Resource Nationalism and Community Benefits: A Review of the Effects of the 2017 Mining Legislations in Tanzania

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Abstract

Resource nationalism has been an area of interest among researchers and policy makers at local and global levels. This is triggered by the fact that governments and various stakeholders are interested in determining how natural resources benefit individual citizens in their countries. This paper draws from a study that investigated the role of resource nationalism in improving community benefits in Geita region, Tanzania. Data collection was conducted through questionnaire survey, focus group discussions, in-depth interviews and documentary review. Results from the study revealed that local community benefits in terms of revenue collections and projects being implemented have increased. For instance, in a period of four years (2017/18 to 2020/21) after the enactment of mining laws of 2017, a total of TZS663bn was collected as compared to TZS197bn collected for the same period before the enactment of the mining laws. As per the number of projects implemented through CSR, the results indicated that it increased from 15 in 2014/15 to 129 in 2020/21; covering sectors such as education, health, infrastructure and the empowerment of small and medium enterprises (SMEs). Furthermore, the paper reveals that there have been improvements in community participation as compared to previous years; and recommends more improvements in community participation and transparency in corporate social responsibility (CSR) projects to ensure its sustainability. It also recommends policy actions for setting the amount of CSR for mining companies to contribute.

Keywords: resource nationalism, corporate social responsibility, royalties.

1. Introduction

Resource nationalism in the mining sector has recently gained momentum at local and global levels. The main reason why it has become an area of interest is because governments aim to maximize benefits from endowed natural resources. Thus, to maximize state revenue, many governments have amended mining laws to increase taxes, royalties, levies and fees (Poncian, 2021). However, some scholars argue that resource nationalism measures mainly focus on increasing government revenue from large-scale mining (LSM), while ignoring the benefits to the host local communities (Kinyondo & Huggins, 2019). According to Wilson

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(2011), resource nationalism seeks to promote state the developmentalist approach through its discretionary powers on the distribution of benefits from natural resources. Silva et al. (2018) noted that resource nationalism has become a government tool to silence regional and local claims over resource extraction and benefit sharing. This may indicate that there is a possibility of host communities not benefiting from surrounding natural resources in favour of benefiting the entire nation.

Due to its importance on resource governance, the concept of resource nationalism has attracted various interpretations associated with socio-economic, political, cultural, conflict and environmental challenges facing the world (Hendrikse, 2018). In Venezuela, for instance, the government began to undertake strong measures on improving state control on natural resources after nationalizing industries in 2007. This significantly affected multinational corporations in the mining, oil, communications, power and cement industries (Lahiri, 2014). These nationalist measures were meant to ensure nationals equally enjoy the benefits of available resources. In Australia, the Western Australia’s resource nationalism of Domestic Gas (DomGas) policy was also implemented to ensure that 15% of the produced liquefied natural gas is reserved for domestic use to ensure the state’s long-term energy needs (DomGas, 2012).

According to Ovadia (2012), resource nationalism measures such as local content are viewed as a solution to increasing employment opportunities, as well as reducing social unrest and violence among individuals. However, other scholars (e.g., Holden, 2013; Hansen et al., 2016) have indicated negative impacts of resource nationalism measures such as local content policies due to the lack of strong institutions. This may also indicate that effective implementation of resource nationalism depends on the existence of strong institutions. Additionally, studies show that Angola and South Africa are some examples of the Sub-Saharan African (SSA) countries that have benefited from resource nationalist measures through the creation of more job opportunities (Kambi & Kambi, 2016). According to Ovadia (2016), these countries are characterised by legal frameworks that are accompanied with penalties for mining companies that are non-compliant. These studies further show that there are contradicting ideas on the role of resource nationalism in improving community benefits.

In the July of 2017, the Tanzania national assembly passed a series of mining legislations that aimed to protect the country’s natural resources and create employment opportunities among Tanzanians (Poncian, 2021). Moreover, these resource nationalist measures aimed to strengthen the contribution of the mining sector to the national GDP, as well as increase benefits to local communities. Among other changes introduced by the new law include 16% free carried interest for the government, and an increase in royalty from 4% to
Mining Legislations, Resource Nationalism and Community Benefits in Tanzania

6%. The law also introduced 1% fee paid annually for inspection and clearance, as well as making corporate social responsibility (CSR) mandatory for all holders of mineral rights (URT, 2019).

