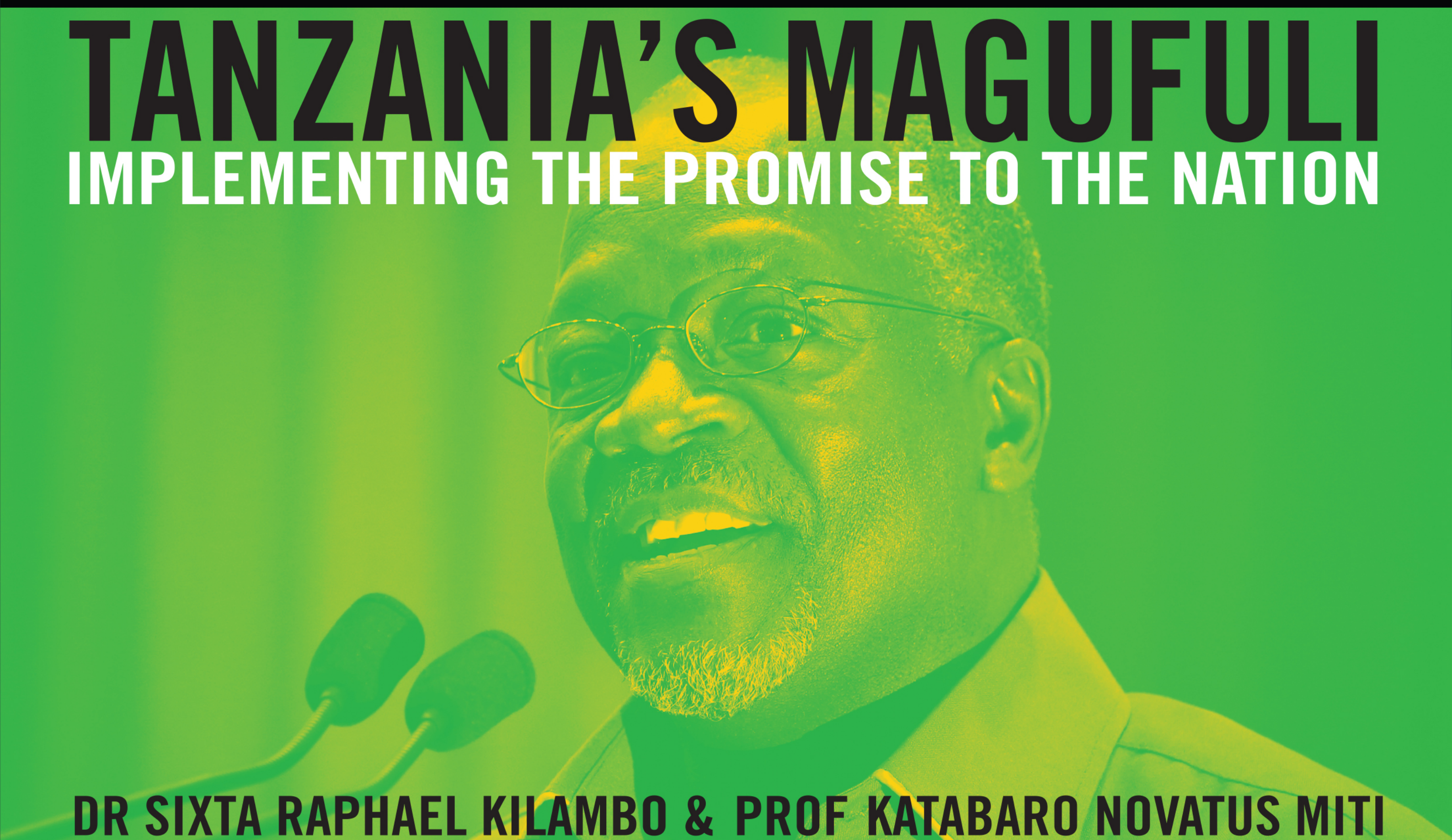
TANZANIA'S MAGUFULI

IMPLEMENTING THE PROMISE TO THE NATION



DR SIXTA RAPHAEL KILAMBO & PROF KATABARO NOVATUS MITI

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Implementing the Promise to the Nation

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Dr Sixta Raphael Kilambo and Prof Katabaro Novatus Miti

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Abbreviations

ABSA	Amalgamated Bank of South Africa
ACA	Anti-Corruption Agency
ACT	Alliance for Change and Transparency
AfDB	African Development Bank
ASIP	Annual Survey of Industrial Production in Tanzania
ASP	Afro-Shirazi Party
ATCL	Air Tanzania Corporation Ltd
ATP	Accountability and Transparency Programme
AU	African Union
BAE	British Aerospace
BIS	Basic Industries Strategy 1975-1995
BRN	Big Results Now
CBOs	Community Based Organisations
CCM	Chama Cha Mapinduzi
CHADEMA	Chama cha Demokrasia na Maendeleo
CHAUSTA	Chama Cha Haki na Ustawi
CRPO	Central Registry of Petroleum Operations
CSOs	Civil Society Organizations
CSR	Corporate Social Responsibility
CTI	Confederation of Tanzania Industries
CTT	Currency Transaction Tax
CUF	Civic United Front
DAC	Development Assistance Countries
DANIDA	Danish International Development Assistance
DAWASA	Dar es Salaam Water and Sewerage Agency
DFID	Department of International Development (UK)
DOD	Disbursed Outstanding Debts
DPP	Director of Public Prosecutions
DP	Democratic Party
DPs	Development Partners

E&P	Exploration and Production
EPA	External Payment Arrears
EPZ	Export Processing Zone
ERP	Economic Recovery Programme
ESAP	Economic and Social Action Programme
ESAF	Economic and Social Research Foundation
EU	European Union
EWURA	Energy and Water Utilities Regulatory Authority
FCI	Free Carried Interest
FDI	Foreign Direct Investment
FDP	Field Development Plan
FIU	Financial Intelligence Unit
FORD	Forum for Reconstruction and Democracy
FTT	Financial Transaction Tax
FY	Financial Year
FYDPI	First Five Year Development Plan 2011/2012 – 2015/2016
FYDPII	Second Five Year Development Plan 2016/2017 – 2020/2021
GBS	General Budget Support
GCU	Governance Coordinating Unit
GDP	Gross Domestic Product
GTL	Gas to Liquid
HIPC	Highly Indebted Poor Countries
ICSID	International Centre for Settlement of Investment Disputes
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IPC	Investment Promotion Centre
IPTL	Independent Power Tanzania Limited
ISIC	International Standard Industrial Classification
LCPs	Local Content Policies
LGP	Liquefied Petroleum Gas
LGRP	Local Government Reform Programme
LNG	Liquefied Natural Gas

LSRP	Legal Sector Reform Programme
LTPP	Long Term Perspective Plan
MDA	Mining Development Agreement
MDAs	Ministries, Departments and Agencies
MDC	Mtwara Development Corridor
MDGs	Millennium Development Goals
MITI	Ministry of Trade and Industries
MKUKUTA	Mpango wa Kukuza Uchumi na Kupunguza Umaskini Tanzania
MMEs	Macro-Manufacturing Enterprises
NACSAP	National Anti-Corruption Strategy and Action Plan
NAO	National Audit Office
NBC	National Bank of Commerce
NBS	National Bureau of Statistics
NCI	National Chemical Industries
NCCR-Mageuzi	National Convention for Construction and Reform (Mageuzi)
NDC	National Development Corporation
NEC	National Executive Committee
NEMC	National Environmental Management Council
NESP	National Economic Survival Programme
NGOs	Non-Governmental Organizations
NLD	National League for Democracy
NORAD	Norwegian Agency for Development Cooperation
NPIS	National Petroleum Information System
NRA	National Reconstruction Alliance
NSA	Non State Actors
NSRGP	National Strategy for Growth and Reduction of Poverty
ODA	Overseas Development Assistance
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development
OGPSA	Oil and Gas Production Sharing Agreement
OSHA	Occupational Health and Safety
PACB	Prevention and Anti-Corruption Bureau
PAP	Pan African Power Solutions

PCCB	Prevention and Combatting Corruption Bureau
PCI	Permanent Commission of Inquiry
PEFAR	Public Expenditure and Financial Accountability Review
PFMRP	Public Financial Management Reform Programme
PFM	Public Financial Management
PMO-RALG	Prime Minister's Office, Regional Administration and Local Government
PPSRC	Presidential Parastatal Sector Reform Commission
PPT-Maendeleo	Progressive Party of Tanzania - Maendeleo
PSA	Petroleum Sharing Agreement
PSRS	Power Sector Reform Strategy and Roadmap
PURA	Petroleum Upstream Regulatory Authority
SADC	Southern African Development Community
SAGCOT	Southern Agricultural Growth Corridor of Tanzania
SAP	Structural Adjustment Programme
SAU	Sauti Ya Umma
SEZ	Special Economic Zones
SDR	Special Drawing Rights
SID	Society for International Development
SIDA	Swedish International Development Cooperation Agency
SIDO	Small Scale Industries Development Organization
SIDP	Sustainable Industrial Development Policy 1996-2020
STACA	Strengthening Anti-Corruption Agencies
STAMICO	State Mining Corporation
TADEA	Tanzania Democratic Alliance
TAMISEMI	Tawala za Mikoa na Serikali za Mitaa
TANESCO	Tanzania Electricity Supply Company
TANU	Tanganyika African National Union
TDC	Tanga Development Corridor
TDV	Tanzania Development Vision 2025
TEITA	Tanzania Extractive Industries (Transparency and Accountability Act
TEMBO	Tanzania Engineering and Manufacturing Design Organization
TEXCO	Tanzania Textile Company
TIB	Tanzania Investment Bank

TIIDS	Tanzania Integrated Industrial Development Strategy (2025)
TIRDO	Tanzania Industrial Research and Development Organization
TKAI	Tanzania Karatasi Associated Industries
TLAI	Tanzania Leather Industries
TLP	Tanzania Labor Party
TMAA	Tanzania Minerals Audit Agency
TNBC	Tanzania National Business Council
TPDC	Tanzania Petroleum Development Company
TRA	Tanzania Revenue Authority
TTCL	Tanzania Telecommunications Company Ltd
TSh	Tanzanian Shillings
UDP	United Democratic Party
UKAWA	Coalition of Defenders of the Peoples Constitution
UMD	Union for Multiparty Democracy
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UPDP	United People's Democratic Party
URT	United Republic of Tanzania
USD$	United States Dollars
VAT	Value Added Tax
ZNP	Zanzibar National Party
ZPPP	Zanzibar and Pemba Peoples Party

CHAPTER ONE

Introduction

The decision to write a book on John Pombe Magufuli, who became Tanzania's new President in November 2015, was taken at the beginning of 2018. The aim was to have the book published in early 2020, before the end of his first term in office in October 2020. It was decided then that the book would focus on his three main policy thrusts: anti-corruption; increasing government revenue and turning Tanzania into a more industrialized economy. There were several reasons for choosing to focus on these. First and foremost, he had staked his presidency on these three policies. They formed the central part of his presidential campaign and were clearly articulated in his inaugural speech to parliament in November 2015. Secondly, the previous four regimes—from Julius Kambarage Nyerere (1962–1985) to Jakaya Mrisho Kikwete (2005–2015)—had espoused more or less the same goals but had not succeeded. The central question, then, was would Magufuli succeed where others had failed? The three policies were central in defining Tanzania's development trajectory in the previous 50 years of independence. Thirdly, the implementation of these policies, in particular the anti-corruption drive, had by 2018 generated hope and enthusiasm in the general public that finally the country was moving in the right direction.

Our approach to Magufuli's implementation of the three policies was historical. We started by looking at what his predecessors had done before delving into what he was doing. Our aim in using this approach was to try and answer the burning question of what would make him succeed where others had repeatedly failed. Would he gain enough support to push through his policies? The main purpose of the book was to promote a general understanding of the political and economic realities in which Magufuli's regime was operating and to identify the possible constraints and challenges to the full implementation of his policies and dreams.

The manuscript was completed in December 2019 but unfortunately could not be published before the October 2020 elections. Worse yet, Magufuli died shortly after starting his second term on 17 March 2021. This was after winning the elections with the massive 84 per cent of the presidential vote and leading CCM to its most signififcant success in the parliamentary elections since the introduction of multipartyism in 1992 and the first multiparty elections in 1995. The success in the parliamentary elections in October 2020 almost turned Tanzania into a one-party state as no opposition party gained enough seats to qualify as official opposition. It was not thought prudent for us to go back to the drawing board and write a different book on Magufuli. Therefore, we decided to add a postscript to the book to incorporate his death and succession by Vice-President Samia Suluhu Hassan.

John Pombe Magufuli was Tanzania's fifth president or represented the fifth Tanganyika/ Tanzania African National Union (TANU) – Chama Cha Mapinduzi (CCM) regime, generally referred to as "Hawamu". The four earlier presidents were Mwalimu Julius Kambarage Nyerere (1962–1985), Ali Hassan Mwinyi (1985–1995), Benjamin Mkapa (1995–2005) and Jakaya Mrisho Kikwete (2005–2015). The policies he pursued, despite being novel in approach, were in part a continuation or modification of the earlier policies pursued by the past presidents. How each president was able to push forward the said policies depended on the nature of the political settlement at the specific time, according to Cooksey (2011), Andreoni (2017) and Kelsall (2018). This is elaborated on in the second chapter, but it is suffice to state here that political settlements arise from political and economic developments in the country. The main political developments in Tanzania that deserve mention from the start are the emergence of a one-party state in 1965 which coincided with the creation of the United Republic of Tanganyika and Zanzibar in 1964 and hence the new name, Tanzania[1]; the introduction of Party Supremacy over the government structures in 1977; and the return to a multiparty system in 1992, leading to multiparty elections in 1995. At the economic level, one must mention the turn to socialistic/statist/nationalistic economic policies starting with the Arusha Declaration in 1967[2] and the economic crisis in the early 1980s that forced Tanzania to change its economic course under pressure from the International Monetary Fund (IMF) and World Bank with their Structural Adjustment Programmes (SAPs). From 1985, Tanzania moved to a private sector-led/capitalist-oriented economic policy as the presidency shifted from the Mwalimu-Julius Kambarage Nyerere to Mr Ruksa (the one who gives permission) Ali Hassan Mwinyi. Under Ruksa, politicians and individuals are permitted to amass wealth by any means, something which was prevented under the Arusha Declaration, at least for the political leaders.

The shift to capitalism came to be associated in Tanzania with the rise of corruption within the party and government ranks and threatened the country's political stability. In response, Benjamin Mkapa's presidential campaign focused on fighting corruption, hence the title of Mr Clean. Barely

1 The name Tanganyika was shortened to Tan and Zanzibar to Zan. Letters were added to form the name Tanzania.

2 While most commentators have regarded the post-Arusha Declaration phase in Tanzania as the pursuit of Socialism, Miti has always maintained that the post-Arusha Declaration policies were oriented more towards nationalism than socialism. See Katabaro Miti, 1980. Nationalism or Socialism: The Debate about the Arusha Declaration Era in Tanzania, PhD Thesis, Department of Political Economy, University of Toronto.

two months after his swearing in as president, he appointed the Warrioba Commission (January 1996) to advise him on how to tackle corruption. Jakaya Mrisho Kikwete also made anti-corruption his main presidential slogan in 2005. But by the time each of these presidents left office, the country was more corrupt than when they came in. The question then was how different Magufuli's tenure was going to be from those of his predecessors. What were his chances of ending rampant corruption, which is generally seen as a crude form of primitive accumulation under capitalism, which the country had welcomed with open arms under the Mkapa and Kikwete presidencies? [3]

Chapter three addresses this issue of anti-corruption in Tanzania. It starts by looking at the fight against corruption, particularly under Mkapa and Kikwete, then examines the various legislations and programmes under the two regimes. The conclusion reached is that the failures of the two governments stem from the fact that the fight against corruption was externally driven and the legislations were meant to satisfy the external stakeholders (development partners who paid for the anti-corruption programmes). The political elites in Tanzania did benefit from corruption and encouraged corrupt practices to fill their pockets. The central question then is what changed under Magufuli.

It was clear as he came into power that the public had lost trust and confidence in the government. Something had to be done to restore the people's confidence in their government. He focused his attention on fighting corruption in the areas where it was most apparent, namely public procurement, revenue collection, the administration of justice, police, health care, education and utilization of public resources. He used public shaming and firing of public officials to create enough fear among civil servants and political appointees to cut down on corrupt practices. Furthermore, he centralized control over government revenue collection and allocation into his office, thereby limiting spillage of state resources. This did not end all corruption but assured the citizens that something was being done about it.

Chapter four discusses Magufuli's focus on industrialization. Transforming Tanzania into an industrialized country has remained the country's holy grail since independence, and a lot of strategies have been produced with little being achieved (Morrissey and Leyaro 2015; Page 2016). The chapter, therefore, starts by examining the various strategies used to promote industrialization since Nyerere's regime when the First Five Year Development Plan was produced in 1964. Since

3 For more information on this aspect of primitive accumulation, see: Khan M H and Gray H. 2005. State Weaknesses in Developing Countries and Strategies for Institutionalizing Reforms – Operational Implications for Anti-corruption Policy and a Case Study of Tanzania. A report commissioned by the Department of International Development (DFID).

then, we have had: The Long Term Industrial Strategy 1975–1985, in which the state was to act as the main driver of industrialization; The Sustainable Industrial Development Policy 1996-2010, produced by Mkapa, which was to be spearheaded by the private sector after the privatization of state-owned enterprises; and The Integrated Industrial Development Strategy 2025 produced by Kikwete. Any discussion about Magufuli's industrialization drive had to take into account what had been done before.

One also had to place Magufuli's plans within the existing realities of Tanzania's industrial (manufacturing) sector and its constraining factors to any future growth. Unless one understands the sector composition of manufacturing in the country and the interlinkages within each sector and between sectors, one cannot do justice to the debate on Tanzania's industrialization. These provide the broad context in which Magufuli had to operate. There is currently a lack of linkage within the various sectors. Privatization under Mkapa destroyed any linkages that had been forged in the earlier period. On top of that is the fact that the manufacturing sector remains dominated by small producers that use old technologies. These small enterprises are not graduating into medium enterprises but instead are experiencing a high failure rate. Besides, there is an over-dependence on imported materials and intermediate inputs.

The above put limits on Magufuli's desire to industrialize the country. Looking at the Five Year Development Plan 2016/17-2020/21 and the subsequent budget allocations, one wonders how he was going to achieve his industrial dream by 2025. His flagship projects (which were mainly focused on infrastructure) and his selected priority areas were not likely to drastically change the country's manufacturing outlook. What can be noted here was the determination on the part of the Magufuli government to push through projects that had been in the pipeline for a long time. The implementation of these projects, however, was dependent on securing enough external funding to carry them through. The biggest danger was the re-emergence of the economic crisis of the 1970s and 1980s when Tanzania could not meet its debt obligations. To allay these fears, the government constantly repeated that the current debts are sustainable and fall within the limits set by the IMF. The issue of debts is discussed in the concluding chapter six below. It is unfortunate that Magufuli passed on before the fruits of his industrialization drive could be realized, but it is necessary to point out that his initial assessment and his proposed way forward, elaborated in his four steps to industrialization in his November 2015 inaugural speech to parliament, were not based on a realistic appraisal of the country's situation.

The second major concern for Magufuli was to increase government revenue. This is addressed in chapter five. It attracted more attention for two main reasons. One is that, for a long time, the fastest-growing sector of the economy, gold mining, virtually paid no tax thanks to the mining development agreements negotiated between the government and the mining companies. The 2015/16 auditor's report noted that instead of collecting the taxes from the mining companies, the Tanzania Revenue Authority (TRA) was giving out refunds on mineral exports to the companies. This amounted to TSh 1.444 trillion between 2012 and 2016. This was on top of all the tax exemptions given to the mining sector under the mining development agreements. The loss from incentives given to the mining sector was estimated for the financial year 2011/12 to be to the tune of TSh 1.806 trillion or 4.4 per cent of the country's Gross Domestic Product (GDP), 27.4 per cent of all the taxes collected and 9.4 per cent of government expenditure (CRC Sagoma 2013). It should not be surprising that increasing government revenue meant making mining companies pay taxes. Second, revenue collection had been marred in corruption, not only for the mining sector but for all other sectors. A lot of companies avoided paying import duties. It should therefore not be surprising that Magufuli's anti-corruption focus was on the TRA and the port authority.

Increasing government revenue, therefore meant taxing the mining companies that had been making huge profits from Tanzania's existing mining regime. One, therefore, needed to understand the evolution of the country's mining policy, which was worked out with the technical assistance of the World Bank, or more accurately, under pressure from the World Bank. Tanzania produced a Mining Policy in 1997 and a Mining Act in 1998, with technical assistance from the World Bank. The Tanzania public was dissatisfied with both the policy and the act and urged the government to review both. The government responded by appointing a committee (Kipokola Committee) in 2004 and another (Masha Committee) in 2006 and finally a commission of inquiry (Bomani Commission) in 2007 which gave its report in April 2008. But the new mining policy issued in 2009 did not produce any substantive changes, again under pressure from the World Bank. Magufuli's barrage of new legislations in 2017 completely changed Tanzania's gold mining regime. While these changes are worth celebrating, one needs to note that the new mining frontier has now shifted to gas and there is hope that Tanzania might join the Petro States (Isaksen et al. 2017). The gas sector, however, has different dynamics. Efforts were made before Magufuli's rise to the presidency to apply lessons learnt from gold mining, to ensure that the country benefited from the anticipated gas revenue. Thus, a number of policies and acts were passed. These include the National Gas Policy for Tanzania in 2013, the Energy Policy in 2015, the Petroleum Act in 2015 and the Oil and Gas Revenues Management Act in 2015. Unfortunately, Magufuli died before striking a deal with the investors in the gas sector.

What should one say about Magufuli's promises to the nation? One can realistically say that there was progress in the fight against corruption. There was a growing trust in the government's administrative machinery and a slowdown in open corruption. But will the zeal with which Magufuli combatted corruption continue under his successor? As long as the anti-corruption process is not properly institutionalized and accepted by the political leadership, corruption will continue to raise its head under a presidency that chooses to benefit from it.

There have also been successes in changing Tanzania's gold mining regime. This has definitely led to an increase in government revenue, which Magufuli's government boasted about. However, agreements in the gas sector have been left to Magufuli's successor. Furthermore, the verdict on industrialization was not very positive, in the sense that the issue of linkages within and between the various manufacturing sectors had yet to be addressed. Magufuli's opening speech to the 12th parliament in November addressed many issues, but their implementation now falls on the shoulders of his successor. The guiding principle for industrialization has remained Rweyemamu's (1976) ranking of industrial projects using social cost criteria and selecting only those which show a relatively high rate of return up to the point where the budget constraints become binding.

The concluding chapter six, "Constraints and Challenges to Tanzania's Development: Leadership, Debt and International Pressure", argues that the basic challenges to Tanzania have remained the same. In a situation where the president is given extensive powers, it falls on the incumbent to elaborate and drive the national development strategy for the country. Personal leadership is critical to the direction a country takes. This is not to downplay other important factors like the economic and political realities. Critical also to Tanzania's development has been how external pressures and interests are handled. This has been based on how dependent the country is on external resources. Magufuli's contribution has been to inspire the citizens to believe that the country can achieve much more by relying on its own resources. Thus, raising the government's own revenue is critical to national development. This does not mean that external resources are not needed but that one should be prudent in managing the national debt.

CHAPTER TWO

The Political and Economic Context of Magufuli's Presidency

John Pombe Magufuli emerged as a Chama Cha Mapinduzi (CCM) presidential candidate at a hotly contested nomination process in July 2015 in Dodoma. There were 42 presidential hopefuls, a "who's who" list of CCM members.[1] Surprisingly, every CCM member with some stature desires to become president of Tanzania. This is in part because the nomination procedure for presidential candidacy is very simple. One gets a nomination form at a cost of TSh 1 million (US$ 500) and 450 signatures from members in 15 regions (including three regions in Zanzibar). This is followed by the vetting and shortlisting of the candidates by the CCM Central Committee and the National Executive Committee (NEC). Then, the shortlisted candidates are voted upon by the CCM National Conference. The person who wins more than 50 per cent of the votes becomes the CCM presidential candidate to be presented to the National Electorate during the presidential elections, together with other candidates from the other parties.

1 The CCM list of presidential hopefuls in 2015 was like a list of "who's who" in the CCM party. It included a long list of ministers and MPs. Among these were: January Makamba (Deputy Minister of Science and Technology), Samuel Sitta (Minister of Transport), Hamisi Kigwangala (MP for Nzega), Mazengo Pinda (Prime Minister), Stephen Wasira (MP for Bunda), Lazaro Nyarandu (Minister of Natural Resources and Tourism), Bernard Member (Minister of Foreign Affairs), Edward Lowassa (former Prime Minister 2005-2008), Mwiguru Nchemba (Deputy Minister of Finance), Ali Karume (retired diplomat), Luhanga Mpina (MP for Kisesa), Makongoro Nyerere (Member of the East African Legislature), Mark Mwandosya (Minister of State), Frederic Sumaye (MP for Hanang and former Prime Minister 1995-2005), Sospeter Mhongo (former Minister of Energy and Minerals), Titus Kamani (Minister of Livestock and Fisheries), Hamina Salim (African Union Ambassador to the USA), John Pombe Magufuli (Minister of Works), Mohamed Bilali (former Vice President), William Ngeleja (MP for Sengelema and former Minister of Minerals and Energy 2008-2012), Mwele Malechela (Daughter of former Prime Minister John Malechela and Director General of the National Institute for Medical Research), Augustine Mahiga (Tanzania Permanent Representative to the UN 2003-2010 and UN special envoy for Somalia), Hassy Kitina (former Director of Tanzania Intelligence Security services), Monica Mbega (former Deputy Minister of Finance), Asha Rose Migiro (Minister of Justice and Constitutional Affairs and former UN Deputy Secretary General), A Ramathani (former Chief Justice), and H Mwakyembe (Minister of East African Cooperation).

The 2015 selection of the CCM presidential candidate was not as smooth as the previous one, mainly because two main factions within the party vying for the post, had emerged. At one end was the Edward Lowassa faction and at the other was the Jakaya Mrisho Kikwete faction. Ironically, in 2005 Lowassa and Kikwete had combined forces to push for Kikwete's CCM presidential candidacy. When Kikwete became president of Tanzania, Lowassa became the Prime Minister. Lowassa, however, was forced to resign his prime minister's post in 2007 following the Richmond – Tanzania National Electricity Company (TANESCO) scandal. (See discussion in chapter three on anti-corruption below.) The scandal turned the two erstwhile friends into rivals with Lowassa mobilizing to take over the presidency after Kikwete. At the vetting and shortlisting process at the Central Committee and National Executive Committee, the Kikwete faction manipulated the process and removed Lowassa from the presidential candidacy. The Lowassa faction retaliated by ensuring that none of the proposed candidates from the Kikwete faction received the 50 per cent support at the CCM national conference. This resulted in a stalemate,[2] and to break it, the matter was referred to the party elders, which is constituted of the former presidents and outgoing president for both the Union and Zanzibar, as well as the former and current vice-presidents and prime ministers of the Union and Zanzibar. It is this committee of elders compromised and put John Pombe Magufuli forward as a presidential candidate.

Two things were in Magufuli's favour. First was his not being aligned to any of the factions, since he was never a member of the CCM Central Committee or National Executive Committee where the factional battles were taking place. Second, he was well known for his work ethic, which he had shown as a minister under both the Mkapa and Kikwete presidencies. Following Magufuli's endorsement as the CCM presidential candidate, Edward Lowassa resigned from CCM to become the presidential candidate for the opposition – Chama cha Demokrasia na Maendeleo (CHADEMA). Lowassa was a formidable challenger at the following presidential elections, securing 38 per cent of the votes against Magufuli's 58 per cent.

Magufuli was born on 29 October 1959 in Chato, which was part of Biharamulo District in the then Lake Region. Subsequently, the region was divided into two – the East and West Lake region. The West Lake region came to be known as the Kagera region after Tanzania's war with Idi Amin of Uganda over the Kagera salient in 1979. In 1985, after completing a Diploma in Education at

2 For a more detailed discussion on how the factions were managed during the nomination process, see Machiko Tsubura. 2018. "Umoja ni Ushindi (Unity is Victory)" Management of Factionalism in the Presidential Nomination of Tanzania's Dominant Party in 2015. Journal of Eastern African Studies, Vol. 12. 1.

Mkwawa Teacher's College, he became a school teacher at Sengerema Secondary School. In 1988, he joined the Mwanza Cooperative Union, which then sponsored him for a BSc in education and an MSc in chemistry at the University of Dar Es Salaam (1994). He earned his PhD in chemistry from the University of Dar Es Salam in 2009 while serving as a minister. His political career started in 1995 when he was elected to parliament from the Biharamulo East Constituency, which later became the Chato constituency when it was moved from Biharamulo District to form part of Geita District. This was also the time of the first multi-party elections in Tanzania (1995). He immediately became Deputy Minister of Works in Mkapa's first presidential term (1995-2000) and Minister of Works in his second tenure (2000-2005). Under Kikwete, he became Minister of Lands and Human Settlements (2006-2008), then Minister of Livestock and Fisheries (2008-2010) before returning to the Ministry of Works (2010-2015).

It is not the intention of this book to write a biography of Magufuli nor to find out what drove him to seek nomination to the presidency or analyse the driving forces that pushed him to adopt a more personalized leadership style or to push forward the selected policies and programmes. This we leave to subsequent historians. Our interest is in the actual policies pursued and whether Magufuli would succeed where his predecessors had failed. The starting premise was that a political leader's success or failure is partially determined by the existing political and economic realities and that the past has an impact on what can be realized in the present. It is for this reason that the book has adopted a historical approach in the discussion of Magufuli's short tenure in office. This starts by looking back at what his predecessors had done in the stated policies before moving on to what he actually did and achieved. It was important at the same time to place the actual policies within the broader political and economic changes that had taken place in Tanzania since its independence in 1961.

The Political Changes

Tanganyika gained its independence from Britain in December 1961.[3] Since then, the country has seen major political changes. The immediate change was becoming a republic in December 1962. In 1965, the country adopted a one-party state constitution. The decision to turn Tanzania

3 Tanganyika was initially a German colony known as German East Africa, which incorporated the current Rwanda and Burundi. These two became Belgian protectorates after the First World War in 1919, and Tanganyika became a British protectorate.

into a one-party state had been made in January 1963 by the TANU National Executive Committee (NEC). In 1964, a commission to work out the modalities of how this was to be operationalized was appointed, and it presented its report in early 1965.[4] The Tanzania Interim Constitution in 1965 institutionalized the one-party state in Tanzania.[5]

In principle, however, there were two parties in the newly created United Republic of Tanzania that incorporated Tanganyika (Tan) and Zanzibar (Zan) which includes the two main islands of Zanzibar and Pemba and a chain of smaller islands. These were the Tanganyika African National Union (TANU) for the mainland and the Afro Shiraz Party for Zanzibar. Zanzibar had been colonized by the Arabs from Oman in 1832, with the sultan as the ruler. Britain took over the administration of the island in 1890 under a protectorate arrangement in which it retained the sultan as the de facto ruler of the island. Zanzibar was granted independence on 10 December 1963 under a multiparty system but with the sultan as the political head. The main parties at the time of independence were the Afro Shiraz Party (ASP) (a merger of the African Association and Shiraz Association since 1957), the Zanzibar Nationalist Party (ZNP) and the Zanzibar and Pemba Peoples Party (ZPPP). The ASP staged a coup on 12 January 1964 and overthrew the sultan, Jamshid bin Abdullar. Tanganyika and Zanzibar (Julius Kambarage Nyerere and Abed Aman Karume) signed the articles of the union between Tanganyika and Zanzibar. In the created union, the government for Tanganyika (which now became Tanzania) functioned as the union government and the government of the Tanzanian mainland. Zanzibar retained its own government, but, did not have control of two main areas of governance – foreign affairs and defence. The two constituted the union government, which has

4 United Republic of Tanzania. 1965. Report of the Presidential Commission on the Establishment of a Democratic One Party State. Dar Es Salaam, Government Printer. Nyerere's ideas on the one-party state had been developed much earlier in 1961. Julius K. Nyerere. 1961. "One Party Government". Transition, Kampala. See also Henry Bienen. 1964. "The One Party and No Party State: Tanganyika and the Soviet Union". Transition, Kampala.

5 The new constitution came in the wake of an army mutiny in Tanganyika in April 1964. Until then, the army, or the Kings African Rifles, was still commanded by British officers, with the highest-ranked Tanganyikan being a lieutenant. The mutiny resulted in the creation of the Tanganyika Defence Forces (TPDF) under civilian and party control and the appointment of political commissars in the army. In later political developments, the army was regarded as a party region for the purpose of electing army officers into the party's highest policy-making organ – The National Executive Committee. For details of the mutiny, see Frene Ginwala. 1964. "The Tanganyika Mutiny". The World Today, London and Henry Bienen. 1965. "National Security in Tanzania after the Mutiny". Transition, Kampala (April).

remained the de facto situation to date.[6]

The existence of two parties under a one-party state constitution in Tanzania continued until 1977 when the two parties merged to form Chama Cha Mapinduzi (CCM) – the Revolutionary Party. This merger was preceded by the amendment of the 1965 constitution preamble to read: "all political activity in Tanzania shall be conducted under the auspices of the party and the functions of the organs of state of the United Republic of Tanzania shall be performed under the auspices of the party". It is this that introduced what has been generally referred to as "party supremacy", which remained in force until 1992 when the multiparty system was recreated.[7]

The central issue under the one-party state and party supremacy was the relationship between the party structures/institutions and the government structures and institutions, and more specifically, the relationship between the National Executive Committee of the party and parliament and the bureaucracy/cabinet. The centrality of the party in Tanzania was best expressed in the 1971 Party Guidelines known as "Mwongozo". It states in the second paragraph that "the responsibility of the party is to lead the masses, and their various institutions, in the effort to safeguard national independence and to advance the liberation of the African: The duty of a socialist party is to

6 There have been several challenges to the union structure and calls to change the articles for the union. The first challenge came in 1984 when Aboud Jumbe, then president of Zanzibar, called for the institution of three governments – a separate government for Tanganyika, the government of Zanzibar and a weak union government. Because of this proposal, Aboud Jumbe was forced to resign as Zanzibar's president and was replaced by Ali Hassan Mwinyi, who proceeded to become president of Tanzania in 1985. The issue of three governments re-emerged in 1993 following the Zanzibar government joining the Organisation of Islamic Countries (OIC) without consulting the union government. Fifty-five members of the union parliament (popularly known as the G55) demanded the restoration of the Tanganyika government and the institution of a separate union government. This was apparently at the time when the multiparty system had just been reintroduced and threatened to divide the CCM party. For details, see Katabaro Miti and Athuman Liviga. 2002. "Nyerere's Contribution to Tanzania's Stability". In Bayona ELM et al (eds) Peace, Unity and People Centred Developement: The Legacy of Mwalimu Nyerere. University of Venda for Science and Technology and the Mwalimu Nyerere Foundation. See also Julius Kambarage Nyerere. 1995. Our Leadership and the Destiny of Tanzania. African Publishing Group, Harare; Issa Shivji. 2008. Pan Africanism or Pragmatism: Lessons of Tanganyika Zanzibar Union. Tanzania, Mkuki na Nyota Publishers; Aboud Jumbe. 1994. The Partnership: Tanganyika Zanzibar Union: Thirty Turbulent Years. Tanzania, Amani Publishers; Anthony Clayton. 1981. The Zanzibar Revolution and its Aftermath. Handen CT: Anden Books.

7 For a discussion on the implications of a one-party state and party supremacy on the government and its related institutions, see Katabaro Miti. 1980. "Party and Politics in Tanzania". Utafiti, Vol. V No. 2; Katabaro Miti. 1991. Governance Crisis and People's Response in Tanzania. Report to the African Association of Public Administration and Management (AAPAM), Addis Ababa, Ethiopia; Pius Msekwa. 1977. Towards Party Supremacy. Nairobi, East African Literature Bureau; Harry Goulbourne. 1977. The Role of the Political Party in Tanzania since the Arusha Declaration. Mimeo, University of Dar Es Salaam.

guide all the activities of the masses. The government, parastatals, national organizations, etc; are instruments for implementing the party's policies".[8]

The monolithic political system that emerged under the one-party state and party supremacy led directly to the creation of a single party on 5 February 1977, which was to run the affairs of government both on the mainland and on the islands. President Nyerere had called for the merger of TANU and ASP at a public rally commemorating TANU's foundation on 7 July 1976. This was followed by a 20-person commission from ASP and TANU. All but 14 of the branches of the two parties supported Nyerere's proposal, leading to the merger of ASP and TANU to form Chama Cha Mapinduzi (CCM).

The monolithic political system came to an end in 1992 when Tanzania amended its constitution to allow multipartyism. This came about with the passing through parliament of the 1992 Political Parties Act. What is important to note here is the fact that Nyerere, who had been the architect of the one-party state and party supremacy, was the main champion of the formation of the multiparty system in Tanzania. Following global changes in 1989 that saw the defeat of communism and massive reforms in Eastern Europe, Nyerere suggested in his speech to the CCM Youth Wing Conference in 1990 that Tanzania should take steps to effect necessary changes to its political system. He went on to say that the CCM should not wait any longer for it would be disastrous if it did not manage the changes. In response to this speech, President Ali Hassan Mwinyi formed a commission under Chief Justice Nyalali (hence the title, the Nyalali Commission) to make recommendations on whether to retain a one-party system or adopt a multiparty system. The commission proposed a multiparty system despite contrary opinions from the public.[9]

The one-party state and party supremacy had in fact strengthened the presidential powers because he held both, the presidency of the party and the presidency of the country. This allowed what would be termed an imperial presidency under which the president had a free hand to determine both the political and economic processes in the country. While two competing groups emerged within the leadership – the radicals concentrated in the party pushing for more socialist-oriented policies and the pragmatists concentrated within the government machinery – neither could challenge presidential powers. The term used to explain this scenario in Tanzania is "political settlements" (Cooksey 2011, Andreoni 2017, Kelsall 2018). A political settlement is defined by Kelsall (2018) as an implicit or explicit agreement among powerful groups or factions about the rules of

8 TANU. 1971. TANU Guidelines (Mwongozo). Dar Es Salaam, Government Printer.

9 Nyalali F. 1991. Report of the Presidential Commission on Single or Multiparty System. Government Printer, Dar Es Salaam.

the political game, the organisation of power and who benefits from it. The agreement is based on the balance of power between contending groups in which there is co-opting or repression of the potential disruptive groups. Kelsall uses the terms "dispersed" and "concentrated" to signify the power accorded to the presidency under the political settlement.

The economic crisis starting in the early 1980s culminated in the reversal of Tanzania's socialist path discussed briefly below and in more detail in chapter four. The end result was a new political settlement under Ali Hassan Mwinyi's presidency (1985-1995). The emerging conflicts were now between the socialist-oriented faction within the party, which lost control with the scrapping of the leadership code in February 1991 by the National Executive Committee meeting in Zanzibar (hence the term the Zanzibar Declaration), and the new faction supporting liberalization and the opening up of the entrepreneurial space. This new group included the bureaucrats and politicians who were now free from the leadership code and keen to use their positions in government for private gain and to indulge in privatized rent-seeking arrangements.[10]

Nyerere, as a father figure, came to influence the selection of Mwinyi's successor. He prevented the business-oriented faction from taking over the presidency. According to Andreoni (2018), Nyerere vetoed the nomination of Edward Lowassa, who was associated with business individuals like Rostan Aziz and Jeetu Patel and imposed Mkapa, a career bureaucrat and diplomat portrayed as "Mr Clean", on the party.[11] This might explain Mkapa's focus on corruption in his first term as president, which will be discussed later.

