

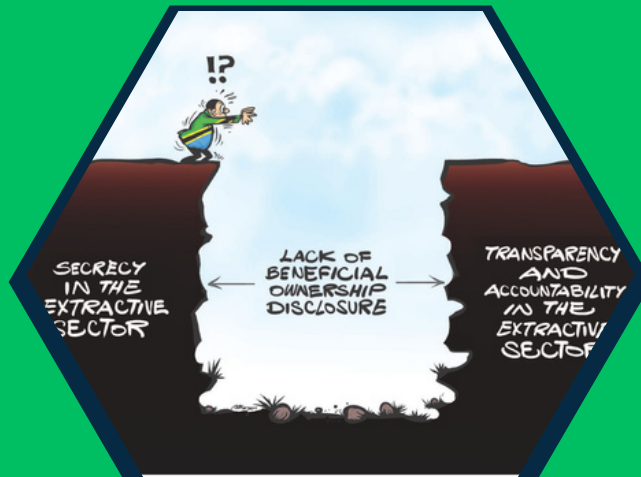


HakiRasilimali

Transparency & Accountability
for the Extractive Industry

2023/2024

Analysis of the 14th Tanzania Extractive Industry Transparency Initiative (TEITI) Reconciliation Report





ACKNOWLEDGEMENT

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1. INTRODUCTION

The Tanzania Extractive Industry Transparency Initiative (TEITI) has released its 14th report for the fiscal year 2021/22 in accordance with the EITI Standard 2023. The report offers a comprehensive overview of the extractive sector, presenting reconciled data on payments made by extractive companies to the government and the revenues received by the government from these companies.

The current (14th) report indicates that the number of fully reconciled companies has increased to 48, compared to 45 in the previous report, demonstrating a significant change. The reconciled data showed a negligible discrepancy between what the companies and the government reported, highlighting the efficiency of reporting for the fiscal year 2021/22. Companies reported a total of TZS 1,878,254,778,133.47, while government receipts amounted to TZS 1,877,852,367,063.74. This resulted in a difference of TZS 402,411,069.73 (0.021%). However, this discrepancy is considered immaterial and does not require further investigation by the Controller and Auditor General.

The 14th report's breakdown of the extractive sector's contributions to extractive revenue highlights the mining subsector's significant role. Its contribution of TZS 1.5 trillion greatly exceeded the contributions of the oil and gas subsector, with TZS 319.6 billion¹. This data highlights the mining subsector's crucial importance in revenue generation, emphasizing its pivotal role in the industry.

HakiRasilimali, an organization dedicated to improving transparency and accountability in the mining, oil, and gas sectors, has conducted an analysis of the 14th TEITI report to understand better key issues impacting the sector. Our analysis focuses on the materiality threshold and small-scale mining, employment and gender gaps, value addition and domestic refineries, corporate social responsibility and environmental conservation projects, and beneficial ownership. By examining these areas, we have identified gaps for enhancing sector transparency, promoting fair practices, and advancing sustainable development.

¹ Contribution of Extractive Revenue by Subsectors. The 14th TEITI report (2024)



1.1. Summary of Key Findings

a) The reconciliation process for the fiscal year 2021/22 showed a negligible discrepancy of 0.021% between company payments and government receipts, indicating efficient reporting and reconciliation practices.

b) The mining industry was the largest contributor to extractive revenue, surpassing the oil and gas industry as the subsectors within the extractive sector, highlighting its critical role in the national economy.

c) Although the inclusion of Small-Scale Mining (the mining subsector) in the reconciliation process has improved, significant challenges persist due to inadequate record-keeping, resulting in only 9 out of 107 Small-Scale Miners being reported by the Government.

d) Employment in the extractive sector increased, but there remains a significant gender gap, particularly at the senior management level, with women being underrepresented. For example, at AngloGold Ashanti's Geita Gold Mine, no women were employed in senior management.

e) The absence of sector-specific and gender-disaggregated employment data complicates the assessment of the extractive industry's contribution to national employment and hampers compliance with requirement 6.3 (a) (iv) of the 2023 EITI Standard.

f) There is a huge gap between gold production capacity and refinery capacity. Refinery capacity exceeds almost seven times the gold production capacity. Thus, refineries lack enough feedstock for refining.

g) Corporate Social Responsibility (CSR) expenditures in the extractive sector heavily prioritize education, infrastructure, and health, with minimal allocation to environmental conservation projects. This raises concerns specifically on long-term sustainability.

h) Out of 43 companies, only 2 companies provided complete beneficial ownership disclosures, while 22 provided partial information, and 19 companies did not comply with the reporting requirements. This lack of comprehensive disclosure limits transparency and accountability in the sector.



