

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Factor Affecting Governance Performance on Controlling Tanzanite Mining, Case Study of Tanzanite One Company

Japhet Jacksoni Katanga

IMBA Student, Collage of Economics and Management, Zhejiang Normal University (ZNU), China

Abstract:

Tanzania was only special country in the world which produce Tanzanite allocated on Mererani area, Tanzania intended to be one of the legally ownership of Tanzanite as longer many share part owned by foreigner, on these paper I will explain the moment of contribution on the Tanzanite to Tanzania economy but the question come on why Tanzania its only country produce Tanzanite but still suffer for the benefit of Tanzanite mining, also Article will touch the theoretical of ujamaa which being publish by Julius Nyerere under TANU.

This paper will analysis the factor of Tanzania to get negative impact on return of mining, instead of higher exploit rank of export mineral but still foreigner enjoy and build their economy through the mineral which got in Tanzania

I will go further to see the policy of Tanzania government they way used to capture tax from the mining sector, it seems most of mining sector they good to avoid to paid tax for scare to reduce the profitable return but another side it so harm for Tanzania economy on collect the revenue

According the efficient of mineral sector in Tanzania, will help direct positive to reflect contribute towards boosting of Tanzania economy for accelerate the basic form of social and economic development in all part of Tanzania. With the regard of rich of natural mineral potential resource, Tanzania economic become stabile, as the political issue also become stabile as well and attract the foreigner investment to do investigation in that sector. Tanzania need to framework the reform mining policy so there could be to favor Tanzania revenue

Keywords: monitoring of Tanzanite mining

1. Introduction

Tanzania official began to published and privatization of mineral sector direct to foreigner, the mineral become a serious boosting Tanzania economy according to the policy which bought on 1990s, the role of the Government has shifted from sole owner and operator of mines to remain the regulator, formulator of policy, guidelines and regulations; promoter and facilitator of private investments in the mineral sector, according to (Tanzania Ministry of Energy and mineral, September,2009),down list below its short background about Tanzania mining;

- 1894-1930, Tanzania started exploit mining during the German colonial period and dominated and control by them
- 1970s-1980s, mining sector be backed to Tanzania income after take their independence from Colonial
- Over 1980s, Tanzania started to take serious on invested in mining sector for boosting their economy and formulate and being published policy which could help to guide and attract foreigner to invested

Most of foreign they're so exciting to transfer technology and invested in here, Tanzania after awarded license of export mining to buy and sell gemstone effective bring produced by small and large-scale minerals

1.1. Mining Acts

(Tanzania Ministry of Energy and mineral, September,2009), according the Mineral Policy of 2009 is formulated as a result of an evaluation conducted during the ten years of implementation of the Mineral Policy of 1997. The Mineral Policy of 2009 aims at strengthening integration of the mineral sector with other sectors of the economy, improving economic environment for investment, maximizing benefits from mining, improving the legal environment, the strengthening capacity for administration of the mineral sector, developing small scale miners, promoting and facilitating value addition to minerals and strengthening environmental management. Moreover, the Government will remain as the regulator and facilitator of the mineral sector; promoter of private sector investment in the mineral sector; and will participate strategically in mining projects.

1.2. The Status of Mineral in Tanzania

Tanzania got momentum and boom their economy through effective of exploration mineral and become top 3 of country which export Gold in Africa and got in to 50 countries in the world since 2000, Tanzania is a country endowed with substantial reserves of mineral resources, as is evidenced by data made available by the Ministry of Energy and Minerals, according to (Márquez-Velázquez, August 2011)

(Tanzania Ministry of Energy and mineral, September,2009), The Mineral Policy of 2009 seeks to address the challenges of the mineral sector mentioned in the introduction. The Government will continue to attract and enable the private sector to take the lead in exploration, mining, mineral beneficiation and marketing, the aim of objective is;

