The Social License to Operate in Tanzania: Case Studies of the Petroleum and Mining Sectors

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<th>Abbreviation</th>
<th>Full Form</th>
<th>Description</th>
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<tbody>
<tr>
<td>CSOs</td>
<td>Civil society organizations</td>
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<tr>
<td>CSR</td>
<td>Corporate social responsibility</td>
<td></td>
</tr>
<tr>
<td>DC</td>
<td>District Commissioner</td>
<td></td>
</tr>
<tr>
<td>DCDO</td>
<td>District Community Development Officer</td>
<td></td>
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<tr>
<td>DED</td>
<td>District Executive Director</td>
<td></td>
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<tr>
<td>DLNRO</td>
<td>District Lands and Natural Resources Officers</td>
<td></td>
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<tr>
<td>DPLO</td>
<td>District Planning Officer</td>
<td></td>
</tr>
<tr>
<td>DSEO</td>
<td>District Secondary Education Officer</td>
<td></td>
</tr>
<tr>
<td>DT</td>
<td>District Treasurer</td>
<td></td>
</tr>
<tr>
<td>ESIA</td>
<td>Environmental and social impact assessment</td>
<td></td>
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<tr>
<td>FGDs</td>
<td>Focus group discussions</td>
<td></td>
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<tr>
<td>FPIC</td>
<td>Free, prior and informed consent</td>
<td></td>
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<tr>
<td>KI</td>
<td>Key informants</td>
<td></td>
</tr>
<tr>
<td>KII</td>
<td>Key informant interviews</td>
<td></td>
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<tr>
<td>LGAs</td>
<td>Local government authorities</td>
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<tr>
<td>LNG</td>
<td>Liquefied natural gas</td>
<td></td>
</tr>
<tr>
<td>MEM</td>
<td>Ministry of Energy and Minerals</td>
<td></td>
</tr>
<tr>
<td>MNCs</td>
<td>Multinational corporations</td>
<td></td>
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<tr>
<td>M&amp;P</td>
<td>Maurel &amp; Prom</td>
<td></td>
</tr>
<tr>
<td>MoU</td>
<td>Memorandum of understanding</td>
<td></td>
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<tr>
<td>MRENGONET</td>
<td>Mtwar Region Non-Governmental Organization Network</td>
<td></td>
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<tr>
<td>NEEC</td>
<td>National Economic Empowerment Council</td>
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<tr>
<td>NEMC</td>
<td>National Environmental Management Council</td>
<td></td>
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<tr>
<td>NGOs</td>
<td>Non-governmental organizations</td>
<td></td>
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<tr>
<td>O&amp;OD</td>
<td>Opportunities and Obstacles to Development</td>
<td></td>
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<tr>
<td>RAS</td>
<td>Regional Administrative Secretary</td>
<td></td>
</tr>
<tr>
<td>REA</td>
<td>Rural Electrification Agency</td>
<td></td>
</tr>
<tr>
<td>RC</td>
<td>Regional Commissioner</td>
<td></td>
</tr>
<tr>
<td>RPC</td>
<td>Regional Police Commander</td>
<td></td>
</tr>
<tr>
<td>SACCOS</td>
<td>Savings and Credit Cooperative</td>
<td></td>
</tr>
<tr>
<td>SIDO</td>
<td>Small Industries Development Organization</td>
<td></td>
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<tr>
<td>SLO</td>
<td>Social license to operate</td>
<td></td>
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<tr>
<td>STAMICO</td>
<td>State Mining Corporation</td>
<td></td>
</tr>
<tr>
<td>TC</td>
<td>Town Council</td>
<td></td>
</tr>
<tr>
<td>TEITI</td>
<td>Tanzania Extractive Industries Transparency Initiative</td>
<td></td>
</tr>
<tr>
<td>TMAAA</td>
<td>Tanzania Mineral Audit Agency</td>
<td></td>
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<tr>
<td>TPDC</td>
<td>Tanzania Petroleum Development Corporation</td>
<td></td>
</tr>
<tr>
<td>TZS</td>
<td>Tanzanian shillings</td>
<td></td>
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<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
<td></td>
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<tr>
<td>VETA</td>
<td>Vocational Education Training Authority</td>
<td></td>
</tr>
<tr>
<td>VICOBA</td>
<td>Village Community Bank</td>
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We also wish to express our appreciation for the support received from the District Executive Director (DED) offices of the seven councils visited for this study: Geita Town, Kahama Town, Kilwa, Kishapu, Msalala, Mtwara and Tarime. Members of the Council Management Team in each council shared their knowledge and information on SLO issues in their jurisdictions and facilitated entry to local communities through the District Community Development Officers. Village councils also provided useful information as well as linking the research team to community members in their areas. Likewise, we are grateful to members of the public who participated in the focus group discussions. We appreciate the cooperation of the companies that we visited and held interviews with: STAMICO, BG Tanzania, Acacia Mining and Wentworth Resources. TPDC officials in Mtwara also provided useful information. We further recognize the contributions made by locally-based NGOs in Mtwara region during the field survey.

Finally, we acknowledge receipt of valuable comments from two anonymous reviewers. The comments were useful in sharpening some of the arguments in the report. Nevertheless, the content of this research report is the sole responsibility of the authors.
Executive Summary

The concept of a social license to operate (SLO) has become a key issue for companies, researchers, policy makers and other stakeholders in the extractive sector. Securing ‘social permission’ for extractive activities is increasingly seen as critical for the future profitability and sustainability of the sector. Indeed, the debate around SLO has also been extended to other economic sectors, including agriculture and pulp production.

As a concept, the social license to operate is concerned with having the activities of a company accepted by the community in which the operations are to take place. This acceptance is particularly important in the mining and petroleum sectors due to the significant impacts of extractive activities on the life of communities and the environment. Obtaining formal licenses from the government and meeting regulatory requirements are no longer adequate for the operations of extractive companies to run smoothly. Indeed, instances of open hostility and vandalism leading to interruption and delays in operations and even the suspension of mining activities have been experienced despite formal compliance with a country’s regulatory framework. Failing to secure an SLO can, therefore, have widespread repercussions, including public criticism, social conflict and significant damage to a company’s reputation.

Rationale and Objectives of the Study

Despite the long history of extractive activities in Tanzania, very few studies have examined SLO from the perspective of local communities. This research, therefore, sought to assess whether SLO exists in two of Tanzania’s leading extractive sectors (mining and petroleum) by seeking the perceptions of community members and local officials in the areas around a sample of large-scale mining operations in the country.

For the purposes of the research, a conceptual framework was developed for identifying and assessing the key factors involved in gaining and maintaining an SLO. An exploratory qualitative study was then conducted to confirm the elements of the framework, establish whether SLO existed in practice in the Tanzanian context, and document the attendant processes. Three specific objectives guided the study:

- To establish to what extent SLO has existed/exists in the extractive sector in Tanzania
- To assess the processes followed by companies in relation to communities as well as different administrative levels within the government to gain an SLO
- To identify issues requiring further research that will contribute to the ongoing policy discourse on the beneficial, effective and efficient management of extractive natural resources.
Study Sites and Participants
The study examined mining and petroleum projects in five regions of the country: Geita, Lindi, Mara, Mtwara, and Shinyanga. Within these regions, seven district councils in which large-scale extractive activities were being undertaken were selected and visited. Kilwa district (Lindi region) and Mtwara district (Mtwara region) are the only locations in Tanzania where gas production has commenced. Production started in Lindi in 2004 and in Mtwara in 2006. Mining projects were visited in the other three regions. In Shinyanga, a visit was made to Kishapu District where Petra Diamonds and El-Hillal Minerals Ltd operate sites within the Mwadui (Williamson) Diamond Mine. Other districts visited were Kahama Town where Acacia Mining’s Buzwagi Gold Mine (now expected to shut in 2017) is located, and Msalala District where Acacia’s Bulyanhulu Gold Mine is found. In Geita region, Geita Town was visited where the Geita Gold Mine Company operates. Lastly, Tarime District in Mara region was visited where Acacia’s North Mara Mine is located.

A total of 205 people participated in the study, of which, 122 participants (60% of the total sample) were from communities and 62 (30% of the total sample) were from local government authorities in the regions visited. Representatives from several mining companies were interviewed in Dar es Salaam before the study team visited the extractive sites in the regions. The companies were: STAMICO, BG Tanzania and Wentworth Resources. The study team also visited the TPDC’s gas processing plant in Mtwara.

Findings
To assess whether an SLO had been granted and/or maintained for each of the extractive sites selected for analysis, four main factors were examined: community engagement (i.e., interactions between local community members and extractive companies); local impacts and benefits; procedural fairness; and stakeholder relationships.

Findings from the study indicate that SLO appears to be a challenge in the petroleum sector, especially in Mtwara, but the challenge is much more significant in the mining sector. Indeed, the discussions in all communities where mining operations were taking place indicated that an SLO was often perceived as conspicuously absent. Extractive activities in the mining sector have been taking place in Tanzania for much longer than in the petroleum sector but many of the basic principles required for obtaining an SLO were considered by local stakeholders to have been overlooked.

Positively, in recent years, there appears to be greater acknowledgement by companies of the importance of the SLO concept, which has been accompanied by changes in their approaches for dealing with communities and local authorities resulting to interactions being expanded and strengthened. One of the major approaches adopted to promote community participation was to foster dialogue with community members on the value chains of extraction activities across various stages of a mine’s life from exploration to
project operations (development and production). The local impacts and benefits of the mining operations and ways to minimize the negative impacts of extractive activities on the well-being of communities were two of the key issues in this dialogue.

One of the most significant impacts has been the displacement of citizens from concession areas to enable multinational companies to undertake large-scale mining operations. These activities have often brought about massive unemployment, especially among young people who were previously engaged in small-scale/artisanal mining. In turn, this meant the loss of income in local communities. Closely related to the discussion of impacts and benefits were complaints about unfulfilled promises and unfair compensation payments by the mining companies. Companies were accused of not paying the market value for the land and other property acquired. Further, while companies had implemented a number of community projects (under their Corporate Social Responsibility programs), they have not been considered sufficient in light of the problem of unemployment and other socio-economic needs facing communities, including those specifically arising from the presence and operation of the mines.