2. KEY ISSUES ANALYSED FROM THE 14TH TEITI REPORT.

2.1. The Materiality Threshold and Small-Scale Mining

Tanzania is estimated to accommodate 7.2 million Artisanal and Small-Scale Miners indirectly.² Meanwhile, the Artisanal and Small-Scale sectors contribute almost 40% of the gold mining production.³ The growing contribution of the ASM subsector to the mining sector revenue has resulted in critical concerns about integrating it in revenue reconciliation reports because of its significant contribution. According to the TEITI Multi-Stakeholder Group (MSG), the materiality threshold for large and medium companies is set at 2 billion TZS, while small-scale mining falls within a threshold range of 500 million to less than 2 billion TZS.⁴ This framework allows for the reporting, reconciliation, and inclusion of small-scale miners' revenues in the annual TEITI reports, particularly for the Small-Scale Mining (gold subsector).

According to (TEITI, 2024, p.76), reconciliation for small-scale miners was unsuccessful, primarily due to record-keeping. Out of 107 small-scale miners, only 9 with primary mining licenses have been reported to meet the required threshold for small-scale mining. This means that 98 out of the 107 small-scale miners do not meet the threshold for small-scale mining reconciliation. Additionally, the 14th report shows that many small-scale miners were not included in the reconciliation process due to inadequate record-keeping and the challenge of meeting the reconciliation requirements, including the identified threshold.

To address this challenge, improved record-keeping practices and training for small-scale mining operators are essential. Capacity-building initiatives should be developed to support operators in maintaining accurate records and complying with reporting requirements. Additionally, offering technical assistance and incentives for compliance can encourage better documentation.

² *Tanzania Extractive Industry Transparency Initiative, 14th report for the fiscal year 2021/2022 (TEITI,2024),.p.12.*

³ *Controller and Auditor General (2024), Performance Audit Report on the Provision of Support to Small-Scale Miners.*

⁴ *Tanzania Extractive Industry Transparency Initiative, 14th report for the fiscal year 2021/2022 (TEITI,2024),.p.76.*



The graph below indicates that the 2021/22 fiscal year report from TEITI showed improvements in including Small-Scale Mining in the reconciliation process, a significant change from the previous 2020/21 report, which excluded the Small-Scale Mining subsector. Despite this progress, and as discussed above, there remains a substantial gap in reconciliation due to the low number of small-scale miners meeting the reconciliation requirements and inadequate record-keeping, which hampers the participation of small-scale miners in the reconciliation process.

