



TERMS OF REFERENCE
FOR
CARRYING OUT SCOPING STUDY ON SMALL-SCALE MINING FOR THE
PURPOSE OF INCLUDING THE SUB-SECTOR REVENUE DISCLOSURE
THROUGH THE TANZANIA EXTRACTIVE INDUSTRIES TRANSPARENCY
INITIATIVE

1. Background

The geological processes have endowed Tanzania with a variety of minerals formed near the earth's surface creating favorable conditions for the Small Scale Mining (SSM) sub- sector. In Tanzania, small scale mining dates back to the 1940s (Masanja 2013) and has been increasingly important for poverty alleviation particularly in rural areas. ASM in Tanzania is mainly focused on high value minerals such as gold and gemstones but also copper, salt and industrial minerals are being extracted (Masanja 2013). Though most of the ASM activities are informal and not monitored officially (UNEP 2012). In contrast to the gold production SSM is also responsible for most of the country's coloured gemstone production (Yager 2012).

The SSM activities range from mechanized mining to operations without any mechanization with negligible economic capital, involving production from both alluvial deposits and hard rock mining (UNEP 2012). The increase in number of people working for the SSM sub - sector has been linked to the weak prospects of other industries, droughts, the closure of state-owned mines (State Mining Company - STAMICO) and the Policy and legislation that has put favorable conditions for the indigenous Tanzanians to participate and benefit from Mining Sector (UNEP 2012, Phillips et al. 2001). Although the rise in gold prices has globally attracted people into SSM it is widely recognized that most of the Small Scale Miners are fundamentally driven by critically limited livelihood options (UNEP 2012). It is estimated that the number of Small Scale

Miners working in Tanzania has increased from 150 000 in 1987 to over 700 000 in 2012 (Masanja 2013). According to Carstens et al. (2009) the number of SSM range from 500, 000 to 1.5 million. It is estimated that the sector generates at least three jobs per each miner (SID 2009).

Small Scale Mining activities take place in many regions of the country and play a significant role as a direct source of employment and in generating additional jobs and revenues especially in rural areas. (UNEP 2012, Masanja 2013, SID 2009). SSM has enabled Tanzanians to accumulate capital enabling investments in more stable businesses such as shops, taxis, bars, hotels and farming (Phillips et al. 2001, Masanja 2013). According to Phillips et al. (2001) no other sector or job creation program has been able to inject such income in rural areas, stimulate cash flow and reduce poverty on such a scale. Furthermore, SSM have been playing foundational role through predictive approach on occurrence of gemstones and metallic minerals and thus playing a key role in mineral prospecting in Tanzania

Small-scale mining sub-sector is currently contributing substantial amount of the revenue in the Mining Sector following the establishment of Mineral Trading Centers (MTC). The established Minerals Trading centers have also contributed significantly in controlling the smuggling activities in the country.

Until now, thirty seven (37) Mineral Trading Centers (MTC) have been established across the country in order to provide small scale miners with reliable market for their mineral produces as well as enabling the Government to collect its revenues accordingly.

Despite of the reasonable contribution of small-scale mining operation in Government revenue following a serious reformation of the sector by the Fifth Term Government, there are still some challenges which need to be addressed to further realized broad social economic benefits out of the sub-sector. Among of the said challenges are unsatisfactory record keeping of transactions which bring difficulties for TEITI to incorporate this subsector into EITI reporting.

Through this study, the challenges will be analyzed, with a view of helping TEITI to effectively disclose the payments made by SSM in the EITI reporting. TEITI reports have been mostly covering reconciliation of payments made by the medium and large scale companies where by information from small scale miners has not been significantly disclosed.

2. Objective of the Assignment

The 2019 EITI Standard, particularly Requirement 6.3(a), states that implementing countries must disclose “the size of the extractive industries in absolute terms and as a percentage of Gross Domestic Product as well as an estimate of informal sector activity, including but not necessarily limited to artisanal and small scale mining.”

