECOND REVIEW UNDER THE POLICY SUPPORT INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE DIRECTOR FOR UNITED REPUBLIC OF TANZANIA', IMF Country Report No. 15/181, July; Reporter 2015. 'IMF tips Dar for economic upturn', *Daily News*, 20 March.

89 World Bank 2016. 'The Road Less Traveled: Unleashing Public Private Partnerships in Tanzania', Tanzania Economic Update, 8th Edition, May, page 52.

90 'Debt servicing' is paying interest on loans and repaying loans according to loan agreements. 'Defaulting' on debts means the borrower fails to meet either the interest or the loan repayment on time.

91 http://www.mof.go.tz/mofdocs/PER/Newslater/PER%20Annual%20Progress%20Report%20-%202014.pdf.

92 President Kikwete quoted in *Africa Confidential,* Vol 56, No. 15, July 2015, page 5.

93 Polycarp Machira 2015. 'TRA saw 8.4 pct drop in tax collection in 2013/14 – CAG', *Guardian,* 21 May; David Tarimo 2015. 'Where might Finance minister look for more revenue?', *Citizen*, 10 June.

94 NAO 2016a:28. In 2013/14 the tax target was missed by 8 percent.

the cancellation of the Zanzibar election results. Arrears to contractors, pension funds, Tanesco and others rose sharply, from 3.7 percent of GDP in 2012/13 to around 7 percent in 2014/15.[95] On the positive side, TRA data suggest that tax exemptions fell from 4.4 percent of GDP in 2011/12 to only 1.9 percent in 2014/15.[96] In January, the PAC called for an audit of all tax exemptions 'to determine their merit.'[97]

Tax disputes pitting the TRA against private companies are increasingly common, and may drag on for years. In January, PAC chairman Zitto Kabwe cited outstanding tax cases dating back to 2002 amounting to an estimated TShs1.7tr. In 2012, companies challenged tax assessments totaling TShs137bn. Mining companies were the main complainants.[98]

Donor agencies have advocated increasing tax revenues and the number of Public Private Partnerships as means of reducing budgetary deficits and increasing public investment. PPPs are discussed in **section 2.3.3.1**.

2.2.1 Tax exemptions

Tax exemptions were said to be worth TShs1.4tr in 2012/13.[99] Attempts to increase tax revenues include the reduction of tax exemptions. In 2011, 44% of all tax exemptions were for VAT.[100] The 2014 VAT Bill was designed to abolish a range of VAT exemptions and reduce MOF discretion in granting them. In addition, according to the Bill: 'investors with TIC [Tanzania Investment Centre] certificate of incentives, investors in EPZs and SEZ as well as those with strategic investors' status will no longer enjoy VAT exemption.'[101] However, the Bill was criticised on the grounds that 'it does not indicate how transparent the process and its outcomes will be', despite promises in the Minister of Finance's 2014/15 budget speech that 'there would be [a] high level of transparency in granting exemptions.'[102] Without transparency, unfair favours can be corruptly accorded to non-deserving sectors or (even worse) companies or individuals, undermining the key justification for awarding exemptions, namely public needs and welfare.[103]

Past TGRs have documented how CSOs and FBOs, including *Action Aid*, the *Tax Justice Network - Africa* and *Policy Forum*, campaigned against tax exemptions, particularly for the extractive industries, for a number of years. The 2014 legislation was therefore seen as a victory as it 'has incorporated most of domestic stakeholders' views on reducing exemption[s].' However, 'it has not incorporated the views of making the exemption process and results transparent by way of putting in the public space the names of those who have enjoyed exemptions.[104]

Private sector responses to the 2014 Bill were predictably critical. In particular, private sector representatives complained that the government took no notice of their concerns in formulating the Act. The official view is quite the reverse: that strong private sector lobbying seriously 'diluted' the intention of the Act to control the extent of exemptions. Tourism retained its VAT exemption, as

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95 World Bank 2016, op. cit., page 15, citing MOF figures.

96 NAO 2016a: 58 citing TRA statistics and 'CAG's own calculations'.

97 Christopher Majaliwa and Alvar Mwakyusa 2015. 'PAC now calls for audit of all tax exemptions', *Daily News,* 14 January.

98 Bernard Lugongo 2015. 'PAC seeks conclusion of cases on Sh1.7tr tax', *Citizen,* 20 January.

99 Bernard Lugongo 2015, op. cit.

100 CMI Brief 2015. 'Shaping the tax agenda: Public engagement, lobbying and tax reform in Tanzania', Volume 14 No.5 July. Seventeen percent of exemptions were for private companies and individuals, and 15 percent for TIC incentives.

101 Ngowi, Honest and Olan'g, Silas Analysis Of The Value Added Tax (Vat) 2014 Bill, Tax Administration Bill 2014 and Investment Policy 1997, report submitted to Action Aid Tanzania for the Tax Justice Network, page 7.

102 Ngowi et al., page 8.

103 Frank Kimbloy 2015. 'PAC report reveals how tax exemptions cost TZ dearly', *Citizen,* 30 January; CMI Brief 2015, p. 4. Public goods oriented exemptions include basic food stuffs and medicines. There is a large gray area—what about solar energy products, for example?

104 Ibid. 'However, it has not incorporated the views of making the exemption process and results transparent by way of putting in the public space the names of those who have enjoyed exemptions.

did business operating under the framework of the *Economic Processing Zones Act* and *Special Investment Processes Zones Act*. Exemptions granted by the Tanzania Investment Centre remained.[105]

A 'race to the bottom' describes a state of 'beggar my neighbour' competition between similar countries to attract foreign investors. In fact, research suggests that tax incentives are not a major concern for investors compared to a predictable, fair and transparent tax regime. A 2015 survey of investors in Tanzania ranked the *tax regime* as the most important factor making business difficult, followed by electricity supply and the *level* of tax. Both tax administration and the level of taxes have become more serious business constraints in recent years.[106] The VAT debate should be seen within this wider context.

2.2.2 Revenue leakages

Certain cash-rich sectors generate substantial tax revenues that often do not end up in the treasury. Tourism, in particular hunting and wildlife tourism, generate large revenues through taxes and fees, the destination of which is virtually unknowable. Two rent-seeking mechanisms are involved. First, the non-competitive allocation of hunting blocks allows favoured individuals and companies to harvest rents by on-selling their blocks or enter JVs with foreign investors. Second, the multiple taxes and fees paid by tour and hunting companies are often untraceable or consumed in corrupt procurement exercises. For example, revenues from hunting licences:

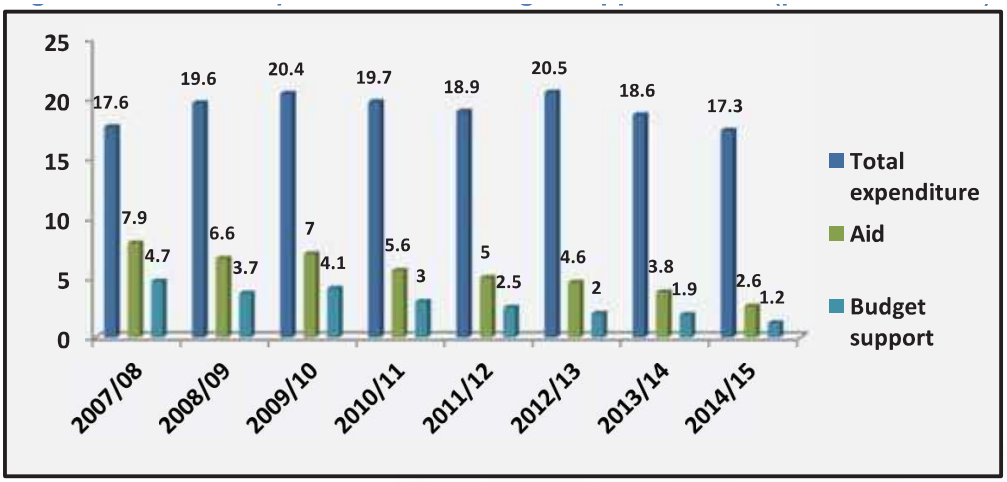
> '…travel through various accounts including the Permanent Secretary in the Ministry of [Natural Resources and] Tourism, the ministry account, the Treasury, the Tanzania Wildlife Protection Fund, local governments and local communities. It is no surprise that even the Controller and Auditor General has not been able to confirm the utilization of these revenues.'[107]

The considerable tax income generated from game parks and other attractions is often 'privatised' in one way or another. Complex and non-transparent tax systems increase transaction costs for businesses and discourage tax compliance.

2.2.3 Budget support

The secular decline in total concessionary aid and budget support noted throughout the TGR series continued during the reference year (**Figure 2.1**).

Figure 2.1: Public expenditure and budget support trends (percent of GDP)



Source: World Bank 2016:16, citing MoF and IMF

105 The list of exempt items and sectors was an improvement on the 1998 act, but was significantly longer than originally proposed in May 2014.

106 TPSF 2015. 'Business Leaders' Perceptions of the Investment Climate in Tanzania – 2015', page 3.

107 Jacques Morisset 2015. 'TZ tourism: Elephant in the room', Citizen, 29 January.

While total public expenditure hovered between 18 and 20 percent of GDP between 2007/08 and 2014/15, total aid transfers fell from eight to three percent of GDP, and budget support from 5 to 1 percent of GDP during the same period.[108] Whereas aid financed 45 percent of public expenditures in 2007/08, it only financed 15 percent in 2014/15.[109]

While 'Escrow' can hardly be considered the only cause of declining budget support, it certainly contributed to the downward trend, and to the budgetary shortfall discussed above.[110] The budget support freeze did little to improve relations between government and donors, with the former arguing strongly that it was improper for donors to link the two.[111] By the time donors started releasing budget support in January 2015, the financial and reputational damage had already been done.[112] Since Escrow had not been satisfactorily resolved, budget support donors had effectively failed in their bid to enforce accountability over the scam.

2.3 Public expenditure[113]

'Shortfalls in the collection of domestic revenue and external non-concessional borrowing have forced the Government to implement a range of fiscal adjustments, including cuts to non-priority recurrent expenditures; the delayed implementation of development projects; and the accumulation of additional arrears with suppliers and pension funds.'[114]
"…sourcing about Sh60 trillion in five years should not be a serious problem…"[115]

On June 30th 2014, Minister of Finance Saada Mkuya Salum announced a budget of nearly TShs20 trillion, over US$12bn.[116] Approved estimates for recurrent expenditure in 2014/15 for MDAs and RS were TShs 11.6 trillion, an increase of 17 percent over the previous year. The Minister stressed the government's determination to reduce the level of tax exemptions.[117] Actual recurrent budget funds released during 2014/15 were TShs 11.2 trillion, or 96 percent of estimates.[118] Approved estimates for development expenditure for MDAs and RS were TShs 4.4trillion, 13 percent less than the previous year.[119] But actual development expenditure, at just under TShs 3 trillion, was only 67 percent (two-thirds) of estimates.[120]

According to the Public Expenditure Review (PER) *Annual Progress Report*, implementation of the 2014/15 budget faced 'significant challenges'. In the first quarter, revenue targets were missed by about 10 percent, thanks to shortfalls in VAT and income tax collection. 'This financing gap was exacerbated by the slow disbursement of external aid, notably budget support in the context of the IPTL scandal.'[121] Revenue shortfalls translated into the non-disbursement of budgeted funds, for example, by March 31, three-quarters of the way through the FY, PMO and its institutions had received only 54 percent of development budget allocations; district, city and municipal councils

108 Budgeted 'basket' and project funding also declined significantly in FY2014/15.
See: https://www.pwc.com/tz/en/assets/pdf/budget-speech-2014.pdf, p64.

109 World Bank 2016: 16. Aid includes grants and concessional loans with a grant element of 25 percent or higher.

110 Kizito Makoye 2015. 'Aid freeze over energy controversy a blow to Tanzanian economy', *Guardian*, 21 January.

111 John Kulekana 2015. 'When donors keep shifting goal posts in unlocking aid!', *Daily News,* 13 January.

112 Florence Mugarula 2015. 'Now donors release over Sh25bn in budget aid', *Citizen,* 9 January.

113 TGR2015 covers FY2014/15, so does not include the pre-election budget of 2015/16.

114 World Bank 2016, op. cit., page 13.

115 Samuel Kamndaya 2015. 'Sh60tr needed for mega projects', *Citizen*, 3 September. The quote is from Professor Humphrey Moshi of UDSM.

116 https://www.pwc.com/tz/en/assets/pdf/budget-speech-2014.pdf, p56.

117 Reporter 2014. 'Govt to trim exemptions', *Guardian*, 13 June.

118 NAO 2016a: 28.

119 Felister Peter 2014. 'Third of budget set aside for development projects', *Guardian*, 13 June.

120 NAO op. cit., page 31; Reporter 2014. 'Where will govt get cash to fix Budget?' *Citizen,* 14 October.

121 http://www.mof.go.tz/mofdocs/PER/Newslater/PER%20Annual%20Progress%20Report%20-%202014.pdf

23 percent; and regional authorities only 18 percent. For the Ministry of Water the figure was 26 percent.[122]

The PER process includes representatives from Government, DPs, academia, the private sector and CSOs, and is designed to improve fiscal policy formulation and management.[123] However, lack of detailed technical analysis makes it difficult to assess the performance of individual ministries in terms of the efficiency and effectiveness of their financial management. There is a paucity of information on internal transfers of funds from one budget line to another, or between ministries. Budget issues for the main social sectors are discussed in **Chapter 3**.

Both *MKUKUTA II,* Tanzania's poverty reduction strategy, and the *Millennium Development Goals* came to an end in 2015. The government's performance in implementing these two strategies is discussed in **Chapter 8.**

The 2015 CCM manifesto committed the Phase 5 government to massive infrastructural developments worth many trillions of shillings, starting with the proposed SGR railway.[124] In September outgoing Minister of Transport Samuel Sitta said that the US$7.6bn SGR would be built by a 'consortium of Chinese companies' led by *China Railway Materials* who would put up 10 percent of the finance, while 'financial advisor *Rothschild* is finalising procedures for financing … the project through banks…'[125] Other projects included in the manifesto include the proposed US$10bn Bagamoyo port and Mwambani port in Tanga. The WB, DFID and TradeMark East Africa are already committed to upgrading berths 1 to 7 at Dar es Salaam Port at a cost of US$596m.[126] The latter project has the merit of a financial commitment, whereas all the other mega-projects require the buy-in from the 'private sector', which may or may not be forthcoming.

2.3.1 National debt

'Since the Multilateral Debt Relief Initiative (MDRI) in 2006/07, which reduced total public debt-to-GDP ratio from 47 percent to 19 percent, external debt ... increased to about 29 percent of GDP at end-June 2014.'[127]

'Debt service currently consumes approximately 25 percent of domestic revenues. As of June 2015, the Government had accumulated arrears to a value of approximately TZS 5 trillion (6 percent of GDP) with suppliers and pension funds.'[128]

'It is essential for preserving fiscal policy credibility that the budget for 2015/16 be based on realistic revenue and financial assumptions.'[129]

The national debt stock increased from about US$18.7bn in March 2014 to US$19.5bn a year later.[130] Most of the increase in the national debt is due to public and publicly guaranteed (PPG) external debt, with an increase in non-concessional (meaning commercial) borrowing. According to the IMF:

> 'At end-2014/15, more than two-thirds of public external debt was owed to multilateral institutions, primarily the International Development Association (IDA) and the African

122 Citizen reporter 2015. 'Where exactly does the money we pay in taxes go?', *Citizen,* 4 June.

123 http://www.tzdpg.or.tz/index.php?id=1229. The government no longer produces detailed PERs as it used to from the late 1990s to the mid-2000s, including vibrant discussions between government, DPs and civil society.

124 Henry Mwangonde 2015. 'Mega rail project 'to start soon'', *Citizen,* 1 September.

125 Samuel Kamndaya 2015. 'Sh60tr needed for mega projects', *Citizen,* 3 September.

126 Ibid.

127 IMF 2015 op. cit., page 2. The national debt rose to an estimated 37.5 percent of GDP by 2015/16.

128 World Bank 2016, op. cit., page xi-xii.

129 Staff Reporter 2015. 'Govt debts, spending worry IMF', *Guardian*, 21 March.

130 SPEECH BY THE MINISTER OF STATE, PRESIDENT'S OFFICE, SOCIAL RELATIONS AND COORDINATION HON. DR. MARY MICHAEL NAGU (MP) PRESENTING THE STATE OF THE NATIONAL ECONOMY 2014 AND ANNUAL DEVELOPMENT PLAN 2015/16, page 6.

> Development Bank (AfDB). Government borrowing from commercial sources amounted to about 30 percent of the public external debt stock at end-2014/15, against about 2 percent at end-2009/10.' [131]

The IMF said that 'debt distress' was not imminent since total public debt had declined from 41.5 percent of GDP in 2012/13 to 31.6 percent the following year.[132] However, local government and public enterprise debt 'are not captured due to lack of reliable and timely data.' The IMF argues that:

> 'To get a comprehensive picture of government domestic debt, several outstanding government liabilities and other contingent liabilities currently not accounted for in the debt stock' need to be taken into account, raising the internal debt to (a still modest) 7.6 percent of GDP. These debts 'include arrears to pension funds and loans to government entities, budget expenditure arrears, TANESCO's arrears to its suppliers, and other actual or contingent liabilities.' [133]

During 2014/15, the GOT exceeded the external borrowing ceiling agreed with the IMF, but the Fund issued a waiver. It appears that:

> 'The authorities failed to provide accurate information to the Fund with respect to the accumulation of new external arrears by the government. The inaccurate reporting of arrears data, associated with a government-guaranteed lease contract with a public enterprise, (sic) also gave rise to a non-complying disbursement under the SCF [Standby Credit Facility] arrangement.' [134]

In 2013, Tanzania started to borrow on international money markets on non-concessional terms for the first time**.** Towards the end of 2015 the U.K.'s Standard Bank admitted to wrongdoing in relation to a private bond that it negotiated on behalf of the GoT through its local subsidiary Stanbic Bank.[135] The contents of the controversial deal are related in **Chapter 4**.

2.3.2 Government guarantees and pension funds

'Social security funds could be thrown into a pension crisis due to a whopping SH9trillion debt the government owes, according to the Controller and Auditor General.'[136]

'According to the Finance minister Saada Mkuya…the government…has finalised modalities required for it to start repaying its debts to pension funds.'[137]

A government loan guarantee is a commitment that, if a borrower defaults on a loan, the Treasury will pay. This applies to loans between MDAs, for example, the University of Dodoma and NSSF, or between MDAs and private companies, for example, cashewnut purchasing, or to finance a private investor, for example, under an export guarantee scheme.[138] The government has found it increasingly difficult to meet its guarantees. In addition, government failure to pay its formal pension fund commitments adds to the rapidly growing national debt. This is ironic, since the government

131 Ibid., page 2. This represents central government debt only.

132 IMF 2015. 'UNITED REPUBLIC OF TANZANIA, SECOND REVIEW UNDER THE POLICY SUPPORT INSTRUMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR UNITED REPUBLIC OF TANZANIA', IMF Country Report No. 15/181, July; Reporter 2015. 'IMF warns on accumulating domestic debt', *Daily News,* 13 January.

133 Ibid., page 3. Staff Reporter 2015. 'Govt debts, spending worry IMF', *Guardian*, 21 March.

134 World Bank 2015. 'OPEN GOVERNMENT AND PUBLIC FINANCIAL MANAGEMENT DEVELOPMENT POLICY OPERATION', April 10, 2015. The waiver was granted because of 'corrective measures taken by the authorities to improve external debt management.' (page 62).

135 Guardian Reporter 2015. 'Govt: We knew about Stanbic bond bribery', *Guardian,* 2 December.

136 Frank Kimboy 2015. 'CAG report warns of Sh9tr pension crisis', *Citizen*, 22 May. The government owed LAPF TShs173bn, PSPF TShs479bn, PPF TShs276bn, NHIF TShs107bn, NSSF TShs828bn and GEPF Shs14 bn. See also: Frank Kimboy 2015. 'Pension funds' debts shames government', *Citizen,* 3 June.

137 Felix Lazaro 2015. 'We'll pay pension funds: govt', *Citizen*, 27 August.

138 See Policy Forum 2016. TGR 2014, Chapter 4 for further examples.

has a statutory obligation to guarantee pension payments to contributors in the event that the funds cannot do so ('contingent liabilities').[139]

Tanzania's five pension funds[140] had a combined membership of nearly one million in 2013. NSSF and PSPF account for three-quarters of all members.[141] Some controversial NSSF investments are discussed in **Chapter 4**.[142]

Readers of past TGRs will remember that in recent years the Public Accounts Committee (PAC) has investigated numerous suspect MDA transactions, including Escrow/IPTL. However, despite frequent critical comments on pension funds in CAG annual reports,[143] the PAC has never ordered an investigation into any one of them, including NSSF. In addition, the *Social Security Regulatory Authority* (SSRA) is not on record for any concerns it might have over the projects. In February, the parliamentary *Economic Affairs, Industry and Trade Committee* pointed out that the government owed pension funds TShs1.3tr by mid-2014.[144] A month before the presidential elections, President Kikwete said his government would settle the outstanding TShs439bn it owed the Public Service Pension Fund.[145]

In February it was announced that the country's six pension funds and NHC had launched a fund known as *Watumishi Housing Company Real Estate Investment Trust* to build and sell houses and commercial properties to the public, with an initial capital of TShs68bn, rising eventually to TShs358bn. [146]

2.3.3 Public investment, procurement and contracting

'Vision 2025; the 15-year Perspective Plan (2010-2025); the First Five-Year Plan (2011- 2016); MKUKUTA (2011-2015); and Big Results Now (2012-2015) all identify PPPs as important means to mobilize the large amounts of financing necessary to facilitate infrastructure development.' [147]

By international standards, public investment in economic and social infrastructure in Tanzania is low. Development expenditure averaged about six percent of GDP between 2007/08 and 2014/15, leading the World Bank to conclude that: 'Tanzania's massive infrastructure deficits, particularly in the power and transport sectors, have had a significant negative impact on both the business sector and people's welfare.'[148] Lack of finance meant that 'many investments in infrastructure prioritized under the FYDP [Five Year Development Plan] and the BRN [Big Results Now] were either underfunded or not implemented at all.'[149]

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139 World Bank 2014. 'PUBLIC EXPENDITURE REVIEW: GOVERNMENT PENSION OBLIGATIONS AND CONTINGENT LIABILITIES', Policy Note, November.

140 NSSF (National Social Security Fund), PSPF (Public Sector Pension Fund), PPF (Parastatal Pension Fund), LAPF (Local Authority Pension Fund) and GEPF (Retirement Benefit Fund).

141 This is the latest year for which aggregate figures are available. PPF had 242,530 members at the end of June 2015 and an income from members of TShs 503.6 billion from January 2014 to June 2015: http://www.ppf.or.tz/home/common/uploads/annual_reports/ar2015.pdf.

142 A web crawl suggests that NSSF has not published an annual or financial report since 2010/11.

143 For example, NAO 2016a.

144 Citizen reporter 2015. 'Committee warns of ballooning debts', *Citizen,* 5 February.

145 Alex Malanga 2015. 'JK to pay PSPF Sh440bn debt before leaving', *Citizen,* 17 September. TGR could not establish whether the outgoing president kept his word. 'The government borrowed the money to implement different development projects.'

146 Daily News reporter 2015. 'Pension funds, NHC team up in 358bn/- real estate development', *Daily News*, 19 February.

147 Reference misplaced.

148 World Bank 2016. World Bank 2016. 'The Road Less Traveled: Unleashing Public Private Partnerships in Tanzania', page 23.

149 World Bank, op. cit., page 24. Projected funding requirements for 2011-15 were TShs 43trillion, compared to actual development spending of TShs 22trillion.

The CAG reported that by the end of June 2015, the *Tanzania Petroleum Development Corporation* (TPDC) owed private natural gas suppliers *Songas* and *Pan African Energy* TShs 50bn and TShs 61bn respectively.[150] In December, Songas threatened to close down its Ubungo plant because of Tanesco's unpaid bills of US$100m.[151]

2.3.3.1 Public Private Partnerships

Public-Private Partnerships (PPP) have been proposed as a means of diversifying sources of capital, increasing investments in infrastructure, and raising efficiency.[152] A recent WB report lists the proven virtues of PPPs in helping to finance infrastructure development. 'Successful' Tanzanian PPPs identified by the WB are: telecommunications,[153] Tanesco/Netgroup, TPA/TICTS,[154] and TPDC/Songas.[155] Examples of failed PPPs, from electricity supply, urban water, aviation (ATC/SAA) and airport management (KIA), to telecommunications (TTCL) and the Central Railway/RITES, have been reported in the TGR series. TGR concludes that Tanzania's experience with PPPs has been unimpressive on the whole, with contractual disagreements leading to litigation and/or a summary termination of the partnership. The WB admits that 'PPPs can be more expensive than publicly procured projects if they are not selected and implemented appropriately.'[156] The most 'sustainable' PPP—IPTL—is a case in point, challenging the WB claim that: 'Tanzania has a robust legal and institutional framework for the establishment and implementation of PPPs.'[157]

2.3.3.2 The National Development Corporation

In its 2014-15 audit of public authorities and other bodies, the CAG highlighted weaknesses in the *National Development Corporations* (NDC) PPP investment portfolio.[158] Irregularities were noted in the implementation of the huge Mchuchuma (coal to electricity) and Liganga (iron and steel) projects. In 2011, NDC, *Sichuan Hongda (Group) Company Limited* and *Tanzania China International Mineral Resources Ltd* (TCIMRL) signed an agreement concerning TCIMRL, a 'special purpose' JV company formed to develop the Mchuchuma and Liganga coal and steel projects with a potential injection of US$600m of equity by Sichuan Hongda.[159] The two projects are valued at a massive US$3bn. But NDC has no funds to inject into the project.[160] Over TShs 13bn in compensation had not been paid to citizens affected by the two projects. There was no Power Purchase Agreement (PPA) between Tanesco, NDC and the JVC concerning the 600MW of power to be generated by the project, pending Tanesco's due diligence on Sichuan. Tanesco had slated PPA discussions for

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150 National Audit Office 2016b. 'ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT OF PUBLIC AUTHORITIES AND OTHER BODIES FOR THE FINANCIAL YEAR 2014/2015', page 56

151 Guardian Reporter 2015. 'Cash strapped Songas threatens to shut down Ubungo turbines', *Guardian,* 3 December. Arrears started accumulating during the power crisis of 2012.

152 For example: Khalid S Mtwangi 2015. 'Public-private ownership needed in TRL', *African*, 28 December.

153 Telecommunications (US4bn of investment commitments) is very much driven by large international players, with senior politicians and businessmen as share-holders and board members of the big mobile phone companies. Arguably, regulation has been a considerable success, but the sector can hardly be characterised as a PPP.

154 Of all PPPs, after IPTL, the longest-lasting has been TICTS, who run the container depot at the port. The PPP partners are politically well-connected, which was a problem for all the other initiatives, that were undermined by the selection of weak private partners and resistance from the parent ministry, partner EA, or workers' unions. Low technical capacity to negotiate complex contracts was a common constraint, and much of the technical analysis was undertaken by consultants.

155 World Bank 2016. 'The Road Less Traveled: Unleashing Public Private Partnerships in Tanzania', page 33. Savings from natural gas power generation were delayed by nearly a decade as a result of IPTL hijacking Songas, which had already reached an advanced level of negotiations when IPTL came on the scene. The initial gains of the NetGroup PPP with Tanesco were not sustained.

156 WB op. cit., page 34.

157 Ibid., page 35. The corrupt complicity of the country's bureaucracy and legal system in Escrow/IPTL was one of the main themes of TGR 2014. The WB admits that the 'challenge' is to 'actually implement this framework.' (So why describe it as 'robust'?).

158 NAO 2016b. 'Pubic authorities and other bodies annual general report', pages 14

159 NAO op. cit., page 144. Equity is split 80-20 between Sichuan and NDC.

160 Felix Lazaro 2015. '$3bn needed to develop Mchuchuma, Liganga', *Citizen*, 14 January. NDC depends on government transfers, worth only Shs7bn in 2013/14.

early 2017, thus delaying the projects and incurring additional costs.[161] NDC is also involved in the loss-making *General Tyre* plant in Arusha, *Engaruka Soda Ash* plant, and a €17m *Biolarvicides Manufacturing* with *Biological and Pharmaceutical Laboratory* (LABIOFAM) in Kibaha. 'Despite an official opening ceremony … on 2nd July, 2015, to date, the Industry (sic) is yet to start production due to technical problems with … the installed equipment ...' NDC has yet to begin servicing the loan that built the plant. [162]

As an important vehicle for 'crowding in' private investment in Tanzanian mining and industrial JVs, NDC has yet to produce a single success story. The stalled Mchuchuma and Liganga projects are still key components of the country's industrialisation strategy.[163] In May 2015, Minister of Industry and Trade, Dr Abdallah Kigoda, announced that the twin projects would start officially 'before the end of this year.'[164] Since NDC has no access to development finance, it is dependent on the PPP partner to finance JVs. At best, NDC owns the title to the land and natural resources to be developed by the partnership. At worst, it is simply a gate-keeper to facilitate foreign investment, for which it captures rents. NDC's most common PPP partners are Chinese corporations with access to large amounts of development finance.

2.3.3.3 TANESCO

Tanzania's power utility 'is in the process of shifting from expensive fuel-based generation to gas-based generation in most of its power plants.'[165] Recurrent power crises over the last two decades reflect the failure of GOT policy to replace diesel-fuelled power generation by natural gas, while retaining a hydro-based 'backbone.' The gas-fuelled Kinyerezi power projects Phases I to III (690MW) and other projects will boost power supply in the short- to medium-term. After years of ranking power supply as the major constraint on their activities, businesses began to enjoy a more uninterrupted power supply, though, to the embarrassment of the government, there was one final round of power rationing just before the October elections.[166] Three days before the elections, the government mouthpiece *Daily News* still managed to conjure up the debatable claim that: 'Tanesco has excelled in 'powering' [the] nation.' [167]

2.4 Transparency and accountability

'President Jakaya Kikwete has directed relevant state organs to book … government officials implicated with misappropriation of public funds.'[168]

Since 2011, Tanzania has been a member of the *Open Government Partnership* (OGP), which monitors budget transparency in about 100 countries worldwide in terms of opportunities for public participation in the budget process and the level of parliamentary and supreme audit oversight. Tanzania's 2015 *Open Budget Survey* score of 46/100 is about the global average (45/100) but worse than Uganda (62/100) and Kenya (48/100).[169] Tanzania performed poorly in public participation in the budget process (33/100) but did well in supreme audit (50/100), confirming recent TGR findings that the CAG has produced timely reports in recent years that have been put to good use in parliamentary committees. However, the *Independent Reporting Mechanism* (IRM) *Progress Report* for 2014–15

161 Ibid.

162 NAO op. cit., pp 141. The loan is accruing interest at 12% p.a. By the end of 2015, NDC had accrued losses of TShs1.5bn on the project.

163 Leonard Mwakalebela 2015.' Mchuchuma Coal Mine for Takeoff', *Daily News*, 27 May.

164 This did not happen. Samuel Kamndaya 2015. 'How China will drive Dar's plan for industrialisation', *Citizen,* 27 May.

165 NAO op. cit., page 152.

166 Katare Mbashiru 2015. 'JK hurt he ends term with power rationing', *Citizen,* 14 October.

167 Maureen Odunga. 'Tanesco has excelled in 'powering' nation', *Daily News*, 22 October.

168 Citizen Reporter 2015. 'JK: Punish eaters of public money', *Citizen*, 29 March.

169 Tanzania Open Budget Survey 2015: www.internationalbudget.org; Anne Robi 2015. 'Dar ranks low in provision of budget information', *Daily News*, 12 September.

concluded that the country was behind schedule in implementing the majority of commitments in the OGP plan.[170] According to a study by UDSM academics John Jingu and William John: 'OGP has been of limited usefulness in driving progress on open government in Tanzania.'[171] Moreover:

> 'OGP processes are dominated by a small group of actors both in the government and civil society…; a government in which there is little bureaucratic engagement with open government; and the existing agendas of key actors, including donors. These factors, combined with regular government reshuffles, have restricted the ways in which OGP has been able to enhance the scope, sustainability, and participatory nature of open government. Tensions between and within government and civil society remain a prominent feature of the open government landscape, and the leverage reform champions can exert, even when using OGP inputs, is limited, as aptly demonstrated by efforts to pass an access to information bill.'[172]

In May 2015, President Kikwete opened an *Africa Regional Meeting* of the OGP, and used his opening address to chastise those (including donors) who had questioned the recently passed Statistics Act and Cybercrimes Act (See **Chapter 5**).[173] Mr George Mkuchika, Minister of State in the President's Office (Good Governance), proposed a comforting vision of an 'informed society' in which "leaders will be accountable and transparent to their citizens because we need to be proactive in providing information to our people." [174] In an oped, Sylivester Ernest noted that 'a lot of changes have happened [since Tanzania signed up for the OGP] which put in question the government's honest and pledge to citizens.'[175] The government is struggling to assimilate the challenge posed by social media, leading to the kinds of repressive legislation passed during the last year of the Kikwete regime (see **Chapter 5**).

In 2015, the World Bank loaned Tanzania US$100m to finance an '*Open Government and Public Financial Management (OGPFM) Development Policy Credit'*, intended to support adherence to the objectives of the OBP and BRN, discussed further below.[176] In early September, President Kikwete delivered a keynote address to a major international conference sponsored by the World Bank on the importance of open data for development in Africa. Tanzania was the first African country to 'apply the new *Open Data Readiness Assessment* methodology' (See **Chapter 6**).[177]

The WB and other donors are also funding projects related to land registration and management issues. Under OGP, the government committed to 'publish demarcated areas for large scale agricultural investment (farming and livestock keeping); publish all land use plans and make it accessible both at national and local levels; and make easily searchable land ownership database online.'[178] Ngunga Tepani concluded that these objectives have not been met, with civil society stakeholders 'expressing their disappointment at government inactivity, as some of this data/information should have been readily available as outlined in the action plan implementation document.'[179]

170 Ngunga Tepani 2016. Independent Reporting Mechanism (IRM) Progress Report 2014 –15: Tanzania, Open Government Partnership. These commitments included access to information, open data, open budgets, land transparency, and extractive industry transparency. To improve budget transparency, Tanzania should publish a Mid-Year Review and Year-End Report, increase the comprehensiveness of the executive's Budget Proposal, and increase the comprehensiveness of the enacted budget. See: http://www.opengovpartnership.org/sites/default/files/Tanzania_IRM_Progress_Report_2014-15_for_public_comment.pdf

171 John Jingu and William John 2016. 'Opening Government? The Case of Tanzania in the Open Government Partnership', Department of Political Science and Public Administration, University of Dar es Salaam, Global Integrity, Transparency and Accountability Initiative (T/AI), January.

172 Ibid. p i.

173 Faustine Kapama 2015. 'Kikwete to open OGP meeting in Dar next week', *Daily News,* 17 May.

174 Katare Mbashiru 2015. 'OGP meet ends with call for accountability, transparency', *Citizen,* 22 May.

175 Citizen reporter 2015. 'Are we honest on 'open government'?', *Citizen,* 17 May.

176 World Bank 2015. Report No. 90593-TZ, April.

177 Citizen Reporter 2015. 'Tanzania hosts open data conference', *Citizen,* 4 September.

178 Ngunga Tepani 2016, op. cit., page 27.

179 Ibid.

Finally, according to the IRM: 'The government … did not produce the annual self-assessment report by the 30 September 2015 deadline as required … . There were no comments recorded or submitted to IRM upon request.'[180]

Drafting TGRs requires visits to many official websites to seek official information. Though there are exceptions, many government websites are not kept up to date and sometimes basic information is either not available, difficult to access, or seriously out of date. It would be useful for a 'governance' CSO to review and monitor official websites' usefulness using these criteria.

2.4.1 Parliament and corruption control

'Tegeta escrow will go down in history as a major scandal.'[181]

The high-point of parliamentary empowerment, including combating corruption, came during President Kikwete's second term, and reached its zenith with the Escrow/IPTL saga in 2014. During the first months of 2015, the Escrow affair was still a hot parliamentary topic. The opposition pressed for the implementation of the parliamentary resolutions passed at the end of November to resolve Escrow,[182] and during the month of January 2015, further (relatively unimportant) arrests were made,[183] three parliamentary committee chairmen resigned, including Andrew Chenge,[184] and, most significantly, Minister of Energy and Minerals Sospeter Muhongo, also resigned.[185] Arguably, pressure to prove to donors that the government was actively addressing Escrow in order to trigger the resumption of budget support contributed substantially to these and other moves.

Is parliament an institution that can be expected to fight corruption effectively? Parliamentary oversight is exercised through its committees. The parliament has one 'crosscutting' committee (the Budget Committee) and ten sector committees, covering: Industries, Trade and Environment; Constitution and Legal Affairs; Foreign Affairs, Security and Defense; Administration and Local Government; Social Development and Services; Land, Natural Resources and Tourism; Agriculture, Water and Livestock; Infrastructure Development; Energy and Natural Resources; and Subsidiary Legislation.[186] Given their broad mandates to oversee entire sectors, these committees are hugely understaffed and under-resourced. Various donors have been involved in projects to address these deficiencies, but the integrity of the system leaves a lot to be desired, with examples of committee chairs and members using their oversight powers to extort rents from ministries to endorse their budgets or to ignore critical audits from the CAG (see **Chapter 4** for an example).

It is worth noting that the public does not perceive its national representatives as particularly corrupt. A survey by REPOA and Afrobarometer gave the following results (**Figure 2.1**).[187]

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180 Ngunga Tepani, op. cit., page 34. 'Civil society stakeholders said that none of them were contacted for self-assessment and expressed their concern over lack of involvement of civil society organizations during the implementation of both the first and second OGP action plans.'

181 Athuman Mtulya 2015. 'Tegeta escrow will go down in history as a major scandal', *Citizen*, 1 January.

182 Aidan Mhando 2015. 'Muhongo under pressure. Chadema calls for more and drastic actions on Parliament resolutions', *Citizen,* 4 January

183 Rosina John 2015. 'More state officials charged', *Citizen*, 21 January.

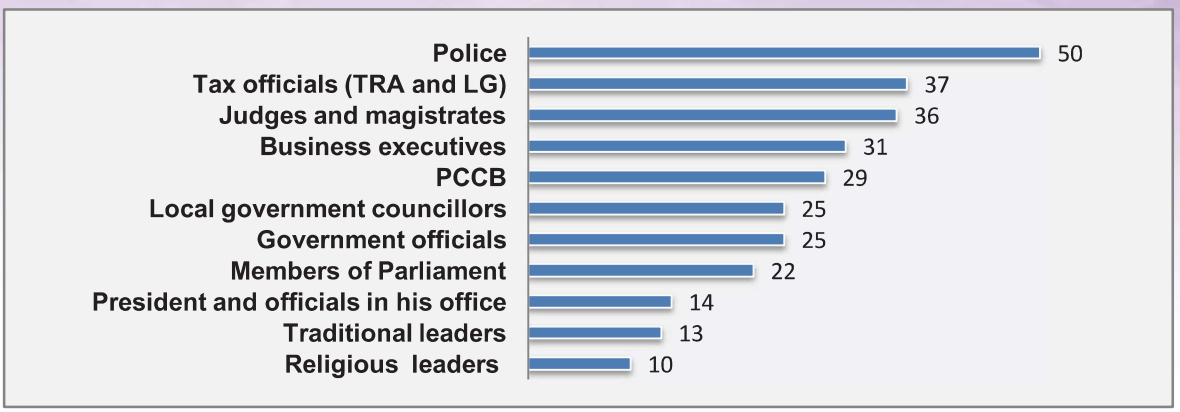
184 Katare Mbashiru 2015. 'Three MPs resign over escrow billions bounty. Chenge, Ngeleja, Mwambalaswa quit', *Citizen*, 22 January.

185 Queenter Mawinda 2015. 'Muhongo resigns as JK reshuffles cabinet', *Guardian,* 25 January.

186 http://www.parliament.go.tz/pages/committee-types.

187 Athuman Mtulya 2015. 'PCCB now features on corruption list', *Citizen,* 7 February. http://www.transparency.org/whatwedo/publication/people_and_corruption_africa_survey_2015

Figure 2.1: Public perceptions of corruption: 'most' or 'all' are corrupt (percent)



Source: Afrobarometer/REPOA 2015

Ordinary citizens are more likely to come into contact with the police, tax officials and magistrates than with MPs, officials in State House or the Prime Minister's Office. Arguably, the public can also be excused for not being familiar with the details of 'grand' and political corruption (see **Chapter 7** for further discussion).[188]

2.4.2 The judiciary

'Justice delayed is justice denied.'[189]

The wheels of Tanzanian justice turn extremely slowly, and cases can be tied up in court virtually indefinitely. In a notorious case, a judgement written in 2005 had not been delivered ten years later. The parties to the case are VIP Engineering and Marketing Limited, as plaintiff, who was demanding payment of over TShs 15bn from *Société Générale de Surveillance S.A.*, and its local branch SGS Tanzania Limited, as defendants. Records show that the judgment in the case was written, dated and signed by trial Judge Nathalia Kimaro in 2005', but for unknown reasons it was never delivered.[190] In January 1998, VIP ordered 3,000 metric tonnes of Pakistan long rice from M/S Orco International Ltd of Singapore at a price of US$802,500. The consignment arrived in Dar es Salaam in March 1998. On noting that the consignment was less than the amount ordered and of poor quality, VIP sued SGS. Eighteen years later, the case is still in court, and it remains unclear whose justice is being denied, VIP's or SGS's. VIP are demanding damages of US$2m a year, dating back to 2000. To date, no case has spent more time in the *Commercial Division* of the High Court.

TGR2014 showed how the country's law-courts were successfully manipulated by the protagonists of the Escrow scam. Yet neither the judiciary nor the *Tanzania Law Society* (TLS), responsible for the ethics of its members, made any move to sanction the judges and lawyers involved. Two judges, Prof Eudes Ruhangisa and Aloysius Mujulizi, were paid a total of TShs 445m by James Rugemalira out of the money he received for VIP's shares in IPTL. The head of state passed responsibility for 'dealing with the matter' to the Chief Justice, who was 'legally empowered to initiate the probe.' Quoting the constitution, Professor Chris Maina Peter of UDSM argued that the President was obliged to "initiate the process." [191] Though relatively minor players were arrested in relation to the scam, charges

188 Commenting on the findings, an official of LHRC, Hussein Sengu, said: "I strongly believe corruption is high in the President's Office." Athuman Mtulya 2015. 'PCCB now features on corruption list', *Citizen,* 7 February.

189 This legal maxim is attributed to William Ewart Gladstone, a nineteenth century British prime minister, but the attribution is contested. See: https://en.wikipedia.org/wiki/Justice_delayed_is_justice_denied

190 Faustine Kapama 2015. 'Court orders rice case judgement after 15 years', *Daily News*, 16 February. We lern from the article that Mr Rugemalira's wife Benedicta is Executive Chairperson of VIP.

191 Citizen Reporter 2015. 'JK move on escrow judges unconstitutional: lawyers', *Citizen,* 3 January.

against them were either withdrawn or (as is common) allowed to drag on, so that no convictions were made during the target year.[192] During 2015, VIP and PAP/IPTL continued to use convoluted judicial procedures to protect their interests against SCB-HK's claim to income from the IPTL plant.[193]

Can the court system be relied upon to fight corruption? The *Global Corruption Barometer* referred to in the previous section asked respondents which public services and institutions they had contact with, and whether they paid a bribe. Although only 12 percent of Tanzanian respondents had recent contact with the courts, an astonishing 35 percent of these said they had paid a bribe. For comparison, 18 percent said they had contact with the police, and 35 percent of these had paid a bribe.[194]

A recurrent refrain of past TGRs is that even when suspects are brought to court for stealing public money, there is a strong chance they will be acquitted. A case during the reference year involved an apparent conspiracy between officials of TRA and employees of the NBC involving TShs3.8bn. A resident magistrate dismissed the case through 'lack of sufficient evidence', even though evidence on the 14 counts presented by the prosecution was detailed and damning. The reporter observed that this was the third time that such a case had failed to achieve a conviction in this way.[195] Court cases related to the 2004 EPA scam mentioned in TGR2007/8 were still dragging on in 2015. In one such, a senior CCM cadre, three employees of the BoT and a private businessman were arraigned on charges of forging a 'deed of assignment' and negligence related to the theft of TShs5.9bn from the EPA account (US$5.8m in 2014 prices). The CCM cadre, Rajabu Maranda, had already served three years in relation to four other counts relating to EPA theft. The charges were dismissed on the grounds that "the prosecution has failed to prove beyond reasonable doubt all the charges against the accused" according to Resident magistrate Sundi Fimbo.[196] The time, effort and money wasted in bringing such cases to court only for them to be dismissed by district magistrates (not High Court Judges) through 'lack of evidence' are additional costs to the gross plunder of public resources that they are supposed to sanction.[197]

2.4.3 Prevention and Combating of Corruption Bureau and Ethics Tribunal

'PCCB staff will receive training on prosecution handling by the Serious Fraud Office and US based anti-corruption machinery so as to improve their competency.'[198]

'A common *mwananchi* … is severely punished for engaging in petty theft and corruption, and sees … public leaders engaging in grand corruption with impunity.'[199]

For public leaders 'to come out and say they received huge sums of money and did not think it necessary to ask what the money was for or say they did not know whether the money they received were a gift or not is a mockery of good governance and code of ethics for public leaders.'[200]

PCCB handles both 'petty' (small-scale) and 'grand' (large-scale) corruption. Though concerned with prevention through public education, PCCB is better known for its attempts to combat corruption, and has greatly expanded its activities at regional and district levels, with considerable donor support.

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192 Karumu Kenyunko 2015. 'No action yet from Chief Justice on judges implicated in Escrow scam', *Guardian*, 22 January.

193 See **Appendix 1** for details.

194 The assumption is that bribes paid amounted to extortion, which may or may not be the case. For example, in the 2014 East African Bribery Index, fully 37% of those who said they did not report a bribe admitted that they were the beneficiaries. See Transparency International Kenya 2015. 'East African Bribery Index Trends Analysis 2010-14', page 86.

195 Faustine Kapama 2015. 'Court acquits 5 over money laundering', *Daily News,* 6 July.

196 Rosina John 2015. 'Maranda, 4 others acquitted of Sh6bn EPA theft charges', *Citizen,* 1 September; Faustine Kapama 2015. 'Five set free over EPA rip-off', *Daily News*, 1 September

197 Faustine Kapama 2015. 'Five set free over EPA rip-off', *Daily News,* 1 September

198 Mkinga Mkinga 2015. 'Anti-graft official for more training, says JK', *Citizen*, 5 April.

199 LHRC 2016: 198.

200 LHRC 2015: 197.

Table 2.1 reports PCCB's performance since 2009.

Table 2.1: PCCB performance 2009-2015

	2009	2010	2011	2012	2013	2014	2015
Allegations received	5,930	5,685	5,084	4,765	5,056	5,456	5,000
Files opened	884	870	819	1,178	1,100	808	802
Files in progress	2,356	3,410	2,151	2,911	2,546	3,014	3,410
Files closed	616	416	323	273	209	204	164
Files referred to other departments/ agencies	152	135	84	72	98	31	4
Disciplinary action taken	40	29	30	27	19	15	40
Files sent to DPP	176	171	172	273	420	302	366
Files received from DPP	145	156	160	238	445	291	414
Files returned with DPP consent	57	58	79	135	267	164	269
Files returned for further investigation	62	71	70	95	169	113	133
New cases filed in court	222	227	193	288	343	256	361
Ongoing cases in courts	369	409	435	551	684	646	596
Conviction	47	61	52	47	89	135	179
Acquittals	73	98	61	71	62	142	202
Cases withdrawn	12	30	26	24	17	33	32
Appeals	9	15	10	6	16	5	2
Savings (TShs billion)	**0.43**	**10.10**	**4.6**	**9.7**	**4.3**	**39.4**	**6.5**

Source: http://www.pccb.go.tz/images/stories/case_statistics/Takwimu-Januari2016.pdf

Allegations of corruption fell by eight percent between 2014 and 2015, reaching their lowest level since 2012. A third of files (33 percent) sent to the *Director of Public Prosecutions* (DPP) for authorisation to prosecute were returned for 'further investigation', which was significantly fewer than the previous year (40 percent). The number of convictions obtained rose by a third (32 percent) since 2014, but the number of acquittals rose by 42 percent. Last, the estimate of savings made in public spending fell dramatically compared to 2014, though it was higher than the previous year.

Over the longer term, it is worrying that the expansion of staffing and investigative capacity of PCCB outside Dar es Salaam has been accompanied by a declining number of allegations of corruption brought by the public. In a 2014 study by Afrobarometer and REPOA cited above, 29 percent of respondents thought that 'all or most' PCCB officials were corrupt.[201]

In May, a disciplinary committee chaired by *Chief Secretary* Ombeni Sefue's cleared the minister and PS of MEM on charges of corruption and abuse of office over their role in Escrow. CCM MP James Lembei complained that it was unfair to clear some officials but not others, citing Edward Lowassa, Andrew Chenge and Anna Tibaijuka, on the grounds that it 'created divisions' ahead of the forthcoming elections.[202]

In August, PCCB filed charges against a number of public servants for receiving bribes from James Rugemalira in relation to Escrow between February and August 2014, while a number of public servants were grilled by the *Ethics Tribunal*. Bribes were worth in excess of US$4m. (**Table 2.2**)

201 Athuman Mtulya 2015. 'PCCB now features on corruption list', *Citizen,* 7 February.

202 Samuel Kamndaya 2015. 'Criticism mounts on govt over scams', *Citizen*, 16 May. Four former ministers were cleared of wrong-doing during the Operation Tokomeza Ujangili saga in 2014.

Table 2.2: Escrow-related charges files by PCCB, 2015, and Ethics Tribunal hearings

Escrow-related charges files by PCCB, 2015		Bribe
Name	**Position**	**TShs m**
Theophilo John Bwakea	Senior Engineer from the Rural Energy Agency (REA)	161.4
Rugonzibwa Theophil	Director of Legal Affairs at the Ministry of Land, Housing and Human Settlements Development	323.0
Rutta Julius Angello	Director of Finances at the Bank of Tanzania	161.7
Kyabukoba Mutabingwa	TRA Tax Exemptions Manager (four separate charges)	2,102
Steven Urassa	Senior Legal Officer at TANESCO	161.7
	Sub-total 1 **USD** 1.8m	2,909.8
Interviewed by Ethics Tribunal, February 2015		**TShs m**
Mr. Andrew Chenge	Former Attorney General and current MP for Bariadi West	1,600
Prof. Anna Tibaijuka	Former Minister of Lands, Housing and Human Settlements Development and current MP for Muleba South	1,600
Mr. William Ngeleja	Former cabinet minister and current Sengerema MP	40.4
Mr. Shaaban Gurumo	State House Comptroller	80.8
Dr. James Diu	Director of Economic Affairs at TCAA	80.8
Gullum Dewji Remtullah	Tabora Municipal Council Mayor	
Mr. Philip Saliboko	CEO at the Registration, Insolvency and Trusteeship Agency (RITA)	
Loicy Appollo	Deputy Commissioner for Tax Investigations at the TRA	80.85
Rugonzibwa Mujunangoma	Director of Legal Services at the Ministry of Land, Housing and Human Settlements Development	
	Sub-total 2 **USD** 2.2m	3,483

Andrew Chenge and Anna Tibaijuka received the TShs equivalent of US$1m each. Chenge explained the payment from VIP as 'consultancy fees'.[203] Professor Tibaijuka said her payment was to repay a loan she had taken out to build a dormitory at a private girls' boarding school. Mr Ngeleja said the money was to help develop his constituency, Mr Gurumo didn't know the reason for the transfer, Dr Diu claimed the money was to pay for his wife's hospital treatment, and Ms Appollo said the money was a loan to start a business. A number of cross-examinees described Mr Rugemalira as a 'family friend.' [204]President Kikwete replaced Mr Gurumo on 10th July.[205]

For Andrew Chenge, appearing before the Ethics Tribunal is the nearest he has ever come to seeing the inside of a courtroom, on the wrong side. He and others had tried to get the Tribunal's hearings annulled on technical grounds, but had failed. [206]As it turned out, the interviewees need not have worried, since there appears to be no publicly released record of the Tribunal's decisions or recommendations (the tribunal's website has not been updated since 2011). The Tribunal reports to the President and has no prosecutorial powers. In June, the public learned that 73 officials appeared before the Tribunal between

203 Bernard Lugongo 2015. 'Chenge: Sh1.6bn was for advice', Citizen, 7 August; Bernard Lugongo 2015. 'Ethics tribunal questions Chenge over escrow cash', Citizen, 8 August.

204 LHRC 2016: 186-96.

205 Guardian Reporter 2015. 'JK shuffles state house', Guardian, 11 July.

206 Rosina John 2015. 'State opposes Chenge petition', Citizen, 5 June; Guardian Reporter 2015. 'Interrogation: High Court quashes Chenge's appeal', Guardian, 27 June.
It was not inevitable that the High Court would refuse Chenge's request to cancel the Tribunal's hearings, but it was a shrewd move given donors' continued reluctance to disgorge GBS.

2011 and 2015. Eighteen were cleared and one was fined, while the others were given warnings.[207]

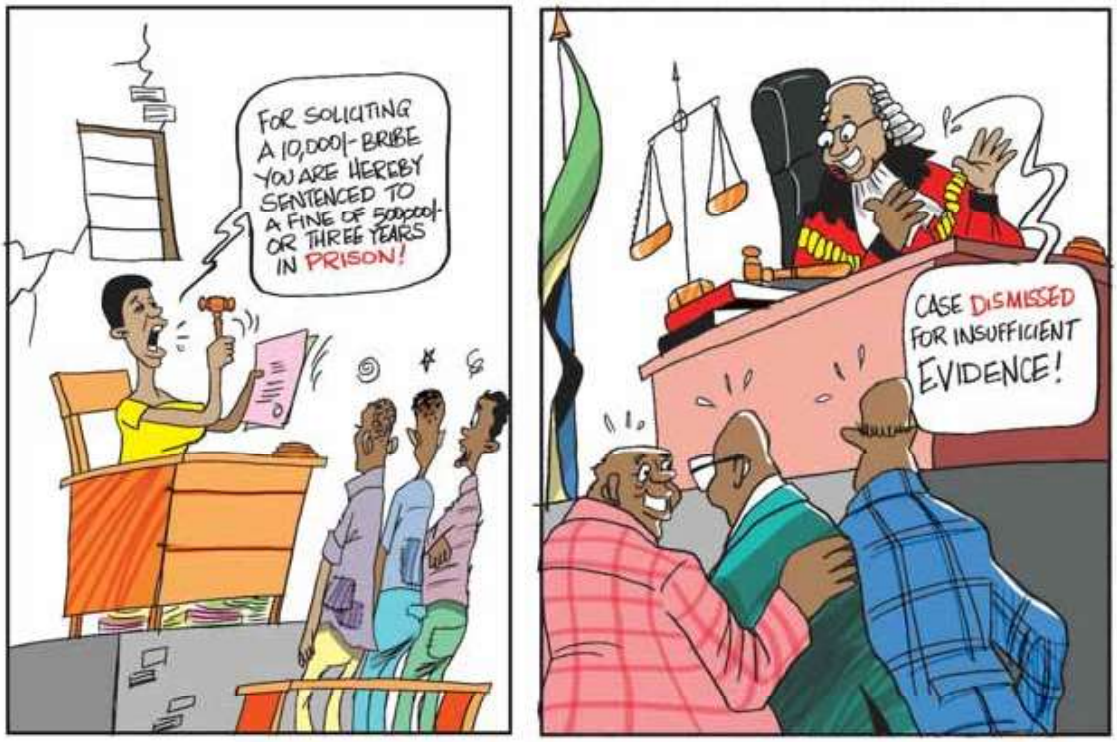
Though the LHRC report fails to note this anomaly, they do raise the issue of why the bribe giver, Mr Rugemalira, is yet to have his day in court:

> 'LHRC's understanding of anti-corruption law is that both the giver and receiver of bribe commit an offence. So this begs the questions, **"Where is Rugemalira in all this?"** The law dictates that if there are people who have been investigated and charged with receiving money from Mr. Rugemalira then surely he must also be investigated and charged with giving bribe.'[208]

Does the punishment fit the crime?

