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Benefit Streams from Mining in Tanzania: Case Studies from Geita and Mererani

Siri Lange
in cooperation with ESRF

R 2006: 11

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List of Abbreviations

AFGEM	Africa Gem Resources
AMREF	African Medical Research Fund
AREMA	Arusha Region Miners Association
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GGM	Geita Gold Mine
MWAREMA	Mwanza Regional Miners Association
NGO	Non-Governmental Organization
NSSF	National Social Security Fund
PAYE	Pay As You Earn
PPF	Parastatal Pension Fund
STAMICO	State Mining Corporation
TANROADS	Tanzania Roads Agency
TGI	Tanzania Gemstone Industries
TRC	Tanzania Railways Corporation
URT	United Republic of Tanzania
VAT	Value Added Tax
VTC	Vocational Training Centre
WDL	Williamson Diamond Miners Ltd

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We wish to thank all the people who have shared information and their views with us.

Introduction

> "I invite you to Tanzania. Let us forge a profitable and smart partnership – we, in Tanzania with our mineral resources and you, with your capital, technology, know-how and managerial skills." (President Benjamin W. Mkapa, 2001)[1]

1.1 Background to the study

This report looks at the management of social and economic benefit streams in two mining communities in northern Tanzania; Geita and Mererani. The report is part of a larger initiative by the World Bank to build capacity in governance and benefit streams management in selected African and Asian countries. CMI (Chr. Michelsen Institute) has been commissioned to undertake research in Botswana, Namibia, Mali and Tanzania in collaboration with local partner institutions. The research findings will be used as background information in training courses on management of benefit streams for mid-to-senior level civil servants and private sector officials. The courses will be carried out by the World Bank with the assistance of educational institutions in Africa.

Mining in Tanzania has become a highly controversial sector. Two issues stand out as being particularly contested. First, a number of researchers, opposition politicians, and lay men argue that foreign mining companies were given too generous conditions when they were invited to invest in Tanzania in the early 1990s. The result, the argument goes, is that Tanzania as a nation will have little return from being one of the most mineral rich countries in the world (Kulindwa et al. 2003). The second issue raising concern is the relationship between small scale miners and mining companies. Human rights organisations have registered a number of incidents where small scale miners have been killed by either the police or by the security guards of mining companies (Kijo-Bisimba, Rwehumbiza, and Petersen 2004:12; Lissu 2004:20). Both the government and various donors acknowledge the fact that artisanal and small scale mining provide employment to a large number of people in rural areas, but they are also aware of the challenges; environmental destruction, high death rates due to accidents, child labour, and tax evasion.

Internationally, the debate on mining in developing countries has been dominated by the "natural resource curse" theory and ideas about the "rentier state." On the basis of economic and political analysis of a number of resource rich countries, it has been argued that oil and minerals in many cases have had a negative impact on economic growth and political stability (Karl 1997; Sachs and Warner 1995; Shafer 1994). Opponents to these theories argue that the natural resource curse may be related to debt overhang, and that there is no systematic correspondence between mineral resource abundance and political violence (DiJohn 2003; Manzano 2001). The majority of researchers working on these issues now seem to agree that there is indeed a correspondence between natural resources and poor growth performance, but that we still know too little about the mechanisms shaping these processes (Moore 2005). Recent studies of the Nigerian experiences conclude that the poor long run economic performance of this oil-rich country is a result of governance difficulties, waste and corruption rather than Dutch disease (Sala-i-Martin 2003; Watts 2004). This finding fits well with the World Bank's comparative analysis of a number of mining countries (countries where mining contributes more than 6 percent to exports). The Mining Department of the bank found that institutional stability and overall good economic management (especially revenue) are important for mining countries to fare well. "Best in class" countries have strong institutions and well-formed policies, while "worst in class" countries are slow to reform and

[1] From a speech at the opening of the AFGEM Tanzanite mine, November 2001 (AFGEM Annual Report 2002).

have civil wars/unrest. In sub-Saharan Africa, Botswana, Namibia and Ghana belong to the first group, while Cameroon, Zambia, Congo and Sierra Leone belong to the latter (World Bank 2002b).

Recent research within the framework of the Bank's Governance of Natural Resources Project suggests that in developing countries, "large rents from natural resources can weaken state structures and make governments less accountable, often leading to the emergence of secessionist rebellions and all-out civil war" (Bannon and Collier 2003b:ix). Collier and Hoeffler found that ethnic dominance – cases where one dominant ethnic group makes up 45 to 90 percent of the population - is a negative factor, while ethnic and religious diversity has proved to be positive (Bannon and Collier 2003a:3).

It is beyond the mandate and scope of this study to analyse the Tanzanian situation in the full context of the resource curse debate. However, our case studies show that at the local level, poor local governance has opened up for corruption in benefit streams management. Moreover, in Mererani, development projects sponsored by a large scale mining company have resulted in ethnic secessionism and affected local political processes. There are no signs that this ethnic rivalry will take violent forms, but in Tanzania, which has historically been blessed with peace and amicable relations among the country's many ethnic and religious groups (of which none are dominant), this is a development that one needs to pay attention to.

The two case studies focus on the triangular relationship between government (including local authorities), foreign owned mining companies, and local communities. What has guided benefit stream management up to now? What factors enhance or hinder an optimal management at the local level? The two mining areas selected for case studies are nationally significant in two different ways; Geita first and foremost because of the size of the mine, Mererani because of the symbolic value attached to Tanzanite. Geita district, bordering to Lake Victoria, hosts the third largest gold mine in Sub-Saharan Africa, Geita Gold Mine with 2400 employees. The mine is owned by AngloGold Ashanti and contributes about one third of the government's revenues from large scale mining. The second case study, Mererani, is the only place in the world where the semi precious stone Tanzanite is extracted. Mererani Mining is owned by TanzaniteOne and has 450 employees. Both areas have a history of small scale mining before foreign investors established themselves. The companies' willingness to engage in benefit sharing, their methods for doing this, and their co-operation with local authorities varies greatly. Both mining communities have faced conflicts between small scale miners and foreign investors, but the conflicts have reached far higher levels in Mererani compared to Geita.

The present chapter provides an overview of the mining sector in Tanzania, including historical background, mining policy, as well as the institutional and legal framework. Chapter two looks at the role of mining in the national economy of Tanzania over the last decade. Chapters three and four present mining activities, social benefit streams, and relations between large scale and small scale miners in Geita and Mererani respectively. Chapter five briefly discusses the two case studies in light of the national picture and addresses the challenges identified in regard to benefit management.

1.2 Mining history and mine ownership in brief

Tanzania has unique geological environment that hosts a variety of economic minerals. The most famous deposit is the Lake Victoria Greenstone belt in the central and north-central part of the country, but there are viable resources of various minerals in the north-east and the south-west as well. Gold discovery and exploitation by German colonialists started towards the end of the 19th century and lasted until the First World War. During the British colonial era (1918-1961) mineral production and revenue were mainly from gold, diamonds, lead, mica, salt and tin. Gold was at a peak level in 1940 when it contributed to about 90% of the value of the mineral production. The discovery of large diamond deposits in Shinyanga in 1940 and the subsequent establishment of Williamson Diamond Mine led to a dramatic rise in the national mineral revenue.

Independence in 1961 did not lead to immediate changes in the mining sector. In the early 1960s, the contribution of mining to GDP averaged 3 – 4 percent (Kulindwa et al. 2003). In the period 1960 to 1966, however, the last big gold mines at Geita and Kiabakari closed down. Following political changes in 1967, a number of industries were nationalised, mining included. In the period up to the 1980s, diamond production from Williamson Diamond Miners Ltd (WDL) accounted for more than 70 percent of the total value of mineral production in Tanzania (URT, 1996). As production at WDL continued to decline, contribution of the mining sector to GDP fell to about 1 percent in the period 1988 and its contribution to national revenue was only 0.3 percent. There was little investment in the sector, and due to price regulations and lack of market, the greater share of recovered gold and gemstones were smuggled out of the country. According to official figures, the total gold production was only 800 kilograms in the eight year period 1981-89 (Kulindwa et al. 2003).

In 1986 Tanzania agreed to a structural adjustment programme designed by the World Bank. Internal and external trade was liberalized, and the government opened up for foreign investment in the country (Havnevik 1993:25). The liberalization of mining, accompanied by the legalization of the buying and selling of gold and gemstones through banks and designated dealers, had immediate effects. In 1991, mineral sales increased almost 70 percent. This dramatic raise is attributed to record gold production and sales mainly by small-scale miners.

The economic reforms also entailed a boom in large scale mining. Foreign investors were invited to enter the country's mining sector, and since the late 1990s, Tanzania has received large capital inflows. In addition to Geita Gold Mine and the AFGEM Tanzanite mine which we will focus on in this study, major mining establishments include Kahama Mining (owned by the Canadian company Barrick, the third largest gold company in the world), Afrika Mashariki Gold Mines, Golden Pride Project, Buhemba Gold Mine, and Williamson Diamonds Mining.

Map 1. Metallurgic map of Tanzania

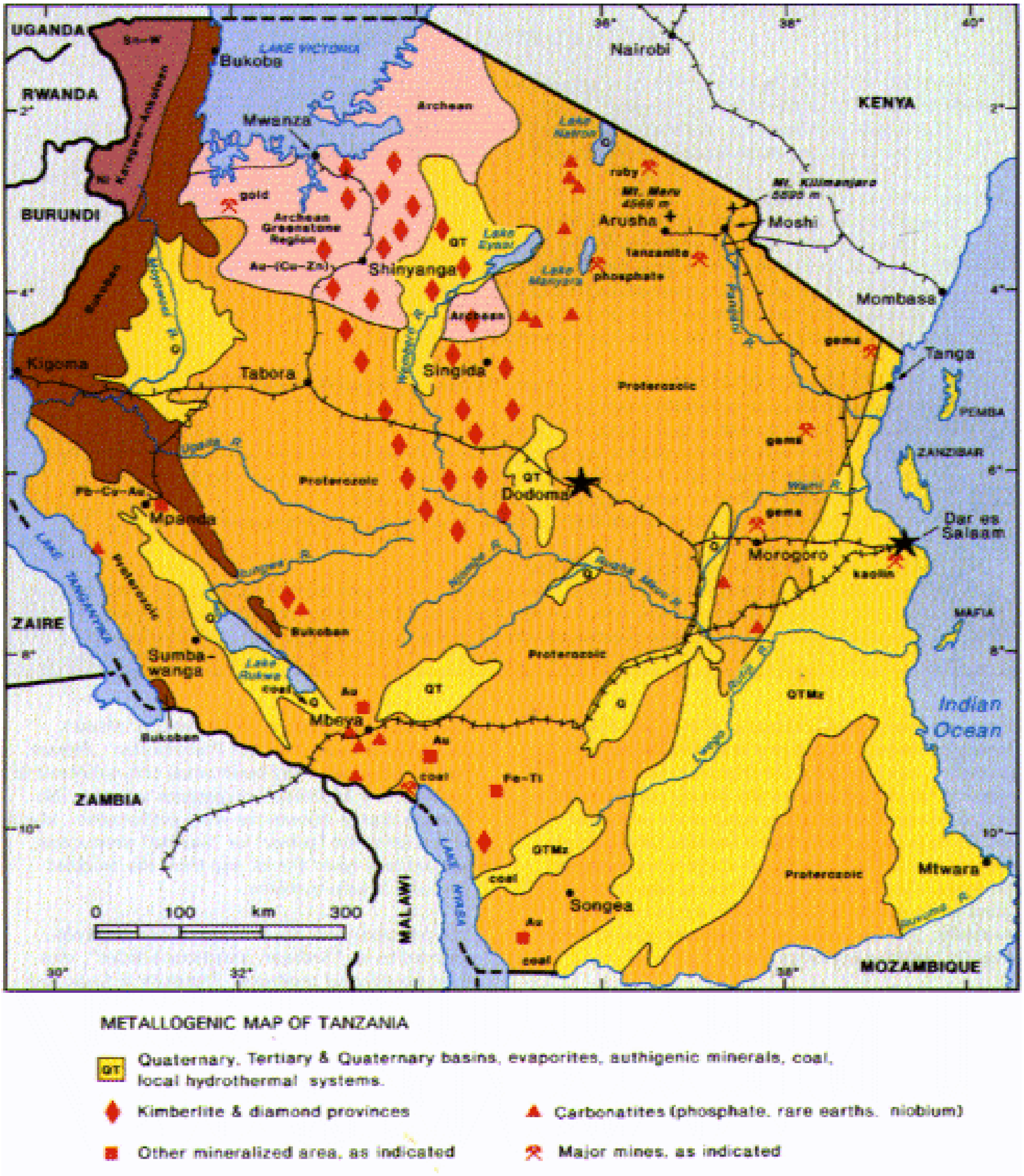


Table 1. Larger Mining Companies in Tanzania

Name	Owner	Mineral	Established	Investment US$
Golden Pride Mine	Resolute	Gold	1998	77.000.000
Bulyanhulu Gold Mine	Barrick Gold Corp.	Gold	2001	280.000.000
Geita Gold Mine	AngloGold Ashanti	Gold	2000	450.000.000
Afrika Mashariki Gold Mine	Africa Mashariki	Gold	2002	72.000.000
Buhemba Gold Mine	Meremeta co. Ltd	Gold	2003	65.000.000
Merelani Mining Ltd	Afgem	Tanzanite	2001	20.000.000
Williamson Diamonds Ltd	DeBeers and Tz	Diamonds	1940	12.300.000

Source: Ministry of Energy and Minerals

Alongside these large establishments, there are thousands of people engaged in small scale mining. In the Tanzanian context, the terms artisanal and small scale miners are seldom differentiated. However, in the 1998 Mining Act, a small scale miner "is the holder of a mineral right through a Primary Mining License issued by the Commissioner for Minerals" (Mwaipopo et al. 2004:21). The term 'small scale mining' covers everything from truly artisanal mining - which is often hazardous to miners' health and the environment - to medium scale mines which make use of modern technology and proper disposal of chemicals.

A survey conducted for the World Bank in 1995 estimated that 550 000 people were directly employed in small scale mining (World Bank/Tan Discovery 1996). Another study estimated that by the late 1990s, the sector employed somewhere between 500 000 and 1.5 million people (Chachage 1995:118). These figures continue to be widely quoted, since no baselines on mining have been conducted since then, and since national surveys like the Household Budget Survey and the Labour Force Survey have little information on mining activities. However, as Mwaipopo et al. have pointed out, the mining act of 1998 entailed a number of changes which have resulted in both a decrease and an increase in small scale mining over the last six years (Mwaipopo et al. 2004:27). At the moment, there are 5 600 small-scale claim holders for minerals, gemstones, stones and salt in the country, but many are dormant due to lack of capital. If we estimate that two thirds of the claim holders, 3 700, are active, and that each mine has 30-60 mine workers, it means that there are some 170 000 small scale mine workers in the country. Several observers have referred to the relationships within small scale mining as exploitative, since mine workers generally work for food and shelter only in the period before actual extraction is begun. (Kulindwa et al. 2003; Mwaipopo et al. 2004). As in other countries, many of the artisanal miners are itinerant and work only in the agricultural off season. It is not uncommon for young men to work as small scale miners for a few years, and then withdraw when they have raised enough capital to build a house and/or invest in business (Kelsall 2004). The division of labour within small scale mining is presented in table 2.

The Tanzania business community and government officials have expressed a strong interest in managing the growth and co-existence of large and small mining sector so that they generate jobs, transfer technology and lead to balanced sustainable growth and poverty reduction. This policy is in line with the recommendations of the World Bank's Extractive Industries Review (World Bank 2003a:3).

Table 2. Division of labour in small scale mining[2]

Claim holders	Claim title holders may be companies, individuals or associations. Individuals are often former civil servants, and many are members of regional miners associations.
Pit owners	Claim holders often sub-let the actual mining work to so-called ‘pit owners’. Pit owners organise the production and labour processes, provide machinery (Mererani), participate in the work, and provide the claim holder with 30 percent of the value of production. In order to control the amount of production, claim holders employ security guards.
Mineworkers	Drillers, blasters, sand removers, crushers and grinders, are hired by the pit owner and organised in “gangs” under a foreman. Experts, usually with experience from formal mining, are hired when gold is actually found. The miners are not organised. As in colonial times, workers usually only receive food for their labour and get a percentage of the recovered gold/tanzanite. In 1998, only four percent had a written contract.
Gemstone dealers and brokers	Official dealers need an expensive license. Organised, lobbies for further deregulation.

