

**MINING SECTOR REFORMS IN THE CONTEXT OF FIFTY YEARS OF  
INDEPENDENCE IN TANZANIA: A REFLECTION OF MWALIMU NYERERE'S  
LEGACY**

By

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**ABSTRACT**

*This paper discusses Tanzania's economic reforms in the context of fifty plus years of independence. Specifically, it focuses on how these reforms have impacted on the mining sector and how the reforms are in agreement with what Tanzania's founding father Mwalimu Julius K. Nyerere advocated in relation to resources governance. This paper introduces the reader to the theoretical issues on government and economic reforms, and an overview of Tanzania's reform of the economy following the economic hardships of the late 1970s and the 1980s. Generally, the paper has attempted to review Tanzania's mining sector on basis of Mwalimu Nyerere's belief that a country should benefit from her natural resource base. In particular the paper examines issues of ethics and resource governance as advocated by the father of the Nation, Mwalimu Nyerere. In addition to the above, the paper further highlights reforms in Tanzania's mining sector by analysing successes, failures and lessons learnt in Tanzania both before and after the reforms. To get a better understanding of the above, issues around the legal and policy environment in relation to the mining sector have been analysed in the context of reforms in Tanzania. The paper also discusses other cross cutting (legal and policy) reforms made in Tanzania in the last fifty plus years of independence which have impacted on Tanzania's mining in relation to Mwalimu Nyerere's perspectives.*

## 1.0 INTRODUCTION

Tanzania government embarked on economic reforms<sup>3</sup> in the 1980s following financial crisis that was facing the country (Muhanga and Nombo, 2010; Muhanga, 2012; Gibbon 1993). By the mid 1980's Tanzania was the world's second poorest country based on GDP per capita (Reed, 1996). Tanzania like other sub-Sahara African countries has been struggling to improve the prospects for development through rigorous and wide-ranging reforms in almost all sectors of the economy. Reforms have included economic liberalization and measures to confront the persistent economic crisis through Structural Adjustments Programmes (SAPs).

The major reforms undertaken by the government of Tanzania during the 1980's included both Tanzania's own structural adjustment programmes and donor-sponsored programmes<sup>4</sup>. Tanzania signed an agreement with the World Bank (WB) and the International Monetary Fund (IMF) in 1986 to adopt SAPs. It is evident that the economic reforms in Tanzania through trade liberalization and privatization had impacted various sectors, mining sector inclusive, with both successes and challenges being registered (Sawyer, 1988:11 as cited in Mutahaba *et al.*, 1993:35; UNCTAD, 2005; URT, 1997; Maliyamkono and Mason, 2006:151; URT, 2006; TIC, 2001; Muhanga, 2012). Tanzanians witnessed among others, the increase of Foreign Direct Investment (FDIs) in the mining sector, the sector which has an important contribution to make to the national economy, but over the past so many years the growth of African mining production has been lagging behind. The economic reforms in Tanzania went hand in hand with changes in legal framework and supportive policies in the mining sector; of interest to this discussion are the Mineral Policy of Tanzania (1997), the Mineral Act of 1998, the Mineral Policy of 2009, and the Mining Act of 2010 (Muhanga, 2012; URT, 1998; URT, 1997; URT, 2009; URT, 2010).

It is evident that the economic reforms are neo-liberal oriented (Reed, 1996; Muganda, 2004; Lugalla, 1995; Gibbon, 1993; Muhanga, 2012), and despite the fact that the founder of this nation Mwalimu Julius Nyerere did not believe in neoliberalism, but it can be observed that the mining sector reforms are reflective of certain sentiments which Mwalimu Nyerere advocated in his *Ujamaa* development ideology. It is obvious that at times Nyerere seemed to oppose capitalists' sentiments and its neo-liberal options, it is the interest of this paper to review Tanzania's mining sector reforms on the basis of Mwalimu Nyerere's belief that a country should benefit from her natural resource base. In cognizant of the importance of the mining sector<sup>5</sup> towards national development in terms of its contribution to Gross Domestic Product (GDP) and bearing in mind that Nyerere insisted on adherence to ethics, this paper also examines how the mining sector reforms are reflective of issues of ethics and resource governance as advocated by the father of the

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<sup>3</sup> For the purpose of this paper, *economic reforms* shall refer to any change in the economy for the better because of correcting abuses in the economy. Economic reforms shall include but not limited to the following: improving a system of law, regulations, procedures and policies, organizing and making changes to economic aspects of the society, so that it operates in a fairer or more effective way

<sup>4</sup> National Economic Survival Programme in 1981 and the Structural Adjustment Programme in 1983, Economic Recovery Programme (ERP) in 1986

<sup>5</sup>The mining sector in Tanzania contributes about 2.7% of GDP and is an important earner of foreign exchange in Tanzania

nation Mwalimu Nyerere in the context of fifty plus years of independence. Generally, this paper examines successes, failures and important lessons for the future. This discussion however is acknowledging the fact that the heart of the problem of interpreting the impact of policy lays in the separation of the policy effects from the influence of factors exogenous to the policy framework. Even when there is a convincing case to be made for particular policy interventions, their impact may be mediated by the exogenous environment.