If a bribe of TSh10,000 can be punished with a Shs 500,000 fine or a three-year prison sentence, then *pro rata* a TSh1.6bn Escrow bribe would merit TSh80bn in fines or 480,000 years in goal.

TGR 2014 commented that the majority of cases brought to court by PCCB are for petty bribery and extortion. The article titled: 'PCCB arrests village chairman for receiving Sh100,000 bribe' is reporting a trivial misdemeanour, many orders of magnitude below the theft of public resources by politicians and officials at higher levels described above. [209] PCCB's *'List of Shame'* reports many such cases, involving sums as low as TShs10,000. For example, the first List of Shame entry reports a TSh10,000 bribe which was punished with a TShs 500,000 fine or three years in prison.[210] If punishments were handed out pro rata, the fines imposed on Tanzania's most notorious rent-seekers would be many billions of shillings or hundreds of thousands of years in gaol (see **sidebar**)[211]



207 Asia Rweyemamu 2015. '15 govt officials appear at ethics tribunal every year', Guardian, 10 June. This information came from Minister of State in the President's Office (Good Governance), Geoge Mkuchika in response to a parliamentary question. The Tribunal is not bound by law to publish its findings.

208 LHRC 2016: 188.

209 Shaaban Ndyamukama 2015. 'PCCB arrests village chairman for receiving Sh100,000 bribe', Citizen, 20 January.

210 PCCB's 'List of Shame' www.pccb.go.tz.

211 The punishment is 50 times the crime. So an Escrow payment of TShs 1.6b would earn a penalty of TShs 80 billion. If a year of goal is worth (500,000/3=) TShs 166,666, then punishment would be 480,000 years incarceration, which is 7,869 lifetimes (at 61 years Tanzanian male life expectancy).

Commentators have blamed the failure of PCCB to prosecute key grand corruption cases like escrow/IPTL on lack of 'political will',[212] while others have questioned the integrity of PCCB staff.[213] On the instruction of PAC, the PCCB investigated the Escrow/IPTL scam for evidence of corruption. The findings of the PCCB report are the subject of speculation. Anti-Escrow campaigner David Kafulila claimed that the report was suppressed because it contained evidence of the involvement of State House staff in the scam.[214] Prime Minister Mizengo Pinda was accused of breaking his promise to parliament that both CAG and PCCB reports would be presented to parliament. Continued efforts by Kafulila to bring the PCCB report to parliament failed.[215] PCCB director general Dr Edward Hoseah reacted by promising that "you will soon see more people dragged to court immediately after we accomplish our investigations."[216]

In December, President Magufuli summarily dismissed Dr Hoseah, but not over his failure to prosecute the perpetrators of Escrow/IPTL.[217] In November, London based *Standard Bank Plc* paid fines amounting to US$37m to avoid prosecution over a scam involving the bribery of Tanzanian officials in 2013 to obtain a lucrative contract to float a US$600m sovereign bond on the London bond market.[218] It transpired that PCCB had been investigating the scam for some time, which included *Stanbic Bank*, Standard Bank's Tanzanian affiliate, and senior government officials, but had not brought any prosecutions.[219] News of the UK settlement forced Dr Hoseah to admit that PCCB were well aware of the case. Senior government officials and Stanbic managers were subsequently arrested and charged (see **Chapter 4** for details).

2.4.4 The Controller and Auditor General

'According to the CAG report, about Sh141.4 billion was used to pay ghost workers during the financial year ending June30, 2014.'[220]

The National Audit Office (NAO) audited 126 Ministries, Departments and Agencies (MDA), 25 Regional Secretariats, 13 funds, 24 other institutions and 9 water boards for FY 2014/15.[221] Presenting his report for FY2013/14, CAG Mussa Assad flagged ghost workers, irregular tendering, and the 'misuse of tax exemptions by some multinational firms.'[222] He 'castigated the government over failure to observe and react on recommendations given by the parliamentary LAAC', by now a predictable complaint to readers of the TGR.[223]In a statement, former PAC Chairman Zitto Kabwe flagged transaction involving much greater losses, including money 'swindled' for relief foods (TShs163bn) and non-payment of import duty on transit goods (TShs863bn), demanding that all perpetrators be arrested.[224]

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212 According to political scientist Dr Benson Bana: "For some time now we have been calling for the whistle-blowers Act, to protect those who will unearth corruption in the society, but nothing substantial has been done. We also have been calling for an independent PCCB, and sadly this is yet to be achieved." Athuman Mtulya 2015. 'PCCB now features on corruption list', Citizen, 7 February.

213 Mwassa Jingi 2015. 'New Katiba: Do we need PCCB for grand graft?',Citizen, 25 January. The 2007 Act creating PCCB was drafted in AG Andrew Chenge's office and, despite protests by activists, retained prosecutorial control in the hands of the DPP.

214 Nelson Kessy 2015. 'Pinda saw damning PCCB report early, says Kafulila', Guardian on Sunday, 11 January.

215 Citizen Reporter 2015. 'Kafulila's notion turned down', Citizen, 7 February. The request was turned down on the grounds that Parliament is not empowered to order the government to present PCCB reports to parliament.

216 Katare Mbashiru 2015. 'Nobody will be spared: PCCB', Citizen, 16 January; Anthony Kayanda 2015. 'PCCB chief says will tackle graft concerns 'soon'', Citizen, 12 February; Bernard Lugongo 2015. 'PCCB says won't close escrow case files', Citizen, 18 May.

217 Frank Kimboy 2015. 'Writing was on the wall for PCCB's Hoseah', *Citizen,* 17 December.

218 Anthony Tambwe 2015. 'PCCB shows teeth as more scandals are unearthed', *Daily News,* 3 December.

219 This Day Reporter 2015.'PCCB under scrutiny', *This Day,* 7 December.

220 Citizen Reporter 2015. 'JK: Punish eaters of public money', *Citizen,* 29 March.

221 National Audit Office 2016a. BRELA was not audited since its 'financial statements were not submitted.' Audits were 'still underway' for Tanzania Airport Authorities, the Road Fund Board, Commonwealth Parliamentary Association, SUMA Agro-machinery Industry, Tanzania Livestock Research Institute and the National Relief Fund (page xxiii).

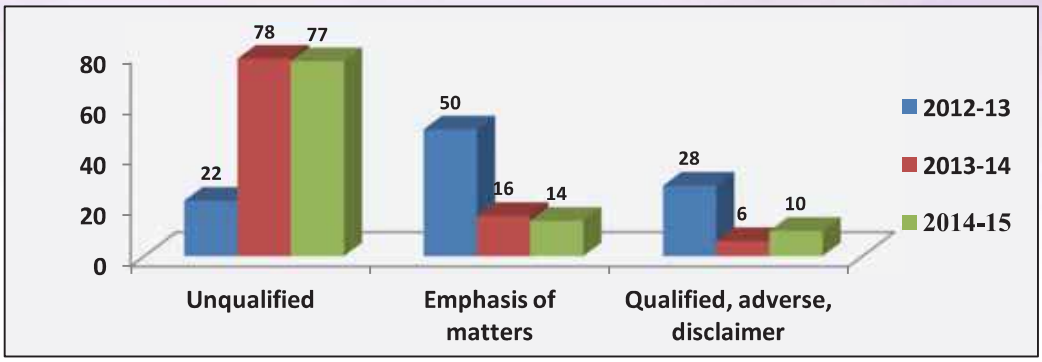
222 Samuel Kamndaya 2015. 'This is how your money is being stolen', *Citizen,* 20 May.

223 Citizen Reporter 2015. 'Government slammed for 'inaction' on Bunge report', *Citizen,* 21 May.

224 Ludger Kasumuni 2015. 'Arrest all accused in CAG report', *Citizen,* 21 May.

Figure 2.1 compares the audit performance of central government between 2012/13 and 2014/15.

Figure 2.1: Audit performance of ministries and agencies, 2012/13-2014/15



Source: NAO 2016a, adapted.

The large increase in the proportion of 'unqualified' audits received by ministries and agencies that took place between 20012/13 and 2013/14 was maintained in 2014/15.

Table 2.3 summarises weaknesses in expenditure management reported by the CAG.

Table 2.3: MDA weaknesses in expenditure management, FY 2014/15 (TShs)

Weakness	
Nugatory expenditure	53,017,000,000
Payments lacking adequate supporting documents	18,081,000,000
Funds used for unintended activities	1,788,000,000
Expenditure made out of the approved budget	1,298,000,000
Payments charged to wrong expenditure codes	887,012,000
Withholding tax not deducted	692,539,000
Overpayment	373,842,000
Long outstanding imprests	232,695,000
Total	76,370,088,000

Source: NAO 2016a (adapted).

'Nugatory' expenditure accounts for two-thirds of expenditure weaknesses recorded by the NAO. These are defined as 'fruitless and wasteful expenditures that were made in vain and that could have been avoided had reasonable care been taken.'[225] Almost all these expenditures were accounted for by penalties incurred by the Treasury for 'delaying remittance of contributions to the pension funds for period ranging from two to twelve months.'[226] More costly 'nugatory' projects initiated by NSSF are reported in **Chapter 4.**

2.5 Big Results Now!

TGR 2014 reported on progress in rolling out the BRN initiative, covering agriculture, education, energy, transport, water and 'resource mobilisation'. Progress in education and water for the target year are reported in **Chapter 3.**

225 NAO 2016a: 215.

226 Ibid., page 230. In this case, it is a nugatory *non*-expenditure that is at issue.

In January 2015, an *Independent Review Panel* led by the former President of Botswana, Festus Mogae, reported on progress made in implementing BRN. Since the initiative had only underway for a little over a year, the Panel had little to say on substantive achievements, though the government-owned *Business Standard* claimed BRN to be a 'major success story.' [227]

Dar es Salaam port was included in the BRN transport sector, and in May stakeholders met to discuss why the BRN target of reducing dwell time had not been met. The dwell time target was 5 days, but only 9 was achieved. Paul Wallace, CEO of *Tanzania International Container Terminal Services Ltd* (TICTS) said "We need to increase both the length and depth of our births and upgrade the number and scale of our cranes…" [228] Any 'quick wins' that could be achieved were limited by low handling capacity.

Donor agencies have bought into BRN as an example of 'results-based aid'. An early review concluded that 'the overarching BRN set-up as well as the nature of capacity development support clearly prioritises short-term gains over longer-term sustainability.' The authors argue that this is a problem of aid in general, not just BRN.[229] DFID's experiment with RBA in the water sector is discussed in **Chapter 3.**

2.6 Conclusion

This chapter has reported on the performance of Tanzania's accountability mechanisms. In line with previous reviews, and findings in other chapters, the main conclusions are as follows:

- CAG annual reports on central and local government, parastatals, regulators, pension funds and donor-financed projects give *little insight into the systemic misuse of public funds* through direct theft, misallocation, bogus tendering, and ineffective project execution;
- Even the CAG's critical recommendations on how to remedy weaknesses in PFM are *largely ignored* by the targeted institutions;
- The growing outreach of PCCB to upcountry regions and districts leads to the *harassment of petty offenders* rather than catching the 'big fish';
- PCCB's investigations of grand corruption cases *rarely lead to prosecutions* and even more rarely to convictions;
- Punishments meted out are *not in proportion to the crimes committed*, and prison sentences are much higher than the alternative fines, which serves those who can pay;
- The Ethics Secretariat has no *effective mandate* to sanction leaders over undeclared assets or unethical behaviour.

Over the years, Tanzania's institutions of accountability have been 'strengthened' by considerable donor money, policy advice and technical assistance. As with PFM, procedural improvements, including computerisation, and additional resources have allowed the state to extend its reach and take on more responsibilities. Both government and donors seem content to go through the formal motions of accountability (training, 'capacity building', 'institutional strengthening'), while substantive improvements, including corruption control, are minimal, if not entirely illusionary.

227 Daily News staff writer 2015. 'BRN now becomes major success story', *Daily News,* 20 January.

228 Veneranda Sumila 2015. 'Dar Port fails to meet BRN target', *Citizen,* 20 May.

229 Heiner Janus and Niels Keijzer 2015. 'Big results now? Emerging lessons from results-based aid in Tanzania', Deutsches Institut für Entwicklungspolitik, Discussion Paper 4, Bonn, page i.

Chapter 3: Public money and local governance

3.1 Introduction

'Expenditure cuts also impacted on LGA's capacity to deliver social services, particularly in the health and education sectors.'[230]

Continuing budgetary constraints during FY2014-15 had a negative impact on social sector spending and service delivery across the board. During JK's presidency education spending averaged 17-18 percent of the national budget.[231] The GOT's allocation to health has increased over time, but in recent years has stagnated at 9-11 percent of the total budget. Despite formal commitments to improving maternal and child health services, the FY2014-15 health budget was less than the previous year, leading to acrimonious debates in parliament, as detailed below.[232]

3.2 Trends in service delivery performance

Past TGR's have documented large, sometimes extreme, disparities between Dar es Salaam, other urban areas, and the rest of the country in terms of access to and the quality of social services. Readers should remember that average figures for access to social services and service quality hide these disparities. There are no authoritative studies of trends in inequality of access and quality of basic services.

3.2.1 Education

'…on the basis of students' academic achievement on various measures, it can … be argued that President Kikwete probably presided over the poorest quality of the education system in the history of independent Tanzania.'[233]

'Making Kiswahili the language of instruction at all levels of education is aimed at bringing sustainable efficiency in providing the skillful workforce that is needed for national development.'[234]

In early 2015, President Kikwete launched a new education policy, declaring basic education (up to 'O' level) 'free', stressing improvements in quality, and limiting the choice in textbooks to one per subject. The *Primary School Leaving Examination* (PSLE) would be abolished, and Kiswahili will become the language of instruction up to and including university level.[235] The President also indicated that private education fees would be controlled. Responses to the new policy were mixed.[236] Educators and opposition politicians lamented the lack of public consultation in the new policy, which

230 http://www.mof.go.tz/mofdocs/PER/Newslater/PER%20Annual%20Progress%20Report%20-%202014.pdf

231 Haki Elimu 2014. 'THE PARADOX OF FINANCING EDUCATION IN TANZANIA "THE 2014/15 POST BUDGET BRIEF', Policy Brief . At TShs3.5bn, the education budget was still the largest of all MDAs.

232 In FY2013-14, the GOT allocated 8.9 percent of the discretionary budget to health (8.7 percent of actual spending). Futures Group 2015. 'Prospects for sustainable health financing in Tanzania', Brief, February https://www.healthpolicyproject.com/pubs/804_TanzaniaHealthFinancingBriefupdateFINAL.pdf

233 Prof. Kitila Mkumbo 2015. 'TEN YEARS OF JAKAYA KIKWETE'S PRESIDENCY: Promises, Achievements and Challenges in Education', Haki Elimu, November.

234 New education policy, see: Bernard Lugongo 2015. 'Bye Std Seven exams and English', *Citizen*, 14 February.

235 Ibid.

236 Many responses to the new policy were positive, though some questioned how 'free' education would be financed and implemented. See: http://aikandekwayu.com/on-the-new-education-policy-in-tanzania-sera-ya-elimu-na-mafunzo-tanzania-2014-education-policy-tanzania/.

had been long in preparation.[237] Past TGRs have flagged the importance of textbook policy, which went from central control to a degree of liberalisation and, under Kikwete, back to central control again.

Although primary school enrolments increased during President Kikwete's ten years in power, from 7.5m in 2005 to 8.2m in 2015 (+9%), there were actually 100,000 fewer primary school pupils enrolled in 2015 than in 2007 (**Table 3.1**). The rapid expansion in enrolments that took place under the *Primary Education Development Program* (PEDP) from the early years of the new century tailed off after 2009, although the number of schools continued to expand steadily.[238]

Table 3.1: Number of schools and TTCs and enrolments, 2007-15, Tanzania mainland

Schools	2007	2008	2009	2010	2011	2012	2013	2014	2015
Primary	15,446	15,673	15,727	15,816	16,001	16,331	16,343	16,538	16,899
Secondary	3,485	3,798	4,102	4,266	4,367	4,528	4,576	4,753	4,703
TTC	55	66	77	92	109	105	106	126	126
Enrolments									
Primary	8,316,925	8,410,094	8,441,553	8,419,305	8,363,386	8,247,172	8,231,913	8,203,000	8,202,892
GER	114.4	112.3	110.5	106.4	102.7	98.4	96.2	n.a.	n.a.
NER	97.3	97.2	95.9	95.4	94.0	92.0	89.7	n.a.	n.a.

Source: Source: Ministry of Education, Science, Technology and Vocational Training, and http://www.pmoralg.go.tz/noticeboard/tangazo-1023-20141229-Basic-Education-Statistics-BEST/FINAL-POCKET-25-MAY-2014.pdf

'58% of the Std 3 pupils were unable to answer a Level 2 subtraction item correctly, such as 18 – 4.'

Given population growth, we would expect stagnant or declining enrolments to lead to a significant fall in enrolment ratios. Primary school Gross Enrolment Ratio (GER) peaked in 2009 and have fallen every year since. Between 2007 and 2013, the GER fell by 16 percent and the Net Enrolment Ratio (NER) by 8 percent.[239] Enrolment ratios grew at pre-primary, secondary and post-secondary levels.[240] The increases in enrolment from the successful implementation of PEDP have not been sustained.

Most of the new secondary schools and training colleges are for-profit or faith-based. In December, the government slapped a US$2,500 work permit fee on foreign teachers, a move which hit many private secondary schools hard.[241] The measure was implemented by the Ministry of Home Affairs, apparently without the agreement of the MOEVT, whose PS Prof Sifuni Mchome pointed out that Tanzania was facing a shortage of 27,000 science teachers, and that 'it was good to hire them from foreign countries.' [242]

237 Nelson Kessy 2015.'New education policy for Tanzania: Free basic education, basic education compulsory', *Guardian*, 14 February. Preparation of the 'new' policy started in 2006. Nelson Kessy 2015. 'Educators uneasy over new education policy', *Guardian,* 15 February.

238 Thus, the number of pupils per school fell from 538 in 2007 to 485 in 2015 (-10%).

239 Suleman Sumra and Joviter Katabaro 2016. 'EDUCATION FOUNDATIONS OF THE DEVELOPMENT OF SKILLS AND PRODUCTIVE CAPABILITIES' THDR 2017 Background Paper No. 10. http://www.thdr.or.tz/docs/THDR-BP-9.pdf.

240 PMO-RALG 2013. 'Pre- Primary, Primary and Secondary Education Statistics in Brief', http://www.pmoralg.go.tz/ noticeboard/tangazo-1023-20141229-Basic-Education-Statistics-BEST/FINAL-POCKET-25-MAY-2014.pdf

241 Bernard Lugongo 2015. 'Shortages loom as foreign teachers flee', *Citizen*, 19 December.

242 Ibid.

After the quantitative successes of PEDP, education professionals became increasingly concerned with educational quality, which was poor and unequally distributed by locality and class. Quality issues were brought to public attention largely as a result of Twaweza/Uwezo advocacy and lobbying, in the face of government denial, including their semi-annual testing of primary school pupils in English, maths and Kiswahili competence (**Table 3.2**).[243]

Table 3.2: Standard 3 test performance 2013/14 (percent)

Among Std 3 children tested:	Non-poor	Poor	Ultra-poor
Could read a Std 2 Kiswahili story	57	46	40
Could read a Std 2 English story	35	25	20
Could do a Std 2 multiplication problem	46	35	31

Source: http://www.twaweza.org/uploads/files/UwezoTZ-ALA2014-FINAL-EN.pdf

Results varied by poverty level, geographical area, urban-rural location and parental education (gender differences were quite small). The Uwezo findings show that the gap in performance between urban and rural children is almost 20 percent in all three subject areas. A 2015 study by Equip (T) of nearly 3,000 Standard 3 pupils 'concluded that the vast majority … are not achieving at the expected curriculum level in Kiswahili and mathematics.'[244]

Education was a 'key result area' for BRN, which set the following short-term targets:

- To increase the pass-rate of students at both primary and secondary schools by between 60 and 70 per cent;
- To give education subsidy to all students as agreed in the budget;
- To train 19,035 teachers in education management skills;
- To train an additional 12,300 teachers in early childhood education;
- To build 500 houses for secondary schools teachers;
- To repair infrastructure in 1,200 public secondary schools; and
- To ensure there are enough textbooks for students at both primary and secondary schools.[245]

Under BRN, the proportion of primary and secondary students who passed their respective national exams increased from 30.7 and 50.6 per cent in 2012 to 50.6 and 58 per cent in 2013.[246] What short-term interventions of BRN could explain such an improvement? It would not be surprising if the short-term approach to improving educational quality, including teacher attendance and the financing of school materials down to the school level, fails to achieve BRN's multiple ambitious objectives. HakiElimu believes that though there was some progress, overall, 'the BRN failed to meet targets during the past two years.'[247]

The *World Economic Forum's* (WEF) *Human Capital Report (*2016) ranks Tanzania in the 99th percentile for the 0-14 age group, and in the 72nd percentile for 15-29 year olds (see **Chapter 7**, **Table 7.1)**.

243 Uwezo 2015. 'Are Our Children Learning? Literacy and Numeracy in Tanzania 2014', Dar es Salaam, Twaweza East Africa. 2013 results are reported for over 100,000 pupils.

244 EQUIP T 2015. 'Impact Evaluation of Education Quality Improvement Programme in Tanzania', Final Baseline Technical Report, Volume I, page3. EQUIP-T is a four year, Government of Tanzania programme, funded by the UK Department for International Development (DFID).

245 Citizen Reporter 2015. 'BRN 'success' in education queried', *Citizen,* 23 January.

246 http://www.opendata.go.tz/organization

247 http://hakielimu.org/files/publications/Ten%20Years%20of%20Jakaya%20Kikwetes%20Presidency-Final%20%20Report.pdf

3.2.2 Healthcare

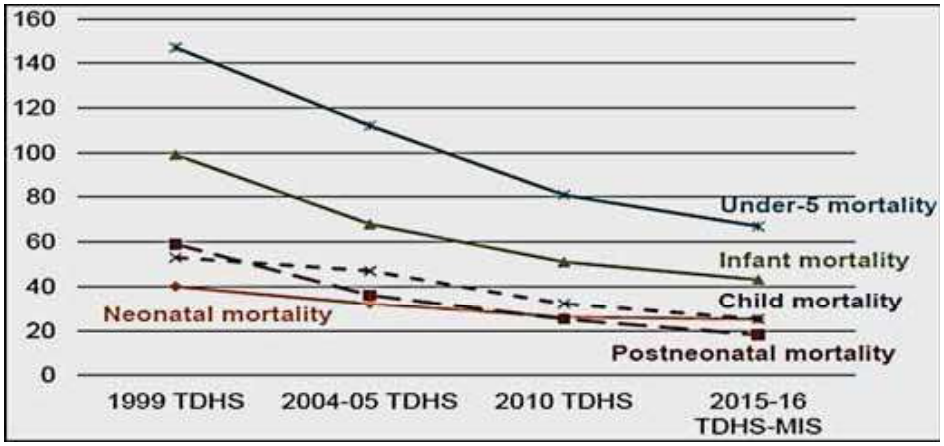
The proposed health budget for FY2014-15 of TShs 622bn (US$365 million) was hotly debated in parliament as it was considerably less than the previous year's allocation of TShs753bn (US$450 million). The decline reflected a smaller contribution from development partners.[248] Eventually the budget was passed, with an extra TShs 82bn (US$48 million) allocated for medical supplies, but no new commitment for enhanced MCH spending, as detailed below.[249]

Perhaps the most significant social development of the 21st century is the dramatic fall in infant and child mortality rates. According to the 2015-6 Demographic and Health Survey (DHS):

> 'For the 5-year period preceding the survey, the under-5 mortality rate is 67 deaths per 1,000 live births, and the infant mortality rate is 43 deaths per 1,000 live births. Over the past 15 years, childhood mortality rates … have been decreasing. The neonatal mortality rate for the 5 years before the survey has declined from 40 deaths per 1,000 live births in 1999 to 25 … in 2015-2016. Over the same period, the infant and under-5 mortality rates have declined from 99 … to 43 deaths per 1,000 live births and from 147 to 67 deaths per 1,000 live births, respectively. The infant, child and under-5 mortality rates recorded in the 2015-16 TDHS-MIS are almost similar to those recorded in the 2012 Population and Housing Census of Tanzania.'[250]

Chart 3.1 shows the rapid fall in in the incidence of infant and child mortality between 2000 and 2015.

Chart 3.1: Infant and child mortality rates in Tanzania, 200-15



Source: TDHS 2015-16

248 Policy Forum 2014. 'Budget 2014/15 position statement'.

249 Peter Bofin 2014. 'Maternal Health In Tanzania: Stuck Between Public Promises And Budgetary Realities', International Budget Partnership, December.

250 USAID 2016. 'Demographic and Health Survey 2015-16', page

According to the TDHS, ICM mortality rates varied as follows (**Table 3.3)**.

Table 3.3: Infant and child mortality rates 2005-15, deaths per 1,000 live births

Background characteristics	Neonatal mortality	Post-neonatal mortality	Infant mortality	Child mortality	Under-5 mortality
Urban residence	43	20	63	25	86
Rural residence	24	23	47	29	75
No education	20	23	43	41	83
Primary complete	31	21	52	24	75
Secondary+	30	16	47	14	60
Lowest wealth quintile	20	25	45	34	78
Middle	26	23	48	26	73
Highest	37	21	59	15	73

Source: Compiled from HDR 2015-16

Note: The TDHS does not provide aggregate figures for mortality rates during the previous 10 years as a basis for comparisons, so there is no 'aggregate' comparator.[251]

It is most surprising that the expected relationships between background characteristics and mortality rates do not hold. In all but post-neonatal and child mortality, urban child deaths are reported as *larger* than rural. Mother's education and household wealth are also poor predictors of mortality rates. These anomalies led the authors to conclude that: 'Further investigation is needed to understand factors that cause unexpected relationships between some childhood mortality rate (sic) and residence, education, and wealth of the respondents.'[252] But the TDHS has all the relevant data to examine why the results are largely counterfactual. The authors do not question the reliability of the data, which is the obvious explanation for the above anomalies, since it is not easy otherwise to understand how the children of poorer, less educated, rural women die in fewer numbers than those of their urban, better educated and better-off sisters.

A UNICEF report compounded the mystery by detailing gap between the richest and the poorest quintiles (top and bottom 20%) in terms of percentage of births attended by skilled health personnel (90% vs 31%), the level of mothers' secondary education (49% vs 9%) and frequency of birth registration (56% vs 4.4%).[253]

Past TGRs have considered a number of factors that likely explain the considerable fall in mortality rates since 2000. Poverty reduction has been too little and too unevenly distributed to constitute a significant factor. The impact of immunization, increased bed-net use, and vertical programmes targeting maternal and child health, all heavily donor-driven, have all been mentioned in past TGRs.[254] Is it possible that improvements in service delivery also played a role? Some comparative data on health service provision in Tanzania, Kenya and Uganda are presented in **Chapter 7**.

251 See USAID 2016, **Tables 8.1** and **8.2**, page 163.

252 USAID op. cit., page 160.

253 https://data.unicef.org/country/tza/

254 Peter Bofin 2014. 'Maternal Health In Tanzania: Stuck Between Public Promises And Budgetary Realities', International Budget Partnership, December.

Box 3.1 looks at an attempt to get government to devote additional resources to MCH.

Box 3.1: The limits of the possible in lobbying for maternal and child health

Wajibika Mama Aishi (Be Accountable so a Mother May Survive) is the name of **White Ribbon Alliance** (WRA) Tanzania's campaign to hold the government accountable for the commitment it made in 2008 to improve maternal health in Tanzania. The WRA, with an autonomous chapter in Tanzania, is an attempt to bring together civil society organisations, and individuals working in government to advocate for improved budget allocations for maternal and child health. That commitment was to ensure that every ward in Tanzania would have a health center, and that 50 percent of those health centers would have facilities for **Comprehensive Emergency Obstetric and Newborn Care** (CEmONC). In March 2014, **Prime Minister Mizengo Pinda** made a commitment to prioritise CEmONC in health budgets, directing all 169 District Councils to develop a strategy for improving CEmONC, and to include a specific line for this service in their annual health plans. He said that the government would set aside a special "ring fenced budget" for CEmONC. Careful documentation of the inadequacy of CEmONC and the high level of maternal mortality in **Rukwa region** provided powerful advocacy evidence to convince the uncommitted. But in spite of high-level political commitment, the complexities of budgeting and the fiscal crisis in Tanzania compromised the creation of a specific budget line at district level for improving CEmONC. Neither GOT officials nor the Alliance realised these complexities. In practice, the PM's directive had no weight. The Alliance was successful in achieving political buy-in because it included major local and international NGOs and the key actors responsible for implementing the GOT's commitment to the so-called **One Plan**, based on the **New Delhi Declaration** of 2005, which called on countries to develop an integrated plan to address maternal and child health through improved coordination and a better alignment of resources.

Source: http://whiteribbonalliance.org/national-alliances/tanzania/; Peter Bofin 2014. 'Maternal Health In Tanzania: Stuck Between Public Promises And Budgetary Realities', International Budget Partnership, December.

The above story highlights the difficulties involved in reforming MCH delivery in the short-run. Central directives do not lead to automatic compliance or the creation and 'ring-fencing' of dedicated budget lines. The TDHS reports that maternal mortality rates[255] have remained largely unchanged in recent years:

> 'The maternal mortality ratio is 556 maternal deaths per 100,000 live births for the 10-year period before the survey, which is not significantly different from the estimates reported in the 2004-05 TDHS and 2010 TDHS and is consistent with the estimate from the 2012 Population and Housing Census.'[256]

TDHS concludes that about three percent of 'women will die during pregnancy, at childbirth, or during the 2 months after giving birth.'[257] The number of maternal deaths reported is too small (n=200) to allow for disaggregation by background factors such as poverty, locality and maternal education.

Better prevention and treatment of malaria are said to have contributed to a significant decline in the incidence of malaria-related deaths since the turn of the century. According to the TDHS: 'Household ownership of at least one ITN (Insecticide Treated Nets) increased … from 23% in 2004-05 to 91% in 2011-12, before declining to 66% in 2015-16.'[258] There are worrying signs that the incidence of malaria is rising in particular parts of the country, perhaps in part as a result of declining ITN use:

255 Maternal deaths are defined as any deaths that occur during pregnancy or childbirth, or within 2 months after the birth or termination of a pregnancy. Maternal mortality ratio is the number of maternal deaths per 100,000 live births (USAID 2016: 320).

256 USAID op. cit., page 317.

257 Ibid.

258 USAID op. cit., page 261. Use of ITNs by pregnant women and children increased (and declined again) in similar ways.

> 'Malaria prevalence in Tanzania has risen from 9% in 2011-12 to 14% in 2015-16 according to rapid diagnostic testing (RDT) results. Malaria prevalence is highest in children from Geita, Kigoma and Kagera regions and is more or less non-existent in Arusha, Njombe, Iringa, Dodoma, Kilimanjaro, and Manyara regions in Tanzania Mainland and in all regions in Zanzibar.'[259]

ITNs were heavily promoted by government and donors, but both bed-net use and incidence of malaria are trending in the wrong direction. The proportion of under-5s who slept under an ITN the night before the survey ranged from 71.8 percent for children in the lowest wealth quintile to 77.2 in the highest.[260] For pregnant women aged 15-49, the comparable figures by wealth quintile were 68.4 and 80.3 respectively. While these correlations are in the 'expected' direction, they only serve to deepen the mystery surrounding reported survival rates.

3.2.3 Water and sanitation

'Although only two of the four potential benefits … have been achieved so far, the positive results of this programme [RWSSP] are important. Whether they are durable and replicable is far from assured.'[261]

Past TGRs documented that huge increases in funding for clean water provision under the *Water Sector Development Programme* (WSDP) resulted in little or no improvement in access, particularly in rural areas. Officially, Phase I of WSDP achieved an increase in the number of rural water points from 44,738 serving 11.2m people in 2007 to 77,584 serving 19.4m people in 2014.[262] Though the funds earmarked for rural water supply increased from TShs121bn in 2012/13 to TShs346bn in 2013/14, there were still complaints of slow disbursement by government and DPs.[263] An impact evaluation by the *African Development Bank* (AfDB), that loaned the GOT US$150m for the rural component of the WSDP (the RWSSP) through the donor 'basket fund', concluded that:

> 'Although significant, neither technical nor institutional progress has been adequate, … significant enhancements are still needed in both areas before there can be a genuine prospect of sustainable outcomes, full impact, replicability and achievement of national water and sanitation targets. Overall, although statistically significant, the health impact of the programme [decline in the incidence of diarrhoea] is less striking than might have been anticipated. While shorter water collection distances are an undeniable benefit in terms of women's wellbeing, the economic benefits that accrue are limited.' [264]

TGR 2013 detailed the expense and lack of transparency in the Lake Victoria to Shinyanga water pipeline that was supposed to solve the town's water problems. It was surprising, therefore, that in February, Shinyanga Municipal Council's water engineer Andrew Mogella announced that 'they are currently digging wells as a temporary solution to the region's water woes.' The council's acting Chairman Ngasa Mboje declared that the water problem in the region 'is no longer bearable'. A ward councilor called on the government "to come to the rescue of our region by investing in supplying us with clean and safe water from Lake Victoria."[265] MPs echoed similar concerns over the non-disbursement of funds earmarked for water projects.[266] In September, Chadema presidential

259 Ibid.

260 Ibid., page 284.

261 African Development Bank 2016. 'Impact Evaluation of the Rural Water Supply and Sanitation Program, United Republic of Tanzania: Volume I.'

262 Bilham Kimati 2015. 'Rural communities express gratitude for water projects', *Daily News*, 12 February.

263 Policy Forum 2014. 'Budget 2014/15 position statement', June.

264 AFDB 2016. 'op. cit, page 41-2. The GOT, WB and DFID (UK) were the other main funders.

265 Suzan Ditrick 2015. '500m/- required to tap water from L. Victoria', *Guardian*, 6 February.

266 Nelson Kessy 2015. 'MPs up in arms over delay in funds for water projects', *Guardian*, 6 February.

candidate Edward Lowassa 'promised residents in Kigoma, Bariadi and Chato that he would supply them with water from nearby lakes as he did for Shinyanga several years back.'[267]

3.2.4 Urban roads

TGR's have frequently stressed the importance of all-weather roads for farmers and traders to get goods to markets and customers, while commenting infrequently on the state of urban roads. It was interesting to note that in the build up to the 2015 elections, there was little evidence of greater efforts to improve the state of local roads under the control of urban councils. It was routine, for example, in Kinondoni District, Dar es Salaam, for small potholes to go unrepaired until they had grown in size to become major impediments to the smooth circulation of traffic and pedestrians. Cynics said this was allowed to happen so that a more lucrative tender could be floated to undertake the subsequent repair works. The alternative—small contractors hired to repair potholes on a routine basis—would not yield significant rents. The rapidity with which newly constructed roads deteriorated after a single rainy season led observers to conclude that contactors were guilty of sub-standard work, including lack of drainage, another sign of poor contracting and supervision standards.[268] In August 2015, Kinondoni District Commissioner (DC), Paul Makonda gave the District Executive Director (DED), Mr Mussa Natty, two weeks … 'to take disciplinary measures against engineers and government officials who have compromised standards in road construction in the District.'[269] It is surprising that no NGO has taken up the challenge of monitoring the state of local roads on behalf of road users, using a social media platform.[270]

3.3 Controller and Auditor General

The CAG audits large expenditures through various sector-specific 'development' initiatives implemented by local councils and funded by government, donors, local revenues or user charges. These include:

- Local Government Capital Development Grant (LGCDG);
- Primary Health Services Development Programme (PHSDP);
- Primary Education Development Programme (PEDP);
- Secondary Education Development Programme (SEDP);
- Urban Local Government Strengthening Programme (ULGSP);
- Tanzania Strategic Cities Programme (TSCP);
- Participatory Forestry Management (PFM);
- Women and Youths Development Fund (WYDF);
- Community Health Fund (CHF);
- National Multi-Sectorial Strategies Framework (NMSF);
- Elizabeth Glaser Paediatric AIDS Foundations (EGPAF);
- Constituency Development Catalyst Fund (CDCF);
- Tanzania Social Action Fund (TASAF);
- Health Basket Fund (HBF);
- Agriculture Sector Development Programme (ASDP);
- Water Sector Development Programme (WSDP); and
- Roads Fund. [271]

267 Saumu Mwalimu and Beatrice Moses 2015. 'Credit to govt for Shinyanga water project, says Magufuli', *Citizen,* 27 September. Emphasis added. Lowassa was Minister of Water when the Lake Victoria-Shinyanga water pipeline was built.

268 Queenter Mawinda 2015. 'Revealed: Reasons Kinondoni municipality roads are shoddy', Citizen, 1 October.

269 Iddi Mwema 2015. 'Kinondoni DC Cautions Sloppy Engineers', *Daily News*, 20 August.

270 See for example: www.potholes.co.uk/

271 National Audit Office 2016c 'ANNUAL GENERAL REPORT OF THE CONTROLLER AND AUDITOR GENERAL on the Financial Statements of Local Government Authorities for the Financial Year Ended 30th June, 2015', pp147-8.

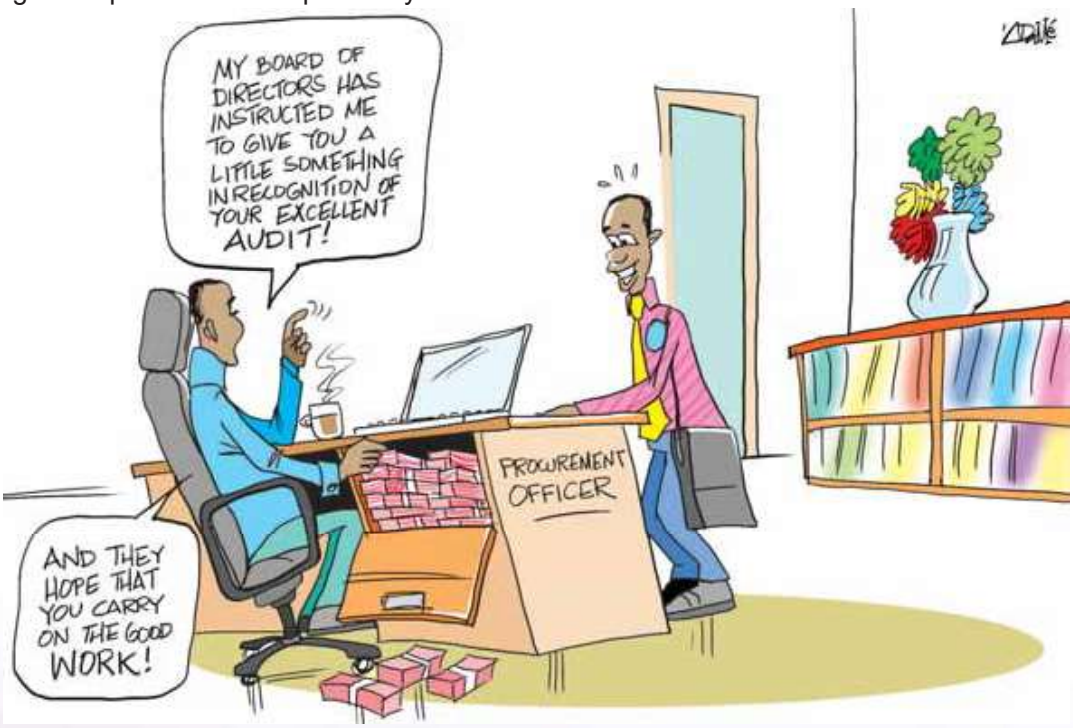
CAG audited a selection of 11 of these programmes in various districts, and found that, out of TShs123bn in funds available, 22 percent (TShs97bn) were unspent by the end of June 2015.[272] In all 169 districts, Capital Development Projects for 2014-15 were worth TShs582bn, of which TShs501bn were disbursed (86 percent) by year end, an improvement on the previous year.[273] In a sample of 15 councils, CAG identified uncompleted capital development projects worth TShs3.7bn, due to 'inadequate supervision' and other causes.[274] The CAG identified procurement irregularities worth TShs12bn for FY2014/15 (**Table 3.4**).

Table 3.4: LGA procurement irregularities, 2014-15

Irregularity	TShs
Procurements made out of the Annual Procurement Plan	8,133,314,354
Goods and services procured without Tender Board approval	824,726,260
Unconfirmed utilization of stores	798,665,968
Goods and services procured from unapproved suppliers	672,423,123
Goods received but not inspected	599,569,700
Fuel issued but not recorded in the respective motor vehicle's logbooks	596,042,456
Uncompetitive procurement processes	514,012,690
Unauthorised procurement of medical items out of MSD	161,712,010
Total	12,300,466,561

Source: Derived from NAO 2016c: 121- . No sum was reported for 'Inadequate documentation of contracts'.

Procurements made outside the Annual Procurement Plan accounted for about two-thirds of reported irregularities. Again, TGR speculates that the real incidence of irregular procurement in all its forms is a large multiple of what is reported by the CAG.



272 NAO 2016c op. cit., Table 69, page 150.

273 Ibid., page 152. More than a quarter (26%) of fuds remained unspent the previous FY. TShs719bn were available in 2013, falling to TShs582bn in 2014/15.

274 NAO 2016c op. cit., page 155.

3.4 Parliamentary oversight

The *Local Authorities Accounts Committee* (LAAC) is tasked with overseeing the accounts of the country's LGAs, based largely on the audits performed by the CAG. In January, the LAAC learned that a private company commissioned to collect parking fees on behalf of the Dar es Salaam City Council (DCC) collected only TShs75m per month across Dar's three districts.[275] In October 2016, [276] the LAAC summoned officials of the DCC to explain the controversial sale of UDA shares held by DCC to the little known *Simon Group*. City Lawyer, Mr Jumanne Mtinange declared that he did not know who the shareholders of the group were, other than the company chairman Mr Robert Kisena.[277] Simon Group[278] bought the city's public transport company, UDA, through which it became the main shareholder of UDART, which operates the *Bus Rapid Transit* (BRT) system. LAAC were responding to the CAG *Public Authorities and Other Bodies Annual General Report* for 2014/15, which repeated its query from the previous year concerning un-allotted UDA shares that were sold to Simon Group for TShs 1.14bn. Simon Group only paid a quarter of the sale price. However, UDA Chairman Iddi Simba received Ths320m into his personal account, for purported 'consultancy services'. Simba and two senior UDA officials were charged over the affair in May 2012. In May 2014, Mr Kisenga claimed to own 76 percent of UDA shares, while Deputy Finance Minister Adam Malima maintained that the DCC and the Treasury Registrar (TR) still 'jointly owned' 100 percent of UDA shares.[279] Various reports link Mr Kisena with President Kikwete's son Ridhiwani, who campaigned for Kisena in the latter's unsuccessful bid for a parliamentary seat for the ruling party in 2010.[280]

Whether LAAC (or the CAG) address the major issues in LGA finance, or have any impact on redressing abuse, remains to be seen.

3.5 Conclusion

Attempts to redress poor quality educational standards through BRN are unlikely to have much impact since they fail to address underlying capacity, coordination, and governance issues in resource use that are not amenable to short-term administrative tinkering.

These shortcomings are replicated across all social sectors. The lack of transparency and accountability through the political process or civic activism makes 'bottom-up' improvements in service quality and outreach an implausible solution to the problem.

275 Christopher Majaliwa and Alvar Mwakyusa 2015. 'PAC now calls for audit of all tax exemptions', *Daily News*, 14 January.

276 The events referred to in this section took place during 2015 or earlier.

277 Katare Mbashiru 2016. 'Tanzania: High Drama As DCC Fails to Identify Simon Group Stakeholders', *Daily News,* 27 October.

278 Simon Group was originally a cotton ginning firm from Shinyanga.

279 Songa wa Songa 2014. 'Simon Group: Powerful clique out to grab UDA', *Citizen*, 19 May.

280 Udaku News 2014. 'Simon Group na Ridhiwani Kikwete wana Uhusiano Gani?', 27 May. http://udakunews.com/simon-group-na-ridhiwani-kikwete-wana-uhusiano-gani/. See also: https://www.jamiiforums.com/threads/halmashauri-ya-jiji-la-dar-yawakaanga-ridhwani-mama-salma.1041972/.

Chapter 4: Policy, regulation and economic governance

4.1 Introduction

'Expanded exploitation of Tanzania's massive natural resource reserves will strain the government's abilities to manage new-found wealth, avoid corruption, and incorporate all levels of citizenry in economic growth.'[281]

Past TGRs have drawn attention to the so-called 'missing middle', meaning the lack of small and medium-size businesses in productive sectors in Tanzania. Government, donor agencies and NGOs have promoted small and medium enterprises (SME)[282] through formalisation programmes, training in entrepreneurship, and provision of credit, for example, through *Savings and Credit Cooperative Societies* (SACCOS).[283] The term 'formalisation' has been criticised for implying that there are distinct informal and formal sectors of the economy, and that the desirable strategy is to move from one to the other. In fact, big companies in the 'formal' sector are also routinely involved in informal practices serving to restrict competition and create monopoly rents, as further discussed below.

As pointed out in TGR2014, local companies are generally uncompetitive in markets for consumer goods, including clothes and footwear, and certain foodstuffs, including wheatflour and edible oils.[284] Local producers are also not price competitive with imported sugar, rice, milk/dairy products, and cement, and suffer when these are imported either legally or illegally.

4.2 Private sector policy and regulation

'Relative to other countries at its level of per capita income Tanzania has had little structural transformation.'[285]

The hostile business environment and competition from large local producers and imports slows down the creation, survival and growth of small and medium size businesses. Figures from the *2013 Census of Industrial Production* allow us to describe the 'missing middle' in the Tanzanian manufacturing sector (**Figure 4.1**).[286]

According to the census, nearly half (47%) of the employed work in enterprises of *between 1 and 9 people*, and two-fifths (41%) in enterprises of *100 and above*, leaving a mere 12% working in companies employing *between 10 and 99 people*. Although less than one percent of firms has more than 50 employees, these firms account for about a third (32%) of all employment. In contrast, 'enterprises with fewer than ten employees account for 97 percent of all manufacturing enterprises.'[287]

281 Ilan Cooper and Nathan Stevens 2013. 'Political risk to the mining industry in Tanzania', *Journal of Political Risk,* Vol. 1, No. 2, June.

282 Tanzania defines a *micro-enterprise* as employing between 1 and 4 workers, a *small* enterprise between 5 and 49, a *medium* enterprise between 50 and 99, and a *large* enterprise over one hundred employees. Formalisation programmes typically target the two middle groups. See Donath Olomi and Goodluck Charles 2016. 'Towards Inclusive Business Formalisation: A New Paradigm In Handling Business Informality?', REPOA, 21st Annual Research Workshop, Bahari Beach Hotel, Dar es Salaam, April 6-7, slide 3.

283 Financed by foreign aid, President Mkapa set up a formalisation programme known as MKURABITA (Mpango wa Kurasimisha Rasilimali na Biashara za Wanyonge Tanzania).

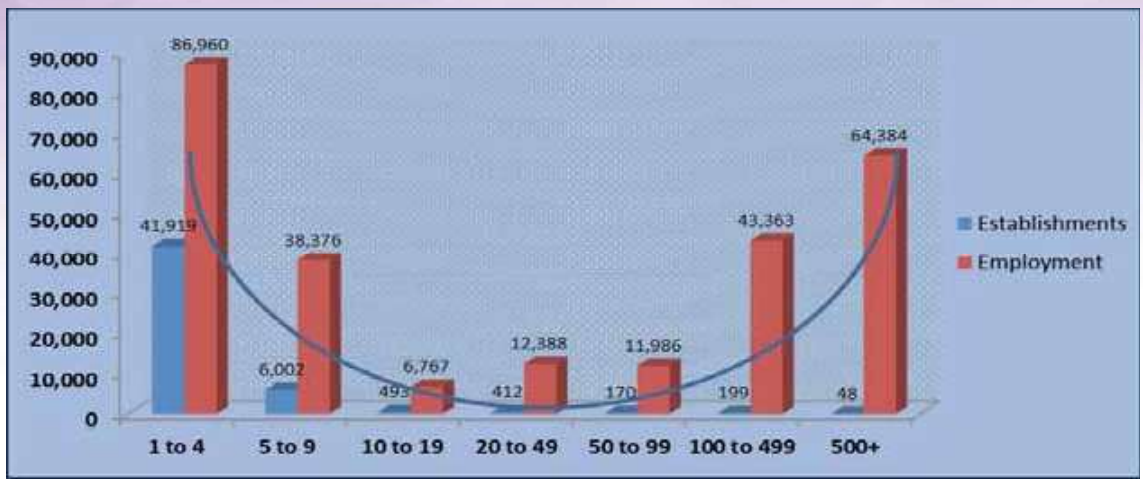
284 Policy Forum 2006, Chapter 4.

285 John Page 2016. 'Industry in Tanzania Performance, prospects, and public policy', WIDER Working Paper 2016/5 March, page 2.

286 Bureau of Statistics 2015. Census of Industrial Production. There are 'missing middles' in almost all productive sectors.

287 There is a debate on whether dala-dala, bajaj or bodaboda drivers, or *machingas* should be considered employed or self-employed, or constitute a separate category- the informally employed. See Matteo Rizzo. ''Life is War': Informal Transport Workers and Neoliberalism in Tanzania 1998–2009', *Development and Change* 42(5): 1179–1205, 2011, International Institute of Social Studies.

Figure 4.1: Tanzania's industrial establishments and employment size, 2013



Source: Based on National Bureau of Statistics 2015. Census of Industrial Production, page 15

A recent *World Institute for Development Economics Research* (WIDER) study presents evidence of significant growth in Tanzanian industry, including what the author calls the 'in-between' sector, which includes SMEs, but he concludes that 'Tanzania suffers from a 'manufacturing deficit' at its current level of per capita income.' To increase industry's contribution to GDP the report suggests that what needs to be done includes 'strengthening Special Economic Zones, improving trade logistics [especially Dar es Salaam port] and reforming Micro and Small Enterprise programmes.[288]

The way in which the state regulates private sector development strongly influences the ease of entry of new enterprises into a sector and the chances that they will thrive and grow. The following sections investigate the effects of regulatory practices in different sectors during the reference year.

4.2.1 Extractive industries

'From now on opportunities emerging in minerals and gas sector will first be communicated and availed to local investors before rushing to invite foreigners, the government has firmly stated.' [289]

Tanzania: 'Ban on export of unprocessed goods, forcing increased local ownership. Highly corrupt government in the country.' —A producer company with more than US$50m invested, company president.[290]

In 2015, three laws were hurried through parliament to regulate the oil and gas (O&G) industry, despite objections from local NGOs.[291] A key policy objective, frequently stressed by Chairman of the *Tanzania Private Sector Foundation*, Reginald Mengi, is to increase the involvement of local investors in the industry.[292] At the same time, foreign investors worry that excessive 'resource nationalism' will increase investor risks and undermine profitability. **Table 4.1** reports Tanzania's score and percentile

288 John Page 2016. 'Industry in Tanzania Performance, prospects, and public policy', WIDER Working Paper 2016/5 March, https://www.wider.unu.edu/sites/default/files/wp2016-5.pdf.

289 Aisia Rweyemamu 2015. 'Gas, minerals for locals first – govt', *Guardian,* 1 February.

290 https://www.fraserinstitute.org/sites/default/files/survey-of-mining-companies-2015.pdf

291 Mussa Juma 2015. Don't sign bad laws, NGOs tell JK', *Citizen,* 11 July. NGOs complained there was a lack of public discussion of the Bills, which were approved under certificates of urgency. The Acts are: Extractive Industries (Transparency and Accountability) Act, Oil and Gas Revenue management Act, and the Petroleum Act. See **Chapter 5** for further discussion.

292 Ibid. Relations between the former minister of Energy and Minerals Prof Muhongo and Mr Mengi were frosty, so the appointment of George Simbachawene to replace Muhongo in early 2015 led to a temporary improvement, which ended when Prof Muhongo was reappointed Minister in President Magufuli's first cabinet.

ranking in the *Fraser Institute's 2015 Survey of Mining Companies*, and compares with DRC and Zambia.[293]

Table 4.1: Mining investment attractiveness index, 2011-2015, scores and percentile

Country	Score/100					Percentile				
	2015	2014	2013	2012/13	2011/12	2015	2014	2013	2012	2011
DRC	59.37	58.38	54.86	50.39	62.88	55	55	67	78	58
Zambia	57.48	75.71	70.30	63.01	63.13	62	20	29	42	57
Tanzania	57.46	63.82	58.40	62.53	66.16	63	43	58	42	46

Source: Taylor Jackson and Kenneth P. Green 2016. 'Annual Survey of Mining Companies', Fraser Institute. https://www.fraserinstitute.org/sites/default/files/survey-of-mining-companies-2015.pdf. Percentiles: smaller numbers denote better performance.

From 2011to 2015, DRC slightly improved its attractiveness as a mining investment destination, while Zambia declined slightly and Tanzania declined substantially, from the 46th to the 63rd percentile. In 2015, Tanzania ranked 13th out of 20 African jurisdictions reported in terms of investment attractiveness.[294]

Below we review developments in oil and gas, gold mining and cement during 2015.

4.2.1.1 Natural gas

'The Tanzania Petroleum Development Corporation (TPDC) estimates that oil companies have invested almost USD 5 billion so far. However, a final decision about investments in extraction facilities and LNG infrastructure to facilitate gas export has not yet been made.'[295]

'Countries that are rich in natural resources perform no better in terms of social and economic development than their less resource rich counterparts, despite the large wealth the resources represent. This phenomenon is commonly referred to as the natural resource curse.'[296]

The big external players in the LNG sector are British Gas Group of the UK and Statoil of Norway, in collaboration with Ophir Energy and ExxonMobil. In total, seventeen multinational companies have signed 26 production sharing agreements (PSAs) with the government, with 26 petroleum blocks licensed and more pending.[297] These companies identified reserves of 35 trillion cubic feet of gas, which subsequently increased to 57 trillion cubic feet.[298] While the 'final decision' to invest the US$20-40bn needed to build a LNG plant continues to recede, an entire O&G cottage industry[299] has grown up around the main investors. This group spans public, private and non-state actors. The prospect of huge future windfall revenues from O&G trouble those (include many in this group) who anticipate

293 Source: Fraser Institute 2015. 'Annual Survey of Mining Companies'. https://www.fraserinstitute.org/sites/default/files/survey-of-mining-companies-2015.pdf

294 Joseph Lino 2015. 'Political risks lower Tanzanian mining rank', *African,* 12 October.

295 Alexander Wright Cappelen, Odd-Helge Fjeldstad, Cornel Jahari, Donald Mmari, Ingrid Hoem Sjursen, Bertil Tungodden2016 'Not so great expectations: Gas revenue, corruption and willingness to pay tax in Tanzania', CMI Brief, Volume 15 No.4, February, page 2.

296 Alexander Wright Cappelen et al., op. cit., citing M. L. Ross 2012. *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations*, Princeton, Princeton University Press.

297 http://www.resourcegovernance.org/sites/default/files/documents/nrgi_tanzania-strategy_20160629.pdf.

298 Aisia Rweyemamu 2015. 'Gas, minerals for locals first – govt', *Guardian,* 1 February; Alexander Wright Cappelen et al. 2016 'Not so great expectations: Gas revenue, corruption and willingness to pay tax in Tanzania', CMI Brief, Volume 15 No.4, February; Center for Global Development & REPOA 2015. 'How should Tanzania use its natural gas? Citizens' views from a nationwide deliberative poll,' Summary Report, September.

