Transparency & Accountability for the Extractive Industry

A Bird Eye On Extractive Sector Reconciled Revenues: Its Contribution To The Tanzania Development Path Over Ten Years (2009 - 2019)

A Policy Study

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1.0 Introduction and Background

This is an analytical review report of the 'Tanzania Extractive Industries Transparency Initiative-TEITI Reconciliation reports' undertaken by HakiRasilimali. HakiRasilimali (HR), is a platform of Civil Society Organizations (CSOs) incorporated as a non-profit organization working on strategic issues around minerals, oil and gas extraction in Tanzania. HakiRasilimali is affiliated to Publish What You Pay (PWYP), a global membership-based coalition of civil society organizations (CSOs) in over forty countries united in their call for an open and accountable extractive sector. The organization has been an active player in generating knowledge and galvanizing civil society actors to engage in the extractive sector in Tanzania.

The study is aimed at helping Hakirasilimali and its stakeholders in understanding the contribution of the extractive sector to Tanzania's development path and strengthening the EITI and TEITI implementation in Tanzania. It will also contribute towards a wider discussion about transparence and revenue management in Tanzania.

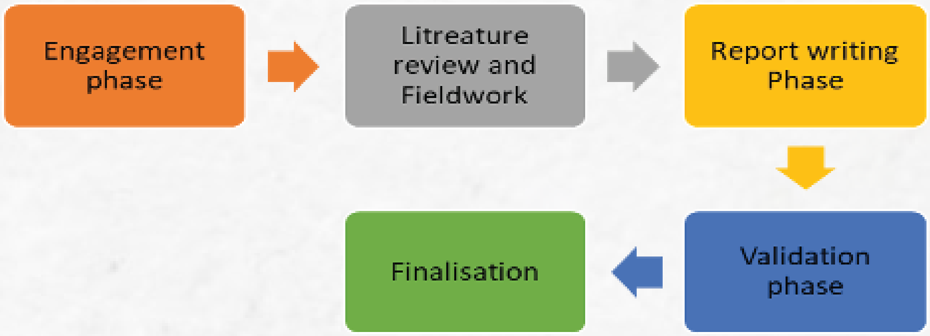
The scope of the study covered information disclosed in the 9th and 10th TEITI reconciliation reports with a historical perspective covering the TEIT reports disclosed over the past 10 years.

1.1 Specific Objectives of the study

1. To undertake analysis of the TEITI annual reconciliation reports over the past 10 years.
2. To identify areas that need further research/analysis (knowledge gaps)
3. Provide key conclusions and recommendations on compliance of the reports with TEITI and EITI international standards
4. To identify and provide key areas for advocacy to pursue reforms

1.2 Methodology & Execution strategy

The study was largely desk review based on existing information as published by TEITI and other government or officially recognized sources. This was combined with limited interviews, in the form of short questions sent out to key stake holders (Government, CSO, Companies and Academia) actively engaged with in the EITI process in Tanzania. The draft report was shared with key stakeholders for review and validation. The assignment was implemented over five phases as articulated diagrammatically below:



2.0 Contextual Background

Tanzania joined the EITI in 2009. The motivation for Tanzania's joining of the EITI was among others as part of a wider reform efforts to make the sector more competitive and maximize the benefits from mining.[1] The EITI is a global standard to promote the open and accountable management of oil, gas and mineral resources. The EITI standards requires all implementing countries to reconcile and report all payments from extractive companies and receipts by the government agencies of each fiscal year. In Tanzania, the reconciliation report includes companies 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 reconciliation reports are produced by independent reconciler overseen by the Multistakeholder Committee/Group (MSG).

The doctrine of transparency as conceived in public accountability suggests that corruption, malfeasance, and economic injustice thrives in an environment of opacity. The absence of transparency promotes corruption, resource leakage and general breakdown or retardation in social delivery and general welfare of citizens. Such transparency is particularly valuable in resource rich states where governance systems are absent, weak or still nascent. It is more imperative in states such as Tanzania where debate has been evident on whether the state receives a fair share of its revenues and benefits from the extractive wealth, and significantly whether the revenues are being used to the benefit of its citizens. Transparency increases knowledge about the EI sector, reduces corruption, increases government take, bolsters investor and citizen's confidence in their governments and satisfaction that the extractive resources are being put to good use.

2.1 Conceptualization of transparency chain in Extractive Sector

Opacity & curse
- Limited or no comprehensive knowledge of the EI Sector
- Corruption Tax & non tax revenue avoidance
- Limited Contribution to the State and Citizen

Transparency & Governance Framework
- Normative, Legislative, Policy framework established
- Institutional framework eg, TEITI, MSG
- Disclosure and reporting framework established

Transparency & Benefit
- Increased kowledge about the sector
- Increased disclousre
- Reduced corruption & resource leakage
- Increased goverment take
- Increased citizen benefits

Figure 2: Source: Authors (Moses Kulaba) Conceptualization

2.2 Tanzania's extractive sector and revenue regulatory framework

Tanzania's extractive sector is governed by an elaborate policy and regulatory framework. The mining sector is governed by the Mining policy of 2009, the Mining Act CAP 123 and various regulations. In 2017 the government passed miscellaneous amendments to the Mining Act of 2010. These amendments which aimed at increasing government control and benefit to its extractive wealth, made significant changes to Tanzania's extractive fiscal regime. For example, royalty payments on metalised minerals such as gold, copper, silver and platinum were

[1] *https://eiti.org/who-we-are*

increased from 4% to 6% and from 5% to 6% for diamonds and colored gemstones. The government passed the Natural Wealth and Contracts (Review and Renegotiation of Unconscionable Terms) Act of 2017, The Natural Resources (Permanent Sovereignty) Act of 2017 which have collectively ramifications on the Mining sector. The Oil and Gas sector is governed by the National Natural Gas Policy (NNGP) of 2013, The Petroleum Act of 2015, the Local Content Policy of Tanzania for Oil and Gas Industry (LCTOGI).

Extractive Transparency is governed by the Tanzania Extractive Industries (Transparency and Accountability) Act of 2015 and the Oil and Gas Revenue Management Act of 2015. TEITA Act establishes the Multisectoral Committee (MSG) with an oversight function for promoting transparency and accountability in the sector. The Act provides provisions for disclosure of contracts and beneficial ownership. It further sets out penalties for non-compliant individuals, companies and corporations which fail to disclose information relating to extractive payments and receipts.

The Oil and Gas Revenue Management Acts of 2015 establishes an Oil and Gas Fund with a saving and expenditure accounts to ensure financial, fiscal and macro-economic stability. These laws are supported by a number of regulations including the Mining Local Content Regulations of 2018 which requires all Mining, Oil and Gas companies to procure local Tanzanian goods and services. It further contains mandatory requirements for local employment. This study report highlights the extent to which the information contained in the TEITI reconciliation reports is aligned and has contributed to enforcement of these regulatory framework.

3.0 Revenue Disclosure Trends

The first report was published in 2009. From 1st July 2008 to July 30, 2015 the government had collected USD 2.76bln from the extractive companies.[2] Government extractive revenues increased from Tsh 128bln in 2009 to 497bln in 2010/11 to Tsh 1.2trln in 2013/14 representing a whopping 864% increase.[3] Over the past ten-year period (2008-2018), Tanzania has disclosed close over Tsh 6trln (USD3.51Bln) in revenue through TEITI.