### **1.1 Government and Economic Reforms: Theoretical Issues**

Economic reforms are being undertaken by governments almost throughout the developing world today, preceded in most of the countries by a fiscal and balance of payments crisis. There are a number of models, approaches and theories that do explain reforms.

#### **1.1.1 Neoliberalism Approach to Economic and Social Policy**

The market-driven approach to economic and social policy based on neoclassical theories of economics (Aihwa, 2006; Cohen, 2007) has had significant input to the economic reforms throughout the world. The approach stresses the efficiency of private enterprises, liberalized trade and relatively opens markets, and therefore seeks to maximize the role of the private sector in determining the political and economic priorities of the state. This model is linked with the neoliberal thinking which describes an internationally prevailing ideological paradigm that leads to social, cultural, and political practices and policies that use the language of markets, efficiency, consumer choice, transactional thinking and individual autonomy to shift risk from governments and corporations onto individuals and to extend this kind of market logic into the realm of social and affective relationships (Aihwa, 2006). Neoliberalism seeks to transfer control of the economy from public to the private sector under the belief that it will produce a more efficient government and improve the economic health of the nation (Cohen, 2007). SAPs have a root from market-driven approach to economic and social policy based on neoclassical theories of economics. It is evident that the concrete policies advocated by neoliberalism is often taken to be John Williamson's "Washington Consensus", a list of policy proposals<sup>6</sup> that appeared to have gained consensus approval among the Washington-based international economic organizations (like the International Monetary Fund (IMF) and World Bank (WB) (Williamson, 1990). The IMF and WB supported economic reforms in Tanzania through SAPs, hence the reforms in Tanzania reflected a lot from this approach.

#### **1.1.2 Holistic Reform Theory**

This theory is reported to have formed a basis for the acceleration of market reforms that began in the mid-1980s in China. Holistic reform theory argues that governments should rid itself of the moribund planned economy and ambitiously pursue building a market economy. Application of the theory calls for coordinated progress in several areas, including concurrent development of autonomous businesses, a competitive market system, and macroeconomic management (Caixin Weekly, May 14<sup>th</sup>, 2011). The Holistic Reforms

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<sup>6</sup>The list includes fiscal policy, redirection of public spending from subsidies (especially what neoliberals call "indiscriminate subsidies") and other spending neoliberals deem wasteful, tax reform, interest rates, floating exchange rates; trade liberalization – liberalization of imports, liberalization of the "capital account" of the balance of payments, privatization of state enterprises; deregulation – abolition of regulations that impede market entry or restrict competition, legal security for property rights and financialization of capital.

Theory argues that the socialist market economy system is an organic whole and cannot be divided haphazardly. Tasks must be accomplished one at a time; however they are closely related to one another, as in any system; these points to the holistic nature of the country's openness and reform (Caixin Weekly, May 14<sup>th</sup>, 2011). In 1990s, many scholars extended the Holistic Reform Theory to embrace the social and political arenas, arguing that market reforms must be carried out alongside political and legal reforms. This perspective finds a lot of meaning in the context of Tanzania's economic reform. Effective reforms call for coordination of reforms in the economic, social and political arenas.

## 2.0 NYERERE'S DEVELOPMENT IDEOLOGY AND SOCIOECONOMIC DEVELOPMENT IN TANZANIA

### 2.1 Nyerere's *Ujamaa* Development Ideology

Any forward looking Tanzanian will *ad infinitum* have something to reflect on what Mwalimu advocated for during his great times, despite various claims from those who did not support and believe in *Ujamaa na Kujitegemea* that socialism and self-reliance ideology did a lot of harm than good to Tanzania.

### 2.2 *Ujamaa na Kujitegemea*<sup>7</sup> Development Ideology

Nyerere took initiatives to introduce new statement in the TANUs aims and objectives to achieve democratic and socialist Tanzania which was reflected in relevant section of the 1962 constitution, among others, the following statements are reflective of the discussion for the purpose of this paper:-

- (i) To establish a democratic and socialist form of government which would be devoted to:-
  - (a) Consolidating national independence and ensuring a decent standard of living for every individual
- (ii) To promote thoroughly the ways of increasing the wealth of this country so as to help more people by:
  - (a) Controlling collectively the means of producing national wealth including the national resources such as land, air, water, power
  - (b) To promote to the highest level the possible cooperative functions pertaining to the means of production, distribution and exchange
  - (c) To encourage private enterprises which are run for the benefit of the whole country (TANU Constitution, 1962, Dsm pp1-2?)