The death of Nyerere in 1999, the continued market liberalization process, the sale of parastatals and the entry of external investors changed the balance of forces. In the run-up to the 2000 elections, Mkapa had to align himself to an emerging powerful group of businessmen, bureaucrats and some politicians keen on using the state to advance their private interests. Kelsall (2018) thus notes that:

10 The rise of the new faction was indicated by the growing number of presidential hopefuls from the CCM camp in 1995. Those who sought presidential nomination included the Speaker of the National Assembly Pius Msekwa; the former Prime Minister and Minister of Finance Cleopa David Msuya; the Prime Minister and first Vice-President Joseph Sinde Warioba; the Vice-Chairman of the party and former Prime Minister Joseph Malecela; the former Secretary-General of the party Horace Kolimba and current ministers Jakaya Mrisho Kikwete, Edward Lowassa, Benjamin Mkapa and Njelu Kasaka; Judge Mark Bomani, a member of the National Electoral Commission; and Rutakyamilwa, a former ambassador. It was this factionalism that prompted Nyerere to publish his booklet, Our Leadership and the Destiny of Tanzania, referred to above.

11 President Mkapa disputes the fact that President Nyerere was behind his nomination in his biography while acknowledging his support during the presidential campaign. See Benjamin William Mkapa. 2019. My Life, My Purpose: A Tanzanian President Remembers. Dar Es Salaam: Mkuki na Nyota Publishers.

> Despite the formal democratic and good governance institutions the state adopted the unwritten rules of the game – a kind of compromise among the CCM factions, foreign donors and the opposition that CCM must win elections at all cost, but the illusion that the opposition could win should be maintained; and politicians and public officials can use their offices for party or private gain, but not without limit and so long as they don't get caught.

This, however, shifted the power from the presidency to influential, albeit loose, money-making factions, in which politicians/businessmen loomed large and provided vital campaign finance to the party as well as to the lower party factions. This played an increasing role in choosing the presidential candidate and expected to be patronized accordingly. It is this that explains the "Takrima" legislation in 2000 just before the elections.[12] By the time of the 2005 elections, the money-making factions had taken control of the party and used their money and influence to catapult Kikwete to the presidency. This, however, weakened the presidential control of what Cooksey (2011) refers to as rent-seeking, which he defines as the capture of public regulatory power by private interests to create and capture rents. For him, rent-seeking is centralized when the head of state, designated individuals or an agency within the state apparatus under presidential control are directly involved in the identification and negotiation of large rent-seeking projects. A powerful presidency will threaten to impose sanctions against public and private actors who launch projects without their knowledge or prior approval. In a decentralized and uncoordinated setup, rent-seeking becomes competitive and can degenerate into a downward spiral of plunder, extortion and patronage spending. This is what happened under Kikwete's presidency, which saw the rise of uncontrolled factionalism within the ruling party. This led to the conclusion by the ODI report (2014) that:

12 This refers to the Electoral Law (Miscellaneous Amendments) Act of 2000 and the Takrima provisions in sections 98 (2 and 3), which state that: (2) For the purpose of section (1) anything done in good faith as an act of normal or traditional hospitality shall be deemed not to be treating. (3) Normal or ordinary expenses spent in good faith in the election campaign or in the ordinary course of election process shall be deemed not to be treating, bribery or illegal practices. This was challenged by the opposition only after the 2005 elections. The case was finalized by the High Court just before the 2010 elections. The Court declared that the Takrima provisions violated the constitution and were therefore null and void. This led to the passing of the Electoral Expenses Act 2010, whose full title is: An Act to make provisions for the funding of nomination process, election campaign and elections with the view of controlling the use of funds and prohibited practices in the nomination process, election campaigns and elections; to make provision for allocation, management and accountability of funds and to provide for consequential and related matters.

> The current political settlement is an unstable alliance of private and public interest groups practicing competitive patronage around the ruling party and president. Growing competitive factionalism has increased the costs of keeping the ruling elite together, while the attendant corruption and disarray in public administration weaken its popular base and play into the hands of the opposition.

Factionalism within the party became more visible with the growing grand corruption, that is, corruption involving high-ranking politicians, that came into the open in Kikwete's second term and forced him to distance himself from the group that financed his rise to power (now referred to as "mafisadi" rooters of the state) and try to link himself to a new group referring to itself as "CCM safi".[13] The factionalism within the party reached its peak at the 2015 CCM presidential nomination. The incumbent president Kikwete refused to support Lowassa's nomination headed by the mafisadi group, which in turn blocked the nomination of any candidate put forward by the president.[14]

The election of Magufuli, according to Kelsall (2018), resulted in a new type of political settlement based on the premise that CCM shall win the elections at all costs, the pretence that the opposition might win needs no longer to be upheld and party and state officials will use their offices for public service, not gain.[15] For this to work, you need a centralized political settlement

13 Oxford Analytica (2009) notes that CCM mafisadi refers to CCM figures tarnished by accusations of corruption (fisadi) and noted that the group was led by former Prime Minister Lowassa, Rostan Aziz (MP and former CCM treasurer), Andrew Chenge (former Attorney-General and infrastructure minister) and Yusuf Makamba (the party Secretary-General). CCM safi referred to vocal anti-corruption or pure (safi) political figures lead by Samuel Sitta the National Assembly Speaker.

14 This fact is pointed out by Emmanuel Nyamajeje (2015). He writes that Magufuli was settled on by the party hierarchy and ordinary delegates as the perfect compromise candidate. In this, the party needed someone who was adequately competent but who did not command a significant independent national support base. This decision was informed by the need to restore unity following rifts caused by the tough battle, especially between the powerful camps aligned to Lowassa and Membe, that threatened to split the ruling party. Ex-president Benjamin Mkapa has been identified by sources privy to proceedings as a key influencer in the decision to endorse Dr Magufuli. This analysis is supported by Andreoni (2018), who wrote that it was conflict between Kikwete and Lowassa that opened the space for a new consensus between the more traditional CCM factions around the still influential former president Mkapa and factions around Kikwete to agree on Magufuli as a way to avoid a split of the party and lose elections.

15 This was strongly emphasized in Magufuli's inaugural speech to parliament. He stated: "I promise that I will form a government that will serve the wananchi, especially ordinary citizens. I urge all public servants, especially the negligent and lazy, to get prepared. For a long time, they have been tolerated with, but enough is enough. Such public servants will no longer be tolerated in the government that I will lead. Such statements as 'this is a challenge that we will deal with' or 'the process is still going on' will not be tolerated by the fifth-phase government. I want people who will stick to the principle of 'work must be a priority'. We cannot entertain people who receive salaries but don't earn them, or those who turned public offices into processes of making money without working to earn it."

in which the president controls rent-seeking as noted by Cooksey (2011). What Magufuli did after his election was to assert presidential control. His high anti-corruption crusade of blaming and shaming allegedly corrupt people in both public and private sectors and his direct involvement in anti-corruption operations backed by the police and intelligence was intended to instil fear and respect for the presidency. This show of control – including surprise visits to state institutions and direct control over the national purse by directly allocating resources to regions and districts (as in the case of schools where money is transferred directly to principles with copies of the transfer sent to Regional and District Commissioners) and determining when and how those operating tenders with the government should be paid – was intended to proclaim the nature of the new political settlement and establish his consolidation of power.

The Economic Changes

At the economic level, two main things can be identified in Tanzania's independence development. These are the continuous drawing of economic plans and the recurrent economic crisis that made it impossible to implement the set plans. The process of economic plans started with a Three Year Development Plan 1961/1962-1963/1964. This was drawn up with the assistance of the World Bank. Under this plan, Tanzania's development was to be based on agriculture through what was termed the improvement and transformation approaches. The improvement approach meant the expansion of extension work, credit provision, market outlets and cash incentives to farmers already engaged in cash production so as to increase their productivity. The transformation approach stood for the establishment of supervised settlement schemes to replace the existing pattern of shifting cultivation and living in scattered hamlets and the introduction in these new settlements of improved farming techniques and essential social services – in short, villagization, as it came to be known in the post-Arusha Declaration period. In this set-up, industrial development was to be tied to agricultural development, the development of the national market depending on agricultural growth.[16]

The second plan was a 15-year plan 1964-1980, which was to be implemented as three five-year plans. The general objectives were to raise income per capita from TSh 400 to TSh 900 by 1980, to meet the manpower needs of the country by 1980 and to increase the national life span from 35 to

16 See Katabaro Miti. 1983. "The Nationalist Solution to the Accumulation Crisis in Tanzania". The African Review, Vol. 10, No. 1.

50 years. The first phase was the 1964-1969 Five Year Development Plan. There was, by this time, a shift from the country's agricultural/rural development focus to industrialization. Given the lack of local capital, this process was expected to be spearheaded by foreign private sector investments. Unfortunately, the expected inflow of investments never materialized and instead, there were massive outflows of investments from the country to the tune of TSh 336.4 million in 1964 alone. The situation was made worse by a massive fall in export surplus due to a landslide fall in the prices of Tanzania's main cash crop, sisal, in 1965/66. It is, in fact, the above situation that forced Tanzania to adopt the Arusha Declaration in 1967. Two statements stand out in the Declaration:

1. It is stupid to rely on money as the major instrument of development when we know only too well that our country is poor. It is equally stupid, indeed even more stupid, for us to imagine that we shall lift ourselves of our poverty through foreign assistance rather than our financial resources.
2. Because of our emphasis on money, we have made another mistake. We have put too much emphasis on industries. Just as we said "without money there can be no development" we seem to say "without industries there is no development"..... The mistake we are making is to think that development begins with industries. It is a mistake because we do not have the means to establish industries in the country. We do not have the necessary finances or technical know-how. (Nyerere 1968: 235 and 241).

Two main economic policies emerged from the Arusha Declaration: Firstly, the pursuit of agrarian socialism to transform not only agriculture, per se, but also the entire rural sector and secondly, state-led development in all the other sectors of the economy. This new focus was clear in the Second Five Year Development Plan (1969-1974) that followed after the Arusha Declaration. But as with the First Five Year Development Plan, things did not work out as expected as the country was faced with massive food shortages between 1973 and 1975. The food import bill for 1974-1975 was a staggering TSh 1.4 billion. This resulted in the fall of the net official reserves from over TSh 1 billion in December 1973 to a negative balance of TSh 87 million in December 1974. Similarly, a trade balance registered a large deficit of TSh 2.57 billion in 1974 compared with a deficit of TSh 979.3 million in the preceding year.[17]

Two basic explanations have been advanced for the food crisis. Von Freyhold (1976) and Tandon

17 For details of the food shortages and the agrarian crisis during this period, see Katabaro Miti. 1989 "Agrarian Crisis in Tanzania 1970 – 1980", In CK Omari, Persistent Principles amidst Crises, Nairobi, Uzima Press and Katabaro Miti. 1989. "Ujamaa et Strategies de Development", In H Batobo and D Martin, La Tanzanie: L'utopie a L'epreuve, Paris: CER.

(1978) attribute the crisis to Tanzania's agricultural emphasis and bias towards cash crops that bring in foreign currency rather than food crops. The IBRD and IDA (1974) and Lofchie (1978) attribute the food shortages to the movement into ujamaa villages and collectivization in general that took place in the preceding years. While these explanations are important, it is important to note that it is the long-term effects of these food shortages that caused the most severe economic problems for the country as they increased the country's indebtedness to external aid donors and a balance of payment problem that became critical in the early 1980s. This forced the country to change its economic direction under external pressure. The details of these changes are discussed in chapter four.

The preoccupation with planning continued unabated, however. A series of economic plans were produced after Nyerere's Third Five Year Development Plan (1976-1981), but these were similarly interrupted by the foreign exchange crisis to which the country responded by producing the National Economic Survival Programme (1981/82) and the Structural Adjustment Programme (SAP) (1982-1986) and the First Economic Recovery Programme (ERP) (1986-1989). These are touched upon in chapter four. Additionally the various industrial strategies drawn by the proceeding presidents, highlighted in chapter one and discussed in chapter four, should be added to this list. The policies pursued by Magufuli during his five-year presidency must take into account both the political and economic changes discussed above.

CHAPTER THREE

Magufuli's Anti-Corruption Drive

The Broad Context of Corruption in Tanzania

There are two parallel narratives of corruption in Tanzania. The first is captured by an imaginary internet conversation between Mwinyi, Mkapa and Kikwete about their cut from white investors in the country:

Kikwete: I asked the white man where my ten per cent was. He answered that Mwinyi and Mkapa were taking only five per cent.

Mkapa: He just wanted to push you into town. He gives ten per cent, not five.

Mwinyi: What is that? I was getting twenty per cent from them.

All: Hahahaha hahahah ahahahahahah![1]

What this conversation portrays is that corruption in Tanzania was so pervasive that even the presidents were involved in it and that the corrupters had, with time, managed to lower the payments. If presidents are engaged in corruption, then how can you fight it? The fact of the matter is that after the Zanzibar Declaration in 1992 removed the constraints of the leadership code on public leaders the gates of corruption were opened. The Arusha Declaration in 1967 had a special section on the qualifications for leadership. It is this section that came to be known as the leadership code. This initially prevented party leaders from being associated with capitalist practices that

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1 This is a pictured conversation between President Kikwete and his two predecessors, president Mwinyi and Mkapa that circulated on Tanzania social media after Kikwete became president in 2005. In the Tanzania context it is taboo to accuse the president of corruption. There is an unwritten political rule in Tanzania that presidents must always be assumed to be ignorant of the corruption practised by those around them. This has been referred to as plausible deniability (Cooksey 2011). Magufuli maintained this rule by smashing any attempt to accuse both Mkapa and Kikwete of corruption while they were presidents.

included, among other things, the buying of shares, taking up directorships in private companies, building houses for rent or employing labour. In 1973, the code was extended to all leaders who earned TSh 1 060.70 per month. At the same time, a committee within the party was created to enforce the leadership code. The Zanzibar declaration removed these restrictions and allowed the leadership to create businesses and enter into partnerships with business enterprises.[2] This opened the gates of corruption, which grew so rampant under Mkapa and Kikwete that scholars refer to their period in office (1995-2015) as the period of democracy and corruption (Kelsall 2018). This is the period of grand corruption scandals, which are discussed below. Those who were publicly exposed resigned from their positions until public cries died out. After the Richmond scandal in 2006-2008 (discussed below), few would have expected Edward Lowassa to put his name forward for nomination as presidential candidate for the CCM in 2015, let alone that he would be picked by UKAWA, the opposition grouping, as their presidential candidate despite their constant cries against corruption, or that he would win more than 30 per cent of the national vote.[3] In short, corruption is politically and socially condoned. The anti-corruption hype by the government served different purposes. The U4 report in 2004[4] noted that:

> Government anti-corruption efforts in Tanzania seem to be the result of rational calculations by the ruling party with regard to expected returns. In other words anti-corruption initiatives are seemingly part of a political survival strategy of one-party state

2 For a detailed treatment of the leadership code and the changes brought about by the Zanzibar Declaration in 1991, see Aili Mari Tripp. 1997. Changing the Rules. The Political Liberalization and the Urban Informal Economy in Tanzania. University of California Press. See, in particular, chapter seven, "From the Arusha Declaration to the Zanzibar Declaration" (pp. 172-190). See also Patrick J Mcgovan and NKM Wacirah. 1974. The Evolution of Political Leadership in Tanzania. African Studies Review, Vol. 17, No. 1; and Marie Aude Fouche (ed). 2015. Remembering Nyerere in Tanzania: History, Memory, Legacy. African Studies.

3 Edward Lowassa became Prime Minister in Kikwete's first presidential term (2005-2010). He was forced to resign from office after a special committee of parliament (formed to investigate the agreement between the Tanzania Electricity Supply Company and the Richmond Company that failed to increase the electricity supply to the national grid while Richmond was being paid huge amounts of money) implicated him in the signing of this fraudulent agreement. However, he retained his seat as a member of parliament.

4 Transparency International runs the U4 Helpdesk that provides reports on corruption on various countries in the world to various people and institutions and is under the Anti-Corruption Resource Centre of Transparency International. The 2004 report was authored by Marie Chene for U4 Helpdesk under the title: Overview of Corruption in Tanzania. Transparency International. The 2014 Report was authored by Samira Lindner: Overview of Corruption and Anti-Corruption in Tanzania. Transparency International.

pursuing two main objectives. One is outward looking and geared to maintaining the trust of the international community to ensure continued aid and foreign investment flows, while the other is inward looking aimed at securing political legitimacy (U4 Report 2004).

Clearly anti-corruption was a donor-driven agenda (championed by the World Bank) that came with privatization.[5] Anti-corruption was aimed at removing administrative (bureaucratic) corruption to facilitate private foreign investments. It was directly linked to the creation of independent state agencies that would also ease the entry of foreign investments. Thus, each incoming president had to sing the anti-corruption song to the donors who were paying for all the anti-corruption institutions. On becoming president, Mkapa set up the Warrioba Commission and accepted the institution of the first National Anti-Corruption Strategy and Action Plan (NACSAP 1) (2001-2005). An Enhanced National Anti-Corruption Strategy and Action Plan (NACSAP II) (2008-2011) was accepted by Kikwete, and Magufuli signed NACSAP III (2017-2022). (These are detailed below). On the local political front, anti-corruption became part of the political campaign with Mkapa being branded as "Mr Clean" during his 1995 presidential campaign. During the presidential campaign in 2005 and the initial days of his presidency, Kikwete talked of combating corruption. The anti-corruption campaign was taken over by Magufuli and emphasized in his opening speech to parliament in November 2015. He noted in his speech that:

> I have promised the wananchi, and I want to repeat before your sublime Parliament, that I will fight bribery and corruption without fear or favour. The way to cure a boil is by opening it up. I have given myself a job of opener of boils. I understand that opening a boil is accompanied by immense pain but unfortunately there is no other cure. Therefore, I ask you honourable Members of Parliament and all Tanzanians to pray for me and give me support as I open these boils.
>
> I am aware of the difficulties of the war I have chosen to fight. I am saying that I understand the difficulties and challenges because those who engage in grand corruption are not common people. Acts of corruption that hugely negatively impact

5 Privatization in the context of Tanzania refers to the sale of state entities (formally known as parastatals) to the private sector. This was one of the conditions imposed by the IMF and World Bank in the mid 1980s for Tanzania to access funds from the two institutions and aid donors.

> on the country's welfare are those committed by people entrusted with huge leadership responsibilities, public positions that they obtained after they were installed by people. Therefore, if I were to succeed I must get a lot of support from your sublime Parliament and other organs that have been given powers and responsibility to fight against that action.

One must look at the entire anti-corruption exercise since Mkapa to establish how far Magufuli went in combatting corruption. But before doing that, let us turn to the second corruption narrative.

The second depiction of corruption in Tanzania was presented by Christopher Mtikila (1950-2015) in his many recorded speeches in the 1990s that led to his being arrested in 1999 and accused of sedition. He was among the first leaders to form opposition parties once the multiparty system was reintroduced in 1992.[6] He was the founder and leader of the Democratic Party in 1993. For him, politicians were being corrupted by wealthy non-Tanzanians (mostly rich Asians referred to as "Magabachori") to the detriment of fellow Africans described as "walala hoi", people living in abject poverty. In this presentation, greedy African leaders are selling the country to mostly wealthy Asians at the expense of the poor. In fact, Mtikila went on to claim that the country was controlled by 181 Magabachori who transferred the wealth of Tanzanians abroad (Helman and Ndumbaro 2002). It has been noted that, during the Mwinyi presidency, the Asian and Arab minorities benefited through widespread tax evasions on own-funded imported goods and the systematic non-payment of counter-part funds for raw materials to boost local industrial production. It was after donors froze aid because of the corruption that Mwinyi forced the then Minister of Finance Kigoma Malima to resign over the reported scams concerning imported sugar, rice and wheat. Two years later, Mkapa had to fire the finance minister Simon Mbilinyi and his deputy over the tax evasion scams (Cooksey 2011).

This narrative has a racial nationalist strain that seeks to promote the empowerment of the "Wazawa" black indigenous citizens. The same happened in 1999 with Iddi Simba, then Minister of Trade and Industry, calling for the economic empowerment of the wazawa (indigenous citizens), going to the extent of calling for reserving almost 30 industrial and commercial sectors for the wazawa

6 He is better known both within and outside Tanzania as a Human rights campaigner since he continuously took the government to court on human rights issues. These cases include that instituted against the Attorney-General in the High Court of Tanzania in 1993 and 1995; the case against the Attorney-General of Tanzania and others in the East African Court of Justice in 2007; and the case against Tanzania in the African Court on Human Peoples Rights in 2011. He died in a car accident in 2015.

and demanding joint ventures in other sectors.[7] In 2004, a National Economic Empowerment Policy was issued by the Prime Minister's Office and was immediately followed by the National Economic Empowerment Act. The local content legislation in the gas and petrol sectors under Kikwete echo the same demand for indigenous citizen participation in the economy. Magufuli's demand that foreign companies should register on the Dar Es Salaam Stock Exchange, with 30 per cent reserved for citizens, is part of the same narrative. This narrative is not against Asians or Arabs or foreign investments, per se, but seeks to ensure that citizens benefit from whatever is taking place.

In discussing anti-corruption in Tanzania, one needs to take cognizance of the two narratives, the pervasiveness of corruption and the racist corrupters of the political leaders.

Anti-Corruption under Mkapa

The the brief given to the Warrioba Commission appointed by President Mkapa in January 1996, hardly two months after his swearing-in, was that it should review statutes, rules, regulations and working procedures in government and the public sector to close existing loopholes for giving and receiving bribes and growth of corruption and to increase transparency in government activities. We should therefore start by briefly looking at the existing anti-corruption legislation and mechanisms prior to the Warrioba Commission. The starting point is the 1930 amendment to the penal code which made it a criminal offence to demand, solicit or give bribes.[8] This was followed in 1958 with the Prevention of Corruption Ordinance which prohibited the receiving of gifts and commissions which gave an advantage to public servants. In 1963, an amendment was made to the Minimum Sentences Act which stipulated the sentences with regard to criminal offences. In addition to imprisonment, corporal punishment of 24 strokes was stipulated for offenders found guilty of taking part in corrupt transactions with an agent or obtaining an advantage contrary to sections 3 and 6 of the Prevention of Corruption Ordinance.[9] The 1965 Interim Constitution

7 Iddi Simba (1935-2020) resigned from his ministerial post in 2001 after Mkapa instituted a commission to investigate the sugar importation scandal in which he was accused of either recklessly or corruptly issuing permits, which had adversely affected Tanzania's sugar industry and led to a steep rise in the price of the commodity. See The Citizen of 14 February 2020: Iddi Simba's share of Ups and Downs.

8 A good summary of the laws and mechanisms in place before the commission is given by Lukiko Vedastus Lukiko. 2017. Exploring a Sustainable Anti-corruption Regime in Tanzania. Master of Laws Mini Dissertation, Faculty of Law, University of Cape Town.

9 Strokes as a form of punishment goes back to German rule and Arab sultanate. Surprisingly, strokes are still administered to individuals in some rural areas of Tanzania.

created a Permanent Commission of Inquiry (PCI), whose job was to check on the abuse of power by government officials and agencies. The Commission made recommendations to the president but had no further powers. In 1971, the Prevention of Corruption Act was passed, thus repealing and replacing the 1958 Prevention of Corruption Ordinance. The major addition of the new act was illicit enrichment. Public officers could now be asked to account for how they obtained their properties (articles 8 and 9), and failure to do so would result in a jail term not exceeding five years and the possible forfeiture of the property. The act was amended in 1974, leading to the creation in 1975 of a Special Anti-Corruption Squad within the police force with three main functions: (i) to take all necessary measures to prevent corruption in the public, parastatal and private sectors, (ii) to investigate and, subject to the directions of the Director of Public Prosecutions (DPP,) prosecute offenders involved in corruption and (iii) to advise the government and the general community on ways and means of preventing corruption. In 1991, by Government Gazette no 27, the Anti-Corruption Squad was changed to the Prevention of Corruption Bureau and moved from the police to the president's office.

In 1995, just before Mkapa became president, the Public Leadership Code of Ethics was passed. The act has a long list of public leaders to whom it applies, and the president is free to add to the list. The act then calls on the president to create ethical standards to enhance public confidence in the integrity of public leaders and the decision-making process in the government and public sector in general. Simply stated, from then on, the success of all the anti-corruption efforts would depend on how strictly the president can hold all other leaders accountable. The act demands that leaders declare their assets at the beginning of their office and annually to the Ethics Secretariat, headed by a commissioner appointed by the president. The commission then reports directly to the president (the Public Leadership Code of Ethics of 1995. Part V. Administration and Enforcement).

There were great expectations at the beginning of the Mkapa presidency that the man who had been brought in as "Mr Clean" would enforce the new leadership code of ethics and enforce integrity in his new government. The establishment of a commissioner of inquiry into corruption in January 1996 was considered to be a good starting point. There is no need to discuss the lengthy report here with its long list of evidence of corruption in all sectors of the government. There are, however, a number of things that the commission raised. In the first instance, it indicated the lack of cooperation from the leadership in its work and concluded that the greatest source of corruption was the laxity of leadership in overseeing the implementation of established norms, as well as the absence of clear guidelines on accountability of leaders in their respective positions, be it in political leadership or senior administrative posts. It stated further that the existing leadership condoned corruption. Therefore, for the nation to fight corruption resolutely, to clean the top leadership in government, parastatals and even in political parties was most important.[10] This was the biggest challenge for President Mkapa. Was he ready and bold enough to tackle the corrupt leaders within his party and government? A few leaders were, of course, fired from their jobs on the basis of the commission's report, but that was not enough.

The president did not take heed of the related recommendation that those who had previously been sources of injustice and in breach of established rules and regulations be severely punished by nationalization or forfeiture of their property. The other recommendation was that rich businessmen should be required to report which of the leaders held shares in their companies and how they were acquired. If the shares were paid for by the company, they should be acquired by the government. To understand these recommendations, one has to go back to the distinction made by the commission between petty corruption aimed at making ends meet by small public officials and grand corruption in which national leaders work for the interests of businessmen and breach all tender rules. The commission linked this grand corruption to the liberalization process that had been taking place since Nyerere left office in 1985. The process led to the growing links between businessmen and politicians and compromised top leaders. This type of corruption was fueled by the emergence of competition in conspicuous consumption among the leaders.[11]

The commission further identified the weaknesses of the Public Leadership Code of Ethics Act of 1995. These include the fact that the act did not identify all the ethical standards that should be adhered to; it involved the president in the evolution of the ethical standards; it provided for a lengthy inquiry into indictments; it provided a loophole for one to conceal illegal incomes by differentiating between declarable and non-declarable assets; it did not give explicit powers to the commissioner; and it did not provide for penalties to be imposed on those who breached the code. It therefore recommended that all ethical requirements should be listed in the law, and if the need should arise, parliament should make additions to the list; penalties for breach of the code should be explicitly provided in the law; if it concerns a member of parliament, the report should be tabled in parliament for decision; and if it concerns an appointee of the president, the president should remove him from office and the ethics commissioner should be empowered to

10 Warioba Report 1996: Executive Summary, pp. 2-19.

11 The commission actually noted that the biggest receivers of bribes are not those who receive minimum wages. They are the people who are well paid, own residential and rented houses, own vehicles for leisure and for business, eat and dress well, and educate their children in expensive private schools outside and within the country (Warioba Report 1996: Executive Summary, pp. 2-19).

make investigations, and if satisfied, he should pronounce that the leader has breached the code (Warioba Report 1996: Executive Summary pages 2-19). Most of these recommendations went unheeded as the next step in the anti-corruption drive came through the World Bank rather than the presidency.

In 1998, a World Bank mission visited Tanzania under the support of the Government of Tanzania's anti-corruption programme. It is important to note the World Bank's understanding of corruption and subsequent recommendations. It states that the specific objective of the mission (apparently invited by the Government of Tanzania) was to examine the feasibility of incorporating anti-bribery mechanisms, in particular, an anti-corruption understanding, into International Development Assistance (IDA) financed procurement as an element of the anti-corruption programme. But the true work of the mission was to review progress to date and problems encountered in addressing the areas of corruption identified in the Warrioba Report – in short, finding their own way of implementing the Warrioba Report based on their own understanding of corruption. This understanding is given directly in their report, where it is stated that:

> In the Bank's view economic reform and liberalization can play an important role in the fight against corruption because many opportunities for corruption of the "rent seeking" form are provided by distorted economic policies and excessive regulations. (World Bank Report 1998: iv).

The Bank, therefore, blames corruption in Tanzania on the past socialist system. It could, however, not run away from the fact that its liberalization drive increased in grand corruption. It thus acknowledges that:

> While the economic liberalization and political opening have eliminated or reduced some opportunities for corruption (read petty corruption) they have also presented, in the absence of adequate enforcement of existing laws and rules, opportunities for "grand corruption" on a scale not known in the past (World Bank Report 1998: V).

The Bank goes on to identify several activities which it was ready to finance and which it believed would reduce corruption in Tanzania. These included reform of the Public Sector Financial Management, Public Expenditure Review, Public Procurement Assessments, support for the Tanzania Revenue Authority (which it had helped to create and which turned out to be the centre of corruption), privatization of public enterprises (where most of the grand corruption took place), and the creation of the Governance Coordinating Unit (GCU) in the Office of the President (created in 2000) (World Bank Report 1998: VI). The Bank then made three specific recommendations: the enactment of new public procurement legislation (enacted in 2001 and discussed below); the establishment of a reliable, effective complaint and enforcement mechanism (which resulted in the establishment of the Prevention of Corruption Bureau-PCB); and the implementation of a national anti-corruption programme by preparing a National Anti-Corruption Strategy and Action Plan (NACSAP) (World Bank Report 1998: VI-VII). Funds were immediately made available under the Accountability and Transparency Programme (ATP) financed by the Institutional Development Fund Grant to prepare the NACSAP. In June 1999, the programme sent the five key players in the formulation of the NACSAP to Washington for a course on controlling corruption through an integrated strategy. The course was also attended by officials from Benin, Ethiopia, Ghana, Kenya, Malawi and Uganda. At the end of the course, the participants presented to the 9th International Anti-Corruption Conference their national anti-corruption strategies, which had been drawn up during the course. The Tanzania participants presented to the conference an executive summary of the NACSAP I. The following six priority areas of the strategy were highlighted:

1. Rule of law, which involved the creation of conditions to restore confidence in the judiciary services and law enforcement agencies. This came to focus on judicial reforms and combating corruption in the police force.
2. Financial discipline, involving the reduction in the siphoning of public funds and increasing revenue collection to enable the funding of social services.
3. Procurement, which stood for the strict adherence to and transparent administration of tendering procedures. In practice, this came to mean the decentralization of the government procurement system to allow the mushrooming of the private sector. The end result, however, was the broadening of the corruption networks to the regional and local governments.
4. Creating public awareness of how corruption harms the economy and ultimately transforms the fabric of society. This came to focus on the support of civil society organizations to fight against corruption.
5. Public service, by instituting a sense of responsibility and accountability. This came to focus on public service reform.
6. Media, through strengthening the media to report on corrupt elements without fear or

> favour and to publicize the harm they do to the innocent, the poor and the weak in Tanzania (URT 1999).

Two things need to be noted here. The first is that the recommendations made by the Warrioba Commission on combating corruption within the national leadership through the Ethics Commission no longer feature in the NACSAP, which was to be implemented by the same leadership. It should not be surprising that the NACSAP I had no impact on grand corruption in Tanzania. In fact, its implementation was accompanied by a significant increase in grand corruption. Secondly, donors decided which elements of the priority areas to support. The UNDP and Finland focused their attention on strengthening capacities to combat corruption in Tanzania (2000-2005), Norway focused on the Governance Coordination Unit, the World Bank on the Tanzania Revenue Authority and so on. The end result was the mushrooming of too many projects which, while not directly related to corruption, were expected to reduce corruption practices.[12] These new programmes and projects, referred to as MIRADI in Swahili, became additional sources from which money was siphoned.

Attention needs to be paid here to one of the NACSAP I priority areas – procurement. This was an area for which the World Bank had made a specific recommendation in 1998. The rationale for focusing on procurement is explained in its Country Procurement Assessment Report in 2003. By its own estimations, 20 per cent of government expenditure on procurement was lost to corruption every year through kickbacks and bogus investments that had been written off. And if procurement accounts for 70 per cent of the entire government expenditure budget, this translates into a loss of TSh 300 billion (US$ 300 million) per year. These major losses occur in the construction and supply contracts. What this actually meant was that the Procurement Act of 2001, which had replaced the old procurement system, was not working as anticipated.[13]

12 The chain of programmes and projects included, among others: Assistance to Parliament Oversight Roles under the United Kingdom; Business Environment Strengthening in Tanzania under the United Kingdom, Denmark and Sweden (2003-2013); Legal Sector Reform Programme – Denmark, Norway, Sweden (2000-2004, 2006-2010); Local Government Reform Programme – Denmark, Norway, Sweden (2002-2005, 2005-2008); Public Service Reform Programme – Denmark, United Kingdom (2001-2008); Foundation for Civil Society (FCS) – Denmark, United Kingdom (2000-2008); NGO Policy Forum – United Kingdom (2004-2006); Legal and Human Rights Centre – Denmark; National Organization for Legal Assistance – Denmark, Sweden, Norway; and Support for Media Council – United Kingdom, Denmark. For more details, see NORAD. 2011. Joint Evaluation of Support to Anti-corruption Efforts in Tanzania. Country Report 8/2011.

13 In July 2009, The Citizen quoted president Kikwete saying that 30 per cent of annual government budgetary allocations end up in individual pockets through rampant corruption (10 July, 2009)

The old procurement system was based on government stores that had been created to procure and supply ministries and departments. Because these stores purchased in bulk, and therefore obtained goods at a discount, their prices were relatively low. These government stores included those operated by the Ministry of Works, which until 1995 had the overall responsibility for government procurement. This then shifted to the Ministry of Finance (but the Ministry of Works stores continued to supply most of the goods needed); the Medical Stores operated by the Ministry of Health; the Veterinary Stores and Water (Maji) Stores operated by the Ministry of Water and Livestock; and the Government Press and Printer operated by the Prime Minister's office. Various regulations had been set up to control and manage government funds. These included the Exchequer and Audit Ordinances of 1961; the Financial Orders Part III (stores regulations) of 1965; the General Regulations for the Procurement of Works, Services and Supplies for the Integrated Road Projects; the Local Government Finances Act of 1982; and the Executive Agencies (Finance, Procurement Stores) Regulations of 1999. It is true that there were many fragmented policies governing public procurement, but this was not a problem. It was seen as a problem because it was inimical to private suppliers. The centralization of procurement and supplies did not allow open participation by the private sector that was being created under liberalization and privatization. The call for a single procurement act was intended to decentralize the procurement system by allowing the ministries, departments, agencies, regions and local governments to secure their procurements outside the government stores system. The decentralization of procurement was thus part and parcel of the promotion of the private sector and, unfortunately, this came with the growth of corruption and kickbacks at various levels.

The Public Procurement Act of 2001 thus created a central tender board in the Ministry of Finance which was to oversee and monitor the conduct of procurement by ministries and departments, regions, districts and parastatal organizations. All these, in turn, had their own tender boards. Thus was created the ministry and independent department tender boards, regional tender boards, district tender boards, local government tender boards and parastatal tender boards. These differed in terms of the financial ceiling for each board beyond which they had to refer to a higher board. The only element of the act that dealt with corruption was a long list of prohibitions and penalties if caught. A Public Procurement Appeals Authority was also established in the Ministry of Finance, chaired by the Judge of the High Court with a three-year non-renewable tenure.

The 2003 World Bank Country Assessment Report, which ushered in the 2004 Procurement Act, was concerned with the granting of more procurement powers to the created tender boards by lifting the financial limitations, arguing that they should be free to operate their allocated budgets, and also moving the control of the central tender board on the other boards. It thus proposed the creation of an autonomous regulatory authority or agency as it had done for many aspects of government services in the name of efficiency. Thus, the Public Procurement Act of 2004 created a Public Procurement Regulatory Authority whose main objectives were to:

1. Ensure the application of fair, competitive, transparent, non-discriminatory and value for money procurement standards
2. Harmonize the procurement policies, systems and practices of the central government, local government and statutory bodies
3. Monitor compliance of procuring entities.

The Authority was given investigative powers over contracts entered into by the now autonomous tender boards. The Chief Executive Officer of the Authority was to be appointed by the president while the minister was to appoint the board members.[14] This allowed the private sector to vie for lucrative government tenders. It also opened the door for grand corruption as the stakes to obtain government tenders became high. One should therefore not be surprised that, by the end of Mkapa's presidency, grand corruption had become endemic and was to reach its peak under Kikwete, described by Magufuli as Mzee waraha (Mzee is a Swahili word for "old man" but also used for a respected person, and raha is leisure. In this instance, it refers to a person who enjoys leisure).

Anti-Corruption under Kikwete

Mkapa's second presidential term was marked internally by the rise of grand corruption perpetrated by the untouchables, so-called because nothing was being done to them even after revelations of

14 A new Procurement Act was passed in 2011. The major changes under this Act included: The establishment of a Public Procurement Policy Division in the Ministry of Finance whose functions were: develop a national procurement policy, monitor the implementation of public procurement policies and advise the central government, local government and statutory bodies on issues related to procurement and; Emergency procurement which could only be done if there was a compelling urgency that creates threat to life, health, welfare and safety of the public and in situations whereby without the urgent procurement the continued functioning of the government would suffer irreparable loss. The Act was again amended in 2016 where one of the major issues was local participation referred to in the earlier Act as national preferences symbolizing the growth of economic nationalism.

their corrupt dealings. A number of these scandals came to light under Kikwete. There were also more brazen scandals under his watch. A brief summary of these is given below.

An Overview of the Main Grand Corruption Scandals

The oldest scandal, known as the British Aerospace (BAE) scandal took place in 1999 and involved the purchase from the UK BAE Systems of an overpriced and unmaintainable security radar for GBP 28 million (US$ 40 million). A middleman pocketed a third of the purchase price and the attorney-general (Chenge) was given GBP 1 million. It was not until 2008, when the BAE Systems was investigated for corruption in the UK, that the scandal came to light. Investigations could not continue because the BAE Systems pleaded guilty and was fined GBP 286 million and ordered to pay Tanzania GBP 30 million (TSh 75 billion) for the controversial radar. This meant that nothing could be revealed about the GBP 1 million bribe described by Chenge as small change (vijisenti). He resigned from his ministerial portfolio but ended up as the chairman of the CCM Ethics Committee. (Send a thief to catch a thief – what irony.)

Chenge was again implicated in the Meremeta Gold Scandal, alternatively known as the Deep Green Finance Limited Scandal. An unregistered finance company known as Deep Green was used to funnel money between Meremeta Gold and Tangold. Meremeta Gold was registered as a joint venture (50-50) between the Government of Tanzania and Trinnex Ltd. of South Africa in 1997. It started gold production in 2003 only to be liquidated in 2005 and taken over by Tangold, a company hastily formed in Mauritius in 2005 and registered in Tanzania as a foreign branch in February 2006. The takeover involved dubious transactions, with the Bank of Tanzania transferring US$ 118 million (TSh 50 billion) to Nedbank South Africa for Deep Green Finance through HSB Bank in New York and paying Tangold US$ 13.4 million in the National Bank of Commerce Account. When everything came to light, the directors of Tangold were the Bank of Tanzania Governor Daudi Bilali, then Minister of Infrastructure Development Chenge, and Permanent Secretaries in the Ministry of Finance (Gray Mgonja), Ministry of Water (Patrick Rutabanzibwa) and Prime Minister's Office (Vicent Mrisho).[15]

Under Mkapa, the External Payment Arrears (EPA) scandal started again. The EPA facility at the Bank of Tanzania allows companies to borrow from the bank when they are making foreign currency transactions. The scandal took place in the 2005/6 financial year but was discovered in 2007

15 Details of the scandal are found at http://star.worldbank.org/corruption-cases/node18612.

following a national audit of the bank. It was then revealed that 22 companies had fraudulently borrowed TSh 133 billion (US$ 96 million) from the EPA. This finding by the national audit team was collaborated by Ernst and Young auditors. The bank's Governor Daudi Balali was sacked in January 2008. The companies that had engaged in the fraud were never revealed to the public but were asked by Kikwete to bring the money back.