299 Apart from actual and potential foreign investors, the O&G industry stakeholders include government (TPDC, MEM, LGAs…); potential local investors and speculators; academics, students and think tanks; the media, risk analysts and consultants…

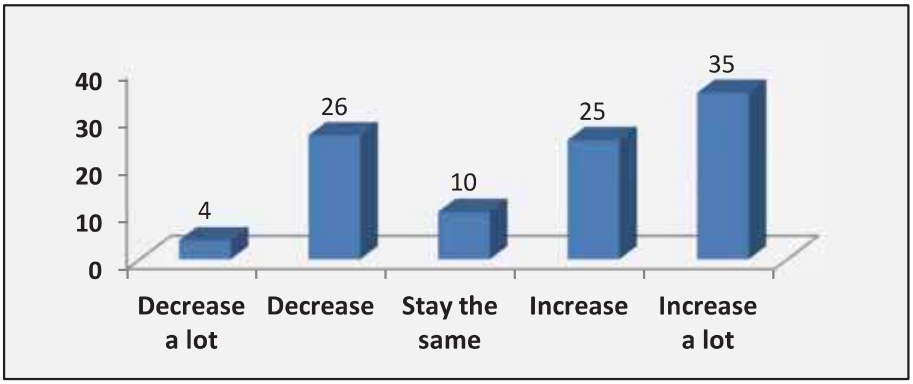
the 'natural resource curse' that might follow. African examples of this phenomenon include Nigeria, Angola and Equatorial Guinea, where small elites plunders oil revenues at the expense of more inclusive social and economic development policies that could have been pursued had the resource rents been put to better use.

The need to 'manage public expectations' regarding future O&G revenues has stimulated a number of research activities.[300] A 2015 survey by the *Centre for International Growth* and *REPOA* brought 400 'citizens' to Dar es Salaam to probe their views on O&G revenues before and after exposure to information about and likely trade-offs of different policies for the O&G sector. After 'deliberation':

- A majority prefers to use O&G revenues to subsidise domestic fuel prices and industry;
- A large majority supports more rapid spending rather than saving gas revenues for the long term and, specifically, favours using gas revenue to increase spending on social services as opposed to infrastructure and public works;
- Most Tanzanians prefer that gas revenue be spent on government programs rather than cash transfers.
- Most Tanzanians support publishing all gas contracts and a role for international oversight of how the government uses gas revenues.[301]

In July-August 2015, CMI, REPOA and the *Norwegian School of Economics* investigated attitudes to O&G based on a non-representative sample of 3,000 respondents in Dar es Salaam, Mtwara and Lindi. The objective of the study was to probe expectations concerning the likely impact of O&G revenues on corruption and willingness to pay taxes. Respondents were asked what they thought would be the future trend in the incidence of corruption (**Figure 4.2**).

Figure 4.2: Expectations of trends in corruption, percent



Source: Alexander Wright Cappelen et al. 2016

Those expecting corruption to increase outnumbered those expecting a decrease by two to one. Fully 80 percent of respondents thought that 'taxes paid by ordinary Tanzanians' should fall as a result of revenue from O&G coming on stream, with more Dar es Salaam respondents (91 percent) giving this response, compared to 88 percent in Mtwara and 85 percent in Lindi. The survey concludes that: 'Public expectations are high, and the management of expectations is an issue that warrants the attention of industry stakeholders and policy makers.'[302] Since most 'stakeholders and policy makers' also harbour high and arguably exaggerated expectations concerning the imminence and extent of the benefits to be derived from an O&G plant, managing *public* expectations may prove difficult.

300 Center for Global Development & REPOA 2015, op. cit., Wright Cappelen et al. 2015, op. cit.

301 Ibid.

302 Ibid.

TGR2014 spent time describing the lack of transparency in O&G contracts. A 2015 paper argued that the political nature of O&G negotiations put limits on the amount of transparency that can be reasonably expected, but argued that: 'more systematic involvement of the Tanzanian parliament to keep track of deals and check what cannot be disclosed to the public could contribute to demystifying contracts and increasing the stability of the Tanzanian petroleum policy environment.'[303] However, as this and recent TGRs have argued, the powers of parliament are under threat from an increasingly intolerant executive that is bent on curbing excessive popular access to information and political space to debate critical issues without fear. CSO involvement in the extractive industries is reported in **Chapter 5.**

4.2.1.2 Mining

'Gold producers are struggling to cut costs to counter falling prices that have slashed margins across the industry.' [304]

"We will not allow individuals or companies to hold mining licences while failing to develop their mines for years."[305]

'The State Mining Corporation (STAMICO) has recently been revived to play a role in joint ventures between the government of Tanzania and private companies in gold, tanzanite and coal. The National Development Corporation also has a significant presence. Increased monitoring of and research on their activities, along with improved accountability measures and better access to financial reporting, will be essential to ensure that both bodies support rather than thwart the government's attempts to get a good deal.' [306]

The value of Tanzanian gold exports fell from US$2.08bn in 2012 to US$1.75bn in 2013 and US$1.35bn in 2014 as a result of falling prices and production.[307] In February 2015, Business Monitor International predicted that low gold prices were likely to "disincentivise production growth." Tanzanian mining was 'relatively uncompetitive as high taxes and royalties weigh on mining companies.'[308] The mean annual increase in Foreign Direct Investment (FDI) dropped from US$73m between 1998 and 2010, to US$39m between 2010 and 2012.[309]

Towards the end of 2015, rising costs and shrinking revenues prompted Acacia gold to talk about redundancies.[310] While foreign mining companies cut back their activities, the government expanded theirs, with STAMICO purchasing the Biharamulo (Tulawaka) mine from Acacia and running it through its subsidiary Stamigold. TGR 2014 cited Tanzanian officials expressing reservations over whether Stamigold had the capacity to run a modern goldmine profitably, but Minister for Energy and Minerals Sospeter Muhongo was optimistic as Stamigold produced its first gold bars in 2014. General Manager Engineer Denis Sebugwao said Stamigold was 'capable of … competing with other world class mining companies.' According to the minister, STAMICO 'has … been tasked to be actively engaged in gold, Tanzanite, coal and even tin.' [311]

303 Rasmus Hundsbæk Pedersen and Peter Bofin 2015. 'The politics of gas contract negotiations in Tanzania: a review', Danish Institute for International Studies , Working Paper 2015:03, p29.

304 Guardian reporter and agencies 2015. 'Acacia Mining profit falls 70 pct as costs rise and gold declines', *Guardian,* 28 July.

305 Reporter 2015. 'Mining firms contests licence revocation', *Daily News*, 27 April.

306 http://www.resourcegovernance.org/sites/default/files/documents/nrgi_tanzania-strategy_20160629.pdf, p5.

307 Alawi Masare 2015. 'Tanzania tourism up as gold income falls', *Citizen*, 6 January, citing BOT figures. At the end of 2013, gold traded at US$1,200 per ounce, compared to US$1,800 in 2012. Acacia claimed it cost US$1,195 to produce an ounce of gold in 2015.

308 Henry Lyimo 2015. 'Tanzania's mining sector seen to slow down', *DailyNews*, 10 February.

309 Ilan Cooper and Nathan Stevens 2013. 'Political risk to the mining industry in Tanzania', *Journal of Political Risk,* Vol. 1, No. 2, June.

310 Guardian Reporter 2015. 'Acacia Mining in trouble, to cut jobs by Dec', *Guardian*, 23 October; Fareed Mohamed 2015. 'Acacia reviews operations to adapt to difficult environment', *Daily News*, 16 November. Acacia's wage bill was TShs300bn during 2014. Five percent of workers were expatriates.

311 Pius Rugonzibwa 2015. 'Sky is limit for state-owned Stamigold', *Daily News*, 23 January

Past TGRs noted the negative reaction of foreign mining companies to the updated mining code following the Mining Act of 2010. The code attempted to tighten up on the abuse of exploration rights and mining licences for speculative purposes. In late 2014, Minister Muhongo 'cancelled 174 licences … because of violation of the Mining Act…' Subsequently, a number of mining companies, including *Intra Energy Corporation* of Australia, took their revocation orders to court.[312] In December, the chairman of *Tanzania Chamber of Mines and Energy*, Amb. Ami Mpungwe, told President Magufuli that 'the mining sector was on the brink of collapsing.'[313] In response, the new President accused Acacia of 'exporting "container loads of sand … for smelting" rather than investing in a local smelter.[314]

4.2.1.3 Cement

'…the industry is facing contraction and possible job losses in the near future as they are forced to compete with cheap imports…"I am not asking the government to ban imports. I am asking for the government to create a level playing field." '[315]

Local cement producers[316] are protected against imported cement through an East African Community (EAC) Common External Tariff (CET) of 25 percent. But historically, local production has not satisfied demand. The recent construction boom has led to pressure to import cement, and local producers, mostly foreign-owned entities, have complained that cement imported tax free may leave them with unsold inventories.[317] In February 2015, the *National Environment Management Council* (NEMC) ordered *Tanzania Portland Cement Company* (TPCC), the largest cement producer in the country, to suspend production for causing environmental pollution and imposed a fine of TShs50m.[318] In April, TPCC, 'said it was going to shut about a quarter of plant capacity … due to oversupply and lower prices partly caused by cheaper imports from China and Pakistan.[319] Given the vulnerability of local producers to cheap imports, it is pertinent to ask why Nigerian billionaire Aliko Dangote, Africa's richest man, decided to invest US$600m in a cement plant in Mtwara.[320] Opening the plant in October 2015, he explained his investment in terms of Tanzania's ''investor friendly business climate", where economic reforms "have produced an enabling environment. Tanzania is one of the most attractive investment destinations in Africa," he said.[321] But in 2015, Tanzania ranks 116th out of 138 countries in terms of competitiveness and 132nd out of 180 countries in the ease of doing business.[322] The explanation for Mr Dangote's bullishness seems to be that he was offered natural gas to run his plant at a discount as an incentive to locate in Mtwara. Hardly a year later, Mr Dangote was back in Dar es Salaam following the temporary closure of his cement factory, officially for 'technical' reasons, but more probably because the government had not delivered on its promise to subsidise his power costs.[323]

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312 Daily News reporter 2015. 'Mining firms contests licence revocation', *Daily News*, 27 April.

313 Guardian Reporter 2015. 'Magufuli not impressed by mining performance', *Guardian,* 7 December.

314 Acacia export copper concentrate because production is too small to justify investment in a smelter, said to cost US$500m.

315 Henry Lyimo 2015. 'Local cement firms push for fair play', *Daily News,* 11 August. The quote is from Mr Reinhardt Swart, chairman of the Tanzanian chapter of the East African Cement Producers Association.

316 Before the arrival of Dangote, the main cement producers were Tanzania Portland Cement Company (owned by Germany's Heidelberg Cement), Tanga Cement (Afrisam Mauritius Investment Holdings Ltd) and Mbeya Cement (Lafarge SA of France).

317 Henry Lyimo op. cit.

318 Gadiosa Lamtey 2015. 'Govt suspends Twiga Cement...Also ordered to pay Sh50million in fine', *Guardian,* 7 February. 'Soot' from the factory chimney's was said to be causing 'serious flu, cough, headache and tuberculosis.'

319 Guardian Reporter 2015. 'With Mtwara plant, Dangote Group seeks bigger share of global cement market trade', *Guardian,* 18 November. TPCC is owned by Heidelberg Cement Group.

320 Guardian Correspondent 2015. 'Nigeria: Dangote to commission Tanzanian cement plan', *Guardian*, 1 October.

321 Dangote Group 2015. 'Why I invested US$600m in Tanzania – Africa's richest man', *Guardian,* 16 October.

322 https://goo.gl/5aAxj2; Doing Business 2017, see https://goo.gl/9QNIRr

323 Gertrude Mbago 2016. 'Row over Dangote cement factory closure rumbles on', *Guardian*, 2 December.

4.2.1.4 Tanzania Extractive Industries Transparency Initiative

'It is clear that the extractive sector is prone to leakages, but inflated expectations of massive hidden margins can contribute to policy instability and undermine government accountability.'[324]

According to one estimate 'Africa is losing between $50 and $60 billion annually through illicit financial flows.'[325] These flows include a range of illicit activities, including smuggling, illegal fishing, unexplained cash transfers by companies and individuals, and creative accounting whereby companies post losses for years on end without going bankrupt. Developed countries and offshore tax havens are the usual destinations for such IFFs. The extractive industries are frequently cited as serial offenders, for example, through transfer pricing. But we should not confuse attempts by companies to minimize their tax burden with illicit and illegal activities that would amount to robbing their shareholders and could put their managers behind bars.

Tanzania joined the *Extractive Industries Transparency Initiative (*EITI) in 2009. EITI is a mechanism for reconciling payments from companies to governments, as well as promoting transparency in the extractive industries more generally. EITI is overseen by representative civil society organisations, extractive companies, and government, backed by an international secretariat. Tanzania was suspended from EITI on September 2, 2015 through failure to meet the June 30, 2015 deadline for publishing the 2012–2013 EITI Report.[326] When the report was finally published in November 2015, the suspension was lifted (18th December).[327] The 2013/14 reconciliation was the sixth in the series, covering a selection of 59 companies, 38 in mining and 21 in O&G.[328] Payments to government are reported in **Table 4.2.**

Table 4.2: TEITI payments to government and all company payments, in US$, 2008-2014

	Period covered	Government Revenues	Company payments	Companies Reporting
1	01 07 08-30 06 09	102,110,000	138,760,000	11
2	01 07 09-30 06 10	309,407,926	305,762,430	23
3	01 07 10-30 06 11	329,804,744	337,100,429	29
4	01 07 11-30 06 12	468,277,748	469,605,654	43
5	01 07 12-30 06 13	602,119,124	596,547,648	65
6	01 07 13-30 06 14	754,302,420	Not reported	59

Source: file:///C:/Users/user/Downloads/TEITI-6th_2014_Report-TEITI-12-Final.pdf

These 59 companies paid taxes and royalties to the government worth TShs1.2trillion during 2013/14. Though the tax take from extractive industries has risen steadily in recent years, the majority view, including that of TEITI, is still that the mining companies are not paying enough taxes. Departing slightly from the usual script, Judge Bomani cited his 2009 *Mineral Sector Review* recommendation that mining companies 'should store at least 60 per cent of their earnings in the country.' Not surprisingly, mineral companies were not complying. [329] Judge Bomani 'also expects the government…to review all mining, oil and gas companies' contracts in order to eliminate exemptions

324 Maya Forstater 2016. 'Illicit Flows and Trade Misinvoicing: Are we looking under the wrong lamppost?', CMI Insight, No. 5, November.

325 Andualem Sisay Gessesse 2015. 'Africa loses billions in illicit cash flow', *Citizen*, 3 February.

326 Nuzulack Dausen 2015. 'Hope grows for club to lift ban on TZ', *Citizen*, 9 December.

327 TEITI 2015. ' Sixth Reconciliation Report For Tanzania Extractive Industries Transparency Initiative (TEITI) for the year ended 30 June 2013', Tanzania Extractive Industries Transparency Initiative

328 BDO East Africa 2015. 'Sixth Report of the Tanzania Extractive Industries Transparency Initiative for The Year Ended 30 June 2014, file:///C:/Users/user/Downloads/TEITI-6th_2014_Report-TEITI-12-Final.pdf. Imani Lwinga 2015. 'Govt makes a fortune from gas and gold', *Guardian*, 19 December. Sixty-five companies were covered the previous year.

329 Veneranda Sumila 2015. 'Implement revenue report on extractive industry: Bomani', *Citizen,* 14 May.

granted to [them]."[330] A TEITA Act was passed in 2015 to regulate mining companies' reporting and to make their reports and those of the government public.[331]

In 2014, the TEITI reported the sales values among the main extractives (**Table 4.3**).[332]

Bulyanhulu Gold Mine, Pangea Minerals, North Mara Gold Mine, Shanta Mining Company and *TanzaniteOne Mining*, all companies with Mining Development Agreements, have not payed corporation taxes as they are still said to be loss making.[333]

Table 4.3: Extractive industries sales 2014, TShs billion and US$s

Tax payer name	Mineral	Units produced	Unit of measure	Sales Value TzS'000	Sales Value US$
GEITA GOLD MINING LTD	Gold	556,197	Ounces	1,054,750,567	651,482,747
North MARA GOLD MINE	Gold	267,070	Ounces	561,120,160	346,584,410
BULYANHULU GOLD MINE	Gold	192,550	Ounces	430,467,665	265,884,907
PANGEA MINERALS LTD	Gold	198,995	Ounces	384,539,239	237,516,516
TANZANIA PORTLAND CEMENT	Cement	1,099,489	Tonnes	229,514,390	141,763,057
TANGA CEMENT LTD	Cement	1,019,273	Tonnes	198,746,879	122,759,036
SHANTA MINING CO LTD	Gold	140,801	Ounces	177,442,613	109,600,131
PANAFRICAN ENERGY TANZANIA	Gas	21,271,856	Mscf	174,759,671	107,942,971
RESOLUTE TANZANIA LIMITED	Gold	49,347	Ounces	92,273,880	56,994,367
WILLIAMSON DIAMONDS LTD	Diamonds	178,687	Carats	82,597,246	51,017,446
SONGAS LIMITED	Electricity/ Gas	34,055	MMscf	50,481,764	31,180,830
TANZANITE ONE MINING LTD	Tanzanite	4,022,958	Carats	12,432,473	7,679,106
MBEYA CEMENT COMPANY LTD	Cement	324,931	Tonnes	19,591,900	12,101,235
MINJINGU MINES & FERTILISER	Fertilizers	28,862	Metric Ton	4,420,620	2,730,463
WENTWORTH GAS LTD	Gas	725,180	MMBTU	1,335,605	824,957
Total				3,474,474,671	**2,146,062,181**

Rate**:** TShs 1,619 for 1US$

Box 4.1 provides evidence of underpayment of tax and transfer payments by two of the largest producers.

330 Ibid.

331 Daniel Semberya 2017**.** 'Government should ensure it benefits from extractive resources', *Guardian,* 1 March.

332 Imani Lwinga 2015. 'Govt makes a fortune from gas and gold', *Guardian,* 19 December. Although it did not produce any gold, Ophir Tanzania Ltd paid corporate tax of TShs361bn based on capital gains from the disposal of assets in the period.

333 Masembe Tambwe 2016. 'Emerging Markets Investors Alliance Tanzania: Revenues From Extractive Industries On the Increase' Tanzania Extractive Industry, AllAfrica, May 18.

Box 4.1: Evidence of tax evasion

'**Geita Gold Mine Ltd.** commenced production in 2000. Initially it was a joint venture of **Anglogold** and **Ashanti,** but became fully owned by Anglogold Ashanti (AGA) after a merger in 2004. The mine produces approximately 538,000 ounces of gold per year, and is one of the largest open pit mines in Africa. According to an **Alex Stewart Gold Assayers** (ASA) annual report, the company sold US $1.549 billion worth of gold from 2001-2007. Despite this, the company only paid US $144.4 million in tax during the same period ….'

'In January 2008, the **Presidential Mining Review Committee** mission … found that Resolute was selling its gold at US $530 per ounce at a time when gold prices were around US $1,200 per ounce. The company claimed that the reason for the discrepancy was that they had hedged at the lower price. Later the committee found that Resolute was engaged in a hedging arrangement with its sister company. This arrangement could have denied Tanzania … millions of dollars in royalties and tax revenues. The mine was closed in 2012, after exporting US $3.5 billion dollars of gold since starting operation in 1997. During this time Resolute paid corporate tax only once, three years before closure.'

Source: Alexandra Readhead 2016. 'Transfer Pricing in the Extractive Sector in Tanzania', Natural Resource Governance Institute, Case Study, March

Though there is evidence of tax avoidance, the use of import and export inconsistencies for products such as gold and copper to demonstrate IFFs is not always justified, as pointed out in previous TGRs. According to the IMF:

> 'we caution against attempting to measure [illicit flows] by using discrepancies in macroeconomic datasets… official estimates of trade misinvoicing cannot be derived by transforming trade data from the IMF Trade Statistics and/or UN COMTRADE, either by individual country or in aggregate.'[334]

Most of the mismatches used by *Global Financial Integrity* (GFI) to demonstrate IFF are the result of 'false positives' for gold and copper. [335] This reasoning also undermines the headline claim by the *High Level Panel on Illicit Financial Flows for Africa* that Africa loses US$50bn a year through IFF, based largely on gold and oil.[336] In a radical critique, Volker Nitsch 'concludes that the quantitative results have no substantive meaning and that therefore the estimate of $800 billion of trade misinvoicing globally lacks evidence and is uncorroborated.'[337]

However, Forstater concludes: 'Difficulties in measurement do not mean that the problem of trade misinvoicing or broader illicit flows should be dismissed, or that the challenges to governance of natural resource revenues should be underestimated.' [338]

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334 Response to UN IAEG consultation on SDG indicators: http://unstats.un.org/sdgs/files/open-consultation-iaeg/Open_Consultation_Compilation-Members_and_Observers-20150915.pdf, quoted by Maya Forstater 2016. 'Illicit Flows and Trade Misinvoicing: Are we looking under the wrong lamppost?', CMI Insight, No. 5, November.

335 AU/ECA Conference of Ministers of Finance, Planning and Economic Development.
High Level Panel on Illicit Flows from Africa 2015. 'Track It! Stop It! Get It!', Report of the High Level Panel on Illicit Financial Flows from Africa, commissioned by the AU/ECA Conference of Ministers of Finance, Planning and Economic Development. Cited by Forstater 2015: 2.

336 Forstater op. cit., page 5. For a response to this article from GFI see: www.cmi.no/publications/5978-comment-to-cmi-insight-number-5.

337 Volker Nitsch 20 16. 'Trillion Dollar Estimate: Illicit Financial Flows from Developing Countries', in: Darmstadt Discussion Papers in Economics, 227. Darmstadt. Cited by Forstater ibid.

338 Ibid. Note: these comments are more relevant to studies of IFFs than of the work of the TEITI.

4.2.2 Tourism

'…the proposed numerous fees will discourage tourist flow to the community establishments, investors also will lose interest and ultimately the whole concept of WMAs will become a white elephant.' [339]

During the Fourth Phase Government '…the number of tourists who visited the country increased from 612,754 in 2005 to 1,140,156 in the year 2014.'[340] Receipts from travel and tourism earned Tanzania US$823m in 2005, US$1.62bn in 2012, US$1.79 in 2013 and US$1.96bn in 2014.[341] Tourist earnings were said to be US$2.5bn in the year ending in January 2015. [342]According to the 2015 *Travel and Tourism Competitiveness Index*, Tanzania ranks 93rd out of 141 countries listed (66th centile) (**Table 4.4**).[343] This is an improvement over 2013, when Tanzania ranked in the 78th centile (109th/140), but little better than 2008 (88th/130, 68th centile). Currently, the country scores well on natural resources, and policy and enabling conditions are generally positive. The main shortcomings are infrastructure and the 'enabling environment'.

Table 4.4: Travel & Tourism Competitiveness Index, Tanzania 2015

	Rank /141	Percentile	Score (1–7)
Travel & Tourism Competitiveness Index	**93**	**66**	**3.35**
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
• Human Resources &Labour Market	110	78	4.03
• ICT Readiness	123	87	2.48
T&T Policy and Enabling Conditions	**67**	**48**	**4.18**
• Prioritization of Travel & Tourism	51	36	4.83
• International Openness	62	43	3.25
• Price Competitiveness	56	40	4.87
• Environmental Sustainability	99	70	3.78
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
Natural and Cultural Resources	**31**	**22**	**3.22**
• Natural Resources	7	5	4.91
• Cultural Resources/Business Travel	74	52	1.54

http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf

This is an improvement over 2013, when Tanzania ranked in the 78th centile (109th/140), but little better than 2008 (88th/130, 68th centile). Currently, the country scores well on natural resources,

339 Adam Ihucha 2015. 'Tanzania plans to confine tourists to national parks', *East African,* 3 January.

340 Rose Athumani 2015. 'Tourism industry revitalised to boost foreign exchange earnings', *Daily News*, 2 October.

341 Alawi Masare 2015. 'Tanzania tourism up as gold income falls', *Citizen*, 6 January; Rosemary Mirondo 2015. 'Foreign reserves, tourism save shilling', *Citizen,* 26 November.

342 Filbert Rweyemamu 2015. ''Poaching hasn't hurt tourism'', *Citizen,* 29 June.

343 www.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf. Kenya ranks 78th (55th centile) in the current index: Guardian Reporter 2015. 'Do tourists get what they want while in Tanzania?', *Guardian,* 15 November; Ndeninisa Lisley 2015. 'Dar meeting charts strategy to foster hospitality, tourism industry', *Guardian*, 30 December. Kenya ranks 78th (55th centile) in the current index; Guardian Reporter 2015; Reporter 2015. 'WEF names Tanzania among top ten SSA countries in tourism competitiveness', *Guardian*, 8 June.

and policy and enabling conditions are generally positive. The main shortcomings are infrastructure and the 'enabling environment'. Comparisons on the above index within the EAC are reported in **Chapter 7.**

Tax and regulatory issues continued to plague safari tourism in 2015.[344]In January, Tanzania National Parks (TANAPA) announced the government's intention to replace single one-day permits--that allow tourists to move in and out of game parks and Wildlife Management Areas (WMA)--with a multiple-permit system.[345] WMAs are designed to address human-wildlife conflicts by giving communities a stake in resource management. [346] Chairman of the Tanzania Association of Tour Operators (TATO), Willy Chambullo, said: "If the community does not feel direct benefit of the wild animals in the areas they inhabit, then overall outstanding value of our parks will be at stake." [347]Wildlife fee exemptions granted in late 2014 by the Minister of Natural Resources and Tourism to lodges and camps not providing wildlife services, were not honoured by the MNRT Wildlife Division or TANAPA. The Minister said the "current system is in favour of big hotel owners operating within national parks" and discriminates against lodge owners and communities in WMAs. "Tourists have been harassed over abolished fees" said one camp manager.[348] Tanzania Confederation of Tourism (TCT) executive director Richard Rugimbana said: "The new concession fees will hurt tourism further", while Hotel Association of Tanzania (HAT) chief executive Lathifa Sykes said they "will kill low-season and resident businesses."[349] Tour operators complain that they pay up to 24 taxes and levies, but don't know what the money is used for.[350]

The recurrent issue of concession fees for hotels and lodges inside national parks reemerged in 2015 after TANAPA announced a revised formula for calculating them based on a fixed fee rather than on the cost of accommodation. Deemed 'discriminatory' by the Hotels Association of Tanzania (HAT) and the TCT, the revised fees would mean increases from between US$30 and 100 per tourist/night, representing an increase of between 200 and 1,000 percent. [351] The new fees gazetted under Government Notices in March covered only 27 of the 44 hotels, lodges and campsites located inside national parks. TCT executive director Richard Rugimbana wondered why "the rates for the rest of accommodation facilities in parks managed by Tanapa have not been gazette and no reason has been given." [352] In addition, HAT complained that the fees were arbitrary, discriminatory, established without adequately consulting stakeholders, and imposed after tour operators had already budgeted for the coming season.[353] The new fees left 'considerable opportunity for corruption.' In 2011, HAT had taken TANAPA to court over the same issue, and won. In addition to concession fees, hotels, lodges and camps also pay TANAPA vehicles, park entry, walking, driver/guide entry, camping, and aircraft landing fees.

The two issues discussed above—fees for park entry and concession fees—are related: both are attempts by central government (MNRT), TANAPA, and the wildlife hunting industry (which is concentrated in game protected areas bordering national parks), and a couple of big hotel chains to limit access to natural resource rents by local communities through WMAs. Without external

344 Adam Ihucha 2015. 'Tour operators plead with state to end nuisance taxes', Citizen, 11 June.

345 Edward Qorro and Daniel Mjema 2015. 'Executive, Bunge clash over park entry system', Citizen, 2 May.

346 Adam Ihucha 2015, op cit. There are WMAs in the country, established with support from USAID.

347 Ibid.

348 Adam Ihucha 2015. 'Policy inconsistency irks tour operators', Citizen, 29 January.

349 Veneranda Sumila 2015. 'Govt criticised over new concession fees', Citizen, 21 May.

350 Jacques Morisset 2015. 'TZ tourism: Elephant in the room', Citizen, 29 January.

351 Guardian reporter 2015. 'Tourism Private Sector 'Set the Record Straight' on Concession Fee Saga', Guardian, 9 June. Concession fees are paid per tourist/night.

352 Veneranda Sumila 2015. 'New hotel fees spark criticism', Citizen, 12 May. Tanzania Confederation of Tourism (TCT) said tourist arrivals were down 30% as a result of the Ebola scare.

353 Ludger Kasumuni 2015. 'We're sidelined in levy setting, say tour agents', Citizen, 28 May. TATO's Sirili Akko complained that neither central nor local governments consulted the industry in advance of imposing new fees.

support from donors and INGOs, the WMA concept (itself crafted by foreign advisors) will be throttled by this powerful informal public-private partnership.[354]

Rivalry between Kenyan and Tanzanian tour operators continued in 2015.[355] In March, the Tanzanian Civil Aviation Authority (TCAA) reduced the number of Kenyan Airways flights into the country per week from 42 to 14. This followed a move in December 2014 by Kenya's tourism ministry to ban all Tanzania-registered vehicles from entering Jomo Kenyatta International Airport to pick up or drop off tourists.[356] Kenyan tour operators complained that they were barred from accessing Tanzanian game parks. The dispute was resolved between the two countries' presidents when they met in Namibia.[357]

In February, the minister for natural resources and tourism, Lazaro Nyalandu, announced a new initiative to sell Tanzania as a tourism destination dubbed 'Rebranding Destination Tanzania.'[358] The Ebola epidemic that broke out in West Africa in 2014 apparently led to numerous tour cancellations in East Africa, suggesting that inadequate resources were put into assuring tour companies that the region was Ebola-free. At US$1.5m the initiative was hardly large-scale. Critics claimed that much more should be done to promote Tanzanian tourism, including diversifying the types of tourism on offer.[359] Tanzania did not figure in the 2015 *World Travel Awards* for safari destinations, which was won by Kenya. Sirili Akko, executive secretary of TATO, complained that: "In terms of budgetary allocation in tourism sector, we are far below Kenya and the results are out there for everyone to see."[360]

Conflicts between tourist developments and local residents over land, grazing, water and transit rights erupt from time to time. In November 2014, a group of 'Maasai pastoralists', invaded and torched Ndarakwai tourist camp, an upmarket, British-owned venture located in Siha District, West Kilimanjaro, in apparent protest over grazing rights.[361] The *Field Force Unit* (FFU) was called in to reestablish order, and over 50 arrests were made (nobody was killed). The conflict was resolved in January 2015 in a meeting between the opposing sides and the District Chairman of the ruling CCM party.[362] This was the first reported case of violent conflict between pastoralists and the camp, which was set up in 1995.[363] Such events, which are often covers for local political and business rivalries, and reflect a long history of land conflicts between locals and outsiders and poor land management by the state, are unlikely to go away.

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354 Person communication, tour operator (anonymous). Relations between the private hunting industry and government officials and politicians are described in detail in: Craig Packer 2015. Lions in the balance: Man-Eaters, Manes and Men with Guns', Chicago and London: University of Chicago Press.

355 Prince-Josh Adams 2015. 'Kenya and Tanzania in trade war', Guardian, 22 March; Rose Athumani 2015. JK, Kenyatta resolve tourism row', Daily News, 23 March.

356 Citizen reporter 2015. 'Kenya bars TZ tour vans from JKIA and parks', Citizen, 7 February; Sirili Akko 2015. 'Managing Tourism Market Borders and Fluid Goods in EAC Countries', Africa Journal of Management, Volume 1, Issue 4 , Special Issue: Managing in an Integrated East Africa, 15 December; Adam Ihucha 2015. 'Dar petitions Kenya after tour operators barred from airports', East African, 10 January. The ban was lifted in January while discussions continued: Adam Ihucha 2015. 'Relief after ban on Dar tour vans lifted', East African, 17 January.

357 Citizen Reporter 2015. 'JK, Uhuru end row on tourist vans, KQ flights', Citizen, 23 March.

358 Guardian reporter 2015. 'Tanzania to re-brand as Africa's leading tourist, business destination', Guardian, 4 February.

359 Beatrice Philemon 2015. 'Tour operators root for new tourism products', Guardian, 13 October.

360 Edward Qorro 2015. 'Tanzania tourist sites flop, Kenya now voted world's leading safari destination', Guardian, 17 December. However, Kenyan tourist arrivals and receipts have declined steadily over the last five years, see: https://thekenyancamper.com/2016/05/09/kenyas-tourism-statistics-the-numbers-game/.

361 Daniel Mjema 2014. 'Maasai mob torches tourist camp', Citizen, 16 November.

362 Hazla Quire 2015. 'Tanzania: Parties Address Ndarakwai Estate Conflict', Arusha Times, 28 February: http://allafrica.com/stories/201503022471.html

363 Deus Ngowi 2015. 'Ndarakwai lodge moves on despite sabotage', Daily News, 5 January. The camp is situated on an 11,000-acre farm in the Ndarakwai wildlife corridor.

A hospitality consultant summarised the challenges facing the tourism sector as: air and ground transport, the labour market and environmental sustainability policies.[364] Missing from this list is state regulatory capacity, an inefficient tax regime and the lack of equivalence between the volume of natural resource rents created by tourism and public investments in managing and promoting the sector.

4.2.2.1 Poaching and dynamite fishing

"We have to create international pressure on the countries which are defined to be the market for the ivory and other wildlife products, as now, the lions are going the same way." [365]

More than 100,000 elephants were illegally killed in Africa between 2010 and 2012, or 33,630 a year. In the past five years, Tanzania has lost 60 percent of its elephants: the population fell from an estimated 109,051 in 2009 to just 43,330 in 2014.[366] The surge in ivory poaching in Tanzania was reported in TGR2014, with Tanzania receiving a lot of negative coverage for not doing enough to stop the slaughter. A British TV channel cited a halving of elephant numbers in the Ruaha National Park over a one year period was hotly denied by a TANAPA official.[367] In June 2015, minister of Natural Resources and Tourism, Lazaro Nyalandu, claimed that 'the war against poachers would continue with increased ferocity although it [poaching] had not affected the sector in the short run.' He claimed that elephant numbers were increasing in the Serengeti ecosystem, Maswa Game Reserve and Ngorongoro Conservation Area.[368] In July, the British *Daily Telegraph* reported that Tanzania had lost two-thirds of its elephant population in the last four years.[369] This followed Minister Lazaro Nyalandu's announcement that the GoT could not 'account for' 12,000 elephants. The apparent absence of carcasses meant that the missing elephants had perhaps 'emigrated to other parts of the country or neighbouring countries.'[370] Dr Alfred Kikoti, an elephant expert, was worried that 'several attempts to dismantle' poaching networks 'have floundered.' He is quoted as telling the *Daily Telegraph*:

> "The government remains part of the problem because of its unwillingness to take on the powerful networks of corruption, police, immigration and wildlife officials and politicians that help the poachers to operate unhindered."[371]

Dr Kikoti and others insiders believed the sacking of former minister Khamis Kagasheki was not the result of the failure of *Operation Tokomeza Ujangili* but because the list of suspects the minister handed President Kikwete contained too many ministers and other top officials.[372] In December, tour operators' lobby TATO urged the government to intensify the war on poaching, to increase security

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364 Ndeninisa Lisley 2015. 'Dar meeting charts strategy to foster hospitality, tourism industry', Guardian, 30 December.

365 Hannah McNeish 2015. 'Tanzania turns a blind eye to poaching as elephant populations tumble', Guardian, London, 20 August, quoting Sirili Akko, executive secretary of Tanzania's Association of Tour Operators (TATO).

366 WildAid 2015. 'Poaching steals from all of us: The elephant crisis in Tanzania'.

367 Mkinga Mkinga 2015. 'Report on jumbos false, says Tanapa', Citizen, 1 May. Tanapa communications director Pascal Shelutete said he was unaware of any census taking place. TheUK's ITV claimed the elephant population had declined from 8,400 in 2014 to 4,200 currently according to the Great Elephant Census. The final results from the Census show 352,271 African savanna elephants in 18 countries, down 30% in seven years. http://www.greatelephantcensus.com/.

368 Filbert Rweyemamu 2015. ''Poaching hasn't hurt tourism'', Citizen, 29 June.

369 Zephania Ubwani 2015. '12,000 'lost' jumbos felled by poachers, claims UK paper', Citizen, 27 July.

370 Ibid.

371 Ibid. Aislinn Laing 2015. 'This is how Tanzania lost over 60pct of its once mighty elephant pop in just 4 years', Guardian, 29 July.

372 Aislinn Laing 2015. 'This is how Tanzania lost over 60pct of its once mighty elephant pop in just 4 years', Guardian, 29 July; Aislinn Laing 2015. 'Tanzania loes two-thirds of elephant population in just four years', Guardian on Sunday, 2 August, reprinted from the U.K.'s Telegraph. A subsequent ivory haul seized in Switzerland en route to China implicated two members of the TPDF and a security office at JNIA. See: Citizen Reporter 2015. 'Soldiers linked with smuggling Dar ivory', Citizen, 13 August; Reporter 2015. 'How ivory haul was sneaked out at JNIA', Citizen, 14 August.

measures to protect tourists, and to address the compliance costs involved in paying the 32 taxes, levies and other dues that tour operators have to pay. [373]

Operations coordinated by the *National and Transnational Serious Crimes Investigation Unit* (NTSCIU) have been successful in drastically reducing ivory poaching, for example, in Katavi and Ruaha National Parks. Arrests made 'revealed a huge syndicate of ivory dealers, sending Tanzanian and Mozambique ivory to Burundi.' Dealers finance poachers to kill elephants, remove and transport the tusks to a hideout (see sidebar). [374]

The dangers inherent in fighting poaching were highlighted in December 2015, when the protection manager in Tanapa, Emily Kisamo, was brutally murdered. [375] Kisamo's family were convinced that he had been murdered by 'poaching ringleaders', given his 'hard stance on poaching.' Kisamo's body was found in the trunk of his vehicle in Njiro, Arusha, with his head partially severed from his body.[376]

'It will not cost the dealer no more than Sh500,000 for a 15kg tusk while he will earn about Sh5 million after selling it to big dealers who export the tusks through their syndicates.'

In a national survey, nearly 80 percent of respondents said that it would matter a great deal to them if elephants disappeared from Tanzania, and over 73 percent said that they associated wildlife with their national identity and heritage.[377] Up to 90% of Tanzania's ivory goes to China, where a legal domestic trade in ivory acts as a cover for the illegal ivory trade that is the main cause of Tanzania's elephant poaching crisis.

Efforts by government and donor agencies to curb blast fishing along the Tanzania coast have had little lasting effect. Tanzania is 'the only country in Africa where dynamite fishing still occurs on a large scale.' [378] The *Tanzania Dynamite Fishing Monitoring Network* recoded a rapid increase in the incidence of blast fishing after 2003, following a relative lull. Nearly 9,000 blasts were recorded over a 15 month period at SongoSongo in Lindi Region. [379] In July, the government launched a *Multi-Agency Task Team* (MATT) to fight blast fishing, with support from the EU. [380]

4.3 Land and agriculture

'The overlapping roles of the Ministry of Lands and PMO-RALG and weak governance in land administration pose major risks for efficient and fair land rights.'[381]

'Residents…were shocked to see a foreigner move in and treat them like intruders just the same way the investor was shocked to find them comfortably living in (sic) his land.'[382]

Rights to land titles that are not contested and enforceable are rare in Tanzania, particularly for foreign investors in agriculture, routinely dubbed 'land-grabbers'. As human and animal populations grow

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373 Alawi Masare 2015. 'Tackle poaching, Tato urges govt', Citizen, 31 December.

374 Citizen Reporter 2015. 'Shocking details emerge as secret anti-poaching drive takes root', Citizen, 30 March.

375 Edward Qorro 2015. 'Poaching lords killed our brother, relatives claim', Citizen, 21 December.

376 Zephania Ubwani 2015. 'Tanapa official found dead', Citizen, 20 December.

377 WildAid 2015. 'Poaching Steals from Us All', June 18.

378 Janet Mtui 2015. 'Combating dynamite fishing to boost economy', Daily News, 12 January.

379 Lucas Liganga 2015. 'The resurgence of blast fishing', Citizen, 21 October, citing Jason Rubens 2015 'Status of Blast Fishing in Tanzania Mainland Waters', September. See also: Lucas Liganga 2015. 'Blast fishing in Tanzania: Proof of failure by law enforcers', Citizen, 8 November.

380 Critics thought that the MATT was compromised and was unlikely to deliver (stakeholders, pers. comm., November 2016).

381 Felix Andrew 2015. 'Review land ownership for foreigners to minimize conflicts – activists', Guardian, 10 August.

382 Songa wa Songa 2015. 'Land grabbing in Tanzania: The truth, fallacies and fights- part 1', Citizen, 24 March;

rapidly in a weak institutional environment, conflicts are inevitable between farmers and pastoralists, and between both groups and the state, for example, through 'encroachment' in game parks and wildlife protected areas to farm, graze cattle and poach wildlife.[383]

Privatising state farms and ranches has led to numerous conflicts. From 1990, the GOT privatised over 300 state-owned farms and companies. Some of these were originally privately owned, others were established during the implementation of the country's *Basic Industries Strategy* (1975). The agricultural sector accounted for over a third (36 percent) of all privatised entities, and over a third (35 percent) of these were located in Tanga and Morogoro regions, consisting mostly of reprivatised sisal estates. [384] The regulator of privatised companies is the *Treasury Registrar* (TR). The TR monitors privatised firms and farms to assess whether they are meeting the terms of their purchase agreements. In November 2015, the TR's requested privatised entities to report on 'implementation of their various agreements', but the response was poor. After a partial monitoring and evaluation exercise, 49 of the listed companies were found to be in 'serious breach of terms of the sale agreements … in aspects of dormancy and abandonment; lapses in implementation of business plans…; default in payment of purchase price (and interest); and change of the use of the properties without the consent of the Treasury Registrar.' Of these defaulting companies, 30 were in trade and industry, 10 in agriculture, and 6 in natural resources and tourism.[385]

The Ministry of Lands also gets involved in land conflicts related to privatisation. For example, in September, the Ministry revoked the ownership of 1,870 ha out of 7,370 owned by the *Export Trading Group* (ETG) in the Kapunga Rice Project, Mbarali, in Mbeya Region, thus fulfilling one of President Magufuli's election promises. ETG acquired the estate from NAFCO in 2006. This long-standing dispute also involved the Ministry of Agriculture. [386]

Weak and contested land rights for foreign investors have undermined the roll-out of the ambitious *Southern Agricultural Growth Corridor of Tanzania* (SAGCOT). [387] In May, the SAGCOT Centre Deputy CEO Jennifer Baarn listed 'delayed responses from public institutions and access to surveyed and titled land' as the main challenges. Others were: legal and regulatory issues, access to financial services, inadequate infrastructure, unpredictable policy changes, and limited institutional capacities. [388] Setting up and operationalising a *Catalyst Trust Fund* (CTF) to promote investment in the Sagcot area has taken much longer than expected. Donor support for SAGCOT includes the WB, the UK's DFID and USAID. What is missing is buy-in by foreign and local investors, despite claims of 'pledges' by 30 'private actors' worth up to US$1bn. [389] The SAGCOT solution to the perceived tension between large-scale foreign investments in agriculture and the interests of small farmers is outgrower schemes, which are already spreading in horticulture. [390]

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383 Farmers also need to protect themselves and their crops against lions and elephants in areas bordering game parks and protected areas. In southern Africa, game parks are fenced to minimize poaching and damage to crops and attacks on people. Such measures are expensive to maintain, but most of the tourist revenue paid to TANAPA 'went to Dar es Salaam rather than to the upkeep of the parks.' Packer 2015, op. cit. page 216.

384 Office of the Treasury Registrar 2015. 'Reissuance of notice to all purchasers of the privatized industries and farms', Daily News, 31 December. In all, 337 companies were privatised, including 121 in agriculture and ranching.

385 Ibid.

386 Songa wa Songa 2015. 'Land grabbing in Tanzania: The truth, fallacies and fights- part 1', Citizen, 24 March; Godfrey Kahango 2015. 'Ownership of 1,870hs of rice fields revoked', Citizen, 26 September.

387 Felix Lazaro 2015. 'Agriculture plan in financial woes', Citizen, 22 January. By 2030, Sagcot plans to put 350,000 hectares into 'profitable production', create 420,000 new employment opportunities, 100,000 commercial smallholder farmers, generate US$1.2bn in farming revenues, and lift 2m people out of poverty.

388 Prosper Makene 2015. '30 private actor set to invest in SAGCOT to boost agriculture', Guardian, 26 May.

389 Felix Lazaro 2015, op. cit. See also: Prosper Makene 2015. '30 private actors set to invest in SAGCOT to boost agriculture', Guardian, 26 May.

390 Daily News reporter 2015. 'How Sagcot struggles to benefit small farmers', Daily News, 30 May.

NGOs such as *HakiArdhi* and *ActionAid* campaign against land grabbing, and claim that 'most' foreign companies operating in Tanzania 'acquire land without following proper procedures'. HakiArdhi works with local communities to know and protect their land rights. *Tanzania Investment Centre* (TIC) executive director Raymond Mbilinyi challenged the view that 'investors were currently scrambling to grab Tanzania's land.' [391] Limited financial and human capacity, over-complex procedures and multiple lines of authority lead to inadequate oversight and control, transparency and accountability in land allocation procedures, and encourage corruption. Speaking in Kahama in late May, Minister of Lands, Housing and Human Development, William Lukuvi, claimed that 'land officials had been forging papers in the process of issuing land ownership documents and fraudulently changing land-use plans which … were the main cause of for the increasing land disputes in different parts of the country.' [392]

While foreign and local NGOs focused on land grabbing, the EU parliament criticised the GoT for not respecting customary land rights, and threatened to make EU support for land governance programmes contingent on Tanzania's human rights record. [393] The EU left open the question of whether land rights were being abused on behalf of foreign investors or Tanzanians. An investigative essay by Songa wa Songa showed that it was difficult to know who is telling the truth on investment versus land-grabbing issues, since both sides had incentives to lie. [394] One insight was that in some cases, villagers are not having their 'traditional land rights' abused, but are being evicted from

391 Felix Andrew 2015, op. cit.

392 Shija Felician 2015. 'Minister: Officials fuel land disputes', Citizen, 1 June. See also: Alawi Masare 2015. 'Opposition links RC with land scam', Citizen, 9 June.

393 Reporter 2015. 'EU condemns land grabbing in Tanzania', Citizen, 17 March. An indigenous land rights group petitioned President Kikwete 'to reinstate the land rights of [villagers from] Uvinje in Bagamoyo District and allow them to participate in conservation.

394 Songa wa Songa 2015. 'Land grabbing in Tanzania: The truth, fallacies and fights- part 1', Citizen, 24 March; Songa wa Songa 2015. 'Land grabbing in Tanzania: The truth, fallacies and fights- part 2', Citizen, 25 March.

former state farms and estates on which they have been squatting for longer or shorter periods.[395] For example, the Kapunga Rice Project was formally owned by the *National Agricultural and Food Corporation* (NAFCO),[396] and the disputed 'land-grab' by EcoEnergy in Bagamoyo was a state farm from the 1970s. Investors either know that they will face problems evicting farmers from their legally-acquired land as they begin to farm, or are surprised when they realise that the land they have purchased cannot be cultivated without a fight. 'Land-grabs' in the EcoEnergy venture in Bagamoyo and the Kapunga rice project in Mbeya are related below (**sections 4.3.2/3**).

Land disputes routinely put pastoralists against sedentary farmers.[397] Usually, farmers are seen as the aggrieved parties, but the reverse also happens, as in Kilosa District in 2015, when farmers invaded livestock herders' pastureland and violent clashes led to multiple deaths.[398] The 'invasion' of national parks and game protected areas by pastoralists is a growing concern with no simple solution. Politicians take sides on the issue, especially in election years. For example, in January, Tarime district cattle-owners complained that their cattle were being shot by park wardens 'in areas surrounding Serengeti National Park', to which they claimed President Kikwete had promised them access prior to the 2005 elections.[399]

Growing competition over land and water rights between game reserves/conservation, farmers, agro-pastoralists and pastoralists in a context of population growth and climate change presages unprecedented crises in years to come.[400] Far from resolving these problems, the practice of politicians and rights activists of taking sides for or against the 'rights' of one or other group is only going to make matters worse, since the issues are collective, not sectarian.

'In a country like Tanzania, where leaders are still adored and feared, it's not clear whether the acquisition by the Sumaye family was something influenced by power or was just an ordinary transaction.'

Songa wa Songa

Foreign investors have been targeted by local and international NGOs for 'land grabbing'. Arguably, the largest 'land grabs' are by the politically well-connected in government and the private sector. But these grabs are also vulnerable and titles may be challenged and revoked for contingent political reasons.[401] For example, in September 2015 CCM Regional Secretary Kulwa Milonge threatened to 'repossess' a ranch in Morogoro owned by former Prime Minister Frederick Sumaye and said to have been obtained 'illegally'.[402] The following year, Sumaye lost the former *National Ranching Company* (NARCO) ranch covering 1,800 hectares, as well as 13 hectares he owned on the outskirts of Dar es Salaam. Sumaye's wife Esther was also involved in land purchasing, with a 382 acre farm in Mvomero purchased from a local cooperative society.[403] Sumaye quit CCM for the opposition

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395 Deborah Brautigam reports on Chinese firms scaling down dramatically or pulling out of countries like DRC and Ethiopia when they realised they had unknowingly invested in land that was locally owned under traditional law, and they could not enforce their 'property rights'. In some countries there have been protests against Chinese 'land grabbing.' Chinese investments are considerable in sugar and rubber plantations in Mozambique, Cameroon and Ethiopia. See: Chris Arsenault 2015. 'Chinese firms buy, lease African farmland than thought', Guardian, 13 October.

396 NAFCO farms in Hanang District that were privatised after the failure of the Canadian-supported wheat project are contested by villagers who claim they were 'forced out of their land without compensation.' See : Zephania Ubwani 2015. 'Hanang farmers claim more estates', Citizen, 27 December.

397 Hamida Shariff 2015. '1 killed, several injured as pastoralists, farmers clash', Citizen, 15 December.

398 Zephania Ubwani 2015. 'Morogoro land dispute take tribal dimensions, warn herders', Citizen, 7 February.

399 Waitara Meng'anyi 2015. 'Kikwete blamed over empty promises', Citizen, 19 January.

400 Patty Magubira 2015. 'Policy makers blamed for failures in livestock sector', Citizen, 11 May.

401 During his election campaign, Magufuli told residents in Kilosa District that 'he was aware of some big shots amassing huge chunks of land in Morogoro and Tanga and promised to nationalize the land.' Nuzulack Dausen 2015. 'Magufuli promises to end sugar price fixing', Citizen, 7 September.

402 Guardian Correspondent 2015. 'CCM to 'take over' Sumaye's 500-ha Morogoro farm?', Guardian, 4 September.

403 Songa wa Songa 2015. 'Land grabbing in Tanzania: The truth, fallacies and fights- part 2', Citizen, 25 March.

Chadema party prior to the 2015 elections.[404] NARCO ranches were privatised in 2002 by minister for Livestock Development (and subsequent Prime Minister) Edward Lowassa. 'Gross irregularities' were said to have accompanied the sale of the ranches, implicating a number of ministers and regional commissioners in the Mkapa administration, including Sumaye, Prime Minister throughout Mkapa's presidency.[405] In his election campaigning, John Magufuli 'pledged to resolve the controversy in which 52 ranches were given away haphazardly when … Lowassa took charge of the Ministry of Water and Livestock Development.'[406] The Sumaye case may help explain why there were so few defections among senior CCM politicians following Lowassa's defeat in the ruling party's primaries.

Below, a number of agricultural sub-sectors are reviewed. Space prevents a comprehensive review of all crops, whether for subsistence, local markets or export. For much of the post-independence period, exports of sisal, cashew, cotton, tobacco, tea, coffee, and pyrethrum formed the backbone of the country's foreign exchange earnings. Today, while minerals, tourism and manufactures each earn over a billion US$s in annual export revenues, 'traditional' agriculture is relegated to fourth position, earning less than a billion US$s. Horticulture exports are worth almost half the value of traditional exports, and catching up fast. Tanzania's inability to modernise its cashew, coffee, cotton and other long-term agricultural exports, and to add value through local processing, must stand as among its biggest post-independence policy failures. Today, Tanzania exports marginally more raw cashew than it did in 1974, while Vietnam has become the world's leading cashew producer. On the positive side, there have been no food crises requiring emergency food aid: Tanzanians largely feed themselves.[407]

Below we look briefly at developments in horticulture, sugar, maize, rice, cashew, dairy and cotton.

4.3.1 Horticulture

'To obtain the four documents required to export agricultural products from Tanzania, it takes 16 days and costs 4.3% [of] income per capita, which is more cumbersome and costly than other Sub-Saharan African countries.'[408]

Horticulture has been the main agricultural success story in recent years, as described in TGR2014. Horticulture is said to have earned the country US$450m in 2014, up from US$63m in 2002.[409] The main exports are cut flowers, seasonal vegetables and fruit. Avocados, a fruit once considered of little commercial value and used as animal feed, are now exported to European supermarkets. Africado Ltd produces export quality avocados on part of a former coffee estate in West Kilimanjaro, supplementing exports through an ambitious outgrower scheme, said to involve 2,500 smallholders.[410] The outgrower scheme has been supported by donor assistance, including USAID's *Tanzania Agricultural Productivity Program* (TAPP).[411] Tanzania's main markets are Kenya, the Netherlands, Belgium, France, UK, Canada, and Austria.

The *Tanzania Horticulture Association* (TAHA) has grown rapidly in recent years, and diversified away from the export of cut flowers to a much broader involvement in all horticulture products for local, regional and international markets.[412] TAHA has 45 'comprehensive' (i.e. large-scale) members,

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404 Kizito Makoye 2016. 'Tanzanian ex-PM loses farm, accused by government of leaving land 'idle'', Reuters, 29 November.

405 https://www.jamiiforums.com/threads/major-policy-u-turn-govt-to-repossess-over-90-privatized-ranches.30866/.

406 Peter Elias 2015. 'Magufuli: I'll sort out ranchers', Citizen, 22 September.

407 Though edible oils, sugar, rice, and wheatflour are still imported in large quantities.

408 World Bank 2017. 'Enabling the business of agriculture 2017': http://eba.worldbank.org/~/media/WBG/AgriBusiness/Documents/Reports/2017/EBA2017-Report.pdf.

409 Zephania Ubwani 2015. 'Horticulture exports rise to $450m in 2014', Citizen, 2 February.

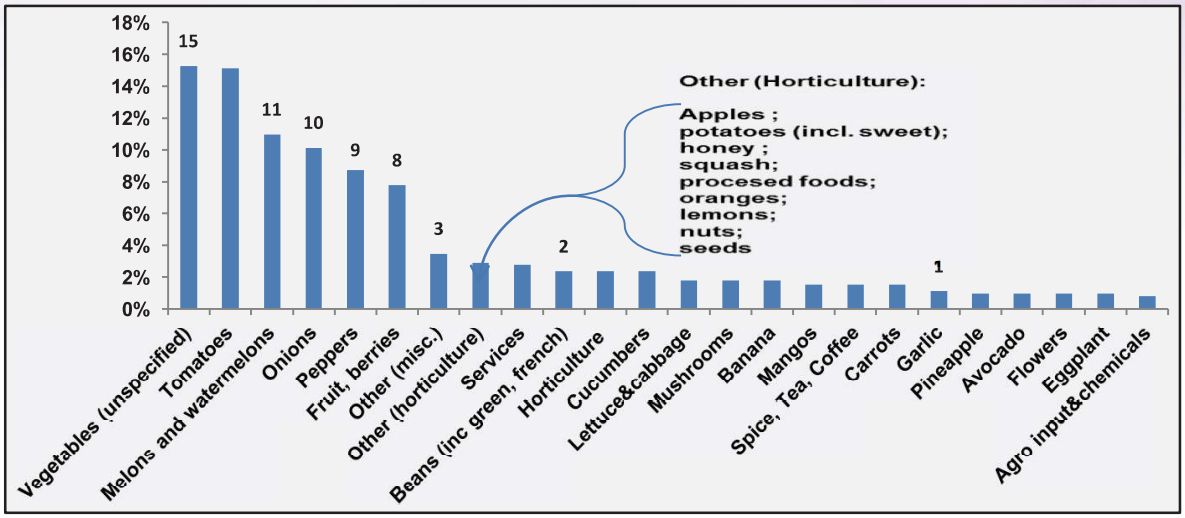
410 Pendo-Edna Mahoo 2015. 'Re-shaping farmers' future through horticulture', Guardian, 2 February.