Tanzania's intention to build a socialist and a self-reliant society is well articulated in the *Azimio la Arusha*<sup>8</sup>. In an attempt to intensify democratic and socialist sentiments in Tanzania, in 1967 President Nyerere through the Arusha Declaration pointed out the need for an African model of development that formed the basis of African socialism, this was the *Ujamaa na Kujitegemea* ideology which later formed the basis of Julius Nyerere's social and economic development policies in Tanzania (Pratt, 1976; Pratt, 1991; TANU, 1967). The Arusha Declaration introduced the nationalization of the major means of the economy, this was central to the implementation of *Ujamaa* Development Policy in

<sup>7</sup>This was Nyerere's African Socialism which signified socialism and self reliance

<sup>8</sup> The popular Arusha Declaration

Tanzania. Nyerere's philosophy of Ujamaa was an attempt to integrate traditional African values with the demands of the post-colonial setting. As a philosophy, the central objective of *Ujamaa* was the attainment of a self-reliant socialist nation (Ibhawoh and Dibua, 2003).

However even before the Arusha Declaration and the inauguration of Ujamaa (Nyerere 1968: 60) had identified national self-reliance as the only way out of Tanzania's poor economic situation. Reviewing the poor performance of the First Development plan in 1965, he pointed out that it was in the spirit of "ever increasing self-reliance" that Tanzania must face the coming fiscal year, adding that "our motto for the coming year must be self-reliance" (Pratt, 1976). Self-reliance was a call to Tanzanians to concentrate their energies and efforts upon what they can do with their own resources. "*Ujamaa*, he asserted, is opposed to capitalism, which *seeks to build its happy society on the exploitation of man by man*" (Nyerere, 1968). Mwalimu insisted on a need to create a socialist society, he defined who a socialist is and what constitutes a socialist society

*"A socialist is a man who cares for his fellow men, who accepts that the proper and legitimate purpose of wealth is to provide for the welfare of mankind. A socialist society is a society of men with this attitude of mind. It is a society dominated by the spirit of Ujamaa, of family hood* (Nyerere, 1962:1).

### 2.3 People the Ultimate aim of Development

The role of people in development has been extensively debated in philosophy and social and political science over the last several hundred years. The late Mwalimu J.K. Nyerere believed that development is about people, and once said:

*"Every proposal must be judged by the criterion of whether it serves the purpose of development – and the purpose of development is the people!"* (Nyerere, 1974).

Nyerere advocated and proclaimed that commitment to socialism had at its core concern with the moral quality life and ultimate aim of any meaningful development should be the people.

### 2.4 Nyerere on Foreign aid Trade Relations

Nyerere did not rule out foreign aid, far from it, but he wanted it to be regarded as a supplementary to national development effort, Nyerere further insisted on the developing nations to be cautious on aid (Pratt, 1976).

*"The donors are not our relatives nor did charitable institutions- Nyerere tell the special TANU Conference* (Pratt, 1976:232).

The Declaration stated publicly that "gifts and loans will endanger our independence", and that "gifts...have the effect of weakening [and] distorting our own efforts" (Nyerere, 1968: 239).

Nyerere advocated for trade relations with western countries selectively (selective linking and not delinking). Nyerere realized how important it was for a developing country like Tanzania to integrate with other nations while minimizing the levels of dependency by stressing that by self-reliance Tanzania was not intending to pursue isolationist policies.

*"The doctrine of self-reliance does not mean isolationism. For us, self-reliance is a positive affirmation that for our own development, we shall depend upon our own resources"* (Nyerere, 1968: 319).

## **2.6 Nyerere on the major means of production**

Nyerere recognized the importance of the public ownership of the major means of production and exchange; he wanted the major means of the economy to go under the hands of the public and decided to nationalize the major means of the economy. For the purpose of the nationalization exercise, economic activities were grouped into three categories -those restricted exclusively to state ownership; those in which the state had a major share and controlling power and those in which private firms may invest with or without state participation. Immediately following the promulgation of the Arusha Declaration, the Nyerere regime announced the nationalization (Pratt, 1976, Arkaide, 1973: 37), by the end of 1967, the "commanding heights" of the economy had come under the direct control of the state

## **2.7 Nyerere and people's participation**

Indeed, Nyerere sought to institutionalize a relatively participatory political and social process from the early days of independence and throughout the transition to multi-parties (Mutahaba and Okema, 1990; Landau, 1998: 5)

One of the greatest legacies of Nyerere, among others, is his persistence on the advocacy of the supremacy of the people. He insisted that the sovereignty of the people must be seen from political economy point of view. In a nutshell, what this means is that the people must be able [or enabled] to control their destiny by controlling their economic activities, decide on the nature of the laws and political institutions that they will be governed by, and above all, they are free from exploitation, hunger, lethargy, disease and tyrannical rule.

*“True development means progress in which all people share, and can hope to share, and from which all can benefit. People cannot be developed they can only develop themselves. This means that the process has to involve those impoverished individuals and communities directly concerned in-order to make it meaningful and beneficial to them. When people become the active participants in the decisions affecting their lives, they embody the very process of change because they own it.”* (Nyerere, 1968).

