Norwegian Institute
of International
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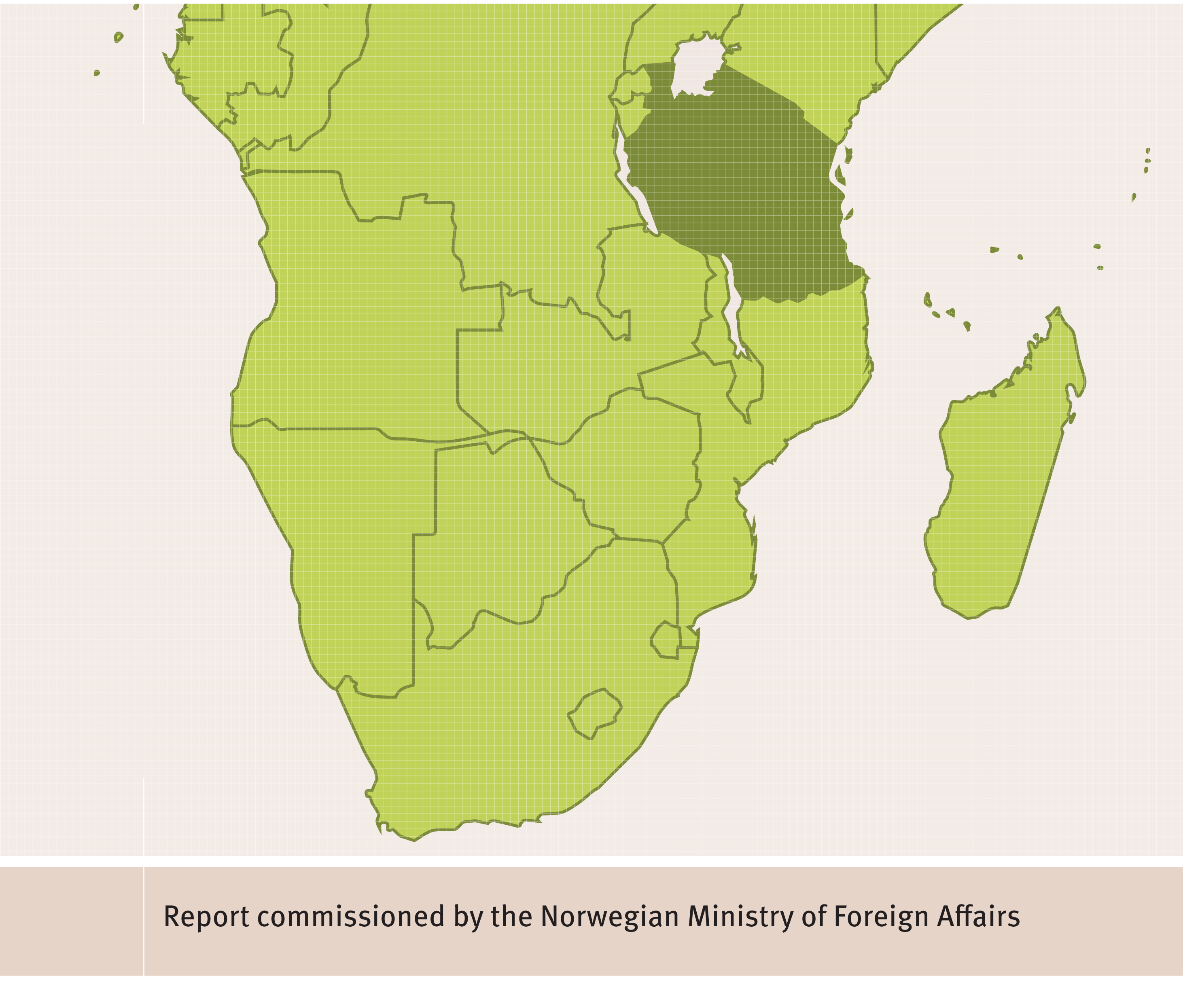
Tanzania:
A Political Economy Analysis

Stein Sundstøl Eriksen



Report commissioned by the Norwegian Ministry of Foreign Affairs

Publisher: Norwegian Institute of International Affairs

ISSN: 1894-650X

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March 2018

Contents

Map of Tanzania V

About the report VI

1. **Introduction** 1
   Report Structure 2

2. **Historical background** 3
   Forging a ruling coalition – 1961 to 1992 3
   Economic and political reforms 4
   Reset postponed? 5

3. **Political and state institutions** 6
   Chama Cha Mapinduzi 6
   Public service administration 9
   Political opposition 10
   Constitutional Reform 12
   Anti-corruption 13
   Key risks and opportunities 14

4. **Zanzibar** 15
   Zanzibar in the Union – constitutional and popular legitimacy 15
   Zanzibar in the Union – political and economic dimensions 16
   Key risk areas 17

5. **State–private sector relations** 18
   Energy 18
   Extractive Industries 19
   Agriculture 23
   Key risks and opportunities 26

6. **Civil Society** 27
   Key risks and opportunities 29

7. **International relations** 30
   Financing and investment 30
   Relations with the donor community 30
   Regional relations 31
   Violent Extremism and organized crime 31
   Key risk areas 32

8. **Conclusion** 34

References 36

Map of Tanzania

Tanzania, Map No. 3667 Rev.6, January 2006, UNITED NATIONS

About the report

In June 2016, the Norwegian Ministry of Foreign Affairs (MFA) commissioned NUPI to provide political economy analyses of eleven countries (Afghanistan, Ethiopia, Haiti, Malawi, Mali, Mozambique, Myanmar, Nepal, Somalia, South Sudan and Tanzania) deemed important to Norwegian development cooperation. The intention was to consolidate and enhance expertise on these countries, so as to improve the quality of the MFA's future country-specific involvement and strategy development. Such political economy analyses focus on how political and economic power is constituted, exercised and contested.

Comprehensive Terms of Reference (ToR) were developed to serve as a general template for all eleven country analyses. The country-specific ToR and scope of these analyses were further determined in meetings between the MFA, the Norwegian embassies, NUPI and the individual researchers responsible for the country studies. NUPI has also provided administrative support and quality assurance of the overall process. In some cases, NUPI has commissioned partner institutions to write the political economy analyses.

1. Introduction

It is now more than two years since President John Pombe Magufuli was elected President of Tanzania. Significant efforts have been made at addressing corruption, reforming public service practice, and maximizing public revenues – accompanied by a return to an increasingly statist approach to economic management and business development in which actions have not always followed due process. In view of the country's significant offshore petroleum resources, and its growing onshore sector, the new political turn has significant and wide-ranging implications.

This reforming zeal has been accompanied by an increasingly repressive approach to public voice. Representatives of the public have been arrested and detained, and open political gatherings have been banned. Sexual minorities have been targeted by the state, and public figures have become increasingly reluctant to speak openly on current developments.

The October 2015 election that brought President Magufuli to State House, thereby continuing the rule of the Chama Cha Mapinduzi (CCM) party, unbroken since 1961,[1] was in fact momentous: for the first time in a presidential election, support for the CCM fell below 60%. This followed a divisive internal selection process that saw former Prime Minister Edward Lowassa leave the CCM to contest the presidency for the opposition alliance. It also presaged a political crisis in Zanzibar, with the cancellation of Union election results, a re-run in March 2016, and the end of the Government of National Unity, a constitutional provision that guaranteed joint rule by the two major parties.

Parallel to these politically driven domestic events, important regional and international developments should be taken into consideration any analysis of the country's political economy. The threat of Al Shabaab and affiliated groups, although low compared with the case in Kenya or Somalia, is significant. As regards diplomatic affairs, the Magufuli government has become more involved in regional affairs, and thereby more open to regional and opportunities risks. The agreement on the East African Crude Oil Pipeline (EACOP) with Uganda will, if the project is finally completed, alter relationships within the East African Community. Instability in the Democratic Republic of Congo represents a considerable risk to internal stability in Tanzania's neighbours, not least Uganda and Burundi, with potential spillover into Tanzania.

Dialogue with development partners has remained generally poor, a decline that set in some years ago, particularly after the scandal surrounding the External Payments Arrears account in the Bank of Tanzania. Like other countries in the region, Tanzania is increasingly attracting investment and public debt finance from China, from emerging powers like Turkey, and from others with an investment interest in Tanzania, such as the Gulf states.

Given the scale and pace of change under the Fifth Phase government, as well as international developments, this is an appropriate time to undertake a political economy analysis of Tanzania. Political and economic engagement by Norway and others will require understanding how key relationships within the country's political

1 The year 1961 refers to the independence of Tanganyika, which in 1964 established the union with Zanzibar to form Tanzania.

coalition are changing, and the possible implications for Tanzania's future trajectory.

Report Structure

Chapter 1 provides basic historical background. It focuses on how the CCM has reproduced a successful ruling coalition through five phases of government, and also touches on the changing role of the state, economic development, and shifting approaches to rents management.

Chapter 2 examines state institutions during the Fourth Phase administration, and over the course of the first two years 18 months of the current administration. Do the actions taken by the current administration, particularly in public service reform, and the functioning of public oversight institutions, anti-corruption, and the role of the state in economic development, represent a significant shift in the country's political economy? Given the historically close relationship between the CCM and the Tanzanian state, particular attention will be paid to party management, and the party's changing position vis-à-vis the state.

Chapter 3 looks more closely at the private sector and its relations with the state. It assesses whether the current administration's aggressively statist approach to economic growth is entirely new, and the extent to which it is causing a shift in the balance of the country's political settlement. Examination of how state–private sector relations vary across such key economic sectors as extractive industries, energy and agriculture will enable identification of various interest groups, their relations with the state, and potential impacts on Norwegian foreign policy and development objectives in Tanzania.

Chapter 4 focuses on the political economy of Zanzibar; Chapter 5 presents evidence of the presence of heightened constraints on civil society and public voice. Chapter 6 considers changing international relations and their impact on Tanzania's political economy – noting shifts in financing for development, regional relations and the East African Community, and the emergence of a broader range of international partners in recent years. It also considers the transnational threats of violent extremism and organized crime. The final chapter summarizes the analysis and the principal risks identified in the previous chapters.

2. Historical background

We take as our starting point that ruling elites can maintain their position in power through the exercise of political control, and control of productive sectors, generally exercised informally (Khan 2010; Therkildsen 2012). Over time, this control will be reproduced in various ways, in response to domestic developments and shifts in the international political economy. This chapter offers a historical survey of Tanzania, centred on the introduction on multi-party politics in 1992 and the economic reforms introduced in the 1980s. Here we examine the dynamics that have kept the CCM in power, and the party and government's approaches to productive sectors, and how these have changed over time. We also assume that control of expression in the public sphere under a 'competitive-authoritarian'[2] regime like that in Tanzania is a critical underpinning of elite control. We therefore consider evidence for the shifting levels of influence of civil society on the structure of Tanzania's political settlement, and the behaviour of its political elite, and the relationships between voters and representatives.

Timeline

Tanganyika gains independence	9 December 1961
Zanzibar gains independence	10 December 1963
Zanzibar Revolution	12 January 1964
Tanzania created through Union between Zanzibar and Tanganyika	26 April 1964
Arusha Declaration, introducing the policy of *Ujamaa* or African Socialism.	29 January 1967
Structural Adjustment begins: first Standby Agreement is signed with the IMF	1985
Multi-party politics introduced	1993
President Ali Hassan Mwinyi succeeds President Julius Nyerere – Second Phase Administration	1985
Zanzibar Declaration, reversing the leadership code introduced in 1967 that restricted leaders' involvement in business.	1991
President Benjamin Mkapa succeeds Ali Hassan Mwinyi – Third Phase Administration	1995
President Jakaya Kikwete succeeds Benjamin Mkapa – Fourth Phase Administration	2005
First discovery of deep-sea offshore natural gas	2010
President John Pombe Magufuli succeeds President Jakaya Kikwete – Fifth Phase Administration	2015

Forging a ruling coalition – 1961 to 1992

Tanzania's social and political stability since the independence of Tanganyika is notable by regional and continental standards. This stability has allowed it to forge significant international relationships, and be a significant power on the continent. Economic transformation has proven

2 'Competitive authoritarianism' is defined as a hybrid regime where 'formal democratic institutions are widely viewed as the principal means of obtaining and exercising political authority. Incumbents violate those rules so often and to such an extent, however, that the regime fails to meet conventional minimum standards for democracy' (Levitsky and Way 2002)

elusive – but this should not blind one to the considerable policy shifts and recalibrations of the country's political economy that have been achieved.

Khan (2010) notes that the strength of the political settlement in the first period after independence exhibited the characteristics of a developmental state, an outcome forestalled by the focus on strengthening the state and forging a national identity, rather than on promoting productive economic sectors. A society perceived as fragmented will face real threats, as shown by the unsuccessful army mutiny of 1964, and an alleged coup plot five years later.