TEITI Report	No of Entities covered	Reported Company Payments	Reported Government Receipts	Discrepancy	% Percentage Variation
1st TEITI Report	11	62,151,063,000	38,035,600,000	24,115,463,000- *Final 2.1bln & USD 328,865)*	6.3%
2nd TEITI Report	23	424,554,440,000	419,552,271,000	5, 002,169,000	1%
3rd TEITI Report	29	508,246,317,384	497,246,612,897	10,999,704,488 (11bln)	2.21%
4th TEITI Report	43	759,817,251,440	757,668,713,459	2,148,537,981	0.28%
5th TEITI Report	65	947,317,664,855	956,165,169,391	8,847,505,536	0.93%
6th TEITI Report	59	1,218,787,045,379	1,221,215,617,951	2,428,512,571	0.20%
7th TEITI Report	31	337,811,375,708	311,250,624,831	27,090,667,583	8.7%
8th TEITI Report	55	465,164,747,725	434,627,874	30,536,873,354	7%

[2] *TEITI: Tanzania Extractive Industries Transparency Initiative; Final Report for July 2015 to June 2016, March 2018*
[3] *6th TEITI Report for period ending 30th June, pg 13*

During the ten-year period, the TEITI reports have disclosed differences or discrepancies between what was reported as paid by the companies and what was received by government, amounting to around Tsh 90bln equivalent to about 4.8% of the total revenues disclosed. The biggest discrepancy reported was in the 8th report where by the difference between what was reported as paid and what was acknowledged as received by the government and verified by the Controller and Auditor General (CAG) amounted to Tsh 30.5bln. In other words, this amount disclosed by TEITI reconciliation report and verified by the CAG could not be accounted for within the government systems and was potentially missing. The CAG report was submitted to the TEITI committee and TEITI has officially communicated with the respective authorities for them to take corrective actions on the recommendation. The committee is preparing the implementation report which is expected to be published in the TEITI website.

9th TEITI Report	70	510,610,821,731	508,624,111,294	1,986,710,437	0.39%
10thTEITI Report	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%**

Table 1: Presentation between reported payments and receipts 2008-2018
**The figures are those reported at the end of reconciliation. The figures reported before adjustments are higher.*
*** The total discrepancy figure includes the final unreconciled Tsh2.1bln and USD328,865 in 1st TEIT report which has been converted into Tsh for computation at a rate of 1USD= Tsh1,291. The Oanda currency conversion rate used was as reported by the reconciler on page 6 of the 1st TEITI report.*

Generally, by signing up to the EITI, Tanzania has increased its level of transparency in extractive payment disclosures. The 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. However, the findings also point towards weaknesses in extractive revenue reporting, outstanding reconciliations and poor response to the discrepancies reported in the TEITI reconciliation reports. The unreconciled discrepancies remain significantly high amounting to billions of shillings in potential revenue unaccounted for.

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.

Amongst the government agencies, TRA reported the largest discrepancy between payments and receipts from extractive tax payers. The discrepancy is associated with weaknesses within TRA tax administration systems such as wrong classification and recording of revenue payments from extractive companies and individuals. For example, payments made to TRA accounted for 90% (2bln) of the total discrepancies of the extractive revenue payments covered in the 6th TEITI Report for the period 2013/14. The figures have remained substantively high over the years. The 10th TEITI report for the period 2017/18 reported that indirect taxes amounting to Tsh 406.3bln from 34 companies received by TRA was not reconciled.[4] According to TEITI Secretariat, the MSG decided to include the indirect taxes as contextual information but were not reconciled due to the reasons that these payments are indirect taxes and therefore they are paid by extractive Companies on behalf of their employee. The Secretariat suggested that these payments were not made by the companies however this was in contrast to the reconciliation report which clearly showed some of the payments being made by companies.

[4]*TEITI: Tanzania Extractive Industries Transparency Initiative; Final Report for July 2015 to June 2016, March 2018*

4.0 Contribution to the Economy

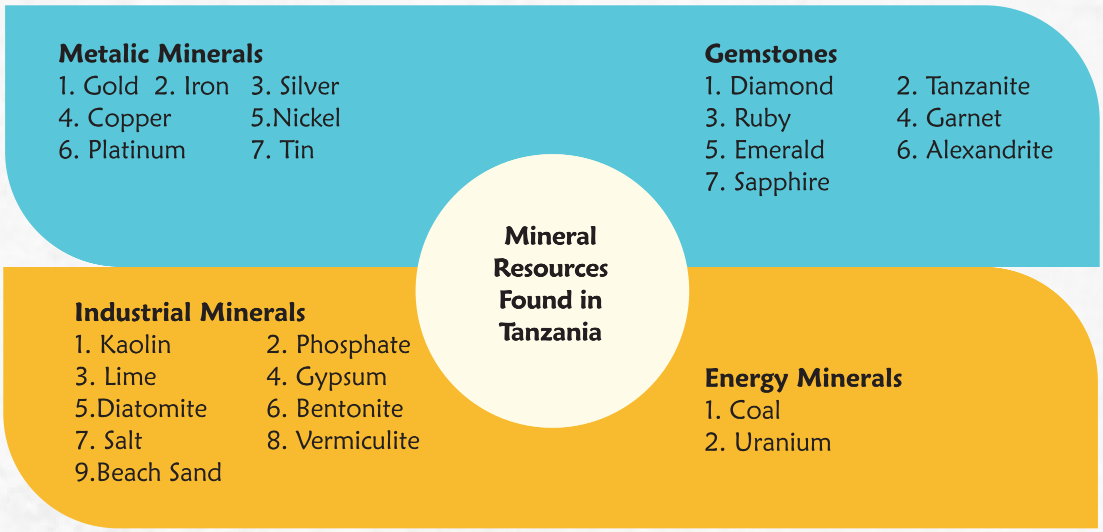


Figure 2: Tanzanian Mineral Resources:
Source 10th TEITI Report 1st July to June, 2018

Tanzania is an extractive rich Country with vast mineral and natural gas wealth. Generally, the size and contribution of the sector has risen substantively in absolute terms from the levels recorded in 2002-2005 when large scale mining started in Tanzania.

According to the National Bureau of Statistics and TEITI Reports, the extractive sector is reported to currently account for 4.8% of GDP. The sectors contribution has increased from 3.2% in 2010/11 to 4.8% in 2017/18 where it has remained steady on average for the past ten-year period.

The revenue contribution from the extractive sector has increased over the ten years. Extractive sector revenue accounted for 0.74% of the total government revenue in 2015/16 whereby the total extractive revenue collection was Tsh 547,171,999,937 out of Tsh 74,073,000,000,000 government revenue collections.[5] This amount has increased to Tsh 3.4tln disclosed in 2017/18.

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).

TEITI reconciliation reports show the size and contribution of the extractive industry to GDP (at current prices) was equivalent to Tsh 4,975,991Mln in 2015/16 and increased to Tsh 5,206,217Mln in 2017. The sector increased by 5.08% in 2018 to Tsh 6,573,059.