**Recommendations**

To improve company-community relations in the extractive sector, a number of recommendations for securing and maintaining an SLO are offered based on the evidence collected by the study. These include:

- The need for extractive companies to implement clear, comprehensive community engagement and communication strategies for each large-scale project. These strategies need to identify the messages to be communicated during each phase of the extractive project (exploration, project development, construction, operations and planning for closure) and how these messages should be communicated (see Annex 1 for examples of community engagement and community development activities at each stage).

- The government needs a strategy for redeploying economically active groups who have given up areas (and potential livelihoods) for the large-scale mining operations to go ahead. This strategy should provide for alternative mining sites for small-scale miners who wish to continue this work. It could also include giving priority to individuals from local communities whenever employment opportunities (both skilled and semi-skilled) become available in the extractive sector. Also government, with corporate support, could extend the assistance offered to help the unemployed (especially young adults) develop new technical or entrepreneurial skills to secure a wider array of jobs or start small businesses.

- Companies should seek to play more visible roles in transforming the welfare of communities around mining sites. However, local development activities need to strongly involve government at all levels. Transformative initiatives could include the improvement of infrastructure (such as roads) and critical social services. The example set by PanAfrican Energy in Kilwa may be emulated. In implementing socio-
economic projects, the investment approach to Corporate Social Responsibility (CSR) should be in the form of partnerships with the local authorities, communities and NGOs by supporting local priorities and initiatives as stipulated in council and regional development plans.

- Companies need to ensure that compensation payments reflect the market value of land acquired and any properties that are demolished. The government needs to introduce ‘compensation guidelines’ in the areas already affected by the extractive sector (or with the potential to be affected in the future). Guidelines will help to ensure fair and adequate compensation to individuals who may be relocated. Government should also ensure that compensation rates are updated on a regular basis to reflect market conditions. One other useful tool to enable communities and companies to monitor and ensure promises are kept is a ‘commitment register’. The register records in writing all commitments made by company officials to local communities and must be readily available to the local communities and government authorities at all times.

- The establishment of community relations offices by extractive companies to address local issues would be another positive step in developing trust between communities and investors through continuous dialogue. In order to achieve its objectives, companies should consider staffing this office with some members of the community to enhance effective engagement with local stakeholders.

- The government, via the Ministry of Energy and Minerals, needs to provide guidelines that specify the roles of each government administrative organ for ensuring the smooth implementation of mining or gas contracts. For major projects that may require active support of multiple agencies, the government should consider setting up an inter-ministerial committee under the leadership of the Prime Minister’s Office. Appropriate capacity building will be required for the effective discharge of these roles.

- Engaging CSOs in various capacities to support the process is important. Roles may include: building the capacity of communities for effective dialogue; articulating community concerns and interests (plus building consensus around them); enhancing technical competencies with respect to mining and environmental and social impact issues; and supporting public awareness education.

Finally, the study team identified areas for further research under each of the four domains of the study’s conceptual framework. For example, more detailed analysis of community engagement strategies implemented by mining companies for each stage of a mine’s life, CSR and local content initiatives, and compensation arrangements will provide additional insights into how SLO can better be pursued as an indispensable element of effective natural resource management in Tanzania.
1.1 Background to the Study
The concept of the social license to operate (SLO) has generated widespread interest among stakeholders within the extractive sector (and beyond). Building positive relationships between investors, governments and communities is a fundamental aspect of natural resource management. Evidence shows that poor management of community expectations can contribute to social unrest and even civil conflict. Public hostility and vandalism can interrupt or delay work, shut down mining sites and cause significant harm to company reputations and profitability despite formal compliance with regulatory frameworks (Browne et al., 2011; Davis & Franks, 2011; Prno & Slocombe, 2012). As a result, it has become increasingly evident that obtaining a formal license to operate from the government and meeting regulatory requirements is no longer adequate to ensure that mining operations proceed smoothly (Zandvliet & Anderson, 2009). Hence, securing a social license to operate is increasingly seen as an essential part of company operations to avoid costly community opposition to extractive activities.

In Tanzania, recent developments in the extractive sector have led to debates about how best to manage the sector and address the effects of mining projects upon local communities. These debates culminated in a series of policy and legislative reforms, including the adoption of the Mineral Policy of Tanzania in 2009 and the enactment of the Tanzania Mining Law (2010). In addition, the Petroleum Act of 2015, Local Content Policy of 2015, and the Tanzania Extractive Industries Transparency Initiative (TEITI) Act of 2015 all have strong SLO implications. While these efforts are critical for better management of the sector, one large practical challenge remains, namely, that most of the processes to obtain investment licenses are still centralized in many developing countries, including Tanzania. Local communities and their local governments are often perceived to lack the power to shape the development of the sector within their jurisdictions, despite the existence of laws that stipulate that communities should have a central role in shaping the nature of operations within their vicinity. For example, the Environment Management Act of 2004 and the Mining Act of 2010 stipulate various processes, including a participatory environmental and social impact assessment (ESIA). Not allowing communities to shape developments in the sector is seen in practice as the absence of an SLO.

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There are also significant challenges in attempting to legislate the SLO, including defining what the term means, who can grant an SLO, and through what processes can an SLO be secured. Indeed, the Business Council of British Columbia (2015) views SLO as an ‘extra-legal requirement’. Newman (2014, p. 14) summarized the dilemma of SLO as follows:

“To put it bluntly, any overly enthusiastic embrace of social license to operate in its mistakenly transformed senses is actually a rejection of the rule of law and a suggestion that the country [name of the country withheld] should become a less well ordered society.”

Notwithstanding definitional challenges, SLO has been used as a political and social risk management tool whereby companies, in addition to securing legally binding contracts setting out the terms for investments, attempt to foster community relations that allow the extractive operations to continue without conflicts (Boutilier & Thomson, 2011; Cooney, 2015). This is seen as being in the best interest of its shareholders. Thus, companies have either to maintain good community relations and comply with local expectations or face costly conflicts and possibly forceful suspension of operations, an eventuality that harms shareholder interests. If viewed in these terms, SLO becomes one of the variables to be considered in the investment assessment process.

There are several reasons why SLO is important. And the degree of importance can be better appreciated if extractive activities are viewed from the perspective of the local communities. Local communities throughout Tanzania consider that the natural resources found in their vicinity to be their rightful inheritance and that decisions affecting those resources must involve them. This implies that local communities believe they have property rights over these resources. Communities also consider extractive activities to have more social and economic costs than benefits. This is especially the case when exploitation of such resources is pursued without a clear articulation of local costs and benefits. As a result, communities (through different channels) have been demanding more benefits from what they term ‘their resources’. The problem is compounded by the failure of governments and political institutions to accurately inform local communities on the socio-economic and environmental effects of the large-scale extraction of natural resources, which has tended to result in social conflict, vandalism, recruitment problems (in relation to skilled labour), reputational damage and associated financial losses (Gunningham et al., 2004; Boutilier & Thomson, 2011; Yates & Horvath, 2013).

1.2 Rationale of the Study
In developed countries, it is a general legal requirement for extractive projects to undergo rigorous consultations as part of the application process. For example, the environmental assessment processes in Canada require and encourage companies to conduct consultations and engagement with communities, civil society organizations (CSOs),
local government authorities and other stakeholders so as to ensure that the project is acceptable and environmental precautions are addressed inclusively (Yates & Horvath, 2013). Such consultation processes may be viewed as initiatives aimed at gaining an SLO.

While the story could be different in developing countries, the reported conflicts in these contexts suggest that gaining and sustaining the SLO is problematic (Goldstuck & Hughes, 2010). As noted earlier, the structure and operations of central government organs in many of these countries are such that less power is in practice given to local communities and local governments over decisions related to the extractive sector. As a consequence, rigorous consultations with key stakeholders at community and local government levels are either not stipulated in the laws governing the sector, or, where they exist, they are not effectively enforced. Companies, therefore, may feel no obligation to make efforts to secure an SLO in these contexts.

In view of the dearth of knowledge on SLO and the underlying processes for gaining and maintaining it in various situations, this study developed, based on the literature, a conceptual framework for identifying and assessing the key processes involved in gaining and maintaining an SLO. Further, an exploratory qualitative study was conducted to confirm the elements of the framework, establish whether the SLO existed in practice in the Tanzanian context, and document the key attendant processes.

Three specific objectives guided the study:

- To establish whether the SLO existed in the extractive sector in Tanzania
- To assess the processes followed by companies at various levels of government and communities to gain an SLO.
- To identify issues requiring further research that will contribute to the ongoing policy discourse on the beneficial, effective and efficient management of extractive natural resources.

1.3 Structure of the Report

The report is structured as follows. Chapter 2 provides a review of the literature on the social license to operate and introduces the conceptual framework of the study. Chapter 3 describes the research methodology. Chapters 4 and 5 present the study findings for the petroleum and mining sectors, respectively. Chapter 6 presents conclusions and offers recommendations based on the evidence collected. Areas for further research are also identified.
Chapter 2
The Concept of Social License to Operate

2.1 The Origin of the Concept of Social License to Operate

Existing literature suggests that the social license to operate concept emerged from a business strategy and was later strengthened by more ethical reasoning. From a business strategy perspective, SLO emerged in the mid-1990s from within the mining industry as a response to the management of social risk (Boutilier & Thomson, 2011) and political risk (Cooney, 2015). In addition to securing legally binding contracts, companies sought to balance shareholder interests against community interests by fostering harmonious relations to allow the extractive operations to proceed without conflicts. Thus, SLO was part of a strategy to create a more conducive environment for business from both social and political viewpoints.

The SLO concept spread to more mining companies, CSOs, research institutions and governments. It also extended to other industries, including pulp and paper manufacturing, alternative energy generation and agriculture (Moffat & Zhang, 2014). As part of this perspective, some authors have equated the theoretical underpinnings of the SLO to the fundamental concept of a “social contract”. Based on this linkage, they have asked questions like: “Why is the focus on SLO now becoming ‘core business’? Haven’t businesses always been concerned with public reputation and goodwill?” The Business Council of British Columbia (2015) has identified two novel elements about the SLO in the current social environment. The first novel element lies in the application of the social contract to a relationship between a private enterprise and an undefined social group, rather than the state and its institutions. The ambiguity inherent in an unwritten contract with an undefined social group is a business risk. Second, innovations in communication technology and social media have revolutionized how public debates on resource developments unfold. Strong public sentiments can move government policy and even drive changes to the law.