The Bank of Tanzania was involved in another big scandal involving the construction of its twin towers headquarters. The construction of the 76-meter-high twin towers was originally estimated to cost US$ 37 million. This increased to US$ 70 million in 2000, and the final cost in 2006 was over US$ 350 million. According to the then PCCB director, with the same amount of money, one could have built four similar buildings in London or Tokyo. This estimation was based on the fact that at the time of building the twin towers, the construction cost per square meter in New York was US$ 2 000; the cost to build the twin towers was US$ 8 628 per square meter. The only person to face prosecution was Amatus Liyumba, the Director of Personnel and Administration. He received a three-year jail sentence for abuse of public office and causing a loss of more than US$ 153 million in 2011.

The last two scandals that need to be mentioned involve the Tanzania Electric Supply Company's (TANESCO) bid to increase electricity supply for the city of Dar Es Salaam and its entering into contracts with private electricity suppliers at the behest of politicians. These resulted in two scandals: the Richmond scandal and the Independent Power Tanzania Limited (IPTL) Escrow Account scandal.[16] The Richmond Development Company of Texas USA was contracted to supply generators to meet the emergency needs of TANESCO. The generators were supposed to be operational within 60 days, that is, between 18 September and 18 November 2006. The generators failed to arrive on time, and when they did, they did not work at all, but the government had to pay US$ 137 000 a day regardless of whether electricity was supplied or not. This prompted investigations by PCCB, which stated that no corruption was found. Parliament then instituted its own probe and found that the contract was fraudulently concluded. This led to the resignation of Prime Minister Lowassa, the firing of Karamagi and Msabaha (the current and former ministers of energy) from their ministerial position and a complete reconstruction of the cabinet. The story of Independent Power Tanzania

16 Details of the Richmond scandal are to be found in the 2008 Report of the Special Committee of the Parliament of the United Republic of Tanzania, which was created in November 2007 to investigate the criteria used to award the contract for the production of the emergency electricity to Richmond Development Company of Houston Texas USA in 2006. Details of the IPTL Escrow scandal are presented by the Policy Forum: Tanzania Governance Review 2014: The Year of Escrow.

Limited (IPTL) goes back to 1991 when the Malaysian Prime Minister visited Tanzania, resulting in an agreement for a Malaysian company, Mechmar Bhd, to supply electricity to TANESCO. A joint venture was created between Mechmar (70 per cent shares) and VIP Engineering Ltd. In 2005 TANESCO wanted to terminate the IPTL contract because the company was over-charging for the electricity it sold to TANESCO. The company went to the International Centre for the Settlement of Investment Disputes (ICSID). In November 2006, TANESCO set up the Tegeta Escrow with the Bank of Tanzania in which it continued paying IPTL, pending the settlement of the dispute. But before the dispute was settled, a new company known as Pan African Power Solutions (PAP), owned by Hharbinder Singh Sethi, claimed to have bought Mechmar's shares. Without any verification, the Bank of Tanzania transferred US$ 122 million to IPTL/PAPs account at Stanbic Bank, which used PAP to buy a 30 per cent stake in IPTL for US$ 75 million. This money was paid to James Rugemalira's personal account in Mkombozi Bank. When, finally, the judgment came that IPTL had been over-charging TANESCO and therefore a portion of the money had to be paid back to TANESCO, the money was gone. Furthermore, when the money was paid to Rugemalira, he splashed the money on whoever he wanted, causing a lot of political backlashes. The unfortunate element about this is that Kikwete maintained that this was a private deal in which the government had no reason to interfere, initially prompting the suspension of budget support from donors. It was only after Magufuli came to power that Rugemalira and Sethi were charged in court.[17]

At the international level, a global anti-corruption campaign was emerging, spearheaded by Transparency International, a Berlin-backed non-governmental organization founded in 1993. By 2000, their campaign had been taken over by the United Nations and on the African continent by the African Union (AU) and the Southern African Development Community (SADC). Thus, part of the anti-corruption measures taken under Kikwete was a response to the international conventions and protocols and concerted pressure by development partners to ensure that Tanzania conforms to the conventions.

17 The two were set free by the new President Samia Suluhu Hassan in September 2021.

International Conventions and Protocols against Corruption

The United Nations signed a convention against corruption in December 2003. The process had, however, started in 2000 when the General Assembly, through resolution 55/66 of December 2000, requested the Secretary-General to convene an open-ended intergovernmental expert group to draft and prepare terms of reference for the negotiations of such instruments. The expert group was formed by the Secretary-General, and its work was completed in 2003, leading to the signing of the convention in Mexico on 9 December, a day which was subsequently declared International Anti-Corruption Day. What is highlighted here are some of the most important elements of the convention to which state parties had to adhere. These can be divided into two parts. The first focuses on what governments are called upon to do – the preventive measures (chapter two). These include the development of anti-corruption policies; the creation of anti-corruption bodies; the establishment of codes or standards of conduct for public officials; the establishment of public procurement systems; the establishment of a mechanism for the public to report corruption; the establishment of judicial independence; the prevention of corruption in the public sector; and the participation of society in anti-corruption and the prevention of money laundering.

The second aspect deals with the criminalization of specific activities (chapter three). Among these activities are bribery of national public officials; bribery of foreign public officials and officials of public international organizations; embezzlement, misappropriation or diversion of property by public officials; trading of influence; abuse of functions; illicit enrichment; bribery in the public sector; embezzlement in the private sector; laundering of the proceeds of crime; concealment; and the obstruction of justice. With criminalization comes prosecution, adjudication and sanctions, the protection of witnesses, experts and victims, and dealing with the consequences of corruption. It is important to note that article 34 allows states to consider corruption a relevant factor in legal proceedings to annul or rescind a contract, and to withdraw a concession or other similar instruments or take other remedial action. Some of the actions taken by Magufuli against mining companies were partially based on this article. The United Nations Convention Against Corruption was ratified by Tanzania in 2005.

In August 2000, at their meeting in Victoria Falls, the SADC Ministers of Justice and Attorney-Generals called for the drafting and ratification of a SADC Protocol on Corruption. The next year, the protocol was signed in Blantyre and came into force in 2003. Among the objectives of the protocol were: to promote and strengthen the development, by each of the state parties, of mechanisms needed to prevent, detect, punish and eradicate corruption in the public and private sector; and to foster the development and harmonization of policies and domestic legislations of state parties relating to the prevention, detection, punishment and eradication of corruption in the public and private sector. As was the case with the UN convention, it set out the criminalized activities (article 3) and the preventive measures (article 4). These were taken wholesale by the African Union Convention on Corruption, which is discussed below.

An African Union Convention on Preventing and Combating Corruption was signed in Maputo in 2003. One of its main objectives is to promote and strengthen development in Africa by requiring mechanisms to prevent, detect, punish and eradicate corruption and related offences in the public and private sectors. The convention then criminalizes the following actions (article 4):

1. Solicitation and acceptance by public officials or any other person of goods of monetary value or other benefits in exchange for any act or omission in the performance of his or her public functions
2. Offering or granting to a public official or any other person of any goods of monetary value or other benefits in exchange for any act in the performance of his or her public functions
3. Any act or omission in the discharge of his or her duties by a public official or any other person to illicitly obtain benefits for himself or herself or a third party
4. The diversion by a public official or any other person for his own benefit or third party, of any property belonging to the state or its agencies, to an independent agency, or an individual, that such official has received by virtue of his or her position
5. The offering or giving, promising, soliciting or accepting of any undue advantage to or by any person who directs or works for a private sector entity
6. Offering, giving, soliciting or accepting or promising of any undue advantage to or by any person or asserts or confirms that he or she is able to exert any improper influence over the decision making of any person performing functions in the public or private sector
7. Illicit enrichment which is defined as the significant increase in the assets of a public official or any other person which he or she cannot reasonably explain in relation to his or her income
8. The use or concealment of proceeds derived from any of the acts referred to in this article.

The convention then requires the state parties to:

1. Adopt legislative and other measures that are required to establish as offences, the acts mentioned in article 4

2. Strengthen national control measures to ensure that the setting up and operations of foreign companies in the territory of the state party shall be subject to the respect of the national legislation in force
3. Establish, maintain and strengthen independent national anti-corruption authorities or agencies
4. Adopt legislative and other measures to create, maintain and strengthen internal accounting, auditing and follow up systems, in particular in income, custom and tax receipts, expenditures and procedures for hiring, procurement and management of public goods and services
5. Adopt legislative and other measures to protect informants and witnesses in corruption and related offences, including the protection of their identities
6. Adopt measures that ensure citizens can report instances of corruption without fear of consequent reprisals
7. Adopt national legislative measures in order to punish those who make false or malicious reports against innocent persons in corruption or related offences
8. Adopt and strengthen a mechanism of promoting education of populations to respect public goods and public interest, and awareness to fight against corruption and related offences.

To combat corruption in public services, the convention demands that state parties (article 7):

1. Require all or designated public officials to declare their assets at the time of the assumption of office, during and after the term of office in the public service
2. To create an internal committee or similar body mandated to establish a code of conduct and to monitor its implementation and sensitize and train public officials on matters of ethics
3. Ensure transparency, equity and efficiency in the public management of tendering and hiring in the public service.

The convention then addresses specific corruption issues that are endemic to the continent. These include the funding of political parties by proscribing the use of funds acquired through illegal and corrupt practices to finance political parties and by incorporating the principle of transparency into funding political parties (article 10); private sector corruption by calling upon states to adopt measures to prevent and combat acts of corruption by agents of the private sector including the payment of bribes to win tenders (article 11); and ensuring that civil society and the media participate in the fight against corruption and hold governments to the highest levels of transparency and accountability in the management of public affairs (article 12).

It was important to go into some detail on the conventions because they provide the background to the main anti-corruption acts and programmes undertaken under Kikwete.

Anti-Corruption Related Acts

Despite being a signatory and having ratified the conventions and protocols, the Tanzanian government was not keen on enacting new legislations. It took pressure from development partners for it to enact the call for legislations. For example, Denmark tied its budgetary support to the enactment of the Prevention and Combatting Corruption Act and the tabling of the Public Audit Act, and the Anti-Money Laundering was passed under pressure from the USA.

The Prevention and Combatting of Corruption Act of 2007. Three main objectives are given for the act:

1. Providing for the promotion and enhancement of good governance and eradication of corruption
2. Creating an institutional framework necessary for preventing and combatting corruption by:
   (1) Examining and advising on practices and procedures of public, parastatal or private organizations, to facilitate the detection of corruption and prevent corruption
   (2) Disseminating information to the public of the evils and effects of corruption and corrupt practices as well as negative traditions and usage
   (3) Cooperating and collaborating with local and international institutions, agencies or organizations to fight corruption
   (4) Investigate and prosecute offences related to corruption (although this could only be done with the consent of the Director of Public Prosecutions).
3. The establishment of the Prevention and Combatting of Corruption Bureau (replacing the Prevention of Corruption Bureau operating since 1991).

Apart from its being renamed from the PACB to the PCCB, there was nothing special about the act, which just reproduces the SADC and AU list of criminalized offences, only adding penalties to the offences. Special emphasis is placed on corrupt transactions under procurement (article 17) and in auctions (article 18f); possession of unexplained property (article 27); embezzlement and misappropriation (article 28f) and transfer of proceeds of corruption (article 34ff).

The Public Audit Act of 2008. The main focus of the act was to create a National Audit Office (NAO) as the supreme audit office in the country and to appoint the Controller and Auditor-General, whose constitutional mandate is to:

1. Authorize the use of money to be paid out of the Consolidated Fund upon being satisfied that article 136 of the constitution has been satisfied
2. Ensure that the money authorized to be charged on the Consolidated Fund or the money the use of which is authorized by law has been spent for purposes connected and incurred with authorization
3. Audit and report on the accounts, financial statements and financial management of:
   (i) The Government of the United Republic, that is to say ministries, independent departments, executive agencies, public authorities and other bodies and donor funded projects
   (ii) The Local Government Authorities
   (iii) The Judiciary
   (iv) The National Assembly

The audit reports should be submitted to the National Assembly, but more important is that all the statutory reports issued by the Controller and Auditor-General become public documents after being tabled in the National Assembly, and that is how some of the grand corruption has come to light.

The Anti-Money Laundering Act of 2006: The title for this is: An Act to better provisions for the prevention and prohibition of money laundering, to provide for the disclosure of information on money laundering, to establish a Financial Intelligence Unit and the National Multidisciplinary Committee on Anti-money Laundering and to provide matters connected thereto. This long definition is necessary because there are so many predicate offences subsumed under money laundering. These include illicit drug trafficking, terrorism, illicit arms trafficking, organized criminal groups and racketeering, trafficking in human beings and smuggling immigrants, sexual exploitation including sexual exploitation of kids, illicit trafficking in stolen goods, corrupt practice, counterfeiting, armed robbery, theft, kidnapping, illegal restraint, smuggling, extortion, forgery, piracy, hijacking, inside dealing and market manipulation, illicit trafficking or dealing in human organs and tissues, poaching, tax evasion, illegal fishing, illegal mining and environmental crime.

The act called for the establishment of the Financial Intelligence Unit in the Ministry of Finance, responsible for receiving, analysing and disseminating suspicious transaction reports and other information regarding potential money laundering and terrorist financing received from the reporting persons or other sources within and outside the republic. At the head of this unit is the commissioner, appointed by the president. The unit would be guided by a Multidisciplinary Committee on Anti-money Laundering, chaired by the Bank of Tanzania representative with representatives from the Ministry of Finance Mainland and Zanzibar, the Attorney-General's Chambers Mainland and Zanzibar, the Directorate of Criminal Investigations Mainland and Zanzibar, the Ministry of Foreign Affairs, the Commission of FIU, the Capital Markets and Securities Authority and the Tanzania Intelligence and Security Services.

What is important to note under the act are the heavy penalties meted out. A person convicted under this act is to pay a fine not exceeding TSh 500 million and not less than TSh 100 million or be imprisoned for a term no more than 10 years and not less than five years. For a body corporate, the fines are not more than TSh 1 billion and not less than TSh 500 million or the amount equivalent to three times the market value of the property, whichever is greater. This was expected to be a deterrent to money laundering and predicate offences.

Apart from the acts, which were largely passed to conform to the international norms, the Kikwete administration entered into phase two of the donor-driven anti-corruption strategy and action plan detailed below.

The Enhanced National Anti-Corruption Strategy and Action Plan (NACSAP II) 2008-2011

The government, together with the UNDP as the main funder, had wanted to embark on phase two of the NACSAP in 2007, but the other donor partners would not support it until the Prevention of Corruption Act had been passed. Once this was done, they wanted the newly established PCCB to complete a National Governance and Corruption Survey. It was only when this was completed that they gave their consent for the start of phase two of the NACSAP to cover the 2008-2011 period.

To most of the donors, the aim of NACSAP II was to support the enforcement of the national procurement laws and complement the ongoing public sector reforms (Public Finance Management Reform Programme – PFMRP; Legal Sector Reform Programme – LSRP; Local Government Reform Programme – LGRP) and to enhance cluster 3 (accountable governance) of the National Strategy for Growth and Reduction of Poverty (NSGRP – MKUKUTA). This weakened NACSAP II from the start as most of the donors continued to support their existing programmes independently of NACSAP II. Only the UNDP was left as the main funder, and it could not raise the anticipated TSh 12.56 billion needed to run the programme. In the end, only TSh 1.8 billion was raised over four years of the programme (UNDP 2012).

Eight main goals were set for NACSAP II. These were:

1. Combating corruption in a scientific way and by addressing its root causes. This would involve the use of corruption surveys, public expenditure watch surveys and the use of the National Audit Office (NAO) and Public Accounts Committees to target anti-corruption interventions.
2. Strengthening anti-corruption mechanism at the Ministries, Departments and Agencies (MDAs). This included building the capacity of the committee's year-end review workshops, annual reports and the use of whistle blowing and hotline systems.
3. Introducing systems of integrity, accountability and transparency in local government administration by introducing Council Integrity Committees and building their capacity and the capacity of council tender boards on procurement systems and procedures.
4. Mainstreaming and empowering the private sector into anti-corruption. This was to be done by: identifying potential business and corporate associations and building their capacity for anti-corruption initiatives; convening a national forum for the business sector to identify interests and goal setting for-anti corruption; building capacity of the private sector for corporate governance to complement ongoing national reform processes; promoting corporate social responsibility at both local and central levels; introducing an "integrity pact" and getting businesses and corporate entities to commit to transparency and accountability in financial transactions, and instituting and sponsoring an annual forum on anti-corruption for the private sector.
5. Maintaining and empowering Civil Society Organizations (CSOs) and other non-state actors in the anti-corruption processes. This would be done by: stimulating the formation

of “civil society anti-corruption coalitions” and institutionalizing regular interface with state anti-corruption agencies; building capacity for advocacy of identified non-state integrity organizations; supporting political parties to develop internal anti-corruption mechanisms; encouraging and supporting faith-based organizations in anti-corruption advocacy; and building capacity for the media for investigative responsible journalism and improve reporting on anti-corruption.

6. Raising public awareness by developing an effective and sustained public communication strategy for anti-corruption to include the extensive use of the media and public anti-corruption education.
7. Building synergy between NACSAP and legislative and judicial integrity programmes by linking NACSAP with parliamentary committees, the Legal Sector Reform Programme (LSRP), Procurement Authority, Tawala za Mikoa na Serikali za Mitaa (TAMISEMI) (Prime Minister’s Office Regional Administration and Local Government – PMO-RALG) and National Audit Office.
8. Enhancing the capacity of the Prevention and Combatting Corruption Bureau (PCCB), the Governance Coordinating Unit (GCU) and the Director of Public Prosecutions to deal with corruption and manage NACSAP (NASCAP II, 2008-2011).

For the implementation of NACSAP II, a National Steering Committee was created with a chairman appointed by the government, with membership including the Coordinator of the GCU, the Director-General of the PCCB and representatives each from civil society, the media, private sector, PMO RALG, LSRP, PFMRP, PSRP, MKUKUTA Secretariat, UNDP and development partners. A NACSAP Implementation Unit with a programme manager was established under the PCCB. The overall responsibility for the implementation of NACSAP II was put into the hands of the Director of the PCCB. Finally, a National Anti-Corruption Forum was instituted, which met annually (NASCAP II, 2008).

Before going into some details on the review of NACSAP II by the UNDP (2012) and Norad (2011), it is important to mention three common elements of NACSAP throughout most of its goals. The first is capacity building, which was identified as the main bottleneck in the fight against corruption. Capacity building has two main elements: human and material. The second is the secondment of competent staff to the PCCB and the training and running workshops for the PCCB staff to enable them to carry out proper surveys and analysis and write reports. The third element is the establishment of forums, forms of public gatherings on anti-corruption in the hope that these would act as catalysts to push the government to deal with corruption. The public voice, coupled with mass education through the mass media and civil society, will awaken the government to action. This is in line with the prevention focus of the anti-corruption drive in Tanzania set by president Mkapa, who identified prosecution as witch-hunting.

The UNDP (2012) report on NACSAP II notes that the effectiveness of the programme was constrained by inadequate resources, slow disbursement of resources, low quality of reports, ad hoc planning and duplication of efforts by other development partners and non-state actors. NACSAP II did not succeed in: mainstreaming and empowering the private sector in anti-corruption (goal 4); mainstreaming and empowering civil society organizations and other non-state actors (goal 5), and building synergy between NACSAP and legislative and judicial integrity programmes (goal 7). This is attributed to conflicts and limitations in mandates and limited interface, duplication of efforts and parallel funding sources and lack of harmonious reporting requirements by international development partners on similar activities; in enhancing the capacity of PCCB, GCU and DPP (goal 8) because these did not attract direct financial support from partners. The conclusion is that the eight goals were dangerously over-ambitious given the financial and capacity circumstances and need to be reviewed in future against the backdrop of "on the ground reality, capacity and mandate". The main recommendation was that the focus should be on countering grand corruption to address the impunity of those committing grand corruption, the untouchables. There were, however, more specific recommendations, and these were: the repeal of the Procurement Act and the Public Code of Ethics Act; the enactment of the Right to Information Act (as opposed to Freedom of Information Act) and the National Whistle Blowers Act; the formalization of the open budget process; and the establishment of Anti-Corruption Courts.

The Norad (2011) evaluation was much broader than the UNDP NACSAP II report in that it covered the anti-corruption programmes in Tanzania supported by Denmark, through the Danish International Development Assistance (Danida); Norway, through the Norwegian Agency for Development Cooperation; Sweden, through the Swedish International Development Cooperation Agency (Sida); and the United Kingdom, through the Department of International Development (DFID) between 2002 and 2010. The list of programmes and projects supported by these countries is listed in footnote 32 above. These countries were not happy with the UNDP management of funds under NACSAP I and the General Budget Support (GBS) through the government claiming that funds were being misused, and therefore, they decided to micromanage their specific projects.[18]

18 For a discussion on budget support in Tanzania, see Hellen Tilley. 2014. The Political Economy of Aid and Accountability: The Rise and Fall of Budget Support in Tanzania. Ashgate.

Two interesting conclusions were made by the evaluation team. The first was that donors have little impact on the domestic political issues that drive reforms. The second was that donors can inadvertently contribute to the reduction of the political will to fight corruption. The World Bank and donors became drivers of anti-corruption during Mkapa's second term (2000-2005). This reduced the political will of the government to participate in anti-corruption reforms. But having said this, the evaluators recommend that donors strengthen their "leverage" on anti-corruption through GBS by developing a more robust and predictable linkage between GBS and the Government of Tanzania's anti-corruption efforts – perhaps through a joint donor variable tranche of GBS linked to NACSAP outcomes and actions and explicitly and predictably linking an increase in the percentage of aid provided by way of GBS to increased Public Expenditure and Financial Accountability Review (PEFAR) scores. This is real donor talk of setting conditions for aid even after noting that it reduces the political will. The other recommendations made were that the donors should continue support monitoring and evaluation for NACSAP and address issues about the roles and capacity of UNDP, as well as addressing the weaknesses in the anti-corruption legislative framework – in particular where appointments and reporting lines are directly accountable to the president, rather than parliament – that is more directly accountable to the electorate and increasingly able to hold the executive to account. This last recommendation directly concerns the PCCB, which was the central implementing agency for NACSAP II, and it is important that we turn to it.

An evaluation of the PCCB by the Policy Forum (2018) noted that the development community promoted a standalone anti-corruption agency as a means of combatting corruption in countries receiving aid. This involved the transfer of developed-country approaches to corruption control, to poor countries where such notions were often deemed culturally alien, politically naïve, or impossible to replicate. The growth of donor assistance to the PCCB should be seen as part of a global trend to replicate existing Anti-Corruption Agencies (ACA) models. It is then noted that Tanzania's political economy inhibits the emergence of an independent agency with a mandate to tackle corruption freely and fairly. Corruption as a systemic challenge cannot be addressed by one state institution. It should be clearly understood that the PCCB was intentionally compromised by those who drafted the Act in 2007. The ruling elite has no incentive to empower an independent ACA to investigate political and grand corruption in which it is likely to be a key player.

Since 2007, the PCCB has grown into a huge institution with over 2 000 staff members and offices in every region and most districts. There has, however, been little progress in sanctioning top officials and businesspeople involved in grand and political corruption. It has turned out to be an instrument to fight petty corruption, with prosecuted petty offenders often fined a multiple of the amount they misappropriated or extorted, and they are jailed when they cannot pay the minimum fine of TSh 500 000. In contrast, the few senior officials found guilty of large-scale corruption are fined relatively trivial amounts, and corruptly obtained property is rarely confiscated (Policy Forum).[19] Since 2012, the DFID, through its Strengthening the Anti-Corruption Agencies (STACA) namely PCCB, NAO, FIU, DPP and police and judiciary, has tried to increase the prosecution of grand corruption but without success. The evaluation of STACA commissioned by the DFID in 2016 concluded that at the outcome level, there are no visible signs that STACA has led to increased active enforcement of anti-corruption laws and systems in Tanzania (UKaid 2016). What, then, should be done? The answer comes from AfriMap (2015): Overhaul the legal framework for the PCCB in terms of appointment, tenure and removal procedure, remove the PCCB from the presidency and give it an independent budget and, if possible, transform it into an anti-corruption commission.

It is within this broad context of the anti-corruption processes, which have developed over time, that Magufuli entered the scene. Two processes that accompanied his presidency. The first was his personalized approach to anti-corruption and government; the second was his acceptance of the existing anti-corruption institutional and operational set. This was apparent in the elaboration of NACSAP III.

Magufuli's Anti-Corruption Drive

The National Anti-Corruption Strategy and Action Plan Phase III (2017-2022) differs very little from NACSAP II, implemented by Kikwete between 2008 and 2011. The objectives and strategies remained the same apart from the wording. Perhaps the only new element was the identification of priority sectors and areas to which attention was to be paid in the fight against corruption so as to restore public trust and confidence in government. These areas are identified as public procurement, revenue collection, and administration of justice, police, health care, education and utilization of natural resources. There was no change in the watchdog and oversight institutions. The PCCB remained the main actor in the anti-corruption drive, but all the recommendations on the operations of the PCCB noted in the above section were ignored. The PCCB remained under the control of the president in all respects. His first action as president was to fire the PCCB Director-

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19 This is basically because the PCCB does not allow it to prosecute cases of grand corruption or high-profile corruption. These are the preserve of the Director of Public Prosecution, and the PCCB can only prosecute such cases if they are given the go-ahead by the DPP.

General Edward Hosea. But his replacement, Valentino Mlowola, did not last long. He was soon replaced by Diwani Athumani. These changes were an indication that the PCCB must be in line with the presidential wishes and execute his instructions. This led to the criticism that his approach to fighting corruption was not sustainable because it did not seek to empower institutions to fight corruption persistently but concentrated on ambushing it. His anti-corruption drive was therefore interpreted as image-building (to be seen as a strong leader) and not on building institutions that can fight corruption even in his absence (The Policy Forum 2018).

The other implementing organs for NACSAP III remained the same apart from name changes with the Chief Secretary as the overseer of the entire NACSAP implementation process. The National Anti-Corruption Forum and the National Steering Committee have remained. The other structures have been renamed consultative committees extending from the national level to the region, district, ward and village. What is new in the NACSAP III is the detailing of the roles of the development partners, private sector, political parties, civil society and the media. The main role of the development partners is to provide financial support and technical assistance to the government and non-state actors and support independent assessment on the implementation of NACSAP III. The role of civil society is to form anti-corruption coalitions with the government, promote national ethics and conduct research and training in the areas of corruption, ethics and good governance and fight corruption within their organizations. The private sector should focus on establishing ethical standards within the private sector and strengthen public-private partnerships on the fight against corruption. Media should promote and monitor national and public-sector ethics as a measure to fight corruption and other crimes around the country, apart from implementing measures to fight corruption in their respective media houses. As for political parties, they should fight corruption within their parties and forge strong ethics and anti-corruption measures in their constitutions and election manifestos. Going through the above list, it appears that the other entities should leave the government to fight corruption at the national level and they should put their houses in order. This led to the feeling of marginalization and the accusation of authoritarianism against the Magufuli government.

The accusation of authoritarianism was mainly based on the fact that the Magufuli government had, for all intents and purposes, limited freedom of expression and, by extension, human rights with the enactment of various legislations. These include the enactment of the Media Services Act 2016; the promulgation of the Electronic and Postal Communications (online content) Regulations 2018; the amendment of the Statistics Act 2015 through the Written Laws (Miscellaneous Amendments) (no 3) Act 2018; and the amendment of the Non-Governmental Organizations Act of 2002 and the

Non-Governmental Regulations of 2004 by the Written Laws (Miscellaneous Amendments) (no 3) Act 2019. These acts limited freedom of expression in Tanzania. The situation is worse with the prohibition of political party rallies since 2016.

The Media Services Act of 2016 was aimed at controlling the activities of media houses and journalists. The act's main objective was to ensure that information issued does not: undermine national security and lawful investigations; impede the due process of law or endanger safety or life of any person; disclose the proceedings of cabinet; involve the unwarranted invasion of privacy of an individual; infringe lawful commercial interests, and hinder or cause substantial harm to the government to manage the economy. The act establishes the Journalists Accreditation Board, which was expected to enforce the adopted code of ethics with powers to suspend or expunge journalists from the roll of accredited journalists and to impose fines for non-compliance. What was more worrying, however, was the introduction and enforcement of defamation and sedition clauses with huge penalties. It becomes an offence to publish information which was intentionally or recklessly falsified in a manner which: threatened the interests of defence, public safety, public order, the economic interests of the United Republic, public morality or public health; and was injurious to the reputation and rights of other persons. The fine for such offences was not less than TSh 5 million but not exceeding TSh 20 million or imprisonment for a period of not less than three years but not exceeding five years, or both. Furthermore, the act made it a crime to print, publish, sell, offer for sale, distribute or reproduce any seditious publication. The critical issue was to define sedition, but because this was difficult to define, the act deals with seditious intentions in article 49. A seditious intention is an intention to:

1. Bring into hatred or contempt or to excite disaffection against the lawful authority of the government of the United Republic;
2. Excite any of the inhabitants of the United Republic to attempt to procure the alteration, otherwise than by lawful means, of any other matter in the United Republic as by law established;
3. Bring into hatred, contempt or to excite dissatisfaction against the administration of justice in the United Republic;
4. Raise discontent or dissatisfaction amongst people or section of the people of the United Republic;
5. Promote feelings of ill will and hostility between different categories of the population of the United Republic (Media Services Act 2016: Article 49).

Penalties under this section were a fine of not less than TSh 7 million and not exceeding TSh 20 million, or imprisonment of not less than five years but not exceeding ten years, or both. It was also an offence to possess seditious materials for which one has to pay a fine of not less than TSh2 million and not exceeding TSh5 million, or imprisonment of not less than two years but not exceeding five years or both. The Act provided for prohibiting any further publication of a newspaper that published seditious materials for a period of not less than 12 months and not exceeding three years. Article 51 of the Act states that any person who publishes any false statement, rumour or report which is likely to cause fear or alarm to the public or disturb public peace commits an offence whose punishment is a fine of not less than TSh 10 million but not exceeding TSh 20 million or imprisonment of not less than four years and not exceeding six years, or both.

The Human Rights Watch (2018) *Tanzania Events of 2017* and the Human Rights Watch (2019) *Tanzania Events of 2018* detail how the act was used in Tanzania against newspapers (Mawio, Raia Mwema and Mwanahalisi) and TV stations, five of which were forced to pay TSh 60 million for broadcasting what was regarded as 'seditious' content. The result was increased self-censorship in the media fraternity for fear of incurring the wrath of the Head of State or his acolytes (Zitto Kabwe 2017).

The Electronic and Postal Communications Act of 2010, article 103(1) grants powers to the minister to make regulations for the online communication sector. New regulations were adopted by parliament on 16 March 16 2018 as Electronic and Postal Communications (online content) Regulations. In the first instance was the demand for registration and licensing of the online content suppliers and users. The Communications Regulatory Authority was to keep a register of bloggers, online forums, online radio and television and to act against non-compliance with regulations including the removal of prohibited content. Prohibited content includes: hate speech; obscene and indecent content; pornography; sexual offences (bans publication of sex crimes, rape, attempted rape, statutory rape and bestiality); violent content (content that portrays violence, whether physical, verbal or psychological that can upset, alarm and offend viewers or cause undue fear among the audience or encourage imitation); torture and killings (prohibits content portraying sadistic practices, explicit and excessive imagery of injury and aggression and of blood or scares of execution or of people clearly being killed); annoyance, threats of harm or evil that encourages or incites crime or leads to public disorder; threatening national security of public health and safety such as making available instructions or guidance on bomb-making, illegal drug production or counterfeiting; disseminating false information with regard to outbreak of racial disturbances in any specific part of the country or information and statements with regard to possible terrorist attacks; information on the outbreak of a deadly disease; content that uses bad language (including the use of disparaging or abusive words which are calculated to offend an individual or group of persons; crude reference to words in any language commonly used in the United Republic which are considered obscene, including references to sexual intercourse and sexual language); and false content which is likely to mislead or deceive the public.[20] Offences under these regulations are punishable by a fine of not less than TSh 5 million, or imprisonment of not less than 12 months, or both. This represents sweeping control of the online information similar to that applied to the print media. Cases, where the law was applied, are supplied by Human Rights Watch analysis of events in 2017 and 2018 referred to above.

From the media, the control of information was extended to statistics, hence the amendment of the Statistics Act 2015 under the Written Laws (Miscellaneous Amendments) (no 3) Act of 2018. The amendment was with respect to article 24. It included the adding of 24 A (2e), which states that: "A person shall not disseminate or otherwise communicate to the public any statistical information which is intended to invalidate, distort or discredit official statistics". Another amendment was in article 37, where section 4 was substituted to read: "Any person who publishes or causes to publish or communicate any official statistics or statistical information contrary to the provisions of the Act, commits an offence and is liable on conviction to a fine of not less than 10 million shillings or to imprisonment for a term of not less than three years or both".

The amendment caused an outcry from development partners in particular the World Bank that threatened to withdraw funding until the act was amended. The government responded to this threat by another amendment in 2019. Article 24 A (2) now reads: "A person who has different findings from statistics disseminated by the Bureau, shall subject to consultations with the Bureau, have the right to challenge such statistics provided that the consultation shall involve discussion on the methodology used, data sources, analysis and interpretation". It then sets a lengthy process of resolving the differences through a technical committee appointed by the minister. The new amendment adds 24 B (1), which states that: "A person shall not publish non-official statistics without consultation with the Statistician General". As a concession, a long list of statistical information which can be published without consultation, was added. This includes statistics collected by universities, conducted by international organizations, regional bodies, intergovernmental organizations,

20 A critique of these regulations from the freedom of expression perspective is provided by Article 19, Tanzania: Electronic and Postal Communications (online content) Regulations 2018. www.article19.org.

bilateral institutions, diplomatic missions or international development organizations. The penalties for publishing non-official statistics remain in place. For the individual, the fine should be not less than TSh 1 million but not exceeding TSh 5 million or imprisonment of not less than six months but not exceeding 12 months or both. For an institution, the fine is not less than TSh 10 million but not exceeding TSh 50 million.

Once the government had taken control of the information outlets, print and online media, it turned its attention to civil society, in particular, the non-governmental organizations. The first move was in 2017 when the government called for a verification exercise of all the NGOs in the country. It was made clear that the NGOs that failed to comply or did not cooperate with the exercise would be deregistered. The aim was to take stock of what the more than 8 000 registered NGOs were doing. 20 September 2017 was set as a deadline for the verification, and no new registration of NGOs was to take place until 30 November 2017. The amendments to the NGO Act of 2002 came in 2019 under the Written Laws (Miscellaneous Amendments) (no 3) Act of 2019. The act starts by defining NGOs. The term 'Non-Governmental Organization', which includes Community Based Organizations (CBOs), was defined as a voluntary group which is non-partisan or non-profit sharing, established for the benefit or welfare of the community or public organized at the local, national and international levels to enhance economic environmental, social and cultural development or protect the environment, lobbying or advocating on such issues. They should, in short, stick to the said issues and not meddle in politics. The act, then, imposes strict control over their finances. They are thus required to:

1. Disclose to the public, registrar of NGOs and other stakeholders regarding sources, expenditure, purpose and activities obtained from fund raising activities. This disclosure has to be made within 14 days after completion of fund raising activities;
2. Disclose amount of funds raised in excess of TSh 20 million by:
   (a) Publishing by annually funds reports together with expenditure in a media that can be easily accessed by targeted beneficiaries;
   (b) Submitting to the treasury and registrar of NGOs contracts entered into with the person who grants the said amount;
   (c) Declaring to the registrar of NGOs any other sources received in cash or kind before expenditure (Written Laws (Miscellaneous Amendments) (no 3) Act of 2019).

The act gave the registrar powers to suspend the operations of any NGO which violated its provisions, pending determination by the Board, and to conduct monitoring and evaluation of NGOs on a quarterly basis and report to the Board. In short, the NGOs were placed under continuous scrutiny. The justification for this was to: ensure that there was zero tolerance of corruption, money laundering and other forms of substantive misuse of funds; take effective actions to hold persons or institutions responsible to account; ensure that NGOs do not enter into contracts that undermine the sovereignty of the state and rights of the people, and ensure that they work in accordance with the laws of Tanzania.

To the above set of social control must be added the ban on political party rallies. This directive that appears to have come directly from the president was initially to prevent the Anti-Magufuli rallies that were being organized in Kahama in June 2016 by Chama cha Demokrasia na Maendeleo (CHADEMA) and Alliance for Change and Transparency (ACT). The reason given by the police for the ban was that the parties planned to use the rallies to create civil disobedience that was likely to lead to violence. The real reason behind the ban was to prevent the use of political rallies to mobilize discontent. The ban prevented peaceful protests organized as part of Operation Ukuta, an alliance against the dictatorship which was planned for September 2016. The ban was justified by the president who stated that the elections were over and it was now time for work (kazi tu). Rallies, if allowed, would distract government actions.

The Citizen (24 January 2019) reported Magufuli's response to religious leaders when they questioned him about the ban on political rallies. He is reported to have said, "I never banned political rallies". Political leaders were not prohibited from organizing rallies in their respective constituencies (MPs and councillors). It was not proper for politicians to organize rallies in places outside their constituencies. The ban turned parties into electoral machines that come alive during the elections and wind down until the next elections. Furthermore, it made it impossible for parties to rally support in areas where they did not win the elections, thus limiting their chances of growing beyond their current areas. But the ban on rallies and seditious clauses was used to arrest a number of opposition leaders on charges of illegal demonstrations and inciting hatred and rebellion (Human Rights Watch 2018, 2019).

The above caused a dilemma for development partners who, on the one hand, lauded Magufuli's anti-corruption crusade but, on the other, were alarmed by the rise of authoritarianism and infringement on human rights (which strayed into anti-gay and anti-lesbian spheres, causing the EU to recall its ambassador and Denmark to withhold funding). This dilemma was captured by the policy forum (2018) when it stated that donors are caught between supporting Magufuli's home-grown attack on corruption, tax evasion, legal waste and efficiency and criticizing his heavy-handed approach to freedom of speech and party politics, areas where they have committed resources over the years. For Kelsall (2018), those development partners who claim that democracy and civil rights trump all other considerations may wish to shift their foreign and development policy to giving sanctuary to opponents and victims of the regime. What is important to note here is that Magufuli's success hinged on how he managed development partners (discussed in chapter six). Some decided to temporarily halt their aid disbursement, forcing Magufuli to increase domestic government borrowings to fill the gaps in the budgets. Within the broad context of anti-corruption, the role of civil society and the media, which appeared under all the NACSAPs, was curtailed, leaving the government, and in particular the president, to pursue what was dubbed the home-grown attack on anti-corruption to which we need to pay attention.