[5]*TEITI: 8th Report for the period July 2015 to June 2016, March, 2018*

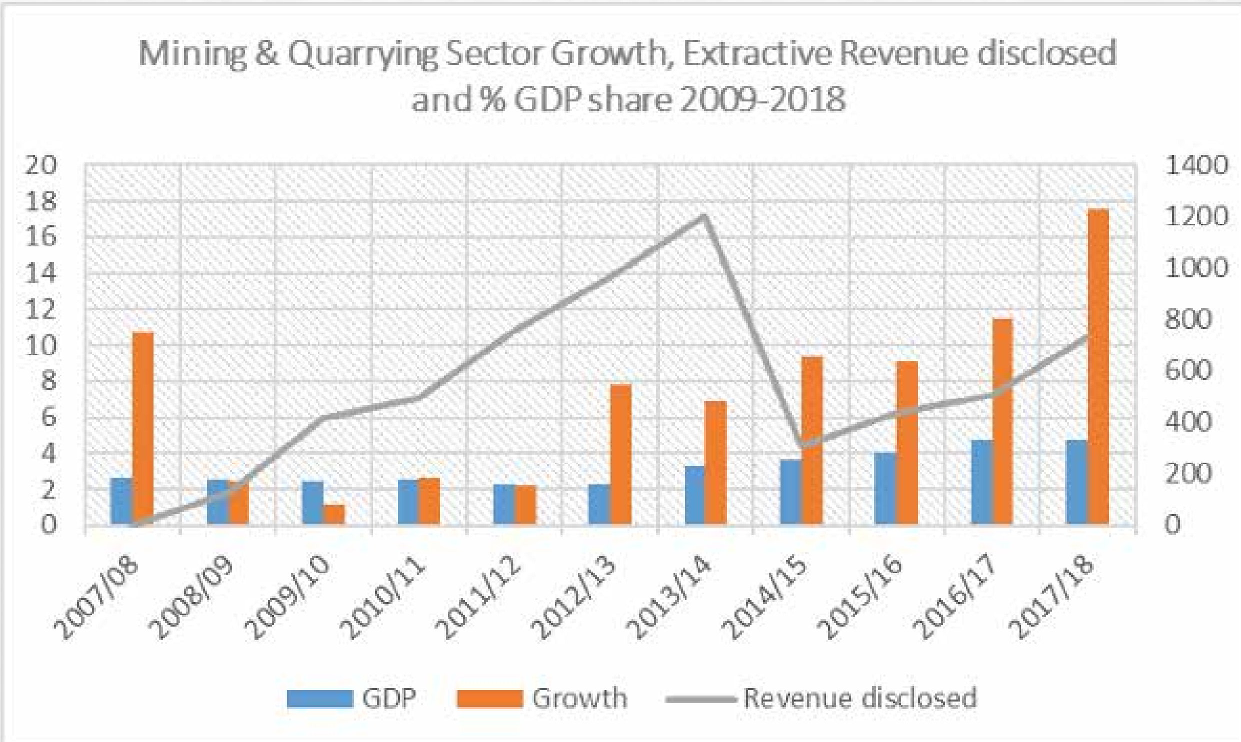


Figure 4: Graph showing Mining and Quarrying Sector Growth at 2007 constant price, percentage share to GDP at Current Price and Extractive Revenue Payments disclosed 2008-2018. Mining and GDP % share data is sourced from Bank of Tanzania (BoT) Reports while the disclosed payment data is based on TEITI 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.*

The Mining industry as a subsector of the extractive sector has been largest growing over the last ten years. In 2017 the Mining sector grew by an estimated 8.5% to an estimated value of USD 960Mln compared to a growth of 3.09% recorded in 2016 where it was estimated to be valued at USD 880Mln. Mining and Quarrying was the 4th sector in terms of contribution to the GDP in 2017/18 after crops, manufacturing and livestock sectors.[6]

According to TEITI reports, cumulatively, the value of mineral exports has increased over the past ten years. Gold is the highest mineral export earner accounting for more than half of Tanzanians total mineral export earnings over the past ten years.

Tanzania's Mineral production value has increased from about Tsh 2.2trln in 2009 to Tsh 4.78trln in 2016. The production value however declined by Tsh 1.01trln from to Tsh 4.78trln in 2016/17 to Tsh 3.77trln in 2017/18. The value of Mineral exports increased to USD 2,145Mln in 2016 but recorded a decrease by 10.8% from USD 1.860.2Mln in 2016/17 to USD 1.695Mln in 2017/18. Comparatively, the mineral export value declined by 13.3% between 2016 and 2017. The decline was associated with the amendments of the Mining Act of 2010 in 2017 which prohibited the exportation of raw minerals and encouragement of value addition.

[6] *TEITI: The 10th Report for the period 1st July 2017 to June 30, 2018, April 2020*

Graph showing mineral production and export value 2015-2018

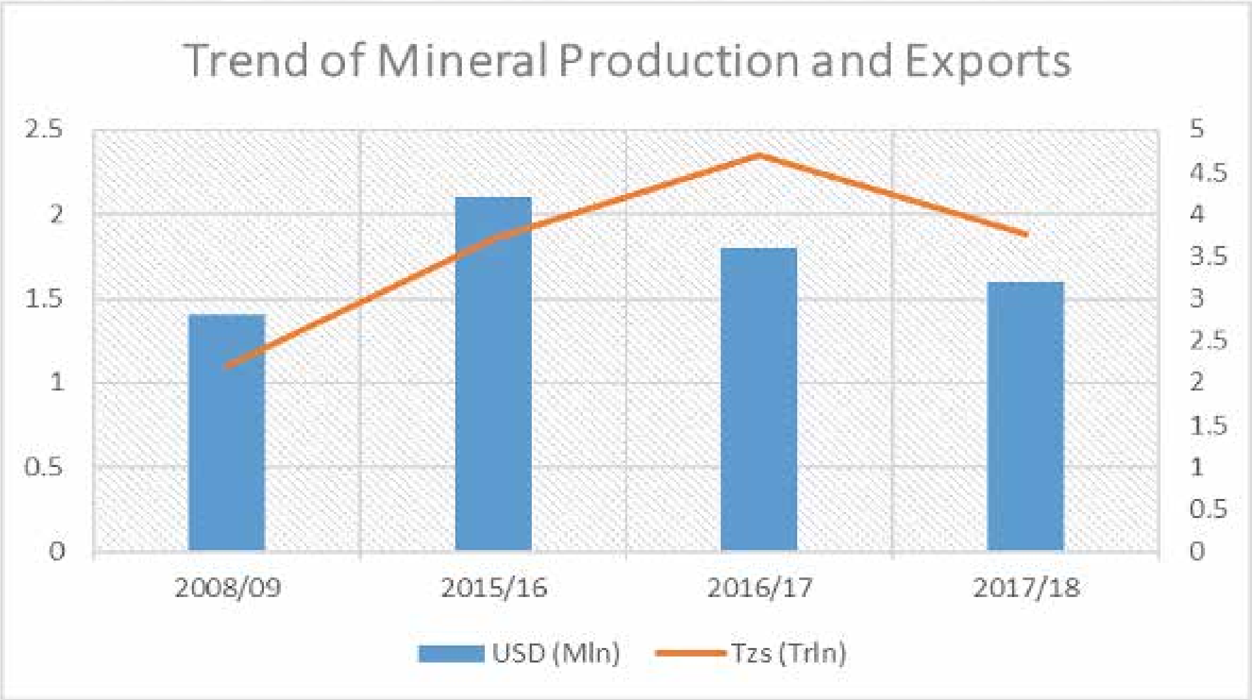


Figure 5: Graph showing trend of mineral production and export value 2015-2018

The extractive sector (including quarrying and natural gas) grew by 17.5% in 2017 registering the highest growth of all sectors during this period up to 2015/16.[7] Other sectors such as construction and telecommunication did perform well. Despite this improvement, the sector has remained dodged with challenges and perhaps persistent paradoxes. For example, 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.

