

TANZANIA

CRIME AND SECURITY RISK REPORT

INCLUDES THE BMI OPERATIONAL RISK INDEX



Tanzania Crime and Security Risk Report Q3 2016

INCLUDES THE BMI OPERATIONAL RISK INDEX

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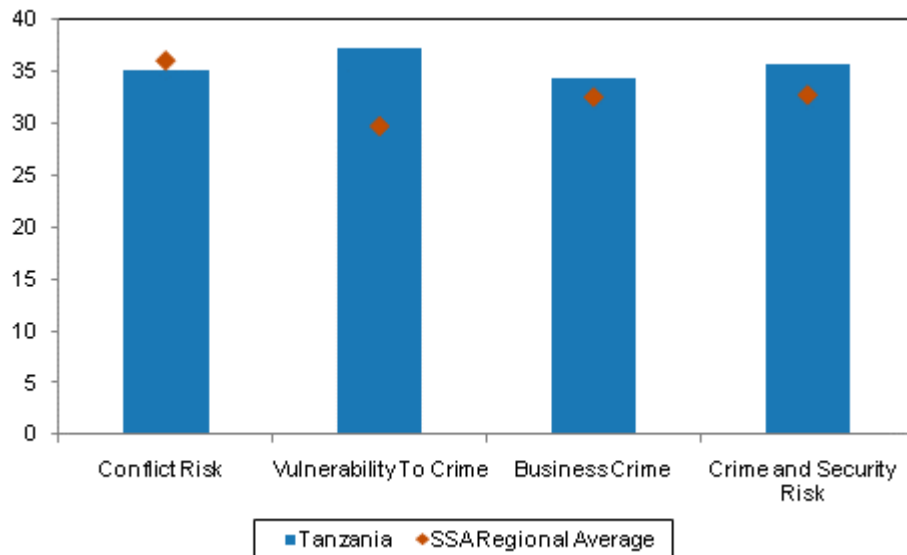
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BMI View

BMI View: Security risks in Tanzania are moderate in comparison to its regional peers, as the country enjoys stable relations with its neighbours and possesses one of the most capable military forces in the region. However, its porous borders elevate the threat of terrorism from regional groups and businesses remain exposed to organised crime and corruption. Tanzania receives a score of 35.6 for Crime and Security Risk, placing it 22nd out of 48 states regionally.

High Crime Rates Elevate Risks To Businesses

Tanzania & SSA Regional Average - Crime And Security Risk Scores



Note: 100 = Lowest risk; 0 = highest risk. Source: BMI Crime and Security Risk Index

Business Crime (34.4/100): Criminal groups in Tanzania are primarily motivated by economic wealth and threaten businesses in various forms. Pirate activity poses high risk to maritime trade, while armed gangs and fraudsters increase the danger of foreign expatriates. In particular, money laundering and financial crimes pose a major risk to businesses operating in the country, due to the likelihood of illicit activities in the banking sector and US-imposed penalties on key actors in the financial industry. As a result, businesses may be cut off from US financial markets and other major global financial sectors. On a day to day basis,

investors and foreign businesses likely face the largest risk from crimes, particularly petty theft, and increasingly, financial crime and cybercrime.

Conflict Risk (35.1/100): Although the terrorist threat to Tanzania is lower than in Kenya, it remains high due to the country's porous borders, its proximity to Somalia, its sizeable Muslim population and its concentration of expatriates and Western interests. There is a low risk of outright conflict as there are no notable outstanding disagreements with neighbouring countries and Tanzania possesses one of the most capable military forces in the region. Nevertheless, events in the country's regional neighbourhood could adversely impact security outcomes within the country, exemplified by the disruptive impact of Burundi's political instability. In addition, the Tanzanian armed forces' ability to revamp an ageing equipment inventory is hampered by a limited budget, affecting the capability of both the army and the air force.

Vulnerability To Crime (37.3/100): Foreign travellers and expatriates are vulnerable to both violent and petty crime in Tanzania, which the police force often lacks the capability to prevent due to lack of training and corruption. This has resulted in the presence of vigilante groups such as the Sungusungu, which has now been given the ability to make arrests. Overall, companies are not able to rely on the police force to bring justice to criminal activity, resulting in higher costs to investors. That said, Tanzania has a relatively large police force by regional standards, and has received the support of various external donors in recent years, which bodes well for an improved police force in the coming years.

Table: Tanzania - Crime And Security Risk

	Conflict Risk	Vulnerability To Crime	Business Crime	Crime And Security Risk
Tanzania Score	35.1	37.3	34.4	35.6
Sub-Saharan Africa Average	36.0	29.7	32.5	32.7
Sub-Saharan Africa Position (out of 48)	28	14	21	22
Global Average	49.2	50.1	50.0	49.8
Global Position (out of 201)	152	133	139	148

Note: 100 = Lowest risk; 0 = highest risk. Source: BMI Crime and Security Risk Index

BMI's Operational Risk Index quantitatively compares the challenges of operating in 201 countries worldwide. The index scores each country on a scale of 0-100, with 100 being the lowest risk state. The entire index consists of 20 sub-index scores and 79 individual surveys and datasets, which all contribute to the headline score. A full methodology can be found at the end of the report.

SWOT

SWOT Analysis

Strengths

- The military is capable by regional standards.
- There is a limited risk of conflict with other states.
- The country benefits from a large supply of available manpower in the form of a well-equipped military.

Weaknesses

- The police force suffers from perceived corruption, and is understaffed and under-resourced.
- Porous borders leave the country vulnerable to regional terrorist groups.
- High crime rates add costs to businesses.
- There are limited naval capabilities to combat maritime piracy.

Opportunities

- Increased regional and international coordination may lower the threat of terrorism.
- The country has made notable improvements in its ability to combat terrorism over the last several years.
- Expected increases in defence spending will boost military capability.

Threats

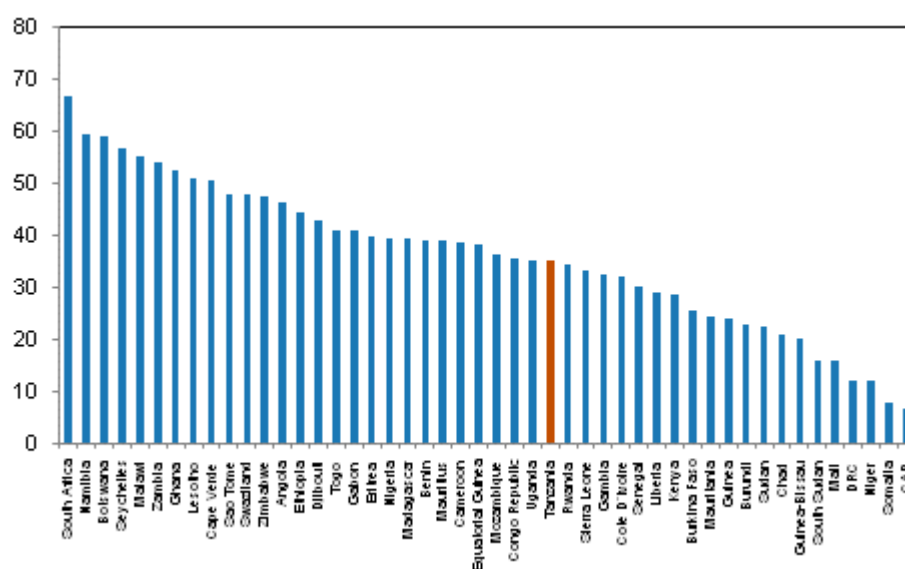
- Growth in home-grown terrorism increases the risk of terrorist attack.
- A continued rise in violent crime may deter foreign investment.
- An inability to prevent the expansion of cyber and financial crime.