1.3 Mining sector policy, institutional and legal framework

The development of the mining industry in Tanzania is closely connected to the political and economic changes that the country has gone through. Up to 1967 market economy flourished, mining was almost entirely in private hands, and the sector was performing well. In 1967 state-monopoly was declared through the Arusha Declaration. The government acquired majority shares in mining companies and restricted foreign ownership of property. In 1972, the State Mining Corporation (STAMICO) was established to operate the mining sector.

From the mid 1980s, Tanzania entered a period of structural adjustment. In order to encourage investment, the National Investment Promotion and Protection Act was put in place in 1990, replacing the Foreign Investment Act of 1963. The Act specified petroleum exploration and mining as priority areas to be opened for foreign investors. The Act provides for incentives and guarantees to the investors, and to further facilitate investment, the government set up an Investment Promotion Centre. In May, 1990 gold mining and selling activities were liberalized by the ministry responsible for minerals. From then on, anyone could sell gold to government appointed banks with no questions asked. Small scale (artisanal) miners were encouraged to acquire claims. Similar steps were taken by the Government with respect to diamonds in 1992. The Public Corporation Act which came into force in the mid 1990s, spelled out that parastatals no longer had authority over their former subsidiary companies, and that parastatals had to be self financing. STAMICO, for example, has since turned into a consulting corporation for the mineral industry.

In 1997, the Mineral Sector Policy (1997) was formulated. The Policy emphasizes that the government’s role will first of all be to regulate and promote the mining industry rather than being directly involved in the exploration and exploitation of the minerals. Following these measures, private companies (both foreign and local) have taken the lead in operating, managing and owning mineral enterprises in Tanzania. The government’s principal objective, according to the Policy, is to develop the mineral sector and increase its contribution to the economy to ten percent of GDP by 2025. The new policy also outlines strategies for strengthening community participation and involvement in mining.

[2] This table is based on an article by Chachage Seithy L. Chachage (1995).

The Mineral Policy was followed up by a revision of the 1979 Mining Act to accommodate the recent changes of government policy. The 1998 Mining Act, effective as of August 1999, envisages small and large-scale mining developed side by side. Tanzanian nationals are given exclusive rights to key roles in the small scale mining sector (mine claim holder, broker, and dealer). Large-scale mining on the other hand, is open to international companies with the needed capital and experience. Foreign mining companies presently involved are mainly from South Africa, Canada, and Australia.

2. Mining and the national economy

Two groups of miners responded to the liberalization of the mining sector in Tanzania; small scale miners and large international companies. Small-scale mining, dominated by Tanzanian citizens, took off immediately. As mentioned earlier, no accurate number is available, but the sector is said to have employed somewhere around 500,000 people in the 1990s (Chachage 1995). Contribution of the mining sector to GDP more than doubled from 0.8 percent in 1990 to around 1.8 percent in 1997.

Formal mining by expatriate investors began with an exploration boom, which is still going on. The first new large scale gold mine began production in late 1998, and since then 5 other large gold mines have followed suit. From 1995 to date, more than US $ 1.5 billion have been invested in the sector by these companies. The investments and establishments of large mining companies have substantially formalized the mining sector of the country - something that has important fiscal implications. In national statistics, revenue from large scale and small miners is grouped together, making it difficult to estimate the contribution of each. There is little doubt, however, that large mining companies have been the most reliable source of government revenue from the sector. Tracking of production volumes and exports from such companies has been relatively easy compared to small-scale and artisanal miners. This is because small scale miners tend to operate more informally and often sell to middlemen who export the minerals through unofficial channels. Journalists have estimated that gold and tanzanite worth over US$25 million is smuggled out of the country annually (East African, Monday, July 24, 2000).

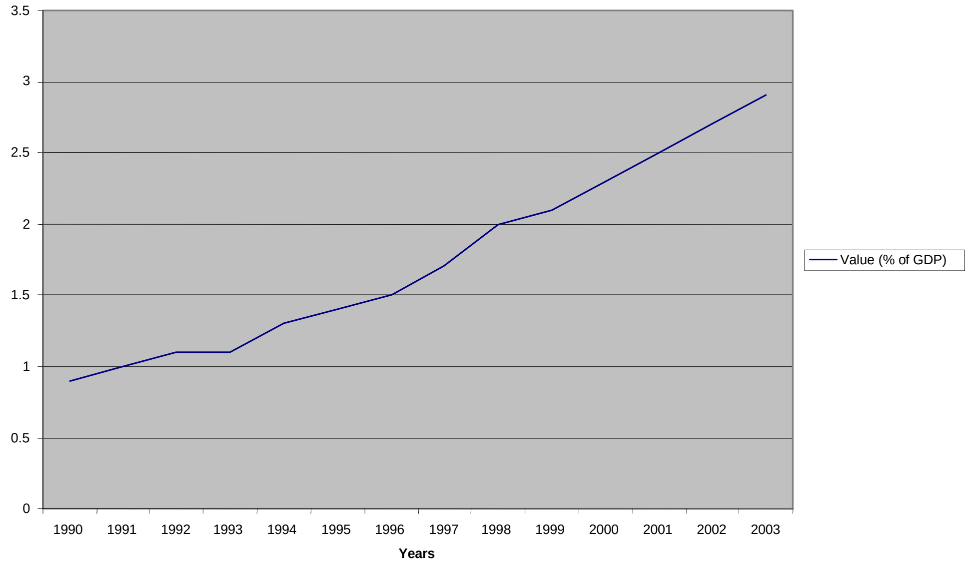
Despite continued smuggling, the officially registered mining production in Tanzania has virtually exploded. Officially registered gold production averaged only one hundred kilos per year in the 1980s, was 1.6 tonnes in 1990, and reached 45 tonnes in 2003 (Economic Survey, 2003). The growth rate was 17 percent in 2003. The percentage of the value of minerals to the total value of exports has also increased dramatically. In 1996, it was only 3.8 percent. In just five years, it grew to 40 percent, and finally reached almost 50 percent in 2003. In nominal terms, export earnings generated by mining increased almost twenty times, from US$ 29.7 million in 1996 to US$ 553 million in 2003 (see figure 2), demonstrating the impact of large scale mining. Traditional commodity exports, like coffee and sisal, saw the opposite trend, being reduced from US$ 435 million in 1997, to an annual average of US$ 218 million in the period 2001-03 (Economist Intelligence Unit 2004:33).

2.1 Mining and contribution to GDP

The contribution of the sector to GDP has grown by 50 percent in five years from 2 percent in 1998, to 2.5 percent in 2001, 2.7 percent in 2002 and reached 2.9 percent in 2003 (The President's Office 2002).[3] In comparison, extractive industries constitute more than five percent of GDP in Peru (Gibbs-Mainhardt 2003:21), between 11 and 18 percent in Papua New Guinea (World Bank 2003b:21), and around 60 percent in Botswana. The Government of Tanzania targets to raise the contribution of mining to 10 percent of GDP by 2025 (The Law Reform Commission of Tanzania 2001:3).

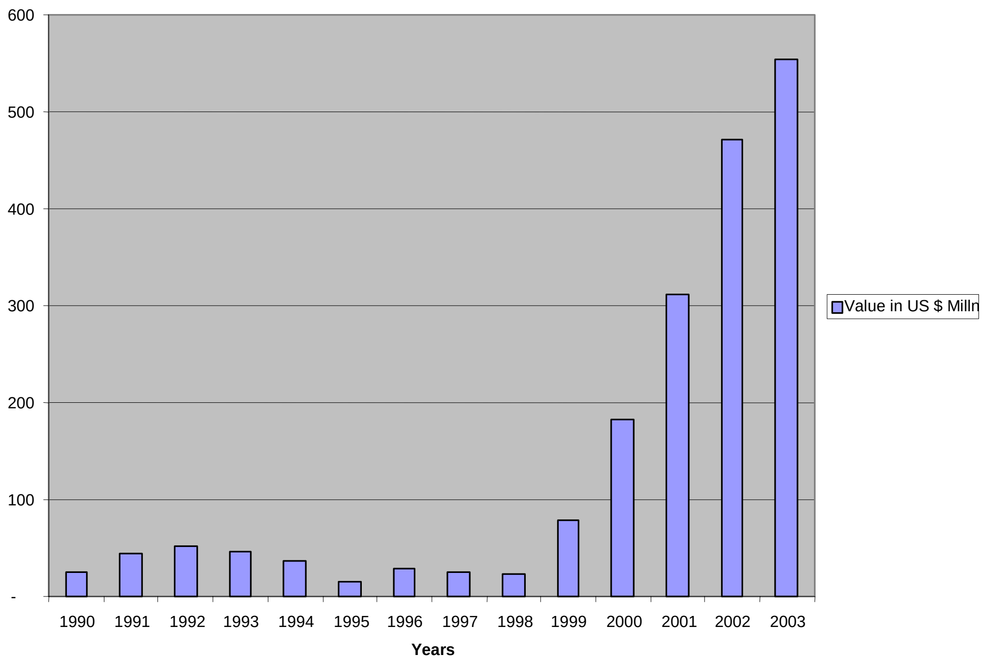
[3] The Economist Intelligence Unit operates with 1.9 percent share of GDP for the mining and quarrying sector in 2003 (Economist Intelligence Unit. 2004. *Country profile 2004, Tanzania*. London: The Economist Intelligence Unit.)

Figure 2. Contribution of mining as percent of GDP



Constructed from Economic Survey, 2001

Figure 3. Tanzania Mineral exports in US $ Million,1990-2003



Source: Constructed from Economic Survey, 2003

2.2 Mining Revenue

The fiscal regime applicable to the mining sector in Tanzania are set out in the Mining Act of 1998, the National Investment Promotion and Protection Act of 1990, the Tax Act of 1973 (and amendments, e.g. the Finance bill of 1992), and Mining Policy papers. The fiscal incentive package offered to foreign investors in mining is presented in Table 2.[4]

The basic income components to the government from mining activities include: royalties, income taxes (both individual and corporate), dividend withholding taxes, Sales taxes, import duties and land taxes and lease rentals as reported by official sources (see section 1.2). Rates for all these taxes are usually established by Central Government. As a general rule, albeit with some major exceptions, the majority of direct taxes accrue to the national treasury, while the majority of the fees accrue to the local government authorities.

Government revenues from the major mining operations in Tanzania have increased consistently since 1997 (see table 4). From a little more than US$ 2 million in 1998, it reached 36 million in 2002. Almost one third of this amount, US$ 13 million, came from Geita Gold Mine. Compared to the volume mined and exported, however, the contribution is not very high. Over the period as a whole, the government has on average received not more than 8.4 percent of the exported value as revenue.

Table 2. Fiscal incentives for investors in mining

	Duty	VAT
All Capital Goods	0%	Relieved
Spare Parts	0%	Relieved
Explosive & Other Supplies	0%	Relieved
Fuel & Oils	0%	Relieved
Corporation Tax	30%	
Capital Allowance	100%	
Resident and non-resident withholding tax on technical services	3%	

Source: Tanzania Investment Promotion Centre 2004.

Figure 2. Taxes and levies applicable to the mineral sector

- Royalty 3% (diamonds 5%)
- No tax, duty, fee or other fiscal impost on dividends
- No capital gains tax
- Losses carried forward for unrestricted period
- Duty rate of 5% and VAT will be charged after the first five years of commercial production
- Yearly appreciation of un-recovered capital in investment
- Importation by or supply to a registered licensed exploration; prospecting, mineral assaying, drilling or mining company, of goods which if imported will be eligible from relief from duty under customs law, and service for exclusive use in exploration, prospecting, drilling or mining activities.

Actual revenue to the government from these operations was just about 0.3 percent of the total domestic revenue collection from 1998 to 2001. In the year 2002, the contribution of mining revenue tripled to about one percent of total domestic revenue, but this is still very low compared to

[4] If a company is registered with the Investment Promotion Centre (IPC) it will enjoy five years of tax holiday but it can no longer utilize the incentives accorded to mining under the Income Tax Act.

Botswana where the mineral industry provides about 50 percent of Government revenue (Isaksen and Okatch 2004:3). Up till now, none of the companies have started paying the 30 percent corporate tax since they have not yet recovered their capital expenditure. As the major mining companies advance to their full capacity and start to pay the corporate tax, the revenue to the government is expected to rise significantly. It is interesting to note that the much-debated royalty makes up less than a third of the total revenue income from the sector. In fact, tax on foreigners and local employees' salary ("pay as you earn" PAYE) add up to more than the amount paid in royalties.

The issue of revenue from large scale mining has raised considerable debates in the country. Many people argue that the tax holidays and other incentives that have been granted to investors were to generous. There is also a feeling among both government officials and ordinary people that companies may not declare the correct amount that they are producing and that they in this way evade taxation. A common complaint is also that the 3 percent royalty is indeed too low. The government has set up a commission, led by Dr. Kibokola, former Permanent Secretary, to look into these issues.

Table 4. Government Revenue from the Major Mines, 1998 – 2002 (US$)

Payment	1998	1999	2000	2001	2002
Pay as you earn - Exp. Salaries	331,726	342,863	3,427,180	1,673,437	6,770,045
Payroll Levy-Exp.	38,766	38,532	454,676	257,985	410,809
Paye-Exp. Gratuity				277,129	551,992
Withholding Tax- Minesite	103,459	353,493	5,785,560	5,462,412	5,545,412
Withholding Tax- Dar			102,065	77,652	44,103
Payroll Levy	25,000	123,719	241,558	686,160	1,009,426
Vocational Training (Veta Levy	120,454	226,292	377,001	350,066	326,044
National Social Security Fund (N	274,239	519,891	1,102,515	1,027,327	2,075,588
Parastatal Pension Fund (PPF)			4,212		
Pay as You Earn (PAYE)	489,522	1,050,623	1,421,202	6,294,386	3,726,728
Stamp Duty	2,063	2,237	114,403	152,945	200,695
Donations	51,332	60,391	178,324	138,718	228,903
Road Toll		200,000	440,591	460,564	683,946
Mining Lease	71,000	150,000	307,000	314,000	351,946
Royalty	474,892	1,246,819	4,611,575	6,991,321	10,833,359
Import Duty	199,540	201,027	532,566	1,052,649	2,565,611
Others		366,583	610,261	337,707	910,707
Total	2,181,993	4,882,470	19,710,689	25,554,458	36,235,314
Revenues as % of total exports	9.7	6.1	10.6	8.1	7.7

Source: Ministry of Energy and Minerals

When it comes to collecting revenue from small scale mining, the government does not seem to have enough resources for a proper management. Out of 153 quarterly reports to the mining office in Mererani, only five claim holders report that they have had production, while all report expenditures. The percentage reporting taxable profit is a little more than three percent. A medium scale miner in Rwamgasa, Geita, showed the team evidence that he had paid royalties, but said that he had never paid any taxes on the salaries of his one hundred employees, and that he saw no reason why he should do so. For Geita Gold Mine, on the other hand, tax on salaries equals thirty percent of what they pay in royalties.[5]

2.3 Economic linkages and multiplier effects

For poor countries, the revenue generated through exploitation of mineral resources can be substantial, and act as a powerful catalyst for development. There are, however, several resource rich countries which have not succeeded in this, and several observers have argued that having natural resources can be a curse rather than a blessing for developing countries. The question is partly how tax revenue from mining is budgeted, ensuring that it is invested for the benefit of future growth and development after the natural resources have been exhausted. In the case of Tanzanite, the question is acute, since the reserves are estimated to last another ten to fifteen years only.

Up to now, revenue from mining in Tanzania has not been earmarked for any specific purpose. At the side of infrastructure, for example, around 95 percent of the national fund used to construct new roads comes from donors, while the remaining 5 percent is provided by the government. In fact, total bilateral and multilateral aid to Tanzania in 2003 (US$ 1699 millions) was 47 times higher than what the government earned in revenue from mining (OECD 2005:231).