- (a) To improve the economic environment in order to attract and sustain local and international private investment in the mineral sector;
- (b) To promote economic integration between the mineral sector and other sectors of the economy, so as to maximize the contribution of the mineral sector to the economy;
- (c) To strengthen the legal and regulatory framework for the mineral sector and enhance the capacity for monitoring and enforcement;
- (d) To strengthen the institutional capacity for effective administration and monitoring of the mineral sector;
- (e) To participate strategically in viable mining projects and establish an enabling environment for Tanzanians to participate in ownership of medium and large-scale mines;
- (f) To support and promote development of small scale mining so as to increase its contribution to the economy;
- (g) To facilitate, support and promote increased participation of Tanzanians in gemstone mining;
- (h) To establish transparent and adequate land compensation, relocation and re-settlement schemes in mining operations;
- (i) To strengthen involvement and participation of local communities in mining projects and encourage mining companies to increase corporate social responsibilities;
- (j) To promote and develop a marketing system of minerals to ensure that miners get right values of minerals traded in formal markets

1.3. Exporting of Minerals in Tanzania

The major mineral export from Tanzania is gold followed by diamonds, copper and gemstones which are dominated by tanzanite. The share of mineral exports in the total exports has been increasing, reaching the peak of 48.9% in 2003, according to (Economic commission for Africa, December 2008).

(Márquez-Velázquez, August 2011), Since the late 1990s, Tanzania's mineral output growth has increased rapidly with the introduction of modern mining technologies and practices. Tanzania their level of output mining production increase rapid.

1.4. The effective of Mining Exploration Relate on Real Exchange Rate

Real exchange rate is a key importance factor to measure the economic growth of the country if it being developing or not, the more foreign currency receive the more rate of the currency of the country become more strength, the higher amount of USD received it direct proposal to the currency effect of the country to be stronger enough, as longer we know the world economy used USD dollar to measure rate of the country, the more USD dollar which Tanzania earn through mining contract will be more and favorable for the country to boom the economy, therefore Tanzania government need to review and reform the policy of mining sector to attract more foreigner to invested for the seeks of acquired more USD dollar.

According to (Poncian, May 5,2015), the unsatisfactory performance of the mining sector in terms of its contribution to national development and benefits accruing to the citizens, the government repealed the 1990s policy and legal framework. Consequently, a new Mining Policy was formulated in 2009 and a new Mining Act enacted in 2010. The current Mineral Policy seeks to address the challenges of mineral extraction in Tanzania as experienced from the first-generation mineral sector reforms. The focus of the Policy is 'to increase the mineral sector's contribution to the GDP and alleviate poverty by integrating the mining industry with the rest of the economy'

1.5. Implementation of the Mining Policy

According to (Tanzania Ministry of Energy and mineral, September,2009) In the implementation of the above objectives, the Government will continue to give priority to the mineral sector in the National Strategy for Growth and Reduction of Poverty (NSGRP) and contribute to the achievement of the National Development Vision 2025.

2. Stamico

Under Tanzania's socialist economic policies from 1967 to 1985, large scale mineral exploration and mining came under direct state control. When the State Mining Corporation (STAMICO) was set up in 1972, Brian Cooksey, the investment and business environment for gold exploration and mining in Tanzania (June 2011)

Cooperate of Mining company was founded SAMICO, state of mining corporation, which were main objectives to motivate, attractive and promote the control mining resource and promoted foreign to come invest in mining sector for the purpose of increase ability of output of mining extraction to push economic of the country, but they still being suffer on that due to lack of good governance, stamico wasn't able to reached their target to motivate foreign investment.

(Márquez-Velázquez, August 2011), STAMICO2, which allowed any Tanzanian individual to register claims and sell minerals. Since the onset of the boom, Tanzania has risen to a position of importance in African mineral production.