Magufuli's home-grown strategy was said to be based on three elements (Andreoni 2018). The first was rule by fear by blaming and shaming allegedly corrupt people in both the public and private sectors and direct involvement in anti-corruption operations backed by the police and intelligence. The second was punishment, which involved removing people from key positions in public offices and authorities and prosecution enforcement (also in the form of ultimatums and amnesty agreements). The list of people fired from office is very long. Immediately after coming to power, he fired the heads of the Tanzania Investment Centre, Tanzania Communications Regulatory Authority, Tanzania Revenue Authority, Tanzania Ports Authority, Reli Assets Holding Company, the Director of Public Prosecutions and the Chief Executive Officer for Dar Es Salaam City Council. The list kept growing and came to include ministers and other government officials.[21] Citizens were happy to see heads rolling because there had been a growing sense of widespread entitlement (the untouchables' syndrome) and inequality. The firing, however, was done without regard to disciplinary processes and the law and sometimes resulted in victimization as some of those fired were reinstated or compensated (Zitto Kabwe 2017). The creation of an anti-corruption division of the High Court in November 2016 was meant to fast-track prosecution of those accused of corruption. The anti-corruption court was created under the Written Laws (Miscellaneous Amendments) Act of 2016, which amended the Economic and Organized Crimes Act.[22]

The third strategy in the fight against corruption was the centralization of power and

21 The fired ministers include Nape Nnauye (Information, Culture, Arts and Sports (23/3/2017); Sospeter Muhongo (Energy and Minerals) (24/5/2017); Mwigulu Nchemba (Home Affairs) (10/6/2018); Charles Tizaba (Agriculture) (10/11/2018); Charles Mwijage (Industry, Trade and Investments) (10/11/2018); and January Makamba (21/7/2019).

22 Miscellaneous amendments, mostly brought to Parliament under a certificate of urgency, became a hallmark of Magufuli's presidency. If something cannot be done because the law prevents or there exists no law to legitimize it, then change or create the law. This was referred to by Lukiko (2017) as autocratic legalism – the use, abuse and non-use of the law in the service of the executive branch.

personalization of decision-making. The staffing of his government with academics and bureaucrats with no independent political base led to his demand of personal loyalty from those he directly appointed (referred to as workhorses/magicians by Kelsall 2018). This list was indeed very large and kept growing, and it included the upper echelons of the bureaucracy, starting with deputy directors upwards, leaders and executives of independent government agencies, institutions and parastatals and the politicians and executives running the regions and districts. This has gone as far as direct allocation of resources from the presidency and bypassing the ministries to the regions and districts (as in the case of fertilizer, education and purchase of cashew nuts from the farmers using the army). It has also included the centralization of functions within the Office of the President. On the one hand, this was interpreted as a means of wrestling power from the informal networks of politicians and business interests. But it also came to involve the president in direct negotiations and economic deal-making, which could be seen during the renegotiations of mining agreements, the central railway deal and the Aliko Dangote cement agreement. Even the opposition acknowledged that Magufuli demonstrated decisiveness and at times ruthlessness in dealing with his priority areas (Zitto Kabwe 2017).

The centralization of power around the presidency was said to have been necessary to allow him to prioritize economic development. But his "developmentalism" served two purposes (ACE 2017). It was used as a means of shoring up his political power, which was used to shift emphasis from the private sector back to the state. It was also used to limit the political finances available to the official opposition as well as oppositional factions within the CCM, thus reinforcing his control over the national resources. Developmentalism and a state-centred approach became the hallmarks of his short tenure in office. It is, however, likely to become the Achilles' heel of his successor, who is already indicating that his actions pushed the government into the red zone of budgetary and debt stress, which might in turn necessitate another round of debt relief and development partners' control of the development process. This is highlighted in chapter six.

The centralization of power and control of the government could only be consolidated by his control and imposition of discipline over the CCM party, which was at the centre of corruption in the country. His chance came with the transfer of the party chairmanship from Kikwete to himself. This resulted in major changes to the governance of the party. There was an immediate reduction in the number of the National Executive Committee members. The members were reduced from 388 to 158, and their quarterly meetings were reduced to bi-annual meetings. The reduced NEC is now composed of regional party chairmen (36), regional representatives (50), national representatives (30), presidential appointees (7), secretaries to CCM parliamentarians, elected parliamentary speakers, prime minister, the Vice-President and President of Zanzibar. Equally, the party's Central Committee was reduced from 34 to 24 members, and instead of meeting six times a year, it was to meet three times a year. While the justification was to cut costs, the move reduced the influence of the party over the government, apart from many members' losing political influence. To stamp his authority over the party, he appointed an academic as party Secretary-General.

What was the impact of all the above on corruption in Tanzania? The Risk Advisory Group (2019) saw Magufuli's reforms as having been effective in undermining what were previously common corruption schemes in Tanzania. But how did this affect the private sector and investment flow into the country? No research has been undertaken in this regard yet. Could Magufuli have maintained his anti-corruption momentum in his second term and when CCM notables started to manoeuvre for succession? Now that he is gone, the question remains speculative. What can be said is that a form of discipline was instituted through the government administrative machinery opening ways for improved bureaucratic effectiveness and economic management. Furthermore, the president was in full control of resource allocation within the government and capable of controlling the pilferage of government resources. He was also in charge of the patronage system through his control of tendering and procurement in terms of the main investments, mostly infrastructure spending.

CHAPTER FOUR

Magufuli's Industrialization Drive

Magufuli's Commitment to Industrialization

The often-repeated statement by the Magufuli Government[1] in respect of industrial development in Tanzania was from "Tanzania Vision 2025". Here, it was stated that the goal was to "transform Tanzania from a least developed country to a middle income by 2025 through inducing a shift from an agricultural base to a semi-industrialized one". The president's commitment to the industrialization of Tanzania was given in his foreword to a book by Mufuruki, Mawji, Kasiga and Marwa (2017). He wrote:

> During the election campaign and after being sworn in as the fifth President of the United Republic of Tanzania in early November 2015, I emphasized the urgent need for Tanzania to industrialize in order to create jobs for millions of young Tanzanians and to build a modern economy for the country and for its people. Six months later I followed this up by launching a Second Five Year Development Plan (FYDPII) themed "Nurturing Industrialization for Economic Transformation and Human Development". The launch of this plan, followed by the announcement of the government budget by my Finance Minister for the first year of the plan (2016/17), was an affirmation of my personal commitment to the development of the Tanzanian state and to industrialization as the chosen strategy for the attainment of our desired development

1 This was the preferred term by Magufuli at the beginning of his presidency. He constantly used the term "my government", which was in sharp contrast to his predecessors, who preferred to use the Swahili term "serikali ya awamu ya pili, ya tatu na ya nne". This can be literally translated as the second, third and fourth CCM Government. The first term was that of president Nyerere, who was President of Tanzania from 1962 to 1985. This was followed by Mwinyi from 1985 to 1995, Mkapa 1995 to 2005 and Kikwete 2005 to 2015. Once he became CCM chairman, he returned to using the term awamu ya tano (the 5th CCM government). The retiring president remains the president of the party because the party election cycle is different from the government presidential election cycle. Thus, Nyerere remained the president of the party after his resignation from the presidency of the country in 1985. President Mwinyi, however, opted to resign from the party presidency immediately after Mkapa was installed as the president of the country. His example was followed by president Mkapa and again by president Kikwete.

aspirations. Industrialization is, therefore, an essential and central component of a wider nation building project of the modern Tanzanian state to which I have dedicated my presidency. My Government's objective is to propel the country and its people to higher standards of living (High middle income status by 2036 and to catch up with the developed world by 2066) (Mufuruki, Mawji, Kasiga and Marwa 2017: Foreword).

In his November 2015 opening speech to the new parliament, Magufuli had identified four steps to achieve his industrial dream.

Step One: Ensure that the existing industries become productive. This reminds one of the Sustainable Industrial Development Policy (SIDP) 1996-2020, whose short-term programme was "the rehabilitation and consolidation of existing industrial capacities" and mid-term programme was "reactivating commercial efficiency and optimum utilization of existing industrial capacities and the creation of new capacities".

Step Two: Ensure that those who acquired industries (during the privatization process mostly carried out from 1993) on the understanding that they will carry on with production do so, and if they fail to run them, they should be returned to the government.[2] Unfortunately, a number of the privatized enterprises did not continue with production and the existing assets and equipment were stripped by the new owners. This was part of what Liviga (2011) referred to as the unanticipated consequences of liberalization. Unfortunately, no mechanism was put in place to monitor the former parastatals to ensure they did not die in the hands of private owners that acquired them from the government. This was reported by the *Guardian* newspaper on 15 June 15 2016 to be one of the main regrets of President Mkapa.

2 This was wrongfully interpreted as a call for renationalization or a return to the pre liberalization policies whereby the state was at the centre of industrial production. Despite the re-emergence of economic nationalism under Magufuli there was little prospects of turning back to the pre liberalization phase. What was emerging under Magufuli was to ensure that benefits from increased industrialization were used for the country's economic advancement and there was local participation. This was interpreted as the participation of African citizens given the Asian/Arabic and foreign hold on the economy.

Step Three: Entice investors to invest in different areas of the country in a move to decentralize industries from Dar es Salaam. This was in line with the establishment of development corridors, special economic zones and export processing zones promoted by his predecessor, President Kikwete, with varying success.[3] The only difference between Magufuli and his predecessor was the call to guard against the exploitative nature of foreign investments. While specifically talking about investments in mining following the confrontation between the government and Acacia Gold Mining company over the non-payment of taxes, Magufuli insisted in January 2017 that:

> We need investors but on a win-win situation but not those who exploit us. Enough is enough. We have been given raw deals for too long and this has to end. Even the devil is laughing at us over our own self-inflicted level of poverty amid natural wealth given by God (*The Citizen* 13/1/2017).

Step Four: Industrialization should be based on local raw materials – agriculture, livestock, fisheries and minerals and the focus should be on production for mass consumption (garments, shoes, edible oil etc.). This is basically a repetition of the words used in the basic industries strategy (BIS) of 1975-1995. The only addition here is that the new focus on industrialization would lead to increased employment, with industries accounting for 40 per cent of all employment in Tanzania by 2020 (Magufuli Inauguration Speech to Parliament, 15 November 2015).

Could Magufuli have succeeded to industrialize the country where all his predecessors had failed? Industrialization has remained the country's dream since independence in 1961, as evidenced by the various policies and plans. Presenting the First Five Year Development Plan (1964-1969), Nyerere said:

> Simply to expand agriculture, however, would be to condemn Tanganyika to a position of permanent economic inferiority in the world. We must have more balance in our economy and end this absolute reliance on the prices of primary commodities. We must have an industrial base to the economy. Only when we have achieved this will our future be to some extent safeguarded (Miti 1981:22).

3 See the Tanzania Integrated Industrial Development Strategy (TIIDS) 2025 and the discussion on economic corridors.

While the industrialization plan was disrupted in 1967 because of a lack of investment flows from abroad, this did not deter President Nyerere and the subsequent presidents from elaborating national industrialization plans. President Nyerere's went on to produce the Long-Term Industrial Development Strategy: Basic Industry Strategy (1975-1995); Mkapa came up with the Sustainable Industrial Development Policy (SIDP) (1996-2020); Kikwete gave the country the Mini Tiger Plan (2020), the Tanzania Development Vision 2025 and the Tanzania Integrated Industrial Development Strategy (TIIDS) 2025.[4] The Second Five Year Development Plan referred to by Magufuli above forms part of the TIIDS.

Industrial experts on Tanzania have continuously noted the fact that Tanzania has been good at producing strategy documents but poor at identifying and implementing policy interventions that support the realization of these strategies, so comparatively little has been achieved (Morrissey and Lenyaro 2015; UNIDO/URT 2012, p. 2016). Others have pointed to the lack of capacity, both administrative and financial, to implement the industrial policies outlined (Msami and Wangwe 2016). This is apart from the actual constraints on industrial production that includes inadequate infrastructure (electricity, transport, services and access to finance) and how industrialization has developed over time resulting in overdependence on imported raw materials and lack of backward and forward linkages (Andreoni 2017) and it is being dominated by small and medium-sized enterprises (Carol Newman et al. 2016).

Thus, for Magufuli to succeed in his quest for industrialization, he had to clearly identify and address the obstacles to industrial development in the country. One, therefore, needs to look at all of these realities, the industrial strategies, policies and plans pursued in the past against Magufuli's priority projects, as outlined in the annual budget proposals. The following pages review Tanzania's industrial development strategies, policies and plans since independence. This is followed by a quick analysis of the current industrial sector. It then identifies Magufuli's priority projects and how they fit into the overall industrial vision.

Continuity and Change in Tanzania's Industrialization Strategies, Policies and Plans

One of the ways to capture the industrialization trajectory in Tanzania is to examine the strategies, policies and plans pursued by the successive presidents, that is, Nyerere (1961-1985), Mwinyi (1985-

4 These are briefly discussed below.

1995), Mkapa (1995-2005) and Kikwete (2005-2015). This would provide the context in which Magufuli was trying to industrialize the country.

Nyerere and the State-Driven Industrialization Strategy

President Nyerere's drive towards industrialization in Tanzania can be divided into two periods – 1961-1975 and 1976-1985. The industrial strategies and policies under the first period are captured by the First Five Year Development Plan produced in 1964. Under this plan, the main areas of industrialization were to be in (a) processing and manufacturing industries, the products of which would replace goods that would otherwise be imported (i.e., import substitution industries), and (b) primary processing industries, which would raise the value of Tanganyika's exports and, at the same time, render them less sensitive to price fluctuations in the world market (Miti 1981). The Arusha Declaration that came in 1967 did not change the country's industrial policy. What changed after the Arusha Declaration was the reversal of one of the basic principles of the previous industrial strategy: dependence on foreign private investment as the major instrument of industrial growth. This, however, did not eliminate the participation of the private sector in Tanzania's economy.[5]

In this new setup, the emphasis was on maximizing revenue-yielding activities. This came to be known as the maximum growth strategy of industrial development, according to which the role of industry is to promote economic development through rapid growth of output, foreign exchange earnings or savings and employment.[6] This approach favoured light industrial products for import substitution or the processing of raw materials for export and the use of relatively labour-intensive techniques of production. The approach came to be associated with a shopping list approach to industrial development. Thus, the Second Five Year Development Plan (1969-1974) identified 383 possible investment projects without any regard to their interrelationships or effects on the overall development of the industrial sector. This has remained the main weakness of Tanzania's approach to industrialization-limited linkages between industries.

Included in the shopping list approach was the promotion of small-scale industries which

5 For a discussion and examples of private investments following the Arusha Declaration, see Antonio Andreoni and Farwa Sial. 2020. Not Business as Usual: The Development of Tanzanian Diversified Business Groups (DGBs) under Different Regimes of Capitalist Accumulation. Anti-Corruption Evidence, Working Paper 022.

6 According to Rweyemamu (1976), the maximum growth strategy of industrial development involves the ranking of industrial opportunities using a social cost criterion. Only those activities which show a relatively high rate of return up to the point where the budget constraints become binding are selected as appropriate activities.

included projects involving the employment of 10 to 70 people (a somewhat dubious criterion for defining small-scale industries). It was stipulated in the plan that plants of this size would account for three-fifths of projected new plants. The call for small-scale industries was further strengthened by the Dar es Salaam declaration on small-scale industries in 1973 and the creation of the Small-Scale Industries Development Organization (SIDO). There was, however, no elaboration of any linkage between the small-scale industries and the large industries. Thus, the forward-backwards linkages between industries, and between the industries and the rest of the economy, remained absent.

The second period of industrial promotion under Nyerere (1976-1985) starts with the Third Five Year Development Plan (1976-1981) and the Long-Term Industrial Strategy (1975-1995). The elaboration of the new industrial strategy was done with the help of economists from the Harvard Institute for Economic Development, who was commissioned by the government between 1973 and 1974 to undertake studies for a long-term industrial strategy. At the centre of the long-term industrial strategy was the establishment of basic industries championed by economists at the University of Dar-es-salaam at the time (Rweyemamu 1973, Thomas 1972). The aims of the long-term industrial strategy were:

1. Development and transforming the structure of industries by giving top priority to basic industries as well as holding industries so as to meet basic needs. The target was to assure that the country's natural resources, such as iron, coal, chemicals were used as inputs in the production of machines and other things to meet the needs of industries, taking into account mainly Tanzanian needs. By developing basic industries, the country would have a firm foundation for developing different sections of the economy by producing industrial inputs within the country whenever possible.
2. Promotion of the production of raw materials for local industries, e.g., iron, chemicals.
3. Ensuring that raw materials are processed locally and meet the country's needs, with the surplus being sold abroad (Long-Term Industrial Strategy 1975-1995).

The above is elaborated upon by the Third Five Year Development Plan (1976-1981), which stated the aim of the new industrial strategy as:

1. Transforming the industrial economic structure by giving specific emphasis to:
   (a) The establishment of industries that would produce goods for export to obtain foreign

currency and aid the agricultural sector in increasing our foreign exchange reserves (export-oriented industrialization).

(b) Starting industries that will produce goods needed for use in the development of Tanzania (consumer goods).

(c) Developing an industrial base by starting workshops for the production of spare parts and machine components to expand the basis for self-reliance and increase the domestic market for iron in order to facilitate the establishment of iron-related industries later on.

(d) Starting holding industries on the basis of existing resources. These include iron and coal industries, chemical industries and construction-related industries.

(d) Starting simple small-scale industries using available technology.

2. Increasing the efficiency and improving the capacity utilization of existing industries.
3. Increasing employment opportunities together with the expansion of training programme and increasing the ability of workers, both employed and those to be employed.
4. Extending industrial activities to the regions.
5. Establishing and expanding industrial research, consultancy and technology.
6. Processing of various foods, processing of cotton, production of shoes, textiles, and various construction of goods.
7. Preparation for the establishment of iron smelting industries together with metal fabrication industries, industries producing cement, glass and wood, chemical industries, fertilizers and paper industries (Third Five Year Development Plan 1976-1981).

It is important to note the meaning attached to the term 'basic industries'. It meant producing goods to meet the basic needs or requirements of the people, namely consumer goods. To this was added the production of intermediate and capital goods of the economy that would help reduce the import bill, for example, import substitution industries. The shopping list approach and the maximum growth strategy remained central to the industrialization plan. This is underpinned by the stated priorities of the Third Five Year Development Plan:

> Establishing first those projects that besides assuring our permanent economic development, would yield quick surplus which would act as a prop in establishing other profit yielding projects and services (Third Five Year Development Plan 1976-1981).

The government proceeded to create specialized institutions to promote specific industries. These included: The Tanzania Textile Corporation (TEXCO), The Tanzania Leather Associated Industries (TLAI), The National Chemical Industries (NCI) and The Tanzania Karatasi Associated Industries (TKAI). These were added to the already state-owned institutions: the NDC, which acted as an investment arm of the government to oversee a wide range of feasibility studies and industrial investments, mainly of intermediate and capital nature to support goods import substitution; and The National Bank of Commerce (NBC) and Tanzania Investment Bank (TIB) that were to provide funding for industrialization (Mussa 2014).

The economic crisis that started with the war with Uganda in 1979[7] completely derailed Tanzania's industrialization drive under Nyerere. At the centre of the crisis was a huge fall in Tanzania's foreign exchange income. At one point, the income from exports was less than one-third of the country's import requirements. This necessitated a sharp cut in imports. External grants and loans to meet the foreign exchange shortfall became increasingly difficult to negotiate, in part because Tanzania's external debt had spiralled to US$ 3.5 billion which, by 1985, was equivalent to 70 per cent of GDP. This was accompanied by external debt repayment arrears of US$ 700 million, which at the time was equivalent to 60 per cent of the country's export earnings. This is not the place to discuss the causes of the economic crisis, suffice to note the summary of the causes given by Tanzania Affairs in September 1986.

> This very grave situation was brought about by a combination of influences. The toll on foreign exchange reserves exacted by the war on Uganda (1979-1980); the effects of the oil price shock (1979-1980); the world recession, adverse terms of trade in Tanzania's exports; a series of drought years and above all a decline in agricultural production and industrial performance caused by the need to cut back on inputs of important spares and other inputs with a cumulative effect on the economy (Tanzania Affairs 1986, September).

7 Uganda, under Idi Amin, invaded the Kagera salient in 1979 claiming that the Kagera River formed the actual border with Tanzania. The motive behind this move was to foreclose Tanzania's support for Ugandans who wanted to overthrow Idi Amin, who had overthrown President Obote in 1971. This forced Tanzania to engage in a war with Uganda, not only to kick the Ugandan troops out of the Kagera salient but to ensure that Idi Amin was removed from office. This saw the Tanzanian troops moving all over Uganda. The cost of the war was so exorbitant that Nyerere predicted it would take Tanzania ten years to recover from its effects. For more information on the Tanzania Uganda War, see George Roberts. 2014. The Uganda Tanzania War, the fall of Idi Amin 1978-1979. *Journal of East African Studies*, Vol. 8; and Tony Avirgan and Martha Honey. 1982. *War in Uganda: The Legacy of Idi Amin*. London: Zed Press.

With the economy heavily dependent on the importation of capital and consumer goods, there was foreign exchange scarcity which caused a downward spiral in all sectors of the economy. This situation is captured by Lofchie (2014), who notes that without foreign exchange, agricultural inputs became scarce. Without inputs, production dropped further, causing an additional decline in hard currency earnings. This spread the difficulty throughout the economy, imposing adverse conditions on manufacturing and public services. In fact, industrial production and utilization fell sharply, with some of the manufacturing enterprises unable to operate completely.

To mitigate the situation, Nyerere turned to the traditional bilateral aid donors in the hope that part of their aid could be turned into import support. The donors told him to go to the International Monetary Fund (IMF) and that their support would only come after his agreement with the IMF. This started a long and tedious process of negotiations with the IMF. In order for the government to receive credit from IMF, the following conditions were set:

1. Cuts in government spending especially on subsidies on food and agriculture and welfare spending (education, health etc.) as a means of reducing government expenditure.
2. Imposing large currency devaluation of the Tanzanian shilling and reducing import controls.[8]
3. Freezes in government-administered wages and prices.[9]
4. Imposing higher interest rates.
5. Reducing state control over the economy and especially over prices.
6. Introducing additional measures to stimulate foreign investments, that is, providing extra incentives.

These were perceived by the government as undermining the country's sovereignty and government ownership of economic management.

In the hope that the IMF would change the conditions for the loan, the government produced the National Economic Survival Programme (NESP) in 1981 with two main objectives: mobilizing internal resources for increased exports and food self-sufficiency and meeting an export target of TSh 6 billion for 1981/82. The success of the National Economic Survival Programme was concomitant with obtaining US$ 180 million from the IMF and additional funding from the bilateral

8 Given the shortage of foreign currency, importers had to seek permission to import goods into the country and to be allocated foreign exchange.

9 The government had introduced minimum wages to safeguard the workers and dictated the prices of many consumer goods.

donors, none of which materialized. The government then drew up two new policies: the National Agricultural Policy aimed at liberalizing the sector in line with the IMF conditions and the Structural Adjustment Programme (SAP) that incorporated other demands of the IMF, in particular the controlling of the government budget, reducing deficits and controlling parastatal expenditure. According to Wagao (1990), the success of the SAP (1982-1986) depended on the mobilization of US$ 300 to 400 million annually for three years from external sources (IMF, World Bank and bilateral donors). It thus assumed an injection of US$ 900 million in the balance of payment support. But as the negotiations between Tanzania and the IMF collapsed, no funding was forthcoming, and the situation continued to deteriorate. For example, in 1984, exports fetched US$ 285.6 million while imports stood at US$ 999.4 million (Matiku 2007).

As the situation worsened, Nyerere voluntarily retired in October 1985 as he was not prepared to preside over the dismantling of the economic structure that he had worked so hard to create. Mwinyi, who had replaced Aboud Jumbe in April as the president of Zanzibar, took over as the President of Tanzania. This opened a new chapter in Tanzania's development.

Mwinyi, Economic Restructuring and the Reversal of State-Driven Industrialization

The worsening economic situation and the refusal by bilateral donors to move their project aid to import support until the government agreed to the IMF's demands forced the Mwinyi government to agree to the IMF's conditions in July 1986. This resulted in the First Economic Recovery Programme (1986-1989). This is how Nyerere described the agreement in June 1988:

> When Tanzania went to the Washington based institutions after years of resisting, the International Monetary Fund, said like Shylock to Antonio, 'Ah, at last you have come'. Antonio then could not repay the loan. Shylock then demanded his pound of flesh. Of course, sometimes we cannot repay the debt and, of course, the IMF demands the pound of flesh. The IMF is now the tool to control the governments of the world (Tripp 1997).

Mwinyi, after leaving the presidency, noted of the pound of flesh demanded by Shylock (the IMF) that it had to be taken without shedding a drop of blood (Tripp 1997).

The pound of flesh demanded by the IMF was for Tanzania to abandon its state-led development strategy for a private sector-led (free market) strategy, with the aid donors and the Bretton Woods institutions in the driving seat. This is well captured by Van Arkadie (1995), who wrote that:

> Donors have become important political actors as major macro-economic policies, such as exchange rate adjustments and fiscal and monetary policies have fallen increasingly under their influence if not at the discretion of the Bretton Woods institutions and even the level of project choice, design and staffing, donor agencies have often played a leadership role.

Prost (1988) notes that donors who have come to refer to themselves as development partners become adjudicators and monitors of government performance (or non-performance) in implementing economic reform.

Mwinyi's term of office, therefore, coincided with the implementation of the IMF and donor reform demands under the economic recovery programmes and the restructuring of the political system into a multiparty democracy. Suffice to mention here some of the main changes under Mwinyi, who was internally referred to as Mzee Rhuksa[10]. Four elements were involved in the reforms and restructuring demanded by the IMF: Stabilization, liberalization, privatization and democratization.

Stabilization involved the devaluation of the Tanzanian shilling, the removal of price controls and the adjustment of interest rates. These are generally referred to as macro-economic policies. This was the focus of the Economic Recovery Programme I (ERP I) that ran from July 1986 to June 1989. Agreement on the stabilization programme paved the way for renewed funding from the Bretton Woods institutions and bilateral donors. Thus, external loans and grants grew from TSh 2.911 billion in 1985/86 to TSh 8.567 billion in 1986/87 to TSh 17.658 billion in 1987/88 and TSh 45.360 billion in 1988/89. This was accompanied by increased financial flows that rose from US$ 649 million in 1985 to US$ 824 million in 1987. On top of these, there was debt rescheduling under the Paris Club. In 1986, US$ 300 million in short-term debt was transferred into long-term concessional loans. Another debt rescheduling was done in 1989 when US$ 260 million was converted into

10 The word arose from his allowing all sorts of imports into the country to stop the goods shortages. One needs, to note that the "own account import policy" under which the goods were imported was started under the 1984/85 budget. It allowed those with access to foreign exchange outside the official exchange control allocation system to use their funds to freely import a wide range of goods. The full implementation of the policy took off under Mwinyi and hence the name Rhuksa, the English translation of which is "allow".

long-term concessional loans. Rescheduling does not scrap the loan; it only increases the payment period. Loan reduction for Tanzania came under Mkapa in the context of the Highly Indebted Poor Countries (HIPC) Scheme, but it came with conditions, of course. What needs to be noted here is that donors shifted funding from projects to balance of payment support, which helped to alleviate import shortages. Thus, in 1988/89, Tanzania was able to import goods worth US$ 1.27 billion, when official exports fetched US$ 436.5 million (Wagao 1990). This helped to ease the consumer goods shortage and enabled the importation of inputs for both agriculture and the manufacturing sector.

Liberalization involved reducing government control of prices and allocation of resources. This basically meant the dismantling of the country's economic system from a public-led system to a private-led one. This became the focus of the Economic Recovery Programme II (ERPII) which was to run from 1989 to 1992. The major economic reforms during this period included: the working out of a new national investment promotion policy which resulted in the enactment of the National Investment (Promotion and Protection) Act of 1990 and the creation of the Investment Promotion Centre (IPC) (Under the new investment policy, foreign investors were not only guaranteed full repatriation of profits but also provided with a set of incentives that included the duty-free import of capital goods, exemption from paying value-added tax and tax holidays that included 100 per cent capital allowance. These, as noted by CRC Sagoma (2013), should be seen as hidden subsidies for foreign companies which caused losses to the government from unpaid custom duties and sales tax. These were estimated at US$ 450 million in 1993/94); the liberalization of the exchange market and the deregulation of the banking sector that saw the emergence of foreign and local private banks; the scrapping of the leadership code in 1991 with the CCM National Executive Committee (NEC) February Zanzibar Declaration. This ended the 1967 leadership code which, among other things, prevented leaders from being associated with capitalist practices including owning shares in any company, holding directorships in private owned businesses, renting out houses, receiving two or more wages and the hiring of labour. In fact, in 1973, a committee for the enforcement of the leadership code was formed in parliament to investigate violations, and leaders had to sign a declaration to abide by the conditions of the code.[11] The scrapping of the leadership code was aimed at allowing the leaders (both within the party and within the government) to benefit from the liberalization and privatization drives that were being implemented.

11 Critics of the leadership code noted that discouraging private capital accumulation and investments by leaders promoted engagement in corruption (embezzlement, graft, extortion) and increased rent-seeking and clientelism (Matiku 2007).

Privatization and the reform of state enterprises became the focus of the Economic and Social Action Programme (1992-1996). This was kicked off by the amendment in 1992 of the Public Corporations Act of 1969, which had created the public enterprises commonly known as parastatals. The 1969 act gave the president the power to create public corporations in which the government had 51 per cent shareholding or was the sole shareholder. The 1992 Public Corporations Act allows a situation where the government can become a minority shareholder. This was immediately followed in 1993 by the Public Corporations Amendment Act. Section V of this act was specifically concerned with the creation of the Presidential Parastatal Sector Reform Commission (PPSRC). This was an autonomous body funded by the IMF, directed by foreign advisors and coordinated the privatization exercise. The main objectives of privatization, according to the PPSRC, were:

1. To improve the operational efficiency of enterprises that are currently in the parastatal sector and their contribution to the national economy.
2. To reduce the burden of parastatal enterprises on the government budget.
3. To expand the role of the private sector in the economy permitting the government to concentrate public resources to its role as the provider of basic services, including health, education and social infrastructure.
4. To encourage wider participation by people in the ownership and management of businesses.

The secondary objectives were more forthright and included:

1. The creation of a more market-oriented economy.
2. To secure enhanced access to foreign markets, capital and technology.
3. To provide the development of a capital market
4. To preserve the goal of self-reliance (Mbowe 1993).

For purposes of privatizing, parastatals were classified into three categories: first were the social services, that is, parastatals that do not generate revenue from the sale of goods and services (these were expected to be absorbed into the normal government administration); second were public utilities that included transport, water, power supply and postal services. While these were to remain as part of the state sector, the private sector would be allowed to provide these services through lease or management contracts. Examples of these were the Dar Es Salaam Water Services

Authority (DAWASA), which was leased to Britain City Water, and the Tanzania Electricity Supply Company (TANESCO), where a management contract was awarded to South Africa Net Group Solutions;[12] third were commercial or business-oriented parastatals. These were to be fully or partially sold, transformed into joint ventures or closed and liquidated.

The privatization exercise or reform of parastatals, which started under the Mwinyi presidency, gained momentum and was completed under President Mkapa. What is important to state here is that it represented a full reversal of Tanzania's economic system, which was based on public ownership and control. In Van Arkadie's (1995) words, it meant the dismantling of the country's economic system. Secondly, privatization opened the way for public leaders and civil servants to openly engage in business practices. This has transformed a number of them into billionaires. Magufuli's statement about the privatized parastatals reignited the burning question of what had happened to the privatized entities and whether privatization helped to promote industrialization in the country. These questions are addressed later.

Democratization implied the creation of a multiparty system in the first place and the reform of government itself in the name of enhancing government capacity. The process of democratization started in 1991 when Mwinyi appointed the Nyalali Commission to look into the need for a multiparty system. The fact of the matter is that public opinion was not in favour of creating a multiparty system. Despite this, and largely at Nyerere's prodding, a multiparty system of government was recommended. This led to the amendment of the 1977 constitution in July 1992 and to the start of several political parties that have contested the elections since 1995. Chama Cha Mapinduzi (CCM) has, however, remained the dominant party with the opposition highly fragmented.[13] The reform of government was mostly undertaken by Mkapa with the development partners (aid donors) providing most of the funding and technical support.

12 For details on the privatization of these, see the World Bank Report to the government of Tanzania: Privatization Assessment of 2005 case studies 1 and 2 URT 2005: 23-61.

13 For a discussion on why the opposition has remained week and their performances during the various elections since 1995, see Mangasini Atanasi Katundu. 2018. Why is Tanzanian Opposition Weak Twenty Five Years since its Reintroduction? African Journal of Political Science and International Relations. Vol. 2, 5. There were 17 opposition political parties by the time Magufuli came to power in 2015. These were: Chama cha Demokrasia na Maendeleo (CHADEMA); Chama cha Haki na Ustawi (CHAUSTA); Civic United Front (CUF); Democratic Party (DP); Demokrasia Makini (MAKINI); Jahazi Asilia; Forum for the Reconstruction of Democracy (FORD); National Convention for Reconstruction and Reform (NCCR-Mageuzi); National Reconstruction Alliance (NRA); National League for Democracy (NLD); Progressive Party of Tanzania-Maendeleo (PPT-Maendeleo); Sauti ya Umma (SAU); Tanzania Demokratic Alliance (TADEA); Tanzania Labour Party (TLP); United Democratic Party (UDP); Union for Multiparty Democracy (UMD); and United People's Democratic Party (UPDP).

It is important to conclude this section on the Mwinyi presidency by highlighting the renewed pressure by the development partners on his government to stick to the economic reform process. Matiku (2007) notes that the economic reforms had resulted in increased inflation between 1990 and 1992 and a decline in export goods and services. These dropped from US$ 643.1 million in 1989 to US$ 353.4 million in 1992. The GDP, at factor cost, had also declined by 8.4 per cent from 1991 to 1992. This forced the government to slow down on further reforms agreed to under the Extended Structural Adjustment Programme. The donors responded by suspending payments for development projects and balance of payment assistance and withholding further financial assistance. This led to the creation in 1994 of an Independent Monitoring Group under Professor Helleiner to mediate between the government and the donors. Under Mwinyi's government, the partners became the focal point in determining Tanzania's development.

Mkapa and the Market-Driven Industrialization Strategy

Mkapa's presidency completed the economic transformation process started by Mwinyi under pressure from aid donors. A new industrial policy was worked out by the Mkapa government: The Sustainable Industrial Development Policy (SIDP) 1996-2020. Underpinning the policy was the acceptance that the private sector was the main vehicle for making direct investments and driving economic growth. It was the acceptance of this philosophy that had started the process of privatizing the parastatals under the Presidential Parastatal Sector Reform Commission (PPSRC). The task was completed under the Mkapa presidency, as discussed below. The role of the government under this setup was to provide an enabling environment. This involved the provision of incentives to both local and foreign investors; simplifying the regulatory framework, thus making it easier and faster for the investors; ensuring macro-economic stability (making little changes to the tax system); and providing the requisite infrastructure. Two things then became central to Mkapa's administration: privatization of parastatals and provision of incentives. Each of these is discussed below.

Privatization of Parastatals

The Presidential Parastatal Sector Reform Commission (PPSRC) provided annual reports of the privatization process, and these provide a good insight into the privatization exercise. The exercise has also generated a lot of academic interest as shown by several studies (Katunzi 1998; Jean M

Due, Andrew E Temu and Anna A Temu 1999; Mwandanga 2000; Katiko 2004; World Bank 2005; Matiku 2007; Ngowi 2008; Waigama 2008; Mramba 2011; Machael 2012; Shimba C and Sevado P 2013; Pascal 2015). What is clear from all the discussions is that privatization was forced upon the government, which seemed desperate to obtain foreign aid. The IMF and World Bank tied their loans to the privatization of specific parastatals and went to the extent of halting disbursement of the already agreed funding until the government had signed contracts for the entities in question. Matiku (2007) points out that Tanzania accepted the privatization of the banking, communication and power sector because it was a precondition for Tanzania to access IMF loans under ESAF, PRGF and to be considered by the Paris Club of donors for debt relief under the HIPC initiative. He further notes that the privatization of Tanzania Telecommunications Company Ltd (TTCL) was a strategy intended to ensure that the public firm was purchased by a foreign company and subsequently weakened in its service provision so that cellular service could survive. Shimba and Sevado (2013) equally note how the privatization of Dar Es Salaam Water Service Agency (DAWASA) was one of the conditions given if the country was to receive Highly Indebted Poor Countries (HIPC) debt relief. But to prepare for its privatization, the government had to get US$ 145 million to upgrade the Dar Es Salaam Water and Sewerage Agency (DAWASA) to be taken over at a lower price. This implies that the government had to swallow the debt burden just to attract foreign direct investment (FDI). But as noted by the World Bank (2005), conditionality was intended to create pressure to complete the transactions. Thus, what transpired in Tanzania is what Zitto (2016) calls a haphazard and coerced approach to privatization with no proper policy or strategy.

The case-by-case approach to privatization adopted by the reform commission was made worse by the use of external consultants, often recommended by the World Bank, which also loaned the money to pay them. It is ironic for the World Bank to turn around in its 2005 evaluation and say that Tanzania did not always get the best consultants and private partners. The end result is that privatization became a cost burden to the government, particularly in the cases of contracting out management of infrastructure, as seen in the cases of TANESCO and DAWASA where the contracted managers had no clue of how to run such huge social corporations. The losses to the government became even bigger as the reform commission was unable to collect the divestiture (sales) proceeds from those who acquired the parastatals after the memorandum of understanding had been signed. The best example of this was the National Bank of Commerce. The South African investor, the Amalgamated Bank of South Africa (ABSA), was granted total control of the bank without paying a penny. There are numerous cases like this and others where only small deposits were paid but no further payments were forthcoming. Worse still, the PPSRC and the treasury could not properly account for the small deposits paid out by the new owners. In some instances, they claimed the money had been reinvested in the company which now fell under private hands. This was a blatant embezzlement of public funds (Matiku 2007).

The reform commission could not monitor how effectively the privatized enterprises operated. There was no mechanism, according to Shimba and Sevado (2013), to monitor the investment plans for the enterprises which were mostly sold off at low prices as a trade-off for the investment plans presented by the new investors. It was, of course, believed that in the long run, investment plans, if implemented, would result in more permanent benefits to the economy in terms of employment creation, increased output and productivity and improved skills and technology. None of these took place. The commission had no mandate to follow up with firms after privatization, states the World Bank (2005), which was responsible not only for establishing the commission but also for working out its mandates and staffing. It was expected that the ministries which formerly controlled the parastatals, but who were not at all involved in the privatization exercise, would do the monitoring. Alternatively, regulatory bodies which did not exist (like in the case of power and water) or were still young and weak (like in the case of communications) would do the monitoring. The end result is that there was no way of assessing the impact of privatization on the economy.

It should be said that the World Bank, IMF and bilateral donors from Western countries pressed for privatization for the benefit of the Western companies. The country's interests were inconsequential. The statistics that indicate that locals bought the bulk of the privatized industries 135 against 14 directly bought by foreigners and those locals also benefited from joint ventures are rather misleading. The total value of the 135 industries bought by locals accounted for 20 per cent of the total values of sales. Equally, the sale value of the joint ventures bought by locals accounts for only 8 per cent of the joint venture sales. Locals acquired the small parastatal assets while the foreigners acquired the large assets and entered into joint ventures with large parastatals. This was the case with the breweries and cigarette companies, which were sold as going concerns and were profitable even before the sale.

The government decision-makers are equally to blame for the failed privatization exercise, despite undue external pressure and conditionality, which is said by the World Bank (2005) to have been intended to help maintain momentum in a politically sensitive process by strengthening the hand of the reformists (read political beneficiaries). What needs to be said is that the reformers stood to benefit from many of the privatization deals. Matiku (2007) thus notes that corruption did play a major role in influencing government decisions in a number of cases. Money and other benefits changed hands between government leaders and investors. This was definitely the case with the privatization of the NBC. The privatization of the bank was carried out without public officials, including the president, paying the debts they owed to the bank. Corruption is also acknowledged by the World Bank (2005), which states that some ministers have engaged in inside deals with selected private partners and other players, particularly in the TTCL management assistance contract for MIS-Celtel. What it does not say is that it was a party to the contract.