Conflict Risk Analysis

BMI View: Although the threat to Tanzania is slightly lower than that of its neighbour, Kenya, the threat of terrorism remains high due to the country's porous borders, its proximity to Somalia, its sizeable Muslim population and its concentration of expatriates and Western interests. Stable relations with neighbouring countries reduce the risk of conflict. Tanzania receives a score of 35.1 out of 100 for Conflict Risk, ranking the country 28th in the Sub-Saharan Africa (SSA) region of 48 states.

Limited Interstate Risk Compared Regionally

SSA - Conflict Risk Scores



Note: 100 = Lowest risk; 0 = highest risk. Source: BMI Crime and Security Risk Index

Latest Conflict Risk Analysis

- Tanzania's sound political climate is reflective of the country's historic stability, having avoided major conflict - both internal and external - since independence in 1961. The situation is different in the semi-autonomous region of Zanzibar, where the opposition Civic United Front has shown itself capable of mounting a serious challenge to CCM rule. Although tensions between the rival parties appear to have reduced following a power-sharing agreement signed in 2010, discontent arising from poverty and economic marginalisation continue to pose risks.
- Businesses face a growing risk of disruption to their activities in Zanzibar, where political rallies and large gatherings are more likely to turn violent. Following the October 2015 elections, the election

commission in Zanzibar annulled the vote for the island's president and tensions remain high. A politically charged re-run of Zanzibar's October 2015 election presents significant short term risks in the country. The re-run that is scheduled to take place in March 2016 will involve both presidential and parliamentary votes. According to the Zanzibar Electoral Commission, reforms in the electoral process have been made aimed at avoiding fraud and sabotage of the elections.

- In February 2016, Police in Tanzanian's northern town of Arusha stopped and killed three suspected terrorists and recovered ammunition and materials used for making explosives and army uniforms. The Arusha regional police said the suspects were killed in an exchange of fire with the police. Reports said the deceased could be terrorists after they were found with two flags with Arabic inscriptions which are used by terrorist groups. In April 2016, Tanzanian police in the Morogoro region seized explosives, army uniforms, masks, bomb detonators and a black flag used by Somalia-based Al-Shabaab militants, and arrested 10 people in connection with the devices used in terrorist attacks. Terrorism alerts were issued in 2015 in the capital Dar es Salaam and the northern tourist town of Arusha. The alerts led to stepped-up security measures in regions thought to be terrorist targets. This highlights the high risk of terrorism in Tanzania and the region as a whole.
- Tanzania will continue to enjoy broad political stability over the coming decade, with little to suggest that the ruling Chama Cha Mapinduzi party's authority will be threatened. That is not to say the period will be without challenges. Chief among these will be dealing with high levels of corruption and addressing the country's dependence on foreign aid.
- In May 2016, three people were killed at a mosque in north-west Tanzania in what police have described as a terrorist attack. More than a dozen attackers armed with machetes and axes struck during evening prayers at a mosque in Mwanza district. Police have confirmed that the attackers were unhappy about the arrests of Muslims in the area. Businesses face significant risks stemming from the growing threat of extremist militancy in the country, which has until this point, avoided such attacks.

Terrorism And Political Violence

The terrorist threat in Tanzania emanates primarily from the success of al-Shabaab in Kenya, its ambitions to conduct attacks across East Africa and risk of copycat attacks by Tanzanian nationals. Recent political unrest has erupted in Zanzibar following the October 2015 elections but the risks of an escalation into violent conflict remains unlikely. The below factors contribute to Tanzania's score of 30.0 out of 100 for the risk associated with Terrorism and Political Violence, ranking the country 28th out of 48 states in the region.

Terrorist Threat

Table: Main Active Terrorist Groups In Tanzania

Terrorist Group	Targets	Sector/Region Exposure	Threat Level
al Shabaab	Western interests, tourists, government buildings and infrastructure	The tourism sector and strategic industries are most exposed and attacks are more likely to occur in urban centres.	Moderate - Al Shabaab constitutes the primary terrorist threat in East Africa and the surrounding area, and has successfully implemented a number of attacks in recent years.
Boko Haram	Western interests, tourists, government buildings	The tourism sector and strategic industries are most exposed and attacks are more likely to occur in urban centres.	Low - Although Boko Haram has not conducted attacks in East Africa, it has a well-established base in West Africa and is suspected of collaborating with al-Shabaab.
Unidentified Tanzanian nationals inspired by al Shabaab	Western interests, tourists, government buildings	The tourism sector is most exposed but businesses across industries which are located in urban centres must be vigilant.	Moderate - There has been a growing concern of copycat attacks by individuals inspired by terrorist organisations like al-Shabaab.

Source: BMI

Counterterrorism Capability

Institutions

As a result of sustained efforts on the part of the government to boost its counterterrorism capabilities, Tanzania has made substantial progress in improving detection of terrorist activity. Consequently, Tanzania has not experienced any major terrorist attacks since the 1998 bombing of the US Embassy, unlike neighbouring Kenya and Uganda. However, intelligence is still weak from a regional perspective, despite having increased coordination between regional and international players such as the African Union and the East African Community. The efficacy of Tanzanian counterterrorism forces is also undermined by limited resources and expertise in crime investigations and other areas of security, as well as high levels of corruption within the police force, which increases the likelihood of an attack. This is reflected in the fact that the country received a score of 29.0 out of 100 for Counterterrorism Capability, placing it in the middle of the regional pack, ranking 23rd after neighbouring Malawi (fifth), Rwanda (tied for sixth) and Zambia (16th).

Counterterrorism Laws

In August 2012, Tanzania published the Prevention of Terrorism Regulations 2012, which defines the police and the Financial Intelligence Unit (FIU) as responsible for gathering and responding to terrorist activities. The 2012 laws also formally facilitated a number of essential terrorist-related activities, including the coordination of information between state institutions, determining suspected terrorists, and defined the process for freezing terrorist assets.

As a result of these institutions, Tanzania is considerably more prepared for terrorist attacks than neighbouring Uganda and Kenya, which rank 26th and 34th out of 48 SSA states for Counterterrorism Capabilities. That said, the efficacy of Tanzania's counterterrorism efforts is constrained by a number of challenges, notably a lack of specialised equipment, and personnel who have not been fully trained in important skills such as crime scene investigation and advanced intelligence analysis, according to the State Department. In particular, Tanzania's security institutions are ill equipped to secure the country's borders, leaving it exposed to the threat of terrorists from the sub-region. Within Tanzania's financial investigations unit (FIU), there were also only three technical staff members as of 2013, which severely limits the ability of the task force to combat the financing of terrorism. Corruption within the police force also threatens the effectiveness of the Tanzanian counterterrorism programme, increasing the likelihood of negligence or bribery within the context of anti-terrorism efforts. As a result, businesses remain vulnerable to the risk of terrorism.