The investment climate during the first six years of independence has been described as 'probably better than it has ever been in Tanzania, before or since' (Cooksey and Kelsall 2011). Economic orthodoxy reigned. Agricultural policy was dominated by a focus on progressive farmers. Industrial policy was characterized by Import Substitution Industrialization, protection of investors' interests, and a privileged role for the National Development Corporation (Cooksey and Kelsall 2011; Arndt 2015).

Economic strategy from 1967 to the late 1970s was characterized by the ideological imperative of African Socialism or *Ujamaa*, focused on the seizure of private business assets, with state-driven industrial development and attempts at transforming agriculture through villagization. This proved to be a noticeable failure, with GDP growth estimated at 1.8% in 1982.

Political and social stability following such a radical shift was maintained by ensuring the strong organizational base of the ruling party, successfully co-optioning the security services, preventing any organized opposition from emerging by smothering civil society, and hindering the development of a capitalist sector (Therkildsen 2012).

The rents management strategy ensured that a relatively broad coalition of interests across state and party was managed through state structures, creating a 'ruling class' of politicians, and administrators in the party, the civil service, and parastatal organizations. Rents management was broadly decentralized under *Ujamaa* (Cooksey 2011), but became unsustainable as the economy deteriorated. Operating under a broadly authoritarian regime, such an elite had neither the skills nor the incentives to support capital accumulation through productive investment (Coulson 2013).

The security services have been essential to maintaining state stability ever since the attempted coup of 1964 made it imperative to ensure their role at the centre of the state. The incorporation of the army into CCM structures in 1971 brought the army nominally under party control, but also placed the military at the heart of the state – as is the case today (see Section Three below). (Lindemann undated.

Economic and political reforms

Economic crisis from the late 1970s and into the 1980s challenged the legitimacy of CCM rule. Unproductive industry and agriculture and shortages of consumer goods were reflected in the GDP growth rate, which became negative in 1982. The first critical recalibration came with the agreement reached with the IMF on Tanzania's first Standby Agreement in 1985 (Coulson 2013). This was later followed by a series of economic reforms, opening up agricultural markets, liberalizing foreign exchange, and reducing consumer and social service subsidies.

When Ali Hassan Mwinyi gained the presidency – the victory of the reform wing within the CCM – further reforms were initiated. Processes of privatization, reform, and winding up of parastatals began. Private capital entered the agricultural and the industrial sectors, albeit fitfully (Cooksey and Kelsall 2011). The business community and commercial agriculture producers benefited greatly, as rent seeking took new forms. Companies such as METL and IPP Ltd. were provided with opportunities that laid the basis for their future success (Tripp 1997), and arguably their place in the contemporary political arrangement. Individuals such as Rostam Aziz and Mohammed Dewji became hugely successful businessmen and active party cadres. Aziz rose to be Party Treasurer while Dewji represented

Singida Rural in parliament for one term. Both are believed to be considerable party funders, along with other politically connected business leaders.

Yet, as Cooksey and Kelsall (2011) have shown, the broadening of the ruling coalition did not lead to a fundamental economic restructuring with the potential to be socially transformative. Parastatals remained in place, and civil service allocations remained unchanged. The standing of the military in the party was strengthened, and its budgets increased, despite cutbacks elsewhere (Lindemann undated). Planning horizons, and the management of rents, remain short-term and focused on maintaining a hold on power.

The second recalibration came with political reform, and the introduction of multi-party politics in 1992. This followed the recommendations of the Nyalali Commission, but was fundamentally the result of the economic pressures of the 1990s, the impact of limited reforms especially on social services, and was a response to an international wave of democratic reforms, in Europe as well as in Africa. The Tanzanian reforms were unique in being driven by the ruling party, and in maintaining the basic political settlement built around the party, the civil service and the military, while allowing for greater tolerance of re-emerging capitalism (Nyirabu 2002; Khan 2010).

Reset postponed?

The continuing political settlement under President Mwinyi's three successors has been shaped by the key themes of the first thirty years of Tanzanian independence. The CCM is still driven by the imperative of power, and holds together a coalition based around the public service, including the security services, although now with business interests well embedded. In the wake of economic and political reform, its approach to economic productivity and private interests has been more malleable but has remained focused on short-term horizons.

3. Political and state institutions

The election of John Pombe Magufuli as Tanzania's fifth President in October 2015 was not a surprise, given the dominant position of the CCM. However, that the party selected him as its presidential candidate was unexpected. This came as the result of a fractious nomination process that saw former Prime Minister Edward Lowassa defeated, precipitating his move to the opposition party, Chama cha Maendeleo na Demokrasia (CHADEMA). Although Magufuli had been a long-serving minister since being elected to parliament in 1995, he had never held a leadership position within the party. Some assumed that his lack of a party-political base to mean that he would lean on outgoing President Jakaya Kikwete, and little change was expected in the short term in his approach to public administration.

In the following, we look at the orientation and behaviour of the ruling party and state institutions under the current administration, with reference to their development under the previous two administrations for comparison. This will provide a basis for assessing the relationship between political and business interests in Chapter 5 below.

Chama Cha Mapinduzi

As party chairman, President Magufuli's first responsibility is to keep the CCM in power after 2020. Doing so without a strong political base within the party will be a challenge. We begin by examining the formal mechanisms he has employed to bolster his position within the party, before looking at political positioning within the party.

CCM – organizational reforms

Contrary to much speculation at the time, former President Jakaya Kikwete handed over the party chairmanship to President Magufuli at an extraordinary party conference held in July 2016. The term for party chairman overlaps with that of the presidential term. Officially, an outgoing CCM president may stay on for another two and a half years, but Kikwete followed the tradition of his three predecessors in handing over control of the party within a year.

There were no great surprises in Magufuli's maiden speech as CCM Chairman. He pledged to strengthen the party through streamlining party structures and rationalizing positions, and better management of the party's assets. He also promised to tackle corruption within the party. However, his unanimous election could not hide the cracks in the CCM. He addressed that issue in his speech, talking of saboteurs in the party who secretly support the opposition. This will have been a reference to the strong pro-Lowassa faction, believed to be active in the party still. (Jamii Forums 2016).

President Magufuli has followed up on his promise to restructure the party. By a March 2017 Extraordinary Party Assembly, he had pushed through important changes to the CCM Constitution, significantly reducing the number of positions in the party's senior organs, the number of meetings held by organs at all levels of the party; further, as promised, he abolished several positions not specified in the party constitution. In doing so, he reversed reforms put in place by his predecessor (see 'Polepole' 2017). President Kikwete had doubled the size of the National Executive Committee (NEC), in a move that had been billed as democratizing the party, but was seen as a means of preventing Edward Lowassa getting the presidential nomination. That move backfired. Lowassa was thought to have had significant support amongst NEC members at the nomination stage. Further moves by Magufuli included the removal from office of some senior party members, and the expulsion of Sophia Simba, Chairperson of the CCM Women's Wing (known by its Swahili acronym UWT). Less procedural means were also used for sending a signal to dissenters. On the day of the assembly, two CCM MPs, Hussein Bashe and Joseph Msukuma, were detained by police on suspicion of conspiring to cause trouble at the assembly. They were released, but there has been speculation that they were behind a plan to propose a vote of no confidence in Prime Minister Kassim Majaliwa. Both had been prominent supporters of Edward Lowassa before he left the CCM (Kabendera 2017).

These reforms had two objectives. Firstly, they were a step against party 'saboteurs'. In this sense, the reforms can be seen as continuing directly from President Kikwete's actions against the Lowassa faction, even though they reversed his original reforms. Secondly, they helped to solidify the chairman's hold over the party. The decision to halve the number of meetings held at all levels enables the centre to exert greater control over the party apparatus. A popular CCM saying is *chama ni vikao* ('meetings make the party'). Reducing the number of meetings also reduces the chances of blocking or instituting change. Another reform that helps centralize control is the removal of Members of Parliament (MPs) from the NEC. That neutralized a group of the most politically active party members.

While meetings make the party, it still needs to be funded, and this is also a likely driver of the reforms. If meetings make the party, they must also be paid for. President Magufuli took over the chairmanship with the party facing a funding crisis. In his final speech as Party Chairman, Kikwete had devoted considerable time to the financing difficulties, noting that the only certain source of income was the state subsidy from the Registrar of Parties. In 2014, that amounted to TZS 12.23 billion (Kimboy 2014). It covered salaries, but anything over and above that had to be funded separately. Membership subscriptions amounted to just TZS500 million per year, he had stated, when they should be TZS10.5 billion annually. Funding gaps had, according to Kikwete, been filled by *ad hoc* interventions of the leadership (Kikwete, 2016). No specific initiatives for funding party reforms are known.

CCM – political re-balancing

Along with the financial and organizational challenges, a fundamental problem facing the party chairman is ensuring his political base among party leaders, without alienating opponents to the extent that the party is split. With a weak political base, President Magufuli has relied on the patronage that his position gives him in advancing politicians' careers, and on a small group of those personally loyal to him. The current situation is characterized by this political weakness; however, we argue that the factionalism evident in the party since 2015 is not a new feature of CCM politics.

Current divisions within the CCM have developed from the internal struggles for the 2015 presidential nomination, a struggle that led to the surprising rise of President Magufuli's surprising rise. Those loyal to Lowassa at the time have suffered subsequently, but so have elements of the leadership loyal to former President Kikwete – active politicians, party administrators, and senior public servants. Elements in the political leadership loyal to Edward Lowassa would probably have lost out in any event.

Foremost amongst these has been Hussein Bashe, MP for Nzega Urban in Tabora Region. As campaign manager for Lowassa, he was never going to progress after Lowassa defected. Perhaps surprisingly, Bashe has emerged as a vocal opponent of President Magufuli and, with others, has felt the backlash. In March 2017 he was detained by the police on the day of the CCM annual congress, questioned on suspicion of seeking to create disorder at the meeting. Detained with him were Peter Serukamba, MP for Kigoma North, Joseph Msukuma, MP for Geita and Chairman of CCM in Geita Region, as well as former Deputy Minister for Finance Adam Malima, the MP for Mkuranga 2010 to 2015.

All the arrested were supporters of Lowassa, but we cannot speak of a Lowassa 'faction', given his move to CHADEMA. It may not be possible either to speak of a Kikwete faction. While key loyalists to the most recent former President within the party administration have lost out, Kikwete has influence, not power, and those factions will need to reconfigure under the post-2015 circumstances. Foremost among those out in the cold are the current party Secretary General, Abdulrahman Kinana, and former Secretary for Ideology, Nape Nnauye. While Kinana has retained his post, he is rarely seen – in contrast to the final two years of President Kikwete's administration, when he criss-crossed the country shoring up local party structures against Lowassa's well-funded nomination campaign.

As well as having lost his position as Ideology Secretary, Nnauye did not last long in President Magufuli's cabinet, losing his job after challenging Magufuli loyalist Paul Makonda, Dar es Salaam Regional Commissioner (see below 'Public Service Administration'). Nnauye has now joined Bashe in being a victim of state intimidation as well as protesting loudly against intimidation by elements of the security services loyal to President Magufuli. Another high-profile political casualty has been January Makamba, MP for Bumbuli constituency in Tanga Region, a close confidant of former President Kikwete who worked hard in President Magufuli's election campaign. His reward was a political backwater position – as Minister at the Vice President's Office responsible for Union Affairs and Environment. While the issues are important, the position is far from real power.

Hussein Bashe claims that a group of eleven MPs have been targeted for special treatment by the security services. This may be an accurate reflection of the number of CCM MPs willing to openly oppose the party chairman. Both the Speaker and the Deputy Speaker, Job Ndugai and Tulia Ackson, are loyal to the chairman; the latter was appointed to parliament by President Magufuli specifically to take up the role. Few politicians exhibit the political ambition of figures such as Nnauye, Bashe, or Makamba, and are content to seek advancement to the Cabinet. Although President Magufuli promised a small cabinet during his campaign, and reduced the number of ministers initially, the cabinet now has 20 full ministers, with 21 deputies.

Within the cabinet, he has certain key allies. Foremost amongst these are Minister for Justice and Constitutional Affairs Palamagamba Kabudu, Minister for Minerals Angellah Kairuki, and Minister for Energy, Medard Kalemani. Yet their profiles illustrate President Magufuli's weaknesses. Kabudu had no political experience before being appointed to parliament in January 2017. Kalemani's experience is also limited. Although with a long career in the Ministry of Energy and Minerals behind him, he was elected to parliament only in 2015. He inherited President Magufuli's seat in Chato constituency and will thus remain personally loyal. In their political inexperience, these persons reflect President Magufuli's own limited experience in the party, and illustrate his reliance on personal networks.