In this context, on behalf of the Tanzania EITI Committee, the Ministry of Minerals seeks a competent and credible firm to undertake a scoping study on small-scale mining operations in the country. The intent of this consultancy is to explore the feasibility of incorporating this sub-sector information into the EITI reporting of the Tanzania Extractive Industries Transparency Initiative, with the overall objective of contributing to the formalization of artisanal and small-scale (ASM) mining operations in the country. ASM help the government contribute to rural development and create employment opportunities for the youth. This assignment should provide an outline of the scale, dynamics and socio-economics of the SSM operations in the country.

3. Scope of the Assignment

The Consultant shall undertake the following tasks as part of the scope of the assignment:

- I. Review the relevant laws, governance arrangements, institutions and tax policies applying to small-scale mining operations in Tanzania; as well as EITI Guidance Note 21 (July 2016); outline the fiscal regime applying to small-

- scale mining operations in Tanzania; and map out types of payments and benefit streams collected by the government from small-scale mining companies and individuals and total government revenues generated from the sub-sector.
- II. Mapping of tax legislation and the tax collection process, with a view to the following:
 - a. Identify the comprehensive set of taxes as applied to the small scale sub-sector/value chain. Tax categories may include: land rents, license fees, royalties, import/export duties, VAT, and rehabilitation fees, etc.
 - b. Mapping of tax collection process with a view to the following:
 - i. Who is responsible for tax collection from small scale mining operators, *comptoirs* and exporters?
 - ii. Where does this collection take place?
 - iii. How is tax collection enforced?
 - iv. Are there multiple government agents that tax the same operator? Or one centralized system?
 - v. Where does it end up—local government or national Ministry of Finance?
 - vi. What is the decision-making process regarding re-distribution of taxes collected?
 - vii. What, if any, are the substantive changes to this process in the new Mining Code?
 - III. Comments on the efficiency of the collection and re-distribution model based on analysis and on qualitative field interviews with operators and government officials in the regions.
 - IV. Engage small scale miners associations in Tanzania, with a view to identifying opportunities and challenges for including the contextual data and disclosure of revenues of the sub-sector in EITI reporting and for making the stakeholders willing partners in reporting ;

- V. Map out geographical distribution of small-scale mining operations in Tanzania; provide an overview of the sector, including the number of sites, miners, type of minerals mined, level of domestic production and exports as well as characteristics of individuals operating in the sub-sector (in a gender disaggregated manner); propose process for unilateral declarations made by national or subnational levels of government, and identify small scale mining funds or programs allocated for specific regions;
- VI. Issues pertaining to gender in the small scale mining sub-sector should be highlighted to inform policy-making around vulnerabilities of women and children involved in the sector;
- VII. Identify challenges that cause small-scale mining companies and individuals to evade tax obligations and recommend measures that will enhance and motivate tax compliance and reporting; discuss revenue management, based on the tasks above:
 - a. Provide observations on improving revenue collection and production capture mechanisms for the Government of Tanzania.
 - b. Provide observations on setting fiscal and non-fiscal incentives to improve compliance with established laws.
- VIII. Review the experiences of other EITI implementing countries (best practioners) that incorporating small scale mining in their EITI reports;
- IX. Define a roadmap with recommendations for the integration small-scale mining into EITI reporting in Tanzania;
- X. Explore synergies between the EITI and initiative such as the Kimberley Process which collect production and trade data from small- scale mining operations;

- XI. Propose a reporting system which will be compatible with the existing Mineral Marketing Centers (Mineral and Gem Houses) information system and the Ministry of Minerals data systems to centralize and harmonize information and data on small scale mining activities and propose appropriate reporting templates or mechanisms for the small scale mining sub-sector;
- XII. Propose a mechanism for reports to be made available at the local mining areas for local revenue transparency;
- XIII. Examine the extent to which small-scale mining operations are represented in the Tanzania EITI Committee, and propose a way of improving it if the representation is not adequate; and
- XIV. Examine the audit and assurance procedures for small-scale mining companies and government entities and government entities that collect revenues from them; advise whether these procedures are in line with international standards; provide advice on measures to be undertaken by small-scale mining companies and individuals to assure the credibility of the payment data to be provided; and provide advice on means to safeguard confidential information.

