# A BIRD EYE ON EXTRACTIVE SECTOR RECONCILED REVENUES: ITS CONTRIBUTION TO TANZANIA DEVELOPMENT PATH OVER TEN YEARS (2009-2019)

## 1.0. PREAMBLE

HakiRasilimali, a platform with a leaning towards enhancing extractive sector transparency and accountability agenda carried out an analysis of reconciled revenues as reported by the Tanzania Extractive Industries Transparency Initiative (TEITI). The analysis covers information disclosed over the past 10 years from July 2008/09 to June 2018/19. The main objective is to understand the contribution of extractive sector to the Tanzania's development path and strengthening the EITI and TEITI implementation in the country. Notably, to contribute towards a wider discussion about transparency and accountability in extractive sector revenue management in Tanzania.

Tanzania joined the Extractive Industries Transparency Initiative (EITI) in February 2009, and was declared a compliant to EITI standards in December, 2012. The EITI Tanzania led to the enactment of the Tanzania Extractive Industries (Transparency and Accountability) Act, 2015 and its regulations of 2020. Providing among others, for the enhancement of transparency and accountability within the sector and the establishment of the tripartite Multistakeholder Group (MSG) composed of 5 representatives each from the Government, Extractive Companies and Civil Society Organisations headed by the Chairman who is appointed by the President of United Republic of Tanzania; the committee play an oversight function to ensure the EITI Standard and TEITA Act are implemented and the objectives of having transparency to reap benefit from the Country's extractive sector is achieved.

The motivation for Tanzania's joining the EITI among others, was part of the efforts to reform the sector and make it more competitive in order to maximize benefits accrued from mining, oil and gas. It is required by the EITI global standards that all implementing countries (Tanzania included) to reconcile and report all payments made by extractive companies and receipts as received by the government at each fiscal year. The process entails all that met the materiality threshold as approved by the TEITI Committee; payments and receipts of State-Owned Enterprises (SOEs) regardless of the materiality threshold (TPDC and STAMICO) in this case. The reports are produced by independent reconciler and overseen by the Multistakeholder Committee/Group (MSG).

To this end, the analysis provides a concrete scrutiny of such reports contemplating on issues such as; revenue disclosure trends, contribution to economy, leading tax revenue stream, contribution to employment, Contribution of Artisanal and Small-Scale Miners (ASM), non-fiscal benefits, Reporting of State Participation, Government response and implementation of recommendations.

## 2. REMARKABLE IMPACTS OF THE TEITI RECONCILED REPORTS

Increased disclosure and publicity of extractive related revenues highlighting differences or discrepancies between what was reported as paid by the companies and what was received by government. So far, the biggest discrepancies reported has been observed in the 7th and the 8th reports amounting to Tanzanian shillings 27 billion and 30.5 billion respectively.

Furthermore, TEITI reports have exposed potential conduits for revenue leakage through misreporting, potentially corruption and tax dodging. For example, without the TEITI reconciliation reports it is likely that the amounts disclosed may have never been reported. (see Table 1).

Transparency in payments and revenues has created a supportive environment for investment, building some level of trust with local communities/stakeholders and maintaining the social license for extractive companies to operate.

The implementation of EITI in Tanzania has resulted in generating active discussions by stakeholders related to the payments of service levy and corporate taxes which have been made by the extractive companies to the local government authorities and to the Tanzanian Revenue Authority (TRA). For example, the 2009/10 TEITI Report revealed that 0.3 Service Levy paid by PanAfrican Energy Tanzania Limited from Songo Songo field in Lindi region were wrongly paid to Ilala Municipal Council in Dar es Salaam where the company's main office is located as opposed to paying the levy to Lindi District Council where the actual operation of the gas take place. Since that revelation, the Lindi District Council has been receiving around Tzs 110,000 million (USD 61,000) in every quarter of the year. While in 2016, the debates and discussions focused on payment of corporate income tax by companies which have been operating in Tanzania for a long time. These discussions led the government and Acacia to review payment of corporate income tax. Through a dialogue between the government and Acacia, the company agreed to pay a corporate income tax of $14 million US dollars. See link:
http://www.acaciamining.com/~/media/Files/A/Acacia/press-release/2016/first-quarter-results-2016-pr.pdf

***Tabular presentation between reported payments and receipts 2008 - 2018***

| S/N | Reporting Year | No of Entities covered | Reported Company Payments | Reported Government Receipts | Discrepancy (Amount) | Discrepancy (%) |
|---|---|---|---|---|---|---|
| 1 | 2008/09 | 11 | 62,151,063,000 | 38,035,600,000 | 24,115,463,000- *Final 2.1bln & USD 328,865)* | 6.3% |
| 2 | 2009/10 | 23 | 424,554,440,000 | 419,552,271,000 | 5, 002,169,000 | 1% |
| 3 | 2010/11 | 29 | 508,246,317,384 | 497,246,612,897 | 10,999,704,488 (11bln) | 2.21% |
| 4 | 2011/12 | 43 | 759,817,251,440 | 757,668,713,459 | 2,148,537,981 | 0.28% |
| 5 | 2012/13 | 65 | 947,317,664,855 | 956,165,169,391 | 8,847,505,536 | 0.93% |
| 6 | 2013/14 | 59 | 1,218,787,045,379 | 1,221,215,617,951 | 2,428,512,571 | 0.20% |
| 7 | 2014/15 | 31 | 337,811,375,708 | 311,250,624,831 | 27,090,667,583 | 8.7% |
| 8 | 2015/16 | 55 | 465,164,747,725 | 434,627,874 | 30,536,873,35 | 7% |
| 9 | 2016/17 | 70 | 510,610,821,731 | 508,624,111,294 | 1,986,710,437 | 0.39% |
| 10 | 2017/18 | 62 | 732,362,376,542 | 728,900,359,245 | 3,462,017,296 | 0.47% |
| Total | | | **5,966,823,103,764** | **5,439,093,707,942** | **90,327,320,896** | **4.8%** |

The 7th and 8th TEITI Reports recorded the largest discrepancy of 27bln (8.7%) and 30.5bln (8%) of the disclosed revenue in 2014/15 and 2015/6 respectively. This suggests that there is still a serious weakness in government recording of extractive payments. It further suggests systemic loopholes in government revenue administration and management systems, pointing potentially continuous leakage in extractive revenues

## 3. CONTRIBUTION TO THE ECONOMY

TEITI reconciliation reports show the size and contribution of the extractive industry (Mining, oil and gas) to Gross Domestic Product (GDP) at current prices was equivalent to Tshs 4,975,991 Million (Mln) in 2015/16 and increased to Tshs. 5, 206,217 Mln in 2017. The sector increased by 5.08% in 2018 to Tshs 6,573,059. The GDP contribution has increased from 3.2% in 2010/11 to 4.8% and in 2017/18 it has remained steady on average for the past ten-year period.

