Dug too deep: untangling the policy terrain of the minerals commodity sector in Tanzania

Dug too deep: untangling the policy terrain of the minerals commodity sector in Tanzania — Vuyo Mjimba, PhD Candidate, The Open University, United Kingdom, Development Policy and Practice (v.mjimba@open.ac.uk)

This paper aims to present empirical based analysis of the mineral policy terrain in Tanzania and its consequences on efforts of integrating the mineral sector into the country’s national economy. The paper shows that large-scale mineral exploitation projects in an economical liberalised Tanzania have not produced the envisaged economic development outcomes. The projects remain minimally integrated into the local economy mostly drawing low cost supplies instead of leading to the development of globally competitive high cost supplies. The study concludes that this outcome arises from suboptimal and ineffective policy regimes that gridlock the development of supplier capabilities. These policy regimes largely originate from external sources rather than from within Tanzania.

Keywords: Tanzania; Mining; Policy; Development.

Introduction

This paper aims to present empirical based analysis of the mineral policy terrain in Tanzania and its consequences on efforts of integrating the mineral sector into the country’s national economy.

Whilst it is true that the Bretton Woods institution led Structural Adjustment Programmes (SAPs) liberalised the economies of a number of SSA countries, the jury is still out on the impact of these programmes on SSA countries long-run growth strategies. However, a lasting legacy of the SAPs is an apparent confluence of positions in the international development arena (Cornwall and Brock, 2005). An examination of SSA countries suggests that this confluence is on policies that promote private enterprise and domestic operations subject to international policy regimes.

This paper examines the impact of confluence of development policy on Tanzania’s efforts to make the most of its fast growing mining industry championed by the gold mining sub-sector. The paper adopts the following sequence; section 2 outlines the theoretical setting and section 3 examines the key discussion points of the mineral policy and regulation of Tanzania. Section 4 discusses implementation of policy strategies and section 5 draws conclusions on the impact of the policy environment on
the country’s efforts of a mineral sector that is integrated into the rest of the economy, contributing 10% of GDP.

**Theoretical starting points**

In one of the most influential thesis in the field of international economics of the past century, Prebisch (1950) and Singer (1950) claimed that, contrary to the classical view, the price of primary products would fall relative to industrial products. The consequences of this thesis has been mineral endowed countries formulating and implementing economic development policies targeting diversification away from a specialisation in commodities (see- Kaplinsky 2006; Goode, 2006; and Farooki and Kaplinsky, 2010). Recently this thesis has been seriously and perhaps almost fatally challenged by the ‘disruptive’ entry of China into the global economy (Kaplinsky, and Morris 2011). China’s manufacturing might has negatively impacted the terms of trade of manufactures and positively impacted the mineral commodities terms of trade. China’s demand for mineral commodities is credited for the current commodities price boom (ibid). India’s impending entry into the global economy as both buyer of mineral commodities and producer of manufactures is likely to further exacerbate this shift in relative prices. Kaplinsky, Morris and Kaplan (2008) posit that China’s entry into the global economy and the impending entry of India pose both challenges and opportunities for SSA mineral industry and prospects of the manufacturing sector.

Opportunities come in the form of increased revenue from mineral commodities. The revenue could be used to fund development projects. Also there is opportunity to develop a mining inputs manufacturing and services industry to serve both the domestic and international markets, putting the mineral producers on a path of sustainable development reducing poverty and economically empowering its citizen amongst other impacts.

Threats arise from two sources. First the manufacturing sector of SSA countries in competing with Chinese exports both domestically and internationally. Indications are that in both scenarios SSA countries are coming second best. The second is SSA countries failing to formulate and implement policies that lead to sustainable economic development arising from increased activities in their mineral sectors.
**Mineral driven development efforts.**

The paradox of disappointing economic development of many resource-rich countries has given rise to a large body of literature on the role of natural resources in economic development. This literature has two distinct schools of thought. One school, as articulated particularly by Auty (1998; 2001a; 2001b), Sachs and Warner (1995; 1997; 2001) and Ross (1999; 2001), posits that there is generally an inverse correlation between resource abundance and economic growth in endowed countries. These authors have argued that the more resource-endowed a country, the more likely it is to experience slower economic growth, hence the ‘resource-curse’ thesis. The other school of thought refutes the ‘resource-curse’ thesis. Instead, it posits that resource endowment has potential to spur growth and development in developing countries. Scholars such as Wright (1990) and Davis (1998), amongst others, argue that the resource-curse phenomenon is case-specific and that economic performance is mixed across countries and should not be generalised.

