

AFRICA YEARBOOK

Volume 10

*Politics, Economy and Society South
of the Sahara in 2013*

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BRILL

LEIDEN • BOSTON
2014

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Tanzania



Throughout the year, most political attention was absorbed by discussions over the progress of the constitutional review process that had been initiated in 2012. A first draft of an envisaged new constitution was published in June and served as a reference point for all ensuing debates. Most contentious was the delicate issue of the future structure of the Union between Zanzibar and the Mainland. The draft somewhat surprisingly proposed a new three-tier set-up in contradiction to the position of the ruling Revolutionary Party ('Chama Cha Mapinduzi'; CCM), which favoured the continuation of the current system. Final decisions on the constitution were left for a Constitutional Assembly, to be convened in early 2014. Internal power struggles between various CCM factions continued as the party tried to regain some of its lost credibility and was already gearing up towards the next elections in 2015. In reaction to revelations of massive human rights violations during an anti-poaching campaign, four ministers were sacked. Continuing social and religious tensions led to unrest and demonstrations and raised fears about a possible end to Tanzania's hitherto typically stable and peaceful political climate. Two newspapers were temporarily suspended, indicative of government nervousness.

State visits by the Chinese and US presidents underscored Tanzania's enhanced international recognition as both an influential political actor in Africa and a resource-rich country with a projected positive economic future. As part of a new UN peace enforcement

operation in the DRC, a military battalion was deployed and engaged in battles. Relations with Rwanda deteriorated markedly, while there was also a noticeably increased crisis of confidence between Tanzania and its EAC partners. Macroeconomic performance remained quite satisfactory and continued to be commended by the IMF, the World Bank and donors, but the majority of the population still saw little concrete progress despite a moderate decline in the measured poverty incidence. Many large infrastructural investments were underway or planned, and high expectations centred on prospects for Tanzania becoming a major gas producer.

Domestic Politics

In continuation from 2012, much of the year's political attention centred on the **constitution review process**. In early January the **Constitutional Review Commission (CRC)** completed the first phase of collecting views of citizens regarding a new or revised constitution. According to CRC chairman Joseph Warioba, the commission had conducted more than 1,700 public hearings all over the country in which over 1.3 m people had participated. More than 300,000 written or oral contributions were made, including statements made by mobile phone, and via the CRC website or Facebook. In a second phase in January/February, representatives from more than 160 societal groups (civil society organisations [CSOs], political parties, governmental and non-governmental institutions, etc.) were heard by the CRC. Numerous CSOs had conducted workshops with stakeholders to analyse the current constitution and to formulate their demands for a new mother law. Despite generally positive attitudes towards the process, CSOs as well as opposition parties followed the CRC's activities with great suspicion. It was widely feared that the **long-ruling Revolutionary Party** ('Chama cha Mapinduzi'; **CCM**) would not allow the CRC to operate independently, and would at some point or another 'hijack' the process, trying to use its power to manipulate the process to meet the party's (or some influential individual's) interests, regardless of the benefits for the country or the will of the people.

In May, the debate gained momentum when CSOs and opposition parties demanded new regulations concerning the composition of envisaged **district constitutional forums**. These forums were designated by law to discuss and amend the CRC'S first draft of a new constitution, again involving the opinion of the populace. Critics, however, voiced concern that the forums were to be assembled by district authorities, most of which were controlled by CCM members. CSOs and opposition parties criticised the process for forming the district forums as marred by irregularities, alleged favouritism and corruption, upon which the CRC reacted by publishing guidelines for the forums that explicitly allowed CSOs and others to independently convene their own forums and come up with their own recommendations for a second draft.

The detailed **first draft** of a new **constitution**, formulated by the CRC and published on **3 June**, was received with surprise and mixed feelings by the general public. Whereas

most CSOs, opposition parties and academics welcomed the proposal, it was strongly rejected by the CCM. The draft text, consisting of 240 sections, proposed a **fundamental change in the country's polity** towards a federal system by introducing a separate government for the Tanzanian mainland in addition to the already existing Zanzibar government, and a reshaped union government (“three tier government”). Matters to be dealt with by the union government were to be reduced from the present 22 to only seven. Changes were also proposed with regard to the union cabinet and parliament. The number of ministries was to be reduced from about 30 to 15, and ministers should no longer be selected from among MPs. By reducing the number of constituencies, the number of MPs was also to be drastically reduced to 75 (from about 360), and the allocation of special seats for women was to be discontinued; instead, each new constituency would be represented in parliament by one man and one women. Tenure for MPs was limited to three terms, and voters would have the right to re-call their MP at any time. With a view to increasing the political impartiality of the office, the speaker of the National Assembly would no longer be an MP.

