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Understanding environmental, health and economic activity interactions following transition of ownership in gold mining areas in Tanzania: A case of private to public

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ABSTRACT

Mining is an important source of revenue for many developing countries, however, the social, environmental and economic impacts of mining are often poorly monitored. The recent transition of a gold mine in Western Tanzania—from large-scale gold mine under private, multinational ownership, to medium-scale public and national owned mine with limited life length offers a prime opportunity to understand the implications of changes in ownership and scale on the local economy and community well-being. We conducted 44 semi-structured interviews with community members in four villages adjacent to the mine site. We find that the local economy and public service provision contracted in response to the mine transition and downscaling, with ramifications for food security and healthcare access. Community members also highlighted the lack of information surrounding the mine transformation. This illustrates that considering the post-transition phase of large-scale mines is important for providing long run sustainable livelihood strategies in mining communities.

1. Introduction

Global mining activity has undergone rapid expansion into emerging markets in the past several decades by tapping into mineral deposits in Africa, Asia, and South America that were previously underexplored (De Haas and Poelhekke, 2016). Expansion into these new areas has provided rich testbeds for analysis of many longstanding debates on the social, political, economic and environmental impacts of mining. While some research explores the positive economic development effects of resource development and local economic linkages (Aragón and Rud, 2013; Benshaul-Tolonen, 2018; Edwards et al., 2014; Hilson, 2002; Kotsadam and Tolonen, 2016; Wright and Czelusta, 2007), others find that increased revenue from extractive industries undermines accountability, increases corruption in government and institutionalizes preferences for wealthy foreign corporations over citizens (Germond-Duret, 2014; Knutsen et al., 2016; Raleigh and Urdal, 2007). More recent work has focused on avenues for avoiding the resource curse (see van der Ploeg, 2011) by building economic resilience in host countries through policy interventions that encourage market linkages and diversification (Bastida, 2014; Farooki and Kaplinsky, 2014).

While intentionally skirting the resource curse debate, Hilson (2018) demonstrates that despite evidence that innovative policy development can leverage mineral assets to create ‘growth poles’, many countries (particularly in sub-Saharan Africa) maintain a focus on large-scale mining that exposes national governments and host communities to certain vulnerabilities and inefficiencies. He asserts that even though much of the revenue from mining remains in the host country, the host governments are partially to blame for the ineffectual use of those funds which leads to “underwhelming economic development” (Hilson, 2018, p. 9) as the large-scale mining sector has weaker than desired local economic linkages.

Due in part to the underperformance in the mineral and extractives sector described by Hilson (2018), many host nations are now working to reform their resource management policies, with some countries entering a post-liberalism phase where national companies are taking a more prominent role in resource exploitation. Importantly, many of the investments made over the past two decades into large-scale mines in

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Africa have reached or are approaching the later stages of the mine lifecycle. This means they are moving towards downscaling or closing, which can lead to challenges to sustain domestic and local revenue and economic activity (see for example Siyongwana and Shabalala, 2018). For such countries, the shift in national policy on large-scale mining coincides with diminished productivity and viability for existing assets and raises important questions on what impacts the transition in policy and asset ownership has on local communities and economies.

This paper examines the linkages between mine downscaling and local socio-economic effects in the context of recent shifts in national mining policy in Tanzania. The Tanzanian context is described in Jacob and Pedersen (2018) and Lange and Kinyondo (2016). In this paper, we explore the relationship between Biharamulo Gold Mine—a former industrial-scale mine that changed hands from Africa Barrick Gold (called Acacia Mining since November 2014) to the national company Stamigold in 2013—and the neighboring rural communities of Mavota Village. The community members refer to the former owner of the mine as "Barrick", and we will use this name to refer to the former owner of the mine. This case study provides insight into how the tensions around nationalization of mining assets interact with the negative local economic impacts that can accompany mine downscaling, resulting in challenges for community well-being and erosion of trust in company-community relations. The results from 44 semi-structured interviews indicate that the economy contracted significantly after the transition, and that public services formerly provided by the mining company deteriorated under the new mine ownership. Several interviewees highlight the lack of discussion around the mine transition process and the remaining life length of the mine. New policy paradigms around nationalization of assets require significant adaptation as well as political and administrative efforts to institutionalize and thereby realize substantial development gains (Pedersen and Jacob, 2017).

The next section of this paper examines the recent history of Tanzania's mining policy context and the precursors that led to its transition towards resource nationalism. The paper then provides brief overviews of the challenges that can arise in mine closure and downscaling in order to contextualize the socio-economic context that the case study falls under. We then turn to describing the methodology of the case study and present the main findings from our research. The paper closes with a discussion of the implications of the case study as it relates to responsible management of mine assets during the downscaling process.