This has remained an important aspect of development process even in the modern times. Nyerere advocated for the primacy of the state and public ownership of property. As Stoger-Eising rightly notes: "(f)or Africa's future the indigenous elements in Nyerere's thought are, nevertheless, of great potential significance" (Stoger-Eising, 2000: 140).

## **2.8 Good governance and adherence to leadership ethics**

Nyerere was highly emphatic on good governance which, in the 1990s, has become a buzz word, if not a cliché in leading development literature. Julius Nyerere's leadership commanded international attention and attracted worldwide respect for his consistent emphasis upon ethical principles as the basis of practical policies (Legum and Mmari 1995). Nyerere's policy initiatives rested on an ethical foundation and on an understanding of the challenges which Tanzania faced.

In 1967, under Nyerere's supervision, TANU introduced a 'Leadership Code' for all its leaders to report regularly to the President on their wealth and income, and for the next

three decades, he argued that the state officials must be accountable to the people. In fact, in his latest book entitled 'Our Leadership and The Destiny of Tanzania' (1995), Nyerere still emphasized on leadership ethics and good governance: Government officials, especially those at the top level, should be "persons of integrity of principles, and who respects the equal humanity of all others regardless of their wealth, religion, race, sex, or differing opinions" (Nyerere, 1995). It is all over in literature (Legum and Mmari, 1995; Araia, *n.d* ) that Mwalimu emphasized the benefits of good leadership and the principles of good leadership, stewardship, service and commitment.

It is evident that *Ujamaa* was founded on a philosophy of development that was based on three essentials - freedom, equality and unity. The ideal society, Nyerere (1967: 16) argued, must always be based on these three essentials. These are obvious regarded important towards nurturing good governance. When the three essentials prevail definitely there must be limits set by public ethics or laws to limit private interests against public desire.

## 2.9 Natural Resources Governance

The TANU "Creed"<sup>9</sup> outlines the principles of socialism and the role of government, of interest to this paper is related to issues of natural resources governance which states:-

*"That all citizens together possess all the natural resources of the country in trust for their descendants"*

*That in order to ensure economic justice the State must have effective control over the principal means of production; and That it is the responsibility of the State to intervene actively in the economic life of the Nation so as to ensure the wellbeing of all citizens and so as to prevent the exploitation of one person by another or one group by another, and so as to prevent the accumulation of wealth to an extent which is inconsistent with a classless society (TANU, 1967:1).*

It is against these principles of socialism and self-reliance that Mwalimu Nyerere's regime managed the natural resources of this country. One of the very major aspects Nyerere insisted when it came to distribution of wealth of this nation was to avoid unequal distribution of resources. Nyerere argued that wealth exists to provide for human needs and that no social and economic system is just which encourages selfishness and which permits severe inequalities in the distribution of wealth (Pratt, 1976: 71).

## 3.0 NYERERE: A VISIONARY AND FLEXIBLE LEADER

Every nation and every generation has their heroes. Julius Kambarage Nyerere, fondly known as Father of the Nation and Mwalimu is Tanzania's hero.

Nyerere was not in the first place in favour of the private sector involvement where the public had minimal participation. It is reported by Pratt (1976) that Nyerere reacted

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<sup>9</sup> The Arusha Declaration was divided into five parts ; part One was on TANU creed the other ones were on The Policy of Socialism; The Policy of Self Reliance; the TANU Membership; and the Arusha Resolution

strongly to National Development Corporation (NDC)<sup>10</sup> when it encouraged joint ventures in which NDCs participation was very minimal. It was in early 1966 Nyerere instructed NDC not to seek an indiscriminate maximization of private investment by calling upon NDC to be the agency through which the government would gradually acquire majority control in key areas of the economy. It is evident (Pratt, 1976: 230) that despite Nyerere encouraging active participation of the state in development activities i.e. when he had misgivings on the investment policy of the National Development Corporation and realized that NDC had limited capital funds thought of additional private investment as possible both domestic and foreign. This was before Arusha Declaration.

Nyerere had even a cautious if not negative attitude towards the donors:

*“The donors are neither our relatives nor charitable institutions- Nyerere told the special TANU Conference (Pratt, 1976: 232) after realizing that Tanzania could not rely on foreign sources for development, did Nyerere see the danger of over exposing the country on donor pressures when over relying on foreign aid.*

Despite this position, Nyerere being a visionary leader realized that there is a need to adjust to changes by advocating for trade relations with western countries selectively (selective linking and not delinking). *“Self-reliance, he said, “does not imply isolationism ...it is not the same thing as saying we shall not trade with other people” (Nyerere, 1967: 321).*

**He further argued that:**

*“I do not think that there is any free state in Africa where there is sufficient local capital, or a sufficient number of local entrepreneurs for locally based capitalism to dominate the economy ... A capitalistic economy mean a foreign dominated economy. These are the facts of the Africa's situation. The only way in which national control of the economy can be achieved is through the economic institutions of socialism” (Nyerere, 1967: 264).*

This is obvious that Nyerere observed the low levels of technology and skills that most of developing countries such as Tanzania were in possession of hence having no choice but to bargain as best they can for the skills and technologies which they need (Pratt,1976: 248-249)

It is evident (Nyerere, 1970: 6-7; Pratt, 1976:250) that Nyerere almost changed his position after Arusha Declaration on foreign sources of capital and expertise.