After the 2010 Kampala terrorist attacks, Tanzania increased its coordination between countries at the regional and international level, working with the African Union, the East African Community and the South African Development Community to share information in an effort to combat terrorism. Tanzania has also enhanced its enforcement and military capabilities, particularly within the realm of border and airport security. Cooperation between US and Tanzanian officials has improved significantly, with US personnel providing training and needed resources to understaffed and underequipped Tanzanian anti-terrorist forces. During 2013, the FIU benefited from US training on anti-corruption and computer forensics from the US Department of Homeland Security and the Department of Justice. Meanwhile, Tanzanian law enforcement officials received training and enabling equipment from the US Department of State's Antiterrorism Assistance programme, which boosted the ability of officers to control Tanzanian borders, particularly maritime borders; investigate crimes, and respond to crises. Finally, Tanzania has stepped up efforts to combat terrorism at the grassroots level by improving national and community policing, educating citizens

about terrorism and countering extremist trends in certain populations. As a result of these efforts, foreign firms benefit from improved anti-terrorism intelligence, reducing the risk of attacks.

Tanzania's improved counterterrorism capabilities have enabled it to establish itself as a growing player in regional counterterrorism activities. According to a 2012 US government report, Tanzania led the sub-regional effort in 2012 to combat terrorism, making significant improvements in terms of increased training, regulatory frameworks and other essential counterterrorism initiatives. In 2013, Tanzania helped expose and prevent at least two terrorist attacks meant to take place during Kenya's General Elections, highlighting the country's progress in boosting its counterterrorism capabilities.

Interstate Conflict Risk

Tanzania maintains peaceful relations with its neighbours and has one of the continent's most capable military, reducing the risk of interstate conflict. Nonetheless, insecurity in neighbouring countries could adversely affect Tanzania's security environment and increases the risk of violence among its borders. **BMI** awards a score of 40.3 out of 100 for Tanzania's Interstate Conflict Risk, ranking it 20th out of 48 states regionally. As a result, Interstate Conflict Risk is the third most competitive pillar in the overall Crime and Security Risk Index, boding well for the preservation of peace with Tanzania's neighbours.

Likelihood Of Conflict

Table: Tanzania - Major Conflict Flashpoints

Protagonist	Likely Cause Of Conflict	Form Such A Conflict Would Take	Likelihood Of Conflict
Rwanda	Tensions emanating from Tanzanian raids on Rwandan families	Increased military presence along Rwandan-Tanzanian border	Low - peacekeeping operation
Uganda	Extradition of Jamil Mukulu	n/a	Low
Malawi	Dispute over exploratory drilling works in Lake Nyasa	Increased military presence around drilling works and negotiations at regional level	Low - peacekeeping operation

n/a = not available. Source: BMI

Military Capability

Size

Tanzania's army is reported to be one of the most capable militaries in SSA, boding well for the country's ability to repel an aggressor in the event of an attack. However, like many other countries in the region, the Tanzanian armed forces' ability to revamp an ageing equipment inventory is hampered by a limited budget, affecting the capability of both army and air force. That said, the Tanzanian military still compares favourably by regional spending in terms of military spending and arms deposits, and its position will only improve in the coming years due to an anticipated increase in military spending. Specifically, in response to regional instability and the growing threat of terrorism, Tanzania will increase its military budget by 30% in the next fiscal year, amounting to a total budget of USD808mn.

Currently, the Tanzania People's Defence Force (JWTZ) consists of 27,000 active personnel, with 80,000 reserves and a total of 9,985,445 Tanzanians available for military service if needed. The JWTZ is divided into the Army, the Naval Wing, the Air Defence Command and the National Service, having received an average of around 1.13% of GDP annually in military expenditures between 2010 and 2012.

However, the country enjoys the strategic asset of having a large portion of the population fit for service, a total of 11,742,618 individuals, with more than 1mn Tanzanians reaching military age annually. As a result, the country has the seventh largest population fit for military service in SSA, below some of the most populous countries on the continent, notably Nigeria in first place. Within this, there are an estimated 5.86mn men and 5.88mn women fit for military service, therefore in the event of a national emergency, Tanzania has one of the largest potential manpower pools in the region to draw on.

Tanzania has one of the most capable militaries in SSA, having contributed peacekeeping troops to conflicts in the Democratic Republic of the Congo, Liberia and Sudan. The country's capabilities have been reinforced by technical training and support from countries such as the US, from which Tanzania received logistics vehicles, ships, communications systems, training and other military assets. However, the country's military might has been dampened by limited military spending and ageing equipment, thereby reducing its ability to repel attackers. Since 2000, military expenditures have generally been on the decline from 1.5% of GDP to a stagnant 1.1% by 2004. However, as terrorism and insecurity along its borders have grown, the Tanzanian military has slightly increased its budget to 1.3% to meet these challenges.

Weaponry

The country's military strength will likely be bolstered further by the decision to increase state spending on defence equipment in order to combat threats such as terrorism and maritime piracy. Indeed, in May 2015, the state announced it will increase its military budget by 30% in the next fiscal year, amounting to a total budget of USD808mn. This burgeoning military spending denotes the rising importance of the armed forces to the government in light of the security challenges it faces. Within this, a significant portion of the military budget will be spent on the modernisation of the armed forces, beginning with the construct of an USD55mn National Defence Headquarters at Makongo Juu, located in the Lugalo Military Base. This new facility will provide offices for the commander-in-chief, the defence and national service ministry and the office of the chief of defence forces. Additionally, a new Command College will be constructed at Duluti in Arusha, as well as 10,000 new units for soldiers around the country.

That said, any future investments in Tanzania's military must be weighed against regional security trends. During 2013, military spending grew 8.3% alone across the continent, or the largest of any region in the world, underlining the general state of insecurity for many African states, both within and along their borders. Over the last decade, two-thirds of African countries have considerably increased their spending, amounting to an increase of 65% across the region. In 2013, Angola increased its defence budget by over 33% to USD6bn, surpassing South Africa as the largest military spender in the region, while Namibia is one of several Southern African countries that have significantly increased military spending in recent years, alongside Zambia and Zimbabwe. As a result, any gains within Tanzania's armed forces will always be somewhat offset by the efforts of other regional states to enhance their military prowess.

Dispute Management

Tanzania maintains amicable relations with Rwanda, while Tanzania's membership in the African Union, the East African Community and the South African Development Community also facilitate discussions between states.

Defence Agreements

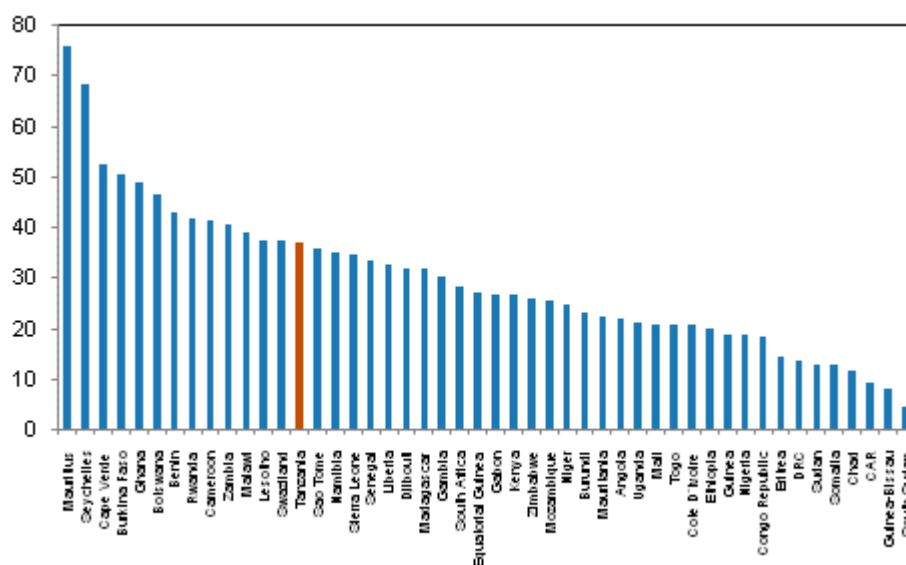
Tanzania has signed a number of defence agreements, including an agreement with Canada, as well as Angola, Mozambique and Zambia. Tanzania's armed forces also maintain good relations with the US military and over the last several years the two institutions have coordinated to improve the former's

Vulnerability To Crime Analysis

BMI View: Investors in Tanzania face moderate risks related to crime in comparison with regional peers, as crime rates are not as high in Tanzania as in neighbouring countries. Nonetheless, foreign workers remain exposed to occasional petty and violent crime, which the police often lacks the capacity to prevent. Sexual violence is also a significant issue in Tanzania, posing an elevated risk to female workers. For this pillar, Tanzania scores 37.3 out of 100, ranking 14th out of 48 Sub-Saharan Africa (SSA) states.