Moreover, the 2017 legislations were also intended to strengthen capacity of institutions in the mining sector. Some of the significant measures taken included the establishment of the Mining Commission, the abolishment of the Tanzania Minerals Audit Agency (TMAA) and Zone Mines Offices, and the transfer of operational functions that were performed under the Minerals Division of the former Ministry of Energy and Minerals to the Mining Commission and the Geological Survey of Tanzania (GST).

This paper draws from the institutional theory that provides a framework in which social and political structures—such as rules, norms and routines—are established as guideline for governing interactions within an industry (Scott, 1995). The theory asserts that for an organization to survive and thrive, it must conform to the rules and belief systems prevailing in the environment (ibid.). According to Scott (ibid.) the institutional theory is a policy-making mechanism that emphasizes that formal and legal aspects of government directives be followed. Additionally, the theory asserts that the nationalism of natural resources has contributed to economic growth mostly in countries with strong institutions (Kambi & Kambi, 2016).

Some studies (Holden, 2013; Hameau et al., 2019) show that countries like Botswana, Austria, China, Canada, Norway, Korea, Taiwan, Hong Kong, Japan and Singapore experienced better rates of economic growth due to strong institutions, among other things. Since the 2017 resource nationalist reforms in Tanzania intended to strengthen institutions, the application of this theory was found to be ideal for this study because the introduced changes in the mining sector are associated with regulated mining laws and regulations (Poncian, 2021). Generally, the enactment of these reforms brought higher expectations in communities in the management of natural resources. The objectives of this paper are twofold: (i) to assess the contribution of the 2017 mining laws on improving revenue collections; and (ii) to analyse the role of resource nationalism in improving community benefits from natural resources in the study area.

2. Context and Methods

Data for this paper were generated from a study conducted in Geita District, Tanzania (Figure 1). The district is located at an elevation of 1239m and at latitude -2.8850378 and longitude 32.2313539; with a population of 807,619 people (Census, 2012). The district is bordered to the East by Mwanza Region and Nyangwale District; to the South by Shinyanga Region, Mbegwe District and Chato District. The Geita Gold Mine (GGML), which is owned and managed by Anglogold Ashanti, is located within the Geita District, 4km west of Geita town. The District has a tropical wet and dry or savanna climate. The average annual
temperature is 23°C. The economy of the district is dominated by the extraction industry, especially the mining of gold. Other economic activities in the region are agriculture, business, fishing and transportation.

![Figure 1: Location of the Study Area](source: Geita District Council, 2022)

2.1 Sample and Sampling Procedures
The study was conducted in six wards around the GGML, using a cross-sectional survey design. Sample selection was conducted by both stratified and simple random sampling techniques for quantitative data, and purposive sampling for qualitative data. Households and government officials at the village/ward/district levels, religious leaders, GGML officials and councillors were involved in the study; making a total of 384 respondents. This sample size was determined based on Cochran (1963) formula for large population:

\[
n_0 = \frac{z^2pq}{e^2} = \frac{1.96^2 \times 0.50 \times (1 - 0.50)}{0.05^2} = 384
\]

Where: \(n_0\) is the sample size; \(z\) is standard normal deviation, set at 1.96 which is equal to the desired confidence level of 95%; \(p\) is the estimated proportional of an attribute that is present in the population; and \(q = 1-p\).
Data were collected using different methods so as to triangulate the collected information. These methods were household survey, key informant interviews, focus group discussions, and documentary review. Qualitative data were analysed using content analysis; whereby the researcher identified and organized themes, concepts and their meanings from various documents, laws, policy papers and reports; and drew conclusions from them. The quantitative data obtained from households were analysed using the SPSS, version 22. The results were presented using frequencies and percentages.