The small percentage of approximately 0.74% contribution to total government revenue, despite the sector's contribution of 4.8% to GDP equally remains a mystery undisclosed. In normal circumstances, the percentage contribution to government revenues should be slightly higher. 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.[8] Does this mean that the contribution of extractive revenue to total government revenue has fallen in percentage terms over the years?

Leading Tax payers and Tax streams

Geita Gold Mine has remained the largest tax payer, contributing to almost half (46.92%) of the total government revenue in 2015/16 and 36.27% in 2016 and 29.33% in 2017/18. This implies that other companies perhaps have increased their revenue payment contributions to the government in the 2015-2018 period. Royalties and corporate payments have increased over the years to become the largest revenue streams.

In 2013/14 corporate taxes accounted for 42.4% of government extractive receipts. This trend has however been overtaken by Royalties as the leading tax revenue stream.

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[7]*URT: The Economic Survey, 2017, Ministry of Finance and Planning, Dodoma-Tanzania, July, 2018.*
[8]*TEITI: Fifth Report of TEITI for the Year ended June, 2013*

Royalties and Corporate tax payments

Royalties are payments made to government as the extractive resource owner, charged at rates as set out in the Mining Act 2015 and Petroleum Acts 2015. According to the 8th TEITI report, mineral Royalty payments increased from Tzs 137,711,161,571 in 2014/15 to Tsh 158,344,669,502 in 2015/16 representing an increase of 14%.

Royalty payments were the highest contributor to receipts in 2015/16 accounting for 36% of government receipts. Corporate taxes were second highest contributor with 29% contribution representing an increase by 38%.

In 2016/17 royalties (Minerals and Gas) accounted for the largest share of the revenues contributing 33.7% and 46.62% in 2017/18 of total payments followed by corporate taxes at 31.4% and 21.5% in 2016/17 and 2017/18 respectively. Other streams contributed 10% of the extractive revenue collections.

In 2014/15 Corporate taxes and Royalties were the highest contributor to extractive revenue with Tsh 208.7Mln and Tshs 197 Mln respectively.

The reconciler in 2015/16 however noted that there was a likelihood that other revenue payments were being erroneously recorded as Corporate taxes and thus creating an erroneous view that the government had already started benefiting from the profits of the extractive companies.[9] The report recommended for proper TRA recording and for TEITI Secretariat to undertake training on the proper data requirements.

TRA, Ministry of Minerals (MoM) and TPDC are the leading sources of revenue streams collected from the extractive payments. In 2016/17 TRA collected 54% of the total extractive revenue followed by MoM (34%) and TPDC (9.49%) and the Local Government Authorities collecting only 1.70% of the total extractive revenues. In 2017/18 MoM collected 48% of the total extractive revenue collections followed by TRA at 34% and TDPC collecting 17%.

The 1% collection by Local Government Authorities shows that the largest chunk of extractive revenues are 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. This was confirmed in a study on Local Service Levies by the Interfaith Standing Committee on Economic Justice and Integrity Creation (ISCEJIC) and Policy Forum in 2015[10] and A case study by Oxfam on Extractive sector local contribution in Mbogwe district in 2019.[11]

4.1 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 laborers, constituting 1.4% of total labour force. The employment levels had slightly grown from 30,259 people (1.3%) in 2015.[12] The figures indicate that the numbers had increased from around 7000 jobs reported in 2012/13. The companies which participated in the 10th TEITI reconciliation reported employing 3,778 Tanzanians. The formally employed workers have contributed to the economy in the form of employment taxes and social security contributions.

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 Tsh 141,783,098,832 (20.6%) of the total extractive payments in 2017/18.

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[9] *8th TEITI Report 2015/16*
[10] *Policy Forum: Contribution of Service Levy from Gas Companies in Mtwara and Kilwa District Councils Revenue; What is Missing, November, 2015*
[11] *Oxfam: A synoptic study of Contribution of Internal Extractive Revenues towards financing essential services such as Education in Mbogwe District, June, 2019*
[12] *TEITI: The 9th TEITI Report for the period July,1, 2016 to June, 30th, December 2019*

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

Revenue stream	2008/09	2010/11	2011/12	2012/13	2017/18
PAYE	48.3%	23%	14%	17.3%	20.6%
SDL					2.94%
NSSF/GEPF/PPF		7%	12%	5%	-

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

Contribution of Artisanal and Small Scale Miners (ASM)

The Artisanal and Small Scale Mining sector is not well documented in the TEITI reports. The data is 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 2016/17 and 2017/18 TEITI reports reconciled some of scoped ASM. However, the Independent Administrator failed to obtain data from most of ASMs because of poor recording keeping of the ASM. TEITI plans to engage a consultant who will map out small scale miners and explore the feasibility of incorporating this sub-sector information into the EITI reporting of the Tanzania Extractive Industries Transparency Initiative, with the overall objective of contributing to the formalization of artisanal and small-scale (ASM) mining operations in the country.

According to the 7th TEITI Report, MEM reported in 2014 that the ASM and small traders declared gold worth USD 128,334,475 in 2014. The ASM was estimated to have produced at least 5% of total diamond in 2015. The 8th TEITI report shows that the informal extractive sector accounts for 1.4% of GDP. This therefore showed that majority of Tanzanians are employed in the Artisanal and Small Mining sector which is estimated to employ over 600,000 people.

> *The introduction of extractive sector was expected to provide to the Country and Citizens; Employment, Skills and of course sustainable Revenue to the Government. But in my own and facts-based opinion, the situation today is not very much impressive especially on the factor of employment. The Extractive sector contributes about 1.5% of formal employment in the country, compared to 65.74% in Agriculture Sector and 5.81 in Industry Sector and 26.95% Service Sector. According to different studies, up to 2019 the Extractive Sector's direct employment was around 27,661 employees and about 11,064 indirect employment. The ASM (Informal Sector) employs up to 1,500,000 across the country.*
>
> *- **Nicomedes Kajungu, Secretary General of National Union of Mining and Energy Workers of Tanzania (NUMET)***

According to the 2020/21 ministry of minerals budget speech, it is estimated that 1,000,505 jobs were created between 2016/17 and 2019/20. Of these, 190,809 jobs were formal and direct whereas 809,696 were indirect. The government seems to be gradually recognizing the important contribution of the ASM sector to the economy. By the 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 purchase minerals from artisanal and small scale miners. The small scale Miners are exempted from being charged the 5% of With Holding tax and 18% VAT when selling in the Mining Centers. The total value of Minerals sold and potential revenue generated by government from these sales is not included in the TEITI reports

5.0 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. The TEITI report shows that non fiscal contributions in the form of social payments or investments from the extractive companies has increased from Tsh 29bln in 2011/12.[13] Over the last ten years, billions of Tanzanian shillings have been spent and disclosed as social payments and contributions from extractive industries.