Violent Crime Threatens Business Operations

Tanzania & SSA Regional Average - Vulnerability To Crime Scores



Note: 100 = Lowest risk; 0 = highest risk. Source: BMI Crime and Security Risk Index

Latest Vulnerability To Crime Analysis

- Businesses continue to be exposed to corrupt practices within the police force, but measures to combat them will reduce this threat in the medium term. In December 2015, an escalating number of resident complaints about corruption in the region of Tabora led the police force to strengthen measures against officers resorting to corrupt practices such as bribe solicitation on the country's roads.
- As part of a programme supported by the UN Development Programme, up to 6,000 police officers were trained in preparation for the October 2015 elections in Tanzania, completing courses on human rights, gender and the role of the police in democratic elections. While this programme was punctual, it

demonstrates the government's effort to maintain political stability by strengthening police force capability and should reduce vulnerability to crime in the medium term. Furthermore, it proved helpful in the March 2016 election re-run in preserving peace and stability.

- Businesses operating in Zanzibar must be aware of there the threat of violence against women, mainly against locals. The issue came to the frontline during the local elections in Zanzibar in November 2015, when many reportedly did not vote out of fear of violent reactions and divorce threats from their husbands.
- A modern communication system to be used by the police for surveillance and to track down high end criminals was launched in Arusha in February 2016. The VHF Radio communication system will help the Tanzania police to operate more efficiently and effectively in managing the country's long and porous borders, especially the northern border and Arusha city. The equipment, worth USD778,000, has been supplied by the US Embassy in Tanzania. Arusha city, which serves as a hub of the tourism industry, has been subjected to a string of grenade attacks, which the authorities blamed on terrorists, between 2012 and 2014, claiming nearly a dozen lives and hundreds injured. The implementation of the Arusha Secured VHF Radio Project will strengthen Tanzania's existing mechanisms of combating transnational crimes and will boost the police force capability.

Violent And Petty Crime

Investors in Tanzania face risks in the form of moderately high murder rates, prominence of sexual assaults, and high rates of petty crime. These factors are the product of a number of social and operational challenges, notably high levels of poverty and an incompetent police force. Sexual violence is also a significant issue in Tanzania, posing an elevated risk to female workers. **BMI** therefore awards Tanzania a score of 24.0 out of 100 for Violent and Petty Crime, placing it 26th out of 48 states regionally.

Petty Crime

Crime represents a serious risk to expatriates and foreign businesses in Tanzania, particularly in urban areas such as Dar es Salaam and Arusha. High rates of poverty and inequality have led to a proliferation in crime over the last several years that often targets foreigners, who are perceived as wealthy, thereby increasing the threat of crime to expatriates. Crimes vary from petty theft, robbery, carjackings, scams, kidnapping, forced ATM withdrawals under threat of violence, assault, rape and murder.

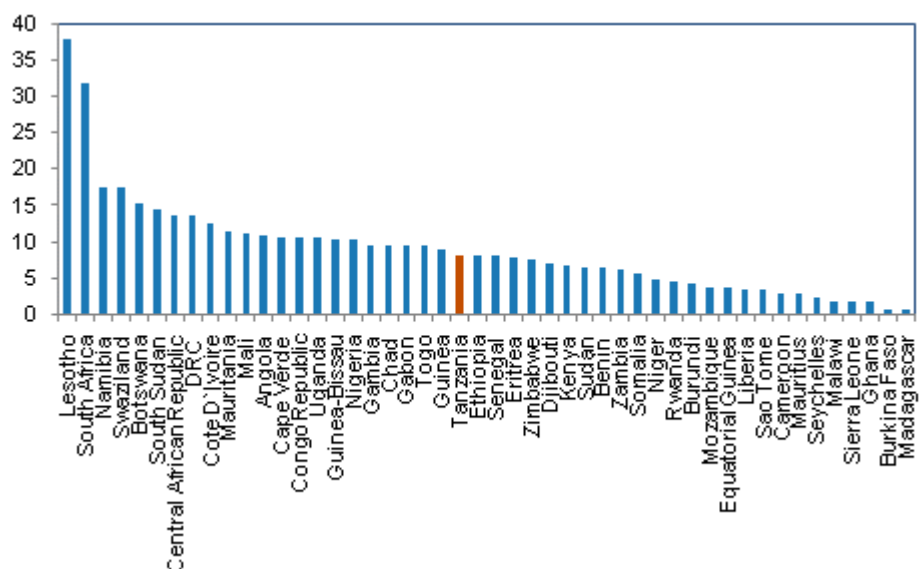
Violent Crime

According to the UN Office on Drugs and Crime (UNODC), Tanzania has the 23rd highest homicide rate of 48 SSA countries, with 8.2 murders per 100,000 people in 2012 (latest available data). While this is a relatively high rate, Tanzania places far below the regional outperformers for homicide, Lesotho and South Africa, where the murder rates are as high as 38, and 32 homicides per 100,000 people respectively. Despite

this, foreigners are not the primary target for murders, which diminishes the risk associated with high overall murder rates.

Middle Of The Pack

SSA - Homicide Rate (Per 100,000 Population)



Source: UNODC

According to the fifth Afrobarometer survey conducted by the Research on Poverty Alleviation organisation, 44% of Tanzanians were physically attacked between 2011 and 2012, a figure that may be underestimated due the fact that only 42% of citizens reported crimes to the police during the same period. Nevertheless, the incidence of violent crime is considerably lower in Tanzania than in many other African countries, diminishing the risk of injury to foreign workers and investors on a regional scale. Moreover, it is not as common for foreigners to be targeted by criminals for violent crimes; rather, expatriates often fall victim to petty crimes, thereby necessitating increased precaution and security measures for foreigners working and living in Tanzania.

Women in particular are vulnerable to high crime rates. Rape is a serious problem in Tanzania, with 45% of Tanzanian women having experienced sexual or physical violence as of 2010, while almost three out of 10 girls experienced at least one act of sexual violence before turning 18. Reporting is also deterred by a rape

policy that obliges women to report a rape to police and obtain a police release form before being permitted to visit a hospital. Poor training, inadequate forensic facilities and police incompetence serve as major deterrents for women to report rape, increasing risk for expatriate women working in Tanzania. Indeed, a 2014 study conducted by the Tanzania Media Women's Association found that men accused of committing sex crimes often walked free, owing to a lack of evidence, poor police investigations and unwillingness on the part of victims to testify to avoid the stigma and shame attached to rape.

