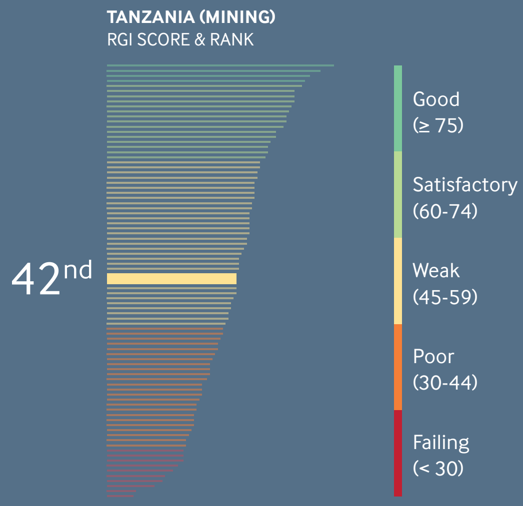
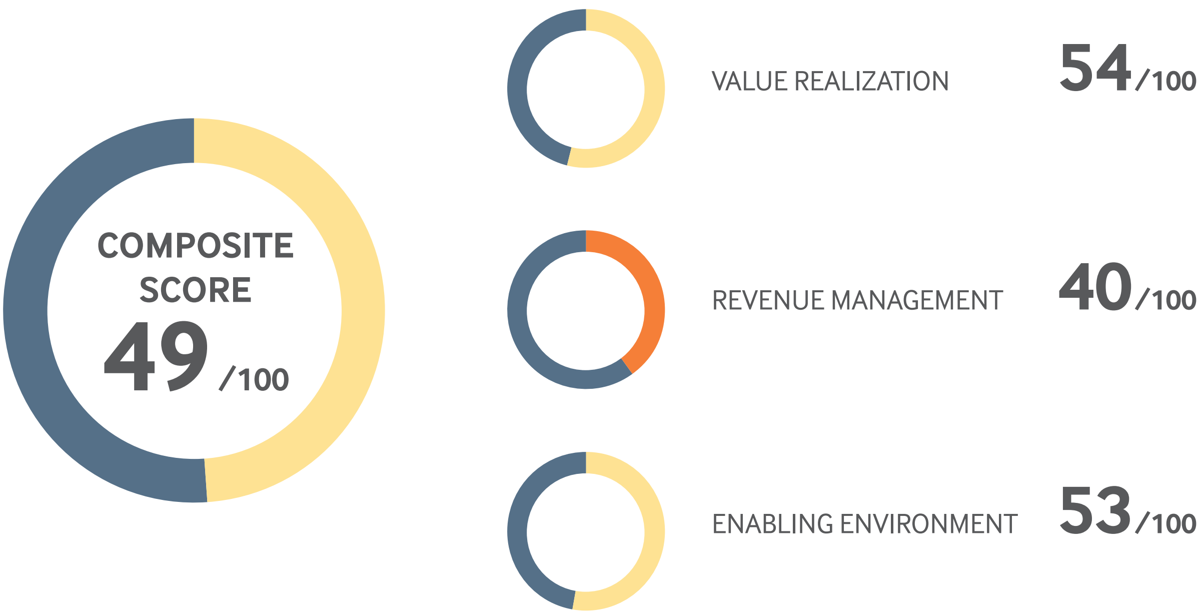
2017 Resource Governance Index

Tanzania (mining)



Tanzania's mining sector scores 49 of 100 points and ranks 42nd among 89 assessments in the 2017 Resource Governance Index (RGI). Tanzania is Africa's fourth-largest gold producer; this assessment focuses on gold mining, based on data collected during 2016. Tanzania has a mature mining industry. In the 2013–14 fiscal year revenues from gold mining constituted 80 percent of the extractive industries' 12 percent contribution to Tanzanian government revenues.[1] Concerns over equitable distribution of benefits between investors, the government and local communities have led the Tanzanian government to take steps towards improving governance and transparency. Some of these measures, such as improved access to sector data, are captured by this assessment. Others, such as renegotiation of contracts, are not. The results point to a need to close the gap between legal requirements and enforcement across several areas, and more specifically, to address shortcomings in licensing and state-owned enterprise (SOE) governance.