Despite the divergent perspectives, the two schools of thought converge on the resource-curse transmission mechanisms. These transmission mechanisms fall into two main categories: (i) economic mechanisms and (ii) political mechanisms. The former revolve mainly around the notion of ‘Dutch-Disease’ which refers to exchange rate appreciation that ensues from resource export revenues and its crowding out effect on the competitiveness of other tradables (see Auty 2006; Stevens and Dietsche 2008). In turn, political transmission mechanisms concern counter policy measures to stamp out potential curse channels. According to the literature, what separates successful and unsuccessful countries is their efficiency to utilise resource revenues. In some countries, resource revenues are used to strengthen ‘bad’ political regimes (e.g. to pacify strong constituencies and to police opponents where conflicts arise) instead of investing in productive and sustainable ventures. Moreover, rent-seeking i.e. use of resource revenues for personal gain is also critical. Generally, it is powerful politicians, army personnel and bureaucrats who benefit from rent-seeking behaviour thereby robbing countries of the opportunity for development (see Stevens and Dietsche 2008). In summary, while mechanisms of curse transmission are real, the curse itself is not inevitable.
David and Wright (1997) and Cappelen and Mjøset (2009) demonstrate that the resource-curse is not an inevitable phenomenon through the analysis of natural resources extraction outcomes in the United States of America and Norway respectively. The two cases (amongst others) illustrate that the resource curse phenomenon can be mitigated by the formulation and implementation of policies that suppress the mechanism of curse transmission.

**Policy and policy implementation**

The literature definitions of policy (see Pollard and Court, 2005, Smith 2003, and Torjman 2005 for example) indicate that policy comprises two components; planning and action (or inaction). Jurisdictions that have experienced positive outcomes from exploiting mineral resources in their locality e.g. the USA and Norway are distinguished by not only formulation policies that counter the resource curse transmission mechanism but by acting as these policies dictates. This action (or inaction) is referred to as policy implementation (see Pressman and Wildavsky 1973 and Bardach, 1977).

Policy implementation is not a linear process but a convoluted process that demands appropriate resources and support from a variety of actors. Bardach (1977), states that policy implementation resembles an assembly process in that it makes use of a variety of old and new inputs and machinery. Like any assembly process policy implementation is confronted by challenges. For desirable policy outcomes, implementers have to deal with and overcome these challenges. Matland (1995) defines two theoretical challenges to policy implementation. These are (i) conflict in policy goals and implementation means and, (ii) ambiguity of policy vision and implementation means. Matland’s model defines four policy implementation paradigms dependent on the level of conflict in policy implementation and the degree of ambiguity of the policy being implemented. The four paradigms are; (i) low conflict-low ambiguity calling for administrative policy implementation; (ii) high conflict-low ambiguity calling for political implementation; high conflict-high ambiguity calling for symbolic implementation, and low conflict high ambiguity calling for experimental implementation. These paradigms are illustrated in Figure 1. It is however important to note that in reality, the four paradigms are not as distinct as presented in Figure 1.
Administrative policy implementation deals with policy situations where there is a
general consensus favouring the implementation of certain policies. An example is a
health program to eradicate smallpox. In administrative policy implementation,
outcomes are determined by resources advanced to the implementation process.
Where sufficient resources are appropriated the desired outcomes are virtually
assured.

Political implementation deals with policies where goals and implementation means
are incompatible with the proposed policies. Examples include school integration
through busing\(^1\), or the opening or closing of military bases (Spector, 1997). Political
implementation outcomes are largely decided by power because at times political
power is wielded to resolve impasses. Alternatively political power may give way to
persuasive interactions among stakeholders involving negotiation or joint problem-
solving (Matland 1995).

Experimental implementation pertains to an implementation scenario in which
participation in policy implementation is dependent on participants’ intensity of
feelings about the policy (Spector, 1997). Low levels of conflict open the arena for a
large number of participants (Matland, 1995). This allows actors with intense interests
and /or resources an opportunity to significantly influence policy to suit their views.

\(^1\)Busing is the practice of assigning and transporting students to schools to redress prior racial
segregation of schools, or to overcome the effects of residential segregation on local school
demographics.

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### Table: Ambiguity-Conflict Implementation Matrix

<table>
<thead>
<tr>
<th>Ambiguity</th>
<th>Conflicts</th>
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<tbody>
<tr>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
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<table>
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<tr>
<th>Administrative Implementation</th>
<th>Political Implementation</th>
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<tr>
<td>e.g. Smallpox eradication</td>
<td>e.g. Busing</td>
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<tr>
<th>Experimental Implementation</th>
<th>Symbolic implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>e.g. Clean air regulations</td>
<td>e.g. Siting of waste treatment plant</td>
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Examples of such scenarios include the implementation of forestry policies or clean air and water regulations (ibid). Experimental implementation outcomes are driven, dominated and determined by contextual conditions as perceived by stakeholders that decide to participate in the implementation process and on resources committed to the process. As a result, implementation varies from site to site. Lessons learnt at each site enhance future implementation hence the implementation is viewed as experimental (ibid). Symbolic implementation on the other hand pertains to policies dealing with highly emotive issues that often produce high levels of conflict even when the policy is vague (Matland, 1995). An example is the siting of noxious products manufacturing or treatment plants. Symbolic implementation outcomes are determined by coalitional strength at the micro-level instead of macro level as in political implementation.

