



## RESOURCE NATIONALISM IN TANZANIA

*Mining Fiscal Regime, Productive Linkages, Artisanal & Small-Scale Mining*

### KEY MESSAGES

- ◇ Since 2015 the Tanzania government has adopted a more assertive and combative approach to resource nationalism through a suite of reforms and state-business contestations.
- ◇ Despite notable institutional innovations in the mining fiscal regime, resistance by large-scale mine operators has underscored the vulnerability of resource nationalist policies and the need for their further strengthening.
- ◇ Local content legislation and regulations in the mining industry, while innovative, have done little to address historical gender inequities which have inhibited women’s participation in mining and mining services.
- ◇ Increased securitization of the tanzanite sector has improved public revenues but marginalized Artisanal and Small-scale Miners and their communities, and especially women producers and traders.

### INTRODUCTION

In the 2000s, the government of Tanzania has pursued increasingly assertive and sometimes uneven resource nationalist strategies in its engagements with foreign large-scale mine operators and domestic Artisanal and Small-scale Miners (ASM). A softer approach was initially adopted, marked by the establishment of the Tanzania Minerals Audit Agency (TMAA) in 2009 and the passing of the 2010 Mining Act, both of which sought to improve state capacity and oversight over mineral sector fiscal regime, promote value addition and improve developmental outcomes of mining. After the election of President Magufuli in 2015 government pursued a more radical approach. Legislation was enacted to provide for renegotiation of mining development contract terms, reassert sovereignty over mineral resources, amend the 2010 Mining Act, and to establish a new Mining Commission to replace the TMAA. A protracted conflict over tax revenues and ownership was enjoined with the leading gold producer, Barrick Gold. Government also introduced a suite of regulatory changes to facilitate ASM.

This tide of resource nationalist reforms was driven by several interlocking dynamics, including: growing discontent with the failure of the state’s liberalised mineral strategy to deliver socio-economic benefits; the emergence of competitive electoral politics, alongside ideological conflicts within the ruling Chama Cha Mapinduzi (CCM); and the expanding political-economic and political importance of the ASM sector.

The result was a wave of institutional innovation, strengthened revenues and greater local participation. However, structural obstacles and weak state capacity continued to challenge the effectiveness of government’s evolving resource nationalist approach.

### KEY FINDINGS

#### *The Mining Fiscal Regime*

New investments in state capacity and rising political conflict with large-scale miners punctuated mining fiscal regime reforms in the 2010s. After 2009 the TMAA strengthened auditing capacity and supervision of mineral production, resulting in higher corporate tax and royalty revenues, improved environmental compliance and reduced smuggling.

**Table 1: Mining Royalties and Taxes 2013-2015 (USD)**

	2013	2014	2015
Total mineral exports	\$1.78bn	\$1.7bn	\$1.7bn
Gold royalties paid	\$70.3m	\$65.4mn	\$63.2m
Diamond royalties paid	\$1.9m	\$3.4mn	\$2.3m
Taxes paid by large mines	\$218m	\$283mn	\$381m
Total revenues to government	\$290m	\$352mn	\$447m
Revenue as % of exports	16%	21%	26%

Source: Curtis & Ngowi, ‘The One Billion Dollar Question Revisited 5 Years Later’, TEC, BAKWATA, CCT, 2017

The state’s licensing, monitoring, auditing and market activities were further strengthened by their consolidation under the Mining Commission, which replaced the TMAA in 2017. The Commission set up

more than 30 Resident Mines Offices to administer mining activities and ensure reporting compliance, including at least 18 offices at large-scale mine sites. To enhance revenue flows the Commission established more than 40 mineral markets and 90 mineral trade centres across the country. This resulted in an additional Tsh540 billion in revenue collection between 2019 and 2023.

President Magufuli's resource nationalist strategy also featured conflict with Barrick Gold over taxation and dispute arbitration. Protracted negotiations in 2017-2020, interlaced with threats to ban raw mineral concentrate exports and impose an unprecedented \$190 billion tax bill, resulted in an agreement to restructure Barrick's Acacia gold asset as a state-Barrick joint venture. However, the agreement also diluted key provisions of 2017 laws focused on local content and value addition, contract transparency, resource sovereignty and state participation. Despite fiscal gains, therefore, the coherence of government's strategic resource nationalist reforms was likely weakened.

#### *Local Content Policies & Gendered Implications*

Tanzania stands out in Southern Africa for its adoption of local content legislation and regulations, including the Mining (Local Content) Regulations, 2018 and the Mining (Mineral Rights) (Amendment) Regulations, 2020. However, uncertainty persists over the enactment of local content policies (LCPs). Under President Magufuli, 'soft' voluntary LCPs were 'hardened'. Corporate social responsibility, for example, became a mandatory requirement. There are concerns that LCPs may be weakened under current President Hassan who is seen as more sympathetic to large-scale mining.

Gender inequities in mining LCP implementation emerged as an issue of concern in our research. LCP legislation and regulations either ignore gender inequities, or are unenforced if they seek to redress them. State officials and firms display poor knowledge

about the gendered dynamics in mining and the mining services sector. A highly unequal gender distribution of labour persists, with women holding a small fraction of jobs, especially in large-scale mining.

#### *ASM, Community Development, and Gendered Livelihoods*

The ASM sector employs over 600,000 and is concentrated in gold, tanzanite and rubies. Given its size, the sector is strategically, economically and politically significant. ASM became a key target of support as government sought to consolidate a wider resource nationalist strategy in mining. To strengthen ASM production and participation, the state adjusted royalties specific to ASM-produced minerals; dropped or reduced ASM taxes and levies; established training 'centres of excellence' for ASM mineral processing; and established a network of markets catering to ASM gold producers. These measures formalised the ASM sector, widened access to markets and reduced smuggling.

However, state interventions in the tanzanite sector have raised concerns. The state's 2018 construction of a wall around key tanzanite deposits and enforcement of security by the military and state mining agencies has reduced illegal trading and increased state revenues, but has also been seen as an obstacle, especially by women, engaged in marginal ASM (*machecheko*). Local people feel it prevents them from communicating with mine managers to negotiate contributions from small scale mines to community development projects.

#### **RECOMMENDATIONS:**

- ◇ Further investment in state taxation and monitoring capacity is required to sustain mineral revenue growth.
- ◇ Improved coordination of state efforts to support marginal ASM (*machecheko*), including formalization, are urgently needed.
- ◇ Strengthening of measures to address gender inequities in mining is required, including sensitization of state and company officials.

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