4. Deliverables and Timelines

The Consultant shall produce a report on the outcomes of the consultancy in accordance with the following timelines:

- a) Inception Report** – It should include a baseline study with institutional framework, review of existing data in Government systems, draft of pilot small scale mining database and any TEITI and government capacity needs within two (2) weeks after commencement of contract, the Consultant shall submit to the Executive Secretary an Inception Report in five (5) hard copies and one

soft copy (in MS Word) describing the methodology to be employed in pursuing the assignment; propounding steps/actions to be taken towards achieving desired goals. The Inception Report will be reviewed and approved by the Multistakeholder Group and the World Bank within one (1) week before proceeding to the next step of the assignment.

b) Draft Final Report - Within eight (8) weeks prior to the end of Contract, the Consultant shall prepare and submit to the Executive Secretary five (5) hard copies and one soft copy (in Ms Word) including one original of the Draft Final Report, which shall include:

- An Executive Summary (no more than 4 pages)
- Contextual information on the small-scale miners or mining companies
- A simplified financial information system for small scale mining
- Recommendations

c) Final Report - A Final Report shall be submitted to the Executive Secretary in five (5) hard copies and one soft copy (in Ms Word), one week after receiving comments from TEITI MSG committee and the World Bank on the Draft Final Report. The Consultant will observe the final review and take into account comments from TEITI MSG Committee before submitting the Final Report for approval by TEITI MSG Committee four (4) weeks prior to the contract ending date.

The contract should commence in February/March 2021 until September 2021.

Signing of Contract	(Estimate) 20 th February 2021
Mobilization	within two weeks of contract signature
Inception Report	Within four weeks of contract signature
Approval of Inception Report	Within three weeks of submission

Workshop to Engage REMAS, FEMATA and Regional Mines Office	To be determined and arranged with TEITI
Submission of a Draft Report	Within two months of the validation of the draft report
Presentation to Stakeholders	To be determined and arranged with TEITI
Submission of Final Report	Within a month of the stakeholder consultation.

d) Staff Qualifications and Experience

A consulting firm will be recruited to carry out this assignment. The Consultant shall demonstrate expertise and experience in small-scale mining operations, preferably in the Tanzania context. The Consultant shall also have experience in undertaking studies of small-scale mining operations. A track record in similar work and previous experience relevant to the assignment would be an added advantage.

The Consultant shall engage competent staff with the following qualifications and working experience as detailed below:

Team Leader (SMALL SCALE MINING Expert)

- i). Possesses a degree in any of the fields related to Economics, Geo-Science, Mining, Engineering, taxation or equivalent qualifications;
- ii). A minimum of five (5 years) of experience in small scale subsector
- iii). Relevant experience in Tanzania is desired;

- iv). Experience in conducting research, collecting and analyzing data on small-scale mining; and
- v). Experience in formalizing small scale mining operations will be added advantage.

Mining Expert

- i) Possess Degree in Geo-Science, Mining, Engineering, taxation or equivalent qualifications; or equivalent qualification(s);
- ii) Has a minimum of five (5) years experience in small scale mining related assignment;
- iii) Demonstrate experience working in extractive industries in Tanzania; and
- iv) Has a working knowledge in Tanzania's extractive industries-related assignments is preferable.

Fiscal Expert

- i) Possess degree in Finance, accounting or equivalent qualification with a bias on Management Information Systems
- ii) Has a minimum of five years working experience in small scale mining related assignments
- iii) Demonstrate experience working in the extractive industries in the country or elsewhere

e) Reporting and Administrative Arrangements

The Consultant will report to the Executive Secretary of the TEITI Secretariat, as directed by the Tanzania EITI MSG Committee, on all matters pertaining to the Project. The Executive Secretary will be the Consultant's contact person in the course of the implementation of the assignment.

TEITI Secretariat will provide the Consultant with the following support: i) liaison with TEITI stakeholders in Tanzania; ii) liaison with all the relevant Government Ministries, Departments and Agencies to facilitate the Consultant's work; and iii) provide any reference material suitable for undertaking the assignment.

f) Duration of the Project

The assignment will be allocated to a total 180 staff days. The assignment Project shall be completed within a period of 6 months from the Effective Date of Contract.