Factionalism in the CCM has a long history. This is not surprising given that it has such a broad umbrella. The current tensions within the party are not unprecedented. In examining the various splits under Kikwete, Gray (2015) describes factionalism as being based on personal and political ties, rather than ideological or regional/ethnic ties. In analysing rents management, she argues that the presence of a balance of power between these groups, at least throughout the Kikwete presidency, made it difficult for any one faction to be held accountable for its pursuit of rents or power. This, she holds, is accompanied by the party elite focusing on remaining in power and avoiding splits, although such splits have come close to occurring. Samuel Sitta was about to leave the party to establish Chama Cha Jamii, but decided against it (Mwandishi Wetu 2017). When Lowassa CHADEMA in 2015, a remarkably low number of party leaders and members followed him, which indicates the risks inherent in leaving the mother party. It can be assumed that the benefits of grand corruption entered into by such factions have benefited the party to some extent (Gray 2015; de Vibe 2013), or at least have meant there would be much to lose for anyone leaving the party.

Further back, Kelsall (2002, 2003) described the emergence of regionally based networks in opposition to President Ali Hassan Mwinyi in the 1990s, and in the context of the 2005 presidential nomination. He noted their inability to coalesce into blocs with a coherent political strategy, pointing to the 'situational geometry of identification' across institutions of state and party that made the political decisions of individuals difficult to predict.

Both Kelsall and Gray would recognize the current situation. Overlapping loyalties, held by young and ambitious politicians who either seek to challenge the party leadership or ensure their own advancement are nothing new in CCM. Nor are the actions of a party chairman seeking to stamp his authority on party structures.

It remains to be seen whether President Magufuli's attempts at centralization will leave the party stronger politically. Dealing with funding matters will depend on internal organizational issues, but also on relationships with party funders, mostly from the private sector. We return to those issues below. The future political strength of the CCM will also be relative to the strength of the opposition, and the lengths to which the state is willing to go in fighting it – as noted at the end of this section. Critical to the CCM's political strength will be the ability of the party to reform public administration, while maintaining influence, as discussed below.

Public service administration

The public service has been central to reproducing the Tanzanian state. Currently, core functions noted by Therkildsen (2012) include its use of patronage through appointment, and ensuring success at elections. Therkildsen also notes the increasing importance of local government in administration of resources. Appointment would appear firmly centralized. A considerable number of positions across central and local government as well as parastatals are 'gifts' of the President, in particular key posts such as Regional Commissioner, District Commissioner, and District Executive Director. The role of the public service in election management is well known. Local government elections (below the Council level) are managed by district officials without the involvement of the National Electoral Commission (NEC). While the NEC is in charge of Council and national elections, a considerable number of local government staff are delegated to man-count centres, and are expected to ensure the right results.[3]

Obviously, the ways in which the public service has underwritten the state over the past 56 years have changed in response to shifting political and economic environments. Cooksey and Kelsall (2011) note that during the economic collapse of 1979–85 central authorities were unable to manage the control of rents across the sprawling public sector, and corruption ran rampant across the public service. This was partly reversed with the reforms under the Second Phase Administration (Cooksey and Kelsall 2011; Lindemann undated).

The reforms that were introduced from the 1990s onwards have changed the relative importance of the public service. As noted by Therkildsen, the public service remains an important source of patronage, and has a critical role in keeping political power with the CCM. However, its role as a source of rents and in maintaining the political settlement has changed. The complex of national parastatals has been considerably reduced through not-always-productive privatization. This has to some extent been replaced by local government, which has been considerably strengthened by the decentralization process that started in the 1990s. While policy guidance and resource allocation remain strongly centralized, local governments control significant budgets. Market-oriented reforms, such as land reform, have made local government critically important for businesses of all sizes, and a valuable source of rents for officials, local politicians and the business community.

The new political dispensation has reshaped relations between the political class, public offi-

3 Personal communication, local government official, Dar es Salaam, October 2015

cials, and an emerging business community, and has come to define Tanzania's political economy. Considerable investments have been made to ensure suitable financial management systems and oversight institutions. Steady progress has been made in public financial management, and anti-corruption institutions, in hopes of winning Highly Indebted Poor Country (HIPC) debt relief and securing General Budget Support as the dominant aid modality. However, the steady stream of grand corruption cases from the 1980s to the present day indicates that reforms have not helped shape a developmental state oriented to the private sector (Gould 2003: Gray 2015; Cooksey and Kelsall 2011).[4] The balance of power between factions within the CCM has been combined with a public service that has been highly politicized and poorly coordinated (Therkildsen 2012).

President Magufuli has staked much on his approach to reforming the public service. Cutbacks in extravagant expenditure and personal allowances have been popular, and clampdowns on ghost workers and work attendance appear to have been effective in the short term. One reliable survey has found high levels of satisfaction with such actions (Twaweza 2016).

However, the actions taken are rarely systematic, and occasionally ride roughshod over established procedures, indicating that political loyalty is viewed as being of the greatest value. There are layers involved. Firstly, there is the appointment of persons who have been close to the President in the past. Secondly, there is the appointment of loyalists, often from outside the government, to positions at district and regional levels. Thirdly, there appears to be a growing number of appointments of military personnel to civilian positions.

As to the first category, key officials who have worked with President Magufuli in the past have been promoted to sensitive posts. Examples include the new Permanent Secretary in the Ministry of Finance, Dotto James, a senior manager in TANROADS when President Magufuli was Minister for Works, and Permanent Secretary at the President's Office, Alphayo Kidata, also from TANROADS.

A new team of Magufuli loyalists has also been appointed at district and regional levels. That is only to be expected with any new president. What is surprising in the case of President Magufuli is that he has repeatedly appointed individuals with no experience in public administration, including numerous District Commissioners (DCs) and District Executive Directors (DEDs). An example is the DED of Kibondo, who comes from an international NGO, with no administrative experience.

The third category is military and police officials who are appointed to public administration. The most high-profile example is Major General Gaudence Milanzi as Permanent Secretary of the Ministry of Natural Resources and Tourism.

More alarming for many observers is the President's reliance on District and Regional Commissioners. These positions, remnants of the colonial state, entail sweeping powers of arrest and detention. In particular, the actions of the Regional Commissioner for Dar es Salaam, Paul Makonda, have indicated a tolerance on the part of President Magufuli for actions of questionable legality. One example is Makonda's entry into a commercial television station, accompanied by armed police, allegedly demanding that an investigation into a political rival be broadcast (The Citizen, 2017).

Maintaining the loyalty of the civil service will be critical if corruption is to be tackled, and public service delivery improved. Civil servants have seen a considerable drop in income since 2016, with the clampdown on travel and on conducting meetings outside of government offices, both of which come with allowances. Moving the national capital to Dodoma also impinges on the morale of central ministry officials, whose personal and professional lives are deeply affected by the decision.

Political opposition

Since the introduction of multi-party politics in 1992, and the first multi-party elections in

4 Commodity Import Support; Meremeta; IPTL; EPA; Richmond; IPTL Part II; Kiwira coal mine privatization.

1995, one party, CHADEMA, appears to have finally emerged as an opposition party with the capacity to win a general election. This has sparked a vicious backlash against opposition parties, particularly CHADEMA and the Civic United Front (CUF). Political rallies are generally banned, while individual politicians repeated harassed. A nadir was reached with the attempted assassination of CHADEMA legislator Tundu Antiphas Lissu in September 2017.

The 2015 presidential election results were historic. Opposition parties formed an electoral alliance, Umoja wa Katiba wa Wananchi (UKAWA), originally formed during the Constituent Assembly of 2014.[5] With UKAWA agreeing to support the CHADEMA candidate, former Prime Minister Edward Lowassa, CHADEMA received just under 40% of the vote, and the CCM share (58.46%) of the presidential vote fell below 60% for the first time. Within the CCM, 60% is seen as the minimum share of the vote that any candidate should get in any election. In the four previous elections, the CCM's lowest share of the vote was in 2010 with over 62%, and its highest at over 80% in 2005.

Three main factors enabled CHADEMA to perform so well. Firstly, it had spent ten years working on grassroots organization. This meant it could have a ground game that, if not always the equal nationwide of the CCM, enabled it to break out of its northern and urban heartlands. In 2014, 26 of 34 parliamentary seats won were in rural areas, and all seats were spread across the country. Secondly, CHADEMA had access to considerable funding from established businessmen like Reginald Mengi and Rostam Aziz. Mengi is a self-proclaimed CCM member with interests in print and broadcast media, as well as in mining. Aziz is a former CCM treasurer who left the party in 2011, when the party sought to rid itself of high-profile members associated with grand corruption linked to Edward Lowassa. Aziz has considerable business interests, controlling the mines service and construction company Caspian Construction, and being a significant shareholder in Vodacom Tanzania. Other funding for CHADEMA is understood to come from the party chairman Freeman Mbowe, and other businessmen (Kabendera and Paget 2016).

CHADEMA's progress and the threat it poses to the CCM are reflected in the actions taken by the state to undermine it. Tundu Lissu, before being shot, was arrested at least six times in 2017 on charges of incitement. The businesses controlled by party leader Freeman Mbowe have been subjected to consistent harassment by state authorities. Other notable CHADEMA legislators arrested on various charges related to their political activity include Ester Bulaya and Halima Mdee.

CHADEMA's rise has been mirrored by the fall of CUF. While the latter has increased its presence in the National Assembly, a split in the party – probably encouraged by the CCM and the state – has left it effectively leaderless in mainland Tanzania. The registrar of political parties recognizes only a faction led by Ibrahim Lipumba, leaving the bulk of CUF, in Zanzibar and led by Seif Sharif Hamad, not officially recognized as a political party. In Zanzibar, its boycott of the re-run of the election for the House of Representatives and the Zanzibar presidency has deprived it of the power that it enjoyed under the previous Zanzibar government.

How this will affect the logic of Tanzania's political economy is unclear. Rostam Aziz's company Caspian Resources continues to get government contracts – *inter alia*, for building police residences in Dar es Salaam. Reginald Mengi does not have a noticeably bad relationship with the Fifth Phase Administration. The first meeting that President Magufuli held after entering office was with the private sector under the aegis of the Tanzania National Business Council (TNBC), a body that brings together private-sector representatives and government leaders. The policy imperative of industrialization could encourage a constructive relationship with the private sector, tackling corruption undertaken in collusion with elements of the state. Lack of significant action on

5 Member parties were CHADEMA, Civic United Front (CUF) NCCR Mageuzi, and the National League for Democracy. Of those four, only CHADEMA and CUF can be deemed significant.

two such high-profile cases – property ventures of the National Social Security Fund (NSSF) and issues arising from the sale of Independent Power Tanzania Ltd (IPTL) to PanAfrican Power (Africa Confidential 2017) – indicate that room remains for unproductive and corrupt dealings between the state and private-sector interests. Paget and Kabendera conclude that selective accountability for some and impunity for other will continue, if only to prevent future political success for a now well-developed opposition (Kabendera and Paget 2016).

Constitutional Reform

In 2011, President Kikwete appointed a Constitutional Review Commission (CRC) tasked with gathering citizens' views on the shape of a new constitution, and then drafting a new document for consideration by a Constituent Assembly before a final draft would be presented to the people in a referendum.

There were good reasons for this. The centralization of authority in the presidency has several serious implications for democratic governance. For instance, the Judiciary Administration Act 2011 stipulates that a Regional Judicial Officers Ethics Committee be chaired by the Regional Commissioner (a presidential appointee). Also on the Committee is the Regional Administrative Secretary, another presidential appointee, and two more members appointed by the Regional Commissioner. The majority are effectively appointed by the president. There is a similar pattern for the District Judicial Officers Ethics Committee. Moreover, Regional and District Commissioners have considerable powers over the security services in their areas.[6] Persistent discontent with the Union, primarily in Zanzibar, but also to some extent on the mainland, also contributed to President Kikwete's daring decision to establish the CRC.

The CRC toured the country, both mainland and Zanzibar, gathering citizens' views in open fora. This was complemented by mechanisms for individuals and organized groups to make submissions. The 2013 draft constitution proposed a radical restructuring of the state, introducing a three- government structure. The current awkward structure operates with two states. Zanzibar has its own executive, judiciary and legislature, while national structures are in place with a dual mandate for both mainland affairs and Union matters (the latter referring to issues that concern both states). The proposed constitution was for separate governments for the mainland and for Zanzibar, with a considerably slimmer overarching Union structure: presidential powers would be greatly limited, and there would be strong protection for human rights, and accountability of political leaders

The Constituent Assembly eventually produced a slightly modified version of the present constitution, only after a walk-out by proponents of the CRC draft when faced with the CCM's engineering of the process. Given the lack of consensus, the final version has yet to be put to a referendum. While that is officially still on the agenda, it is clearly not a top priority for the current administration (Kwayu 2016; Branson 2017; ILPI 2016).