The ethical perspective of SLO was developed by a United Nations initiative which called on industries that operated in the territories of indigenous people to secure free, prior, and informed consent (FPIC) from those people. This perspective claims that it is ethically sound to recognize the inherent and prior rights of indigenous people to their natural resources (land, forests, water or any other resource) and respects their legitimate authority over them. Inherent in this perspective is the notion of the property rights of

2 In the Tanzanian context, the term ‘indigenous people’ should be used with caution. As far as the post-colonial period is concerned, the Tanzanian Government does not consider any part of the Tanzanian population to be ‘indigenous’; that is, a population subject to domination by people who arrived at a later time in history. At the same time, some tribes—notably, the Maasai, Barabaig and Wahadzabe and possibly other pastoralists and hunter-gatherer populations—have been termed as ‘indigenous’. Nevertheless, no such society was sampled for this study. As such, this report uses the term ‘local people’ to connote residents of a particular locality sharing natural resources.
the local people for the natural resources in their vicinity. Respecting this right is viewed as being ethical. Thus, FPIC requires that any other party entering into an equal and respectful relationship with indigenous people should base that relationship on the principle of informed consent (United Nations, 2004). Thus, both SLO and FPIC assume that those whose lives or livelihoods could be harmed by the use of property in their community must be fully informed of a company’s plans and must consent to them. Examples of harm could include displacement of artisanal miners by large mining companies or diverting a water source such that fish caught by local communities could no longer thrive.

As summed up by Wilburn and Wilburn (2011), both SLO and FPIC recognize that communities have the right to self-determination and they have a right to give or withhold their consent for new production facilities that may have a negative local impact. The two concepts have evolved over time and are gaining wider acceptance from NGOs and private corporations. Based on the FPIC reasoning, some forms of international treaty exist especially in relation to indigenous peoples and extractive industries, such as oil and mining. SLO and FPIC also require that companies meet sustainable development expectations by focusing on the needs and concerns of the communities in which they operate. Reflecting its gradual development, Box 1 lists various perspectives on what an SLO is and the elements an SLO encompasses.

**BOX 1: VARIOUS PERSPECTIVES AND ELEMENTS OF SLO**

(i) A complex structure of different corporate responsibilities, namely, philanthropic, ethical, legal and economic (Kannan et al., 2014).

(ii) Ongoing acceptance and approval of mining development by local community members and other stakeholders that can affect its profitability (Prno & Slocombe, 2012).

(iii) An outside-of-the-government or legally-granted right to operate a business. A company can only gain an SLO through a broad acceptance of its activities by society or the local community without which a business may not be able to carry on its activities without incurring serious delays and costs (Ethical Funds Company (2009) cited in Wilburn & Wilburn, 2011).

(iv) A set of demands and expectations for how a business will operate by local stakeholders and broader civil society (Gunningham et al., 2004).

(v) A set of meaningful relationships between operational stakeholders based on mutual trust (Warhurst, 2001).

Despite these developments, some authors still describe the SLO as “intangible and unwritten” (Franks et al., 2013), “difficult if not impossible to measure” (Parsons et al., 2014) and “amorphous and lacking boundaries” (Bice, 2014). Public interests in a resource development project can have many and diverse dimensions—including environmental, labour rights, human rights, safety or health—and the public can align in different formations
on each issue. Further, the interests may be local, regional, or wider. Hence, SLO has no clear boundaries. The response by a company will depend on how they understand the myriad social interests that may be engaged by the project. Without a clear definition and boundaries, a company may not know when it has acquired an SLO and when it has lost it. Bice (2014, p. 63) noted:

“While the social license is intended as a metaphor to encapsulate values, activities and ideals which companies must espouse within society to ensure successful operation—and not a literal licensing arrangement—even metaphors require clear boundaries to make them meaningful.”

Notwithstanding these debates, some attempts have been made to identify elements that may contribute to obtaining an SLO (see Box 2).

**BOX 2: SOME ELEMENTS FOR SECURING AN SLO**

- The expectations of communities and local governments are identified before a project starts, during development and once production begins.
- Perceptions of communities, especially on community investments that have been initiated by the companies in collaboration with government, communities and other stakeholders.
- If companies are complying and following international standards in engaging with communities and local authorities.
- Availability of a clear guideline in the law and policies managing the sector on how companies should engage with local communities.
- Existence of a clear communication strategy that is used to communicate issues and developments in the sector or a particular project.
- Level of knowledge of the community leaders, local authorities, CSOs and NGOs about the value chain of the extractive sector or a particular project related to it.

**Sources:** Wilburn & Wilburn (2011); Petrova & Marinova (2012); Owen & Kemp (2013)

Gunningham et al. (2004), Nelsen (2006), Wilburn and Wilburn (2011), Petrova and Marinova (2012) and Pike (2012) have applied most of the above indicators in assessing the SLO in their studies. The failure of companies to obtain an SLO was seen in terms of public hostility, vandalism of company property, operational delays, higher operating costs and possible site shutdowns. Strategies such as ongoing communication with affected stakeholders, transparent disclosure of information to host communities, and strengthening and monitoring community development agreements have been recommended as practical ways of obtaining and maintaining the SLO (Wilburn & Wilburn, 2011; Moffat & Zhang, 2014).
2.2 Securing an SLO: Necessary Processes

Although some definitions and indicators have been provided on what constitutes an SLO, the processes to obtain it are complex and may vary from one community to another. For instance, a company may have an SLO from a small segment of the community or from the leaders of one segment even though others are against the project. Moreover, a company operating in two different communities may apply different strategies based on the characteristics of the communities involved. Further, a company that uses a particular strategy may be granted an SLO in one community but not in another. For example, Royal Dutch Shell was granted an SLO by communities in the Philippines but it was rejected by some communities in Nigeria despite applying the same strategies (Chazan, 2011; Wilburn & Wilburn, 2011). Obtaining an SLO can present a number of challenges in practice as suggested by the following quotes:

“My company spends US$ 7 million per year on community programs but we still face work interruptions from communities we help. Obviously, the money does not buy us the goodwill we need but I have no idea where we are missing the point.” (Zandvliet & Anderson, 2009, p. 5).

“I am an engineer, not a sociologist. But sometimes I spend as much as 80% of my time dealing with crisis management and community problems. If you can help me reduce the time I spend on social issues, be my guest!” (Zandvliet & Anderson, 2009, p. 5).

These quotes illustrate the challenges facing extractive companies in gaining acceptance in the communities where they operate. They reveal that securing and maintaining an SLO entails more than having a well-funded corporate social responsibility (CSR) program. Asmus (2009) identified three key issues that must be resolved in establishing an SLO. These are:

- A clear definition of ‘the community’. This question must be addressed in terms of whether there is a strict geographical limitation to ‘community’ and if elected officials are given greater or equal status to local citizens.
- A clear understanding of a process that validates any decision-making, for example, the majority vote of a local governing body or a referendum, when there is a lack of consensus within the ‘community’.
- An understanding of what represents or constitutes an adequate level of consent. In most communities in which corporations now operate, there are multiple groups who may claim to define what is acceptable to the community but, in fact, they may not.

Thus, achieving any level of consent (or simply consultation that informs) must start with being able to define a community while identifying groups that matter and their expectations:
“...the concept of the social license to operate presupposes that all of the families, clans, interest groups and institutions in a geographic area have arrived at a shared vision and attitude towards a resource development project. This kind of cohesion is often absent, and therefore may have to be built. That is why earning a social license to operate often involves building social capital in a process that is also known as ‘community building’, ‘capacity building’ and ‘institutional strengthening’, among others.” (Thomson & Boutilier, n.d. cited in Wilburn & Wilburn, 2011, p. 8).

Companies may start by identifying community members who wield some influence, such as community leaders who speak for the community. However, communities comprise diverse groups of stakeholders with many and varied leaders and interests. In decentralized states, the company may be faced with the challenge of identifying the leader or spokesperson with whom to start a dialogue, i.e., the appropriate decentralized level to start and end. In Tanzania this may be district level, ward level or village level. Yet, it remains critical that in establishing an SLO, linkages need to be established with a wide range of stakeholders, who may encompass customers, suppliers and other business partners, as well as social, political, and government entities. Within communities, stakeholders may include family units, interest groups, property owners, property users, businesses and farmers. In some situations stakeholder groups that operate in a national or international arena, such as NGOs, religious groups or social justice groups, can claim to have a stake in the actions of the company, in which case the company cannot ignore them.

If a company ignores other stakeholders because a large landowner or a government entity agrees to a proposed contract, this could be seen as an imposition of one’s will upon others which may result in the failure to obtain an SLO. Thus, Wilburn and Wilburn (2011) propose that stakeholders be divided into two groups: vested and non-vested. Vested stakeholder groups would have a voice and a vote in the awarding of an SLO, while non-vested stakeholder groups would have only a voice. Vested stakeholder groups would be defined as those who have a right to the possession of something tangible in the community in which an SLO is being requested, for example, owning physical property or residing on property with a resource such as water and arable land. The vested stakeholder groups could also claim the rights of future generations in the discussions on granting an SLO. Consent could then be defined as some level of majority votes, thereby avoiding the power of one stakeholder group to override the majority. On the other hand, non-vested stakeholder groups would be those who have an interest in the activity that is being pursued in the license to operate. These groups would have a voice at the table. They could offer examples of the consequences of implementation of similar activities in other areas. Wilburn and Wilburn (2011) propose a five-step process for securing a social license to operate, which is summarized in Box 3.
### BOX 3: STEPS FOR SECURING AN SLO

1. A company contemplating a project in an area would describe how the company, in its view, would meet the ethical norms for multinational corporations (MNCs) operating in developing countries as described by DeGeorge (1986, p.264) and as cited in Wilburn and Wilburn (2011, p.10):

   “Do no intentional direct harm, produce more good than bad for the host country, contribute by their activities to the host country’s development, respect the human rights of their employees, pay their fair share of taxes, respect the local culture and work with it, not against it, to the extent that the local culture does not violate moral norms, and cooperate with the local governments in the development and enforcement of just background institutions.”

