



Taasisi ya Uhamasishaji Uwazi na Uwajibikaji
Katika Rasilimali za Madini, Mafuta na Gesi Asilia.

ANNUAL PROGRESS REPORT JANUARY- DECEMBER 2018



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List of Abbreviations

CSOs	Civil Society Organizations
DPs	Development Partners
EITI	Extractive Industries Transparency Initiative
IMF	International Monetary Fund
IA	Independent Administrator
GoT	Government of Tanzania
MCIMS	Mining Cadastre Information Management System
M&E	Monitoring and Evaluation
MoM	Ministry of Minerals
MPSA	Model Production Sharing Agreement
MSG	Multi –Stakeholders Working Group
NRGI	Natural Resource Governance Institute
OGAT	Oil and Gas Association Tanzania
OGP	Open Government Partnership
PORALG	President Office Regional Administration and Local Governments
RBM	Results-Based Management
RfP	Request for Proposal
SOEs	State- Owned Enterprises
TCF	Trillion Cubic Feet
TCM	Tanzania Chambers of Minerals
TEITI	Tanzania Extractive Industries Transparency Initiative
TPDC	Tanzania Petroleum Development Corporation
TRA	Tanzania Revenue Authority
PURA	Petroleum Upstream Regulatory Authority

Foreword by Chairperson of Multi-Stakeholder Working Group (MSG)

The disclosure of company payments and government receipts created public debates and discussions within the Government. This has enabled citizens to have free access of information on the extractive industry quite easier than ever before. The debates and discussions focused on payment of corporate income tax by companies which have been operating in Tanzania for a long time.

This Annual progress report presents an opportunity for the reader to track progress of EITI implementation against targets as provided in TEITI Workplan for the period from January-December 2018. The public is invited to take note of the contents of this Report, and make contributions as they may wish. The Report can be found at: www.teiti.or.tz and www.eiti.org.

Tanzania is working towards implementing the systematic disclosure of EITI data disclosure, a platform which make extractive data more timely, comprehensive and reliable and cost-effective.

I would like to thank the GoT, extractive companies, civil society organizations, development partners, media and all stakeholders for helping TEITI to promote transparency and accountability in Tanzania's mining, oil and gas sub-sectors. MSG, as a governance oversight body for EITI implementation in Tanzania, remains committed in carrying out its role of string up healthy public debates on how Tanzania's natural resources are managed for benefiting this and the coming generations.



Ludovick Utouh
TEITI MSG – CHAIRPERSON

1. Background

This report covers all activities implemented from January to December 2018. It provides progress made during the period under review with a view of updating stakeholders and general public on progress towards implementation of development objective of TEITI work plan. TEITI Annual progress report for 2018 is produced in compliance with requirement 7.4 of the EITI Standard. An implementation of TEITI's Workplan during January - December 2018 helped advance the goal of deepening transparency in the administration of Tanzania's extractive industries.

Since joining the EITI, Tanzania has produced eight report, which indicate that from July 1, 2008 to June 30, 2016, the government collected US\$2.96 billion from the extractive companies. During this period, Tanzania completed the validation against the 2016 EITI standard. Following the conclusion of validation exercise in October 2017, the EITI Board determined that Tanzania has made meaningful progress overall in implementing the EITI standard. As it has been encouraged by the EITI Standard 2016, TEITI is planning to mainstream the EITI data in systematic way so as the available information is timely, comprehensive and reliable, greater cost-effectiveness, and harmonisation of EITI reporting processes with those already used by government and companies.. With the mainstreaming tool the information that would have been published in the EITI report through reporting templates will be provided 'at source'; in their own publications and websites. Mainstreaming will enhance the overall performance of the country. This method could help to simplify and identify an easy way on reconciliation process through the mainstream feasibility assessment table.

On 7th October, 2017, The President of the United Republic of Tanzania amended the Notice on assignment of Ministerial Functions (Instrument) No.144 of 22nd April, 2016. In that amendment, the President has created a Ministry of Minerals which is mandated to formulate and monitor implementation of Mining Policies; Mines, Geophysical and Geological Surveys; Mining Commission Affairs; Value Addition in Mining Industries; Local Content in Mining Industries; Small Scale Mining Development; Performance Improvement and Development of Human Resources; Extra-Ministerial Departments, Parastatal Organisations, Agencies, Programmes and Projects under this Ministry. The proposed functions and organisation structure of the Ministry of Minerals has taken into account the recent changes in the regulatory framework of minerals sector administration in the country through the Written Laws (Miscellaneous Amendments) Act, 2017 as published by GN No. 27 of 7th July, 2017. These Government changes made the operations of TEITI to be under the Ministry of Minerals.

These Government reforms in the extractive sector aims at improving good governance. TEITI has a major role to play in deepening multi-stakeholder engagement, with a view to increasing understanding of the governance of the extractive sector and building trust among different stakeholders. In this regard, TEITI, through its stakeholders – the government, industry and civil society, continue to undertake a number of key reform-oriented initiatives relating to the

implementation of the EITI Standard, including promoting public-private dialogue on the impacts and benefits of the extractive sector; establishing a central register of beneficial ownership information; and undertaking a study on the potential contributions of ASM operations to government revenues.