The process was significant, however. The alliance of opposition parties that supported the CRC draft, Umoja wa Katiba ya Wananchi (UKAWA),[7] went on to contest the 2015 elections. On Zanzibar, the collapse of the process heightened tensions between pro- and anti-Union factions. Views on the three-state solution ebbed and flowed. Consultations by the CRC indicated majority support for a three-state solution; but after the process collapsed, polling data indicated that people fell back on party lines, with CCM supporters favouring the status quo, and CUF supporters backing a three-state solution.

The current state structure is set to remain a serious fault-line in Tanzania. The CCM has managed to control it by relentlessly holding onto power in Zanzibar (see next section), and because, for most mainland Tanzanians, Zanzibar's place in the Union is not a priority issue.

6 Interview, Civil Society Leader, 9 March 2017.

7 'Defenders of the People's Constitution', but known in English and Swahili by its Swahili acronym.

Anti-corruption

President Magufuli has made fighting corruption a key theme of his administration, and there have been instances of unprecedented action. A human resources audit of the public service saw over 16,000 'ghost workers' removed from the government payroll in 2016. These were staff who were not actually in post, enabling significant fraud – over TZS193 billion per year (Rweyemamu, 2016). A subsequent audit of public employees' educational qualifications saw approximately 10,000 removed for having not being able to present qualifications *(Daily News*, 2017).

More unprecedented was the June 2017 arrest of James Rugamalira and Harbinder Sethi Singh for fraud connected to the purchase of IPTL by Pan African Power Solutions Ltd (PAP) in December 2013, and the subsequent transfer of funds from an escrow account to PAP. From its inception, to the purchase of IPTL in 2013, the case was emblematic of the collusion between senior public servants, political leaders, and private capital (Cooksey, 2002; 2017).

In addressing grand corruption such as the IPTL case, and systemic corruption within the public service anti-corruption agenda, President Magufuli must tackle entrenched interests, while also building his own political base. In this regard, little progress has been made yet.

With the IPTL case the path of least resistance was taken in charging Rugemalira and Sethi Singh. Though Rugamalira was well-connected – evidenced by the many figures in business, politics, and public administration to whom presented donations after the sale of IPTL – he had never been an insider within the ruling party of part of public administration. Sethi was even more of an outsider, with ambiguous citizenship, strong ties to Kenya and South Africa, and a member of an ethnic minority. Their prosecution might create the impression of progress in fighting corruption, but, as will be shown in Chapter 5, the problems of inefficiency, poor planning and possible corruption have not disappeared.

Addressing corruption within the public administration is admirable, but there are limitations. The first concerns the security services. The lack of any convictions on connection with a contract awarded by the police for the supply of fingerprinting devices indicates that the security services have remained sacrosanct. Lugumi Enterprises was contracted to supply fingerprint technology to police stations nationwide in a contract worth almost US$17 million. The deal was made in 2011, but leaks from the Controller and the Office of the Auditor General indicate that only 10% of the contracted equipment has been supplied.

The second point concerns the public pension funds, currently worth TZS 8 trillion and expected to reach over TZS 12 trillion by 2020 (Mufuruki, 2017). These funds have increasingly been used to finance speculative property projects, or flagship infrastructure projects like the Kigamboni Bridge, Dodoma University, and the Kinyerezi II power plant.

Some progress has been made in dealing with grand corruption in the National Social Security Fund (NSSF), with the removal of twelve officials on allegations of corruption (Mirondo, 2017). These probably relate to the Dege Eco Village project in Dar es Salaam and a similar housing development in Arumeru involving the same private-sector partners. The NSSF has extricated itself, described by the Controller and Auditor General as 'nugatory', or worthless. The deal was potentially worse than worthless – the Arumeru project alone presented the NSSF with a financial risk of over TZS 7 trillion.

The funds also act as a source of rents for politicians. A case in point involves support to the Bumbuli Development Corporation, a constituency vehicle established by January Makamba, the current Minister for Environment and Union Affairs in the Vice President's Offices. It was granted a loan by NSSF which, at TZS 1 billion, was 20 times greater than allowed by NSSF rules.

Reforming the pension funds to reduce the risks attached to them is crucial if they are to serve as a source of capital for the industrialization of Tanzania. However, given their significance in funding flagship projects, and the rents they can provide to politicians, root-and-branch reform is unlikely.

Key risks and opportunities

The years up to the general elections in 2020 are set to remain unstable as President Magufuli seeks to consolidate his control of his party and of public administration. This presents a challenge for missions, also Norway's, wishing to advocate their own national interests, while also seeking to support developmentally progressive elements within Tanzania's public administration, and in the political sphere.

Party reform will be stymied by continued internal political divisions. The experience of Edward Lowassa's defection indicates that factions opposing the Party Chairman's reforms are more likely to remain within the party than to break away. The experiences of legislators such as Nape Nnauye and Hussein Bashe will underscore that for those who may consider joining them in open dissent. Control of the security services and access to economic opportunities are likely to hold back opposition pressures and maintain business loyalty.

In this context, Norway will need to invest time in identifying political figures who are open to supporting Norway's interests while also having the ear of the President and CCM Chairman. Given the increasingly personalized nature of power and loyalty under Tanzania's current administration, opportunities for influence will have to rely heavily on such channels.

Within the public administration, the main risk areas in the coming years are political loyalty and administrative efficiency. Both are affected by austerity measures that affect the incomes of civil servants, and challenge control of rents within the civil service. These pressures will make any reforms proposed by the current administration difficult to implement. This might provide an opportunity for Norway, and other development partners, to provide support, if a clear reform agenda is presented. NORAD has a long-standing interest in public service compensation reform (Søreide, 2012). Given the pressures for the current administration to deliver results, but with real public-service compensation likely falling due to cutbacks in allowances, likeminded development partners may be able to find a productive niche through which to drive public-sector reform.

Administrative efficiency will be further affected by continued new appointments by President Magufuli. Many appointees at district, regional and ministerial level come from outside the public service, and lack administrative experience and political savvy.

The greatest challenge to development partners like Norway will be in responding to the increasingly constrained space for the expression of dissenting political views. As the 2020 elections approaches, little if any positive developments can be expected in this sphere. Missions would be well advised to prepare contingencies for responding to developments such as the possible introduction of legislation to constrain political activity,[8] acts of violence against opposition politicians, and sustained intimidation of the opposition.

Taken together, strains in the public service and shrinking space for public accountability will mean that development partners will continue to face high risks of becoming involved in cases of grand corruption of national and international interest.

Constitutional reform, though still pressed for by civil society, will not counteract these trends. President Magufuli's need to build a political base can most effectively be met through the constitutional powers accorded to the presidency, thereby lessening the chances of reviving the reform process.

8 Proposed amendments to the Political Parties Act, not recognized as genuine by the Registrar of Political Parties, started to circulate in October 2017. Proposed amendments included restricting political rallies to the election campaign period, and banning party organizations in universities.

4. Zanzibar

The political and economic history and structure of Zanzibar sets it apart from mainland Tanzania. Yet without Zanzibar, there is no Tanzania. Since the union of 1964, and the formation of the CCM in 1977 through the union of TANU and the Afro-Shirazi Party (ASP), it has played an outsized role in national identity, constitutional structures, and political power. This was demonstrated in the aftermath of the 2000 elections, where it was claimed that 35 opposition supporters were killed and some 600 injured, with a further 2,000 seeking asylum in Kenya and Somalia. Further indications of the importance of maintaining the Union and maintaining CCM hegemony in Zanzibar came with the cancellation of the October 2015 election and its re-run despite a Civic United Front boycott, and considerable international pressure to respect the October 2015 results, which may have given the victory to CUF.

In this section, we focus on the political relationships underpinning Zanzibar's place in the Union. These are not straightforward, and have built on occasionally competing interests within the state and the ruling party. We then examine how political control is wielded in Zanzibar, and the impact for management of economic rents, particularly with regard to cloves and tourism, but also the emerging petroleum sector. Finally, we consider political space for civil society in Zanzibar, which is considerably more restricted than in mainland Tanzania.

Zanzibar in the Union – constitutional and popular legitimacy

Zanzibar's place within Tanzania is not in line with its economic importance or population. Arguably, it rested initially on the pan-African ideals of the 1960s and 1970s and the vision of Julius Nyerere. A state within a state, Zanzibar enjoys considerable independence in managing its affairs, with its own constitution, executive, and parliament – privileges not enjoyed by mainland Tanzania. Certain issues of state are dealt with as a Union – 'Union matters'[9] as they are called in the Constitution – whereas Zanzibar retains its independence to manage other affairs. There is considerable ambiguity regarding key matters such as taxation, security and public service, and in the economic sphere, particularly in the emerging petroleum sector.

These constitutional arrangements do not necessarily reflect the legitimacy of the Union – as became apparent with the cancellation of the October 2015 election results, and the subsequent collapse of the Government of National Unity (GNU). Indeed, every election since the colonial era has been closely contested as well as contentious. Four elections were held between 1957 and 1963, all of which, according to the Zanzibar Electoral Commission, 'were characterized by tensions that at times escalated to disorder and conflicts' (ZEC undated). Post-colonial elections under the multi-party system from 1995 onwards have been similarly contentious. Until the elections of 2015 and 2016, each had been followed by structured talks. In 2010, this culminated in constitutional amendments that

9 Union matters are currently defined as follows: the Constitution itself; security, defence and policing; emergency powers; citizenship and immigration; external borrowing and trade; public service; corporate and personal income tax; currency, banking and foreign exchange; harbours, air transport, post and telecommunications; industrial licencing; higher education; civil aviation; mineral and petroleum resources; national examinations for primary and secondary school; research and statistics; meteorology; the Court of Appeal of the United Republic; and registration of political parties.

allowed for a Government of National Unity (GNU), whereby CUF could have a role in government for the first time (ZEC undated). The cancellation of the October 2015 election results overturned twenty years of reconciliation.

Zanzibar in the Union – political and economic dimensions

After 53 years of Union, a far more mundane set of interests has cemented the relationship with the mainland, ensuring the reproduction of a ruling elite based around the CCM. This has underwritten a political economy for Zanzibar distinct from that of the mainland, though sharing some of its unproductive characteristics.

Zanzibar is tied to the Union through the Constitution, but also through the representation given to Zanzibar within the CCM itself. As with its constitutional status, this is not reflective of population size or economy. Zanzibar has outsized representation within the party's governing structures: seven of 24 places on the Central Committee are specifically reserved for Zanzibar, with no limit on other places being filled by Zanzibar representatives; and of the 158 places on the party's National Executive Committee, 52 are reserved for representatives from Zanzibar *(Swahili Times* 2016). CCM overall must therefore respond to the interests of CCM Zanzibar, particularly as regards maintaining the Union.

While CCM Zanzibar stands fully behind the Union, there are many within the party and the administration in Zanzibar who favour greater political and economic autonomy. Most recently, this has been seen in the increased control of petroleum resources granted to Zanzibar after years of disagreement with mainland Tanzania.

However, CCM Zanzibar is dependent on support from the mainland to stay in power. This was particularly true in 2015 and 2016, when considerable police and military reinforcements were in place before the 2015 polls and into the following year. Union troops surrounded the count centre in the days running up to the cancellation of the October election results (ILPI 2016). Here it should be noted that there are several significant militias particular to Zanzibar.

Closer examination of economic interests and rents management reveals the deep fissures within CCM Zanzibar and can help to explain Zanzibar's constrained economic development. Bureaucratic and administrative structures are overly complicated, creating obstacles to business, investment, and accountability, as well as rent-creating opportunities. For instance, there are multiple avenues for taxation between both the Tanzania Revenue Authority and the Zanzibar Revenue Board (ILPI 2016).

Who benefits from such practices depends on which party faction is in power. This was evident when, in 2011, factions around Second Vice President Seif Ali Idd engineered an inquiry by the House of Representatives into several business and land deals, most of which implicated the family of former President Amani Karume, who had stepped down the previous year (BLW 2011). Interestingly, despite the detail with which the cases were presented, nobody was held accountable. It has been suggested that such processes are more about demonstrating who is in control, and that maintaining party unity and rule is more important than actually removing opponents.

The dominant sectors of the economy are export-oriented: clove production, centred mostly on Pemba, and tourism, primarily on the island of Unguja (both in the Zanzibar Archipelago). Accurate data on the economy are difficult to come by, and the political nature of rents control probably contributes to the inaccuracy of the data available. Clove production is dominated by opposition supporters on Pemba; tourism, by foreigner and Zanzibari elites linked predominately with the CCM. This adds further tensions to the political situation, as both sides have some control of significant rents. With cloves, farmer control (mostly CUF-leaning) is leavened by the position of the Zanzibar State Trading Corporation (ZSTC) as the sole official buyer.

Tourism has long been rumoured to be a site of grand corruption, particularly concerning access to land and control of permits. Unsurprisingly, the reports of the 2011 Select Committee highlighted several tourism- and land-related deals, providing at least partial evidence of the levels of corruption in the sector, and how tightly it is controlled by elites close to or within the CCM.

