



## **Critical elections should help clear the air**

A spate of corruption scandals threatens to undermine the unity of the ruling party – while political changes are expected in Zanzibar too

**Joseph Mwamunyange**  
in Dar es Salaam



Although there can be little doubt that President Jakaya Mrisho Kikwete will be re-elected for a second five-year term in Tanzania's next general election at the end of October this year, the dynamics of the

ruling party are no longer as united and predictable as they have been throughout the country's history as an independent nation.

Political commentators here say that there are now at least two factions within the party battling it out for influence. In essence the two sides are those said to be championing the fight against corruption and those determined to maintain the status quo of *kulindana* (a Swahili term that can be loosely translated as 'scratch my back and I'll scratch yours').

Although it lost its status as the country's sole political party in 1992, the Chama Cha Mapinduzi (CCM – 'Party of the Revolution' in Swahili) has remained the dominant force in both mainland Tanganyika and the island of Zanzibar until now. But President Kikwete may find it increasingly difficult to stay above the fray in the manner of his predecessors, particularly the country's still-revered founding President, the late Julius Nyerere. Some long-established party barons are fighting serious corruption allegations, and these have begun to cause internal ructions – while in semi-autonomous Zanzibar there will be renewed pressure for the CCM to share power with the leading opposition party on the islands of Zanzibar and Pemba.

In the face of the corruption issues overshadowing mainland politics, Kikwete's critics say he is playing it safe by appearing not to side with either of the major factions but they add that this approach is producing indecision over some important issues. An unfolding drama, which has been taking place largely behind the scenes, leads some analysts to anticipate changes in the shape of the CCM, or even a spate of possible defections. This could become more apparent if or when a law to allow independent candidates to stand is approved by a seven-panel bench being advised by Palamagamba Kabudi and Jwani Mwaikusa, Professors at the University of Dar es Salaam.

With its effective monopoly over politics, the CCM has not been able to avoid the fall-out from the swathe of major scandals that have rocked the country in recent

years. These include bribes paid to well-connected intermediaries by the UK's BAE Systems, irregular payments of millions

of dollars from special accounts at the central bank (Bank of Tanzania – BoT), inflated construction contracts for the BoT's 'twin towers' headquarters, as well as improperly awarded contracts for the provision of emergency electric power. In one of the latter cases, former Prime Minister, Edward Lowassa, and two cabinet colleagues, Ibrahim Msabaha and Nazir Karamagi, took political responsibility for the so-called 'Richmond affair' by resigning in 2008. Since then, however, there have

been further twists and turns, with some politicians trying to clear the names of both Lowassa and former Attorney General Andrew Chenge, who was implicated in the BAE scandal and also stepped down two years ago.

With a more vibrant media, which has played a key role in unearthing some of these stories, Tanzanians have become increasingly vocal and have not shied away from questioning what government and judicial action should be taken against those implicated. Kikwete is caught between powerful but tainted close political associates on the one hand and on the other, a new generation of politicians who want a break with the past, such as CCM youth wing representative Nape Nauye and opposition politician Zito Kabwe. But the President still needs the political support of the old guard, despite being well aware of the risks to his popularity if no action is taken.

When premier Lowassa resigned, he told Parliament he was stepping down because he had come to realise that people were in actual fact after his job and he warned that "not all of those that had pointed an accusing finger [at him] were clean". A more recent statement by Minister of State for Good Governance Sophia Simba similarly suggested that few were sincere in making "political capital" out of the issue of the fight against corruption.

Public debate on corruption has intensified since Tanzania's leading media entrepreneur Reginald Mengi called a press con-



President Jakaya Kikwete seeks election for a second five-year term in October



## Women want more representation

Tanzania's upcoming general elections should bring great progress in women's empowerment and their participation in decision-making. That is if the ruling Chama Cha Mapinduzi (CCM) keeps the promise made in its 2005 election manifesto, that it would achieve 50 percent women's participation in Parliament and local councils by 2010.

Usu Mallya, executive director of the Tanzania Gender Networking Programme (TGNP), hopes that the government will honour this promise. Women already have a representation of 30 percent in Parliament and 33 percent in councils, which has been achieved mostly through the selection of female special seat candidates – whereby each party acquires special seats in proportion to the number of votes a party accumulates in the parliamentary elections.