To be specific, the Mining sector accounted for 85% of the total extractive payments in 2015/16 and 79.69% in 2016/17 before declining slightly to 75.84% in 2017/18. While the Oil and Gas sector has increased substantively by 6% from 2014/15 to 15% in 2015/16 and by 9% to 24.17% in 2017/18. The gas sector has been growing by an average of 9% over the last five years. (The details of the Oil & Gas's contribution to the economy are discussed below)

Despite such improvements, the extractive sector has remained dodged with challenges and perhaps persistent paradoxes.

Findings:

It is not clear why the sectors contribution to (GDP) has remained constantly small at 3.2% to 4.8% where it has stagnated over the three years (2015/16-2017/18) despite its significant growth and less than 1% of the total government revenue. In a normal circumstance, the contribution of the sector to revenue should be slightly higher and increasing overtime as more revenues are collected from the sector. These figures have remained constant for the past three years. From TEITI reports, the contribution of extractive sector revenue as percentage of total fiscal revenues in 2012/13 was 11.91% having increased from 11.9% in 2011/12 but recent reports show 1% contribution. Does this mean that the contribution of extractive revenue to total government revenue has fallen in percentage terms over the years or the percentage of non-fiscal revenues in the government budget is bigger?

The 1% collection by Local Government Authorities (LGAs) shows that the largest chunk of extractive revenues is collected by the Central government through its agencies such as TRA, MoM and TPDC. This raises concerns that potentially LGA's have been disenfranchised from collecting substantive revenues from extractive operations taking place in their local areas.

**Figure 3:**

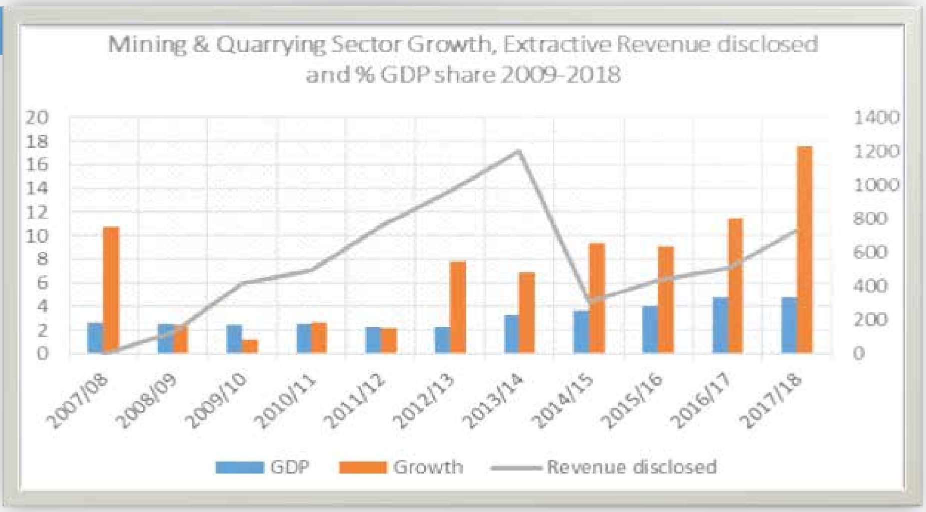


***Figure 3:*** *Graph showing Mining and Quarrying Sector Growth at 2007 constant price, percentage share to GDP at Current Price and Extractive Revenue Payments disclosed 2008-2018.* Mining and GDP % share data is sourced from Bank of Tanzania (BoT) Reports while the disclosed payment data is based on TEITI Reconciliation reports. ** We noticed some subtle differences in the Mining data reported by the BoT and that by TEITI reports. This calls for harmonisation of government data sets.*

Tanzania's Mineral production value has increased from about Tshs. 2.2trln in 2009 to Tshs. 4.78trln in 2016. The production value however declined by Tsh1.01trln from to Tsh4.78trln in 2016/17 to Tsh3.77trln in 2017/18. And the value of Mineral exports increased to USD 2,145 Million (Mln) in 2016 but recorded a decrease by 10.8% from USD1.860.2Mln in 2016/17 to USD1.695Mln in 2017/18. Comparatively, the mineral export value declined by 13.3% between 2016 and 2017. The decline was associated with the amendments in the Mining Act of 2010 in 2017 which prohibited the exportation of raw minerals and encouragement of value addition.