3. Results

3.1 Contribution of the 2017 Mining Laws on Improving Revenue Collections

The mining laws of 2017 brought several changes in the mining sector, such as the increase in royalty from 4% to 6%, and the introduction of a 1% annual licensing fee. Thus, this study intended to assess the impact of these changes on revenue collection. The data to address this objective was collected from the Tanzania Mining Commission (TMC). Figure 1 presents the revenue collection in Geita district; including revenue from the GGML, and non-GGML sources (medium and small-scale miners).

Figure 1: Revenues from Mining 2016/17–2020/21 in Geita District
Source: Tanzania Mining Commission, 2022
The results in Figure 1 indicate that for the period of four years (2017/18 to 2020/21) after the enactment of the mining laws, a total of TZS663bn was collected as compared to TZS197bn that were collected for a period of four years before the enactment of the mining laws of 2017. Moreover, the figure indicates that in the financial year 2016/17, one year before the enactment of the mining laws, the revenue collection was 57bn (54bn from GGML and 3bn from medium and small-scale miners); and in the 2017/18 financial year it doubled to TZS114bn (109bn from GGML and 5bn from medium and small-scale miners).

Furthermore, the results also indicate that, in the financial year 2018/19, revenues reached TZS129bn (110bn from GGML and 19bn from others); an increase of 13% compared to that of the previous year. In the financial year 2019/20, revenues increased by 61% (TZS208bn). In this year, 168bn was collected from the GGML, while 40bn was collected from medium and small-scale miners. For the financial year 2020/21, the revenue collection was 212bn (an increase of 2%). The study findings indicated that the increase of revenue collection was attributed to the implementation of the 2017 mining reforms. Interviews with government officials from both the TRA and the TMC revealed that this increase was due to effective implementation of regulated tax payments—such as royalties, corporate tax, employment tax, withholding tax and custom duties—as per the mining legislations of 2017. An interview with the then Acting District Executive Director in Geita District Council added:

*In recent years, we have observed an increase in revenue collection from both the GGML and small miners. Actually, without any doubt we can say that the mining sector has contributed much to our local revenue* (Acting District Executive Director, April, 2022).

These results confirmed an increase in revenues as compared with previous years. This is indicative that the mining reforms brought significant impacts on revenue collections. Similarly, in another interview, the Ward Councillor for Mtakuja also acknowledged an increase in revenues as compared with previous years. Also, an official from the TMC, who preferred anonymity, had similar views:

*Currently, we don’t use force in revenue collection, especially from big investors. People have been sensitized to pay government revenue as compared to the previous period. This has helped us to reduce high administrative costs that were used in collecting revenues* (Interview, Government official from the Mining Commission, April, 2022).

These responses from key informants indicate that revenue collection from mining activities is increasing. These milestones may be evidence that the mining laws of 2017 are effective in improving revenue collection. During one interview, the Geita Resident Mining Officers (RMO) noted that the establishment of permanent offices at mining premises was one of the reasons
Mining Legislations, Resource Nationalism and Community Benefits in Tanzania

for the increase in revenue collections due to improved monitoring and transparency in administering revenues from mining activities. Explaining on the impact of these offices, the RMO said:

The establishment of these offices at mining premises helped to ensure that the government receives its appropriate share since government representatives participate in all the processes of production and valuation. In my view, I see that this is one of the remarkable changes that increased monitoring and transparency compared to the previous years (Interview, Government Official from the Mining Commission, April, 2022).

Generally, these views from the key informants indicate that the establishment of these offices was one of the key achievements in improving openness and monitoring of mining productions, which in turn helped to increase revenue collections from the mining sector.

3.2 The Contribution of the Old and New Mineral Legislations to Improving Community Benefits

According to Michal (2017), one of the ultimate objectives of resource nationalism is to bring sustained improvement in the well-being of the individual, groups, family, community, and society at large. Such improvements are mostly considered in social services such as education, health, water and power supply; as well as in infrastructures such as road constructions (ibid.). The study looked into the number of social development projects implemented through CSR before and after the enactment of the 2017 mineral legislation. CSR in the context of this study is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. The purpose of CSR is to give back social support to the community, take part in philanthropic causes, and provide positive social value. In Tanzania, according to the Mining Act of 2017, all mining investors are required to contribute to host communities through CSR.