The policy and regulation terrain of Tanzania’s minerals sector

Large-scale mining in Tanzania is dominated by nine operations comprising of six gold major mines and one each for diamonds, coal and Tanzanite. Gold accounts for 90 percent of the value of Tanzania’s mineral exports (Society for International Development [SID], 2009). The rapid growth of Tanzania’s mining sector derives from political and trade liberalization that began in the mid-1980s. The liberalisation transformed almost every facet of Tanzania’s economic sector from socialist characterised by state domination of the means of production to the current capitalist orientation encourage private sector domination of the means of production.

For the mining sector the reforms culminated in the Mineral Sector Policy of Tanzania, 1997 (URT, 1997) and the Mining Act, 1998 (URT, 1998). The Mineral Policy of Tanzania, (URT, 1997), with its characteristic neoliberal orientation envisaged a private sector dominated mining sector. The policy is part of a number of

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2 This analysis is based on the Mineral Policy of Tanzania, 1997 which was the relevant policy at the time of the gathering empirical data in which this analysis is lodged. This policy has since been replaced by the 2009 version.
policies deriving from The Tanzania Development Vision 2025, Vision 2025 (URT, 2000\textsuperscript{3}), Tanzania’s grand post-\textit{Ujamaa} economic development policy.

The mineral policy articulates the Government of Tanzania’s (GoT) vision of developing an ‘internationally competitive investment environment for the mineral sector’ (URT, 1997: 1), contributing to rapid national economic recovery and development (URT, 1997: v). The policy sets a target of developing a strong, vibrant, well organised private mining sector led mining industry contributing in excess of 10\% of the country’s GDP. The 1997 policy set a target of 25 to 30 years for the vision (URT, 1997:vii).

In formulating the policy the GoT realised the challenges the sector faced in achieving the stated objectives. To this end and within the context of broader economic reforms, the GoT defined these challenges and suggested counter strategies to these challenge. This work selects and focuses on four of the defined challenges as follows;

(i) The economic environment

Noting that a stable and predictable economic environment is critical to attract large investors in the long gestation large-scale mining sector projects the government sought to create such as environment. Consequently the policy is to grant customised large-scale mining stabilisation contracts formally known as Mining Development Agreements (MDAs). The MDAs are granted to Special Mining Licence (SML) holders on a mine-by-mine basis. Section Ten of the Mineral Act of Tanzania, 1998 has provisions that allow the Minister of Minerals and Energy to on behalf of the state personally and individually without being restricted by other legal requirements, negotiate and give special SML holders preferences such as tax exemptions and environmental impact assessment exemptions valid for 25 years.

(ii) Integrating mining into the national economy

The GoT notes that for Tanzania to realise full benefits from the exploitation of the country’s mineral resources, the mining industry has to be integrated into the national

\textsuperscript{3} Public sector officials in Tanzania state that although the Act was published before the Vision, the Act was drafted with full knowledge the objectives of the then draft Vision 2025 document.
economy. To that end the policy articulates a vision of developing domestic sector a manufacturing and services industry supplying inputs to the country's mining sector.

Section 3.3.7 of the mineral policy specifically articulates the need of establishing a domestic mineral sector supporting services industry. Section 3.3.7 (v) is specific about ‘encouraging the establishment and development of mining contractors and other mineral sector services providers,’ (URT, 1997:16).

Section 3.3.10 on the other hand states that ‘mining is a viable option for industrialisation’ (URT, 1997:19). To that end the policy refers to the importance of developing the ‘country’s ability to provide essential inputs to the mining sector,’ (ibid), in other words, developing a manufacturing sector producing direct inputs to the mineral sector for both the local and export markets.

(iii) Creating and maintaining a viable infrastructure

Noting that adequate and reliable infrastructure is necessary to support a viable mining industry, its complimentary manufacturing and service inputs industry and that inadequate and unreliable infrastructure may render firms reluctant to invest in Tanzania’s mineral industry the government, makes specific reference for the need to develop this infrastructure.

Cognisant of Tanzania’s infrastructure deficits, Section 3.3.8 the policy articulates a vision of developing reliable economic and social infrastructural facilities that include transport (road and rail); water and power supplies; education, health and recreation to support mineral sector development. The sector regulations offer private mining firms financial incentives (in the form of tax credits) for infrastructure development and maintenance complementing government efforts of infrastructure development.