Table: Social Payments 2017/18

SN	Company/ Individual	Education	Health	Infrastructure	Sport	Community, Social and Economic Empowerment	Others
1	GEITA GOLD MINING LIMITED	131,905,484	-	3,590,522,163	794,461,458	1,510,032,520.22	-
2	NORTH MARA GOLD MINE LIMITED	4,011,560,164	-	-	-	-	-
3	M&P EXPLORATION PRODUCTION TANZANIA LIMITED	65,000,000	-	-	-	-	-
4	PANGEA MINERALS LTD	1,619,650,932	-	-	-	-	-
5	PAN AFRICAN ENERGY TANZANIA LIMITED	37,898,490	-	-	-	91,242,525	-
6	BULYANHULU GOLD MINE LIMITED	327,223,156	522,407,285	-	-	49,337,766	235,329,695
7	SHANTA MINING COMPANY LIMITED	51,580,175	-	-	-	80,120,473	-
8	WILLIAMSON DIAMONDS LTD.	-	-	-	-	5,225,000	-
9	EQUINOR TANZANIA AS	428,462,368	255,043,400	-	-	13,129,000	-
10	AFRICAN EXPLOSIVES (T) LTD.	-	-	-	6,162,000	-	-
11	MANTRA TANZANIA LIMITED.	-	-	-	-	-	112,825,933
12	BUSOLWA MINING LIMITED	-	5,300,000	-	-	-	50,000,000
	Total	**6,673,280,772**	**782,750,685**	**3,590,5221,63**	**800,623,458**	**1,749,087,285**	**398,155,628**

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

[13]*TEITI: 4th Reconciliation Report for the year ended 30 June 2012, pg 55*

The Education sector was the highest recipient of social payments having received Tsh 9.7bln in 2016/17 and 6.6bln in 2017/18. This is 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 Tsh 6bln in social payments in 2017/18 followed by North Mara Gold Mine with Tsh 4bln.

Despite the significant amounts disclosed, the reconciliation reports do not show the percentage of social payment as a share of their total annual revenues. Disaggregated 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.

5.1 Extractive sector contribution to local Procurement of Goods and Services

As per the local content regulations, extractive companies are required to procure locally for goods and services which can be sourced locally. Over the past years, the value payments for locally procured goods and services has increased from Tsh 1.3bln in 2012[14] to about Tsh 1.1trln in 2017/18. The highest disclosed procurement was in 2017/18 with Tsh 1.1trln spent on local procurement.

Table: Procurement of Goods and Services from Local Companies

SN	Company	Goods (TZS)	Services (TZS)
1	NORTH MARA GOLD MINE LIMITED	12,684,406,989	102,512,443,155
2	M&P EXPLORATION PRODUCTION TANZANIA LIMITED	16,113,166,724	-
3	PANGEA MINERALS LTD	17,976,966,342	83,772,272,514
4	PAN AFRICAN ENERGY TANZANIA LIMITED	135,849,735,695	160,365,552,765
5	BULYANHULU GOLD MINE LIMITED	9,086,582,578	64,157,913,334
6	AUMS (T) LIMITED	59,091,938,427	10,184,195,264
7	SHANTA MINING COMPANY LIMITED	115,011,253,130	50,013,699,378
8	WILLIAMSON DIAMONDS LTD.	26,928,592,670	100,632,311,136
9	SHELL EXPLORATION AND PRODUCTION TANZANIA LIMITED	341,635,510	40,577,161,382
10	EQUINOR TANZANIA AS	1,146,537,719	88,868,839,295
11	PANAFRICAN MINING SERVICES (TANZANIA) LIMITED.	1,188,992,671	2,171,773,939
12	AFRICAN EXPLOSIVES (T) LTD.	10,866,478,690	7,993,937,143
13	MANTRA TANZANIA LIMITED.	198,028,319	4,755,650,332
14	NDOVU RESOURCES LIMITED.	550,961,773	-
15	GLOBELEQ TANZANIA SERVICES LIMITED	-	54,137,656
16	JAC RIJK AFRICA LIMITED	2,696,371,929	44,983,118
17	NEELKANTH SALT LIMITED.	6,600,253,233	-

[14] *TEITI: 5th TEITI Independent Reconciliation Report for the Year Ended 30 June, 2013*

18	BUSOLWA MINING LIMITED	2,858,450,985	-
19	MBOGO MINING AND GENERAL SUPPLY LIMITED	6,602,030,342	-
20	SEA SALT LIMITED	1,666,480,051	-
21	STAMIGOLD COMPANY LIMITED	9,642,687,772	439,982,511
22	MURRAY & ROBERTS CEMENTATION (TANZANIA) LTD.	753,033,578	4,574,366,126
23	TANZANIA CHINA INTERNATIONAL MINERAL RESOURCES LIMITED	-	118,845,980
TOTAL		**437,854,585,136.**	**721,238,065,036**

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 Tsh 296.2bln followed by Shanta Mining Company which spent Tsh 165bln and Williamson Diamonds Limited which spent Tsh 127.5bln and North Mara spending Tsh 115.1bln.

Surprisingly, Geita Gold Mining Company which has maintained the top tax payer and social investment position, 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.

6.0 Contribution of Energy Sector

The Oil and Gas sectors are still emerging 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. Available data showed that proven reserves in Songosongo were estimated at 810bln standard Cubic Feet(Bcf) and 2.2tcf for Mnazi Bay and its vicinities.[15] 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 SongoSongo gas fields. By 2018, Tanzania had discovered 57.54 tcf of Natural gas. These discoveries are yet to be fully developed and operationalized but exploration is still ongoing.

According to 10th TEITI reports, the two company's production increased from a total of 47,456,860 scf in 2017 to 59,142,000 in 2018. The total value in USD of the produced gas increased from USD 42.2Mln to USD63.8Mln. 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 national electricity supply company 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**

Source: TEITI 10th Repot 2017/28

As per the 8th TEITI report, in 2014/15 the Oil and Gas revenues increased and accounted for 9% of the total extractive revenues. In 2015/16 the Oil and Gas receipts increased by 6% and accounted for 15% of the total extractive revenues. The 9th and 10th reports show the contribution of Gas revenue to total extractive revenue in 2016/17 was 20.31% and increased to 24.17% in 2017/18. The significant increase was due to additional gas generation and revenues.

Gas production increased from 47,456,860 scf to 56,142,000 scf causing an increase in revenues from USD 42.2Mln to USD 63Mln in 2018. From the Oil and Gas sector, M&P exploration contributed 8.27% of the country's extractive revenues for the year 2017/18, overtaking Pan Africa Energy which paid more in 2016/17 financial year.

[15] *Friedrich Ebert Stiftung: Tanzania Oil and Gas Almanac: A Reference Guide published by the Friedrich Ebert Stiftung and Open Oil, 2015*

Despite these increases, there is little documentation on the contribution of this 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 in the electricity generation and industrialization in the Country.

