

## US inches towards sanctions on Tanzania

September 30, 2020



The US House of Representatives is poised in the coming days to vote overwhelmingly for **H. RES. 1120**, sponsored by a leading Democrat Rep. Karen Bass (D-CA) and Rep. Chris Smith (R-NJ). The resolution seeks to give the Trump administration the necessary legal justifications to impose economic and other punitive sanctions on Tanzania. While the resolution itself does not specify which sanctions are to be imposed, it urges the Trump administration to - “engage Tanzania on democratic backsliding and hold the Government of Tanzania accountable for respecting the rights of its citizens in accordance with its international obligations and the Tanzanian Constitution.” This bipartisan appeal is likely to find strong support within the Trump administration and in the US Senate. Sanctions could impact major mining firms with operations in Tanzania.

Any moves by the US will come on the heels of an election in Tanzania. Tanzania’s general election is scheduled for October 28 and the ruling Chama Cha Mapinduzi (CCM) campaign machine is in full swing. CCM, all but guaranteed victory in the dominant party state will be led to the polls by President John Magufuli who will be once again accompanied by running mate, and current vice president, Samia Suluhu. Magufuli’s presumed re-election will be his second, and according to the constitution, final term in office. Although rumors of an unconstitutional third term continue to linger there is no concrete evidence to suggest that the president, or the party, are seriously considering this as an option.

The election, normally scheduled for the last Sunday of October, is being held on Wednesday 28 October. The decision was made after lobbying by Christian groups that long-opposed the vote being held on a Sunday. Although there were initial concerns that a mid-week election would further lower voter turnout, President Magufuli subsequently announced that 28 October would be a public holiday to allow citizens the opportunity to vote.

Sebastian Spio-Garbrah,  
Chief Analyst  
Ontario, Canada  
+1 647 808 9671  
[Sebastian@daminaadvisors.com](mailto:Sebastian@daminaadvisors.com)

Alex Wark,  
Partner, Business Development  
London, UK  
+ 44 7779 656 878  
[Alex@daminaadvisors.com](mailto:Alex@daminaadvisors.com)

Duncan Gellatly,  
Associate Director, Africa  
London, UK  
[Duncan@daminaadvisors.com](mailto:Duncan@daminaadvisors.com)

TANZANIA: STRUCTURE OF THE MINERAL INDUSTRY IN 2015

(Metric tons unless otherwise specified)