(iv) Human capital

Modern large-scale mining sector projects are capital intensive undertakings. The capital intensity calls for appropriately skilled personnel. In section 3.3.11 the Mineral Policy of Tanzania (URT, 1997) refers to the importance of developing adequate and appropriate skills. The policy outlines strategies to develop these skills. The strategies include establishing training institutions offering a wide range of sector specific skills.
Also the policy calls for the establishment of research institutions conducting sector relevant research in addition to establishing formal information exchange platforms in the form of ‘centres of technical excellence’ discussing the various technical issues the sector.

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Through these and other strategies the GoT was aiming to derive the maximum possible benefits from the exploitation of the country’s mineral resources. However, mining contribution to GDP has remained at a modest average of 2.9% between 1998 and 2009 (see Annex 1a). The country still remains poor despite its status as Africa’s fourth largest gold producer (see annex 1b). The result has been questions on the prudence of a private sector dominated large-scale mining sector (see- Curtis and Lissu, 2009). Discontent arises from the perceived minimum benefits from a rapidly growing large-scale mining sector in an era of commodity price boom. For instance, since 1998 Tanzania’s large-scale gold mining sector has been growing at a rate of one large-scale mine in every two years. Earnings from gold exports have grown from negligible levels in the year 2000 to a level where in 2009, gold accounted for 20% of the country’s US$2 billion export earnings as indicated in Figure 2 below.

Figure 2: Exports of gold ($m) and gold as a share of total exports (%)
Despite the country’s growing status as a gold producer and historically high gold prices, poverty still persists in Tanzania\(^4\). The resultant popular public sentiment is that the mining firms are ‘getting rich from our gold.’ Public opinion is that the 3% Net Smelter Return\(^5\) (NSR), gold royalty rates are low and are depriving government of revenue to engage in poverty alleviating projects (Curtis and Lissu, 2009). The Tanzania Minerals Audit Agency TMAA (2009) shows the rate is low compared to other countries such as Botswana with royalties pegged at 5% of gross market value payable for all precious metals. The TMAA also points out that the NSR approach could be depriving the country of additional revenue because the deductible allowable costs component of the NSR approach is open to corrupt practices of inflating these costs. Other opinions point to the delayed realisation of corporate tax revenue (ibid). Tanzania mineral sector regulations allow loss making firms to defer tax payments. The deferred tax can be carried forward and only becomes due when a venture turns profitable. Also since mines are not ring fenced for tax purposes, multiple mine owners can transfer losses and profits between mines, critics state that this is denying the GoT its due corporate tax revenues (Curtis and Lissu, 2009).

Although mining has generated employment the levels have been disappointing. For instance the Society for International Development (SID), 2009 estimates that as at December 2008 large-scale gold mining firms in Tanzania directly employed 7207 of which 88% were Tanzania citizens (see Annex 1c). The generated employment has not altered employment patterns in the country. More than 80% of the population is still employed in agriculture (World Development Indicators, December 2008), because the mining sector has not spurred the development of a critical mass of manufacturing and services industries to draw labour from agriculture. An analysis of goods and services input to large-scale gold mining sector indicates that the local manufacturing industry remains locked in supplying simple and relatively low cost input goods and services (Mjimba, 2011). Moreover domestic value added in local purchases is often small.

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\(^4\) In 2010 Tanzania composite Human Development Index ranking was 148 out of 177. South Africa was ranked at 110 and Zambia at 150 out of 177.

\(^5\) The royalty is calculated as follows;  Royalty = (Royalty Rate) x (Gross Revenue – Allowable Costs)
Figure 3 indicates the aggregated and general geographical location of suppliers of goods and services. In the figure the suppliers are classified in terms of their complexity\(^6\) and criticality\(^7\) to the buying firms (exploration and mining firms). The measure of both complexity and criticality ranges from high to low with no intra-quadrant weightings.

**Figure 3 Geographic locations of suppliers**

![Diagram showing geographic locations of suppliers](image)

Source: This figure is based on interviews with gold mining industry stakeholders in Tanzania (2010, see-Mjimba, 2011 for more detail).

The low criticality and low complexity quadrants services include the supply of food and beverages. Under the services supplies include mine residential premises maintenance. The low complexity but high criticality quadrants includes the supply of goods such as machinery spares, bulk chemicals and services such as drilling (both exploration and production), toll mining and security service to assets and personnel.

The high complexity and high criticality quadrants include goods such as heavy mining equipment, special chemicals, and services such as mine processing plant maintenance and prospecting geophysical work.

For Tanzania to derive more benefits from its mineral sector, the domestic mining inputs manufacturing and services supplies industries have to develop and deepen

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\(^6\) Complexity refers to the technological advancement embedded in a good and the knowledge intensity of a supplied service

\(^7\) Criticality refers to importance of a good or service to the buying exploration or mining firm.

globally competitive supply niches in the right hand side quadrants, the top right hand side quadrants in particular. The reality is that Tanzania is still distant from achieving the requisite abilities of high criticality and high complexity supplies. I posit that the policy gridlocks are slowing down progress of developing and deepening globally competitive supply niches in high cost supplies (the right hand side quadrants).