The emerging petroleum sector will be a significant new source of rents for CCM-connected elites who are likely to ensure the political loyalty of business interests. However, major investments are unlikely under the current legislative regime, as recently legislation is of dubious constitutional validity. This has not stopped initial exploration activity by Antrim Resources (Branson 2017), but is unlikely to lead to significant investment beyond initial seismic activities. Nevertheless, it will provide opportunities for creating rents through the establishment of new oversight institutions, and in the possible allocation of blocks to smaller firms with high risk tolerance.

Dissolution of the Union would sunder the political structures that have been built around these rents. That helps to explain the lengths to which the CCM in Zanzibar is determined to go in quashing opposition. Beyond the 2001 killings and the cancellation of the 2015 elections, there has been the removal of UAMSHO, a civil society organization with a strong Muslim basis that mobilized thousands in 2012 around a call for independence for Zanzibar (BRICS 2017).

Key risk areas

Zanzibar is likely to remain politically stable until the 2020 elections, the conduct and outcome of which will depend on the approach taken by CUF – or the possible but unlikely emergence of any other opposition grouping to fill the space left by UAMSHO. Further, constitutional reform Is unlikely, as it would not benefit President Magufuli's political agenda, and continued resistance from CCM Zanzibar.

5. State–private sector relations

This section examines productive sectors which would be central to economic transformation, and any subsequent re-setting of Tanzania's political economy – agriculture, extractive industries and the related energy sector. For agriculture, we examine available evidence on the policy towards key staple crops such as maize and rice, and cash crops such as maize and sugar. We argue that these sectors are managed primarily with a view to maintaining the current political settlement. For extractive industries, we find evidence of relatively advanced legislative frameworks and oversight institutions, particularly for petroleum. However, available evidence from the minerals sector indicates that the state's approach to the management of extractive industries has not sought broad inclusion in policy making, and in practice is characterized by short-term time horizons, and poor coordination.

The shift to a more state-led model of development has not meant that business interests have weakened. The state–capital relations that are emerging seem characterized by close ties between the state and domestic capital, whereas foreign capital may be facing a more difficult environment. Necessarily part of the ruling coalition, private-sector interests must now negotiate their role and their influence. Things will remain in flux for the remainder of President Magufuli's current term, but what is emerging is a state-led development model compatible with strong business influence and continuing close ties between the state and the private sector.

Energy

The Power Sector Master Plan 2016 Update (Ministry of Energy and Minerals 2016) proposes a power mix that by 2040 will sourced as follows: 35% coal, 40% natural gas, 20% hydro, and 5% renewables. The plan is ambitious. By 2020, installed capacity is to have doubled, with approximately 20% of that expected to be generated from coal, up from zero at present.

Achieving these ambitious short-term targets involves three key challenges. Firstly, no progress has been made with reform of the electricity utility TANESCO. Secondly, TANESCO's crippling debt hinders investment by both the state and the private sector in power generation. Finally, the centralization of decision-making in State House continues to undermine planning, creating real risks for TANESCO and the wider energy sector.

A reform agenda for TANESCO was agreed under the 'Big Results Now' initiative by President Kikwete. This envisaged initially ring-fencing the company's generation, transmission and distribution units, alongside a reform of tariffs to reflect costs. A second phase envisaged the unbundling of the unit for generation, transmission, and distribution into three separate companies, and significant reduction of debt. By 2020 the three companies were to be competing with private-sector providers, and government subsidies would end (ILPI 2014).

The ambitious reform agenda has made little progress – the major stumbling block being the arrears owed to suppliers, including Independent Power Producers. Despite two tranches of World Bank support for dealing with costs, tariffs and debts, the utility's debt had ballooned from US$274 million in 2013 to US$490 million by 2016 (World Bank, 2016).

The final key challenge facing the energy sector is the centralization of decision-making in State House, its increasingly erratic and unpredictable nature, as well as challenges in implementing decisions due to the competing interests affecting officials in state agencies – 'weak technocratic integrity' (Kelsall and Cooksey 2011).

The unpredictability of State House decision-making is evident in the decisions to fast-track the Stiegler's Gorge hydropower project, and to block a proposed revision of the tariff structure. The Stiegler's Gorge decision, announced in June 2017 would see an extra 2,100MW generated well before 2036, as envisaged in the Power Sector Master Plan. Although this is the type of mega-project that President Magufuli prefers to associate himself with, it is likely to be stymied by TANESCO's crippling debt burden, and under-capitalized infrastructure.

Private investment in the form of Independent Power Producers, while held back by TANESCO's debts, has also been frustrated by reluctance to private-sector investment. This was clear in the March 2016 decision to discontinue a contract for a 120MW plant in Dar es Salaam operated by Symbion Power. The case is now before the International Centre for the Settlement of Investment Disputes.

Extractive Industries

With both petroleum production and a significant and well-established gold mining industry, Tanzania has East Africa's most developed extractive industries sector. Both sub-sectors have been the site of repeated legislative reform. The gold mining industry blossomed due to reforms introduced under the administration of President Benjamin Mkapa (1995–2005). There were further reforms under President Kikwete, including specific commitments to transparency. Mining legislation was overhauled in 2010 with the passing of the Mining Act 2010. Five years later, critical legislation in petroleum was also passed, governing sector management, revenue management, and transparency.[10] However, 2017 saw the sector turned upside-down with the passage of three pieces of legislation that alter the investment environment significantly. These followed two *ad hoc* committees of inquiry established by President Magufuli to examine the export of gold/copper concentrates by Acacia Mining, and the fiscal framework governing the gold sector more generally.

The three bills were published on 29 June and passed by 5 July. The Written Laws (Miscellaneous Amendments) Act 2017 focused mostly on the Mining Act 2010, as well as legislation covering income tax, valued added tax, and insurance. The two new bills were the Natural Wealth and Resources (Permanent Sovereignty) Bill 2017, and the Natural Wealth and Resources (Review and Re-Negotiation of Unconscionable Terms) Bill 2017. Like the Mining Acts of 1998 and 2010, and the Petroleum Act of 2015, they were passed under certificates of urgency, i.e. adopted after only one reading.

Though it has just 12 sections, the Natural Wealth and Resources (Permanent Sovereignty) Bill underpins the both the contracts re-negotiation bill and the amendments bill. It reiterates that the country's natural resources belong to the people, to be managed by the government, and that natural resources are held in trust by the President. It allows for parliamentary review of contracts, mandatory state interest in projects, banking of revenues and re-investment of profits in Tanzania. The concept of Permanent Sovereignty is central, as it provides the justification for removing stabilization clauses.

Proposals in the even shorter second bill for the re-negotiation of contracts goes much further than parliamentary review of new contracts, by allowing all natural-resources contracts, including those already in place, to be reviewed by the National Assembly. All future contracts, once signed, must be submitted to the National Assembly within six sitting days for review. Any recommendations for re-negotiation made by the National Assembly must be followed up, with the investor to be given 30 days' notice, and negotiations to last for 90 days with an extension option. If the investor refuses to negotiate, or agreement cannot be reached, the terms in question will be removed from the contract. Procedures for review of existing contracts will depend on amendments

10 Three acts were passed in 2015 under certificates of urgency: the Petroleum Act 2015, Oil and Gas Revenues Management Act 2015, and the Tanzania Extractive Industries Transparency Act.

to the National Assembly's Standing Orders, yet to be developed.

The amendments were targeted mainly at the mining industry, and drew heavily on the reports of the two committees. The Written Laws (Miscellaneous Amendments) Bill 2017 contains much contentious detail, mostly though not aimed exclusively at mining. It centralizes control of the sector under the presidency. The wide discretionary powers of the Minister for Energy and Minerals have been removed. From now the minister is to act mainly on the advice of the new Mining Commission. This will have a board and executive appointed by the President and will have responsibility for health and safety, environmental audits, and audit of minerals production – in effect, scrapping the Tanzania Minerals Audit Agency. Still to be clarified is where its responsibilities begin, and those of the Occupational Safety and Health Authority and the National Environmental Management Council end.

The Written Laws Bill provides for much greater control of minerals, with all minerals and gemstones having to be transferred to a Government Minerals Warehouse for sorting and valuation. There is no mention of company involvement in valuation for royalty purposes. Given the mistrust between companies and government over the sampling of the concentrates containers, this will be a concern.

Proposals for state ownership, and stabilization clauses, apply only to mining but have caused alarm in the petroleum sector also. Firstly, it is proposed that the state be given 16% free carried interest in any mining licence or special mining licence. Secondly, there is an option for the state to increase its interest up to 50% 'commensurate with the total tax expenditures incurred by the government in favour of the mining company.'

Both mining and petroleum are critical to the industrialization ambitions of the current administration, given their backward and forward linkages and their potential to boost fiscal revenues. They are arguably also sources of considerable rents to the state, and to political and bureaucratic elites (Jacob 2017). The Power System Master Plan envisages the share of coal in electricity generation moving from zero to 35% in the next forty years. Four coal generation plants are proposed, generating 1,800MW by 2025. For natural gas an increase in generation capacity of over 490% is envisaged (United Republic of Tanzania 2016a). Natural gas is also expected to serve as a feedstock for various industrial uses, including Compressed Natural Gas, and fertilizer production.[11]

Coal

The Tanzanian state clearly has high ambitions for coal. This is reflected in the electricity generation targets, and in the recent ban on imports of coal to encourage domestic production. Coal also has a history of resource management, indicative of corruption, and a lack of clarity of responsibilities. Increasing participation of the state and Tanzanians is a high-level objective of national mineral policy (United Republic of Tanzania 2009).

Kiwira was the country's first coal mine. Production was started by the State Mining Company (STAMICO) in 1989 following five years of development, producing coal for a 6MW power station. In 2005, the mine was privatized, with 70% of the shares sold to Tanpower Resources, a firm controlled by the family of then President Benjamin Mkapa, and the Minister for Energy and Minerals at the time, Daniel Yona.[12] It is not known if full payment of the TZS700 million sale price was ever made. Soon afterwards, Tanpower Resources increased its share to 85%. A deal was later struck with TANESCO for the development of a 200MW power station, which never materialized (StAR undated). The divestment process was described by the Controller and Auditor General as 'government interference in corporate mandates' (Controller and Auditor General, 2016). In 2009, Kiwira was brought back into state ownership; but three years later, the plant was mothballed, and all staff laid off (Platts 2012). By 2016, STAMICO had plans for expanding the mine, but has yet to find an investor.

11 Ambitions for coal-fired power reflect a trend across the African continent, although it runs counter to global trends (Jacob 2017).

12 http://star.worldbank.org/corruption-cases/node/18748

The only operational mine has also had its difficulties. Ngaka Thermal Coal Project is a project of Tancoal Ltd, a joint venture between the Australian firm Intra Energy Corporation, with 70%, and the National Development Corporation (NDC), with 30%. An exploration licence was originally granted in 2007 to Atomic Resources (the name was changed four years later to Intra Energy). In 2011, it was granted a mining licence, which allowed for small-scale production for supply to industry.

In 2016 came a directive from the Ministry of Energy and Minerals banning all imports of coal. The ban mostly affected cement producers. The ban has had several consequences, unintended or not. Firstly, it has potentially undermined a joint venture with state participation in a strategic sector. Secondly, the award of a mining licence to Dangote Industries is clearly anti-competitive. It gives the firm a clear advantage by ensuring its energy supply, and giving it control over a key resource for competitors. Such behaviour is not unusual in strategic industries. Indeed, in frontier economies, companies in strategic sectors are advised to act as 'powerbrokers', although this is recognized as a strategy that will direct rents to 'government or privileged interests' (Musacchio 2016) – the 'ruling elite factions and state bureaucrats' (Jacob 2017).

Kelsall and Cooksey (2011) sought to assess this through examining the 'technocratic integrity' of the bureaucracy of the mining sector. This they judged to be weak: 'senior positions in the bureaucracy are increasingly placements by the political leadership, and that to varying degrees, bureaucrats carry out the politicians' rent-related orders, or allow themselves to be sidelined over major issues of policy, procurement, or regulation' (Kelsall and Cooksey 2011, 35). Arguably, this is what was seen in the case of the allocation of part of the Ngaka mining licence to Dangote Industries – a decision that side-lined the bureaucracy in issues of policy, procurement, and regulation. This illustrates the issue of technocratic integrity, and the difficulty in ensuring that decisions taken centrally can be implemented through competing bureaucratic and commercial interests.