In addition to revenue that may be used for development purposes, a country may benefit from the mines' local purchases of goods and services. When most of the input/consumable supplies are imported, however, the local economy does not benefit much.

2.4 'Donations' from mining companies

As part of the international Corporate Social Responsibility "trend", all mining companies contribute to the development of their host community to a smaller or larger degree. In Tanzania, the companies' investment in social development is registered by the Ministry of Minerals and incorporated into the calculations of the total revenue contributions of the sector under the rubric "donations". Table 5 provides a break-down of the donations to community development by the largest mines in the period 1999 to 2002. Of the US$ 17 million donated by the companies in the whole period, US$ 12 million, or 70 percent, was spent on water and roads.

Critical voices argue that the companies' investment in these sectors are simply for their own benefit. They typically repair roads leading to the mine only, and draw water pipes that they themselves need. People's suspicion about the "selfish" motives of mining companies when it comes to community development is partly confirmed by the fact that such donations have gone markedly down after the initial infrastructure for the mining companies was in place. Donations in 2002 were only one fifth of the level in 2000. On the positive side, donations to education projects have increased over the years and was the largest post in 2002. In the coming two chapters, we will look at the ways in which local communities and/or local governments themselves have been involved in deciding how and how much money should be spent on particular projects in our case study mining areas.

The Ministry of Energy and Minerals also registers how much the various companies spend on human resource development, i.e training of their employees. Since 1997, the major mining establishments have spent more than US$ 7 million on training of approximately 7 500 people. Training may range from providing basic training in machine operation to sponsorship of professional levels. The long term effect of this human resource development is hard to quantify, but it will last even after the closure of the mines.

[5] GGM pays approximately US$ 8 105 000 in tax on salaries, and around US$ 26 175 000 in royalties.

Table 3. Community development by selected mines (US $)

	1999	2000	2001	2002	Total
Education	61,431	196,926	338,886	435,197	**1,032,440**
Health	27,264	242,905	1,032,583	271,000	**1,573,752**
Water	2,054,866	3,307,440	1,306,420	120,494	**6,789,220**
Roads	2,015,193	3,255,230	807,157	351,762	**6,429,342**
Microfinance Schemes		46,133		39,668	**85,801**
Others[6]		1,023,720	161,999	272,267	**1,457,986**
Total	**4,158,754**	**8,072,354**	**3,647,045**	**1,490,388**	**17,368,541**
As percent of exports	**5.1**	**4.3**	**1.2**	**0.3**	**3.1**

Source: Ministry of Minerals and Energy.

[6] Include expenditures on items like electricity, youth and HIV/AIDS programs.

3. Gold mining in Geita

Geita District borders to Lake Victoria. The district headquarters, Geita town, is situated 90 km south of the regional capital Mwanza (about two hours drive on rough roads). In terms of area, the district is small compared to many other districts in Tanzania – 7825 square km, of which one fifth is under water. Despite its relative proximity to water, the southern parts of the district are dry, and large areas are still unoccupied due to unreliable rainfall and tsetse flies. The greater part of the district has settlements that date back four decades only (Chachage 1995:70), but the district is still the second most populous district in Tanzania with a population of close to 800 000 (National Census 2002). The population has almost doubled over the last fourteen years, mainly because migrants are attracted by the opportunities created by both small scale and large scale mining.

According to the district council plans, about 85 percent of the population is engaged in subsistence production and livestock keeping, and agriculture contributes more than 75 percent of the district's GDP (Geita District Council 2004b:2). Looking at district revenue collection to the national treasury, however, 90 percent is derived from Geita Gold Mine. Since small scale mining to a large degree is performed informally, its contribution to the district economy tends to be underestimated.

About ten percent of the population live in Geita town where Geita Gold Mine (GGM) is situated. Local miners operate in 26 mining zones scattered around the district, but the majority are concentrated in seven mining communities. There are presently around 300 primary mining license holders in Geita, and approximately 140 big companies with prospecting license doing exploration.[7]Apart from mining, there is little industrial activity in the district. In addition to two ginneries, there are small workshops for carpentry, flour milling, handcrafts and a garage. Politically, Geita is dominated by the ruling party, CCM. Only one of the 38 wards has a councillor from an opposition party (CUF).

3.1 Historical background

Gold mining in Geita started in the late 1880s. The German colonial government (1884 - 1917) introduced the concession system which gave companies exclusive mining rights over large areas (Chachage 1995:48). By 1910, there were at least 76 prospecting fields in the area and 111 claims had been pegged. The British, who took over the colony after the First World War, were less interested in mining. First, they saw agriculture as a more important source of raw materials than minerals, second, gold prices were not very promising, and third, they were warned by one of their consultants, the re-known anthropologist Malinowski, that transfer of large areas of land could cause trouble, "lasting for generations" {Malinowski 1927:2, quoted in Chachage, 1995 #1133:50}. Up to the 1930s, only Europeans were given licenses, but after pressure and strikes, Africans were granted the same rights.

During the Second World War, gold prospecting was banned and companies that were already active had great difficulties getting machinery due to the colony's limited access to imports. Low gold prices made gold mining unattractive and many mines in the country had closed down by the late 1940s. Geita Gold Mine (GGM) was operational from 1936 to 1966 and therefore an exception. The mine, owned by Tanganyika Concessions, and the largest gold mine in East Africa, employed around 2000 people. It was closed in 1966, four years after independence, due to low gold prices and the recent political changes. When gold prices started to rise in 1971 the government got

[7] Interview with Resident Mines Officer of Geita, Donald E. Mremi.

renewed interest in mining. The State Mining Corporation (STAMICO) was established and immediately took over Buck Reef Mine, the second largest gold mine in the district after GGM.

3.2 Operators within mining

Small scale mining

Many of the people who were retrenched when mining companies closed down over the years became artisanal or small scale miners. In Geita, this process started in the 1960s, and has only intensified over the years. In the period following independence, government participation was mandatory in all mining, artisanal mining was in effect illegal, and the gold produced was by and large smuggled into Kenya. With the new mining law of 1979, small scale miners could legally peg claims, but the regional authorities in Mwanza were reluctant. It was only after the Minister for Minerals intervened in 1984 that claims were issued. In the same year, however, the government granted a prospecting license to Dar Tardine el Umma Ltd, covering a large area where artisanal miners had worked for years and were still operating. The company allowed them to continue on the condition that they sell their gold to the company. The company was expelled after five years after having failed to start production. As in several other African countries, this is in fact the way many of the so-called “large scale” companies in the country have functioned until recently. The companies have been more interested in buying the produce of artisanal miners and smuggling it out of the country, rather than in investing in costly production (Chachage 1995:72).

Around 300 primary mining licenses have been issued in Geita district, but only half of the claim holders are active. Very few of the claim holders have their origin in the district, and pit owners as well as mine workers have come from all over the country. Artisanal miners complain that they neither get support from the government nor access to loans to buy equipment like water pumps. One informant said that his yearly production was around Tsh. 800 000 (US$ 734), and that he paid royalties. This means that he ends up with Tsh. 65 000 (US$ 59) a month, almost half of what a primary school teacher earns, and less than a third of what mineworkers with the large scale mining companies are paid. There is the chance that this informant underestimated his production, or that he did mining in addition to agricultural activities. It is commonly estimated that an average miner wins about ½ gram of gold per day worked, e.g. about $6/day on average, which makes up $120 per month.[8] From this amount the miner would, of course, have to deduct any costs associated with the production. Artisanal miners always have the hope of finding a rich ore which will change their life. At one of the open pit mines visited, the miners extracted gold worth Tsh. 2 millions (US$ 1835) in two days, of which the claim holder got 40 percent.

The great majority of artisanal miners operate individually within the system of claim holders, pit owners and hired mineworkers presented in chapter one (table two), but in some areas artisanal miners have established cooperatives.[9]

Geita Gold Mine

In the mid 1990s, explorations proved that there were still viable gold deposits in Old Geita Gold Mine. Ashanti Gold of Ghana acquired the mining rights in 1996, but had problems raising the

[8] Personal communication, Craig Andrews, Principal Mining Specialist, World Bank.

[9] One example is Kwamalwa Mining Cooperative society LTD, which was started in 2000 by 30 initiative takers. The group now has 46 members, of which 3 are women. The entrance fee was initially Tsh. 50 000 (US$ 46), but has raised to Tsh. 300 000 (US$ 275). The cooperative is not yet operational because they are waiting for a license from the Ministry of Natural Resources and Tourism to cut trees for poles. They feel that the process should have taken a shorter time, but say that they have not so far encountered any problems with corruption.

needed capital for production. In 2000, they entered into a partnership with South African owned AngloGold. The total investment by the two companies is more than US$ 400 million (Geita Gold Mining LTD 2004). In April 2004, AngloGold bought Ashanti and the new, merged company took the name AngloGold Ashanti Limited. Geita Gold Mine is presently the third largest mine in Africa.

GGM was officially opened by President Benjamin Mkapa in August 1999, but has only been in full operation since 2002. From a start with 500 employees (Business Editors 2000), it now employs around 2400 people, including 750 employees of the mining contractor DTP. More than 90 percent of the employees are Tanzanian.

In the period 1999 – 2003, the mine extracted 156 000 ounces of gold and paid approximately US$ 36 million in tax and various donations. Originally, the mine was expected to operate for ten years, but a new deposit was found in 2004, increasing the known deposit from 7.8 million ounces to 14.6 million, and prolonging the expected life of the mine to 13 years.

3.3 Relationship between small scale and large scale miners

Geita Gold Mine is a fenced area with a high level of security and there have not been any reports of illegal mining or conflicts with artisanal miners within the mines' area. In the villages surrounding East African Mines on the other hand, relations are less harmonious.

East African Mines

East African Mines is the former Buck Reef Mine which the state, through STAMICO, owned up to 1992. Since then, several companies have been involved in explorations. Currently the mine is co-owned by the Australia based company Gallery Gold Limited (80 percent) and STAMICO (20 percent). Since the mine was privatised in 1992, the activity has been exploration only, but the owners expect to start mining within two to three years. Over the last decade, the mine has expanded its exploration license from 2.5 square kilometres to 450 square kilometres, an area covering thirteen villages.

Villagers are allowed to farm, but only annual crops, since the company does not want to risk having to compensate perennial crops. Moreover, villagers are not allowed to plant trees or dig more than one foot into the ground, a restriction which, they say, prevents them from digging even latrines. The restrictions apply in the whole area as long as East African Mines is still exploring. The Operations Manager of the mine says that the company has problems with illegal mining: "The villagers think that just because they have a house there, they can dig. They can farm, no problem, but not dig".

The general view of village leaders in Nyarugusu and Rwamgaza is that they know very little about what is going on and that they would have wanted the government to be more open about the processes. The Ward Executive Officer of Rwamgaza ward, says that the government made a great mistake by issuing licenses for such a large area. He claims that the village governments were never involved in the process and that villagers have had little or no information about what the new situation entails. Many miners have continued mining without a license, especially since the former owner of the mine, STAMICO, had a relaxed attitude towards this practice. This has resulted in a number of court cases. One of the cases involves 32 men, including the Ward Councillor.

The conflict started when the mining company found that illegal mining was taking place at one of their boreholes in April 2003. According to the Mines Operator, the company tried to handle the issue by asking for assistance from the local police and the regional police commissioner. They also reported to the local and zonal mines offices and the District Commissioner. According to him, they all had "excuses" for not getting involved, and advised the company to take the case to court.

The councillor for Rwamgaza Ward, Elias M. Kapula, says that the guards of East African Mines took bribes to let people mine illegally at night. Some of the miners were from distant villages. After some time, he received a letter from the District Commissioner asking him to talk to the illegal miners, in capacity of being "their leader". Unfortunately, he happened to be at the site when the management of the mine arrived. Out of 32 people who were present, the great majority escaped, but he and five others decided to stay behind to discuss the case with the management. They were all made to sign a paper confirming that they had been on the site. After two weeks this group received a letter stating that they would have to appear for the court in Dar es Salaam within 21 days:

> "I was selected by the others to represent them, and went to Dar es Salaam. (…) The lawyer initially demanded 5 millions to take the case, but he finally agreed on 3 millions and I signed the contract after consulting with my fellows. The case was mentioned two times without hearing. The situation was very difficult since we had travelling costs to and from Dar es Salaam. (…) The General Manager visited the area in January this year and talked to leaders and villagers. He accepted to forgive us on the condition that we should stop mining and if found with any stones, the imprisonment would be up to two years. Since then people have been jailed between 6 months and a year. After we were forgiven by the East African Mines, we wrote to our lawyer and requested him that the down payment of 500 000 we paid him earlier should be taken as his full payment since the case had been cancelled. The lawyer disagreed and he wants us to pay the full amount we agreed upon (3 millions). He has opened a case against us in Kisutu court, demanding 4.2 millions including the interest rates. We don't have the money and we don't know what to do." (Elias M. Kapula, councillor for Rwamgaza Ward).

Since the agreement was made, the new "law" has been enforced strictly:

> "A man was jailed for six months because he was found digging within the mine's area. He is a widower with two daughters in standard six and seven. When he was jailed, the children could not go to school and there was no one to take care of them. I decided to take one of them as a housegirl, and the other girl is working for somebody else. The company is not considering the human side of it." (Ward Executive Officer, Rwamgaza Ward).

A third court case involves a claim holder who initially sold his three prospecting licenses to East African Mines for Tshs. 12 million (US$ 11 009). He was promised that if the claims proved productive, he would get Tshs. 300 millions (US$ 275 230). According to the Operations Manager, he was allowed to continue mining as long as East African was exploring only. It turned out that the plot contained a rich ore and the miner earned Tshs. 40 millions almost overnight (US$ 36 697). He regretted selling the claims, and initiated a court case to get them back, claiming that he had not understood the contract, which was in English. He won the case and is now running the only Tanzanian owned large scale mine in Geita.

The great majority of small scale license holders in the area are presently selling their claims to East African Mines. According to the Mines Operator, the mine will only be economically viable if they have access to explore the whole area and follow prospective ores the whole length. The claims, which are 1.3 hectares, were acquired by the artisanal miners in 1991 and can be legally sold according to the mining act of 1998. East African offers to pay 12 millions for each claim in order to explore them for four years. If they find them profitable, the former claim holder will be paid 60 millions. Compared to what the claim holders initially paid for their claims (Tshs. 6 000?), most are content with this offer, but some understand that they are in a position to get a better deal. The leader of the Nyarugusu branch of MWAREMA for example, has negotiated a deal where he gets Tshs. 30 millions per claim for the exploration period, and then US$ 5 per ounce if production is started.

As the situation stands now, people who have claims to sell will profit from the situation, while ordinary villagers suffer from restrictions on farming and tree planting as well as noise and dust from the exploration activities. In contrast to Geita Gold Mine, East African Mines does not have a benefit sharing policy in place. This is consistent with research in other countries which has found that small companies seldom do extensive consultancies with local communities (Andrews 1998).

3.4 Corruption in connection with Geita Gold Mine compensations

With the re-opening of Geita Gold Mine in 1999, a village called Mtakuja had to be relocated. The company paid the money for compensations, but left it to the government and District Council to deal with the practicalities. It turned out that at least 857 people who were entitled for compensation never received their money (AllAfrica.com 2001; Knight 2001). Apparently, the lists contained fake names, while people who were actually living in the village were never registered. Some people were also said to be fooled to sign for money that they never received:

> "An elderly man was supposed to be compensated with Tshs. 20 millions (US$ 18 348). The officials had the money ready in 500 shilling notes. When the old man spent a long time counting at the counter, they told him that he was wasting their time and ordered him to just sign and then move on. He did so and later realised that he had been paid 5 millions only. He lost 15 millions!" (Mining Officer, Geita).[10]

The government's Prevention of Corruption Bureau investigated the case in 2002. Two GGM employees and a number of civil servants were found guilty. In February 2004 it was decided that the government should offer Tsh. 600 millions (US$ 550 458) to those who had not been properly compensated. People in Geita still have the feeling that the "big fish" got away with their crime, and there are all kinds of speculations as to what levels of government were involved and who benefited from the compensation money. In a recent report, Geita Gold Mine states that "progress feedback from the Government is still awaited" (Geita Gold Mine 2004).