The President of the United Republic of Tanzania on 20th June, 2018 demonstrated the commitment of the Government of Tanzania to the EITI by appointing the retired Controller and Auditor General Mr. Ludovick Utouh, as the Chair of TEITI. Mr Utouh is a senior citizen of proven high integrity, a credible, competent and trusted by all MSG. The former TEITI Executive Secretary, Mr. Benedict Mushingwe retired in December 2017. The appointed Acting Executive Secretary, Dr. Athanas Macheyeke was appointed by the President to be the Commissioner to a Mining Commission in April 2018. The process of recruiting a new Executive Secretary is on its final stages. Filling of this vacant position and the outcome of the process will strengthen the secretariat's capacity for day-to-day implementation of the EITI process in Tanzania.

2. General Assessment of 2018 Performance

TEITI Annual progress report provides for overall assessment on activities which were carried out from January to December 2018. The activities explained below are reported against the requirements of the EITI Standard of February 2016. The report also provides strengths and challenges encountered during the implementation of EITI process in Tanzania during the period.

On 30th April, 2018, Tanzania published the 8th EITI report covering the period of 1 July 2015 to June 30, 2016. This is an achievement towards ensuring that TEITI reports comes immediately after the annual audit report of the government agencies produced by the Office of the Controller and Auditor General in April every year. To this end, Tanzania has started the process of recruiting the Independent Administrator for the production of the 2016/2017 and 2017/18 EITI reports. The Expression of Interest was re- advertised on 20th February 2019. Three firms Expressed Interest; i) ABS consultant ii) PMCG Consulting and iii) BDO Africa. The EoI was opened on 28th February 2019. On 1st March 2019, The evaluation report was submitted to the Ministry for next step. The Request for proposal was issued to the successful firms (PMCG Consulting and BDO Africa) in March 2019. However, the process of signing contracts has been delayed due to TEITI lacking the funds for this activity. The objective of producing the two reports together is to ensure that data provided to the public is recent and up to date. its also an endeavour to ensure that TEITI complies with EITI Standard.

On 25th October 2017, Tanzania completed validation against the 2016 EITI Standard. Following the conclusion of the validation exercise, the EITI Board determined that Tanzania has made meaningful progress overall in implementing the EITI Standard. TEITI planned to

undertake second validation in April 2019. However, this validation has been extended to take place from 1st July after the EITI Board decision on the TEITI MSG extension request.

The 2017 validation was based on the 2013/14 report which produced according to the 2013 EITI Standard. The 2017 validation was done according to the 2016 EITI Standard. Since then, the 2014/15 and 2015/16 reports have been published. In these more recent reports, impressive progress has been made in addressing the unmet requirements related to EITI reporting. The 2015/16 report which was released in April 2018 addresses requirements on Licences allocations and Register (2.2 and 2.3), The government policy on contract disclosures (2.4), State participation(2.6), production and export data (3.2 and 3.3), comprehensiveness of revenue disclosures (4.1), Transportation revenue (4.4), state owned enterprises transactions(4.5), Direct sub national payments (4.6), Revenue management and expenditures (5.1), Quasi fiscal expenditure by state owned enterprises (6.2), economic contribution of the extractive sector (6.3) and follow up on recommendations (7.3). The 2015/16 report there are gaps on the requirements of State owned enterprises. These gaps are expected to be addressed in the 2016/17 report but unfortunately the report was not ready at the time of submission of this report. However, on June 2019 EITI Secretariat conducting mapping to the unmet requirements and proposed various recommendations. In responding to these recommendations, on 17 June, 2019 TEITI issued a letter to the Ministry of Minerals and Ministry of Energy encouraging them to regularly disclose production and export data and procedures for obtaining licence.

3. Assessment of performance against targets and activities set out in the Workplan

The implementation of TEITI activities is guided by the 5 year work plan. This work plan was approved by MSG. The Workplan objective has four main intended outcomes, namely: 1) Increased Compliance in Disclosure of Payments and Revenues, 2) Increased Understanding and Awareness of TEITI, 3) Enhanced legal and institutional framework for EITI implementation, and 4) Increased capacity, skills and knowledge of TEITI Secretariat and MSG. Under each of the four main outcomes, TEITI has developed activities for attaining the intended outcomes. The outcomes are linked to the national priorities. Taken together, the outcomes and their subsequent activities assist in accomplishing the objective of the Operational Workplan.

The implementation of the Workplan is measured by using TEITI's Monitoring and Evaluation (M&E) Framework and Indicators Matrix August 2014. The M&E framework is computerized and accessible online at www.teiti.or.tz. TEITI is now Considering to undertake a second Baseline Survey in July 2019. TEITI 5 years operational workplan covering the period of 2018/19 to 2022/2013 can be accessed at <http://www.teiti.or.tz/wp-content/uploads/2018/08/TEITI-5-Year-Workplan-July-2018-to-July-2023.pdf>.

Outcome 1: Increased Compliance in Disclosure of Payments and Revenues.