2. Background

While the trajectory of mining policy in Tanzania has been thoroughly described elsewhere (for instance, in Jacob and Pedersen, 2018; Lange and Kinyondo, 2016; Pedersen and Jacob, 2017) a brief review of some of the major milestones is provided here. Tanzania has a long tradition of gold extraction. German colonizers explored for gold starting in the early 19th century, followed by the colonial British government (1918–1961) which extracted gold, diamonds, lead, and salt (Lange, 2011). Upon independence in 1961, the mineral resources were nationalized which lead to a decline in mineral production. Gold mining investment picked up only with the 1997 Mineral Policy and 1998 Mining Act, with Foreign Direct Investment reaching $2.5 billion between 1998–2008 (The Mineral Policy of Tanzania, 2009). Six large-scale gold mines were established during this time. Since then, the value of gold exports jumped from $3.34 million in 1998 to $1.53 billion in 2017 (Hilson and Maconachie, 2008; Monthly Economic Review, 2017).

2.1. National-level taxation controversy

With the increase in foreign gold mining investment, international mining companies operating in Tanzania have been accused of extracting profits from their extraction of natural resources without paying their fair share of taxes to the national government. This fact has been alleged to stem from two causes: (1) over-generous tax concessions granted to international companies due to a combination of mismatched bargaining power and political corruption; and (2) outright tax avoidance on the part of the companies (Lambrechts, 2009). Between 2008 and 2010, mining tax exemptions in Tanzania totaled almost $64 million (TWAWEZA, 2010). Mining activities have also been met with conflict over land and licensing between investors and surrounding communities (Helliesen, 2012; Mwakaje, 2013). Acacia Mining, formerly known as Africa Barrick Gold (ABG), is one such foreign entity operating in Tanzania that has received widespread criticism. It is majority-owned by the world's largest gold mining company, Barrick Gold, and currently owns and operates three mines in Tanzania, with licenses covering 7200 km^2 in the country (Hilson, 2018). In 2016, Acacia was accused of under-declaring export revenue and operating illegally since 2000 (Wilson and Mohammed, 2017). Barrick Gold has faced strong organized criticism by employees, communities, and NGOs in Tanzania over the past 10 years (Newenham-Kahindi, 2011). Hilson (2018) has also pointed out that benefits from its large operations have still been eluded by the mines' 'enclave' designs, where operations are concentrated behind protective barriers with few local linkages and investments.

Some authors have proposed that a solution to this problem is increased "resource nationalism," i.e., state ownership and mandatory joint ventures in the extractive industry (Magai and Márquez-Velázquez, 2013). In the past few years, several African states have pivoted their development thinking, spurning the neoliberal model of the 1980s in favor of state-guided economic industrialization (Ayelazuno, 2018; Roberts, 2015). This policy attitude is occurring in Tanzania, which is experiencing a new shift in its mining policy towards heightened government ownership and participation (The Mineral Policy of Tanzania, 2009). State attempts to capture the gold sector have amplified with the reestablishment of the State Mining Corporation (STAMICO) within the Ministry of Energy and Minerals in 2015. Aimed at "increasing the contributions of the mineral sector to the national economy and creating employment opportunities to Tanzanians," its two gold ventures in Biharamulo and Buhemba are operated through the subsidiary Stamigold (STAMICO, 2016). Revenue from the gold industry is centrally managed, then redistributed to local governments, which are largely dependent on transfers from the central government (accounting for up to 90% of local funds) (Demuijnck and Fasterling, 2016).

Under President Magufuli in 2017, Tanzania banned exports of unprocessed gold and enacted new laws requiring the government to own at least a 16% stake in mining projects (Ng'wanakilala, 2017). It also placed a temporary hold on issuing new mining licenses, raised mining royalties from 4% to 6%, and presented Acacia with a $190 billion tax bill for its alleged illegal operations and tax evasion[1]. Though Acacia has denied these allegations, it has since agreed to abide by the higher royalty and export fees under the new mining laws. Its parent company, Barrick Gold, also agreed to pay $300 million to the Tanzanian government in a "show of good faith" and evenly divide profits from mines (Wilson and Mohammed, 2017). Though similar nationalist policies are aimed at diversification and value addition from natural resources (Ayelazuno, 2018; Bastida, 2014), recent shifts in policy means the effects of these nationalizing operations on local socio-economic contexts have not yet been fully researched or understood.

Despite the wave of nationalist mining policies, many of the original mines established after the 1998 Mining Act have reached or will reach

[1] The export ban on unprocessed ore took place after the interviews were conducted in January 2017. Therefore, the researchers asked no questions relating to the ban. Most of the media coverage on the tax evasion also took place after the interviews, so it is not likely to expect that the community members were aware of the accusations during the time of the interview.