**Graph showing mineral production and export value 2015-2018**

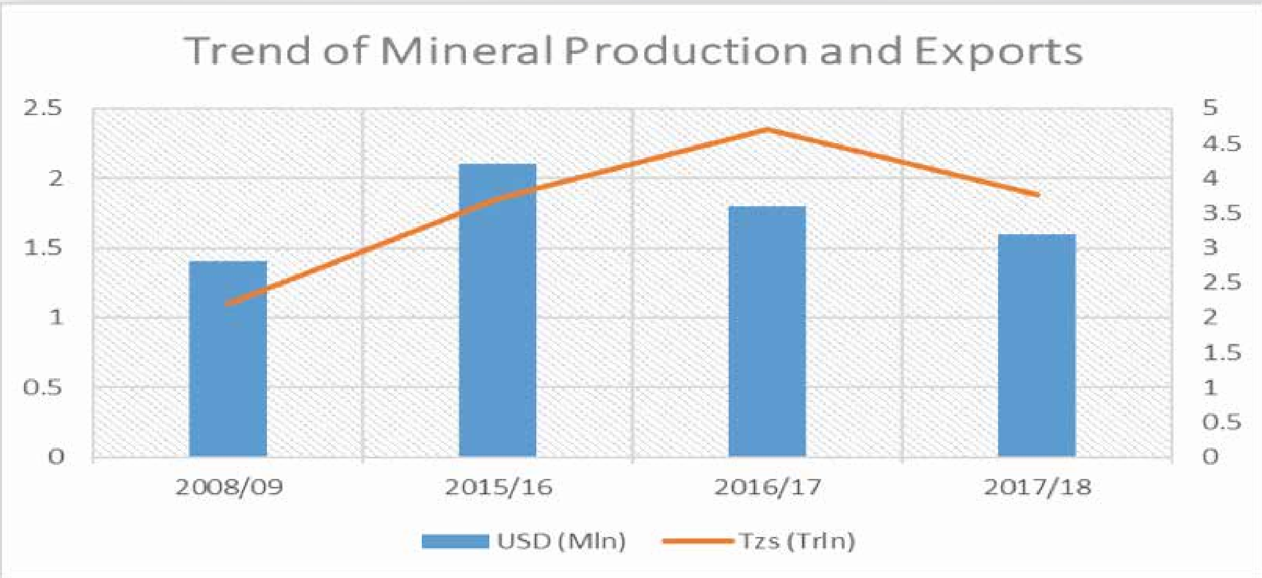



Figure 4: Graph showing trend of mineral production and export value 2015-2018

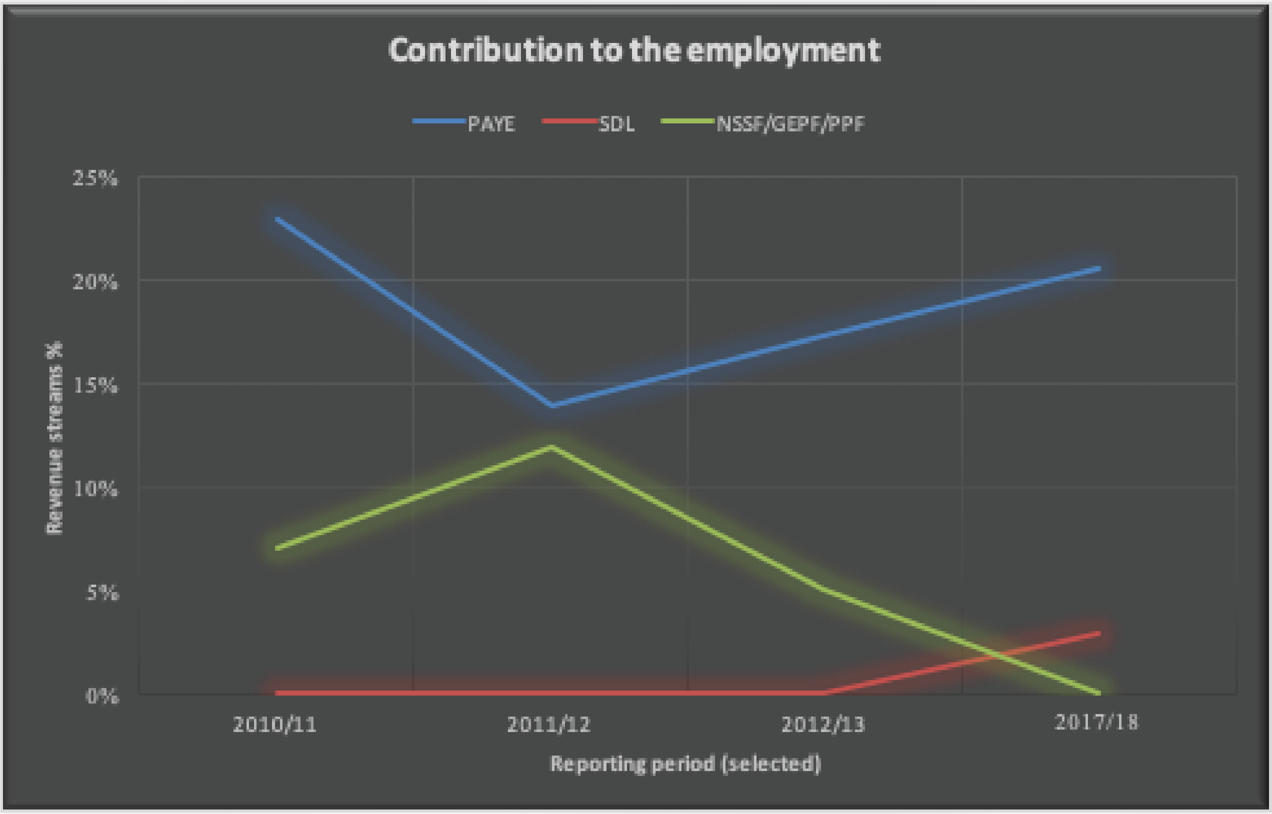
## 4. CONTRIBUTION TO EMPLOYMENT

According to the latest Formal Earning Employment Survey (FEES) as published by the NBS as disclosed in the 9th TEITI report, the extractive sector (Mining &Quarrying) employed 35,900 (regular and casual labourers) constituting 1.4% of total labour force. The employment levels had slightly grown from 30,259 people (1.3%) in 2015.

Findings:

However, the proportion of employment contribution to the total extractive sector payments has remained substantive. In 2008/09 Pay as You Earn (PAYE) taxes alone contributed 48.74% of the total extractive payments and 23% in 2010/11. The contribution of employment taxes (PAYE) paid by Extractive Companies to TRA was Tshs 141,783,098,832 (20.6%) of the total extractive payments in 2017/18.

**Contribution of Employment related taxes over select years as computed from various TEITI reports**




The numbers however showed that the formal extractive sector was not creating so many jobs and government would potentially reap more economic benefits if the informal extractive sector comprising of artisanal and small miners was developed.