Requirement 4.1: Comprehensive disclosure of taxes and revenues

The procurement process for recruiting a consultant to prepare and produce the 2016/17 TEITI report is in progress. However, this report was to be published in December, 2018. This was not met as the M/s MM Attorneys in Association with Boas & Associates who won the tender are same duo who produced the 8th TEITI report and the MSG was not happy with the TEITI 8th report in terms of quality, content, scope and the overall flow of the information presented as a result of which recommended to the Accounting Officer of the Ministry of Minerals to cancel the contract award. This led to restarting the recruitment process of an Independent Administrator. In ensuring that EITI Standards are followed as stipulated under the Requirement 4.8 of the 2016 EITI Standard, whereby the published data in EITI reports are not older than two years MSG decided to produce two reports 9th report for 2016/17 and 10th report for 2017/18 respectively. The procurement process for recruiting a consultant for carrying out scoping prepare and produce the 2016/17 and 2017/18 TEITI reports was advertised on 20th February, 2019 and the reports are expected to be published in June 2019 and January 2020 respectively. However, the process of signing contracts has been delayed because the fund for implementing this activities has not been released from the Government.

On 25 October 2017, Tanzania completed validation against the 2016 EITI Standard. Following the conclusion of the validation exercise, the EITI Board determined that Tanzania has made meaningful progress overall in implementing the EITI Standard. Tanzania was planned to undergo second validation in April 2019. However, in January, 2019 the MSG submitted a letter to EITI requesting for extension of second Validation to be rescheduled to a

date after 30th June, 2019 when the 9th TEITI report would have been published. The reasons for requesting the extension of the second validation are: i) Delay in publication of 9th TEITI reports as the result of the Independent Administrator (IA) earlier earmarked for the production of the 9th report happen to be the same one who produced the 8th TEITI report of which the TEITI MSG disqualified the quality of the report and therefore the contract award was cancelled ; ii) The Independent Administrator whose contract award was severed, has instituted an appeal against TEITI to the Public Procurement Appeals Authority as a result of which the re-advertisement for the recruitment process of the IA for the 9th report has been put on hold; iii) The 9th report funding was from the World Bank whose support came to an end by 31st December, 2018. At the time of writing this report the Public Procurement Appeals Authority had already issued its ruling in favour of the Accounting Officer. The procurement process has therefore resumed and is in the progress.

Requirement 2.4: Contracts disclosure

Section 16 (1) of The Tanzania Extractive Industries (Transparency and Accountability) Act, 2015 requires Mining, Oil and Gas contracts to be disclosed. Model Production Sharing Agreement is publicly available. In December 2018, The government through the Ministry of Minerals and Ministry of Energy approved the implementation of Section 16(1)(a) of the TEITA Act, 2015 regarding the disclosure of MDAs and PSAs.

In January, 2019 TEITI MSG communicated with the Natural Resource Governance Institute (NRGI) to support the agreed implementation of the contract disclosure requirement. In February, 2019 NRGI accepted to provide the support to MSG regarding meeting this requirement and propose the step to be followed in order to get the implementation in motion. The discussions are continuing on matters to be used on disclosing contracts. In June 2019, TEITI issued letters to companies with MDAs and PSAs and reminded them to submit any information that is deemed to be confidential as per Section 27 of the TEITA Act, 2015. The PSA with PanAfrican Energy and amendments to PSA with ExxonMobil and Statoil are publicly available (See: <http://resourcecontracts.org/countries/tz>). The information on contract disclosure was documented in the 2015/16 TEITI report and any progress made after will be disclosed in the next TEITI reports.

Requirement 2.5 : Beneficial Ownership

In June 2017, a consultant who was undertaking legal review study on Disclosure of Beneficial Ownership submitted the final report. The report provides an in-depth review of 13 legislations, pointing out several weaknesses of each of these Tanzanian laws in respect to disclosure of beneficial ownership information. Between December 2017 and January 2018, TEITI Secretariat in collaboration with Legal officers from the Ministry of Minerals and Attorney Generals formed a task force to review the consultant recommendations on the beneficial ownership report. Among other things, the task force advised the TEITA Act, 2015 to be amended in order to incorporate the item of fully disclosure of beneficial ownership in

extractive industries. In September 2018 TEITI Secretariat in Collaboration with the Ministry of Minerals and Attorney Generals Chamber discussed and prepared a draft amendment of the TEITA Act, 2015 and its Regulations. The draft amendments Act encompasses the Beneficial Ownership clauses. The draft submitted to MSG for their review, discussion and approval who provided comments that was then submitted to the Ministry of Minerals, The draft amendments was submitted to the AG office in February 2019 who reviewed and provided comments and submitted to MoM in April to incorporate the comments and resubmit again to AG office for further action. The Regulations for TEITA Act, 2015 was Gazzeted via the Government Notice No. 141 of February, 2019.

On August 23 2018, TEITI in collaboration with NRGi conducted a one day capacity building workshop was attended by the Multi Stakeholder Group (MSG), Secretariat of the Tanzania Extractive Industries Transparency Initiative (TEITI), Officers from Ministry of Minerals, Petroleum Upstream Regulatory Authority (PURA), Prevention and Combating of Corruption Bureau (PCCB), Attorney General and Business Registrations and Licensing Agency (BRELA). The objective of the workshop was to: i) Increase understanding of what beneficial ownership information is and how it is a crucial tool in the extractives sector for identifying conflicts of interest, fighting corruption and reducing tax evasion; ii) Improve knowledge of best practice in pursuing disclosure of beneficial ownership information. E.g. how certain definitions give companies and their owners space to hide in or grounds for arguing—credibly or not—that disclosure requirements do not apply to them; iii) Provide a forum for TEITI and relevant government stakeholders to discuss the status of the disclosure process in Tanzania and develop solutions for addressing the various challenges and gaps. The workshop also aimed to provide to participants knowledge and understanding of beneficial ownership, why it matters in the pursuit of transparency and accountability, and the practical steps they could take to push for disclosure of this information in Tanzania.