Commodity		Major operating companies and major equity owners	Location of main facilities	Annual capacity
Cement		Dangote Cement plc	Plant at Mtwara	3,000,000
Do.		Tanzania Portland Cement Company Ltd. (TPCC) (Scancem International DA, 69.3%)	Plant at Wazo Hill	2,200,000
Do.		Tanga Cement Company Ltd. [Afrisam Consortium (Pty) Ltd., 62.5%]	Plant at Tanga	1,800,000
Do.		ARM Cement Ltd.	Plant at Dar es Salaam	1,600,000
Do.		Lake Cement Ltd.	Plant at Kimbiji	500,000
Do.		Mbeya Cement Company Ltd. (LafargeHolcim, 61.5%)	Plant at Mbeya	350,000
Coal, bituminous		Intra Energy Corp. Ltd., 70%, and National Development Corp. (NDC), 30%	Ngaka Mine	420,000
Copper, mine		Artisanal miners	Mine at Mbesa	12,000 <sup>e</sup>
Do.		Acacia Mining plc (Barrick Gold Corp., 63.9%)	Buzwagi Mine	4,200
Do.		do.	Bulyanhulu Mine near Kahama	3,200
Diamond	carats	Williamson Diamonds Ltd. (Petra Diamonds Ltd., 75%, and Government, 25%)	Williamson Mine near Shinyanga	220,000
Do.	do.	New Alamasi	Near Shinyanga	13,000 <sup>e</sup>
Do.	do.	Mwadui Mpya Pit	do.	6,000 <sup>e</sup>
Do.	do.	Artisanal miners	Near Shinyanga	NA
Gold	kilograms	Geita Gold Mining Ltd. (AngloGold Ashanti Ltd., 100%)	Geita Mine near Nyakabale	16,500
Do.	do.	Acacia Mining plc	Bulyanhulu Mine near Kahama	12,600
Do.	do.	do.	North Mara Mine in Tarime District	10,100
Do.	do.	do.	Buzwagi Mine	6,200
Do.	do.	Shanta Gold Ltd.	New Luika Mine	3,600
Do.	do.	Stamigold Co. Ltd. [State Mining Corp. (STAMICO), 100%]	Biharamulo Mine	1,200 <sup>e</sup>
Do.	do.	Tanzanian Royalty Exploration Corp., 55%, and State Mining Corp. (STAMICO), 45%	Buckreef Mine	NA
Do.	do.	Small-scale miners	At least 56 plants in various locations	1,400 <sup>e</sup>
Lime		Neelkanth Lime Ltd.	Plant at Tanga	180,000
Do.		Athi River Mining Ltd. (ARM)	do.	40,000
Natural gas	million cubic meters	Etablissements Maurel et Prom SA, 48.06%, and Wentworth Resources Ltd., 31.94%	Gasfield at Mnazi Bay	2,170
Do.	do.	Orca Exploration Group Inc.	Gasfield on Songo Songo Island	1,140
Phosphate rock		Minjingu Mines and Fertilizers Ltd. (subsidiary of Mac Group of Companies)	Mine at Minjingu	100,000
Salt		Nyanza Mines (Tanganika) Ltd. (subsidiary of Mac Group of Companies)	Nyanza Mine at Uvinza	60,000
Silver	kilograms	Acacia Mining plc	Bulyanhulu Mine near Kahama	8,900
Do.	do.	Shanta Gold Ltd.	New Luika Mine	4,800
Do.	do.	Acacia Mining plc	Buzwagi Mine	4,300 <sup>e</sup>
Do.	do.	Geita Gold Mining Ltd.	Geita Mine near Nyakabale	2,300 <sup>e</sup>
Do.	do.	Acacia Mining plc	North Mara Mine in Tarime District	1,300 <sup>e</sup>
Steel:				
Rolled		Aluminum Africa Ltd.	Plant at Dar es Salaam	70,000 <sup>e</sup>
Do.		MM Integrated Steel Mills Ltd.	do.	36,000 <sup>e</sup>
Do.		Steel Masters Ltd.	do.	22,000
Galvanized		Aluminum Africa Ltd.	do.	70,000
Do.		MM Integrated Steel Mills Ltd.	do.	36,000
Tanzanite	kilograms	TanzaniteOne Mining Ltd. [Sky Associates Group Ltd., 50%, and State Mining Corp. (STAMICO), 50%]	Mine at Merelani, Block C	1,200
Do.	do.	Tanzanite Africa Ltd. (IPP Media Ltd.)	Mine at Merelani, Block D Extension	NA
Do.	do.	Kilimanjaro Mines Ltd.	Mine at Merelani, Block A	NA
Do.	do.	Small-scale and artisanal miners	Mines at Merelani, Blocks B and D	7,500 <sup>e</sup>

<sup>e</sup>Estimated; estimated data are rounded to no more than three significant digits. Do., do. Ditto. NA Not available.

## **President Magufuli poised for big electoral victory**

On the mainland, President Magufuli will run against opposition party Chadema's presidential candidate Tundu Lissu – who was shot multiple times in 2017 in a yet to be solved attack, and against ACT-Wazalendo's presidential candidate Bernard Membe, a former CCM cabinet minister. It is yet to be determined if the main opposition parties will come together to form a coalition to run a united campaign against CCM. This was the approach taken by the opposition in 2015 when the parties formed a coalition under the leadership of Chadema's then presidential candidate, and former CCM prime minister, Edward Lowassa. Although CCM victory is all but assured, a well-run campaign under a cohesive coalition banner could make some progress in ensuring that CCM's majority in the national assembly does not expand further.

