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## Key Points

- In 1998, the Government of Tanzania eased investment and tax codes to attract international investment in the mineral sector, spurring an increase in gold production that has resulted in Tanzania becoming Africa's third largest gold producer, behind only South Africa and Ghana.
- The rising price of gold and concomitant expansion of large-scale gold mining has created tensions and conflict among 1) mining companies pushing for minimal interference in their operations, 2) government officials hoping to increase state revenues, and 3) artisanal and small-scale mining communities facing displacement and loss of livelihoods.
- The Tanzanian Parliament's recent passage of the Mining Act of 2010, if signed into law, could increase state revenues and accelerate socio-economic development by reforming tax codes and regulatory laws and making them more beneficial for the state and the local mining communities.
- As the gold sector expands, the environmental damage caused by both mining companies and artisanal miners—including the excessive use of mercury by the latter—could have irreparable effects on the Lake Victoria region. The enforcement of responsible mining practices is badly needed.
- Tanzania now must balance the distribution of benefits from the mining sector among its citizens, investors, and fiscal obligations. Failure to achieve this balance is likely to perpetuate the perception among many Tanzanians that large-scale mining is a zero-sum game in which companies usually win and citizens often lose.

## Tanzania's Gold Sector: From Reform and Expansion to Conflict?

*Aaron Hall*

*Foundation for Environmental Security and Sustainability*

### Introduction

Over the last decade, Tanzania has become Africa's third largest producer of gold, behind South Africa and Ghana. In the 1990s, in an effort to transform itself into an economically viable, investor friendly state, the government of Tanzania (GoT) reformed its investment and tax code to attract multinational mining companies vying for mineral extraction rights. These reforms included allowing companies to repatriate 100 percent of profits, pay a royalty rate of only three percent on gold, and owe no duty on imports of mining-related equipment. Unlike any other companies in Tanzania, mineral companies also remain exempt from paying capital gains taxes (Curtis and Lissu 2008). While these actions opened the door for rapid development of the country's mineral sector, particularly in the gold rich Lake Victoria region, they also created widespread instability and confrontation with artisanal mining communities that were displaced to make way for the operations of multinationals.

Large-scale mining has become well established in Tanzania, and based on the policy reforms of the past decade, the government now finds itself with more leverage to shape the direction of the gold sector. However, the government, mining companies, and the mining communities all have disparate needs and interests. The government hopes to increase state revenue by increasing international investment in the mining sector. The multinationals want as little interference in their operations as possible; the mining communities want an end to arbitrary or unjust displacement, increased economic benefits from large-scale mining, and compensation for lost land. The conflicts resulting from these competing interests have created distrust, instability, and environmental degradation in the gold sector in Tanzania. Whether long-term, mutually beneficial agreements will be reached, or whether insufficient transparency and community marginalization will persist, will be based on the ability of these three communities to engage in a sustained and meaningful dialogue.

As the price of gold has risen over the past year, the instances of violent conflict and instability in the gold mining sector also have increased. The GoT is restructuring the sector once again, but this time in a way that guarantees increased revenue for the state, while also enacting regulatory reforms to help bolster the development of artisanal mining communities. However, severe challenges still lie on the horizon.

- Continued discoveries of significant gold deposits in the Lake Victoria region signify increasing industry growth; but international investors are warning the

GoT that current changes in legislation could jeopardize future investment, putting 50 percent of the country's annual export revenues, worth over USD 1 billion in 2009, at risk. (Reuters Africa 2010)