*“We have no alternative. The world supply of disinterested altruists and unconditional aid is very small indeed and however self-reliant we try to be in our economies and our development we are up against the fact that progress out of poverty has everywhere throughout history required some injection of capital or expertise . Even the largest states of the world have used outside resources; small ones have to use more. It becomes a question of how far we will go and what kind of compromises we will make. We cannot refuse to make any. .... (Nyerere, 1970: 6-7).*

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<sup>10</sup> A public corporation which was established in 1965 to manage a variety of publicly owned companies and to be the agent for the investment of public funds in the manufacturing , mining and commercial sectors of the economy



#### **4.0 ECONOMIC REFORMS IN TANZANIA: AN OVERVIEW**

The adoption of economic reform programs in Tanzania in the 1980s came forth due to the steady decline in economic growth in the late 1970s that led to a financial crisis in the early 1980s (Muhanga and Nombo, 2010; Muganda, 2004). The crisis partly resulted out of economic policies pursued by Tanzania under a public sector–led economy embedded in the 1967 Arusha Declaration, and partly as a result of exogenous factors, including deterioration in the terms of trade in the late 1970s and early 1980s, the collapse of the East African Community in 1977, and the war with Uganda’s Iddi Amin during 1978–79 (Muganda, 2004).

The history of SAPs donor funded programs in Sub-Saharan Africa begins with the World Bank’s 1981 Berg Report on social and economic crisis in Africa. In response to this report the World Bank recommended the adoption of structural reforms or SAPs (Lugalla, 1995).

Structural reforms generally involve adjusting the economy in order to properly manage the balance of payments, reducing fiscal deficits, increasing economic efficiency and encouraging private sector investments and export-oriented production. According to Lugalla (1995: 44), SAPs had a number of principles, the major one being the reduction of public borrowing and government expenditure (particularly in the unproductive sectors of the economy), control of money supply, devaluation of the local currency, and the introduction of user charges (cost-sharing) in education and health. Other measures included trade liberalization, reduction of tariffs, creation of conducive environment for foreign investments, abolition of price controls, privatization of parastatal withdrawal of subsidies, retrenchment of workers and, above all, democratization<sup>11</sup>. Since the early 1980s, most countries in sub-Saharan Africa, (Tanzania inclusive), have been forced to implement these measures as a pre-condition to aid and loans from the IMF, the WB and other donor agencies. The early 1990’s has witnessed Tanzania changing its policies and move away from a centralized state command economy to a market based economy, critically now letting the private sector to engage in the business of different industries to further the economy which was not performing very well. It was only after 1995 that real progress attained towards a market-based economy. The process of privatization (which had formally begun in 1993) accelerated, and by 2003 some 380 out of 410 parastatals had been privatized to foreign and (in some cases) local investors. This also opened up private investment in the mining sector (URT, 2011).

#### **5.0 TANZANIA’S MINING SECTOR PRE-REFORMS**

Tanzania is the fourth country with richness of mineral resources in Africa, endowed with varieties of minerals ranging from precious metals, precious collared gemstones, diamonds, base metals, platinum group of metals (pgm), coal, agro-minerals, chemical minerals and industrial minerals (Muhanga, 2012; Curtis and Lissu, 2008:13).

The earliest recognized mineral prospecting and mining in Tanzania took place during the German colonial period, beginning with gold discoveries in the Lake Victoria region around 1894 (Nilsen, 1980). Tanzania being the fourth country with richness of mineral

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<sup>11</sup> Mostly signifying multiparty politics

resources in Africa, apart from South Africa, Democratic Republic of Congo, and Nigeria. However, the minerals in Tanzania remained untapped and underutilized prior to the reforms. Nonetheless, gold production was substantial and increased steadily until 1966 when Geita Gold Mine (GGM) closed. By 1967, the gold industry had declined to insignificant level due to the closure of the mines, whereas all major means of investment was controlled by the government, and production was mostly from artisanal mining. During this period there was no existence of foreign investment as foreign investments were perceived as capitalistic and exploitative following the adoption of Tanzania's ideology of "*Ujamaa na Kujitegemea*" in 1967.