Tanzania (mining): RGI and component scores

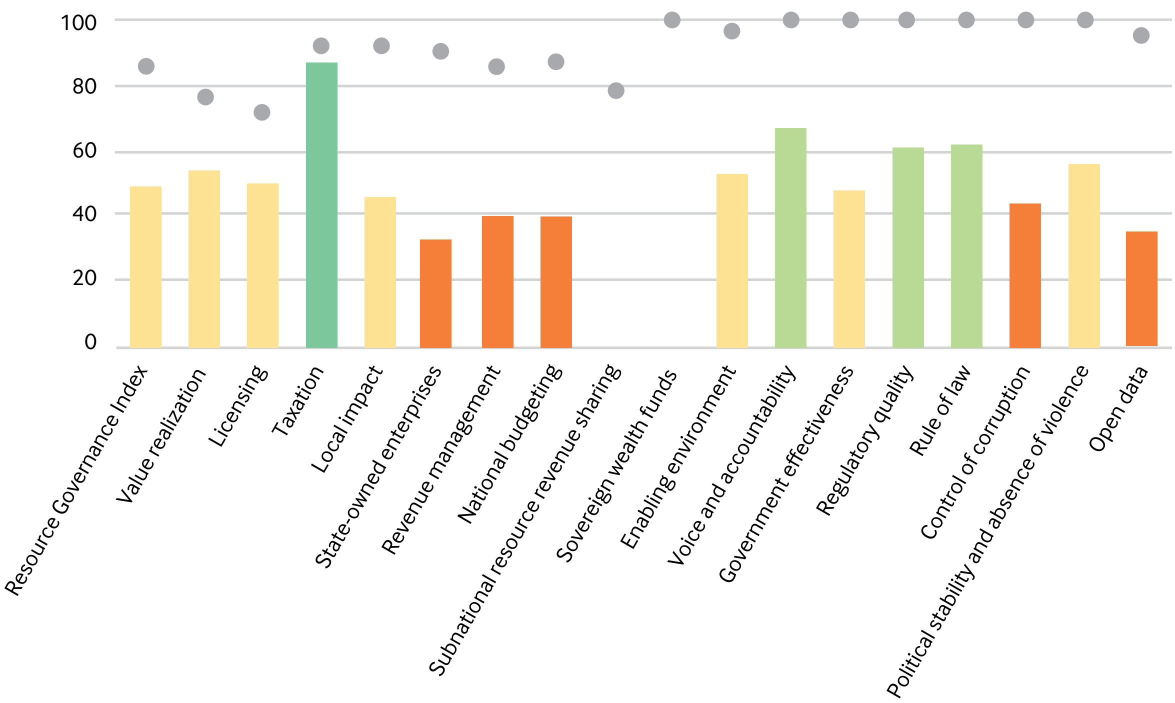


INDEX RESULTS SUMMARY

Tanzania must close the gap between law and practice in order to improve governance

Tanzania ranks 18th among 34 country mining sectors and 13th among 31 assessments in sub-Saharan Africa. While Tanzania only scores a weak 50 of 100 in mining licensing due to limited transparency of license allocation rules, it achieves a good score of 87 of 100 in taxation. Tax rates are disclosed in laws, and production, export and company payment data are disclosed via the Extractive Industries Transparency Initiative (EITI) and Tanzania Mineral Audit Agency (TMAA) reports. The Tanzania Revenue Authority (TRA) is regularly audited. These measures, supported by the Tanzania Extractive Industries Transparency and Accountability Act (TEITA), have increased transparency and accountability in this area. However, non-disclosure of contracts and lack of timely reporting prevent a robust assessment of whether the country are receiving a fair share from the mining sector. A range of stakeholders continue to raise longstanding concerns around the tax concessions provided to companies as well as potential tax avoidance.

Tanzania (mining): subcomponent scores



The results also point to a need to address social and environmental concerns related to gold mining in Tanzania, with the country only achieving a weak score in local impact. Such concerns are exacerbated by the inability of the public to access environmental impact assessments free of charge.

Tanzania (mining): resource governance trends

Issue	2017 RGI Score	Direction
Contract disclosure	0	●
Company payment disclosure	73	▲

Tanzania's mining sector achieves a relatively low score in revenue management. The Oil and Gas Revenues Management Act of 2015 includes rules for managing public finances and balancing the budget beyond extractive revenues. These rules were not operational at the time of the RGI assessment, but potential compliance risks are already apparent. There is currently no external body tasked with overseeing compliance, although there is a Parliamentary Budget Office tasked to analyse the government's draft budgets. Data on budget, resource revenues and debt are available, but the timeliness of mining revenue data needs improvement and revenue projections are not published. There is no portal providing comprehensive data for either petroleum or mining.

