

**SPEECH BY THE CHIEF SECRETARY MR. PHILLEMONT LUHANJO TO A SEMINAR
ON THE SOCIO ECONOMIC BENEFITS OF GOLD MINING IN TANZANIA TO BE
HELD AT THE SEACLIFF HOTEL ON 19TH MAY 2009**

Chairman Tanzania Chamber of Minerals and Energy Amb. Ami Mpungwe (Ret.);

Senior Government Officials;

Chief Executives Officers of Mining Companies;

The Facilitator of this Seminar;

Invited Guests;

Ladies and Gentlemen

I would like to take this opportunity to welcome you all to this important Seminar organized by the Tanzania Chamber of Minerals and Energy and the International Council of Mining and Metals (ICMM). Secondly, I would wish to thank you all for allocating your time and resources to attend this Seminar. Your presence here is a reflection of your commitment to the development of the Tanzanian mining industry. Thirdly, at this point in time, let me express my thanks and appreciation to the organisers of this seminar for their good work in ensuring that this important Seminar is indeed convened so successfully.

Mr. Chairman

On my part, I readily accepted your invitation for a number of reasons. Firstly, out of appreciation for the good work you are doing in sustaining the mining industry in Tanzania, and secondly, the Government's firm commitment towards public private sector partnership. The Chamber of Minerals and Energy has been active in advising our government in many aspects of mining and has its place as an important link between our government, the public and the mining communities. The Chamber of Minerals and Energy is indeed, at the core of public - private sector partnership. Your advice on policy matters, on world mining trends, and on minerals markets has been critical for the success of the sector. This Seminar organized in conjunction with ICMM is a case in point particularly as we are aware that ICMM is deeply involved in the Global Mining Initiative which is largely seeking to locate sustainable mining imperatives in host countries which are; Wealth creation for both the host country and the shareholders; Environmental management and Social Progress.

Just a decade ago Tanzania was a non - entity in the world of mining. Currently, thanks to an abundance of mineral resources, Tanzania presents an illustration of the impact on investments brought about by very conducive investment climate. That Tanzania is richly endowed with mineral resources was for years a fairly well known fact. But in the 1970s and 80s there was hardly any serious prospecting or mining going on and minerals made just a meager contribution to the war on poverty. This is why in the mid 1980s the Government made deliberate and conscious decision to make mining an engine of growth.

Mr. Chairman
Distinguished participants

Our Mineral Policy, a modern legal framework and an internationally competitive fiscal regime are some of the measures that reflect the Government's commitment to creating an enabling environment for a thriving and successful mining sector which is reflected by unprecedented surge in prospecting and mining activities over the last ten years. The Government made this decision because it is a fact that at this moment in time or in the near future Tanzania would not, on its own, have the requisite technology, and capital, skills and expertise to exploit the abundant mineral resources on a scale that can help us fight poverty. To date the mineral sector contributes 2.7% to the GDP against a projected 10% by the year 2025 according the Mineral Sector Vision of 1997.

Mr. Chairman

Having the large mines around creates a challenge to both investors and the Government; and our biggest challenge now is how the big mines which are being built will make significant impact on the economy and the community as whole. We are fighting abject poverty and therefore, the social dimension of mining has to be addressed. No mining investment anywhere in the world in this era can truly be successful if it does not help in fighting poverty through broad-based growth and sustainable development as we believe that successful mining should not be looked at only in terms of returns on investment, but also in terms of its impact on poverty alleviation. It is in this regard, we encourage the mines in Tanzania to proactively seek every means of maximizing the impact of their activities on the surrounding areas through employment, skills development of local people: infrastructural development: provision of educational, health and social amenities and cultivating helpful relationships with licensed small-scale miners near them.

Despite the growth of the mining industry over the years, there has been public outcry in our country about whether or not the mining policy, legislation and Regulations have achieved a win-win partnership between the Government and Mining Investors. Questions have been asked and issues raised regarding whether or not the benefits that our nation derives from large-scale mining operations represent a fair deal to Tanzania. We should be willing to address them with a view to improving the industry and its contribution to the national economy. Any policy is not cast in stone and therefore shortcomings in the policy were expected to emerge particularly as we progress in this era of seeing and living with mines in our country. This debate and its attendant questions are not unwelcome. It is a sign of a certain amount of success, without which there surely would not have been any debate. It is for these reasons that Tanzania has joined the Extractive Industries Transparency Initiative (EITI) which seeks to lay bare Government receipts from the extractive industries and mining companies' payments to the Government as we move forward.

Mr. Chairman

The policy of the Government to develop large - scale mining alongside small - scale mining cannot be ignored as it provides livelihood to thousands of rural dwellers (estimates over 500,000). Small can be both beautiful and profitable. For instance, 20

small mines producing 10,000 ounces of gold per year could produce the equivalent of a large mine such as Golden Pride mine in Nzega. Yet such mines would provide more employment opportunities. The investment required is affordable and quicker to bring to realization and production.