TEITI Chair (standing) during the Beneficial Ownership Capacity Building workshop

On October 31 –November 2 2018, Representatives from Tanzania (Permanent Secretary-Ministry of Minerals, TEITI Ag. Executive Secretary and TEITI Chairman- and Executive Secretary-Mining Commission participated in the Extractive Industry Transparency Initiative (EITI) Africa Conference on beneficial ownership transparency titled “Opening up ownership: Africa”, in Dakar. The three day Conference which was held from 31 October to 2 November 2018, brought together beneficial ownership transparency leaders and implementers from 24 EITI implementing countries in Africa to discuss challenges, share solutions and reaffirm support for beneficial ownership disclosure in oil, gas and mining. The lessons learnt from the conference are used as a tool in the implementing the beneficial ownership disclosure in Tanzania and ensuring that the deadline for building a register of beneficial owners is met by 2020 as per EITI Standard, 2016 and Prime Minister, Kassim Majaliwa’ commitment in the Paris Ant Corruption Summit in 2016.



Tanzanian's representative in the Africa Conference on beneficial ownership transparency in Senegal, 2018

Requirement 2.2 : Licence allocations

The Mining Act, 2010 as amended from time to time, regulates all matters pertaining to granting of mineral rights and licenses. The Ministry of Minerals grants mining licenses in Tanzania on a "first-come-first-served" basis. Parts IV and V of the Mining Act detail the process of awarding or transferring mining license, information required from the recipients and technical and financial criteria for evaluating applications. However, where two or more applications which are partially or wholly overlapping on the same day during the business hours such applications shall be deemed to have been received simultaneously so that the priority between them over the overlapping area shall be determined by inviting successful applicants to submit bids to the Commission.

In regard to Petroleum licenses, under Section 48 of the Petroleum Act, 2015, there is a provision for entering Petroleum Agreements which requires the issue to be handled in a transparent and competitive public tendering process. The invitation of tender shall be made in a wider circulated newspaper. In areas where tendering has not become effective, and it is for public interest, the Minister may, upon the advice of PURA and approval of the Cabinet, initiate direct negotiations with qualified and eligible company.

(For more details, see: <https://www.madini.go.tz/wp-content/uploads/2017/12/The-Mining-Act-2010.pdf>- <https://www.madini.go.tz/wp-content/uploads/2017/12/Miscellaneous-amendment-no.-7-of-2017-clean-copy-final-Hansard-CHAPA.pdf>

<http://parliament.go.tz/polis/uploads/bills/1498723111-EXTRACTIVE%20INDUSTRY%20AND%20FINANCIAL%20LAWS-4.pdf>). Other details can be found in the TEITI reports.

Requirement 2.3 : Register of licences

Pursuant to the requirement of the Mining Act 2010, as amended from time to time, the Ministry of Minerals through Mining Commission maintains a central register of all mineral rights. An online portal, the central register allows registered users to undertake renewals, relinquishment, cancellations of licenses and to make online payments. The central register is accessible at ministry of mineral website. <https://www.madini.go.tz/>

Under Section 84 of Petroleum Act, 2015 the Petroleum Upstream Regulatory Authority maintains a Petroleum Registry of petroleum agreements, licenses, permit authorizations and any change in interests of an existing petroleum agreement, permit or license. The Petroleum Registry contains information on licenses, permits or petroleum agreements, including applications for grants, assignments, renewal, surrender, termination and revocation. The Petroleum Registry also contains a record of any court decision including arbitration, award, deeds or instruments related to the license. The information recorded in the registry is public except as otherwise provided by law. TEITI continue to emphasize PURA on the importance of maintaining online Petroleum registry.

Requirement 4.6: Subnational payment

Extractive companies Payments to subnationals which are located in districts with mining, oil and gas operations are made in accordance to the Local Government Finance Act, 1982. This law requires any company operating in the district jurisdiction to pay service levy at a rate of up to 0.3 percent of turn over net of value added tax and excise duty. Details of payments made to subnationals hosting mining, oil and gas operations are also disclosed in the two EITI reports.

Requirement 5.2: Subnational transfers

In Tanzania all revenues including those from extractive industries are centrally collected by the Ministry of Finance. The Ministry of Finance (MoF) on quarterly basis releases publication on allocation of funds to Local government authorities based on agreed criteria, one of them being size of population. However, following recent discoveries of natural gas, in 2015 the Government established the Oil and Gas Revenue Management Act. This law provide fiscal rules which regulate transfers of oil and gas revenues to Subnations which host oil and gas operations. Section 17 (3) states that Local Government authorities (subnationals) to which oil and gas activities are undertaken shall receive revenue from service levy of the oil and gas as shall be approved by the NationalAssembly. Also Section 17 (4) empowers the Minister for Finance in consultation with Minister responsible for local governments to make fiscal rules

for local governments to guide expenditure and saving.