Due to same weakness policy in mining sector Acts at 1969, the governance decide to make some correct and add rule which will become so interest and beneficial to Tanzania, the new policy was publish in 1979, According to life status of Arusha people become unfavorable, most of people engaged in illegal mining exploitation, the second and third Tanzania president, Ali Hassan Mwinyi and Benjamin William Mkapa respectively, they come up with the policy of free to mineral and gemstone for the demand of maintained and direct attract investment in the country

2.1. History of Mererani

Mererani hills located in Simanjiro district, simanjiro Masai, according to (Tanzania Ministry of Energy and mineral, September,2009)Cooperation with Regional and International Organizations is important for the development of the mineral sector. Tanzania can realize benefits of being a member of regional and international bodies related to mining industry by fully utilizing opportunities provided by these organizations.

Mererani, the district has a very low population density, and most inhabitants are involved in agriculture and livestock keeping. In Mererani however, tanzanite mining is by far the main source of income. The actual population of Mererani varies according to the day of the week and more importantly the productivity in the mines. Approximately a third of Simanjiro's population is located in Mererani, according to (Morten Skåra Helliesen, 18 December 2012)

According to (Xcap Investment banking for growth compaies, 16 March 2011),The Merelani Mine is situated within one of 5 license blocks within the world's only known source of Tanzanite over an approximate 7km by 1km footprint near the foothills of Mount Kilimanjaro in Tanzania

Tanzania under fourth president, they introduce new policy of extracting Tanzanite resource according to the current demand of the mineral, for another way it was help to reduce missuses and rough management of export Tanzanite

2.2. Tanzanite

Tanzanite is extracted Tanzania and was being found on Arusha near to Babati region, on the northern part of Tanzania. Arusha was one of the biggest city in Tanzania which contribute more revenue in Tanzania, in Tanzania economy according to the resource which allocated in Arusha on the field will explain on how Tanzania has started official to exploitation mining and failure to governance, those mining sector and result become negative impact to country economic, I was try to argument why we are only country export Tanzanite but we didn't have the specific return of Tanzanite

According to Ujamaa policy government has try to preserve mining and control not exploit but after privatization policy rise and published in Tanzania, mineral was fluent export outside without good governance policy, study will deep view on how Tanzania governance mineral since ujamaa policy under mining act of 1998 up to current.

The market for gems is intrinsically tied to the fortunes of consumers and their level of confidence. Sales within the luxury goods market are closely correlated with GDP, according to (Xcap Investment banking for growth compaies, 16 March 2011).

(Morten Skåra Helliesen, 18 December 2012), in 1991 the government divided the tanzanite area into four different blocks which were then licensed to different operators. Small-scale miners were given block D through the Arusha Regional Miners Association (AREMA), whilst block C was given to Graphtan Ltd, a joint venture between TGI, African Gems Ltd. and British Samax Ltd. Finally blocks A and B were given to local businessmen. Graphtan Ltd. was primarily set up in order to extract graphite, in 1998 block C was sold to Mererani Mining Ltd, a subsidiary of the South African mining company AFGEM, in 2004 the Tanzanite One group acquired AFGEM's tanzanite business and assets

2.3. Background of the Tanzanite One

Tanzanite one has a company which got official license from government to extraction mineral in the rerali, license block C Mererani is concerned in block B block D for the small mining exploit, small-scale mining they hold license of primary mining license, most of these must be nationality of Tanzania which their not able to afford to imported massive technology for exploit mining at the end they used a small and local tools like hose, axes for production and the most challenge which faced these small scale holders, the have few labor on the range of 10 up to 70,they fail to paid worker salaries, they just supplier basic accommodation and food to cover them during production period

Tanzania have official owned two company under license which produce in block A and block B, the Kilimanjaro mining block A and Tanzanite Africa block D,but Tanzania One mining its seem has supplier power than Tanzania company for export Tanzanite.