Although the draft only made provisions for a new constitution for the United Republic, it implicitly proposed the creation a **new entity of Tanzania Mainland** (or **Tanganyika**), with responsibilities formerly vested in the union being split between the union and that new entity (and its counterpart Zanzibar). Whereas Zanzibar already had existing institutions, such as a parliament, a president and a constitution (although they would also have to be adjusted to the new set-up), such institutions needed to be established for the new entity on the mainland. The proposals concerning the new union structure naturally attracted most attention. However, the draft included numerous other changes, many of which had long been demanded by CSOs and opposition parties. Most importantly, the draft reduced the powers of the president, allowed for independent candidates in elections, introduced a modern bill of rights, and removed many restrictive regulations.

Although CSOs, academics and opposition parties criticised some aspects (such as keeping the death penalty, removal of land ownership from the matters under union jurisdiction, the doubtful independence of the Electoral Commission and the inconsistencies and vagueness of some clauses), the **draft was widely welcomed** by representatives of **civil society** as a progressive and people-centred foundation for the country. The **CCM** turned out to be the only relevant force that **rejected the draft**, primarily because of the proposed new government structure. CCM strongly favoured the existing asymmetrical set-up with two governments. However, the party's official position was challenged by some prominent CCM members who were willing to accept the CRC's proposal as an expression of the people's will. CCM's Zanzibar wing even actively supported the proposed structure as the best setting for Zanzibar. Since the ruling party's stance on the union question had long been known, it came as a surprise to many observers that the CRC proposed a draft that was evidently against the CCM's will. The CRC explained that in designing the draft it had been strongly influenced by the statements citizens had made in

the hearings. According to CRC chairman Warioba, the proposals in the draft reflected citizens' wishes and were assented to unanimously by all 30 CRC members, despite and regardless of their differing political backgrounds and preferences.

The CRC's draft changed the interactions between all main actors significantly. Opposition parties and CSOs (especially the very outspoken Constitutional Forum) no longer regarded the CRC with suspicion, but perceived it as their ally and shifted their attempts to influence the CRC's second draft (due in December) from the district forums (which were conducted without much attention) towards the decisive **Constituent Assembly (CA)**. The CA was to debate and improve the second, revised draft in early 2014 and come up with a final proposal that would be put to all eligible Tanzanians in a referendum. However, the envisaged **composition of the CA** raised concerns that it could conceivably reject the CRC's draft for "egoistic reasons". After a heated debate, amendments to the **Constitution Review Bill** were endorsed by parliament on 6 September. However, opposition MPs protested against the bill and walked out of the house. According to the bill, the CA should be composed of all members of the National Assembly, all members of the Zanzibar House of Representatives and 166 members of societal groups, appointed by the president. Since the CRC draft had proposed regulations that would directly affect MPs (drastic reduction in the number of seats, limitation of tenure, threat of recall by voters, no appointments of MPs to ministerial posts), it was feared that the CA, being made up overwhelmingly of MPs, would reject these provisions. Furthermore, it was feared that the CCM would use its majority to block the proposed three-tier government structure. Although the inclusion of 166 civil society representatives was welcomed, there was vehement criticism that they were too few and that they were to be hand-picked by the president. On 21 September, the main opposition parties CHADEMA (Party of Democracy and Progress), CUF (Civic United Front) and NCCR-Mageuzi (National Convention for Construction and Reform – Change) staged a joint rally against the bill in Dar es Salaam and announced plans to hold country-wide demonstrations. They demanded an equal representation of Zanzibar in the CA and clear rules for the appointment of the additional 166 CA members. To reduce tension, **President Jakaya Kikwete** met representatives of six opposition parties on 15 October and agreed on a compromise. Consequently, parliament **amended the bill** again in early November, increasing the number of civil society delegates to 201 and stipulating clear rules on how and from which sectors of society they should be selected. Despite this compromise, MPs and CCM members would still constitute the clear majority in the CA.

After the CRC's deadline to complete its work and submit a second draft had been twice extended by the president, the Commission unveiled its **second draft on 30 December**. Despite attempts from the CCM to influence the CRC to change the contentious crucial provisions, the second draft did not differ much from the earlier version. However, it added some 31 further clauses (and increased the matters under union jurisdiction to eight), not all of which were welcomed by CSOs and opposition parties. Among other

points, some of the newly introduced provisions were criticised as restricting the freedom of independent candidates.

