1. **Introduction to Policy Forum**

The Policy Forum (PF) is a network of more than 70 Tanzanian civil society organizations established in 2003 and drawn together by their specific interest in augmenting the voice of ordinary citizens to influence policy processes that help in poverty reduction, equity and democratization with a specific focus on public money accountability to both central and local levels. Its desired change is to improve service delivery through enhanced governance and accountable use of public resources. Long-term organizational impact is to contribute to enhanced governance and accountable use of public resources by improving civil society capabilities and opportunities to influence and monitor policies. This desired organizational impact is what underpins PF’s vision and mission of improved quality of life for the Tanzanian people by influencing and monitoring the implementation of policies relating to accountable use of public resources.

2. **Background information and context**

In recent years, Tanzania has witnessed a massive increase in investment in the extractive industry. The development is fueled by the fact that the country is endowed with a vast amount of natural resources including large reserves of oil, gas and minerals.

Fair taxation of the extractive industry can significantly contribute to income re-distribution and thereby leading to improved governance and reduced poverty levels in the country. While the mining sector is expected to contribute 10% of Gross Domestic Product (GDP) by 2025, its current contribution is less than 5%. Tax raises revenue that is essential for funding basic public services and national development goals and is at the heart of the social contract between citizens and state. The tax system can directly reduce inequality by redistributing income from rich to poor, by taxing the rich more heavily and giving the government revenues to spend on public services.

Governance in general and in the extractive sector is still coupled with several challenges. The sector is primarily dominated by large foreign multinational companies that have been claimed to paying disproportionate share of tax. It is estimated that, Tanzania may have foregone US $1.077 billion in revenue in recent years due to tax incentives, illicit financial flows, inflated claims for expenditure, misreporting of sales and losses and so on.¹ The majority of the local population concentrate on small scale mining.

While noticeable efforts have been quite evident in mobilising domestic resources and in trying to fix revenue loss loopholes, transparency and equity in spending have regressed. Spending has been concentrated more on large infrastructural sectors at the expense of the social sectors like health and education which to a large extent touch the lives of the poor majority directly. This adds more to inequalities in wealth and access to social services.
Introduction of policy and legal reforms that ensure the extractive industry is well-governed and inclusive is needed now more than ever before. The principles of openness, democracy and transparency to ensure good governance need to be well articulated and thought out clearly as evidence to reducing inequality in the society.

Tanzania, like many other countries in the world, has been hit hard by the Coronavirus Disease of 2019 (COVID-19). The outbreak of COVID-19 has negatively impacted both businesses and livelihoods through halt of gatherings causing close of businesses and uncertainty of whether they are to return in the near future which in turn, creates insecurities for employees and business owners. this, in turn, creates insecurities for employees and business owners and increases the vulnerability of the poor. Even more so creating urgency for appropriate tax measures that enhance the revenue base for improved social services to cushion the impact of COVID-19 and cater to income redistribution and improved social service delivery post-pandemic.

It is against this background that Policy Forum in partnership with Save the Children Tanzania under the support of the European Union places a call to seek consultancy services to undertake a study that broadly explores taxation in the extractive sector with a particular focus on its relation to governance and poverty reduction during and after the times of COVID-19. The findings of the study are meant to contribute to the existing ongoing discussions that are meant to lessen the impact of COVID-19 in the country.

3.0. General Objective of the study

To examine the impact of Taxation in the Extractive Industry, Governance and Poverty reduction during and post COVID-19 pandemic in Tanzania Mainland and Zanzibar.

4.0 Specific Objectives of the study

The study intends to:
1. Examine the current state (Institution and taxation structure inclusive) of the extractive sector in the country and its relation to governance and poverty reduction
2. Examine the linkage between taxation, governance and poverty reduction
3. Examine the role and setbacks of taxation (progressive) and multilateral organizations in enhancing of income equality
4. Examine tax reforms that led to expected development outcome from the extractive sector
5. Examine the challenges that Governments; Mainland and Zanzibar are facing in committing to stable taxation policies.

5.0 Study Questions

The study seeks to answer the following,
1. What are the current state (Institution and taxation structure inclusive) of the extractive sector in the country and its relation to governance and poverty reduction?

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1 Extractive sector is capital intensive shaped by high sunk cost and dominated by multilateral organizations which have a positive role to play to improve governance.

2 A tax regime that is progressive often challenging and even impossible to enforce in less developed countries though is the best practice for natural-resource endowed countries.

3 To achieve better outcomes from extractive resources ‘good’ institutions must be in place to constrain the self-interests of politicians, bureaucrats, etc.
2. What is the linkage between taxation and governance? And how does it contribute to poverty reduction?

3. What critical role and setbacks can taxation (progressive) and multilateral organizations play in the extractive sector to enhance income equality during and after the COVID-19 pandemic?

4. What are some key tax reforms that ought to be opted out by the government to reduce inequality in the Tanzanian society? The good idea is to come up with the “optimal tax systems” rather than “optimal taxes”. In other words, how good governance shape tax reform policy
   1. Tax legislation, administration, and enforcement of compliance
   2. The efficiency and integrity of the tax authorities
   3. The “technology of tax collection” must be considered

5. What are the challenges that Governments; Mainland and Zanzibar are facing in committing to stable taxation policies?

6. What are some key tax reforms that ought to be opted out by the government to reduce inequality in the Tanzanian society?

6. What are the key lessons that different actors should have learnt after COVID-19 pandemic?

7. What are the key policy and programme recommendations that the government should consider going forward?

**Other related key questions**

1) How good governance pushes governments to overcome some aspects of the resource curse especially the ‘rentier politics’, political economy challenges, etc.

2) What are the key lessons that different actors should have learned after the COVID-19 pandemic?

3) What are the existing loopholes in the extractive sector in Tanzania that contribute to revenue loss?

4) What are the key policy and program recommendations that the government should consider going forward?

6.0. Deliverables

The consultant is expected to provide a draft report and data set of the study to Policy Forum within 30 days of being engaged.

7.0. Requirements

Interested consultants should attach a brief study proposal with a background or problem setting, theoretical review, the methodology, and budget, in addition to this, should attach a CV and a sample of previous similar analyses conducted. All documents should be sent to info@policyforum.or.tz by or before 8th June 2020.

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4 Appropriate policies required to capture and retain value created from the extractive industry and linking to the broader economy.

5 The resource curse or the paradox of plenty has been arguably to plague Many resource-rich countries and make it center of many studies about extractive resource governance. The prevail political environment in Tanzania clearly place the necessity of the “curse” to occupy the stage in the study.

6 Data set for validation purpose particularly the output