411 Bilham Kimati 2015. 'Avocados are the new gold in Kilimanjaro', Sunday News, 11 January.

412 Adam Ihucha 2015. 'Making a name in horticulture', Citizen, 15 January.

58 'allied' members (mostly suppliers), and 385 'associate' members, who are mostly small-scale fruit and vegetable growers. Many of these have diversified out of growing 'traditional' export crops, coffee in particular.[413] **Figure 4.3** gives a breakdown of associate members' main products.

Figure 4.3: TAHA Associate members 2015, by main products, percent (n=385)



Source: Based on TAHA members' list, www.taha.or.tz

While much of the recent expansion of horticulture has taken place along the Moshi-Arusha axis, other regions, including the Southern Highlands, and Zanzibar, are also expanding horticulture, with technical support from TAHA. In an interview with Agri-Business Africa, TAHA CEO Jacqueline Mkindi listed the challenges facing the sector:

- '*Overregulation* associated with *multiplicity of taxes, fees, charges and levies'*. As a result, the agricultural businesses incur high compliance costs in terms of time and financial resources as s/he has to deal with different authorities;
- Significant *post-harvest losses* of up to 60% of the total crop;
- Inadequate *support infrastructures* such as cold storage facilities;
- Most … farmers lack *knowledge on horticultural technologies* and good agricultural practices making them unable to achieve the optimal yields;
- Poor marketing system characterized by *market inefficiencies and information asymmetry.*' [414]

A contentious tax in the Skills Development Levy, charged at 4.5 percent of salaries on all companies with more than four employees. Prior to 2014, agriculture was exempted since farmers did not benefit from vocational training provided by vocational colleges in the country, but SDL was reinstated on agriculture in 2014.[415]

413 Adam Ihucha 2015. 'Abolish levy on skills, govt urged', Citizen, 11 June.

414 http://www.agribusinessafrica.net/index.php/resources/interviews/2423-ceo-tanzania-horticultural-association-taha. Emphasis added.

415 Adam Ihucha 2015. 'Abolish levy on skills, govt urged', Citizen, 11 June.

4.3.2 Sugar

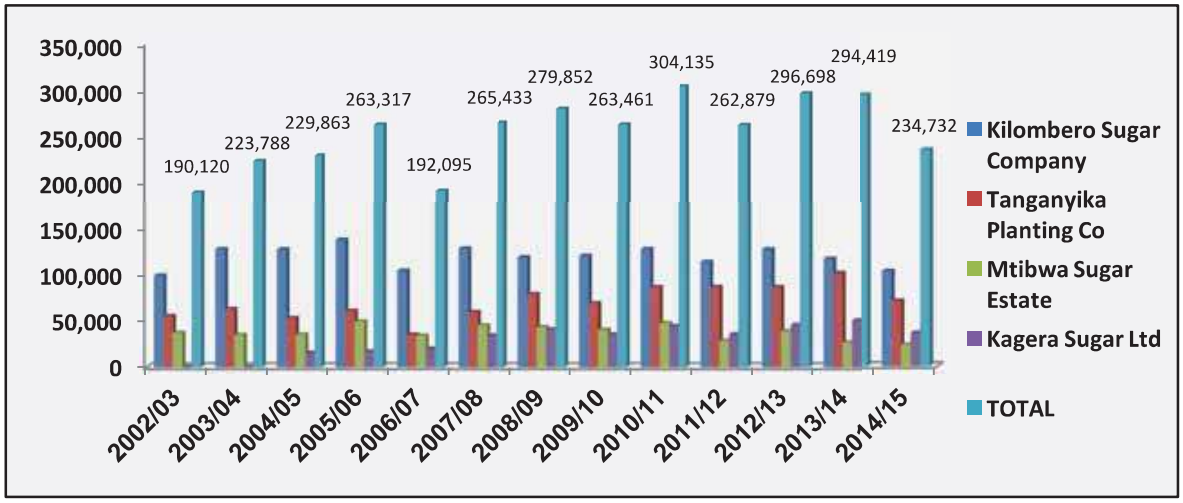
'The raw sugar tariff differential with the mainland provides incentives to import raw sugar into Zanzibar and transport it illegally to the mainland without paying the higher mainland tariff.'[416]

"…some businessmen have been importing more [sugar] than is required, thus flooding the market and hurting local manufacturers of the commodity."[417]

'TPC are experiencing a … financial crisis arising from cheap imported sugar which has flooded the local market.'[418]

Sugar production and importation are highly political issues in Tanzania.[419] One of President Magufuli's election promises was to deal with sugar 'price fixing'.[420] While local commercial sugar production falls far short of demand, imports are the subject of *ad hoc* duty exemptions and smuggling, which can undermine local producers throughout the region.[421] Production in Tanzania's four main sugar estates from 2002 to 2014 is reported in **Figure 4.4.**

Figure 4.4: Sugar production in Tanzania, 2002/03 to 2014/15, metric tons



Source: based on http://www.sbt.go.tz/index.php/production-data; Staff writer 2015. 'Imported 'cheap' sugar floods Dar', Guardian, 27 January.

Local sugar production grew rapidly between 2000 and 2005, and plateaued thereafter at between 260,0000 and 290,000mt, with a nosedive in 2014 to the lowest level since 2006. Demand is said to be 420,000 mt per annum. *Kilombero Sugar Company* (KSC) produces around 40 percent of the national total. From 2002/03 to 2014/15, KCS increased by a paltry five percent. Of the four companies, only TPC in Moshi maintained growth from 2006/07 through 2013/14. TPC and KCS, the two largest producers, are majority foreign owned. Of the four companies, only TPC doesn't have an outgrower scheme.[422] There are said to be 15,000 registered outgrowers providing cane to the other three companies.[423]

416 Don Mitchell 2016, Briefing Note on the Tanzania Sugar Industry', July 14.

417 Prime Minister Mizengo Pinda. See: Reporter 2015. 'Kilomero Sugar wins PM praise for empowerment', Daily News, 22 October.

418 James Lanka 2015. 'How illegal importation of sugar kills local industries', Guardian, 15 December.

419 Asia Rweyemamu 2015. 'Why sugar scandals are here to stay', Guardian, 17 January.

420 Nuzulack Dausen 2015. 'Magufuli promises to end sugar price fixing', Citizen, 7 September. Though Magufuli's claim that 'some manufacturers …collude to create artificial shortages' is contentious.

421 Guardian Reporter 2015. 'Illegal sugar importation scares TAWNET', Guardian, 12 January; Bernard Lugongo 2015. 'TRA calls for end to sugar smuggling', Citizen, 16 January; Reporter 2015. 'Market flooded with unpermitted imported sugar', Tanzania Procurement Journal, 20 January.

422 In 2014/15 KSC bought sugar from outgrowers worth TShs33.4bn. See: News reporter 2015. 'Kilomero Sugar wins PM praise for empowerment', Daily News, 22 October. The Tanzania Sugar Producers Association (TPS) represents the four factories. The Tanzanian Sugar Cane Growers Association is the national representative of cane growers.

423 Sylivester Domasa 2015. 'Sugar industry in confusion', Guardian, 19 February.

The key issue is the conflict between local producers and importers and smugglers. An idea of the amount of smuggling that goes on is given in **Table 4.5.**

Table 4.5 Sugar imports reported by Tanzania and major exporters, 2010-15, mt

Year	Reported by Tanzania	Reported by major exporters
2010	15,157	54,045
2011	6,000	69,105
2012	32,108	178,393
2013	26	375,388
2014	23	226,389
2015	n.a.	111,650
Total	53,314	1,014,970

Source: UN World Integrated Trade Solution (WITS), cited by Don Mitchell 2016, Briefing Note on the Tanzania Sugar Industry', July 14.

Between 2010 and 2015 Tanzania reported receiving only 5 percent of the volumes that sugar exporters reported shipping. Tariffs on industrial (refined) and unrefined sugar (for domestic use) are 10 percent and 100 percent respectively on the mainland, but both types attract only 10 percent duty in Zanzibar. Tariff differentials thus incentivise smuggling and selling industrial sugar to mainland domestic consumers. The other main tax loophole is selling sugar 'in transit' to neighbouring countries locally.[424]

Early 2015 witnessed growing tensions between the commercial sugar estates and their outgrowers and sugar importers.[425] The Minister of Agriculture Christopher Chiza said the government had not issued permits to sugar importers for two years, claiming that the problem was smuggling.[426] The *Customs and Excise Department* of TRA admitted that they had only impounded 58mt of smuggled sugar between July and December 2014, representing the 'tip of the iceberg'.[427] Revenue losses from smuggling were said total nearly TShs500bn.[428] PAC Chairman Zitto Kabwe blamed the 'endless problems' in the sugar industry on conflict of interests in the *Tanzania Sugar Board* (SBT), claiming that some of its members had 'business interests in the sugar sector.' Unnamed 'Sugar Board members were involved in the importation of sugar and manufacturing.' [429] SBT said 183,000mt of domestic sugar were legally imported in 2011/12 and only 42,000mt the following year, as well as 102,000mt of industrial sugar (largely for making soft drinks) in 2011/12 and 132,000mt in 2012/13.[430]

Tanganyika Planting Co (TPC) complained about the impact of imports on their bottom line.[431] "Since privatisation in 2000, we have increased sugar production from 35,000 to 100,000 tonnes, but we are facing the problem of illegal sugar imports that have put our prices under pressure for the last three years." A US$50m expansion plan has been put on hold.[432] The General Manager of

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424 Reporter 2015. 'Govt hailed on taxation of imported sugar', Daily News, 15 June.

425 Staff writer 2015. 'Imported 'cheap' sugar floods Dar', Guardian, 27 January.

426 Henry Lyimo 2015. 'Bulk sugar importation scheme delayed', Daily News, 14 January.

427 Bernard Lugongo 2015. 'TRA calls for end to sugar smuggling', Citizen, 16 January., the importation

428 Reporter 2015. 'Smuggling of sugar causes Sh462bn loss', Citizen, 31 January.

429 Asia Rweyemamu 2015. 'Why sugar scandals are here to stay', Guardian, 17 January.

430 Ibid.

431 Reporter 2015. 'Sugar industry turning bitter', Guardian, 2 February. Earlier, Bainbridge said his company lost TShs5.4bn during 2013/14 as a result of imported sugar. See: Ray Naluyaga 2015. 'End court case to allow Bagamoyo EcoEnergy projects take off', Guardian, 25 April.

432 James Lanka 2015,op. cit., citing TPC CEO Robert Baisac.

the *Kagera Sugar Co* made similar complaints.[433] After long negotiations, an agreement between the government and *Tanzania Sugar Producers Association* (TSPA) made in December 2014 to allow sugar producers and industrial users to manage bulk imports and monitor the sugar transit trade never got off the ground.[434] Instead, in May 2015, the SBT proposed new regulations setting up an independent 'consortium' consisting of sugar producers, manufacturers *and traders*. BEE Executive Chairman Per Carstedt and KSC MD Mark Bainbridge, who chairs the TSPA, saw no reason for including traders in the consortium.[435] Kagera Sugar GM Ashwin Rana said it was 'illogical to have the same people sabotaging the industry in the consortium.' [436] Later in May, new Minister for Agriculture Stephen Wasira told parliament that the government was setting up a task force, that included the TRA, to 'curb the problem' of illegal sugar imports.[437] He announced that between March and May the government had authorised the importation of 100,000 mts of sugar 'to cover the shortage in the 2014/15 financial year.'[438] In addition, permits were issued to import over 180,000 mts of industrial sugar between July 2014 and June 2015. In June, Deputy Minister for Agriculture Godfrey Zambi told parliament that the imports enjoyed a duty waiver that "has helped stabilise the prices at between 1,800/- and 2,000/- per kilo during 2014/15."[439] Shortly afterwards, Minister of Finance Saada Salum announced import duties of 100 percent of CIF value for domestic sugar and 50 percent for industrial sugar imports.[440]

The crisis in the sugar industry brought on by excessive legal and illegal imports has knock-on effects on outgrowers. Msowero Cane Growers Association in Kilombero accused KSC of cheating in the measurement of the sucrose level in cane sold to the company, which had fallen from 9 to 6 over two years 'causing huge loss of income.' Dr George Mlingwa, vice chairman of the *Tanzania Sugarcane Growers Association* said that 'unjustified differences in measuring sucrose level are discouraging … out-growers to expand their farms.' Henry Semwanza, director general of the SBT said 'SBT will look for funds from the European Union to finance the purchase of laboratory equipment for measuring sucrose levels.' [441]

Bagamoyo EcoEnergy. Despite the serious losses incurred by local estates, an ambitious private investment in sugar, power and ethanol production was expected to take off in 2015.[442] With significant buy-in from Swedish development agency SIDA, as well as the AfDB and IFAD, the US$500m Bagamoyo EcoEnergy project was also promoted as a SAGCOT initiative and a BRN priority.[443] A President's Delivery Official said BEE was the 'trigger' for President Kikwete's 'wish to have ten new

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433 Phinias Bashaya 2015.'Sugar smuggling hurts us, says investor', Citizen, 4 February.

434 Sylivester Domasa 2015. 'Sugar industry in confusion', Guardian, 19 February. The government reneged on the agreement only weeks after signing it.

435 Ray Naluyaga 2015. 'End court case to allow Bagamoyo EcoEnergy projects take off', Guardian, 25 April.

436 Masembe Tambwe 2015. 'Board assures sugar stakeholders on future', Sunday News, 17 May. Christopher Majaliwa 2015. 'Task force to check illegal sugar imports formed', Daily News, 24 May. SBT Director General, Henry Semwaza, accused KSC and Mtibwa of 'violating contractual agreements' to raise sugar production after divestiture. (Ludger Kasumuni 2015. 'Kilombero and Mtibwa deceiving us', Citizen, 18 May). It is unclear why the DG considered Kagera Sugar to have 'adhered to contractual agreements', given the company's huge financial exposure and poor recent performance record. See also: Masembe Tambwe 2015. 'Board assures sugar stakeholders on future', Sunday News, 17 May.

437 Christopher Majaliwa 2015. 'Task force to check illegal sugar imports formed', Daily News, 24 May. Wasira claimed that over 300,000mts of sugar had been produced during 2014/15. Different SBT figures are in Figure 4.3.

438 Samuel Kamndaya 2015. 'Wassira: No halt to sugar imports', Citizen, 24 May. This involved SBT issuing licenses to 25 companies, though the companies involved or the dates of the permits are not known.

439 Reporter 2015. 'Over 100,000 tonnes of sugar imported to bridge production gap', Daily News, 16 June.

440 Ibid. The CIF price quoted is $460/mt. Importers will pay $460 in import duty, up from $200 per mt.

441 Ludger Kasumuni 2015. 'Sugarcane outgrowers complain', Citizen, 4 June, quoting treasurer of the Association Wenceslaus Gwila, who claimed that the lower sucrose level means a loss of 50% on the price of cane. The executive director of the TSPA, Deo Lyato, said the problem had been solved in Malawi, Uganda, Zambia, South Africa and Swaziland.

442 Songa wa Songa 2015. 'Sh1 trillion sugar deal vanishes into thin air', Citizen, 25 April. SIDA support was US$100m, IFAD US$65m and AfDB US$30m.

443 Daily News reporter 2015. 'Dar envisages sugar exports', Daily News, 22 April. The official was Senior Agricultural Analyst James Ngwira.

sugar projects in the country by 2030.' Despite backing from government, private investors and aid agencies, the project was delayed for years by lengthy procedural and legal wrangles. Outstanding issues were a long drawn-out land dispute, control of sugar imports, and tax exemptions for investors. Although the BEE was located in President Kikwete's political heartland, and he was urging investors to open new estates, he seems not to have stood in the way of those opposing the project. What prevented this heavily leveraged project from taking off? In 2008, BEE's parent company bought out another Swedish firm, SEKAB International AB, who had originally planned a sugar estate solely for the production of ethanol for export.[444] BEE's investments in the project were US$45m up to 2015. **Box 4.2** summarises the long drawn-out saga of the Bagamoyo EcoEnergy (BEE) project.

Box 4.2: Bagamoyo EcoEnergy and the Business Enabling Environment

The investment includes a 7,800ha plantation and an estimated 3,000ha for outgrowers. Local and international NGOs campaigned strenuously against **BEE**'s 'land-grabbing'. The land for the planned plantation was on a defunct ranch owned by the **Government of Zanzibar** (**Razaba**). Villagers in the project area claimed it was their 'ancestral land', and there were also claims that part of the BEE concession lay within **Saadani National Park**. A report by **ActionAid** titled '*Pulling back from the brink: Stopping Eco Energy from Land Grab in Tanzania*' published in March 2015 was hotly challenged by BEE as well as the **Agricultural Council of Tanzania, the Ministry of Lands, Housing and Human Settlement,** the **Presidential Delivery Bureau**, who manage the **Big Results Now** initiative, and **IFAD**. Villagers and the **Bagamoyo District Council** chairman were quoted as claiming there was 'no land-grab'. Despite the criticism, Action Aid launched an international campaign urging president Kikwete to intervene on behalf of the villagers. Increasingly frustrated by the endless delays in commissioning the plant--legal wrangles alone delayed the investment by four years--major financial partners were said to have pulled out of the investor consortium. In January 2015, the **parliamentary committee** for **Lands, Natural Resources and the Environment** 'ordered' the **Ministry of Lands** to 'recover' the 3,000ha of land within the Saadani National Park that it had 'sold' to BEE, contravening a **Government Notice** of 2005 allocating the land to Saadani. Since outstanding issues had not been resolved by the end of April, **Sida** withdrew its loan guarantee, while investments by IFAD and **AfDB** were put on hold. Investors feared that the forthcoming elections would prevent any major decisions being taken, either before or immediately after October 25th. This proved to be the case. Though no proof has been offered, it is widely believed that sugar trading interests have contrived to undermine the investment.

Source: See footnote [445]

Local sugar production and imports proved to be a divisive political issue during the run up to the 2015 elections. The government quietly issued permits to import 100,000 mt of domestic sugar between March and May. At a CIF price of $460 per mt,[446] an exchange rate of TShs1,850 per USD, and a retail price of TShs1,800/kg, the rent earned at a tariff of $200 per mt would be more than US$31m (TShs 57bn). If there was no tariff, the rent would be over US$50m. At these prices, smuggled sugar would attract a rent of more than US$500 per mt, or a net profit of more than 100 percent. These orders of magnitude constitute enormous incentives to deal-making politicians and

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444 Kjell Havnevik, Hanne Haaland and Jumanne Abdallah 2011. 'Biofuel, land and environmental issues – the case of SEKAB's biofuel plans in Tanzania', Nordic Africa Institute, the University of Agder, Norway and Sokoine University of Agricultural Sciences, Tanzania', FINAL REPORT, March. SEKAB is a publicly-owned energy company established in 1906 and the biggest importer of biofuel into the European market. From 2005 to 2009 SEKAB invested US$25m in Tanzania and a similar plant in Mozambique.

445 David Kisanga 2015. 'Ministry ordered to recover 3,000 ha at Saadani Park', Guardian, 20 January; Songa wa Songa 2015. 'Future of Sh900bn project in limbo as Govt, NGO clash', Citizen, 18 March; Sylivester Domasa 2015. 'ActionAid Bagamoyo report false, misleading – Agricultural Council', Guardian, 20 March; Margaret Malisa 2015. 'Bagamoyo villagers say no land grab for sugarcane production', Guardian, 26 March; http://www.thecitizen.co.tz/News/national/Financiers-vow-not-to-extend-deadline-in-major-sugar-project/1840392-2699496-ae7uwgz/index.html; Songa wa Songa 2015. 'Sh1 trillion sugar deal vanishes into thin air', Citizen, 25 April; Songa wa Songa 2015. 'Key financiers drop Sh1tr sugar project', Citizen, 7 May; Reporter 2015. 'Bagamoyo sugar factory construction to start soon', Daily News, 13 November.

446 This price was quoted in parliament by the Minister of Finance, as well as the US$200 per mt import duty. See: Reporter 2015. 'Over 100,000 tonnes of sugar imported to bridge production gap', Daily News, 16 June.

traders, including smugglers, especially in an election year where it is important to keep urban food prices down. The short-term fate of commercial sugar firms and outgrowers, if considered at all, is considered acceptable 'collateral damage', particularly when the main producers are foreigners with no political voice. [447]

From publicly available information, it is unclear:

- Who are the main importers of 'domestic' and 'industrial' sugar?
- What import duties have been paid on legally imported sugar?
- What volumes of sugar are smuggled via Zanzibar or other countries, for example, Malawi or Zambia?

4.3.3 Maize and rice

For Commodities Exchange Market to function effectively 'the government will have to reign in cartels of traders smuggling commodities such as rice into the country since they distort prices.'[448]

'The government should take action to restore the sustainability of the rice value chain which is threatened by falling prices which are too low for producers to recover their costs.'[449]

The *National Food Reserve Agency* (NFRA) purchases large amounts of maize and small quantities of other grain from farmers to assure food security.[450] Though NFRA claims to pay 'fair prices' to farmers, there are regular reports that farmers are not paid in a timely fashion.[451] At the end of December 2014, the government owed farmers TShs89bn.[452] In February, Prime Minister Mizengo Pinda was hopeful that TShs40m of the debt would be cleared before the end of the month. By May, there were still outstanding debts to farmers.[453] The delay was due to the large food surplus (1.3m tonnes) the previous year, meaning "The government was forced to buy more crops from farmers…"[454] The role of government as the 'purchaser of last resort' for grains contradicts the commitment to allowing farmers (i.e. traders) to sell surpluses to neighbouring countries, or the *World Food Programme* (WFP).[455]

Rice production is said to have doubled between 2001 and 2012 and stood at 1.35m mts in 2014.[456] As with sugar, the story of rice is one of cheap or smuggled imports undermining local producers, with accusations that high quality Tanzanian rice is mixed with cheap Pakistan or Thai imports

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447 BEE finally admitted defeat in February 2017: Correspondent 2017. 'Swedish project: Swedish investor calls it quits', Guardian, 20 February.

448 Finnigan wa Simbeye 2015. 'Rice council advises commodity exchange market to work properly', Guardian, 19 October, quoting the Rice Council of Tanzania chairman Coleman Carter, CEO of Kilombero Plantations Ltd.

449 Rice Council of Tanzania annual report. See: Beatrice Philemon 2015. 'Rice council urges govt to fast-track formation of a cereals regulator', Guardian, 23 November.

450 Sunday News reporter 2015. 'State determined to clear farmers debt', Sunday News, 24 May. In 2014/15 NFRA bought 297,000 tonnes of maize, 4,700 tonnes of millet, and 4,000 tonnes of rice.

451 Lauden Mwambona 2015. 'Government hindering our development plans, farmers complain', Citizen, 12 January. Farmers in Ileje District, Mbeya Region, maintain that they have been selling maize to the government on credit.

452 Nelson Kessy 2015. 'Hope appears for govt to pay farmers', Guardian, 8 February.

453 Sunday News reporter 2015. 'State determined to clear farmers debt', Sunday News, 24 May.

454 Citizen Reporter 2015. 'State borrows Sh15bn to pay maize farmers', Citizen, 24 January; If the government owes an average of 250,000/- per farmer, Shs 89bn means 356,000 inconvenienced farmers, and at a household size of 4.5, this means 1.6m inconvenienced citizens, which is the equivalent of the combined populations of Mwanza, Arusha and Dodoma (2012 census figures). https://en.wikipedia.org/wiki/List_of_cities_in_Tanzania. When farmers go unpaid, their normal complaint is that they can't pay school fees for their children. Cashew (below) is another casualty of late or non- payment through the WRS.

455 Karl Lyimo 2015. 'Big Results Now in agriculture: A boon, a bane – or what...?', Daily News, 29 April.

456 Beatrice Philemon 2015. 'Rice council urges govt to fast-track formation of a cereals regulator', Guardian, 23 November. Donor support for the National Rice Development Strategy comes from USAID, Gates Foundation, GIZ, the Competitive African Rice Initiative Aga Khan Foundation, Oxfam UK, NORAD, AGRA, Africa Rice, JICA, and SNV.

before entering EAC markets.[457] Kenyan and Uganda banned rice traders from Tanzania as a result. Zanzibar imports much more rice than it can consume, with the balance smuggled to the mainland.[458] Audax Rukonge of the *Agriculture non-State Actors Forum* (ANSAF) 'said there are huge amounts of imported rice in the country.' "If left unattended, the situation might affect local producers' income and government revenue…' This is what happened in 2013 when permits were issued to traders to import a massive 60,000mt., later reduced to 40,000 mt.[459]

As reported in previous TGRs, the government and the WB have invested heavily in input subsidies to boost maize and rice production. A study commissioned for the 2015 Public Expenditure Review on the *National Agriculture Input Voucher Scheme* (NAIVS) for maize and rice producers:

> '…concludes that on average the NAIVS program has offered a positive return on investment for the average maize producer *in some of the regions* where data were collected but the returns to the rice subsidy are more variable and lower. Further, the report revealed that the returns are still little based on domestic farm gate prices for grain surplus households. NAIVS has contributed *to some degree* to improving the adoption of improved seed and fertilizer, based on continuing purchases after graduation. The report also highlighted a number of implementation challenges including delays in printing and distributing vouchers, delays in delivery of inputs, delays in payment of suppliers and *misallocation of about 1% of vouchers*. An action plan for implementation of the study findings has been developed. As part of implementation of the findings, the Government has decided to replace the NAIVS with an agricultural credit mechanism.'[460]

In January, six senior officials were arrested in Chato District in connection with the misappropriation of TShs1.3bn related to the distribution of input vouchers dating back to 2010 and 2011. Two others were arrested for forging voucher receipts.[461] In May 2015, Minister of Agriculture Stephen Wasira announced that the government planned to reintroduce vouchers for maize and paddy.[462] In November, nearly three million vouchers worth US$36.4m were distributed to nearly a million farmers for seeds and fertiliser.[463]

A *Commodity Exchange Act* was passed by parliament in 2015. The GoT has made headway in operationalising a *Commodities Exchange Market* (CEM) by setting up the *Tanzania Mercantile Exchange* (TCX), which plans to trade in 'coffee, cashew nuts, sesames and probably maize.'[464] The CEM is an extension of the controversial WRS, as officially registered warehouses will be needed to store and aggregate produce across the country. In a statement, the *Capital Markets and Securities Authority* (CMSA) said that TCX is a PPP with 51% private ownership, with the private sector including

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457 Veneranda Sumila 2015. 'Why Tanzanian rice raises suspicion', Citizen, 15 May; Daily News Reporter 2015. 'Rice prices up as supply of illegal cheap imports falls', Daily News, 13 August.

458 Correspondent 2015. 'TMEA now ready to support efforts to sell more rice in regional markets' Guardian, 22 September; Halima Noor 2015. 'A policy scoping study on improving rice exports to the EAC region by the Tanzanian private sector', Sixth African Grain Trade Summit, Kigali, 1-3 October.

459 Reporter 2015. 'Smuggled rice from Tanzania denied access to EA market', Guardian, 24 June. See also: http://allafrica.com/stories/201509071682.html.

460 PER Annual Progress Report, February 2015, emphasis added. See: http://www.mof.go.tz/mofdocs/PER/Newslater/PER%20Annual%20Progress%20Report%20-%202014.pdf. The notion that only one percent of vouchers was misallocated is contradicted by dozens of press reports detailing systematic corruption in the functioning of NAIVS. See: Brian Cooksey 2012.'Power, Politics and Projects: the political economy of agricultural policy in Tanzania', Political Economy of Agricultural Policy in Africa, Future Agricultures Consortium, Working Paper 040, May. Subsidised farm inputs attract rent-seeking at all levels.

461 Salum Maige 2015. 'DC, five others in court over Sh1.3bn', Citizen, 24 January.

462 Reporter 2015. 'State determined to clear farmers debt', Sunday News, 24 May.

463 Nyendo Mohamed 2015. Sh78bn farm subsidy input to benefit farmers', Guardian, 21 November; Emmanuel Kisima 2015. 'Tanzania gives $36m in subsidies', East African, 23 November.

464 https://www.african-markets.com/en/news/east-africa/tanzania/tanzania-commodity-exchange-market-to-begin-soon.

cooperative societies and 'other farmers' organisations'. CMSA will register and regulate commodity brokers. The vice-chairman of the Rice Council of Tanzania, Coleman Carter, "how would the buyer at the exchange know the produce … is uniform and of high quality? He cited the example of rice, where "right now, there is very little uniform product of one variety…" [465] Both the WRS and the CEM are imported concepts promoted by external agencies and adapted to Tanzanian conditions. The roll-out of the WRS has been strongly resisted by producers and their representatives.

4.3.4 Cashew

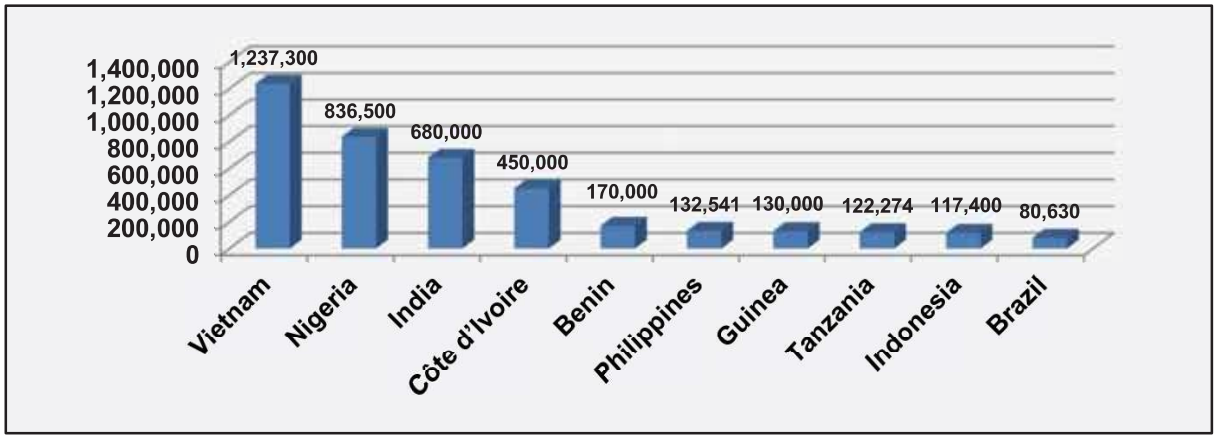
"The Warehouse Receipt System in itself is not bad, it is the way it is being executed that makes farmers reluctant to adopt it." [466]

'The CBT will build three factories in Mtwara and Lindi regions with the capacity to produce 30,000 tonnes of processed cashew nuts.' [467]

Cashew continues to be the most state-controlled export crop in Tanzania, and Tanzania is the most state-controlled cashew producer in the world.

Figure 4.5 shows the top ten current global cashew producers ('Guinea' is Guinea Bissau).

Figure 4.5: Top ten global cashewnut producers (mt), 2014/15



Source: http://www.perfectinsider.com/top-ten-cashew-producing-countries-in-the-world/.

From one of Africa's largest cashew producers after independence, Tanzania now ranks fifth in Africa and eighth in the world. Vietnam, who produced no cashews 30 years ago, now produce ten times as much as Tanzania, and buy Tanzanian raw cashew to process at home.[468]

Cashew marketing up to the auction state is a monopoly enjoyed by cooperative unions. The *Alliance for a Green Revolution in Africa* (AGRA) is one of the organisations attempting to popularise the Warehouse Receipt System (WRS) in Tanzania and elsewhere in Africa, so far with little success.[469] The WRS was imposed on Tanzanian cashew farmers, who are prevented by law from selling their

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465 Finnigan wa Simbeye 2015. 'Rice council advises commodity exchange market to work properly', Guardian, 19 October. Part of a US$22m WB oan (the Financial Sector Support Project) I is being used to finance the establishment of the CEM.

466 Angel Navuri 2015. 'Like Tanzania's, Kenya's warehouse receipt system grapples with operational challenges', Guardian, 14 January. Citing Stephano Kiganzi, chairman of the Tanzania Graduate Farmers Association.

467 Ludger Kasumuni 2015. 'Cashew exports projected to decrease by 53pc in 2016', Citizen, 22 January.

468 Daniel Semberya 2016. 'Vietnam cashewnut farmers outperform Tanzanian counterparts', Guardian, 14 March. A decade ago, Tanzania was still the fifth largest global cashew producer. https://sipa.columbia.edu/sites/default/files/Benchmarking%20the%20Brazil%20Cashew%20Sector_0.pdf

469 Polycarp Machira 2015. 'Cashew nuts farmers struggle to profit', Guardian, 9 May.

cashew outside the system, for example, through contracts with processors. A medium-size cashew processing plant in Masasi was forced to close because its contractual commitments with particular cashew farmers--that allowed 'green' certification and access to European markets--were declared illegal.[470] Protests by farmers against the WRS have focused on the underpayment of farmers.[471]

Attempts to impose a WRS system on sesame and rice were criticised by researchers because of 'politicking', which 'distorts the performance of the WRS' 'at the expense of farmers.'[472] But the main reason why the WRS is inappropriate for cashew is not because it is used to create a marketing monopoly, but because it does not serve the main purposes of the system, which are to allow farmers to defer sales until post-harvest prices rise, or to use the receipt to obtain credit. Cashew has to be sold within a single season, and small farmers do not approach banks to raise credit.[473]

In March, parliament passed an amendment to the WRS Act of 2005 increasing the powers of the *Warehouse Regulatory Board*. MPs from cashew-growing areas described the WRS as exploitative. Dunstan Mkapa (CCM Nanyumbu) said payments to farmers were "piecemeal", while Murtaza Mangungu (CCM Kilwa North) pointed out that the costs incurred by farmers included interest on the bank loan that finances cashew purchases. David Kafulila (NCCR Kigoma South) claimed that 'crop buyers, top government officials as well as cooperatives and board leaders were colluding to exploit farmers.'[474]

Despite these constraints, farmers produced a bumper cashew crop in 2014/15, with exports of raw nuts reaching a record level of nearly 150,000 tonnes, worth US$225m.[475]

In addition to a contested marketing system,[476] the failure to make progress on local processing also represents a long-term policy failure: 90 percent of cashewnuts continue to be exported for processing in India and (more recently) Vietnam. TGR2014 pointed out that private cashew factories were closing because of the difficult business environment, including the virtual banning of contract farming. The preferred government solution is to seek finance for publicly owned and managed processing plants rather than encouraging private investors.[477] In January 2015, the Cashewnut Board of Tanzania (CBT) declared its intention to process 100,000 tonnes of cashew by the following year, which represents over three-quarters of annual production, compared to 10 percent in 2014! New plants would be built in Mangamba (Mtwara), Tunduru (Ruvuma) and Mkuranga (Coast) and would have a total processing capacity of 30,000 tonnes.[478] The CBT plans to work with *Ardhi University* (factory design), *University of Dar es Salaam Business School* (business plan) and the *Cashewnut Industry Development Trust Fund* (CIDTF) (finance) to build new factories. The total cost of the three factories would be TShs115bn.[479] CIDTF would allocate TShs2bn for each factory under 'Phase 1' of the project.[480] By October nothing much had happened, 'because of logistical constraints.'[481]

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470 The contract farming solution to low cotton yields and farmers' income continues to be undermined by politicians/ginners who disrupt contracts by side buying so as to protect their market share and discourage buy-in by the more competitive ginners;

471 Haika Kimaro 2016. 'Famers want JPM to disolve cashew board over 'failure'', Citizen, 21 March.

472 Angel Navuri 2015, op. cit. Though how was not explained. The authors are undecided whether farmers are 'not aware' of the WRS mechanisms, or the mechanisms themselves suffer from serious flaws.

473 Peter Mohamed 2015. 'For improved profits cashewnut now auctioned', Daily News, 10 February. CBT are extending the WRS system to Tanga Region, so that farmers do not have to sell their cashew to 'unscrupulous' traders, mostly from kenya.

474 Masato Masato 2015. 'Bill to address warehouse receipts system sails through', Sunday News, 22 March.

475 Guardian Correspondent 2015. 'Cashewnuts board says crop registers record exports ever despite challenges', Guardian, 9 February.

476 Some CBT stakeholders claimed that record cashew production levels reflect the success of the … WRS. Ludger Kasumuni op. cit. Others claimed it reflected better delivery of inputs and improved crop management: Guardian, Correspondent 2015, op. cit.

477 Ludovick Kazoka 2015. 'Deal clinched over three cashew processing plants', Daily News, 7 May.

478 Felix Lazaro 2015. 'Over Sh30bn earmarked for 3 cashew nut factories', Citizen, 17 November.

479 Correspondent 2015. 'Cashewnut fund to construct three processing plants valued at 115bn/-', Guardian, 2 September. The dozen unused cashew processing plants built with foreign aid during the 1970s are to be 'renovated'.

480 Ludovick Kazoka 2015 op. cit. See also: Veneranda Sumila 2015. 'Progress made in constructing cashew nut processing plants', Citizen, 14 May.

481 Reporter 2015. 'Yes, cashew nuts must be processed', Daily News, 18 November

4.3.5 Dairy

'while imports have been rising by about 9% annually, locally processed milk has declined by more than 80% over the last 15 years accompanied by the closure of 13 dairy plants over that period.'[482]

With the second largest livestock numbers in Africa, Tanzania's per capita consumption of meat, milk and other dairy products is a fraction of what it could be.[483] As with sugar and rice, imported products have seriously undermined the Tanzanian dairy industry. Until recently, local dairy producers had to compete with imports from South Africa (*First Choice*) and Kenya (*Brookside*). The latest threat to the local industry is from the *Bakhresa* group of companies, trading under the Azam brand name. Azam reconstitutes milk from EU milk powder in its Zanzibar factory, exporting most of it to the mainland, where it undercuts both local milk producers and other imports.[484] *Tanga Fresh*, the only large remaining commercial dairy firm on the mainland, finds it increasingly difficult to pay its small-holder suppliers the agreed price for their milk.

By reducing taxes on dairy products and streamlining regulation, the government could help stimulate the commercial dairy industry, increase the consumption of dairy products, and save foreign exchange.[485] Instead, the government imposed 18 percent VAT on local dairy products, 'leaving powdered milk to dominate the local market.'[486] The lobbying power of Bakhresa undermines the prospects of commercialising local milk production. Local markets for unpasteurised milk are found in all regions practising dairy, but productivity is low and seasonally variable. 'Players in the agriculture sector want East African governments to privatize all state corporations dealing with production, processing and marketing of livestock and livestock products.'[487]

Lobbying can help up to a point, but the basic problem of the domination of trade in finished products over local production and processing remains unresolved. Recent statements by TAMPA officials that they will 'fully participate at every stage' in the formulation of a *Dairy Master Plan* by the *Tanzania Dairy Board* and *Ministry of Livestock and Fisheries Development* support the view that the underlying problems of competition from imports will not be addressed.[488] A weak umbrella organisation reflects a weak membership. Clearly, addressing this issue is an urgent priority if the local commercial dairy industry is not to collapse completely. This survival imperative was not obvious in TAMPA's lobbying, however, which focused on the overregulation and taxation affecting the few remaining commercial dairy enterprises and their mainly smallholder suppliers.

As with dairy, the local commercial poultry industry is under threat from cheap imports from Europe and elsewhere.

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482 Jan Nell Arend, Hans Schiere, Sifra Bol 2014. 'Quick Scan Dairy Sector Tanzania', Dutch Ministry of Economic Affairs, Dept. of European Agricultural Policy and Food Security, January, pp17-8.

483 Ball-park estimates for Tanzania are per capita consumption of 42 litres of milk, 11 kgs of beef and 72 eggs per annum compared to FAO standards of 200 litres of milk, 50 kgs of beef and 300 eggs. See Wallace Maugo 2015. 'Unlock the wealth in livestock sector', Kilimo Kwanza, Guardian, 9 September.

484 www.bakhresa.com does not state that its 'world class, sophisticated Dairy plant' in Zanzibar uses imported milk powder. Re-constituted Azam milk sells for less than First Choice milk from South Africa. We are also left to speculate on why milk destined essentially for Dar es Salaam is reconstituted in Zanzibar. Veneranda Sumila 2015. 'Huge milk imports cause concern', Citizen, 8 October.

485 Tanzania has the second largest livestock sector in Africa. Hides and skins is another sector where value addition opportunities are undeveloped, despite a formal ban on the export of unprocessed produce.

486 Reporter 2015. 'Govt slammed over VAT on dairy products', Kilimo Kwanza, Guardian, 9 September.

487 Reporter 2015. 'Drawing strategy for implementation of regional livetock policy', Kilimo Kwanza, Guardian, 9 September.

488 Kilimo Kwanza Reporter 2015. 'Dairy master plan in the pipeline', Kilimo Kwanza, Guardian, 25 November.

4.3.6 Cotton

'Success of contract farming is subject to the firm commitment of all stakeholders—farmers, local government authorities, industry regulator and buyers themselves.'[489]

"We have involved the TCA in educating farmers on producing more per acre rather than dwelling on pricing."[490]

Cotton purchases during 2013/14 amounted to 248,000 mt, compared to 360,000 mt the previous year, a fall of nearly one third. Exports up to August 2015 were worth US$34.9mn, compared to US$101.9m and US$143.4m during the previous two years. The *Tanzanian Cotton Board* (TCB) blamed the fall on poor extension and 'shortcomings in contract farming', which is "yet to be fully implemented."[491] The contract farming solution to low cotton yields and farmers' income continues to be undermined by an alliance between politicians and certain ginners which disrupts contracts between ginners and farmers groups by side buying so as to protect their market share with minimum investment and discourage buy-in to contract farming by the more competitive ginners.[492] For example, nine ginners in Mwanza, Shinyanga and Geita who are members of the *Cotton Buyers and Ginners Association* (UMWAPA) teamed up and advanced Shs4bn to farmers in the form of seeds, pesticides and extension advice. The farmers defaulted on the loans and sold their cotton to non-UWAPA members, said to be from Kahama.[493] Not surprisingly, the objectives of the TBC's five-year *Cotton Sector Development Strategy II* (2009-14) were not met.[494]

Raising the income of cotton farmers is not simply a matter of increasing the prices they receive for their produce, which have been quite reasonable in recent years. The main reason behind low incomes is low productivity, which contract farming is designed to address, in particular through improved seeds.[495]

Like cashew, about 90 percent of cotton is exported in raw form, and the incoming government is bent on changing this. During his electoral campaign Mr Magufuli blamed 'middle-men' for cheating farmers, and promised that he would promote cotton production in tandem with the textile industry, which would be export-oriented.[496] This suggests a pro-active invitation to EPZ investors. However, his promises were targeted at his own Lake Zone constituency,[497] which for obvious reasons is unlikely to be an EPZ investors' first choice of setting up a garment factory. It is also important to note that Tanzanian cotton quality has to improve to compete with imported cotton, and, equally important, to remember that a high percentage of modern apparel material is synthetic. The interests of textile investors is a function of labour costs and discipline; membership of tax-free access zones in Europe, the US and Africa; and distance to markets.[498] Tanzania will have to improve the efficiency of its EPZs if it is to compete with neighbours such as Rwanda, Kenya and Ethiopia. Politics rather than economic reasoning underlie the notion that it is straight forward to replace cheap imported and second hand clothes and apparel with local products that will satisfy popular demand.

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489 Masato Masato 2015. 'Credit default, side selling threaten sustainability of contract farming', Daily News, 28 August.

490 The quote is from a ginner. TCA is the Tanzania Cotton Association, consisting of ginners and buyers. Daniel Semberya 2015. 'Simple, transparent cotton pricing mechanism needed', Guardian, 11 May.

491 Prosper Makene 2015. 'Cotton buying season ends dismally with supply down 31 pc', Guardian, 5 November. The quote is from Acting TCB Director General Gabriel Mwalo.

492 Masato Masato 2015. 'Contract farming ideal solution to cotton farming woes but…', Daily News, 12 May; Orton Kiishweko 2015. 'Transparent cotton pricing mechanism will be beneficial to all stakeholders', Daily News, 1 June.

493 Masato Masato 2015, op. cit.

494 Ludger Kasumuni 2015. 'No tangible fruits as cotton plan ends', Citizen, 3 December. Production targets were 260,000 mt for 2013/14 compared to actual production of 15,000 mt.

495 Daniel Semberya 2015. 'Simple, transparent cotton pricing mechanism needed', Guardian, 11 May.

496 Alvar Mwakyusa and Anne Robi 2015. 'Cotton farming up for 'big boost', Daily News, 19 October.

497 Contract farming was a success in Geita, Magufuli's constituency. See Makene op. cit.

498 Brian Cooksey and Colin Poulton 2016. 'Tanzania Cotton sector policy & landscaping study', Tanzania Gatsby Trust, January. The Gatsby Trust may be approached to access this document: www.gatsby.or.tz/, which is currently quarantined.

4.3.7 Cooperatives and farmers groups

'The cooperatives are deteriorating and have a bad reputation due to mismanagement, corruption and inability by members to maintain them.'[499]

Each succeeding CCM government pays lip service to 'revamping' or 'reviving' the agricultural cooperative movement.[500] The pleas are usually to make cooperatives more democratic in representing their members' interests and avoiding intrigue and corruption. Cooperatives have lost their economic and political significance as export crops have declined in importance as foreign exchange earners.[501] Cooperatives have not played a significant role in the development of horticulture or other crops that have flourished in recent years. Instead, farmers' groups have been formed, often with external support, to serve as the basis for contract farming, credit provision, or marketing. While campaigning in Bariadi in September, John Magufuli promised that he would revive cotton cooperatives.[502] Cotton cooperatives have fared very badly since the liberalisation of cotton marketing in the 1990s, and contract farming, the best bet for improving cotton yields and quality, works through dedicated farmers' groups, not cooperatives.

4.3.8 Foreign aid and foreign interests in agriculture

President Kikwete 'said Tanzania utilises well all the assistance it gets from development partners since to a large extent, efforts to ensure economic growth have been successful.' "It is sad that I have failed to change and make the agricultural sector grow and hence many people continue to be poor."[503]

Large- and small-scale foreign investors have shown increasing interest in Tanzanian agriculture in recent years, with the formal endorsement of the GoT. Both groups enjoy access to donor funds and risk capital to subsidise their initial investments. For example, Norwegian firm *YARA*, the world's largest fertiliser producer, invested US$25m in a fertiliser terminal at Dar es Salaam port capable of storing 45,000 tonnes of fertiliser, as a hub to serve Tanzania and neighbouring countries.[504] The facility was opened by President Kikwete in September 2015. YARA's investments have been subsidised by the Norwegian government. YARA CEO Svein Tore Holsether said his company distributes over 120,000 tonnes of fertiliser in the East African region annually.

President Kikwete's confession that he had 'failed the agricultural sector' is also an admission that development assistance to the sector has not been successful in addressing the fundamental obstacles to agricultural transformation. Development aid channeled through government institutions cannot be more effective than those institutions themselves. Most traditional donor assistance to agriculture has been channeled through the Ministry of Agriculture and other line ministries and has financed such initiatives as the *Agriculture Sector Development Programme* (ASDP). A 2015 'independent review' of projects financed by the *International Fund for Agricultural Development* (IFAD) found that support from the Rome-based UN organisation yielded the following results:[505]

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499 Nashon Kennedy 2015. 'Revamp coops' operating system, govt urged', Daily News, 16 November. The citation is from Professor Faustine Bee, Acting VC of the Moshi Cooperative University.

500 Polycarp Machira 2015. 'Cooperatives to recapture lost glory', Guardian, 31 January.

501 Ibid.

502 Citizen Reporter 2015. 'Magufuli: Stronger co-ops to be my aim', Citizen, 13 September.

503 Guardian Reporter 2015. 'JK: I have failed agriculture sector', Guardian, 10 June.

504 Staff writer 2015. 'Tanzania reinforces position as regional farm input hub', Africa, 28 September.

505 Orton Kiishweko 2015. 'Extension services lift yields of many crops, shows IFAD report', Daily News, 3 February. See: IFAD 2016. 'United Republic of Tanzania, Country strategic opportunities programme review', April.

- 'Expanded rural infrastructure such as small-scale irrigation and market-access roads, and agricultural support services, have generated *increased areas of crop production and improved yields/productivity*, *employment, household food security, assets and incomes*. … livestock-related activities and pastoralism have received less attention;
- Farmer empowerment (including women) by strengthening farmer groups, water user associations, and savings and credit associations, has *enhanced … target groups' capacities to participate and contribute to bottom-up participatory planning and implementation of agricultural development plans*;…
- Through support for ASDP I, the introduction of a programmatic, sector-wide approach to implementing agricultural policies and strategies is … a significant achievement [including] *alignment and harmonization of … sectoral policies, institutional arrangements and development partner investments*, including support to the Government's decentralization policies … about 75 percent of ASDP funds were channelled through the DADPs;
- Results are below … targets regarding … *smallholder access to rural markets and financial services*. Projects have been hampered by wide geographical dispersion of investments and … assumptions on … an inclusive private sector. Improvements are however ongoing facilitated by focused implementation support and MIVARF contributing to developing the new 2015 National Microfinance Policy.[506]

IFAD claims that procedural and institutional change (third bullet) represents success, rather than a precondition for success in improving income and livelihoods. In addition, TGR 2014 cited evidence that DADPs (*District Agricultural Development Plans*) had serious flaws, and it has been accepted for some time now that bottom-up participatory planning is ineffective in countering the top-down planning modalities employed by the GoT.[507]

Lessons learned from IFAD support, include the need to:

- Secure sustained political and leadership *commitment* by the agricultural sector … ministries, LGAs, development partners, and private sector for a sector-wide approach to agricultural development;
- Ensure that adequate *fiscal and human resources* are … mobilized, channelled and managed …;
- Accommodate different funding modalities beyond the basket fund, while securing *coherence and alignment*;
- Expand the role of and provide appropriate support to *an inclusive private sector*;
- Support *farmer empowerment*, based on improved operational strategies and mechanisms, … which integrate a coordinated system of agricultural service delivery, including input-output markets; and
- Achieve *effective coordination* in the sector through appropriate institutional arrangements, which can be enhanced through IFAD's implementation support.[508]

The take-home message is that the project mode of agricultural development exemplified by IFAD has delivered minimal sustained benefits to farming households' incomes and welfare. The same could be said for many other multilateral and bilateral projects, in agriculture and other sectors.[509]

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506 IFAD 2016 op. cit., page 5. Emphasis added.

507 TGR2014: 68.

508 IFAD 2016: 5-6.

509 The abstract nature of many of the above statements makes the IFAD discourse a good candidate for inclusion in the category known technically as 'bullshit'. The basics of bullshit theory are at: http://callingbullshit.org/syllabus.html.

Previous TGRs have documented the apparent sea-change in agricultural policy represented by the advent of *Kilimo Kwanza*, but there are strong ideological and self-interest forces preventing the state from encouraging the emergence of a market-driven economy. The heavy hand of the state has limited the growth and modernisation of almost all export crops, and donor-funded projects have frequently served to reinforce the long-term statist bias in policy. The failure of SAGCOT to attract more buy-in by foreign investors and the cautionary tale of Bagamoyo EcoEnergy, related above, highlight the limits of Tanzanian agricultural policies.

4.4 Banking

"If a 1% kickback was involved in this US$600m loan, what about comparable borrowing in recent years? Over the past four fiscal years Tanzania has borrowed over US$2.5 billion."[510]

'In December 2010, the International Monetary Fund (IMF) noted Tanzania's desire to seek "non-concessional external financing of up to US$1.5 billion" over the coming three years, while maintaining that "weaknesses in debt management capacity must be promptly addressed." By May 2011, this had become "a matter of urgency".'[511]

'The level of financial development has improved in recent years, though at a gradual pace. Mobile money transactions have grown rapidly in Tanzania. They amounted to nearly 52 percent of GDP in 2015, up from just 0.2 percent in 2010.' [512]

In late 2015, details began to emerge of large-scale corruption involving *Standard Bank* (SBPlc) of UK,[513] its sister company in Tanzania (Stanbic) and Tanzanian officials over the launch of a US$600 million government bond in London in 2013.[514] Standard Bank and Stanbic officials colluded in the bribery of Tanzanian government officials to acquire the lucrative bond placement deal, arguably at substantial cost to the Tanzanian taxpayer.[515] Standard Bank admitted to wrongdoing in the UK's first 'Deferred Prosecution Agreement' with the *Serious Fraud Office* (SFO), and were fined US$25.2m and ordered to pay the Tanzanian government US$7m.[516] **Box 4.3** gives some of the details.

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510 Professor Ibrahim Lipumba, former national chairman of the opposition Civic United Front (CUF), interviewed by Nick Branson 2016. 'Tackling corruption in Tanzania: balancing justice and expediency.'

511 Nick Branson, op. cit.

512 IMF 2016 op. cit., page 2. Alawi Masare 2015. 'TZ mobile money transfer improves', Citizen, 1 January.

513 SBPlc was the London investment bank subsidiary of the Standard Bank Group of South Africa. In February 2015 the Industrial and Commercial Bank of China bought a controlling share of Standard Bank, and the banks name was changed to ICBC Standard Bank Plc.

514 A bond in this sense is a means of raising money on international capital markets to finance government spending, for example, for infrastructure development.

515 Special Correspondent 2015. 'How Stanbic's scandal unfolded', Guardian, 6 December. SBPlc revealed the scam themselves, which reduce the fines they were ordered to pay by one third.

516 Akin to plea-bargaining, a DPA allows an individual or firm to avoid prosecution by meeting certain conditions, including paying fines and compensation.

Box 4.3: Standard Bank practices

In 2013, the **Ministry of Finance** paid US$6m to a Tanzanian company, **Enterprise Growth Markets Advisors Ltd** (EGMA, est. 2011), one of whose directors was the **Commissioner General of the TRA, Harry Kitilya**, to induce the government to hire **SBPlc** and **Stanbic** to arrange the bond. Stanbic entered into an agreement with EGMA in August 2012. Kitilya retired in December 2013, five months before the bond was issued. There is no evidence that EGMA provided any services in relation to the transaction. Brokering the deal on the GOT side was **Dr Servacius Likwelile,** then **Deputy Permanent Secretary**, and subsequently Permanent Secretary at the Ministry of Finance. The Chairman of EGMA, **Dr Franton Mboya,** ex-CEO of the **Capital Markets and Securities Authority**, withdrew the US$6m from Stanbic in cash in four separate instalments. This money was part of the fee that Standard Bank received for managing the bond placement. Four employees of Stanbic blew the whistle on the suspicious withdrawals, forcing the banks' **South African headquarters** to investigate. SBs lawyers **Jones Day** revealed that SB's fee had been raised from 1.4% to 2.4% of the bond's value in order to accommodate the US$6m bribe for Stanbic's 'local partner'. Negotiating the deal on Stanbic's side were **Bashir Awale**, the bank's CEO, and **Shose Sinare**, head of corporate and investment banking. Bashir was dismissed in August 2013 for not cooperating in SB's internal investigations. Ms Sinare had resigned a month earlier. From 2011, SB/Stanbic lobbied the MOF to manage the private bond placement for a fee of 1.4% of the bond's value, side-lining the GoT's plans to raise a **Eurobond**.