During the entire process, the **CCM** never managed to control the developments or set the agenda. Its refusal to support changes that were supported by majority public opinion made the party appear a destructive force, more guided by egoistic motives than by public interest. Corruption allegations, theft of public funds and various scandals, the beginnings of infighting for positions in the run-up to the 2015 presidential elections, and what was widely perceived as an unsatisfactory government performance, further **tarnished CCM's reputation**. Its preparations for the next general elections had begun in 2012 with changes in the party constitution, the formation of a full-time secretariat and elections to the National Executive Committee (NEC). In June, the NEC finally elected the remaining 14 members of the influential Central Committee (CC); this step had been deferred since the National Congress in November 2012, while only the ex-officio members occupied their posts. The CC was expected to play the important role of choosing the party's presidential candidate for the next elections in late 2015. Given that President Kikwete was not allowed to stand again after two terms, the selection of his successor was expected to become an extremely sensitive issue, especially in a situation in which the opposition was vigorously gaining ground and the splits between various feuding CCM factions were threatening the party's dominance. However, the leadership's modest attempts to reform the party appeared not to be very successful. In his opening remarks at a party workshop in late October, Kikwete accused party leaders of being "agents of fuelling corruption" and warned that the party could lose the forthcoming elections if it continued its corrupt practices. In early June, a joint workshop of UNDP and the National Assembly revealed that **20% of the government's budget** was eaten-up by **corruption**. In TI's corruption assessment, Tanzania dropped slightly from 102nd in 2012 to 111th in 2013.

In a seeming repetition of a cabinet reshuffle that had become necessary in May 2012 due to allegations of ministerial corruption, misuse of funds and incompetence, the **government again came under parliamentary fire** towards the end of the year. In reaction to national and international pressure to deal with the increasing problem of **elephant and rhino poaching**, the government had in early September started '**Operesheni Tokomeza**' (**Operation Wipe-Out**) to contain this evil. The operation was a joint effort by four ministries and involved soldiers, policemen, game rangers and forestry officers. However, after only two months 'Tokomeza' was called off by the National Assembly, following reports of **rampant human rights violations** in the course of its operation. A parliamentary inquiry uncovered the murder of 13 civilians, arrests of over 1,000 people, torture, rape, sexual harassment, seizure of property and other abuses by agents of the operation. Upon the presentation of the report in parliament on 20 December, MPs demanded the **resignation of Prime Minister Mizengo Pinda** and the **four ministers** of the ministries involved in the operation.

Only a few days earlier, MPs had already demanded that the Prime Minister and the Minister of State for Regional Administration and Local Government step down for allegedly not reacting to the **misuse and theft of public funds in local authorities**, which were revealed by three parliamentary oversight committees. On 14 December, even the CCM's CC and secretariat presented a list of seven ministers and deputy ministers to Kikwete and recommended that they should be taken to task for underperformance. On 20 December, Kikwete **dismissed the four ministers** whose ministries were involved in 'Operesheni Tokomeza' (Defence, Home Affairs, Tourism and Natural Resources, and Livestock Development). Pinda and the other ministers who were criticised by the CCM organs remained untouched, but Kikwete announced a cabinet reshuffle for early 2014.

Apart from the challenges caused by its internal problems, CCM's position was also threatened by the activities of the **main opposition party CHADEMA**. Buoyed by growing popularity, the party continued with its efforts to win more public support – but at the risk of confrontation with the security agencies. In the struggle for a revised constitution, CHADEMA emerged as a driving force that was able to pressurise the government to give in to popular demands. Long-smouldering leadership conflicts erupted rather surprisingly on 22 November, when the party's CC announced that it had **deposed** the party's **deputy secretary-general Zitto Kabwe** and two other prominent leaders. Kabwe, CC member Kitila Mkumbo and former Arusha regional party chairman Samson Mwigamba were accused of planning a plot against the current party leadership to be enacted at the next internal party elections and were stripped of all their leadership positions, except their party membership. On the same day, CHADEMA's vice-chairman for the mainland, Said Amour Arfi, resigned. The three ousted leaders were given two weeks to explain why they should not be expelled from the party. Kabwe declared the accusations baseless and appealed against his deposition to the party's Executive Council (the highest party organ). The young and charismatic Kabwe, an MP for Kigoma North, deputy leader of the opposition in the National Assembly, shadow finance minister and chairman of the influential Public Accounts Committee, had for many years been one of the party's most prominent and popular figures, and CHADEMA owed much of its success to his activities. However, his personal ambitions had long been a source of contention and had led to leadership struggles in previous years. A lengthy internal conflict was likely to weaken the party's prospects in the forthcoming elections of 2014 and 2015.