2. Collect information on the micro-social contracts\(^3\) of the stakeholder groups in the community in which it would be operating. This information could include data from government and non-governmental organizations but it should come primarily through direct communication with each stakeholder group.

3. Analyze the alignment between its norms and the micro-social contracts of the stakeholders.

4. The company must engage all stakeholder groups in a discussion of the project to produce a proposal that will result in consent by the majority of the vested stakeholder groups for an SLO. Consultations are indispensable in all project phases, including exploration, project development and operation, and planning for closure. See Annex 1 for illustrative examples of community engagement and community development activities.

5. The company would monitor the progress of the project to ensure that the project is proceeding as agreed.


A ‘go or no go’ decision is possible to make at the end of Step 3. If the analysis found limited alignment between the company’s norms and those of the stakeholder groups, or between the norms of different stakeholder groups (including non-vested ones), the company could consider not pursuing the project any further. However, in practice, this

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3 Micro-social contract is a term borrowed by Wilburn and Wilburn (2011) from Dunfee (1999). It is used to identify where there are shared norms, or accepted behaviours and shared values among the stakeholder groups. These norms and values can be used as the foundation on which to negotiate differences.
is not always the case as companies usually proceed only after they have conducted their feasibility study and cost-benefit analysis without securing a robust SLO. This is where conflicts tend to occur. Fruitful dialogue entails a genuine attempt on the part of the company to make changes to meet any serious concerns of the stakeholder groups. In the same vein, stakeholder groups must be willing to understand the limitations of the company, including economic constraints. This means, the process of SLO is one that entails giving and taking.

It is important that this collaborative effort produces indicators for measuring various agreed outcomes. The social license requires that indicators for success are agreed on by the company and the community who together need to define a good outcome (Kurlander, 2001). Outcomes could include improved health, education, jobs, infrastructure, or protection of the environment. The company must monitor the progress of the project against any agreed outcomes to ensure that progress reflects the agreed consensus. Laxity in monitoring may result in serious negative consequences, especially if the agreed outcomes are not achieved. In the case of problems during implementation, outside negotiators can be used. For example, Newmont Mining, the world’s second largest gold producer, based in Denver, USA, used a regulator from the International Finance Corporation (IFC) in Peru in 2000 to restore trust after a contractor’s mercury spill made people in several villages sick (Kurlander, 2001).

2.3 SLO Practices in Various Sectors
As highlighted earlier, the concept of SLO evolved in the mining sector in response to social and political risks. However, the concept has been widely applied in other extractive sectors, such as oil and gas, in other development discourses involving civil society organizations and governments, and in other industries. Experiences in mining and oil and gas sectors are described in the sub-sections below.

2.3.1 Mining Sector
Given growing discrepancies in local expectations related to minerals-led development, SLO has emerged as an industry response to increasing community opposition to mining operations and a mechanism for ensuring the viability of the sector (Owen & Kemp, 2013). The mining industry has positioned the social license as one of its greatest challenges and is making efforts to ‘obtain’, ‘maintain’, ‘retain’ and ‘renew’ social licenses.

Some useful lessons from the mining sector are offered by companies like BHP Billiton Aluminum. In partnership with the Wild Lands Conservation Trust in South Africa, the company funded the establishment of the Indigenous Trees for Life Program to create livelihoods for disadvantaged members of the local community of Mzimela, while also contributing lasting environmental benefits. The program contracts unemployed people to plant and care for seedlings in the local forest then sell a portion of these seedlings to generate income. Participants are trained and mentored in indigenous tree propagation,
given starter packs, and a market through which to sell a portion of the trees they propagate. In many cases, the income generated from the program is the sole source of income for participants and their families (BHP Billiton, 2011). The company has also supported a graduate program that works to support career development. The company, on an annual basis, has recruited approximately 400 graduates into meaningful business roles. Each graduate has had the opportunity to work across teams, businesses and geographic regions. This can be seen as an example of a company that has successfully balanced shareholder and community interests.

Using the case of large-scale gold mining in West Africa, Kemp and Owen (2013) showed that managing the expectations of communities may be difficult in the presence of pressing socio-economic issues and grievances. A range of issues are presented in Table 1, notably the issues of land speculation and illegal mining. In the case of land speculation, local villages might strategically plant crops and erect structures in areas that the mining company is likely to acquire in the hope of securing compensation. This hinders a mine’s expansion. Another issue of concern was the increase in illegal mining, a phenomenon associated with people moving to the mining area from outside communities. In-migration changes local social conditions, often in dramatic ways (Hilson & Garforth, 2012).

**TABLE 1: SOCIO-ECONOMIC AND POLITICAL ISSUES AND GRIEVANCES IN THE MINING SECTOR**

<table>
<thead>
<tr>
<th>Socio-economic issues</th>
<th>Grievances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poverty</td>
<td>Local procurement and business contracts</td>
</tr>
<tr>
<td>Large-scale resettlement</td>
<td>Employment</td>
</tr>
<tr>
<td>Influx and in-migration</td>
<td>Land access, acquisition and compensation</td>
</tr>
<tr>
<td>Transition from agrarian to blended cash economy</td>
<td>Livelihood issues</td>
</tr>
<tr>
<td>Illegal and small-scale mining</td>
<td>Social development funding and distribution</td>
</tr>
<tr>
<td>Inadequate distribution of development benefits</td>
<td>Environmental and water management issues</td>
</tr>
<tr>
<td>Limited local-level capacity to regulate mining impacts</td>
<td>Law and order</td>
</tr>
<tr>
<td>Complex traditional land tenure systems</td>
<td>Land speculation</td>
</tr>
<tr>
<td>Tensions between elected and traditional authorities</td>
<td></td>
</tr>
</tbody>
</table>

Source: Kemp and Owen, 2013, p. 526
2.3.2 Petroleum Sector
A number of large-scale investments, particularly in the oil and gas sector, have been shifting towards the SLO approach rather than implementing CSR programs as it has been demonstrated to help companies to save money and properties, and increase profits in their operations. Wilburn and Wilburn, (2011) mentioned companies such as Royal Dutch Shell, Chevron Texaco and the Philippine National Oil Company with projects in the coast of Palawan Island in the Philippines to have benefited through transparent initiatives to communities while applying and also maintaining their SLO. However, literature shows that the majority of the companies in the petroleum sector continue to face challenges of resistance from communities despite following the same (standard) framework for obtaining an SLO. Therefore, the framework/process can be the same but there are other unique variables that investors have to face/consider while applying for an SLO, for example the location of the discoveries (Onshore/offshore), needs and status of social/ economic development of the communities, etc (Chazan, 2011).

2.4 The Role of Civil Society Organizations
Civil society organizations (CSOs) are considered to play important roles in the process of obtaining and maintaining an SLO. The study by Slack (2009) noted three dimensions with respect to the role of CSOs as facilitators in obtaining an SLO. These included being involved in building the capacity of communities to manage joint company-community projects, and preparing communities for negotiations and discussions that companies propose as part of the process. The study examined the Tintaya Mine in southern Peru. It found that the dialogue between the community and mining companies was successful because community members had received training in dialogue skills and other trainings that enhanced their technical competencies with respect to mining operations as well as the environmental and social impacts of the mine. Consequently, communities were able to interpret technical information provided by the mining companies and were able to suggest mining-related reforms and regulations.

2.5 SLO in Tanzania: An Overview
Tanzania has formal structures for obtaining licenses and contracts for conducting activities in the extractive sector. These include the existing laws and regulations which require companies to obtain a formal license (for exploration, development and production) from the responsible government agencies, including the Ministry of Energy and Minerals (MEM), the State Mining Corporation (STAMICO), the Tanzania Petroleum Development Corporation (TPDC) and Tanzania Mineral Audit Agency (TMAA). In addition, investors will also be required to gain approval from the Petroleum Upstream Regulatory Authority (PURA).

As noted earlier, obtaining formal licenses is totally different from securing the acceptance and approval of local communities to mining operations. Hence, after (or alongside) the formal licensing process, companies also have to apply for an SLO through community
development and/or engagement strategies. In the context of Tanzania, companies that are willing to apply for an SLO have to involve local government authorities (LGAs), community leaders and CSOs at the level.

As in many other countries with extractive resources, the government of Tanzania has indirectly introduced some guidelines that require companies to obtain an SLO to operate. For instance, Part VIII of the Petroleum Act of 2015 stipulate the specific areas in which companies should continually involve LGAs (URT, 2015a). Part VIII not only defines government participation in the oil and gas activities but also addresses local content issues in the petroleum sector, such as the participation of Tanzanians in the supply chains of mining companies, the training and employment of nationals, corporate social responsibility and related issues. Furthermore, Section 223, Subsection 1 of the Act categorically states:

‘A license holder and a contractor shall on annual basis, prepare a credible corporate social responsibility plan jointly agreed by the relevant local government authority or local government authorities.’

The law also states the role of the local authorities to prepare CSR guidelines in their constituencies, oversee the CSR initiatives, and ensure public awareness on issues surrounding the relevant sector. In the case of the mining sector, the Mining Act of 2010 has additional guidelines that directly or indirectly promote SLO in the sector (URT, 2010). For example, Section 10 of that Act states that the development agreements may contain binding provisions on employment, training, succession and local procurement. The Third Schedule to the Mining Regulations also contains a ‘Model Development Agreement’. In that agreement, Article 7 covers local procurement, Article 8 covers employment and skills development, and Article 9 covers CSR. Article 9 contains a specific directive to involve local communities and authorities, to provide preferential access to employment to members of local communities, and to enter into agreements on these issues with local authorities.