It is reported by Maliyamkono and Mason, (2006:296) that during the 1970s to 1980s the mineral sector development operations were largely state owned and run by government enterprises known as National Development Corporation (NDC), and later the State Mining Corporation (STAMICO) in 1974. The mining activities were not allowed without the state participation. However, from the late 1980s to 1995 artisanal and small-scale mining activities started to boom<sup>12</sup>. This period (late 1980s to 1995) was generally characterized by a gold rush whereby many people from both local communities and urban centres started to get heavily involved with gold mining though with poor/local and/or low levels technology . Among others Lake Victoria Goldfields, Mpanda Mineral Field, Lupa Goldfields became very popular. Prior to privatization in the mid-1990s, exploitation of these resources was limited. This small scale mining employed a huge number of people in gold mining and trade activities, employing around 500,000 people (Maliyamkono, 2006:297). Artisanal mining was a common feature of the mining sector in Tanzania despite being illegal, with the miners having no formal property rights (Zamora, 1999; Peake, 2000; (Bullington, 2001; Labonne and Gilman, 1999; Parsons, *n.d*).

## **6.0 MINING SECTOR: LEGAL AND POLICY ENVIRONMENT IN THE CONTEXT OF ECONOMIC REFORMS AND REFLECTION OF NYERERE'S LEGACY**

Due to the economic reforms undertaken by the government of Tanzania from the mid-1980s, mining sector was reformed to match with a clear shift in favour of private sector development and market-oriented economic management. Therefore, these changes have made the government to redefine her roles from that of owning and operating the mines to that of providing clear policy guidelines, stimulating private investment and providing support for investors. The government of Tanzania by the mid-1980s realized that the past development policies and strategies were not adequately responding to changing market and technological conditions in the regional and world economy and were also not adapting to changes in the domestic socio-economic conditions (Muhanga, 2012). In light of that, the economic reforms in Tanzania had to go hand in hand with changes in legal framework and supportive policies; of interest to this discussion are the Mineral Policy of Tanzania (1997), the Mineral Act of 1998; Mineral Policy of 2009, the Mining Act of 2010, New Investment Policy and the Tanzania Investment Act No. 26 of 1997 and the Mining (Environmental Management and Protection) Regulations of 1999. Despite limitations this policy and legal framework has a number remedies to the mining sector some of which are reflective of what Mwalimu Nyerere advocated under the *Ujamaa na Kujitegemea* development

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<sup>12</sup> During the second phase government under the Presidency of *Mzee* Ali Hassan Mwinyi

ideology. It should be made clear that Mwalimu Nyerere did not believe in neo-liberalism but rather what was advocated by him are reflected in the mining sector reforms in Tanzania. At the core of these policy and legal framework is what reflects Nyerere legacy despite some failures.

It is evident that the mining sector reforms intended to stress on private sector led mineral development while the major roles of the government being regulating, promoting and facilitating mining development and related activities (URT, 1997; URT, 1998; URT, 2009). One of the objectives of the Mineral Policy of 2009 states:

*“To improve the economic environment in order to attract and sustain local and international private investment in the mineral sector;”*

This particular intention is reflective of what Nyerere insisted when the state seemed to fail to turn to the private sector (Pratt, 1976 :) this was reflected in new TANUs aims and objectives which Mwalimu made efforts to introduce in order to achieve democratic and socialist Tanzania, in fact Mwalimu did not believe in neo-liberalism but he recognized significant role of the private sector in complimenting the efforts of the state.

*“To encourage private enterprises which are run for the benefit of the whole country (TANU Constitution, 1962:1-2???)*

Nyerere proclaimed that however self-reliant a nation can try to be in socio-economic development cannot stand against the fact that progress out of poverty has everywhere throughout history required some injection of capital or expertise.

*“.....Even the largest states of the world have used outside resources; small ones have to use more. It becomes a question of how far we will go and what kind of compromises we will make. We cannot refuse to make any. .... (Nyerere, 1970:6-7)*

The Mining Act, 2010, ( see section 8(2) and 8(3) ), among other things, places mining rights particularly in small scale mining, dealing in minerals and gemstone operations, in the hands of Tanzania nationals and limitedly to corporate bodies who may include foreign nationals whose interests may not exceed 50% in the undertaking (URT, 2010: ). Minerals Policy of 2009 under policy statements (iii) and (iv) affirms the government commitment:

- (iii) *The Government will ensure that medium and small scale gemstones mines are entirely owned and operated by Tanzanians;*
- (iv) *The Government will promote participation of local investors in gemstone mining; and*

This is what Mwalimu insisted when it came to reaping benefits from the natural resources base of this country, right from the beginning Mwalimu insisted on *Africanisation* and later *nationalization* of the major means of production. This is fairly reflected in TANUs objectives which states:

*“To promote thoroughly the ways of increasing the wealth of this country so as to help more people by:*

*Controlling collectively the means of producing national wealth including the national resources such as land, air, water, power”*

This later strengthened by Azimio la Arusha which insisted on the having all the natural resources and other major means of production under the hands of the mass. This is well articulated in The Arusha Declaration part one which was on TANU creed insists: ‘*that all citizens together possess all the natural resources of the country in trust for their descendants*’. Nyerere wanted to ensure economic justice and this is only when the state has effective control over the principal means of production.