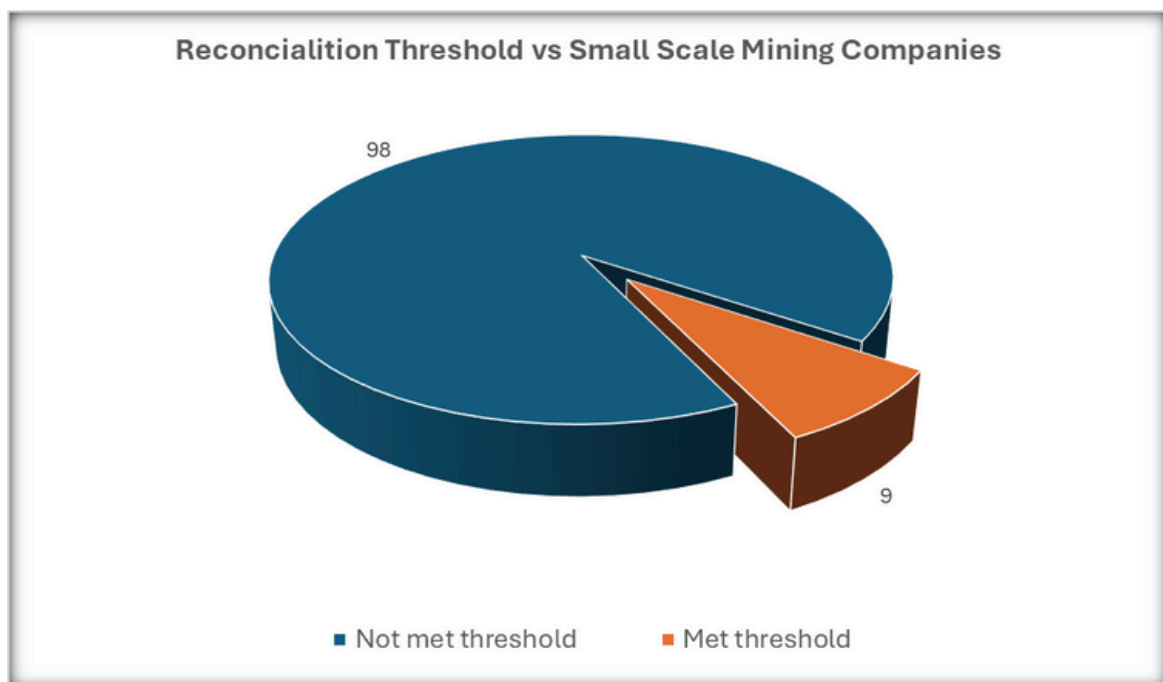


Figure 1: Small-Scale Mining Companies in the Reconciliation Process. Data Retrieved from 14th TEITI report (2024)

2.2 Employment and Gender Gaps

According to data provided by the National Bureau of Statistics (NBS) in 2022, employment data was not disaggregated by sector or gender, making it challenging to assess the extractive industry's contribution to employment. This lack of detailed data complicates compliance with Requirement 6.3 (a) (iv) of the 2023 EITI Standard, which requires sector-specific and gender-disaggregated employment information. In contrast to the previous National Economic Survey reports provided by the National Bureau of Statistics, employment contributions were disaggregated by sector and gender,



making it significant to assess the sector's performance in the county's employment⁵

Therefore, the 14th TEITI report has highlighted the need for the National Bureau of Statistics to consult with the Ministry of Minerals, the Ministry of Energy, and the Prime Minister's Office, Labor, Youth, Employment, and Persons with Disabilities when generating disaggregated employment data for various economic sectors. This recommendation arises from concerns that data limitations are obscuring the true contribution of different sectors to national employment. The 14th report, for instance, used data from the 13th report, which showed 0.9% direct employment. Similarly, the 12th report relied on employment statistics from the 11th report, which recorded 332,468 jobs. The lack of sector-specific employment data for the year 2021/22 impedes the development of effective workforce strategies and limits the understanding of how sector growth impacts overall employment and economic diversification.

2.2.1. Gender Gap in Employment

The 14th TEITI report reveals a gender disparity in employment among reconciled companies, including service providers. The data shows that male employment increased from 90.27% in the 13th report to 90.38% in the 14th report, reflecting a positive change of 0.11%. Conversely, female employment decreased from 9.73% to 9.62%, indicating a negative change of 0.11%. The table below illustrates the employment distribution and gender perspective for the 37 companies reported in the 14th TEITI report.

The employment data from the 14th TEITI Report for 2021/22 shows a significant increase in total employment in the extractive industry, rising from 9,373 in 2020/21 to 13,374. Local skilled and local unskilled grew significantly compared to foreign employed by the extractive companies.

⁵ https://repository.mof.go.tz/bitstream/handle/123456789/177/HALI_YA_UCHUMI_WA_TAIFA_2021.pdf?sequence=1&isAllowed=y