- The GoT, multinational companies, and local communities must work collaboratively to find a way forward that benefits the interests of all stakeholders, or otherwise risk marginalizing one of the parties, which could lead to investment flight and/or increased conflict and instability. The recent passage of the Mining Act of 2010 is a step in the right direction. However, implementation will be critical.
- Additionally, based on evidence from a recent UN Security Council report (UN 2009), there is increasing risk that illegal gold, money, and arms supply lines between the Democratic Republic of Congo (DRC) and Tanzania could grow in size as calls escalate from the international community for state and corporate transparency with respect to the source of origin and production chains of extracted rare earth minerals from eastern DRC. Typically, minerals extracted from the DRC have been routed to foreign markets via Uganda and Burundi, but as international monitoring of the trade increases, lesser-used routes that smuggle goods into Tanzania, and then on to buyers in the Lake Victoria region and the port of Dar es Salaam could increase. Growth in illegal buying and smuggling in Tanzania could foster greater social instability and environmental damage, as access to new buyers and increased supply lines could create additional incentives for illegal mining by individuals coping with unemployment, drought, and rising food prices.

Given the instability and mounting tensions in the gold sector between the government, local communities,

The first part of this *Issue Brief* will focus on the easing of international investment regulations in Tanzania



Tanzania's six largest gold mining sites. *Source:* FESS 2010

and the mining companies, as well as the implications of the regional trade in illegal gold and conflict minerals, better understanding of underlying causes, effects, and potential solutions to this situation is immediately relevant to security and stability in Tanzania.

This *Issue Brief* will describe trends in mineral extraction in Tanzania and the region through the lens of the relationships between the government, local communities, and multinational companies. It will analyze the drivers of existing conflict and government and private sector responses to community grievances. The paper will analyze social, environmental, and security implications and review effective methods for preventing and resolving mineral resource-based conflicts in Tanzania.

and on the gold boom from 1998-2008. The second part of the paper will examine the history of artisanal gold mining in the Lake Victoria region and the displacement of artisanal mining communities. The third part will explore the relationship among poverty, resource extraction, environmental degradation, and illicit mineral trade. The conclusion offers recommendations for government, the private sector, and civil society.

### Background

Gold mining is expanding rapidly in Tanzania, outpacing the growth of any other economic sector. Between 1997 and 2006, Tanzania exported more than USD 2.54 billion of gold, with the GoT receiving roughly USD 28 million per year. (Curtis and Lissu 2008). Regardless of this export growth, Tanzania remains one of the poorest countries per capita in the world. Some 12 million of the

country's 39 million people live in poverty (Curtis and Lissu 2008), and subsistence agriculture accounts for 40 percent of GDP and 80 percent of employment (U.S. Department of State 2009). Since 1998, over 40,000 artisanal miners have been forced out of areas their families had mined for generations, and the number of marginalized small-scale miners continues to grow (Bariyo and Stewart 2009). Ongoing perceptions of inequity and increased mining due to the rise in both price and demand for gold have exacerbated conflicts between international companies and the communities they dislodged.

Failing to incorporate the needs of artisanal communities into gold sector development will contribute to environmental degradation and increased social instability, whether through violent conflict and theft against international companies or participation in the illegal buying and smuggling of rare earth minerals. The Minister of Energy and Minerals, William Ngeleja, has stated repeatedly the need for the mining to "contribute to the acceleration of socio-economic development through sustainable development and responsible resource management" (Ministry of Energy and Minerals 2010). Indeed, there is recognition within the GoT that the mining communities must be included in the economic growth and development of the mineral extraction sector, and the passage through Parliament of the Mining Act of 2010 is moving both government regulators and artisanal mining communities in that direction. The new bill seeks to make it mandatory for the government to set aside specific areas for small-scale miners as a means of averting conflicts between artisanal miners and larger mining companies. However, past actions have hardened the mistrust of both the mining companies and local communities such that any future cooperation will be difficult.

### **Easing of Investment Regulation and the Tanzanian Gold Boom (1998-2008)**

From independence in the early 1960s through the mid-1980s, Tanzania faced severe financial hardships. High inflation, shortages of food and basic services, and a steady decline in agricultural production—the cornerstone of the Tanzanian economy—all contributed to increased poverty and a bleak economic outlook. However, over the past 20 years the country has

during the administration of President Benjamin Mkapa. During this period, the GoT opened the way for the private sector to play a much more prominent role in the development of the nation's economy, particularly in industry, tourism, and, most recently, mining.