Petroleum

Compared to coal, the petroleum sector is much further developed. As a producer since the 1990s, Tanzania has a reasonably well developed legal and institutional framework, which has remained under development following new legislation introduced in 2015. As with coal, the petroleum sector is managed through the Ministry of Energy and Minerals (MEM), and is therefore subject to the vagaries of political interference noted above. As regards political corruption, MEM has been the site of some of the country's most highly profiled cases, as well as some less-known ones. Of the last seven ministers, five have been implicated in corrupt practices; two permanent secretaries – Daniel Jairo, who served until 2011, and Eliakim Maswi, who succeeded him for three years – both had to step down for their involvement in corrupt practices (ILPI 2014). Development of the sector has been slow, impeded by a combination of questionable rents management and poorly coordinated policy and decisionmaking processes. These factors have prevented the sector from benefiting from positive market conditions, and have also hindered individual project progress – a pattern of behaviour likely to be reflected in efforts to use natural gas to underpin the current administration's industrialization ambitions.

MEM is responsible for a wide range of institutions and sub-sectors, from artisanal mining to power generation, transmission and distribution. That makes it problematic that MEM is an insular agency that has been uninterested in joint planning or coordination with other ministries. Examples of this in petroleum include the power struggle with the Chief Secretary over control of the sector (ILPI 2014), and disagreements over control of the National Negotiating Team (NNT) between MEM and the Uongozi Institute. [13] Our case study illustrates this continuing lack of coordination. A state investment in a coal mine was undermined, after previously enjoying the benefits of protection, while regulatory authority of EWURA was bypassed by direct negotiations between TPDC and Dangote.

13 Personal communication, donor official.

Case Study – gas, coal and industrialization

The case of Dangote Industries efforts to ensure a power supply for its Mtwara cement plant shows the systemic problems of poor coordination, limited administrative capacity in sectors that are developing fast, and a willingness to ignore regulations. These issues are not new, and illustrate how such fundamental issues allow the reproduction of a political economy that can facilitate exploitation by political and bureaucratic elites, while allocating resources in probably inefficient ways that do not necessarily reflect the political imperatives surrounding a given project.

In October 2016, Dangote Industries complained about TPDC's failure to supply natural gas to their Mtwara cement factory, as well as the ban on coal imports, which they claimed had seen the price of coal rise considerably, and its quality fall. Country manager Harpreet Dugal claimed to have first raised it with a CCM delegation, who advised him to raise it with the Regional Commissioner. In a public response, the Minister for Energy and Minerals accused Dangote of not taking the issue to the Cement and Gypsum Committee, an *ad hoc* forum established for managing coal supplies after the imposition of the import ban, composed of ministry officials, cement and gypsum producers, and Tancoal, the only domestic coal supplier. The main issue was the natural gas price – a matter to be determined by the Energy and Water Utilities Regulatory Authority (EWURA), though the final contract would be between Dangote Industries and TPDC.

By late November, Dangote Industries had suspended production, for technical reasons they said, although it was widely seen as a protest in a public spat involving the Ministry, TPDC, and Dangote Industries, over the price of gas. However, a price could only be agreed if regulations were ignored. The Natural Gas Pricing Regulations had been finalized by EWURA only in October and the consultative process for setting the price was not to start until late December, and by March 2017 was not yet complete.

A summit between Aliko Dangote and President Magufuli in December seemingly brought a resolution, with commitments given to have a natural gas deal agreed by January 2017. After the meeting, President Magufuli blamed the delay on corrupt officials who had been trying to set up a gas to power deal with a Mauritius-registered company called Aqua Power, which would then supply Dangote. By March, presidential intervention was again needed; and, in Aliko Dangote's presence at the cement factory, he promised that a natural gas deal would be struck within a week. He warned Mr Dangote against dealing with firms such as Aqua Power, but to deal only with TPDC directly.[14] He also ordered the Minister to ensure that Dangote would be allocated land for a coal mine at Ngaka, the site of Tancoal's Ngaka project. Both promises were fulfilled on time. By the deadlines, Dangote Industries had been allocated part of the Tancoal tenements, and a deal to supply natural gas was agreed with TPDC

Yet by October 2017, Aqua Power was again poised to provide power to Dangote, through Turbine Tech Ltd, a Tanzanian company owned 99.9% by Aqua Power, itself registered in the tax haven of Mauritius.[15]

14 YouTube, 'RAIS MAGUFULI NA DANGOTE WAKUTANA IKULU', uploaded 10 December 2016, accessed 20 October 2017.

15 Information on ownership from a notice from the Electricity and Water Utilities Regulatory Authority (EWURA), published in daily newspapers, 8 August 2017.

Such actions are not new. The first petroleum-producing field in East Africa, Songo Songo, some 15km off the Tanzanian mainland, was delayed in the 1990s due to sustained efforts to favour a Malaysian proposal for diesel-fired turbines led by the firm IPTL. This project came on-stream in 2002, amidst allegations of bribery of officials, overpricing, and non-delivery of agreed turbines, and markedly quicker than Songas (Cooksey 2002). Not all investments in power have been subject to such rigorous investigation. IPTL is an exception, with strongly substantiated allegations of grand corruption surfacing again in 2013 following the sale of the firm to Pan African Power Ltd (PAP), and the controversial release of funds to PAP, funds that had been held in escrow pending the resolution of a pricing dispute with TANESCO.

Evidence from Dangote indicates that lack of coordination may be instrumental, allowing rents to be identified, isolated, and captured. Given the history of decisions over domestic utilization of petroleum resources, and how that intersects with industrialization ambitions, such practices can be expected to continue, despite the current government's headline focus on corruption.

For Norway, the impacts will be felt most acutely in the development of Tanzania's offshore natural gas fields, and their monetization through the development of a Liquefied Natural Gas (LNG) plant. International companies like Statoil, Shell, Exxon, Ophir and others face unfavourable market conditions, and an increasingly resource-nationalistic policy environment. Falling LNG prices, particularly in Asia, make for a project that is likely to be low margin at best (Scurfield 2017). Legislation allowing for the renegotiation of natural resources contracts deemed 'unconsciable' has made this difficult investment environment systemically unstable – inquiries into whether contract terms are unacceptable can now be initiated by the National Assembly rather than the Petroleum Upstream Regulatory Authority (PURA) or the Ministry of Energy.

Little progress has been made in negotiating a Host Government Agreement, which will determine ownership structures, and fiscal regime for the project. Negotiations began in January 2017 (Scurfield 2017), after a rare intervention in the project by President Magufuil. Tanzania has ambitious plans for the domestic use of natural gas, as well as regional exports – but joint venture partners, and potential investors, are likely to give priority to an LNG project with ring-fenced fiscal terms.

Little progress can be expected before the next general elections in 2020. The East Africa Crude Oil Pipeline is a priority project which will absorb the limited time of the country's small cadre of petroleum professionals. Ensuring significant progress before 2020 will have much greater priority than agreeing terms on the LNG project.

Agriculture

Though it accounts for up to 80% of the workforce, agriculture remains stubbornly unproductive. With sector growth of approximately 3%, it just matches population growth, far behind GDP growth of 7%. Poverty in Tanzania is rural, borne disproportionately by those depending on farming, fisheries, and livestock (DfID 2016). Its centrality to the lives of Tanzanians makes understanding how interests are configured in this sector important. Here we give an overview of research on the relative influence of certain interest groups – farmers themselves, commodity importers and investors. It is in rural areas that the impact of the country's political settlement is most acutely felt. The recent history of the sugar sector, and the management of fertilizer subsidy scheme, show how a statist approach reflects the political settlement, with unfortunate consequences for sector efficiency and farm development. These experiences are valid cause for concern about the recent introduction of a bulk procurement system for fertilizer imports – a decision that affects Norwegian commercial interests considerably.

Cooksey (2012) notes the increasing influence of private sector interests on agricultural policy post-liberalization, and argues that this has given rise to 'an unstable alliance of private and public interest groups practising competitive patronage around the ruling party and the presidency'. Parallel to this, and perhaps an expression of it, competitive electoral politics has not led to political representation working to address the needs of rural constituencies – but rather to the consolidation of relationships between business and political elites, underwritten by the transfer of resources to district authorities, including support to agriculture (e.g. through fertilizer subsidies), creating new rents at the district level. Controller and Auditor General reports have repeatedly revealed systemic abuse and mismanagement of agriculture input vouchers (Cooksey 2012; CAG 2010, 2011, 2012, 2015).

If agricultural policy does not serve the interests of ordinary farmers, there may be space for aligning incentives, rewards, and penalties in such a way that they encourage productive investment that is significant and transformative, while supporting farmers' livelihoods. This is the best outcome from the current focus on attracting investment in agricultural production and processing throughout-grower schemes, a strategy characteristic of the Southern Agricultural Growth Corridor of Tanzania (SAGCOT). However, when such an approach encounters the reality of competing interests at local level, the developmental impacts are questionable, and at times undermined. Cadogan (2016) has voiced concern at the lack of focus on smallholders' real interests when such projects come into contact with ambiguous land management practices and unequal gender relations. He also identifies weaknesses in long-established sugar schemes, such as Kilombero, citing problems with payments to farmers' groups, as well as governance issues within those groups. In this way, a similar set of political economy issues that make for unproductive relations between rural communities and public representatives, as described by Cooksey (2012), may also undermine larger interventions.

Sugar is a well-established industry with few players, reliance on a domestic market, and a structural deficit that has created significant rents. Responses to rent-seeking in the sugarcane sector show that even when producers and processors are well organized, criminal practices can continue to hold back a key industry.

The granting of tax-exempt import licences to certain traders, has effectively created rent and criminal opportunities for sugar smugglers and industrial-use importers. Consequently, the industry has been troubled by competition in the domestic market from sugar imported with tax exemptions, smuggled sugar, and the diversion of sugar imported for industrial use to the retail market (PLAAS 2015). 'This problem is known to start at the highest levels of leadership,' according to the proprietor of Mtibwa Sugar Ltd, Seif Seif, in December 2014. He was speaking in the context of hearings of the National Assembly's Public Accounts Committee (PAC) on the issue. PAC Chairman at the time, Zitto Kabwe, described rent-seeking in the sugar sector as being 'bigger than escrow [the IPTL escrow account scandal] in how it touches producers, factory owners and production levels' (Kaminyoge 2014). Tax exemptions on imports of sugar alone have an estimated value of TZS 200 billion (c. £60 million) (Kabwe 2015b).

In view of the state's stakes in the industry, the issuance in the past of tax exemptions to sugar importers was perhaps surprising, but logical where a short-term planning horizon is used with a bias towards ensuring that benefits stay with politically connected elites and not the mostly foreign owned processors. The response in 2016 – to ban imports, commit to removing import exemptions, and to fix prices – caused panic in sugar markets, with the state forced to import and distribute to the regions. Such a short-term intervention is not atypical of Tanzania's political economy.

In line with the current statist approach to the economy, significant public investment is planned in the sugar sector. Two public pension funds – the National Social Security Fund and the PPF Pension Funds – are the lead investors in the planned Mkulazi sugar plantation and processing factory, having invested TZS 2 billion shillings in the project. NSSF in particular has a known track record of corruption and close relationships with politicians.[16] Private-sector investments are

16 Iqbal deal; Makamba

also planned, including from METL, a firm that has previously benefited from its relationship with the state, as noted above The persistence of the symbiotic relationship between the state and the private sector in agriculture is also seen in the flagship tractor importation schemes of Kilimo Kwanza under the previous administration, which involved the military and well-placed commercial agents (Cadogan 2015; Africa Asia Confidential 2010).[17]

The case of sugar illustrates the fragility of parliamentary oversight, even when those affected have access to parliamentary processes (Kabwe 2015a). Though the PAC energetically pursued the issue, consulting both outgrowers and companies, within three months the PAC chairman, Zitto Kabwe, was expelled from his own party, and had to focus on saving his political career.

Such 'an unstable alliance of private and public interest groups practising competitive patronage around the ruling party and the presidency' (Cooksey 2012), may be emerging with the management of the fertilizer market. While a system for the bulk procurement of fertilizer imports was introduced in 2017, via regulations for the Fertilizer Act 2009, there are also plans for a significant fertilizer factory in the Lindi Region, using natural gas as feedstock. In examining fertilizer, issues of policy coordination arise on the government side, as well as concerns over probity in the award of procurement contracts. As to development partners, there are issues of competing commercial interests that do not necessarily contribute to coherent policy outcomes.