To conclude the short discussion on privatization, one needs to note some highlights from the *Citizen* in 2016 and the *Daily News* in 2017. The *Daily News* reports Magufuli stating that by privatizing its firms, the government had effectively entered into an agreement with conmen, people who had no intention of developing the nationalized firms. He pointed out that 197 factories that were privatized were not currently operating. Investors had utterly failed to develop the privatized firms, some did not have any investment plans or were changing the use of those plants without permission, vandalizing some in the process, while some owners have not even paid for some properties. This was rather sobering for the president, who in 2015 had promised to take back the privatized industries that were not being put to proper use.

The *Citizen* in 2016 pointed out what had happened to 18 of the privatized enterprises. It noted that in some cases, machines were stripped out and transferred out of the country (Morogoro Ceramics where machinery was sent to Nigeria), put into storage (Kilimanjaro Textiles and Tanzania Bag Corporation) or sold as scrap metal (Polysack Company Limited). In other instances, the factories were left to disintegrate (Mangula Mechanical and Machine Tools, Mwanza Tanneries, Morogoro Shoe Limited, Ubungo Garments Limited, Nyanza Engineering and Foundry Company, Steel Rolling Mills, Zana Za Kilimo Mbeya, Mbeya Ceramics Company and Mbeya Textile Mills).

Privatization did indeed lead to deindustrialization in many instances, and given the state of the buildings that were left unattended, it might be hard to re-establish production on the same premises. The government left control of the industrialization process in the hands of the private sector. One needs to note that the public sector drive had been initiated because of a lack of interest in the country's industrial needs.

Incentives Schemes

As in the case of privatization, the incentive scheme for private/foreign investors started under president Mwinyi. In 1990, the government passed the National Investment Promotion and Protection Act (NIPPA), thus replacing the 1963 Foreign Investment Protection Act. The 1963 Act guaranteed the foreign investor payment of the full and fair value of the investment in case of nationalization or expropriation and allows the repatriation of such payment in the approved foreign currency at the prevailing rate of exchange. In case of dispute, it allows arbitration, with each party appointing an arbitrator and the two appointing a third arbitrator.[14] The act offered incentives for foreign investments in new enterprises and expansion or rehabilitation of existing enterprises. What is important to note is that parastatals still dominated the Tanzanian economy. The act sought to attract foreign investors to enter into joint ventures with the existing parastatals in areas like iron and steel production, machine tools manufacture, chemical, fertilizer and pesticide production and airlines. Under the same act were clearly stipulated reserved areas for public and local investments. Areas reserved for local/national investors included retail and wholesale trade, product brokerages, business representation for foreign companies, public relations businesses, operation of taxis, barbershops, hairdressing and beauty salons and butcheries (Kimaro 2009; Maina Peter 1991).

The privatization of parastatals, starting in 1993, changed the economic landscape and called for a new act, hence the Tanzania Investment Act of 1997. The act created the Tanzania Investment Centre as a one-stop centre for mostly large foreign investors with two basic objectives: initiate and support measures that will enhance the investment climate in the country for both local and foreign investors and identify investment sites. Apart from helping investors to acquire all the licenses needed to start a business in the country, the centre was granted powers to offer incentives over and above those already available to all investors under the Income Tax Act of 1973, the Customs Tariff Act of 1976 and the Sales Tax of 1976 and subsequent amendments through the issuing of a certificate of incentives and protection. Such incentives have been referred to as shadow exemptions because they are discretionary. These have come to include the Tanzania Investment Centre (TIC) certificates, Mining Development Agreements (MDA), Oil and Gas Production Sharing Agreements (OGPSA) and ministerial incentives granted through government notices (CR Segoma 2013).

The list of incentives on offer to foreign investors is long, but it is necessary to mention here the tax incentives, which include: zero rates for all capital goods and imports for purposes of import duty and VAT; 100 per cent expenses on capital acquisition; exemption from paying corporate income tax for a specified period and exemption from tax on net revenue from investment projects

14 For a discussion of the 1963 Investment (Promotion and Protection) Act and subsequent changes prior to the 1990 act, see Severin Rugumamu. 1988. State Regulation of Foreign Investment in Tanzania: An Assessment. Afrique et Development, Vol. 13, No. 4; and Mukuwa Mutua. 1984. Foreign Investment Protection in Tanzania. LLM Dissertation, University of Dar Es Salaam.

of the tax holiday period; carrying forward of losses against future profits; and withholding tax on dividends (10 per cent), loan interest (10 per cent) and rental income (10 per cent) (UNIDO 2014).

It has been pointed out that large incentives are of little importance in attracting FDIs from multinationals as these consider factors other than tax exemptions. Furthermore, tax exemptions are a loss of revenue to the government, which have to be compensated for by external borrowing or budget support by the aid partners.[15] Besides, how the incentives are administered has created what Kimaro (2009) calls suspicious behaviour both from tax administrators and companies. There are also no procedures to control and monitor the operations of the investors in terms of what they are doing and what they are not allowed to do. Thus, the investors have tended to abuse the system and promote corruption. Kimaro (2009) gives the example of hotels in which ownership has been changing hands before the lapse of the five-year tax holiday to allow another investor to enjoy the same. Thus, the Sheraton Hotel that started around 1997 became the Royal Palm in 2001, Movenpick in 2004 and then Serena Hotels. What is not pointed out is the cross-ownership of all these hotels. This basically implies registering the same company under new names.

It was not only tax incentives that were being offered but also a set of guarantees to foreign investors. These included guarantees vis-à-vis the unconditional transfer of profits or dividends attributable to the investment, payments in respect of loan servicing, royalties, fees and charges in respect of technology and remittance of proceeds in the event of sale or liquidation which directly affects the country's foreign exchange position. Of more importance is the guarantee against nationalization or expropriation. The investment act stipulates that:

> No business enterprise shall be nationalized or expropriated by the government; no person who owns, whether wholly or in part the capital of any business enterprise shall be compelled by law to cede his interest in the capital to any person; there shall be no acquisitions, whether wholly or in part of a business enterprise by the state unless the acquisition is under the law which makes the provision for payment of fair, adequate and prompt compensation and right to the court or arbitration (The National Investment Promotion and Protection Act 1990).

Arbitration should be in accordance with the laws of Tanzania for investors, in accordance with

15 President Magufuli was largely concerned with the revenue losses from the tax incentives and focused on cutting these losses from the mining sector, hence the call for the renegotiations of MDAs.

the rules of procedure for arbitration of the international centre for the settlement of investment disputes (which is controlled by the World Bank that appoints arbitrators), within the framework of any bilateral or multilateral agreement on investment protection by the government of United Republic of Tanzania and the government of the country of origin. These agreements that Tanzania had entered into with its major Western aid donor partners were to act as guarantees to investors from donor countries.[16] It is within this context that one can understand the dispute between Tanzania and Bigwater Gauff, which had a contract with DAWASA that was referred to the International Centre for the Settlement of Disputes, and the efforts by Magufuli to pass the Tanzania Sovereignty Act following the dispute with Acacia in 2017.

Implementing the SIDP

The Sustainable Industrial Development Policy was implemented under the broad ambit of privatization and multiple incentives to foreign investors. Three phases were anticipated in the implementation of the SIDP. What has been described above represents the first phase (1996-2000), which focused on privatization. Under privatization, according to Msami and Wangwe (2016), the government was to closely monitor the implementation of privatization operations to ensure that the new owners do effectively turn around measures for privatized firms. As it turned out, no follow-up was made, leading to closure and neglect of the acquired firms, which amounted to actual de-industrialization. The SIDP's first phase was to create and sustain an enabling environment, including the provision of fiscal and monetary incentives and a stable regulatory framework. This is what was elaborated upon by the incentive schemes (Mussa 2014).

The second phase (2000-2010) was to focus on the creation of new capacities in activities with clear advantages for promoting exports through the use of export processing zones and the promotion of intermediate goods industries, light capital goods and machine-making. In this regard, the focus was to be placed on three industrial sub-sectors: agro-processing; textiles, leather, fertilizers and chemicals; and light machines and iron and steel (in terms of preparation for the exploitation of iron and coal deposits). The export processing zones that started under Mkapa continued under Kikwete and are discussed below. The issue of light industries is better discussed under the survey of the industrial structure below.

16 For a discussion on the various investments following the privatization exercise, see United Nations Conference on Trade and Development. 2002. *Investment Policy Review: The United Republic of Tanzania*. United Nations.

The third phase (2010-2020) was to focus on the promotion of basic capital goods infrastructure. This was to involve the promotion of smelting and metal products industries to create a base for the development of intermediate and capital goods. This was, however, to be accompanied by the expansion, improvement and increase in the provision of power, water, communications, transport and road network.

The handover from Mkapa to Kikwete saw the publication of the Tanzania Development Vision 2025 and the Tanzania Mini Tiger Plan 2020. These had been worked out under Mkapa and should be seen as further elaboration on the SIDP. To this should be added the National Strategy for Growth and Reduction of Poverty known as MKUKUTA One. Kikwete's own industrial vision came later in 2011 as Tanzania Integrated Industrial Development Strategy generally referred to as the Long Term Perspective Plan (LTPP).

Kikwete and the Integrated Industrial Development Strategy

The three development plans that Kikwete inherited were drawn up within the broader context of obtaining debt relief under the Highly Indebted Poor Countries initiative. In fact, the Tanzania Development Vision 2025 drawn up in 1999 was a pre-requisite for entering into the HIPC programme. There is a direct link between the objectives of Tanzania Development Vision 2025 and the National Strategy for Growth and Reduction of Poverty (NSGRP) or MKUKUTA One. They all talk of quality of life, reducing poverty, good governance and the rule of law, and building a strong and resilient economy, or broad-based economic growth (which is based on the commitment to macro-economic and structural reforms). Furthermore, they all talk about spatial development initiatives and development corridors. The Tanzania Development Vision 2025 and NSGRP provide the broad context in which development was to take place. The Mini Tiger Plan drawn up in 2004 represents an operationalization of the two in the industrial sector. It is also a continuation of the second phase of the SIDP, which, as noted above, was to focus on export manufacturing through the promotion of the export processing zones (EPZ) and the special economic zones (SEZ).

The Mini Tiger Plan 2020

The Mini Tiger Plan represents an attempt to initiate the Asian Tigers, industrial development model. At the centre of the model was attracting foreign investments to promote exports by developing specialized economic zones in which a cluster of incentives was being offered. The model, as noted in the Mini Tiger document, was based on the Ponds and Birds theory – ponds being special economic zones within the country and birds representing migrating foreign direct investments, which, in the case of the Asian Tigers, were migrating out of Japan and Western Europe in search of cheap labour. The plan was based on three strategies: building SEZs and aggressively promoting the most promising industries, mainly primary light industries and tourism; expansion of exports from US$ 1 billion to US$ 2.3 billion in five years (this was to be done by expanding badly needed power, energy, water and transport by long-term borrowing from multilateral and bilateral development banks); and solving as many bottlenecks as possible by additional borrowing and foreign currency earnings, plus FDI and expanded investments into more value-added sectors and moving to larger investment programmes.

With regard to the special economic zones, the target was to: create at least four by 2006, increasing to 20-30 by 2020; attract FDIs to the tune of US$ 280-300 million by 2005/6, rising to US$ 500 million by 2007/8 and US$ 2 billion by 2020; and attract 200 to 300 new investors with an average employment of 1 500 workers, thus creating 300 000 to 400 000 new jobs, resulting in foreign exchange earnings of US$ 0.75 to US$ 1 billion. The expected outcomes did not materialize. The Export Processing Zones Act was passed in 2002 and the Export Processing Zones Authority was established in 2006. By 2013, of the 13 sites allocated for SEZs, only seven had been licensed and only one was operational – the Benjamin Mkapa Special Economic Zone in Dar Es Salaam, with only 20 firms. The second one was being built in Bagamoyo a few kilometres out of Dar es Salaam (Page 2016). The plans failed because the donor community which was to provide the funding did not agree with the plans. Instead, they pumped money into poverty and government reform projects under the NSRGP. There were equally no migrating birds (FDIs), as was the case in Asia – in part, because of the lack of the requisite infrastructure. The attached financial incentives were not the main calculus of the investors. The failure of the Mini Tiger Plan did not deter Kikwete from producing the Tanzania Integrated Industrial Development Strategy 2025 and incorporating some of the failed plans.

Tanzania Integrated Industrial Development Strategy (IIDS) 2025

The main emphasis of the Integrated Industrial Development Strategy remains export-led industrialization and the attraction of foreign investments. The IIDS established the priority sub-sectors that were to serve as the nucleus of industrialization. These were agriculture and natural resources. Under agriculture, the aim was to beef up agricultural production and processing facilities for agricultural products. The focus was then to be on fertilizer and chemical production; agro-processing of edible oils, cashew nuts, fruits, milk and dairy products, textiles, leather and leather goods. Under the resource-based sector were to be included domestic value-added for minerals, which would include smelting, refining and processing of minerals before they are exported and the exploitation of iron ore and coal reserves, which would lead to the development of the iron and steel industry and light industrial manufacturing.

The IIDS included the geographical spread of industries as this was identified as one of the weaknesses of the existing industrial policy. It thus proposed the creation of multifunctional large-scale special economic zones. In this regard, the Bagamoyo, Mtwara and Tanga waterfronts were identified as special development zones. These would be linked to specific development corridors and fully supported by the basic infrastructure of ports, power, water and sewerage. The development corridors were:

- The Uhuru (Tazara) Development Corridor, best known as the Southern Agricultural Growth Corridor (SAGCOT), incorporates Iringa and Morogoro regions.
- The Mtwara Development Corridor (MDC), also referred to as the minerals corridor centred on the existence of natural gas reserves leading to the production of a nitrogen fertilizer plant and other gas-related industries; cement production from the limestone red clay and gypsum reserves at Mikindani; iron and coal production from Liganga and Mchuchuma iron and coal reserves.
- The Tanga Development Corridor (TDC), linking the Tanga port to the great lakes zones, Arusha and Kilimanjaro, focusing on the export-oriented horticulture and agro-related industries and hospitality industry, as well as cold chain and transport storage facilities for horticulture and perishable food industries – meat, milk, dairy products, cut flowers, highland vegetables and fruit industries.
- The Dar es Salaam corridor, linked to the central railway and acts as a logistic corridor.

The above corridors were expected to make Tanzania the industrial hub of East and Central Africa. These were to be based on the plug-and-play industrial parks that have successfully promoted industrialization in rural and small urban areas in China.

Apart from the special economic zones tied to the four corridors, macro manufacturing enterprises (MMEs) parks were created in rural and urban areas. In an effort to promote industrialization, the government was to set up an industrial development fund and increase the manufacturing parks. These were to promote rural industrialization through an agriculture-led industrialization approach.

The strategy was to be implemented in three phases of five-year development plans: 2011/2012-2015/2016, 2015/2016-2020/2021 and 2020/2021-2024/2025. The first phase was to focus on the removal of binding constraints to growth. These were identified as hard and soft infrastructure, electricity and markets. The second five-year plan was to make industrialization the pillar of economic and political development in which the promotion of industrialization is intensified and structural change takes place. Tied to this was the creation of more and better jobs via manufacturing development and the industrialization of the agricultural sector. The third phase was to focus on promoting competitiveness in the manufacturing sector and a substantial improvement in Tanzania's share of the global and regional trade. What is discussed below is the First Five-Year Development Plan (FFYDP I) implemented under Kikwete.

The First Five-Year Development Plan 2011/2012-2015/2016 (FYDP1)

Five core priorities were identified under the plan. These were:

1. Infrastructure and, in particular, large investments in energy to ensure a reliable and efficient supply of electricity and transport infrastructure (ports, railway, roads and air transport; water and sanitation and; information and communication technology). The core investments here were: the expansion of electric generation to produce 2 780 MW; the expansion of the Dar es Salaam port, the rehabilitation of the central railway line and beefing up the rolling stock; the construction of district and regional roads in SAGCOT; and country-wide coverage of ICT backbone infrastructure.
2. Agriculture for food self-sufficiency and export, development of irrigation in selected agricultural corridors and high-value crops including horticulture, floriculture, spices, vineyards, etc.
3. Industrial development specifically targets industries that use locally produced raw materials such as textiles, fertilizers, cement, coal, iron and steel, as well as developing special economic zones using public-private partnerships. The SEZ were specifically to cater for electronic goods, farm machinery and agro and mineral processing and integrating the textile industry.
4. Human capital and skills development to match the expected needs of industrial growth.

5. The development of tourism, trade and financial services (First Five-Year Development Plan 2011/2012-2015/2016).

Interestingly, the FYDP I addressed the issue of funding, which was expected to be to the tune of TSh 1 513 880. A number of funding sources were identified. This included: an annual expenditure quota; infrastructure and saving bonds to which should be added diaspora bonds, domestic bonds and foreign market bonds; pension and social security funds; strategic partners' grants and donations; government guarantees for the public institutions and the private sector; sovereign borrowings and sub-sovereign bonds; regional economic arrangements and South-South Cooperation; taxation on financial transactions including currency transaction tax (CTT) and financial transaction tax (FTT); national climate fund, debt to health initiatives and super profit tax on minerals.

The best way to gauge the impact of the FYDP I is to look at the current state of the manufacturing sector in Tanzania. While complete, up-to-date data are not easily available, there are numerous surveys of the manufacturing sector in Tanzania to provide an insight into the sector.

The State of the Manufacturing Sector in Tanzania

A number of surveys and studies have been carried out on the state of the manufacturing industry in Tanzania. These include: the 2012 *UNIDO Industrial Competitiveness Report* (UNIDO 2012); the 2012 International Development Centre supported study *The Enterprise Map of Tanzania* (IDC 2012); the 2012 URT National Basic Survey Report of Micro, Small and Medium Enterprises (URT 2012); the 2013 World Bank sponsored study on *Light Manufacturing in Tanzania: A Reform Agenda for Job Creation* (Dinh and Monga 2013); the 2013 and 2016 *Annual Survey of Industrial Production in Tanzania* (ASIP 2013, 2016); the 2014 African Development Bank study – *Eastern Africa Manufacturing Sector, Tanzania Country Report* (AfDB 2014); the 2014 Danida sponsored study – *The Manufacturing Sector in Tanzania* (CIT and DI 2014); the 2016 study by NBS and MITI, *Census of Industrial Production in Tanzania* (NBS and MITI 2016); and the World Bank and IFC sponsored study – *Tanzania Country Profile Enterprise Study* (WB and IFC 2016). The Five-Year Development Plan (FYDP) 2016/2017-2021/2022 has relied heavily on the above studies. These surveys and analyses by academics (Msami and Wangwe 2016; Mussa 2014; Page 2016; Morrissey 2015; Andreoni 2017; Newman et al. 2017; Kinyondo et al. 2014) are used to analyse Tanzania's manufacturing sector.[17] The table below

17 The term industrial sector is commonly used. This is rather misleading because in the Tanzanian context the industrial sector includes mining and quarrying, electricity, gas steam and air conditioning supply, water supply, sewerage, waste management and rehabilitation activities apart from manufacturing per se. Most of the surveys mentioned above use the broad term of the industrial sector and one has to extract the elements of manufacturing from the surveys.

gives the number of establishments by manufacturing activity by region in Mainland Tanzania.[18]

Two things need to be noted in Table 1 below. The first is the concentration of manufacturing enterprises in the manufacture of food products and beverages – 870 firms out of 1 931. This should not be surprising given that agriculture is a mainstay of the economy. The other sectors of note are the non-metallic mineral products (222) and wood products and furniture (311). These sectors are closely linked to the construction industry, which has been booming. The second thing to note is the concentration of enterprises in the main city centres of Dar es Salaam (530), Morogoro (238), Arusha/Moshi (221) and Mwanza (84), which has been strongly influenced by the availability of related services.

18 Most of the available data on Tanzania exclude Zanzibar in as much of the economic affairs of the Island are not part of the union matters.

Table 1: No of establishments by manufacturing activity and region, Tanzania Mainland (ASIP 2016)

Isic	Dsm	Many	Moro	Arus	Kili	Mara	Sing	Mbey	Mwa	Other	Total
10	92	60	114	32	17	25	51	35	27	320	803
11	18	-	3	11	8	-	-	5	5	17	67
12	2	-	2	-	-	-	-	-	-	-	4
13	18	1	5	3	-	2	-	1	2	10	42
14	8	-	2	-	-	2	-	2	1	3	18
15	11	-	1	1	5	3	-	-	2	5	28
16	15	-	5	17	31	1	2	-	8	37	116
17	8	-	-	1	2	-	-	-	1	4	16
18	38	1	2	5	3	1	-	-	-	10	60
19	2	-	-	-	-	-	-	-	-	2	4
20	21	1	-	1	1	2	-	7	1	21	55
21	4	-	-	-	1	-	-	-	1	-	6
22	36	-	2	5	1	-	-	-	4	10	58
23	64	4	24	21	5	11	4	2	12	75	222
24	21	-	3	3	2	-	-	2	4	13	48
25	35	2	9	10	3	3	-	-	3	13	78
26	1	-	1	1	1	-	-	-	-	-	4
27	15	-	-	4	-	-	-	1	2	1	23
28	3	-	1	3	2	-	-	1	1	3	14
29	9	1	-	1	-	-	-	-	1	2	14
30	1	-	-	-	-	-	-	-	1	1	3
31	69	3	34	15	1	6	8	3	7	49	195
32	34	-	-	4	-	3	1	1	-	2	45
33	5	-	-	1	-	-	-	1	1	-	8
	530	73	238	139	83	59	66	61	84	598	1931

Source: ASIP 2016

Note: *The International Standard Industrial Classification (Isic) key: 11. Food products; 12. Beverages; 13. Tobacco; 14. Weaving apparel; 15. Leather and related products; 16. Wood and wood products except for furniture; 17. Paper and paper products; 18. Printing and reproduction of recorded media; 19. Coke and refined petroleum products; 20. Chemical and chemical products; 21. Basic pharmaceutical products and pharmaceutical preparations; 22. Rubber and plastic products; 23. Non-metallic metal products; 24. Basic metals; 25. Fabricated metal products except for machinery; 26. Computer and optical products; 27. Electrical equipment; 28. Machinery and equipment; 29. Motor vehicles, trailers and semi-trailers; 30. Transport equipment; 31. Furniture; 32. Other manufacturing; 33. Repair and installation of machinery and equipment.*

One important element of the manufacturing sector is the size of the enterprises themselves. The 2016 Annual Survey of Industries shows that the bulk of these firms (1 131 out of 1 931) employ between 10 and 19 people; 418 firms employ between 20 and 49; 161 employ 50 to 99 people; 186 employ between 100 and 499 and only 35 companies employ more than 500 people. These 35 are referred to as major firms. Fifteen of these are in food products, five in beverages, two in tobacco, four in textiles and two in apparel. The share of manufacturing to employment stood at 3.1 per cent in 2014. The manufacturing contribution to GDP remains small and has been fluctuating. It peaked at 7.6 per cent in 2011 and was down to 5.5 per cent in 2017. Most of the production is for local consumption, despite the constant emphasis on export production. The share of the manufacturing sector to total exports was 17 per cent of total exports in 2012 and rose to 23 per cent in 2014 but declined to 19.1 per cent in 2015/2016. The value of manufacturing export production was TSh 1 996 637 435 against the local consumption of TSh 13 965 430 094 in 2016 (URT/MoF 2017).

To understand the manufacturing sector in Tanzania, one has to pay attention to the various sub-sectors and what is produced under each. The main sector, as noted above, is the manufacture of food products, alternatively referred to as food processing. Included under this sub-sector are the preservation of dairy products, canning and the preservation of fruits and vegetables, canning of fish and similar foods, the manufacture of animal feeds, vegetable oil (from sunflower, sesame, groundnuts and palm oil) and grain milling. The subsector is the largest in the manufacturing sector, accounting for almost 55 per cent of the production value and employing half of the people in the manufacturing sector (39 000 out of 77 000 in 2016). The main growth sector here is the processing of edible oils. There is an easy entry to the sector, and it can form the basis of rural industrialization, as is the case of Singida (51 food product enterprises) and Manyara (60 food product enterprises), as indicated by Ekbon (2016). There is room for expansion as, according to the FYDP II, Tanzania still imports edible oil. In 2015 around 300 000 tons of oil were imported at a rough cost of US$ 150 million or approximately 60 per cent of the local demand. One of the critical elements in edible oil production is adequate processing facilities.

Tanzania still imports dairy products despite the existence of the third-largest herd on the continent. The dairy products imported include sweetened and condensed milk, milk powder, infant milk formula, butter, margarine, ice cream, yoghurt and cheese. Furthermore, 600 000 tons of milled wheat in the country is from imported wheat; local production accounts for 10 to 15 per cent of milled wheat. About 90 per cent of around 120 000 tons of cashew nuts produced annually are exported un-processed because of the collapse of the processing plants during the privatization exercise. Tanzania produces 2.75 million tons of fruit and vegetables, but only 4 per cent is processed. Apart from inadequate processing facilities, the sub-sector is faced with high-cost inputs, inappropriate technology in terms of machinery and packaging materials and poor sanitary conditions. Associations have been created to address the problems faced in the sub-sector. These include the Tanzania small industries association, the Tanzania Food Processors Association and the Tanzania Food and Drug Authority. There is still a need to form more agro-processing clusters to push forward the interests of the clusters and increase the interaction with the government, for, as the FYDP II notes, there has been an inadequate representation of local private industrialists in the government so that their specific needs can be addressed.

Closely tied to the food processing sector is the beverages sector, which covers the blending of spirits, the manufacture of wines, cider, beer production, soft drinks, carbonated water and bottling of natural springs and mineral waters. This sector has been growing with the increasing local demand. The only critical element has been sugar, or industrial sugar. Thus, the FYDP II has made the sugar industry a priority and aims at increasing local sugar production to meet growing demand.

The textile, clothing and leather and footwear sub-sector are also closely linked to agro-processing. Though textile and leather are distinct, they are often banded together. Textiles and clothing deal with spinning, weaving and finishing of textile products and the production of garments, knitting, and the manufacture of carpets, rugs, cordage, rope and twine. In Tanzania, these are associated with cotton and sisal. Three ISIC digits represent this sub-sector: 171 – spinning, weaving and finishing textiles; 172 – manufacture of other textiles; and 181 – weaving apparel and export fur apparel. Leather and footwear deals with tanneries, leather finishing and manufacture of goods from leather, such as luggage, handbags and shoes. Under the ISIC label, we have 191 – tanning and dressing of leather, manufacture of luggage, saddles and harnesses; and 192 – manufacture of footwear. Let us look at each of these.

As far as textiles are concerned, it is important to note that Tanzania is a major producer of cotton, and as such, there is a great potential for building a large, integrated textile and apparel sector. But the country has not been able to capitalize on the existing opportunities and the sector has been declining in terms of its contribution to total manufactured output, falling exports and falling employment (Kangero 2016). According to the FYDP II, textile production has fallen from a peak of 140 531 000 m^2 in 2008 to 52 052 000 m^2 in 2017. This is in part because of the privatization and liberalization exercise, which resulted in the closure of a number of firms. One should also note that Tanzania only processes 20 per cent of its cotton once it is ginned and exports the rest.

Processing involves the spinning of yarn, weaving fabrics, printing designs and producing the finished product, which is mostly 100 per cent cotton printed kanga and kitenge cloth. Only five companies produce knitted and clothing products but mainly for export and using imported fabrics from Egypt, Mauritius and European countries. There is only one supplier of knitted fabrics, and the range is limited and the quality poor. The result is that Tanzania imports US$ 90 million of apparel products, including worn clothing (mitumba) worth US$ 40 million.

The FYDP II takes the textile industry as a priority sector and intends to revamp the textile, garment clothing sector. To this end, the government has worked out a five-year cotton to clothing strategy. This was developed by the Textile Development Unit in the Ministry of Industry, Trade and Investment. The aim is to develop the textile export industry to the value of US$ 1 billion of exports and increase employment in the sector to 200 000 people. This is a very ambitious target given the current situation. The TAMCO textile zone in Kibaha is not likely to change the situation. Unless the current textile companies go beyond producing kanga and vitenge and start producing fabric, the industry will not go far.

Regarding leather, one needs to start by noting that Tanzania has the third-largest stock population and can produce 2.6 million hides and 2.6 million skins a year. Currently, what is produced is of poor quality, in part because of inadequate disease control, lack of appropriate slaughter skills, practice and equipment, lack of grading of raw hides and skins. Three quarters of raw hides and skins are exported to China, India and Pakistan, which is apart from the growing illegal exports. Ninety-five per cent of the remainder is also exported after some processing. Semi processed leather (wet blue) is processed by the seven main tanneries for export and there are only two firms that produce finished leather for the domestic market. There are 13 firms producing leather products, mostly footwear, gloves, leather garments and upholstery. These focus on the tourist market and export. What is important to note is that the shoe manufacturers have to import leather, chemicals, glue, threads, laces and soles. Dinh and Monga (2016) note that the existing value chain from livestock to leather products collapsed under privatization. The leather sector is still seen by the FYDP II as a priority sector and a leather unit has been set up in the Ministry of Industries, Trade and Investment. There are also plans to establish leather industries in Dodoma and Singida. This is the best way forward provided these new industries are capable of producing finished leather for the internal market and export.

The wood, wood products, paper and paper products depend on the country's forests. It is important to note from the start that most of the forests in the country are natural public forests. There are, however, efforts to promote forest plantations in the southern regions of Iringa and Songea. The plantations, however, constitute a small part of the production of wood and they produce mostly softwood for the construction industry. Forest harvesting is done by small logging companies using mostly old technologies with the result being that 60 to 80 per cent of what is harvested is left to waste in the forest. There are no integrated mills that use this waste to manufacture other products like clipboards, fibre boards or briquettes. The manufacture of paper and paper products is not linked to sawmills but has developed as an independent line of plantation-based production around Mfindi in the Iringa region. Equally, the manufacture of wooden containers is completely delinked from the other processes. Besides the saw wood being produced is mainly for use in the rapidly growing construction industry and basic informal furniture production that feeds local demand. At the top end, however, only 15 per cent of saw wood products and mostly hardwood is exported in semi-processed form (without kilning) to China, India and Kenya. On the other hand, large furniture manufacturers in the country import fully treated (kilned) timber from other African countries like Cameroon, the Democratic Republic of Congo, Gabon, Mozambique and Zambia. Besides, Tanzania still imports furniture for the upper-end market. What needs to be stated categorically here is that there is a clear lack of a central strategy that would link the sector and remove the high waste. This is a sector that is likely to produce employment growth if well managed.

The non-metallic minerals sub-sector is involved in the transformation of naturally occurring minerals such as lime, silica, and clay and transforms these into bricks, cement, tiles, glass products and paints. Given the rapid growth of the construction industry, there has been a rapid growth in the sector. The biggest growth has been in cement production which reached 8.7 kt in 2016 and is likely to increase further with the Dangote plant in Mtwara. The Dangote investments have been the latest entrant in the cement production industry with a US$ 5 million cement plant in Mtwara. Given the electricity supply constraints the company was awarded a coal mining license for Ngaka goal to produce electricity to supply the factory as the expected gas supply was not immediately available. The other main cement producers are Lake Cement Ltd, Tanga Cement Company, Caramel Cement Company, Kilimanjaro Cement Ltd, Lee Building Materials, ARM Cement Tanzania Ltd, Mbeya Cement Company, Tanzania Portland Cement Ltd and Kisarawe Cement Company. There is equally a rapid growth in brick making with rapid growth of local informal brick makers and tile manufacture. Glass production is geared for take-off, given the fact that the country produces silica sand, limestone, dolomite and soda ash which are essential elements for glass production. The GIGA project in Mkulanga, near Dar es Salaam, once complete, will produce enough glass to meet local demand and export needs. The only important factor to note here is the very high electricity usage by the sector. Its continued growth is thus dependent on the constant and efficient supply of electricity.

The chemicals, petroleum, rubber and plastics sub-sector involves the manufacture of basic industrial chemicals, fertilizers, pesticides, plastic materials, medicinal and pharmaceutical materials, soaps, detergents and other cosmetics; petroleum products, refineries, fuel oils, lubricant oils, and manufacture of asphalt materials; rubber products, tyres and tubes, conveyors and fan belts, rubber mats, groves, pipes and tanks, plastic sheets, kitchenware, furniture and footwear. This is a sector that is heavily dependent on imports with petroleum consuming the biggest chunk of Tanzania import bill. The discovery and production of gas in the Lindi-Mtwara area is set to bring about major changes in the sector and the focus for the FYDP II is the creation of a petrochemical industrial sector by constructing a liquefied gas (LNG) plant in Lindi and a petrochemical complex in Mtwara. TSh 11 billion was allocated in the plan by the government for the establishment of petrochemical special economic zone. This is, however, a sector that needs heavy investments before it can take off. Much will depend on the agreements and contracts that are being put in place to exploit natural gas. This is discussed in the mining sector. As for the pharmaceutical industries, one needs to take note of the fact that they were neglected after the privatization exercise and now the government under the FYDP II talks of rehabilitation and providing requisite support to the industry.

The basic metals products sub-sector includes rolling mills and foundries that produce slabs, bars, sheets, plates, strips, tubes and rods. One needs to state from the start that Tanzania does not produce steel or hot rolled steel. All that is used for basic metal production including scrap metal is imported mainly from South Africa, Japan and Korea. The growth in the construction industry has increased demand for the sector's products. The sector, however, depends on the efficient and sufficient supply of electricity which has remained a constant problem for the firms. Thus, the development of iron and steel production is a welcome development. Despite this, the current implementation of the project was stalled because of the lack of a proper road to take the heavy machinery to the site and the failure of the government to raise enough funds to compensate those being relocated. Then one wonders what the preparations for the implementation of the project in the FYDP I were all about. Secondly, the completion of the project will need more money than has been secured to date. Thirdly, the entire project is geared for export and there appear to be no linkages with other sectors in particular the production of machinery and equipment.

General Comments on the Manufacturing Sector

One needs to premise the discussion on Magufuli's flagship projects and their possible impact on the country's manufacturing sector by highlighting some salient features of the sector. One element that has been raised by almost every analyst of the sector is the lack of linkages in the entire sector and within the various subsectors discussed above. This was particularly highlighted in the textile, leather and wood sectors. This can be attributed, in part, to the lack of planning and implementation by the responsible ministry and weaknesses in the various institutions it has created to monitor and guide the sub-sectors. But the bigger explanation lies in the fact that the sector is dominated by small producers who use old technologies which, in turn, leads to a narrow range of products that are mainly low value-added and of inferior quality. The preponderance of agro-processing is a testimony to this. The country exports semi-processed materials only to re-import them in a better-processed state and use them as inputs in the manufacture of finished products both for local consumption and export.

The country's small enterprises are not graduating into medium enterprises and there is a high failure rate. The small size of most of the enterprises has made it difficult for them to borrow from the banks to expand their enterprises. This is in part because of the high-interest rates on short term credits and the difficult procedures for obtaining credit. The collaterals demanded have been abnormally high because of the difficulties encountered in recovering the loans given out. Also to be noted among the small enterprises is the inadequate bookkeeping and financial record keeping which is essential in applying for the loans but also for future growth. There is, one might add, a lack of entrepreneurial skills and business skills. This has resulted in what has been termed the "missing middle", the medium enterprises that are necessary if linkages are to take place. This might further explain the lack of uptake in the SEZ and EPZ by local companies. Tanzania has not nurtured an entrepreneurial business group. The FYDP II, in fact, notes the existence of mutual distrust between leaders of political power and the private sector. One, therefore, needs to focus on the promotion of a local/indigenous entrepreneurial group to push the manufacturing sector. Foreign investors need local partners to secure their investments.

The few large (employing 100 to 499) and major enterprises (employing 500 plus) have been built on a project-by-project basis which goes back to the basic industries strategy under Nyerere. To this must be added the firm-by-firm approach adopted by the privatization commission which ended up breaking the value chain in the leather and textile industries. The search for foreign investments has also been uncoordinated in that those offering incentives have not pushed investors into areas that would provide linkages within the manufacturing sector.

The over-dependence of the manufacturing sector on imported inputs and intermediate inputs has been highlighted by analysts. The fact of the matter is that some of these imports could be cut back with improvements in the existing firms so that they can produce finished quality products that other firms could use in their current production. This is possible in the textile, leather and wood sectors. Imports have had a big strain on the country's foreign exchange position. Any fluctuations in our traditional agricultural and mineral exports send the economy reeling. The focus then has been to promote non-traditional exports, but this has not taken off. The EPZ and SEZ have not helped to change the situation. This takes us back to the need for a local/indigenous set of entrepreneurs to push the small size industries up the ladder and to focus on the production of intermediate goods needed by the existing industries.

Lastly one needs to take note of the over-focus on incentives that started under privatization and continues to increase as a mode of attracting foreign investment. Apart from the fact that large multinational companies are not merely attracted by incentives, there has been limited uptake by global companies and outside the manufacturing sector, the incentives have attracted charlatans and con men, as noted by Magufuli himself. Major investors are attracted by the availability of infrastructure, mainly energy and transport and also the presence of industries that would supply them with intermediate inputs they need. The SEZ and EPZ had this idea in mind but failed to take off, in part, because of how it was planned and marketed but also as Andreoni (2017) notes the development partners led by the World Bank and IMF were not interested. They were focused on the social sector (underlined by the term poverty alleviation) and government reforms (re control of the government machinery). The development partners are likely to impose constraints on what and how the promotion of the manufacturing sector and the economy at large is going to take shape.

Magufuli's Flagship/Priority Projects and the Push for Industrialization

Magufuli's commitment to industrialization was clear from his first inaugural speech to parliament. How this was to be achieved under his leadership was presented in the 2016/17 – 2020/21 Five-Year Development Plan (FYDP II) and the budget presentations of 2016/17, 2017/18 and 2018/19.[19]

19 For details on the preparation of the Second Five Year Development Plan (FYDPII), see Supporting Economic Transformation (SET). 2016. Supporting the Preparation of Tanzania's Second Five Year Plan (FYDPII) 2016/17-2020/21 Final Report. ODI, UKaid, REPOA.

The two presented what has come to be referred to as flagship projects or the main projects to be implemented. The flagship projects under the FYDP II are: The central railway line that has to be converted to a standard gauge and extended to Kigali in Rwanda (with the construction of 702kms Isaka Kigali line); The Bagamoyo Special Economic Zone (SEZ); The Kurasini Trade Logistics Centre; The Mchuchuma coal mine and electricity production (with a target of 600MW) and; The Liganga project which includes iron mining and the construction of the Liganga industrial park and the construction of the Mtwara – Liganga – Mchuchma railway line. To these flagship projects were added what was referred to as priority areas. These included:

- Increasing export firms operating in the EPZ and SEZ from 247 in 2015 to 729 in 2020 and 2114 in 2025.
- Promoting the automotive industry by commercializing the Tanzania Automotive Centre (Nyumbu); revamping General Tyre in Arusha; developing a plant for tractors and agricultural inputs at the Centre for Agriculture Mechanization and Rural Technology (CARAMATEC); and establishing a motorcycle assembly plant.
- Promoting petro, gas and chemical industries by constructing a liquefied gas (LNG) plant in Lindi; constructing a chemical industrial complex in Mtwara; and improving the petrochemical laboratory at the Tanzania Industrial Research and Development Organization (TIRDO) and the Tanzania Engineering and Manufacturing Design Organization (TEMBO).
- Promoting pharmaceutical industries through construction, rehabilitation and promoting requisite support to strategic pharmaceutical industries, e.g., Agave syrup factory in Tanga.
- Building and construction of materials industries, specifically ceramics, cement and Kisarawe kaolin.
- Promotion of agro-industries or agro-processing. Here the focus was to be placed on: Revamping the textile, garment and clothing industries; establishing leather industries in Singida and Dodoma; developing edible oils in particular palm oil production at Kimala Masale in the coastal region; constructing metal silos for smallholder farmers; establishing food processing training cum production in Morogoro and Dar es Salaam; and Sisal production in Morogoro and Tanga regions.