## 5. CONTRIBUTION OF ARTISANAL AND SMALL SCALE MINERS (ASM)

According to the 7th report, the ASM sector was declared in 2014 to have majority of Tanzanians employed in the Artisanal and Small Mining sector which is estimated to employ over 600,000 people The Artisanal and Small Scale Mining sector is not well documented in the TEITI reports.
Findings:

The government seems to be gradually recognizing the important contribution of the ASM sector to the economy. By end of 2019, the government had allocated 11 sites with a total of 38,952 hectares for Artisanal and small scale miners. The government established 7 centers of Excellence and Demonstration for Artisanal and Small Scale Miners, to serve as hubs for technical knowledge transfer and 28 Mineral Trading Centres (TMCs) to buy minerals from artisanal and small scale buyers. Small scale Miners are exempted from being charged 5% of With Holding tax and 18% VAT when selling in the Mining Centers

The data scanty and their payments to government are not reconciled but has been collected in some reports as part of the contextual information about the extractive sector.

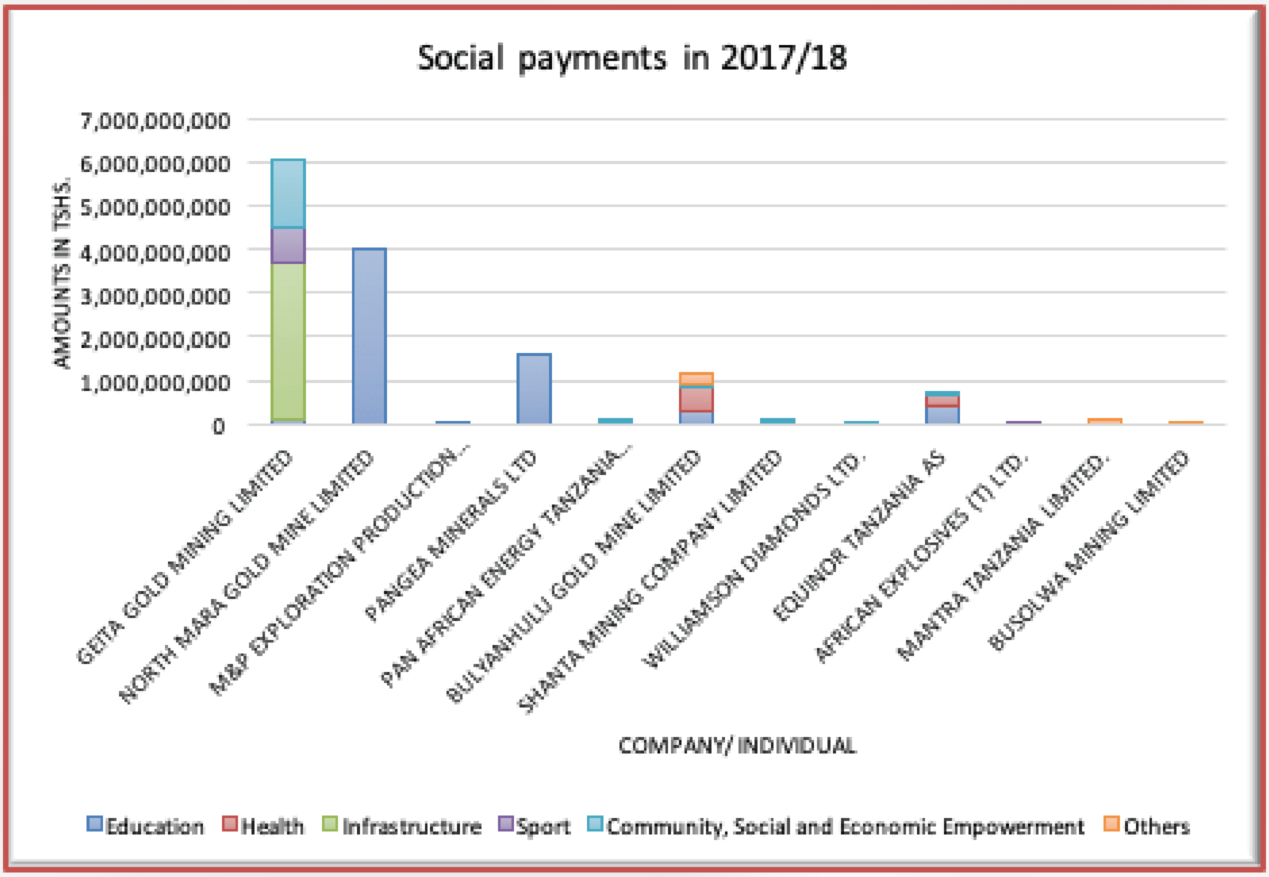
The Independent Administrators during different reporting period failed to obtain data from most of ASMs because of poor recording keeping of the ASM.

## 6. NON FISCAL BENEFITS

Non Fiscal benefits or social payments are all contributions made by extractive companies to promote local development and to finance social projects in line with the EITI standard 6.1.
Findings:

The TEITI report shows that non fiscal contributions in the form of social payments or investments from the extractive companies has increased from Tsh29bln in 2011/12 . Over the last ten years' billions have been spent and disclosed as social payments and contributions from extractive industries.

### a) Table: Social Payments 2017/18




Source: TEITI reports

The Education sector was the highest recipient of social payments having received Tsh9.7bln in 2016/17 and 6.6bln in 2017/18 followed by Infrastructure and social economic contributions.

Geita Gold mine has maintained top position as the largest social investor having paid out a total of Tshs 6 billion (bln) in social payments in 2017/18 followed by North Mara Gold Mine with Tshs 4 bln. NOTE: Despite, the significant amounts disclosed, the reconciliation reports do not show the percentage of social payment as a share of their total annual revenues. Disaggregate disclosure to this level would be helpful in determining whether extractive companies are meeting a fair share of their corporate social responsibility as required by good corporate practices.

