

# TANZANIA



## Mining licences

- As part of the government's Development Vision 2025, the mining sector is to contribute 10% to the country's total GDP
- President Magufuli ordered the suspension of new mining licences in June 2017 in a bid to renegotiate better deals for the government
- A report in March 2018 found that over 700 mine sites are lying idle due to the suspension of new mining licences
- The Tanzanian Mining Commission has now announced it plans to issue 5,108 primary mining and prospecting licences
- The Mining Commission has threatened to revoke the licences of mining companies who are not compliant with the regulations of the new licences
- To prevent illicit money transfers, the Tanzanian government has ordered multinational companies in the extractive sector to open local bank accounts where authorities can access their finances

### Key acts introduced to the mining sector in 2017

#### [Written Laws \(Miscellaneous Amendments\) Act 2017](#)

(amended a number of mining laws to give greater ownership of natural resources to the government)

#### [Natural Wealth and Resources \(Permanent Sovereignty\)](#)

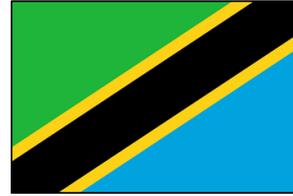
[Act 2017](#) (gives the government greater control over natural resources)

#### [Natural Wealth and Resources \(Revenue and Re-Negotiation of Unconscionable Terms\) Act 2017](#)

(provides the government with power to renegotiate contracts)

*2017 mining legislation*

# TANZANIA



## Assessment

- The decision to allow for new mining licences is evidence of the government's commitment to developing the mining industry as part of its industrial strategy
- Reports of mine sites not being operational due to the revoking of new licences may have encouraged the government to allow for new licences to be given. The mining industry's contribution to GDP is considerably lower than the contribution to total exports and the government is likely to address this with greater revenue collection from mining companies
- The government is seeking to expand its influence in the mining sector to gain greater economic benefits. The mining sector is almost certain to be a key source of funding for government development projects

Year	Mining as a % of total GDP	Mining as a % of total exports
2016	4%	24%
Development Vision 2025	10%	30%

*Tanzania current and future mining statistics*

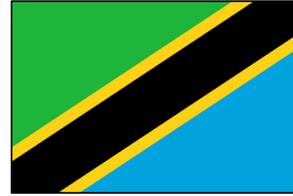
# TANZANIA



## Implications for companies

- The Tanzanian Mining Commission is highly likely to put greater scrutiny on mining operations as seen with the requirement for mining companies to operate through local bank accounts
- The government is looking to substantially develop the mining industry and this could create opportunities for mining firms wishing to expand in Tanzania. However, to address the growing government budget deficit it is a realistic possibility that the government will seek a greater share of mining revenues which could result in an increase of tax on mining outputs
- The increased focus on extractive companies follows a regional trend as shown in Kenya, Zambia and the DRC where existing mining contracts have all been subject to recent review. It is possible that companies will be expected to show greater compliance with the government after renewing mining licences

# TANZANIA



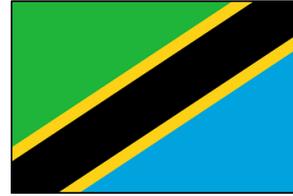
## Developments in infrastructure and energy projects

- Deputy Environment Minister, Kangi Lugola, has warned that those who show opposition to construction of the Stiegler's Gorge hydropower dam (due to begin construction in July 2018) could face jail
- The government has said it will not wait for completion of the environmental impact assessment before opening the Stiegler power project
- Some MP's have raised concern that the project could negatively impact tourism from the Selous Game Reserve which crosses where the hydropower plant will be built



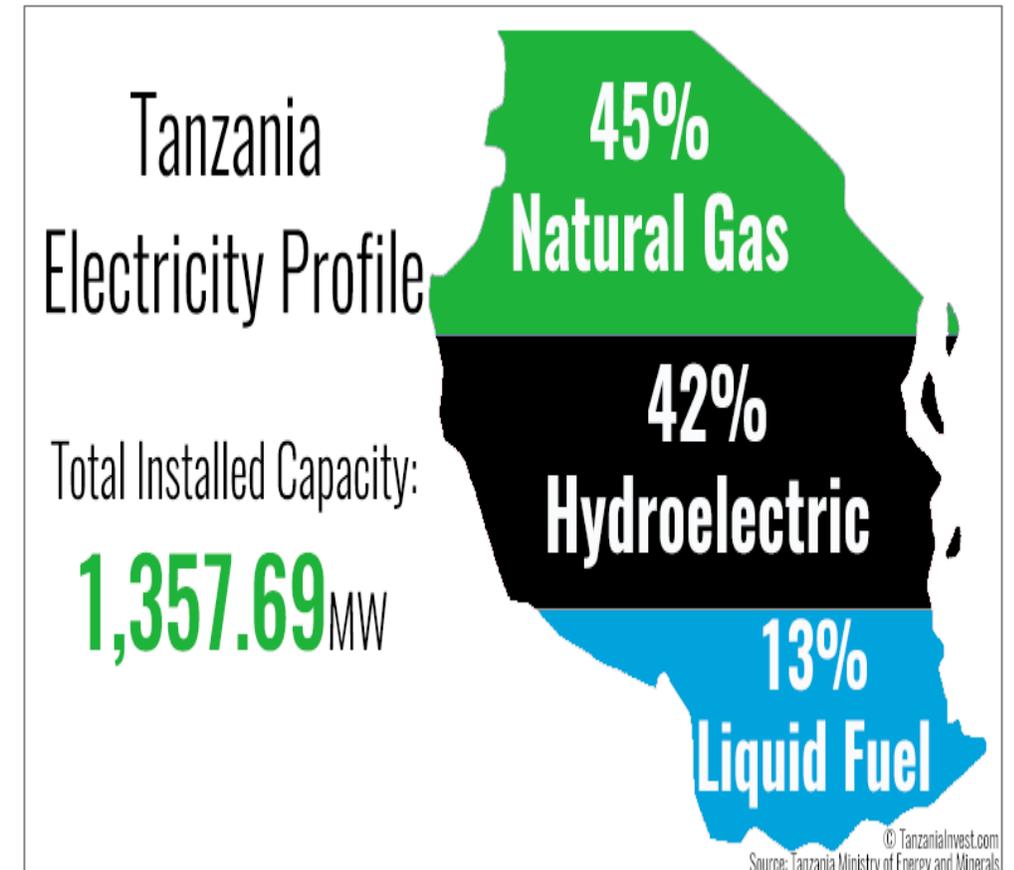
*Location of the Stiegler's Gorge hydropower dam*

# TANZANIA



## Assessment

- The government is prioritising the development of infrastructure projects over environmental or tourism concerns. President Magufuli has consistently prioritised the development of industry over other sectors in public speeches
- The Steigler's Gorge project is likely to be used by President Magufuli as evidence of his delivery on development to increase his domestic popularity. However, the project is also likely to draw criticism internationally and from opposition MP's who will criticise him over environmental risks
- The government is investing in hydropower and natural gas as the main sources for electricity production. Given the government's current lack of finance, it will probably have to take out further loans to fund these projects which could increase the current deficit. A lack of finance for the project and rising debts would prevent the completion of the Stiegler's Gorge hydropower dam by 2021



*Tanzania's main electricity sources in 2018*