However, the risk to women may decline in the medium term amid the roll-out of gender and children desks in every police station in Unguja and Pemba islands. Comprised of a reception, rest area, interview and counselling room, and an office for reporting cases of physical and sexual abuse to trained officials, special units have received USD3.2mn in funding from the EU to bolster training and resources available to local police. Additionally, like other types of violent crime, Tanzanian women are far more vulnerable to rape and sexual assault, thereby reducing the risk of attacks on foreign female workers.

As a result of high poverty rates and economic decline, there has also been a reported rise in armed robberies and break-ins, rendering businesses increasingly vulnerable to lost or damaged property and violence against their employees. In August 2012, an armed robbery took place in the Peninsula area of Dar es Salaam at the property of a Swiss national, who was killed during the incident. Firms therefore face increased costs from private security companies, the hiring of which diminishes the likelihood of property damage, stolen goods, and assault.

The burden of crime on businesses is reflected in widespread societal perceptions of insecurity in Tanzania. According to the 2014 Legatum Prosperity Index, 21.5% of Tanzanian respondents reported that they were assaulted in 2010, relative to a global average of only 7.5%. Similarly, 35% of participants stated they had property stolen during 2013, in contrast to only 16.5% at the global level. Finally, only 54.5% of individuals felt that they were safe walking alone at night in 2013, relative to the global average of 61.5%. Taking these factors into account, businesses operating in Tanzania are advised to invest in private security to limit crimes committed to their property and staff members.

Capability Of The Police Force

The capacity of Tanzania's police force is diminished by a number of factors, including a lack of training, corruption and low pay. The poor capability of the police is effectively demonstrated by Tanzania's crime record, which has some of the highest rates of murder and rape in the region. The inability of the police to deter crime has resulted in the presence of vigilante groups such as the Sungusungu, who have now been given the ability to make arrests. Overall, companies are not able to rely on the police force to bring justice

to criminal activity, resulting in higher costs to investors. That said, Tanzania has a relatively large police force by regional standards, and has received the support of various external donors in recent years, which bodes well for an improved police force in the coming years. Taking these factors into account, Tanzania receives a score of 50.5 out of 100 for Capability of Police Force, placing the country seventh out of 48 states regionally.

Size Of The Police Force

According to recent estimates, the Tanzanian Police Force (TPF) reportedly has around 40,000 personnel throughout the mainland and in Zanzibar and is largely responsible for preserving law and order. Within this, a special unit called the Field Force Unit monitors and controls illegal riots and demonstrations. According to the US State Department, the competence of the TPF is limited due to its inadequate human and physical resources, which translates into restrictions in the efficacy of policing and low pay, incentivising corrupt practices among many segments of the police force. As a result, firms cannot fully rely on the police to deter crime and deliver justice, increasing the risk of bribery and losses due to theft and other crimes. The low capability of the police is exemplified by Tanzania's high crime rates, which demonstrate that the force is unable to deter criminal behaviour and respond to crimes as they occur.

Despite these drawbacks, the TBF has benefitted from numerous external donors to boost their competence. For example, the Egyptian government recently provided TZS100mn in mortuary equipment to improve healthcare services at the main police hospital of Kilwa Road in Dar es Salaam. Additionally, US officials have been working with Tanzanian police officers to improve the efficacy of forces combating the illegal ivory and drugs trade. The programme aims to train police officers, provide sniff dogs to be used at the port of Dar es Salaam and the airport, and implement an effective administrative management system, among other benefits. These efforts serve to solidify previous cooperation efforts between the two governments, wherein the US trained over 200 Tanzanian police and wildlife personnel working in the Regional Rural Border Patrol Unit.

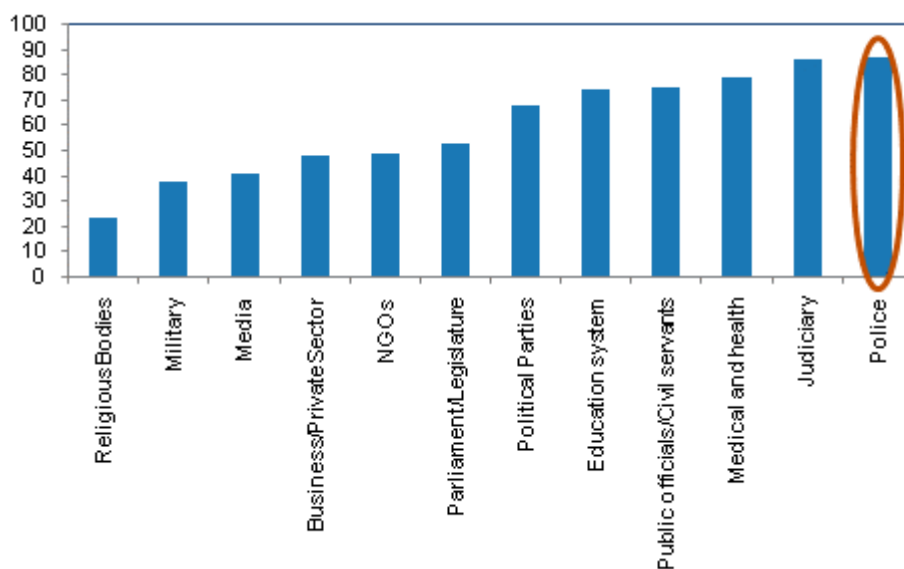
Due to the inability of the police to combat crime, the police are not the only force within Tanzanian society with the power to pursue justice. The Sungusungu is an organisation independent of the police that was created by the Nyamwezi and the Sukuma ethnic groups several decades ago, which acts as a citizens' patrol group in preventing crime, and has been given the ability to make arrests. Although they are not allowed to carry machetes or firearms, they wield clubs or sticks, and coordinate with police and municipal governing authorities.

Perception Of The Police

East Africa's police forces are renowned for their corruption, and Tanzania is no exception. According to Amnesty International, in 2013 Tanzania's police were ranked the most corrupt in the East African Community, while a government report found the police forces to be the most corrupt institution in the country. Indeed, an estimated 87% of respondents in a recent Transparency International survey deemed the Tanzanian police force to be either 'corrupt' or 'very corrupt', only slightly above the judiciary, which is perceived as the second most corrupt state institution. High rates of police corruption therefore represent a major challenge to preserving law and order due to limited transparency and accountability on the part of governing officials. According to Amnesty International, although the police accumulate the largest number of bribes, the value of police bribes is substantially lower on average than in the Tanzanian tax administration, valued at just USD36, compared with the highest average tax bribe of USD87. Therefore, although businesses and investors face a high risk of having to pay bribes, the sums are low compared with those in other sectors.