Sources: See footnote 2. [517]

Though the SFO was happy with the 'landmark decision', independent observers questioned the conclusions reached by Jones Day, who were SB's lawyers and therefore not independent investigators. Insiders thought Tanzania had paid over the odds. A report by Reuters pointed out that both Ghana and Zambia had placed sovereign bonds for 4% interest, compared with Tanzania's 'private placement' at 6%. 'The difference amounts to a potential saving of US$12m per year in interest payments, or US$84 million over the life of the bond, as *Corruption Watch UK* noted.'[518] Corruption Watch also thought that SBPlc had got off very lightly with their fine, including 'disgorgement' of profits (a mere US$8.4m), and that further investigations should be made with a view to possible prosecutions of SBPlc for failure to prevent the bribery in Dar es Salaam. It is not clear what the bond ended up financing, or where the US$600m ended up. [519]

The UK revelations forced the government and the PCCB to admit that they were aware of and investigating the dubious deal.[520] BOT Governor Benno Ndulu said the SFO investigation was relied heavily on information provided through the Bank's routine regulatory procedures.

Unlike the Escrow principals, former TRA boss Harry Kitilya was more exposed to the President's anti-corruption policy, that had already targeted TRA (see **Chapter 1**) Kitilya and Sinare were arrested for allegedly bribing public officials, and put in remand.[521] Ms Sinare, a former Miss Tanzania, had been a member of the Tanzanian delegation to the annual WB/IMF spring meeting in Washington in 2012, along with Kitilya. Sinare's former boss Bashir Awale was sacked in 2012 for not cooperating

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517 Jimmy Lwangili 2015. 'Ex-Stanbic CEO held over illegal stay, local politics', Daily News, 13 November; Reporter 2015. 'Standard Bank's US$600 Dar bonds embroiled in graft', Guardian, 1 December; Katare Mbashiru 2015. 'How officials pocketed Sh12bn from bonds deal', Citizen, 1 December; Citizen Team 2015. 'The faces behind scandal', Citizen, 2 December. Dr Mboya later died, though there was no no evidence of foul play; Rose Athumani and Orton Kiishweko 2015. 'Local firms in bank bribery deal', Daily News, 2 December; Reporter 2015. 'How Sh12bn bribery was pushed through', Citizen, 3 December; Reporter 2015. 'More bigwigs named in $14bn (sic) Stanbic bribery claims', Guardian, 3 December.

518 Nick Branson 2016, op. cit. See also: Athuman Mtulya 2015. 'Stanbic scandal: Dar undercut by Sh148bn', Citizen, 16 December. Both Ndulu and Likwelile denied that Tanzania has lost out as a result of the deal.

519 Originally, the GoT wanted to launch a US$550m bond. Zitto Kabwe believed that the additional US$50m 'disappeared'.

520 Reporter 2015. 'Govt: We knew about Stanbic bond bribery', Guardian, 2 December; Athuman Mtulya 2015. 'Activists challenge PCCB to probe treasury bonds scam', Citizen, 3 December.

521 Emails between Ms Sinare and her UK colleagues strongly suggest complicity in a 'deal' involving bribery, but SBPlc were careful to distance themselves from the (obviously suspect) details. In key documents related to the deal, EGMA, the 'local partner', is not mentioned.

in the internal investigations. Bashir, who had both Kenyan and Tanzanian passports, was deported in November 2015 for alleged involvement in local politics. Having survived Escrow unscathed, Dr Likwelile was eventually sacked from his post as PS in the MOF. Two Ministers of Finance were implicated in the bribe, Mustafa Mkullo who was sacked along with other ministers in 2012, and Dr William Mgimwa his successor.[522]

Onesmo Olengurumwa, *Defenders Coalition* coordinator moment, comparing the PCCB stating: "We want to see such government wants answers and Despite his many years at TRA, publicly implicated in any major corruption at TRA was a

'The bond was unrated and unlisted, and drawn up in a way that was of interest to a limited number of investors. It was heavily criticised by people within the financial sector at the time.'

Corruption Watch 2015

Tanzania Human Rights captured the mood of the unfavourably with the SFO and seriousness in PCCB, the new so do many Tanzanians."[523] Harry Kitilya has not been scams prior to this, though recurrent issue.[524]

TGR readers may remember that Stanbic received the lion's share of the Escrow money when it was transferred out of the BOT in late 2013. Here we witness another example of collusion between the state and private banks, with an international dimension. In February 2015, the *Industrial and Commercial Bank of China* (ICBC) bought a controlling share of South Africa's *Standard Bank*, the parent company, and the bank's name was changed to *ICBC Standard Bank Plc*.[525]

TGR 2014 reported that the *Federal Bank of the Middle East (*FBME) was being investigated for illegal activities, including suspected money laundering. Although most of the FBME's activities take place in Cyprus, it has been headquartered in Tanzania since 2003. In 2014, the BOT placed it under administration. The following year, an Italian politician, Francesco Belsito of the Northern League, transferred a 'questionable 4.5 million euro ($5.9 million) … to Tanzania.'[526] The BOT first moved to take over control of the FBME when the US *Financial Crimes Enforcement Network* blacklisted the bank. Director of the FinCEN Jennifer Calvery said: "FBME promotes itself on the basis of its weak Anti-Money Laundering (AML) controls in order to attract illicit finance business from the darkest corners of the criminal underworld." [527]

Illicit financial flows (IFF) require complicit banks, of which there is no shortage in the developed world. *The International Consortium of Investigative Journalists* (ICIJ) found that in a single year (2006/7) 99 Tanzanians transferred US$114m to HSBC Bank[528] in Switzerland, little of which is likely to have been clean, i.e. approved by the BoT. Between them, these Tanzanians operated 286 accounts. Three Tanzanian businessmen Shailesh Vithlani, Tanilkumar Somaiya and Somji Kulsum, were named as holding a total of US$30m in HSBC. The first two were middlemen in the infamous BEA radar deal. [529] In 2013, 200 prominent Tanzanians, including MPs, senior officials and army generals were questioned by PCCB and the Director of Intelligence, the governor of the BoT the

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522 Mgimwa was also sacked, and died shortly afterwards (no foul play was alleged). His son (subsequently an MP) was given a job in Stanbic during Mgimwa's time at the MOF, but did not play a major role in the scam.

523 Reporter 2015. '2015: Government opens investigation into Stanbic Bank, EGMA deal', Daily News, 31 December; Athuman Mtulya 2015. 'Activists challenge PCCB to probe treasury bonds scam', Citizen, 3 December. The British High Commissioner offered her support for PCCB investigations. See: Florence Majani 2015. 'UK envoy offers help on Sh12bn bribery scandal', Citizen, 4 December.

524 A former lecturer at the University of Dar es Salaam, Kitilya was head of TRA under presidents Mkapa and Kikwete until his retirement in 2013.

525 Special Correspondent 2015. 'How Stanbic's scandal unfolded', Guardian, 6 December.

526 https://fbmetanzaniaproblems.wordpress.com/. 2016. 'FBME Tanzania linked to Italian mafia dirty money scandal', April 20.

527 https://fbmetanzaniaproblems.wordpress.com/. See also: Andrew Emmanuel 2015. 'US sanctions FBME over terrorist ties', Guardian, 26 July.

528 HSBC Holdings PLC is a British multinational banking and financial services holding company headquartered in London. https://en.wikipedia.org/wiki/HSBC. The ICIJ alleges that the bank profited from doing business with tax evaders and other clients. https://en.wikipedia.org/wiki/HSBC.

529 Erick Kabendera 2016. 'Will Dar indict businessmen holding cash in Swiss banks?', East African, 21 February. http://www.theeastafrican.co.ke/news/Will-Dar-indict-businessmen-holding-cash-in-Swiss-banks/2558-3086428-item-1-lbyiohz/index.html.

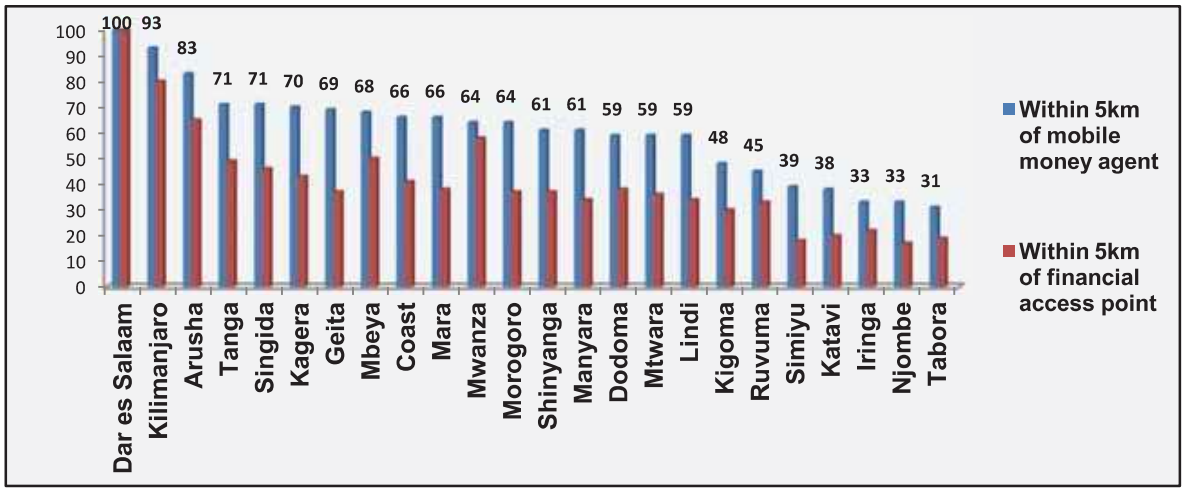
AG and other officials over the transfer of US$196m in Swiss banks. This followed the publication of a *Swiss Central Bank* Report of 2012 which identified Tanzanian nationals holding US$178m 'in different Swiss banks.[530] The report of the investigations was never made public.[531] If these figures represent Tanzanians' holdings in just one bank in one country, then the total offshore holdings in all foreign banks is likely to be in the billions of US$s. Reverse flows of dubiously acquired money help finance the high-rise boom in Dar es Salaam, though again the amounts involved are a matter for speculation.

Benno Ndulu, Governor of the BoT, cited estimates of IFFs from Tanzania, ranging from a low to US$36m in 2006 to US$1,356m in 2010, with an average for 2003-12 of US$462m. For the entire period the estimate for IFFs was US$4.6bn.[532] Another study cited by Ndulu ranked Tanzania 18th out of 39 African countries with a total of US$14.7bn of IFFs.[533] An earlier TGR argued that reverse IFFs are also significant, citing evidence that they contribute significantly to the high-rise building boom in Dar es Salaam.[534]

In June, the BoT emerged the winner of the *Best Governance Risk and Compliance Project in Africa* following the successful implementation of the Governance Risk Compliance project.[535]

On a lighter note, the spread of mobile money services to all but the poorest classes of the Tanzanian population has been a spectacular success in 'financial deepening.' [536] Mobile phone ownership increased from nearly 21m in 2010 to nearly 40m in 2015.[537] Competition in the sector increased with the arrival of a fifth mobile company on the scene, Vietnamese company *Halotel*.[538] **Figure 4.6** shows regional differences in access to mobile money services and other financial access points.

Figure 4.6: Tanzanians within 5kms of mobile money agent & financial access point, %



Source: Adapted from Finscope survey 2013

530 Lawrence Kilimwiko 2015. 'CCM reeling under the weight of big money influence', Guardian, 20 June.

531 Mkinga Mkinga 2015. 'Fresh leaks reveal more Dar billions in Swiss bank', Citizen, 10 February. The transfer information on 100,000 customers (individuals and companies) came from a whistle-blower in HSBC. Tanzania ranked 100 out of 203 countries in terms of holdings by HSBC, Kenya 58th ($560m) and Uganda 105 $89m). Burundi ranked 131 and Rwanda 171.

532 Giza Mdoe 2015. 'BoT backs illicit money flow watchdogs', Guardian, 10 September. http://www.gfintegrity.org/wp-content/uploads/2014/12/Illicit-Financial-Flows-from-Developing-Countries-2003-2012.pdf

533 Ndikumana, L., J.K. Boyce, and A.S. Ndiaye (2015) 'Capital Flight from Africa: Measurement and drivers,' in I. Ajayi and L. Ndikumana (eds.), Capital Flight from Africa: Causes, Effects and Policy Issues. Oxford: Oxford University Press, pp. 15-54.

534 See TGR2013, Chapter 4.

535 Reporter 2015. 'BOT wins Governance Risk and Compliance award', Citizen, 5 June.

536 Alawi Masare 2015. 'TZ mobile money transfer improves', Citizen, 1 January.

537 TTCL figures. See: https://www.budde.com.au/Research/Tanzania-Telecoms-Mobile-Broadband-and-Digital-Media-Statistics-and-Analyses

538 Oxford Business Group 2017. 'Tanzania banking turns mobile', Citizen, 3 March.

In 2013, 45 percent of Tanzanians (more than 20m people) lived within five kilometres of a mobile money agent and 33 within five kilometres of other banking services.[539] In late 2014, Vodacom, Tigo, Airtel and Zantel were transacting around TShs2 trillion a month in money transactions.[540] A study by *New York University* academics found that just two 'percent of the population has an active traditional bank account.' [541] According to the BOT's Stability report of December 2015, mobile transactions grew from TShs32.1tr to the year ending March 2014 to TShs41.8tr during the same period in 2015.[542]

According to the *Tanzania Communication Regulatory Authority* (TCRA), Vodacom has 31 percent of the mobile phone market in Tanzania, followed by Tigo (29 percent) and Airtel (26 percent).[543]

4.5 Regulating state enterprises and corporations

"Most of these corporations and agencies are underperforming because for a long time, no one has been caring whether they have been generating profit or not."

One of the most challenging functions the state has to perform is to regulate state corporations, the largest of which are vulnerable to political and grand corruption. In 2015, the Treasury Registrar announced that it was entering into 'performance agreements' with 218 public institutions, including the *TIB Development Bank*. [544] *Treasury Registrar* Lawrence Mafuru declared that the net assets of these entities were worth TShs20tr in 2014. He claimed the new system 'will insulate the government from frequently bailing out non-performing parastatals.'[545] Below we consider TANESCO and pension funds.

4.5.1 TANESCO

'Small businesses are affected the most [by power cuts] because, unlike their big counterparts, they cannot afford buying standby generators.'[546]

Power cuts and unannounced outages continued during the run-up to the 2015 elections. The Palace Hotel in Arusha complained that running a stand-by generator cost it TShs1.6m a day. The manager of Nakumatt, a Kenyan supermarket, complained that the company was only getting 50 percent of the required power.[547] While power outages eat into company profits, they can lead to the closure of small businesses that cannot afford them. Critics claimed that TANESCO were afraid to announce a power crisis just weeks before the elections.[548]

The unresolved IPTL issue rumbled on during 2015. In January, the Chinese Ambassador Lu Youqing urged the GOT to increase electricity production in order to meet industrial development needs. He pointed out that power cost 5 US cents per unit in the US, 8 in China and 20 in Tanzania.[549]

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539 GIS-Map-FinAccess-1.pdf. The figures were rising rapidly at the time of the last Finscope survey.

540 Alawi Masare 2015, op. cit.

541 Oxford Business Group op. cit., citing Nicholas Economides and Przemyslaw Jeziorski 2016. 'Mobile Money in Tanzania', July 29, http://www.stern.nyu.edu/networks/Mobile_Money.pdf.

542 Reporter 2017. 'Mobile cash transactions rise five-fold over the past year', Citizen, 14 February.

543 Samuel Kamndaya 2017. 'Govt, Airtel yet to agree on share sale', Citizen,18 February. The government owns 40 percent of Airtel.

544 Reporter 2015. 'Govt, TIB sign performance agreement contract', Daily News, 7 September.

545 Ibid. He continued "the boards of directors and institutions' management will be taken to task if they don't perform according to contract."

546 Saumu Mwalimu 2015. 'Small businesses hurt by power cuts: Dar residents', Citizen, 13 September, citing Joachim Lyimo of Mrimbo Investment Company. Other complained that load-shedding is no longer signaled in advance, in both Dar and Arusha. See also: Geofrey Kimani 2015. 'Outages killing us, Mwanza traders say', Citizen, 13 September.

547 Zephania Ubwani 2015. 'Businesses suffer from power cuts', Citizen, 13 September.

548 Ibid.

549 David Kisanga 2015. 'Chinese envoy advises govt to boost power production', Guardian, 23 January.

An intriguing initiative by VIP engineering shed some light on the nature of the rent-seeking in IPTL. During a formal function, Mr Rugemalira submitted evidence:

> 'to the Vice-President that the real IPTL tariff problem emanates from continued use of heavy fuel oil instead of natural gas since the year 2003 when the Songo Songo Gas pipe line reached the power plant gate... This claim is evidenced from the list of issues filed by VIP recently before the High Court, accusing Standard Chartered Bank … of being responsible for impeding the conversion of the IPTL power plant from fuel oil to gas fuel firing to the detriment of VIP, IPTL and the Republic of Tanzania.'[550]

Mr Rugemalira was well aware of the non-conversion issue, which allowed rents to be harvested from overpriced diesel imports. Whether he actively lobbied against the non-conversion is less clear. In contrast to IPTL, the other main private power producers, *Symbion* and *Aggreko*, struggled to get paid by Tanesco. In October, Paul Hinks, the CEO of US company Symbion, that runs a 112 MW diesel-fuelled power plant at Ubungo, also complained that: 'Our own power plant at Ubungo has also just restarted after a year of being idle due to lack of fuel.'[551]

4.5.2 Pension funds

'The former CAG, Mr Ludovick Utouh … said that the government's total debt to social security funds amounted to Sh8.43 trillion with … borrowing from the Public Service Pensions Fund being the largest.'[552]

Tanzania's pension funds were discussed in **Chapter 2**. During 2013/14, NSSF, the biggest of the five mainland funds, collected TShs548bn from its members, compared to TShs476bn the previous year, while its income fell from TShs252bn to TShs222bn. In FY2012/13, NSSF started issuing loans to new members in *Agricultural Marketing Cooperative Societies* (AMCOS), *Savings and Credit Cooperative Societies* (SACCOS) and *Micro Financing Enterprises* (MFEs). TShs26.2bn were disbursed to 3,600 members. In addition, Director General, Dr Ramadhan Dau, said the fund would invest in cashew, coffee and cotton processing plants in three regions.[553]

A 2015 audit of NSSF by Ernst and Young on behalf of the CAG raised serious queries about a joint venture between NSSF and *Azimio Housing Estate Limited* (AHEL), a real estate company, known as Dege Eco Village, declaring the project 'nugatory', that is, 'not serving the public interest'.[554] The audit also queried a similar project known as Arumeru Satellite Town, in Arusha region. **Box 4.4** describes the two projects.

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550 Reporter 2015 'VIP seeks to recover 1tr/- over delay to convert plant', Sunday News, 4 October.

551 Judica Tarimo 2015. 'Symbion CEO explains Tanzania's power blues, Guardian, 17 October.

552 Felix Lazaro 2015. 'We'll pay pension funds: govt', Citizen, 27 August.

553 Felix Andrew 2015. 'NSSF to invest heavily in coffee, cotton, cashewnut processing in three regions', Guardian, 4 June.

554 NAO 2015. 'MANAGEMENT LETTER ON THE AUDIT OF FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY FUND (NSSF) FOR THE YEAR ENDED 30 JUNE 2015', December 2015. Using such strong language is rare in auditing circles.

Box 4.4: 'Nugatory' Dege Eco Village and Arumeru Satellite Town

Located 25 kms south of Dar es Salaam's **Kigamboni** ferry, **Dege Eco Village** was designed to house over 7,000 tenants in five-storey blocks of flats. Priced at a staggering US$627m., the Dege project is owned 45% by **NSSF** and 55% by **Azimio Housing Estate Limited (AHEL)**. AHEL was to finance 35% of the project through equity, with the land value accounting for the remaining 20%. The company claims to own 20,000 acres, but only 300 acres were developed under 'Phase 1' of the project. A Turkish construction company began building the village in January 2014. The audit revealed that, at the equivalent of US$370,000 per acre, the land for the Dege project was priced at more than 30 times its 'real' value. The audit also queried a similar project known as **Arumeru Satellite Town**, in Arusha region. AHEL's shares are owned by members of the Iqbal family, headed by property developer **Mohammed Iqbal Hajji**, who is also CEO of the company. The land for the two projects alone was valued at US$666m (six hundred and sixty-six million dollars). The auditors could not trace evidence that AHEL owed the land involved in these projects, or that it claims to own in other parts of the country.

Source: NAO 2015. 'MANAGEMENT LETTER ON THE AUDIT OF FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY FUND (NSSF) FOR THE YEAR ENDED 30 JUNE 2015', December 2015.

During the Kikwete presidency, the Public Accounts Committee (PAC) regularly used CAG audit findings to dig deeper into the misappropriation of funds in government, to sometimes dramatic effect. PAC Chairman Zitto Kabwe made his parliamentary reputation by virtue of his relentless pursuit of corrupt state bodies, in which cause he regularly engaged the CAG. The IPTL/Escrow scam made Zitto a household name. However, his committee failed to investigate blatant pension fund excesses which the CAG was already flagging. The basic weaknesses of the Dege project--its enormous cost and outlandish location--were not raised as critical issues when Zitto and fellow PAC members visited the Village in January 2014.[555]

4.5.3 Miscellaneous state enterprises

A trend TGRs have noted during the later Kikwete years is towards empowering the state to establish new public enterprises that economists would argue should be the province of the private sector, such as tractor assembly (the army's 'commercial wing'), gold mining (Stamico), cashew nut processing (cooperatives), telecommunications (TTCA), and civil aviation (ATC).[556] In these and other productive sectors the state record is one of across-the-board losses, inefficiency and corruption. Often, the agency involved is both producer and regulator of the entire sector, which raises obvious conflict of interest issues. The GOT has begun to 'renationalise' companies and farms that were privatised during the 1990s but deemed not to have been developed by the buyers. In 2015, the GOT 'took back' 26 percent of the shares in *General Tyre East Africa* from *Continental AG,* a US company, for one million US$. The company stopped production in 2007 and is under the commercial portfolio of the NDC, who aspire to identify 'competent investors to enable the factory to produce tyres on a large scale which would meet local and export demand.'[557]

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555 Although a dozen NSSF managers were subsequently sacked, NSSF's long-time boss Dr Ramadhan Dau, was promoted to the diplomatic corps.

556 See TGR 2013 and 2014 for details.

557 Ludger Kasumuni 2015. 'Govt buys 26pc shares to retake General Tyre', Citizen, 22 August.

4.6 Sector lobbying and advocacy

'…over time, tax lobbying in Tanzania has become better organized and coordinated through the larger business association, sometimes under the umbrella of the Tanzania Private Sector Foundation.'[558]

'Fertiliser … stakeholders … said the sub-sector… is regulated by … the Tanzania Bureau of Standards, Weight and Measures Authority, Tanzania Atomic Energy Commission (sic) and the Government Chief Chemist. … most of these bodies were only repeating the responsibilities of the Tanzania Fertiliser Regulatory Authority.'[559]

During 2015, TPSF and sectoral lobbies continued to complain about the unfair competition from legal and illegal imported goods, including sugar, rice and cement, involving smuggling through Zanzibar and tax evasion. In a meeting with the Tanzanian National Business Council (TNBC) President Kikwete was presented with reports on improving the business environment and tourism transformation. [560] TPSF executive director Godfrey Simbeye lamented the lack of skilled workers, the 'mushrooming of polytechnic colleges with poor standards', the lack of risk capital and long-term finance, and technological innovation. Only 12 percent of bank lending was to the manufacturing sector, he complained.[561] Businessman Reginald Mengi, who is also Chairman of the TPSF, thanked President Kikwete "wholeheartedly for creating a conducive environment suitable for attracting both local and foreign investors." [562]

The Christian Michelson Institute (CMI) policy brief quoted above continues:

> 'TPSF represents both domestic and multinational companies. Although lobbying by individual business people still features, larger, organized associations are able to mobilize more powerfully for their demands, partly by engaging professional tax consultants and lobbyists to promote their position to Parliamentarians and senior government officials. The enhanced role of the Big Four international accounting and consultancy firms in tax lobbying in Tanzania, is a reflection of the importance of lobbying and the substantial resources spent on influencing policymakers and legislators.' [563]

This is a simplified version of a more complex story, and it is important to look at each sector's lobbying and advocacy strategy case by case to get the full picture. It appears that in some cases the strategy followed by the umbrella organisation is strongly influenced by one or two big players, which may be to the disadvantage of the smaller companies, or that informal deals are hatched which undermine the whole rationale of collective representation. A related issue is the low capacity of the central government to reign in LGA-imposed 'nuisance taxes' that many sector organisations, and TPSF, complain about incessantly. Examples of these tendencies were reported in TGR2014, **Chapter 4,** and the issue is discussed further below.

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558 CMI BRIEF 2015. 'Shaping the tax agenda: Public engagement, lobbying and tax reform in Tanzania, Volume 14, No. 5, July, page 3.

559 Felix Lazaro 2015. 'Dealers want one fertiliser authority', Citizen, 9 September.

560 Veneranda Sumilla 2015. 'Improve business climate, govt urged', Citizen, 3 September; . Finnigan wa Simbeye 2015. 'Kikwete brings CAD Fund to Dar as TIC lures local manufacturers', Guardian, 11 September.

561 Ibid.

562 Ibid.

563 NAO 2016a: 4. When this statement was repeated to a senior partner in one of the 'Big 4' for an opinion, the partner dismissed it as 'nonsense', or a word to that effect.

4.7 Regulation and the 'ease of doing business'

'The Confederation of Tanzania Industries (CTI) want the fifth phase government to address policy advocacy issues, business licensing, unstable power supply, tax evasion, low efficiency of the Dar es Salaam Port, and the utilisation of opportunities from regional blocs.' [564]

While the objectives of the CTI coincide with those of the ruling party's election manifesto and, as it turned out the Phase 5 governments own priorities (see **Chapter 9**), it is not at all clear how much congruence there is between the GoT's and the private sector's, including CTI's, approach to 'doing business'. Businesses complain endlessly 'that though regulatory bodies are important, they should be effectively planned and harmonised to avoid duplication of activities.'[565] CTI's *director of Policy and Advocacy*, Hussein Kamote, asked why a company should be obliged to renew its licence every year, a measure introduced in 2013. He also complained that local manufacturers were at the mercy of both legal and illegal imports, including counterfeit and substandard products.[566]

TGR 2014 pointed to some of the problems encountered by private sector stakeholders emanating from the regulatory practices of EAs. Executive Agencies (EA) undertake a variety of activities, including training, infrastructure building, supervision, and regulation of both private and state sectors as well as natural resources. EAs are funded by transfers from the treasury and self-generated revenue, largely through fees charged for services. During FY 2014/15, revenue estimates for EA amounted to TShs1.9 trillion, two percent less than in 2013/14. Eighty-five percent of this amount was expected to be financed by government grants. According to NAO: '… it is clear that Agencies to a large extent still depend on Government to fund their activities.'[567]

564 Felix Lazaro 2015. 'We expect next govt to tackle business woes: CTI', Citizen, 27 August.

565 Felix Lazaro 2015, op. cit.

566 Ibid.

567 NAO 2016a: 120-1.

Table 4.6 compares financial estimates and actual collections for 32 EAs.

Table 4.6: Approved estimates and actual collections, selected EAs (TShs billion)

Agency	Estimates	Collec-tions	Variation %
Tanzania National Roads Agency (TANROADS)	1,116.3	481.8	-57
Rural Energy Agency (REA)	269.5	191.9	-29
National Food Reserve Agency (NFRA)	154.6	188.4	+18
Tanzania Forestry Service Agency (TFSA)	81.2	88.3	+8
Tanzania Electrical, Mechanical & Services Agency (TEMESA)	53.9	44.4	-18
30 Tanzania Institute of Accountancy (TIA)	21.0	20.3	-3
Tanzania Public Service College (TPSC)	22.6	19.5	-14
Weights and Measures Agency (WMA)	20.9	18.2	-13
Tanzania Government Flights Agency (TGFA)	21.6	16.4	-24
Tanzania Meteorological Agency (TMA)	23.9	16.3	-32
Tanzania Building Agency (TBA)	22.6	14.4	-36
Drilling and Dam Construction Agency (DDCA)	13.3	11.1	-17
Tanzania Mineral Audit Agency (TMAA)	11.2	10.9	-26
Government Chemistry Laboratory Agency (GCLA)	3.6	10.2	+65
Government Procurement Service Agency (GPSA)	13.6	7.6	-45
Occupational Safety and Health Agency (OSHA)	7.6	7.0	-8
Registration Insolvency and Trusteeship Agency (RITA)	8.7	6.6	-24
Livestock Institute Training Agency (LITA)	7.3	6.5	-11
Geological Survey of Tanzania (GST)	12.2	5.9	-52
Agriculture Seeds Agency (ASA)	8.9	5.8	-35
E-Government Agency (E-GA)	10.1	5.1	-49
Water Development and Management Institute (WDMI)	8.5	4.6	-46
Dar es Salaam Rapid Transit Agency (DART)	6.9	4.4	-36
National College of Tourism (NCT)	8.6	3.6	-59
Agency for Development of Education Management (ADEM)	3.5	2.6	-25
Fisheries Education and Training Agency (FETA)	3.3	2.5	-23
Tanzania Veterinary Laboratory Agency (TVLA)	3.6	2.0	-44
Tanzania Global Learning Agency (TAGLA)	2.0	1.6	-22
National Housing and Building Research Agency (NHBRA)	3.3	1.8	-44
Institute of Arts and Culture- Bagamoyo (TASUBA)	2.0	1.3	-39
Tanzania Tree Seeds Agency (TTSA)	1.5	1.1	-26
Tanzania Employment Service Agency (TAESA)	1.8	1.1	-38
TOTAL	1,949,385.1	1,202,910.2	-39

Source: Annual General Report Central Government 2014/15: 122-4.

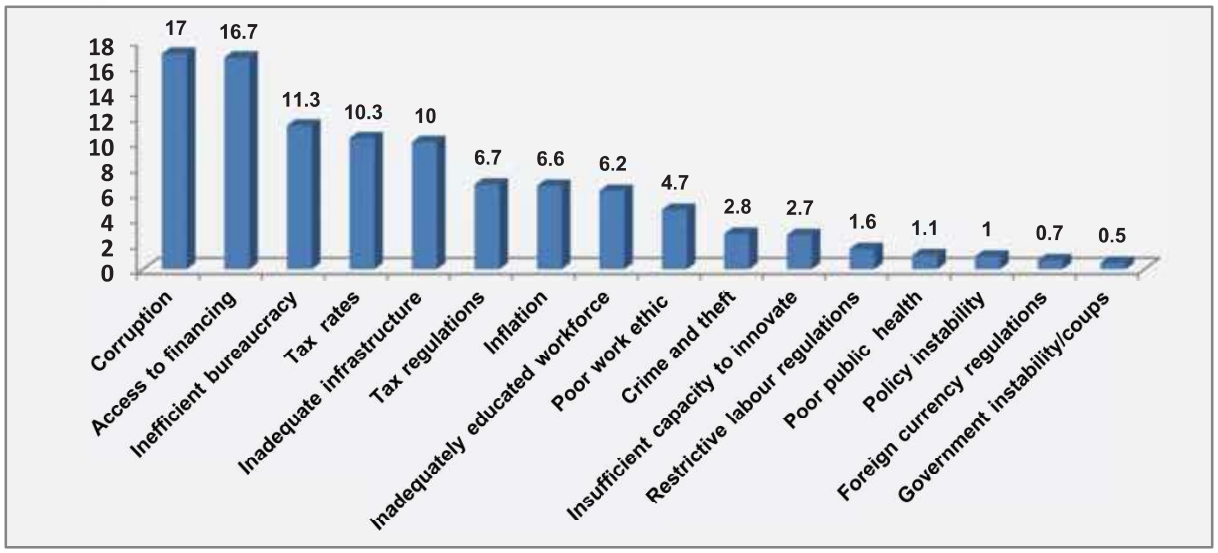
In the event, actual receipts were two-fifths (39 percent) below estimates. Nearly three-quarters (73 percent) of collections were government grants, only 27 percent from own source revenue. Out of the grants received, 44 percent was for recurrent expenditure while TShs 490bn (56%) was for development expenditure.'[568]

[568] NAO op. cit., p124.

Some EAs take large loans from pension funds to construct their headquarters, usually with a view to renting out surplus office space. For example, in April 2011, RITA borrowed TShs24bn from NSSF to build Rita Towers in Dar city centre. As of 30 June 2015, RITA had accumulated interest of nearly TShs13bn on the loan.[569] **Table 4.6** above shows that RITA's income for the 2014-15 FY was just over *half of the accumulated interest* on the loan.

In the 2015 World Bank's *Doing Business* survey, Tanzania ranks 131 out of 190 countries (69th percentile). Based on business leaders' opinions, corruption and finance were the two main constraints listed (**Figure 4.7**).

Figure 4.7: The most problematic factors for doing business, percent



Source: World Bank 2016. 'Africa Competitiveness Report 2015'.

Corruption has directly affected public finances: for instance, corruption at the Port of Dar es Salaam led to significant tax evasion and lower revenue; corruption in the private placement of a bond in 2013 increased financing costs to the government (see **section 4.4**). In addition to the possibility of potential contingent liabilities, the IPTL case and related court proceedings have also likely increased perception of risk by investors, as have the setbacks experienced by Bagamoyo EcoEnergy discussed above. More broadly, corruption has negatively impacted the business climate, with likely negative implications for investment and growth.

An apparent tightening-up of employment regulations that may impact on foreign investors is contained in the *Non-Citizens (Employment Regulation) Act* 2015. This puts in place new structures to control employment of non-citizens, though its basic provisions are not new. The main change is the creation of a *Labour Commissioner* whose office will approve all applications. Previously, this was done through the relevant ministry. Applications must be accompanied by a clear succession plan and there is a provision for annual reporting on the number of employees and progress made in implementing the plans.[570] As usual, the impact of the Act will depend on its enforcement.

In December, the government moved to revoke all 'Carrying on Temporary Assignment' (CTA) visas and ordered the deportation of all foreign employees working in the country without work permits', as a result of 'massive violation' of the system.[571] CTA visas allow foreign workers entry for a period of

569 Ibid, p 144.

570 Katare Mbashiru 2015.'Law on expats to be tightened', Citizen, 19 March; Paul Kibuuka 2015. 'Hiring of expatriates restricted by new employment regulations', Daily News, 25 September.

571 Frank Aman 2015. 'Foreigners without work permits face deportation', Guardian, 31 December.

up to three months. Minister in the Prime Minister's Office Jenista Mhagama 'ordered the immigration department to work on the matter including deportation of all foreigners working in various companies without having valid work permits to their respective countries.'

Many front-line services and semi-autonomous public bodies are rarely or never monitored or inspected by their parent ministries or other responsible institutions, and inspections that do take place often omit vital information.[572] This means the effective *functional autonomy* of such bodies, including many regulators. For example, in a special audit of the NEMC the CAG stated that:

> '[the] Director of Environment (DoE) from the Vice President's Office only monitors NEMC's performance as a member of NEMC's Board as there is no other monitoring and evaluation mechanism carried-out to assess NEMC's performance in the management of EIA activities.'[573]

TGR2014 reported complaints that NEMC provides erratic quality and increasingly expensive Environmental Impact Assessments (EIA), over which it has a statutory monopoly. The audit report notes that NEMC does not have the capacity to provide EIA services to more than a fraction of the construction and other projects that it is supposed to vet. Investors, who need EIAs to obtain Tanzania Investment Centre certification, complain that the EIAs they receive are often sub-standard and of little practical use.[574] Though some NEMC moves against polluting companies are undoubtedly justified, there is a suspicion that many NEMC initiatives are not far from extortion.[575]

Another agency whose performance is not effectively monitored is the important *Tanzania Food and Drugs Authority* (TFDA), which is under the Ministry of Health, Community Development, Gender, Elderly and Children (MOHCDGEC). The example given in the audit is the lack of oversight by the ministry of meat processing hygiene.[576]

Numerous donor projects support government efforts to improve the business environment. For example, the WB's US$80m Business Environment for Jobs Development Policy Operation, aims to contribute to the removal of barriers to doing business.[577] Other agencies, including Danida, finance lobbying and advocacy activities through business umbrella organisations.

4.8 Conclusion

Of late, the formal business community has become more organised in lobbying and advocacy initiatives, with donor support. Key issues are the inclusiveness of private sector organisations (PSOs) (are there key players who break ranks with their umbrellas and fellow members to hatch special deals with government?) and the degree to which lobbies represent business as a whole as opposed to particular segments or industries (for example, in advocating for tax exemptions for particular groups or sectors). The first issue allows lead companies to tilt the playing field to their own advantage, while the second undermines the emergence of a coherent private sector voice in negotiations with government.[578] Both issues contribute to the perpetuation of the 'missing middle' in manufacturing and other productive sectors.

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572 For example, the unsanitary conditions obtaining in the country's slaughter-houses was not reported in annual review. NAO 2016. 'Performance and specialised entities audit, general report, P44.

573 CAG 2016. Op. cit., page 43.

574 EIAs are costed as a percentage of project value.

575 Devotha Kihwelo 2015. 'Slipway Hotel in the spotlight', Guardian, 21 June; Gadiosa Lamtey 2015. 'Dar hotel shut down over environmental pollution', Guardian, 1 July. Slipway Hotel was not closed, and it turned out that it had all the requisite permits for what it was doing.

576 CAG 2016, op. cit.

577 Reporter 2015. 'World Bank approves $80million to accelerate job creation in Tanzania', Guardian, 5 September. World Bank Team Leader Andrea Dall'Olio said that: "We identified more than 59 fees, levies and taxes imposed on the tourism sector by various government agencies." "We continue to work with the Government to dramatically reduce their number and their impact on business."

578 An industrial policy may give tax breaks to a specific sector in order to help its development, but this cannot be an ad hoc process.

Chapter 5: CSOs, media and citizens' voice

5.1 Introduction

'…this law allows the state to police citizens via the internet.'[579]

2015 saw the independent media, social media practitioners and human rights groups challenging what they considered repressive legislation aimed at curbing basic rights. In March-April 2015, two pieces of hotly contested legislation were passed by parliament, the *Statistics Act*[580] and the *Cybercrimes Act*.[581] Under the Statistics Act, 'any communication media (magazines, newspapers, websites, or radio, for example), which publishes false or misleading statistical information' could be punished with a fine of 'not less than 10 million shillings or to imprisonment of not less than twelve months, or both.'[582] *Director General of the National Bureau of Statistics* (NBS), Albina Chuwa, said that 'researchers, the media and academics were not barred from publishing their findings provided that they did not contradict official statistics.' [583]

Much more worrying was the Cybercrimes Act, designed 'to address child pornography, cyberbullying, online impersonation, electronic production of racist and xenophobic content, unsolicited messages, illegal interception of communications, and publication of false information.'[584] Observers saw the Act as designed to protect the executive against undesirable revelations in the build-up to the October elections, and beyond.[585]

In May, President Kikwete endorsed the bills and criticised their critics, singling out 'donor countries that are threatening to cut aid funding' over the laws.[586] Head of the EU delegation Filiberto Sebregondi and Development Partners chair Sinika Antila had made critical statements.[587] President Kikwete was opening a major conference on the *Open Government Partnership* (OGP) that Tanzania had joined through his initiative.[588] The *Tanzania Editors Forum* (TEF) said the laws 'would muzzle press freedom'.

MP David Kafulila saw the new law as a means of inhibiting critical voices expressing their views on social media in the build-up to the October elections.[589] After the election campaign started in late August, at least 234 people were arrested and/or charged under the Cybercrimes Act, including the 191 CHADEMA vote tallymen arrested on the night of the vote, and 38 civil society monitors.[590] The EU issued a statement pointing out "that the first cases of application raise concern in view of their potential infringement of fundamental freedoms."[591]

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579 Songa wa Songa 2015. 'Things you didn't know about new cyber law', Citizen, 7 April.

581 Songa wa Songa 2015, op. cit.

582 Ibid.

583 Ludger Kasumuni 2015. 'NBS robustly defends new statistics bill', Citizen, 28 April. The DG listed official statistics (GDP, life expectancy, birth rates..) that are not collected by unofficial bodies anyway.

584 Citizen Reporter 2015. ''Unofficial' data could land you behind bars', Citizen, 27 March; Karen Attiah 2015. 'World Bank, US must condemn Tanzania's media crackdowns', Guardian, 18 May.

585 Damas Kanyabwoya 2015. 'Need to beware as Cyber Law takes effect tomorrow', Citizen, 31 August.

586 Bernard Lugongo 2015. 'Disputed Bill gets JK's nod', Citizen, 7 May; Katare Mbashiru 2015. 'Kikwete tells off critics over controversial laws', Citizen, 21 May.

587 Katare Mbashiru 2015. 'Reject new law, Kikwete urged', Citizen, 29 April.

588 Faustine Kapama 2015. 'Kikwete to open OGP meeting in Dar next week', Daily News, 17 May; . Katare Mbashiru 2015. 'OGP meet ends with call for accountability, transparency', Citizen, 22 May.

589 Katare Mbashiru 2015. 'Kikwete tells off critics over controversial laws', Citizen, 21 May.

590 Damas Kanyabwoya 2015. 'Need to beware as Cyber Law takes effect tomorrow', Citizen, 31 August.

591 http://eeas.europa.eu/archives/delegations/tanzania/documents/press_corner/20151109_01_en.pdf

Two other pending bills, the *Media Services* and *Freedom of Information Bills*, had been roundly condemned by stakeholders, including opposition MPs[592] and the *Media Owners Association of Tanzania* (MOAT), who, along with other private media stakeholders, had waited for years to see outdated and repressive colonial laws replaced.[593] In March, a government attempt to push the bills through parliament under a 'certificate of urgency' was successfully opposed by outraged stakeholders, demanding further stakeholder consultation.[594] MOAT feared that, if they were passed before the elections, the bills would guarantee that the polls would be 'neither free nor transparent.' MOAT chairman Reginald Mengi said the laws "are aimed at denying citizens their basic right to freedom of expression."[595] Earlier Mr Mengi had said that the two bills "are a clear indication of infringement upon freedom of the press".[596] Even clerics were critical: the *Tanzania Episcopal Conference* and *Council of Islamic Organisations in Tanzania* endorsed a MOAT statement, 'strongly condemning' the two bills.[597] One notable proposal in the Media Services Bill was that media houses should have a majority of local shareholders. This would affect the Nairobi-based Nation Media Group, belonging to the *Aga Khan*, which publishes the *East African, Citizen* and *Mwananchi* among other papers. Widely seen as the best quality English daily in the country, the Citizen was a key player in the Escrow/IPTL revelations during 2014 (see TGR2014). In February, the government banned the *East African,* for reasons explained below (See **section 5.3**).

5.2 Civil society

'There are three kinds of lies: lies, damned lies, and statistics.'[598]

CSOs campaigned against the Statistics and Cybercrimes Bills. In the Open Government Partnership meeting discussed above, the executive director of Twaweza, Aiden Eyakuze, said the laws "Challenged freedom of conscience and expression enshrined in … the Constitution and [certain clauses] are inconsistent with the principles of open government, which threaten to undermine Tanzania's reputation in the field of open governance." [599] CSOs and media representatives, including the Media Owners Association of Tanzania (MOAT), Media Council of Tanzania (MCT), *Media Institute of Southern Africa* (MISA), the Tanzania Editors Forum (TEF), the *Tanzania Constitutional Forum (*TCF), and the *Coalition on the Right to Information in Tanzania* (CORI) joined forces to block the government move to push the contested Media and Access to Information Bills through parliament without further stakeholder engagement.[600] Members of the Coalition on the Right to Information[601] managed to stall the Media Bill,[602] but there was little or no subsequent government engagement with coalition members to modify it. One highly controversial proposal in the bill was to give an official news coverage monopoly to the state broadcaster *Tanzania Broadcasting Corporation* (TBC), by obliging private TV channels to broadcast the news from the national broadcaster at 8 pm every day "to enable the public to follow issues of national interest".[603]

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592 Samuel Kamndaya 2015. 'Opposition joins in condemnation of Media Services Bill', Citizen, 29 May.

593 Gadiosa Lamtey 2015. 'With these media bills, no free elections – MOAT', Guardian, 27 May.

594 Asia Gweyemamu 2015. 'Media Bill officially withdrawn', Guardian, 27 June; Alawi Masare 2015. 'Govt now withdraws contested Media Bill', Citizen, 27 June; Cora Henry 2015. 'IPI welcomes withdrawal of media bills', Guardian, 6 July.

595 Henry Mwangonde 2015. 'Investors want new media bill dropped', Citizen, 27 May.

596 Guardian Correspondent 2015. 'Dr Mengi: Govt move on private media surprising', Guardian, 22 May.

597 Sylivester Domasa 2015. 'Clerics say media bills unacceptable', Guardian, 28 May; Samuel Kamndaya 2015. 'Opposition joins in condemnation of Media Services Bill', Citizen, 29 May.

598 Aphorism attributed by American writer and humourist Mark Twain to British Prime Minister Benjamin Disraeli.

599 Katare Mbashiru 2015. 'Kikwete tells off critics over controversial laws', Citizen, 21 May.

600 Alawi Masare 2015. 'Govt now withdraws contested Media Bill', Citizen, 27 June.

601 Members include the Legal and Human Rights Centre, Tanganyika Law Societ, Media Owners Association of Tanzania, SIKIKA, Tanzania Editors Forum, and Media Institute of Southern Africa (MISA) Tanzania.

602 Asia Gweyemamu 2015. 'Media Bill officially withdrawn', Guardian, 27 June.

603 Gadiosa Lamtey 2015, op. cit. See also: http://www.nation.co.ke/news/africa/Tanzania-Media-Services-Bill-Parliament/1066-2730492-jvfjxrz/index.html.

CSOs were also involved in the OGP, which held an Africa Regional meeting in May, as mentioned above. Other key governance activities pursued by civil society are monitoring the budgetary process and the extractive industries, discussed further below (see also **Chapter 2).** In collaboration with Policy Forum, the Ministry of Finance produces a 'citizens' budget document.'[604] Though the name suggests a simplified version of the budget for popular consumption, many issues are presented in a highly technical manner with no attempt to simplify for the lay-person's benefit**.** At 40 pages, the citizens' budget is still a sizeable document for 'citizens' and their representatives to digest. Finally, the budget presented is expenditure authorised by parliament, which is only a rough guide to actual spending. [605]

CSOs comment on these budget estimates, focusing on underfunding of the social sectors. Policy Forum's budget statement for 2014/15 noted reduced commitments for heath following reduced donor 'basket funding', with a likely negative impact of drug availability.[606] In the education budget PF spotted that the apparent increase in development expenditure was actually a transfer of student loans from the recurrent to the development budget. In agriculture, PF flagged the slow disbursement of development grants experienced in previous years and the poor quality of expenditure control in the Ministry of Agriculture. In water, PF commended the rise in commitments for rural water supply, but flagged over-dependence on donor money and the lack of value for money audits on project expenditure. PF noted a general failure to make social sector spending more 'gender sensitive.' Last, PF complimented the government for promising to tighten up on tax exemptions and urged it to practice more budgetary transparency and accountability.[607]

5.2.1 Tracking the extractive industries

Tanzanian civil society organisations are involved in the TEITI, as reported in **Chapter 4.** In June, *HakiRasilimali,* formerly the *Extractive Industries Working Group,* issued a critical statement concerning three O&G-related bills that were tabled in parliament under certificates of urgency**.**[608] As regards the *Draft Petroleum Act* 2015, the WG was concerned with the 'exclusive' powers afforded to the proposed *National Oil Company* (NOC) on the grounds that NOC's 'selection of partners will be driven more by [its] commercial interest than the overall national interest**.**' In particular, a *Commissioner for Petroleum Affairs* could end up in conflict with the *Commissioner for Energy*. Giving NOC 'exclusive right over all petroleum rights' 'raises accountability challenges as well as creating institutional monopoly.' The WG also urged more transparency, for example, in tendering and contracting. Regarding the *Oil and Gas Revenue Management Act* 2015, The provision that only 60 percent of revenues transferred to the consolidated fund should be for 'strategic development expenditure' raises the question: why not 100%? Finally, regarding the *Tanzania Extractive Industries Transparency and Accountability Act* 2015, the WG urged closer alignment with the TEITI, in particular criticising the provision that the committee overseeing the Act should be a government entity. The governing body should 'retain its autonomy and independence in electing its …members', raising resources and ensuring 'protection from political interference.' The *Natural Resource Governance Institute* (NRGI), an international NGO, endorsed the Working Group's position.[609]

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604 URT 2014. 'Government budget for FY2014/15, citizens' budget edition', Ministry of Finance.

605 Actual expenditures compared to budget estimates are not readily available.

606 Policy Forum 2014**.** 'Budget 2014/2015 position statement'**.** http://www**.**policyforum**-**tz**.**org/sites/default/files/policyforum**.**pdf**.** See: Saumu Mwalimu and Henry Mwangonde 2015. 'Think tank criticises budget', Citizen, 30 May.

607 Waryoba Yankami 2014. 'Policy Forum hail govt for plan to reduce expenditure', Guardian, 30 July.

608 Policy Forum 2015. 'Extractive Industries related bills: the Tanzanian CSO EI WG position', 29 June. HakiRasilimali is coordinated by Policy Forum. Its members are Policy Forum, Oil, Natural Gas and Environmental Alliance (ONGEA), HakiMadini, Interfaith Standing Committee on Economic Justice, Governance and Economic Policy Center, International Alliance of Natural Resources in Africa (IANRA) and Governance Links Tanzania.

609 NRGI has programmes in 11 priority countries, six of which are in Africa, including Tanzania. See: NRGI 2015. 'Tanzania: Country Strategy Note', April .

Another global civil society initiative is the *Publish What You Pay* (PWYP) coalition. Founded in 2002 by *Global Witness, Open Society, CAFOD, Save the Children UK, Transparency International* and others, PWYP focuses on transparency in payments and publication of contracts to ensure an open and accountable extractive sector.[610] PWYP has yet to gain much traction in Tanzania.

5.2.2 Social Accountability Monitoring and Participatory Forest Management (PFM)

'In 2008, the Tanzania Forest Working Group (TFWG) launched the pilot phase of the Mama Misitu Campaign (MMC) as a response to the TRAFFIC Report. The MMC is now a five-year (2011-2016) communications campaign aimed at improving governance in the forestry sector.'[611]

SAM initiatives reported by Policy Forum in 2015 include a review of the Mama Misitu Campaign (MMC), which targets community involvement in forest conservation. Those involved in the campaign are: TNRF (*Tanzania Natural Resource Forum*, coordinator), TRAFFIC (The UK-based *Wildlife Trade Monitoring Network*), TFCG (*Tanzania Forest Conservation Group*), MJUMITA (*Tanzania Forest Community Network*), MCDI (*Mpingo Conservation & Development Initiative*), FEMINA-HIP, Policy Forum, JET (*Journalists Environmental Association*), LEAT (*Lawyers Environmental Action Team*), *IGN-Kisarawe* and various rural LGAs. Policy Forum and MJUMITA were responsible for the SAM component of the campaign, while other organisations dealt with other aspects, including follow-up on the 2007 TRAFFIC report on the illegal timber trade. MMC is the best-known *Participatory Forest Management* (PFM) initiative in the country. According to a *Mama Misitu Newsletter* dated September 2015: 'The Mama Misitu Campaign for the past two years (2012–2014), has reached more than 140,000 communities (sic) from various targeted districts such as Kilwa, Lindi, Nachingwea, Rufiji, Kisarawe, Kibaha, Muheza, and Korogwe through various trainings and dissemination of relevant information on forestry.'[612]

PF and MJUMITA produced SAM reports on MMC in 2015, looking at councils and villages in Lindi and Nachingwea Districts.[613] Villagers in Lindi were found to have limited understanding of harvesting procedures in the forest reserve**.** Though it is the responsibility of the Forestry Officers to 'build capacity' on the importance of forest conservation, there were no funds allocated for that activity. Villagers are not included in the decision making process relating to forest management. This undermines trust; for instance, the *Natural Resources Committee* of Nndawa village was not transparent on TShs 2m that were earned from harvesting. This also hinders an active participation of women in forest patrols, which can be dangerous. In all the three villages, poor forest management practices include clearing the bush during the dry season, according to the custom. Illegal and unsustainable harvesting, including the use of chain saws, was also observed in Nndawa and Mkanga Moja villages. The NR Committee and the village leadership do not enforce sustainable forest management regulations.

According to the CAG report, Nachingwea DC failed to produce its development plan for FY 2014/15 on time. The council had 37 recommended activities, out of which only 10 were being implemented. Twenty-six activities were not implemented, worth TShs115m. During the SAM visit, the DC could not produce records on the revenues earned from licensed businesses.

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610 http://www.publishwhatyoupay.org/members/tanzania/. PWYP receives the majority of its funding from the Open Society Foundations and the Hewlett Foundation.

611 Kahana Lukumbuzya and Cassian Sianga 2016. 'REVISITING TRAFFIC'S 2007 RECOMMENDATIONS TO IMPROVE FOREST GOVERNANCE IN TANZANIA', TRAFFIC, August

612 http://us1.campaign-archive2.com/?u=10f7cad1da82f6755dd87887f&id=02d5c0398d, September 2015. 'Communities' should presumably read 'people', or 'households'**.** At an average size of 5 people per rural household (2014 figures),140,000 families would equal 700,000 people, which is already a sizeable number. http://www.tanzania.go.tz/egov_uploads/documents/Descriptive_tables_Tanzania_Mainland_sw**.**pdf**.** TGR could not find statistics on the number of villages in the country**.**

613 Policy Forum, MJUMITA, 2015. 'UFUATILIAJI WA UWAJIBIKAJI JAMII KATIKA USIMAMIZI SHIRIKISHI WA MISITU. Taarifa ya Ufuatiliaji wa Uwajibikaji Jamii katika sekta ya Misitu', Wilaya ya Lindi 2015/2016, November; Ufuatiliaji wa Uwajibikaji Jamii katika Sekta ya Misitu katika Wilaya ya Nachingwea-2015/2016 'TAARIFA YA MREJESHO WA MATOKEO YA UFUATILIAJI JAMII KWA WILAYA YA LINDI NA NACHINGWEA',

Challenges identified by the SAM team include:

- Some of the villages did not have harvesting plans since the forest reserve was under the DC.
- Some villages had plans although the harvesting exercise was not executed due to lack of equipment such as hammers, book records and entrepreneurs. The main issue was lack of communication between the villages and the DC.
- Illegal harvesting by invaders due to land conflict issues between the villages.
- There is only one hammer used for all villages. The lack of enough equipment is causing poor practices in harvesting, for instance the practice of burning the bush and the use of chain saws.[614]

MMC has a steering committee, coordinated by TNRF, but it has only met twice in the last two years, and little information on MMC developments filters up to it, including the SAM exercise described above.[615]

It is useful to review the bigger institutional picture of the PFM sector. In 2008, the *Tanzania Forest Working Group* (TFWG) launched the pilot phase of the MMC in response to the 2007 TRAFFIC report which detailed massive illegal logging in southern Tanzania.[616] *Tanzania Forest Services* (TFS) was established as an EA in 2011 to manage national forest reserves, while MNRT retained the policy brief.[617] A 2016 TRAFFIC report update reviewing progress since the 2007 report concludes as follows.[618] 'Since 2007, NGOs have become increasingly engaged in promoting forest governance.' However:

- 'The Ministry of Natural Resources and Tourism (MNRT) information has gaps, is of questionable accuracy, and not always subjected to scrutiny by senior management creating a situation that can provide a cover for a number of different, irregular actions to go unnoticed.' 'Scrutinized data on timber volumes and species is still lacking.'
- 'Low transparency of information and decisions increases the risk of bureaucratic corruption.' 'management decisions of … importance to the public continued to be made without public notice or consultation.'
- 'Government monitoring of forest activities is sometimes inaccurate or biased.'
- 'Limited progress to increase revenues using various means, and limited capacity at all levels.'
- Challenges of ensuring harmonization of roles, priorities and linkages between MNRT and PMO-RALG.

Since 1995 more than five hundred *Village Land Forestry Reserves* (VLFRs) have been demarcated by communities out of communal lands. The *Mpingo Conservation and Development Initiative* (MCDI) is one such initiative designed to empower communities to earn income from sustainable forest harvesting.[619] MCDI has focused on helping communities to earn money from sustainable logging.