The policy gridlock

The road to political and economic reform in Tanzania was not smooth. Reforming the economy meant abandoning the Arusha Declaration of 1967. Initially Tanzania attempted to effect ‘home-grown’ reforms after disagreeing with the International Monetary Fund, (IMF) (see-Nord et al 2009). However, in 1985 Tanzania eventually capitulated to the ‘coercive’ power of the international financial institution (IFIs) and embarked on broader and deeper reforms than in the era of home grown reforms (Holtom, 2005). The terms of the reform programme reflected more of the preference of the donors funding the reform process than the preference of the reforming countries. In short access to the reforms fund was conditional; ‘our way or no funding.’ Szablowski (2007) summarises the policy agenda imposed on the cash strapped SSA countries then undergoing Structural Adjustment Programmes stating that;

…the new agenda advocated comprehensive privatisation of state companies … …, and the termination of performance requirements such as those mandating local sourcing or hiring’ (Szablowski, 2007:34).

The effect of the post-liberalisation policy regime has been a group of mineral resource-rich countries that are unable to and are not allowed by reform-funding conditions to formulate policy instruments that mandate local purchases, the preferential use of local skilled labour and protection of infant local manufacturing and services industry. I posit that Tanzania is in this group of countries and illustrate the causal mechanisms using labour (skilled), goods and services supply practices in Tanzania’s large-scale gold mining industry as examples.
The labour and services gridlock

The Mining Act of Tanzania (URT, 1998) is devoid of mandates for local hiring. Instead the Act strengthens tendencies to import skilled and experienced labour at the expense of developing a similar local base. This practice arises from MDAs negotiated and agreed on under Section 10 of the Act. Through these MDAs, SML holders often negotiate favourable terms to hire skilled and experienced expatriates. For instance the Policy Forum of Tanzania (undated) indicates that in MDAs between the GoT and two mines, Tulawaka and Buzwagi (both African Barrick Gold [ABG] mines), secured rights to access expatriate labour not for the mines only but also its mines contractors and sub-contractors as well. The labour portion of the agreement reads;

‘Provided that Pangea\textsuperscript{8}, its contractors and sub-contractors, substantially comply with all applicable Tanzanian laws, including completing the application procedures and pay the requisite fees, Pangea, its contractors and sub-contractors are free to employ, without restriction non-Tanzanians and the GoT will expeditiously grant such persons all necessary work permits, visas, and passes for this purpose’ (Policy Forum, undated: 4).

Mining firms argue that such clauses serve to guarantee access to skilled and experienced personnel globally. Notwithstanding the current scarcity of Tanzanian citizens with the required skills and experience in the sector, I argue that the fact that since MDAs are valid for 25 years, the implicit meaning of such clauses is that local produced skills have limited opportunity to gain experience in the sector. Aggravating the practice is that the MDA clauses do not mention the mentorship of qualified under skilled and experienced expatriate labour. The mentorship of Tanzanians is at the discretion of the MDA holders, its contractors and sub-contractors. This contradicts Section 3.3.11 policy objective of developing a local pool of experienced labour by ‘encouraging and motivating foreign investors in mining to train Tanzanians in different skills’ through mentorship (URT, 1997:20). The GoT is actively producing a pool of qualified personnel. It is actively funding university education through a Government Student Loan Scheme (GSLS) specified

\textsuperscript{8} Pangea is a subsidiary of ABG.
in the Section 6 of the National Higher Education Policy (URT, 1999), and expects graduate to pay back these loans. However due to an MDA clause some of the graduates have no grounds to practice, gain the much needed experience and payback government loans.

The GoT is locked in a policy dilemma of affording the foreign owned private sector enterprise access to expatriate skilled labour and meeting local expectations of locals taking up skilled positions in the various mining projects. Currently the gridlock is being mediated by the fact that Tanzania is still producing inadequate number of human capital to cover this fast growing sector.

Tanzania’s situation sharply contrast practices in South Africa and the Democratic Republic of Congo (DRC). In South Africa there are labour targets for historical disadvantage South Africans (HDSA) at all levels. For instance the Mining Charter of South Africa (Republic of South Africa [RSA], 2010), sets employment targets of a minimum of 40% HDSA demographic representation at each of executive management (board) level and senior management level by March 2015, 40% middle management level by March 2013, 40% junior management level by March 2011 and beyond, and 40% core and critical skills by March 2015. In the DRC expatriates are obligated to mentor qualified citizens. Although there is no evidence of specific targets, the DRC government ensures that this is practices through strict monitoring of work permits (personal observations, 2007-8 and Z. Bhebhe, 2011 personal communication).