What needs to be done is to mainstream them and try to bring order in their activities addressing issues of safety and health and environmental considerations and improve their productivity through training, credit provision, equipment leases, and hence improved recovery, processing and marketing techniques.

Such an integrated solution to the problems facing small-scale miners requires co-operative efforts and constructive partnerships between government, large-scale miners, the community involved, as well as the small-scale miners themselves. The Government is aware of the initiatives by the large scale mines through the Chamber's Artisanal and Small Scale Mining committee in addressing such an integrated approach to making artisanal mining more efficient, more productive, and more safe and healthy for the people involved in it and for the environment. These are commendable efforts, and you will find the Government the most willing partner in these endeavours.

Mr. Chairman

Mines can also be the economic engines of the communities in which they are located. Not all spillover effects are automatic, but with appropriate local economic development programmes and instruments, mining projects can positively transform surrounding communities, ensuring that the local population benefits from the mine and share in the growth potential it creates for the local economy.

Such a successful programme would improve community and employee relations, develop supplier linkages through outsourcing mine services and inputs, reduce dependence on the mine for local economic well being over time, as well as bring about substantial benefits to the mine in terms of reputation and good corporate image and citizenship.

An important - but not the only - component of such a programme is the development of micro, small and medium sized enterprises. These can be encouraged, facilitated and empowered as suppliers to, or downstream producers from the mine; or as entrepreneurs and businesses independent from mining. Mining companies can undertake analyses of the local economy, and develop strategies, policies, programmes and projects in a range of key areas for this purpose.

It is, however, vitally important, for political stability, that local communities are consulted and involved. They should not be encouraged to be freeloaders, but when they determine their priorities, and are willing to make their own contribution, they deserve and should have the full support of the mining companies. At any rate, the people must feel and see demonstrable evidence that mining companies have the economic, social and cultural interests of the community at heart. The commercial success of mines must not come at the expense of environmental or social responsibilities of the mining company.

A very important challenge is the role of the mining companies in training and capacity building. In Tanzania we have given an exception to mining companies in terms of limits that apply elsewhere on recruitment of foreign personnel. But we should like to believe that this is a temporary measure as mining companies help to train and re-train local employees. This may include support to the Geology Department of the University of Dar es Salaam and other vocational training institutions, as well as scholarships, study tours, and on-the-job training. But training should, where possible, extend beyond the mine boundary and involve broad-based skills development, such as for the suppliers of outsourced services and supplies, and for micro, small and medium sized enterprises. I am pleased to note that through the Chamber you have embarked on the Integrated Mining Technical Training Programme in conjunction with VETA in Moshi, a project that aims at churning modern artisans to service the mining and other industries.

And finally, mines must prepare the people for the eventual closure of a mine at the end of its life, including through physical land reclamation, and development of alternative economic activities and other measures.

Mr. Chairman

One of the leading criticisms against mining - both large-scale and small-scale - is its impact on the environment and the socio-cultural effect on the communities surrounding a mine. If these issues are not well managed, the presence of a mine can provoke great resentment and pose huge political problems for the government. Governments and mining companies must, together, create an effective framework for the mitigation of all environmental and socio-cultural aspects of mining.

It is for this reason that we in Tanzania, in partnership with mining companies, have in place a regulatory framework for mitigating environmental risks, and for monitoring observance of the agreed and appropriate standards. We not only expect all mining operations to strictly adhere to social and environmental guidelines, but we appreciate it more when mining companies observe and commit themselves to even higher standards than these statutory ones. It is for this reason we have established an Annual Presidential Award for Leadership and Excellence in Environmental Management in Mining.

In addition, we encourage and are ready to facilitate constructive partnerships between mining companies and mining communities, such that communities can be empowered to participate in the monitoring of social and environmental impacts. Moreover, the provision of appropriate and accessible infrastructure as well as community health and education facilities can be negotiated directly between the local government and the relevant mining company, without the mining companies taking over the responsibilities of the government in providing these services.

But having said that I must emphasize the need to have an appropriate balance between the understandable concern for the environment and socio-cultural issues, and the imperative to extract minerals and utilize them and other natural resources for broad-based development and for the urgent war on poverty. In Tanzania we are determined to minimize any adverse of mining activities on the environment and socio – cultural issues. We also seek to take advantage of advances in technology to minimize environmental damage from mining activities and other extractive industries.

Mr. Chairman

I would like to conclude by underscoring the fact that mining is acknowledged as one growth pole that can pull Tanzania out of poverty. Both the Government and investors in mining have a responsibility to focus on and address these challenges of development. It is the Government's utmost expectation that this Seminar will address the challenges and opportunities that the mining industry in Tanzania presents and come up with plausible recommendations. I can see that this gathering is up to the task. On the other hand, I would like to assure you of the Government's full support for the present and future of mining sector activities in our country.

May I now declare this Seminar open and wish you fruitful deliberations.
I thank you for your kind attention.