Tanzania's score for indicators measuring laws and regulations is 26 points higher than its score for implementation and enforcement, one of the highest differences among assessments in the index. The lowest-scoring subcomponents of enabling environment, specifically control of corruption and government effectiveness, point to a need for reform in those areas. The current administration has recognized this in its commitments and actions.

Continued transparency improvements will lead to a more informed assessment of the distribution of benefits between investors, the government and local communities, and better identification of any necessary reforms. The TEITA contains important provisions in this area, including disclosure of contracts. Success now depends on the government creating specific rules and enforcing them.

STATE-OWNED ENTERPRISE GOVERNANCE

Tanzania state mining company governance among bottom five of 45 EITI countries

Tanzania's State Mining Corporation (STAMICO) participates in mining projects via joint ventures and subsidiaries. It was revived in 2013 after a period of relative inactivity. Its weak score in the index is partly due to an absence of publicly disclosed rules related to financial transfers between STAMICO and the government, and lack of clarity around how STAMICO should sell its products. STAMICO does not publicly disclose annual reports or details of its operational and commercial results, though audit reports published by the auditor general provide some of this information.

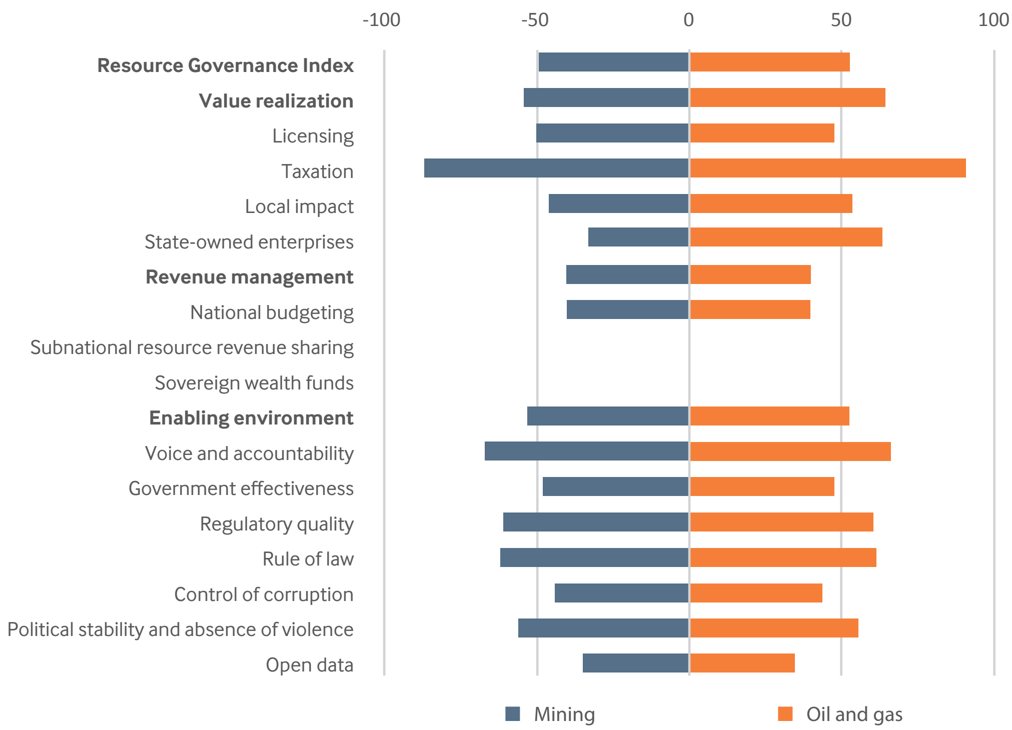
SOE name	State ownership level	Revenue [USD]	Score [/100]	Rank [/74 SOEs]	Rank [/22 mining SOEs]
State Mining Corporation (STAMICO)	100%	1.59 million (FY 2014/15)	33	57	18

GOVERNANCE PERFORMANCE ACROSS OIL, GAS AND MINING SECTORS

Enforcement challenges in Tanzania's mining sector provide lessons for oil and gas

Performance between Tanzania's oil and gas and mining sectors is mostly balanced, with a four-point difference in the sectors' overall resource governance. The oil and gas sector's slightly better performance, particularly in local impact and SOE governance, is the result of a more recent and well-defined (though as yet mostly untested) legal framework. For example, the Oil and Gas Revenue Management Act 2015 includes rules on TPDC's role in public finances, compared to an absence of publicly accessible regulations for state mining company, STAMICO. Rules for environmental and social protection are similar for both sectors, but in the mining sector, challenges with compliance with site rehabilitation have occurred whereas closure and rehabilitation have not yet taken place in the oil and gas sector.