The 2017 regulations give the Tanzania Fertilizer Authority responsibility for managing a bulk procurement system for imports, as well as setting guide prices, for regions and districts. Imports of fertilizer outside of this system are not allowed (United Republic of Tanzania, 2017). The system works through the annual award of fertilizer import rights through a competitive tender awarded by the Tanzania Fertilizer Authority. The tender amounts are based on predicted demand for the coming financial year, with flexibility of 20%. Imports are to be based on aggregated demand from agro-dealers and distributors. The latter are required to pay for their share in advance, with heavy penalties facing those who are unable to do so, or are delayed. This is a change from the previous system of operating with approved fertilizer importers. Prior to the new procurement system, there were 20 such importers, with Yara, Premium Agro Chem, and Export Trading Group accounting for over 70% of imports (Ministry of Industry and Trade 2017). The government's stated aim is for bulk procurement to bring prices down, but a 2017 joint Food and Agriculture Organisation and International Centre for Fertilizer Development study casts doubts on this.[18]

The first award of tenders for FY2017–2018 allocated *all* imports to just two importers: Premium Agro Chem, now joined by a new market entrant, Morocco's OCP Group. The OCP Group, though a limited company, is owned by the state, and is believed to be strongly influenced by Morocco's King Mohammed VI. The decision was clearly linked to the monarch's state visit to Tanzania in October 2016, when a Memorandum of Understanding was signed between the OCP Group and the state-owned Tanzania Fertilizer Company for imports, as well as R&D support. The timing of the regulations, just four months later, and the fact that they were drawn up without consultation with existing market actors, gave rise to serious concern among other market actors as to whether the regulations were drawn up in good faith, and the tender process transparently managed.

There is also an issue of policy coordination on both the government side and the donor side. Parallel to the Ministry of Agriculture developing a bulk procurement system, the Ministry of Energy and Minerals has been in talks with an international consortium for the construction of a fertilizer plant in Southern Tanzania. The plant

17 One of the agents, Jeetu Patel, is on trial for his involvement in the EPA fraud at Bank of Tanzania, a case that is still moving slowly through the court system.

18 Interview, aid agency official, 31 October 2017.

is expected to have an annual production capacity of over MT 1.3 million.

The plant is backed by investors from Germany, Denmark and Pakistan. Germany and Denmark are, along with Norway, significant development partners to Tanzania. Although this is clearly a project that will affect the bulk procurement system, it has never been a topic of discussion at the Agriculture Working Group (AWG), which brings together development partners and government. Norway, Denmark, and Germany all participate in this group.

Key risks and opportunities

The legitimate policy focus on state participation is hindered by poorly coordinated management, with the Ministry of Energy and Minerals being a particularly poor example – a characteristic probably not unrelated to the scale of the rents under its control. This seems likely to continue, but may be an area where considerable impact can be achieved. One example of progress is the Legal Support Group, a coordination body established with Norwegian support to involve a wider range of public bodies in the policymaking process for petroleum (NORAD 2015).

Development of the petroleum sector, particularly midstream natural gas, is challenged by variable institutional development. There has been positive development of legislation and institutions for upstream petroleum, and for revenue management, where Norwegian support has often been critical. However, legislation passed in 2017 has significantly destabilized the investment environment. For Norway, this jeopardizes the LNG project. While negotiation of the project will be in the hands of the joint venture partners, Norwegian political and diplomatic support is likely to be called on at critical junctures. Less progress is evident in planning for midstream and downstream investments, which are far more vulnerable to the vagaries of the domestic political economy.

Corruption remains a major risk. There is a long history of corruption in the energy sector, with nothing to indicate that the underlying conditions that gave rise to it have changed, despite the anti-corruption focus of the current administration. This we conclude on the basis of the limited action that has been taken against anyone in the state or private sector involved in the original IPTL power-purchase agreement, and following the parliamentary inquiry into the sale of IPTL to PanAfrican Power Ltd. A further cause for concern is the apparent weakening of oversight bodies.

We do not want to predict the future direction of state/private sector relations. The current administration's anti-corruption rhetoric and statist approach to economic policy may weaken the private sector's ability to capture the state. On the other hand, if the process of changing to a state-led model is itself captured by private-sector interests and related factions in the state, that could strengthen private-sector oligarchs, further reinforcing factionalism at the expense of overall state control. Research by Cooksey (2012) and Gray (2015) suggests the second scenario.

6. Civil Society

Associational life in Tanzania has a rich history, dating back to the colonial period, varying in strength. The priority given to state building from independence up to the 1980s saw civic space reduced considerably if not completely. Following liberalization in the 1980s, civil society has become omnipresent and varied, although its influence and effectiveness has been questionable.

The Tanganyika National Union (TANU) had its roots in the African Association, founded in 1929. It dominated associational life with branches nationwide (Lange 2009). The labour movement too was strong during the colonial era. The Tanzania Federation of Labour (TFL) was born in 1955, and worked closely with TANU in the independence movement (Tripp 1997). In rural areas, TANU worked closely with cooperative unions. The party's women's wing was grafted onto autonomous women's dance societies – not the first example of party resistance to women's autonomy. Similarly, in Zanzibar, the Afro-Shirazi Party, as well as its competitors, had its roots in civil society organizations (CSOs) established under colonialism. Such close collaboration in the independence movement enabled the later restriction of CSOs through co-opting, restriction of activities, and outright banning.

By 1976, mass organization and representation was a matter for the ruling party, whether through affiliated organizations or through party wings for women, youth, and parents. The TFL was among the first to go, banned in 1964 for alleged involvement in a coup plot, and replaced with the party-affiliated National Union of Tanganyika Workers. Similarly, by 1976 the cooperative movement was placed under the party-affiliated Union of Cooperative Societies (Tripp 1997; Lange 2000).

Economic pressures in the 1980s saw the re-emergence of civil society. Traditional healers were allowed to organize, and faith groups as well as NGOs were called on in 1986 to shore up social services. Hometown development associations also began to spring up (Lange 2001).

The post-Cold War global growth of civil society was also reflected in Tanzania in the 1990s. By 2000, there were 8,499 registered NGOs, as against 224 in 1993 – a 38-fold increase (Lange 2006). The range was great – from District Development Trusts and religious organizations, to umbrella groups and youth groups. Most of these were engaged in service delivery, but there were notable examples of organizations that sought to use the emerging spaces politically, such as HakiElimu, and HakiArdhi, focusing on education and land issues, respectively. The country's foremost feminist organization, the Tanzania Gender Network Programme (TGNP) was also formed at this time. The international community had some influence in this development. The obligatory, and comprehensive, consultations with civil society and communities in drawing up Tanzania's first Poverty Reduction Support Programme (PRSP) normalized the involvement of civil society in policy development.

However, boundaries have always been in place, and civil society space has always been granted, not taken. The National Women's Council (known by its Swahili acronym, BAWATA), founded in 1994 was banned in 1997 (Maina 1999). Despite the economic opportunities then opening up for women, it was not acceptable to address the inequalities that excluded in ways that threatened the ruling party.

The crushing of BAWATA took place parallel to the establishment of the Tanzania Gender

Network Programme (TGNP), an organization founded on transformative feminist theory. Since 1993, TGNP has thrived.rguably this is because it has chosen to work on addressing practical gender needs. One notable aspect of the constitutional review process was that crucial civil society support for the draft that was finally approved by the Constituent Assembly came from NGOs and individuals working on gender issues. The draft was welcomed by Women Fund Tanzania, as well as the Tanzania Media Women's Association (TAMWA), and a former director of TGNP and prominent gender activist, Usu Mallya (Mushi 2014), due largely to its very strong statements regarding women's land rights.

This use of the constitutional review process to make headline progress on gender issues, without addressing fundamental gender inequalities, typifies how the issue has been addressed since independence. The party has provided formal channels for women's involvement through the ruling party's women's wing, *Umoja wa Wanawake Tanzania*, whereas constitutional provision for women's representation – only through formal party structures – ensures women's visibility in public representation.

Ironically, it may have been the fundamental economic shifts of the 1980s and 1990s that precipitated the recent activist focus on practical needs. The reforms led to much greater involvement of women in the informal sector, sometimes with considerable success (Trip 1997). However, the transformation that this brought to women's lives was not matched by any significant re-shaping of gender relations that would address the country's significant gender inequalities. Organizations such as Equality for Growth, a Dar es Salaam-based NGO that works with women market traders, try to work on leadership issues, but the focus is for the most part on practical business issues (KPMG, 2016).

The reforms of the 1990s, particularly the Nyalali Commission, opened up space for vocational and professional organizations. The legal reform recommendations of the Commission gave organized professions a ready-made reform agenda that was taken up by the Law Society of Tanganyika, journalists and academics. This may have marked the beginning of the struggle for media freedom, when journalists resisted efforts to bring in a restrictive Media Professions Regulation Act (Tripp, 1997), and that has continued to this day, though less successfully.

Institutional changes, particularly between 2005 and 2010, also opened up spaces for civil society. President Jakaya Kikwete's first term saw significant reforms of oversight institutions. Revised Standing Orders gave increased powers to Parliament. This led directly to the investigation of the Richmond emergency power procurement scandal, and the resignation of Prime Minister Edward Lowassa. The National Audit Office was strengthened through the greater independence and powers granted to it under the Public Audit Act 2008, and the leadership of a strong-willed Controller and Auditor General.

However, the impact of these openings has been limited: indeed, they have been somewhat reversed, possibly in response to the role of the National Assembly and the media in exposing the grand corruption that underpinned the political settlement. The combination of continued grand corruption, as in the IPTL escrow account case, and CCM-internal political struggles that culminated in Lowassa's defecting to the opposition, showed how a political settlement reached in the 1990s, combined with diffuse corruption and limitations to how it was controlled politically (Cooksey 2011), came to weaken CCM hegemony – as reflected in the 2015 polls and President Magufuli's 58% share of the vote, the lowest ever for the party.

Tanzania's commitment to international norms of governance and accountability has also tailed off in recent years, leaving less and less room for donors to leverage improvements in accountability and anti-corruption. The highpoint was probably reached in the 1990s and early 2000s. By President Kikwete's second term, and now into the first term of President Magufuli, these have become less salient, and have not succeeded in opening up space for civil society in the same way that PRSP processes did in the 1990s. President Kikwete's personal commitment to the Extractive Industries Transparency Initiative (EITI – Tanzania joined in 2009) and the Open Government Partnership (OGP – joined in 2011) were not matched by transformative achievements. Of sixteen commitments in the country's OGP Plan, fourteen are behind schedule, and none of those have been classed by OGP as potentially 'transformative' in their impact. EITI has fared little better. It has been without a Chairman since July 2016, perhaps indicating its low importance under the current administration.

Underpinning civil society's lack of dynamism is a fear of overstepping boundaries. As one informant explained, there is 'the feeling of 1984. You can't speak out.' CSOs and activists are faced with either avoiding potentially controversial issues such as extractive industries, or taking a more technocratic approach in support of public services. The White Ribbon Alliance's work on budgeting for maternal health is an example of the type of politically acceptable activity that can be undertaken, although success will ultimately be determined by the efficiency of government (Bofin 2015). Civic action beyond that, like the protests and demonstrations against the Mtwara–Dar es Salaam pipeline in 2013, will be met by uncompromising state reaction (Oxfam 2013).

NGOs and activists operating in areas outside the comfort zone of government and mainstream civil society face particular risks. Investigation of sensitive investments is widely known to evoke significant state backlash. Recently, LGBT people and activists have been the target of demeaning public rhetoric from a Deputy Health Minister, with withdrawal of critical health services (Tremblay 2016; Honan 2017; Green 2017), and illegal detention for contemplating court action (van der Zee, 2017).

One aspect of the use of civil society approaches to encouraging change is the increased organized advocacy of the private sector. The most high-profile private-sector lobbying and advocacy activities are undertaken by the private sector. Through the donor-funded BEST-Dialogue programme, sectoral and national representative bodies have received support to lobbying for an improved business environment. Predictably, there has been a clamp-down on non-mainstream private-sector advocacy. One example concerns the Jumuiya ya Wafanyabiashara (Businesspersons' Association), whose chairman, Johnson Minja, was taken to court in 2015 for encouraging taxpayer strikes in protest against the rollout of Electronic Fiscal Devices by the Tanzania Revenue Authority.

Key risks and opportunities

Civil society space is unquestionably shrinking. Over the next two to three years we can expect a continued low level of advocacy work by the Tanzanian NGO sector, dominated by activists close to the regime that choose to focus on non-controversial topics.

The challenge for donors wishing to support independent voices will be to identify and support individuals, organizations, and movements willing to voice critical demands for accountability around key areas of the government's agenda – anti-corruption, industrialization, and administrative reform – as well as non-mainstream issues such as LGBT rights. Support to either will entail risks to in-country donors – but, without external donor support (financial or moral), challenging civil society activism is unlikely to be a feature of the landscape under the current administration.

7. International relations

Development relations are becoming a sub-set of foreign relations much more clearly now than in the recent past. Accordingly, traditional development partners find themselves in an increasingly complex space shaped by the growing importance of South-to-South investment and aid relations, and distrust of traditional development partners. Some of the old challenges remain, such as Tanzania's position within both the East African Community (EAC) and the Southern African Development Community (SADC). New problems have also emerged, such as Violent Extremism, and organized crime. Here we consider how new international financing arrangements, ongoing regional relations, and new challenges of transnational crime and extremism may affect the political settlement in Tanzania.

