

Tanzania Mining Sector Update

13 March 2019

Current mining sector situation in Tanzania

Following a meeting between President John Magufuli, the Minister of Minerals Dotto Biteko, and mining investors in Dar es Salaam last month, the government agreed to reduce local partnership/banking requirements and scrapped taxes to artisanal miners. Under the government's Vision 2025 Development Initiative, the government wants to see a substantial increase in the mining sector's performance. However, fears that multinational investors are not investing enough is impacting license renewal and encouraging the Tanzanian Government to promote the artisanal mining sector. Progressing along this route will not allow the government to achieve its revenue targets due to the inefficiencies of artisanal and small-scale mining.

While the government concurrently pursues both increased FDI and resource nationalism, there will be further tension between the government's intentions and the business environment. Under these circumstances, extractives are more likely to succeed where their government engagement has been prioritised, and where it highlights maximum mineral beneficiation within Tanzania, demonstrates local employment levels above the legal requirement, and confirms willingness to invest further.

Indicators for the Tanzania mining sector

Indicators of increased resource nationalism	Indicators of decreased resource nationalism
<p>Indicator: Changes to mining legislation which bring additional government supervision of operations.</p> <p>Recent example:</p> <ul style="list-style-type: none"> - February 2019- Establishment of Mineral and Gem Houses- The buying and selling of minerals must now be conducted at government approved Mineral and Gem Houses.¹ - February 2019 Mining Act Amendment Bill- Requirement to obtain a mineral import permit. 	<p>Indicator: Reduced Tanzanian ownership requirements for multinational mining companies.</p> <p>Recent example:</p> <ul style="list-style-type: none"> - February 2019- Old Local Content Regulations required an indigenous Tanzanian company to have at least 51% of its equity owned by Tanzanian citizens, the New Local Content Regulations have reduced this to 20%. - February 2019- Requirement for mining operations to be financed through local banks scrapped.²

¹ <https://www.lexology.com/library/detail.aspx?g=8bb2f645-7a27-4597-8eda-ec9c8f7bfc5f>

² https://www.madini.go.tz/wp-content/uploads/2019/02/THE-MINING-LOCAL-CONTENTAMENDMENTS-REGULATIONS-2019_GN-NO-139-OF-2019.pdf

<p>Indicator: The government prevents the renewal of multinational mining licences in favour of artisanal miners.</p> <p>Recent example:</p> <ul style="list-style-type: none"> - February 2019- Acacia Mining faced potential shutdown of its North Mara mine following allegations of serious water pollution.³ - February 2019- Dotto Biteko called for the Minerals Ministry to revoke at least 110 prospecting licences and 52 mining licences that have already been issued in favour of issuing new licenses to small-scale miners. 	<p>Indicator: Government statements outlining plans to increase the mining sectors contribution to GDP.</p> <p>Recent example:</p> <ul style="list-style-type: none"> - February 2019- Ministry of Minerals held an open-meeting with mining investors in Dar Es Salaam to discuss strategies for increasing investment. - Ministry of Minerals have ongoing plans for the mining sector’s contribution to GDP to increase from 4.8 per cent in 2019 to 10 per cent by 2025.⁴
<p>Indicator: Increased exploration and selling opportunities for small-scale miners.</p> <p>Recent example:</p> <ul style="list-style-type: none"> - February 2019- Small-scale miners no longer have to pay the Tanzanian withholding tax of 5 per cent and the 18 per cent value added tax (VAT). - February 2019- Amendments to the 2019 Mining Act Amendments Bill- Mineral ores or tailings owned by small scale miners are now officially a trading commodity in Tanzania. - March 2019- Creation of a gold exchange in Geita, North-West Tanzania for small-scale miners to sell gold to international markets. 	<p>Indicator: New investment by multinational mining corporations in Tanzania.</p> <p>Recent example:</p> <ul style="list-style-type: none"> - February 2019- Acacia Mining’s share price and gold production in Tanzania rises above initial predictions for early 2019 following information that the dispute with the government is reaching a solution. - March 2019- Black Rock Mining receives two mining licences for the USD\$146m graphite project in Mahenge.⁵

³ <http://www.mining.com/web/tanzania-gives-acacia-march-30-stop-water-pollution-mara-face-shutdown/>

⁴ <https://www.theeastafrican.co.ke/business/Tanzania-relaxes-protectionist-regulations-in-mining-sector/2560-5019246-teggptz/index.html>

⁵ <https://thewest.com.au/business/public-companies/black-rock-hits-key-milestone-at-massive-graphite-play-ng-b881119094z>

Indicator: Greater state control over the mining supply chain process.

Recent example:

- The state-owned Tanzania Shipping Agencies Corporation (TASAC) will become the sector regulator and exclusive clearing and forwarding agency in June 2019. All privately owned clearing and forwarding agencies involved with the importation and exportation of minerals are now required to hand over their documents.

Indicator: Investment into infrastructure which will assist companies to export minerals.

Recent example:

- March 2019- Construction of the Bagamoyo Port due to be completed in 2020 or 2021. The USD\$10bn port will be the largest in East Africa when completed but will be owned and operated by a Chinese subsidiary.

