

Tanzania

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1. Introduction

1.1 Mineral resources

The United Republic of Tanzania is located in East Africa with a coastline on the Indian Ocean. The country is bordered by Kenya and Uganda to the north; Rwanda, Burundi and the Democratic Republic of the Congo to the west; and Zambia, Malawi and Mozambique to the south. Tanzania has a population of over 40 million and a land area of some 945,000 square kilometres (km²). Tanzania consists of mainland Tanzania and the islands of Zanzibar.

Tanzania is one of Africa's most important mining countries with significant mineral resources potential and its geology is richly endowed with mineral wealth. The country is known to have vast resources of metals and minerals such as gold, diamonds, iron ore, nickel, copper, cobalt, silver, ruby, garnets, and more recently uranium.¹

Tanzania is the sole producer of the precious tanzanite in the world and the third largest producer of gold in Africa after Ghana and South Africa, and ranks among the top producers in the world.² The mining industry contributed about 3.5% of GDP in 2005 and employs 1% of the workforce.³ The cumulative total of direct foreign investment (FDI) in the mining industry in the past 10 years exceeded \$2.5 billion.⁴

The country's confirmed mineral reserves are as follows: gold 2,222 tonnes; nickel 209 million tonnes; copper 13.65 million tonnes; iron ore 103 million tonnes; diamond 50.9 million ounces; tanzanite 12.6 tonnes; limestone 313 million tonnes; soda ash 109 million tonnes; gypsum 3.0 million tonnes; phosphate 577.04 million tonnes; and coal 911 million tonnes.⁵

In the early 1970s to late 1980s, Tanzania's mineral sector was characterised by state control which in the long run failed to yield the desired results.

Tanzania then took a paradigm shift in economic management policies with the introduction of economic reforms which began in the late 1980s. The minerals sector has become increasingly important in the plans of the government of Tanzania. In the 1990s, the government decided to undertake a mineral sector restructuring

1 Report of the Presidential Mining Review Committee advising the government on oversight of the mining sector.

2 Tundu Lisu and Mark Curtis, "A Golden Opportunity, How Tanzania is Failing to Benefit from Gold Mining 2008".

3 Government of Tanzania, "A Brief on the Mineral Sector in Tanzania".

4 See note 3 above.

5 See note 1 above.

programme, so as to encourage and promote private sector-led development.

Since the mid 1990s, Tanzania has witnessed growing investment interests in the minerals sector. Once a state-controlled sector of the economy, in recent years the mining sector has become very vibrant with ongoing economic reforms. When the country embarked on various economic reforms, the mining sector took the lead in creating the necessary environment required for stimulating investments and therefore opening the doors for foreign investment in Tanzania.

1.2 Mining sector in Tanzania

In the period following independence, from 1967 to the early 1990s, Tanzania's mineral sector was under state control and the mining sector did not attract foreign investors. Privately owned investments were taken under the control of the state. Fearing their properties would be nationalised, foreign investors were deterred from investing in the mining sector in Tanzania. As a consequence, the contribution of the mining sector to the national economy declined drastically during this period.

STAMICO⁶ took over the remaining mines in 1972. By the 1990s, production had declined in these mines and STAMICO's new ventures proved unsuccessful. By 1992, the mining sector employed only about 3,000 people and had total exports of \$8 million.⁷ The only successful sub-sector was artisanal mining of gold and gemstone, with at least 100,000 miners and exports amounting to between \$50 and \$100 million per year.⁸

In 1986 the government took steps to reform the mining sector in Tanzania. This was part of the structural adjustment programme arising from the need for liberalisation, with the objective of moving the country from a control economy to one led by the private sector. Tanzania found that it could not cope with ailing and ill-managed public enterprises.

Over time, Tanzania adopted major reforms in its investment policy including mining policy. The first important step for mining was the 1990 National Investment Promotion Policy, which, among other things, removed the requirement for government equity participation in mining ventures and went further towards implementing the policy by enacting the National (Promotion and Protection) Act 1990.

The government also undertook a Mining Sector Review in 1990. This led to a Mining Sector Policy Framework in 1994. Its key areas of reform were:

- revising mining laws;
- overhauling the regulatory framework;
- instituting a fiscal regime that would encourage exploration and exploitation of minerals;
- formulating environmental policies, standards, and monitoring arrangements for large-scale and artisanal mining;
- divesting state-owned mining companies; and

6 The State Mining Corporation formed in 1972 with the aim of conducting exploration, mining, production, processing, sorting, cutting, reserving, and distribution and sale of minerals in the country. Extractive Industries for Development Series No 19, The World Bank's Evolutionary Approach to Mining Sector Reform, October 2010.

7 See note 7.