The FYDP II allocation for these projects stood at TSh 54 855 trillion with the government expected to raise TSh 23 390 trillion, the private sector TSh 20 991 trillion and the development partners

TSh 554 trillion. The government then committed itself to allocate 40 per cent of its annual budget to development projects. It further committed itself to clear separation and categorization of projects and ensuring that those that are financially viable are taken over by the private sector.

The annual budgets just provided further elaboration and allocation of funding to the specific projects. In 2016/17 budget TSh 40 billion was allocated to revitalize efforts towards an industrial economy. The biggest allocation went to what was termed the Big Results Now (BRN) initiatives.[20] These as expected included: The Liganga and Mchuchuma projects (TSh 10 billion); TAMCO industrial area in Kibaha (TSh 9 billion); Small business organization estates in Arusha, Mbeya and Morogoro (TSh 6.6 billion); Makambako strategic markets (TSh 3.4 billion); National Entrepreneurial Development Fund (TSh 2.4 billion); Agricultural development sector projects (TSh 3.2 billion); Lake Natron Ash (TSh 1.7 billion) and; leather value-added cluster (TSh 1 billion).

The 2017/18 key projects included more or less the same projects: The Mchuchuma Coal mining and Liganga Iron Ore mining; the central railway line; the revamping of Air Tanzania Ltd (ATCL which received much attention from the president and the purchase of new aircraft); the construction of the liquefied natural gas plant which was to include the building of pipelines from the sea to the plant (100-200kms); the establishment of special economic zones in Tanga, Bagamoyo, Kigoma, Ruvuma and Mtwara; the establishment of Kurasini logistics centre; training of youths in specialized areas including oil and gas engineering and health; the establishment of Mkulazi as a model agricultural city; procurement of new and rehabilitation of existing ships for lakes Victoria, Tanganyika and Nyasa; the upgrading of Kidatwe – Kanyani – Kasulu – Kibondo Nyakanyasi road to bitumen and upgrading of Masasi- Mbamba Bay road to Bitumen.

The 2018/2019 budget adopted the principle of completing the existing projects before embarking on new projects. This accounts for the lack of specifically mentioned projects and the statement that current expenditures are based on FYDP II. Attention, however, is paid to the hydropower projects in particular the Stigler's Gorge project which is expected to produce 2100MW and to the central railway line in which it is pointed out that phase one (Dar Es Salaam – Morogoro 205kms) and phase two (Morogoro – Makutopora 422kms) are already in progress at a cost of US$ 3.14 million. Mention is also made of the revamping of Air Tanzania with the purchase of three new aircrafts. Apart from these, the budget speech touches on providing incentives to attract

20 Big Results Now is a method of identifying and prioritizing and implementing projects through the President's Delivery Bureau. The BRN projects are selected by the National Key Results Areas (NKRA) in each ministry chaired by the minister and then approved by the Transformation and Delivery Council chaired by the president. This is a way of speeding up projects that are seen as of immediate national importance. (See Big Results Now 2013/14 Annual Report).

private investors in textiles, leather and meat, fish, edible oil, medicines and medical equipment, food and animal feeds and in the mining sector.

A few things need to be noted here. First is the continuity of Kikwete's EPZ and SEZ as a means of attracting foreign investments that would produce for export and, hence, the aspiration of FYDP II to increase export firms from 247 in 2015 to 2114 in 2025. The slow take-off of these is already noted above. Furthermore, new exports are expected to come from the textiles and leather sectors, for which Tanzania has a competitive advantage being one of the main producers of cotton and hides and skins. However, unless the problems of lack of linkages within each sector are addressed there is likely to be limited growth in these sectors. Secondly, there is continuity with the construction of industrial parks as a way of not only stimulating industrial growth in the rural areas but also of dispersing industrial growth to other regions. Edible oil production and other foods are at the centre of the industrial parks. But how these link to the rest of the production chain is not clearly stated.

Thirdly, is a special focus by the Magufuli government on infrastructure development which is centred on the revival of the central line and acts as a link to the landlocked countries of Burundi, Rwanda and Uganda. The focus on transport infrastructure for both rail, roads and air transport should not be surprising as these fell under the president's former portfolio as minister of transport and communication. The present projects represent his dream projects which the former presidents might have pushed aside. Apart from the transport infrastructure which is also needed to exploit the country's natural resources and provide opportunities for extending manufacturing beyond the main centres, the government has focused on the provision of electricity. Electric supply was identified as one of the major constraints for the manufacturing sector. Getting electricity from the Stigler Gorge has been a dream project for the country since independence but was mainly hampered by cost implications. To this has been added environmental concerns. These have led to external opposition to its implementation. Lack of support for the project has emerged because of the discovery of big gas reserves which could be used as an alternative to hydroelectric supply which fluctuates with water levels. There is, however, a long way to go before the Lindi – Mtwara gas reserves are fully exploited, given the huge financial outlays for the liquefied gas plant to take off. The same applies to the Mtwara chemical park.

The issue of funding extends to all the other flagship projects. The Mchuchuma – Liganga project to produce steel, which has been mentioned by all previous industrial policies since Nyerere is also facing funding issues. The project has various elements which, apart from the mining of coal and iron, includes: an iron and steel complex and a railway line to Mtwara. While the project has started, it is likely to take a long time before it becomes fully operational. Besides, the entire project, as noted above, is geared to the export of steel the prices of which fluctuates with supply and demand. Given the funding of the project by China, it might for a long time remain a cheap source of steel for that country with limited benefits for Tanzania as there are no intermediate industrial producers to use the steel being produced.

There was determination on the part of the Magufuli government to push through projects that had been in the pipelines. The concern, however, was whether the heavy borrowing associated with the projects would not push Tanzania into a new debt trap, which the developing partners would then use to dictate terms to the government as they did in the case of privatization which was haphazardly implemented with negative consequences and the provision of incentives over incentives to attract foreign investors, which limited tax revenues. One of the points raised with regard to the EPZ and SEZ was the lack or limited interest by the development partners (western aid donors and their institutions) for these projects something which has not changed to date.

It is important to state a simple fact that the industrialization of the country can be properly effected through the promotion of local entrepreneurs who then can partner with external investors. Foreign investors are cautious of becoming government partners and, when they do, they maximize returns at the expense of the government. There is a need to look at how local entrepreneurs can be promoted to grow and become big industrialists. The country has only one dollar billionaire and only a handful of millionaires.[21] These are not enough to push the country's industrial goals through. Therefore, one needs to tackle the mistrust between politicians and local entrepreneurs noted by the 2017 government economic survey as the first step towards growing an industrialized country.

Unfortunately Magufuli died just at the beginning of his second term in office. This was just before the start of the Third Five-Year Development Plan (FYDPIII) 2021/22-2025/26. The hope is that the new government will continue to implement its main projects. The first budget speech of the Samia Suruhu Hassan government sustains this hope in its list of flagship projects and priority areas.[22]

21 The Guardian newspaper of 11 March 2018 indicated that there are less than 20 people in Tanzania whose net worth is US$ 50 million or TSh 110 billion and the list includes 2 billionaires. The following 15 companies or group of companies form the top echelon of local entrepreneurs. These are the MELT Group under Mohammed Dewji; The Rostam Aziz group of companies, the IPP Media group under Reginald Mengi, the Bakhresa Group under Said Salum Bakhresa, the Lake oil Group controlled by Ally Awadhi, the Synarge Group under Shekar Kanibar, the Motsun Group under Subah Patel, the GSM Group under Ghalib Said Mohammed, the Africarriers Group controlled by Fida Hussein Rashid, the Turky's Group under Salim Turkey, the MAC Group controlled by Yogesh Manek, the Abood Group under Abdul Aziz Abood, the Quality Group under Yusuf Mauji and, Murzah oils under Haroon Zakaria. One thing to note here is that there is only one indigenous person within the list which might explain the mistrust between the politicians and the business moguls.

22 For details see: Speech by the Minister for Finance and Planning, Hon. Mwigulu Lameck Nchemba Presenting to the National Assembly, The Estimate of Government Revenue and Expenditure, 10 June 2021, Dodoma. Government Printer.

CHAPTER FIVE

Magufuli's Drive to Increase Government Revenue and the Confrontation with the Mining Companies

The Untaxed Mining Sector

What stood out in Magufuli's short term in power was his confrontation with the mining companies and the passing of a series of acts to change the country's mining regime completely. Magufuli's actions should be understood within the context of his promise to increase government revenue. This could only be done by increasing revenue from the sector that had been growing rapidly in the country at an estimated rate of 12 per cent a year. The mining sector's contribution to the country's exports had risen from 1 per cent in 1997 to 52 per cent in 2013, but the sector's contribution to tax revenue accounted for a mere 2.2 per cent of the total tax collected in 2010 and 75 per cent of this was from employment taxes, which included a 6 per cent of the total wage bill (Muganyizi 2012). In fact, mining companies hardly paid any taxes. Thus, the expectation that mining would be a key driver for growth and reduce aid dependence was not being realized. Siri Lange (2011) noted that the investor-friendly contracts resulted in extremely low government revenues, totalling only 5 per cent of what the country was receiving in development aid. Thus, in 2007, the country's receipt from mining was a paltry US$ 119.2 million dollars, while the overseas development assistance (ODA) receipts for the same year were US$ 2.82 billion.

Oxfam America (2011) also noted the low revenue from mining. It attributed this to the fact that Tanzania's laws and policies governing the extractive industry carried the hallmark of structural adjustment, where the focus was on liberalizing the economy and attracting foreign investments. It then went on to state that if Tanzania had performed at par with Chile from 1998 to 2011 in terms of achieving relative ratios between levels of contribution to GDP and contribution to domestic revenue, it would have resulted in an increase in tax revenue from the mining of US$ 776 million to an adjusted US$ 1.831 billion. This would have been an increase of US$ 1.055 billion in total or US$ 75 million a year. Elaborating further, it noted that if all the six major mining companies had been paying tax, Tanzania Revenue Authority (TRA) would have generated an additional TSh 200 billion in government revenue by end of December. Instead, in 2011, TRA offset was TSh 50 billion to be paid by the Geita Mine alone with the company's value-added tax (VAT) claim, and such no tax was paid.[1]

The 2015/2016 Auditor's Report noted that the zero-rated VAT on mineral exports resulted in refunds of TSh 1.444 trillion between 2012 and 2016 by TRA. The report further notes that the refunds were caused by loopholes provided under section 51(1) of the VAT Act of 2014 and other prior VAT Acts which allowed and still allow zero-rating of VAT on exports. This causes the VAT which was paid upon importation of capital equipment, fuels and other expenses incurred in the country to lack corresponding output tax to net off, causing an excess of the input to output VAT, which calls for a refund provided under section 83(2) of VAT Act 2014. He continues to note that the motive for zero-rated VAT was to promote the growth of domestic industries, but unfortunately, the act did not set what categories of goods and services are covered by the incentives. Thus, mineral products to be sold abroad came to be treated as agricultural and industrial products. The report further notes that the mining companies' exemptions for fuel, toll and excise duty for the year 2015/2016 amounted to TSh 126.7 billion.

Francis Mwakipalala (2014) points out that 74 per cent of tax exemptions in the country were for the extractive industry. If one adds the fact that mining companies have often understated the mineral sales, and exaggerated expenditure on capital goods and production costs, provided unjustifiable marketing and management fees, understated interest income and inflated the remittance withholding tax, the loss of income by the state becomes larger. In fact, CRC Sogoma (2013) puts the revenue loss from incentives offered by the country in 2011/2012 at TSh 1.806 trillion or 4.4 per cent of GDP, 27.4 per cent of the tax collected and 9.4 per cent of government expenditure. These are, indeed, huge losses that justified Magufuli's changing the mining regime in Tanzania. But before dealing with the changes, one needs to understand the evolution of Tanzania's policy and how the 1997 mining policy, the 1998 act and the subsequent amendments in 2010 completely altered the country's perspective on how to deal with its mineral wealth.

The Evolution of the Mining Policy in Tanzania

Following the Arusha Declaration (1967), the government passed the 1969 Mining Ordinance

1 The main gold mines at the time for which Tanzania had signed a mining development agreement (MDA) were: Bulyanhulu Gold Mine (1994); Kahama Mining (1996); The Golden Pride Gold Mine (1997); North Mara Gold Mine (1999); Geita Gold Mine (1999); Talawaka Gold Mine (2007); and Buzwagi Gold Mine (2007).

(Amendment) Act. This was to enable the government to nationalize and regulate the mining activities in the country. Four main stipulations of the Act are important to take note of. The first is the vesting of the entire property and control of all minerals in the president, on behalf of the people. The second was giving powers to the president to cancel and revoke any mining right if he considered it desirable in the national interest during the continuation of the period of its validity. The third was the granting of powers to the minister and the commissioner of minerals to refuse to renew or grant a mining right. The fourth is that the courts were prohibited from questioning the decisions of the president, minister and commissioner. It was under this act that the existing mining companies were taken over by the government.

In 1972 the government formed the State Mining Corporation (STAMICO) to supervise the operations of the state-owned mines and mineral processing plants, carry out government development plans in the mining sector, provide management and technical assistance to state-owned mining companies and rehabilitate and expand programs at existing operations. STAMICO was granted powers to form wholly owned subsidiaries or mixed enterprises and joint ventures with private investors. Apart from taking over the six mining companies from the NDC (The Williamson Diamonds, Nyanza Salt Mines, Tanzania Gemstone Industries, Tanzania Diamond Mining Company, Tanzania Merchaum Corporation and Tanzania Portland Cement), the new corporation went on to form several mining companies such as Kiwira Coal Mines, Minjingu Phosphate, Pugu Kaolin Mines, Coastal Salts Work Corporation, the Lupa Gold Mines, Tanganyika Magnetite Ltd and Kahama Gold Mines. It also had more than 30 mining projects by the time the privatization exercise started in 1992 with the passing of the Public Corporations Act. Under this act, all the subsidiaries under STAMICO were transferred to the Treasury Register in the Ministry of Finance from where they were privatized by the Presidential Parastatal Sector Reform Commission (PPSRC). STAMICO, however, was not completely shut down but remained from 1996 as a provider of consultancy services to the private mining sector that emerged. It was granted new roles following the 2010 Mining Act. These were investing in mining through explorations, holding government shares in new mines, providing technical services (drilling) and consultancy services, and the coordination of artisanal and small-scale mining subsectors into regulated, environmentally friendly, safe, productive and sustainable operations. Its full role as a mining entity came after the new laws and regulations passed by Magufuli.

A new Mining Act was passed in 1979 with the aim of providing a kickstart to the mining sector. The act stated clearly that the entire mineral property and control of minerals on, in or under the land to which the act applies is vested in the Republic (Part 2.5). The minister retained the powers granted him by the 1969 ordinance and was further empowered to make regulations prescribing all matters that are, by this act, required or permitted to be prescribed or are necessary or convenient to prescribe for carrying out or giving effect to the Act (104.1). He was further given powers to remit in whole or in part any royalty payable in any mineral or on any mineral obtained from a particular deposit, for such a period as he may determine if he considers expedient in the interest of the mineral to do so. The act created the position of a commissioner, appointed by the president to administer the act.

The most important provision of the act was in part III, where it was prohibited to grant mineral rights to non-citizens. The act states that no mineral right shall be granted to an individual unless he is a citizen of Tanzania, and in the case of a company, it must have been established by or under a law (other than the company's ordinance) in force in Tanzania. The same is repeated in Part IV (70.2) with respect to prospecting rights. Here, it was further stated that no rights shall be issued to a company unless it is a company whose entire share capital is beneficially owned by citizens of Tanzania, or by a corporation which, in the opinion of the minister, has been established for a public purpose by or under a law in force in Tanzania or partly by such citizens and partly by such a corporation.[2] In short, the act represented what is currently referred to as resource nationalism which describes a situation in which the natural resources are under the control of nationals and are exploited for the maximum benefits of the nationals.

In 1992, the World Bank issued the Strategy for Africa Technical Paper No 181 focusing on mining. The paper started with sweet-sounding words. It stated that the mining sector is an important source of tax revenue and foreign exchange, which are essential for economic recovery. It then called on the African governments to provide incentives to the mining companies, that is, give up a great chunk of the possible revenues to the mining companies. This is what is implied when the strategy states that:

> The incentives for mining investors should be clearly determined in incentive legislation. Taxation should be consistent with the taxation of other sectors in the economy, but should take a specific nature of mining as a resource-based industry

2 The locally controlled company before being issued with a mining license must give details of the ore reserves, proposed mining program, production, capacity, financing forecasts of cost and revenue for first years of operation, proposal on pollution control and proposal on the employment and training of Tanzanians and the purchase of goods and services in Tanzania. These important requirements disappeared in the 1998 act and were not mentioned in the Mining Development Agreements.

> into account. Mining taxes should be earnings related to avoid distorting investment and operational decisions. Mining taxation needs to take account of tax levels in other mining companies to maintain or establish the competitiveness of national identity (World Bank 1992).

To this, it adds the call on governments to enter into investment agreements that should provide additional assurances to protect investors from unwarranted government interference. To sweeten this, it insisted that the recovery of the mining sector in Africa requires a shift in government objectives towards a primary objective of maximizing tax revenues in the long term rather than pursuing other economic or political objectives such as control of resources or enhancement of employment.

The main objective of the World Bank was to ensure that African governments give up control of their mineral resources to the foreign private investors, hence its insistence that government work out new policies by which they would focus on industrial deregulation and promotion of private companies to take the lead in operating and managing and owning mineral enterprises. It is then stated that the government should obtain a fair share of the economic rent of the sector through fiscal arrangements that are stable, competitive and fair rather than through ownership and operation. In short, privatize whatever mining ventures are already in existence and open the door wide for Western companies. It thus calls for the immediate privatization of state mining companies to give a clear signal to investors with respect to the government intentions to follow a private sector-based strategy.

As the spokesperson of the Western world, it stated that the specific task of bilateral and multilateral donors is to focus on African governments: to update mining and investment legislation and tax regulations, to strengthen institutions responsible for supervising the mining sector, to train staff in government institutions for improving the capacities to administer the mining code and negotiate agreements with investors to privatize parastatal mining companies, to establish databases and promotion programmes to attract potential investors.

In 1993, the World Bank initiated a five-year mineral sector technical assistance for Tanzania with a credit of SDR 8.9 million, equivalent to US$ 12.5 million, on a 40-year maturity. The government was to contribute US$ 1.4 million to the project (World Bank 1994). To understand the intentions of the Bank, one needs to go through the memorandum and recommendations of the president of the International Development Association (IDA) to the executive directors. The memorandum states clearly from the start that the principal objective of the project is to support Tanzania's private-sector mining development policy and to expand private investment in mining. In this regard, the present fiscal policies should be reviewed, rationalized and systematized. This would lead to a formulation of fiscal incentives guided by the broad principles accepted by the government (read forced on the government) and include:

1. Favourable treatment to exploration expenditures given the high-risk nature of mineral exploration
2. Competitive and special rates of taxation in recognition of the long-term nature of, and large investments required by, medium- and large-scale mining operations (World Bank 1994).

With the consultants provided and paid for by the World Bank, a new mining policy was produced in 1997 followed by a new mining act in 1998. But before discussing these, one needs to highlight the preparatory work done by the multilateral and bilateral donors to guarantee investments for their companies. The Society for International Development (SID) noted in 2009 how Western governments hastened to enter into investment protection agreements with African governments including Tanzania. It gives the example of Canada, which became the source of the largest investment in mining in developing countries, entering into Foreign Investment Promotion and Protection Agreement with Tanzania. This was one of the 23 agreements made by Canada with developing countries. The SID notes that Canadian agreements serve as a clearinghouse for the transmission of Canadian corporate interests in foreign countries. They note further that these agreements neutralize any efforts to improve mining policy in the country and have lock-in effects working against the interests of African countries.

The SID (2009) further pointed to the European Union's (EU) efforts to harmonize mining policies in the SADC by providing technical support. It noted that this was driven by the EU's reluctance to maintain competitiveness in relation to emerging economies such as India and China and maintaining cheap natural resources and energy supply despite their knowledge that they would have negative implications on these poor countries. Harmonization was followed by the EU-SADC Investment Promotion Program, funded by the EU Development Fund with a focus on finding potential partners and facilitating deals between SADC and EU/third country entrepreneurs. It is the above that provides the context for the 1997 Mining Policy and the 1998 Mining Act in Tanzania.

Tanzania produced its Mining Policy in 1997. The main objective of the policy was to attract and enable the private sector to take the lead in exploration, mining development, mineral beneficiation and marketing. In this setup, the role of the government was to become that of providing clear policy guidelines, stimulating and promoting the sector players and seeing to the sector's general development. Rather than directly engaging in productive activities, the government was to concentrate its efforts on being the sector's regulator and service provider (URT 1997). The government is given a further task of pacifying (the term used is 'sensitizing') the communities where large-scale mining is to take place and ensuring that good relations exist between mining companies and the local populations, as well as handling the artisanal miners who had previously dominated the gold mining sector. The policy, of course, sets some lofty aspirations like fostering economic interdependence between mining and other sectors and ensuring that benefits of mining accrue to the rest of the economy, especially through maximizing value addition, developing the country's ability to provide essential services to the mining sector and promoting forward linkages through the development of value-adding activities. How these were to be realized was not stated in the 1998 Mining Act, which became effective in 1999.

The major concern of Tanzanians was not the act itself but how the minister used the powers he was given under the act to sign development agreements with mining companies that received special mining licenses (those investing more than USD$ 100,000). Part II (10) of the act states that:

> The minister may, on behalf of the United Republic, enter into a development agreement, not inconsistent with this act, with the holder of, or an application for, a mineral right for which he is the licensing authority, relating to the granting of such a mineral right or rights, the conduct of mining operations under a special license (Mining Act 1998).

One should note that this was an expansion of the powers already possessed by the minister under the 1969 Mining Ordinance and the 1979 act. It should also be noted that the act legitimized the actions already undertaken by the minister because two such agreements had already been signed. These were the Bulyanhulu Gold Mining Agreement (first signed in 1994 with the Kahama Mining Corporation Ltd, which was taken over by Barrick Gold Corporation and for which a new MDA was signed in 1996) and the agreement signed in 1997 between Golden Pride Gold Mine and Resolute Tanzania Ltd. These were protected by the new act, which stated that:

> Where at any one time before the commencement of the act the holder of the mineral right under the 1979 Act entered into an agreement with the minister, that agreement shall after the commencement subsist under the present Act and for that purpose shall

> be read and construed with such modifications and adaptations as may be required in order to enable the execution of the agreement (Mining Act 1998).

Two other agreements were concluded in 1999: North Mara Gold Mines with Barrick Gold Corporation and Geita Gold Mines with AngloGold Ashanti. In 2003, an MDA was signed with Acacia Mining (a subsidiary of Barrick) for the Tulawaka Gold Mine, and in 2007 the minister signed an MDA with Pangela Minerals (another subsidiary of Barrick) over the Buzwagi Gold Mine. These made Barrick Gold Corporation the major beneficiary of the MDA in Tanzania.

The 1998 act further legitimized the existing arrangements by stating in 10 (2) that agreements under subsection one may contain provisions binding on the United Republic relating to a mining license or operations to be conducted under a special mining license:

1. Which guarantee the fiscal stability of a long-term mining project, and for that purpose, but not otherwise make special provisions for payment of royalties, taxes, fees and other fiscal imposts.
2. Relating to the circumstances or the manner in which the minister or commissioner will exercise any discretion conferred on them by this Act or regulation.
3. Dealing with the settlement of disputes arising out of or relating to the development agreement, the administration of this Act or the terms and conditions of a special mining license, including provisions relating to the settlement of any such dispute by international arbitration (Mining Act 1998).

In any new development agreement, the minister was to refer any proposal to the Mining Advisory Committee created by the act. The committee consisted of six people: A chairman appointed by the president, two members appointed by the minister responsible for minerals (including alternates), one appointed by the Minister of Finance, Industry and Trade and one appointed by the Minister of Environment and Lands. These, together with the Attorney-General, were to advise the minister. Their advice was to be in writing, and if the minister chose to ignore it, he was required to make their recommendations public.

The Mining Development Agreements (MDAs) entered into before and after the 1998 act protected the interests of the mining companies, to the detriment of the government and people. Muganyizi (2012) summarizes the fiscal incentives under the MDAs covering gold projects. The companies were exempted from income tax; had 100 per cent capital expenses and a 15 per cent threshold on unredeemed qualifying capital expenses, meaning that at 15 per cent rate of return, they did not pay income tax; paid no value-added tax since they produced for export; were zero-rated for VAT and, as noted above, received VAT refunds, which then were used to cover any tax obligations; and most suppliers of goods and services to the mining investor benefited from tax relief which was essentially another form of zero-rating. Worse still, these fiscal incentives were accompanied by two types of stabilization clauses (SID 2009): a freezing clause, which ensured that the existing fiscal regimes at the time of signing the contracts (MDA) did not change over the lifespan of the project and that subsequent legislation does not apply to the relationship between the parties; and an economic equilibrium clause that required the government to compensate the investor should the government enact legislation or take administrative measures that aggravated the costs to the project. This restricts the scope of subsequent legislation whilst mitigating the impact on existing contracts. The fiscal exemptions meant that the government received very little from gold mining, and the stabilization clauses meant that the government could do nothing about it.

The agreements were signed on the assumption that gold prices would remain around US$ 300 to 350 or fall. The reality is that gold prices rose from US$ 279 in 2000 to US$ 1 225 per ounce. Because of the stabilization clauses, the entire profit went to the mining companies, which, as noted above, continued to declare unprofitability. The ring-fencing arrangements included in the MDAs meant that a company could not be allowed to offset losses from mining operations against another business income or vice versa, and thus, mining losses from one company could not be offset against the income of a related mining company. Furthermore, mining companies were allowed to carry the mining losses over for an unlimited time, unlike other businesses, where losses were carried over for five years.

It is the terms of the mining development agreements which further angered the citizens. They wondered how the minister and the government could have entered into such restrictive contracts and retained them for more than ten years despite the disgruntlement of the public. Poncian and George (2015) attribute the unresponsiveness of the government to its fear of scaring investors. They support this with a quotation from Curtis and Lissu (2008), who wrote that there is fear that too much reform will upset the companies, the donors and the international institutions, none of which is championing significant or indeed any fiscal reform. The government is, to a large extent, hamstrung by arguments about international competitiveness and the overriding priority to continue to attract foreign investors. One should not forget that the policy and the act were products of the World Bank technical assistance project, and thus the bank, at the behest of aid donors (dubbed development partners), was exerting pressure on the government in the same way they were doing regarding privatization of parastatals. The goal of the act was to take control of the mining sector from the government and give it to Western mining companies.

The government could not turn a blind eye to public dissatisfaction with the state of affairs in the mining sector. It thus formed a series of committees to address the issue. In 2004, the government appointed the Kipokola Committee to review the 1997 mining policy. Among other things, the committee noted that the organizational structure of the minerals division was inadequate to cope with a fast-growing sector. In this regard, it called upon the government to learn from Botswana, where a dedicated mineral economic unit carried out close monitoring of mining investments and operations and set up a multidisciplinary technical team to review each draft mining contract. The committee also pointed to a lesson from Ghana, where the internal review authority has a special petroleum and mineral unit that keeps track of the costs of the big mines. It called upon the government to discuss with mining companies the need to revisit old contracts and suggested the revision of the excessive tax incentives such as the 15 per cent allowance on unredeemed qualifying capital expenditure and tax exemption on fuel and customs duties. The most important recommendation was that the government should participate strategically in the ownership of the mines through STAMICO and the National Development Corporation. This was an indictment on the government that had granted full control of the lucrative mining sector to private mining companies.

Instead of acting on the suggestions offered by the Kipokola Committee, in 2006 the government formed a new committee, the Masha Committee, to review the Mining Development Agreements and fiscal regime for the mining sector generally. The committee reported that mining companies were using legal loopholes to avoid paying billions of shillings. The immediate suggestion was for the government to increase royalties for gold, copper and silver from 3 to 5 per cent and for uncut diamonds from 5 to 10 per cent. It also called upon the government to change its taxation system from gross value to net back value. This meant using the market value of minerals FOB at the point of export from Tanzania, or in the case of consumption within Tanzania, at the point of delivery within Tanzania. The report further called for renegotiations with the mining companies.

The government responded to the new report with yet another committee to advise it on the oversight of the mining sector, known as the Bomani Commission, which gave its report in April 2008. The report highlighted several issues related to the mining sector. First and foremost, it pointed to the low contribution of the sector to GDP and the unsatisfactory contribution to government revenue thanks to the overly generous incentives. Secondly, it pointed to the poor relations between the mining companies and the communities and the conflicts with the artisanal (small-scale) miners. Thirdly, it dealt with the weakness in the mining sector oversight, which resulted in the lack of control over the exportation of copper concentrates to Japan and China for refinery when Mwananchi Gold Refinery existed in Dar es Salaam. To strengthen the oversight capacity of the government, it called for the strengthening of the Gold Production and Investment Costs Inspection Department. Like the Kipokola report, it called on the government to take an equity share in the large-scale mining companies, without which, it was argued, the government could not effectively supervise and control national resources nor could it precisely assess the income and production from the mines and the related operating cost structure.

The Bomani Commission report resulted in the 2009 Mining Policy. The new policy did not substantially change the 1997 policy it was intended to replace. At the centre of the policy remained the need to continue attracting investments in the mining sector. This is carried through from the foreword by the Minister of Energy and Mining to the main objectives of the policy and on to the role of the government. The repeated statement is: promote an economic environment in order to attract and sustain local and international investments in the mining sector. While acknowledging the fact that the government has not benefited proportionately with the increased revenue accruing to the companies (the value of mineral exports have increased from US$ 26.66 million to US$ 1.00321 billion from 1998 and government revenue only growing from US$ 2.6 million to US$ 78 million), it still talked of the fiscal regime being fair and equitable, stable and predictable, non-distortional and internationally competitive. This was, more or less, the same language used to justify the skewed MDA entered into by the government at the prompting of the World Bank.

The new policy still talked about promoting economic integration between the mining sector and the other sectors so as to maximize its contribution to the economy. When it comes to elaborating on this principle, it talks about Tanzanians supplying services to the mines as a way of increasing benefits and calls upon the government to require mining companies to use locally produced goods and services. Local participation in the sector is further to be promoted by facilitating foreign mining companies' registration in the local stock exchange. No further word was heard about this until the 2013 budget speech when the Minister of Energy and Mining stated that mining companies would be required to register on the Dar es Salaam Stock Exchange. However, no deadline was set for this. The speech only indicated that the minister, in consultation with holders of the special mining licenses, was to make regulations prescribing the minimum shareholding requirements and procedures for selling shares to Tanzanian nationals in accordance with the Capital Markets and Security Act of 1994. The reasons for this move were that local ownership and content is a fundamental part of any project concerning natural resources in an emerging market; it was important for locals to have more control of their country's national resources and participate in the success brought about by such resources; local participation is likely to enhance good relations between the mining companies and the people and that this is likely to stimulate the economy and improve economic independence (Clyde & Co 2013).

While the policy acknowledges some types of government participation in the mining sector as a form of assurance against political risks by foreign companies, it rejects them on the basis that dividend receipts from such investments are not guaranteed, as participation in mining projects might lead to financial loss if these projects do not succeed. This completely ignored the massive profits that were being made by the gold mining companies. It also rejected government participation on the basis that significant costs may arise in respect of government shares that it may not be able to fund. The only concession made in this regard was building the capacity of government institutions to identify feasible investment portfolios of mining projects and support the government institutions to develop mining projects, value addition, smelting and refining activities. In simple language, this means doing feasibility studies for the mining companies and undertaking the start of beneficiation projects to be ultimately taken over by mining companies. This is what was implied by the policy's statement that government should invest in the fabrication and manufacturing sector to stimulate mineral beneficiation.

The policy blames the government's failure to benefit from the expanding mining sector on the weak administration of the previous act and thus calls for the establishment of a minerals audit institution. In November 2009, the government established the Tanzania Minerals Audit Agency (TMAA) under the Executive Agency Act. The duty of the new agency was to: audit and monitor mineral production; audit quality and quantity of minerals produced and exported by mining entities; audit financial records of mining entities for the purpose of tax assessment; and audit environmental management expenditures of the mining entities for purpose of assessment of compliance to mine closure plan.[3] The TMAA was not included in the 2010 act and formed part of the mining act in 2015 with the passing of the Tanzania Extractive Industries (Transparency and Accountability) Act of 2015 (TEITA).

The 2010 Mining Act that followed the policy did not make any major changes either. Control of minerals remained vested in the Republic. The Mining Development Agreements and the

3 The extent to which TMAA helped to increase revenue from mining see: Alexander Readhead. 2017. Improving Mining Revenue Collection: Tanzania's Mineral Audit Agency (2009-2016). Natural Resources Governance Institute.

powers of the minister to enter into such agreements remained intact. The additions (which were never implemented) were the introduction of a free carried interest and state participation in the mining and the financing of any mining operations under a special mining license (now reserved for investors whose investment is not less than US$ 100 million). However, the level of free carried interest and state participation in any operation under a special mining license was to be negotiated between the government and a mineral rights holder, depending on the type of mineral and the level of investment. Another change for both the special mining licenses and the primary license holders was a demand to include in their applications a statement of their procurement plan and a plan for the employment and training of locals. The primary license holders, who under the 1998 act were exclusively to be citizens of Tanzania, were now allowed to enter into partnership with foreign investors on a 50:50 basis. In a way, this opened up small-scale mining to foreign investors under a local-foreign partnership.

The new act demanded that the mineral rights holders set aside certain amounts of minerals for smelting, processing and refining. There was also an increase in the royalty payments of minerals in Tanzania, which continued to be based on gross value. The new royalties were 5 per cent for uranium, gemstone and diamond, 4 per cent for copper, gold, silver and platinum, 1 per cent for gems, and 3 per cent for all the other minerals. Thus, nothing substantially changed, as the mining agreements remained in force and no major concessions were obtained from the large mining companies. Rapid changes in the mining sector only came with Magufuli's takeover as president in November 2015, as we see below.

Mining Regime Changes under Magufuli

What triggered the mining regime changes in Tanzania was the seizure of Acacia Mining Containers at the Dar es Salaam port in March 2017 and the ban on the export of mineral concentrates and ores from metallic minerals such as gold, copper, nickel and silver. A committee was formed by the president to deal with the 277 containers impounded at the port. The committee was to examine the contents of the containers and determine their value against the declared value by Acacia Mining. Based on the contents identified by the experts, the committee was tasked to see whether the government was receiving the right revenues according to the mining development agreements. It was further tasked to establish the number of containers of mineral sands exported from 1998 and identify the revenue received. Apart from investigating the containers, the committee was given a much broader mandate that included checking the MDAs and whether taxes were being paid.

The report was damning with regard to Acacia Mining. First, it was accused of operating in the country without a license, as only its subsidiaries – Bulyanhulu Gold Mines, North Mara Gold Mine and Pangea Minerals – were registered as operating companies in the country. "Acacia" had never presented its shareholding certificates for the companies. It is this that forced Barrick Gold Company, the controlling shareholder of Acacia (with a 64 per cent share) which had signed the original MDAs, to step in. The negotiations between Barrick and the government were only concluded in 2020.[4] But after the contents of the 277 containers had been examined, it was found that the value reported by Acacia on the containers, TSh 79.94 billion, was wrong, as the actual value was between TSh 829.86 and TSh 1.438 trillion. Using this estimate on the number of containers exported since 1998, whose value was assumed to be understated, it was established that the government lost TSh 68.59 trillion in revenue over the period. The loss was calculated as equivalent to two years' government budget on the basis of the 2017/2018 budget. Acacia was therefore accused of tax evasion, giving false reports, receiving assets under false pretences and economic sabotage. Acacia was then ordered to pay US$ 190 billion in tax arrears. Acacia responded to the accusations and fine by producing a report titled *Acacia Mining Plc Total Economic and Tax Contributions in Tanzania 2016*. In the report, it argued that Acacia's total direct, indirect and induced economic contribution in Tanzania included more than 36 000 jobs, approximately US$ 339 million in labour income and nearly US$ 724 million worth of value-added (GDP), and its tax contribution was estimated at US$ 214 million. This information fell on deaf ears.

This is not the right place to deal with the reports on the concentrates[5] and the subsequent reports on Tanzanite and Diamonds.[6] What is important is that the concentrates issue acted

4 These negotiations were only concluded in January 2020 and included Barrick agreeing to pay the US$ 300 million fine by instalment staring with the payment of US$ 100 million and then paying US$ 40 million in five instalments and the formation of a new company known as Twiga Minerals in which Barrick owned 84 per cent shareholding and the Tanzania government acquiring 16 per cent undiluted shares. This shareholding extends to the three mines of North Mara, Bulyanhulu and Buzwagi. See Fumbuka Ng'wanakilala. Barrick Gold's "Long Safari" ends with Tanzania deal. Reuters, January 24, 2020.

5 For the two reports on the concentrates, see URT. 2017. Taarifa ya Kamati Maalum Iliyo Undwa na Rais wa Muungano wa Tanzania Mhe. Dkt John Pombe Magufuli Kuchunguza Mchanga uliyo Katika Makontena wenye Mchanga wa Madini (Makinika) Yaliyopo Katika Maeneo Mbali Mbali Nchini Tanzania; Muhtasari wa Ripoti ya Pili ya Kamati Maalum ya Kuchunguza Maswala ya Kisheria na Kiuchumi Kuhusiana na Mchanga wa Madini Unaosafirishwa Nje ya Nchi.

6 See the two reports of parliament: Kamati Maalum za Bunge za Machunguzi Mwenendo ya Biashara ya Madini ya Almasi na Tanzanite, September 2017. Following the two reports there was formed: Kamati ya Rais ya Kuchunguza Biashara ya Madini ya Tanzanite. This resulted in an agreement signed between Tanzanite One and the government in May 2018, as by Taarifa kwa Vyombo Vya Habari, issued by the president's office. For an academic discussion about Tanzanite, see Wilfred

as a trigger for reviewing the entire mining regime in the country and to ensure that the sector substantially contributed to government revenue. Three main pieces of legislation were passed as a way of dealing with the possible fallout of the seizure of concentrates containers and the ban on exports of concentrates. The three pieces of legislation were: The Natural Wealth Resources (Permanent Sovereignty)[7] Act of 2017; The Written Laws (Miscellaneous Amendments) Act of 2017; and The Natural Wealth and Resources Contracts (Review Negotiations of Unconscionable Terms) Act of 2017. To this should be added the Mining (Local Content) Regulations of 2018. It is important to detail these pieces of legislation and new regulations to understand the complete shift in the mining regime in the country.[8]

The Natural Wealth Resources (Permanent Sovereignty) Act of 2017 starts with a very long preamble justifying the act and ends with a long list of the objectives. It is basically a short act with only 13 articles. Underlying the act is the argument that natural wealth resources belong to the people and this right of ownership is inalienable and that natural wealth in whatever form, while in the country, remains the property of the people of Tanzania. Thus, the mining companies do not own the natural wealth they extract from the ground, and therefore, it is the people, through their government, who should determine how their wealth should be disposed of. Thus, article 4 (1 and 2) states that the people of the United Republic shall have permanent sovereignty and that ownership and control shall be exercised by the people through the government on behalf of the people. In article 5, the president, as head of government, holds these resources in trust on behalf of the people.