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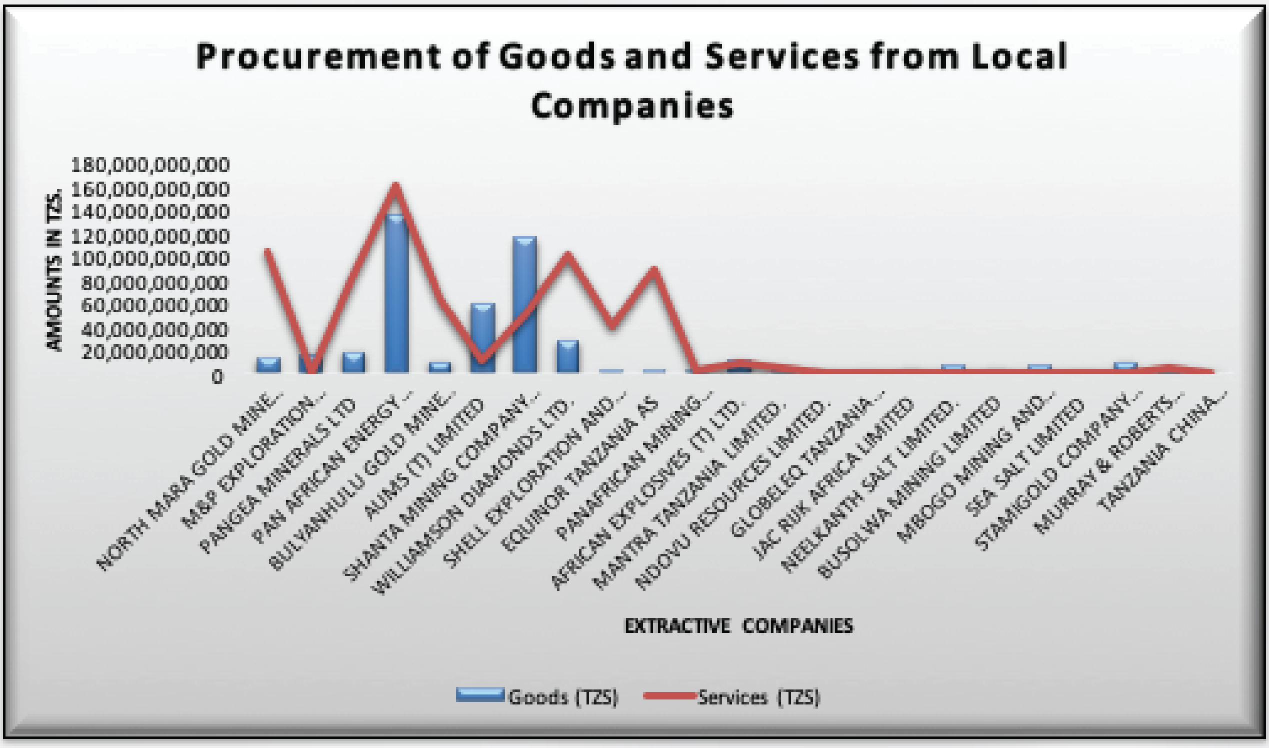
**b) Table: local Procurement of Goods and Services**

*Source: 10th TEITI Report for period ending 30th June, 2018*




From the figures, Pan African Energy was the largest spender on locally sourced goods where by it spent Tshs. 296.2bln followed by Shanta Mining Company which spent Tshs. 165bln, Williamson Diamonds Limited Tshs. 127.5bln and North Mara spending Tshs. 115.1bln.

Surprisingly, Geita Gold Mining Company has maintained the top tax payer and social investment position, nonetheless did not disclose its local procurement data. Given the size, location and history of GGM, disclosure of this data would be very important in show casing the contribution of the sector to the local economy.

Further, the reports do not disaggregate the nature of goods and services procured. This would be important in establishing the true picture and extent to which the local communities where the companies operate are benefiting from the current local content regulations and promotion measures.

## 7. CONTRIBUTION OF THE ENERGY SECTOR (OIL AND GAS)

The Oil and Gas sectors are still nascent in Tanzania's extractive sector. Tanzania has not yet produced oil but it has been longtime producer of Natural Gas whose production started in 2004. The major producers of Natural gas are M&P Exploration (T) Ltd operating in Mnazi Bay gas field and Pan African Energy Tanzania Ltd operating the Songo Songo gas fields. By 2018, Tanzania had discovered 57.54 trillion cubic feet (tcf) of Natural gas. These discoveries are yet to be fully developed and operationalized but exploration is still ongoing.

According to the 10th TEITI reports, the two company's production increased from a total of 47,456,860,000 standard cubic foot (scf) in 2017 to 59,142,000 in 2018. The total value in USD of the produced gas increased from USD 42.2 Mln to USD 63.8 Mln. Gas production and value has increased over the years due to increase in demands in industrial and domestic use. The largest share of the gas produced is sold to TANESCO for electricity generation.

**Table: Production of Natural Gas in 2017/18**

| Company | Gas Field | Production (Standard Cubic Feet (Scf) in '000' | | Value (USD) | |
|---|---|---|---|---|---|
| | | 2017 | 2018 | 2017 | 2018 |
| **M & P Exploration (T) Limited** | Mnazi Bay | 17,960,300 | 30,405,160 | 19,466,121 | 40,683,088 |
| **Pan African Energy Tanzania Limited** | Songosongo | 29,496,560 | 28,736,840 | 22,795,142 | 22,406,171 |
| **TOTAL** | | **47,456,860** | **59,142,000** | **42,261,263** | **63,089,259** |

**Findings:**

Despite the increase in gas production and revenues from the oil and gas sub sector, inadequate documentation is available on the contribution of the sector to economic development.

Going by the figures and available documentation, the TEITI reconciliation reports paint a picture to suggest that the contribution of the sector to the economy is still small yet the sector has contributed significantly the electricity generation and industrialization in the Country.

The 10 reports do not show whether condensates are produced from the two natural gas production sites and in what volumes and their export value. Condensates are similar to copper concentrates ('MAKINIKIA') as commonly known in the mining sector.

There are no figures in the TEITI reports disclosing information from the two companies (M & P Exploration Company and Pan African Energy) relating to condensates. According to key informant interviews with TPDC and TEITI secretariat, the volume and market of Tanzania's condensate is still low. Gas condensates is mostly produced at Songosongo while in Mnazi bay is in low quantity due to variations of properties of their gas between the two fields. The revenue collected from the sales are outside the purview of the Oil & Gas Revenue Management Act 2015 and is considered to below the materiality threshold as required by the TEITI law. The revenues collected from the sale of these condensates are classified as other income for TPDC and not disclosed as per the TEITA law.