Campaigning for the election officially commenced on 25 August, however the unofficial campaign started many months ago. Prior to campaigning, political parties went through a multi-step process to nominate, vote and confirm who would stand in each constituency. As part of this process, CCM commenced with a vote of party members at the local level. However the vote, and subsequent process of approvals within the party ranks merely provide non-binding recommendations; recommendations that can be overturned at any stage in the process that ultimately culminated in a meeting of the party's powerful National Executive Committee and Central Committee in Dodoma during the week of 17 August. During this week a number of controversial decisions were made. Of particular note, Minister for Investment and former Minister for Minerals under President Magufuli, Angellah Kairuiki was not nominated to run as a member of parliament by the party. Additionally former Deputy Minister for Energy and Minerals under President Jakaya Kikwete, Stephen Masele, who won his local election vote in a landslide, was replaced by a candidate with a fraction of the votes. Conversely the former CEO of CRDB Bank Charles Kimeji, who ran second in his local election was elevated and received the party nomination. Another successful candidate of note is Deo Mwanyika, the former Acacia Mining executive who is running for the seat of Njombe city. Mwanyika's nomination comes just months after pleading guilty to tax evasion and paying a negotiated settlement in order to be released from jail. The arrest and jailing of Mwanyika and two of his colleagues was widely viewed as a political tool as part of the government's protracted and hostile negotiations with Acacia Mining (now Barrick Gold).

Whilst CCM moved into campaign mode the opposition was forced to grapple with the scores of its nominees that were disqualified from standing by the National Electoral Commission (NEC). Of particular note is opposition party ACT-Wazalendo's assertion that the commission disqualified 47 of its candidates in Zanzibar, where the race between CCM and ACT-Wazalendo is expected to be close. ACT-Wazalendo briefly halted campaigning during the appeals process and although some opposition candidates successfully appealed their disqualifications, the majority did not – leaving the opposition parties on the back foot in many constituencies. This tactic of large-scale opposition candidates being disqualified was used by the NEC in the lead up to the November 2019 local elections, however in that instance the disqualifications were deemed to be so egregious that the majority of opposition parties boycotted the elections, resulting in CCM winning 99.77% of the vote.

## **Zanzibar**

Although CCM is all but secured victory on the mainland, the vote in Zanzibar is likely to be a tight contest. Following a fierce pre-selection process where 32 candidates nominated to be CCM's presidential flag bearer,

Dr Hussein Ali Mwinyi, Zanzibar's current minister for defence and the son of former Zanzibar and mainland president Ali Hassan Mwinyi was nominated as CCM's candidate. CCM and Mwinyi will no doubt leverage his name and family connections to assist in winning over voters. Mwinyi will run against veteran politician Maalim Seif Sharif Hamad, who is running in his sixth attempt, and after leaving opposition party Civic United Front (CUF) is now running as ACT-Wazalendo's presidential candidate on the Isles.

The vote in Zanzibar is traditionally a lot closer than that of the mainland. With this in mind, it is likely that the key parties will expend significant money on campaigning and securing as many votes as possible. The election is likely to be tense after the controversial 2015 election, where mid-way through counting, the results were annulled by the Zanzibar Electoral Commission (ZEC) – a move that Seif Sharif claims was made because he was in fact in the lead. The end result was an election re-run where CCM won an astonishing 91.4% of the vote. The broadly held consensus among many Tanzanians – both in Zanzibar and the mainland – as well as the international community is that the election and election re-run had significant irregularities. As a result, bilateral partners put pressure on the government through the deferral or denial of aid, however they didn't use harsher methods available such as sanctions and travel bans on key government figures. Under this backdrop there is concern that all parties, but CCM in particular, will use nefarious means to secure votes and interfere with the independence of the ZEC.

The aftermath of the 2015 election and subsequent re-run was largely devoid of large-scale opposition protests. However after being sidelined from politics over the past five years, and with a deteriorating economic position in the largely tourism-dependent Isles, there is growing concern that a disputed election result could be met with large scale protests and a credible risk of violence.