On the basis of the people's inalienable rights to natural wealth and resources, every agreement made to exploit these resources must be for the benefit of the people. This provides the rationale for article 6 (1 and 2), which insists that: It shall be unlawful to make any arrangements and agreements – except where the interests of the people are fully secured and approved by the National Assembly. The securing of the interests of the people is then tied to Tanzania's independence and right to

EN Mbowe, Nicas Yabu and Moto Lugobi. 2016. Tanzanite Processing in Tanzania: Challenges and Opportunities: Applied Economics and Finance, Vol. 3, No. 2.

7 For a discussion on the evolution of the concept of permanent sovereignty over natural resources, see Endalew Lijalen Enyew. 2017. Application to the Right of Permanent Sovereignty over Natural Resources for Indigenous Peoples: Assessment of Current Legal Developments. Artic Review in Law and Politics, Vol. 8.

8 See in this regard Burure Ngocho and Sadock Magai. 2020. Mining in Tanzania: Effects of the Mining Legal Framework Overhaul. DLA Piper; Africa Group Legal Briefings. 2017. Significant Recent Changes to Tanzania's Mineral Law Regime. July. Herbert Smith Freehills; Nicola Woodroffe, Matt Genasci and Thomas Scarfield. 2017. Tanzania's New Natural Resources Legislation: What will change. Natural Resources Governance Institute. Briefing. August.

own its own resources. From these follows the right to get returns from the natural wealth and resources of the country (article 7) and the government receiving an equitable share in the ventures extracting the country's natural wealth and resources (article 8). Thus, article 7 insists that "there shall be guaranteed returns into the Tanzanian economy from the earnings accrued or derived from such extraction, exploitation or acquisition and use". Article 8 states that "arrangements shall be made or given to ensure that the government obtains an equitable share in the venture and the people of the United Republic may acquire stakes in the venture".

To maximize returns from natural wealth resources, the act insists on the beneficiation of these resources in the country. It is this that explains the demand in article 9 (1 and 2) that no raw resources are exported for beneficiation outside the country and that the mining companies should be committed to establish beneficiation facilities within the United Republic. This was one of the areas that raised concern and which was directly related to the export ban on concentrates, and it was abundantly clear that the country did not have the capacity to undertake the beneficiation of all the minerals and ores. The aim here was to gain commitment from mining companies to establish beneficiation facilities. Article 10 (1 and 2) is also tied to the maximization of benefits, hence the insistence that earnings from the disposal or dealings be retained in the banks or financial institutions established in the United Republic and that it shall be unlawful to keep such earnings in banks or institutions outside of the United Republic, except where distributed profits are repatriated in accordance with the laws of Tanzania.

The existing Mining Development Agreements had included external arbitration of disputes between the government and mining companies. This was also enshrined in the bilateral investment agreements with countries where investments in the mining sector came from. Problems had already been encountered in the other sectors where companies had taken the Tanzanian government to court and obtained compensation for the termination of contracts. It was to guard against this that article 11 (1 and 2) was inserted into the act. Since the people, through the government, have permanent sovereignty of the natural wealth resources, no foreign court or tribunal has the right to challenge this. Once this is accepted, then by extension, all disputes arising from the natural wealth and resources have to be adjudicated by judicial bodies or other organs established in the Republic and in accordance with the laws of Tanzania.

The Written Laws (Miscellaneous Amendments) Act 2017 made changes to the 2010 Mining Act. Among these changes was the insertion that "control of all minerals is vested in the president in trust for the people of Tanzania" and that "government has lien over any material, substance, products extracted from the mining operations or mineral processing". This was to bring the act in line with the Permanent Sovereignty Act. Another major change was redefining the powers of the minister, who had been given extensive powers to manage the mining sector. In the first instance, the powers to declare any mining area a controlled area and to prescribe conditions applicable to the area are now given to the president as the trustee of the people. The powers of the minister are now limited to:

1. Preparing policies, strategies and legislative framework for exploration and exploitation of minerals
2. Monitoring the laid down government policies on minerals
3. Monitoring the operations of all bodies or establishments with responsibility for minerals and reporting back to cabinet
4. Promoting the minerals of Tanzania for research and exploitation
5. Monitoring the issuance of licenses by the commission
6. Providing support for the creation of a favourable environment for private investment in the mining industry (Written Laws (Miscellaneous Amendments) Act 2017).

Another major administrative change was the creation of a Mining Commission to replace the Mining Board, which only had advisory powers. The commission chairman is appointed by the president, and there is a permanent secretariat, with the executive secretary appointed by the president. The permanent secretaries in the Ministry of Finance, the Ministry of Lands and the Ministry of Local Government become permanent members of the commission. To this group is added the chief executive officer of the Federation of Mines Association, the deputy attorney general and two extra members appointed by the president to serve on a full-time basis with the proviso that they have proven knowledge and experience in the mining sector and that one is a female and the other a male. This commission, its secretariat and its sub-committees carry out the work of the commissioner under the 2010 act. Added to the work of the commission is what was previously done by the Tanzania Mining Audit Agency (TMAA), which, as noted above, was established in 2009 and incorporated into the 2010 act in 2015. It became the responsibility of the mining commission to:

1. Monitor and audit quality and quantity of minerals produced and exported to determine revenue generated to facilitate collection of royalty
2. Audit capital investments and operating expenditure to gather information to provide the same to TRA or other relevant authorities.

To these was added a new role: to supervise and monitor local content plan and corporate social responsibility of mineral rights owners, which emanated from the Natural Wealth and Resources Contracts (Review Negotiations of Unconscionable Terms) Act 2017.

The commission was further mandated to establish a Tanzania Gem and Minerals House,[9] which included a Minerals Auction Centre and a Minerals Exchange and Minerals Clearing House. It was also to establish a National Gold and Gemstone Reserve in which is deposited, under the control of the Bank of Tanzania:

1. All royalties that are required to be paid in refined minerals
2. All minerals impounded or otherwise confiscated in accordance with the law
3. Minerals purchased by the government
4. Dividend minerals paid under any arrangement or agreement
5. Any minerals otherwise acquired by the government

It was further required to establish a government minerals warehouse. The act demanded that any won minerals shall be stored for no more than five days at the mine before they are moved to a government warehouse to await disposal for home refining, authorized mineral dealers and, where so permitted, export. Only mineral concentrates were to be stored in a secured yard within the mines. To ensure that government obtains its tax revenue from minerals, the act mandates that all minerals are to be mined, sorted and graded in the presence of the mine's resident officer, an officer of the TRA and the relevant institutions of state organs for the purpose before being entered into the facility within the mines. This was meant to deal with the under-reporting of minerals mined.

The most important change in the mining regime of Tanzania was in section 10, which stipulated that the government should have not less than 16 per cent non-dilatable free carried interest (FCI) shares in the capital of a mining company, depending on the type of minerals and the level of investment.[10] In addition, the government shall be entitled to acquire, in total, up to 50 per cent of the shares of a mining company commensurate with the tax expenditure incurred by the government in favour of the mining company. Tax expenditure, according to the act, is defined

9 This was established under The Mining (Mineral and Gem Houses) Regulations 2019

10 Francophone states have been applying the free carried interest (FCI) to natural resources for a long time and the percentages demanded differed from 5 per cent to 15 per cent. The FCIs serve two purposes. One was to generate revenue for the host state through the receipt of dividends declared and paid by operating companies. Two helped states to rebut criticism that they are giving the country's resources away. See Fasken Martineau (n.d). Free Carried Interest in Francophone Africa Mining Legislation – Is there such a thing as a free lunch.

as the quantified value of tax incentives granted to the company by the government. This point had been raised by Sogema (2013). It was argued then that tax incentives should be seen as a tax expenditure because they represent a transfer of public resources that is achieved by reducing tax obligations with respect to a benchmark tax rather than by direct tax. This was expected to set the tone for the future renegotiation of the Mining Development Agreements that are called for in the Natural Wealth and Resources Contracts (Review of Negotiations of Unconscionable Terms) Act of 2017.

The Amendment Act demands the elimination of the stabilization principle that was enshrined in the MDAs. It prohibits the use of stabilization arrangements that entail the freezing of laws or contracting away the sovereignty of the United Republic. Thus, any stabilization arrangement shall be specific and time-bound. It is further stated that any stabilization arrangements involving tax expenditure by the government shall provide for the quantification of the value of tax expenditure and how the company shall compensate the government for the foregone revenue. However, the government would have the option to convert the quantified values into equity holdings in the company.

It had, for a very long time, been clear that the Mining Development Agreements were completely skewed in favour of the mining companies and prevented the government from benefiting from the gold boom. Unless the government was able to renegotiate these agreements, the little benefit would trickle to the government. The Natural Wealth and Resource Contracts (Review Negotiations of Unconscionable Terms) Act of 2017 was to empower the government to renegotiate the MDAs. The term 'unconscionable' was taken to mean any term in the arrangement or agreement on natural resources which is contrary to a good conscience, the enforceability of which jeopardizes or is likely to jeopardize the interests of the people and the United Republic. Part 3 of the act identifies unconscionable terms as those provisions containing any provision or requirement that:

1. Aims to restrict the right of the state to exercise full permanent sovereignty of its natural wealth and resources and economic activity;
2. Are restricting the right of the state to exercise authority over foreign investment within the country and in accordance with the laws of Tanzania;
3. Are inequitable and onerous to the state;
4. Restrict periodic review of arrangement or agreement which purports to last for the lifetime of the mine;
5. Securing preferential treatment designed to create a separate legal regime to be applied discriminately to the benefit of an investor;

6. Are restricting the right of the state to regulate activities of transnational corporations within the country and to take measures to ensure that such activities comply within the laws of the land;
7. Are depriving the people of Tanzania of the economic benefits derived from subjecting natural wealth and resources to beneficiation in the country;
8. Are by nature empowering transnational corporations to intervene in the internal affairs of Tanzania;
9. Are subjecting the state to the jurisdiction of foreign laws and forum;
10. Expressly or implicitly undermine the effectiveness of state measures to protect the environment or the use of environmentally friendly technology; or
11. Aim at doing any other act the effect of which undermines or is injurious to the welfare of the people or economic prosperity of the nation (Natural Wealth and Resources Contracts (Review of Negotiations of Unconscionable Terms) Act 2017).

The National Assembly is given powers to review contracts. These powers are enshrined in article 63 (2) of the constitution, which grants the National Assembly oversight and advisory power over the government. The National Assembly, therefore, has the right to review any arrangements or agreements made by the government relating to natural wealth and resources. Part II, article 4 (4) then allows the National Assembly to devise the procedures under its standing orders for reviewing any arrangements or agreements made by the government. Article 5 (2) stipulates that if the National Assembly finds that the arrangement or agreement contains unconscionable terms, it may, by resolution, direct the government to initiate renegotiation of the arrangement or agreement with a view to rectify the terms. This provision applies also to the existing agreements, which, if the National Assembly finds them prejudicial to the interests of the people and the United Republic by reason of unconscionable terms, may by resolution instruct the government to renegotiate the agreement or arrangement with a view to rectify the terms.

The mining companies were given 90 days to renegotiate the contracts which the National Assembly has determined contain unconscionable terms. If no agreement is reached the unconscionable terms shall cease to have effect to the extent of unconscionable terms and shall, by operation of the act, be treated as having been purged (Article 7 (1)). The following article (7.2) states that for the purpose of this subsection one (1) the provisions of this act shall have an overriding effect over any other law governing administration and management of national wealth and resources. These sections put pressure on the parties to the existing MDAs to renegotiate them.

The last piece in the set of legislative changes was the Mining (Local Content) Regulations of 2018. As the regulations focus on local content it was important that a clear definition is provided for this term. Local content means according to the regulations the quantum or percentage of locally produced materials, personnel, financing, goods and services rendered in the mining industry value chain and which can be measured in monetary terms. It was also important to define an indigenous Tanzania company for which preference was to be given. An indigenous Tanzania company must be incorporated under the laws of Tanzania and must have at least 51 per cent of its equity owned by a citizen or citizens of Tanzania and must have Tanzanian citizens holding at least 80 per cent of executive and managerial positions and 100 per cent non-managerial and other positions. The regulations start with a very long list of objectives. Most of these objectives are an elaboration of the first objective: to promote the maximization of value addition and job creation through the use of local expertise, goods and services, business and financing in the mining industry chain and their retention in Tanzania.

The regulations then create a local content committee whose task is:

1. Oversee, coordinate and manage the development of local content
2. Prepare guidelines to include targets and formats for local content plans and reporting
3. Set minimum standards for local content
4. Undertake local content monitoring and audit.

The regulations go on to demand that everybody involved in the mining sector provide a local content plan which ensures that first consideration is given to service providers within the country and goods manufactured in the country where the goods meet the specifications of the mining industry and that qualified Tanzanians are given first consideration in employment and adequate provision is made for the training of Tanzanians. Local content should also be accompanied by a technology transfer sub-plan, a legal service sub-plan and a financial service sub-plan. The seriousness of the local content is underpinned by the demand that, in order to operate, a non-indigenous Tanzanian company would, apart from being incorporated in Tanzania, have to enter into partnership with an indigenous Tanzanian company. Furthermore, the regulations demand that all foreign mining companies operating in Tanzania have to use Tanzania lawyers, insurance companies and banks or financial institutions unless permission is granted by the commission. Foreign operators in the mining sector have to adhere to their local content plan. False reporting on local content carries a fine of between TSh 50 million and TSh 500 million.

The 1998 and 2010 mining acts gave free rein to mining companies through the Mining Development Agreements. The new mining legislation has forced these companies not only to renegotiate the existing agreement, but also to abide by stringent regulations and demands. It has been argued that Tanzania's move is likely to reduce investments in the sector and hence reduce government revenue and jobs. What is often forgotten is that investments in the mining sector are not only for maximizing profits but also for securing mineral resources. It is this that fuels competition among multinational companies as they agree to national regulations to ensure security over mineral resources (Kilambo 2016).

What has been taking place in Tanzania has been referred to as resource nationalism, which has been growing across the continent (Halina Ward 2009; Sothern African Institute for Mining and Metallurgy 2012; Stefan Andreasson 2015; Noury Silvia, Bruton Leilah and Pan Annie 2016; Siri Lange and Abel Kinyondo 2016). The discussion on resource nationalism also encompasses the oil and gas sector, which in Tanzania does not fall under the mining acts but under energy resources. In the past decade, this sector has been growing steadily and is likely to dominate the economy and overshadow the current gold boom. It is important, therefore, to discuss the oil and gas sector before dealing with the resource nationalism of the Magufuli government.

The Gas Sector: Tanzania's New Mining Frontier

The increasing discoveries of gas both inland and offshore has led to Tanzania being referred to as a new Petro State (Isaksen et al. 2017). The term Petro rather than gas arose because the initial exploration was for petroleum rather than gas, which was eventually found. Explorations have moved from the original finds in the Lindi and Mtwara shores to many other areas in the country. They have now extended to the entire Coastal Basin, the Selous Basin, the Rufiji Trough, the Ruvu Basin, the Dar es Salaam Platform, the Mandawa Basin, the Ruvuma Basin and the modern rift valley basin that includes Lake Tanganyika, Lake Rukwa, Lake Nyasa and the Ruhuhu Basin. In short, the expectations have grown for more gas finds and hence a new gas mining dawn for the country (Oil and Gas Almanac 2015; Petro Fact Book 2018). The government has been caught up in the new euphoria and has responded by passing a series of policies and acts in preparation for a gas boom and to avoid a resource curse (Moshi 2014; Obadia K Bishoge et al. 2018). These have heightened citizens' expectations, causing what has been termed a pre-exploitation curse as there is no immediate growth in the economy following the announcements of the discoveries. This was captured by the Sauti ya Wananchi Brief in 2015, which notes that expectations are outpacing the realities of what Tanzania could gain from gas. The brief also notes that:

> Expectations continue to outstrip reality in terms of whether the gas is flowing (most people think it is), whether revenues are coming (most people think they are), and the size of the pie (what people expect to receive) and prospects for getting employment in the sector.

One needs to be more cautious in examining the gas sector and its possible transformative effects on the economy. It is sobering when one takes a historical approach to the gas sector. The discovery of gas, as noted by Lee and Dupuy (2017), dates back to the 1950s when Shell and British Petroleum engaged in petrol exploration. In 1969, the Tanzania Petroleum Development Corporation (TPDC) was formed and given the mandate to explore oil in partnership with AGIP (Azienda Generale Italiana Petroli). The Songo Songo gas fields in Lindi were discovered in 1974. It was not until 2004 that the exploitation of the gas was undertaken. It took so long to exploit the gas for a variety of reasons (Perdesen and Bofin 2015). First, the exploration companies were looking for oil, which was easier and cheaper to exploit and transport to distant markets. The Petroleum (Exploration and production) Act of 1980 was intended to facilitate the exploration process. Two types of licenses were anticipated under this act (which repealed the Mining (Mineral Oils) Ordinance of 1958) – the exploration license and the development license. The act further led to the creation of the Commission for Petroleum Affairs in the Ministry of Mining and Energy. The second reason for the delay in the exploitation of the gas was that the domestic market was small and not commercially attractive, the Songo Songo fields were far from the real domestic market (Dar es Salaam) and production would require large infrastructure investment, which at the time could only be financed by aid donors, who were not willing to do so at the time.

Nevertheless, the 1980 Petroleum Act led to an expansion in the exploration of petroleum, which again resulted in the discovery in 1982 of gas at Mnazi Bay in Mtwara. The non-availability of oil partially discouraged exploration, but this changed in 1999 when TPDC and Western Geco acquired open-grid 2D seismic survey tools, resulting in the mapping of blocks for exploration between 2002 and 2007. This saw the entry of new players like Petrobas, Ophir and Statoil. This was also the period for signing the Production Sharing Agreements (PSA).[11] It was the failure to find petroleum, which government had expected to cut down its huge petroleum import bill and the economic crisis, that prompted the government to pass the 2008 Petroleum Act, whose full title

11 A good discussion on Production Sharing Agreements in Africa is provided by: John Paterson. 2019. Production Sharing Agreements in Africa. University of Aberdeen, School of Law, Working Paper Series, 001/19. For Tanzania See: Zitto Kabwe (MP). 2014. Oil and Gas: Fiscal Challenges of Tanzania's Production Sharing Agreements. Dar Es Salaam and Peter Bofin and Rasmas Hundsbaek Pedersen. 2017. Tanzania Oil and Gas Contract Regime: Investments and Markets. Danish Institute for International Studies Working Paper 2017/1

was: An act to make provisions for importation, exportation, transportation, storage and wholesale and retail distribution of petroleum and petroleum products in a liberalized market and to promote for related matters. The act clearly states that it shall not apply to the exploration, development and production of petroleum. It provided for the regulation of what has come to be known as the downstream in the current gas sector under the Energy and Water Utilities Regulatory Authority (EWURA) and the creation of the National Petroleum Information System (NPIS) and the Central Registry for Petroleum Operations (CRPO).

The failure to get petroleum after so many years of exploration and the growing costs of energy production, which depended mainly on hydropower (that was becoming erratic) and petroleum consumption plants, led to a turn towards the utilization of gas to meet the growing electricity demand. It was the need for energy security and the attraction of private-sector investment in the energy sector (which had started with the Independent Producers) that prompted the World Bank to give a go-ahead for the Songo Songo project to supply gas to Dar es Salaam for electricity generation. The World Bank pumped in US$ 300 million, and the African Development Bank US$ 200 million to enable the construction of the processing facilities for the Songo Songo and Mnazi Bay gas plants, but also the building of the pipelines – the 512 km pipeline from Mtwara to Dar es Salaam and the 217 pipelines to connect the Mnazi Bay gas plant. This process involved the signing of more than 20 contracts with donors, private companies and the state that opened the domestic gas market, which is likely to grow as the country seeks to increase gas power to 10 000 MW by 2025.[12]

Benefiting from increasing gas in Tanzania is dependent on the export market, hence the current focus on negotiations for the creation of a Liguified Natural Gas (LNG) Plant in Lindi, which was one of Magufuli's flagship projects. The current negotiations are between Exxon Mobil, Statoil, Ophir, Shell (the main gas producers) and TPDC, the designated oil and gas company. The creation of the necessary infrastructure is very costly. It was estimated at US$ 30 billion in 2016. It is for this reason that Scurfield and Manley (2017) and Scurfield and Mihalyi (2017) state that the preoccupation with the current Production Sharing Agreements fails to account for the nature and enormity of the current government negotiations to govern the liquefied natural gas plant. It is here that one needs to focus, as this is the major component in the gas exploitation setup and where one needs

12 For details on gas exploitation and usage in Tanzania see: Obadia Kyetuza Bishoge et al. 2018. An Overview of the Natural Gas Sector in Tanzania: Achievements and challenges. Journal of Applied and Advanced Research, Vol. 3(4); and Tanzania Petro Factbook 2018. Michelsen Institute.

to strike a balance between the companies' expectations (the same companies having production-sharing agreements) and the government's expectations of revenue. The critical element in these negotiations is the coordination of arrangements between the offshore blocks, the pipelines to bring the gas to shore and the LNG plant, the final price for liquefied gas for domestic and export consumption and the taxation thereof. As the conclusion of the negotiations is delayed, so is the date for deriving benefit from the gas fund. The expected date for the LNG plant keeps shifting and is currently set for 2022.[13] It is within this broad context that one needs to evaluate the current policies and legislations in place. One must hasten to add that these were passed before Magufuli's presidency. Below, attention is paid to the 2013 Gas Policy, the 2015 Energy Policy, the 2015 Petroleum Act, the Oil and Gas Revenue Management Act of 2015 and the Petroleum (Local Content) Regulations of 2017.

13 For the challenges facing Tanzania in the negotiations for LNG, see Roderick Bruce. 2021. Can Tanzania Revive its LNG Export Prospects? HisMarkit.com.

The National Gas Policy for Tanzania 2013

The growth in gas findings prompted the publication of the National Gas Policy, which, in its own words, was aimed at:

1. Building an effective institutional and legal framework to administer the industry
2. Creating an environment to attract local and foreign investments in the natural gas industry
3. Developing natural gas infrastructure and ensuring security and safety
4. Developing a competitive and efficient domestic market for natural gas
5. Availability of a trusted and transparent mechanism (and its facility) for the sound management of the natural gas revenue.

One important pillar of the new policy which recurs throughout the other policies and legislations is the optimization of the benefits to the government and the people of Tanzania through strategic participation, interventions and equitable benefit sharing. This represents a new re-assertive stance quite different from the mining acts discussed earlier. The policy clearly states that the government will participate strategically, through its national companies, to develop and operate major infrastructure for national gas. To ensure this the policy talks of the establishment of an aggregator, a fully state-owned enterprise (a subsidiary of the national oil and gas company – TPDC)[14] will have exclusive rights to purchase, collect, transport and sell natural gas produced in the country onshore, shallow shore and offshore. Three other new elements of the policy are the call for the creation of a natural gas revenue fund, which was implemented in 2015 as the Oil and Gas Revenue Management Act; local content and capacity building, which focuses on employment and training of Tanzanians, investments in developing supplies and services locally and procuring supplies of services locally which culminated in the Petroleum (Local Content) Regulations of 2017; and the obligation to undertake locally prioritized community development plans under its corporate social responsibility (CSR).

14 TPDC was designated as the national oil and gas company and was expected to: promote and safeguard the national interest in the national gas industry; advise the government on policy issues pertaining to mid and downstream strategies and activities; participate in development and own strategic natural gas projects and businesses on behalf of the government; carry out specialized operations in the natural gas value chain using subsidiary companies; acquire and own land for key natural gas projects; and establish and enable an aggregator who will develop, own and manage major infrastructure for the mid- and down-stream gas sector, mainly the pipeline network, gas processing facilities and gas products.

The National Energy Policy 2015

It was noted above that the World Bank's approval of the gas pipelines was based on the fact that this would ensure the participation of the private sector in the energy sector, which was a government monopoly under TANESCO. The World Bank had previously advocated the total unbundling of TANESCO into two separate units – a generation company and a single electricity buyer. The creation of the Energy and Water Utilities Regulatory Authority (EWURA Act 2001) was part of the process of unbundling, as was the calamitous management agreement with the South African company. This was in line with the World Bank campaign for parastatal privatization discussed under industrialization. The decision to use gas for electricity generation thus necessitated a new energy policy that was to affect the Power Sector Reform Strategy and Roadmap (PSRS) 2014-2025.[15]

The major element of the new policy that became more apparent in the Petroleum Act 2015 was the clear distinction between upstream and downstream activities relating to the supply of gas for energy consumption. The upstream activities were those related to exploration, appraisal, development, production and decommissioning states of oil and gas. This is what the Production Sharing Agreements dealt with. Downstream includes activities related to the marketing and distribution of natural gas and liquid petroleum products delivered from natural gas and crude oil. The two were to be treated and regulated separately. The downstream activities were to be focused on pre-licensing, licensing and exploration, information and data management, delineation and discovery assessment, development, production and decommissioning at the end of production. The most crucial factor was the negotiations at the pre-licensing stage. It is at this stage that the government is able to exercise its legitimate jurisdiction over the resources, manage the resource base prudentially by regulating the speed, location and sequencing of petroleum activities, and in the process manage the expectations and negative impacts from planned petroleum activities and manage the petroleum revenue for sustainable socio-economic development. The midstream and downstream is to concentrate on petroleum/gas infrastructure development, transportation, distribution and marketing. The infrastructure includes pipelines, processing plants and storage facilities for liquefied petroleum gas (LPG), liquefied natural gas (LNG), gas to liquid (GTL) and

15 The PSRS 2014-2025 had identified the following problems with the energy sector: poor governance; failure of clear and up to date planning; failure to coordinate various agencies as state actors do not represent a concerted policy position; lack of institutional capacity at TANESCO; lack of finance in part emerging from government reluctance to increase private sector involvement in providing electricity, resulting in an ambiguous regulatory framework governing IPPs and PPPs; and non-negotiated deals and non-transparent and uncompetitive procurement.

natural gas liquids which act as raw materials for the production of fertilizer, methanol and ethanol. The interest here is to enhance the state and public participation in developing petroleum infrastructure. It is within the context of ensuring public participation that local content becomes important.

The Petroleum Act of 2015

The Petroleum Act maintained the upstream-downstream divide. The organ to regulate the downstream aspects of the gas industry already existed in the form of EWURA, created by an act of parliament in 2001, and became operational in 2006. The Petroleum Act thus creates the Petroleum Upstream Regulatory Authority (PURA). Its mandate includes, among other things:

1. Monitoring all spheres of petroleum exploration, discovery, evaluation, delineation, commercial evaluation of discovery reservoir performance and produce regulations and under production to ensure optimal rates of discovery, commercialization of recovery of petroleum resources etc.
2. Advising the government on the proposed field development plan (FDP), infrastructure development, tailed plan and decommissioning
3. Managing the national exploration and production (E&P) data and working diligently towards declassifying as much data as it sees fit for public interest
4. Undertaking the administration of the Petroleum Sharing Agreements (PSA) contracts and other contractual arrangements
5. Ensuring compliance and monitoring and evaluating performance efficiency
6. Cooperating with other regulatory agencies/government authorities including The National Environmental Management Council (NEMC), Occupational Health and Safety (OSHA) and the Tanzania Revenue Authority (TRA).

To assist PURA in its operations, a board composed of five people was created. The president appoints the chairman, and the minister is responsible for appointing the other four members. The act also creates a secretariat with a Director-General appointed by the president and acting as a secretary to the board. It further creates an oil and gas advisory bureau in the office of the president to advise cabinet. The act repeats the role of the national oil company outlined in the national gas policy. It also touches on the role of the Bank of Tanzania in the management of the oil and gas revenue, which is detailed in a separate act later.

Part VII of the act addresses the issue of government participation and granting powers to the minister to specify the maximum government share when granting a license. It pays more attention to local content by insisting that preference in the provision of goods and services be given to Tanzanian entrepreneurs, citizens and local companies. When goods are not available in the local market, the supplier must enter into a joint venture in which citizens must have at least a 25 per cent share. There is a further requirement to provide a five-year procurement plan indicating the use of local services in insurance, financial, legal, accounts and health matters and goods produced in Tanzania. There is also a demand for a report on local content annually and a programme for recruitment and training. Lastly, there is a demand to provide a credible corporate and social responsibility plan jointly agreed upon by the relevant local government authority or authorities. It is these that form the core of the Petroleum (Local Content) Regulations of 2017, whose objectives are to:

1. Promote maximum of value addition and job creation
2. Develop local capacities in the petroleum industry value chain through education, skills transfer and expertise development, transfer of technology and know-how
3. Achieve the minimum local employment level
4. Increase the capacity and international competitiveness of domestic businesses
5. Create supportive industries
6. Achieve and maintain a degree of control over development initiatives by Tanzanians
7. Provide robust and transparent monitoring and reporting system to ensure delivery of local content.

Companies have to submit local content plans for approval, which should include employment and training, a succession plan where appropriate, research development and services, procurement of goods and services, technology transfer, legal services, an engineering services plan, financial services plans and insurance services plans.[16]

Apart from the local content demands, foreign investors are required under the Petroleum Act to

16 For a detailed discussion on local content requirements, see Abel Kinyondo and Espen Villanger. 2016. Local Content Requirements in the Petroleum Sector: A Thorny Road from Inception to Implementation. CMI Working Paper 6 and REPOA Working Paper 16.4 and Jesse Salah Ovadia. 2017. Local Content in Tanzania Gas and Mineral Sectors: Who Regulates. CMI Briefing Vol. 16, No. 6.

sign an integrity pledge which includes agreeing to conduct the regulated activities with the utmost integrity and to:

1. Desist from engaging in any arrangement that undermines or in any manner prejudicial to the country's financial and monetary systems, in particular, all earnings, payments and receivables derived from or in respect of regulated activities shall be received in and accounted for
2. Desist from engaging in any arrangements that undermine or are otherwise prejudicial to the Tanzanian tax system
3. Disengage in arrangements that are inconsistent with the country's economic objectives, policies and strategies
4. Disengage in arrangements that undermine or are otherwise prejudicial to Tanzania's national security
5. Maintain satisfactory and effective insurance coverage against losses, injuries, damages to the environment, communities, individuals and properties that may be occasioned in the cause of carrying out regulated activities.

The Petroleum Act of 2015 and the Petroleum (Local Content) Regulations of 2017 make the oil and gas sector the most regulated industry in the country. This has taken place before the companies have decided whether to turn their current gas findings into commercial production. This situation is different from the gold mining sector, where production was already in full swing. There might be a stalling on the part of the companies in committing more investments to the current projects. The current call for the renegotiations of the existing Petroleum Sharing Agreements by the Parliamentary Special Committee has already made the companies jittery.[17] One should note further the existence of the many entities dealing with oil and gas (Ovadia 2017; Isaksen, Kilama and Matola 2017). Among these are the TPDC, Ministry of Energy, PURA, EWURA, National Economic Empowerment Council,

17 The following petroleum sharing agreements are likely to be affect under any renegotiations: The Songo Songo PSA with Pan African Energy Tanzania signed in 2001; Mnazi Bay PSA signed with Artumas in 2004 and sold to Maurel and Prom; Ruvuma PSA signed with Ndlovu Resources; The Deep See block 1 and 4 signed with BG in 2005 and 2006; The block 2 PSA signed with Statoil in 2007; The Ruvu block PSA signed with Dolsal Hydrocarbons and Power (Tanzania) in 2007; The Uni area PSA signed with Ndlovu Resources in 2011; The Rukwa South block PSA signed with Heritage Oil in 2011 and; The Kilombero PSA signed in 2012 with Swala Oil

TNBC in the office of the Prime Minister, Oil and Gas Advisory Bureau in the Office of the President and the Uongozi Institute (research, training and capacity-building organization that is officially part of the government), the Extractive Industries Transparency Initiative and a chain of NGOs.

The Oil and Gas Revenues Management Act of 2015

The full title of the act is: An act for the establishment of management of the oil and gas fund, to provide for the framework of fiscal rules and management of oil and gas revenues and to provide for other related matters. The central element of the act is to create a gas fund by opening two sets of accounts – the revenue holding account and a savings account with the Bank of Tanzania. Any amount of money in the revenue holding account exceeding 3 per cent of GDP should be transferred to the savings account reserved for future use. The rest of the money in the holding account is to be transferred to the consolidated fund for budgetary use. The provision is that at least 60 per cent of the budgetary allocation should be dedicated to funding strategic development expenditure. It is further stipulated in the act that if revenues fall short of 3 per cent in any particular year, money sufficient to offset the shortfall in the budget should be drawn from the revenue savings account and deposited in the consolidated fund, and in the event that the savings account has insufficient money to offset the shortfall, the government may borrow to offset the shortfall. A 0.01 per cent of GDP fraction of the money collected should be ring-fenced to finance the national oil company to pursue strategic investments.

The oil and gas revenue to be deposited in the revenue fund includes:

1. Royalty in cash payable by a licensed producer or its subsidiaries or a company under a production sharing agreement;
2. Government profit share;
3. Taxes payable by licensed upstream, midstream and downstream operations;
4. Government participating interests;
5. Additional oil and gas entitlements and additional profit tax;
6. Dividends from the national company for government equity interest;
7. Returns on investment income from the fund;
8. Signature bonus, training fees and surface rentals paid by licensed producers; and
9. Any other revenue determined by the minister to constitute gas revenue from upstream, midstream and downstream operations.

The expected gas windfall has not yet materialized because the central element in the equation is not yet in place: the liquefied natural gas plant. But even when this finally happens, the final revenue accruing to the government is likely to be smaller than anticipated. Scurfield and Mihalyi (2017) estimate it at US$ 2.3 billion a year, given the inherent unpredictability of the gas prices. One should not expect revenues, in the short term, to reach the 3 per cent GDP threshold necessary to trigger funds to go to the savings account. At most, whatever is collected will go to the government budget. At any rate, the government should avoid basing its finance plans on the expectations of the gas revenue windfall or increasing public expectations regarding the impact of the gas revenue.

There is a growing belief among the public that the government is collecting enough funds to fund its own development projects since the introduction of changes in the gold mining sector. This belief is fuelled by public statements from the highest level. This, however, hides our continuous dependence on donors, or so-called development partners, who, apart from funding projects and government budget, have a great influence on the flow of foreign investments in the country. In fact, they act as promoters of private investments from their countries. The statements also hide the growing government debt, both local and foreign, which needs to be managed before we fall into the debt trap we found ourselves in in the early 1980s that forced the country to change its economic system completely. One, therefore, needs to manage the nationalistic goals pragmatically. The success in the gold sector cannot be simply extended to the gas sector under different dynamics in which we do not currently hold the main bargain chip. How, then, does one go about managing the ever-growing demand for greater citizen and state participation in the natural resources sector?

It is true that revenue from mining has increased from TSh 168 billion in 2014/2015 to TSh 527 billion in 2019/2020 and general tax revenue has jumped from TSh 850 billion in 2015 to TSh 1.9 trillion in 2021. But according to President Samia Suluhu Hassan's Inaugural Speech to Parliament (22 April 2021) and the Budget Speech by the Minister of Finance in June 2021, revenue collection has fallen short of expectations. Tax collection by the TRA as of April 2021 was TSh 14.54 trillion – 86.9 per cent of the target; non-tax revenue was TSh 1.8 trillion – 78.5 per cent of the target; grants and concessional loans were TSh 1.89 trillion – 70.4 per cent of the target; external non-concessional loans were TSh 1.68 trillion – 88.1 per cent of the target; and domestic borrowings were TSh 3.99 billion – 95.7 per cent of the target.

Resource Nationalism or Developmentalism

What has been taking place in Tanzania represents a growing trend on the continent whereby countries seek to maximize benefits from the natural resources being exploited by foreign companies. One wonders why it took too long for Tanzania to catch up with the call of the Africa Mining Vision 2009, which came at the time when the country was working out its 2010 Mining Act. A possible explanation is that Tanzania was still so heavily dependent on aid donors, in particular the World Bank and IMF, that it could not strongly challenge the neo-liberal orthodoxy of foreign private sector-led development. Thus, the new Mining Act only made a call for a free carried interest and possible state participation in mining without providing any specifics. This has been interpreted as the beginning of resource nationalism in Tanzania that gained momentum with the 2013 National Gas Policy and the 2015 Petroleum Act (Jacob and Pederson 2018). Magufuli's actions against the mining companies in 2016-2018 were a continuation of the trend that started under Kikwete.

The Africa Mining Vision 2009 and the 2011 Action Plan (UNECA/AU 2011) represented a growing dissatisfaction by African countries with the existing unfavourable mining development agreements that resulted in the rapid growth of the mining sector in these countries with minimal returns to the government and negligible impact on the rest of the economy. During the early negotiations of the mining agreements, Africa had been seen as a supplier of strategic minerals to industrialized countries, resulting in the focus on minerals that play that role and in the mining sector being developed as an externally oriented enclave only narrowly linked to the rest of the economy through meagre taxes paid to the state and a small pool of low-level workers (African Mineral Development Centre 2017; Besada and Martin 2015; Katz Lavigne 2017). The African Mining Vision was indeed a reaction to the World Bank-inspired mining regimes that produced a little benefit to the African countries. Its aim was to create transparent, equitable and optimal exploitation of mineral resources to underpin a broad-based, sustainable growth and social-economic development and the integration of the mineral sector into the broader economy of each country (Pedro 2012; Haslam and Heidrich 2016). This necessitated greater participation of the state and its citizens in the mining sector. It is this demand for increased participation that has been termed 'resource nationalism'.

Peter Leon (2013) defines resource nationalism as an umbrella term for different measures through which states seek to exercise greater control over their natural resources with the object of delivering a greater share of the economic benefits that accrue from the extraction of these resources. These have, in many instances, included: imposition or increase of royalties or mining taxes; a mandatory requirement for state equity carry over in mining projects; indigenization or local equity requirements; and the introduction of super profit, windfall profit or resource rent taxes and; the imposing of import taxes (on goods and services) or export taxes (on minerals) with the purpose of promoting local procurement and beneficiation and promoting local businesses and industrialization. There have been two forms of state intervention on the continent. First is the adoption of local content policies (LCPs) and laws to increase the participation of nationals in the state's extractive industries. This is represented in Tanzania by the demand for greater local participation under the 2015 Petroleum Act; the Petroleum (Local Content) Regulations 2017 and the Mining (Local Content) Regulations 2018. Second is the enactment of new laws to increase the state's interests in extractive projects and demand for renegotiations of previously concluded contracts with foreign investors. This is represented in Tanzania by the Natural Resources (Permanent Sovereignty) Act of 2017, the Written Laws (Miscellaneous Amendments) Act of 2017 and the Natural Wealth and Resources Contract (Review Negotiations of Unconscionable Terms) Act of 2017 (Nwapi and Andrews 2019).

The above developments open the opportunity for African countries to use their natural resources to promote the broader participation of their citizens in national economic development. They represent a paradigm shift from the model of mining extraction based on resource development to a model that focuses on harnessing resources to accelerate development and build resilient, diversified and competitive national economies (Nwapi and Andrews 2019). This, however, threatens to alter the global governance structures or shift the power distribution within the existing institutions, thus making the resolution of resource trade disputes more uncertain (HM Government Horizon Scanning Programme 2014). This is what is behind the opposition to the move by African countries to have more control over their natural resources. Mining companies that have been making super-profits from the current mining regimes are also strongly against the renegotiations of the existing contracts. The language is being used to indicate their opposition is that the measures being undertaken by many African countries will: decrease the reward for mining projects and result in withdrawal of investments; defer or delay in mining projects; increase operating costs and mineral cut off grades; and potentially sterilize marginal mineral deposits (Peter Leon 2013; Africa practice 2012). These represent short-term measures used by current mining companies to bargain for better terms, but the entry of new players from China, India, Brazil and Arab countries have changed the playing field. The need to capture mineral resources will force these companies to accept increased government control and local participation in the natural resources sector in the long run. The critical element for countries like Tanzania is the timing of the state interventions and the ability to convince investors that what they are demanding would produce a win-win situation, to use the much-loved Chinese statement. This is what the Magufuli government did with respect to the gold mining and gems sector. Unfortunately, he passed away before concluding the gas negotiations. What is at stake is not the rise of resource nationalism but a redefinition of the development trajectory and the sharing of benefits from natural resources.