Given the relatively short span of operations in the mining and oil and gas sectors in Tanzania, the SLO has a mixed history. To date, the majority of large-scale investors have established CSR programs hoping to obtain a social license. Companies have typically invested in healthcare or educational programs, or the connection of local communities to electricity, which are generally in line with community and environmental interests (Goldstuck & Hughes, 2010). However, these initiatives seem not to satisfy the expectations and requirements of communities, despite the fact that the majority of programs have been conceptualized by multiple stakeholders including local officials (Members of Parliament and Ward Councillors), CSOs and community leaders.
Reports, especially media coverage, have revealed conflicts in areas with large-scale mining operations, mainly fueled by poor communication between the different parties (communities, companies and the government). As a consequence, the extractive industry, especially the mining sector, is viewed by local communities as a curse and not a blessing. These conflicts have also gained the attention of politicians, some of whom have used the disputes to advance their own political agenda. Similar trends and perceptions of communities with respect to the gas sector are evident. Again, the sector is beset by poor communication between stakeholders as well as the leveraging of disputes in the sector to advance political interests.

Extensive dialogue has been taking place with regard to the role of extractive companies in the communities surrounding their operations. These discussions, in some way, have helped the communities and the countries to understand the fundamental nature of these large-scale investments. But, in other ways, they have contributed to higher community expectations of the benefits that the sector should bring to the local area.

2.6 Conceptual Framework for the Study

For the purpose of this study, SLO is defined as the acceptance of company operations by communities in which extractive activities are taking place. This acceptance is underpinned by four factors. The first factor is the engagement between local community members and mining companies measured by the quality and quantity of this contact as well as the treatment of community members. This engagement should engender goodwill and trust, which will subsequently increase the likelihood that a company’s activities will be accepted by the community and result in the social license being granted. Consultations should underlie all stages of the mining project, including exploration, development, construction, operations, and planning for closure.

The second factor relates to the socio-economic impacts and benefits of the project on the local area, and the extent to which an extractive company manages and mitigates the impact of operations and promotes local development, for example, through employment opportunities for local people, training and development pathways for young adults, or infrastructure projects. The success of such initiatives will influence how a company is perceived and trusted by community stakeholders. If, overall, the expected positive impacts are outweighed by negative impacts, or if there are no positive impacts, this will erode community trust in the extraction company.

The third factor is procedural fairness. Community acceptance of extraction activities will also depend on how community members perceive the procedures through which company decisions are made. Procedural fairness refers to whether individuals perceive that they have a reasonable voice in the decision-making process related to the company’s activities, including community initiatives (Besley, 2010). Perceived procedural fairness reflects an overall satisfaction with a decision-making process and is a foundation for
people to develop trust in a given entity or authority. An authority conveys respect and consideration for welfare by adhering to fair procedures.

The fourth factor relates to actors’ relationships, i.e., the interactions between various stakeholders. Communities often comprise diverse groups with different leaders and interests. Stakeholders at the local community level can be family units, interest groups, property owners, property users, businesses, farmers, etc. In some situations, entities that operate at national or international levels, such as non-governmental organizations, religious groups, social justice groups, can also claim an interest in a corporation’s actions. Thus, in establishing an SLO, linkages need to be established with wide range of stakeholders.

Figure 1 below illustrates these four key factors for achieving an SLO. Table 2 then summarizes different variables that can be used to measure each factor. Creating trust plays a crucial role in acquiring and maintaining an SLO. The trust between the company and the community occurs when the latter believes that the company is adhering to a set of principles as described in the conceptual framework and has the knowledge and skills necessary to manage particular issues of interest to a community and not to exploit any vulnerability. Adherence to these principles underpins a community’s willingness to grant an SLO to a company.

**FIGURE 1: CONCEPTUAL FRAMEWORK**

- **Community Engagements**
  - Interactions between company and communities

- **Local Impacts and Benefits**
  - Socio-economic benefits including local content factors

- **Procedural Fairness**
  - Perceptions on compensation and fulfillment of promises

- **Actors’ Relationships**
  - Interactions between various stakeholders, including LGAs and CSOs

- Acceptance and support of company operations in the community
### TABLE 2: FACTORS AND RELATED VARIABLES TO OPERATIONALIZE AN SLO

| Community engagement (interactions between local community members and extractive companies) | - Open and transparent communication among stakeholders and across levels (national, regional and local, including communities).
- Creating community awareness on the company business and opportunities therein for the local community.
- Partnerships (with community groups and NGOs). |
| Local impacts and benefits | - Development and implementation of a sound local CSR program:
  - Socio-economic development projects
  - Training/capacity building
  - Employment creation
  - Business opportunities
- Development and implementation of a sound local content strategy:
  - Procuring from the local market
  - Sharing business opportunities, etc.
- Employing innovation and technology (e.g., water purification). |
| Procedural fairness | - Responsible local stakeholder compensation that may extend beyond legal and regulatory compliance.
- Maintenance of a positive corporate reputation, e.g., granting specific requests from communities even if they are not part of the formal agreements.
- Participation of community members in the decision-making processes through the formation of committees or advisory groups with members from the company and local communities. |
| Actors’ relationships | - Relationship between central and local government actors, including payment of local taxes and levies in a transparent manner
- Relationships among various actors at the local level, including companies, LGAs and CSOs. |
Chapter 3
Study Methodology

3.1 Type of Study
Since the 1990s, the SLO concept has been implemented by various private organizations in developed countries. However, the application of the concept is relatively new within the Tanzanian context. Thus, an exploratory, qualitative study was undertaken to examine the various processes followed by extractive companies operating within the country to obtain the SLO.

3.2 Study Areas and Sampling Design
The extractive sector in Tanzania is diverse with various operations in large-scale mining and extraction of oil and gas. Therefore, study areas were selected which covered activities in these two major sectors as well as different geographical localities since community expectations can vary significantly depending on the type of extractive activity undertaken and the location.

The following five regions were sampled and visited: Geita, Mara and Shinyanga (for mining projects) and Lindi and Mtwara (for operations in the gas sector). From these regions, seven councils in which extractive activities are being undertaken by large companies were selected and visited (Table 3). From these councils, villages were sampled purposively based on their proximity to the mining sites. Key informants, notably heads of council departments and community leaders, were then purposively sampled while community members for focus group discussions were sampled conveniently.

TABLE 3: SAMPLED COUNCILS

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Council</th>
<th>Region</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Kilwa District (Songo Songo ward)</td>
<td>Lindi</td>
<td>PanAfrican Energy</td>
</tr>
<tr>
<td>2.</td>
<td>Mtwara District (Msimbati village)</td>
<td>Mtwara</td>
<td>Maurel and Prom (M&amp;P)</td>
</tr>
<tr>
<td></td>
<td>Mtwara District (Madimba village)</td>
<td>Mtwara</td>
<td>TPDC</td>
</tr>
<tr>
<td>4.</td>
<td>Kahama Town (Mwendakulima and Mwime villages)</td>
<td>Shinyanga</td>
<td>Acacia/Buzwagi Gold Mine</td>
</tr>
</tbody>
</table>
A total of 205 people participated in the study. Of these, 122 participants were local community members and 62 were representatives from regional, district and local authorities in the study areas, including Regional Administrative Secretaries (RASs), the District Executive Directors (DEDs) and various departmental heads within the councils. At village level, members of the village council were interviewed. In this way, the study sought to capture the perceptions of local communities.

In addition, a number of company representatives were interviewed in Dar es Salaam before the research team visited the sites in the regions. Interviews were held with representatives of STAMICO, BG Tanzania and Wentworth Resources. The team also visited TPDC’s gas processing plant in Mtwara and also met a representative of Acacia Mining at their Buzwagi Gold Mine. These meetings were conducted to obtain information on company operations.

**TABLE 4: CONSTITUENCIES INTERVIEWED**

<table>
<thead>
<tr>
<th>Constituency</th>
<th>Number</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government (regional, district and village)</td>
<td>62</td>
<td>30%</td>
</tr>
<tr>
<td>Companies</td>
<td>6</td>
<td>3%</td>
</tr>
<tr>
<td>CSOs</td>
<td>15</td>
<td>7%</td>
</tr>
<tr>
<td>Community members (for focus group discussions)</td>
<td>122</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>205</td>
<td>100%</td>
</tr>
</tbody>
</table>

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4 BG Tanzania has now been taken over by Royal Dutch Shell while Wentworth Resources is a Canadian company formerly called Maurel & Prom.
3.3 Data Collection Methods

Qualitative data collection methods, notably key informant interviews (KII)s and focus group discussions (FGDs) were employed to collect data from the various groups of study participants.\(^5\) KIIIs were used to collect information from people with first-hand knowledge on the study topic. A total of 6 KIIIs were held with company representatives and 62 KIIIs were held with government officials at regional, council and village levels.

Key informants were selected based on their knowledge of the research issues, such as extractive sector policies, the operations of the extractive companies, the social and economic impacts and benefits of the projects, and community engagement processes. At regional level, group interviews were held with selected officials, notably RASs together with regional officials responsible for natural resources, planning and budgeting, infrastructure, lands and agriculture. These interviews were intended to provide background information on extractive activities taking place in these regions as an entry point for in-depth interviews with representatives from the sampled councils and communities.

At the council level, information was again collected from KIIIs through group interviews based on the availability of local officials during the day of interview. KIIIs included District Executive Directors (DEDs), District Planning Officers (DPLOs), District Treasurer (DTs), District Community Development Officer (DCDOs), District Lands and Natural Resources Officers (DLNROs) and District Secondary Education Officer (DSEOs) and their equivalents in urban areas. Representatives of selected CSOs were also interviewed in Mtwara district. At community level, KIIIs were village leaders. See Annex 2 for a summary of participants per site and Annex 3 for the Interview Guides.\(^6\)

While the objective of holding interviews with key informants was intended to obtain first-hand information from those with specialist knowledge, FGDs were held with community members to capture information on community-wide perceptions towards company operations in the study sites.\(^7\) A total of 13 FGDs were organized in the sampled communities (at least one per community). Given that the theme of the study is normative, men and women were mixed in some groups. It is only in Mtwara where separate groups were held for men and women because of cultural reasons. See Annex 3 for the FGD Interview Guides.

\(^5\) Note that in qualitative research literature, the term ‘respondent’ is discouraged since individuals that are interviewed are not just objects to respond to the research inquiry rather they are sensible beings who participate to share their ideas and experiences, and, together with the researcher they build an argument. So the term ‘participant’ is recommended to reflect this fact.

\(^6\) For ethical reasons, the names of the study participants have not been appended. However, they are available from UONGOZI Institute upon request.