TML achieved production of 3,076,036 carats (inclusive of STAMICO share) of tanzanite produced from processing 24,106 tonnes of ore. This represents an 11% decrease in production compared to the 3,448,886 carats produced in 2013. The average carat per tonne recovered was up 14% from 112 carats per tonne in 2013 to 128 carats per tonne in 2014. 5.1 Production Statistics 2014 2013 Movement Tonnes processed (1) 24,106 30,906 (22%) Carats per tonne 128 112 14% Production (carats) recovered (1) 3.1 million 3.5 million (11%), (Richland resources ltd, 31 December 2014)

Small scale mining was used local machine and the risk to lost a life is higher due lack of accessible of technology to extract, while mzungu had a lot of technology and good salaries paid plus some awarded for motivate work, interview one of the small miner in mererani August 2,2016,according to (Tanzania Ministry of Energy and mineral, September,2009)In spite of these efforts, the contribution of small-scale mining to the economy is insignificant. This is due to the use of inappropriate technology and lack of capital.

2.4. How the Relationship for Tanzanite one and Small Mining Extraction

Mererani people think and believe that, the investor Tanzanite where their originated from white South Africa, they come and exported mineral direct to America, Europe and back home to south Africa without any confirmation from local government or center government which is bad for the seeks of Tanzania economy.

3. Literature Review

3.1. Rise of Arusha Declaration

Declaration was aim to promote the nationalism of Arusha people and Tanzania in general, to reserve the stock of Arusha and being control by government for the benefit of Tanzania in general, that was a policy of ujamaa.

According to (Cooksey, June 2011), Support for small-scale mining is associated with the end of the ujamaa period (mid 1980s) and the regime of President Mwinyi that signalled the transition to a more 'liberal' economic policy regime. President Mwinyi is often taken to symbolize this transition from Tanzanian socialism to Tanzanian capitalism. Under Mwinyi, the Arusha Declaration was superseded by the Zanzibar Declaration that added 'businessmen' (and women – 'wafanyabiashara') to the workers and peasants who were (supposed to) constitute the core membership and popular support of the ruling party

3.2. According to Legacy Nyerere

According to (Cooksey, June 2011), when President Nyerere failed to develop the sector through state-ownership and management, he decided it was preferable to leave the minerals underground for future generations to exploit. He was restricted of Tanzania to exploit early mineral, he was criticized the way South African privatize their mineral resources and intensive start out to export mineral in 1990s.

Although polices was bring shifted from ujamaa to capitation but government wasn't able to control according export. On Nyerere ujamaa policy believed that all people are equal treatment in every essential basic of human being and keep sustainable and maintenance resource of the country

3.3. Reason behind on why Tanzania still Suffer for Exploitation of Tanzanite Mineral to become a Major source of Tanzania Economic

3.3.1. Poor policy Implementation

Once Tanzanite received their license to exploit mineral in Mererani they implement a policy which mining will be beneficial in both party, the third government ensure people good life and beneficial for them and country in general, but it was vice versa for the people who live there, Tanzania One mining become negative impact to the community

3.3.2. Concern of Investors

According to (Morten Skåra Helliesen, 18 December 2012) In Mererani there seems to be a general disbelief and a lack of understanding as to why foreigners control the most resourceful tanzanite area. The fact that the senior staff at Tanzanite One are white South Africans has not helped. Moreover, although the majority of tanzanite export goes to India, the US and Europe, there is a belief among the locals in Mererani that the majority of the tanzanite produced is sent straight to South Africa. The local mining community have predominantly regarded Tanzanite One as thieves

3.3.3. Governance of Mining

Public awareness is important for supporting implementation of the mineral sector policy. This demands the general public to receive accurate and timely information on all matters of concern to them regarding the mineral sector, according to (Tanzania Ministry of Energy and mineral, September,2009)

3.3.4. Something went wrong in the Mineral Sector Policy

Tax policy of the country was so harm to different investigator, their major revenue of Tanzania economy is mining, Agriculture, tourism, so their make sure that, they make effective and tight policy which can be to retain revenue from them.