Throughout the 1990s, Tanzania continued on a path of economic restructuring with a period of increased liberalization and partial reforms, including the liberalization of trade regimes, agricultural

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progressed significantly, and become a model for both economic liberalization and responsible resource management in Africa. The International Council on Minerals and Mining (ICMM) has cited Tanzania as “truly remarkable” for its ability to attract international investment over the course of the past decade, holding that the “the major single reason for Tanzania's sustained high performance in recent years has been the massive new inflows of capital for investment in the mining sector” (ICMM 2009). The IMF also has praised Tanzania for its decline in inflation, economic growth of 7 percent a year since 2000, 50 percent rise in per capita income, booming export industry, and accumulation of strong foreign reserves (Nord et al. 2009).

The origins of the transformation can be found in the progressive liberalization of the Tanzanian economy beginning in 1985-86

marketing, and banking systems. These reforms allowed prices and exchange rates to be adjusted to market levels, and led to the lifting of restrictions on economic activities as state ownership and government intervention were curtailed (Nord et al. 2009). By 1997, the economic recalibration of the prior ten years started to pay off and the era of macroeconomic stabilization and structural reforms, known as MKAKUTA (Swahili acronym for the National Strategy for Growth and Reduction of Poverty), began. Unifying the exchange rate and liberalizing imports permitted the private sector to trade freely, which fueled the export boom that restored Tanzania's foreign exchange reserves (Nord et al. 2009).

In 1998, the GoT passed the Minerals Act, which is largely responsible for attracting the current gold mining investments in the country. The legislation was the result of a five-

year World Bank-sponsored sectoral reform program. It aimed to produce aggressive revisions in investment and tax laws and to create additional incentives for mining companies. Included in the act were low royalty rates on gold exports, which allowed mining companies to offset 100 percent of their capital expenditure on mining equipment and property against tax in the year in which it was spent, and low taxes on imports and equipment. Additionally, the government was to take no stake in any major gold mining operations, allowing 100 percent ownership for companies (Curtis and Lissu 2008). This act signified the government's willingness to increase the role of the private sector in the mineral economy and to encourage and facilitate development of the sector in a manner that was beyond its own capacity.

As a result of the revised legislation, as well as a stronger market orientation, a newly attractive business environment blossomed. From 1998 to 2008, Tanzania experienced an unprecedented boom in large-scale mining developments, particularly in the northwest Lake Victoria region. Gold production increased from roughly two tons per year in 1998 to 50 tons per year in 2008 (Sharife 2009). The improvement in the government's ability to attract foreign direct investment (FDI) over the course of the decade was unprecedented. The increase put Tanzania in the upper rankings of African economies in terms of FDI inflow, garnering USD 744 million in 2008—number two in the East Africa region behind Uganda's USD 787 million—and at the very top of the list for non-oil countries (ICMM 2009 and Mugabe 2009). The prime driver of Tanzania's increased economic growth was international investment in the gold mining sector (ICMM 2009). However, the growth came with a price.

### **Artisanal gold mining, multinationals, and conflict in Tanzania's Lake Victoria region**

Artisanal mining has occurred throughout Tanzania for generations as a primary means of livelihood, extending well before the colonial period (Curtis and Lissu 2008).



Artisanal miners pan for gold near AngloGold's Geita mine. *Source:* Geological Survey of Denmark and Greenland (GEUS). 2008

Before the arrival of state-owned and then multinational companies, small-scale miners dominated gold mining, using simple techniques and providing income for a large number of people. The history of both artisanal and large-scale mining in Tanzania mirrors the country's political and economic past and can be viewed in similar phases: colonial administration, African socialism, parastatal control of institutions, and macroeconomic reform and foreign-investor friendly policies (SID 2009). Throughout the nation's history, communities in the Lake Victoria region have relied on the income derived from the mining and selling of gold, as well as income derived from other services associated with the industry to buy goods and services and supplement agricultural livelihoods.