3.5 Social development in Geita and benefit sharing

Social development and level of services in the district

The main challenge for social development in Geita district is to cope with the almost explosive growth in population. In Geita town, the population has grown from 30 000 in 1999 to nearly 120 000 in 2002. At Geita District Hospital, the only hospital in the district, inpatient attendances almost tripled from 1997 to 2003, while outpatient attendance doubled.[11] There is an acute shortage of staff. According to government regulations, the district should have had 149 nurses, but has 56 only. Seven medical doctors serve a population of almost 800 000.

[10] We heard this story from several informants, but are not in a position to validate it.
[11] Inpatient attendances in 1997 was 4 855, in 2003 11 126. Outpatient attendance in 1997 was 13 809, in 2003 22 828. Source: Geita District Hospital.

In addition to the District Hospital, there are 48 dispensaries and 5 health centres. While WHO advices that a dispensary should cover a population of maximally 5 000, and a health centre 25 000, the numbers in Geita are three and five times as high respectively. The district receives quarterly funding from Ministry of Health through the donor sponsored basket fund. The funding is made on the basis of the size of the district population, but is still inadequate.

According to a survey conducted by the health department in 1987-88, severe malnutrition among children under five was alarming is some of the Geita district divisions, reaching 6.8%. After the implementation of a successful UNICEF sponsored project, it has now come down to 0.3, but the rate of moderate malnutrition is still high in some of the wards (Geita District Council 2004a:6-7). In addition to lack of health services, water is among the more serious problems of the district. Only 46 percent of the total population has access to clean water within a distance of 400 meters. This is below the national average, which stands at 53 percent for rural areas and 73 percent for urban settlements (Braathen 2004:1). Net enrolment in primary schools is 80 percent and there are 13 secondary schools in the district, of which three are private (Geita District Council 2004c:1).

NGO activity

The major international donor organisation operating in Geita is Plan International. CARE is also active, but at a smaller scale. Plan started their work in Geita in 2000. In the financial year 2003, this NGO spent US$ 378 320 on development projects in the district. The bulk of the money was spent on new boreholes to provide villages with clean water, but projects also included new desks to primary schools, and training for teachers and water committees. US$ 50 300 was given directly to the District health office. (Plan International Geita 2004). The total support from Plan is almost three times as high as the yearly support provided from Geita Gold Mine to the district through the District Council.

GGM and benefit sharing

> "GGM has demonstrated excellence in community relations and development over and above the requirements of statutory regulations that will be sustainable throughout the life of the mine and beyond."[12]

The management of Geita Gold Mine is concerned about corporate social responsibility, and of creating a positive image of the mine in Tanzanian society. Since 2000, the mine has spent close to US$ 4 million on development projects. Almost half of this amount, US$ 2 millions, was spent on a 22 km. long water pipe which was drawn from Lake Victoria. Three villages along the route have been provided with water taps on the condition that they protect the entire pipe from damage and sabotage. People in Geita town are bitter because they have not benefited from the pipe and they presently have an acute water situation. GGMs US$ 1 million rehabilitation of the Geita – Ilogi road, on the other hand, benefits a large number of people since it has facilitated transport to Dar es Salaam substantially. In addition to their investments in roads and water, the company has supported a number of development projects within health, education and income generating, as well as more ad hoc donations to various organisations and events.

The most interesting aspect of GGM's community support, however, is their yearly support directly to the District Council. Since 2002, GGM has agreed to support the District with TSh. 150 millions (US$ 137 614) per year. According to the District Planning Officer, the company agreed to do this when requested by the Council at the Investors Forum Meeting to contribute to development. The

[12] Document prepared for the "2004 Presidental Award for Leadership and Excellence in Environmental Management" (GGM 2004).

council had referred to the practice of another foreign investor to convince GGM to follow their example.

The GGM development fund is managed by a committee made up of the District Commissioner, the District Executive Director, three members of parliament, the Chief Councillor, and the Human Relations Officer of GGM. Through the fund, as well as other development projects, the company has managed to build a comparatively good reputation in terms of corporate social responsibility. After a visit to the mine in May 2004, for example, World Bank senior Mining Engineer Leo Maraboli told the press: “We saw how GGM tried to help the community and to us, they are pioneers of good corporate-community partnership for development” (The Guardian 2004). The District Commissioner of Geita, Albert Mnali, confirmed his impression, telling the visitors that GGM is “part and parcel of the Geita community and contributes about 150m/ - annually for community development projects in such sectors as education, health, roads and water” (The Guardian 2004).

Just looking at the amount of money donated is misleading, however. According to a number of our informants, considerable sums have been lost due to corruption. Francis Killenga of the Geita Diocese is open in his critique:

> “(A)fter our thorough study … the money provided by GGM for the projects which pass through the District Council is not fully utilized for the intended projects, instead (it is used) to promote individual projects. … Strategies to curb this negative effect by the government is not seen. The people cannot do anything about the corruption because they are not informed of the money, neither the projects” (Killenga 2004:1)

According to several informants, money has not only been lost, but projects that were intended for certain villages have been redirected to villages where central officials had private interests. As a result of the irregularities, GGM has now decided that they will no longer let the Tsh. 150 million support go through the District Council. Instead, the council is asked to come up with a concrete building project that they need funding for, and then GGM simply provides the building, using its own contractors. Several stake holders criticise this solution, as the local communities are not involved in the process and are not given the chance of neither employment nor voluntary participation.

According to the District Planning Officer, the process of agreeing upon a project is very cumbersome, since both the members of parliament and the councillors are eager to see projects implemented in their own constituency. In 2004, the full council meeting finally agreed that the GGM support should go to build a boarding secondary school for girls close to Geita town, since this is a project that all the villages in the district can potentially benefit from.

3.6 Economic linkages

Geita town is said to have been the fastest growing urban centre in East Africa after the construction of the mine was started. During the construction period, more than 1 700 people were directly involved and more than one hundred Tanzanian companies received business from the mine (Business Editors 2000). With its 2 400 employees, GGM is one of the biggest formal employers in the country. It is estimated that more than 8000 people directly depend on GGM employment (Geita Gold Mine 2004).

Table 6. Summary of community development by GGM

Sectors	**Year and donation (US$)**[13]		
	2000/01	**2002**	**2003**
Education			
2 Primary Schools	27,500		
5 Secondary Schools		87,400	
Electrification and pit latrine at a vocational training centre		2,000	
Health			
Equipped the new operating theatre	20,000		
Rehabilitated Hospital Mortuary	1,900		
Rehabilitated Public Nursing School	5,000		
Land scraping work at the District Hospital compound	833		
Construction of a Maternity Ward at Geita District Hospital		20,000	
Construction of theatre unit and staff quarter at Health Centre		11,700	
Construction of Kasamwa Health Centre		15,000	
Construction of Bukoli Health Centre		15,000	
1200 liters of diesel to District Hospital		840	
1200 liters of diesel to Government Hospital			936
1200 liters of diesel to Geita Hospital	840		
Education, Health, Water (support through District Council)			150,000
Road Projects		1,000,000	
Geita – Ilogi road (56 km)		600,000	
Water Supply			
22 km water pipeline	2,000,000		
Shallow well water		2, 736	
Other Donations			
2 computers with modern hi-tech mining software to UDSM	25,000		
Institute of Engineers	2,800		
Equal Opportunities for all Fund (NGO)	16,000		
Toyota Land Cruiser Vehicle to Tanzania Women Organization	19,000		
Clothes, blankets, and mattresses to flood victims in Mwanza city	2,375		
Establishment of a Micro Finance Credit	40,403		
Provide loans to 72 econ. Generating activities		30,000	
4 computers to Mine Office and tax office in Geita District	2,400		
500T-Shirts to Uhuru Torch race		3,918	
Special fund for TRC train tragedy		5,000	
HIV Campaign in Lake Zone through Kilimanjaro Charity Climb		40,000	240,000
Sponsorship of Ho. Msekwa Charity Walk		500	
360 litres of diesel to Uhuru Torch race			280
Donated to District Planting Campaign		5,000	
Agro Forestry Project with up to 48 farmers		39,161	
Donation to Orphans of AIDS victims			5,937
Donation to District HIV/AIDS Programme - UKIMWI Day		500	
Donation to Pamba Football Club		500	
Donation to National Defense and Security Forces Games		500	
Small Mines Projects on safety and rescue Programme			60,000
Grand total: 4.463.850	**2,136,551**	**1,877,019**	**450,280**

[13] For simplicity, donations in Tshs. have been recalculated to US$ at a fixed rate of 1000.

The majority of the mine workers at GGM are paid around Tshs. 200 000 (US$ 184) a month, allowances included. This sum is higher than the yearly average per capita income of the district, which was only US$ 132 in 2002 (Geita District Council 2004a). The employees of GGM and its contractors spend at least part of their salaries in the local community, and some invest in houses and business. Only a small percentage of the employees are from the local community, since the company only hirers mine workers with at least secondary education. As part of its training programme, GGM has sent Tanzanian engineers, geologists and metallurgists to other countries to get operational exposure (Business Editors 2000).

In terms of revenue, local authorities get increased income from taxation of business activities, but they don't receive any revenue from the mine companies themselves, nor are they entitled to revenue from the wages of the mine workers. Like other districts in Tanzania, Geita receives conditional, earmarked grants from the central government (Fjeldstad et al. 2004). The grants are calculated on the basis of the population of the district and its geographical size, not on the value of the revenues it has contributed with to central government in the first place.

More than 2200 GGM employees live in or around Geita town, 6 km from the mine. [14] In the past, simple rooms used to be rented out for as little as Tsh. 1 000 (US$ 0.9) per month. However, since the housing allowance offered by GGM and their contractors is Tsh. 20 000 per month (US$ 18), it is now hard to find a room below this rate. GGM workers are also offered loans to build themselves a house. Central plots in Geita that were sold for Tsh. 800 000 in 1997, are now Tsh. 6 millions. The prices of foodstuffs like meat and fruit have also increased up to three times. Although people are frustrated over the high rate of inflation, and the pressure on social services that have followed from the rapid population expansion, there was unanimous agreement among the people we talked to that the establishment of GGM had been positive for the town, due to the increased circulation of money.

The majority of the community development projects of GGM have been related to infrastructure and the provision of buildings. Two of the projects focus on income generating, however. One is support to Poverty Africa, an NGO active within micro-finance. A total of 725 recipients have received loans to start business projects, generally within retail and services, but there are no available reports on the actual outcome of the programme. A project which promises to increase the down-ward linkages of the mine is the Nyakabale Agro Forestry project. The project was initiated by GGM and their catering contractor. All Terrain Services (ATS) in 2002, and is situated in one of the villages closest to the mine. Through joining a cooperative, 56 villagers have been encouraged to produce vegetables, eggs, and chickens, as well as Moringa Oliefera tree seeds. The majority of the vegetables have been sold to ATS, which previously imported their vegetables from other areas of the country (Geita Gold Mine 2003). Hopefully, the project will inspire farmers not only in Nyakabale village, but in other villages as well. Up to now, few farmers in the district have realised the new market opportunities that both GGM and small scale mining have brought with them (Kulindwa et al. 2003:45).

[14] Expatriates, mostly Ghanians and South Africans, live in a compound close to the mine. The mine provides transport for the workers who live in Geita town.

4. Tanzanite mining in Mererani

Mererani is situated in Simanjiro District, Manyara Region, about 70 km south of Arusha town and 16 km south of Kilimanjaro Internation Airport. The population of Simanjiro is only one fifth of Geita District, standing at around 150 000. Simanjiro is part of the Maasai Steppe, an area that has traditionally been dominated by the pastoralist Maasai since it is was not suitable for traditional cultivation. The landscape is dominated by dry bushland and rocky hills. Lack of water and deforestation is a great problem, especially in the areas surrounding the mining sites.

Approximately one third of the Simanjiro population live in Mererani – a multi-ethnic mining community composed of a conglomerate of people from Tanzania and neighbouring countries. Administratively the settlement is still classified as a village, but the village government is trying to get town status. Tanzanite mining is concentrated on a six km long belt four kilometres south of Mererani settlement. The mining area is divided into four blocks. Small scale mining for other minerals, such as ruby, green garnet, tourmaline and rodlite take place in 24 of the villages in the district, and open pits are found everywhere (Bee, Diyamett, and Towo 2002:16). New concessions for explorations for these minerals are currently being given to larger companies. In 1990 Simanjiro district was declared an extension area for surplus people from the densely populated Arumeru District (Bee, Diyamett, and Towo 2002). As result of this policy, as well as the introduction of large scale commercial farming, many of the original Masai inhabitants have been forced to migrate further south. Naisinyai, the village closest to the AFGEM mine, has a predominantly Masai population.

While the proportion of men and women in Geita district is equal, the 2002 census reveals that there are 10 000 more men than women in Simanjiro, reflecting a higher degree of male migrants who have not settled permanently with their families, and less possibilities for economic activity besides mining. Another important difference between the two locations is that Geita Gold Mine is situated in the District headquarters, while it takes four to five hours on a dirt road to reach the District headquarters Orkesmet from Mererani.

4.1 Historical background

Tanzanite is a rare deep blue coloured gemstone discovered in Mererani in 1965.[15] At the time, it was hailed as "the new find of the century" by Tiffany's in New York (Chachage 1995:64). Since then, smaller deposits have been found in Kenya and Norway as well, but the only economically viable deposits are in Mererani. It is estimated that with the current phase of mining, the resources will be exhausted a decade or two from now.

Mining of Tanzanite on a commercial scale was started soon after its discovery and the year 1967 saw a virtual mining "rush" to the area. By 1969, 60 claims had been pegged. While official figures states production by 1970 to be 70 kg only, other estimates suggests that 200-400 kg were produced annually "by a host of registered and unregistered miners of unknown numbers" (Chachage 1995:65). In 1972, the Tanzanite mines were nationalised and operating under Tanzania Gemstone Industries (TGI), a subsidiary of the newly formed STAMICO.[16] As many other state-run enterprises in the socialist era, TGI had extremely low production, officially only 7 kg annually from their open pit mines. Theft from the company is said to have been rife and artisanal mining

[15] This section is based on Chachage 1995: 64-67.
[16] Other sources operate with the year 1971 for nationalisation Tanzaniate One. 2004. *Corporate overview* http://www.tanzaniteone.com, 2004 [cited 15. October 2004]..

continued. TGI eventually allowed small scale miners on to the site provided they sold their produce to the company. Since TGI had problems paying for the stones, however, most of the production was smuggled out of the country.

By 1986, TGI was declared a failure and the site was left vacant. The result was an invasion of artisanal miners who constructed a network of underground tunnels, some of them 60 meters deep. The number of informal miners is said to have been 30 000 (Tanzaniate One 2004). The government's intention, however, was to have private companies take over the site, since they would be easier to control. A major flooding accident in 1998, where at least 200 miners died, was also among the factors which made the government opt for more large scale mining. In 1990, small scale miners were ordered to move from the mining area, and the site was divided into four sections, block A, B, C and D.[17] In 1991, block A was granted to Kilimanjaro Mines (a local businessman), block B to Building Utilities (a local businessman of European origin), block C to Grapthan Ltd (a joint company by British SAMAX Ltd, African Gems Ltd. and TGI), and block D to small scale miners through Arusha Region Miners Association (AREMA). The largest and potentially most productive block is Block C (2 km2), estimated to hold two-thirds of the world's known tanzanite. During their first year of operation, block A and B officially produced only 1.4, and 1.7 kilo respectively and had less than one hundred employees all together. The great bulk of activity took place at block D. Their production in the same year is recorded as 16.4 kilo, from around one hundred operational mines.