Also tax during the attraction policy of the country to convince foreign to invested in mining sector, government of Tanzania make a policy to favor investigator, they can enjoyed to operated their company economy which used to invested and then they can start effective to paid tax, on the fact that, after 5 years they change the owner name of the company, but still the same properties owned by the some investigator on the circumstance that Tanzania people they not able to enjoyed the beneficial of the mining which produce in the country, Government prevent foreigner to have full right of mine ownership, they must be in partner with government to exploration mining

3.3.5. Mining Contracts

The contracts which government inter with foreigner it's not clear to the people, normal we fail to know the position of the country with contracts to foreigner, I hope mineral contract it's so importance on the fact that, we need to view the budget which could earn from that sector, as longer our blessing country we have more resources from God and people the need to received beneficial on that

3.3.6. Tax Avoidance

According to (Cooksey, June 2011),he explains out that the slow processing of tax claims means in effect that the mining companies give large, tax free loans to TRA. 137 Widespread corruption in TRA has also been flagged as a problem by less self-interested parties than gold mining companies, a Very little tax is paid by the small-scale mining sector beyond the license fees of companies

with Primary Mining Licenses (PML) and fuel tax on those few companies that use pumps and/or generators. The tax loss is difficult to estimate. However, if this was a single open pit mining company, the total tax loss would be of the order of USD 25 million a year (Márquez-Velázquez, August 2011), the problems in Tanzania with respect to mineral taxation are, however, rooted in the existence of multiple types of "nuisance" taxes. Specifically, this means that there are numerous minor taxes and fees, such as the dealer's license, mining licenses, prospecting license, primary mining license, and primary prospecting license. Further problems arise from the complex design of these taxes, as well as the cumbersome and bureaucratic tax administration

4. Research Methodology

Concern on the issue of collecting data I will import qualitative method to interpret data and two main research methods tool questioner and interview, I will format the question via google doc. And link the page into different media where respondent can able to log in and fulfill the question according to the guideline of instruction, through interview method I will direct face interviewee both small and large mining company, for those method will definite spread the reality and actual data concern on my project, i will invest a project by select sample of 100 respondent.

A well-designed questionnaire was used to collect primary data. The questionnaire was carefully constructed and properly setup. The changes were amended at this point to aid proper survey. The data collected through primary source were subjected to statistical techniques for analysis of the workers opinion towards the workplace environment and its impact on performance, (CHANDRASEKAR, 1 January 2011)

5. Conceptual Frame Work

I will advance my data according to conceptual frame which imported from author, this frame work will show the relationship between independent and dependent variable. The figure below shown the relationship between dependent and independent variable.