In the 1990s, as Tanzania worked to dismantle its state-owned institutions and stimulate a new wave of international investment in the mining sector, tens of thousands of artisanal miners were forced from areas their families had mined for generations. An estimated 40,000 people have been displaced since the

arrival of international companies in 1998, the majority of the displacement occurring in the Lake Victoria region (Bariyo and Stewart 2009).

Since the 1998 Minerals Act, six large-scale multinational companies have established gold mines in the Lake Victoria region. Within this grouping, the sector is dominated by two primary players: the Canadian company, Barrick Gold, and the South African firm, AngloGold Ashanti (Mark and Lissu 2009). Barrick Gold has large mines located at sites in Bulyanhulu, North Mara, and Tulawaka with a 70-percent share through Pangea Goldfields. AngloGold Ashanti operates the country's largest gold deposit at the Geita mine, located just south of the

shores of Lake Victoria (ICMM 2009). In addition to these sites, Barrick is developing a new mine at Buzwagi, which began producing gold in May 2009, and another company, IAMGold, is in the advanced stages of exploration in the Pangea Goldfields in the Mwanza region. These companies and their respective holdings have quickly changed the shape of the sector and have profoundly increased the volume of its production and exports (ICMM 2009).

The establishment of the multinational presence in the Lake Victoria region over the past decade has created conflict between mining companies and the displaced and disaffected artisanal communities. Conflict has been frequent and at times has boiled over into violence. A stark gap now exists between the mined natural wealth of the country and the poverty of the majority of its citizens, and friction between the government, multinationals, and artisanal miners continues to escalate. At Barrick Gold's North Mara mine, there are daily confrontations between mine security and local artisanal miners. The mine itself is surrounded by 13 densely populated villages, and an estimated 200 to 300 illegal miners trespass on licensed areas daily in attempts to collect ore. Barrick Gold claims that at a single pit at the North Mara mine, illegal mining resulted in the loss of roughly 2,400 hours work in 2009 (Bariyo and Stewart 2009). Small teams of men use hand-held shovels to dig up low grade ore, sometimes in the cover of night. They then move the ore in plastic bags to surrounding villages where the extraction process is carried out covertly by women and children using large amounts of mercury with little or no regulation. Once extracted, the gold obtained by the artisanal miners is sold to traders around Lake Victoria and ultimately shipped legally or illegally to overseas markets, primarily in Asia (Bariyo and Stewart 2009).

Attempts to deter these artisanal miners through the use of force have exacerbated the friction between the communities, companies, and local government. The deployment of paramilitary police guards has been carried out by both AngloGold at the Geita mine and Barrick Gold at the North Mara mine and, in the case of the latter, sparked a number of shootings. Additionally, there have been allegations from local NGOs and human rights organizations that the guards hired by the mining companies extort money from artisanal miners to permit them

would be the impetus for the current reform of the 1998 Minerals Act, included increased royalties and government stakes in commercial companies, fewer tax exemptions for new investors, timely and fair compensation for communities displaced by mining, and the establishment of procedures for repairing environmental damage (SID 2009).

In response to the Bomani Commission report, the GoT shifted its stance on policies regarding the regulations and responsibilities of

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illegal access to grounds of the mining sites (Curtis and Lissu 2008).