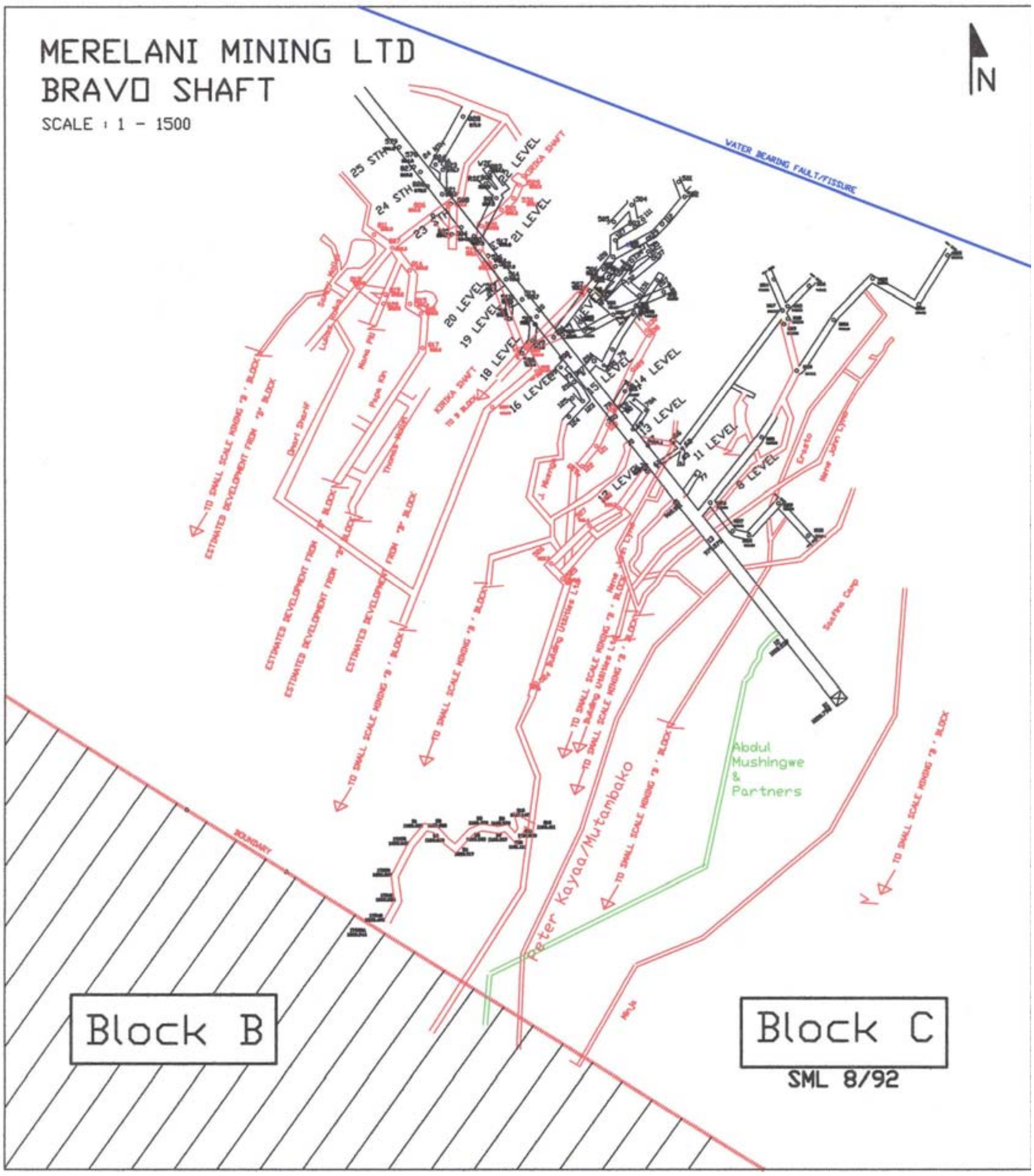
According to small scale miners, Grapthan Ltd was not active and the site was therefore once again invaded by artisanal miners in 1995. Three years later, in 1998, block C with all its assets was sold to Mererani Mining Ltd., a subsidiary of the South African owned company African Gem Resources (AFGEM). AFGEM started production in 2001. The company has been involved in serious conflicts with artisanal miners as well as its former director. Artisanal miners are upset by what they see as an attempt by AFGEM to monopolise the Tanzanite trade. The conflict also resolves around very different conceptions of mining rights and permit definition.

Table 7. Ownership of Tanzanite mining rights in Mererani

Block	1991	1998	2004
A	Kilimanjaro Mines	Kilimanjaro Mines	Kilimanjaro Mines
B	Building Utilities	Small scale miners through AREMA	Small scale miners through AREMA
C	Grapthan	AFGEM	Tanzanite One
D	Small scale miners through AREMA	Small scale miners through AREMA	Small scale miners through AREMA
D Extension			Tanzanite Africa

[17] As it were, none of the companies that initially secured the leases were able to meet the tender requirements, and the tender had to be advertised again.

Map 2. Block C, showing intersections of small scale miners (in red).



Courtesy of Tanzanite One

4.2 Actors within mining

Small scale miners

The exact number of small scale miners in Mererani is somewhat unclear. According to the Zonal Mines Office, there are 600 claim holders in the northern zone, of which 200 are active at any given time. Arusha Regional Miners Association (AREMA), on the other hand, operates with a number of 700 mines in Mererani alone, of which 300 currently have production. The Reconciliation Committee of Block B and D represents a group of 170 claim holders, of which the leadership say 88 are active.

A small group of Masai own mining claims, but the great majority of claim holders have their backgrounds in other districts and regions. Some came to the area as civil servants, and took an interest in mining. One reason for the high number of dormant small scale mines is that the claim titles themselves are comparatively cheap, only Tshs. 20 000 (US$ 18) per year, while the investment to start production is extremely high. One informant said that one needed Tshs. 100 millions (US$ 91 743) to buy a compressor, water pump, explosives and other equipment. In order to get started therefore, the claim holders need a sponsor. The sponsor may be another claim holder who has already got profit, or local tanzanite dealers (Mondera 1999). The sponsor takes a great risk, but may in turn get a nice profit on his/her investments. A common share system in Tanzanite small scale mining is that the sponsor gets 40 percent, the claim holder 30 percent, the person owning the compressor 20 percent, and the workers as a group 10 percent.[18] However, claim holders may accept less attractive deals. For example, one claim holder had held her claim since 1997, but yet not had any profit due to lack of capital. When she finally found a willing investor, she agreed on a contract that would let the investor have 60 percent of the production.

Each of the active claim holders have 25-60 workers, which means there are something like 12 500 small scale mine workers in Mererani. In the period before production, the workers only get food and shelter, no salaries. A baseline study conducted by REPOA on behalf of ILO in 2003, found that almost 8 percent of the children in Mererani were involved in "Worst Forms of Child Labour", in this case mining (Research on Poverty Alleviation 2003:23). Children are said to be particularly popular mine workers because they can slip in and out of the narrow shafts more easily than adults. AREMA members interviewed for this study claim that child labour has gone markedly down since 1995, and that their members abide to the law which states that children below 18 can not be hired.

Rough Tanzanite sells at 7-800 000 sh per gram (around US$ 700). There are a host of middle men and brokers in Mererani, and most of them are unlicensed. The more established ones are organised in Arusha Region Central Selling Organisation (ARCSA). While members of the Maasai community reportedly never or seldom work in the mines, many of them are brokers.

A critical issue in artisanal mining in Mererani is safety. After the 1988 flooding disaster, where at least 200 miners died, a number of new regulations were imposed on mine owners. Reports one year after revealed that many of the regulations were not adhered to (Mondera 1999), and 2002 saw yet another major mining accident:

> "Thirty nine small-scale Tanzanite miners at Mererani, near Arusha, suffocated after an air compressor providing which was providing oxygen to one of the mines broke down. When the government stopped mining operations at Mererani in July

[18] Interview with Sammy Mollel, Managing Director, Gem and Rock Ventures, 27. May 04.

> (a few days later) and gave small-scale miners 30 days to fulfil new conditions to improve safety, some 4,000 miners went on rampage looting goods worth millions of dollars. They asked why one mine accident should lead to the closure of 300 other mines. Police arrested 15 miners before order was restored."(Brewin 2002b:15).

According to the Zonal Mines Office, there were 10 accidents in small scale mines in Mererani in the first half of 2004, and one in the AFGEM mine. All together 20 people were hurt, and 11 killed. The Ministry is currently addressing the situation by arranging seminars focusing on safety, environment, and mining laws. One such four days seminar was conducted in May 2004 for 80 active claim holders and their blasters (Ministry of Energy and Minerals 2004).

AFGEM/Tanzanite One

AFGEM received its license in 1999 and officially started mining in 2001, after investing US$ 17 million. Shareholders included Industrial Development Corporation of South Africa, the African Development Bank and several private South African banks. Soon after production was started in 2001, Henry Nyiti, an Arusha based local businessman who had been the director of AFGEM Trading Ltd. up to then, charged AFGEM for forging his signature "in order to facilitate concealment from the government authorities of the amount, quality and the value of tanzanite mined and exported to the world market" (Kweka 2004). The case has not yet been settled.

The mine currently has six shafts, 240-300 meters deep. In addition, there are more than 70 old shafts from the 1970s and 1980s on the property. All in all, the mine has 420 employees, of which 160 are security staff, 84 Tanzanian professionals, and 6 are expatriates. The manager of the mine, Joe Kimble, says that it is the company's policy to hire mine workers from outside Mererani only, since artisanal miners have a tendency to steal from their employers.[19]

In May 2004, AFGEM sold the mine to a group called TanzaniteOne Group which at the time had 22.8 percent of the interest in AFGEM. Tanzanite One is a subsidiary of JABE, a British/Australian company specialised in mining.[20] The information on AFGEMs website states that the operations will essentially remain the same; "the change effectively means that we have a new name, some new shareholders and a new platform from which to globalise and expand our business" (Afgem 2004).

Tanzanite Africa Limited, Block D extension

The claim holder of this mine, J.S Megezi, is a man from western Tanzania in his late 60s. He started in the mine business together with his son in 1974 and secured a license for Tanzanite in 1992, but lacked money to start exploration and production. He recalls that AFGEM wanted to buy his share and that they offered him 20% of the profits, but that he was not interested since he would not be allowed to be involved in the mining. In 2002, he entered an agreement with Reginald Mengi, the most prominent businessman of Tanzania. Mengi has covered all expenses, including the hiring of geologists, drillers, and engineers from South Africa to do the exploration. Megezi will receive 15% of the profit and is in charge of the 0.59 square km. large mine.

[19] Small scale claim holders confirm that theft is a problem in their mines.
[20] According to the parties, TanzaniteOne Group saw the AFGEM rating on the Johannesburg Stock Exchange "as a restriction of the ability of the group to cost effectively raise capital for future expansion of its tanzanite mine and the development of the international market for tanzanite" (iafrica.com. *Afgem to sell tanzanite business (posted 5. december 2003)* http://business.iafrica.com/news/, 2004 [cited..

Megezi appreciates the recent changes in the mining policy. He recalls that they were formerly forced to sell their stones to the government - which offered low prices - and that it used to be a problem to get explosives. The company presently has 60 employees. In contrast to AFGEM, they prefer to hire people from the local mining community, since they are accustomed to mining and the Mererani environment.

4.3 Relationship between small scale and large scale miners

> "They have the law behind them – but should a stone that is found in Tanzania only be monopolised by a foreign company? President Nyerere said that this is the property of our children!" (Mererani citizen at community meeting)

In Mererani, conflicts between large scale and small scale miners have come to a level of conflict yet unseen in Geita. The conflict is centred around two main issues: the question of branding of Tanzanite and the different conceptualisations of the where the demarcations of claim titles go: at earth level only or below the ground as well.

The Tanzanite Foundation and branding of tanzanite

In 2000, before production had actually been started, AFGEM started the process of branding their Tanzanite under the name The Tanzanite Foundation. According to the company, the brand would "ensure the socially-aware consumer of the origin, mining methods and export channels of their purchase" (African Gem Resources Limited 2001). From having 3 percent of the world market in the first year, the company expected to command 30 percent by 2005. (Omondi 2001). AFGEM stated that their plans were to co-operate with small scale miners and provide them with "formal sales channels at fair market prices" (Tanzanite Foundation 2000). Small scale miners and dealers were not convinced however, and were immensely provoked when reading statements like the following:

> "The Tanzanite Foundation will be the primary authority for tanzanite globally and is central to the strategic marketing of branded tanzanite" (AFGEMs Chairman Mike Nunn, 2000).
>
> "Only the Tanzanite Foundation can offer a Declaration of Practice which accompanies every tanzanite gem and assures the owner that the stone has made the entire journey, from mine to market, with complete integrity and strict adherence to political, social and environmental ethics" (advertisement in a gem magazine, 2001).

On April 15, 2001, a homemade petrol bomb was thrown into AFGEM's processing plant. Fortunately, no one was hurt, and there was no damage (Kondo 2001c). Two weeks later, however, on April 28, 2001, an artisanal miner was shot dead in an incident where small scale miners were throwing stones onto AFGEM's property. According to the artisanal miners, it was a AFGEM security guard who opened fire. The AFGEM management denies this, and says that the security team had called the police to manage the situation when it apparently got out of hand (Kondo 2001a).

A few days later, on April 20, a group of claim holders and Tanzanite dealers filed a case against AFGEM to the Supreme Court of Tanzania. The case challenged the company's "mining license, taxes record, attitude toward small-scale competitors and its alleged monopolisation of the world tanzanite market". The case also charged the previous Minister of Energy and Minerals for granting a special license to AFGEM to mine block C. The case delayed the start of production, but was dismissed by the Supreme Court in August 2001 (International Colored Gemstone Association 2001). In the words of the chief judge, “allegations by the petitioners, such as killings and beating of small miners alleged to have been done by some AFGEM management personnel, were a criminal matter rather than a constitutional one, and would require a different type of suit” (Kondo 2001b).

According AFGEM, Grapthan, which had the claim title for block C before them (1992-1998), were continuously attacked, and eventually gave up. The manager, Joe Kimble, suspects that some people are paying the small scale miners to do a “crusade” against AFGEM. In July 2001, he wrote a letter to the Arusha Regional Commissioner suggesting that a group of people, including dealers and politicians, were sabotaging AFGEM activities with the aim of getting them out of the country (Daily Mirror Weekly 2001:1,8). His claims were supported by the newspaper East African which carried a story alleging that an Indian businessman from Jaipur (where there is a tanzanite cutting and polishing plant), had “invested US$ 250 000 to lobby members of parliament to vote out the South African investors; to pay journalists to write inflammatory articles, reward small-scale miners for invading the company’s property, and procure small arms and petrol bombs” (Mining Weekly 2001).

The allegations brought a new dimension to the way that the conflict was perceived by Tanzanian politicians and other observers. Historically, the relationship between “indigenous” Tanzanians and local businessmen of Asian origin is antagonistic. Asian businessmen are perceived as being ruthless to their African employees and for blocking African Tanzanians for entering into business, among other things by using their international networks. With the article in East African, the Tanzanians were confronted to choose side with either one of two evils – South African investors and Asian businessmen.

Wall street journal connected Tanzanite to al Qaeda

In November 2001, the Wall Street Journal of New York carried a story entitled “Underground trade. Much-smuggled gem called Tanzanite helps Bin Laden supporters” (Block and Pearl 2001). Apparently, the journalist, Daniel Block, got the idea for the article when learning that one of the arrested persons in Nairobi carried a piece of Tanzanite when arrested. In the article, Block claimed to have talked to several people in Mererani, including a mining officer and the religious leader of a mosque, who had allegedly all confirmed that Tanzanite was used to sponsor Al qaida.

In light of the conflict with AFGEM that had taken place during that year, small scale miners and dealers were convinced that AFGEM had leaked this story in an effort to support their own brand as the only “clean” Tanzanite. AFGEM, on their side, says that the allegations are completely ungrounded, and that the company lost “more than anyone else” since the company’s share prices plummeted with US$ 6 millions. The US makes up 80 percent of the global Tanzanite market. When Tiffany, Zale and QVC stopped buying and selling tanzanite as a result of the article, the tanzanite industry experienced a drop of 70 percent in earnings (Bain 2002). Also the September 11 victims reacted strongly to the article. A group of them filed a suit against STS jewels, a large New York tanzanite dealer, as well as against Tanzania Mineral Dealers Association (TAMIDA), of which they sought at least $1 billion in compensation (Markon 2002). The charges against STS jewels were dismissed in April, while TAMIDA remained on the defendants’ list (Beard 2002).