Surprisingly, the reports do not show whether condensates are produced from the two natural gas production sites and in what volumes and their export value. 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.[16]

Condensates are separated and sold separately from natural gas and is 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. According to McKinseys & Company, condensates are typically valued lower than crude oil because of their high light ends content, which yields a lot of lower value Liquefied Petroleum Gas (LPGs) and light naptha and makes it difficult to process in high volumes in a refinery. However, there are some condensates containing up to 40% of jet fuel and diesel that are priced higher than crude oil, as they contain very little residual material.[17] In a Country such as Tanzania where we do not have a condensate processing plant, they are exported to foreign buyers outside the country.

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 at 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 be 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.

For these reasons, transparency and disclosure in this area has been largely missing.
The role of Tanzania Petroleum Development Corporation (TPDC) as State Owned Enterprise mandated with representing government interest in the Oil and Gas sector and the analysis of revenues accruing from the sector as managed by TPDC is discussed below.

> *The revenue streams to be included in reconciliation exercise is determined by material contribution of a particular revenue. Therefore; It seems that the values of condensates sold is not significant for it to be included in the report. However, if its values will be material in future, the TEITI reports will include them.*
>
> ***- Key informant from TEITI Secretariat.***

[16]*https://www.sciencedirect.com/topics/earth-and-planetary-sciences/gas-condensate*
[17]*https://www.mckinseyenergyinsights.com/resources/refinery-reference-desk/condensate/*

7.0 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.

Section of 8 of the Petroleum Act 2015 establishes TPDC as a National Oil Company (NOC) with legal mandate to maintain mandatory participating interest of not less than 25% in each oil and gas projects in Tanzania. It has powers to form a number of subsidiaries to carry out specific functions and operations and mandated by the Oil and Gas Revenue Management Act 2015, TPDC is authorized to collect a number of non-tax revenue streams from the petroleum sector. These include royalties, signature bonuses, petroleum license fees, protected gas revenue, government share profit shares, surface rentals or annual block fees and training fees as stated in the Production Sharing Agreements (PSAs) signed between TPDC and the Oil companies. TPDC owns subsidiary companies namely Gas Company Tanzania Ltd (GASCO) and TANOIL Investments Ltd. These undertake specialized operations in the petroleum value chain, undertaking downstream and midstream projects. According to the CAG reports for 2017/18, two downstream projects were implemented-The National Natural Gas Infrastructure (NNGI) and National Gas Distribution Network Projects (NGDNP) consisting of nine projects related to gas distribution.

STAMICO is actively engaged in the Mining subsector. It is mandated by law to engage in exploration, prospecting, development, processing and marketing of gold locally and internationally. It operates Biharamulo Gold Mine through its 100% owned subsidiary called STAMIGOLD Company Ltd and owns 100% equity in Kyerwa Tin Company Ltd, buys casserite from small scale miners, owns interests in Kiwira Coal fields, other mining project joint ventures and 14 exploration licences for different commodities. It provides other commercial services such as drilling, environmental and consultancy services related to mining.

The National Development Corporation (NDC), a fully owned government entity has mandate and interests in mining projects managed as joint ventures in Liganga Iron Ore, Mchuchuma Katekawa Coal and Ngaka Coal.

According to the TEITI reports, despite these mandates and access to various revenue streams, these SoE declared loses in 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 Tsh 3.3bln and Tsh 3.6bln to employees of STAMICO and TPDC respectively.

Coincidentally, TEITI report for 2017/18 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.

According to TEITI Secretariat this payment was a royalties paid by STAMICO to Ministry of Minerals. TEITI plans to review the unreconciled discrepancies occurred in the 2016/17 and 2017/18 TEITI reports. We believe that, through this exercise, this amount will be revealed.

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. 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.

In 2019 the government and Barrick Gold Corporation established the Twiga Minerals Corporation as a joint venture Company between the Government of the United Republic of Tanzania and Barrick Gold Corporation to manage the Bulyanhulu, Buzwagi and North Mara gold mine. Under the conjunction agreement the GoT acquire 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.[18]

In May 2020, Barrick paid USD 100Mln as an initial settlement of a tax dispute between the government and Barricks's former subsidiary-Accacia. 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 analyze how the revenue streams from this company are reported or disclosed in the next TEITI reconciliation reports.

[18]*https://www.barrick.com/English/news/news-details/2019/The-Launch-of-Twiga-Minerals-Heralds-Partnership-Between-Tanzanian-Government-and-Barrick-/default.aspx*

8.0 Government Response and Implementation of Recommendations

The TEITI Reconciliation reports have generated many findings and made recommendation for further implementation. The TEITI 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.

The reports have disclosed discrepancies accumulating to billions over the past years. The largest share of all discrepancies have been reported against payments made to government entities. 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. Some of these discrepancies were sent to the CAG for further investigations.

The finding of a Tsh 30.5bln discrepancy by 8th TEITI report triggered an investigation by the CAG. According to TEITI Secretariat and the 10th TEITI report, the CAG has handed over the report of his investigations to TEIT-MSG for further action. The secretariat plans to publish the summary of the findings on its website.

There is however no documentation of the CAG's summary findings and actions that have been taken to reconcile the outstanding discrepancy.

The 8th TEITI report that was published on April 30, 2018 covering the period from July 1, 2015, to June 30, 2016 states that the companies paid 465.1 Tanzanian billion shillings, while the government reported receiving 434.6 Tanzanian Shillings, causing a discrepancy of 30.5 Tanzanian Billion Shillings. The Office of the Controller and Auditor General has completed investigating this discrepancy. After discussion and approval by the MSG members, it has been submitted to the Minister for Minerals as stated in TEITA Act, 2015. In addition, MSG is working on the recommendations made by the CAG in order to publish the implementation report.

- TEITI Secretariat response

https://www.barrick.com/English/news/news-details/2019/The-Launch-of-Twiga-Minerals-Heralds-Partnership-Between-Tanzanian-Government-and-Barrick-/default.aspx

Table: Summary 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 Updated 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 USD 479,997	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
9th	CAG reports on all investigated discrepancies	Missing

9.0 Role of CSOs and Policy Actors

The EITI process in Tanzania can be described as an outcome of critical Civil Society engagement on matters of extractive transparency. Prior to 2008, CSOs actively campaigned for Tanzania to join the EITI. They were active in supporting government to establish the first road map and setting up of the MSG. CSOs provided robust analysis of the first EITI publishing a series of articles.[19]

CSOs robustly consulted and contributed in the amendment of the Mining Act 2010, the development of the TEITA Act 2015 and Oil and Gas Revenue Management Act 2015. They have since remained engaged although the tempore and ferocity somehow declined between 2013 and 2015. The decline in rigorous engagement between this period was caused partially by lack of proper coordination after the collapse of the first PWYP-Tanzania chapter coalition in 2014. PWYP global through the local chapter had provided technical support and coordination leadership, steering a network of CSOs to engage in the process.

Secondly, the signing up of Tanzania to the EITI, deflected the momentum of engagement by other previously vocal CSOs who erroneously believed that ultimately the objective for expanded extractive transparency had been achieved.