In response to growing discontent throughout the mining sector, the government appointed a presidential commission in 2007, headed by former high court judge Mark Bomani and referred to as the Bomani Commission. The Bomani Commission was established to investigate the mining sector within the government, mining communities, and companies themselves, and it was focused on transparency, economic development, environmental damage, and human rights issues. The Bomani Commission presented its findings in July 2008 and made a series of recommendations to the government. These recommendations, which

multinational companies to the government and local communities. Attempting to answer calls for increased social and economic benefits from the Tanzanian press, civil society, and religious coalitions, government leaders are now in the process of passing new mining legislation. The goal is to channel greater benefits to the local economy by addressing issues of royalty payments by mining companies to the state, ownership of mines, and compensation to communities. Additionally, the mining companies themselves have set out to address the issue, engaging in public relations campaigns while building schools, clinics and roads. However, critics point out that these initiatives often do not go far enough and are disproportionately small in relation to

the companies' social, economic, and environmental impacts.

The GoT is aware that mining policy reform in Tanzania is a double-edged sword. The existence of natural

opposition to the new laws from the large-scale mining industry and indicates that the mining law reform movement will face stiff opposition in the final passage and implementation stages of the bill.



Artisanal miners work just outside a village near Barrick Gold's North Mara mine. *Source:* Republic of Mining Journal 2008

resource wealth in a country is expected to contribute to its economic growth and development and to improve the livelihoods of its population. However, the government also fears that too much reform will upset the mining companies and international institutions (such as the ICMM) that are opposed to tax restructuring. Indeed, in the immediate wake of the passage through Parliament of the new Mining Act of 2010, the Tanzanian Chamber of Mines, which represents the interests of the multinational mining companies operating in the country, stated "[the bill] ... will only serve to hinder further growth of the mining sector as existing investors resort to curtailing existing and expansion projects and is bound to scare potential investors who will look elsewhere to invest (Ng'wanakilala 2010)." This statement signifies a cohesive

### **Socio-economic implications of increased conflict**

As global gold prices continue to fluctuate around record highs, large-scale, small-scale, and illegal mining also will continue to expand in Tanzania. The GoT, multinational companies, and local communities must work collaboratively to find a way forward that benefits the interests of all parties, or otherwise risk ongoing discord which could lead to increased political, economic, and social instability in the region.

In the early phases of Tanzania's gold boom in the mid-1990s, artisanal mining employed roughly 1.5 million people, the majority of whom were poor and uneducated (SID 2009). This number was up from roughly 330,000 in the late 1980s (SID 2009). As state regulations against the sale of gold were eased, gold discovered in rural areas began to relieve poverty

and boost local economies, and in some cases allow citizens of rural populations to accumulate significant investment capital. Money from artisanal mining began to circulate locally and secondary economies were created, while the government estimated that small-scale mining generated three jobs for each individual directly involved in mining (SID 2009).

Prior to the sector reforms of the 1990s, competitive markets for artisanal miners did not exist and illicit mineral dealing flourished. Licensing of operations was, for the most part, non-existent and an estimated 15 tons of gold were being mined illegally per year (SID 2009). Over the past decade, the government has identified a number of locations for small-scale mining to take place, including the Lake Victoria region; however, the rights and protection of artisanal miners in these areas are becoming compromised as lucrative deposits are discovered and multinational companies move in. As one prominent Tanzanian environmental and human rights lawyer, Tindu Lisu, points out, artisanal gold mining can only coexist with large-scale companies during the exploration phase because, "when the companies are ready to fence and begin mining, artisanal miners have to be displaced (Lisu 2001)."

The large-scale extraction operations in Tanzania generally offer a limited capped number of employment opportunities that do not directly compensate for lost artisanal jobs or agricultural lands, and they have no large impact on macro-level employment statistics. In the past decade, it is estimated that mining companies in Tanzania have created 10,000 jobs. In 2009, the country's six major mines employed 7,135 people. If one compares that number of jobs created to the 10,000 displaced people at Barrick's North

Mara site alone, the impact that large-scale mines can have when they displace livelihoods in artisanal mining communities becomes clear (Saunders 2008).