CHAPTER SIX

Constraints and Challenges to Tanzania's Development: Leadership, Debt and International Pressure

Tanzania's development path has been characterized by periodic swings from one extreme to another. At the start of the country's independence and under the advice of the World Bank, the leadership opted for a capitalist, private-led development path. The focus was on luring foreign investors into the country. The First Five-Year Development Plan (1964-1969) was primarily focused on industrial growth through import substitution industrialization. It differed from the 1961/1962-1963/1964 three-year plan, which was focused mainly on agricultural transformation and development. Instead of inflows of investments, the country experienced outflows. This prompted the leadership, in particular president Nyerere, to decry, under the Arusha Declaration, the country's focus on both industrialization and foreign investments. There was then a swing towards self-reliance or state-led development and a refocus on agricultural development and rural transformation. By the late 1970s and early 1980s, the country found itself at a crossroads with falling agricultural production, falling prices for the country's agricultural exports, resulting in falling foreign reserves and failure to pay for the needed imports. At the height of the crisis, the country turned to aid donors. These demanded the total transformation of the country's development path from state-led to private-led development and a reliance on foreign investors and aid donors. Privatization became the buzzword, and under external pressure, the government lost control of the development process.

Under President Mkapa, the country experienced economic growth as foreign investments shifted their attention to mining, in particular gold mining. At the same time, part of the country's debts was written off under the Highly Indebted Poor Countries (HIPC) international regime. But the growth in the mining sector, because of the Mining Development Agreements (MDA), did not trickle down to the rest of the economy for lack of linkages nor did it translate into increased government revenues. The growth under Mkapa and Kikwete was a jobless growth resulting in the swelling of the self-employed population in the urban informal sector and turning agriculture into a refugee sector for excess labour (Wuyts and Kilama 2014). This growth came to be characterized by what Yonathan Morse (2018) has referred to as 'wild capitalism'. This refers to a situation where a new politico-economic elite tries to amass as much wealth as possible from the public purse. The result was growing inequality, with a few amassing billions while the majority of the population stagnated or became poorer. This is the situation under which Magufuli ascended to the presidency. He confronted this situation by pursuing a personalized approach to government. This had mainly two elements. First was a hands-on approach to the activities of the government, which translated into surprise visits to various institutions and demanding accountability from those managing government departments and state institutions. This led to the public firing and shaming of those who failed to fulfil their responsibilities. The second was the personal selection of leaders in both the government and state institutions on the basis of their ability to work and implement the set government policies. There was thus a preference for technocrats rather than politicians. The above earned Magufuli various titles. Those who admired his approach referred to him as "mchapa kazi" (workaholic) and "Tinga Tinga" (bulldozer). Those against him called him a petty dictator who was uncompromising and ruthless. The above was all possible because of the executive powers conferred on the president by the country's constitution.

The Executive Presidency and Tanzania's Development Path

The Tanzanian Constitution gives too much power to the presidency, to the extent that national development has been closely tied to the personal vision of the president. If you want to influence development policy in Tanzania, you have to find a means of influencing the presidency. It should not be surprising that a lot of institutions are based on the presidency as this gives them a stamp of presidential authority. The power to make policy decisions lies with the president, as granted by article 35 of the constitution, and all others act on behalf of the president. Furthermore, the president has the powers to constitute and abolish any office in the service of the United Republic (36 (1)) and to appoint persons to hold positions of leadership responsible for formulating policies for departments and institutions of government and the chief executives who are responsible for the supervision of the implementation of those departments and institutions (36 (2)). The list of presidential appointees in Tanzania is very long and can easily be abused into a patronage system. In the name of maintaining the discipline of the public servants and the public services of the government, the president has full control of the entire civil service.

On top of the above powers, article 37 (1) of the constitution states that the president shall be free and shall not be obliged to take the advice given to him by any person save where this is required by the constitution or any other law to act in accordance with the advice given to him by any person or authority. In this setup, the cabinet, including the prime minister who acts as leader of government business in the National Assembly, is just an advisory organ to the president. Article 54 (3) of the constitution thus notes: cabinet shall assist and advise the president over any matter which shall be submitted to the cabinet pursuant to specific or general direction issued by the president. Nobody, including the courts, can question any advice or what advice is given. The president thus has carte blanche to act as he pleases in the running of government business. To the above must be added the fact that the constitution grants the president immunity from criminal and civil proceedings in anything done or not done, or purported to have been done or not done, by him in his personal capacity as an ordinary citizen, either before or after he assumed the office of the president (46 (2)). This immunity is extended to the president after leaving office.

The concentration of power in the hands of the president has its own implications. First and foremost is that all presidential appointees, ministers, top civil servants and heads of government institutions are bound to implement presidential directives once issued, even when they foresee negative implications of the issued orders. This has often created a situation of fear and turned the advisors into yes-men. This fear has been heightened by Magufuli's personalized leadership style of giving imperial orders, a style which was replicated by the entire top leadership of ministers, regional and district commissioner, etc. The rule-by-order style of leadership does not address the implementation challenges of the orders. Tied to this leadership style was the public firing of officials or rather the public humiliation of officials including ministers.[1] The public humiliation is seen as part of squeezing the boils (kupasua majipu), that is, forcing out the rotten pus to heal the corruption and dereliction-of-duty diseases in the public realm. Ministers were shielded in the past by their political standing in the party, but with the collapse of the various party factions during Magufuli's election, this disappeared as he was now free to appoint ministers outside the party hierarchy. He sought to create a technocratic government manned mostly by those who were not within the government/party machinery, referred to as workhorse magicians, whose central loyalty was to the president (Kelssal 2018).

Besides the presidential powers, one needs to look at the new economic directions that Magufuli was pushing forward. The major change under Magufuli was in Tanzania's mining regime, in which four major legislations were enacted. These were the National Wealth Resources (Permanent Sovereignty) Act of 2017, the Written Laws (Miscellaneous Amendment) Act of 2017, the Natural Wealth and Resources Contracts (Review Negotiations on Unconscionable Terms) Act of 2017 and

1 See footnote 3, Chapter 5.

the Mining (Local Content) Regulations of 2018. The above were detailed under "Magufuli's Drive to Increase Government Revenue and the Confrontation with the Mining Companies". Two things need to be noted here. First and foremost is the overall public dissatisfaction with the old mining regime. While there was an upsurge in growth in the mining sector, resulting in the growth of GDP. There was very little benefit to the government in terms of revenue and to the public at large as mining represented an economic enclave with little ties to the rest of the economy. Second is the rise in economic nationalism, in which citizens pushed for meaningful participation in the mining sector that was dominated by foreign mining companies. It is this that was behind the local content regulations which had been already legislated upon in the natural gas sector. Thus, a change in the mining regime was publicly supported.

New laws did not result in immediate changes but opened negotiations with mining companies to come up with a more acceptable compromise. The negotiations, though long, were slightly easier in the gold sector where companies had already invested heavily and were thus ready to compromise by reducing the high profits they had enjoyed for a long time. In the gas sector, where investors have not yet sunk huge investments, negotiations are likely to be harder and to Tanzania's disadvantage. Magufuli died before completing negotiations on the setting up of an LNG complex in Mtwara to bring into full exploitation the huge natural gas reserves. This task is now left to the new president.

There was no major shift in the industrial and agricultural sectors. The only visible change was the reintroduction of the "state" as a main player in the national economy. The years of Mwinyi, Mkapa and Kikwete were marked by the privatization of state enterprises and the push for the private sector as an engine of growth. The end result was the growth of wild capitalism noted above. Magufuli's actions in this regard could be seen as an attempt to discipline the private sector and to empower the state. The government was pushing for a greater share in the public-private partnerships in all sectors of the economy. The government was using procurement contracts, state-owned banks and pension funds to channel finances towards parastatals, military-owned enterprises, the prison services and various government agencies or starting new ventures in construction, agricultural production, processing and manufacturing. This was being justified in terms of saving money for the government. This had, however, broader economic implications as it negatively affected the private sector and the informal sector that previously survived on government contracts.

Magufuli paid more attention to the development of infrastructure, which had been identified as a bottleneck to economic growth and investments. This formed the backbone of what has been referred to as Magufuli's flagship/priority projects elaborated in the second five-year plan

(2016/2017-2020/21) and the budget speeches. The only caution is that despite the continuous boasts of being able to fund these projects with local revenue, the government had to borrow heavily to finance the broad outlay of infrastructure it had embarked on. This carried the danger of pushing the country into heavy debt, which could inhibit its future choices in development.

In terms of development and economic transformation, not much changed under Magufuli. The country continued to export unprocessed agricultural and mineral resources and import machinery and manufactured goods. What changed was the direction of trade, which had started under Kikwete, with the growing importance of China and India. China currently supplies 19.3 per cent of our imports but only takes 3.2 per cent of the country's exports. India supplies 15 per cent of the imports but takes 23.7 per cent of exports (Bank of Tanzania 2018). The industrialization drive that was constantly talked about by Magufuli had not yet born fruits by the time of his death. This is the area that needs attention, as every regime in Tanzania has had grand industrialization plans that never materialized.

Managing the National Debt

One of the major obstacles to Tanzania's development has been the "debt trap" in which the country has repeatedly fallen. Magufuli was aware of this and often referred to debt sustainability. There is therefore a need to keep an eye on the country's debt situation. In discussing the national debt, several things need to be taken into consideration. First is the distinction between external and domestic debt. External debt is defined as the outstanding amount of current and contingent liabilities that require payment of interest and or principal by the borrower at some point in the future and which are owed to non-residents by residents (Upendo Samson 2015). Thus, external debt includes not only borrowings by the government but also by the private sector and, in the case of Tanzania, by public corporations. In the discussion of debt sustainability, the focus is on the external debts because these have to be paid in foreign currency. Debt sustainability refers to the country's ability to meet its current and future external debt service obligations in full without recourse to debt rescheduling or the accumulation of arrears and without compromising growth. In the late 70s and 80s, Tanzania faced a debt crisis and had to go for debt rescheduling under the Paris Club. But the terms and conditions set out included accepting in total the IMF and World Bank conditions of completely changing our socialist development path and accepting the private sector-driven growth. As a country, therefore, we know the pains of a debt crisis and would certainly wish to avoid it in the future.

There are various ways of looking at debt sustainability ratios, with thresholds established by the IMF, and the country is said to be in distress if it surpasses these thresholds.

Table 2: IMF Debt Sustainability Thresholds and Tanzania's Current Status.[2]

Sustainability Ratios	**Threshold**	**Current**
PV of debt to GDP Ratio	40.0	19.7
PV of debt to exports	150.0	81.8
PV of debt to revenue	250.0	117.1
Debt service to export ratio	20	9.7
Debt service to Revenue Ratio	20	13.3

Source: Bank of Tanzania 2018 Annual Report

Despite the constant assurance by the government that the current debt levels are sustainable, there has been a steady growth in the country's external debt since the 2006 HPIC debt relief. This resulted in the decline of the country's debt stock from US$ 6.112 billion in 2006 to US$ 4.644 billion in 2007. Since then, it has been on the rise, hitting US$ 16.4082 billion in 2016 and US$ 21.6008 billion in 2019. The table below indicates the debt stock by borrowers from 2016 to 2019.

2 For a more detailed discussion on debt burden and sustainability and economic growth in Tanzania, see Mnaku Honest Maganya 2019; Mutaju Marobhe 2018; Rashid Saleh et al. 2017; Moga Tano Jilenga et al. 2016; Upendo Samson 2015; Faraji Kasidi and Makame Said 2013.

Table 3: External Debt Stock by Borrowers in Millions of US$ (June 2019)

	2016	2017	2018	2019
Central Government	13282.9	14686.4	15823.5	16336.2
DOD (I)	12548.2	13901.6	14978.8	15441.0
Interest Arrears	734.7	784.8	844.7	894.6
Private Sector	2727.5	3654.4	4467.8	5105.8
DOD	2218.5	3067.4	3605.7	4153.9
Interest Arrears	509.0	-	-	951.9
Public Corporations	397.2	310.3	217.7	158.8
DOD	387.8	282.2	180.4	124.7
Interest Arrears	9.4	28.1	31.3	34.1
Totals	16408.2	18651.1	20509	21600.8

Source: Bank of Tanzania, Quarterly Review, June 2019
DOD (1): Disbursed Outstanding Debts.

It is not enough to talk about the external national debt. One needs to understand the creditors and how the debts are used. The Bank of Tanzania provides figures on both as of May 2019.

Table 4: Tanzania External Debt Stock by Creditors in Millions of US$

Creditor	Amount	Share
Multilateral	9890.7	45.8
Bilateral	1937.1	9.0
Commercial	7356.2	34.1
Export Credit	2416.8	11.2
Total	21600.8	100

Source: Bank of Tanzania, Monthly Report June 2019

It is important to note that bilateral credit represents the lowest share. The multilateral donors, which include the World Bank, IMF and African Development Bank, have become the main creditors (45.8 per cent). This gives them greater influence in shaping the country's development. Disagreement with their recommendations leads to stoppage on disbursement, and money would have to be found elsewhere to continue with the development programmes. One should remember the special influence these multilateral creditors have had on Tanzania. They are the ones that pushed for privatization and the mining agreements from which the government benefited little. They are likely to oppose the government turn to a statist approach to economic development in Tanzania. The second source of credit is commercial (34.1 per cent), which is mostly short-term and at higher interest rates. If you add export credit (11.2 per cent), 45.3 per cent is short-term credit. This has a big impact on debt repayment, and any shortfall in government revenue and external liquidity would push the country into a debt crisis and force it to go to the IMF for short-term relief – with conditions, of course.

At the same time, one needs to address the issue of how the borrowed funds are used. From table 5 below, a few things can be noted. First and foremost, the government has to borrow to meet the balance of payment and its budget needs. This accounts for 14.8 per cent of the borrowing. But after this, how do you justify the 16.3 per cent on social welfare and education? The only justification for this is the multilateral focus on poverty reduction and hence forcing the government to borrow to meet the specified need. One should also note that little money is spent on industrialization despite the heightened talk about it becoming the main growth sector of the economy. Similarly, little is spent on agriculture despite this being a major sector of the economy absorbing the surplus-labour. Therefore, critical questions need to be asked on what we use the borrowed money for, given that it has to be paid back.

Table 5: External Debt by Use of Funds in Millions of US$

Activity	Amount	Share
BoP & Budget Support	2126.8	14.8
Transport & Telecom	4390.0	22.3
Agriculture	1246.0	6.3
Energy and Mining	3070.0	15.6
Industries	658.0	3.3
Social welfare & Education	3209.0	16.3
Finance and Insurance	1191.0	6.0
Tourism	171.0	0.9
Real Estate and Construction	1069.0	5.4
Other	1789.1	9.0
Total	19719.9	100

Source: Bank of Tanzania, Monthly Report June 2019

In discussing debt sustainability, the focus is always on external debt as if the government does not have to repay the domestic debt. But if you combine the external and domestic debt the government liability goes beyond the 40 per cent GDP threshold. Total debt stock as a percentage of GDP stood at 51.5 per cent in the 2017/2018 financial year. The domestic debt stock accounted for 12.4 per cent of GDP in the same financial year has risen from 7.2 per cent in 2010/2011. According to the Bank of Tanzania (2018), the government was unable to pay the entire domestic debt that fell due for payment in the 2017/2018 financial year. TSh 6.1433 trillion was due for payment at the time but the state had to roll over TSh 4.7871 trillion that is equivalent to 78 per cent. This is not a healthy situation as it is likely to affect the operations of the financial institutions who are the main holders of government domestic debt, as can be seen from the table below.

The main domestic borrowing instruments are government securities that in June 2019 stood at TSh 13.3173 trillion, equivalent to 86.2 per cent, treasury bills, government stocks and government bonds. Domestic borrowing has increased in part to meet budget deficits caused by non-disbursement of promised funds by the development partners whenever they are in disagreement with the government or dissatisfied with government activities. It thus becomes important for the government to manage its development partners/aid donors.

Table 6: Government Domestic Debt by Holders, June 2019, in Billions of TSh

Holders	Amount	Share
Commercial Banks	5232.4	33.7
Bank of Tanzania	3411.9	22.0
Pension Funds	3812.6	24.6
Insurance	1362.2	8.8
BOT Special Funds	294.7	1.9
Others	1399.6	9.0
Total	15513.3	100

Source: Bank of Tanzania, Monthly Report, June 2019.
Others include Public Institutions, Private Companies and Individuals

Managing Development Partners

Starting with the Paris Declaration on Aid Effectiveness in 2005, one no longer talks of aid donors but development partners. This is, of course, with respect to the OECD-DAC members. The change in nomenclature is to emphasize the fact that aid has always been to promote the development of the poor recipient countries. This hides the true motives of aid, which have always been to promote donors' political, economic and strategic interests (Andrew Giovanni 2011; Bearce and Tirone 2010). This was apparent in the 60s and 70s when aid was used as a weapon in the Cold War struggles between the East and the West. In the 1980s, aid was effectively used to force developing countries to adopt a liberal market economy. In the case of Tanzania, the government had to abandon its socialist state development path as a precondition for receiving aid to get out of the debt trap the country found itself in (Aili Mari Tripp 2012). What also needs to be noted is that development was and still is mostly defined by the same aid donors, who then determine where and how their aid should be used. Their idea of development has constantly been shifting, and with it, the focus and manner in which their aid was disbursed and utilized (Alden, large and Mendez 2019).

This is not the time or place to discuss how aid has affected Tanzania's development. This has been covered by others (Nyoni 1997; Rotarou and Ueta 2009; Choog et al. 2010; Sebatian Edwards 2014; Luc Martial 2015; Choray Rukia Hassan 2016). The focus here is the type of partnership that

Tanzania has forged with the development partners since 2006 under the Joint Assistance Strategy for Tanzania 2006-2011. The first step in operationalizing the strategy was the signing in January 2006 of the Partnership Framework Memorandum on General Budget Support. The 14 development partners that signed this memorandum were: AfDB, Canada, Japan, Germany, the Netherlands, Norway, Sweden, Switzerland, the UK and the World Bank. The main aim of the memorandum was to ensure the predictability of aid, to ensure that the government can realistically make budget planning, to ensure that most of the aid support government budget plans and aid disbursement goes straight to the government thus reducing aid outside the government budget. The focus on a Public Finance Management System was essentially meant to ensure that donor funds disbursed through General Budget Support or Sector Budget Support were being properly utilized. The government then established the Aid Management Platform under the ministry of finance to capture and monitor aid flows into the country (Ministry of Finance 2011).

The Joint Evaluation of Budget support that was carried out in 2012/2013 by Itad (2013) noted a number of things. First was the growing use of budget support by the development partners to the extent that by 2009/2010 almost 50 per cent of all ODA was channelled through budget support. This, however, had dropped to 33 per cent in 2011/12 and has continued to drop ever since, prompting the finance minister to reduce budget dependency on external aid as this disrupts the budget when the promised funds fail to materialize. Secondly, the evaluation notes the underlying principles that were critical to the continuation of budget support by the development partners. These included: sound macroeconomic management; commitment to meeting the National Strategy for Growth and Reduction of Poverty (NSRGP) known in Swahili as Mpango wa Kukuza Uchumi na Kupunguza Umaskini Tanzania (MKUKUTA) objectives and the Millennium Development Goals (MDGs); sound budgetary and Public Finance Management (PFM) systems; continuing peace and respect for human rights, the rule of law, democratic principles and the independence of the judiciary; and good governance, accountability of the government to its citizens and integrity in public life, including the active fight against corruption. The corruption scandals that became public under Kikwete's second term made the development partners delay the disbursement of promised funds until specific actions had been taken, others went to the extent of suspending the promised funds. There was, in fact, a loss of trust by the development partners in the government. The result was that by 2017, only four of the 14 development partners that signed the memorandum in 2006 still used budget support (Kaberuka Report 2017). Most of the development partners resorted to traditional project funding, to the frustration of the government. It no longer had full control of the development process which had been achieved through general budget support and sector budget support.

There was also, according to Kaberuka, a lack of a common vision on the needs of Tanzania, with the development partners pursuing their own independent agendas, which, while important, could not be synchronized with the government's immediate goals. Kaberuka's recommendations were for the government and development partners to re-establish an effective dialogue which should involve: government's institution of an investment week in which development issues would be debated to establish a common vision; reduction of Development Partner (DP) meetings with the ministry of finance and recommended that issues should be debated under the ministry of foreign affairs and that sensitive issues should not disrupt the budget process; and having a comprehensive review of the sector groups.

It is important to note here that despite the changes in the partnership framework, including the entrance of new development partners like China and India and the growing partnership between the private sector and the government, the development partners are still very important in Tanzania. The Kaberuka report noted that at least a third of the development budget was still funded by the development partners. A substantial amount of aid still flowed from the DAC countries, as can be seen in Table 7 below.

Table 7: ODA from DAC Countries in Millions of US$ 2013-2017

Country	2013	2014	2015	2016	2017
US	793.8	865.8	463.8	587.5	666.2
UK	306.8	313.7	313.0	251.3	216.8
Switzerland	38.9	52.9	32.3	31.5	30.8
Sweden	94.5	96.0	131.3	99.9	112.8
Norway	99.5	76.4	47.4	47.2	43.6
Netherlands	33.3	37.8	53.8	21.5	241.3
Korea	56.9	79.9	71.4	63.7	39.3
Japan	185.3	111.8	118.9	595.8	227.7
Ireland	43.6	33.1	31.6	28.1	22.7
Germany	112.6	75.0	185.0	71.1	86.2
France	-	-	42.9	80.2	30.0

Finland	45.0	61.2	27.0	23.2	20.0
Denmark	89.3	71.3	40.8	53.7	52.3
Canada	165.5	85.8	84.8	50.3	90.1
Total	2097.2	2054.8	1637.8	1997.2	1914.2

Source: OECD 2019.

What is at stake is not the withdrawal of aid but how this aid is being disbursed. This is what underlies the Development Cooperation Framework 2017/2018-2024/2025, which is discussed in more detail below.

At the centre of the Development Cooperation Framework was the government's demand to take full control of, or rather domesticate, the entire aid process. In the first instance, the development partners were called upon to use government systems for planning, allocating, procurement, auditing and monitoring and evaluation. With regard to procurement, it insisted that, as far as possible, the DPs should provide development assistance to the government that is freely and fully available to finance the procurement of goods and services from any country or source. Secondly, the DPs were requested to provide timely and disaggregated information on the assistance, to enable the government to better plan utilization of resources and also record the relevant assistance in the annual budget. While still allowing direct project funding, the government insisted that this should be done through the exchequer system, whereby development partners deposit funds at the Bank of Tanzania with the corresponding amount allocated to the project in the government. In the case of direct funds, goods and services and equipment are provided directly to a specific project, then a project report should be made to the treasury on the quantity and value of goods and services received with relevant supporting documents to evidence the disbursement and purchase. This type of direct project funding should, however, only be used in large-scale infrastructure investment, in emergency aid, where quick and localized service delivery is needed. In short, every aid project must be reported to the government. In this regard, non-state actors, both domestic and international, have to provide the government with their sources of funding and utilization. This demand was made into law in the Written Laws (Miscellaneous Amendments) (no 3) Act of 2019, which established control by the government over NGOs finances as discussed in the chapter on corruption.

It has not been possible to establish how the DPs have reacted to these demands thus far. But continuous confrontations between the DPs and the government under Magufuli indicated that the issues were still being negotiated. At stake was the power balance between the government and development partners, and the concern was over what type of leverage the DPs had over government policy. The importance of the DPs goes beyond the provision of aid and includes their influence over the multilateral and commercial aid donors to which the government moved when the bilateral aid was not forthcoming. They have also a great influence on Foreign Direct Investments available to the country, as these come mostly from these countries. It is therefore crucial that cordial arrangements be maintained with them. The entry of what has been referred to as South–South Development Partners – in particular, China and India in the case of Tanzania – is not enough to marginalize or diminish the influence of Western donors. The new donors are focused more on trade ties and gaining market access, which is limited by poor infrastructure. This is why they have a specific focus on infrastructure development (Alden, Large and Mendez 2019). Chinese loans to Tanzania, which the Ministry of Finance considers as semi-concessional because of their favourable conditions of a five-year grace period and a maturity of twenty years, have grown considerably since 2010. They were US$ 299 in 2010 million, US$ 743 million in 2012 and US$ 1.4 billion in 2015. The cumulative disbursement of Chinese loans to Tanzania between 2010 and 2015 is estimated at over US$ 4 billion (Jean Pierre and Jean Raphael 2016). There is thus a growing indebtedness to China. To this should be added the skewed trade balance in favour of China and the fact that China is not among the top foreign investors in the country. This, has made Magufuli's government try and limit the country's growing indebtedness to China. India's interests have been much more commercial, with loans advanced to purchase Indian goods and the country becoming a destination for our agricultural raw materials (Lunegelo and Baregu 2013). Of course, having a more prosperous Indian community has led to some flow of investments from India, but mostly in terms of assembling goods from India.

The post-Magufuli government has to address the issues of debt sustainability and the management of development partners (aid donors) as it moves forward.

POSTSCRIPT

The book was completed in December 2019, but the conclusion had to be adjusted to take care of the major events in 2020 and 2021, including the elections in October 2020. Three things need to be noted regarding the October 2020 National Elections. The first is the CCM Election Manifesto, which presented Magufuli's five-year plan of action, his dreams and aspirations for Tanzania. The second is the landslide victory for CCM that saw the demise of the opposition in Parliament or, more or less, a return to a single-party system. The third is Magufuli's impressive presidential victory despite a long list of presidential aspirants from the opposition parties. This was seen as a big vote of confidence in Magufuli's first-term performance for which he was grateful and went around the country thanking the voters. The shocking announcement of Magufuli's death on 17 March 2021 was followed by a spontaneous outpouring of grief the likes of which had never been seen before in the history of Tanzania, as the citizens bade farewell to their hero. This was followed by the ascendancy to the presidency of Samia Suluhu Hassan, something which she had not anticipated and for which she was unprepared.[1] A few comments are necessary on each of these major happenings.

The CCM Election Manifesto 2020 – 2025: Magufuli's Last Testament

Magufuli's economic policies and aspirations have been extensively discussed in this book. These policies have been captured by one of his main critics, Paget (2020), as "Restorationist Developmental Nationalism",[2] which includes an extreme resource nationalism[3] and interventionist economic policy.[4] The 300-page CCM Election Manifesto represents a detailed blueprint of what Magufuli wanted to achieve in his second term in office.[5] These were elaborated upon in his

1 Eric Kabendera. 2021. Samia Suluhu Hassan. The Accidental President. New African. 8 June.

2 Dan Paget. 2020. "Again, Making Tanzania Great: Magufuli's Restorationist Developmental Nationalism". Democratization, Vol. 27, No 7.

3 Thabit Jacob and HR Pederson. 2019. "New Resource Nationalism? Continuity and Change in Tanzania's Extractive Industries". Industries and Society, Vol. 5, No. 2.

4 Michaela Collard and Thabit Jacob 2021. "In Magufuli's Shadow: The Stark Choices Facing Tanzania's New President". The Conversations, 27 March.

5 Refer to: CCM. 2020. Ilani ya Chama Cha Mapinduzi kwa Ajili ya Uchaguzi Mkuu wa Mwaka 2020. August. For those who are unable to go through the entire 300-page Manifesto, a 14-page English summary was provided in August 2020

inaugural speech to the 12th Parliament on 13 November 2020. The key sectors identified here were agriculture, livestock, fisheries, industry, mining, trade and tourism.[6] Unfortunately, not long after his death, Parliament began raising questions about the implementation of the CCM Manifesto and Magufuli's dream, with the speaker daring to state publicly that as "CCM parliament" they had the right to change the contents of the manifesto only to be reminded by others that they were elected to Parliament on the basis of these promises to the people, and they should honour them. What is in question is whether Samia Suruhu's new administration will carry them through. Her first speech to Parliament on 22 April 2021 indicates continuity with Magufuli's plans as enshrined in the CCM Election Manifesto (2020-2025) and the Third Five Year Development Plan 2021/22-2025/26 drawn before her ascension to power.[7] Furthermore, the 2021/2022 Budget Speech continues with the same flagship projects and priority areas.

CCM Landslide Victory and the Eclipse of the Opposition

It was clear from the parliamentary and presidential election results released on 30 October 2020 that the opposition had been thoroughly defeated by the resurgent CCM. President Magufuli had obtained 12 516 252 votes, or 84.4 per cent of the national votes, up from the 58 per cent he had obtained in 2015. His nearest rival, Chadema's Tindu Lissu, who had returned to the country in July 2019 after two years of self-imposed exile in Belgium and treatment of his bullet wounds sustained in 2017 (which he still claims were inflicted by government agents) could muster only 1 933 271 votes, or 13.04 per cent of the presidential votes. His well-funded campaign, which included the use of helicopters, did not impress the people mainly because of the insults and hatred lumped

indicating its six main priorities. These priorities were: (1) To protect and strengthen the principles of dignity, equality, justice and good governance in order to maintain the unity and stability of our nation; (2) Promoting a modern, integrated, inclusive and competitive economy built on the foundations of industry, economic services and enabling infrastructure; (3) Transforming agriculture, livestock and fisheries to ensure food security and food reliance at all times; (4) Enhancing access to quality health care, education, water, electricity and housing in rural and urban areas; (5) Encouraging the use of research, science, technology and innovation as a tool for rapid socio-economic development; and (6) To create at least 7 000 000 (seven million) jobs in the formal and informal sectors for the youth. Chama cha Mapinduzi, Election Manifesto 2020-2025. Issued by the National Executive Committee, August 2020.

6 Republic of Tanzania, President Magufuli's inaugural speech to the 12th Parliament of the United Republic of Tanzania, 13 November 2020. Government Printer.

7 Refer to Samia Suluhu Hassan's speech to parliament on 22 April 2021; the Third Five Year Development Plan (FYDPIII) 2021/22-2025/26 and the Budget Speech of June 2021.

on Magufuli and his policies, which, to the general public, were in sharp contrast to Magufuli's achievements.[8]

The showing of the remaining 11 presidential candidates was pathetic, indicating a lack of public support for the parties and their candidates. In 2015, Bernard Member was one of the main contenders for the CCM presidential nomination under the Kikwete faction, but he could only muster 81 129 votes, or 0.5 per cent, under the umbrella of the Alliance for Change and Transparency (ACT-Wazalendo). Leopold Mahona came fourth with 80 787 votes, or 0.54, for the National Reconstruction Alliance (NRA). Professor Ibrahim Lipumba, who had been contesting for the presidency since 1995 for the Civic United Front, only managed 72 885 votes, or 0.49 per cent.[9] The other two candidates with at least 0.2 per cent of the votes were John Sibula of the African Democratic Alliance (38 086 votes) and Hashimu Rungwe of Chama Cha Ukombozi wa Umma (32 878 votes). The combined showing of the remaining six candidates was 79 907 votes, or 0.54 per cent.[10]

The eclipse of the opposition was more apparent in the parliamentary elections where CCM won 262 seats out of 264. Twenty-two of these seats were uncontested by the opposition. There was no official opposition in the 12th parliament as none of the opposition parties won the requisite 12.5 per cent of the seats to qualify for the title. In fact, the opposition lost almost all 75 seats they had won in 2015. Surprisingly, even Freeman Mbowe, the chairman of what was previously the official opposition, Chadema, lost his Hai constituency.[11] The opposition gains in the 2015 parliamentary

8 Chadema's candidate in 2010 Willbrod Slaa had obtained 27.05 per cent of the presidential vote (2 271 941), and in 2015, Lowassa had obtained 39.97 per cent (6 072 848) against Magufuli's 8 882 935.

9 In 1995, Professor Ibrahim Lipumba had obtained 6.43 per cent of the presidential votes (418 373 votes) and come third, behind Augustine Mrema of the National Convention for Construction and Reform (NCCR Mageuzi), who had obtained 27.7 per cent of the votes (1 806 616 votes) against CCM Bejamin Mkapa, who obtained 61.82 per cent (4 086 422 votes). In 2000, Lipumba's showing had improved to 16.26 per cent (1 329 077 votes) against Mkapa's 71.74 per cent (5 863 201 votes). In 2005, Lipumba obtained 11.68 per cent (1 327 125 votes) against Jakaya Mrisho Kikwete's 80.28 (9 123 952 votes). In 2010, Lipumba came third behind Wilbard Slaa of Chadema and only managed 8.28 per cent (695 667 votes). He did not contest the 2015 elections as CUF chose to support Chadema's candidate, Lowassa.

10 See Tanzania Electoral Commission, Presidential Results 2020. Government Printer. See also Niger Walker and Tim Robinson. "Tanzania's 2020 Presidential Elections". House of Commons Library, Briefing Paper Number CBP 9046, November 2020.

11 In 2005, Freeman Mbowe had contested for the presidency but only came third behind Lipumba with 5.88 per cent of the votes. For the parliamentary election results, see Tanzania Electoral Commission. Parliamentary Election Results and Victoria Lihiru, Robert Macdonald and Thomas Molony. 2021. Tanzania 2020 Election Results. Electoral Institute of South Africa (EISA).

elections were completely reversed in 2020. This is not the time or place for a discussion of the opposition's poor performance, but the 2020 parliamentary results had almost turned the country back into the one-party state it had been under Nyerere and Mwinyi, thus allowing the CCM to have a free hand in governing the country.[12]

The Death of Magufuli and the Ascendancy of Samia Suluhu Hassan to the Presidency

After a very impressive election campaign and the constitution of a new government on 5 December 2020 (with 21 cabinet ministers and 23 deputies), Magufuli undertook a laborious national tour of the country, thanking the voters for their vote of confidence in his government and the CCM. No one had any inkling at the time that his victory trip would turn out to be a farewell trip. At the beginning of March 2021, Magufuli's voice and presence disappeared from the public and no explanation was forthcoming from the government. It was only a few days before his death that Tindu Lissu, who had returned to his exile in Belgium after his defeat at the elections, hinted that Magufuli was on his deathbed and called for Samia to be sworn in as president of the country. Then on 17 March, Samia Suluhu Hassan, as Vice-President, announced to the nation that Magufuli had died and declared a two-week mourning period. On 19 March 2021, she was sworn in as the sixth president of Tanzania. This was in accordance with the Tanzania constitution, which states in article 37(5) that "when the office of the president becomes vacant ... the vice president shall be sworn in and become president for the unexpired period of the term of five years".

Two points deserve mention: First, a state of shock and disbelief descended on the entire country. There was spontaneous public mourning as the women laid their *khangas* and men their shirts on the road for the passing hearse of Magufuli in Dar es Salaam, Zanzibar, Dodoma and Mwanza. This is the first time that Tanzania had had to mourn a sitting president. The scenes on the streets showed real grief about Magufuli's passing, as he had come to be identified with the poor and downtrodden in Tanzania (those referred to as "walala hoi" elsewhere in the book), a far cry from the "bulldozer image" portrayed by his critics.

Second, Mama Samia Suluhu Hassan was thrown unprepared into the presidential seat. She had

12 For a discussion of why the opposition has remained weak, see Mangasim Atanasi Katundu. 2018. "Why is Tanzania's opposition weak Twenty Five Years since its reintroduction". African Journal of Political Science and International Relations, Vol. 12 (5) and Nicolas Cook. 2020. Recent Governance Trends and 2020 Elections in Brief. Congressional Research Services, October 26.

for five years operating in Magufuli's shadow.[13] This, however, should not be used to question her ability to govern the country. She will differ from Magufuli in terms of leadership style, but she is likely to adhere to his main goals as elaborated on in the CCM Manifesto (2020-2025) and the Third Five Year Development Plan (FYDPIII). She has no national political base of her own. Undoubtedly, the manner in which she came to power and her future plans at the end of Magufuli's five-year electoral tenure will influence her actions as president. Her rise to the vice-presidency appears to have been due to a compromise between the Lowassa and Kikwete factions after each failed to win the nomination of their candidates to the presidency. It appears that Kikwete, as chairman of the CCM and outgoing president, had persuaded Magufuli to accept her as his running mate. Kikwete, therefore, is likely to have some influence on the new president. This was immediately demonstrated after Magufuli's death when he chaired a meeting with the opposition leaders at State House even before the burial. It is on the basis of this meeting that the opposition is calling on the new president to reopen the debate on the new constitution (which she co-chaired before Kikwete himself suspended the process). The opposition, completely defeated at the polls, sees this as the only chance to revive their fortunes. This is not likely to happen soon as Samia attempts to consolidate her hold over the government and party.

For now, the new President has left Magufuli's cabinet almost unchanged. She has, however, stamped her authority on the regional and district commissioners by shifting them around. She also has to contend with the CCM factions that Magufuli had tried hard to control through the centralization of power and resource allocation under his office. To operate efficiently, Magufuli had created royalists around himself, the technocrats-turned-politicians, and his death threatens their newfound positions. The direction and extent of her shift in the pursuit of Magufuli's leadership style and economic policy are likely to be influenced by whether she intends to only complete Magufuli's term in office or compete for the presidency on her own in 2025. Her running for office in 2025 would require broadening her own support base by accommodating the defeated factions and those excluded from power after the 2015 elections. In addition to these internal party dynamics, she has to withstand the pressures exerted on her by the private sector, both internal and former external donors and investors.

13 See Michaels Collard and Thabit Jacob. 2021. In Magufuli's Shadow: The Stark Choices Facing Tanzania's New President. Conversations. 27 March; Rob Ahearne. 2021. Tanzania's New President Facing a Tough to do List. Conversations. 27 March. Ringisai Chikohomero. 2021. Can Samia Suluhu Hassan Make a Clean Break from Magufuli? ISS Today. 2 April.

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THE AUTHORS

Dr Sixta Raphael Kilambo was born in Tanzania and is a lecturer in Economics at the University of Pretoria in South Africa. Her major interest has been in the role of government and leadership in setting and implementing appropriate policies and programmes for economic transformation and equitable development. She has focussed on the challenges of bringing about empowerment and participation of citizens in the extractive industries in African countries.

Professor Katabaro Novatus Miti was born in Tanzania and is a professor emeritus, in the Department of Political Sciences at the University of Pretoria. He is the author of several articles and books on the political economy of Africa in general and Tanzania in particular. He has an extensive understanding and experience of Tanzania's politics and leadership and the attempts that the leaders of the last six regimes have made to transform Tanzania's political and economic development.

ABOUT THE BOOK

The election of Magufuli brought new hope to many Tanzanians, who hoped the country would revert to the times of Mwalimu Julius Kambarage Nyerere's presidency. Both Nyerere and Magufuli had a good stance on responsible government, leadership, self-reliance and control of the country's resources for the betterment of the people. This book provides a brief overview of the last six presidencies of Tanzania and provides an in-depth examination of the extent to which Magufuli fought corruption with the "naming and shaming" of government officials and kindled the spirit of serving the citizens of the country. He openly fought for foreign investors to give Tanzania a fare-share of the wealth and natural resources of the country, and personally followed through on the execution of several government projects.

TANZANIA'S MAGUFULI

IMPLEMENTING THE PROMISE TO THE NATION

DR SIXTA RAPHAEL KILAMBO & PROF KATABARO NOVATUS MITI

This book brings together the efforts of Tanzania's five presidents in tackling the issues of corruption, industrialization and government revenue collection. It highlights the role of development partners in Tanzania's shifting political and economic development trajectory in the past 60 years of the country's independence. It is an informative and interesting read for students, academics and policy analysts.

NON-FICTION

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