In 2002, the US State department made an investigation and concluded that there was no evidence linking tanzanite sales as such to al Qaeda, but that there was no doubt that al Qaeda did sell tanzanite to finance operations (Markon 2002). In the same year, the Tanzanian government sent a delegation to attend a meeting in Tucson with among others master dealers from the US, Germany and Israel. As a result of the meeting, the “Tucscon tanzanite Protocol” was signed, where all parties promised to take measures to remove illegal miners and dealers from the Tanzanite trade (Block 2002).

After the "Al Qaida" case, representatives of small scale miners and dealers had a meeting with AFGEM where they asked AFGEM to stop their project of branding, but the company did not comply. The small scale miners are convinced that Tanzanite One is trying to build a monopoly and that they attempt to drive them out of the business so that they can buy their claims. Joe Kimble, the manager of the company denies these allegations. He says that many of the small scale miners have approached the company and wanted to sell their shares, but that the company is not interested.

Conflicting conceptualisations of claim title borders demarcation

The AFGEM/Tanzanite One mine is situated between Blocks B and D, which are both under small scale miners. According to a map made by AFGEM (see map 2), old and new shafts enter far into AFGEMS property. In order to stop them, AFGEM has constructed a 400 meter long tunnel cutting across the reefs. In 2002, artisanal miners met with AFGEM miners underground. According to the AFGEM management, the small scale miners threatened the AFGEM workers with knives, and the AFGEM security guards shot back and wounded eleven miners. A representative for small scale claim holders explained the different conceptions of mining rights in this way:

> "We used to go freely down the pits without following any demarcation, because in the tanzanite mining you are mining to follow the reef. In small scale mining, demarcation is only followed at the top, there is no demarcation down the pits, and we were happy with that policy. But when AFGEM came here they came up with the new policy of demarcation even down the pits. (…) They have constructed a long trench at the border to block us from following the reef. (…) And they are condemning artisanal miners worldwide that we are using children to mine!"

Mr. Mezenge, owner of Tanzanite Africa, represents a former small scale miner now "gone big". His claim, Block D Extension, borders to Block D which is under artisinal miners. He confirms that small scale miners have traditionally only followed demarcations at the surface. In his view, small scale miners can practice their "traditional" mining policy within blocks B and D, but they should not mine into other blocks. Up to now, he has only been in conflict with one small scale miner, Vincent Ng'watu. The case was settled with the local mining officer as mediator. The mining officer called both parties with their associates for a meeting where the issue was discussed at length. The success of the mediation appears to be a result of the comparatively low level of conflict, but also, perhaps, the fact that both parties had a shared cultural competence in this form of "traditional" conflict resolving. In Mezenge's view, however, the authorities should be tougher in cases where people break the law than what they are today. Apparently, sanctions, like giving a tough fine, or withdrawal of the mining license are seldom or never implemented.

Stake holders demand greater involvement from Government in conflict resolution

After the 2001 incidents, when a small scale miner was shot dead and a petrol bomb was used to attack AFGEM, the Minister for Energy and Natural Resources called a special meeting in Mererani to quell the tensions. In the meeting, the Minister "urged all parties involved in the conflict to refrain from provoking each other by trespassing or using guard dogs which, he said, was reminiscent of apartheid South Africa" (Ngotezi 2001). Apart from this meeting, however, both small scale and large scale actors feel that the government is shying away from mediating in the conflict. According to Joe Kimble of AFGEM, the company has had little or no response to their numerous reports to the local police, the mining offices, the Regional Commissioner and the

Ministry about illegal mining on their property. Similarly, small scale miners feel that they are not being heard, and that their own government has "betrayed" them.

Tanzania Mineworkers Development Organisation has prepared a press statement where they list seven incidents where small scale miners have been attacked by dogs or been shot at by AFGEM security guards in the period 2000 to 2003. One of the miners was killed, others seriously hurt. All the cases have been taken to court, but none of them have been solved (Tanzania Mineworkers Development Organisation 2003). According to the regulations for investors on block C, 25 percent of the company must be made available to Tanzanian investors. Many people in Mererani are convinced that high ranking government officials own shares in the company through relatives, and that this is the main reason why government authorities shy away from the Mererani conflict. This case illustrates the importance of openness in regard to ownership of mining companies. With the present situation, there is room for speculations and rumours, a situation that does not do well for the triangle relationship between the mining company, the local community, and the government.

Mining concessions in conflict with pastoralists' rights

> "This area used to be our grazing land. We never expected that people would come here. But since 1967, people have poured in. People from other areas of Tanzania, the foreigners from South Africa - they all come rushing for Tanzanite! You can say that the volcanoes did an injustice to us. They are the ones that created Tanzanite." (Soipei Lenganasa, informal community leader and Tanzanite dealer[21]).

A recent Participatory Poverty Assessment conducted in Simanjiro concluded that the Maasai of Simanjiro are being marginalized by loosing land to both farmers and mining companies (Sangale, Nessele, and Mrosso 2002:5). In the early 1990s, when Graphtan got the concession to start mining, there were a number of Maasai homesteads (*bomas*) within the at Block C area. According to Soipei Lenganasa, the Maasai families were ordered to move, some were hurt during the conflict that ensued, and the Maasai were denied any right to compensation: "To them, it looked like the land was occupied by animals, but it was occupied by people". Since AFGEM took over the mine in 1999, the company has targeted the Maasai community in Nasinyai village specifically for their community development projects. The Maasai of Nasinyai now have a far more harmonious relationship with AFGEM than the "Swahili"[22] population of Mererani town.

Unfortunately, the Maasai community now faces threats by another company, Rockland Tanzania Ltd, a subsidiary of the Kenyan owned Rockland.[23] In 2003, the company bought a 300x300 meter claim from a local company in an area under Lendanai Village, 76 kilometres south of Mererani town. After some initial explorations, the company decided to expand, and got a prospecting license for ten square kilometres. This area contains a water source that 40 000 heads of cattle depend upon. In the 1940s, a Maasai cattle owner had a reserve cement water tank constructed, and there is also a water pump. To the great despair of the pastoralists, the company has now put up signs forbidding any trespassing in the whole area.

As a representative of the Maasai using the water source, Soipei Lenganasa was able to arrange a meeting with among others the Minister for Energy and Minerals, The Minister for Water and Livestock, the MP from the constituency, and the Commissioner for Minerals to discuss the case. In

[21] Lengansa has also formerly worked as a Community Relations Officer for AFGEM.
[22] The term Swahili has traditionally been used to identify Muslim people from the coast. After independence, however, the term has been used in a host of different ways by different groups of people. Pastoralists tend to group all Bantu people as "Swahili", while in Dar es Salaam, Swahili denotes what we may call the urban "masses" in contrast to the elite.
[23] This section is based on an interview with Soipei Lenganasa, as well as attendance at a community meeting where the cattle owners discussed a common strategy.

a letter summing up the meeting, Minister for Energy and Minerals, Daniel N. Yona, explains that their rights "are being protected under the Mining Act Article 95 (1) subsection C". The article reads as follows:

> "The holder of a Mineral Right shall not exercise any of his rights under his license or under this act (…) in respect of any land within any city, municipality, township, registered village or demarcated settlement, except with the written consent of holders of surface rights and of the responsible Minister or the authority having control over the city, municipality, township, registered villages or demarcated settlement" (Government of Tanzania 1998:111-12).

The Minister ends his letter with the following words:

> "It is my belief the company knows the mining act. In case they act to the contrary, stern measures will be taken. Those measures will include a default note to suspend or cancel the license and the decision has to be implemented within 60 days."

The problem for the pastoralists, however, is that "the authority having control over … registered villages or demarcated settlement" in this case is the village government and the District Council. Neither appears to be concerned about the water source. Lenganasa suspects the company of having bribed councillors to vote in favour of the mining company. "There are national elections in 2005", he says, "the politicians are selling the mining rights to the big men to obtain money for their campaigns."

When Lenganasa contacted the District Commissioner and asked if the users of the water source could attend the meeting where the case would be handled, he was told that only members of the council were allowed to attend. Apparently, the company has also offered cattle and beer to members of the Maasai community to win their consent. In Soipei's view, the whole bargain process is extremely unfair, as some of the Maasai are not even literate:

> "Some are more concerned about what they themselves get today than what is left for future generations. Those people - many of them can't even read - need patrons to guide them! The government should have a greater role in processes which involves land rights."

From the government's view, the mining act secures the rights of the local communities. In cases like the above, however, village governments and district councils do not appear to act in the interest of the users of the land. As pointed out in an ILO sponsored report on livelihood patterns for the Maasai in Simajiro:

> "Lack of formal education has led the residents of Simanjiro to get political leaders and technicians from other areas. (…) It was only during 1995 that the MP was a Maasai from the area. The village chairpersons and village secretaries were not from the district until the 1990s. Such leaders from other areas encouraged their own people to own land, reside and practice economic activities … displacing the native pastoralists" (Bee, Diyamett, and Towo 2002:27).

The fact that the Lendanai case does not relate to a "demarcated settlement", but a water source, makes the case even more complicated. Faustine K. Bee et. al. argue that with the implementation of the socialist Arusha Declaration in 1967, when all land was nationalised, "farmers were provided with private user rights while the grazing land became the property of all" (Bee, Diyamett, and

Towo 2002:27). The mining officer in Mererani, when asked about his view of the about compensations to the Maasai, simply replied: “How do you give compensation to people who move around?” This type of conflict is quite common in many countries. The traditionalist views of rights to use the land and/or its resources conflict fundamentally with the practices in most countries of government ownership of the land and resources and concessioning of them to third parties (Andrews 1998). A number of studies on the traditional rights of indigenous peoples and the ways in which these may or may not be protected in countries such as Canada, Australia and Latin America have been published, but it is beyond the scope of this report to enter this debate.

4.4 Social development in Mererani and benefit sharing

Social development and level of services in the district

Simanjiro has a poorer level of services than many other districts in Tanzania. One reason is the relatively new creation of the district. Simanjiro was drawn out of Kiteto District in 1994, and there is still no District Designated Hospital, which means that people have to go to the regional hospital in Arusha. Among the Maasai, there is a feeling that the poor level of services is due to a “deliberate stigmatization and marginalization of the Maasai by the government” (Sangale, Nessele, and Mrosso 2002:v). All in all, there 28 dispensaries in the district, of which more than half, 15, are run by missions or as private business initiatives. According to Kulindwa et al. some of the private dispensaries have unqualified personnel who provide inadequate services (Kulindwa et al. 2003:80).

The rate of adult illiteracy in Simanjiro is among the highest in the country, standing at 85 percent, in contrast to the national average of 23 percent (Bee, Diyamett, and Towo 2002:36; OECD 2005:231). Enrolment in primary schools is also low compared to the national average. It was estimated that in 2001, only 35 percent of the children eligible for standard one were enrolled (Bee, Diyamett, and Towo 2002:27). One reason is that pastoralists have had a tendency to be less concerned about formal education than other groups, but the long distances have also been an important factor. In 2002, there were only 34 primary schools in the whole district (Sangale, Nessele, and Mrosso 2002:5). And while there are 13 secondary schools in Geita, there is only one in Simanjiro, established in 2001. In relation to the size of the population then, the coverage of secondary schools in Geita is three times better than in Simanjiro. The greater part of Simanjiro district does not have electricity, but Mereani had electricity installed in 1988 after contributions from the local community (Kulindwa et al. 2003:80).

Other development actors: NGOs

World Vision is the largest and most active NGO in Simanjiro. In the financial year 2003/04, this organisation spent more than one million US dollars in the district.[24] Through their Area Development Program, the organisation supports sectors like health and education. Among other things, they have upgraded a clinic for Tsh. 68 800 000 (US$ 63 119). World Vision employs Tanzanians to administer their projects. The British organisation Skillshare, on the other hand, has provided the District Council with two expatriate Community Health Care Trainers. Good Hope Programme is a local NGO focusing on child labour. The organisation was founded in 2000 after ILO conducted a baseline study on child labour in Simanjiro. Together with World Vision, Good Hope Programme manages the Time-Bond Programme to reduce child labour in the district (Good Hope Programme 2004).[25]

[24] US$ 1 070 883. Personal communication, Dr. Christopher Kenyi, Programs Director, World Vision Tanzania.
[25] Good Hope Programme is, like many locally initiated NGOs in Tanzania, not a membership organisation. The Executive Director of the organisation is Dorah Mushi, an influential business woman and claim holder in Mererani who

Benefit sharing by AFGEM/Tanzanite One

> "AFGEM is committed to making a meaningful and sustainable difference to the quality of life of the communities…. Primary recipients of AFGEM's social investment are those that reside in the communities around the company's tanzanite mine" (African Gem Resources Limited 2004b:1).

When AFGEM took over Block C from Graphtan, the village government in Mererani requested the company to contribute to social development in the area, particularly the provision of water. AFGEM allegedly argued that it was not their responsibility, and that it was not part of their contract with the government (Kulindwa et al. 2003:121). As discussed above, AFGEMs relations with the small scale miners became increasingly tense. In 2001, AFGEM offered the Mererani village government a US$ 28 216 donation. The offer was refused, and seen as an attempt to buy off the discontented citizens:

> "Mererani village chairman, Awathi Omar, said that the offer was meant to please in order to hide the truth about the conflict ahead of a three day visit by the Minister for Energy and Minerals Edgar Majogo, scheduled for the end of April" (Omondi 2001).

After the village government refused to accept the donation, the company has not made any new offers. Instead, they have decided to focus their social responsibility efforts at the Maasai community in the immediate proximity to the mine. The Manager justifies the company's decision by arguing that the Maasai are the original inhabitants of the area, while the Mererani residents just came for mining: "When the Tanzanite is gone, they will be gone as well, while the Maasai will stay on. That's why we have decided to direct our support to them". All in all, AFGEM has spent around US$ 360 000 in community development in the period 2000-2003. If we subtract the US$ 84 000 used on roads, it means Nasinyai village, with its 5-6 000 residents, has received around US$ 276 000 (US$ 46 per capita).

AFGEM has provided Nasinyai village with a community hall (used as a church), rehabilitation and extension of the primary school, electrification of the village clinic, water taps, and a water dam (see table *). According to the Zonal Mines Office, AFGEM at one point donated US$ 20 000 dollar to Nasinyai village, but some of the money was embezzled by the village government. Soipei confirms that there has been a problem with accountability and that money has been lost. As a result of this, the company has decided to give their support to the village in the form of waste material. The village government buys the waste material for Tshs. 166 000 (US$ 152) for 20 kilos. The commercial price would be Tshs. 480 000 (US$ 440).

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has also initiated the Tanzanite Women Mines Development Union. Several informants were sceptical about the sincerity of the Good Hope Programme.

Table 8. Contributions to community development projects by AFGEM

Project	Details	Status 31 March 2004	Spent by 31 March 2004 (US $)
Nasinyai Village Church	Construction	Complete	15 000
Road between Kilimanjaro International Airport and mining area	Reconstruction and rehabilitation	Complete	65 000
Kilimanjaro International Airport and mining area	Maintenance 2700/month 48 months	Ongoing	129 600
Nasinyai Medical Clinic	Electrification	Complete	4 400
Water Project	Feed pipes to local villages	Complete	3 800
Water dam	Construction of cattle troughs and dams providing water for up to 3000 cattle daily	Complete	4 700
Borehole Project	US$ 5000 donation for World Vision Borehole Project in region	Complete	5 000
Electricity	Powerline for potential use by small miners adjacent to AFGEM's licence area	Complete	65 000
Nasinyai Primary School	Construction	Complete	39 000
Sundry	Police vehicle, emergency rescue and miscellaneous support	Ongoing	41 206
Mererani controlled area		Ongoing	2 300
TOTALS			375 006

Source: Mererani Mining Limited

Another Maasai community, Makiba village, gets the same offer. AFGEM has decided to deal directly with the elected Chairman, not the Village Executive Officer who is appointed. Villagers are offered to buy buckets of gruel, usually at Tshs 1000 each (US$ 0.9). If they are lucky to find Tanzanite, they sell it to local brokers. In this way the waste material benefits both individuals and the village as a whole. The village income is used for community projects. Present plans in Nasinyai are new offices, a day care centre, and water pipes. AFGEM has decided to not be involved in how the village administers the waste material, and only ask to have written reports on how the money has been spent. In Soipei’s view, this is a bad decision. He suggests that a representative of the company should be part of a Board handling the income from waste material, since “not all the money is being used for the best of the community”. Other critics of the system claim that men are given the best material and that women, who traditionally have a weak position in Maasai society, get the less attractive waste material and also have little say in how the village income is spent.