Lost jobs, displaced livelihoods, and threatened ancestral lands are often drivers of conflict. Artisanal mining communities in the Lake Victoria region continue to feel unfairly compensated for losses and often complain that there is little or no transparency from the government or the mining companies with respect to the framework for mining contracts, revenue sharing, or community development mandates. The economic growth and development expected from the presence of large-scale gold mining has yet to be realized in the artisanal mining communities. Failure on the parts of both the government and mining companies to communicate with and fairly compensate affected communities is likely to lead to greater social instability, including increased illegal mining and environmental damage.

#### **Environmental implications of increased conflict**

In the case of artisanal communities in the Lake Victoria region, the issues of displacement and lost livelihoods are coupled with drought and rising food prices. This dangerous combination has caused communities in the region to turn to smash-and-grab illegal mining tactics in and around multinational mining sites. This has caused an alarming increase in environmental damage. Faced with the pressures of time and visibility, illegal miners do not concern themselves with the long-term environmental impact of their clearing or digging. The methods by which illegal miners process gold uses excessive amounts of mercury, often in crowded village areas, which injects the poisonous metal into local soils and watersheds. The results are scattered mining pits, increased deforestation, watershed damage

from sluicing and panning along the rivers, heaps of tailings in villages, dust pollution, and mercury pollution (SID 2009).

In addition to the environmental impacts created by illegal mining, mining companies themselves have also been accused of polluting the environments around their operations (SID 2009). At the North Mara gold mine, the runoff from mine tailings flows directly into pastures and fields used by surrounding residents, and contaminated water from the processing plant seeps into their water. A report by the Tanzanian Legal and Human Rights Center

mine, “there is a reluctance among senior government officials to act immediately despite preliminary evidence showing that the mine has indeed polluted the environment. Health hazards from exposure to such pollution could persist for more than 2,000 years” (Damas 2009).

The total environmental damage from both the mining companies and illegal mining could have irreparable effects on the Lake Victoria region. The management and enforcement of responsible mining practices and health and safety regulations is needed across the sector. A continued gap between disaffected

“Should pressure from Western governments and advocacy groups force those involved in illegal trafficking of minerals to shift from traditional trading routes to new or lesser known routes, overland networks through Tanzania via Burundi and Lakes Tanganyika and Victoria could become attractive ...”

(LHRC) found that water from a North Mara storage pond flowed into the Tigithe River, the lifeline of the town Nyamongo, and was directly responsible for 20 human deaths and the loss of 270 head of cattle (Mnyanyika 2009). Another LHRC report found that since the establishment of the North Mara mine, levels of nickel in the area have risen 260 times, levels of lead have risen 168 times, and chromium levels have multiplied 14 times (Damas 2009). The Director of LHRC, Francis Kiwanga, has stated that despite proven higher than permissible levels of heavy metals, including cyanide, and soil and water pollution around the North Mara

communities, mining companies, and government regulators would only exacerbate the current environmental degradation in the region. The ecological importance of the region, situated between the shores of Lake

Victoria and the Serengeti National Park, demands that cooperation and good environmental stewardship be established, not only for the sake of stability but also for the long-term preservation of one of the most distinctive watersheds in the world.

#### **Illicit Mineral Trade and Increased Instability**

An additional threat to stability in the region is the risk that the smuggling



Artisanal Miner burns mercury to amalgamate gold. *Source:* National Environmental Research Institute (NERI). 2009

of illegal gold, cash, and arms from the Democratic Republic of Congo (DRC) through Tanzania could increase. Calls from the international community have increased for state and corporate transparency in the source of origin and production chains of extracted rare earth minerals. In recent years, minerals extracted from the DRC have been smuggled out of the region to foreign markets via Uganda and Burundi. But as international monitoring of the trade increases, lesser-used routes that smuggle arms, minerals, and cash via Lake Victoria and Lake Tanganyika into Tanzania, and then to buyers in the Lake Victoria region, as well as the port of Dar es Salaam, could become the preferred alternatives.