TGNP and other organisations are now campaigning to see that political parties nominate equal numbers of women and men to vie for constituency seats and that elections resources are equitably shared. The chairperson of the Tanzania Women's Cross-Party Platform, Anna Abdallah, says that getting more women into constituency seats is now the priority issue. "We expect many women who are in Parliament, in special seats, to contest for constituency seats in this year's elections," says Deputy Speaker of the National Assembly, Anna Makinda, herself an elected MP.

It may be possible to increase the number of women in Parliament through constituency seats but, for that to happen, commentators say that the political parties will need to fight corruption in the nomination process, which has hindered women's representation in the past.

**Ananilea Nkya** Executive Director of Tanzania Media Women's Association

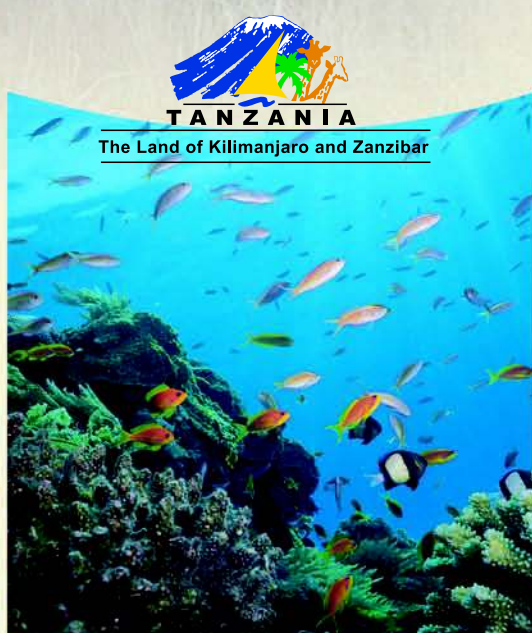




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ference last year in which he named several business people whom he described as “the sharks of corruption”. In response, one of those he singled out, Rostam Aziz – who briefly served as CCM Treasurer – hit back by describing Mengi himself as “the whale of corruption” and announced his intention to sue. Mengi owns not only several leading newspapers and radio and TV stations but also a host of other companies around the country.

The surge of accusations and counter-accusations all add impetus to the notion that all is not well in the ruling party, but it remains to be seen whether this year’s elections will bring greater unity or inflict further damage (especially if some of its heavyweights cross over to other parties). Whatever happens at the coming polls, it seems certain that the CCM will never be the same again.

This is also true in the islands of Zanzibar and Pemba. Hard-line CCM members from the mainland have long been opposed to any kind of reconciliation with the main opposition party in Zanzibar, the Civic United Front (CUF), and were shocked when Zanzibar’s President Amani Abeid Karume struck a deal with CUF late last year. Under the agreement, the CUF finally recognised Mr Karume’s presidency in return for possible CUF representation in a future government.

In January, the islands’ house of representatives even approved a motion aimed at amending the local constitution to provide for the formation of a ‘government of national unity’ (GNU) for the isles.

The deal could go a long way to easing the tensions that have existed ever since the advent of multiparty elections in 1995, when the opposition CUF claimed the results were rigged in favour of CCM, which won the first elections by a narrow margin of only 0.2 percent. Efforts by the Commonwealth to resolve the crisis helped to ease the tensions but proved ultimately unsuccessful as Mr Karume’s predecessor, Salmin Amour Juma, clamped down hard on supporters of the CUF.

Residents of the islands should soon be voting in a referendum to decide on whether Zanzibar should have a GNU, and the indications so far show that many are in support of such a move. The deal has also received the endorsement of President Kikwete as head of the Union. ●

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## Balancing investors and public opinion

The mining sector may be key to Tanzania’s economy but new plans to increase government stakes could shake investor confidence

**Tom Mosoba**

Over the past decade and a half, the mining sector has evolved into one of the key growth drivers of Tanzania’s burgeoning economy. Since the establishment of the first large-scale gold mine in 1998, the industry has recorded a steady rise and is projected to grow even further over the next two decades.

But a new mining law to take effect any time now could complicate the matters for the government and interested investors alike. Parliament on 23 April approved the Mining Act 2010, effectively repealing the 1998 law that has been a matter of friction between the public and the government on the one hand and investors on the other.

How the new law will affect the industry’s current growth momentum remains to be seen, but the government was quick to assure investors that they had nothing to lose or fear. Energy and Minerals Minister William Ngeleja said the Act would “stimulate more growth and distribute minerals wealth fairly”.

The new legislation followed intense pressure from politicians and anti-investment critics, who for years have advocated the curbing of incentives for foreign investors. Following a promise of action by President Jakaya Kikwete during his first election campaign, the Act incorporates many of the recommendations made by his special review committee in 2007.