Police Force Perceived As Most Corrupt State Institution

Tanzania - Respondents Who Viewed Institutions As Corrupt Or Very Corrupt (% Of Total)



Source: Transparency International

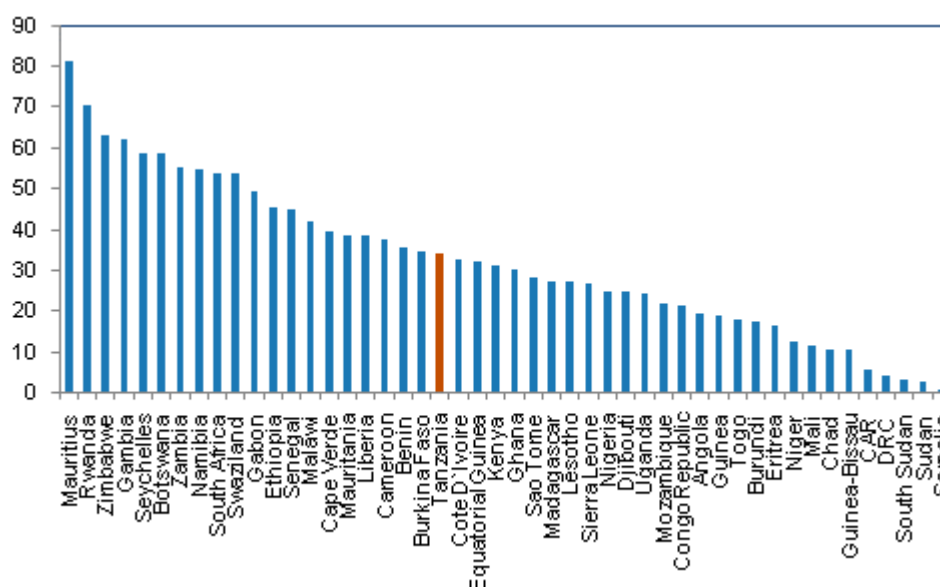
The police force is also reputed to have a low level of accountability, contributing to excessive force and brutality. According to the Legal and Human Rights Centre, during 2011 police violence and extra judicial killings increased in number, with 25 individuals killed and more than 40 injured by police and security personnel throughout the year. Police also fulfil the role of prosecutor within the lower courts, which has allegedly facilitated the manipulation of evidence in criminal trials. Although the state has attempted to crack down on corruption and unmerited violence by dismissing or punishing officers and improving police training, these issues continue to adversely impact the probity of police forces. As a result of these issues, most Tanzanian nationals and expatriates receive little help from police in the event of a crime. Many businesses therefore rely on more costly, albeit reliable private security units to protect themselves against theft, property damages and injury to personnel.

Business Crime Analysis

BMI View: Although Tanzania is not a regional financial hub in Sub-Saharan Africa (SSA), the country remains vulnerable to money laundering and trafficking activities due to its position at the crossroads of eastern, central and southern Africa. As a result, Tanzania's financial sector faces a growing risk from money laundering in particular, both in the poorly regulated informal banking industry and the formal sector. Moreover, limited training and resources has constrained the country's ability to prosecute and convict alleged money launderers, thereby emboldening potential financial criminals. BMI awards a score of 34.4 out of 100 for Business Crime, ranking Tanzania 21st out of 48 SSA states.

Risks To Businesses From Crime Lower Than Regional Average

SSA - Business Crime Risk Scores



Note: 100 = Lowest risk; 0 = highest risk. Source: BMI Crime and Security Risk Index

- In February 2016, the Tanzanian government outlined plans to engage experts from Tanzania Wildlife Authority (TAWA), Tanzania National Parks (TANAPA), the Ngorongoro Conservation Area Authority (NCAA) and Tanzania Forest Services (TFS) in an effort to prevent wildlife trafficking and poaching. The agencies will work in collaboration with security organisations from Tanzania Ports Authority (TPA), the Tanzania Airport Authority (TAA), the Tanzania Revenue Authority (TRA) as well as local and international conservation institutions and stakeholders. The move came barely three weeks after the poachers gunned down a helicopter which was on a patrol in the Maswa Game Reserve on the southern part of Serengeti National Park, killing the pilot - a British national. The incident was widely reported and

the government is determined to eliminate the entire syndicate of poaching in the country; however, this is a regional problem that will likely require regional collaboration to prove its effectiveness.

- Other government strategies to guard the country against wildlife trafficking include speeding up the process of transforming the operation of wildlife conservation from civilian to paramilitary. Furthermore, the government is working on the possibilities of banning private people from owning firearms to reduce the increasing incidents of people to use arms in committing crimes, which will reduce overall crime levels.
- Increasingly thorough investigations of financial crime and corruption pushes businesses to conduct due diligence into business partners to avoid involvement with illegal activities. In December 2015, seven senior officials from the Tanzania Revenue Authority (TRA) and an official from Azam Inland Container Depot (ICD) were charged with economic sabotage and the loss of TZS12.7bn in unpaid taxes to the government.

Financial Crime And Cybercrime

Tanzania's regulatory framework to combat financial crime is weak, leaving businesses exposed to illicit activities. However, government efforts to bolster financial reporting standards indicates will improve the investment environment in the longer term. Cybercrime relatively low but increasing and businesses are highly vulnerable to attacks given low levels of protection. Tanzania scores 20.3 out of 100 for Financial Crime and Cybercrime Risk, placing 30th out of 48 SSA countries. In this regard, Tanzania compares poorly to sub-regional heavyweight Kenya, which places eighth in the region for this pillar.

Financial Crime

Although Tanzania is not a financial centre in SSA, the country remains vulnerable to money laundering and trafficking activities due to its position at the crossroads of eastern, central and southern Africa. As a result, Tanzania's financial sector faces a growing risk from money laundering in particular, both in the poorly regulated informal banking industry and the formal sector. Moreover, limited training and resources has constrained the country's ability to prosecute and convict alleged money launderers, thereby emboldening potential financial criminals. To ameliorate these issues, Tanzania has stepped up its efforts to bring financial reporting standards to the global norm and invested in training and resources for its anti-financial crimes institutions. However, these initiatives have not yet likely borne fruit; as recently as July 2015, one of the country's leading banks, **FBME**, was cut off from accessing the US financial system due to concerns that the bank facilitated money laundering, organised crime and terrorist financing. As a result, Tanzania's anti-financial crimes initiatives continue to fall under global scrutiny, which increases the threat of money laundering to foreign businesses in the country.

Tanzania is not a major financial hub in the region, which reduces its appeal for financial crimes relative to other more developed financial centres. However, the country's geostrategic position between eastern,

southern and central Africa heightens the risk of traffickers smuggling the proceeds of various illicit trades through the country. Due the relative underdevelopment of the Tanzanian formal banking sector, the majority of money laundering occurs in the informal non-bank sectors. For example, popular methods for laundering money include the rapidly expanding mobile banking services, notably AirtelMoney and Mpesa, as well as front companies, foreign currency exchange centres, and *hawaladars*. The used car business and the real estate sector are also preferred strategies for money laundering, particularly in Zanzibar.

Despite the growing risk of money laundering, Tanzania's legal and regulatory environment has not adapted to effectively combat the threat of financial crimes. In October 2012, the Financial Action Task Force noted in its Public Statement that Tanzania had failed to adequately implement its programme to close the gap on noted anti-money laundering (AML) and counterterrorist financing deficiencies (CFT). Specifically, Tanzania's regulatory environment is in need of procedures to identify and freeze terrorist assets, which it has thus far been unsuccessful in implementing. In response to these deficiencies, Parliament passed new AML legislation in 2012, expanded KYC requirements, and amended the 2006 Anti-Money Laundering Act (AMLA) to broaden the list of predicate offenses, which now include pyramid and other similar schemes, fraud, piracy of goods, and counterfeiting of currency. The Tanzanian Financial Intelligence Unit (FIU) also reported plans to hire new staff, reflecting a budget increase during 2012, and conducted two training sessions with law enforcement authorities to enhance its ability to investigate financial crimes and strengthen reporting standards.