A 2009 United Nations Security Council report on conflict minerals in the Democratic Republic of Congo stated that “the networks among FDLR, Mai Mai, and FNL [Congolese rebel groups] have formed an alliance...and collaborate tightly with each other. As part of this alliance, the three armed groups cooperate in smuggling natural resources from the territory of Uvira [DRC] to Burundi and the United

Republic of Tanzania (UN 2009).” The report goes on to say that “the [UN] Group received several testimonies from FDLR former combatants and local gold traders in the United Republic of Tanzania and the Democratic Republic of Congo relating to the transfer of several hundred grams a week of gold entering Tanzania from South Kivu, and comprising gold that has been sourced from FDLR controlled zones. According to a dealer based in Kigoma, Tanzania, gold comes regularly by pirogue and is sold to local dealers in Kigoma who work on commission for businessmen in Dar es Salaam (UN 2009).” Also in the report are email correspondence between rebel leaders and gold dealers in Tanzania, as well as several interviews with former rebels who provided firsthand accounts of seeing senior rebel leaders travel back and forth on Lakes Tanganyika and Victoria exchanging gold, arms, and cash (UN 2009). Should pressure from Western governments and advocacy groups force those involved in illegal trafficking of minerals to shift from traditional trading routes to new or lesser known routes, overland networks through Tanzania via Burundi and Lakes Tanganyika and

Victoria could become attractive due to Tanzania’s relative stability, transportation infrastructure, and access to the massive port of Dar es Salaam.

Growth in illegal buying and smuggling in Tanzania could foster greater social instability and environmental damage as access to alternative and potentially more lucrative markets could create a spike in unsustainable mining by poor individuals seeking quick profits.

### Conclusion

Large-scale mining has helped Tanzania become one of the most successful economies in East Africa. However, the government of Tanzania is still facing challenge of balancing the distribution of benefits among its citizens, its investors, and national accounts. Communities in the mineral rich areas of Tanzania continue to see the state as complicit in siding with the mining companies against the interests of artisanal miners, subsistence farmers, and rural citizens. The perpetuation of these views, coupled with limited avenues for communities to pursue grievances, will cause continued instability. Additionally, such instability will entrench perceptions of enmity on all sides, making future cooperation between stakeholders more difficult. Weak state capacity, inadequate local governance, and perceived marginalization at the hands of the mining companies will exacerbate tensions at all levels. A mutually agreed upon level of equity between stakeholders in Tanzania’s gold sector must be established to negate the perception of large-scale mining as a zero-sum game. A failure to do so will lead to further social, economic, and environmental damage in the mining communities of Tanzania.

### Recommendations:

Avoiding conflict in Tanzania’s mining sector will require actions on

the part of all of the stakeholders. For the Tanzanian government, there are three main areas that could be addressed as part of a strategy of conflict mitigation.

1. **Enact greater transparency and include local mining communities as part of the development of the industry.**

According to a national grouping of civil society organizations, as well as several members of Parliament, the new Mining Act of 2010 does not go far enough in addressing transparency. Information in such areas as contracts, mine closure and rehabilitation agreements, financial accounts, and payments to the government is often not available to the public (Policy Forum 2010). Several members of Parliament have stated that the bill is not friendly to the development of local companies and miners (Jube and Mugarula 2010). There is a need to better recognize artisanal and local small-scale miners, and allow them improve their livelihoods for the betterment of the nation.

2. **Focus in mining communities on the development of alternative sectors , primarily agriculture.**

Mining revenues should be used to contribute to the development of alternative livelihoods in primarily in agriculture and around mining communities, . Roughly 80 percent of Tanzania's citizens depend on subsistence agriculture, but it is considered one of the most underdeveloped sectors in the country. Local markets for sugar, cotton, and other products exist throughout the country but there is little investment. Assisting and encouraging the development of other sectors would help avoid over-reliance on the gold sector.