**NOTE:** By definition gas condensate is a hydrocarbon liquid stream separated from natural gas and consists of higher-molecular-weight hydrocarbons that exist in the reservoir as constituents of natural gas but which are recovered as liquids in separators, field facilities, or gas-processing plants. Condensates are separated and sold separately from the Natural gas and used to produce different products. Because gas condensates are typically liquid in ambient conditions and very low in viscosity, they are often used as a diluent for highly viscous heavy crude oil that cannot otherwise be efficiently transported by means of a pipeline.

## 5. REPORTING OF STATE PARTICIPATION

Tanzania's Mining, Oil and Gas policy and legislative framework provides for state participation. The State Mining Cooperation (STAMICO), Tanzania Petroleum Development Corporation (TPDC) operating in the Mining and Petroleum subsectors respectively are legally mandated to execute these functions. Over the past years, the government's natural resource rights and SoEs mandates have been strengthened through different enacted laws and amendments such as the Natural Resources (Permanent Sovereignty) Act of 2017, the Public Corporations (Establishment Amendment) Order, 2015 and the Petroleum Acts of 2015.

**Findings:**

According to the TEITI reports, despite these mandates and access to various revenue streams, these SoE on occasions have been declaring losses such TEITI report 2017/18, STAMICO reported a loss of Tsh 1,974,106,000 (Tsh 1.97bln) while TPDC disclosed a loss of Tsh101, 197,000,000 (197.1bn).

These SoEs reported no retained earnings, no reinvestments, no dividends and no transfers or payments to government.

No explanations were given for the losses. In contrast, government paid salaries and Other Charges (OC) to the tune of Tsh3.3bln and Tsh 3.6bln to employees of STAMICO and TPDC respectively.

TEITI report for 2017/18 also found that companies reported to have paid STAMICO Tsh 4,898,514 but this was not reported in the government system and was not disclosed to the reconciler.

Previous reports discovered discrepancies in payments to TPDC and recommended for streamlining and changes to be made for certain revenue streams directly held by TPDC to be transferred directly to the Ministry of Finance.

Further information from key respondents reveals that TPDC had started paying dividends in 2019 to government and these will be reported in the next reconciliation reports for 2018/19.

**Conclusion:** The continuous declaration of losses and non-disclosure or full reconciliation of extractive revenues received by these SOEs on behalf of government raises concerns on their efficiency, transparency and accountability as required by the EITI standards and TEITA Act 2015.

## 6. GOVERNMENT RESPONSE AND IMPLEMENTATION OF RECOMMENDATIONS FROM TEITI REPORTS

The TEITI Reconciliations reports have generated many findings and made recommendation for further implementation. The TEIT Committee (MSG) is charged with responsibility to ensure that the recommendations made are fully implemented and discrepancies as reported are further reconciled or accounted for in the subsequent reporting.

**Findings:**

The reports have disclosed discrepancies accumulating to billions over the past years. There is no disclosure whether any further reconciliation has been undertaken in the subsequent years to establish the cause of the discrepancies and perhaps hold those responsible to account.

However, learning from the 8th report, the CAG was required to undertake special audit for the Tzs. 30.5 billions. Nonetheless, there is no documentation of the CAG's summary findings and actions that have been taken to reconcile the outstanding discrepancy.

**Summary Table of Key TEITI Reconciliation findings and recommendations that remain outstanding**

| TEITI Report | Key recommendation(s) | Status as per TEIT Reports |
|---|---|---|
| 2nd | MSG training of Selected CAG personnel and external auditors of extractive companies on EITI | Pending |
| 4th - | TEITI establishment and Maintenance of an Update Database of all Extractive Companies | Pending |
| 4th & 7th | TRA to provide copies of payment receipts and Bank statements , Wrong Revenue Classification | Pending |
| 5th | Outstanding unresolved discrepancy of 8.9bln | Pending |
| 7th | Unpaid Dividend by Songas Ltd of USD479,997 | Pending |
| 7th | Lack of Compliance to TEITA Act by Companies not Providing data as required, | Pending |
| 7th | Improve Online Mineral License Repository, with publicly accessible information on all other-related information on the License | Pending |
| 8th &4th | Improve Database at MEM to Capture Names of Extractive Companies as Payees, not agents | Pending |
| 8th & 9th | Update Contact Base of Companies | Pending |
| | District Mineral Officers to establish Accessible Data Base on Local Council Collections | Pending |
| 8th | Restructure Payments, TRA to properly Categorize payments made by Extractive Companies | Pending |

## GAPS TO CONTEMPLATE

**1. Documentation of revenue stream under Barrick- Tanzania Framework agreement:**

In 2019 the government and Barrick Company created Twiga Minerals Corporation as a joint venture Company between the Government of Tanzania and Barrick Company to manage the Bulyanhulu, Buzwagi and North Mara gold mine. Under the conjunction agreement, the GoT acquired a free carried shareholding of 16% in each of the mines and will receive its half of the economic benefits from taxes, royalties, clearing fees and participation in all cash distributions made by the mines and Twiga. An annual true-up mechanism will ensure the maintenance of the 50/50 split.

In May 2020, Barrick paid USD100Mln as an initial settlement of a tax dispute between the government and Barrick's former subsidiary-Acacia. The revenue payments from TWIGA Minerals Corporation were not within the scope of the 9th and 10th reports.

Given the intricate nature of this new relationship and manner of government participation in extractive companies, it will be quite a subject of interest to document and analyse how the revenue streams from this company are reported or disclosed in the next TEITI reconciliation reports

**2. Reliability of Data provided:**

Despite improvements, there are still gaps in the reliability of the disclosed data. The number of reporting entities has been increasing but many still do return the filled in templates. Returned completed forms unsigned by management as required by law. Others such as ExxonMobil Exploration and Production Tanzania Limited reported decline to report on account that they operated jointly with ORECOP and all their financial information was reported by ORECOP.

**3. Lack of up to date contacts and verified physical address data base for extractive companies:**

This has enabled some extractive companies to operate without trace of physical location. The reconciliation reports list companies whose location and leadership could not be located. These include; China Development Petroleum Technology and Development Corporation, China Petroleum Pipeline Bureau (CPPB), Mubarak Gemstone td, Matabe Gold Processing, GM & Company (T) Ltd, JV of CRISG and New Century Company Ltd. The list of physically absent companies has been increasing in the report. The absence of this key vital company information exposes weaknesses in government systems and could be a loop hole for tax evasion. It further creates room for possible future tax disputes over issues of company residence and permanent establishment (PE) status for tax purposes.

