

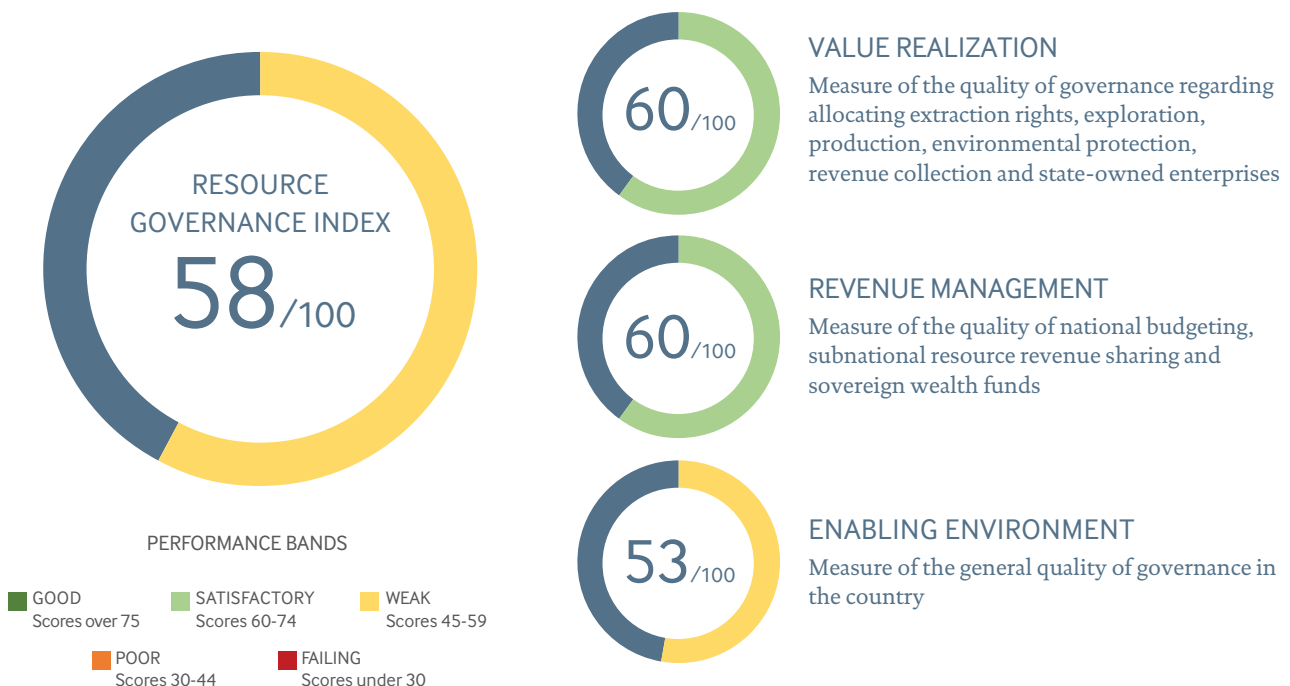
2021 Resource Governance Index Tanzania



Tanzania’s mining sector has scored 58 out of 100 points in the 2021 Resource Governance Index (RGI). While the score has increased by 9 points since the 2017 RGI, owing largely to improvements in the governance of revenue management, the overall performance of Tanzania’s resource governance remains “weak”. Value realization placed at the lower end of “satisfactory”, while the broader enabling environment placed firmly within the weak performance band.

- Tanzania’s governance of local impact classified as weak as it did in the 2017 RGI. Strengthening the disclosure of environmental and social impact assessments and mitigation plans and amending land legislation to provide for the resettlement of landowners and compensation to land users could improve this area.
- State-owned enterprise governance is negatively impacted by a lack of production and commodity sale disclosures, resulting in a “poor” score of 41. This is especially concerning given state-owned mining company STAMICO’s active participation in Tanzania’s gold sector.
- Tanzanian’s mining sector has a considerable gap between established legal frameworks and their enforcement in practice. The weak enforcement of rules surrounding local impacts and state-owned enterprise governance are key causes of this growing “implementation gap”, which has widened to -29 points in the 2021 RGI.
- National budgeting governance, which registered as satisfactory, could move into the “good” category with improvements to fiscal rules monitoring by an external auditing authority.

Tanzania mining: 2021 Resource Governance Index and component scores



2021 Resource Governance Index

RESOURCE GOVERNANCE INDEX RESULTS SUMMARY

Revenue management governance and value realization have both improved since the 2017 RGI

Gold mining plays an important role in Tanzania's economy. Its contribution to Tanzania's GDP has [steadily increased](#) since 2014, with the sector recording a GDP contribution of 3.8 percent in 2014 and a GDP contribution of 5.2 percent in 2019. Between January and September 2020, that contribution was 6.4 percent. Gold is Tanzania's main mineral exported. The country's gold reserves amount to an estimated [45 million ounces in gold](#), some of the largest reserves in the world. In the financial year of 2018/2019, the export value of gold amounted to [USD 1.9 billion](#) and in 2019 gold represented over [32 percent of all of Tanzania's merchandise exports](#).