The fifth phase government after 2015 appeared to take on board major CSO governance concerns about the extractive sector, scaled up the fight against corruption in the public service and reviewing of the existing extractive legislative and policy governance framework[20] to exert more government control and national take. The government however enforced some strict controls on CSO advocacy and activism related work. The delay by government to gazette one of the CSO representative to serve on the MSG for the period 2016-2019 polarized this relationship further as it was widely interpreted by CSOs as watering down the EITI standard by meddling in CSOs own affairs to self-organize and participate in the TEITI.

Moreover, there were capacity constraints on CSOs to constantly engage which was caused by multiple factors such as changes in CSO leadership and staff turnover with new staff taking over positions and leadership in governance and accountability advocacy oriented CSOs. Little capacity building and knowledge transfer was passed on to the new staff who took over the mantle.

Funding shifts away from extractive governance focus made it difficult for CSOs to continuously engage. Sadly, the pioneering CSOs and networks such as Fordia, Agenda Participation 2000, the Leadership Forum, Tanzania Coalition on Debt and Democracy (TCDD), Campaign for Good Governance, South African Human Right NGO Network (SAHRINGON), Lawyers Environment Action Team (LEAT), Norwegian Church Aid and PWYP-Tanzania either disintegrated or changed course, leaving the EITI/TEITI engagement process midway.

The coordination has since improved with the establishment of Hakirasilimali CSO network and PWYP-Tanzania Chapter. The organization has a dedicated staff to support the CSO-MSG representatives in the TEITI processes. CSO engagement on the discrepancy in 8th report caused the Minister to institute an investigation by the CAG. If not for the concerted efforts from CSOs, Tanzania would have probably not had in place the current extractive governance framework. However, some challenges still persist.

[19] *Agenda Participation 2000: A Policy Brief of Tanzania's 1st Reconciliation Report 2008/09, March, 2011*

[20] *Interview with a lecturer and Researcher at University of Dar es Salaam, Mkwawa Campus.*

> *CSOs which are part of the MSG are actively involved in the EITI process. However, Civil society MSG representatives should consider engaging other CSOs that are not part of the MSG, including capturing their input for MSG discussions and communicating outcomes of MSG deliberations* ***- TEITI Secretariat***

The limited robustness in the MSG members and TEITI to constantly engage CSOs in the EITI/TEITI process has been a limiting factor. The communication process between TEITI and CSO-MSG members got strained and as a result many CSOs felt alienated or disengaged from the process.

The complexity of the reconciliation and validation process and lack of clarity of what CSOs can do with the reconciliation and validation reports rendered it difficult for the CSOs to constantly engage in TEITI. TEITI and the EITI Secretariats and the respective validators did not engage CSOs beyond the members of the MSG. Gradually the wider CSO fraternity got alienated and disengaged from the process. As a consequence, TEITI and the EITI secretariat was not fully informed of the local contextual concerns facing the CSOs and their engagement. They did not pro-actively exert their influence on TEITI to get wider local CSOs engaged and in the long run they lost a major partner.

The limited synchrony between TEITI reconciliation reports and the local community contextual concerns and needs has alienated or made it difficult for the EITI/TEITI process to connect with local communities and constituencies. TEITI reconciliation reports focus at Macro-economic level and have not picked or captured local contextual concerns or stories of success and failure. Local contextual concerns are never reported and this has propelled local based CSOs to lose interest in engaging and tracking the process. For they lack a local agenda to pick from the reports for further local advocacy.

> *CSOs, should be active in the EITI process. In addition, CSOs should consider establishing a strong local CSO, specifically for advocating extractive issues in the areas which host Mining, oil and gas operations -* ***TEITI Secretariat***

Organisationally, TEITI has faced persistent financial shortfalls to facilitate CSO participation and engagement. In 2018 TEITI planned to facilitate a CSO consultative meeting to discuss TEITI related matters and to conduct elections of CSO members to the MSG. Due to financial constraints, this plan did not materialize.

The Policy makers and government have not clearly indicated where they strategically want to go with the TEITI agenda. In the earlier years preceding the EITI and TEITI, the government appeared hostile to vocal CSOs which campaigned for transparency and economic justice in the extractive sector. Some vocal CSO leaders advocating for extractive transparency and economic justice in the mining sector were harassed and interrogated by the government agencies. Economic Justice activists at LEAT and LHRC faced police hostility and detention while local community activists in Tarime and Geita faced harassment and brutality from companies and government security agencies. This scared off many CSOs and activists into self-retreat, dampening the momentum.

In recent years, as government pays closer attention to the sector, most of the previous concerns raised by CSOs have been vindicated. The government recognizes the importance of the extractive sector to the economy and has taken steps to reclaim the sector. It appears that room for engagement with government has been created and perhaps CSOs could re-position themselves better to take advantage of the existing spaces for effective TEITI engagement. More pragmatism and mutual trust could benefit the sector.

10.0 Key Gaps

The TEITI Reports show that the reconciliation exercise is an important aspect in the transparency and exposing the extractive sector's contribution to the economy. The reconciliations have increased access to information for national and local political leaders in extractive resource rich districts such as Geita, Kahama and Songosongo. Increased disclosure and opportunities for new frontiers on disclosure such as Contract disclosure and Beneficial Ownership.

According to TEITI Secretariat, the reports are extensively publicized giving trend of operations of the extractive industry in the country which has led in attracting investments in the sector. Communities in Tanzania that host extractive companies now have detailed information about the sector through TEITI reports that includes production and sales data, taxes and payments to government and license information all disaggregated by company. The transparency in payments and revenues create a supportive environment for investment, building trust with local communities and maintaining the social license for extractive companies to operate.

The implementation of EITI in Tanzania has resulted in generating active discussions related to the payments of service levy which have been made by the extractive companies to the local government authorities in areas where extractive activities are being carried out. 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 which hosts the extraction of the gas. Since that revelation, the Lindi District Council has been receiving around Tshs 110,000 million (USD 61,000) in every quarter of the year.

In addition, the disclosure of company payments and government receipts creates public debates and discussions within the government. For example, 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[21].

The reconciliation reports however show some gaps which have remained persistent and continue to undermine government's efforts to secure transparency and full contribution from the sector.

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 the 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.

Un-reconciled Royalties on GAS. For example, in 2015/16 TPDC EITI reconciliation of receipts on gas were not reported by TPDC. TPDC promised to reconcile in 2016/17 reports but there was no evidence provided in the report how these were reported and reconciled. There is no procedure of how this was done.

[21]*http://www.acaciamining.com/~/media/Files/A/Acacia/press-release/2016/first-quarter-results-2016-pr.pdf.*

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.

Poor recording of company payments and wrong classification of revenue streams: The 7th & 8th reports shows 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.

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 TEITI have 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.

Small progress and persistent confusion between Legal Owner and Beneficial: 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. The Business Registrations and Licensing Agency 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 Beneficial Ownership (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.[22]

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 labeled as 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.

[22]*TEITI: Unveiling the Mask of Disclosure: Disclosure of Beneficial Owners of Oil and Gas Companies in Tanzania, MM Attorneys, June 2017*

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 non-compliance and mismatch or inconsistence in disclosure suggests that achieving full BO is yet to be realized and the current MSG has to pursue this more vigorously.