The Mererani citizens feel that AFGEM use a “divide and rule” policy in favour of the Maasai. The Maasai interviewed for this study were generally happy and content with AFGEM, while the multi-ethnic community was extremely critical and upset. During a meeting the research team held with Maasai Womens Wachekaji Group[26] and Tanzanite Women Mines Development Union, the

[26] Wachekaji is the Swahili term for people who sort gravel or soil.

atmosphere got so aggressive and tense that we had to request the two groups to split so that we could talk to them separately.

The conflict between the Maasai and the Mererani community has politico-administrative results, as the Maasai villages have started procedures to have their own ward rather than sharing ward with Mererani. The village income from the waste material is presently used to build new ward offices. To the people of Mererani, this is provoking, since the present ward has around 51 000 inhabitants (2002 census), of which 40 000 live in Mererani. The three villages that want their own ward have 10 – 15 000 people. One way of interpreting the situation is that the Maasai are investing the support they get from AFGEM into increased political independence and influence, since councillors to the District Council are elected at Ward level.

While AFGEM/Tanzanite One in practice appears to have given up the idea of having a good relationship with artisanal miners, the idea of partnership is still part of their official policy:

> "The Small Mines Assistance Programme (SMAP) is a critical leg of our social responsibility initiative. Through SMAP, we aim to build constructive, transparent relations with partners representing the small mines in an effort to create a stable operating climate and ultimately, a "win-win" situation for all players in the industry. SMAP will provide geological, mining and safety guidance, crisis management assistance and a reliable channel through which the small mines can sell their supply of rough tanzanite. (African Gem Resources Limited 2004a:36).

According the mine Manager, support to the local police to refurnish their vehicle is part of the SMAP collaboration. So far, the only support to small scale miners themselves took place in June 2002 when there was a major mining accident. AFGEM then organised rescue support from Kahama mining which was able to recover 39 dead bodies. Though small scale miners acknowledge this support, the relations are still extremely tense.

4.5 Economic linkages

The AFGEM/Tanzanite One staff of 420 persons live in staff housing within the mine's premises and go home (Arusha or Moshi in most cases) in the weekends. The economic linkages to the local community can thus not be compared to Geita, where the mine workers rent rooms or build houses in the town. Catering, however, is provided locally. The amount has increased steadily with the number of workers, and was US$ 172 000 in 2003. According to the company, local suppliers are responsible for 50 percent of the goods and 30 percent of the services to the mine, while the rest is supplied by foreigners.

The great majority of the stones are exported raw to South Africa – where the company has cutting facilities - and to India. However, the company has set up 6 cutting stations in Mererani and have hired both men and women to do this work. So far, the company has trained the cutters themselves, both locally and in South Africa. The company plans to expand the Tanzanian facility to 25 cutting stations and to invest even more in training (Tanzaniate One 2004).

At the moment, there is only one other company in Tanzania which exports cut stones. According to the owner of this firm, Sailesh Pandit, employment for 3 000 people would have be secured if all the stones were processed in Tanzania. Local processing does not necessarily mean that the quality goes down. Pandit's company recently won the "International Quality Era Award" presented by the Business Initiative Direction in Geneva (The Arusha Times 2004:13). Both AFGEM, Pandit and the Manyara regional local authority officials have announced their interests in making Mererani mining area into an Export Processing Zone. This needs facilitation at the side of the government.

It is beyond the scope of this study to analyse the economic linkages between small scale mining and the district/regional economy. Informants, however, claim that many of the large houses in both Arusha and Moshi are "built on money from Tanzanite". The growth of Mererani is also said to have opened markets that have altered substantially the economy and agricultural pattern of Arumeru, a district situated between Mererani and Arusha town (Kelsall 2004: 13). The sheer number of small scale miners, around 12 500, who actually live and work in Mererani, is an indication that the economic effects on the surrounding areas are profound.

5. Challenges in benefit streams management

Extensive, large scale extraction of natural resources is still a new phenomena in Tanzania – the majority of the mines have been in operation for four years or less. The long term effects on the national economy, local communities, and the political landscape are therefore yet to be seen. Through our case studies at the local level, however, we have identified some challenges that may be important for stake holders in benefit streams management to look into. The common denominator of these challenges is governance. Creating good governance was identified as a key issue to maximize benefit streams from mining in the recent World Bank evaluation of its support to develop extractive industries in developing countries (Liebenthal, Michelitsch, and Tarazona 2003:2).

The first part of the chapter is concerned with an issue that can only be dealt with at a high level of government, namely revenue. The second section, on the other hand, is relevant for stake holders at the lower levels as well. It focuses on governance in a wide sense of the word, and the various connections between benefit sharing, corruption, regional/ethnic separatism and citizen – state relations.

5.1 Revenue and royalties

The Tanzanian government liberalised the mining sector and invited foreign investors with the hope that revenue on natural resources would, at the one hand, provide much needed capital for the government, and at the other, contribute to development in the districts where mining is taking place. There was a hope among many stake holders that Tanzania, with its abundance of minerals, would finally become independent of donors and join the ranks of middle income countries, like Botswana.

In 2001, an article in New People Africa Economics announced that the taxes and royalties to the government from mining were "expected to top US$ 70 million per year by 2002" (Omondi 2001). Disappointedly, the actual government income from large scale mining only reached a little more than half of this amount, US$ 36 million. An official at the Tanzania Investment centre said that part of the problem is that the government has too little capacity to control the actual production and finances of the companies. He argued that one of the problems was so-called "gold-plating." Since companies can carry forward losses, they will have an incentive to state their investments as higher than they actually are. This may be one of the reasons why none of the large scale mines have started paying corporate tax.

If we look at the expectations of AFGEM, the picture is even less encouraging. In 2001, the mine was projected to earn US$ 3 million in royalties and taxes after two years (Omondi 2001). The actual figure is only one sixth, around US$ 510 000. There is little hope that the mine will earn the government US$ 13 million per year in the coming years, as projected in 2001. Since the mine started production, it has paid 12 percent of the total value of production in various taxes, royalties, and donations. This percentage is consistent with the overall mining industry.[27] However, the marginal tax burden could increase over the coming years as the debt service on the investment decreases.

The perceived low level of revenue from mining to government has been addressed by several stake holders in Tanzania and is used by opposition politicians in their critique of the ruling party. Also CCM politicians have raised the issue in the National Assembly. One of them suggested that all mining agreements with foreign companies should be suspended: “The mining contracts have loopholes that enable the big companies to loot as they please. Why can’t we review the mining contracts? Why can’t we suspend them?” (Kasumuni 2004). In 2003, politicians and journalists asked to see the mining contracts. The Permanent Secretary in the Ministry of Energy and Minerals replied that the investment agreements that the government has signed with the various companies were not for “public consumption”: “In all signed contracts on international investments like mining, there is a legal confidentiality, a clause which restricts every party to make the contracts public” (Tindwa 2003).

The amount of revenue paid by mining companies is publicised by the Economic Survey of the Vice President’s office, but many Members of Parliament feel that they have not been given adequate information. Some foreign observers have also argued for more emphasis on domestically controlled small scale mining, questioning “the necessity and appropriateness of a mining policy focused so strenuously on attracting private foreign investment” (Butler 2004: 79).

In response to the critique, the government has put in place a committee to analyse whether the government gets a fair share of mining. The commission was formed by the Prime Minister and is lead by Dr. Kibokola (Daily News 2004). Critics from the NGO sector argue that Kibokola is not the right man to sit in such a committee, since he was a member of the team formulating the terms that apply to foreign investors in mining in the first place.[28] Comparative research on mining in developing countries have showed that the bargaining power of government and the foreign investor is often imbalanced, resulting in “tax leniency” (Andrews 1998). Moreover, public knowledge about the size of revenues from mining does not necessarily imply that the government spends the revenue income well. As Philip Swanson et al. have pointed out, “information on spending and probably a minimum of organized political opposition must also be available for this to happen” (Swanson, Oldgard, and Lunde 2003:43).

Representatives of large scale companies whom we talked to complain that the mining law only seems to apply to them, while smalls scale miners get away with tax evasion. Staff at the mining offices in Arusha and Mererani confirms that they have little means to sanction small scale miners who year after year report that they have high expenses and little or no production. As Tanzanian-owned mines grow in size and importance, an improved revenue collection system would increase the overall contribution of mining to government coffers. Similarly, a tighter control of large scale mining companies may reduce the number of years that pass before they start paying corporate tax.

Taxes and revenues to central government only

The World Bank review of mining found that in countries that have de-centralised, regional and local governments get more tax income than in centralised countries (World Bank 2002a). Tanzania is presently going through a local government reform, but all the revenues applicable to mining (see table 3) still go directly to the central government. Members of parliament from the Lake Victoria

[27] Personal communication, Craig Andrews, Principal Mining Specialist, World Bank.
[28] Tundu A.M. Lissu, Lawyers Environmental Action team, interview 01.06.2004.

area have demanded mineral royalties for their constituencies, but this has not been granted, perhaps because the government fears that regional stratification would be the outcome. The only direct benefit or income that local communities have from the presence of large scale mining companies are improved roads and the “donations” that companies may volunteer to offer. There is no legislation which forces companies to do so. In our two case studies, Geita and Mererani, for the past four years contribution to the local communities has not gone above 1.5 and 3 percent respectively, of its total statutory taxes and other contributions. Since both companies spent considerably larger sums during their first year of operation (roads, water) compared to what they did in 2003, the percentages are likely to go down. Seen in relation to the total value of tanzanite production, the donations by AFGEM to local communities was 0.4 percent.

Although local authorities do not benefit from the direct taxation of mining, they do receive income from the multiplier effects. Fees and licenses for local businesses go to the district authorities. In the case of Geita District Council, revenue due to increased business activity has increased considerably over the last years, but so has the pressure on social services. Some village governments have passed by-laws which entitles them to collect a special tax from businesses related to small scale mining activities, i.e. mills (Mwaipopo et al. 2004:58). The money is spent on development projects like schools. It is likely that the relationship between large scale mining companies and local communities would have been improved if part of the revenue remained with the local authorities. At the moment, it is entirely up to the companies to what degree they will engage in benefit sharing with local communities. In some countries, mining companies have set up foundations that have proved to play “a very important role in structuring, coordinating, and funding” local community development activities (World Bank 2002a:7). Such foundations may train locals to apply for funding from other sources, improve their entrepreneurial skills etc. Some countries have also mandated a percentage of royalties and/or surface rents to the local communities. However, the experience in many countries shows that this division of revenues is not easy to achieve in practice or to manage efficiently.[29]

5.2 Governance and state-citizens relations

Mining in Tanzania has become a highly contested issue. In fact, officials at the Commissioner for Minerals tried to discourage the research team from conducting field research in Mererani. The argument used, was that people in Mererani were sceptical to foreigners after the “Al Qaeda case” and that it might in fact be risky to go there at all. In Mererani, we did not meet anyone who was sceptical to foreigners per sé, but we did meet small scale miners who were eager to tell the world about what they felt was a “betrayal” by their own government. We met pastoralists who expressed the view that the mining law provided no protection of their rights, since the rights of “local communities” are supposed to be protected by the District Council, whose members, in their view, are easily corrupted by the mining company. We also found that relations between the pastoralist Maasai and the multi-ethnic mining community were getting increasingly hostile, and that the Maasai had started the process of having a separate politico-administrative representation. These types of conflicts and processes echo issues that have been raised in the “resource curse” debate. Two sets of potential causal connections from the possession of natural resource rents to ‘bad governance’ have been identified. Two of them, “regional secessionism” and “dominance” are particularly relevant in the Tanzanian context. Regional secessionism may occur when natural resources are located in an area occupied by a minority or a group marginalised from power. Dominance occurs when the state, its associated local elites, and external agents are empowered compared to other members of society (Moore 2005).

[29] Personal communication, Craig Andrews, Principal Mining Specialist, World Bank.

Secessionism in Mererani

Since 2001, AFGEM has targeted the Maasai in Nasinyai for their economic support to the local community. The company has sponsored a community hall, new classrooms for the primary school, electrification of the clinic, and a water dam. They are also providing the village with subsidised waste material. The multi-ethnic population of Mererani react strongly to the mining company's favouritism of the Maasai. The Maasai, who have long been marginalised from political power, use the profit from the waste material to build new ward offices. In this way, they can have their area administrically separated from the multi-ethnic mining community and improve their political representation and influence substantially.

The linkages between resource abundance and ethnic conflict/civil war has been the focus of much attention and research in recent years (Bannon and Collier 2003b; Collier 2003; Collier and Hoeffler 2001). The present level of secessionism in Mererani is not worrying per sé – there are no known cases of assault or violence between the Maasai and the multi-ethnic community. One may even see it as a healthy development that this marginalised group gets more influence. Moreover, Mererani is not a representative case in the national picture since it is the only area in which large scale mining takes place in a traditionally pastoralist area. There are no reports that secessionism has occurred in other mining communities in the country.

Target groups for benefit sharing

Under the present system, mining companies are free to organise the management of their donations in the way that suits them. They can choose whether to give or not to give, and whether to give it through local authorities, or directly to certain groups, organisations, institutions, or even individuals.

The two case study companies, GGM and AFGEM, have chosen very different strategies for their support to local communities. GGM supports the District Council with a fixed amount (Tsh 150 million) per year, in addition to more ad hoc donations to local and national projects and campaigns. AFGEM, on the other hand, directs their support one level lower down in the local governance system, to the village government of the village closest to the mine. In a comparative perspective, both GGM and AFGEM's approaches are innovative. Mining companies seldom deal with local governments but tend to deal "directly with landowners or community representatives" (World Bank 2002a). The two companies, however, deal with different *levels* of local authorities. Two aspects appear to play a role for these different strategies; the relationship to local small scale miners, and the distance to the district headquarters.

In Mererani, the relationship between AFGEM and small scale miners at one point became so tense that the village government of the multi-ethnic mining town Mererani refused a donation offer from AFGEM. Since then, AFGEM has focused their support to the village government of Nasinyai, a village with a predominately Maasai population. The company has no relationship with the District Council, which is four to five hours away by car. GGM, on the other hand, appear to have a comparatively close relationship with the district administration. The partners meet in the Investor Forum, and officials are offered lifts with the company's plane to Mwanza city.

Also in terms of their HIV/AIDS work, the two companies employ very different strategies when it comes to community involvement. AFGEM targets their own workers only. GGM, on the other hand, together with their sub-contracted company Stanley contractors, fund an AMREF project which has a much broader community approach. As part of the project, more than 160 peer educators have been trained to work not only among the mine workers, but also with high risk women and community members in general.

On the basis of these experiences, a very important issue for stake holders to discuss is how donations should be managed to ensure that local communities get a fair share. One controversial issue is to define the actual unit of the 'community'. Is it the village closest to the mine? Is it the district as a whole, even if some of its areas are more than four hours away from the mine? Should one have a regional perspective? What control mechanisms can be put in place to avoid misuse of donations? Many countries encourage the formation of local community councils to help on these issues. Experience from Tanzania, however, shows that such independent committees (i.e school committees, community upgrading CBOs), tend to come into conflict with village governments, who see them as competitors who challenge their authority and popularity (Kelsall and Lange forthcoming; Lange 2003).

Corruption of donation funds by local authorities

A major challenge for the two companies studied has been corruption in the local authorities. In the case of AFGEM, embezzlement of money by the village government made the company stop giving cash contributions, and start giving their support in the form of subsidised waste material instead. The management of the mine explicitly states that they do not want to have a control function in regard to how the waste material is distributed and how the profit is spent. Some informants argued that this was unfortunate, and that there was a tendency for influential men to take advantage of the system at the cost of women and the community as a whole. Comparative studies of mining communities have showed that social relationships may easily become disturbed, and that this is a danger especially among pastoral peoples (World Bank 2002a).