The governance of Tanzania's mining sector improved and scored 58 points in the 2021 RGI, with the overall score increasing by 9 points since the 2017 RGI. This is largely owing to improvements to the governance of the sector's revenue management, resulting in a 20-point jump, from 40 to 60 points, stemming from progress made with the establishment of an online data portal, which discloses reserves, production and exports statistics, and enhanced national budget disclosures.

Tanzania mining sector 2017 and 2021 Resource Governance Index scores

	2017 RGI Score	2021 RGI Score	Trend
RGI COMPOSITE SCORE	49	58	9
VALUE REALIZATION	54	60	6
Licensing	50	66	16
Taxation	87	85	-2
Local impact	46	46	0
State-owned enterprises	33	41	8
REVENUE MANAGEMENT	40	60	20
National budgeting	40	60	20
Subnational resource revenue sharing	.	.	.
Sovereign wealth funds	.	.	.
ENABLING ENVIRONMENT	53	53	0
Voice and accountability	67	54	-13
Government effectiveness	48	29	-19
Regulatory quality	61	45	-16
Rule of law	62	50	-12
Control of corruption	44	64	20
Political stability and absence of violence	56	56	0
Open data	35	73	38
LAW	69	77	8
PRACTICE	43	48	5
GAP (PRACTICE LESS LAW)	-26	-29	-3

Tanzania's mining sector continued to grow throughout 2020. [Gold export earnings rose over 34 percent in 2020](#), bolstered by increased output and higher prices during the height of the coronavirus pandemic. Meanwhile President Samia Suluhu Hassan has expressed a firm pro-business stance, pledging to improve the mining sector by fast-tracking agreements with companies and resolving outstanding tax issues.

Previously, several provisions were introduced to Tanzania's mining laws, such as free carried interest; the prohibition of dispute resolution in any foreign court or tribunal not established in Tanzania; and a requirement to adhere to local content obligations, all causing concerns for investors. Tanzania's parliament has also given the government the authority to renegotiate investor–state agreements terms deemed “unconscionable,” that is agreements with unfair terms. This has led to a number of arbitrations, including the highly publicized [tax dispute](#) with Acacia Mining, which took over two years to resolve.

VALUE REALIZATION

Value realization performance is satisfactory, with good taxation governance weighed down by weak local impact and “poor” state-owned enterprise governance

Value realization recorded a satisfactory score of 60, up 6 points from the 2017 RGI. This was buoyed by the subcomponent taxation's good score of 85. The government has published the revenues it receives from extractive companies through the Tanzania Extractive Industries Transparency Initiative's reconciliation reports as well as on the Mining Commission's website, which includes 2019/2020 mining revenue information. Audits of and by the Tanzania Revenue Authority of extractive companies took place periodically. In addition, a fully functioning mining cadaster with publicly available information has boosted the licensing score to satisfactory with 66 points, as have pre-licensing rules and practice, with the Mining Commission publicly disclosing the minimum pre-defined criteria that make companies qualified to participate in a licensing round.

These gains have been held back by state-owned enterprise governance. STAMICO scored 41 points, placing in the poor performance band. STAMICO has not disclosed its annual reports, despite being periodically audited, and while some commodity sale rules are in place, these were not matched by disclosures, with volume, value and production sale information not publicly disclosed. Poor state-owned enterprise transparency can stymie economic gains and prevent civil society organizations and the wider public from scrutinizing revenue flows and management of the sector. This is especially concerning given STAMICO's active participation in Tanzania's gold sector.

A weak local impact score further brings down the performance of value realization – the disclosure of environmental and social impact assessments is lacking as extractive companies are not required to publicly disclose them, while the disclosure of environmental mitigation plans is not practiced despite rules governing these being enshrined in legislation.

REVENUE MANAGEMENT

Revenue management received a satisfactory 60 points, driven by improvements in national budget disclosures

Revenue management governance has improved by 20 points in the 2021 RGI, driven by advances in national budget disclosures. The Ministry of Finance publishes the annual budgets for all ministries before and after approval by the parliament, further detailing revenue projections, total government expenditures and total resource revenues received in either the Ministry of Finance's annual budget speech or on the Mining Commission's website.

There is, however, room for improvement in fiscal rules and national debt disclosures. Even though legislation provides for a numerical fiscal rule for the government, there is no provision for the monitoring of its adherence. Meanwhile national debt information, though publicly available, is not disaggregated by currency denomination.