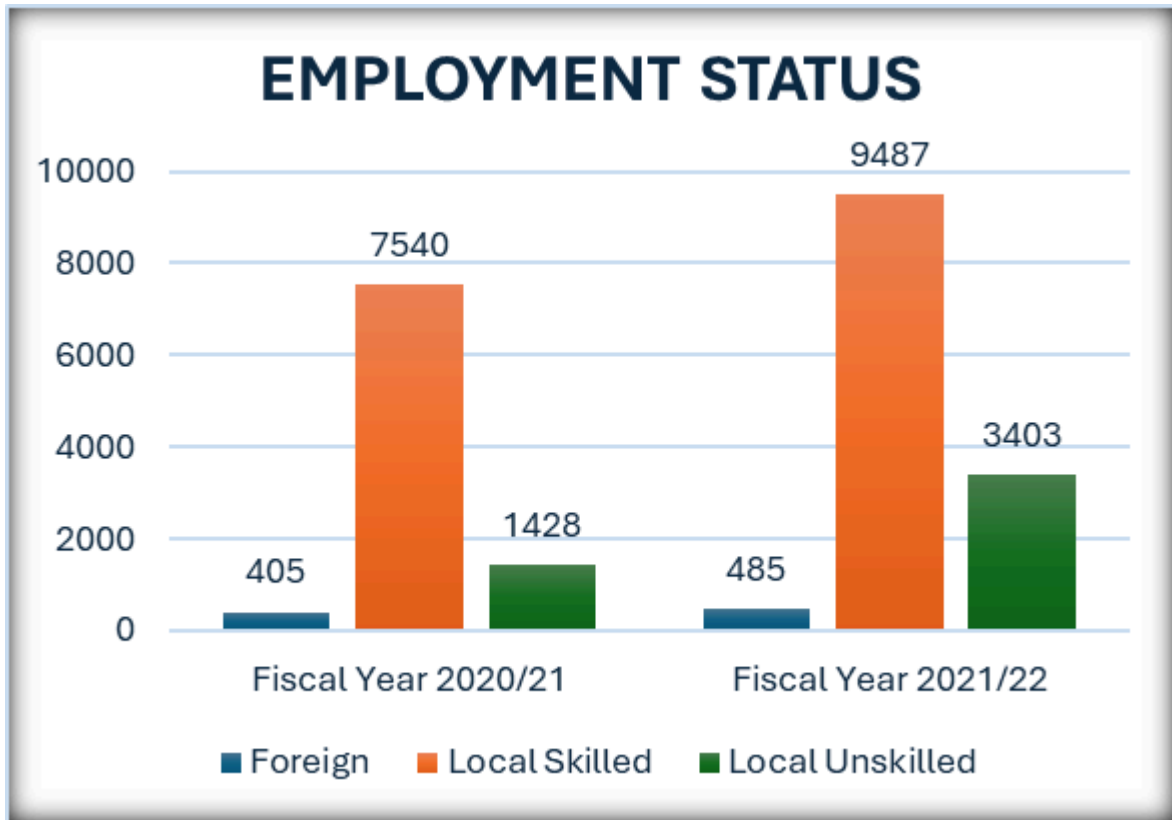


Figure 2: Employment Status Data Retrieved from 14th TEITI report (2024)

Additionally, female employment has increased from 912 to 1,287, though women still make up a smaller proportion of the workforce compared to men. The data indicates a positive trend towards more local skilled positions, with local unskilled employment also rising. Despite the overall growth, the gender disparity in the sector remains a concern, underscoring the need for continued efforts to achieve greater gender balance in employment.



THE DISAGGREGATED EMPLOYMENT DATA						
Employment Data-2021/22 (14th report)				Employment Data-2020/21 (13th report)		
	Foreign	Local Skilled	Local Unskilled	Foreign	Local Skilled	Local Unskilled
Male	472	8,504	3,111	393	6,776	1,292
Female	13	983	291	12	764	136
Total	485	9,487	3,402	405	7,540	1,428

Figure 3: The Disaggregated Employment Data Retrieved from 14th TEITI report (2024)

This highlights that local employees continue to dominate the extractive sector compared to foreign workers. However, there is a significant gender gap at the management level. For example, at AngloGold Ashanti's Geita Gold Mine, all 11 senior management positions were held by men, with no women represented.⁶ This persistent gap raises concerns and suggests a need for regulations or benchmarks to promote women's inclusion at the management level in the extractive industry and enhance gender equality.



⁶A top employer - Geita mine, Tanzania



2.3. Value Addition and Domestic Refineries

In 2024, a reform in the Finance Act reduced the royalty rate for gold refineries from 6% to 2%, aiming to boost domestic refining activities.⁷ Furthermore, the Finance Bill 2024 amended the Mining Act to give the minister the authority to determine the amount of gold to be refined and traded locally; the amount should not be less than 20% of the minerals.⁸ This aims to ensure local refineries have enough feedstock, but its effectiveness is uncertain. This raises concerns about whether the reduced royalty rate alone can sufficiently stimulate domestic refining and improve the gold trade.