\(^7\) At community level, wards and village officials assisted in recruiting FGD participants.
3.4 Data Analysis
Content analysis, which has descriptive and interpretative elements, was used to analyze the data collected from the KIs and FGDs. This is a technique for making inferences by objectively and systematically identifying, describing and relating common themes emanating from data and linking them to the research objectives. As much as possible, quotes reflecting the voices of the study participants have been included in the findings. Data obtained from both FGDs and KIs have been triangulated to present more rounded findings.

3.5 Ethical Considerations
Given the sensitive nature of the study theme, care was taken to make sure that the rights of study participants were not violated and that tensions were not provoked. Measures to prevent these outcomes included: i) introducing the study objectives to the relevant authorities and obtaining necessary introduction letters; ii) taking time to explain the objectives of the study to community members; iii) as far as possible, delinking the study from negative political perceptions; and iv) seeking verbal consent from study participants prior to interviews and focus groups.

In Mtwara region, the study team organized separate FGDs for men and women. FGDs for men were handled by male data collectors while female FGDs were led by women data collectors. In communities like Nyamongo (Tarime district), Madimba and Msimbati (Mtwara district) the study team was careful in phrasing the questions and also in responding to counter questions from the study participants to avoid unnecessary tensions which could have resulted in misunderstandings and disruption in the data collection process.
Chapter 4
Research Findings: Petroleum Sector

4.1 General Overview of the Sector
This chapter presents the study’s findings on the status of SLO relating to the petroleum sector based on fieldwork carried out at the sampled sites in Mtwara and Lindi regions. Lindi are the only regions where gas production has occurred. Gas has been produced from the Songo Songo field in Lindi region since 2004 and the Mnazi Bay concession in Mtwara since 2006.

During the period of the current research, several companies were operational in these two regions, including the TPDC and three major international oil companies: Statoil, ExxonMobil and BG Tanzania. These three companies were mainly involved in exploration while TPDC grants licenses for oil and gas exploration. Two other international companies are producing gas: PanAfrican Energy Tanzania Limited operates in Songo Songo village in Kilwa district and Wentworth Resources (formerly operating as M&P), which is producing gas in Msimbati village in Mtwara from the Mnazi Bay field. Gas from these two locations is transported to the Ubungo electricity generation plant in Dar es Salaam through a gas pipe owned and managed by Songas Ltd.

Statoil, ExxonMobil and BG Tanzania have discovered massive quantities of gas in deep sea, (estimated at over 50 trillion cubic feet) and development for commercial production is underway. Part of this commercial exploitation will involve the establishment of an LNG plant in Lindi. A gas processing plant has also been built at Madimba village in Mtwara district from which processed gas will be connected to a large gas pipe that goes to Dar es Salaam. The Madimba processing plant and the pipe are both owned by TPDC.

4.2 Status of SLO in the Petroleum Sector
The findings on the status of the SLO in the petroleum sector are discussed for each of the four key factors for achieving an SLO that were identified in the study’s conceptual framework: i) Community engagement; ii) Local impacts and benefits; iii) Procedural fairness; and iv) Actors’ relationships.

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8 Assessment of the performance of the sector was beyond the scope of this study. For the performance of the extractive sector in Tanzania in terms of tax and royalty payments, exports, procurement of goods and services, and employment creation see Tanzania Mineral Audit Agency (TMAA) 2014 Annual Reports. Ngowi (2015) also provides a comprehensive review of revenue contribution for the oil and gas sector to the local councils in Kilwa and Mtwara rural.
4.2.1 Community Engagement

4.2.1.1 Mtwara District

Following mass protests during 2013 in Mtwara,⁹ the Ministry of Energy and Minerals and the TPDC organized a series of meetings with communities along with political leaders in the region. These meetings were held in response to the unrest and as part of an effort to deal with public hostility. Even then the meetings were allegedly organized in an ad-hoc manner and did not adequately address the key issue: the community’s share in the future benefits flowing from exploitation of the gas. There appeared to be no clear strategy to engage citizens, including how to address the interests of the various groups in the local community. A concrete community engagement strategy—i.e., one that stipulated the kind of engagements to be held with various groups in the community, the information to be communicated, the role of various stakeholders in engaging communities, plus mechanisms to be used for local stakeholders wishing to ask questions and channel grievances—was not effectively developed.

This lack of a clear communication strategy resulted in the community perception that the engagement agenda had been hijacked by politicians. Some political figures were accused of making promises that could not be fulfilled and others gave inaccurate information which contributed to an escalation in hostility. One study participant from the regional level noted:

“The Regional Advisory Committee composed of DCs [District Commissioners], Members of Parliament, District Executive Directors, some co-opted technical members from the councils, and representatives from political parties, was expected to cascade the knowledge and information down to the grassroots levels. However, this did not happen in a systematic way because there was no community engagement/communication strategy. As a result, some people with political agendas started to disseminate wrong information anchored on political propaganda, e.g., some were saying that: ‘Dangote cement factory will never be constructed’; ‘All the gas will be transported to Bagamoyo’; ‘Mtwara will become the Dubai of Africa within a short period’; ‘With the gas there will be an immediate transformation of the economic situation of households’; ‘All the gas should be processed in Mtwara’; etc. Misinformation is one of the causes of the experienced conflicts.”

4.2.1.2 Songo Songo in Kilwa District

The issue of community engagement has evolved overtime in Songo Songo. When the TPDC commenced exploration in the period 1978-80, it did not undertake any community engagement activities. Instead, the then District Commissioner issued an order requiring citizens to accept the oil/gas exploration activities of the corporations concerned. Even local authorities were not involved in the discussions about benefits that would accrue to

them from the oil and gas operations. All discussions were held at the ministerial level. This approach met with resistance from the community at Songo Songo. The resistance and subsequent efforts to address it generated lessons that were helpful in subsequent developments. When PanAfrican Energy commenced operations in the area in 2005, the company conducted meetings with various stakeholders, including the TPDC, to agree on the procedures for acquiring the land it needed to undertake gas production activities.

4.2.2 Local Impacts and Benefits

4.2.2.1 Madimba and Msimbati Villages in Mtwara District

Community members in Madimba and Msimbati villages in Mtwara district expressed dissatisfaction with the gas exploration and production activities. Residents of the villages had higher expectations of the benefits that would flow from the industry, which, according to discussions during the group interviews, were raised from when gas was discovered in the early 1990s. The perception of the Madimba and Msimbati communities remains negative with claims that the projects have not been of any benefit to their livelihoods.10

Companies, on the other hand, are positive and continue to invest both in their operations and in the communities. The majority of the companies operating in the area have had community engagements strategies, which include investment in the areas of education and clean water sources. According to the representatives from the companies, these local development activities have had major impacts on the communities even though they may not have satisfied the entire community. For example, Wentworth Resources had built a girl’s hostel at Msimbati Secondary School and installed water harvesting systems in some primary schools located near the gas projects.

The operations of BG Tanzania are a bit different from the companies operating in Madimba and Msimbati villages because its projects are offshore. Therefore, the entire Mtwara District is the relevant community. The company’s approach to obtaining an SLO has been through partnership and funding to secondary schools, Vocational Education and Training Authority (VETA) colleges, local CSOs, and Ndanda Football Club, Mtwara's major league soccer team. BG interventions have involved all levels of government, including regional leaders, district leaders, religious leaders, councillors and LGAs. However, like the opinions of the Msimbati and Madimba communities, the majority of participants from Mtwara District interviewed perceived the company’s interventions as having no impacts on their daily lives and the future of Mtwara.

10 This is a reflection of poor community engagements. Efforts to explain the process of exploration, construction and production were not sufficient to avoid misunderstanding within communities. For example, the timescales involved between exploration and production coupled with the huge investment required before any commercial returns arise. This situation underlines the importance of constant and appropriate communication through planned community engagement.
A further finding was that BG Tanzania had commissioned a few NGOs to implement part of its community-based programs. For example, Africare (an international NGO) was commissioned by the company to deliver an entrepreneurial and life-skills training project for youth. Africare partnered with local NGOs/CSOs and government agencies such as VETA to deliver the project. However, the community leaders interviewed were not satisfied with the project. They thought the project did not add any value because it did not originate from the targeted community. Rather, it originated from the BG Tanzania and Africare. In addition, it was revealed that majority of such projects lack impact because they do not follow proper channels and do not have follow-up activities, such as help to obtain tools and funding. One male FGD member in Madimba community made the following point:

“The program was not of interest to the majority of community members and they were not consulted before the implementation began. That resulted in a majority attending the training but doing nothing afterwards. Apart from the training, the project also had a component of establishing ten (10) Village Community Banks (VICOBAs) which were established…but [now] only one is operational. The rest have collapsed as members did not have enough tools and funds to take them to the next level”.

Obtaining an SLO in communities with high expectations such as the Mtwara, Madimba and Msimbati proved to be difficult to local NGOs/CSOs. The organizations sub-contracted by Africare to deliver the BG projects were also not regarded very well by the communities. Communities continue to perceive these local organizations to be implementing these initiatives for personal gains rather than being the negotiator/mediator between companies and the communities. Community leaders interviewed by this study on the role of CSOs involved in the BG project accused the organizations of producing reports which describe activities undertaken but in reality they were not happening. A majority of interviewees suggested that the companies should directly support community/local-level governance structures instead of channeling funds through local CSOs/NGOs.

Projects that BG Tanzania had channeled through government structures were mentioned to have had direct impacts and to be run more transparently compared to those channeled through NGOs/CSOs. For example, in an effort to support the local economy of Mtwara, BG had collaborated with the National Economic Empowerment Council (NEEC) and the Small Industries Development Organization (SIDO) to organize a competition known as Self-Employment for Youth (Kijana Jiajiri). Young adults under 30 years participated in the program. At the time of this research, a total of 100 youths were selected randomly and fairly to attend trainings related to self-employment on a twice-weekly basis.