Arguably, one of MMC's main successes has been reaching out to the timber industry. It is less certain that institutional governance issues have been successfully addressed. One problem has been funding, as the organisations involved in MMC have struggled to fund their diverse activities—donor finance for PFM has dried up in recent years. More important, it is unlikely that government involvement in promoting PFM has improved as a result of the MMC, and without such involvement, including LGAs, it is hard to see how the objectives of PFM can be realised.[620] As usual, low capacity

614 Extracted from Policy Forum, MJUMITA 2015.

615 Pers. Commun., member of the Steering Committee, via email, 09/03/17.

616 http://www.traffic.org/publication/07_forestry_governance.pdf

617 www.mnrt.go.tz/agencies/tanzania-forest-services-agency-tfs. Beekeeping is included in the mandate.

618 Kahana Lukumbuzya and Cassian Sianga 2016, executive summary.

619 http://www.mpingoconservation.org/community-forestry/what-is-community-forestry/forest-policy-management-in-tanzania/

620 Pers. Commun., member of the Steering Committee, via email, 09/03/17.

and governance issues are key constraints. PFM is another example of a largely donor-driven agenda, which conflicts with the patronage-driven agenda of central and local government. In a competition for natural resource rents between the state and local communities, there is usually only one winner.

5.3 The print media

'Media activists and governance and human rights organisations view the [Statistics] Bill as a major setback in the government's own push for the Open Government Initiative championed by President Jakaya Kikwete.'[621]

Media representatives strongly opposed to both the Statistics and Cybercrimes Bills, as discussed above. Not surprisingly, they were even more incensed by the proposed Media Services and Access to Information Bills. In the event, the Media Services Bill was not enacted before the elections, but on coming to power in October, President Magufuli wasted no time in signing a modified act in November.[622] Before the end of the year, people were being arrested for expressing relatively mild criticisms of the President in social media. Still, by regional standards, Tanzania's media is less unfree than its neighbours (**Table 5.1**).

Table 5.1: Press freedom rankings in East Africa (1), 2014 and 2015 (n=180)

	2014 rank	Percentile	Score	2015 rank	Percentile	Score
Tanzania	71	39	28.7	69	38	27.3
Kenya	95	53	31.2	90	50	30.7
Uganda	102	57	32.6	110	61	33.3
Burundi	156	87	54.6	142	79	40.5
Rwanda	161	89	54.1	162	90	56.6

Source: World Press Freedom Index, Journalists without Borders https://rsf.org/en/ranking

Tanzania outperforms the region in terms of press freedom, but has fallen from the 34th percentile in 2012 after the deaths of two journalists in 2013, one, Daudi Mwangosi, caught on video as police officers held him down while another shot him in the stomach at point-blank range, with a tear-gas canister, virtually cutting his body in two.[623] In August 2015, President Kikwete claimed that during his presidency the 'private owned media and other platforms for practicing freedom of expression have been tremendously increased.' Most of Tanzania's 88 newspapers are privately owned.[624]

In February, the GoT banned the *East African,* officially for not being properly registered and reporting unfairly on Tanzania's position on Rwanda-DRC issues, but more plausibly as a result of a cartoon by famous Tanzanian cartoonist Gado, which demonstrated 'bad taste and disrespect to the person and office of the president.'[625] In the cartoon, President Kikwete is shown reclining on a couch, being pampered by seven scantily-clad women, three of whom are labelled 'cronyism', 'incompetence' and

621 Citizen Reporter 2015. ''Unofficial' data could land you behind bars', Citizen, 27 March.

622 http://www.thecitizen.co.tz/News/JPM-signs-contentious-Media-Bill-into-law/1840340-3456590-cfi7jaz/index.html

623 Florence Mugarula 2015. 'Alarm as Tanzania drops in global press freedom ranking', Citizen, 13 February. Mwangosi was murdered in Iringa, Issa Ngumba was found dead in Kigoma, his body riddled with gunshot wounds. Iringa Regional Police Commander Michael Kamuhanda was said to have been 'promoted' after the killing. See: Frank Kimboy 2015. 'Mixed legacy in press freedom', Citizen, 25 August: http://www.thecitizen.co.tz/magazine/politicalreforms/Mixed-legacy-in-press-freedom/1843776-2846730-y1ri1sz/index.html.

624 Frank Kimboy 2015, op. cit.

625 Special Correspondent 2015. 'Tanzania bans 'The East African' over coverage of govt, registration', East African, 24 January.

'corruption'. Media stakeholders, including the MCT and the TEF as well as the US State Department, deplored the ban, which lasted a full year.[626]

On the positive side, in September a judge lifted the ban on the Kiswahili investigative newspaper *MwanaHalisi* that had been imposed in July 2012 for allegedly 'threatening national security'. Justice Salvatory Bongole found that minister Fenella Mukangara had not accorded the newspaper owners the right to be heard before imposing the ban.[627]

There is a growing trend in the print media to review and comment on the performance of the state in economic regulation. The lobbying and advocacy activities of the Private Sector Development Foundation (PSDF), Confederation of Tanzanian Industry (CTI) and sector umbrellas receive increasing attention (often sponsored) in the mainstream press and non-print media. This trend began with the publication of a *Kilimo Kwanza* pull-out in *the Guardian* some years ago. Pro-active umbrella organisations frequently in the news include TAHA (horticulture), TATO and HAT (safari tourism and hospitality).

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626 Zephania Ubwani 2015. 'Unban 'The East African': Call', Citizen, 1 February; Athuman Mtulya 2015; Kevin J Kelley 2015. 'US speaks out against ban on 'The East African', Citizen, 3 February; 'JK defends ban on 'The East African', Lipumba arrest', Citizen, 4 February; Henry Mwangonde 2015. ''The East African' ban wrong, media practitioners say', Citizen, 25 January.

627 Florence Majani 2015. 'High Court lifts ban on 'MwanaHalisi'', Citizen, 5 September.

5.4 Corruption and human rights

'LHRC calls upon the newly-appointed Magufuli Government to revamp anti-corruption efforts, strengthening the capacity of anti-corruption bodies, particularly PCCB, to investigate and prosecute corruption suspects. *The so called "big fish" who are implicated in grand/political corruption should not be allowed to escape accountability in order to revive people's faith in the justice system.'*[628]

During the year there were reports of use of excessive force, police corruption, and impunity. A study by the Tanzania Human Rights Defenders Coalition (THRDC) claimed that threats and harassment targeting Tanzanian journalists increased in 2015. The study *Media Security and Safety of Journalists in Tanzania* shows that 30 incidents of intimidation were recorded in 2015, up from 20 in 2014.[629] Research by the Legal and Human Rights Centre (LHRC) found that "state organs, such as the army, paramilitary, police, prisons and militia, account[ed] for about 60 per cent of all human rights violations" over the past twenty years.[630] The CHRAGG reported that police officers continued to act as prosecutors in nine of the country's 30 regions, primarily in rural areas.[631]

In May, the *Commission for Human Rights and Good Governance* (CHRAGG) found that the police had used excessive force to disperse CUF officials, including chairman Ibrahim Lipumba, and over 40 supporters, 'stripping some women' as they (police) sought to stop a demonstration on January 27.' CUF were marching to commemorate the 14th anniversary of the killing in 2001 of 21 CUF members in Zanzibar in post-election protests. They were later charged with incitement and illegal assembly. Commissioner for Human Rights and Good Governance Bahame Nyanduga said the police had 'violated the basic principles of good governance.' [632]

In November, Helen Kijo-Bisimba, executive director of the *Legal and Human Rights Centre*, was seriously injured in a car accident in Dar es Salaam, but there were no claims of foul play.[633]

5.5 Conclusion

After a few years of relatively liberal state regulation of the non-state sector during the early years of the Kikwete regime, 2015 saw the intensification of a trend towards tighter state control of public space that coincided with the Escrow revelations of 2014. CSOs and media lobbies at home and abroad, and donor agencies, hotly contested these moves, to little effect. From the outset, the in-coming Magufuli government showed little patience with opposition and media protests, and began using the new cyberspace law to harass social media and other critics. It is therefore questionable whether statements like the following have any plausibility, given the revealed priorities of the state and ruling elite:

> 'LHRC call upon responsible state organs and other stakeholders *to work on the recommendations proposed* in different parts of this report in a bid to improve the situation of human rights in Tanzania.' [634]

To human rights in Tanzania we could add public finance management, corruption control and all other aspects of 'good governance.'

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628 Legal and Human Rights Centre 2016. 'Tanzania Human Rights Report 2015'. Emphasis in the original.

629 http://www.thecitizen.co.tz/News/Journalists-at-greater-risk--says-new-report/1840340-3439318-wuufwdz/index.html

630 Aisia Rweyemamu 2015. 'State organs top list of human rights violators', Guardian, 27 September.

631 United States Department of State 2015. 'Tanzania Human Rights Report 2015', Country Reports on Human Rights Practices for 2015, Bureau of Democracy, Human Rights and Labor, page 4. See: https://www.state.gov/documents/organization/252949.pdf. For the State Department's take on trafficking in Persons see: www.state.gov/j/tip/rls/tiprpt/, and religious freedom: www.state.gov/religiousfreedomreport/.

632 Saumu Mwalimu 2015. 'Police brutalised CUF officials: rights commission', Citizen, 21 May.

633 Daily News reporter 2015. 'Kijo-Bisimba injured in Dar accident', Daily News, 9 November.

634 LHRC 2016: xxviii. Emphasis added.

Chapter 6: Governance and development aid

6.1 Introduction

The Institute on Governance defines [governance] as "the process whereby societies or organizations make important decisions, determine whom they involve and how they render account." The [World] Bank defines governance as "the manner in which power is exercised in the management of a country's economic and social resources for development"… and the World Bank Institute defines governance as "the traditions and institutions by which authority in a country is exercised for the common good."[635]

The big aid story related in TGR2014 was the suspension of general budget support (GBS) in response to the Escrow/IPTL scam. In January 2015, donors released US$15m of the US$558m pledged in April 2014 for FY2014/15, bringing the total GBS disbursements to US$84m, or just 15 percent of the amount pledged.[636] Donors came in for criticism for 'frustrating the country's efforts in implementing its growth and poverty reduction strategy (MKUKUTA)'.[637] Further details on the donor-GOT stand-off on Escrow are related below (**section 6.3**).

6.2 Aid modalities

Chapter 2 reviewed the secular decline in aid transfers, including budget support, over the last decade. Development aid from EU sources is under threat as the refugee crisis continues to divert aid money.[638] While most agencies providing development aid have seen transfers decline, the World Bank and China have increased their commitments. WB commitments rose from US$435m in 2012 to US$653m in 2014 and US$865m in 2015, thus almost doubling over four years.[639] Over the last half-century, the WB has financed over 200 projects worth more than US$11bn.[640] Chinese aid is discussed further below.

Trocaire, an INGO, looked at *World Bank Poverty Reduction Support Credits* (PRSC) in a number of countries, including Tanzania, focusing on the governance 'conditionalities' attached to public sector reform programmes. The WB attaches 'prior actions' and 'benchmark conditions' to all PRSCs. There were 95 benchmark conditions attached to Tanzania's PRSC3 and PRSC4. In both, governance conditionalities accounted for the majority of all conditionalities.[641] The report concluded that:

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635 Angela Wood 2005. 'Demystifying 'Good Governance: an overview of World Bank Governance Reforms and Conditions', Trócaire, December, page 20. The author lists over 1,000 governance components in reform projects in 17 sectors worldwide.

636 Daily News Reportr 2015. 'Funds flowing in as DPs open up', Daily News, 8 January; Florence Mugarula 2015.'Now donors release over Sh25bn in budget aid', Citizen, 9 January.

637 John Kulekana 2015. 'When donors keep shifting goal posts in unlocking aid!', Daily News, 13 January; Kizito Makoye 2015. 'Aid freeze over energy controversy a blow to Tanzanian economy', Guardian, 21 January.

638 Aid still remains popular in the EU, with 67 percent of respondents in a Eurobarometer poll thinking that development aid should be increased. Thalif Dean 2015.'European citizens call for increased aid to developing world', Guardian, 14 January.

639 http://www.worldbank.org/en/country/tanzania/projects

640 Iddy Mwema and Jaffar Mjasiri 2015. 'WB boss hails nation achievements in fifty years of presence', Daily News, 4 July.

641 Governance conditionalities accounted for 56% and 64% of all PRSC3 and 4 conditionalities respectively (page 15).

'...there is simply too much governance conditionality which is not prioritised in terms of appropriate sequencing and impacts on poverty reduction. The implication is that *the governance agenda is unmanageable* given the limited capacity of many developing countries. The second is that much of the governance agenda need not necessarily have any positive impact on poverty reduction or at least is not essential for achieving it, and thus *limited capacity and resources are potentially being misdirected*; diverting attention and resources away from reforms that could have a considerably greater poverty impact.' [642]

The 'prior actions' and 'benchmark conditions' attached to PRSC 3 and 4 in Tanzania are summarised in **Appendix 6.1.**

Misdirecting resources, unmanageable, no poverty impact, capacity limitations…these programmes either fail to have the desired impact (which would be normal) or are not sustained, or have unintended consequences, often of a negative kind. The examples of PCCB and the CAG are discussed in the following section.

Past TGRs have flagged a sectoral decline in GBS commitments, which has led some donors to revert to the project mode of development assistance. One of the rationales for GBS was that it got away from the unsuccessful project mode.

6.3 Corruption control and aid effectiveness

In a 2015 poll by Pew Research Institute, Tanzanians expressed scepticism about foreign aid programmes, 44 percent agreeing that the word 'corrupt' described them very well.[643]
'Donors have begun to re-engage following positive developments in the IPTL case.' [644]
'What the international donor community … owes Tanzanians … are strong public statements denouncing the increasing crackdowns on freedoms and the conditioning of further aid to demonstrable improvements in the country's treatment of journalists and opposition viewpoints.'[645]

TGR2014 described the negative donor reaction to the IPTL/Escrow scandal. Budget support (BS) was temporarily suspended, and renewal of the Millennium Challenge Account (MCA) put on hold. Eventually, the MCA renewal was cancelled in response to the management of the presidential elections in Zanzibar, discussed in **Chapter 1**.[646] As a result, Tanzania lost over a trillion Shillings in much needed infrastructure funding.[647]

The failure of President Kikwete to resolve the Escrow issue led donor agencies to continue withholding BS worth US$558m into 2015.[648] In January 2015, Denmark and Norway broke ranks with other BS donors and released TShs40bn 'after being satisfied by the way the government was handling the Escrow account saga'.[649] Other donors, including the WB, were reported to be less enthusiastic about steps taken to resolve the Escrow/IPTL issue.[650] One WB project proposal suggested that 'While the Executive has taken strong actions to implement the recommendations

642 Angela Wood 2005. 'Demystifying 'Good Governance: an overview of World Bank Governance Reforms and Conditions', Trócaire, December, page 20. The author lists over 1,000 governance components in reform projects in 17 sectors worldwide. See: https://www.trocaire.org/sites/default/files/resources/policy/overview-world-bank-governance-reform.pdf, page 6. Emphasis added.

643 Pew Research Centre 2015, page 33.

644 IMF 2015, op. cit., page 4.

645 Karen Attiah 2015. 'World Bank, US must condemn Tanzania's media crackdowns', Guardian, 18 May.

646 Miki Tasseni 2015. 'US Embassy tasked on Escrow saga intransigence', Guardian, 22 February.

647 Citizen Reporter 2015. 'Magufuli nightmare over MCC funding', Citizen, 19 December.

648 Godfrey Obonyo 2015. 'Sanctions still holding, envoys confirm at Sherry Party', Guardian on Sunday, 11 January.

649 Reporter 2015. 'Funds flowing in as DPs open up', Daily News, 8 January. In December, donors released US$15m, making total GBS transfers of US$84, or 15 percent of pledges.

650 Florence Mugarula 2015. 'Talks set to re-open as donor funding drags on', Citizen, 23 February.

from the Parliament Public Accounts Committee, there are remaining steps to be taken to fully complete the process.'[651] According to the IMF, government actions to resolve the Escrow/IPTL issue led donors to 'resume disbursing a large part of the committed budget support by the end of the fiscal year. However, the prospects for future engagement are less clear, pending further progress on the IPTL case.'[652]

Aid finances a myriad of projects, including projects to improve governance. In 2015, new legislation seemed to contradict government and aid objectives, and Tanzania's international commitments, to improving access to information and greater executive accountability. The Cybercrimes Act and Statistics Act were passed by parliament in March 2015, after much opposition from media and civil society lobbies (see **Chapter 5**).[653] One project the two bills clearly challenge is the WB's US$100m *Open Government and Public Financial Management* (OGPFM) project,[654] 'to strengthen transparency and accountability', including US$30m for the Bureau of Statistics, which is granted a monopoly of statistical information under the new Act. Publishing survey or other independent statistics is a punishable offence.[655] The WB expressed its concern, but took no steps to protest the new legislation.[656] The repressive spirit of these Acts also blatantly challenged the rationale for Tanzania's involvement in the Open Government Partnership (OBP), discussed in **Chapter 5**.

How successful are donor-funded projects? Out of nearly 800 development projects that the CAG audited in 2014-15, 739 (92.5 percent) received 'unqualified' audits, while only 39 were 'qualified'. There were no 'adverse' audits or 'disclaimers'.[657] Of the total audits, 628 projects were under five large programmes implemented at the regional and district levels: the *Agriculture Sector Development Programme* (ASDP), *Health Basket Fund* (HBF), *Roads Fund* (RF), *Tanzania Social Action Fund* (TASAF), and the *Water Sector Development Programme* (WSDP). A further 111 unspecified 'development projects' were all given clean audits, suggesting an extremely light-touch audit exercise. Space precludes a review of available evidence of the misuse of funds, including the miss-targeting of beneficiaries, in all these programmes. In general, donors conspire with the government to find project outcomes positive, even when little sustainable impact is the norm.

The CAG regularly complains that 'issues raised in the previous audit reports ... were not implemented by a number of Councils and other projects implementers.'[658] According to CAG, the total value of unaddressed issues in 2014-15 involved TShs 148.6bn.[659] For a number of years, TGR has suspected that irregular tendering, theft, waste and inequity characterise PFM in government departments, LGAs, parastatals and donor/state-funded projects. Forensic audits, inspection by parliamentary committees, newspaper investigations and anecdotal evidence all tend to potray the same perception of systemic rather than exceptional abuse.

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651 World Bank 2015. 'IDA PROGRAM DOCUMENT FOR A PROPOSED CREDIT IN THE AMOUNT EQUIVALENT TO US$ 100 MILLION TO THE UNITED REPUBLIC OF TANZANIA FOR A FIRST OPEN GOVERNMENT AND PUBLIC FINANCIAL MANAGEMENT DEVELOPMENT POLICY OPERATION', Governance Practice, GGODR, Eastern Africa Country Cluster 1, AFCE1, Africa Region, April, p43.

652 IMF 2015, op. cit.

653 Karen Attiah 2015. 'World Bank, US must condemn Tanzania's media crackdowns', Guardian, 18 May.

654 World Bank 2015, op. cit.

655 Jamii Forums, a whistleblowing website, was to become the first high-profile target of the Act.

656 Karen Attiah, op. cit. Passing the Statistics Bill was one of the indicators of the project.

657 Controller and Auditor General 2016. 'Development projects annual general report for 2014-15', Dar es Salaam. The proportion of unqualified (clean) audits has risen from 83.4 percent in 2010.

658 CAG op. cit., page 8.

659 Ibid., page 9. Nearly half (47%) of the outstanding issues concerned the WSDP. Only TShs 149bn ?

TGRs have repeatedly pointed out the shortcomings of PCCB in pursuing cases of petty corruption while systemic theft and misuse of public resources continues, and the most corrupt in public and private sectors enjoy impunity. Assisting the growth and institutional deepening of this organisation is arguably a moral hazard facing aid agencies. In similar vein, the former Auditor General confided to one of TGR's sources that CAG reports don't represent 10% of the reality of public waste and corruption. Even in cases where negative CAG reports have led to further investigation and prosecution have not led to major sentences for perpetrators or the restitution of ill-gotten gains to state coffers. The list continues with the overall ineffectiveness of parliamentary committees, and their corruptibility. A final example is the quality of public procurement, which is transparent in the sense that all (or most?) public tendering is documented and published regularly by the Public Procurement Regulatory Agency (PPRA). In addition to a weekly pull-out in the *Daily News* called the *Tanzania Procurement Journal*, PPRA maintains a regularly updated data base of all (or most?) public procurement going back to 2007.[660] A casual perusal of the journal suggests many overpriced and unnecessary tenders, with more than a hint of favouritism in the choice of contractors and suppliers.[661] Yet all these tenders have been overseen by tender boards, internal and external auditors.

Rather than examine the efficacy of aid to institutions of accountability by assessing their performance and impact, both government and donors promote the myth of programme and project aid effectiveness. The picture that emerges is one of formal institutions going through the motions of transparency without having a significant impact on the systemic misuse of public resources. Effectively, aid-funded projects in sector after sector simply upgrade patronage.

6.4 Aid, governance and democracy

'Tanzania is a "model in the region for good governance, democratic ideals, and individual freedoms."' [662]

'President Jakaya Kikwete said in May that western donors were setting degrading conditions for aid to his country and he could be forced in time to tell them: "keep your aid."[663]

"Tanzania has benefited a lot from the World Bank support and our partnership has made us who we are today."[664]

'As long as we need foreign aid to supplement our budget we…need to combat corruption and uphold transparency.'[665]

In 2015, western donors continued to play cat and mouse with the GOT over corruption and, after October, over the aborted Zanzibar elections. Tanzania benefited from the first round of grants from the *Millennium Challenge Corporation* (MCC), but it was announced in May that the signing of a second round of the compact, worth US$473m, mostly for the energy sector, would be delayed, pending satisfactory resolution of the Escow scam.[666] In mid-September, it was announced that Tanzania 'should pass the control of corruption indicator on MCC's fiscal year 2016 scorecard before

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660 www.ppra.go.tz.

661 A recent example: On 01/09/16, two evaluations were awarded to the same consultant (name withheld) on an 'individual' (i.e. non-competitive) selection basis by the Ministry of Foreign Affairs, East African Cooperation and International Cooperation. These were: 1. 'Evaluation of Implementation of the East African Community Customs Union in (sic) Tanzania'; 2. 'Evaluation of implementation of the East African Community Common Market for (sic) Tanzania'. The total value of the two assignments was over TShs135m (over $60,000). See: Tanzania Procurement Journal, 7 February, 2017; www.ppra.go.tz.

662 US Secretary of State John Kerry, cited by Karen Attiah 2015. 'World Bank, US must condemn Tanzania's media crackdowns', Guardian, 18 May.

663 David Kisanga 2015. 'JK wants envoys to support national economy', Guardian, 27 May.

664 Iddy Mwema and Jaffar Mjasiri 2015. 'WB boss hails nation achievements in fifty years of presence', Daily News, 4 July.

665 Editorial 2015. 'Foreign aid: Yes Mr President, you have a point, but….', Guardian, 23 May.

666 Guardian Reporter 2015. 'US withholds over Sh1trn in MCC funding, until...', Guardian, 19 September.
Citizen Reporter 2015. 'US pegs Sh1 trillion funding on election conduct', Citizen, 19 September; Reporter 2015. 'Tanzania passes corruption index, set to receive USD472.8m in grant', Guardian, 28 September; This Day Reporter 2015. 'US approves 1tr/- aid to Tanzania', This Day, 28 September; Citizen Reporter 2015. 'Sh1tr US funding beckons', Citizen, 28 September.

the Board votes on the compact', and that the October elections should be seen to be free and fair.[667] The cancellation of the Zanzibar elections in October finally led MCC board to disqualify Tanzania from the second grant. To the annoyance of Tanzanian politicians and officials, Western donors maintained their stance on resolving the Escrow affair before they would disburse budget support valued at US$558m. The eventual release of the budgeted funds represented a victory for the government, since the TEA/IPTL issue had clearly *not* been resolved satisfactorily, despite donor claims to the contrary. TEA/IPTL served to further undermine donor confidence in the government's capacity to put un-earmarked financial aid to good use.

6.4.1 China

'In 2014, the total value of Sino-Tanzanian trade surged to about $2.6 billion, up from negligible levels in 2000. In 2014, China contributed more than 10 per cent of Tanzania's total exports value and was the third major export destination after India and South Africa.'[668]

Chinese ambassador Dr Lu Youqing claimed that China was the second largest foreign investor in Tanzania, with total investments worth up to US$4bn by the end of 2014.[669] Chinese aid finances large-scale investment projects which are generally formally or informally tied to large Chinese contractors, both public and private. Loan repayments are long-term and at low interest. With their government's support, Chinese companies have invested in a range of sectors under EPZA conditions, including vegetable oil and cotton fibre production.[670] But, as with foreign investment in general, there are fears that Chinese-financed investments may crowd out local business. For example, both Tanzania Private Sector Foundation (TPSF) and Tanzania National Business Council (TNBC) members complain that a major trading centre project at Kurasini will probably favour Chinese traders at the expense of locals.[671] A trader said that Kariakoo 'has become Chinatown with an increasingly large number of Chinese small traders involved in merchandise business as the locals are gradually being pushed out.'[672] Although Tanzanian business representatives saw the economic potential of such a centre, they feared that 'the project could impede promotion of industrialisation.'[673]

The larger issue for Tanzania-China relations is the imbalance in trade whereby primary produce continues to be exchanged for manufactured goods, making industrialisation problematic (see **Chapter 4**).

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667 Reporter 2015. 'MCC Board commends State's critical reforms', Daily News, 19 September. MCA grants are competitive, and to qualify countries must achieve certain governance standards. Using international survey results to assess whether a country 'qualifies' for MCA support is a hazardous process since these results are open to quite wide margins of error. That Tanzania could qualify on its performance in corruption control suggests that the standards applied are not particularly vigorous; Reporter 2015. 'US approves 1tr/- aid to Tanzania', This Day, 28 September.

668 Samuel Kamndaya and Bernard Lugongo 2016. 'Tanzania: How to Lift 12 Million Tanzanians Out of Extreme Poverty - World Bank', Citizen, 21May. Trade is sharply biased in favour of China, see: Guardian Reporter 2015. 'Raw deal for Tanzania as China-Africa trade tops US$220 billion', Guardian, 26 November.

669 Daniel Semberya 2015. 'China-Tanzania relations surely gathering momentum', Guardian, 8 June.

670 Aisia Rweyemamu 2015. 'Chinese company registered to produce fiber, not clothes' Guardian, 3 July. Dahong Textile Co. Ltd has invested US$66m in cotton production and ginning in Shinyanga. See also: Finnigan wa Simbeye 2015. 'Chinese firm a success story under special economic zone', Guardian, 15 October.

671 The project is a PPP between the Export Processing Zone Authority (EPZA) and Yiwu Pan-Africa International Investment Corporation of China and is said to be worth US$400m, to be wholly financed by China. http://www.thecitizen.co.tz/News/national/China-gives-billions-for-trade-centre/1840392-2425982-10b035c/index.html. Rosemary Mirondo 2015. 'Why business isn't too keen on TZ-China Logistics Centre', Citizen, 3 December.

672 Frank Aman 2015. 'Businesses: Chinese logistics centre won't benefit locals', Guardian, 6 July; Rosemary Mirondo 2015. 'Why business isn't too keen on TZ-China Logistics Centre', Citizen, 3 December.

673 Rosemary Mirondo 2015. 'Why business isn't too keen on TZ-China Logistics Centre', Citizen, 3 December.

China is the only major aid donor that is not a multi-party democracy. As such, it stands out for not promoting transparent and accountable governance among its aid recipients. China's own spectacular development over the last thirty years demonstrates that rapid growth and unprecedented reduction in the incidence of poverty do not depend on the adoption of a competitive political model, as western donors maintain.[674] Throughout Africa, China has become the main, or one of the main, providers of long-term development aid, to the frequent consternation of western observers. China:

> 'stands accused of neo-colonialism for its huge resource deals, of being a "rogue donor" for tying aid to Chinese goods and contractors, and of propping up African dictators with its lack of conditions, and transparency and absence of concern about fundamental human rights.'[675]

A group of 'young leaders' from Burundi, Tanzania, South Sudan, Sudan, Kenya and Uganda accused the Chinese of economic sabotage, environmental degradation, importing unskilled Chinese labourers, ivory poaching, timber and minerals smuggling.[676] Whatever the truth of the matter, there is little doubt that China is rapidly replacing the west as Tanzania's main trading partner and source of concessional investment capital. Over 500 Chinese companies are said to have invested US$4bn in Tanzania, creating 150,000 jobs.[677] Mega investments earmarked for Chinese funding include the TShs22tn Bagamoyo Port project and the TShs5tn Mchuchuma coal and Ligango iron ore project.[678]

6.5 Conclusions

The citation at the beginning of this chapter suggests there are many definitions of 'governance'. Is such a broad concept useful for understanding the way Tanzanians manages their affairs? International donor agencies are continually looking for ways to increase the impact of their development aid. Past TGRs have reviewed issues of local ownership and donor coordination, both of which are chronic constraints on aid effectiveness. A dilemma for both aid givers and receivers is the pressure to deliver quick results even though 'development takes time.' [679]

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674 James Wan 2015. 'Coaxing the dragon: Why China should join the great aid debate', Citizen, 1 April. Half a billion Chinese were 'lifted out of poverty' between 1990 and 2005.

675 Ibid.

676 Attilio Tagalile 2015. Blessing and hatred from Chinese aid', Guardian, 13 December.

677 Jimmy Lwangili 2015. 'Chinese firms invest trillions', Daily News, 27 April.

678 Samuel Kamndaya 2015. 'How China will drive Dar's plan for industrialisation', Citizen, 27 May.

679 Thomson Reuters Foundation 2015. 'New aid model needed or world's poorest will wait a century for basics', Daily News, 6 February.

Appendix 6.1: WB PRSC Prior Actions and Governance Benchmark Conditions, Tanzania, PRSC3 and 4.

Although 'conditionality' is a dirty word in the aid dictionary, the WB attached both 'prior actions' (things that must be done prior to project inception)

Table 6.1.1: Prior actions, PRSC3 and 4

Civil Service Reform	Decentralisation	PFM, tax and administration, and E-governance
PRSC 3 Pay increase consistent with budget and pay reform strategy (1)	Procurement authority established and procurement decentralized (1)	PRS consistent budget with priority sector budget codes (1); PRS consistent budget execution (1); implementation of PFMRP (1)
Anti-Corruption Accountability	**Decentralisation**	**PFM, tax and administration, and E-governance**
PRSC 4 NAO staff trained and computerised (1)	Pay increase consistent with budget and pay reform strategy (1); process agreed for allowance reform (1) salary rises in line with pay strategy (1); draft strategy to control size of civil service (1) Improved public procurement (1)	PRS consistent budget with priority sector budget codes (1); PRS consistent budget execution (1); procurement structures established and staffed (2)

Source: Adapted from: Angela Wood 2005. 'Demystifying 'Good Governance: an overview of World Bank Governance Reforms and Conditions', Trócaire, December

Table 6.1.2: Governance Benchmark Conditions, PRSC 3 and 4

Anti-Corruption Accountability	Civil Service Reform	PFM, tax and administration, and e-governance	Legal and Judicial
PRSC 3, **52 conditions** Internal Audit (5); ¼ly meetings with donors and govt (1); publication of revised NACSAP and corruption report (1); strengthen GGCU (1); complaints procedure (1); draft anti-corruption action plans available and funding provided (1)	Mechanism for accelerated salary enhancement for all MDAs (1); new payroll procedures implemented (2); qualified staff hired (2)	PRS/PER consistent budgets (2); preparation of MTEF manual (1); new grant system (1); full reporting of aid received (1); SDSs results incorporated in budgets (2); implementation of PFMRP including CPAR (2); PSMWG established (1); publish results of tender board (1); external resource flows included in budget (1); issue TAS implementation report (1); incorporate debt and revenue info into IFMS (2); IFMS disaster recovery plan implemented (1); develop computerisation strategy (1); new software installed and training (1)	harmonization of Public and Gov Service Acts (1); review legislation on revenue retention by public service providers (1); consultation on anti-corruption law (1)

PRSC 4 43 conditions Publication of central gov transfers (1); review of SDSs agreed and recommendations implemented and made public (1); Ministerial Ethics Committee to deal with corruption established (1); evidence civil servants are sanctioned for financial mismanagement (1); audit report submitted to parliament (1); Procurement Regulatory Authority fully staffed (1); GGCU monitors against corruption (1); review of National Anti-Corruption strategy and action plan (1); gov takes action on anti-corruption evaluation report (1); gov leading regular dialogue with donors on anti-corruption issues (1)	Pay enhancement initiatives (2); pilot changes to payroll system (1); qualified staff employed (2);	Improved budget guidelines (1); prep of MTEF manual (1); improved grant systems (1); SDSs results incorporated in plans and budgets of all MDAs(2), MOF and NAO incorporate PFMRP into their strategic plans (1); revised MOF structure submitted to President's Office (1); Procurement Capacity Development strategy prepared (1); inclusion of Local Government Authorities' Action Plans in budget (1); improved integration of aid projections into budget (1); TAS implementation report issued (1); Revenue information captured in IFMS via link to TRA (1); trial run of IFMS disaster recovery system (1), NAO audit techniques compatible with computerisation strategy (1); EPICOR-based IFMS introduced and operates in 30 more councils (1)	Bill to parliament to repeal and enact Anti-Corruption legislation (1); regulations based on amended Public service Act adopted (1)

Source: Adapted from Trocaire 2015: 35-36.

Note 1: The number of conditions is in brackets. The full list of conditions (not reported here) includes decentralisation, M&E and participation (7 conditions in total).

Note 2: GGCU- Good Governance Coordination Unit; IFMS- Integrated Financial Management System; MTEF- Mid-term Expenditure Framework; NACSAP- National Anti-Corruption Strategy and Action Plan; PER- Public Expenditure Review; PRS- Poverty Reduction Strategy; SDS- Service Delivery Survey; PFMRP- Public Financial Management Reform Programme; TAS- Tanzania Assistance Strategy.

Benchmark conditions attached to PRSCs varied substantially between countries, with Tanzania receiving many more than (say) Vietnam.

Chapter 7: East African perspectives

7.1 Introduction

Tanzania is the biggest and most populous country in the EAC, which now has six members following the accession of South Sudan.[680] Kenya is the least poor EAC country with a GDP per capita of US$2,818, followed by Tanzania (US$2,421), Uganda (US$1,689), Rwanda (US$1,584) and Burundi (US$734).[681]

Of the six, Tanzania is the only country that does not suffer from major internal and cross-border violent conflicts related to race, religion, ethnicity, and the struggle to control resources and territory. Fortunately, the three main countries in the EAC—Tanzania, Kenya and Uganda—are at peace with each other, though there are various security concerns, including the South Sudan civil war.

What's in the EPA?

1. Free access to the EU market for all EAC exports;
2. Partial & gradual opening of EAC markets to EU products;
3. Elimination of non-tariff barriers;
4. Safeguards to protect threatened infant industries;
5. Rules of Origin for product eligibility;
6. Customs facilitation;
7. Sanitary & phytosanitary provisions;
8. Ban on EU export subsidies;
9. Dispute settlement rules;
10. Rules on sustainable fisheries;
11. Economic & development co-operation;
12. Human rights, democracy & rule of law;
13. Talks on trade in services, competition, investment & IPR, procurement rules;
14. Institutional arrangements.

After years of negotiation, the EAC finally agreed an Economic Partnership Agreement with the EU in October 2014, replacing the Cotonou Agreement between the EU and African, Caribbean and Pacific (ACP) states. But fears that reducing import barriers would lead to the country being flooded with European goods led Tanzanian (and Burundi) to refuse to ratify the agreement, much to the annoyance of Kenya, a major exporter of agricultural products and manufactured goods to the EU under the existing agreement, and which risks losing its duty-free, quota-free privileges if the EPA is not ratified.[682] The EPA (see **Textbox**) contains clauses allowing up to 15 years (or even more) during which EAC countries can continue to protect their most vulnerable industries.

7.2 Tanzania-EAC economic relations

The big emerging story regarding Tanzania-EAC relations during 2015 was the possible routing of the pipeline for Ugandan oil through Tanzania rather than through Kenya as originally planned. *Tullow Oil plc* wanted the Kenyan route so that it could use the pipeline to export both its Ugandan oil from *Lake Albert* and limited volumes of Kenyan oil from Turkana. *Total S.A.,* the other oil producer in Uganda, prefers the Tanzanian route which is shorter and (in their view) safer. Tullow have yet to make their final investment decision, and oil is not expected to flow before 2020 or 2022.[683]

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680 S Sudan joined the EAC on September 5, 2016. http://www.the-star.co.ke/news/2016/09/05/south-sudan-officially-joins-east-african-community_c141525

681 Purchasing Power Parity (constant 2011 $s), UNDP 2015 'HDR Country Profiles; World Development Indicators', cited by Society for International Development 2016. State of East Africa Report Consolidating Misery? The Political Economy of Inequalities in East Africa, page 51.

682 Finnigan wa Simbeye 2015. 'Signing of EPA set to benefit EAC – EU boss', Guardian, 1 March.

683 Reporter 20115. 'East Africa's pipeline politics likely totilt in favour of Dar', Citizen, 20 January.

The ongoing rivalry between the Tanzanian and Kenyan tourism industries is related in **Chapter 4.** The region's comparative performance in travel and tourism is reported below.

7.2.1 Transport and logistics

'In the event the railway is rebuilt, …Tanzanians will be able to ride 'bullet' trains, which they have never tasted except watch them on their TV screens in foreign lands!'[684]

Both Kenya and Tanzania have embarked upon ambitious and expensive Standard Gauge Railway (SGR) projects. Both projects involve cross-border linkages, in Kenya from Mombasa to Uganda via Nairobi, and in Tanzania from Dar es Salaam via Isaka to Burundi and Rwanda.[685] TGR 2014 reported the apparent contradiction between the proposed Tanzanian SGR and a WB US$300m project launched in March 2014 to upgrade the existing Central Line track from Dar es Salaam to Isaka.[686] In April 2014, the SGR option was announced publicly for the first time, and finally in March 2015, *Minister of Transport Samuel Sitta* informed parliament that Tanzania was embarking on a 2,561 km SG railway costing an estimated US$7.6 billion, to be constructed by a consortium led by *China Railway Materials*.[687] The enormous cost of the project raised the obvious question of how it was to be financed, and if it was the only option. It is not known whether the WB upgrading project actually took off as planned, and what is the rationale for the upgrade if a parallel line is to be constructed to replace it. Both countries have Railway Development Levies raised on imports, but neither is large enough to foot the bill.[688] In both cases PPP solutions have been proposed. Just before the elections, Minister Sitta announced that the President would formally launch the railway 'in the next two weeks or so' (this did not happen).

Though both projects have major implications for EAC cooperation, the decisions to commission them reflect national elite politics rather than community-led decision-making. Since its inception, the Kenyan SGR has been mired in controversy. Kenyan analysts described the Mombasa-Nairobi SGR as 'a scam that would negatively impact coming generations for decades.'[689] The public debate over SGR has revolved around the issue of speed (the SGR is faster than 'narrow gauge'), which is irrelevant if the priority is transporting freight as opposed to passengers. Unless forced by law to use the new railways, it is unclear how rail transport will claw back enough freight from the politically well-connected trucking industry to make rail transport financially viable. The governance dimensions of new infrastructural developments in Tanzania and the EAC regarding their commissioning, ownership, management, and regulation have never been the subject of public debate.

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684 Mkawaia wa Kuhenga 2015. 'On the Central Corridor Development Project', Daily News, 3 April.

685 John Kulekana 2015. 'Central corridor project to unlock regional economies', Citizen, 31 March; Brian Cooksey 2016. 'Railway Rivalry in the EAC', GREAT Insights Magazine, Vol. 5, Issue 4, ECDPM, July-August. www.ecdpm.org/great-insights/regional...africa/railway-rivalry-east-african-community; Henry Mwangonde 2015. 'Govt sets ball rolling in Sh14tr rail project', Citizen, 20 March.

686 TGR2014, Section 7.2.1.2.

687 Christopher Majaliwa 2015. 'State to engage private sector in rail deal', Sunday News, 1 February; Christopher Majaliwa 2016. 'High costs stymie standard gauge plan', Daily News, 6 February. DRC was added to the list of participating countries.

688 The Tanzanian Railway Development Levy is said to raise TShs50bn a year. See Majaliwa op.cit.

689 Rasna Warah 2016. 'Kenya needs to rethink mega projects and their benefits. The author was citing consultant Kiriro wa Ngugi and economist David Ndii.

7.2.2 Investment and trade

"Intra-EAC trade has increased but not to the anticipated level and still lags behind."
'Protectionist tendencies among national governments can hinder growth and the free movement of goods, services and labour.'[690]

Intra-EAC trade fell in value from US$5.8bn in 2013 to US$5.63bn in 2014, representing just ten percent of all trade.[691] Kenya's biggest trading partner in the region is Uganda, followed by Tanzania, but trade with both countries is threatened by competition from Chinese traders, and an 'unfavourable taxation regime'. Impediments to deeper regional trade integration are well-known but bear repeating: they include, according to the EABC: slow harmonisation of taxes, impediments to the movement of goods and people, influx of counterfeit and inferior goods, high cost of electricity, air travel and communications. [692] A PwC survey found that three-quarters of CEOs complained of over-regulation and a rising tax burden.[693] The *East African Business Summit* of October 2014 decried the 'protectionist tendencies' in the above quote, while also flagging the elimination of tariff and non-tariff NTBs, improving efficiency at borders; and a 'non-discriminatory excise system.[694] According to Isaac Mwangi, NTBs are 'carefully crafted to take care of national interests, and private firms are often the beneficiaries of protective barriers put in place by their own government.' [695]

7.3 Donors and the EAC

Donor support for the EAC fell during the target year, but was still larger than the combined contributions of member states. The total planned budget for 2015/16 was US$110m, less than the US$124m budget of 2014/15.[696] This budget finances the *East African Secretariat,* the *EA Legislative Assembly* and the *East African Court of Justice* (EACJ). Also financed by the EA budget are the *Inter-University Council for East Africa*, the *Lake Victoria Basic Commission* and the *Lake Victoria Fisheries Organisation.* More recently established institutions are the *EA Science and Technology Commission*, the *EA Kiswahili Commission*, the *EA Health Research Commission,* and the *EA Competition Authority*. The EA Secretariat is the biggest spender, with a budget of nearly US$70m. The reduced budget is seen as 'a move to tighten financial control …and comes on the heels of recent allegations on rampant misuse of funds by some Community organs and institutions.' A report by the EALA's Accounts Committee revealed that 'the secretariat spent about $3.4 million during 2012/13 … on air tickets alone…' A meeting of the East African Court of Justice held outside Arusha [where the EACJ is located] costs US$116,000 in daily subsistence allowances.[697] One strong view was that donor funds 'fill the pockets of the senior officials who spend more time trotting the globe than in offices at home.'[698] The practice of holding EALA sessions in regional capitals rather than in Arusha is also cited as wasteful.

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690 Dennis Karera, chairman of the East African Business Council: Zephania Ubwani 2016. 'Graft killing growth in EA, leaders say', Citizen, 2 March.

691 James Anyanzwa 2016. 'Intra-bloc trade falls to $5.63 billion', East African, 18 June.

692 Zephania Ubwani 2016, op. cit.

693 David Tarimo 2016. 'EAC fiscal policy: are we moving in the right direction?', Citizen, 1 March.

694 Ibid. Simpler tax regulations and the end of sudden changes in tax regimes were also urged.

695 Isaac Mwangi 2015. 'Why partnering with the private sector is a no easy road to nirvana', Daily News, 3 May.

696 Zephania Ubwani 2015. 'EAC drops projects for lack of funds', Citizen, 16 May. Member states' contributions were US$42m.

697 Zephania Ubwani 2015. 'Report exposes wanton expenditure at EAC', Citizen, 26 January; Marc Nkwame 2015. 'EAC spends 6bn/- in air tickets alone – Report', Daily News, 26 January.

698 Isaac Mwangi 2016. 'EAC too intimidated to finance own agenda', Guardian, 3 April.

7.4 Comparative governance indicators

"As Tanzania's envoy abroad in the past, I have seen how many potential investors skipped the country in favour of other countries. They could not withstand corrupt practices among our officials."[699]

In this section, a number of comparative governance indicators are reviewed, starting with social and 'state capacity' indicators.[700] First, the *World Economic Forum's Human Capital Report 2016,* assesses five age groups according to educational and skills indicators for 130 countries, as follows:

Age group	Indicator
0–14:	education the most critical factors assessed
15–24:	higher education and skills used in the workplace
25–54:	continued learning and employment quality
55–64:	attainment and continued engagement
65+:	continued opportunity and health [701]

Table 7.1 reports the overall index and scores and ranks for the five age groups listed above for EAC members (2015 data).

Table 7.1: Human Capital by age group, EAC members

Rank/130 countries	Overall index		0–14		15–24		25–54		55–64		65 and Over	
	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank
Uganda	59.28	99	65.06	119	62.78	82	57.97	88	60.27	95	39.54	111
Kenya	57.90	102	67.94	109	54.64	113	56.47	92	56.75	100	40.94	108
Rwanda	56.27	110	66.93	113	58.47	97	55.06	98	46.84	119	34.02	118
Tanzania	53.56	116	53.03	129	59.87	94	52.29	111	55.99	105	46.59	93
Burundi	50.17	124	65.57	115	48.81	123	44.23	127	56.25	103	27.40	127

Source: WEF 2016

EAC countries perform poorly or very poorly by international standards. Uganda ranks in the 76th percentile, Burundi in the 95th, with Kenya, Rwanda and Tanzania in the 78th, 85th and 89th respectively. Uganda's performance in the 'youth' group (15-24) is the best in the ranks and scores presented (63rd percentile), while Tanzania's score for 0-14 year olds is the worst (99th percentile). In the 2015 *Global AgeWatch Index,* Tanzania ranked 91 out of 96 countries surveyed, and Uganda and Rwanda 88 and 89 respectively.[702]

How do EAC countries perform in the governance of their economies and societies? **Figure 7.1** compares community members on four areas: economic management, structural and social policies, and public sector management and institutions. These four constitute the World Bank's *Country Policy and Institutional Assessment (CPIA).* 'Structural policies' are defined as budgetary and financial management, public administration and social protection.

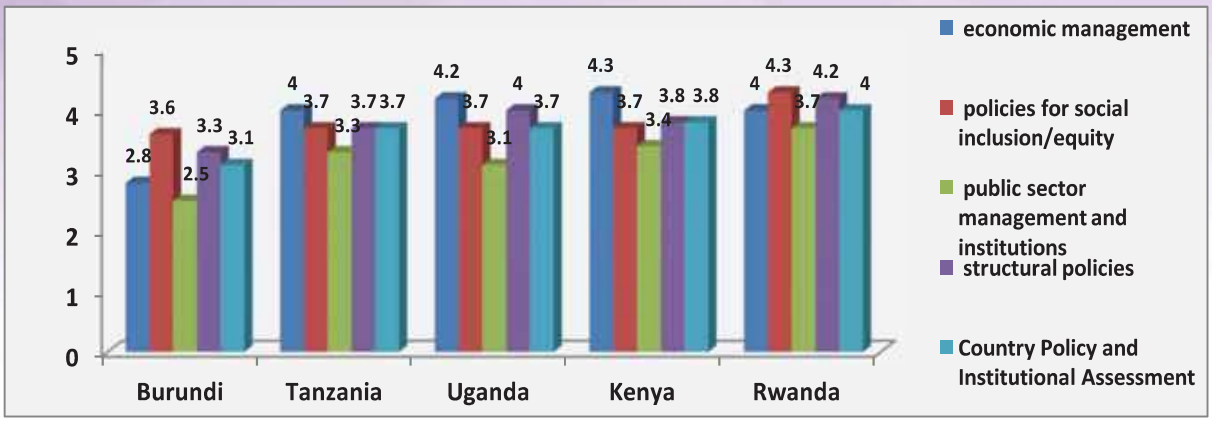
699 Augustine Mahiga, chairperson of the EAC Council of Ministers, taking to business leaders. See: Zephania Ubwani 2016, op. cit.

700 There are as yet no indicators for South Sudan. Further comparative indicators on human development, poverty and welfare are reported in the following chapter.

701 World Economic Forum 2016. 'The Human Capital Report 2016'.

702 Orton Kiishweko 2015. 'How Dar faired in 2015 global agewatch index', Daily News, 10 September. See: http://www.helpage.org/global-agewatch/population-ageing-data/global-rankings-table/

Figure 7.1: East African Country Policy and Institutional Assessment 2015



Source: http://datatopics.worldbank.org/cpia. Scores out of six.

Predictably, Burundi underperforms all its EAC neighbours in the CPIA, though its overall score (3.1) is only slightly below the sub-Saharan average (3.2). Rwanda, despite its 'democratic deficit', outperforms its East African neighbours. There is little in the CPIA to distinguish the performance of the three East African 'giants'. The lowest scores for all five countries are for public sector management and institutions.

In a comparative study by the *Pew Research Centre*, respondents from eight African countries were asked: 'What should be the most important priority for our country?' and given a list of six options. **Table 7.2** reproduces the findings for Tanzania, Uganda and Kenya.[703]

Table 7.2: National priorities seen by citizens 2015, percent

	Health care	Education	Agriculture/ food supply	Government effectiveness, e.g. reducing corruption	Infrastructure such as roads and bridges	Energy/ electricity
Tanzania	45	29	9	8	7	2
Uganda	44	19	11	15	8	3
Kenya	33	28	15	13	7	4
Median*	38	23	12	13	7	4

Source: Based on Pew Research Centre 2015. http://www.pewglobal.org/2015/09/16/health-care-education-are-top-priorities-in-sub-saharan-africa/. * The median[704] is for these three countries plus Ethiopia, Senegal, Ghana, Nigeria, South Africa and Burkina Faso.

Respondents from all three countries prioritised healthcare first and education second.[705] Water for domestic and agricultural purposes and employment opportunities were not included in the question, which is an oversight.[706] **Chapter 1** reveals that Tanzanian political candidates are somewhat out of step with their electorate in their selection of policy priorities.

703 Richard Wike and Katie Simmons 2015. 'Health Care, Education Are Top Priorities in Sub-Saharan Africa Most Are Optimistic about Economic Future', Pew Research Centre, September.

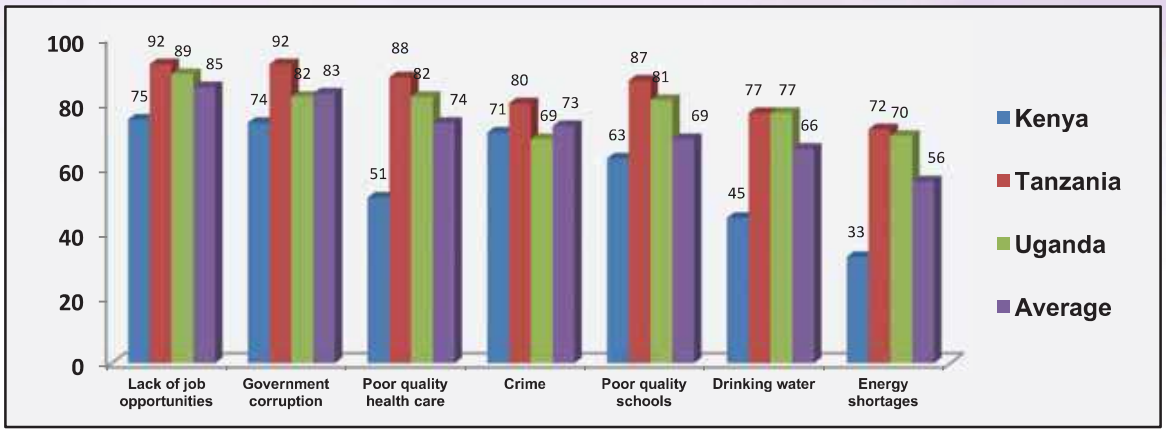
704 The median is the score that divides the sample into two equal parts.

705 See TGR2014 Chapter 3, where water is declared the fourth national priority in an open-ended question.

706 In TI's Global Corruption Barometer 2016, water was ranked third in the list of problems the government should address. (This was an open-ended question. 'Corruption' ranked 8th, equal with poverty). As with other surveys, health and education were the main priorities.

In another question, respondents were asked how seriously they rated various public policy concerns facing the country **(Figure 7.2).**

Figure 7.2: Major concerns of East Africans, percent



Source Pew Research Centre 2015. http://www.pewglobal.org/2015/09/16/health-care-education-are-top-priorities-in-sub-saharan-africa/

Jobs and corruption[707] emerged as the major concerns in the region. On all issues listed except water, Tanzanian respondents are more deeply concerned than Ugandans and Kenyans, with Kenyans the least concerned on all issues except crime.

The WB's CPIA cited above probed the quality of health care on eight variables, using 2013 and 2014 data (**Table 7.3**).

Overall, Uganda ranked below Kenya and Tanzania, including having the worst absence rate and equipment, and the lowest caseload per clinician. Tanzania had the best drugs supply of the three.

Table 7.3: Health service delivery indicators in Kenya, Uganda and Tanzania, percent

Indicator	Kenya 2013	Uganda 2013	Tanzania 2014
Diagnostic accuracy	72	58	60
Adherence to clinical guidelines	44	41	44
Management of maternal & neonatal complications	45	19	31
Absence rate	28	47	14
Caseload per day per clinician (n)	15	4	7
Infrastructure	47	64	49
Equipment	78	22	85
Drugs	54	47	60

Source: WB 2015. http://datatopics.worldbank.org/cpia.

The *World Bank* and the *World Economic Forum* publish annual global comparisons of the ease of doing business and economic competitiveness. **Tables 7.4** and **7.5** report results for EAC members on the two indices. The *Doing Business* index is based on 10 groups of indicators clustered around the complexity and cost of regulatory processes and the strength of legal institutions.[708] The 'Doing Business 2017' report cited below is based on data from 2015-16.

[707] This seems to contradict the finding that Tanzanians don't rank corruption particularly highly. Much depends on how the question is phrased: Tanzanians don't rank corruption particularly highly when asked to name just one policy priority, as in the GCB.

[708] Namely: 1. Complexity and cost of regulatory processes: starting a business, dealing with construction permits, getting electricity, registering property, paying taxes and trading across borders; Strength of legal institutions: getting credit, protecting minority investors, enforcing contracts and resolving insolvency. See: World Bank 2016. 'Doing Business 2015: Going Beyond Efficiency', page 34.

Table 7.4: Ease of doing business 2015-16, East African countries

	Rank/190	Score	Percentile
Rwanda	56	69.8	29
Kenya	92	61.2	48
Uganda	115	57.8	61
Tanzania	132	54.5	69
Burundi	157	47.4	83

http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf

In term of the ease of doing business, Rwanda continues to leave its EAC partners behind, ranking in the top third among the 190 countries surveyed. According to the World Bank:

> Rwanda … is an example of an economy that used Doing Business as a guide to improve its business environment. From Doing Business 2005 to Doing Business 2017 Rwanda implemented a total of 47 reforms across all indicators. Rwanda is one of only 10 economies that have implemented reforms … every year since Doing Business 2006.'[709]

The World Economic Forum ranked 144 countries in its 2015 *Global Competitiveness Index*. The index groups countries according to their state of development. Factor-driven countries' competitiveness is 'based on their factor endowments—primarily unskilled labor and natural resources. Maintaining competitiveness at this stage of development hinges primarily on well-functioning public and private institutions…, a well-developed infrastructure…, a stable macroeconomic environment and a healthy workforce that has received at least a basic education.'[710] These are considered 'basic requirements.' More advanced countries depend on their efficiency and ability to innovate. The overall index is the sum of nine groups of indicators or 'pillars'.