A key issue is that these three refineries lack enough feedstock for refining. The available refining capacity far exceeds the gold produced in Tanzania. For example, from the 14th TEITI report, Tanzania produces 52,422 kg of gold in a year. Yet, the Mwanza Precious Metals Refinery alone has a capacity of 175,200 kilograms annually, resulting in a significant deficit. This means Tanzania's annual gold production is about one-third of the Mwanza refinery's capacity.

Annual Gold Production with Domestic Refinery Capacity

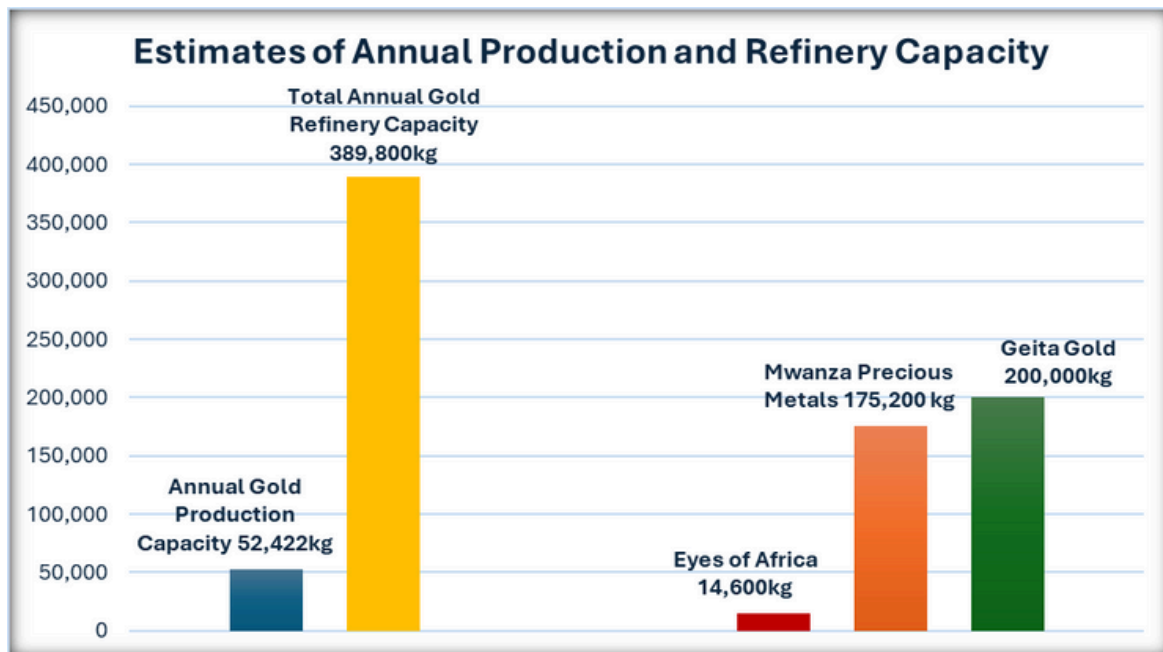


Figure 4: Estimates of Annual Production and Refinery Capacity. Source; HakiRasilimali (2024)

⁷Finance Bill, (2024), P. 46.

⁸Finance Bill Section 51 amended Section 59 of the Mining Act 2010 [CAP.123 R.E 2019].



The other concern can be raised that Tanzania made a step by increasing the number of refineries with the estimation that Geita Gold Mine can refine 200,000kg of gold annually,⁹ Mwanza Precious Metal can refine 175,200kg of gold annually,¹⁰ and Eyes of Africa can refine 14,600kg of gold annually.¹¹ These refineries create a huge gap in refinery capacity with limited gold production capacity.

This situation requires strategic adjustments. To address the feedstock shortage, efforts should focus on gaining international accreditation for local refineries to attract large mining companies. Additionally, exploring partnerships or incentives for smaller miners to use local refineries could help bridge the gap between production and refining capacity.