As in previous years, **political, religious and socio-economic conflicts** posed a **threat to security**. On 17 February, a Catholic priest was shot dead in **Zanzibar**; two days later, a church was burnt down. On 7 August, two young female British volunteers were attacked with acid by two men on a motorcycle, and on 13 September, acid was thrown on a Catholic priest. Several people were arrested, but the culprits were not found. It remained unclear whether there was a connection to suspected al-Shabaab activities in the region or whether these attacks were a result of growing religious intolerance or anti-

Union and anti-Mainland sentiments, since the growth of Christianity in Zanzibar was perceived to be the result of the influx of Mainlanders. On the **Mainland**, in Geita Region, a pastor of the Assemblies of God church was beheaded on 11 February. In early April, riots between Christians and Muslims in Tunduma, on the Zambia border, about slaughtering rituals prompted the authorities to temporarily close the border. At least two people were severely injured and a mosque under construction was destroyed. A bomb attack on a Catholic church in Arusha killed at least three people and injured 60 on 5 May, during a visit by the Vatican ambassador to Tanzania and the Archbishop of Arusha. Media reports that nationals from Tanzania and Saudi Arabia had been arrested raised concern about a possibly growing Wahhabi influence in Tanzania. However, the Arabs were soon released when it became clear that they were just tourists. Arusha was again shocked by a bomb blast on 15 June during a CHADEMA rally. The bomb, thrown at CHADEMA chairman Freeman Mbowe and the local MP, killed two people and injured several others. Both politicians were unhurt. A few days later, CHADEMA supporters clashed with the police. Arusha, having emerged as a CHADEMA stronghold in the 2010 elections, had since then witnessed several violent incidents involving security forces and party supporters. Politicians, religious leaders and members of CSOs expressed their deep concern at the alarming increase in violence between members of different religions and called for mutual tolerance and respect.

The conflict over government plans to construct a **gas pipeline** from the natural gas fields near the southern town of **Mtwara** to Dar es Salaam resulted in **violent clashes** between protesters and security forces on 26 January, which left four people dead and a dozen injured. The government arrested more than 50 people and put Mtwara under tight security control. Protests had started in late December 2012 with peaceful demonstrations jointly organised by several opposition political parties, followed by further demonstrations in January. Demonstrators protested against the planned pipeline and demanded to see local benefits from the natural resources found in their region. On 1 February, Kikwete announced plans for several **development projects in the region**, including a power station, expanded ports, factories and others. According to him, there were plans to pipe only 16% of the Mtwara gas to Dar es Salaam, with the remainder staying in the region. Prime Minister Pinda and five ministers visited Mtwara to hold discussions with residents and political and religious leaders and called for calm. Despite these efforts, the situation escalated again on 22 May, when protesters demolished a bridge, attacked several government and party offices and set some on fire. At least one person died and several were injured, most likely as a result of a heavy-handed response by the police. More than 90 people were arrested, and the government deployed the army to Mtwara to restore calm. Pinda visited Mtwara again and promised that several factories would be built and 1,000 jobs created in the region. The protests were an immediate reaction to a televised parliamentary statement by the energy and minerals minister that the pipeline would be built as planned.

The annual **human rights report** of the Legal and Human Rights Centre and the Zanzibar Legal Service Centre, published in April, indicated an increase in human rights violations in 2012. Mob justice and gender-based violence, including female genital mutilation, were among the major human rights problems. **Restrictive actions against the press** continued to occur during the year. On 8 January, community radio journalist Issa Ngumba was found murdered in a forest in Kigoma Region. Ngumba had been working on an investigation into the murder of a local shepherd. It was unclear whether he was killed because of his reporting or for other reasons. Two local radio stations in Morogoro and Mwanza, run by religious institutions (one Christian and one Muslim), were banned by the Tanzania Communications Regulatory Authority for six months for broadcasting statements that allegedly violated the law and broadcasting ethics, and a programme by the popular Clouds FM radio station was banned for allegedly promoting homosexual marriage. On 27 September, the government announced a 14-day ban on 'Mwananchi' newspaper and a 90-day ban on 'Mtanzania' newspaper. The **bans** on these two reputable **newspapers** were criticised by national and international media stakeholders and human rights activists as a restriction of the right of press freedom.