The mining reform (URT, 1998; URT, 2009; URT, 2010) has among other things removed most of past ministerial discretionary powers, by introducing a mining advisory committee responsible of advising the Minister on decisions to make pertaining to mining sector ( *see 23.-(1) of the 2010 Mining Act*). This is in line with what Mwalimu advocated in the sense that socialist society is a society of equals and among the equals no need for discretionary power. Nyerere sustained that: *"our aim is to remove fear from the minds of our people. Our aim is to hand over responsibility to the people to make their own decisions"*. Nyerere wanted governments to serve interests of the people by involvement them. The reforms through advisory committee have created a power checking mechanism on public officials. Despite the fact that Nyerere advocated for the primacy of the state and public ownership of property, arguably delineated a cautionary note: *"State ownership and control of the key points of the economy," says Nyerere "can in fact lead to a greatest tyranny if the state is not itself controlled by the people, who exercise this control for their own benefit and their own behalf....."*

The mining reforms require that foreign owned mining gemstone companies cede 50% of its shares to the public/government (URT, 2010). This is insisted by one objective of the Mineral Policy which intends:

*"To facilitate, support and promote increased participation of Tanzanians in gemstone mining"*, with policy statement (ii) stating:

*"The Government will ensure that large scale gemstones mines are owned by Tanzanians to not less than 50 percent shares ..."*

Nyerere believed that *"True development means progress in which all people share, and can hope to share, and from which all can benefit"* (Nyerere , 1968). This is an important which is reflected from the reforms. Further to this Nyerere realized that capital was scarce in most of developing countries, of technical capacity also lacking for the state to manage and exploit (Pratt, 1976: 256).

*"I do not think that there is any free state in Africa where there is sufficient local capital ...or a sufficient number of local entrepreneurs for locally based capitalism to dominate the economy..... (Nyerere, 1968)*

The reforms are advocating for the highest levels of the involvement of the people in decision making so as to reap benefits from the mining sector. Nyerere believed in the potentials of people towards their development and what it takes for any meaningful development:-

..... *When people become the active participants in the decisions affecting their lives, they embody the very process of change because they own it.* ”

Despite the fact that licenses to mine for gemstones are only supposed to be granted to Tanzanians, regardless of the size of the operation, the exception is where the Minister determines that the development is most likely to require specialized skills and technology. The reforms are advocating for the controlled foreign investments in mining sector.

Much as it is obvious that Nyerere was cautious on the foreign investments, but being self-reliant to him did not mean isolating ourselves from the rest of the world. “*Self-reliance*”, he said, “*does not imply isolationism ...it is not the same thing as saying we shall not trade with other people*” (Nyerere, 1967: 321). Despite Nyerere sceptics on the viability of the neo-liberal options at different times during his leadership Nyerere advocated for the controlled involvement of the private sector. Nyerere advocated for selective linking and not delinking.

#### **7.0 NYERERE DEVELOPMENT IDEOLOGY, MINING SECTOR REFORMS AND SOCIOECONOMIC DEVELOPMENT IN TANZANIA: DIFFERENT MEANS SAME END?**

Obviously, Mwalimu was sceptical about whether or not the national objectives set under the socialism and rural development model would be met using the new approach. This led Tanzania to accept to reform the economy after a long period of resisting calls from the international community particularly the IMF and the World Bank for a shift in economic policy towards increased deregulation in all spheres of the economy.

Nyerere was particularly concerned about the implications of the IMF's prescriptions to reduce expenditure and raise taxes, for Tanzania's political and social stability. He argued that "there is a limit to which taxes can be raised without forcing the people into the streets and the soldiers out of the barracks" (*Africa*, June 1984: 13-14). Even though by the 1980s, Tanzania had been forced by crippling economic difficulties to adopt most of the IMF conditionalities, Nyerere remained sceptical about the viability of the IMF'S neo-liberal option. In 1983, he insisted rather defiantly that:

The IMF goes out and makes conditions and says, "If you follow these examples, your economy will improve". But where are the examples of economies booming in the Third World because they accepted the conditions of the IMF? The IMF may be economic experts but I am an expert in my own country! (*Africa*, June 1983: 73

It is obvious that what the reforms are striving at is simply to serve the interests of Tanzanians and assure the mass benefits from their natural resources despite the observed inefficiencies and shortfalls which Nyerere stressed for. The reforms took initiatives to govern the country's natural resources for the benefit of the people while in mind there is limited nature of capital and expertise our country is having hence a need to involve the private sector . Despite Nyerere skepticism on the viability of the neo-liberal options at different times during his leadership Nyerere advocated for the controlled involvement of the private sector.

People's participation in decisions affecting them the public roles being on policy formulation to accommodate the overall and sectorial government policy framework. URT (1997) the Mining (Environmental Management and Protection) Regulations of 1999.

The project proponent must produce an Environmental Management Plan acceptable to the Government. Approval of a project involves screening, scoping, EIA and EMP evaluation by government experts. In addition, relevant Regional Administration, Local Government Authorities and the public are consulted and their opinions taken into account during the approval process (Ngonyani, 2000).