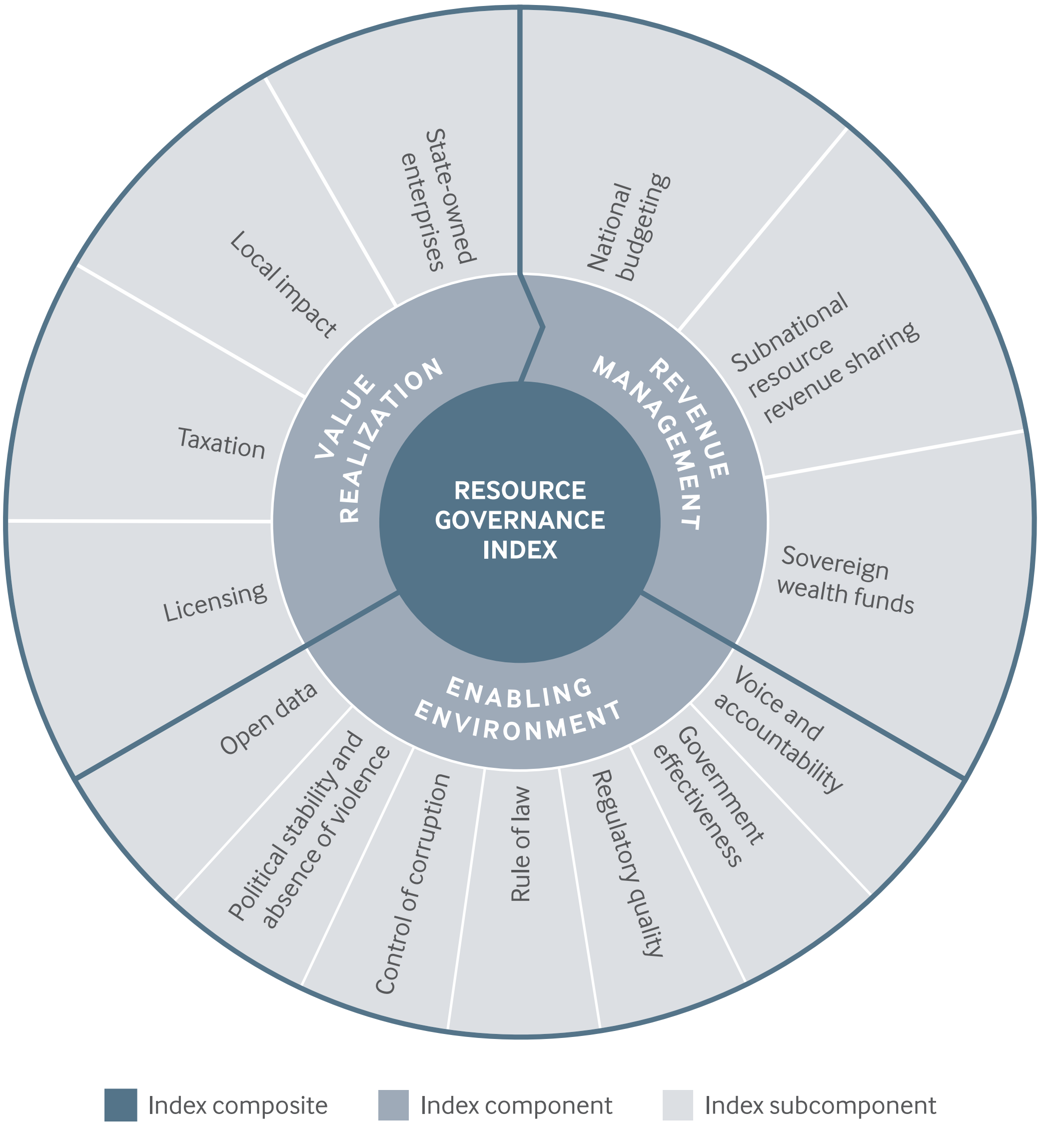
Tanzania: oil and gas vs. mining scores



What is the RGI?

The 2017 RGI assesses how 81 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 133 questions.

Independent researchers, overseen by NRGI, in each of the 81 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 2015-2016. For more information on the index and how it was constructed, review the RGI Methodology.



Endnotes

1 2014 EITI report: Sixth Report of the Tanzania Extractive Industries Transparency Initiative. EITI Tanzania, November 2015, accessed 20 March 2017 https://eiti.org/sites/default/files/documents/fy2013-2014_tanzania_eiti_report.pdf