Figures 2(a) and 2(b) indicate the six sectoral projects implemented after the 2017 mineral laws in both GTC and GDC. The sectoral projects cover education, health, social infrastructure, small and medium enterprises (SMEs), environment, and arts and culture. These sectors and/or projects are jointly identified each year by the GGML and the two councils. In terms of proportion, GTC received the largest portion (54%) compared to GDC (46%), of the total amount spent on CSR. According to the GGML, CSR framework for projects implementation is via Force Account (FA) arrangements. Force Account is a method of procurement where work is undertaken using the resources of public agencies or the government without competitive bidding or negotiated contracts. Under the FA arrangements, the GGML supplies the materials; and the government pays for the casual labour.
Figure 2(a): SCR Projects as per Sector in Geita Town Council 2017/18-2020/21 (in TZS millions)

Figure 2(b): SCR Projects as per Sector in Geita District Council 2017/18-2020/21 (in TZS millions)

Source: GGML Reports (2017-2021)

Figure 2(a) indicates that, in Geita Town Council, investments in the sectors of education, health and arts, and culture increased over time; while SMEs, social infrastructure and environment fluctuated over time. The increase in investment in the three sectors can be attributed to the council's priority setting on projects to be implemented in the council, and the government's emphasis on these sectors. As for arts and culture, the increased investment has brought significant improvements in GTC, particularly in football as the Geita Gold Mine Sports Club is now in the country's premier league, popularly known as the NBC Premier League. Another significant impact that has contributed to the increased investment in the arts and sports sector is the construction of a football ground, popularly known as Magogo Stadium. The investment fluctuations in the other sectors could not be explained. However,
the possible reasons could be due the council’s priorities. As for GDC, only two sectors showed increased investments, i.e., the social infrastructure and environment sectors. The possible reasons for the increase in these sectors could be the council’s setting priorities on improving infrastructures such as roads and the construction of markets. Investments in the four remaining sectors fluctuated over time.

It is clear from the above that the mining laws of 2017 were meaningful as the amount of CSR funds increased from TZS400m to TZS9.2bn in 2017 and the following years (Interview, RMO, Geita). Despite GGML’s contributions in CSR projects, mixed views have been raised. For example, one political leader in Geita Town Council (who preferred anonymity), had this to say over CSR projects:

Regardless of the good performance in CSR projects, the challenge remains on the value of materials supplied due to the lack of openness in the procurement process (Interview with a political leader, April, 2022).

This indicates that regardless of the good performance in the implementation of CSR, more efforts are required to make improvements in areas such as in improving openness and having more public participation: during interviews some of key informants mentioned that public participation in designing and implementing CSR projects was minimum. As per the new mining Act (Mining Act, 2019 R.E), mining investors are required by the law to contribute to CSR through a participatory process with host communities. The mining legislations of 2017 made CSR mandatory for all holders of mineral rights, but the amount of the contribute remains on the discretion of mining companies. Thus, for effective implementation of CSR, the governments should prescribe a clear amount that mining investors should contribute in the implementation of CSR, and which is transparent and participatory.

3.2.1 Projects Implemented through CSR in Geita Town Council
Projects implemented through CSR between 2014 and 2022 are presented in Figure 3. Before the new legislation (2014/15–2016/17), a total of 16 projects were implemented. However, in a span of three years after the new legislations (2017–2019), the total numbers of projects implemented were 63; and by 2021 the total had risen to 158. To a larger extent, this dramatic increase is indicative that the new mining legislations have brought significant impacts on improving community benefits. The types of projects implemented through the scheme were mainly on water, roads, health, education, income, housing, and electricity.

Figure 3 further reveals that since the introduction of mining laws in 2017 the number of projects have been increasing from year to year. For instance, 63 projects were implemented three years after the enactment of the mining laws, while only 16 projects were implemented within the same period before the enactment of mining laws.
Furthermore, during household survey respondents were asked to compare the level of improvement in socio-economic development before and after the enactment of the mining legislations of 2017. The general results indicated that more improvements were observed after the enactment of the laws. For instance, in water services, 53% of the respondents indicated that there had been improvement in water supply as compared to the previous period before the enactment of the laws; whereby only 27% of the respondents indicated that they had benefited through water service. Likewise, in road construction, 53% of the respondents indicated that there had been improvements in road construction in terms of coverage, as compared with the previous period before the enactment of the laws, whereas only 27% indicated that there was improvements in road construction.