4.2.2.2 Songo Songo Village in Kilwa District

According to the Songo Songo Ward Councillor and the other LGA officials interviewed, the general perception of residents in Songo Songo village is that the discovery of gas in Lindi region is a blessing. PanAfrican Energy, the operator of the Songo Songo project, was...
supporting a number of initiatives that made communities feel that they were benefiting from the company’s presence. One major initiative that has created good relations is the supply of electricity and water for free to the entire Songo Songo island. Through its CSR program, PanAfrican Energy has also invested in a number of community engagement activities in the social sector including:

- Construction of a dispensary and staff houses at Nangurukuru village and a health centre at Kilwa Kivinje village.
- Provision of solar panels to all (27) secondary schools in the district and supply of cement and iron sheets to all secondary schools in support of construction for laboratories.
- Allowing company doctors to visit other health centres in the district of Kilwa to offer services to community members.
- Providing desks to schools.
- Funding school fees for students and scholarships for 30 students who were enrolled at Makongo Secondary School in Dar es Salaam during 2015.
- Established a program known as “gang”, which targets both teachers and students to enhance their English language proficiency and skills.

Apart from Songo Songo village (ward), Songas Ltd (through PanAfrican Energy) has been supporting interventions in other villages/communities, especially those along the gas pipeline to Dar es Salaam, such as paying school fees for children from low-income families and purchasing 115 computers for eight secondary schools within Kilwa District. In addition, PanAfrican Energy has been offering a free seat on its daily charter flight to Dar es Salaam, giving priority to residents with medical/hospital-related issues. These efforts, which are linked to the company’s CSR program, have to some degree helped PanAfrican Energy and Songas avoid tensions that had existed in previous years.

Finally, despite their positive remarks on the operations of PanAfrican Energy and Songas, participants’ expressed concerns in relation to the implementation of these projects. Both the Songo Songo Councillor and LGA representatives pointed to the need for inclusiveness in the planning and inception of community projects. This will increase transparency and reduce tension and mistrust between the parties. Any projects should be aligned with the council’s development plans so as to integrate the company initiatives into wider local and regional government efforts.

Note that some households are not yet connected because of the status of their dwellings with thatched houses being unsuitable for electricity connection.
4.2.3 Procedural Fairness

4.2.3.1 Madimba and Msimbati Villages in Mtwara District

Compensation for land was another dissatisfaction expressed by communities in Madimba and Msimbati villages. A majority of study participants said they were not happy with the current structure as compensation was too small. It was noted that, after land evaluation by government officials, the decision was made to pay compensation of Tanzania shillings (TZS) 80 per square metre, which community representatives described as ‘peanuts’. This problem seems to have been escalated by politicians who promised different rates before the government issued its official compensation rates for land acquired for the pipeline and other gas infrastructure in Madimba and Msimbati villages. According to the community leaders and other representatives, one politician had promised a rate ranging between TZS 1,170 to TZS 2,000 per square metre while another politician promised a range of TZS 250 to TZS 400 per square metre. The low level of compensation was one of the major complaints of the residents. Moreover, the entire process from designing, estimating and finally compensating the communities took several years, far longer than community expectations.

4.2.3.2 Lindi Region

This study found no land compensation issues from Songo Songo. Rather, invaluable lessons from the disputes in Mtwara region have helped inform the ongoing dialogue on the proposed LNG plant in Lindi. The plant itself will need approximately 2,300 hectares of land and additional land will be needed as buffer zone. This implies that significant compensation will need to be paid. If not carefully handled, the plant will never earn an SLO. At the time of this research, the land was properly demarcated and valuation was ongoing to pave the way for compensation and investment of the LNG plant. A Resettlement Committee, on which the regional administration and local authorities are represented, was coordinating the entire process. The establishment of the committee was viewed as best practice since it allowed an information flow between government, the extractive sector and the community. This was especially useful for clarifying community expectations and settling compensation issues.

4.2.4 Actors’ Relationships

4.2.4.1 Mtwara District

Testimony from the study participants also revealed poor communication and mistrust between government stakeholders at different levels. Local government representatives said that they were not intensively involved or well utilized by the central government actors/agencies in the initial stages of any investment process. The example was given that one central government ministry/agency sent its experts to conduct the land evaluation without involving the respective councils (Mtwara District and Mtwara Municipal). Because there were no representatives from the local authorities in the exercise, the communities refused to accept and collect the compensation. The ensuing conflict between the government and
the communities was resolved through a compromise which entailed restarting the whole valuation process with the involvement of all parties.

Another point raised by discussants related to the roles played by CSOs/NGOs, especially in creating an enabling environment for discussions between the companies and the communities. Apart from mistrust among themselves, the CSOs/NGOs seem to be implementing programs with objectives and expected outcomes that the communities and the LGAs do not understand. The organizations were also perceived to be close to the mining companies because the mining companies they fund some of their interventions. Therefore, the majority of CSOs were seen to be implementing projects that are company-driven rather than community-driven.

Timely and robust communications between government officials, politicians, CSOs/NGOs, companies, community leaders and other community representatives is important in ensuring the sector in general obtains an SLO. If every actor opens up and communicates in a transparent and timely manner, especially with the affected communities, incidences such as the Mtwara protests need never happen again. This was a common suggestion from each discussion. A majority of participants acknowledged the past mistakes and wished not to see riots and mistrust going forward.

4.2.4.2 Songo Songo in Kilwa District

It is worth noting that, prior to 2011, companies in the extractive sector (including those in the mining sector) were not paying service levies as contract terms did not require it. However, the service levy is now a requirement as per Tanzania’s constitutional laws. Therefore, extractive companies and local authorities throughout the country have had to negotiate Memoranda of Understanding (MoUs) to address this issue. Now, almost all companies are paying the service levy (0.3% of turnover). In the case of Kilwa District Council, a total of 20% of the 0.3% levy that is paid to the district council is then disbursed to local government authority in Songo Songo village (where the actual production of gas is taking place). With this money, the village government has been able to prioritize and implement their own development projects, especially in education. One respondent from Kilwa remarked:

“A few years ago, an average of 2 pupils per year from Songo Songo primary school passed the national examination to join government secondary schools. Following the decision to invest the gas money intensively into education through training our village school teachers, last year [2014] 52 pupils passed the national examination and were selected to join secondary schools. The best students out of the 52 were sponsored by the village to attend a private secondary school (Makongo High School) in Dar es Salaam. The village government is now using a portion of the 20% disbursed by the council to roof some of the thatched houses of some members of the community. This
will be implemented by phases and the target is to phase out all thatched houses and supply electricity to each household. We expect electricity to stimulate and diversify economic activities in the village.”

Despite the positive feedback from the Songo Songo projects, concerns were raised by the Ward Councillor and the LGA representatives on the need for PanAfrican Energy to disclose more information, especially on revenues generated by the company, so that local officials can confirm that the service levies paid by the company equals 0.3% of its turnover. At the moment, Kilwa District Council receives the levy without detailed supporting documentation on the company’s gas sales (revenue) used to calculate the levy. Currently, the Kilwa DC is collecting an around TZS 480 million annually, which represents approximately 17% of the council’s total own source revenue (about TZS 2.8 billion).

4.3 Conclusions: Have Companies in the Petroleum Sector Obtained an SLO in Mtwara and Lindi Regions?

Based on the findings presented in this chapter, using the framework of four factors necessary for securing and maintaining an SLO, it can be concluded that almost all of the companies conducting extractive activities in Mtwara region have not been able to secure an SLO despite their investments in CSR programs. The discussions highlighted that miscommunication and the poor flow of information between companies, communities, government agencies and other actors (like CSOs) were the main reasons that communities were not willing to grant an SLO. Although some companies are still at the exploration phase or at minimal production, many communities have yet to consider themselves as beneficiaries from extractive sector activity in terms of ‘tangible’ CSR and local content. Serious complaints were also raised in relation to compensation for the land acquired for natural gas production.

On the other hand, the company operating in the neighbouring region of Lindi (PanAfrican Energy) was seen as working to implement the necessary requirements for a social license to be granted. The company has put in place a robust and positive community engagement process in the communities where gas production is taking place. In that regard, the residents of Songo Songo felt that the company had become an integral part of their daily life as it was providing important support and seemed to meet the expectations of the local people. The company is maintaining the SLO through continuous engagement with the LGA through meetings, continued support to the council’s budget, and implementation of a CSR program.
Chapter 5
Research Findings - the Mining Sector

5.1 General Overview of the Sector
This chapter presents findings from sample sites in three regions: Shinyanga, Geita and Mara. Shinyanga region hosts the majority of large-scale and small-scale mining projects. Exploration activities as well as production of minerals were taking place in different districts/councils of the region at the time of the study. In Shinyanga region, the research team visited the Mwadui Diamond Mine in Kishapu District, which is operated by two companies, Petra Diamonds of Jersey, Channel Islands, and El-Hillal Minerals of Tanzania. The researchers also visited Buzwagi Gold Mine in Kahama District and Bulyanhulu Gold Mine located in Msalala District. These two mines are owned by Acacia Mining Ltd (formerly African Barrick Gold plc). In Geita region, the research team visited Geita Gold Mine within Geita Municipal. This mine is owned by AngloGold Ashanti Ltd. In Mara region, the study examined North Mara Gold Mine which is located in Tarime District. This mine is also owned by Acacia Mining.

5.2 The Status of SLO in the Mining Sector in Tanzania
As done for the petroleum sector, the findings on the status of SLO in the mining sector in Tanzania are discussed for each sampled mine site against the four key factors for achieving an SLO identified in the study’s conceptual framework: i) Community engagement; ii) Local impacts and benefits; iii) Procedural fairness; and iv) Actors’ relationships.

5.2.1 Community Engagement
5.2.1.1 Mwadui Diamond Mine
The Mwadui Diamond project started production in the late 1940s before independence. At that time, investors were not required to seek or maintain a social license to operate. Therefore, the two current investors at the Mwadui Diamond Mine—Petra Diamonds and El-Hillal Minerals—have inherited many problems with the communities, including issues related to compensation and indirect benefits that communities think they deserve. During the interviews with the representatives from the LGAs and from the surrounding villages, the study found that the both companies are not seeking an SLO. As a result, there is ongoing tension that requires either the company or the government to intervene and initiate negotiations with the communities.
5.2.1.2 Buzwagi Gold Mine

The Kahama Town Council hosts the Buzwagi Gold Mine which was opened in 2009 and is currently owned by Acacia Mining. The mining project is approximately six kilometers southeast of the town. The mine is surrounded by three villages: Mwendakulima, Chapulwa and Mwime. This study found that the relationship between these communities and the mining company has improved over time due to regular discussions and engagement. According to company representatives, at an earlier point in time, the relationship between the company and the communities was very bad. For example, in 2010, unrest and vandalism at the mining sites led to the then Regional Commissioner (RC) intervening to restore peace. He advised the community and the company to discuss and agree on how the community would benefit from opportunities created by the mine. The company and the communities, therefore, agreed to undertake the following activities to foster more peaceful and good relationships between the two parties.