The Parliament of the United Republic of Tanzania passed the Finance Bill 2020 on 15 June. The Bill amends the Anti-Money Laundering Act, Income Tax Act and Companies Act by 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.

Un-explained mystery of the constant 4.8% growth of the sector and less than 1% contribution to revenues. Despite the growth in the sector, extractive revenue contribution to GDP has remained constant at 4.8% and less than 1% of the total government revenue. It normal circumstances 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. As earlier cited, the contribution of the 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? Perhaps this suggests that there could be potentially an error in computation or updating of economic data from the sector.

Revenue allocation and transfers: The Budget Act 2015 mandates revenue transfers between National and Sub-national entities. 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 the 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.

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-up or implementation of previous validation reports. Perhaps the real possibility of sanctions by the EITI acts as an incentive for government and TEITI to follow up and document actions taken to implement findings from the validation. Similar motivation would be required for TEITI reconciliation reports recommendations.

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.

Potential under reporting of contributions from the oil and Gas sector: Despite the sector reportedly growing, the data from this sub-sector 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 TEITI Report, pg8). Lack of follow-up on the proposed integrated data (incorporating data from GST, TRA and EITI) base for improving online license repository.

TEITI through the EGPS Grant plans to establish a systematic data disclosure with objective of mainstreaming EITI implementation. This will help to shift from ad-hoc reporting to systematic reporting by connecting EITI reports to existing or new government systems via an EITI Portal which integrates existing and new government and company data sources such as websites, databases, portals and registers.

Persistent disclosure of loses by SoE's: Despite a huge mandate and portfolio 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 the 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 Tsh 1bln in 2018/19 and Tsh 1.1Bln in 2019/20.

Reassessment of Materiality considerations: The Materiality threshold for companies selected for reconciliation has increased from a minimum Tsh 150Mln in 2008/09 to Tsh 900 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.

Missing connection between TEITI 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.

CSO Coordination gap and ability for CSOs to carry forward the findings from the reports: The reports do not capture the contribution of CSOs to the sector and the TEITI process. There is no documented information as to how the information from the reconciliation reports and validation has been carried forward by CSOs. Perhaps this is associated with the above point whereby the reconciliation and validation exercise has largely remained national and macro in outlook.

Late disclosure of data: The reports are disclosed fairly late and the data provided is sometime obsolete. There is need for systematic disclosure to ensure relevant update and actionable information relevant to the MSG and citizens to engage.

11.0 Recommendations to Major Stakeholders

This section presents a set of recommendations for Hakirasilimali and other key stakeholders in the EITI and TEITI process:

For Hakirasilimali & 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

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 and 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, TEITI and the MSG should conduct a reconciliation on the Oil and Gas Fund.

6. Follow up all un-reconciled discrepancies and publish the CAG findings of the 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, 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 (Songoson go 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 reports 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 investigation 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 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 personnel in all extractive companies to provide accurate data.

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13. Glossarium of Key Extractive Sector Revenue Terms

Corporate Tax: A tax levied or imposed a corporation's taxable profit for all companies registered in Tanzania at a rate of 30% of the total profit.

Profit is determined after deducting the total investment and operational costs of the company.

With Holding Taxes: Withheld by the tax payer at source as an agent of TRA at a rate of 5% for residents and 15% for non-residents and remitted to TRA. Taxes withheld are offset against the final personal income taxes of resident tax payers and represent final charges for non-resident tax payers. It also applies to interest income earned by individuals and companies

Pay As You Earn (PAYE): A method of collecting personal income tax which is a tax on resident personal annual income obtained worldwide and on Tanzanian Source Income for Nonresidents. It is also imposed on any gains or profits, from business, employment or services rendered, dividend income on interests earned in the United Republic of Tanzania.

Skills Development Levy (SDL). A levy payable to the Commissioner General of Income Tax by the employer of 5 and more employees by the seventh day of the following month at a rate of 6% of emoluments. It is intended as a contribution towards the development of acute skills required in the Country.
Value Added Tax: A pass through tax imposed at a rate of 18% on all taxable supplies. Mining Companies can claim for VAT refund on some supplies, services and goods imported from outside Mainland Tanzania as listed under the Income Tax Act and Customs laws.

Excise Duty: Charged on specific goods and services manufactured locally or imported as per the Customs laws.

Protected Gas Revenues: Revenues that Gas companies pay to Tanzania Petroleum Development Corporation (TPDC) from the sale of protected gas as defined in the Petroleum Acts and Production Sharing Agreements.

Additional Gas Revenue: Revenues paid by Gas companies to TPDC based on gas sales. This revenue is paid directly to government after TPDC deducting its operating costs.

Profit Per Production Sharing Agreement: Gas profit revenue paid by gas companies to TPDC. This revenue is paid directly to government after TPDC deducting its operating costs.

License, Permits, fees, applications fees, training and annual rental fees: Various fees that gas and mining companies to the Ministry of Minerals and Ministry of Energy at different rates

Signature Bonuses: An amount not less than USD2,500,000 paid by oil and gas contractors to TPDC upon signing a contract. It is paid to the government after TPDC deducting its operational costs.

Production Bonuses: An amount of not less than USD5million paid by Oil and Gas Companies to TPDC upon the start of production.

Royalties: Paid to the government as the owner of the extractive resources at rates as specified in the Mining and petroleum Acts of 2015.

Dividends: Payments made to the government by companies in the event where the companies such as TPDC in which government has shares makes profits. This revenue is collected by Ministry of Finance.
Revenues from Government Sale of Shares: Revenues aid to the Ministry of Finance in the event where a company in which the government owns shares are sold.

Local Levy: A levy at 0.3% charged by local authorities to the gas and Mining Companies operating in their respective jurisdiction or area. This levy is based on the turnover of the company.

Fuel Levy: A tax levied on importation of the Petroleum products to the Country. It specifically applies to two products only: Gasoline and Gas oil

Contributions to NSSF, GEPF, Pension Funds: Statutory deductions made by the employer and paid as contribution to the employees' pension scheme. Currently these are reported as part of the contextual payments disclosed under TEITI and the EITI.

Non Fiscal Payments / 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

Extractive Industries Transparency Initiative (EITI): The global standard for governing mining, oil and gas sectors, with a membership of about 54 Countries (including Tanzania) by end of 2019

Tanzania Extractive Industries Transparency Initiative (TEITI): Tanzania government led Multistakeholder Process established under the Tanzania Act of 2015 to promote transparency and governance of Tanzania's extractive sector. TEITI supports local implementation of the EITI standard.

Multi Stake Holder Group(MGS): A multistakeholder body comprising of representatives from the government, civil society and Extractive Companies, established under the EITI standard and as a Committee under the TEITA Act 2015 to oversee the implementation of TEITI /EITI processes in Tanzania

Reconciliation: A verification exercise periodically conducted by an Independent individual or entity as selected by the MSG to verify the extractive revenues paid by the extractive companies and receipts acknowledged by the government over the same period with a view of establishing whether there are any discrepancies.

Validation: A periodic exercise conducted by the EITI Secretariat and International Board to assess the extent to which the EITI standard is being implemented by each EITI member Country.