Foreign Affairs

Tanzania's growing importance as an emerging economy with vast natural resources, especially gas and uranium, an entry point to Eastern and Central Africa and the most peaceful and stable country in the region was reflected in two high-ranking state visits that seemed to be an expression of global competition and were regarded with envy by Tanzania's neighbours. For newly-appointed **Chinese President Xi Jinping**, Tanzania was only the second country he had visited, after Russia, and the first on his three-country Africa tour. During his visit (24–25 March), he signed a number of agreements on new development projects and on economic, trade and cultural cooperation. Among them was the planned construction of an entirely new port near Bagamoyo with an envisaged capacity 20 times that of the chronically congested Dar es Salaam port. A high-ranking delegation of ministers, regional commissioners, senior government officials and businesspeople, led by Prime Minister Pinda, participated in the **first Tanzania-China Business Forum** in Guangzhou in early November as part of a nine-day tour of China to bolster trade and investment links between the two countries.

During his visit to Tanzania (1–2 July) as part of an Africa tour, **US President Barack Obama** announced the launch of two new initiatives aimed at bolstering trade and increasing access to electricity. 'Trade Africa' was intended to increase internal and regional trade within Africa, with an initial focus on the EAC member states, and to expand trade and economic ties between Africa, the USA and other global markets, and the 'Power Africa Initiative' aimed at doubling electrical power generation and supply. Obama was

accompanied by a 700-member delegation, mostly business people. He and his predecessor, George W. Bush, who was attending a conference in Dar es Salaam, laid a wreath to commemorate the victims of the al-Qaeda attack on the US embassy in 1998.

Generally good relations with the **donor community** were overshadowed by continuing misuse of donor funds and corruption. In late November, the Netherlands, Sweden, Finland, Ireland, Japan and Germany suspended their support to the Local Government Reform Programme and demanded a refund of more than \$ 370,000. The six donors accused government officials of stealing the money. In early December, the government closed the programme's secretariat and dismissed several officials who were accused of embezzling the funds. Relations with Germany were temporarily shaken after Tanzania in mid-September rejected the back-to-back posting of the German ambassador to Kenya to the same position in Dar es Salaam. Although no reason was given by the Tanzanian authorities, it was widely believed that the unprecedented move was caused by the former envoy's close relations with the political opposition in Kenya.

Tanzania continued to play an active role in the search for a solution to the armed **conflicts in eastern DRC**. On 24 February, together with ten other African countries (all except South Africa ICGLR members), it signed a UN-sponsored agreement in Addis Ababa (Ethiopia) to bring peace to the region, which paved the way for the deployment of a regional military brigade to eastern DRC to complement the long-installed UN Stabilization Mission in DRC peacekeepers. Between May and June, Tanzania deployed at least 1,300 soldiers to the **UN Force Intervention Brigade (FIB) in the DRC**, which was established on 28 March and tasked with a robust mandate to carry out offensive operations against armed rebel groups in eastern DRC, mainly targeting the M23 rebel group, but also other so-called "negative forces". Tanzania, South Africa and Malawi contributed to the 3,069 strong force, commanded by the Tanzanian General James Aloisi Mwakibolwa. Tanzanian troops were involved in direct combat with the M23, which finally surrendered on 5 November. In another international mission, seven Tanzanian peacekeepers of the **UN-AU mission in Darfur** (UNAMID) were killed and 17 others injured while on patrol on 13 July. Tanzania had contributed more than 1,000 soldiers, police personnel and experts to the mission in February 2012. On 4 June, the Tanzanian Lieutenant General Paul Ignace Mella was appointed UNAMID Force Commander.

Relations with **Rwanda** worsened considerably in late May in reaction to Kikwete's suggestion during the AU summit in Addis Ababa that the DRC, Rwanda and Uganda should initiate direct talks with their respective rebel groups in the Great Lakes region. This was most strongly rejected by Rwanda, which accused Tanzania of thus implicitly recognising and backing the DRC-based FDLR rebels, held responsible for the 1994 genocide in Rwanda. Kikwete was viciously attacked in Kigali's state-controlled media. Although Rwanda had signed the February UN peace framework for the DRC, Tanzania's leading role in the FIB was hardly conducive to reducing the tension. The FIB

fought against the M23 rebels, which Rwanda was supposedly supporting. The war of words between the two countries accelerated further, when Tanzania expelled thousands of Rwandans in late July and August. While Rwanda interpreted this as an unfriendly action, Tanzania justified it as an effort to cleanse the country of “illegal immigrants”. On 25 July, Kikwete issued an order that “**illegal immigrants**” and “criminals” should leave the country by 11 August. The authorities forcibly expelled 7,000–8,000 Rwandans and at least 15,000 Burundians, many of whom had been living in Tanzania for decades. Malawians living in Tanzania reported xenophobic attacks against them, presumably due to the border dispute between the two countries. About 1,000 ‘illegal’ Malawians were temporarily arrested, but also offered the opportunity to regularise their status in Tanzania by applying for residence permits. In October, Tanzania was still hosting 102,000 officially registered refugees.