; To ensure that wealth generated from mining support sustainable economic and social development URT (1997) and their opinions taken into account during the approval process (Ngonyani, 2000).

## **8.0 ECONOMIC REFORMS AND THE MINING SECTOR: SUCCESS FAILURES AND LESSONS LEARNT**

According to Sawyer (1988:11), as cited in Mutahaba *et al.*, (1993:35) the SAPs principles such as trade liberalization, creation of conducive environment for foreign investments, privatization of parastatals and advocating minimal role of the state in the economy have impacted the Tanzanian economy the mining sector inclusive both positively and negatively. These impacts include; increased FDIs inflow<sup>13</sup> into Tanzania's resource rich mining sector (UNCTAD, 2005), and the government managed to establish the Public-Private Partnership in the mining sector.<sup>14</sup> Mining remained the leading sector<sup>15</sup> in terms of investment occupying 23% between 1995-2004 (Maliyamkono and Mason, 2006:151). The mining sector continues to be one of the biggest contributors to the country's revenue through the payment of mineral royalties<sup>16</sup>, employee income taxes and corporate taxes (URT, 2006; TIC, 2001; EIU, 1997). According Hart Group (2011) the benefits flows reported by companies in the TEITI (in US\$ million for 2008-2009) amounted to US\$ m99.46.

The reforms in Tanzania were expected to do much more good than harm, but that has never been completely the case. Despite the registered achievements, (Muhanga, 2012; UNCTAD, 2005; EIU, 1997; Maliyamkono and Mason, 2006:151) and good intentions of the mineral sector reforms there are a number of challenges which are partly caused by poor technology, lack of skilled personnel and absence of capital (Fraser and Lungu, 2006; Darimani, 2005), lack of political will and unethical leadership on the natural resources governance.

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<sup>13</sup> In 1992, there were ten Prospecting Licenses and nine Mining Licenses granted to private investors, the number has increased to over 5,900 Prospecting Licenses and 220 Mining Licenses in 2008, including six special mining licenses for gold in 2011.

<sup>14</sup>Tanzania has been praised by UNCTAD for having good mining incentives, which have been making the country attractive to mining companies, which in the end made it possible to experience a boom in FDIs particularly in gold industries (UNCTAD, 2005).

<sup>15</sup>Annual gold production from these mines is about 50 tones, putting Tanzania as the third leading gold producing country in Africa

<sup>16</sup>Another important success incidence from the reform is on the changes brought about by the Mining Act (2010) in royalty rates compared to the royalties imposed by the 1998 Mining Act.

The extensive economic liberalization has contributed to further deepening the imbalance in the distribution of the benefits of mining in favour of transnational foreign mining companies due offering further incentives and protection for the corporate investments in the name of creative conducive environment for the investors (Darimani, 2005; Rugumamu, 2005; Fraser and Lungu, 2006; Darimani, 2005), the resentments on what the government is receiving from the large scale mining scales (LSMCs) versus the value of what is produced and exported (Fisher, 2007), the government has been blamed for doing too little to ensure that the people also benefit equally from the mineral wealth (Lange, 2007; Kitula, 2006, Rugumamu, 2005), the existence of the negative effects of mining with adverse effects to rural livelihoods that did not exist before the mining sector reforms, including existence of conflicts and poverty around the resource rich areas ( Semboja, 2007, Kitula, 2006; Mwalyosi, 2004; Kitula,2006; Chachage,1995 ) even environmental effects and health hazards of the mining activities are still reported (Tambwe, 2008).

Lessons are numerous that can be learnt from the mining sector reforms in Tanzania including but not limited to the need for Institutional capacity and resources governance enhancement as the lesson here is that either the capacity of institutions responsible for the daily execution of such procedures are very low or there is a lack of seriousness and patriotism from the side of those charged with the responsibility of overseeing the sector. Another lesson is on Policy formulation process and the local communities' involvement where the Communities have been the least regarded and historically neglected in policy and other discussions related to mineral sector development. As a result, negotiations and discussions have been primarily between governments and mining companies and have not involved those whose lives and livelihoods are impacted directly and usually adversely by mining operations. With regards to Corporate Social Responsibilities (CSRs) the lesson learnt is that most of the LSMCs have only done the minimum. The argument is that the LSMCs need to have CSRs that will affect the well-being of the local communities hence guaranteeing social licensing for mining companies, which will in turn put off the conflicts, which are now on increase.

## 9.0 CONCLUSIONS

The intention to build a socialist society in Nyerere's mind where every member of a society will reap emanating from *Ujamaa na Kujitegemea* is reflected throughout the mineral sector reforms differently despite a number of drawbacks. The mining sector reform though neo-liberal in nature is also trying to put the people first, limited expertise and capital, political among others have accounted for a level registered in terms of achievement. The reforms are depicting good intentions of our government despite the challenges.

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