In the case of GGM, corruption has taken far more serious forms and has been potentially devastating for the public image of the company as socially responsible (see chapter three). Council staff collaborated with two GGM employees to embezzle money meant for compensating villagers (AllAfrica.com 2001; Geita Gold Mine 2004; Knight 2001). Moreover, some of the money donated to the District Council was lost and at least one school project was relocated to a village where council staff had personal interests. GGM has decided to continue their support to the District Council, but they no longer leave the implementation to them. Instead, the full council meeting identifies concrete building projects which GGM then provides, using their own contractors. To the companies, building projects are ideal, since they are easily visualised in yearly reports and to visitors.

One of the factors enabling corruption to take place is the general lack of knowledge among ordinary people about, on the one hand, the economic support provided by the companies and, on the other, council/village affairs. In Geita, few of the ordinary citizens interviewed for this study had heard anything about GGM sponsored development projects or benefit sharing. It would be in the interest of the company, therefore, to publicise all payments, taxes and royalties in a form and language that is comprehensible to the average citizen.

State-citizens relations and domination

Research on the effects of extractive industries on the role of the state have found very different trends. Paul Collier argues that competition for control of the resources (diamonds in Sierra Leone, for instance) has actually weakened the power of the state (Collier and Hoeffler 2001). Mick Moore, on the other hand, argues that there is a tendency in resource rich nations for a relative empowerment of the state, its associated local elites, and external agents (Moore 2005). Among the small scale miners in Mererani whom we talked to, there was a strong feeling that their own government had "betrayed" them. Informants mentioned high ranking government officials whom they claim own shares in the Tanzanite company. The secret ownership, they argued, was one reason why government has not taken the murder charges against the company seriously.

Similar concerns are voiced in regard to the Bulyanhulu case where 52 small scale miners are said to have been killed in 1996 by either the security guards of Barrick or by the local police. This happened a few days after the high court had declared the eviction of these miners illegal. Human rights organisations claim that they have not been allowed to do an independent investigation of the case. In May 2002, Minister of Home Affairs Mr. Mohammed Seif Khatib said that the “government has no objection to anyone going to Bulyanhulu mines to enquire into the alleged death of small miners. He emphasised however that clearance had to be obtained before embarking on such research” (Brewin 2002a:11).

Like the small scale miners, mine workers organised through Tanzania Mines and Construction Workers Union (TAMICO) have also experienced powerlessness in the face of the joint forces of local authorities and a foreign investor. When the union tried to organise the workers at GGM in 2002, the mine management refused to meet them for discussions. The union then decided to organise a meeting for the workers at a different location, and asked the District Commissioner (DC) and the police for their consent. The DC is a representative for the central government at the district level and directly appointed by the President. After initially getting a green light, the DC apparently changed opinion after two days and sent the police to stop the meeting. Victor Kassian, Deputy General Secretary of TAMICO, says that when the police turned up, they decided to call off the meeting, having the shootings during a CUF demonstration at Zanzibar a year earlier fresh in mind.

TAMICO reported the incident to the President, and the case was handled by the Minister of Labour. After a series of meetings with representatives of the four biggest mines, two of them (Golden Pride and Afrika Mashariki) agreed that TAMICO could organise a meeting with their employees. GGM and Kahama Mining on the other hand, asked for a number of formalities to be in place before organisation of the workers could take place. After a two year process, the parties have agreed upon a code of conduct and access to the mine, but they are still not through with the recognition agreement.[30] The TAMICO case illustrates the dangers connected to dominance and the rather undemocratic power inherent in some local authority positions.

Needless to say, most of the challenges discussed above are not particular to the management of benefit streams from mining. Corruption, accountability, and state-civil relations are issues that dominate current development debates. Many of the dilemmas that mining companies face in regard to how benefit sharing should be managed, what groups to target, etc. have been wrestled with by NGOs and other development agencies for decades. However, foreign-owned, large scale mining companies are not only new in the Tanzanian setting, they represent something entirely different compared to other actors, and there are many unintended consequences in the local communities. One of the most obvious is that mining often entail immigration and stratification. Mine workers at large companies generally earn more than other people in the community, and compensations, sale of mining claims and/or land make some local people rich over night. Stratification tends to lead to social tension, especially in societies that have little experience with it and where the concept of “ownership” of land does not exist. Being as controversial as this sector is, the need for stakeholders to collaborate and to learn from experience cannot be overemphasised.

One of the main lessons learned from research conducted in other countries, and of high relevance to Tanzania, is that mining companies need a “social license”. This social license should be the

[30] Interview with Victor Kassim, Deputy General Secretary, Tanzania Construction and Mine Workers Union, 2. September 2004.

result of a strong trilateral dialogue between the mining company, the local community, and the government at the local, regional, or national level (World Bank 2002a). It is exactly this trilateral dialogue that seems to have been missing in Tanzania up to now. Above all, the government and the mining companies have not understood, or not prioritised, the importance of information sharing and openness. Disclosure of contracts, ownership, revenue, donations, and future plans, would do much to help stop the rumour making presently taking place, and above all improve accountability. Improved accountability would in turn encourage local communities to take an active role in benefit sharing management.

6. Appendices

Table 9. Statutory taxes and other contribution by GGM (in US$)

Name	2000	2001	2002	2003	2004	Total
Paye-Expat Salaries	309,774	669,266	770,381	944,081	861,176	**3,554,678**
Payroll Levy-Expats	45,995	108,318	122,201	140,418	246,262	**663,194**
Paye-Expat Gratuity	-	277,129	276,073	326,335	-	**879,537**
Withholding Tax-Geita	1,270,517	1,493,057	1,597,013	1,936,407	1,970,272	**8,267,266**
Withholding Tax-Dar	8,065	10,652	103	-	-	**18,820**
Payroll Levy	62,650	57,791	-	-	22,822	**143,263**
Veta Levy	28,177	93,206	211,636	223,906	223,207	**780,133**
NSSF	272,587	483,646	596,679	733,566	747,306	**2,833,784**
PPF	4,212	-	-	-	-	**4,212**
PAYE		516,358	637,648	751,652	720,117	**2,863,862**
Stamp Duty	105,130	143,271	15,559	12,071	6,792	**282,822**
Donations	102,828	47,311	208,826	265,082	174,240	**798,286**
Road Toll	200,000	200,000	200,000	200,000	200,000	**1,000,000**
Mining Lease	171,000	171,000	171,000	171,000	264,000	**948,000**
Royalty	1,311,249	4,194,250	5,360,770	7,311,733	7,996,541	**26,174,545**
Import Duty	-	3,699	-	-	1	**3,700**
Import Duty	-	144,716	547,719	1,112,332	1,306,823	**3,111,591**
Total Usd	**4,130,270**	**8,613,671**	**10,715,609**	**14,128,581**	**14,739,561**	**52,327,693**
Donations % Total	2.5	0.5	0.2	2	1.2	1.5

Source: Geita Gold Mining Company

Table 10: Statutory taxes and other contributions by AFGEM (US$)

	2000	2001	2002	2003	TOTAL
PAYE-Experts salaries	45,500	87,039	77,359	79,993	289,092
PAYE-Gratuity	-	-	38,452	41,589	80,051
Payroll Levy-Experts	2,370	28,827	33,117	34,687	99,001
Withholding Tax at Company	-	-	-	-	-
Withholding Tax Dar	-	-	-	-	-
Payroll Levy/SDL	1,304	2,855	18,052	28,327	50,538
VETA Levy	-	12,314	14,919	-	27,233
NSSF	55,158	57,936	66,677	99,392	279,165
PPF	-	-	-	-	-
PAYE	7,124	84,594	57,936	50,227	179,881
Stamp Duty	-	-	150,000	-	150,000
Donations	7	42,841	5,099	-	47,947
Royalties	40,591	60,584	145,981	175,907	423,043
Import Duties	-	-	14,946	-	14,946
Other	-	-	-	-	-
Total US $	152,053	336,972	622,549	510,122	1,621,696

Source: Mererani Mining Limited

Table 11. Community projects sponsored by AFGEM

	2000	2001	2002	2003	TOTAL
Education (school)	-	-	1,800	27,851	29,651
Health (clinic)	-	4,400	-	-	4,400
Water, e.g. dams	3,800	4,700	5,000	7,000	20,500
Roads	65,000	5,400	5,400	8,500	84,300
Meetings/ceremonies	-	-	5,000	486	5,486
Electrification	-	65,000	-	-	65,000
Other	-	50,976	84,824	15,218	151,010
Total US $	-	130,476	102,024	59,055	360,355

Source: Mererani Mining Limited

Table 12. Human Resource Development by the major mining establishments: 1997 - 2002

Year	Total number of People Trained	Total Amount Spent (US$)
1997	173	27,095
1998	20	1,235
1999	1,370	35,111
2000	1,869	2,359,801
2001	1,907	2,376,000
2002	2,130	2,391,761
Total	**7,469**	**7,191,003**

Source: Ministry of Energy and Minerals, Dar es Salaam.

Fieldwork schedule

Day and date	Place/institution	People met	Team members
Wednesday 19.05.04	Tanzania Investment Centre, DSM	Salvator J. Ntomola	Lange Wanga Kimaro
	Ministry of Energy and Minerals, DSM	Commissioner for Mining	Lange Wanga
Thursday 20.05.04	Zonal Mines Office, Lake Victoria, Mwanza	David Mulabwa, acting Zone Mines Officer Tuna Bandomo	Lange Kimaro
	MP of Geita constituency, Mwanza	Hon. Ernest G. Mabina	Lange Kimaro
Friday 21.05.04	Mines office, Geita	Donald Mremi, Mining Officer	Lange Kimaro
	Geita District Administration (under Presidents Office)	Evagry S. Keiya, District Administrative Secretary (DAS)	Lange Kimaro
	Tanzania Revenue Authority, Geita	Mtaka T. Mtaka, District Revenue Officer	Lange Kimaro
	Mwanza Regional Miners Association (MWAREMA), Rwamgasa Ward	Christopher Kadeo, Chairman	Lange Kimaro
	Mining Cooperative, Rwamgasa Ward	Mr. Masanja	Lange Kimaro
	Geita District Council	Jarvis A. Simbeye, District Executive Director (DED)	Lange Kimaro
Saturday 22.05.04	Resident Mine Office	Donald Mremi	Wanga
	East Africa Mines	Salum S. Libuburu	Lange Wanga
	Ward Executive Officer	Thobias Ikangala, Operations Manager	Kimaro
	Rwamgasa Ward	Interviews with citizens	Kimaro Wanga
Sunday 23.05.04	Geita town	Interviews with citizens	Lange Kimaro
Monday 24.05.04	Geita District Hospital	Dr. Nasoro Ramadhani, Medical Officer	Lange Kimaro
	Plan International	Boniface Mbunju, Program Unit Manager	Lange Kimaro
	Geita District Council	Brown Kilanda, District Planning Officer	Lange Kimaro
	Poverty Africa	Mr. Joel, Credit Shop Manager	Lange Kimaro
	Councillor of Rwamgasa Ward	Elias M. Kapula	Lange Kimaro
	Tarime		Wanga
Tuesday 25.05.04	AMREF, Geita Mine Community Health Project	Dr. Abel W.D. Ngwalle, senior Project Officer, and L. Ndeki, Project Officer	Lange
	Geita Gold Mine	Carolyn Brayshaw, Community Development Coordinator,	Lange Kimaro

		Wanjara Musendo, Community Relations Officer	
	MWAREMA, Nyarugusu Village Branch	Meeting with 14 members, visit to artisanal mine	Lange Kimaro
	Tarime		Wanga
Wednesday 26.05.04	Travelling from Geita to Arusha		
Thursday 27.05.04	Arusha Regional Miners Association AREMA		Lange Kimara Wanga
	Gem and Rock Ventures	S. Sammy Mollel, Managing Director	Lange Kimara Wanga
	Resident Mines Office		Lange Kimara Wanga
Friday 28.05.04	AFGEM/MML	Joe Kimble, General Manager	Lange Kimara Wanga
	Tanzanite Africa Ltd	J.S Megezi	Lange Kimara Wanga
	Reconciliation Committees of Block B & D	Richard Kanza, Chairman for Block B, Peter August, Assistant Secretary	Lange Kimara Wanga
	Good Hope Program	Harry Mushi, Project Coordinator, Dorah H. Mushi, Executive Director	Lange Kimaro Wanga
Saturday 29.05.04	AFGEM	Joe Kimble, General Manager. Visit to community development projects and the shafts.	Lange Kimaro Wanga
	Resident Mines Office	Godfrey Msumsa, Mining Officer	Lange Kimaro Wanga
	Mererani citizens	Group of 40 men and women	Lange Kimaro Wanga
	Maasai Community Authority	Lenganasa Soipei	Lange Kimaro Wanga
Sunday 30.05.04	Community meeting among Maasai	Group of 13 men	Lange
	Tanzanite Women Miners Development Union	Group of 63 women	Lange Kimaro
	Upendo, Maasai Sieving Co-operative	Group of 33 women	Lange Kimaro
	Women Miners	Group of 12 women	Lange Kimaro
	Mererani Ward	Mushi, Ward Executive Officer	Wanga
Monday 31.05.04	Ministry of Energy and Minerals	Laurian Rwebembera, Mining Engineer	Lange
	Ministry of Energy and Minerals	Aloyce L. Tesha, Geologist	Lange
	World Vision		Wanga
	TRA, Arusha Branch	R.C. Mtui, Regional Manager (request for data only)	Lange Wanga
Tuesday	United Nations Information	Collection of data	Lange

01.06.04	Centre		
	ILO	Collection of data	Lange
	Tanzania Chamber of Minerals & Energy	Catherine Mpangala, Sectretary, collection of data	Lange
	Lawyers' Environmental Action Team	Tundu A. M. Lissu, Coordinator, Mining, Environment & Human Rights Project	Lange Kimaro
	ESRF	Dr. Musonda, reporting on the fieldwork	Lange Kimaro
Wednesday 01.09.04	Ministry of Minerals	Godwin Nyelo, Head of sub unit on Local and Physical Affairs	Lange Leyaro
	National Bureau of Statistics	Morice Oyuke, Senior Statistician of National Accounts	Lange Leyaro
	Friedrich Ebert Stiftung (FES Tanzania)	Collection of data on trade unions	Lange Leyaro
Thursday 02.09.04	Tanzania Construction and Mine Workers Union	Victor Kassim, Deputy General Secretary responsible for mining	Lange Leyaro
	Southern and Eastern African Mineral Centre (SEAMIC)	Mesfin Wubeshet Gebremichael, Head, Geo-information Department	Lange Leyaro
Friday 03.09.04	National Bureau of Statistics	Collection of data	Lange
	University of Dar es Salaam	Collection of data	Lange

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SUMMARY

Tanzania is a 'new' mining country, and foreign investment in the mining sector has caused controversies. Government revenues from mining increased from 2 million US$ in 1998 to 36 million in 2002, but many stake holders argue that foreign investors have been given too generous conditions. The great majority of direct taxes accrue to the national treasury, while local authorities have little or no tax income from mining. This report focuses on the CSR initiatives of two foreign mining companies: AngloGold Ashanti, operating Geita Gold Mine, the third largest gold mine in Sub-Saharan Africa, and Tanzanite One, operating in Mererani. The companies' willingness to engage in benefit sharing, their methods for doing this, and their co-operation with local authorities varies greatly. Both mining communities have faced conflicts between small scale miners and foreign investors, but the conflicts have reached far higher levels in Mererani compared to Geita. The case studies show that at the local level, poor local governance has opened up for corruption in benefit streams management. Moreover, in Mererani, development projects sponsored by Tanzanite One have resulted in ethnic secessionism and affected local political processes. The two case studies focus on the triangular relationship between government (including local authorities), foreign owned mining companies, and local communities. What has guided benefit stream management up to now? What factors enhance or hinder an optimal management at the local level?

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