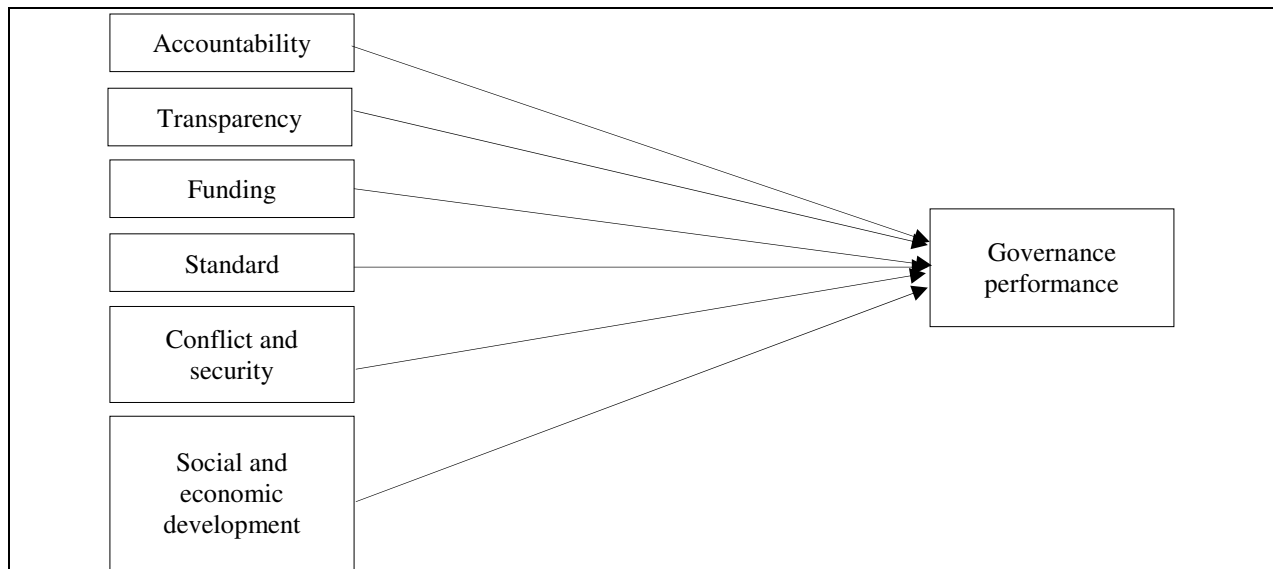


Figure 1

Source of data: (Nelson, March 2007)

6. Data Analysis and Interpretation

6.1. Accountability to Monitor Mining

Strong accountability direct positive associate with governance performance in the controlling of Tanzanite mining, according to respondent 66.7% partially satisfied with strong responsibility for control and preserved our Tanzanite mining at a good manner and the lest they disagree.

No.	Respondent	Percentage
1	High satisfied	6.4
2	Satisfied	7.1
3	Partially Satisfied	66.7
4	Dissatisfied	17.9
5	Highly satisfied	1.9
	TOTAL	100

Table 1: presence of accountability to monitor Tanzanite mining

6.2. Transparency

Transparency extreme shown the positive effect to Governance performance, all necessary legal contract which government enter with investor should be official publish to the community to make them awareness, according to respondent mention 51.9% disagree availability of transparency for same contract, during ujama a period under our legacy leader Mwl. Nyerere everything which government done was so clear to community because of the policy that everyone has impact to government and they treat equal.

No.	Respondent	Percentage
1	Strong agree	10.3
2	Agree	12.2
3	Partially Agree	25.6
4	Disagree	51.9
	Total	100

Table 2: Transparency document toward Tanzanite mining

6.3. Funding

Return funding from Tanzanite mining direct positively associate with governance performance, contribution fund from Tanzanite mining isn't enough compare to another sector like Tourism, agriculture and other sector, report shown that 46.2% respondent disagree the contribution funding from Tanzanite mining despite that we are only country which produce Tanzanite mining in the world but few return from that, let example compare with mountain Kilimanjaro, it only mountain in the world which have ice on the top/pick of the mountain in the continent which experience hot temperature, most of foreigner they just wonder how come Africa is hot continent throughout the year but still ice is there, and more than 75% people earn foreign current from tourist via Kilimanjaro mountain, also as the one major of government income .

No.	Respondent	Percentage
1	Strong Agree	2.6
2	Agree	11.5
3	Partially satisfied	28.2
4	Disagree	46.2
	TOTAL	100

Table 3: funding which contributed from Tanzanite mining

6.4. Standard

Standard of mineral which we are exploit is positive associate with governance performance, we export Tanzanite mineral for further standard production because of limited technology which we have, according to respondent 49.4% we satisfied with Tanzanite production, government need to keep maintain that technology and engaged to import more technology to increase a standard instead for export outside for further process.

No.	Respondent	Percentage
1	High satisfied	1.9
2	Satisfied	49.4
3	Partially satisfied	31.4
4	Dissatisfied	8.3
5	Highly Satisfied	1.9
	Total	100

Table 4: Standard of produce Tanzanite mineral

6.5. Conflict and Security

This independent variable is negative associate with governance performance, presence of private security which owned by large mining company to small mining company or community, it led miss connection to utilize nature resource of the country, report shown that 75% said yes, there some miss understandable situation between the side of owner and homeland in term of environment destruction, selfish and little benefit from Tanzanite to community.