Despite these efforts, gaps still remain in the country's reporting standards, particularly in Zanzibar, where jurisdiction issues often create difficulties in implementing financial regulations. Additionally, the prevalence of informal financial transactions outside of the formal banking sector further complicates authorities' ability to regulate the financial industry. Even within the formal financial sector, enforcement officials have struggled to bring the industry's standards up to the global norm, thereby exposing firms to the threat of financial crimes. Only in 2014 was Tanzania removed from a list of countries believed to be at high risk for money laundering, demonstrating its continued struggle to combat financial crimes. This state of affairs contributes to Tanzania's low regional position for the strength of its financial standards, placing ninth from the bottom of the regional pack, among countries such as Mali, Chad and Burundi.

These difficulties are reflected in the recent penalisation of one of Tanzania's largest banks. In July 2015, FBME was cut off from accessing the US financial system due to concerns that the bank's lax AML controls facilitated money laundering, organised crime and terrorist financing. Consequently, US financial institutions were barred from doing business with the prominent Tanzanian bank and trading on its behalf, effectively constituting a 'death sentence' on the bank. A US district judge granted FBME a preliminary

injunction against the ruling, though the bank's name has not yet been cleared, generating concern over the transparency and accountability of one of Tanzania's key financial institutions.

Tanzania's law enforcement and judiciary are also ill equipped to cope with the rising tide of financial crimes. Deficiencies within the legal system in particular are highlighted by the country's poor track record in convicting alleged financial criminals. In 2012, the Tanzanian legal system prosecuted 14 cases related to money laundering, yet it made no convictions, which does not bode well for the country's ability to investigate and prosecute financial crimes.

Cybercrime

As internet penetration rates have grown, Tanzania faces a rising tide of cybercrimes, particularly related to cyberfraud. Between September 2010 and September 2013, more than USD6.1bn was stolen from Tanzania's banking sector through cyberfraud, posing a serious risk to foreign businesses operating in the country, particularly those with assets in Tanzania's banks. This vulnerability is due to a variety of factors, such as growing internet usage rates unaccompanied by a rise in secure internet servers and other online security precautions. As a result, in recent years the Tanzanian government has begun re-evaluating the National Information and Communication Technology policy in 2012 to cover growing challenges such as cybercrime. At the same time, the state has worked to enact new laws to curb the threat of cyberattacks, notably the 2015 Cybercrime Bill, though its implementation has been undermined by concerns over violations of freedom of expression.

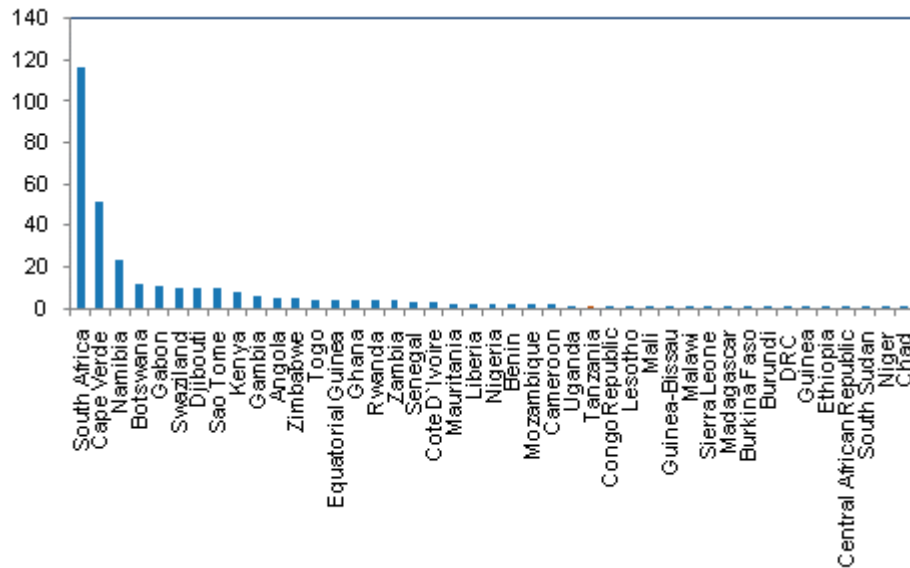
Tanzania's growing risk of cybercrime stems from the country's embrace of the internet. Ranked 18th out of 48 SSA countries, Tanzania's internet penetration rate currently stands at 24.6 users per 100 people, representing the third highest internet usage rate in East Africa. As a result, Tanzania remains less exposed to cyberattacks compared to neighbours with higher penetration rates, notably Kenya and Uganda, where internet usage rates have reached 54.1 and 33.6 users per 100 people, respectively. However, due to the fact that this technology is relatively new to Tanzania, users are more likely to be unfamiliar with online security precautions, thereby increasing the risk of cybercrimes. Users become even more exposed to attacks as more Tanzanians utilise online payment systems. According to a recent World Bank survey, only 1.42% of the population currently makes online transactions, ranking the country 22nd regionally. As more Tanzanians go online, the need for increased online security will increase to prevent the rising tide of cybercrimes committed in the country.

Of particular concern for online security is the low number of secure internet servers in Tanzania, which exacerbates the risk of cyberattacks. Growing internet usage has not yet kept pace with online security

infrastructure needed to protect users from attacks, and there are only 1.5 secure internet servers per million people in the country, ranking it 29th in the region, tied with Congo Republic. In contrast, although neighbouring Kenya has higher internet usage rates that could lead to a higher vulnerability to attacks, its internet security infrastructure is considerably more advanced, with an estimated 7.7 secure servers per million people, ranking 11th regionally. Nevertheless, the state of East Africa's internet security is woefully poor by global standards, particularly when compared to the regional outperformer, Seychelles, with 616.8 secure servers per million people. As a result, East African countries face a higher risk of cyberattacks due to the limited number of secure internet servers.

Low Protection Increases Vulnerability To Cybercrime

SSA - Secure Internet Servers (Per 1mn People)



Source: World Bank

In response to the growing threat of cybercrime over the last several years, the Tanzanian government began to re-evaluate the National Information and Communication Technology policy in 2012 to bridge the gaps in legislation for challenges such as cybercrime. Initiatives included the introduction of the esecurity.co.tz website, which offers services to protect web systems and websites from hacking attacks. As of September 2013, over a period of three years, more than USD6.10bn had been stolen from the country's banking sector through cyberfraud, with threats arising in forms as varied as card skimming, the manipulation of electronic

files and hacking. Between 2011 and 2012, no less than 500 Tanzanians were arrested over cyberfraud. As a result, although the government is in the process of improving legislation, firms and investors remain at risk of losses from cyberfraud, attacks and other crimes on the web or within the financial system.

Nevertheless, concrete steps have been taken to diminish the threat posed by cybercrime to investors and businesses. At the moment, the Government of Tanzania is considering the implementation of three bills that would empower officials to prosecute crimes and define the legal environment: The Data Protection and Piracy Act, the Computer and System Act and the Electronic Transaction Act. Additionally, in April 2015, the Tanzanian parliament passed the Cybercrime Bill, which seeks to reduce cyber bullying, online impersonation, illegal interception of communications, the publication of false information and child pornography. To effectively counteract the growing threat of cybercrime, the bill has allotted considerable scope for police officials to search the homes of suspected criminals, seize their electronic equipment, and obtain their data from online service providers.