The supplies gridlock

The second gridlock also resident in the MDAs clauses that give firms rights to import goods. For instance in the Tulawaka and Buzwagi case the MDAs state that;

‘... whilst Pangea is to utilise to the fullest extent possible locally-produced materials and supplies in the course of its mining activities, it is entitled to import without limit all such necessary supplies, including fuel, spare parts, and replacements to the spare parts inventory’(Policy Forum, undated: 4).

9 Z. Bhebhe is a geologist with more than 10 years experience. He has practiced in the DRC.
Although the clauses make reference to the utilisation of local produced supplies, the use of local supplies is however not obligatory. There are neither incentives for buying locally produced supplies nor sanctions for importing what is available locally. Instead the agreements grant the importing firms stable and low customs duty tariffs in addition to those specified in the general section of the Act. This renders the agreement to ‘utilise the fullest extent possible locally produced material and supplies in course of their mining activities,’ mere rhetoric. Generally through the Mining Act of Tanzania, 1998, the GoT grants zero customs duty on the importation by or supply to a registered licensed exploration, prospecting, drilling or mining company of goods and equipment in the exclusive use in exploration, prospecting, drilling or mining activities (Foreign Investment Advisory Service [FIAS], 2006). For mining firms this applies up to the end of the first anniversary of commencement of production and thereafter a five percent rate applies. Through MDAs, firms negotiate favourable customs duty rates. These rates have not been made public but firms admit that they do seek and obtain favourable customs duty rates as means of stabilising the operating environment. A senior Barrick Gold employee confirmed this stating that MDAs in Tanzania have had the effect of;

‘stabilisation of the fiscal regime over the 25 year term of the Mining Licence, including royalty rates, income tax, withholding tax, customs duties and value added tax treatment’ (Fortin, 2001)

Curiously the zero customs duty cover does not extend to imported raw materials or components destined for local fabrication and/or assembly of goods and products destined for the mining sector. The effect is that locally fabricated goods are relatively expensive compared to imports. This discourages local fabrication and assembly and detracts from the policy objective of spurring the development a manufacturing industry. Further discouraging the investment and growth of a local manufacturing and services industry is the countries inadequate and unreliable hard and soft infrastructure (see-Mgwabati, 2010 for example). For instance Tanzania has an erratic electricity power supply which is critical for heavy engineering firms producing mining inputs.

*The origins of the gridlocks*
Biersteker (1990) and Campbell (2009) amongst others indicate the dominant role played by the World Bank, IMF other bilateral and multilateral financial institutions including the multinational mining firms in shaping the mineral policies of liberalising SSA countries mineral sector. Tanzania is in this group (see World Bank, 2001, and Haselip and Hilson, 2004). The result is a set of policies that reflects less of the host government’s views and preferences and more of the donor community preferences. Could this be the case in Tanzania’s mineral sector policy? Conjecturally I argue it this is the case in Tanzania. How else could the contradictory and incoherent sector policies be explained? I advance this argument cognisant of Tanzania’s skills and infrastructure deficits and the impact of inefficient and ineffective government bureaucracy and other state weaknesses. I posit that disappointing results of Tanzania’s mining sector’s contribution to economic development arise because Tanzania is implementing two contradictory preferences lodged in one policy framework. First there are the neoliberal policy preferences of Tanzania’s principal sources of budget support. These preferences are both explicit and implicit in the Vision 2025, the Mineral Policy of Tanzania, 1997 and other policies such as the Trade Policy (URT, 2003). Second and simultaneously the GoT is implementing policy preferences that advance its own views. The preferences are at some instances at logger-heads with the funders preferences. The result is policy implementation gridlock whose outcome favours the preferences of the donor community. This argument arises from observations of mineral policy implementation evidence in Tanzania which I will now explore using Matland’s four policy implementation paradigms comparing it with implementation of the objectives of South Africa’s Mining Charter\textsuperscript{10}.

In assessing this policy gridlock I compare Tanzania’s mineral policy with the more tightly focused policy recently adopted towards South Africa’s mining sector, the Mining Charter of South Africa (RSA, 2010). Using Matland’s model, I posit that the implementation of policies to develop high criticality supplies to Tanzania’s large-scale gold mining industry reflect characteristics of experimental and symbolic implementation. By contrast implementing the objectives of the South African Mining Charter reflects administrative and political implementation. Figure 4 (below) is an

\textsuperscript{10} I adapt Matland’s implementation model to cover the implementation of macro, meso and micro policies.
adaptation of Matland’s model showing examples of specific policy objectives in Tanzania and in South Africa. The difference between the two countries arises from the differing ambiguity embedded in the relevant policies.

In Tanzania experimental policy implementation is exhibited in the varied mining firms’ utilisation of locally procured goods and services. The procurements range from toll mining services, a high cost purchase, to the procurement of house-keeping -

Figure 4: Ambiguity-Conflict implementation matrix adapted for the Tanzanian and South African large scale mining industry.