**4. Poor recording of company payments and wrong classification of revenue streams:**

The 7th & 8th reports show that payments made by company agents or representative as were recorded as 'payee' without full disclosure. This causes erroneous reports and creates avenues for extractive revenue loss. Wrong classification of revenue streams. For example, payments from an exploration company URANEX in 2015/16 were recorded as corporate taxes even before the company started operations. The reconciler warned that wrong classification of payments such as corporate tax could lead to the country to appear to be already earning considerable incomes from corporate income, an aspect that reconciler was not certain. Indeed, corporate taxes have been increasing since 2013/14. For example, corporate tax payments accounted for 42.4% in 2013/14 before falling back to 21.5% in 2017/18. So, it is not clear whether this is a true reflection of the industry that it has started becoming profitable or a case of wrongful classification and entry by TRA.

**5. Stagnation on Contract Transparency:**

On Contract transparency, government communicated in the 2015/16 its intentions to publish the contracts and agreements. British Gas and Statoil responded noting the need to protect proprietary rights and further consultation before the contracts are disclosed. The TEITI reports do not document or show whether five years after such a communication, the government and TEIT has followed to establish whether these companies still maintain similar position or these positions have changed over the years.

PSA with Pan African Energy and amendments to PSA's with Exxon Mobil & Statoil are publicly available via www.resourcecontracts.org/countries/tz . However this is not a government website.

**6. Inadequate progress on the state of Beneficial Ownership:**

The EITI Standard 2.5 and section 16 of TEITA Act 2015 requires companies to disclose their beneficial owners. These are natural persons who own interests in the extractive companies. This is aimed at reducing illegal activities, corruption and tax evasion through transfer mispricing in the extractive sector. Despite this requirement, few companies complied to the TEITI reconciliation requirement. The legal infrastructure is weak to enforce this requirement. BRELA maintains a list of all companies, including full names, legal status and addresses, year of incorporation and list of directors but does not yet have a BO register. TEITI Reports reveal the continuous limited compliance from companies to disclose BOs and weak TEITI ability to enforce. There is confusion between a legal owner and beneficial owner. Only 31 out of 54 Companies (33 mining and oil and gas companies) involved in a BO pilot study in 2017 declared natural persons as BO. 21 declared a mixture of companies and individuals, 11 disclosed companies as BOs and 25 disclosed persons of with influence as BOs.

In the TEITI report for 2017/18 only 15 entities out of 32 filled reporting templates on BO. 11 out the private entities disclosed companies as BO and only 2 disclosed individuals as BO. Significantly, Williamson Diamonds Mines, a leading extractive company in Tanzania disclosed Wilcroft Company Ltd of Bermuda as its Beneficial Owner. This was a significant BO disclosure gap considering that Bermuda has been constantly criticized and labelled a secrecy jurisdiction and 'tax haven' which encourages tax evasion and other potentially illicit activities under the cover of its low tax and secrecy laws.

Similarly, Neelkanth Salt Limited declared 70% Beneficial Ownership by Pramukh Associates Ltd of Mauritius and Tanzania China International Mineral Resource Limited, disclosed 8% shareholding ownership by Sichuan Hongda Group. This noncompliance and mismatch or inconsistence in disclosure suggest that achieving full BO is yet to be actualized and the current MSG has to pursue this more vigor. Parliament passed the Finance Bill 2020 on 15 June. The Bill amends the Anti-Money Laundering Act, Income Tax Act and Companies Act through introducing new definitions on beneficial ownership and BO registers. The definitions and information required for the BO registers are all in line with the 2019 EITI standard and it is good that there is harmonization across various pieces of legislation. This is really great news as the absence of an adequate framework was a huge barrier in TEITI being able to get information on BO disclosure. This has the potential to provide entry points for more concrete collaboration between TEITI and the Business Registration and Licensing Agency (BRELA) on BO disclosures. TEITI plans to engage key stakeholders including capacity building for companies and government agencies responsible for providing BO data.

**7. Revenue allocation and transfers:**

The Budget Act 2015 mandates revenue transfers between National and Sub national entities and it also provides for auditing of expenditures. Transfers of extractives are made separately from other revenues. Revenues from all sources are put in a consolidated account and spent as per government allocation to spending entities. According to the Ministry of Finance and planning, revenues from extractive sector are recorded in the national budget particularly in the financial statements and revenue books volume (1) under the vote provided for under the Ministry. TEITI reports that TRA was in the process of referencing all revenues, including those from extractive industries as per IMF Government Finance statistics (IMF-GFS Code). However, there is no indication of follow up of how extractive revenues are spent and whether there is a separate vote as guided by the Budget Act 2015. There is no information to show whether TRA extractive revenue referencing in place as promised five years ago.

**8. Weak follow up and implementation of findings and recommendations from previous reconciliations.**

The reports show that this has been one major weak link and missing gap in the reconciliation and TEITI reporting. For example, the 30.5bln discrepancy reported in the 8th report has not been concluded. Key findings from CAG investigations and actions were not yet documented. TEITI planned to publish a summary of the findings in 2020. The reports contain commitments by government entities to reconcile discrepancies but outcomes from these are sparsely documented in the reports. The reports have good documentation of follow or implementation of previous validation reports. Perhaps the real possibility of sanctions by the EITI acts as an incentive for government and TEIT to follow up and document actions taken to implementation findings from the validation. Similar motivation would be required for TEIT reconciliation reports recommendations.

**9. Less disaggregated data on social payments and local procurement.**

The 10th report captured disclosed information for social payments and locally procured goods and services as per the Local Content regulations. However, the disaggregated data for this social payments and local procurement is missing. Local procurement data from large Mining Companies such as Geita Gold Mine is missing. The data on social payments is not computed or expressed as percentage of total company revenue and profits. It is therefore difficult to assess whether the contributions are significant enough if compared to the derived revenues.