2.4. Corporate Social Responsibility and Environmental Conservation Projects

Extractive companies must, through corporate social responsibility (CSR), provide social and economic support to host communities in the respective Local Government Authorities (LGAs). They participate in education, health, environment, potable water supply, humanitarian aid, small business development, and infrastructure.

Recently, the government enacted laws to govern the implementation of these social commitments. For example, through the Written Laws (Miscellaneous Amendments) Act No. 7 of 2017, the government amended section 105 of the Mining Act to include provisions related to a mineral rights holder's CSR Plan.

Despite global climate agendas focusing on environmental concerns to mitigate climate change impacts, the extractive industry significantly contributes to environmental externalities.

Conditions are worsening due to the failure to implement environmental conservation projects within the extractive sector in Tanzania. The three consecutive Tanzania Extractive Industries Transparency Initiative (TEITI) reports, from the 11th to the 14th, depict the low prioritization of these projects by extractive industries

⁹[Geita Gold refinery plant set to kickoff operation - Tanzania \(africa-press.net\)](#)

¹⁰[Tanzania to add Gold to reserves, resume US\\$3B iron project - FurtherAfrica](#)

¹¹[Trial date set as Tanzania's first gold refinery nears completion - Ventures Africa](#)

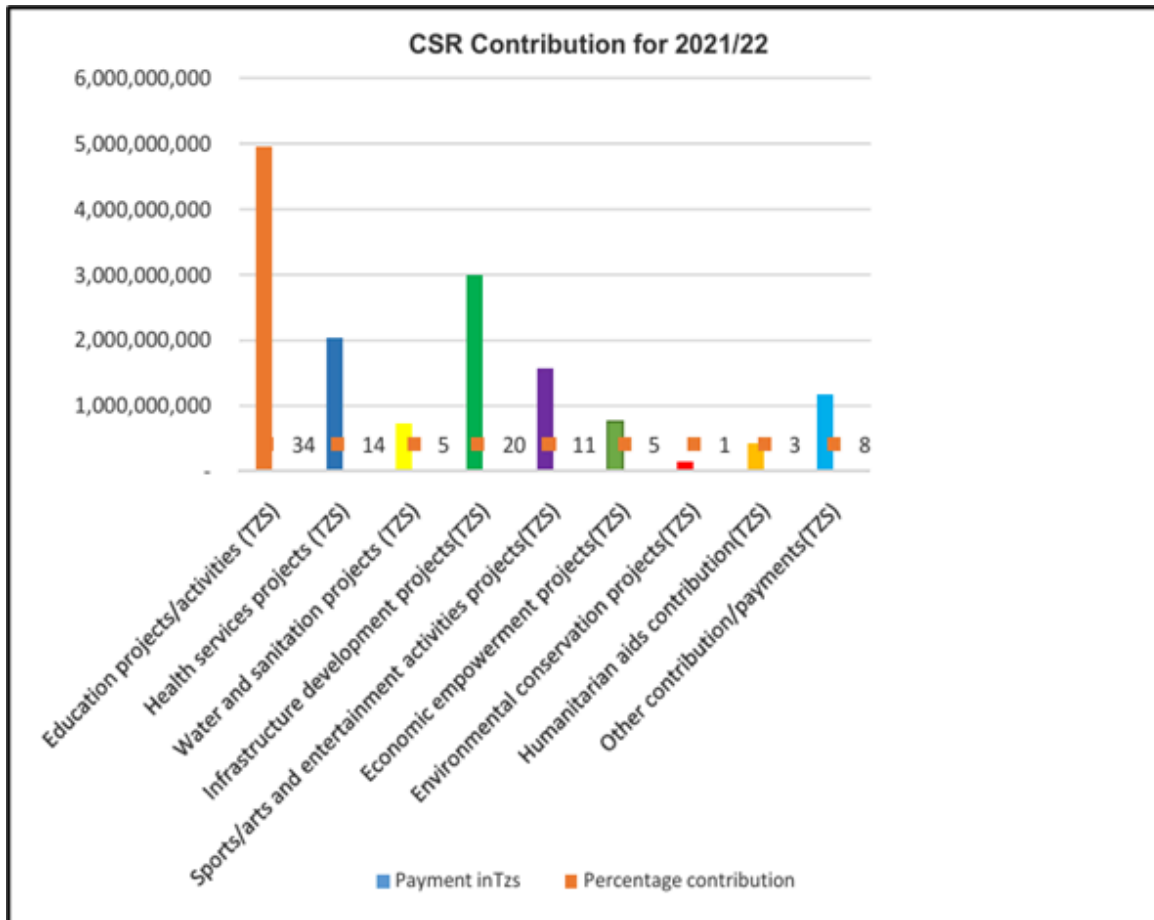


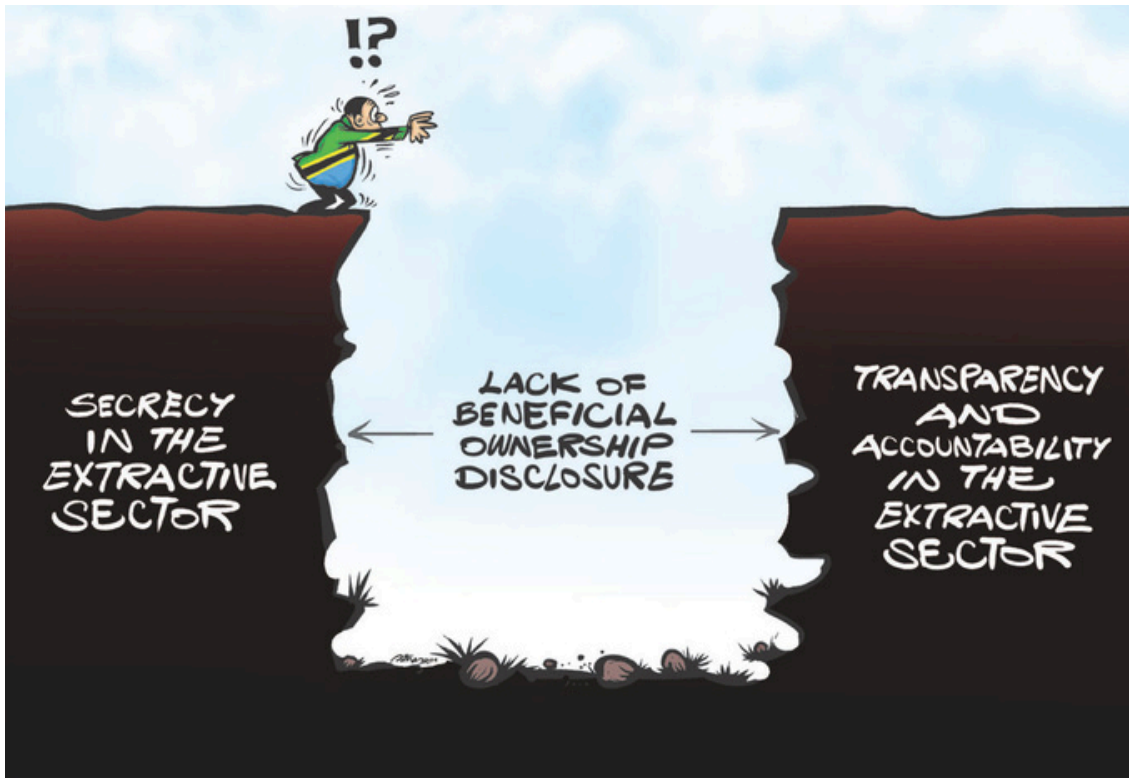
Figure 5: Corporate Social Responsibility by Extractive Companies.
Source: TEITI (2024)

Current reports show that environmental conservation projects receive only 1% of companies' total CSR expenditures, while education, infrastructure, and health are highly prioritized in Tanzania's extractive industry. This may threaten the long-term sustainability of the environment within the extractive areas.

Therefore, Strategic adjustments are needed to address the issue. Emphasizing environmental conservation in CSR initiatives is crucial for mitigating the industry's environmental impact. Efforts should focus on increasing the allocation of CSR funds to environmental projects.

2.5. Beneficial Ownership

Beneficial ownership disclosure aims to improve the investment climate and reduce illegal practices in extractive industries, such as tax evasion, corruption, illicit financial flows, and conflicts of interest. It enhances transparency and accountability of extractive companies and governments, ensures adherence to the rule of law, and improves revenue collection by exposing shadow companies that may evade taxes.