2021 Resource Governance Index

LAW AND PRACTICE SCORES

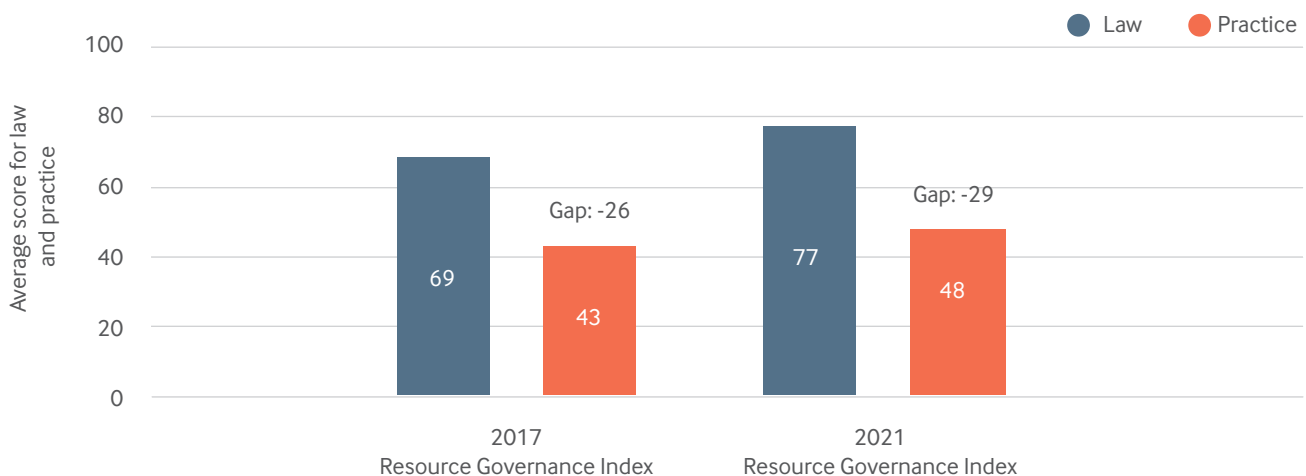
Poor local impact and state-owned enterprise governance enforcement widens the overall gap between law and practice

The “implementation gap” is the difference between the scores received on the strength of the country’s legal framework and the actual implementation of these laws in practice. Tanzania’s implementation gap worsened from -26 in the 2017 RGI to -29 in the 2021 RGI. Value realization recorded a large gap of -33, owing to weak enforcement of rules around local impact and state-owned enterprise.

While laws on local impact exist, they are often not enforced. Although environmental mitigation plan disclosure is enshrined in legislation, it is not practiced, with the state mandated environmental management agency National Environment Management Council only granting access to these plans against payment of a prescribed fee.

Meanwhile, state-owned enterprise disclosures are limited across most of the index’s indicators. The government has failed to disclose reports on its finances and operations in the past two years despite a legal requirement, only revealing ad-hoc information in press releases and conferences.

Evolution of the gap between law and practice in Tanzania’s mining sector



2021 Resource Governance Index

COMPARISON OF THE MINING AND OIL AND GAS SECTORS

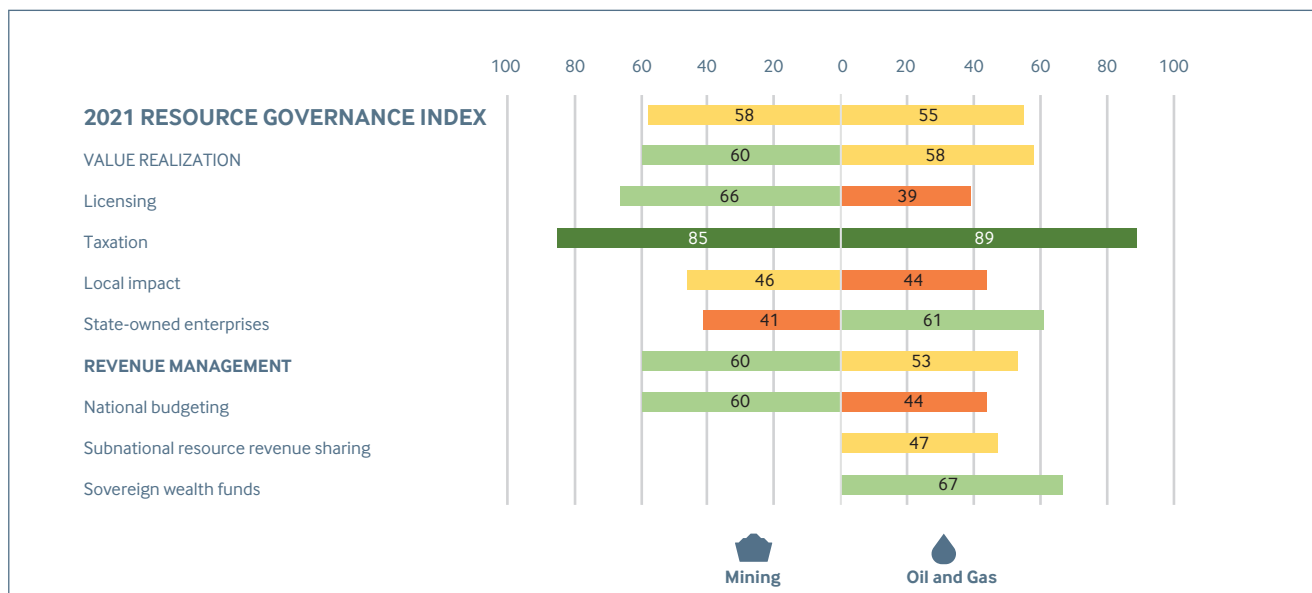
Mining sector shows stronger governance in licensing, but Tanzania Petroleum Development Corporation outperforms STAMICO