This crackdown on residents from neighbouring countries contributed to long-standing irritations about Tanzania’s apparent reluctance towards a deeper and faster **EAC integration** process. Tanzania felt side-lined when a so-called **Coalition of the Willing (CoW)**, comprising the presidents of Kenya, Rwanda and Uganda, met in June, August and October to discuss several joint infrastructural projects in the so-called ‘Northern Corridor’. Burundi, initially excluded, was invited to join the CoW, but decided to remain aloof, while a delegation from the EAC-aspirant South Sudan did participate in the meetings. Tanzania strongly ruled out joining the CoW, and insisted that the trilateral talks contravened EAC protocols and were a threat to EAC integration. On 30 October, Minister for East African Co-operation Samwel Sitta told parliament that Tanzania was considering leaving the EAC and initiating a closer alliance with the DRC and Burundi. In an eagerly awaited televised speech, Kikwete declared on 7 November that Tanzania was clearly determined to stay in the EAC; however, he sharply criticised the CoW and insisted that all EAC member states should follow the agreed regulations. This self-assured statement, two days after the defeat of the M23, was interpreted by some observers as an expression of Tanzania’s ‘victory’ over Rwanda. On 10 November, Kenya’s foreign minister paid a visit and promised that Kenya would work closely with Tanzania. During the regular EAC summit on 30 November in Kampala (Uganda), the conflicts appeared to have been sorted out; the five partner states reaffirmed their commitment to close cooperation and signed a protocol on a future Monetary Union. According to observers, the apparent split between the diverging EAC groups was rooted in three issues: first, the CoW’s impatience for further and faster integration, which was perceived to be blocked by Tanzania; second, the conflict between Rwanda and Tanzania about their respective roles in the DRC and their alleged support for rebel groups; and third, economic competition between Kenya and Tanzania over control of the transport routes from the Indian Ocean to the landlocked countries and attracting (Chinese) investments.

There were no decisive developments in the **Lake Nyasa border dispute** with **Malawi**. In January, both sides presented their legal positions to the SADC Forum of Former Heads of State and Government, which had been addressed by both sides for a ruling in December 2012. In April, Malawi withdrew from the process, claiming bias by one of the officials involved, but returned in early May. In June, Malawi complained about Tanzania's plans to start operating passenger ships on the lake. Malawi's President Joyce Banda set a 30 September deadline for the Forum to come up with a resolution, failing which she would take the case to the International Court of Justice. However, at year's end the SADC mediation process was still on-going.

As chairman of the **SADC Organ on Politics, Defence and Security Cooperation (SADC Troika)**, Kikwete played a crucial role in negotiating a way out of the political crisis in **Madagascar**. During the regular SADC summit on 17 August in Malawi, Kikwete handed over the rotational Troika chair to Namibia's President Pohamba. Kikwete's tenure also witnessed the peaceful but controversial re-election of President Mugabe in Zimbabwe.

Socioeconomic Developments

The overall **macroeconomic performance** again continued to be quite robust and in line with the strong continuous growth trend over more than a decade since the early 2000s. In this period, Tanzania had become one of the fastest growing and most consistently performing economies in Africa, albeit still characterised by a very low absolute level of material wealth. In the 2013 **HDI** (data for 2012), Tanzania was ranked 152nd (out of 185 countries), in the low human development category. **Per capita income** was estimated to have reached about \$ 625 in 2013 (\$ 1,615 in PPP terms). In the face of the continuing global economic and financial crisis, Tanzania's economy again proved to be remarkably resilient. The **GDP growth rate** for 2013 was estimated at 7.1%, slightly above the 6.9% in 2012 and on the high side of the growth trend of most preceding years (range of 6%–7%). Climatically, it was a fairly average year with good harvests, which allowed the agricultural sector to grow by about 4.6%. Expectations of a faster and more fundamental transformation of the economy were increasingly linked with the prospect of becoming a significant producer of natural gas, although full commercial exploitation was still a number of years away. In the World Economic Forum's Global Competitiveness Index 2013–14 Tanzania was ranked 125th (out of 148 countries), five places lower than before.

