



ESTABLISHING A MINING FIRM OPERATION IN TANZANIA

Overview

Tanzania is a country rich in mineral resources, and minerals are a significant contributor to the country's economy. In recent years, natural gas deposits have also been discovered offshore. The mining sector in Tanzania is composed of both large-scale mining companies and small-scale mining operations. The country is home to several medium-scale mining companies, as well as several large-scale mining operations, including gold mines and gemstone mines. Gold and diamonds have long been the main minerals produced in the country, with commercial diamond production taking place in the Mwadui area since 1925. In recent years, gold mining has become a popular investment opportunity, with Tanzania ranking as the fourth-largest gold-producing country in Africa, after South Africa, Ghana, and Mali. The focus of the industry is on the greenstone belts around Lake Victoria.

Investing

The Tanzania Mineral Policy 2009 is aimed at promoting growth and development in the mining sector by integrating other economic sectors and improving investment conditions. The policy focuses on maximizing government profits, promoting mineral value addition activities, reinforcing social and environmental management, and developing small-scale mining operations.

The legal framework in Tanzania is supportive of investment in the mining sector, offering a globally competitive and investor-friendly environment. The Mining Act of 2010 provides security of tenure, repatriation of capital and profits, and transparency in the issuance and administration of mineral rights. This legal regime has made Tanzania an attractive destination for investors looking to invest in the mining sector.

The combination of Tanzania's rich mineral resources, favorable legal framework, and supportive mineral policy provides a supportive environment for investment in the mining sector, making it an attractive destination for investors looking to tap into the country's mineral wealth.

It is important to note that, various initiatives have led to considerable number of changes in policies and laws governing the Mining sector in Tanzania. One of the key initiatives that have led to changes in the mining sector is the Mining Sector Reform Program (MSRP), which was launched in 1997. The program aimed to attract foreign investment and promote sustainable mining practices in Tanzania. As a result of the program, several new laws and policies were introduced, including the Mining Act of 1998 and the Mineral Policy of 1997.



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Another significant initiative that has led to changes in the mining sector in Tanzania is the Extractive Industries Transparency Initiative (EITI). Tanzania joined the EITI in 2008, which requires participating countries to disclose information about their extractive industries, including mining. This initiative has helped to increase transparency in the sector and has led to improvements in governance and accountability.

Furthermore, in 2017, the Tanzanian government introduced new laws aimed at increasing government revenue from mining operations. These laws include the Natural Wealth and Resources (Permanent Sovereignty) Act, which gives the government a 16% stake in all mining projects and the Mining (Local Content) Regulations, which require mining companies to prioritize local employment and procurement

These changes focused on ensuring Tanzanians benefit from their natural resources by inserting clauses that depicting that indigenous people participate in ownership and manage of mining firms.

Governing Laws Include:

- The Mining Act, 2010 (Act No. 14/10)
- The Mining (Mineral Trading) Regulations, 2010
- The Minimum (Minimum Shareholding and Public Offering) Regulations 2016
- The Mining (Local Content) Regulations, 2018
- The Mining (Mineral Trading) Regulations, 2010
- The Environmental Management Act 2004
- The Land Act CAP 113
- The Village Land Act CAP 114

The Minister for Energy and Minerals and the Commissioner are responsible for granting licenses under the Mining Act of 2010 to individuals and companies. The types of licenses that can be granted include:

1. Prospecting License: This license allows individuals or companies to carry out prospecting activities for minerals.
2. Dealer license: this license allow individual or companies to sell, or trade minerals or mineral specimens.
3. Gemstone Prospecting License: This license allows individuals or companies to carry out prospecting activities for gemstones.
4. Retention License: This license allows individuals or companies to retain control over a particular mining area for a specified period of time.
5. Special Mining License: This license allows individuals or companies to carry out



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mining activities in special circumstances, such as in protected areas or areas with unique environmental or social considerations.

6. Mining License: This license allows individuals or companies to carry out mining activities on a commercial scale.
7. Primary License: This license allows individuals or companies to carry out primary processing activities, such as crushing, grinding, and sizing of minerals.
8. Processing License: This license allows individuals or companies to carry out further processing activities, such as refining and smelting.
9. Smelting License: This license allows individuals or companies to carry out smelting activities.
10. Refining License: This license allows individuals or companies to carry out refining activities.

The licenses granted under the Mining Act of 2010 provide individuals and companies with the necessary authorization to carry out mineral exploration and extraction activities, as well as processing and refining activities, within the jurisdiction of Tanzania.

In Tanzania, all gemstone exploration and mining is reserved for local residents, except in situations where specialized skills, technology, or significant capital is needed to develop the ore body. In these cases, the Minister may permit joint ventures between locals and foreign investors, with the foreign investor's participation limited to less than 50%.

To ensure compliance with the requirement for Tanzanian ownership of mining firms, the Mining Act of 2010 mandates that a mining license holder seeking to transfer equity shares to another person must obtain the consent of the Minister if the transfer is likely to result in a change in ownership from the current license holder to the potential shareholder.

Mandatory requirement of local content in providing of goods and services to a contractor, subcontractor or holder of a mining license

The Mining (Local Content) Regulations of 2018 specify that foreign companies intending to provide goods or services to contractors, subcontractors, licensees, the Corporation, or other related entities in Tanzania must form a joint venture with a local Tanzanian company and grant the local company a minimum equity participation of 20%.

Additionally, non-local Tanzanian companies that are required to provide goods and services to a mining license holder or related entity must incorporate a company in Tanzania and operate in partnership with a local Tanzanian company. The regulations further define what constitutes a local Tanzanian company in this context.



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- Has at least 51% of its equity owned by a citizen or citizens of Tanzania; and
- Has Tanzanian citizens holding at least 80% of executive and senior management positions and 100% of non-managerial and other positions.

Minimum local shareholding for special mining license holders

According to the Minimum Shareholding and Public Offering Regulations, all holders of special mining licenses are obliged to make shares available to the public and list on the stock exchange in Tanzania. Additionally, they must maintain a minimum local shareholding of 30% of the total issued and paid-up shares. However, if the holder is unable to attain this minimum local shareholding through a failed public offering, the Minister, upon the recommendation of the authority, may grant a waiver from the local shareholding requirement.

Mineral Trading license

Mineral trading in Tanzania can only be carried out by local individuals or in a joint venture with foreigners, with local participants holding at least 25% of the shares. To ensure Tanzanian participation in mining ventures, the government mandates that foreign firms must provide a 16% carried interest and paid-up equity to local individuals.