Table 7.5 ranks EAC countries on their *basic requirements* competitiveness (four 'pillars' and 45 indicators).[711]

Table 7.5: Competitiveness of EAC countries on basic requirements, rank and percentile

	Basic requirements		Institutions[712]		Infrastructure[713]		Macroeconomic environment[714]		Health & primary education[715]	
Country	**Rank**	**% ile**	**Rank**	**% ile**	**Rank**	**% ile**	**Rank**	**% ile**	**Rank**	**% ile**
Rwanda	53	38	13	9	97	70	80	58	84	61
Tanzania	114	83	83	60	118	86	70	51	124	74
Kenya	115	83	86	62	98	71	122	88	114	83
Uganda	116	84	93	67	126	91	73	53	118	86
Burundi	130	94	134	97	134	97	124	90	110	80

Source: 'The Global Competitiveness Report 2016–2017'. http://www.weforum.org
%ile = percentile (small numbers denote better performance).

709 http://www.doingbusiness.org/~/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf, page 27.

710 World Economic Forum 2017. 'The Global Competitiveness Report 2016–2017' based on (2015/16 data).

711 Namely: Institutions, Infrastructure, Macroeconomic environment, Health and primary education, Higher education and training, Goods market efficiency, Labour market efficiency, Financial market development, and Technological readiness. See WEF 2016. Africa Competitiveness Report 2015.

712 Property rights, ethics and corruption, undue influence, public sector performance, security, corporate ethics, accountability (21 indicators).

713 Transport, electricity, telephone infrastructure (9 indicators).

714 Government budget balance, gross national savings, inflation, government debt, country credit rating (5 indicators).

715 Business impact of malaria, malaria incidence, business impact of tuberculosis, tuberculosis incidence, business impact of HIV/AIDS, HIV prevalence, infant mortality, life expectancy (10 indicators).

In terms of overall global rankings (all nine 'pillars'), Rwanda ranks 58 out of 138 countries surveyed, Kenya 99, Uganda 115, Tanzania 120 and Burundi 136, two places from the bottom.[716] Rwanda is far ahead of its neighbours on institutions, less so on other 'pillars'. WEF concludes for poorly performing African countries that: 'Two basic requirements for competitiveness--infrastructure … and health and primary education--suffer from the largest competitiveness gaps with other regions.' Tanzania and Uganda perform particularly poorly on infrastructure.[717]

Between 2009 and 2015 Rwanda improved its 'basic requirements' global ranking slightly (+4 places), while Kenya, Uganda and Tanzania all fell down the pecking order, respectively by -11, -13 and -21 places.

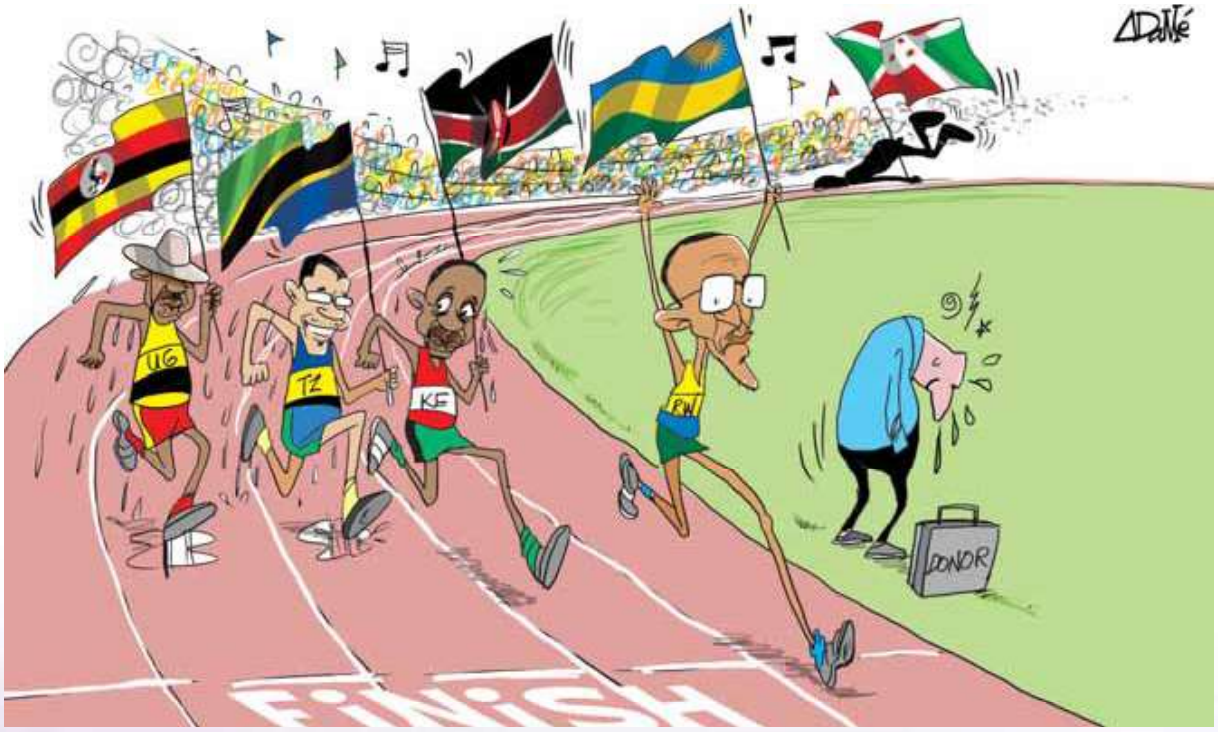
In **Chapter 4**, ongoing conflicts between Tanzanian and Kenyan tour companies were reported**.** International comparisons show Kenya to be quite a way ahead of Tanzania in terms of travel and tourism competitiveness ((**Table 7.6**).

Table 7.6: Travel and tourism competitiveness index 2015 (n=141)

	Rank	Percentile	Enabling environment	T&T policy & enabling conditions	Infrastructure	Natural & cultural resources
Kenya	78	**55**	117	43	88	36
Tanzania	93	**66**	124	67	119	31
Rwanda	98	**70**	85	73	104	95
Uganda	114	**81**	122	87	123	59
Burundi	135	**96**	129	121	135	136

Source: http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf

Tanzania scores above Kenya only on its natural and cultural resources, while both perform badly on the 'enabling environment'. Despite a more limited resource base, Rwanda has made considerable progress in exploiting its tourist potential.



716 For comparison, Ethiopia ranks 106th and Zambia 118th.

717 WEF 2016, pafe 17.

7.6 Conclusion

This chapter has reviewed a number of international studies that include the EAC member states (excluding South Sudan). Tanzania has not been the most enthusiastic member of the EAC as regards trade integration, tourism, the movement of people (including teachers) or signing of the EPA with the EU, where Kenya stands to be the big loser if the agreement does not go through. The EAC secretariat and other EAC institutions are highly dependent on donors to finance their budget, but the Secretariat does not endear itself to its 'development partners' as regards financial management and the misuse of resources. While EAC countries perform poorly or very poorly by international standards on numerous governance and economic performance indicators, Tanzania is an average performer within the region, with Rwanda often the outlier (better performer) and Burundi (worse).

Chapter 8: Monitoring governance, poverty and well-being

8.1 Introduction

"The government will continue to address issues of inequality through effective pro-poor policies in order to avoid the danger of social and political instability associated with feeling of deprivation."[718]

'Tanzania registers super poverty decline record.'[719]

'…using the new $1.90 per day global poverty line, the poverty rate increases to 46 per cent in 2012. Tanzania ranks in ninth place in terms of the number of its population living in poverty on a global scale.'[720]

According to the 2012 *National Household Budget Survey* 'approximately 28.2% (sic)[721] of the population lives below the poverty line – considerably lower than the corresponding figure of 33.6% in 2007.' However, the WB's *Tanzania Mainland Poverty Assessment 2015* argues that: 'Caution must … be applied in assessing the magnitude of the apparent reduction, as the two figures are not directly comparable due to changes in survey methodologies and tools.' [722] The WB report continues:

> '…approximately 12 million households (sic)[723] [live] under the national poverty level. about the same level as in 2001 and *almost half* of the population is still below the … international poverty line of US$1.25 per day. … Also, the inequality gap between urban and rural populations is widening mostly due to fewer employment opportunities, limited access to services, and unsatisfactory service delivery outcomes in rural areas.'[724]

The WB report also flags growing regional inequality.TGR2014 cited the Multidimensional Poverty Index (MPI) which gave far higher estimates of poverty and extreme poverty headcounts than the HBS.[725] Methodological issues like these make it extremely difficult to benchmark and monitor poverty trends with a reasonable degree of accuracy. A constant in the poverty debate is the relationship between poverty reduction and growing inequality between classes as well as between urban and rural areas. [726] Though the *gini coefficient* (a measure of inequality) is said to have fallen slightly, from 39 to 36 over the last decade, the perception of growing inequality is common across all income groups. The *New World Wealth* report published in September claimed that Tanzania had 1,200 dollar millionaires, compared to 6,100 in Kenya and 700 in Uganda. Nick Dearden, director of *Global Justice Now,* reacted that: "we're seeing a form of 'development' … which hugely benefits the wealthy but makes the lives of the poor even harder." [727] Inclusive growth remains illusive.

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718 The quote is from Finance Minister Saada Salum Mkuya. She claimed that: "government policies continue to produce results which mostly favour the poor. As a result, Tanzania is among the 10 most-equal societies/countries in [the] African continent." See: Ashery Mkama 2015. ''Number of poor Tanzanians remains high'', Daily News, 14 May.

719 Christopher Majaliwa 2015. 'Tanzania registers super poverty decline record', Daily News, 8 May.

720 Samuel Kamndaya and Bernard Lugongo 2016. 'Tanzania: How to Lift 12 Million Tanzanians Out of Extreme Poverty - World Bank', Citizen, 21May

721 28.2 is a precise figure (to one tenth of one percent) not an approximation.

722 World Bank 2015 http://www.worldbank.org/en/country/tanzania/overview. See also: Reporter 2015. 'Strong growth shows signs of trickling down', Business Standard, 12 May; Nadia Belhaj Hassine and Albert Zeufack 2015. 'The yawning divide between big city and countryside TZ', Citizen, 28 June.

723 This should read '12 million people' since 12 million households is more than the entire population. In 2012, the average Tanzanian household was 4.8 people, giving a population of 57.6m. The population of Tanzania in 2013 was 49.25m.

724 Ibid. Emphasis added.

725 TGR2014: 126. At 64%, the MPI (2013) was well over twice the HBS poverty headcount (2012).

726 Though the gini coefficient (a measure of inequality) is said to have fallen slightly, from 39 to 36 over the last decade, the perception of growing inequality is common across all income groups. The WB report flags growing regional inequality.

727 Reporter 2015. 'Dar hosts 1,200 billionaires', Daily News, 3 September. http://www.researchandmarkets.com/reports/3632320/the-africa-2016-wealth-report#rela6

WB sees evidence of 'pro-poor growth' in 'improved levels of education, access to basic services and ownership of land and other assets among poor households.' In addition, 'the economic returns to the poor's economic activities have also increased, particularly outside agriculture.'[728] Yet, according to another WB report:

> 'growth was mainly driven by a small number of fast growing and relatively capital intensive sectors, mostly concentrated in Dar es Salaam. This has induced an uneven increase of welfare at the regional level and uneven spatial progress against poverty.'[729]

The following section reviews a number of governance indicators based on 2015 data, making comparisons with other EAC countries.[730] **Section 8.3** concludes with a review of recent progress made in the MKUKUTA and the MDGs, with a brief overview of the next round of global poverty eradication targets, the Sustainable Development Goals (SDGs).

8.2 Governance indicators 2015

This section reviews a number of governance and development indicators for Tanzania, using other EAC countries as comparators. **Table 8.1** summarises five indicators, four global and one African.

Table 8.1: EAC governance indicators 2015, percentiles

	Democracy Index /167	Press Freedom Index /180	Open Budget Index /100	Human Development Index /188	Ibrahim Index /54
Rwanda	83	89	*36*	87	*20*
Kenya	55	53	48	*77*	26
Tanzania	*50*	*39*	46	80	33
Uganda	56	57	62	87	35
Burundi	90	87	--	98	70
Average	67	65	48	86	37

Sources: see following text. Low percentiles indicate better performance.

The *Economist Intelligence Unit's* (EIU) *Democracy Index* groups countries according to the fairness of their electoral systems, the rule of law and numerous other indicators (n=60). Countries at the lower end of the democracy spectrum are termed 'hybrid' or 'authoritarian'. Tanzania, Kenya and Uganda come into the 'hybrid' category, while Burundi and Rwanda are considered 'authoritarian'.[731] In a 2015 *Afrobarometer* study, Tanzania ranked 8th out of 28 countries surveyed, ahead of both Uganda (14) and Kenya (18).[732]

728 Reporter 2015,op. cit..

729 Nadia Belhaj Hassine and Albert Zeufack 2015. 'The yawning divide between big city and countryside TZ', Citizen, 28 June. For the original paper, see: http://documents.worldbank.org/curated/en/329971468188944404/pdf/WPS7260.pdf.

730 Post-2015 publications cited are based in part or in whole on data collected in 2015 or sometimes earlier. Most global surveys using diverse sources cite data from more than one year.

731 EIU 2016.

732 Reporter 2015. 'Democracy satisfaction declines', Citizen, 17 September, http://afrobarometer.org/sites/default/files/publications/Dispatches/dispatchno45_democracy_day_africa_2015_citizen_perceptions.pdf.

The *Press Freedom Index* is produced annually by *Reporters without Borders.* As with the Democracy Index, the Index identifies Rwanda and Burundi as largely unfree, with the core EAC members doing substantially better, Tanzania appearing in the top half of the global distribution.[733] It will be interesting to monitor whether the country retains this good showing when the banning of the East African and the restrictive press and access to information legislation reported in **Chapter 5** filter into the 2016 index.

Tanzania's participation and performance in the *Open Budget Initiative* (OBI), that produces the *Open Budget Index* (OBI) was discussed in **Chapter 2.** Again, Rwanda outperforms its neighbours, with Uganda going a lot worse than Kenya and Tanzania (Burundi was not included in the index). [734] The well-known *UNDP Human Development Index* (HDI) ranks countries according to life expectancy at birth, expected years of schooling, mean years of schooling, and gross national income (GNI) per capita. All EAC countries come into the 'low human development' group of countries, with Burundi close to the bottom of the global rankings.

Last, the *Ibrahim Index of African Governance* (IIAG) benchmarks governance in 54 African countries on four dimensions: Safety & Rule of Law, Participation & Human Rights, Sustainable Economic Opportunity and Human Development. Unlike the two previous indices, the IIAG ranks Rwanda at the top of the five EAC countries, with the three core members again bunched together, and Burundi at the bottom (albeit with a better relative showing).

To summarise, with the exception of Burundi, which is consistently at the bottom of the indicators in **Table 8.1**, there is little consistency among the other four EAC countries' rankings. Tanzania's performance is above the EAC average on all variables except the OBI. In international comparisons, EAC countries generally rank in the bottom quartile, with little change overtime, with the exception of Rwanda. Tanzania's celebrated 'peace and tranquillity', plus its advantageous location, and economic geography, help explain why it performs relatively well compared to countries that are wracked with internal or external conflict and violence, are land-locked and more vulnerable to drought**.** What is more difficult to explain is why Tanzania has not taken greater advantage of its advantages to promote more inclusive economic transformation. This and previous TGRs provide much empirical information to help such an analysis.

8.3 Prosperity and well-being

The *Legatum Prosperity Index* (LPI) ranks 142 countries on eight variables (**Table 8.2**).[735]

733 Reporters without Borders 2016.

734 http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/country-info/?

735 The Legatum Institute is a London-based think tank. Nathan Gamester 2015. 'African leaders, individuals need to be prosperity creators', Guardian, 22 May.

Table 8.2: Legatum prosperity index 2015, EAC countries, percentile

COUNTRY	PERCENTILE /142	ECONOMY	ENTREPRE-NEUR SHIP AND OPPORTUNITY	GOVERNANCE	EDUCATION	HEALTH	SAFETY & SECURITY	PERSONAL FREEDOM	SOCIAL CAPITAL
Rwanda	71	51	83	34	77	72	67	57	70
Kenya	76	70	70	65	77	79	94	36	51
Uganda	81	76	85	73	82	87	93	45	54
Tanzania	82	80	82	67	88	86	82	66	55
Burundi	97	98	95	81	85	97	92	92	94

Legatum Institute 2016. 'The 2015 Legatum Prosperity Index'. https://lif.blob.core.windows.net/lif/docs/default-source/publications/2015-legatum-prosperity-index-pdf.pdf?sfvrsn=2

Rwanda outperforms its neighbours, Burundi is bottom of the five countries in most indicators, and Tanzania is generally outranked by Kenya and Uganda, except (unsurprisingly) on 'safety and security.'[736] The LPI correlates closely with the HDI reported in **Table 8.1**. In the 2016 Legatum *Africa Prosperity Index* of 38 African countries, Tanzania ranked 19th behind Rwanda (8th), Kenya (11th) and Uganda (17th) and ahead of Burundi (36th).[737] Tanzania continues to slide down the Prosperity rankings, where it ranked 11th in 2012.[738]

Table 8.3 compared EAC country rankings in the *World Happiness Report*, based on data collected by *Gallup*, a polling agency. The results suggest that East Africa remains one of the unhappiest regions in the world, with only Rwanda improving its score in 2015. Kenyans remain the *least* unhappy East Africans, with Tanzanians, Rwandans and Burundians the most depressed. Burundians, who for years have hovered on the brink of another civil war, are the most unhappy among 157 countries polled.

Table 8.3: Happiness rankings for EAC countries, 2014 and 2015

	Uganda		Kenya		Tanzania		Rwanda		Burundi	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Score /10	3.93	3.74	4.42	4.36	3.78	3.67	3.47	3.52	2.91	2.91
Rank*	141	146	125	122	146	149	154	152	157	157
Percentile	89	93	79	78	92	95	97	97	99	100

Source: WHRs 2014 and 2015. *Number of countries ranked 2014=158, 2015=157

736 It is not clear why Rwanda seems to outperform the rest of the region by such a large amount on the 'Economy' dimension. The Legatum indicators for this variable could not be identified.

737 https://lif.blob.core.windows.net/lif/docs/default-source/publications/2016-africa-prosperity-report-pdf.pdf?sfvrsn=2.

738 Frank Aman 2015. 'Kikwete signs three integrity pledges', Guardian, 15 August.

In a study of nine African countries, *Pew Research Institute* asked respondents whether they thought the economic situation was going to improve in the short run, and how their children were likely to fare financially (**Table 8.4**).[739]

Table 8.4: Optimism for the Future (percent)

	Economic situation will improve over next 12 months	Children will be better off financially than their parents
Uganda	55	52
Kenya	53	43
Tanzania	43	33
Mean (9 countries)	66	59

Source: http://www.pewglobal.org/2015/09/16/health-care-education-are-top-priorities-in-sub-saharan-africa/

Ugandans and Kenyans were somewhat more optimistic than Tanzanians, who appear particularly pessimistic, regarding the economic future and the chances that their children would fare better financially than themselves, but all three countries were well below the mean for the nine countries surveyed.

8.4 Monitoring MKUKUTA and the Millennium Development Goals

'Despite substantial progress toward the Millennium Development Goals (MDGs), Tanzania is likely to have missed about half the 2015 targets.'[740]

'The road to poverty reduction and shared prosperity is yet to be paved.'[741]

MKUKUTA II, the *National Strategy for Growth and Reduction of Poverty,* ran from 2010-15. Attempts to monitor progress in its three 'clusters' were not sustained, including Cluster 3, which covers governance and accountability.[742] The first TGR (2006-07) critiqued the indicators for the seven goals on various grounds.[743] It appears that financial constraints prevented the monitoring exercise from running its course (see below).

Overall progress towards achieving the Millennium Development Goals (MDGs) has been patchy and Tanzania failed to meet four out of the seven MDGs by 2015.[744] The country falls short on universal completion of primary school, maternal mortality and the proportion of households with access to safe water, which went down. Surprisingly, there is no official (government or donor) document reviewing achievements to 2015,[745] and the following discussion therefore relies on a diversity of not always recent sources.

739 The other countries polled were Nigeria, Burkina Faso, Ethiopia, Senegal, Ghana and South Africa.

740 IMF 2016: 2

741 Nadia Belhaj Hassine and Albert Zeufack 2015. 'The yawning divide between big city and countryside TZ', Citizen, 28 June.

742 Cluster 1: Growth and reduction of income poverty; Cluster 2: Improved quality of life and social well-being; and Cluster 3: Governance and accountability. http://www.povertymonitoring.go.tz/

743 TGR2016-17, section 8.2, pp70-74.

744 http://www.tzonline.org/pdf/tanzaniaandthemillenniumdevelopmentgoals.pdf

745 Prosper Makene 2015. 'Govt: We're reviewing MKUKUTA II to go with post-2015 development agenda', Guardian, 13 May.

8.4.1 MKUKUTA

In May 2015, announcing a review of MKUKUTA II, the Director of Poverty Eradication in the Ministry of Finance, Anna Mwasha, said a major constraint on implementing the goals was lack of financial resources. The government was turning its attention to the challenges of implementing the SDGs that now constitute the new global approach to international development.[746] The Poverty Monitoring website in the Ministry of Finance has not been updated since 2014.[747] Like many earlier policy initiatives, the MKUKUTA seems to have been overtaken by events rather than formally brought to a close. Though MKUKUTA ran parallel to the MDGs and had similar poverty-reduction objectives, the relationship between the two initiatives was never formally clarified by the GoT.

8.4.2 Millennium Development Goals (MDG)[748]

The United Nations' MDG initiative concluded in 2015, and has been replaced by the Sustainable Development Goals (SDGs), which are scheduled to run until 2030 (see below). The MDGs were designed to:

- Eradicate extreme poverty and hunger;
- Achieve universal primary education;
- Promote gender equality and empower women;
- Reduce child mortality;
- Improve maternal health;
- Combat HIV/AIDS, malaria and other diseases;
- Ensure environmental sustainability;
- Develop a global partnership for development.[749]

The MDGs and their various indicators are heavily weighted towards social development; indeed, one of the main criticisms of the initiative was that economic transformation—the basis for sustained poverty reduction and social development—was not a (or *the*) priority. Another criticism is that the MDGs were developed by a small group of UN technocrats with little external consultation. By contrast, the SDGs are the result of high level lobbying and consultation. Inevitably, the number of SDGs and related indicators has ballooned: there are now 17 goals and at least 230 indicators![750]

The remainder of this section considers Tanzania's achievements and failures on MDGs 1 to 7 using the latest available data. The baseline is 1990 unless otherwise stated.[751]

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746 Ashery Mkama 2015. ''Number of poor Tanzanians remains high'', Daily News, 14 May. See also: Christopher Majaliwa 2015. 'Tanzania registers super poverty decline record', Daily News, 8 May.

747 http://www.povertymonitoring.go.tz/

748 https://www.un.org/millenniumgoals/pdf/MDGReport2014_PR_SubSaharanAfrica_English.pdf;
http://tz.one.un.org/what-we-do/9-core-comittments/19-millennium-development-goals;
http://wft.or.tz/

749 This target will not be discussed further. For the record, its indicators are: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system; Address the special needs of least developed countries; Address the special needs of landlocked developing countries and small island developing states; Deal comprehensively with the debt problems of developing countries; In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries; In cooperation with the private sector, make available benefits of new technologies, especially information and communications.

750 The indicators can be accessed at: https://sustainabledevelopment.un.org/content/documents/11803Official-List-of-Proposed-SDG-Indicators.pdf

751 Commonwealth Foundation 2013. 'National Report: Tanzania. A civil society review of progress towards the Millennium Development Goals in Commonwealth countries'. This report cites the views of government and CSOs on the achievability of the MDGs. CSO views are cited in the following text. See: http://www.commonwealthfoundation.com/sites/cwf/files/downloads/MDG%20Reports%20Tanzania_FINAL_1.pdf; URT 2015. 'Country Report on the Millennium Development Goals 2014': www.povertymonitoring.go.tz/WhatisNew/MDGR%202014.pdf.

Goal 1: Eradicate extreme poverty and hunger, percent

Indicator	Baseline	Latest	2015
Reduce by half[752] the proportion of population below the basic needs poverty line	39	28.2 (2012)	19.5
Reduce by half the proportion of people living on <$ a day	21.6	9.7 (2012)	10.8
Under 5 underweight. Weight for age below 2SD[753]	28.8	16 (2010)	14.4
Under 5 stunted. Weight for age below 2SD	46.6	42 (2010)	23.3

Source: http://www.wfp.org/countries/tanzania

According to the 2015-16 Tanzania Demographic and Health Survey, 34 percent of children under age 5 are stunted, a sign of chronic malnutrition. Five percent of young children are wasted, a sign of acute malnutrition, while, at the other extreme, four percent are overweight or over nourished. Fourteen percent of children are underweight for their age. In addition, TDHS found that only 9 percent of children age 6-23 months are fed according to the minimum acceptable dietary standards. About three in five children age 6-59 months and 45 percent of women age 15-49 are anaemic and one in ten women age 15-49 is underweight, while 18 percent are overweight and 10% are obese.[754]

The report states that 'If the current trend continues, poverty gap ratios for the basic needs poverty line will end up between 25% and 30% and so the target of halving poverty levels (to 19.5%) will not be met.' This echoed the governments and CSOs' sentiments that this particular MDG would be difficult to achieve by 2015.[755] Of great concern is the slow rate of transformation in much of Tanzania's rural hinterland, where population growth, climate change, and land degradation constitute huge challenges for the government and external development agencies.[756] In May 2015, the WB country director stated: "The majority of Tanzanians remain close to the poverty line. In fact, more than 70 per cent of the population live on less than 2 US dollars per day."[757]

For reasons discussed above, the definitions of poverty and extreme poverty remain contentious, and the achievement of poverty reduction targets challenging.

Goal 2: Achieve universal primary education

Indicator	Baseline	Latest	2015
Net enrolment ratio in primary education	54.2	89.7 (2013)	100
Proportion of pupils who reach last grade of primary	85 (2010)	87.2 (2013)	100

Source: www.usaid.gov/tanzania/education, November 2016

Primary net enrolment rate stood at 95.4 per cent in 2013 and gross enrolment at 112.7 per cent. However, only 60 per cent of students starting Std 1 actually finished primary school. Secondary enrolment stood at 45 per cent. CSOs interviewed in the Commonwealth study cited above

752 If the objective is to reduce the incidence of poverty by 50 percent, the goal cannot be poverty eradication but reduction. According to the New Testament: 'The poor you will always have with you' (Matthew 26:11, Mark 14:7). In the sense that inequality is a feature of all human society, the less fortunate will always experience a sense of relative deprivation, even in 'wealthy' societies. The 'poor' in the USA generally have cars, electricity, fridges and colour televisions. Growing inequality and relative deprivation are driving reactionary populist politics in both the US and Europe.

753 The Standard Deviation (SD) is a statistical measure of central tendency.

754 Demographic and Health Survey and Malaria Indicator Survey 2015-16.

755 URT op. cit., page 9,citing HBS

756 WFP Tanzania 2014 http://www.wfp.org/countries/tanzania.

757 Christopher Majaliwa 2015. 'Tanzania registers super poverty decline record', Daily News, 8 May.

considered that, in trying to achieve the MDG target, the need to train more teachers and invest in more secondary schools was overlooked. In addition, although Tanzania's Poverty Reduction Strategy Paper (PRSP) goal was to reduce illiteracy to zero by 2010, the country has fallen well short of the mark as many pupils still cannot read and write (see **Chapter 3**).

According to a recent USAID report, Tanzania:
'has made significant gains in access and equity in primary education, with girls' enrolment close to parity with boys' at all primary education levels. Despite these successes, many challenges persist related to retention, completion, and transition to secondary education, as well as quality of education, actual learning outcomes, and the relevance of skills that graduates bring to the economy. Many children enrolled in school drop out before completing primary education, especially girls. Furthermore, the 2013 national early grade reading assessment found that only 8 percent of standard two pupils were able to read with grade-level comprehension. At higher levels of the education system, the situation is even worse: the net enrolment rate for lower secondary education is 33.4 percent, and for upper secondary education only 3.2 percent.' [758]

Retaining children in school can be difficult in contexts of extreme poverty, where their labour is required to assure subsistence. In other cases, dropout rates are high because parents and students see little point in continuing with low quality, boring and perhaps oppressive schooling.[759] Quality issues are discussed in **Chapter 3**.

Goal 3: Promote gender equality and empower women

Indicator	Baseline	Latest	2015
Ratio of girls to boys in primary school	98 (2010)	102 (2013)	100 (2005)
Ratio of girls to boys in secondary school	98 (2010)	105 (2013)	100 (2005)
Ratio of females to males in tertiary education	22 (2006)	30 (2012)	100
Proportion of seats held by women in Parliament	22.8 (2004)	35.6 (2013)	30

Source: Ibid.

Gender parity has been achieved in the first two indicators listed. Tanzania has increased the representation of women in parliament. After the 2010 election Tanzania ranked 20th in the world for women's representation in parliament. Currently, 150 out of 393 parliamentary seats (38 percent) are 'special' (i.e. unelected) seats for women, chosen in proportion to the strength of parties represented in parliament.[760] Whether this represents gender parity or undemocratic political patronage (matronage?) is a matter of debate, given the huge salaries, allowances and other benefits enjoyed by '*wabunge*'. Elected representation of women in local government, where there are no special seats, is much lower.

Women continue to experience cultural and economic discrimination. Although more than 8 in 10 (84%) currently married women and virtually all currently married men report being gainfully employed, including self-employed, women are much less likely than men to receive cash income for the work they do (56% vs 89%, respectively). Among couples in which women earn cash, two-thirds say they earn less than their husbands. Thirty-six percent of currently married women who receive cash earnings say they decide for themselves how their earnings are used, while 55% make these decisions jointly with their husbands.[761]

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758 Ibid.

759 Schools can be a locus of sexual harassment for girls from both teachers and fellow students.

760 http://www.parliament.go.tz/pages/structure

761 Demographic and Health Survey and Malaria Indicator Survey 2015-16.

Outside the symbolism of parliamentary representation, many local and international NGOs, CSOs and FBOs are promoting the rights of women and girls, directly or indirectly, in ways relevant to the achievement of MDG3. At the national level, these include the Tanzania Gender Networking Programme (TGNP), Tanzania Women Lawyers' Association (TAWLA) and the Women's Legal Aid Centre (WLAC), Femina and the Women Fund Tanzania (WFT).[762] Health, education, environmental, human rights, and other issues-based organisations routinely include a gender focus. Many local and international NGOs are members of PF.[763] A large number of INGOs promote gender equality as part of their core mandate. Donor funding for Tanzanian CSOs, including those promoting gender equality, were listed in TGR2014, **Appendix 6.1**.

Goal 4: Reduce child mortality

Indicator	Baseline	Latest	2015
Under – five mortality rate (per 1,000 live births)	191	81 (2010)	64
Infant mortality rate (per 1,000 live births)	115	45 (2012)	38

Source: TDHS op. cit.

In addition to the figures cited for Goal 4, the neonatal mortality rate for the 5 years before the latest TDHS declined from 40 deaths per 1,000 live births in 1999 to 25 deaths per 1,000 live births in 2015-2016, while the infant and under-5 mortality rates have declined from 99 deaths to 43 deaths per 1,000 live births and from 147 to 67, respectively. The infant, child and under-5 mortality rates recorded in the 2015-16 TDHS-MIS are similar to those recorded in the 2012 Population and Housing Census of Tanzania, as discussed in **Chapter 3.**[764] Readers are reminded that the unexpected correlation between background socio-economic factors and child mortality rates may cast doubt on the reliability of the data.

Goal 5: Improve maternal health

Indicator	Baseline	Latest	2015
Maternal mortality ratio (per 100,000 live births)	529	432 (2012)	133
Proportion of births attended by skilled health personnel	43.9	50.5 (2010)	90

Source: https://results.usaid.gov/tanzania/health/malaria#fy2015

The maternal mortality rate remains high in part because only 43 per cent of pregnant women received the recommended minimum of four antenatal visits, only about half of births are attended by qualified health professionals, and only 24 per cent of the necessary contraceptives are available.[765] The most recent TDHS found that 63 percent of children are delivered in health facilities, compared to 50 percent recorded in 2010. The percentage of births that take place in health facilities ranges between 40 percent in Simiyu Region to 94 percent in Dar es Salaam. Sixty-four percent of births were assisted by health professionals in the 2015-16 compared with 51% in the 2010.[766]

TDHS also reports that a high proportion of pregnant women have a blood sample taken (87%), their blood pressure measured (71%), and a urine sample collected (60%) during antenatal care. They are more likely to take iron tablets/syrup (81%) than anti-malarial (71%) or anti-parasitic (63%) drugs during pregnancy. A large majority of births (88%) in the 5 years before the survey were protected against neonatal tetanus.[767]

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762 WFT focuses on strategic alliance building, resource mobilisation, and institutional strengthening. See http://wft.or.tz/.

763 Policy Forum Members Directory 2015.

764 Demographic and Health Survey and Malaria Indicator Survey 2015-16.

765 Commonwealth Foundation 2013. 'National Report: Tanzania. A civil society review of progress towards the Millennium Development Goals in Commonwealth countries'. See also WFP for a discussion of the causes of maternal mortality at: http://www.wfp.org/countries/tanzania.

766 Demographic and Health Survey and Malaria Indicator Survey 2015-16.

767 Ibid.

Goal 6: Combat HIV/AIDS, malaria and other diseases

Indicator	Baseline	Latest	2015
HIV prevalence 15 – 24 years	6	2 (2012)	<6
HIV prevalence 15 – 49 years	6	5.1 (2012)	<5.5
Children under 5 sleeping under insecticide-treated bed nets	16 (2005)	64 (2010)	100

Source: https://results.usaid.gov/tanzania/health/malaria#fy2015

In 2015, 1.4 million Tanzanians were living with HIV/AIDS. This equates to an estimated HIV prevalence of 4.7 percent.[768] In 2015, an estimated 54,000 people were newly infected with HIV, and 36,000 people died from an AIDS-related illness. According to the 2011-12 Tanzania HIV/AIDS and Malaria Indicator Survey (THMIS), HIV prevalence for women was 6.2 percent, compared to 3.8 percent for men. Nearly a fifth of all new HIV infections in Tanzania are due to mother-to-child transmission (MTCT).[769] Despite the numbers, Tanzania has done well to control the HIV epidemic over the last decade. Scaling-up access to antiretroviral treatment has helped the country minimise the impact of the epidemic. As a result, between 2010 and 2015, the number of new infections declined by more than 20% and the number of people dying from an AIDS-related illness halved.[770]

However, CSOs argue that while there have been a number of rapid response plans to HIV/AIDS, there has been an absence of a systemic and sustainable approach to the pandemic. They believe that too much HIV/AIDS funding is used for administration and management of HIV/AIDS programmes, rather than for treatment and provision of antiretroviral drugs. They also drew attention to increasing worries about non-communicable diseases (NCDs).[771]

Tanzania was selected as US President's Malaria Initiative (PMI) in 2006. According to a 2016 report:

> 'The contributions of PMI, together with those of other partners, have led to dramatic improvements in the coverage of malaria control interventions in PMI-supported countries, and all 15 original countries have documented substantial declines in all-cause mortality rates among children less than five years of age.'[772]

As reported in **Chapter 3**, TDHS 2015 shows ***that ownership of*** at least one ITN increased substantially over time, from 23 percent in 2004-05 to 91 percent in 2011-12, before declining to 66 percent in 2015-16. The survey also found that ***m***alaria prevalence in Tanzania has risen from 9 percent in 2011-12 to 14 percent in 2015-16 according to rapid diagnostic testing (RDT) results. Malaria prevalence is highest in children from Geita, Kigoma and Kagera regions and is more or less non-existent in Arusha, Njombe, Iringa, Dodoma, Kilimanjaro, and Manyara regions in Tanzania Mainland and in all regions in Zanzibar.[773]

Goal 7: Ensure environmental sustainability

Indicator	Baseline	Latest	2015
Proportion of population using improved drinking water source	51 (rural)	47 (2012)	74
Proportion of population using improved drinking water source	68 (urban)	89 (2012)	84

Source: Water Sector Development Programme (WSDP) 2015.[774]

768 http://www.avert.org/professionals/hiv-around-world/sub-saharan-africa/tanzania, citing UNAIDs Gap report.

769 http://www.unaids.org/sites/default/files/country/documents/TZA_narrative_report_2014.pdf.

770 UNAIDS 2016. Prevention Gap Report

771 Commonwealth Foundation 2013, op. cit.

772 PMI Malaria Operational Plan FY 2016.

773 TDHS 2015 op. cit.

774 Water Sector Development Programme (WSDP) 2015. 'THE WATER SECTOR STATUS REPORT 2014'. Water access is not a good indicator of the goal.

Whether for domestic, industrial or agricultural purposes, water is becoming a key development issue in Tanzania and throughout Africa. Tanzania's annual renewable water resource is estimated at 89 $km^{3.}$ The annual average of available water per capita was 2000 m^3 in 2012 compared to 2700 m^3 in 2001. This amount is projected to fall by 30 percent or by 1400 m^3 per capita per year by 2025 as a result of diminution of water resources and population growth.[775] Most parts of the country receives less than 1000mm of rainfall a year, except highlands and parts of the extreme South and West where 1400-2000mm can be experienced. Ground water availability is mainly controlled by geology and climate, and unevenly distributed over the country.[776]

The environmental indicators used for monitoring the MDG Goal 7 in Tanzania, relating to access to clean water, fail to address other concerns with basic sanitation and particularly with protecting biodiversity. The UN Goal 7 is to 'integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.' As well as biodiversity, the lives of slum dwellers is also mentioned, but no indicators were proposed.

To its credit, Tanzania achieved a number of the MDGs. Reducing infant and child mortality is a noble end in itself, but engenders or exacerbates other problems, most obviously population growth. Here is a rough summary of progress made on the first six MDGs based on the above discussion:

Eradicate extreme poverty and hunger	Slow progress, disagreement on definitions. Economic growth accompanied by rising inequality and limited formal job creation.
Achieve universal primary education	High gross enrolments achieved, retention and quality remain chronic problems.
Promote gender equality and empower women	Some success in school enrolment ratios, but otherwise a slow process with no 'quick fixes'.
Reduce child mortality	Successful, with a high level of 'technical fixes'.
Improve maternal health	Disappointing results with continued high levels of maternal mortality.
Combat HIV/AIDS, malaria and other diseases	Much progress, including the use of ARVs, albeit at enormous cost and 'aid dependency'.

Reaching the 'low-hanging fruit' from a development perspective involves large capital expenditures (building schools and hospitals), 'technical fixes' (immunization, impregnated bednets), and easily implemented policies (appointing women MPs). The fruit that are more difficult to reach involve: complex administrative reforms (improving school quality), policy clarity and coordination across sectors (poverty reduction, environmental protection), and bringing about cultural change (gender equality). While external assistance and foreign investment can help, the underlying constraints on sustained poverty reduction can only be addressed internally.[777]

Last, we should remember that the MDGs (and SDGs) did not originate from local policy-making but are exogenous in nature, and hugely funded by multilateral and bilateral development agencies.

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A 2015 UN report examines each of the MDGs and finds that 'despite many successes, the poorest and most vulnerable people are being left behind.' [778] The report states that:

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775 The country receives two major rainfall modals in the regions: uni-modal (Dec-April) in southern, southwest central, southern west and western part of the country and the bimodal (Oct-Dec and March–May) found in the north, north eastern and northern coast.

776 Water Sector Development Programme (WSDP) THE WATER SECTOR STATUS REPORT 2014.

777 With the qualification that external trends in the global economy are tremendously important in framing the context in which 'development' does or does not take place. But even propitious external environment does not mean that success in growth and poverty reduction can be taken for granted.

'The number of people living in extreme poverty and proportion of undernourished people in developing regions has declined by more than half since 1990, with most of this progress occurring after the MDGs launched in 2000. The maternal mortality ratio has declined by 45 percent worldwide, and the proportion of the global population using an improved drinking water source rose from 76 percent to 91 percent.' Those still left out … are increasingly concentrated in South Asia and sub-Saharan Africa, and all across the globe, women and young people face the highest odds of living in poverty. Conflict and displacement is taking a toll as well. [779]

8.5 From Millennium to Sustainable Development Goals (SDG)

In 2015, the United Nations replaced the MDGs by a more comprehensive and ambitious list of 17 SDGs to be met by 2030. Unlike the MDGs, the SDGs were formulated on the basis of much more broad-based consultations and lobbying.[780] They are consequently more numerous and inclusive. The 17 SDGs are divided into specific targets, totaling 169, with no less than 230 indicators![781] The SDG are designed to:

1) End poverty in all its forms;
2) End hunger, achieve food security & improved nutrition, & promote sustainable agriculture;
3) Ensure healthy lives & promote wellbeing for all at all ages;
4) Ensure inclusive & equitable quality education &promote lifelong learning opportunities;
5) Achieve gender equality & empower all women & girls;
6) Ensure availability & sustainable management of water & sanitation for all;
7) Ensure access to affordable, reliable, sustainable & modern energy for all;
8) Promote inclusive &sustainable economic growth, full & productive employment, & decent work for all;
9) Build resilient infrastructure, promote inclusive & sustainable industrialisation, & foster innovation;
10) Reduce inequality within & among countries;
11) Make cities & human settlements inclusive, safe, resilient & sustainable;
12) Ensure sustainable consumption & production patterns;
13) Take urgent action to combat climate change & its impacts;
14) Conserve & sustainably use the oceans, seas & marine resources;
15) Protect, restore & promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification & halt & reverse land degradation, & halt biodiversity loss;
16) Promote peaceful & inclusive societies for sustainable development, provide access to justice for all & build effective, accountable & inclusive institutions at all levels;
17) Strengthen the means of implementation & revitalise the global partnership for sustainable development.

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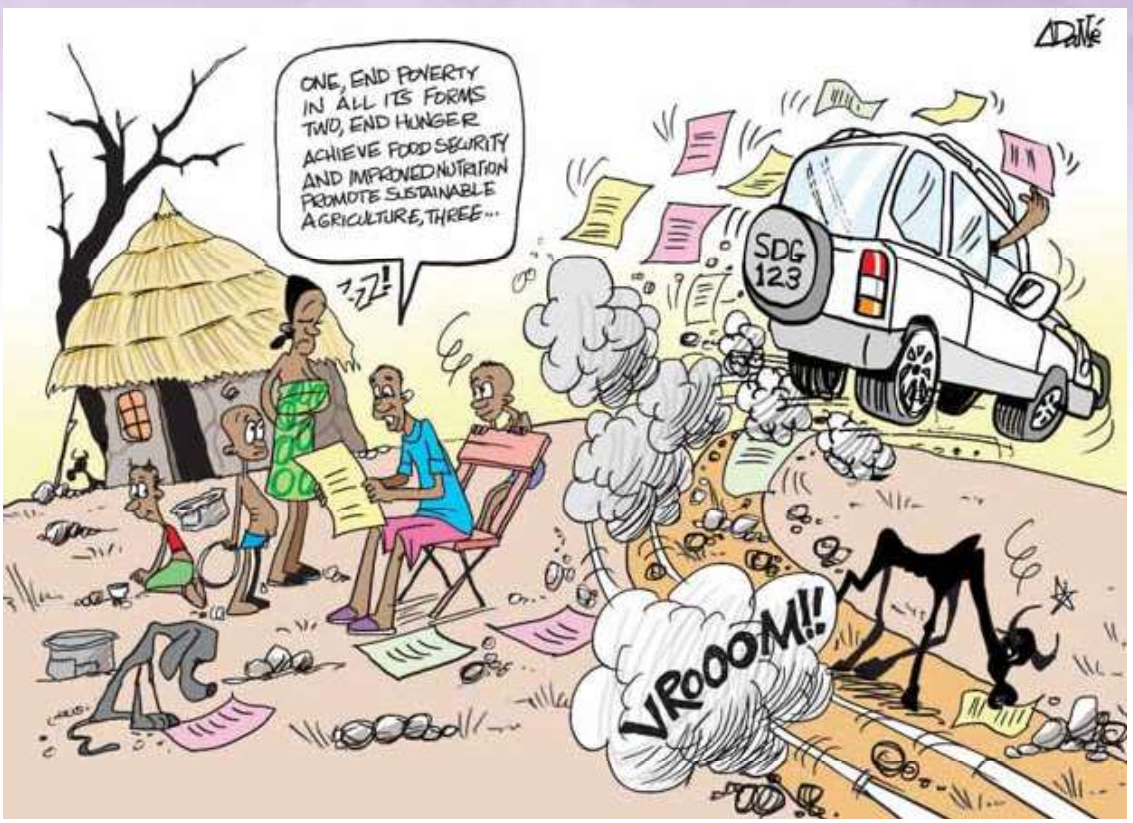
778 Josh Feng 2015. 'How Successful Were the Millennium Development Goals? A Final Report' July 28: https://www.newsecuritybeat.org/2015/07/successful-millennium-development-goals-final-report/

779 https://www.newsecuritybeat.org/2015/07/successful-millennium-development-goals-final-report/

780 Though critics still see the domination of the 'global north' in the process, with little input, for example, from China, by any standard one of the major global players. James Wan 2015. 'Coaxing the dragon: Why China should join the great aid debate', Citizen, 1 April.

781 file:///C:/Users/user/Documents/TGR%202015/TGR%202015/CHAPTER%208/Sustainable%20development%20goals_%20all%20you%20need%20to%20know%20_%20The%20Guardian.html



Framing global development in terms of MDGs and now SDGs can be seen as a dimension of globalisation, uniting international and national elites in an apparent 'joint venture', a non-conflictual, rather technocratic project. Global elites including the UN, multilateral and bilateral development agencies, the G8 or G20, and many INGOs gain credibility and a stronger sense of mission and unity by embracing the SDGs. In August, UN Resident Coordinator Alvaro Rodriguez said one of the four 'key issues' guiding cooperation with the GoT was the 'Sustainable Development Goals to guide development activities for the next 15 years…'[782] Mobilising huge amounts of financial and human resources to implement the SDGs constitutes material incentives to embrace the venture. Ruling elites in poor countries, where much of the action to achieve the SDGs will be concentrated, are not threatened by the SDG project, and look forward to substantial external resources to pursue jointly agreed objectives.

8.5 Conclusion

The proponents of the SDGs criticise the MDGs for being too narrow. The MDG's 'failed to consider the root causes of poverty and overlooked gender inequality as well as the holistic nature of development.'[783] This may well be the case, but if true, it is unlikely that the solution to poverty, inequality and underdevelopment can be crafted through a global initiative that has to be implemented by national governments in countries lacking the basic prerequisites for effective collective action. Where mistrust and superstition are pervasive, and recourse to repression and violence are the normal way of solving social problems, there is little likelihood that the SDGs or any other externally derived policies, however well-intentioned, will be able to address the most urgent problems facing communities, countries, or—in the case of Africa—entire continents. Whether the SDGs get to the 'root causes' of poverty, which inhere in societal systems that are more or less extractive or inclusive, also remains to be seen.[784]

782 Patty Magubira 2015. ;Govt defends policies despite low rating in human progress', Citizen, 27 August.

783 The Guardian 2015. 'Sustainable development goals: all you need to know'. file:///C:/Users/user/Documents/TGR%202015/TGR%202015/CHAPTER%208/Sustainable%20development%20goals_%20all%20you%20need%20to%20know%20_%20The%20Guardian.html

784 Daron Acemogu and James Robinson http://whynationsfail.com/blog/?currentPage=4

Chapter 9: From Kikwete to Magufuli--break with the past or more of the same?

9.1 Introduction

'The nation is like a lorry stuck in the mud and the only way to salvage it is to bring a heavy duty tractor to pull it out. This nation needs a leader who will take it to the next level.'[785]

'[Magufuli] represents, above everything else, CCM. He is a creation of the party. … That means he will make sure that his friends and even his foes within the party are protected and their interests served.'[786]

This chapter summarises some of the main events during President Magufuli's first year in power. Magufuli describes his mission as '*kutumbua majipu'* (to burst the boils) that threaten the health of Tanzania's body politic. His other campaign slogan was *Hapa kazi tu!,* a call to hard work and discipline and, as he quickly demonstrated, a distaste for post-election party politics and political debate. Magufuli's key policy concerns are tackling official waste and corruption, enhancing tax compliance, and creating large numbers of jobs through industrialisation. This chapter focuses on corruption and transparent government, issues at the centre of this and previous TGRs. Section 9.5 looks briefly at Magufuli's industrialisation policies.

9.2 A break with the past or more of the same?

President Magufuli said: "…after you cut a snake's head, it keeps lashing its tail. You may think it hasn't died but it has." He said: "Where are those [opposition] parties? They are dead."[787]

On becoming Tanzania's fifth post-independence President in October 2015, John Pombe Magufuli (JPM, nicknamed 'the bulldozer') wasted no time in attacking tax-evasion by big business and waste, corruption and laxity in government, earning him plaudits both at home and abroad. In short order, he dismissed numerous senior officials in central and local government and state corporations for suspected corruption or poor performance, removed thousands of ghost workers from the government payroll, slashed unnecessary spending on out-of-office meetings, foreign travel, and official functions, increased tax compliance, and declared war on corruption and waste in the ruling party.[788]

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785 Editorial 2015. 'We need a leader not a mere politician', Guardian, 30 May. The editorial continues: 'Gone are the days when presidential candidates are nominated on the basis of their looks, financial status or friendship because these are the factors that cost this nation.'

786 Richard Mngazija 2015. 'Minister of Works or Minister of Words? Let' see who the genuine John Magufuli is ', Guardian, 4 September.

787 Zitto Kabwe 2016. 'Will the real Opposition emerge under Magufuli's presidency?' Citizen on Sunday, August 7.

788 Polycarp Machira 2016. 'JPM now to cleanse CCM', Guardian on Sunday, Dar es Salaam, 24 July. JPM declared that JK 'was not personally corrupt, otherwise he (JPM) could not have acceded to the presidency.

Box 9.1 lists his most dramatic actions immediately after coming to power. **Appendix 9.1** presents a longer list of presidential actions to mid-2016.

Box 9.1: JPM hits the ground running

From 15 November to 7 December 2015 President Magufuli:

- Visited the **Treasury** on foot, unannounced, on his first day at work, condemned laziness and declared war on tax exemptions;
- Helped clear rubbish from around **State House** to emphasise civic responsibility;
- Fired the head of **Tanzania Revenue Authority** and suspended numerous **TRA** officials;
- Made public a scam involving **non-payment of import duties** on over **300 containers**;
- Ordered **tax evaders** to pay up or face prosecution;
- Declared the **national day** (December 9) would not be a public holiday;
- Slashed funds for an **official cocktail** and celebration of **AIDS day**; directing that the savings generated be used for **hospitals** and **ARV drugs**;
- Barred all but top officials from **travelling abroad first-class**;
- Reduced an **official delegation** to an EU meeting from **50 to 5** members.

Sources: various, including www.mtega.com blog.

These measures were not a response to popular demands, civic activism or media advocacy. Indeed, far from responding to the popular will, Magufuli quickly developed a reputation for authoritarianism and a distaste for party politics or critical commentary from opposition parties, the press or civil society. In one sense, this was more an intensification of the policies of the late Kikwete presidency than a break with the past. In quick order, he declared competitive politics 'unnecessary' and counterproductive until the next elections (2020) and banned all political rallies outside MPs' constituencies. Opposition leaders complain of a systematic clampdown.[789] Live coverage of parliament was discontinued in January 2016.[790] Newspapers and local radio stations were banned for alleged sedition, and Facebook users were arrested for the same offence. In addition, the selection of parliamentary committee members was criticised by opposition politicians on the grounds that successful and experienced committee members, including Zitto Kabwe, former chair of the Public Accounts Committee, had been allocated minor roles, leaving the most important committees in 'safe hands.' [791] The government abandoned the tradition of appointing opposition MPs to chair important committees.[792]

JPM's government has enforced the information and cybercrimes acts, discussed in **Chapter 5**. More than ten bloggers and *Facebook* users have been arrested for expressing 'treasonable' views or insulting the President.[793] In late 2016, media stakeholders urged the President not to sign the proposed Media Services Bill which, they said, threatens to further limit access to information, press

789 Joseph Kithama 2016. 'Now Tanzania gagging the opposition both inside and outside the parliament', East African, 18 June; Ndimara Tegambwage 2016. 'This is political asphyxiation. Period', Citizen, 20 June.

790 Reporter 2016. 'Chaos rocks Bunge as govt cuts live coverage', Citizen, 28 January.

791 Athuman Mtulya and Peter Nyanje 2016. 'Ukawa up in arms over selection of Bunge committees', Citizen, 22 January.

792 Christopher Majaliwa 2016. 'Speaker names members of 18 Bunge standing committees', Daily News, 22 January. By March 2016, a number of committee members were being investigated for taking bribes to endorse ministerial budgets: Florence Mugarula 2016. 'Ndugai's wayward MPs', Citizen, 26 March; Rosina John 2016. '3 MPs arraigned over Sh30m bribe request', Citizen, 1 April.

793 www.opennetafrica.org/blogger-arrested-for-publishing-presidents-images/.

and private freedoms. Twaweza's chief executive Aidan Eyakuze listed the defects of the proposed Bill as follows:

1. It 'gives the government powerful means to control individual journalists. .. it introduces a requirement that all journalists must obtain accreditation, through a process managed by a Board that is entirely appointed by a Minister';
2. It 'requires that the print media be licensed, and gives the government full control over the licensing process';
3. It 'establishes heavy restrictions on media operations, including a requirement that private media broadcast or publish news as directed by the government and limits on the editorial independence of public media'; and
4. 'The sections of the bill that deal with defamation and sedition go well beyond what is considered normal in a democracy such as the one we are working hard to build in Tanzania.'[794]

Not surprisingly, opposition parties describe JPM's governance style as 'authoritarian'. But it is in keeping with the clamp-down on parliamentary freedoms described in both this and the previous TGRs. JPM's government has shown its antipathy to opposition politics at both national and local levels. There are stories of virtual 'direct rule' by Regional and District Commissioners in opposition run councils. Many new District Development Directors are said to have been recruited from among CCM cadres and 'operatives'. Both CCM and opposition MPs have complained about their 'incompetence' and the powers usurped by the new DCs and RCs, many of whom are retired army officers.[795]

9.3 JPM and anti-corruption

'Changing heads alone means that the President is more interested in perfecting the existing system than overhauling it.'[796]

'Ultimately, it is unclear how Magufuli—or anyone else—could do away with the entrenched cronyism that has come to characterize CCM.'[797]

JPM sees corruption as a matter of personal shortcomings rather than a systemic institutional problem. His solution is to replace 'corrupt' with 'honest' officials. He has taken a selective approach to fighting corruption. Impatient with due process, the President and Prime Minister Kassim Majaliwa have issued many decrees, not all of which are congruent with official policy, spending priorities, or due process.[798] Though suspicious of the integrity of the courts, [799] JPM still relied on the PCCB to investigate and prosecute grand corruption cases. In December 2015, JPM dismisses Dr Edward Hosea, the Director General of the Bureau, ostensibly for ignoring corruption in the port and the TRA mentioned in **Box 8.1,** and discussed in **Chapter 2**. His removal was supposed to clear the way for PCCB to bring some major corruption cases to court.[800] One such might have been Escrow/IPTL.

As discussed in this report and in TGR2014, Escrow/IPTL, was thoroughly investigated by PCCB but no charges were brought against the principals involved. Prior to the 2015 elections, President Magufuli complained bitterly about the cost of procuring power from private producers, vowing to

794 http://www.twaweza.org/go/media-service-bill-analysis-2016.

795 Athuman Mtulya 2016. 'Lawmakers criticise 'incompetent' DEDs', Citizen, Dar es Salaam, 11 November.

796 Zitto Kabwe 2016. 'Will the real Opposition emerge under Magufuli's presidency?' Citizen on Sunday, August 7.

797 Michaela Collord 2016. 'Tanzania – President Magufuli's first months in office', http://presidential-power.com/?p=4642. Sunday News reporter 2015. 'Minor cabinet reshuffle brings in two new faces', Daily News, 25 January.