<table>
<thead>
<tr>
<th>Ambiguity</th>
<th>Low</th>
<th>High</th>
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<tbody>
<tr>
<td></td>
<td>Administrative Implementation</td>
<td>Political Implementation</td>
</tr>
<tr>
<td>Low</td>
<td>e.g. Completing the annual BEE scorecards</td>
<td>e.g. Employment equity for HDSA at all levels.</td>
</tr>
<tr>
<td>High</td>
<td>Experimental Implementation</td>
<td>Symbolic implementation</td>
</tr>
<tr>
<td>e.g. Use of toll miners by one mine and use of local firms to import and hold stock for mining firms.</td>
<td>e.g. Mine site perimeter security services by communities around mines.</td>
<td></td>
</tr>
<tr>
<td>Conflict</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: Adapted from Matland (1995).

- services in mine residential camps and the procurement of agricultural produce for catering, both low cost purchases. The wide range of locally procured goods fall within Matland’s argument that experimental implementation varies from site to site dependent on the implementers feelings about the policy. All the firms state that they are procuring locally produced goods and services and the varied range of procured goods and services is indicative of lack of specific government vision on the nature and range of supplies targeted for local production. As a result the breadth and depth of local purchases is solely determined by firm level intensity of feelings about local procurement. South Africa escapes experimental implementation because purchases from HDSA-owned entities are legislated. Legislation reduces the level of ambiguity giving rise to an implementation process that exhibits the characteristic of the administrative implementation paradigm. The varied examples indicated in the Anglo Zimele Showcase companies are a result of legislation that requires integration of
HDSA-owned entities in all aspects of business. Because the integration of HDSA is legislated and there are defined sanctions for noncompliance, firms such as Anglo American have set up administrative machinery to assist the integration process. Progress is monitored by the administrative process of completing BEE scorecards. Tanzania also exhibits symbolic implementation characteristics particularly around mines that have been subject to conflict with surrounding communities (see Corpwatch Report, 2007). Under such circumstances mining firms have sought to pacify the local communities by engaging them as part of the security team and also support local farm produce projects. This is to pacify community that lost land to mining firms and consequently regard these firms as land invaders. Repeated conflict between the mining firms and local communities has led to firms engaging the local communities to acquire 'social mining licences.' South Africa again escapes symbolic implementation because legislation is specific on measures of integration of HDSA and HDSA-owned enterprises. The specific legislation seeks to address the practice of token compliance typical in the early year of the BEE programme. Noting resistance from the previously advantaged South Africans, the government has legislated the integration of HDSA into key management and decision making positions. The Mining Charter (2010) is specific on the level of HDSA mining venture ownership and employment levels from senior executive level to shop-floor level. For instance the Charter is targets a 26% HDSA ownership stake in all lead firms by 2015. Employment targets are a minimum of 40% HDSA demographic representation at each of executive management (board) level and senior management level by 2015; 40% at the middle management level March 2013; 40% at the junior management level by March 2011 and beyond; and core and critical skills of 40% by March 2015.

An important feature of the Mining Charter of South Africa is that it assigns policy implementation roles to stakeholders in the industry and also carries sanctions for noncompliance. Industry lead firms are cooperating to avoid the sanctions. As a result, HDSA-owned enterprises are gaining a stake in the South Africa mining industry. In some instances private sector enterprises are driving the initiatives as is

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11 Note that whereas in Tanzania the variety of local procurements is dependent of the intensity of lead firms’ feeling about local purchases, in South Africa legislation is designed to ensure that HDSA – owned entities have a stack in the across the cost spectrum hence the variety.

12 Conflict arises from adversarial history between some large-scale mining operations and local communities.
the case with the Anglo Zimele project (see- Anglo Zimele Showcase Companies, 2006). Tanzania has no comparable projects and successes. Comparing the two cases an almost natural question to ask is why does the GoT not formulate a policy that has clear and precise objectives and implementation means as South Africa’s Mining Charter?\(^{13}\)

I posit that Tanzania’s inability to formulate a mineral policy like the South Africa’s Mining Charter lies in the country’s dependence on external funding to implement its development programmes (see Therkildsen, 2000, and Harrison, 2001 for example). To access these funds Tanzania has had to ‘play’ by rules of the donor community (Haselip and Hilson, 2005 for example). One of these rules is to allow the donor community to ‘assist’ in the formulation the country’s development policies. Interestingly Tanzania’s benefactors are also the host countries of the mining MNCs and global suppliers of mining goods and services. These firms lobby their host governments and multilateral organisations for various kinds of ‘protection’ in their international operations (see Haslam, 2007 for example). These governments in turn exert influence on the policy preferences of the donor institutions like the IMF. These policy preferences are then transferred to the donor dependent countries like Tanzania. Often donor dependent countries are forced to accommodate these policy preferences and subordinating their own preferences.