Requirement 6.1: Social expenditures by extractive companies

In Tanzania, like in other countries CSR projects are undertaken by companies on a voluntary basis. However, the amended Mining Act of 2017 established under Act No.7 (The Written Laws (Miscellaneous Amendments) Act, 2017) stated that “A mineral right holder shall on annual basis, prepare a credible Corporate Social Responsibility (CSR) jointly agreed by the relevant local government authority or local government authorities in consultation with the Minister responsible for Local Government Authorities and the Minister responsible for Finance”. The law also add that “The plan prepared shall take into account environmental, social, economic and cultural activities based on Local Government Authority priorities of Host Community”. The responsible Local Government Authorities are required to prepare guidelines for CSR.

Under section 15 of the Tanzania Extractive Industries (Transparency and Accountability) Act, 2015 extractive companies are also required to submit on annual report on CSR projects to the Tanzania EITI Committee.

The importance of CSR has also been captured in the National Natural Gas Policy of Tanzania. The policy states that the government shall “ensure there is a contractual obligation to all investors and contractors in the natural gas activities to undertake locally prioritised community development programmes, and ensure that companies in the natural gas industry submit credible Corporate Social Responsibility action plans to the appropriate authority.

Requirement 6.3: Economic contribution

Currently TEITI report covers large and medium scale companies. However, it has been discovered that Tanzania has an estimated 500,000 to 1.5 million artisanal and small scale miners. They are predominantly involved in the extraction of gold and gemstones such as Diamond and Tanzanite. They also play a key role in mineral prospecting in Tanzania. Artisanal and small-scale mining provides significant employment in mining communities and makes major contributions to rural economies in Tanzania.

On the other hand, Artisanal and small-scale mining operations in Tanzania are fraught with many challenges. These include labour exploitation (most license owners are not engaged in actual mining activities, but instead lease out the mineral right to pit holders who organize the mining activities), smuggling, and land use conflicts. Other challenges include lack of reporting to the government authorities, avoiding paying taxes and engaging illegal mining and trading activities.

Although artisanal and small-scale operations are visible and major source of mineral production, they make little contribution to government revenues. Miners may be migratory, work may be seasonal, and mines may be short lived, all of which lead to erratic production and challenges in collecting revenues. Operations may in many cases be informal and clandestine, and production may be hidden from official view or registration.

The EITI requires the disclosure of payments made by artisanal and small-scale miners and the corresponding revenues collected by the government. TEITI had begun the process of incorporating ASM into EITI reporting with the overall objective of contributing to the formalization of artisanal and small-scale (ASM) operations and determine the potential contributions of ASM operations, with a view to increasing revenues generated from the Sub-sector. This initiative by TEITI was to be funded by the World Bank. Unfortunately, the World Bank did not release the required funds as a result this activity could not be implemented. TEITI is planning to implement this important activity in the future.

Outcome 2: Increased Understanding and Awareness of TEITI

Requirement 7.1: Public debate

During the reporting period TEITI conducted several outreach programs. In order to ensure active participation of communities, TEITI is in the process of improving the 2015 – 2020 communication strategy to enable healthy debates on burning issues related to environment and benefits to communities. The following are some of the selected outreach activities conducted:

- i. In November 2018 to January 2019 TEITI in collaboration with IT specialist from the Ministry of Minerals and President's Office Regional Administration and Local Government Offices are jointly built a dashboard and worked on improving the TEITI website. The objective is to create a single, manageable 'source' of data relevant to the Tanzanian extractives sector and provide a visualization tool which will enable users to both easily understand and be able to interrogate the data, and thereby influence for informed policy debates and reforms in Tanzania. The dashboard can be viewed at: <http://dashboard.teiti.go.tz/>;
- ii. On December 7, 2018 TEITI aired a session programme on TV and Radio Tanzania Broadcasting Corporation (TBC) at 06:00 am. The aim was to increase public awareness of TEITI operational overall and use of Data from the TEITI report to enhance informed debate on the management and accountability in extractive sector.



TEITI Chair (Middle) with Companies representative (right) on TEITI awareness through TV

- iii. On April 30 2018, TEITI launched its 8th report for the fiscal year 2015/16. The launch ceremony was attended by MSG and other stakeholders including Media. The guest of Honor was the former Minister for Minerals Hon. Angelah Kairuki. During the launch the Independent Administrator presented the findings of the report on which media published in the various news paper for public to understand what is in the report. Also invitation of Hon. Angellah Kairuki to launch this report helped many people to start be aware about TEITI.
- iv. Official launch of the TEITI MSG took place in Dodoma on 25 October, 2018. The current MSG will hold office for 3 years until 25 October, 2019. The objective of launching TEITI Committee was to build the public awareness on the responsibility of MSG in the implementation of EITI in Tanzania. The launch was attended by the MSG, Officials from the Ministry of Minerals, Ministry of Enegy and Minister for Energy Hon. Medard Kalemani, media and other stakeholders. The guest of Honor was the former Minister of Minerals Hon. Angellah Kairuki.