798 Economist 2016. 'Tanzania: Government by gesture, A president who looks good but governs impulsively, 28 May

799 Henry Mwangonde and Janeth Mesomapya 2016. 'JPM attacks Judiciary over anti-graft war', Citizen, 5 February.

800 PCCB prosecutes very few large corruption cases and loses most of the cases it initiates, including the small ones, which are the majority. See www.policyforum.or.tz for details.

put an end to corrupt *Public Private Partnerships* (PPP). When asked in mid-2016 why the IPTL case was not being prosecuted, Hosea's replacement, Valentino Mlowola, said the case was 'still active.'[801] If Magufuli wanted to make an example of IPTL he could have simply ordered Mlowola to bring charges immediately. But, as pointed out at length in these pages, the Kikwete government was heavily implicated in the escrow scam, as were other 'untouchables' include Andrew Chenge, one of IPTL's key supporters for two decades, and Mr James Rugemalira, who owned the minority 30 percent of the IPTL power plant.[802] Chenge is widely seen as the architect of the move to reject the draft Constitution prepared by Joseph Warioba's Constitutional Review Commission.[803] Chenge's appointment as Chairman of parliament's *Constitutional Affairs and Justice Committee* led one observer to complain that Chenge's 'ascent to the important committee kills the last hope I had that CCM would listen to the voice of reason and give us an all-inclusive constitution.'[804]

One of the heads that rolled as a result of the investigation of IPTL/Escrow by the Public Accounts Committee in 2014 was that of Professor Sospeter Muhongo, Kikwete's Minister of Energy and Minerals. Magufuli's reappointment of Muhongo to the same Ministry in December 2015 sent out the message that is was 'business as usual' in the power sector, and IPTL, under its new owner Harbinder Singh Sethi continues to supply overpriced electricity to power utility Tanesco, despite Magufuli's strictures on the subject. Other examples could be cited that suggest a selective approach to corruption control. For example, while numerous heads of MDAs have rolled, one that didn't is that of Dr Ramadani Dau, chief executive of the NSSF, who was promoted to the diplomatic corps, while a dozen of his underlings were arrested for assumed corruption. Some of the aberrant investments pursued by NSSF under Dr Dau are described in **Chapter 4.**

To deal with the rapidly growing number of corruption cases, the government has set up the *Economic, Corruption and Organised Crime Court* (ECOCC), which began operations in September.[805]. Time will tell whether the ECOCC has more teeth than Tanzania's existing courts.

9.4 Popular and CSO support in 'fighting corruption'

The Tanzanian voter is generally characterised as a potential ally in the fight against corruption. Certainly, polls suggest that JPM's anti-waste and graft project has really impressed many people, after years of poor governance. Still, Tanzanians are ambiguous about 'fighting corruption', as pointed out in **Chapter 1** in connection with the Lowassa defection to CHADEMA. There is a widespread popular view that a politician or official who fails to 'eat' when the opportunity arises (or is created) is 'a fool, who will die poor after retirement for failing to abuse his or her public office.'[806] In a recent survey, Tanzanians aged 18-35 were asked whether they would be prepared to give or take a bribe: 44% said they would; 58% agreed that 'It doesn't matter how you make money as long as you don't end up in jail'; and 39% said they would only vote for a candidate who bribed them. Finally, three-quarters said that they were 'afraid to stand up for what is right for fear of retribution.'[807]

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801 Donor representative, personal communication, June 2016.

802 In late 2014, Mr Rugemalira received US$70m (in local currency) for his company's 30 percent share in IPTL. See: http://www.policyforum-tz.org/sites/default/files/TGR2014OnlineVersion.pdf for details.

803 See Tanzania Governance Review 2014, Policy Forum, July 2016; Saumu Jumanne 2016. 'New Parliament, taking the nation for a ride', Citizen, 31 January.

804 Saumu Jumanne 2016. 'New Parliament, taking the nation for a ride', Citizen, 31 January.

805 http://allafrica.com/stories/201609080140.html

806 Mwassa Jingi 2016. 'Setting leadership integrity pace', Citizen, 24 January.

807 Aga Khan University 2016. 'The Tanzania Youth Survey Report' October. Only a third of 18-35 year olds (34%) thought it was important to pay taxes.

Though numerous NGOs have a mandate to promote transparent and accountable government, Tanzanian civil society has generally not (with a few notable exceptions) played a major role in fighting corruption. The Legal and Human Rights Centre (LHRC) has consistently challenged JPM's governance practices, but there has not been a popular mobilisation of support for his anti-corruption policies or against his human rights record.

In sum, while polls suggest that Tanzanians are highly supportive of Magufuli's policies to date, it is unlikely that the war on corruption will assure continued mass popular support in the absence of more material benefits to ordinary people. [808]

9.5 JPM, business and industrialisation

"What is not strongly evident is whether the policy makers have the necessary knowledge, skills, tools and passion to deeply analyse challenges of industrialisation in a highly globalised trade framework."[809]

Revenue collection soared in the second half of last year to 7.27 trillion/-, up from 6.44 trillion/- in the corresponding period of the previous year. TRA Director of Taxpayers' Education, Mr Richard Kayombo, told reporters in Dar es Salaam that the increase was equivalent to 12.74 per cent. He said December posted a record high collection of TShs1.414 trillion.[810]

President Magufuli's government prioritises infrastructural development and industrialisation. A major issue is lack of clarity on the respective roles of public and private sectors. The Minister of Finance launched the TShs 107trillion (US$50billion) *Second Five Year Development Plan* (2016-2012) in June 2016.[811] The plan's investment priorities include the Mchuchuma coal mine and Liganga iron ore project, the Standard Gauge Railway (SGR), and revival of ATCL.[812] Detailed audits of the organisations tasked to implement these projects, including the *National Development Corporation* (NDC) and *Reli Assets Holding Company* (RAHCO), revealed that they 'are beset by either bad performance or poor financial arrangements.'[813] Even if they were not, the three priorities listed are high-risk.[814] ATCL had accumulated debts of TShs140-180bn by the end of 2014.[815]

Critics see industrial development objectives as overambitious and interventions uncoordinated. According to Professor Samwel Wangwe: 'Integration of all these policies in a common national framework has not been adequately ensured.'[816] There is little or no attempt to learn from past mistakes. In July 2016, Chinese academic Huang Yupei stated bluntly: "What is not strongly evident is whether the policy makers have the necessary knowledge, skills, tools and passion to deeply analyse challenges of industrialisation in a highly globalised trade framework."[817]

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808 A recent Twaweza poll revealed that 58% of respondents did not consider Magufuli a dictator, while 60% supported the ban on political rallies. See: http://twaweza.org/uploads/files/DemonstrationsFinal-EN-web.pdf.

809 Daniel Semberya 2016. 'Academicians brainstorm on opportunities, challenges of industrialisation in Tanzania', Guardian, 22 July. The venue was the Sino-Tanzanian Industrial Capacity Cooperation Seminar held at UDSM.

810 Maureen Odunga 2017. 'TRA Feat As Collection Soars', Daily News, 18 January.

811 Honest Ngowi 2016. 'Unpacking Tanzania's industrial development: Context, challenges and policy implications', Citizen, 3 May; Polycarp Machira 2016. 'State launches 107 trillion/- five-year blueprint to boost industrialisation', Guardian, 8 June.The Plan is the most recent of a number of industrial and development blueprints, including the Vision 2025 and the Sustainable Industrial Development Programme (2010-20), and CCM's election manifesto, which envisages 40 percent of total formal employment in the industrial sector by 2020.

812 Citizen Reporter 2015. 'Rail, port projects to get special attention', Citizen, 12 June.

813 National Audit Office 2016. 'Pubic authorities and other bodies annual general report', Athuman Mtulya 2016. '3 key projects in suspense: CAG', Citizen, 28 April; Alawi Masare 2016. 'Revamping ATCL afoot: state', Citizen, 13 May.

814 There is currently a global oversupply of coal, iron and steel, largely as a result of Chinese expansion of these industries. See: All Africa 2015 'Tanzania: Mchuchuma Coal Mine for Takeoff' www.allafrica.com/stories/201505271640.html, May 27.

815 Hilda Mhagama 2015. '133bn/- ATCL debt on state pay plan', Daily News, 1 September.

816 Reporter 2016. 'Industrial policy execution TZ's big challenge', Citizen, 4 May, citing 'Tanzania Industrialisation Report' by Professor Samwel Wangwe.

817 Daniel Semberya 2016. 'Academicians brainstorm on opportunities, challenges of industrialisation in Tanzania', Guardian, 22 July. The venue was the Sino-Tanzanian Industrial Capacity Cooperation Seminar held at UDSM.

A major complaint of local industry stakeholders is the lack of 'constructive conversation' between the government and the private sector. In April 2016, the Minister of Energy and Minerals. Professor Sosper Muhongo, 'snubbed' a stakeholders' meeting organised by the *Uongozi Institute*.[818] Chairman of the *Tanzania Chamber of Energy and Minerals*, Amb. Ami Mpungwe, criticised the government's 'fixation' on taxing the sector rather than facilitating further exploration and mining, complaining that populist politics branded mining companies as 'cheats and sell-outs.' [819] In relation to the 2016-17 Finance Bill, PwC Senior Partner David Tarimo expressed 'shock' at the 'very fundamental changes to the tax system both administrative and technical' proposed in the bill, that 'have not been the subject of proper dialogue or consultation with stakeholders.' [820] An article in *the Economist* in June 2016 opined that Magufuli 'seems to be making it tougher to invest in a country that already performs dismally in the World Bank's Ease of Doing Business Index, where it is ranked 139th out of 189.' In response, a TIC spokesperson claimed that investor confidence had increased under Magufuli as a result of "attractive laws, peace, stability, … friendly policies [and] conducive investment environment."[821] In a survey in May 2016, Tanzanian entrepreneurs declared they were less optimistic about their business prospects than in the last four years.[822]

Industrialisation policy needs to target both local and external markets, but given Tanzania's poor business enabling environment, infrastructure deficits, and low levels of human capital, the number of competitive exports is likely to be limited.[823] Even without the cartels and monopolies promoting trade over local production (**Chapter 4**), the country would still face major problems regarding realistic policy-making, coordination and implementation.[824] The notion that the state can build and run industries effectively when past experience points to the contrary still pervades government thinking. Critics argue that renationalising factories that have failed under private ownership in order to run them as state enterprises reveals outdated 'socialist' thinking.[825]

JPM has expressed his dislike of companies that practice state capture and tax evasion. One of his first moves was to trace more than 300 containers to inland depots that had been cleared at Dar es Salaam port without paying duty. One of the depots and some of the containers belonged to Said Bakhresa, founder of the Azam group of companies, who also had a consignment of sugar impounded. JPM's stand-off with Bakhresa was resolved in October, when the President opened a fruit canning factory near Dar es Salaam. Bakhresa consignment of sugar was also released, and JPM promised to avail him of land to set up a large sugar estate.[826]

Though the new regime hopes to create many new jobs in manufacturing, the short-term effect of tightening up of tax collection and public finance has had the opposite effect, with reports of declining business activity in sector after sector.[827] Whether this is a short-term effect of fiscal austerity or heralds a longer-term economic crisis remains to be seen. Fiscal issues apart, the Magufuli approach to industrialisation—favouring state over private enterprise, reluctance to engage with business umbrellas, treating major investors as thieves, cherry-picking companies for favoured treatment—augurs badly for Tanzania's industrialisation prospects.

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818 Reporter 2016. 'Mineral stakeholders' meeting flops', Daily News, 15 April.

819 Felister Peter 2016. 'Ami Mpungwe: How Tanzania's mining sector went from boom to gloom', Guardian, 12 April.

820 David Tarimo 2016. 'Budget highlights need for a different tax policy making process', Citizen, 16 June; Ludger Kasumuni 2016. 'CEOs: Govt left us out in the cold over Finance Bill', Citizen, 14 July.

821 Elliot Kratt 2016. 'President Magufuli: Tanzania's Robin Hood', Guardian, 14 June. The spokesperson was the Public Relations Manager Daudi Riganda.

822 Banker Reporter 2016. 'Business confidence at lowest ebb in four years;, Guardian, 5 May.

823 Dennis Rweyemamu 2016. 'Industrialisation: New commitment amidst challenges', Citizen, 3 May.

824 Ideological policy drivers are discussed in Brian Cooksey 2016. 'Tanzania and the East African Community: A comparative political economy', ECDPM, Discussion paper 186, May, http://www.ecdpm.org/dp186

825 Nimi Mweta 2016. 'Government goes for Utopian industrialisation', Guardian, 14 May.

826 http://expogr.com/detail_news.php?newsid=3914&pageid=2.

827 Felister Peter 2017. 'Crdit squeeze takes a toll on key sector of economy', Guardian, 27 February.

9.6 'Development partners' and China

"They will come with a lot of words, such as democracy. Do they even have democracy in their own countries? Our democracy is enough, let's defend it and live peacefully."[828]

In questioning western agencies relevance to Tanzanian development, JPM is picking up where his predecessor left off. Following on from the above quote, JPM claimed that unnamed "imperialists" are 'seeking to destabilise Tanzania in the name of democracy … to gain control of the country's mineral and gas wealth', insinuating that opposition parties were being financed by 'foreign powers'.[829]

The traditional multilateral and bilateral donors are hamstrung when it comes to engaging with what they see as the authoritarian JPM approach to fighting corruption and waste. Still heavily influenced by the proposition that democracy equals development, many 'development partners' continue to finance programmes and projects designed to enhance transparent and accountable government
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While the influence of established donors on policy has declined significantly since the beginning of this century, the influence of China as a major trade and 'development partner' has increased. Unlike OECD donors, the Chinese government does not tie aid to concerns with human rights or 'good governance'. JPM recently signed off on a US$7.6bn soft loan to build the Standard Gauge Railway discussed in **Chapter 7** to replace the existing Central Line. This and other Chinese-initiated mega-projects bypass public procurement laws and regulations and parliamentary perusal. The SGR is arguably a highly speculative investment with much cheaper alternatives.

9.7 Conclusions

'Tanzania is now approaching a situation where the democracy we know, especially the expansive openness of the fourth phase government, is about to end. A measure of tyranny is set to begin…for the government to retrieve its governing power reminiscent of the first phase of Mwalimu Nyerere.'[830]

828 Reporters 2016. 'Magufuli warns of plot to destabilize Tanzania', Guardian, 8 August.

829 Reporters 2016, op. cit. 'Opposition leaders … denied they were being used by foreign powers to cause trouble in the country.'

830 Nimi Mweta 2015. 'State and parliament anti-corruption war bogus', Guardian, 7 February.

What some see as the new regime's apparent resort to authoritarianism is in fact arguably the continuation of a recent trend to unwind governance gains achieved during the Kikwete administration that had allowed parliament *inter alia* to address the 'Escrow' scandal and for the Constitutional Reform Commission to produce a new draft constitution with stronger controls of executive power. After the Escrow debacle in 2014, conservative elements within CCM decided that open government had gone far enough, and took steps to reinforce executive power at the expense of parliament. Among other negative moves, the 2016-17 budget saw a 50 percent cut in the budget of the Controller and Auditor General (CAG), whose reports were frequently used by parliamentary committees, especially the PAC, to make life uncomfortable for certain senior officials.[831] The repressive legislation commented on in **Chapters 1** and **5** has confirmed its critics' worst fears that it would be used to clamp down on public debate and legitimate commentary on public affairs.

In discounting institutional accountability, Magufuli can be seen as part of an underlying trend to shore up the ruling elite against its opponents, including the political opposition, and the traditional and social media. This critical conclusion should not detract from his very real achievements in attacking corruption and waste in government, though here too there are signs that his approach has been selective. Throughout the decade covered by the TGR series, IPTL has been fleecing Tanzanian electricity consumers with the protection of the ruling elite, and continues to do so under Phase 5.

Critics of multiparty politics in Africa sometimes propose the alternative of a benign dictator following the Nyerere or, more recently, the Kagame model. It is arguably the case that multipartism has failed in Tanzania from the point of view of ushering in an era of more accountable and less corrupt governance, and there is no question that the authoritarian regime of Paul Kagame has seen substantial progress in social development in Rwanda in the absence of democratic checks and balances (see **Chapter 8** for examples). Whether Magufuli's brand of economic nationalism and authoritarian governance can succeed where the Nyerere version failed remains to be seen.

To answer the question posed in the title of this edition of TGR, JPM has brought a breath of fresh air to Tanzanian governance by confronting waste, tax evasion and corruption in government. In this sense, he is a welcome break with the past, and certainly a better presidential option than the main alternative (Lowassa). We can at least thank JK for saving the country from that fate, though millions of Tanzanians would disagree. But JPM has not shaken the 'political settlement' to its core, and it is difficult to see how he could have without committing political suicide. Moreover, his economic policies threaten to alienate sections of the business community, including some foreign investors, groups he needs to keep on-side if his industrialisation programme is to bear fruit.

831 Athuman Mtulya 2016. 'Concern as CAG office budget slashed by half', Citizen, 31 May.

Appendix 9.1: Magufuli's main initiatives, November 2015-June 2016[832]

Between November 2015 and June 2016, President Magufuli took the following initiatives.

- Issued a 7-day ultimatum to businessmen who have evaded tax, to pay up or risk arrest and court charges – "pay now so that we can leave you in peace";
- Ordered police to lock up 20 state employees who turned up late for a meeting in Dar es Salaam;
- Made surprise visits to ministries and hospitals, and fired several civil servants after finding citizens waiting for assistance being unattended to;
- Reduced the budget allocation for a government cocktail party by 90% because "it makes no sense to have an expensive party when patients are sleeping on the floor in government hospitals";
- Banned unnecessary foreign trips by government officials;
- Dismissed several top government officials including the Director of Prevention and Combating of Corruption Bureau because of inefficiency, plus four other senior officials for defying the government's ban on foreign travel as part of the new austerity measures;
- Dismissed the Head of the Tanzanian Port's Authority and the top official in the Ministry of Transport over allegations of corruption and tax evasion;
- Ordered an official delegation to the recent Commonwealth conference to be reduced in size from 55 officials to just 4; this has come as a shock to many government officials who have often used foreign trips as a means of subsidising their incomes;
- On the day of the inauguration of the new parliament, cut the cost of the reception from some $350,000 to $10,000; the money saved, some of which was probably contributed by individuals and/or institutions was to be sent to the National Hospital in Dar es Salaam;
- Arrested illegal immigrants from different countries for allegedly working without work permits and engaging in work that could be done by Tanzanians: 25 of these were Chinese, 5 Congolese, 3 Ghanaians, 3 Nigerians, 3 Somalis and 1 from the Ivory Coast; two Tanzanians were arrested while they were allegedly in the process of transporting 6 girls to the Middle East;
- Planned a special court to fast-track the prosecution of those accused of corruption;
- Warmly welcomed the President of the Socialist Republic of Vietnam, Comrade Truong Tan Sang on a four-day state visit to Tanzania;
- On arrival at a regular meeting of the EAC Heads of State, questioned the rationale of holding such meetings at exclusive resorts when there were offices in each of the member countries; "I do not want to be a parasite" and added that he would be as 'hands-on' in the affairs of the EAC as he had been with Tanzanian public affairs; he added: " there is no justification for the summit to be held at a luxurious Safari Lodge at a cost of $45 for each delegate per-day; during the meeting he brought what was described as 'rare urgency' to the proceedings; he was not he said a 'protocol person' and he hoped that the EAC heads of state would make hard decisions rather quickly;

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832 From Ben Taylor, RVI / UNICEF Tanzania Induction Course, 20-22 June, 2016

- Arranged to get rid of 1,680 ghost workers;
- Assured residents of Mwanza and Kagera regions that his government would purchase a new ship to operate between the two ports in the next financial year in accordance with his election pledge;
- Directed the staff of the government newspapers “the Daily News” and “Habari Leo” to emphasise the various measures he was advocating and become leaders in the fight against networks connecting local and international drug dealers; “Those who have too much wealth must explain their sources,” he added;
- Made it clear that he would deal with ethical failings by ministers through the ethics secretaries in his office;
- Arranged for the Permanent Secretary in the Ministry of Education, Science and Technology to oversee the printing of two million new authorised text-books in view of the poor quality of existing books; and to direct the publisher to remove the books from the government warehouse under government supervision; the ministry should ensure that the copies are destroyed and not sold on the market;
- Took steps to revoke the establishment of the Arusha campus of the St. Joseph University in Tanzania;
- During the inauguration of a new 240 megawatt electric power plant project, instructed TANESCO to come up with constructive ideas on how businesses could set up their own electricity plants and stop paying for expensive private plants; he said that there had to be a point when the country could produce its own reliable electricity and be able to sell the surplus to other countries; “experts or consultants who advise us to hire power plants instead of buying our own are not fit for the job and their employment should be terminated”; The President thanked Japan, the World Bank, the African Development Bank and other development partners for their help;
- During his swearing in ceremony gave authorities 15 days to eliminate ghost workers. He said that the youth in the country should work instead of playing games, such as pool, during the day, while leaving adults to work on the land;
- Appointed Mr Hamza Johari as the new Director General of the Tanzanian Civil Aviation Authority (TCAA); the previous holder of the post had been suspended for massive financial and procurement irregularities;
- Condemned the killing of a British conservationist after his helicopter was shot down while he was chasing suspected poachers in the Maswa Game Reserve;
- At the opening of a new Police Station at Tengeru near Arusha it was announced that no more firearm licences would be issued until all existing licences had been checked;
- The Minister of State in the President’s Office directed ministries to open registers in which public officials will declare all gifts of a value exceeding 50,000 Shillings ($23) they receive; the Commissioner of the Ethics Secretariat commented that, although the law was specific on the matter, he had not come across any gift declaration by any civil servant.

Appendix 1: Fallout over the Escrow scandal, 2015

'A dollar of money from grand corruption is a direct diversion of resources from the public purse, and causes many more dollars of damage through undermining public institutions and providing a slush fund for maintaining political power.'[833]

Here we update the Escrow/IPTL story that dominated the news during much of 2014 and the beginning of 2015.[834] Investigations undertaken by newspapers, the Controller and Auditor General (CAG), the Attorney General, Prevention and Combating of Corruption Bureau (PCCB), private banks, lawyers, auditors and other agencies established beyond reasonable doubt that Harbinder Singh Sethi's claim to own IPTL, having purchased both the majority partner's shares (70%) in Malaysia and minority shares from VIP Engineering (30%), a company owned by Mr James Rugemalira, is challenged by damning evidence of fraud, forgery and bribery throughout the acquisition process.[835] Second, it follows that the transfer of the contents of the Tegeta Escrow Account money to IPTL's new owner in late 2013 was irregular, reflecting corruption and collusion between the main parties to the scam.

Below is a summary of the main events in the aftermath of the failure of the Kikwete government to resolve IPTL in the private interest, as reported in the local press.

Table 1.1.1: IPTL/Escrow timeline, January-December 2015

January		Source
2	Bishop Eusebius Nzigilwa claims cash from VIP Engineering and Marketing was an offering for the church he leads.	Citizen Reporter. 'Bishop: This is why I took escrow money', *Citizen*
3	Professor Chris Maina Peter claims that it is the constitutional responsibility of the head of state to initiate a probe into the conduct of judges implicated in the Escrow/IPTL affair.	Citizen Reporter. 'JK move on escrow judges unconstitutional: lawyers', *Citizen*
3	Rugemalira says far less money was involved in escrow account scandal than had been made public.	Christopher Kidanka. 'Tanzania's PAC used escrow account scandal to settle scores – Rugemalira', *East African*
4	Author discusses Barack Obama's visit to Ubungo and IPTL and escrow account scandal.	Chambi Chachage. 'How smell of corruption has led donors to withhold govt funding', *Citizen*
4	VIP Engineering and Marketing Limited owner Rugemalira refutes claims that he filed a case at the High Court demanding 398bn/- from govt.	Reporter. 'VIP Engineering denies filing case against government', *Sunday News*
4		Nkwazi Mhango. 'Does hunk belong to IPTL too?', *Guardian*
4	Chadema calls for more and drastic actions on parliamentary resolutions on the Tegeta Escrow Account (TEA) scandal.	Aidan Mhando. 'Muhongo under pressure. Chadema calls for more and drastic actions on Parliament resolutions', *Citizen*
5	IPTL claims that overhaul of machinery at IPTL enables firm to reduce power tariff by 20%.	Reporter. 'Engine overhaul makes IPTL cut power tariff', *Daily News*
7		Reporter. 'AG files eight grounds against IPTL petition over Escrow', *Daily News*
8	Seven senior TRA officials suspended for failing to collect tax on escrow money.	Ludger Kasumuni. '7 suspended at TRA in escrow tax probe', *Citizen*.
10	IMF claims it was critical to address the TEA scandal for: a.) the business environment and b.) to "unlock" donor assistance.	Reporter. 'IMF counsels state on Escrow saga', *Daily News*
11	"The MCC board noted that Tanzania has experienced a significant decline over the past seven years on key indicator measuring efforts to control corruption".	Chambi Chachage. 'What's the hidden agenda in IPTL?', *Citizen*
11	This is a full transcript of the ICSID ruling that found in favour of TANESCO in its claim that IPTL inflated its investment costs and proposed capacity charges..	Guardian Respondent. 'What ICSID said in its ruling in 2001 between TANESCO and IPTL', *Guardian*

833 Maya Forstater 2016. 'Illicit Flows and Trade Misinvoicing: Are we looking under the wrong lamppost?', CMI Insight, No. 5, November.

834 http://www.policyforum-tz.org/sites/default/files/TGR2014OnlineVersion.pdf

835 VIP Engineering and Marketing was originally an investment company established by Asian Tanzanians. Mr Rugemalira became a director and in-charge of the IPT portfolio. There are no records that he 'owns' VIP, as claimed in the press. According to one company register: 'VIP Engineering and Marketing Ltd. does not have any Key Executives recorded.''VIP Engineering and Marketing Ltd. provides power generation services…' http://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=20933604.

12	Mr John Mnyika set to add fuel to the escrow fire when Parliament reconvenes.	Salim Shao and Athuman Mtulya.'Escrow nightmare not over for PM, Muhongo', *Citizen*
13	Local law firm advised Tanesco to dispute payments of capacity charges to IPTL, leading to the establishment of TEA..	Reporter. 'AG confirms Mkono firm's advice on Escrow', *Daily News*
13		John Kulekana. 'When donors keep shifting goal posts in unlocking aid!', *Daily News*
15	Rugonzibwa Theophil Mujunangoma and Theophillo John Bwakea charged with corrupt transactions.	FaustineKapama. 'Two arraigned over Escrow scam', *DailyNews*
15	Nape Nnauye said CCM was not happy with the involvement of its senior members in the scandal, insisting that they are backing the parliament's resolutions.	Reporter. 'CCM: We'll discipline those involved in IPTL scam', *Guardian*
15	Central Committee of CCM stresses the need for the government and all concerned authorities to implement all resolutions passed by Parliament on the TEA..	Anne Robi, 'CCM urges action on House resolutions on 'Escrow', *Guardian*
15	"The CCM formed an ethics committee that will meet on January 19 to discuss the party cadres implicated in the scandal".	Reporter. 'CCM to decide on escrow beneficiaries', *Citizen*
15	Tegeta escrow account scandal cited as one of the major issues that curbed the success of the ruling CCM.	Godfrey Kahango. 'Official: Escrow scandal, govt debts cost CCM in civic polls', *Citizen*
16		Katare Mbashiru. 'Nobody will be spared: PCCB', *Citizen*
17	Leonard Mutabingwa (TRA), Julius Rutta (BOT) and Stephen Urassa (Tanesco) charged with receiving Sh2.42billion from TEA.	AbelaMsikula. 'Escrow lands three more in court', *Guardian*
17	Leonard Mutabingwa, Julius Rutta and Stephen Urassa charged with receiving Sh2.42billion from TEA.	Rosina John. 'More state officials charged', *Citizen*
18	PCCB prosecutors interrogate court officials believed to have dishonestly received money from TEA.	Editorial. 'Steps on Escrow encouraging but we expect more', *Guardian*
18	CAG refers to a 'Consortium of Malaysian Banks' and two other banks that gave credit to IPTL totaling $85,862,022 between the year 1997 and 1999.	Chambi Chachage. 'The global credit crunch and the quest for Escrow money', *Citizen*
19	VIP Engineering Company demands US$490.9m from SCB for fraud.	Faustine Kapama. 'VIP files evidence in 787bn/- IPTL fraud case', *DailyNews*
19		Faustine Kapama. 'VIP asks court to dismiss with costs SCB request on 787bn/- case', *Daily News*
19	Mwigulu Nchemba claims the TEA scandal had nothing to do with CCM as a party.	George Sembony. 'Not everybody in CCM is escrow crook: Mwigulu', *Citizen*
20		Faustine Kapama. 'Court orders firm to pay 20bn/- security for costs in IPTL case', *Daily News*
21	CCM's ethics committee set to hand over its report on members implicated in TEA scam.	Mwinyi Sadallah. 'Team: Escrow report ready February this year', *Citizen*
21		Alex Bitekeye. 'Escrow suspect granted bail, *Citizen*
21	Former Tanzania Investment Centre (TIC) executive director Emmanuel Ole Naiko, a beneficiary of the TEA billions, says the scandal has not tarnished his image as Honorary Consul for Botswana in Tanzania.	Bernard Lugongo. 'Naiko downplays 'role' in escrow saga', *Citizen*
21	Charged TRA senior official Kyabukoba Mutabingwa released after fulfilling bail conditions.	Reporter. 'TRA escrow accused fulfils stiff bail conditions', *Daily News*
21	Kikwete will soon decide the fate of Prof Sospeter Muhongo, Minister for Energy and Minerals, as per the minister's alleged involvement in TEA.	GadiosaLamtey. 'JK will soon unveil Muhongo's fate – State House', *Guardian*
21		Kizito Makoye. 'Aid freeze over energy controversy a blow to Tanzanian economy', *Guardian*
21		Faustine Kapama. 'VIP wants public interests observed in IPTL', *Daily News*
22		Miki Tasseni. 'US Embassy tasked on Escrow saga intransigence', *Guardian*
22	Top two CCM leaders tell rallies that the ruling party had nothing to do with the escrow account and that those involved in the scam should go as their continued stay was damaging the government's image.	Attilo Tagalile. 'CCM may end up paying the price of the escrow scam', *Citizen*
22	Bariadi West MP Andrew Chenge, Sengerema MP William Ngeleja and Lupa MP Victor Mwambalaswa resign as parliamentary committee chairmen over the Sh306 billion TEA scandal.	Katare Mbashiru. 'Three MPs resign over escrow billions bounty. Chenge, Ngeleja, Mwambalaswa quit', *Citizen*

23		FaustineKapama. 'VIP Engineering seeks protection against 200bn/- payment to Stanchart', *Daily News*
25	Mr Charles Mwijage and Ms Anne Kilango-Malecela become deputy minister for energy and minerals and deputy minister for education and vocational training respectively.	Florence Mugarula and MkingaMkinga. 'Escrow shake up. Two new faces in Kikwete's cabinet', *Citizen*
25	Former energy and minerals minister Sospeter Muhongo succumbs to public pressure over TEA scandal and resigns from post.	AthumanMtulya. 'Muhongo quits over escrow scam', *Citizen*
25		ChambiChachage. 'Global credit crunch and quest for escrow money- II', *Citizen*
25	Former energy and minerals minister Sospeter Muhongo succumbs to public pressure over TEA scandal and resigns from post as Mr Charles Mwijage and Ms Anne Kilango-Malecela become deputy ministers.	QueenterMawinda. 'Muhongo resigns as JK reshuffles cabinet', *Guardian*
28	"Allowing further submission will not be within the spirit of disposing justice fairly of this suit or save costs", Judge Salvatory Bongole.	Faustine Kapama. 'Court bars presentation of more submissions in IPTL 787bn/- case', *DailyNews*
29	Chief justice Mohammed Othman Chande fails to say what action would be taken against Justices Aloysius Mujuluzi and Prof Eudes Ruhangiza for their role in TEA scandal.	Karumu Kenyunko. 'No action yet from Chief Justice on judges implicated in Escrow scam', *Guardian*
30	Chadema board of trustees demands the arrest and questioning of 'big fish' in the still unfolding TEA saga.	Theresia Victor. 'Net remaining 'big fish' in Tegeta escrow account scam – Chadema', *Guardian*
February		
1	Parliamentary Standing Committee on Energy and Minerals urges the government to do away with emergency power plants to save the state-owned power utility Tanesco from the huge amounts of money it pays to the firms in terms of capacity changes.	Reporter. 'Bunge urges state to do away with emergency power', *Sunday News*
3	"We have received the matter. It is before the Commission and deliberation processes are going on", Judicial Service Commission Secretary, Mr Hussein Katana.	Faustine Kapama. 'Escrow-tainted judges face JSC action', *Daily News*
3		Florence Majani.'Rugemalira wa IPTL sasa 'mikononi' mwaTakukuru', *Mwananchi*
7		Reporter. 'Kafulila's notion turned down', *Citizen*
8	A retired judge and other observers have defended President Kikwete's decision not to initiate investigation on two judges accused of receiving millions of shillings from the TEA.	Reporter. 'JK move over escrow judges defended', *Citizen*
8	Dutch lawyer Dr Camilo Schutte says at a 'High Level Retreat' that SCB-HK has never proved anywhere in the world that it is a creditor of IPTL.	Faustine Kapama. Tanesco cautioned over bank's court move' *Daily News*
12	Tanesco senior legal officer, Stephen Urassa faces new charges in the corruption case that are not linked with the TEA saga.	Karama Kenyunko and Idrisa Adam. 'Prosecution amends charges facing Tanesco legal officer in Tegeta Escrow account case', *Guardian*
12	Following a significant drop in the prices of petroleum products in the world and local markets, the government directs Tanesco to immediately lower power tariffs.	Gadiosa Lamtey. 'Govt directs Tanesco to lower power tariffs', *Guardian*
13		Faustine Kapama. 'Escrow account debate vs rule of law, separation of powers', *DailyNews*
15	Does Rugemalira and Sethi Sing's continued freedom mean they are the government within the government?	Nkwazi Mhango. 'Will JK spare scarecrows of escrow?',*Guardian*
19	Lawyer for VIP said application by SBC for interrogatories was prolix, scandalous and oppressive.	Faustine Kapama2015. 'VIP asks court to dismiss with costs SBC request on 787bn/- case', *Daily News*.
20	Liquidators of Mechmar Corporation (Malaysia) Berhad, is ordered to deposit 11 million US dollars before determination of a case in which transfer of shares in IPTL is challenged.	Faustine Kapama. 'Court orders firm to pay 20bn/- security for costs in IPTL case', *DailyNews*
21	"Some of the people do not have true available facts surrounding the matter at hand and sometimes they do not want to hear those facts to know the truth on the ground".	Faustine Kapama. 'VIP wants public interests observed in IPTL', *DailyNews*
22	"Were it that the issue is fighting corruption, the removal of cabinet ministers and top government functionaries would largely have been adequate, even in the US."	Miki Tasseni. 'US Embassy tasked on Escrow saga intransigence', *Guardian*
23	VIP have petitioned the ICSID to protect the GoT from paying SCB-HK over TShs200bn.	Faustine Kapama. 'VIP Engineering seeks protection against 200bn/- payment to Stanchart', *Daily News*

March		
16	Standard Chartered Bank group has suffered yet another defeat after the High Court refused to order VIP Engineering and Marketing Limited to provide further answers on 787bn/- case involving IPTL.	Reporter. 'Bank loses court battle in 787bn/- VIP legal attack', *Daily News*
17	Standard Chartered Bank group has suffered yet another defeat after the High Court refused to order VIP Engineering and Marketing Limited to provide further answers on 787bn/- case involving IPTL.	Karama Kenyunko. 'High court says no to forcing additional information out of VIP Engineering Ltd', *Guardian*
20	IMF says it is impressed with steps taken to address the Escrow affair.	Samuel Kamndaya. 'IMF happy with govt action', *Citizen*
April		
6	James Rugemalira has filed an application, seeking permission to be joined as an interested party in the constitutional petition, opposing implementation of parliamentary resolutions regarding withdrawal of money from the escrow account at the Bank of Tanzania (BoT).	Faustine Kapama. 'Businessman files for restraint on Escrow matter', *DailyNews*
10	Advocate Jamhuri Johnson told Resident Magistrate Thomas Simba yesterday that the case against his client touched on constitutional issues which could only be determined by the High Court.	Faustine Kapama. 'RITA chief faults court's jurisdiction on Escrow', *DailyNews*
12	"The smear campaign and misleading propaganda is financed and coordinated by the very same individuals who benefited from the Tegeta Escrow scandal".	Reporter. 'Stop cheap propaganda on the escrow scandal', *Citizen*
21	Defence team challenges jurisdiction of the court in case facing Kyabukoba Leonard Mutabingwa (Tax Exemptions manager with TRA) and Theophilo John Bwakea (Principal Engineer with Rural Energy Agency) on May 20.	Rosina John. 'Escrow scandal case for May 20 ruling', *Citizen*
May		
1	The Tegeta Escrow Account scandal also affected Athletes Tanzania (AT) as the sporting organisation failed to receive sponsorship funds.	HabakukiUrio. 'Escrow row hits athletics body', *Guardian*
3	"Tanesco hasn't been able to invest in enough priority power projects (using gas) because of the IPTL lobby, which siphons off dirty money through the tax payer".	NkwaziMhango. 'Can IPTL criminals fight Malaria really?',*Guardian*
3	"There is every indication that the state is busy curtailing media freedom, and as days pass by things will get even worse".	Reporter. 'Of our media, escrow, polls and scheming', *Citizen*
5	MP Andrew Chenge has filed a constitutional petition at the High Court challenging proceedings of the Public Leadership Ethics Tribunal and parliamentary resolutions in an application relating to violation of the Leadership Code of Ethics.	Rosina John. 'Escrow: Chenge files petition against ethics proceedings', *Citizen*
9	Both ethics secretariat committee and a preliminary investigation committee formed by Ombeni Sefue could not establish how the former PS Eliakim Maswi was directly or indirectly involved in the scandal.	Polycarp Machira. 'Govt clears Maswi of Escrow scandal', *Guardian*
10	"The only way to end this drama is to get an international auditing firm to carry out a special audit before the October general election.	Citizen Reporters. 'How to end escrow debate permanently', *Citizen*
14	MPs from both the ruling party and opposition hint that state intervention to sideline Bunge's resolutions by clearing some scandal-tinted officials denied them the power to hold govt officials accountable.	Reporter.'MPs fault cleansing of Escrow, Tokomeza campaign culprits', *Daily News*
14	Kigoma Urban MP Peter Serukamba calls upon the government to clear every minister who played a role in the infamous TEA scam.	Samuel Kamndaya. 'MP slams govt over escrow', *Citizen*
16	MPs criticise exoneration of Muhongo and Maswi over Escrow.	Samuel Kamndaya. 'Criticism mounts on govt over scams', *Citizen*
17	Mizengo Pinda says criminal investigations on the TEA scandal set to continue and those found liable would be made accountable for their misdeeds.	Bernard Lugongo. 'PM: Probe goes on into escrow scam', *Citizen*
17		Nkwazi Mhango. 'Bravo! Ikulu cleanses escrow with sewage water', *Guardian*
17	Pinda says former cabinet ministers and other government officials implicated in the TEA scandal are still under investigation by other security agencies (PCCB).	Polycarp Machira. 'Maswi, others still under investigation', *Guardian*

18		Bernard Lugongo. 'PCCB says won't close escrow case files', *Citizen*
18	PCCB insists nothing has been closed.	Christoper Majaliwa. 'Tegeta Escrow probe, legal action to continue', *Daily News*
June		
4	Tanzania is one of the least seven nations facing power shortages in SSA. Others are Morocco, Kenya, Uganda, Ghana, Nigeria and Senegal.	Reporter. 'Tanzania among seven nations facing power shortages in SSA', *Guardian*
7	Mr Kafulila wants the court to exercise its oversight mandate and task the government to table a report outlining implementation of resolutions reached over the TEA scandal. His demands are dismissed on the grounds that the issue was before the court and that the debate was already closed.	Reporter. 'Kafulila's escrow battle in Parliament thwarted', *Citizen*
9	A summary of Escrow and other scams of 2015.	Athuman Mtulya. 'From big scandals to funerals, the Parliament that saw it all', *Citizen*
11	High court of England and Wales has trampled on the decision by US Court of Appeals in NY, which confirmed the competence of Tanzanian courts to determine disputes on affairs relating to IPTL Company.	FaustineKapama. 'New twist in IPTL, bank legal saga', *Daily News*
17	PCCB appealed to foreign countries where escrow loot is stashed to help it net the culprits.	Songa wa Songa. 'Escrow: PCCB appeals for help', *Citizen*
20	DR Camilo Schutte comes to Dar es Salaam to consult with executives of VIP Engineering and Marketing Company Limited of which he is international lead counsel.	Reporter.'Complex, escrow-like issues demand national dialogue', *Daily News*
July		
3	High Court strikes out a petition filed by IPTL and two other persons to challenge the constitutionality of Parliament resolutions regarding the TEA.	Rosina John. 'High Court throws out IPTL petition', *Citizen*
5	Chadema secretary general Dr Wilbrod Slaa asks the government to bring back public funds embezzled through TEA, Epa and Richmond scandals.	Florence Majani. 'Slaa: Recover escrow, Epa money now', *Citizen*
6	VIP opposes the application by SCB-HK seeking to stay hearing of TShs787bn case involving IPTL.	Reporter. 'Firm opposes hearing stay application of 787bn/- case', *Daily News*
August		
1	High Court throws out IPTL and two others' lawsuit on Mr David Kafulila due to a lack of evidence. They demanded Sh310 billion as damages for alleged defamatory statements against them.	Rosina John. 'Court throws out IPTL lawsuit against Kafulila', *Citizen*
7	Ethics Secretariat claims that entering a contract with VIP Engineering and Marketing as a legal consultant after retiring from his position as Attorney General (AG) went against ethics since he (Andrew Chenge) used information he obtained from the public office for his personal interests.	Bernard Lugongo. 'Chenge: Sh1.6bn was for advice', *Citizen*
8	Mr Chenge claims he did not see any conflict of interest between the public interests and the private company's interests.	Bernard Lugongo. 'Ethics tribunal questions Chenge over escrow cash', *Citizen*
10	Mr Kabwe claims available reports show that there are individuals who were paid though Stanbic Bank during TEA scandal and their names have not been made public.	GeofreyNyang'oro. 'Zitto wants Simba Trust owners named, revisits escrow scam', *Citizen*
September		
4	PCCB investigation officer claims in court that former IPTL director Mr James Rugemalira was also supposed to be charged for corruption.	Rosina John. 'Rugemalira should have been charged', *Citizen*
5	RITA chief executive officer Philip Saliboko stands trial for un-warranted receipt of more than Sh40m from VIP engineering and marketing Ltd company.	Karama Kenyunko. 'Tegeta-Escrow boss may stand trial', *Guardian*
7	Company opposes the assessment made by TRA in a transaction involving sale of its shares in IPTL and is seeking a refund of 17,980,934.75 US dollars.	Reporter. 'VIP opposes tax assessment, seeks refund', *Daily News*
16	Following the completion of upgrading the Kinyerezi gas plant and the commissioning of 150MW more gas-fired electricity, Tanesco vows to improve power supply.	Veneranda Sumila. 'Power outages end Saturday: Tanesco', *Citizen*
17	Following the switching off of Kinyerezi gas plant, local business-es as well as activities in public and private offices are paralyzed.	Reporter. 'Dar power cuts ravage businesses', *Citizen*

19	"Tanesco officials are insisting that the frequent outages are due to on-going upgrading of the systems ahead of connecting 100MW of electricity to the national grid from the natural gas turbines".	Correspondent. 'Power outages: TANESCO should tell the truth now', *Arusha Times*
25	By switching to cheaper domestic gas-fired plants Tanesco hope to clear arrears to suppliers worth about US250 million.	Guardian Agencies. 'Tanesco out to clear arrears by end-2016', *Guardian*
October		
1	James Rugemalira awarded a prestige award by Eastern Arc Mountains Conservation Endowment Fund (EAMCEF) for profound involvement in environment protection and energy related activism in Tanzania.	Faustine Kapama. 'VP hails 'Father James' on environmental care', *Daily News*
4	VIP sues Standard Chartered Bank Group and Wartsila 667.4 million USD for allegedly impeding conversion of the IPTL plant from oil to gas fuel firing since 2005.	Reporter 2015. 'VIP seeks to recover 1tr/- over delay to convert plant', *Sunday News*
5	Tanesco says it was losing about Sh500 million every day in reduced sales of electricity through Luku metres due to the ongoing power rationing.	Bernard Lugongo. 'Tanesco admits to power rationing', *Citizen*
5	IPTL and two other plaintiffs have filed a suit against MP David Kafulila, demanding 100m/- compensation for allegedly issuing defamatory statements against them.	Faustine Kapama. 'Kafulila faces 100m/- suit over Escrow remarks', *Daily News*
5	"Because the gas plant is new, it thus requires high gas pressure which was achieved on September 29, 2015, to allow cleaning of the pipes to resume".	Maureen Odunga. 'Power supply to improve October 20 – Tanesco', *Daily News*
8	Tanesco managing director Mr Felchesmi Mramba says that the city (DSM) has been relieved from power woes after 35 MW was injected into the national grid on Tuesday.	Athuman Mtulya. 'Power woes end in Dar', *Citizen*
9	Govt says it will switch off all hydro-power plants because of falling water levels that have reduced electricity generation capacity by 80 percent.	Habel Chidawall and BakariKiango. 'We're switching off all hydro-power plants: minister', *Citizen*
11	JK expressed optimism that current power outages will end as he hopes to exploit various sources of energy including natural gas discovered in the country.	Reporter. 'Natural gas project to end perennial power blackouts', *Sunday News*
14	JK disappointed in leaving the country the same way he found it with regards to power rationing.	Katare Mbashiru. 'JK hurt he ends term with power rationing', *Citizen*
22	IPTL to go down as the first IPP in Tanzania, brought to serve the Tanzanian electricity sub-sector with the sole purpose of supporting the nations economic growth.	Reporter. 'IPTL is here to serve', *Daily News*
23	"The energy sector has played a tremendous role in boosting the economies of various countries in the world and Tanzania is not an exception".	Maureen Odunga. 'Tanesco has excelled in 'powering' nation', *Daily News*
November		
16	VIP opposes application lodged by Citibank Tanzania Limited to challenge orders in winding up proceedings relating to the first mobile service provider company in Tanzania: Tri-telecommunication Tanzania Limited (Tritel).	Reporter. 'VIP opposes Citibank's Tritel winding up order challenge', *Daily News*
23		Reporter. 'Magufuli exposes power scandal', *This Day,*
December		
13		NkwaziMhango. 'New Cabinet: Escrow will scream at us even more', *Guardian*
13	Dr Camilo Schutte claims VIP has "expanded its scope of business through engagement of social activities and projects, notably health, transportation and port developments".	Reporter. 'Lawyer sheds light on VIP's expanding roles', *Sunday News*
24	Government recently announces that six private companies will replace the current state owned Tanesco in power generation and transmission by 2022.	Alawi Masare. 'Businesses: Tanesco unbundling good', *Citizen*
29		Reporter. 'Why escrow kingpin must be arrested, prosecuted', *Guardian*

TGR2014 concluded from its overview of Tegeta/IPTL that governance shortcomings undermined all the institutions involved in hatching and executing the Escrow/IPTL scam as follows:

- 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. Parliament and the judiciary are not empowered to hold the executive answerable;
- 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 charges issue;
- 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.[836]

No development during the reference year challenges the conclusion that executive power is beyond parliamentary or judicial control. But 'executive power' is too broad a category: ultimately we are talking about the top cadres in CCM, the bureaucracy, the military, security services and State House. 'Facilitators' in the various transactions leading to the plunder of Escrow—including officials in RITA, TRA, and the High Court—and private lawyers and bank managers, were bribed for their services.[837]

836 http://www.policyforum-tz.org/sites/default/files/TGR2014OnlineVersion.pdf. See also: AthumanMtulya. 'Tegeta escrow will go down in history as a major scandal', Citizen, 1 January.

837 Why Catholic priests received Escrow money (see text) is less clear (Citizen Reporter. 'Bishop: This is why I took escrow money', Citizen, 2 January). An auxiliary bishop referred to the transfer (TShs 40.4m, to his personal account) as an 'offertory'. Perhaps Mr Rugemalira, a practicing Catholic and church benefactor, was seeking an indulgence. The Catholic church has a tradition of indulgences serving to reduce the time sinners spend in purgatory. According to Wikipedia: 'indulgences continue to play a role in modern Catholic religious life. Reforms in the 20th century largely abolished the quantification of indulgences, which had been expressed in terms of days or years. These days or years were meant to represent the equivalent of time spent in penance, although it was widely taken to mean time spent in Purgatory.' Since '[P]urgatory, like Heaven and Hell, is said to exist "outside of time", it is not technically possible to quantify the value of an indulgence. See: https://en.wikipedia.org/wiki/Indulgence.

Since the Tanzanian presidency has massive (formal and informal) powers,[838] it would seem sensible to seek the ultimate referee on the outcome of the Escrow affair in State House. The history of Tanzanian economic and political liberalisation yields insights into the emergence of political corruption, with both local and external dimensions, involving politicians, private companies, and brokers. IPTL was conceived by Malaysian and Tanzanian politicians and officials during the presidency of Ali Hassan Mwinyi (1985-95).[839] The fact that such a contested project has survived three subsequent presidencies speaks volumes about the resilience of CCM as the fulcrum around which state power revolves in Tanzania. If the Lowassa defection could not break CCM hegemony, then it is not clear what will. But getting rid of CCM is not the main issue, since opposition parties do not offer any hope of more programmatic, less patronage-based policies or politics. In this sense, 'democracy' is an entertaining diversion from the main challenge: how to craft a rules-based political order that transcends competitive clientelism in a manner that is both inclusive and developmental.

838 One commentator describes an 'imperial-cum-sultanate presidency.' AzaveliFezaLwaitama 2014. 'Tegeta escrow scam, the Presidency and Parliament', Guardian, 28 December.

839 'Tulianza na serikali ya Mwinyi iliyoruhusu Mazingira ya kuingiwa mkataba huo wa kitapeli.' JOSEPH MIHANGWA 2016. 'Karibu mheshimiwa rais tusaidiane kusikitika IPTL inavyofilisi nchi', Rai Mwema, 6 October.

Acronyms

AGRA	Alliance for a Green Revolution in Africa
ASDP	Agriculture Sector Development Program
BEE	Business Enabling Environment
BEE	Bagamoyo EcoEnergy
BEST	Business Environment Strengthening for Tanzania
BOT	Bank of Tanzania
BRN	Big Results Now
CAG	Controller and Auditor General
CCM	Chama cha Mapinduzi
CDG	Capital Development Grant
CET	Common External Tariff
CHADEMA	Chama cha Demokarsia na Maendeleo
CHRAGG	Commission for Human Rights and Good Governance
CIDTF	Cashewnut Industry Development Trust Fund
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment
CRC	Constitutional Review Commission
CSO	Civil society organisation
CUF	Civic United Front
DAWASCO	Dar es Salaam Water and Sewerage Corporation
DC	District Commissioner, District Council
DFID	Department for International Development
DPG	Development Partners Group
DPP	Director of Public Prosecutions
DSM	Dar es Salaam
EALA	East African Legislative Assembly
ECOCC	Economic, Corruption and Organised Crime Court
EPA	External Payments Account

EPA	Economic Partnership Agreement
EPZ	Export Promotion Zone
ETG	Export Trading Group
EWURA	Energy and Water Utilities Regulatory Authority
FATF	Financial Action Task Force
FBME	Federal Bank of the Middle East
FBO	Faith-Based Organisation
FFU	Field Force Unit
FY	Financial year
GBS	General Budget Support
GDP	Gross Domestic Product
GER	Gross Enrolment Ratio
GOT	Government of Tanzania
HBF	Health Basket Fund
HBS	Household Budget Survey
HEG	Health Equity Group
ICIJ	International Consortium of Investigative Journalists
IFAD	International Fund for Agricultural Development
IFF	Illicit Financial Flows
IFMS	Integrated Financial Management System
IMF	International Monetary Fund
IPTL	Independent Power Tanzania Ltd
JAS	Joint Assistance Strategy
JK	Jakaya Kikwete
JPM	John Pombe Magufuli
LAAC	Local Authorities Accounts Committee
LGA	Local Government Authority
LGCDG	Local Government Capital Development Grant
LGRP	Local Government Reform Programme

LHRC	Legal and Human Rights Centre
MATT	Multi-Agency Task Team
MCA	Millennium Challenge Account
MCH	Maternal and Child Health
MCT	Media Council of Tanzania
MDA	Mining Development Agreement
MDG	Millennium Development Goals
MISA	Media Institute of Southern Africa
MKUKUTA	Mpango wa Kukuza Uchumi na Kupunguza Umaskini Tanzania (National Strategy for Growth and the Reduction of Poverty)
MNRT	Ministry of Natural Resources and Tourism
MOAT	Media Owners Association of Tanzania
MOAFS	Ministry of Agriculture and Food Security
MOEVT	Ministry of Education and Vocational Training
MOF	Ministry of Finance
MOHCDGEC	Ministry of Health, Community Development, Gender, Elderly and Children
NACSAP	National Anti-Corruption Strategy and Action Plan
NAFCO	National Food and Agricultural Corporation
NAIVS	National Agricultural Input Voucher Scheme
NARCO	National Ranching Company
NAO	National Audit Office
NCAA	Ngorongoro Conservation Area Authority
NDC	National Development Corporation
NEC	National Electoral Commission
NET	Net Enrolment Ratio
NFRA	National Food Reserve Agency
NHC	National Housing Corporation
NLD	National League for Democracy
NTSCIU	National and Transnational Serious Crimes Investigation Unit

O&G	Oil and Gas
OGP	Open Government Partnership
PAC	Public Accounts Committee
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
PMO-RALG	Prime Minister's Office, Regional and local Government
PMU	Procurement Management Units
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSA	Production Sharing Agreement
PwC	PriceWaterhouseCoopers
RC	Regional Commissioner
REDD	Reduced Emissions from Deforestation and Forest Degradation
REPOA	Research on Poverty Alleviation
RWSSP	Rural Water Supply and Sanitation Project
SACCOS	Savings and Credit Cooperative Organisation
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SCB-HK	Standard Chartered Bank Hong Kong
SEDP	Secondary Education Development Programme
SEZ	Special Economic Zone
SFO	Serious Fraud Office

SGR	Standard Gauge Railway
STAMICO	State Mining Corporation
TACCEO	Tanzania Civil Society Consortium for Election Observation
TAHA	Tanzania Horticulture Association
TANAPA	Tanzania National Parks
TANESCO	Tanzania Electric Supply Company
TANROADS	Tanzania National Roads Agency
TAPP	Tanzania Agriculture Productivity Programme
TASAF	Tanzania Social Action Fund
TBS	Tanzania Bureau of Standards
TCAA	Tanzania Civil Aviation Authority
TEF	Tanzania Editors Forum
TTC	Tanzania Tourist Corporation
TEA	Tegeta Escrow Account
TEITI	Tanzania Extractive Industries Transparency Initiative
TGN	Tanzania Governance Noticeboard
TGR	Tanzania Governance Review
TDHS	Tanzania Demographic and Health Survey
TGR	Tanzania Governance Review
TICTS	Tanzania International Container Terminal Services
TLP	Tanzania Labour Party
TPC	Tanzania Portland Cement
TPDC	Tanzania Petroleum Development Corporation
TPDF	Tanzania People's Defence Force
TPSF	Tanzania Private Sector Foundation
TRA	Tanzania Revenue Authority
TRC	Tanzania Railways Corporation
TSPA	Tanzania Sugar Producers Association
TTCL	Tanzania Telecommunications Company Ltd

UKAWA	Coalition of Defenders of the People's Constitution
URT	United Republic of Tanzania
VAT	Value Added Tax
WB	World bank
WBI	World Bank Institute
WFP	World Food Programme
WIDER	World Institute for Development Economics Research
WRS	Warehouse Receipt System
WSDP	Water Sector Development Programme
WTO	World Trade Organisation

policy forum

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