3. **Become the responsible alternative source of origin in the region for gold and other rare earth minerals.**

As international transparency and accountability on conflict minerals from the DRC increases, multinational companies that source gold, tin, tantalum, and tungsten for electronics and jewelry from sources of origins in conflict zones will increasingly be pressured to seek socially responsible alternatives. Tanzania's sizeable gold sector, along with reserves of tin, tantalum, and tungsten could provide an opportunity to increase foreign investment by branding the country as a stable and viable alternative to the DRC. The government should act to monitor and regulate its

For the private sector, there are four areas of focus that could allow the multinational companies operating in Tanzania to engage more effectively with both the government and mining communities.

1. **Practice strategic community engagement.**

The social responsibilities of mining companies need to be clearly defined, in order to shift Tanzanian public opinion away from the traditional image of the predatory mining company. The International Council on Mining and Minerals (ICMM) has pointed out in the Tanzania case that corporate social responsibility (CSR) is not "just about building bridges and building schools and hospitals, it is about getting the right people talking to each other (ICMM 2009)." Strategic community



Aerial view of AngloGold Ashanti's Geita mine. *Source:* AngloGold Ashanti 2009.

western borders to prevent the smuggling of conflict minerals originating in DRC in order to increase its attractiveness to multinational jewelry and electronics companies as a viable source of origin.

engagement with the appropriate individuals is the only way to make a lasting connection between the mining sector and the larger economy. The top-down approach to CSR has not been successful for companies in Tanzania. This has saddled them with the image of being willing

only to throw money at problems and unwilling to cultivate working relationships with locals. Sustainable, community-specific engagement strategies must be developed.

2. **Create a code of conduct through the Chamber of Mines that includes standards for contributing to development.** The proposed changes in the Mining Act of 2010 call for the inclusion of a corporate social responsibility clause. The clause will focus on encouraging the formation of *voluntary* foundation trust funds in mining areas to be funded by operational profits. Mining companies should agree to work through the Chamber of Mines to develop a code of conduct for companies that governs community contributions and impact. This would allow mining companies the opportunity to enhance their community profiles through assistance and social projects arrived at through community input. Companies must see themselves as corporate citizens having civic rights and obligations that, include the creation of a responsible and sustainable environment for production.

3. **Increase training programs.** Companies should contribute technical training and financial support for existing and new college-level facilities focused on high-level technical training for the mining sector. A common complaint against mining companies is the low number of Tanzanians engaged in technical positions. As a relative newcomer to large-scale mining, Tanzania lacks sufficient skilled labor to fulfill the needs of companies. However, models of cooperation in other African countries exist. Most notably the University of Mines and Technology in Tarwa, Ghana, not only contributes to the labor force in its own domestic industry, but also exports graduates to other countries (ICMM 2009).

Tanzanian civil society as well as the mining communities themselves have a tremendous amount at stake in the growth of the gold mining sector. Perhaps no other group stands to be as affected on a day-to-day basis. However, these groups also have the least amount of leverage in terms of influencing growth. Therefore, it is critical for civil society and the mining communities to find a single cohesive voice.

1. **Organize, Collaborate, Cooperate.** Tanzanian communities and civil society organizations that are involved in mining issues—such as the Federation of Miners Association, the Tanzanian Mineworkers Development Organization, the Legal and Human Rights Center, The Tanzania Women Miners Association, and the Christian Council of Tanzania—have not mobilized to create broader coalitions. Through strategic collaboration these organizations could use their collective power to achieve real change. The passage of the new Minerals Act may provide a potential framework for cooperation. Building on the strengths of alliances and networks, a coalition of stakeholder groups would be better positioned to engage with both the government and international investors, carving out not only more room at the negotiating table, but also better collective outcomes for development, economic growth, and human rights in Tanzania.

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**Foundation For Environmental Security and Sustainability**

8110 Gatehouse Rd, Suite 625W  
Falls Church, VA 22042  
703.560.8290

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**Ray Simmons**, President

**Darci Glass-Royal**, Executive Director

**Jeffrey Stark**, Director of Research and Studies

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