However, the new bill was not passed without difficulty. Indeed, the United Nations Country Representative Coordinator spoke out in May 2015 against the constraints placed on journalists by the Cybercrime Bill. The new bills not only allegedly restrict freedom of the press, but they may also indirectly support the intimidation and violence directed against many journalists in Tanzania. Additionally, critics have argued that the bill gives excessive powers to the police, while limiting the freedom of citizens.

Business Costs Of Crime

Taking the below factors into consideration, Tanzania ranks 16th in the region for the Business Costs of Crime, scoring 48.5 out of 100.

Organised Crime

Tanzania is plagued by high levels of poverty, inequality, and corruption, which have enabled armed and criminal groups to flourish in the country. Criminal groups in Tanzania are primarily motivated by economic wealth and threaten businesses in various forms. Pirate activity poses high risk to maritime trade, while armed gangs and fraudsters increase the danger of foreign expatriates. In particular, money laundering and financial crimes pose a major risk to businesses operating in the country, due to the likelihood of illicit activities in the banking sector and US-imposed penalties on key actors in the financial industry. As a result, businesses may be cut off from US financial markets and other major global financial sectors.

Motivated by economic wealth, armed criminal groups have incurred a growing risk for businesses in Tanzania in the form of theft, robbery, assault and damage to property. According to the US Overseas Security Advisory Council, armed and criminal activity has grown in recent years, fuelling a rise in the number of armed residential break-ins and robberies reported, particularly along the Tanzanian border with Burundi. These groups have also been responsible for an increase in financial crimes, particularly cyber crimes and money laundering.

With regards to financial crimes, deficiencies in the AML/CFT reporting standards within the Tanzanian financial sector have exposed businesses to a growing tide of crimes associated with money laundering. Currently, organised criminals in the drug, arms and illegal wildlife trade profit from Tanzania's strategic location between southern, eastern and central Africa and employ a number of sectors to launder the illicit proceeds of their trades. Gangs utilise the informal non-bank sectors such as mobile banking services, in addition to front companies, foreign currency exchange centres, and *hawaladars*. The used car business and the real estate sector are also preferred strategies for money laundering, particularly in Zanzibar.

The inability of the Tanzanian state to bring its reporting standards to global standards has serious implications for foreign companies doing business in the country, complicating access to international financial markets and transactions conducted with major global financial institutions. Indeed, in 2015, one of Tanzania's largest banks, FBME, was cut off from accessing the US financial system over concerns that the bank's lax AML controls facilitated money laundering, organised crime and terrorist financing. As a result, American financial institutions were barred from doing business with the prominent Tanzanian bank and trading on its behalf, effectively severing access for FBME clients to one of the largest markets in the world and threatening access to other major global institutions. Furthermore, only last year, Tanzania was removed from a list of countries believed to be at high risk for money laundering, demonstrating its continued struggle to combat financial crimes. Consequently, the risk perceived to emanate from money laundering activities is high, necessitating a considerable strengthening of the financial sector's regulations to combat the threat of organised crime.

Another notable form of crime on the rise as a result of armed groups and organised crime is a proliferation of maritime piracy, particularly in the Gulf of Aden and the Indian Ocean, putting companies reliant on shipping and maritime trade at risk of significant cargo and financial losses and personal injury to staff. Pirate attacks have occurred immediately off Tanzania's coast and have impacted both larger cargo vessels as well as smaller fishing, sailing and tourist ships. The Tanzanian Navy's ability to combat and restrict these attacks is very low due to inadequate resources and training, but the Tanzanian government has signed

a joint maritime agreement with Mozambique and South Africa in order to diminish the risk posed by piracy.

In light of the current deficiencies in Tanzania's AML/CFT regulations, the country's appeal to criminal groups for money laundering remains relatively high. That said, the penalisation of a leading institution like FBME may spur law enforcement officials to step up their efforts to reduce the ability of criminals to launder money. As a result, although the credibility of Tanzania's financial sector has been tarnished in the short run, these events may help ensure that the government meets its commitments to eliminate money laundering. If not, foreign enterprises may opt to invest in a more sophisticated and transparent banking and financial industry and avoid Tanzania for certain business activities.

Business Response To Security Risks

On a day to day basis, investors and foreign businesses face the largest risk from crimes, particularly petty theft, and increasingly, financial and cybercrimes. While the cost to businesses is lower than many regional peers, the US State Department still provides hardship pay of 25% on basic compensation, an indication of significant of the security threat to businesses.

Table: Business Response To Risk In Tanzania

Risk	Risk Level	Business Response To Risk
Conflict Risk	Elevated	<ul style="list-style-type: none"> Exercise high degree of caution in Dar es Salaam and Zanzibar, especially in crowded areas.
		<ul style="list-style-type: none"> Hire security to protect key strategic infrastructure, especially along the country's north-western borders.
Vulnerability To Crime	Elevated	<ul style="list-style-type: none"> Ensure employees, especially foreign workers are aware of specific petty and violent crime risks, particularly at night-time in Dar es Salaam and Zanzibar.
		<ul style="list-style-type: none"> Provide secure accommodation and transportation to and from work for employees.
		<ul style="list-style-type: none"> Ensure employees, especially foreign workers are aware of police corruption and the threat of bribery on the country's roads.
Business Crime	Elevated	<ul style="list-style-type: none"> Monitor new legislation, which is being developed as part of Tanzania's anti-corruption drive, ensure compliance.
		<ul style="list-style-type: none"> Awareness of cybercrime threat, with companies connected to the government and strategic infrastructure most exposed.

Business Response To Risk In Tanzania - Continued

Risk	Risk Level	Business Response To Risk
		<ul style="list-style-type: none">▪ Due diligence into potential business partners.▪ Monitoring for suspicious payments and activity associated with money laundering.

Source: BMI

Methodology

Crime And Security Risk Index Methodology

BMI's Operational Risk Indices provide a comparative regional ranking system that evaluates risks of businesses operating and limitations for potential investors in a given market. Our Crime and Security Risk Index quantitatively compares the challenges of operating in 201 countries worldwide. The index scores each country on a scale of 0-100, with 100 the lowest risk.

Each country has a headline Crime and Security Risk Index score, which is made up of three categories, each further broken down into sub-categories. The individual categories and sub-categories are also scored out of 100, with 100 the lowest risk.

The Crime and Security Risk Index score is the average of the **Conflict Risk**, **Vulnerability To Crime** and **Business Crime** scores.

Conflict Risk: This indicator assesses the risk of conflict in a country. Looking at the interstate environment for that state and the region, and the country's military capability. We examine possible triggers for military confrontation, factors that could mitigate conflict risks, multilateral dispute resolution channels, military alliances and the size and quality of a country's armed. We look also at the terrorism threat within a country, from both a domestic and international terrorist organizations perspective. We examine what the terrorist organizations aims are and what could be their potential targets.

Vulnerability To Crime: This indicator assesses the risk of crimes to the person and to property, from both a violent and petty crime perspective. It also examines the capability and integrity of the police force.

Business Crime: This indicator assesses crimes that might specifically target businesses such as organised crime and cyber crime. The indicator also assesses the potential cost of crime and violence to businesses, such as the need for companies to pay danger or hardship pay.

Table: Weighting Of Indicators (%)

Indicator	Weighting
Conflict Risk	33 of which
Terrorism and Political Violence Risk	50
Interstate Conflict Risk	50
Vulnerability To Crime	33 of which
Violent and Petty Crime	50
Capability of the Police Force	50
Business Crime	33 of which
Financial and Cyber Crime	50
Business Costs of Crime	50

Source: BMI