Moreover, the results further show that 59% and 62% of the respondents agreed that there had been improvements in the health and education sectors, respectively; as compared with the previous period whereby the scores were very low. Scores in other sectors were: housing (44%), electricity (46%) and increase in income (39%). As indicated in Figure 4, the majority of the respondents mentioned education and health as the top sectors that were positively affected by changes introduced by the mining laws of 2017.

During the field survey, it was also observed that a number of projects in health, education and other community services had been implemented through CSR and service levies. Improvements in the health sector involved the construction/rehabilitation of hospitals, health centres and dispensaries such as in Nyamalembo, Iku1wa Nyakahongola, Bulela, Bwihegure, Ibanda, Igenge and Nyambogo. It was further noted that some of these health centres and dispensaries were built or provided with modern health facilities.
For the education sector, the improvements involved the construction of new schools, classrooms, hostels, houses for teachers, and the purchase of facilities such as desks for both primary and secondary schools. For instance, in primary schools, the improvements included the construction of new schools (Bombambili, Samina, Buhalahala and Bungwe); and the construction of more than 50 new classrooms in various schools. The construction of teachers’ houses was also a part of the achievements in primary education within the district.

Regarding secondary school education, some of the achievements included the construction of the Nyankumbu Girls, Lukaranga, Kisesa, Mkangala and Shantamine secondary schools; the construction of more than 20 new classes; as well as the building of a number of latrines, hostels, teachers’ houses and power supply. The other areas that benefited are environment protection, small and medium enterprises (SMEs), sports and games, as well as higher education. Compared with the previous period, the results indicated that more projects have been implemented in these areas in recent years.

Results from group discussions conducted with residents in Geita Town Council also indicated significant improvement in the provision of social services. During group discussion at Mpomvu Street, one respondent commented thus:

_The new mining legislations have brought some changes in improving social services although it has brought small changes in personal income. But we believe in the next few years more improvements in our economic well-being can be realised._ (Respondent in FGD, April, 2022).

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*Figure 4: Respondents’ Perceptions on the Contribution of the Old and New Mineral Legislation in Improving Community Socio-economic Benefits in Geita Town Council*

Source: Geita Town Council, 2022
During another discussion at Nyamalembo Street, one respondent stated:

*Several projects have been implemented using funds from service levy, as well as corporate social responsibilities (CSR). The main achievements can be seen in the education and health sectors. Also, nearby communities have benefited through employment opportunities for casual labourers* (Respondent in FGD, Nyamalembo Street).

Results from this study are similar with those of the study by Nawanda (2021), whereby the community mentioned the construction of infrastructure and schools, water facilities and sanitation, hospitals and medical facilities and material support for agriculture as the main benefits from the GGML. Other benefits included the employment of casual labourers, provision of security through the construction of police posts, and the construction of warehouses.

### 3.2.2 Projects Implemented through CSR in Geita District Council

Figure 5 presents the projects implemented through CSR between 2014 and 2021 in Geita District Council. Before the new legislation, a total of 9 projects had been implemented from 2014/15 to 2016/17. However, in a span of three years after the new legislation (2017–2019), the total number of projects implemented was 61, and by 2021 the total had risen to 78.

![Figure 5: Projects Implemented via CSR for Geita DC (2014/15–2021/22)](image)

**Source:** Geita District Council, 2022
Mining Legislations, Resource Nationalism and Community Benefits in Tanzania

The findings in Figure 5 confirm that there has been a dramatic increase in the total number of projects implemented from 9 in 2016/17 to 87 in 2021/2022. The types of projects implemented were mainly in the spheres of water, roads, health, education, income, housing, and electricity. The statistics indicate that a total of 78 projects had been implemented within a period of four years from 2017/18 to 2021/22. These achievements, to a larger extent, are attributed to the 2017 mining legislations.