Financing and investment

The current administration's budget targets, predicated on the industrialization agenda, are extremely ambitious and will require new sources of financing as donors move away from General Budget Support. The budget for 2016/17 was over one third higher than the previous year's estimates, and estimates for 2017/2018 are even higher. This has brought greater interest in commercial borrowing, both internationally and domestically, and increased pressure on domestic revenue collection. Industrialization commitments have led to re-orientation of domestic investment funds, such as pension funds, increased borrowing from non-traditional sources, and heightened South-to-South investments.

South-to-South investment flows are becoming increasingly important (Patey 2014). Examples in Tanzania include the Dangote Industries investment in Mtwara (Pedersen and Kweka 2017), and Chinese investment in coal mining (Jacob 2017). Sometimes the investments follow the financing, as with the involvement of the China Petroleum Pipeline Bureau in the construction of the Mtwara–Dar es Salaam natural gas pipeline.

Pedersen and Kweka (2017) provide evidence indicating that investments from the Global South can more readily accommodate the ambiguities in legal frameworks governing investments, such as land acquisition; they suggest that the political connections of the firm's representative may have contributed to this. This same probably applies to environmental and labour issues. We have noted similar issues above with regard to the Dangote investment, even in the apparent attempts to counter corruption in the supply of power to the factory. An increase in such investments may serve to underpin relationships between the business and political spheres that are not conducive to inclusive growth, and are open to the risk of corruption.

Ambitions of raising significant financing on world markets have not been successful. Tanzania has failed to achieve a credit rating that allows it to issue Eurobonds, as it has been trying to do since at least 2010. Increased commercial financing should lead to greater centralization of control of public finances in the Ministry of Finance. In theory, this should lead to better rents management (Cooksey 2011). Magufuli's willingness to address corruption indicates that incidents like corruption surrounding the brokering of US$600 million through Stanbic Bank in 2013 are now less likely.

Relations with the donor community

Aid flows to Tanzania have been in decline for some years, measured as a proportion of government expenditure. The 2015/2016 budget was financed by grants and concessional loans to the equivalent of 1.4% of GPD. As recently as 2013/2014, the figure had been over two and a half times that level, at 3.8% (World Bank 2017). By 2015/2016, aid was financing just 7% of the government budget, as against 44% in 2004/2005 (World Bank 2017; DPG 2017).

Influence through policy dialogue has also been in decline as the ambitions of General Budget Support were not met. Most aid now flows through off-budget individual projects, or through programme support agreed with government for specific sectors and which forms part of the annual budget. This peaked with agreement on the Joint Assistance Strategy in 2006, a mechanism for coordinating aid flows in line with government priorities. Yet almost immediately, relations with Western donors began to wane, as revelations of the External Payments Account fraud emerged in 2007. The high-profile reactions by donors (particularly budget-support donors) led to years of negotiations over action to be taken against perpetrators and on introducing safeguards (de Vibe 2013).

More recently, the breakdown of talks with government over the provision of HIV and AIDS support to 'special groups' including LGBT reflects how mainstream-established programming is affected by the current administration (Green 2017). Most successful donor engagement has focused on technical support in areas of strategic importance to the government. Examples include Norwegian support to the petroleum sector, Japanese support to the midstream and downstream natural gas sector, and UK support to the education sector.

Regional relations

> EAC, I am afraid, is under stress largely for unreasonable causes and Tanzania is mostly to blame. We all know and appreciate that regional integration is fundamentally politically driven…Tanzania should feel free to opt out openly from areas of cooperation and integration it finds unreasonable at this time. But it fails to do so and instead either blocks or delays decisions towards deepening or widening EAC integration. (Juma Mwapachu, quoted in Booth 2014).

Juma Mwapachu, former Secretary General of the EAC and a vocal advocate of regional integration, aptly summed up Tanzania's attitude to the regional bloc, which can best be described as *cautious*. This has recently has led to a two-speed EAC – Tanzania, and then the others – as seen in the joint visa regime for Kenya, Rwanda and Uganda; and the Northern Corridor Integration projects that focus on infrastructure projects linking Uganda, Rwanda, South Sudan and Burundi with Kenya, as well as harmonization of legal frameworks for public private partnerships. Tanzania has not participated in summits at the EAC presidential level.

However, the tendency to allow national interests to be mediated through bilateral relationships has remained a characteristic of intra-EAC relations – as with the agreement between Tanzanian and Ugandan authorities in April 2016 on routing Uganda's pipeline for export of crude oil through Tanzania (Africa Confidential 2016).

One success story has been the export of manufactured goods to the EAC, with a steady rise in recent years. Better understanding what underpins this growth will be critical to enhancing trade integration within the region. However, old habits favouring certain businesses have undermined EAC integration, as with the granting of exemptions to the EAC Common External Tariff and at times turning a blind eye to smuggling (Booth 2014). Trade disputes focused on certain commodities – rice, sugar, cosmetics – are nothing new, and have become a regular feature of bilateral trade relations within the EAC (Barigaba 2015). The ways in which these are driven by domestic business interests is an area for further research.

Violent Extremism and organized crime

Tanzania is regarded as being 'at risk' from violent extremism that emanates from the regional epicentre of Somalia. It is less affected than 'spill-over countries' like Kenya, though recent years have seen several terrorist incidents believed to be undertaken by groups either sympathetic to or directly affiliated with Al-Shabaab. In the past years, training camps have been discovered in Morogoro, Tanga and Mtwara Regions, and there have been numerous attacks against police stations, with seven killed in one attack on Stakishari Police Station in Dar es Salaam. Considerably fewer (if any) violent actions by groups affiliated with transnational extremist groups have occurred in Zanzibar, although it is understood to be a recruitment centre for Al Shabaab (BRICS 2017).

Research undertaken by both the UN Security Council and the Intergovernmental Authority on Development (IGAD) has established connections between violent extremist groups in the region, and organized criminal networks in Tanzania are involved in trade in both drugs and explosives (United Nations Security Council 2011; IGAD 2016).

Public statements by the security services and political leaders see most violent incidents, particularly those undertaken against the security services, as criminal acts, not terrorism. This was the response to the Stakishari police station attack, as well as to the April 2017 killing of eight policemen in Kibiti District, Pwani Region. Such analysis cannot be discounted. As well as the noted organized crime and extremist group links noted for Tanga, there is considerable criminal activity in Pwani Lindi, and Mtwara Regions. The area has a history of organized crime, involving local and national politicians and officials in illegal hardwood trade (Milledge 2007). It also has a history of ivory poaching, which is now being dealt with effectively.[19]

The Tanzanian authorities' responses are emerging. A National Counter Terrorism Centre (NCTC) has been established, and kinetic security forces operations are regularly undertaken against armed cells. In Mwanza in December 2016 three hideouts were raided in one day in an operation that saw five suspects killed and numerous arms recovered. Cooperation with regional authorities is less advanced, initial collaboration with IGAD is a first step through the NCTC, though it is understood there is sharing of information with IGAD states by security services. There are as yet no formal counter-radicalization programmes in place, but the US State Department has funded some pilot projects.

As in all situations of Violent Extremism, domestic political grievances are critical. In Zanzibar, this has led to the mistaken conflation of separatist groups such as Uamsho and transnational violent extremist groups. Leaders of Zanzibar's Uamsho have been detained on terrorism charges since 2013. Their ideological counterpart in the Mainland, Sheikh Ponda Issa Ponda was also in lengthy detention from 2012 to 2015. This has been compounded by perceived favouritism towards Christian churches by the state (Cooke 2015).

Organized crime *per se* is extensive in Tanzania. The National and Transnational Serious Crimes Investigation Unit was established in 2012, drawing personnel from across the security services. Its focus has been on elephant poaching where it has found some success (Tremblay 2016). A key challenge to be faced is disentangling the relative influence of organized criminal groups involved in illegal resource extraction, violent extremist groups, and political interests. In both ivory poaching and the illegal hardwood trade, the involvement of political figures and people in public administration has been documented (Milledge 2007; Packer 2015).

The country has a history of money laundering, encouraged by a relaxed regulatory environment. Federal Bank of the Middle East (FBME) moved its headquarters to Dar es Salaam in 2003. In 2014, it was taken under Bank of Tanzania administration, following US government action against the bank for money laundering (Menas Associates, 2016). In May 2017, it was shut down by the Bank of Tanzania.

Key risk areas

Financing and investment

If new debt financing, whether commercial or concessionary, fails to materialize, critical infrastructure commitments may not come through.

19 However, the area is experiencing a new natural resource strain related to natural gas discoveries – property investment along the coast by parastatals with major developments in Lindi/Kilwa, and urban civil servants buying up small plots of land as personal investments. At some point this is bound to cause tensions and resentment (Pedersen 2017).

That will necessarily impact on economic activity and headline economic indicators.

Relations with the donor community

The donor community has a lot of work to do if it is to mend relations with the current national administration in Tanzania. This will entail continuing to work on issues of common interest and maintaining relations with key figures in the political and administrative leadership. Maintaining relationships faces the challenge of the government's move to inland Dodoma, with senior political and administrative leaders in all ministries already having made the move to the capital.

Regional relations

Relations within the region are likely to continue to be based on EAC members continuing to prioritize national interests above integration. Relations with Uganda can be expected to become closer with the development of the East Africa Crude Oil Pipeline.

As regards the political settlement, a direct result of the continued lack of integration is that management of rents related to tariffs and tariff exemptions is likely to remain part of the elite bargain underpinning the political settlement.

Violent Extremism and organized crime

As a 'spillover' country, Tanzania faces a low level of risk concerning activities by transnational violent extremist groups such as Al Shabaab. This is unlikely to rise, given the pressures that Al Shabaab has been experiencing in Somalia. The level of risk of continued actions against the state, as in Pwani Region, will depend on the effectiveness of stepped-up police actions, as well as willingness to address issues that are driving at least some Tanzanians towards radical and violent extremism.

Organized crime in ivory poaching and the hardwood trade has been a key feature of the political settlement. The current administration may find the greatest resistance in this area. How it addresses organized crime will be a key indicator of its real commitment to addressing corruption in politics and public service.

8. Conclusion

The introduction to this report noted three principle areas of change in Tanzania today: 1) an increasingly state-led approach to development with greater centralization of decision-making; 2) a focus on anti-corruption; and 3) the increasing denial of expression to political opposition, civil society, and the media. This does not signal a return to the command economy of the 1970s and 1980s: it is more a reconfiguration of state/private sector relations. This reconfiguration is unfolding in an increasingly competitive political environment and in the context of long-standing symbiotic relationships between politics and business.

Effective state-led development faces several challenges. Firstly, there is the problem of political and administrative capacity. Political capacity to direct long-term developmental change has been challenged by the development of factions within the CCM. We see no signs of this changing under the current party leadership, despite the introduction of structural reforms. Secondly, there are limits to the state's capacity to formulate and implement policy. Cutbacks in legitimate public expenditure that directly impact civil servants' incomes, as well as serious anti-corruption measures, will hardly boost morale within the public service, and may meet resistance. Increasing uncertainty over public finances, particularly regarding international commercial borrowing, will, in the short term at least, stymie efforts to make the public service work at 'Magufuli speed'.[20] There are few prospects of transformative change in the public service as regards delivery.

Where these political and state reforms meet state/private sector relations and political and civil organization outside the ruling CCM party, the potential impact on the political settlement becomes more complex. Here, the factionalism that has dogged CCM in recent years may help shed some light. Intra-party struggles have been characterized by repeated cases of grand corruption, but there has been remarkable party cohesion, and a lack of political and civic organization outside the party/state. Part of the explanation, according to Gray (2015), is that the factions belong to a narrow elite, which with ultimately has shared interests.

Arguably, the political settlement is now facing challenges from both spheres. The strength of civil society is perhaps most clearly seen in the negative: the restriction of civil society space by the state and the ruling party. In both traditional and new media, a similarly repressive approach on the part of the state reflects the level of threat perceived by the ruling elite.

However, the greater political challenge is that posed by CHADEMA. With the 2015 elections, it consolidated itself as the leading political opposition in mainland Tanzania, with a solid organization in much of the country, and stable leadership. Whether CHADEMA can prove willing, let alone able, to challenge the underlying logic of the political settlement remains unclear. Its relationships with Tanzanian private-sector interests leave its supporters open to targeted actions by tax and regulatory authorities. This fate has already befallen Party Chairman Freeman Mbowe (Chume 2017), illustrating how

20 *Kasi ya Magufuli* is a common expression indicating the President's concern that the public service should work at a speed that reflects the president's ambitions.

state institutions continue to be harnessed by the ruling party.

External issues – like shifting relationships with donors, the emergence of new international allies and financiers, and security threats from transnational groups – are more tangential to the future direction of the Tanzanian state. Their impact will depend on trajectories in the areas of political and administrative capacity, relations between capital and the state, and the levels of political and civic organization beyond the party and the state.

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