Hon. Angellah Kairuki during the launch of the 3rd term TEITI MSG



Hon. Angellah Kairuki(3rd sitting) and Hon. Medard Kalemani Minister for Energy (2nd left sitting) during the launch of TEITI MSG

Outcome 3: Enhanced legal and institutional framework for EITI implementation

TEITA Regulations:

The Tanzania Extractive Industries (Transparency and Accountability (TEITA) Act, 2015 came into force on 25th September 2015. During the reporting period, efforts were made towards the preparation of regulations for implementing the Act. In September, 2018 the Ministry of Minerals formed a taskforce to prepare amendment of TEITA Act 2015, Mining Act and various Regulations including TEITI Regulations. The objective of the Government is to ensure that there is maximum control on the management of natural resources so that all Tanzanians benefited from these natural resources. On February 8, 2019 six Regulations were published. The published Regulations includes: The Mining (Mineral Beneficiation)(Amendments) Regulations, 2019; The Mining (Diamond Trading) Regulations, 2019; The Tanzania Extractive Industries (Transparency and Accountability) (General) Regulations, 2019; The Mining (Minerals and Mineral Concentrates Trading)(Amendments) Regulations, 2019; The Mining (Local Content) (Amendments) Regulations, 2019; The Mining (Mimerani Controlled Area) Regulations, 2019; and The Mining (Mineral Value Addition) Guidelines, 2019.

Outcome 4: Increased capacity, skills and knowledge of TEITI Secretariat and Multi-Stakeholder Group

On August 23 2018, TEITI in collaboration with NRGi conducted a one day capacity building workshop. The workshop was attended by the Multi Stakeholder Group (MSG), Secretariat of the Tanzania Extractive Industries Transparency Initiative (TEITI), Officers from Ministry of Minerals, Petroleum Upstream Regulatory Authority (PURA), Prevention and Combating of Corruption Bureau (PCCB), Attorney General and Business Registrations and Licensing Agency (BRELA). The objective of the workshop was to increase understanding of what beneficial ownership information is and how it is a crucial tool in the extractives sector for identifying conflicts of interest, fighting corruption and reducing tax evasion. In addition, TEITI Secretariat is planning to conduct various training in future.

4. Assessment of Performance Against EITI Requirements

Table 2

Requirements	Progress
Requirement 1: Oversight by the multi-stakeholder group.	<p>The President of the United Republic of Tanzania on 20th June 2018 appointed Mr. Ludovick Utouh (Retired Controller and Auditor General) to be a Chair of TEITI. Before this appointment Mrs Agustina Rutaihwa, a retired public servant and experienced Geologist was the TEITI Chair in acting capacity.</p> <p>The other 15 members are well represented to the committee in the MSG following appointment of the 5th Member from CSO's-Mr. Petro Ahham. The Minister of Minerals Hon. Dotto Biteko appointed and announced Mr. Petro Ahham on 27th February, 2019. According to section 8 of the TEITA Act 2015, the tenure of the 15 members of the MSG is 3 years and therefore the current members are expected to serve until 25th October 2019.</p> <p>The process of recruiting a new Executive Secretary is in its final stages. On 16 August, 2018 the Presidents Office recruitment department, conducted an interview for hiring TEITI CEO. On January 2019, Permanent Secretary Ministry of Minerals wrote a reminder letter to the president office who informed that they are working on it and the issue will be completed soon. The outcome of the process will strengthen the secretariat's capacities for day-to-day implementation of the EITI in Tanzania.</p>
Requirement 4.1: Data Timeliness	The 2014/15 and 2015/16 reports were published in June 2017 and April 2018 respectively. The 2016/17 report was expected to be published before December 2018. Due to various challenges the 2016/17 and 2017/18 expected to be published in June 2019 and January 2020 respectively.
Requirement 3: Exploration and production and contextual information about the extractive industries	The 2015/16 Report include contextual information on exploration, production exports sales and contextual information on legal and regularory framework. In June 209, TEITI issued letter to Ministry of Minerals and Ministry of Energy and Mining commission and reminded them to disclose production and export data in their website regulary.
Requirement 4: Revenue collection	In the 2015/16 TEITI report, the materiality threshold established was three-hundred million Tanzanian Shillings (TZS 300,000,000). In the determination of revenue streams and materiality levels,

	indirect taxes such as withholding taxes, PAYE and VAT were excluded. PAYE and withholding taxes are paid by individuals and service providers and are collected by the extractive companies on behalf of the government.
Requirement 5: Revenue allocations	All revenue is collected and put into one basket. The Cabinet through the Minister for Finance and planning (MoF) has a lead role to play in the budget process in Tanzania, ensuring its approval by the National Assembly. Budget formulation normally takes places from every November to May of the following year, with MoF setting budget policy and making resource projections. In this period, Budget Guidelines Committee consisting of MoF, Public Service Management, and the President's Office - Regional Administration & Local Government issues Planning and Budget Guidelines, MoF discusses with all departments on estimates of revenues and expenditures, Parliamentary sub-committees and Inter-ministerial Technical Committee scrutinize estimates and Cabinet approves estimates. Between June and August, the National Assembly scrutinizes, debates, and if satisfied passes the budget into law. After the parliamentary approval, funds are released to government ministries, departments and agencies (MDAs), which must use the funds for their programs from July to June every fiscal year. The Controller and Auditor General (CAG) audits the accounts of MDAs and submits audit reports to the National Assembly. CAG has the power to subpoena officials in order to obtain information and the failure to withhold information by government officials constitutes a criminal offense.
Requirement 6: Social and economic spending	<p>Large Extractive companies makes social expenditures through Corporate Social Responsibility (CSR) projects, beneficiaries of which are local mining communities. Regarding the requirement on CSR in the Mining Act, 2010 as amended from time to time, Only Geita Gold Mine Limited CSR plan has been approved and started to be used in September 2018. Other Mining companies's CSR plans are submitted to the local Government Authorities for approval. Under section 15 of the Tanzania Extractive Industries (Transparency and Accountability) Act, extractive companies are also required to submit an annual report on CSR projects to the Tanzania EITI Committee.</p> <p>The importance of CSR has also been captured in the National Natural Gas Policy of Tanzania. The policy states that the government shall "ensure there is a contractual obligation to all investors and contractors in the natural gas activities to undertake locally prioritised community development programmes, and ensure that companies in the natural gas industry submit credible Corporate Social Responsibility action plans to the appropriate authority.</p>

