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Better resource governance, management key to ending poverty

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FINDINGS have shown that Tanzania has one of the largest unexplored gold resources in Africa. Currently the country is the 4th biggest gold producers in Africa after South Africa, Ghana and Mali. The country produces about 40 tons of gold annually. This is a huge fraction of the 2.8 per cent that the mining sector contributes to the country's gross domestic product (GDP).

It is expected that gold mining will grow in the coming years given the interests that many foreign-based mining firms have shown in the country. This is further backed by the recent change in the government policy and the legal structure as is evident in the 1997 mining policy and the 2010 mining act.

However, according to the latest report launched by the Global Index on Natural Resource Governance weak implementation lets down Tanzania's strong oversight laws.

Presenting a paper during a breakfast debate last week on "Natural Resource Governance Index (NRGI) 2017: What is Tanzania's stand in the global rankings for Oil, Gas and Minerals Transparency?", NRGCI East and Southern Africa/Tanzania manager, Sllas Olanji, said: "A strong legal framework for Tanzania's oil, gas and mining sectors is not adequately enforced."

He noted that the unveiled 2017 Resource Governance Index included new assessments of oil, gas and mining governance in 81 countries. It also comprised primary research on value realization and revenue management, and drew on existing research to paint a picture of countries' enabling environments for governance.

The assessments take into account laws and practices concerning licensing, taxation, state-owned enterprises, sovereign wealth funds, sub national revenue sharing, national budgeting, local impacts of extraction, and more.

Tanzania's oil and gas sector



Participants in the breakfast debate on "Natural Resource Governance Index 2017: What is Tanzania's stand in the global rankings for Oil, Gas and Minerals Transparency?", organised by Policy Forum, keenly following the debate. In Dar es Salaam last week. Photo: Courtesy of Policy Forum

classified as "weak" in governance, scoring 53 out of 100 points; mining industry scores 49 out of 100. Across all areas of natural resource management, Tanzania must close the gap between law and practice in order to improve governance. Enforcement challenges in Tanzania's mature mining sector can provide lessons for oil and gas.

According to Olanji: "Tanzania has not yet started large-scale production following the discovery of significant offshore gas but if governance can be improved, Tanzania's gas industry has the potential to deliver significant benefits to one of the world's fastest growing populations."

Tanzania governs value realization from natural gas and minerals better than it manages the resulting revenues, researchers found. The index's value realization component measures the potential for good governance in licensing, local impacts and state

participation.

In the licensing category, Tanzania's oil and gas sector scores 48 of 100 points and ranks 27th well behind the index's top performer Mozambique, which gets a score of 72 of 100. This weak result is mainly due to the absence of an external body tasked with overseeing compliance with Tanzania's 2015 Petroleum Act, which is poorly implemented. Tanzania's performance in hydrocarbons revenue management is weaker than that of other new oil and gas producers like Ghana, Mozambique and Uganda.

In comparison, Tanzania's mature mining sector ranks 42nd among the index's 89 extractive country assessments, and 18th among 34 mining sector assessments. Concerns over distribution of benefits between investors, the government and local communities have led the Tanzanian government to take steps

towards improving governance and transparency.

However, the index results point to a need to close the gap between legal requirements and actual enforcement across several areas. Reforms are needed in control of corruption and in government effectiveness - as recognized by the current administration. Social and environmental concerns need attention, particularly in terms of local impact. And the public should be able to access contracts between the government and resource extracting companies as required by TERTA Act 2015.

"There is much to be done to improve Tanzania's oversight of its mining industry," said Olanji.

In the index, the governance of Tanzania's State Mining Corporation (STAMICO) was in the bottom five out of 45 state-owned enterprises based

in Extractive Industries Transparency Initiative countries.

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.

On contract disclosure, Olanji said that contracts between resource companies and governments are the fundamental documents that set out the key terms of agreement in many oil, gas, and mining investments. Contracts include information that is crucial for citizens to understand, monitor, and hold their governments and the investors accountable for their obligations.

Moreover, disclosure helps ensure participatory approaches to benefit sharing. From a commercial perspective, both government and investors benefit from disclosure, as it

promotes balanced deals.

In their findings, researchers have recommended among others for governments to strengthen the implementation of laws and regulations in extractive-particularly in areas related to the environment, local communities, local content and transparency and accountability.

A former Member of Parliament, John Cheyo, commended President John Magufuli for the efforts he was taking to ensure Tanzanians benefit from their resources given by God for free. He however, said that it was a responsibility of every citizen and everybody to be touched that these resources should be used for country's development. "The governance should start with somebody who will show a clear political will and the president has shown that," he said.

Cheyo said "Tanzanians have not benefited a lot from the mining operations." "There is a gap between the existing laws and the practice."

He faulted the way laws are made. "The way we make laws should be improved because we make important laws too fast; there are too many certificates of urgencies. If we don't make our laws properly then we should not expect those laws to give us the results we want," he said.

Meanwhile, he has commended the government in its move to revise and amend the existing mining laws that would enable Tanzanians benefit from their natural resources unlike as it has been the case now. He however, urged the legislators to get ample time, get consultations from the citizens and public opinion before the laws are enacted so that they come up with good laws.

"In all the resource laws, there has been too much external influence. I think we need to build our internal capacity for the benefit of all Tanzanians," he urged.

Cheyo suggested that the public assets have to stay in the public domain. And the government should have automatic shares of around 50 per cent in all mining companies.