**10. Potential under reporting of contributions from the oil and Gas sector:**

Despite the sector reportedly growing, the data from this subsector has been scanty and potentially under reported. Gas royalties paid to TPDC were not reported and not reconciled in 2015/16. The potential revenue data on gas condensates and any other associated products is not captured in TEITI reports. There is no audit disclosure of Oil and Gas Fund Accounted for which was reported to have started receiving money from TPDC as an implementation of a recommendation from 2014/15 reconciliation report (8th TEIT Report, pg8).

**11. Persistent disclosure of loses by State owned enterprises:**

Despite a huge mandates and portfolios held in the extractive sector, SoEs have consistently declared losses. The reports show failure to reconcile revenues payments to SoEs such as STAMICO and TPDC and limited documented evidence of accountability by these entities. Yet government continues to pay billions in employee salaries for these entities. TRA as the major collector of extractive revenues has remained a persistent reporter of discrepancies. The 2016/17 and 2017/18 have reconciled data from the State-Owned enterprises- STAMICO, STAMIGOLD and TPDC. In 2019 TPDC and STAMICO started paying dividends. STAMICO paid Tsh1bln in 2018/19 and Tsh1.1Bln in 2019/20.

**12. Reassessment of Materiality considerations:**

The Materiality threshold for companies selected for reconciliation has increased from a minimum Tsh 150Mln in 2008/09 to Tsh900 Mln in 2017/18. The materiality is determined by the MSG based on the findings from the scoping study and volume of revenue payments considered significant enough to necessitate reconciliation. Other companies that did not meet the threshold were unilaterally reported. According to scoping study, the materiality thresholds proposed meant that reporting entities that contributed 95.52% (2016/17) and 94.06% (2017/18) of the total government receipts will be included in the reconciliation report for 2016/17 and 2017/18 respectively.

Therefore, the substantial revenue for significant tax payers is considered included. In addition, for report comprehensiveness, EITI encourage considerations of contributions of major companies and disclose companies that did not meet materiality unilaterally. However, the scope and rationalization of the materiality threshold may need to be rethought through as experiences from other countries such as Zambia show that materiality considerations should be held with utmost care, as the current approach can potentially leave out significant extractive tax payers, including associated companies, engaging such tax planning measure such as revenue splitting for tax purposes. Materiality considerations may be leading to substantive revenue payments or discrepancies (which are deemed less than 1%) to be ignored and missed.

**13. Missing connection between TEIT Reconciliation reports and local concerns.**

The reconciliation reports are still viewed as complex and focusing on national and macro-economic issues with limited local and community connection. This has created a gap between the national and subnational or local engagement in the process. The TEITI reports have attempted to include payments made by extractive companies to Local Government Authorities and they were reconciled. These payments are service levy and other local taxes or fees that were paid.

The reports also include production and sales data, taxes, CSR and payments to government and license information all disaggregated by company. This aims at providing the communities that host extractive companies with a detailed information about the sector. Further, the transparency in payments and revenues is deemed to create a supportive environment for investment, building trust with local communities and maintaining the social license for extractive companies to operate. However, there remains limited community connection and uptake of the reports as produced. Perhaps the current reconciliation processes and style in report presentation were not designed to capture and establish this level of local connection. However, given the manner in which the extractive sector is connected and affects local communities, the MSG may consider developing mechanisms to capture information which enlists community connection.

**RECOMMENDATION**

For TEITI, MSG & Government

1. Restructure or re-organise the reporting templates to pick local stories of success and failure which can be picked and advanced by local community actors for advocacy ad replication
2. Expand resource mobilization to secure wider participation and outreach to maintain TEITI relevance and interest
3. Formalise and extend EITI and TEITI Reconciliation consultative meetings with broader CSOs beyond CSO-MSG members
4. Initiate institutional reforms within TRA to ensure extractive payments are properly reported.
5. Since TPDC reported to have started paying royalties directly to the Oil and Gas Fund, TEIT and the MSG should conduct a reconciliation on the Oil and Gas Fund
6. Follow up all unreconciled discrepancies and publish the CAG's findings of this discrepancies. This is important for increasing accountability and learning for both paying and receiving entities
7. Establish the Updated Data Bank of verified physical addresses for all Extractive Companies. Document and Trace and locate all companies whose physical location could not be found in all reconciliations.
8. Undertake and audit on all Gas Condensates produced and sold from the two gas operations (Songosongo and Mnazi bay) over the past 16 years (2004-2020).
9. Require for disaggregated data on all Social Payments and local procurements of goods and services
10. Establish a fine and penalty for non-complaint extractive companies for failure to return filled properly filled in templates.
11. Train extractive companies on Beneficial Ownership and filling in of BO and Political Exposed Persons in TEITI Reconciliation templates. Request for Williamson Diamonds and Neelkath Salt Ltd to disclose its Natural Persons-Beneficial Owners in Bermuda and Mauritius as reported.
12. Commence systematic disclosures of all payments to avoid reporting obsolete data
13. Follow up Companies on Contract disclosure and demand a statement from each company on its position on contract disclosure.
14. Demand the Minister to present a comprehensive report on reconciliations and CAG investigated reports as required by section 18 & 19 of TEITA Act, 2015

For Companies

1. Since all disclosures have indicated that government reports less than what is reported as paid, we recommend companies to embrace systematic disclosure on their website for all extractive payments made to government
2. Since contract disclosure is stagnated because of a reported statement of objection from extractive companies, all extractive companies should publicly issue a statement indicating their position on the matter
3. All Gas companies to disclose their receipts and payments from gas condensates, if they are produced, for the past 16 years.
4. Reconcile all gas payments to give a true picture of contributions from the Oil and Gas sector
5. Publish disaggregated data on all social payments and local procurement
6. Establish TEITI focal point persons in all extractive companies to provide accurate data

For CSO and CSO-MSG Representatives

1. Since Coordination was identified as one major factor which led CSOs to disengage, we recommend Hakirasilimali and CSOs strengthen coordination, capacity building and transfer of knowledge to new staff as new cadre of extractive transparency activists /actors
2. Demand for an expanded consultation by the EITI Validators and TEITI reconcilers to engage with CSOs beyond the MSG-CSO representatives
3. Demand for the CAG reports on all investigated discrepancies to be uploaded on TEITI website and responsible Minister to present a report to parliament as per section 19 of TEITA Act, 2015.