Requirement 7: Outcomes and impact	The lessons learned from EITI reporting has been acted upon by MSG. Details are provided in the next section.
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5. Overview of Multistakeholder Group responses to the Recommendation from Independent Administrator on 2015/16 TEITI reports

S/N	Recommendation	Recommended by IA	Description of Actions Undertaken
1.	LACK OF AWARENESS OF TEITI AMONG COMPANIES	Government undertake active campaign to educate the companies about Tanzania Extractive Industries Transparency Initiative	In February, 2019 TEITI MSG wrote two letters to all extractive companies to remind them of their obligations to the TEITA Act, 2015 and invite all representatives from the companies to participate in the one day workshop. The workshop took place in April, 2019 in Dar es Salaam. The workshop aimed at educated the companies about EITI implementation in Tanzania inorder for them to comply with TEITA Act, 2015.
2.	PAYMENT RESTRUCTURING	Payment of petroleum benefits needs to be streamlined. Since companies already pay bonuses directly to MEM, License fees could also be paid through similar arrangement. Secondly, if royalty paid to MEM by TPDC is ultimately intended to be paid to the National Treasury, then it is recommended that TPDC pays directly to the National Treasury.	With effect from 2017/18 fiscal year, all oil and gas revenues that TPDC collects on behalf of the Government are deposited in a dedicated oil and gas fund established under Section 9 of Oil and Gas Revenue Management Act No 22/2015 (OGRMA). For further review See link http://www.teiti.or.tz/wp-content/uploads/2014/03/The-Oil-Gas-Revenues-.pdf
3.	UNPAID DIVIDEND BY SONGAS LIMITED OF USD 476,997	Songas Ltd should arrange to settle the outstanding dividend to TPDC	This matter has been referred to Controller and Auditor General (CAG) for investigation.
4.	CLASSIFICATION OF REVENUE STREAMS.	TRA should endeavor to categorize payments made by extractive companies correctly, as corporate income tax is one of the	MSG met TRA on 18th January 2018 to discuss the matter. The later (TRA) acknowledged the shortcoming and agreed to improve the control of record keeping to ensuring that in future such error does not repeat

		largest revenue streams expected in the sector. Wrong classification of payments will create the impression that the country is already earning income from profits made by companies.	
5.	PAYMENT OF RENT /LICENCES AND ROYALTY ON MINERALS	In order to ensure transparency in the payments of rent/licenses and mineral royalty, payments should be made by bank transfer and whole, for specific concessions. The provision of supporting documents should indicate clearly, the date of payment, mineral right licence, or mineral export with corresponding bank transfer details.	Since 2015/16 fiscal year, all government receipts are collected through Government Electronic Payment Gateway (GEPG). This new payment system issue bills to the companies according to respective revenue stream. See link https://www.gepg.go.tz/login . <u>This has improved government revenue collection and has resolved the challenges that related to poor record keeping.</u>
6.	WRONG COMPLETION OF REPORTING TEMPLATES	It is recommended that the company senior managers thoroughly verify their data before they are submitted to the Independent Administrator. Training should be provided to ensure that templates are correctly filled.	MSG during its 73 rd Meeting held on 18/01/2018 decided to form a subcommittee and task it to make a follow-up to reporting entities which submitted incorrect data/information with the view of reporting the anomalies and concerns to top management of the respective reporting entities in question.
7.	APPLICATION OF TEITA ACT	The MSG make use the penalty provisions to ensure that the reporting companies and the government agencies provide data to the independent Administrator in a timely manner.	In February, 2019 TEITI MSG wrote a letter to all extractive companies to remind them of their obligations to the TEITA Act, 2015 including the penalties that are imposed for non compliance.
8.	IMPROVEMENT OF ONLINE LICENSE REPOSITORY	An online repository should have on public display other related information about each license. For example it	The Ministry in collaboration with the Attorney General is working on the contract disclosure requirement. This requirement expected to be met by June 2019.

		should provide details of changes in ownership of mineral rights. contract associated with the license, production levels, product reserves and payments made at the project-level by the companies	
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6. Specific Strengths or Weaknesses Identified in the EITI Process

a) Strengths

- i) Availability of TEITA Act, 2015 and TEITA Regulations, 2019
- ii) Public has Free access of information on the extractive industry than ever before
- iii) Availability of TEITI data Dashboard which create a single, manageable 'source' of data relevant to the Tanzanian extractives sector and provide a visualization tool.

b) Challenges.

i) Absence of TEITI Organization Structure

The absence of organization structure implies the opposite that no one will feel responsible for having or having not undertaken any assignment given to him / her at any time. However in August 2018, TEITI started to prepare the draft organization structure. In addition, the draft organisation has already been submitted to the Ministry of Finance and Planning department of Treasury Registrar for further action.

ii) Funding

Sources of funding for implementing TEITI activities are provided by the Government and are insufficient, MSG will continue to request funding from development partners. TEITI plans to undertake a number of key reform-oriented initiatives relating to the implementation of the EITI Standard, including promoting public-private dialogue on the impacts and benefits of the extractive sector; establishing a central register of beneficial ownership information; undertaking a study on the potential contributions of ASM operations to government revenues and establishing systematic data disclosures. In view of these reform-oriented activities aimed at deepening the implementation of EITI process in Tanzania, we are requesting technical and financial so as to support the implementation of the above key activities.