“Being an election year, CCM [the ruling party, Chama Cha Mapinduzi] has scored big with the electorate but the hardest part lies ahead when the implications of the law for the development of the sector take effect,” said a senior manager with one of the big mining companies who asked to remain anonymous. Although the provisions of the Act would not affect established mining companies in the short term until their present agreements expire or are due for renegotiation, the executive said it would be interesting to see how potential investors and those planning to expand their operations approach some of the arising challenges.

At issue is a provision for the mining

minister to prescribe the level of the government’s ‘free carried interest and public equity participation’ in any mining operation.

“This particular provision may spell the death knell for well-heeled investors to come here,” the executive explained. “In other countries like Botswana, the government contributes to the investment cost of its mining ventures with investors. Just to demand unspecified shares in a business and do nothing is not a wise business decision.” He warned that the planned take-off of the \$1.5 billion Kabanga nickel project could be at risk.

The gold royalty has been raised from 3 percent to 4 percent of gross turnover as a result of the new law. It will be 5 percent for uranium and diamonds and 3 percent for other gemstones. From now on, mining agreements will be standardised and reviewed every five years with respect to the range and applicable rates of royalties and corporate tax, and the manner in which liability is calculated.

Investors will also be required to list their businesses on the local stock exchange within a specified period, in a move the government says is meant to get more Tanzanians to partake in the ownership of the sector. A mandatory listing has also been slapped on telecommunications companies.

The law has at the same time received criticism from both MPs and members of civil society on account of the immense powers bestowed to the minister to oversee almost all aspects of its implementation.

Francis Kiwanga of the Legal and Human Rights Centre in Dar es Salaam questioned why the government had failed to provide for the establishment of a Mining Authority charged with the overall administration of the sector. He also said that provisions for compensation for communities evicted to pave the way for mining projects would still be administered under the old land laws, which he described as “oppressive”.

Currently, mining production contributes 3.8 percent of Tanzania’s GDP from the exploitation of what is generally said to

be just a small percentage of an estimated 45 million ounces of gold deposits around the country. The country is now the third largest gold producer in Africa, after South Africa and Ghana.

Canada's Barrick Gold Corporation has established the largest gold operations in the country, including Bulyanhulu, with 12 million ounces in gold reserves, Buzwagi (3.3 million ounces) and North Mara (3 million ounces), plus a 70 percent stake in Tulawaka (200,000 ounces). South Africa's AngloGold Ashanti operates Geita (5.1 million ounces) and Australia's Resolute Mining owns Golden Pride (2.5 million ounces).

Other mining activities include diamonds and tanzanite gemstones, and commercial quantities of uranium were recently discovered. But it is the capital inflows into gold mining that have done most to boost foreign direct investment in Tanzania.

In terms of exports and government revenue, a recent detailed sector study report prepared under the auspices of the Resource Endowments Initiative of the International Council of Mining and Metals paints a positive picture. It shows that export earnings from gold – at somewhat more than \$700 million (\$770 million for all mining) each year – have easily outgrown Tanzania's

traditional agricultural export crops, which include coffee and cotton.

Moreover, government taxes from mining totalled \$76 million in 2007 and currently stand at around \$100 million a year, accounting for between 3.1 percent and 4.3 percent of total tax revenues. Higher earnings are forecast but this will depend on whether the government maintains a stable policy, legal and fiscal regime.

The executive secretary of the Tanzania Chamber of Mines and Energy, Emmanuel Jengo, said several mines are nearing the point where they would begin posting positive returns on investments and did not require a disruptive taxation regime that would only hamper new planned investments and expansions.

"Any new law should be predictable, non-distortionary and internationally competitive," said Jengo, who regretted that the positive contributions from mining, including its employment of up to 13,000 people, have often suffered "at the altar of public opinion."

The government says it is not ignorant of the importance of mining and that the act is only meant to attain a 'win-win' situation for the nation and investors. Minister William Ngeleja has repeatedly sought to allay

fears that there was any intention to hurt investors but pessimists say much of this assurance would now be measured on the strengths and weaknesses of the new law.

The minister points to the recent establishment by Barrick of Africa Barrick Gold (ABG) and its entry onto the London Stock Exchange as a sign of confidence in the future of gold mining in the country. ABG's assets are exclusively in Tanzania.

Ngeleja says the government is moving to enhance transparency in the management of the sector and in the use of the resources that emanate from it. It recently adopted the Extractive Industries Transparency Initiative (EITI) process, to enhance corporate social and environmental responsibility.