In addition, during household survey in Geita DC, respondents were also asked to compare the level of improvement in socio-economic development before and after the enactment of the mining legislations of 2017. Figure 6 presents the results.

![Figure 6: Contribution of the Old and New Mineral Legislation in Improving Community Socio-economic Benefit for Geita DC](image)

Source: Geita District Council, 2022

Figure 6 confirms that more improvements in the implementation of community projects were observed after the enactment of the mining laws of 2017 in Geita DC. The results also reveal health and education sectors as the ones that benefited most. Likewise, the respondents also indicated a higher degree of improvements in other sectors as compared with previous years. Furthermore, during physical field visits, the research observed some of improvements in various sectors such as education, and health and water supply. In the education sector, some of the secondary schools constructed/improved include Kasota, Bugando and Kamena. The study also found that there had been improvements in a number of primary schools. For health-related projects, one of the achievements was the construction of the Kasota Health Centre. Other achievements included the construction of Katoro Market and the Kasota sunflower processing industry.
Generally, the finding from the study indicated that respondents confirmed good progress in the level of economic development after the enactment of the mining legislations of 2017. The results confirmed that various community development projects had been implemented in recent years. The results also indicated that respondents acknowledged improvements in health centres, water supply, road construction, power supply, housing, and an increase in personal incomes.

4. Discussion of Results
The study results indicated that revenues from the mining sector between the years 2017 to 2022 had a positive trend. They revealed that the main reasons behind this were due to changes in royalties, effective government supervision and law enforcement. These finding are in line with those of the study by Poncian and George (2015), which indicated that mining activities had brought significant increase in revenue from royalties and taxes paid by mining companies. According to them (ibid.), the amount of royalties from mining companies also increased due to increased gold production and exports. Moreover, the study indicated that taxes collected by the government from mining companies also indicated a positive trend.

A study by Mushokolwa (2019) also noted that revenues increased after the enactment of the laws due the changes brought by the mining reforms that were introduced in 2017, which aimed at improving the collection and administration of mining revenue in Tanzania. Results from the study further indicate that the establishment of the Mining Commission, the abolishment of the Tanzania Minerals Audit Agency (TMAA) and zone mines offices, and the transfer of operational functions that were performed under the Minerals Division of the former Ministry of Energy and Minerals to the Mining Commission and Geological Survey of Tanzania (GST): all these were some of the reasons for the good performance of this sector. This study also found that the increase in revenue was a result of the establishment of gold markets, as well as the establishment of resident mining offices at mining premises: all of which improved the supervision of the collection of taxes and levies. The presence of officials at mining sites ensured transparency, hence reducing the possibility of cheating in the declaration of values and profits.

Regarding community benefits, the study results revealed that several projects in health, education and transport sectors had been implemented through CSR arrangements in both Geita Town and Geita District councils. It was noted that before the enactment of the mining laws of 2017, the local governments used to prepare drafts for CSR plans, which were submitted to the GGML for approval. Under this arrangement, some community priority projects were not implemented due differing priorities of the GGML. As an improvement, currently CSR projects are implemented jointly by both GGML and local
Mining Legislations, Resource Nationalism and Community Benefits in Tanzania

government authorities; and not solely by mining companies as used to be before. This was one of the changes introduced by the 2017 mining laws: Cap.123 R.E.2019 of the Act underscores community participation in designing CSR projects; and also requires local government authorities to provide public awareness of such projects in their areas.

5. Conclusion
The study results revealed that the 2017 mining legislations have brought a significant impact on improving community wellbeing. They have revealed good progress in revenue collection, as well as the implementation of CSR projects since 2017. The results have shown that for a period of four years after the enactment of the mining laws (i.e., 2017/18 to 2020/21), a total of TZS663bn was collected; compared to TZS197bn that was collected in the period of four years before the enactment of the mining laws of 2017. As per the number of projects implemented through CSR, the results indicated that the number increased from 15 in 2014/15 to 129 in 2020/21; covering sectors such as education, health, infrastructure, and small and medium enterprises (SMEs). Moreover, the study findings revealed that there have been improvements in community participation in designing CSR projects; which has in turn ensured their sustainability.

Reference

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