7. Total Costs of Implementation

TEITI Secretariat is responsible for day-to-day TEITI operations and has a team of five technical staff. Sources of funding for implementing activities in the Workplan for the reporting period are the GoT and the Canadian Government through the department of Global Affairs Canada (GAC). The 5-year Operation Plan provides financial needs for FY 2017 to 2023. In the FY 2018/19, funding commitments from GoT is TzS 243,415,543 and GAC CAD \$500,000. MSG is grateful for the support and for the assistance of all other partners contributing to the operations and achievements of TEITI through financial or technical support.

8. Audit Arrangements

The Secretariat works under MoM thus subject to GoT financial regulations. Under MoM, TEITI funds are regularly audited by internal audit unit to inform MoM management on regular basis. Similarly, TEITI is supported by procurement unit under MoM for managing procurement of goods and services.

In addition, expenditures of TEITI are subjected to external audit on annual basis by the Controller and Auditor General (CAG). Pursuant to GoT financial control requirements, CAG has audited TEITI financial books for the period of July 2017 to June 2018. The audited report will be issued in April 2019 and will be shared with TEITI stakeholders.

9. Conclusion

Implementation of EITI activities during the period under review focused on meeting workplan outcomes. The planned activities were strategically aligned to ensure stakeholders are fully engaged in dialogue about transparency on each segment of natural resource value chain. During this reporting period, MSG maintained its commitment to promote healthy public debates on how Tanzania's natural resources are managed and its contribution to the economy. Other efforts made include promotion of institutional collaboration with Government agencies that their role complement EITI implementation in the management of extractive industries. Parallel to MSG's efforts, the Government of the United Republic of Tanzania has continued to take important steps to become an effective and accountable Government that promotes transparency, empowers citizens, fights corruption, and embraces the development of the private sector.

MSG commits to continue its efforts to enhance institutional collaboration with government institutions, CSOs, media, academic institutions, development partners, and private sector to sustain transparency and accountability in Tanzania's extractive industries. Recognizing the important role of CSOs in contributing to vibrant public debates on resource governance, capacity building activities to CSOs and collaborations in conducting public outreach will be prioritised in coming years.

Approved by MSG:

Date: 26th June 2019

Appendix 1: 5 Year TEITI Workplan

TEITI workplan available at; [http://www.teiti.or.tz/wp-content/uploads/2018/08/TEITI-5-Year-Workplan -July-2018-to-July-2023.pdf](http://www.teiti.or.tz/wp-content/uploads/2018/08/TEITI-5-Year-Workplan-July-2018-to-July-2023.pdf)

Appendix 2: List with Names and Contacts of Members of TEITI-MSG

TEITI-MSG is made of three constituencies (Government, Civil Society Organizations and Extractive Companies) each represented by five members and headed by TEITI Chairperson, Hon. Ludovick Utouh (Independent).

TEITI-MSG **FOR THE PERIOD, 2016 – 2019.**

Constituency	Name	Organization.	Contacts
Civil Society Organization.	1. Mr. Amani Mhinda	HakiMadini	amani.mhinda@hakiadini.org
	2. Ms. Blandina Sembu	SHIVYAWATA	brandyhappy@yahoo.com ;
	3. Ms. Philothea Ruvumbangu	TAMICO	pruvumbagu@yahoo.coam
	4. Dr. Camillius Cassala	Faith Based Organization.	cdnkassala2002@yahoo.co.uk
	5. Petro Ahham	MESO	mesotz@yahoo.com or ahhampp@gmail.com
Industry-Mining, Oil and Gas.	1. Mr. Halfan Halfan	Ophir East Africa.	halfani.halfani@ophir-energy.com
	2. Mr. Greald Muturi	Tanzania Chamber of Minerals and Energy (TCME)	geraldm@chamberofmines.org
	3. Eng. Emmanuel Jengo		immaj@chamberofmines.org
	4. Mr. Alfred Mwaswenya	Small scale Mines.	amwaswenya@yahoo.com
	5. Mr. Godvictor Lyimo	Geita Gold Mine.	godvictor.lyimo@anglogoldashanti.com
Government	1. Mr. Sudi Abdallah	Tanzania Petroleum Development Corporation (TPDC)	sudi@tpdc-tz.com
	2. Mr. Alfred Mregi	Tanzania Revenue Authority (TRA)	amregi@tra.go.tz

	3. Mr. Ezamo Maponde	Prime Minister Office	maponde59@yahoo.com
	4. Mr. John S. Kinuno	Attorney General (AG) Office	jskinuno@yahoo.com
	5. Mr. David Mulabwa	Ministry of Minerals (MoM)	david.mulabwa@mini.go.tz