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Evaluation of government equity participation in the minerals sector: a case study of Tanzania from 1996 to 2015

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ABSTRACT

Government's equity role in the minerals sector is one of the nationalist measures to have a greater control and management of mineral resources in a country. This study looks into evaluation of government equity participation in the minerals sector in which Tanzania is a case study from 1996 to 2015. Amongst the objectives of the study was the determination of the number of mineral rights, minimum allowable exploration expenditures in Prospecting Licences (PLs) and forms of equity role of Tanzanian government in the minerals sector with their projects. Methodology of research included going through the background of the study, literature review, collection of data and analysis of PLs, Mining Licences (MLs) and Special Mining Licences (SMLs) to mention a few.

Some of results of the research have indicated that, there were106 mineral rights (97 PLs, 3 MLs and 6 SMLs). State Mining Corporation (STAMICO) and National Development Corporation (NDC) as parastatals and Treasury Registrar (TR), a government agent owned these mineral rights on the behalf of the Tanzanian government (TZGT). It was also found that there are three forms of equity role namely: carried equity, paid equity and free carry equity that were applicable in prospecting, medium and large scale mining in the country. Carried equity role was applied in 56 PLs, 3 medium scale mines and 4 large scale mines. The three medium scale mines in which carried equity role was applied were Merelani TanzaniteOne Mining Ltd (MTM), Kigosi Gold Mine (KGM) and Ngaka Coal Mine (NCM). On the other hand, carried equity role was also exercised in the four large scale mines namely: Buckreef Gold Mine (BKGM), Liganga Iron ore Mine (LIOM), Mchuchuma Coal Mine (MCM) and Williamson Diamonds Mine (WDM).

Paid equity role was applied in 41 PLs and 2 large scale mines namely: Kiwira Coal Mine (KCM and Stamigold Biharamulo Mine (SBM). Although the Mining Act, 2010 defines the free carry equity in terms of the free carried interest (FCI), this equity role approach is not yet in practice in Tanzania. In 2014, TZGT planned to execute free carry equity in Nachu Graphite Project (NGRP) and Mkuju River Uranium Project (MRUP). Negotiations for having free carried interest (FCI) for each project were conducted between the TZGT and

project's owners from 2014 to 2015. In 2015, negotiations between parties were concluded unsuccessful, as parties could not reach consensus on FCIs. This consequently impeded signing of minerals development agreements (MDAs), which also limited execution of the free carry equity role by the government.

Research revealed also that there were a number of challenges or shortfalls faced by the TZGT equity role strategy in the mineral sector. One of the major challenge was the secrecy in agreements and contracts entered between the TZGT and the private sector investors through various business ownerships and mineral developments pertaining the minerals sector. This in turn resulted to non-transparency and unaccountability in the prospecting and mining, which risked TZGT entering unfair and/or objectionable agreements or contracts.

Some of the conclusions were counter productivity of TZGT equity role and inadequacy of financial benefits realised from the strategy. These conclusions demonstrated ineffective performance of equity role of the Tanzanian government in prospecting, medium and large scale mining. Recommendations given in this research study report, is that, the government should review the Mining Act and Regulations of 2010. This is to allow the government incorporation of Parliament in the handling of agreements or contracts in the minerals sector. Moreover, proposition of fixed rates of FCI is among areas of future research work.