

BRIEF REPORT OF THE 7:30 BREAKFAST DEBATE –SEPTEMBER 28TH 2012

Uranium Discovery: Is Tanzania prepared to benefit from exploitation?

Tanzania is endowed with many kinds of extractive resources and mining accounts for about 3.2% of Tanzania's GDP and 3.6% of its total tax revenues. Gold represents about 90% of these mineral exports and the petroleum sector is dominated by natural gas. Uranium is being explored in different parts of the country and it is estimated that Tanzania possesses 53.9 million pounds of uranium oxide (U₃O₈) deposits, valued at \$2.2 billion.

Despite this well-recognised potential for the mineral sector to play a huge part in the rapid economic growth of the country, there have been concerns that it has not contributed enough to the improvement of lives of the poor, particularly those in local communities where the mines exist. With uranium, there are concerns that there may be environmental hazards associated with its extraction and that the legal framework is inadequate to manage the subsector both in safety and fiscal terms.

This is why Policy Forum dedicated its September 2012 debate on the issue of uranium exploitation, the debate is titled: **Uranium Discovery: Is Tanzania prepared to benefit from exploitation?**

The debate had one presentation and critics from the discussant namely: Dr. Lugemeleza, Nshalla, Director of KITUO CHA MAZINGIRA and Dr. Mwijarubi Nyaruba, Director of Nuclear Technology at the Tanzania Atomic Energy Commission (TAEC) respectively.

The Debate was facilitated by Silas Olang from Revenue Watch Institute-Tanzania (RWI).

Dr. Nshalla presentation talked about Uranium Mining in Tanzania: Is the legal and institutional framework up to the challenge?

He started by giving the background of uranium in Tanzania, he said that between 1976 and 1979 the government of Tanzania commissioned a number of geological surveys that led to the discovery of uranium deposits in the country however due to the drop of uranium

prices in the world market, the government decided to stop those explorations in 1980.

He added that, after two decades uranium exploration started again in different parts of the country.

He went on to give the weaknesses of legislations that currently exist citing an example of Mining Development Agreements (MDA) where Mining Act shows that they are four applicants of holders of special mining licenses with capital bases of 100 million US Dollars.

He said that, because of lack of effective legal framework in the country it resulted to the disconnection between exploitation and development of uranium deposits that the government wants to venture in.

He also said that, the government could loose about 320 billionTshs in mining taxes because of ineffective legal framework. He said this huge amount of money could be due to unpaid capital gain tax by the ARMZ holding company which holds a prospecting licence for the Mkunju River Uranium Project.

He cited an example of Mantra Resources which allegedly changed with two companies to ARMZ of Russia, this transfer enabled its former stakeholders to pocket \$ 1.04 billion without paying capital gains to Tanzania government.

He said that though Tanzania Revenue Authority (TRA) sent a number of notices to ARMZ seeking \$200 million in capital gains tax and stamp duty but ARMZ disputed the tax demand and currently has a case pending at the Tax Revenue Appeal Board (TRAB).

He concluded that, after the complete sale of the mantra resources uranium to affiliated companies ARMZ and uranium one, the company will earn about \$ 250 million annually but will pay just \$ 5 million in taxes, royalties, fees and workers' pay as you earn.

The presentation was followed by a word from the discussant, the Director of Nuclear Technology at the Atomic Energy commission, Dr Mwijarubi Nyaruba commenting on the debate said that the Uranium was a naturally occurring mineral and that the problems start when it starts being mined. He said that the moment the government wants to do was mining and transport Uranium adding that the government has a strong legal framework to manage uranium mining citing the

Mining Act of 2010 and Atomic Energy Act of 2003 but acknowledged that more needed to be done.

The country has yet to set mechanisms to enforce them effectively and clear some of the overriding issues between the two acts. He said that Tanzania will have to work on the issues such as how to control dusts, monitor people and ensure self-storage of the processed uranium. It will also have to work on proper waste management and record keeping for future use.

Lastly, Dr Mwijarubi was also concerned that some stakeholders have been left out and that no clear roles have been assigned to stakeholders. He said that Tanzania needs clear standards and procedures to be taken in the implementation of the Uranium Mining and also establish accredited laboratories

Plenary Discussion and comments

- Uranium is being explored in different parts of the country and it is estimated that Tanzania possesses 53.9 million pounds of uranium oxide (U₃O₈) deposits, valued at \$2.2 billion.
- We have to be careful with this discovery? There may be environmental hazards later on associated with uranium extraction and currently our legal framework is inadequate to manage the subsector both in safety and fiscal terms.
- If mineral sector (e.g. Gold) has not been able to contribute sufficiently the economic growth of the country, what about Uranium? It would be the same; it might not improve the lives of the poor, particularly those in local communities where the uranium exist and exploration being conducted.
- The current fiscal regime under the Mining Act and the Income Tax Act 2004 imposes royalty and tax rates which do not guard against abuses of transfer pricing
- The current institutions do not have the requisite human, technological and financial ability to oversee uranium operations in Tanzania.
- Qualified and competent personnel engaged are needed
- As we move towards the exploration of mining Uranium, we should take into account the importance of complying with transport regulations, having proper waste management and

- good record keeping and be able to report to authorities responsible.
- The major challenge our country faces is the overlapping of the Mining and Atomic Act. Also, there is no collaboration among stakeholders involved in the regulating Uranium mining and need to have to have clear standards.

Mr. Silas Olang close the discussion and welcomed again participants to the next 7:30 Breakfast Debate in the coming month.



policy forum