High **inflation** rates in previous years (12.7% in 2011 and 16% in 2012) had been a major cause of growing popular discontent. Inflation was successfully and steadily brought down during the year from 10.9% (January) to 5.6% (December). The year's average inflation rate of 7.9% was largely attributed to a noticeable fall in food prices and the pursuit

of a tight monetary policy. This also contributed to the stabilisation of the **exchange rate**; with some minor fluctuations during the year, it was in December (TSh 1,617 : \$ 1), just 2% lower than in January. This stability was a clear sign of widely prevailing confidence in the economy's prospects. The **structural trade deficit** grew substantially by almost 20% to \$ 5,258 m, principally as a result of unchanged export earnings. While imports grew normally by about 8% to \$ 11,159 m (with oil alone accounting for one third), exports practically stagnated at a value of \$ 5,901 m. This was partly explained by lower world prices for some commodities, particularly gold, the main export item (accounting for roughly one-third of total exports). On balance, only 53% of Tanzania's import needs were covered by its own export revenues. The (preliminary) **current-account deficit** was thus estimated to have remained at the 2012 level of about 15% of GDP, the highest for several years. Gross **foreign reserves** were further strengthened at \$ 4.5 bn (compared with \$ 4.0 bn in 2012) by the year's end, sufficient for a comfortable import coverage of over four months. While the **external debt** had previously been substantially reduced to a low of \$ 4.2 bn in 2006 as a result of concerted debt cancellations under the HIPC initiative, it had lately been creeping up again rather fast, reaching \$ 13.6 bn at year's end (compared with \$ 11.6 bn at end-2012). Linked with the many on-going large investment projects, **FDI** inflows remained very substantial at an estimated \$ 1,790 m (\$ 1,632 m in 2012). Likewise, **tourism earnings** of \$ 1,472 m (\$ 1,563 m in 2012) remained Tanzania's most important foreign exchange earner, even topping gold.

On 3 June, the **IMF** completed its sixth and final review under the **Policy Support Instrument (PSI)**, an unfunded IMF instrument designed for countries that do not need balance of payments financial support. The Tanzanian PSI had been operative since June 2010. The IMF commended the Tanzanian authorities "for their commitment to policies aimed at containing demand pressures, strengthening macroeconomic stability, and preserving a sound fiscal position". Simultaneously, a second review was conducted under the 18-month **Standby Credit Facility (SCF)** that had been approved in July 2012 for about \$ 228 m as a precautionary measure against the potential downside risks of a global slowdown; in February the government had drawn \$ 114 m under this SCF to support the currency. An IMF mission in early November conducted the biennial Article IV discussions, discussed a possible new PSI and assessed the performance under the SCF. Again, the economy was judged to be performing well and the economic outlook was seen as promising, but some concern was expressed about the appearance of fiscal pressures in excess of agreed targets.

On 13 June, Finance Minister William Mgimwa submitted the 2013–14 **budget** to parliament. Contrary to previous practice, the individual ministerial votes had already been discussed since April. A review of the previous financial year's outturn revealed that the overall **fiscal deficit** for 2012–13 had markedly increased to 6.2% of GDP (from 5.0%), mainly the result of the government's overestimation of revenues and underestimation

of expenditure. Contrary to ambitious targets, domestic revenues had only increased marginally and foreign aid inflows had also been below initial projections. Significant adjustments to the financing side of the budget had to be made by way of higher than targeted public (domestic and external) borrowing. A seven-year bond for over \$ 600 m was issued in March by private placement with banks, but the contemplated issue of a sovereign bond was postponed to 2014 and still needed an official credit rating. The observable finance tendencies seemed to reflect a remarkable recent government policy shift. While the pursuance of a relatively tight monetary policy had successfully controlled the inflation rate, a more relaxed fiscal stance was seen as an appropriate instrument to promote economic growth. An accelerated drive for the development of social and physical infrastructure was clearly intended under the “**Big Results Now**” (BRN) initiative launched by Kikwete on 22 February. This was a copy of a similar successful programme in Malaysia; 300 Malaysians had been invited to coach Tanzanian top civil servants on the approach. BRN was expected to accelerate the transformation of the economy towards the goal of becoming a middle-income country, as envisaged in the Tanzania Development Vision 2025. BRN covered six priority areas, namely energy and gas, agriculture, water, education, transport and resource mobilisation.