The critics remain wary. There is a history of violent incidents involving communities that used to dig for gold by hand and are determined to resist the arrival of modern methods. There have also been claims of toxic spills in rivers near some mining operations. But adherence to EITI is at least designed to provide a greater degree of transparency in such cases. ●

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# Mixed economic success

With economic growth returning to near pre-crisis levels and foreign investment in minerals, gas and oil increasing, things are looking up for Tanzania. But there are significant weaknesses to overcome, not least poor infrastructure and an under-performing agricultural sector

**Richard Synge**

Currently the fastest growing economy in East Africa, and second in size only to neighbouring Kenya, Tanzania is beginning to generate a real sense of optimism about its economic potential, but it still has many inherited problems and obstacles to overcome.

A sign of the country's emerging importance has been the holding of the 20th World Economic Forum on Africa in Dar es Salaam in early May, which was an opportunity not only to promote new investment but also to showcase Tanzania's unique tourism assets to around 1,000 high-paying visitors and scores of senior officials from international institutions and foreign governments.

Ahead of other regional economies, Tanzania is forecast by the International Monetary Fund to sustain growth of 6.2 percent this year, up from 5.5 percent last year. This suggests the possibility of regaining the country's earlier average growth rate of 7 percent, recorded between 2000 and 2008.

The main drivers of Tanzania's recent growth performance have been a surge in the production of gold from several new mines and favourable weather for the traditional export crops of coffee, cotton and tobacco. Helping to maintain the momentum is continuing investor interest in other

minerals, oil and gas as well as the potential of biofuels. The anticipation of increased activity is in turn driving a construction boom in Dar es Salaam and several other major towns. Tourism, after a slight dip in early 2009, has also bounced back and the government has hopes that visitor numbers will increase exponentially in the wake of marketing campaigns in India, China and Japan.

Behind the signs of progress there are also plenty of reasons for caution. With high levels of poverty persisting throughout the country, there is concern that growth-oriented policies adopted at the national level are not yet delivering the promised improvements for ordinary Tanzanians, most of whom still live in poorly developed rural areas. There is still much work to be done in improving the physical infrastructure, upgrading the quality of education and health services, and eliminating inefficiency and corruption in the public sector.

The phenomenon of 'artificial growth' is much discussed by experts in Dar es Salaam. The executive director of the Tanzania Private Sector Foundation, Dr Evans Rweikiza, says that the country still needs "a kind of sustainable growth that will transform the lives of every single individual in the country". In particular, he ad-

vocates extending the principles of the free market to agriculture.

It is the agricultural sector that provides the main challenge for the policy-makers. Only 5 percent of the recent surge of foreign direct investment into Tanzania has involved farming activities, largely because of the difficulty of obtaining rights to work the land, despite the fact that some 75 percent of arable land is not being utilised.

The government keeps attempting to encourage foreign investors, particularly those interested in producing biofuels, but its main challenge will be to bring peasant farmers into full engagement with the wider economy.

Farmers' cooperatives have traditionally managed the inputs of seeds and fertilisers while also buying most of the small farmers' produce at controlled prices, but it is a system that has proved hard to change. Now, there are the signs of new initiatives, the most recent being the government's lifting of a ban on the export of food crops. Welcoming the move, the chairman of the Agricultural Council of Tanzania, Salum Shamte, said farmers were now "strategising on how to make opportunity out of the open window" and that it was a step towards providing more incentives. Traders across East Africa have also welcomed the move, ►





which would “help bridge the gap between the surplus and deficit areas in the region”, according to the Regional Agricultural Trade Intelligence Network. At the local level, farmers simply want better prices.

Improving infrastructure is another immediate challenge for the authorities. More roads and railways have been promised, but with little improvement seen on the ground. In the delivery of electric power, there has been a prolonged cycle of chronic shortages and power rationing despite the enthusiasm of investors for harnessing the country’s extensive offshore natural gas reserves.

Huge political resistance to the privatisation of the state-owned Tanzania Electricity Supply Company (Tanesco) has made it hard for plans of investors like Canada’s Artumas to develop gas-generated power supply to local consumers. It is hoped the new Energy and Water Utilities Regulatory Agency can clean up the industry.