### **Oversight of the elections**

The 2020 election is being run in a climate of media limitations that has been progressively put in place since President Magufuli was elected in 2015. Recent decisions impacting media freedoms include amendments to the Electronic and Postal Communications (Radio and Television Content) Regulations 2020 requiring broadcasters to be granted approval before using foreign content in Tanzania. Additional amendments mean that it is now a crime to publish anything that could ridicule, harm or abuse the prestige of Tanzania. This wide-ranging restriction includes information that questions the health of the economy, currency, national unity, calls for protests or that reports on infectious diseases without the approval of the relevant government authority. These increasingly restrictive regulations, and others, have been imposed vigorously with multiple news publications being suspended, fined or having their licenses revoked – for example Tanzania Daima, a daily newspaper connected to Chadema chairman Freeman Mbowe's family, had its license revoked earlier this year.

In parallel to the crackdown on media freedoms, the government is taking steps to restrict which non-government organisations (NGOs) are able to effectively monitor the upcoming election. The NEC announced a list of 97 Tanzanian organisations granted access to monitor the election. Some of the larger and more well-established NGOs including the Legal and Human Rights Centre, the Tanzania Human Rights Defenders Coalition and the Tanzania Constitution Forum were not included on this approved list. Instead the list is littered with small and largely inexperienced grass roots NGOs that don't have the same level of experience in election

monitoring and due to their localised focus aren't able to easily pick up on nation-wide trends or perform a robust monitoring service.

According to on the ground reports, these restrictions point towards a very stage-managed campaign period and election day with those speaking out or questioning the actions of the government under increasing threats and a real risk of fines, deregistration or even jail time. This climate of fear has also resonated among individual Tanzanians, with many reporting on their need to self-censor their views on politics when talking in groups, posting on social media and even when communicating over social media messaging services such as WhatsApp.

### **Covid-19 & the economy**

In the midst of the election period and global pandemic the Minister for Finance and Planning Philip Mpango presented the 2020/21 national budget to parliament with predictions of economic growth during 2020 of 5.5%. The World Bank however came out with a more tempered view, predicting growth to be 2.5% during that same period. The protracted downturn of the global tourism sector – traditionally the largest foreign exchange earner for Tanzania – and the broader global economic downturn, will continue to plague economic growth and lead to significant job losses. Unlike many of its regional neighbours however, Tanzania has not requested or received significant bilateral or multilateral soft loans – meaning it may fare better in the mid to long term as it keeps its economy going whilst avoiding long term debt repayments.

The campaign and the election itself is of course taking place during the Covid-19 pandemic. Whilst other countries are still operating under government-imposed restrictions – ranging from lockdowns, curfews and restrictions on social gatherings - Tanzania has bucked this trend. Instead the country, after a brief period of lockdown, is operating under business as usual conditions. Campaign rallies conducted by all the major parties have drawn thousands of supporters and there is no indication that any Covid-related restrictions will be put in place to manage the election campaign or the election day itself.

### **Ruling CCM assured of strong victory**

Although the ultimate election result will culminate in CCM victory, the lead up to the election and the election day itself will be of keen interest to potential investors and investors alike. Key risk areas to watch are any threats to the safety of opposition Chadema candidate Tundu Lissu and any civil instability risks related to widespread irregularities in the Zanzibari election.

The ruling party will exert significant funds and machinery to control the narrative around the election and, quite possibly in Zanzibar, control the result itself. The campaign period, confirmation of results and subsequent formation of cabinet by the new government will see a significant slowdown in government decision making that is likely to run into the Christmas period and result in significant decisions being delayed until 2021.

-----  
**Contact DaMina for a more detailed briefing from our risk analysts:**

Alex Wark,  
Partner, Business Development

London, UK  
+ 44 7779 656 878  
+1 647 808 9671

[Alex@daminaadvisors.com](mailto:Alex@daminaadvisors.com)  
[research@daminaadvisors.com](mailto:research@daminaadvisors.com)

*DaMina Advisors is a preeminent Africa-Asia focused independent frontier markets political risk research, due diligence, M&A transactions consulting and strategic geopolitical risks advisory firm. DaMina Advisors is legally registered and has offices in Canada, The UK and Ghana. DaMina is headquartered in Toronto.*

[www.daminaadvisors.com](http://www.daminaadvisors.com)

On Twitter  [@DaMina\\_Advisors](https://twitter.com/DaMina_Advisors)