The **2013–14 budget** clearly reflected an expansionary intention, with a more than 20% higher volume than the previous budget. Domestic revenue was optimistically expected to increase to a 20.2% share of GDP (compared with 17.6% achieved in 2012–13), and the expected fiscal deficit was set at a reduced 4.4% of GDP. Efforts were to be made to scrap many of the tax exemptions that had in 2011–12 been estimated to have cost 4.3% of GDP. Total expenditure was budgeted at TSh 18,250 bn (about \$ 11.4 bn), with 69% foreseen for recurrent expenditure and 31% for development programmes, whereby almost half of the development budget was expected to come from external sources. The breakdown of the total budget funding was as follows: domestic revenue 63%, general budget support (external) 6.4%, foreign loans and grants 14.8%, domestic borrowing 9.3%, non-concessional foreign borrowing 6.9%. In the mid-year budget review, it became evident that revenue was falling short of assumptions and that considerable expenditure arrears had been built up. The IMF expressed concern about the need to attain a fiscal deficit close to the target of 5% of GDP.

In mid-November, new official **poverty** data were released, based on the 2011–12 Household Budget Survey (HBS); 28.2% of the population were assessed to be living below the **absolute income poverty line** of TSh 36,482 (\$ 22.7) per month. This seemed to indicate some reduction of poverty from the 33.6% measured in the 2007 HBS, but the methodologies of the surveys had not been strictly comparable. The absolute number of about 12.3 m poor people was, however, roughly the same as in 2001. The incidence of poverty was very unevenly distributed and affected 33.3% of the rural population, but only 4.2% of Dar es Salaam residents and 21.7% of other urban dwellers. Around 10%

of the total population did not even reach the **extreme food poverty line** of TSh 26,085 (\$ 16.3) per month; this was the case for 11.3% of rural people, but for only 1% in Dar es Salaam. Income inequality was measured as relatively moderate with a Gini coefficient of 0.34 (in Dar es Salaam 0.35, in rural areas 0.29).

Optimistic expectations of a general upturn in the economy centred strongly on increasingly promising prospects for the exploitation of Tanzania's substantial **natural gas** resources, although full commercial benefits were only expected to build up in about seven to ten years. According to some forecasts, the gas sector might then potentially contribute about one-third of GDP. With on-going exploration activities, proven gas reserves had been rapidly updated to around 43 trillion cubic feet, but more seemed very probable. In October, the postponed fourth gas and oil licensing round for seven offshore blocks and the Lake Tanganyika area was launched, to run until May 2014. Production-sharing agreements with 18 international exploration companies were already in existence. The decision of the energy and mining ministry to exclude private Tanzanian business interests from the gas block auctions, with the assertion that capital-intensive exploration activities were beyond their means, provoked strong protests. During the second oil and gas conference in October, the government floated the intention of creating a special "gas revenue fund" to manage all future proceeds. In May, the ministry presented a second draft of a national **natural gas policy**, which outlined a comprehensive framework for the gas sector, but left many concrete specifications open (such as the exact mandate of a regulatory body and the future role of the parastatal Tanzania Petroleum Development Company). The passage of specific legislation to adapt outdated old mining laws was expected in 2014. The gas policy stated clearly that priority should be given to developing the gas sector in order to bring major benefits to the domestic economy, but plans for a liquefied natural gas plant for export were also envisaged. The on-going construction of a Chinese-financed gas pipeline from Mtwara to Dar es Salaam was poised to be completed in late 2014. This would allow a dramatic increase in **electricity** generation and hopefully end the recurring problems of long-endured **power failures**. The heavily loss-making power utility TANESCO continued to be a major financial burden for the government; average tariff increases of about 40% as of January 2014 were deemed to be no more than a partial solution.

Gold production continued to contribute significantly to overall growth and exports, despite some setbacks and gold's relative loss of importance. New **mining** ventures were about to start production of nickel and uranium and were faced with protests from environmentalists. Chinese investors proceeded with an ambitious \$ 3 bn project for the exploitation of coal reserves and iron-ore deposits in the south-west. The improvement of the country's physical **infrastructure** (roads, railways, ports, power installations) was a major focus of the government's development strategy, although the implementation of announced projects often remained uncertain. Strenuous efforts to attract more **foreign**

investors were somewhat dashed by continued weaknesses in the domestic business climate. In the World Bank's 'Doing Business 2014' report, Tanzania slipped down to 145th place (from 136th). A December announcement raised the prospect of the removal of restrictions on capital flows within the EAC, bringing opportunities for improved integration of regional capital markets. Long-known weaknesses in Tanzania's **education** system were shockingly exposed in February, when two-thirds of students failed the O-level exams. This confirmed a widely-held consensus that the level of education had deteriorated considerably, with drastic consequences for the country's future prospects.

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