Various solutions to the backlogs and bottlenecks affecting the economy are proposed. These include public-private partnerships and substantial private borrowing through syndicated loans or bonds, but outside investors in such initiatives will be looking hard at the forthcoming elections and their impact on the country’s implementation capacity. ●

# A city in headlong growth



With a surge of growth in the last ten years and now accommodating some 4 million people, the city of Dar es Salaam sometimes appears to be bursting at the seams

The evolution of Tanzania’s commercial capital has not stopped since the mid-19th century. From a fishing village called Mzimba (‘healthy place’) it became a port and trading centre and was renamed Dar es Salaam (‘haven of peace’) by Sultan Seyyid Majid of Zanzibar. The Sultanate, the Germans and then the British all brought their own innovations.

Only between the 1960s and the 1980s was there little change as Julius Nyerere’s Tanzania experimented with socialism and frowned on most forms of entrepreneurship. Even the leading hotel, the Kilimanjaro, was not spared from the general neglect until finally it was sold to foreign investors, who have turned it into one of the finest

hotels in the prestigious Kempinski chain. Now, several international groups have their own luxury establishments in the city, with locally-owned hotels also providing high standards of accommodation.

Dar es Salaam is Tanzania’s major international and regional gateway and channels international trade to and from Malawi, Zambia, Democratic Republic of Congo, Rwanda, Burundi and Uganda through its busy port.

Tanzanians from every part of the country have arrived to swell the population, although most inhabitants suffer from inadequate services such as poor drinking water and sanitation. With much of the city’s growth taking place beyond the control of its planners, squatters have moved onto any



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## VIEWPOINT

Mrs Mary Tegisi, an advertising and marketing entrepreneur from Kenya who has lived in Dar es Salaam for the past eight years shares her thoughts with *Global* on the city she now calls home

#### What do you think about the quality of life in Dar es Salaam?

Life in Dar es Salaam has generally been improving ever since I came here. A lot has changed with infrastructure and the environment, even though some areas are still dirty. A lot of improvement has taken place in many areas including internet availability and accessibility.

#### What hopes do you have for the future of Dar es Salaam?

I see Dar es Salaam becoming a metropolitan city at the rate at which it is growing. It is going to become a very important hub in the region's international business arena.

#### How would like the city to improve?

The city fathers must make efforts to improve the appearance of some of the town's old buildings. However, if they decide to demolish some, they should endeavour to have developers of such projects provide in-house parking space because people spend up to one hour scouting for parking space thus wasting a lot of time that could be used for productive activities.

I would also like to see the town's drainage system improved due to the fact that effluent is a problem especially when it rains. The other improvement should be of the traffic congestion, which is the order of the day, especially when it rains. It is time the commencement of the bus rapid transit was speeded up by the authorities.

areas of land they can find. This means that when large infrastructure schemes have to be built, the authorities have little choice but to demolish the existing unplanned settlements. Recently, thousands of homes were cleared away from Kipawa suburb to make room for the construction of a new terminal at Dar es Salaam international airport.

One notable locality that has emerged as a stand-alone suburb is Mwenge, situated adjacent to the Mikocheni industrial area and about 8 km from the city centre. It has its own modern cinema halls and the nearby Mlimani City Mall – the biggest shopping

centre in the city – and it is well provided for with places to eat. Located not far from the University of Dar es Salaam, Mwenge also hosts the Ubungo Intercity Bus Terminal serving the rest of Tanzania and several neighbouring countries.

Transport continues to be a problem though, and attempts to provide better facilities throughout the city and thereby reduce congestion in the centre have not fared well. Residents are still awaiting the long-promised arrival of a rapid transit transport system designed to eliminate the endless traffic jams into and out of the centre. ●

## VIEWPOINT

Retired Attorney General, Judge Mark Bomani, feels that the national authorities should do more to improve life in the country's commercial capital, as he tells *Global*

#### What do think about the quality of life in Dar es Salaam?

A few people in Dar es Salaam have quite a high standard of living, while the majority of people remain poor. This poses a very serious challenge to the government, and coincidentally the central government has its base in Dar es Salaam and thus is well aware of this problem. However, generally the quality in life in Dar es Salaam is better on average than in other regions.

#### What hopes do you have for the future?

The only option is to have a rapid development of the country, in the economic sector especially. What should be done is to have good planning, hard work and development of infrastructure for easy distribution of products and services.

#### How would you like the city to improve?

It should improve in a number of directions – improve the provision of social services, including water, transport, electricity and health services. Electricity should be easily available, because without this it becomes increasingly difficult to manage the city. Industrial development will only come about when the electricity sector is improved, and most of these industries – which contribute the greatest chunk to the country's coffers – are based in Dar es Salaam.