no	Respondent	Percentage
1	Yes	75
2	No	25
	Total	100

Table 5: Presence of Conflict and security

6.6. Social and Economic Development

Social and economic development is a positively affect the governance performance, community which surrounding by Tanzanite, Mererani community are the one who being affected by exploiting mineral in term of their health and environment general, report shown 80% strong disagree that, there no well social and economic development.

no	Respondent	Percentage
1	Yes	20
2	No	80
	Total	100

Table 6: treating well social and economic development

7. Conclusion, Suggestion and Policy Recommendation

Firstly, I would like to send more thank to our 5th president Dr. John Magufuli, he done a great job for preserved mining resource and Tanzania nature resources in general, we just said it's our real gift compare to African leader in current situation. He was announced a sand which exploit from mineral should remain in Tanzania for further process and no longer we export again, we are in 3rd position on export Gold in Africa, so we expect to accumulate more return and being beneficially from mining.

According to the feedback from respondent concern on governance performance toward Tanzanite mining monitoring, I would likely to strong suggest focus on Transparency documentary to community, focus on solving problem issue between large company and small company for efficient utilize of resources effectively, also government need to paid more effort on return funding from Tanzanite mining, last need to import more effort on make sure those mining company being capable to implement and improve social & economic development, governance need to keep maintain stability of Tanzanite standard and being accountability.

Mining become is the back born of the Tanzania economy but unfortunate fail to fulfill the general requirement of the government task on correct revenue. Most of the economists in Tanzania they want to see on how Tanzanite mining growth up and re-distribtion the government economy. Tanzania government they need to come up and review again the policy and procedure of exploration mineral and being serious to share equally profit from the mining sector, government must increase capability of design mining policy which could implemented to accomplished and improving the governance of mineral.

Government before to sign the contract for exploitation mining must view deeper the background of the company, if their stable in economy and they don't have any kind of ramous for avoid tax and the same time must ensure the security of the people, according to the article above, you hear that some people they got suffer for their owner mining, on these ways the government will ensured the national resource will be ensured. Tanzania has need to set up again the rule of extraction mineral again according to current situation in order to make affair for both party and make good relationship, it seem that Tanzanite has more and donate more powerful security force against to local mineral sector

8. Abbreviation

- NSGRP- National strategy for growth and reduction of poverty
- STAMICO- State Mining Corporation
- GDP- Growth development production
- AREMA- Arusha Regional Miners Association
- TML- Tanzania Mining Licenses
- TRA- Tanzania revenue Authority
- PML- Primary Mining Licenses

9. References

- i. CHANDRASEKAR, D. K. (1 January 2011). WORKPLACE ENVIRONMENT AND ITS IMPACT ON ORGANISATIONAL PERFORMANCE IN PUBLIC SECTOR ORGANISATIONS. International Journal of Enterprise Computing and Business Systems.
- ii. Cooksey, B. (June 2011). The Investment and business environment for gold exploration and mining in Tanzania. Africa power and politics.
- iii. Economic commision for Africa. (December 2008). Promoting mineral clusters.
- iv. Márquez-Velázquez, P. S. (August 2011). Tanzania's Mining Sector and Its Implications for the Country's Development . Money, Finance, Trade and Development.
- v. Morten Skåra Helliesen, M. (18 December 2012). Tangled up in Blue:Tanzanite Mining and conflict in Mererani,Tanzania. Critical African studies.
- vi. Nelson, J. (March 2007). The operation of non-governmental organization (NGOs) in world of corporate and other codes of conduct. Corporate social responsibility initiative, no.34.
- vii. Poncian, J. (May 5,2015). Mineral Extraction for socio-Economic transformation of Tanzania;the need to move from papers to implementation of mining policy and law., social science studies.
- viii. Richland resources ltd. (31 December 2014). Annual report and financial statement,for the year ended 31 December 2014.
- ix. Tanzania Ministry of Energy and mineral. (September,2009). The mineral policy of Tanzania.
- x. Xcap Investment banking for growth compaies. (16 March 2011). Xcap securities UK Equity Research.
- xi. www.Tanzaniteone.com