In addition to the mining sector, NRGi has also assessed governance of Tanzania’s oil and gas sector (presented in a separate profile). The oil and gas sector scored 55 points in the 2021 RGI, compared to the mining sector’s score of 58. Within value realization, the licensing subcomponent differed by 27 points between the two sectors, with the gas sector lagging due to the absence of a centralized cadaster, as well as a less established legal framework relating to both pre- and post-licensing round rules. The mining cadaster scores a full 100 points in the 2021 RGI, and the Tanzanian government should aim to establish an equally model oil and gas cadaster to increase transparency of the sector.

While both the governance of taxation and local impacts is similar across the two assessments, the oil and gas sector performs better in state-owned enterprise governance. TPDC received a score of 61 points in the 2021 RGI mostly driven by strong financial reporting, as well as production disclosures, which are mostly absent in state miner STAMICO’s governance.

The Tanzanian government has not yet established an online data portal for the oil and gas sector. While the mining sector online data portal still has room for improvement, especially regarding timeliness of data and accessibility, the government should establish a similar portal showing reserves, production and exports for the hydrocarbon sector, and ensure disclosure of information is up to date. Similarly, the government has not disclosed the revenues from the gas sector in 2019 or 2020 but has done so for the mining sector.

Comparison between Tanzania’s mining and oil and gas sector in the 2021 Resource Governance Index



RECOMMENDATIONS



NRGI recommends the following course of action to improve mining governance in Tanzania:

- 1. The Ministry of State for the Environment and Vice President's Office** should create legal provisions for environment and social impact assessment disclosure rules and ensure their enforcement. Such disclosures can help citizens understand whether mining operations are complying with national legislation and regulation, thereby enabling them to hold government and mining companies accountable. This can also help companies build trust with local communities, thus strengthening their social license to operate.
- 2. The government** should take steps to effectively ensure resettlement provisions are enshrined in land laws to maintain consistency across both mining and land laws. This will ensure mining operations mitigate the negative impacts on local communities.
- 3. The government** can consider setting up a sovereign wealth fund to manage its mining revenues to meet its commitment to raise mining's contribution to Tanzania's GDP from the current 6.7 percent to 10 percent by 2025. This could mitigate the risk of the resource curse and cover budget deficits if resource revenues decline.
- 4. The Ministry of Minerals** should stand by its June 2020 commitment to disclosure mining contracts. Not only does this enable citizens to understand the agreed terms of extractive projects, but it can also hold all parties accountable for non-compliance, incentivize government officials to arrange fair contracts and deter them from concluding contracts that are disadvantageous to citizens.
- 5. The Ministry of Minerals** should soften amendments to Tanzania's mineral laws, which have afforded the government discretionary room to cancel and suspend contracts. This will improve rule of law and regulatory quality, creating a more conducive environment for investors.
- 6. The Ministry of Minerals** must improve governance of state company STAMICO by disclosing annual reports, commodity sales information, and joint venture projects and subsidiary information. This will allow citizens to scrutinize the data to ensure revenues generated are managed in the interest of citizens. It will also raise STAMICO's financial performance by improving access to capital, and consequently increase government's share of dividends.

What is the Resource Governance Index?

The 2021 RGI assesses how 18 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 136 questions.

Independent researchers, overseen by NRGI, in each of the 18 countries completed a questionnaire to gather primary data on value realization and revenue management. For the third component, the RGI draws on external data from over 20 international organizations. The assessment covers the period 2019-2020. For more information on the index and how it was constructed, review the RGI Method Paper.