Requirement 2.5 of the EITI Standard 2023 mandates extractive companies to disclose information about their beneficial owners—natural persons with an ownership interest in the companies. Similarly, Section 16(1)(b) of the TEITA Act requires the Committee to cause the Minister of Energy and Minerals to publish the names of individual shareholders in extractive industry companies. Regulation 13 of the Tanzania Extractive Industries (Transparency and Accountability) (General) Regulation of 2019 stipulates that information on beneficial owners must include names, political exposure, nationalities, country of residence, national identity numbers, dates of birth, and residential addresses, all of which must be attested.

Compiling beneficial owner information for 2021/22 reveals mixed results in compliance with disclosure requirements. Out of the 43 extractive companies that responded, two companies provided detailed disclosures, including the names of individual beneficial owners. This level of transparency is crucial for understanding the individuals behind the companies, which can help identify potential risks related to tax evasion, corruption, and illicit financial flows.

In contrast, 22 companies submitted information only about shareholders, without detailing the individual beneficial owners. This partial disclosure limits the effectiveness of transparency measures, as it does not fully expose the individuals who ultimately control or benefit from the companies. The lack of comprehensive data on beneficial owners may hinder efforts to address issues such as conflicts of interest and illicit financial activities.



Furthermore, the 14th TEITI report indicated that of 43 companies that responded to the beneficial ownership disclosure requirements, 24 companies provided helpful information: two companies disclosed individual beneficial owners in detail, while 22 submitted information on shareholders. However, this leaves 19 companies unaccounted for in the reporting process. The absence of data from these 19 companies is concerning as it indicates a significant gap in transparency and compliance.

The current disclosure state highlights a need for increased compliance and more rigorous enforcement of reporting standards. More companies must fully adhere to the requirements to improve transparency and accountability by providing complete information on beneficial owners. Enhanced awareness and training on the importance of comprehensive disclosure and more robust regulatory oversight could drive better compliance and support the broader goals of reducing illegal practices in the extractive sector.

3.CONCLUSION AND RECOMMENDATIONS

3.1.Conclusion

The analysis of the 14th Tanzania Extractive Industry Transparency Initiative (TEITI) report reveals critical insights into the contributions and challenges within Tanzania's extractive sector. While there have been improvements in transparency and reporting, particularly in including small-scale mining contributions and gender employment data, significant gaps remain. Issues such as inadequate record-keeping among small-scale mining operators, gender disparities in senior management, and incomplete disclosure of beneficial ownership continue to hinder full transparency and accountability. Additionally, the limited emphasis on environmental conservation projects within Corporate Social Responsibility (CSR) efforts poses a threat to long-term sustainability.

3.2.Recommendations

a)Improve Record-Keeping Among Small-Scale Miners: The Ministry of Minerals, in collaboration with TEITI and relevant NGOs, should Implement targeted training and capacity-building initiatives to enhance accurate record-keeping practices.

b)Promote Gender Inclusion in Senior Management: Extractive companies and the Ministry of Labor,

Youth, Employment, and Persons with Disabilities should establish benchmarks and policies to encourage the inclusion of women in senior management positions within the extractive industry.

c) Increase CSR Funding for Environmental Conservation: Mineral rights holders and Local Government Authorities, in consultation with the Minister responsible for local government authorities and the Minister responsible for Finance, should emphasize the allocation of Corporate Social Responsibility (CSR) funds to environmental conservation projects to mitigate the industry's environmental impact.

d) Enforce Beneficial Ownership Disclosure Requirements: The Ministry of Energy, Ministry of Minerals, TEITI and BRELA should ensure strict compliance with beneficial ownership disclosure standards, requiring companies to provide comprehensive and detailed information about their beneficial owners.

e) Diversifying Strategies to Boost Domestic Gold Trade and Refining: This includes monitoring the effectiveness of royalties, achieving international accreditation for domestic gold production, and increasing gold inflows to enhance refining and production capacities within the country.

f) Enhance Sector-Specific Employment Data Collection: The National Bureau of Statistics should collaborate with relevant ministries and agencies to generate disaggregated employment data by sector and gender, aligning with the requirements of the EITI Standard.