Richer countries like South Africa on the other hand are less dependent on the donor community. Consequently they are ‘less’ subjected to the coercive power of the donor community. They thus have more freedom to formulate and implement policies that reflect more of their preferences than those of the donor community. For instance the country has maintained the BBEEE Act, 2003 (RSA, 2003), position despite indications that the Act breaches some World Trade Organisation (WTO) rules. Of course it can be argued that South Africa is addressing a legacy of apartheid where the colonial and apartheid regimes systematically and ‘legally’ excluded non-whites from

\(^{13}\) This is however not an attempt to judged the merits of the BEE policies in SA, but rather that Tanzania could learn from South Africa on how to back general policy commitments with specific policies involving monitoring, incentives and sanctions.
certain economic activities where as Tanzania is addressing the legacy a voluntary and inefficient economic philosophy, the failed *Ujamaa* philosophy. Despite these differences, the fact remains that both countries are seeking to assist specific groups integrate to their respective large-scale mining value chains. South Africa, because of its relative financial independence is able to legally pursue its efforts where as Tanzania a donor dependent nation can not do the same.

**Conclusion**

The objective of this paper was to empirically analyse the impact of Tanzania’s mineral policy terrain on efforts of integrating the mineral sector into the national economy. The analysis provides one useful insight which is that the confluence of development policy positions in the international development arena is giving rise to two types of developing countries.

On one hand there is a group of countries that can afford to disregard these convergent policy views. These countries have the freedom to develop and implement their own set of policy preferences. On the other hand there is a group of countries that does not have a similar policy space. These countries cannot afford to disregard the convergent views, which tacitly are the views of the donor community. In short, donor dependency is a major determinant of development policy space. Generally the more donor dependent an economy is, the less the space for ‘home-grown’ policy initiatives.

In the paper I have argued that 13 years after the liberalisation of the mineral sector, Tanzania’s large-scale mining activities led by the gold sub-sector is yet to generate the envisaged wider developmental objectives. Most disappointing for Tanzania has been the sector’s failure to spur the development of a domestic niche of high cost manufactures and services mining inputs industry.

Cognisant of Tanzania’s social infrastructure deficits and inefficient government bureaucracy, I have argued that the disappointing development outcomes arise from policy gridlocks that arise from the fact that Tanzania is implementing two contradictory policy preferences lodged in one policy framework. This is grid locking progress towards the development of a domestic high cost manufactures and services supplies niche.
This leads to a conclusion that where donor dependence limits policy interventions that have the potential of integrating the mining sector into a national economy, then donor dependency is a political resource curse transmission mechanism.

References


----------------------------------. (2010). Department of Mineral Resources. Amendment of The Broad-Based Socio-Economic Empowerment Charter for the South African Mining and Minerals Industry. September 2010


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Annex 1a: **Mining contribution to Tanzania’s GDP 1998-2009**

<table>
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<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
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<th>2009</th>
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<td>Contribution to GDP</td>
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<td>2.1</td>
<td>2.3</td>
<td>2.5</td>
<td>2.7</td>
<td>3.0</td>
<td>3.2</td>
<td>3.5</td>
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<td>3.5</td>
<td>3.4</td>
<td>3.3</td>
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</table>


Annex 1b: **A comparison of GDP per capita (current US$) between Tanzania, Zambia and South Africa 1990-2009.**

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<tr>
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<tr>
<td>Tanzania</td>
<td>180</td>
<td>307</td>
<td>373</td>
<td>368</td>
<td>420</td>
<td>502</td>
<td>503</td>
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<tr>
<td>Zambia</td>
<td>382</td>
<td>309</td>
<td>610</td>
<td>885</td>
<td>927</td>
<td>1 140</td>
<td>990</td>
</tr>
<tr>
<td>South Africa</td>
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<td>3 020</td>
<td>5 235</td>
<td>5 468</td>
<td>5 933</td>
<td>5 666</td>
<td>5 786</td>
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Source: World Development Indicators (2011)

Annex 1c: **Employment in the large-scale gold mines in Tanzania.**

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<th>Mine</th>
<th>Bulyanhulu</th>
<th>North Mara</th>
<th>Buzwagi</th>
<th>Tulawaka</th>
<th>Geita Gold Mine</th>
<th>Golden Pride</th>
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<tr>
<td>Employment</td>
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<td>1103</td>
<td>696</td>
<td>580</td>
<td>2296</td>
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<tr>
<td>Tanzania</td>
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<td>633</td>
<td>551</td>
<td>2204</td>
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<td>Expatriate</td>
<td>383</td>
<td>176</td>
<td>63</td>
<td>29</td>
<td>92</td>
<td>99</td>
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<tr>
<td>% Expatriate</td>
<td>20</td>
<td>16</td>
<td>9</td>
<td>5</td>
<td>4</td>
<td>16</td>
</tr>
</tbody>
</table>

Source SID, 2009.