- As one way of providing jobs and other indirect benefits, each village was tasked to form a group of unemployed men who would then become the security guards of the mine’s perimeter. The ratio of men to be involved was agreed by the three villages such that 74 guards were drawn from Mwendakulima village, 123 guards from Chapulwa village and 75 guards from Mwime village. In order to instil discipline and trust, a number of ‘bylaws’ were introduced regarding theft from the mining sites. For example, it was agreed that those scheduled to guard on a particular day would face penalties (to be deducted from their agreed TZS 120,000 monthly pay) if theft or vandalism occurred while on duty. The company equipped all the security guards with radios and other communication equipment which made their job easier and modest. This initiative resulted in a decline of criminal incidents.

- Each village was also tasked to form a group of women who were responsible for preparing the meals of the security guards. The company and the community agreed a monthly salary of TZS 60,000. Both groups (men and women) were identified/formed through the official village meetings without interference from the company or the central government.

- Apart from the above programs, the Buzwagi Mine also provided other employment opportunities largely those that did not require specific skills. For example, temporary jobs were provided for 30 women from Mwime village for cleaning and other duties. The company paid TZS 280,000 per month. This arrangement was for women from Mwime village only and the wage was higher than the other two groups because the village has a stake at the Buzwagi Mine. Mwime surrendered its small-scale mining license (which is now part of the Buzwagi concession) in return for a stake in the company. Further details are provided below on the royalty paid to the village.
These initiatives have not only paved the way for an SLO at the Buzwagi Gold Mine but also ensured that the communities have a greater sense of ownership in the mine. In conjunction with other community investments, such as construction of schools and a health center, Acacia Mining extended its community activities beyond a CSR program toward securing an SLO.

5.2.1.3 Bulyanhulu Gold Mine
The Bulyanhulu Gold Mine was opened in 2001 and has since been operated by Acacia Mining (formerly African Barrick Gold plc). The mine is hosted within Msalala Council which is part of Kahama District of Shinyanga region. Like many other large-scale mining, activities at Bulyanhulu began as small-scale/artisanal mining in the late 1980s and early 1990s. Subsequently, large-scale companies started to operate at the site. The history of this mine, therefore, is not too different from the experience in other mining sites in regard to how the companies first approached the communities, including the displacement of artisanal and small-scale miners. Consequently, in the early days of the mine, incidents of vandalism, riots and clashes between the communities and the authorities were reported.

Over time, the relationships between the company and the communities have improved. Despite the existence of mistrust between the two parties and continuous claims for greater compensation, riots and other violence have ceased. The company has been engaging communities through meetings to discuss issues that are essential for ensuring that trust, peace and positive relations are maintained between the two parties. All company-funded community investments are presently driven by the needs of the surrounding local authorities.

5.2.1.4 Geita Gold Mine
The mining operations at Geita Gold Mine (located within the Geita Municipal Council) began in the 1940s but the mine was closed as part of the nationalization agenda of the first phase government. Based on the discussions with community representatives as well as LGA officials, AngloGold Ashanti Ltd has not obtained an SLO. Community engagement was described by some FGD participants as a ‘new word’ in the communities surrounding the mine. When asked about community investments by the company, participants identified some initiatives but they did not seem to appreciate those efforts. Therefore, hostilities between the company and the community are still prevalent. The LGA representatives also considered that the company had implemented a poor engagement strategy because it has tended to implement projects that are not supported by community members. In return, communities are not appreciative of the company’s investment efforts.

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12 Barrick Gold began production at the mine in 2001 having acquired Sutton Resources which was granted the production rights in 1994 via its subsidiary called Kahama Mining Corporation Ltd. Has since changed its corporate name to Acacia Mining.
A major issue that remains unresolved at the Geita Gold Mine relates to finding alternative jobs for artisanal miners who lost their source of livelihoods when large-scale mining began. In addition, the issue of compensation needs to be resolve because at the moment there seem to be manipulations from both sides. Some members of the community were reported to use different tricks for the purpose of collecting multiple compensation payments while the company and the government were reported not to be sufficiently transparent in the entire process.

5.2.1.5 North Mara Gold Mine

The North Mara Gold Mine is located in Tarime district of Mara region in the north-western part of Tanzania. The mine was opened in 2002. Acacia Mining acquired the mine in 2006 from Placer Dome Tanzania along with pending issues that were initially promised to communities. The research finds that the continuing interruptions, violence and riots at the North Mara Mine date back from when the first investor arrived at the site. The discussion between the researchers and the community representatives revealed that Place Dome Tanzania did not apply for an SLO and did not initiate a community engagement process. Therefore, since its acquisition in 2006, Acacia Mining has faced constant and persistent interruptions to its mining operations by the surrounding communities due to grievances dating back the start of the large-scale mining activities in the area. The majority of the community criticized the company for a lack of transparency, poor compensation (which also took a long time to receive) and not providing alternative sources of livelihood to the people who depended on mining before the arrival of the company.

The relationship between the community and the mining company, however, has been improving over time due to several strategies employed by Acacia Mining in collaboration with stakeholders. The management of the company allowed artisanal miners to look for residual gold in the already processed sand or gravel. This decision was a change in approach in managing relations as the company initially banned this practice. The change led to reduced vandalism and friction between the community (especially the artisanal miners) and the company. In addition, the North Mara Mine has copied the approach used at the Buzwagi Mine by employing a group of men from the neighbouring villages (mainly from Nyamongo, Nyangoto and Kewanje Villages) as security guards of the mine’s perimeter. Initially, such jobs were given to individuals from outside the neighbouring villages in fear that the persons living near the mine were dangerous to employ as security guards as they may collude with thieves and vandals.

Due to such efforts which brought about a greater sense of ownership, the community decided to do more on its part by forming peer security groups known as “Saiga”, which further reduced the number of violent incidents around the villages. One respondent from Nyangoto village noted:
“There are positive changes in the security system, and, as such, Our village is now peaceful after setting our own by-laws and formulating ‘Saiga’. Peer groups have been organized and we provide security to each other. Youths are not invading the mining sites anymore and we are collecting remaining (sand and stones) for reprocessing peacefully. The current Regional Police Commander of special zone has been instrumental in implementing this idea and we have also been reinforcing it by reminding each other what we agreed upon in case somebody is going astray.”

Another positive approach is the implementation of a ‘local benefits’ strategy. During interviews with community members, it was reported that community members were invited to a consultative meeting to share progress on development projects implemented by the company. The mining company has also employed public relations officers in each village. These officers are paid by the company to be a link between North Mara Gold Mine and the community. They do not have their own offices but operate from those of the village council. Although having village liaison officers could be taken as a positive approach, it was perceived negatively by some study participants. A Kewanja villager commented:

“These community relations officers are employed by the company. To me, they are standing as company informers because the good relations officer is the one who brings feedback to the community but they have not been providing feedback to the community. The community development projects that have been implemented in our village are a result of the efforts of the chairperson and members of the village government not [the] community relations officer.”

5.2.2 Local Impacts and Benefits

5.2.2.1 Mwadui Diamond Mine

As noted earlier, the Mwadui Diamond Mine is operated by two companies. In the case of Petra Diamond Ltd, the relationship with the community has been described as one of ‘silent resentment’ towards the enterprise. Although no serious conflict between the mining company and communities has been documented, there has been persistent tension between the two parties even though it has decreased over time.

The company has been working to help nearby communities to solve the problems they face especially in the areas of water, education and infrastructure. For example, pipes for clean water have been connected from the mine to the communities. The project involved the provision of water points in each village where residents can access clean water for daily use. The company has also constructed a village government office at Luhumbo, built two classrooms and provided 230 desks to local schools. In addition, motorcycles were given to the chairmen of eight villages surrounding the mining site for their daily official duties.
In the case of El-Hillal Minerals, which also operates within the Mwadui Diamond Mine, the findings indicate that an SLO was not granted by the community. El Hillal is a local company (100% owned by a Tanzanian) but discussions revealed that the relationship between this company and the surrounding communities was very negative. In general, the company has neither invested in community projects (CSR) nor engaged the communities (especially those visited by the researchers of this report).

5.2.2.2 Buzwagi Gold Mine

As indicated earlier, the Buzwagi Gold Mine has been successful in many aspects. Various community development activities have been organized at two levels by the operator, Acacia Mining: i) council-wide initiatives; and ii) targeted support to the three villages surrounding the mine sites. At the council level, the mining company has invested in social and economic infrastructure, such as beds for health facilities, laboratories for secondary schools and construction of 5 kilometres of tarmac road. An additional 5 kilometres of road was under construction at the time of the research.

Other initiatives at district and village levels include organizing surgical missions (up to two missions per year) whereby specialized medical doctors from abroad come to perform surgery for people with cleft lip and cleft palate conditions. The company has also provided scholarships for vocational training through VETA), school uniforms and bursaries for around 400 children/students from disadvantaged families. The first batch of graduates from the scholarship programme (which had 15 persons) was employed by the mine in various departments. In addition, the mine has conducted training for small-scale miners to improve their mining skills, and also a group of 50 individuals were selected from the surrounding communities to attend a training workshop on the production of interlocking bricks through the Small Industries Development Organization (SIDO). Upon the commencement of the Mwendakulima Health Center construction project, the company contracted the group to produce the bricks required for the project. This was seen as a starting point in the future of communities beyond the life of the Buzwagi Gold Mine.

Specific to the villages surrounding the mining sites, the company has invested in education through the construction of the Mwendakulima Secondary School which was almost 80% complete at the time of this study. Other projects in this locality included the construction of a village office and the Mwendakulima Health Center, which included staff houses and all medical supplies. Furthermore, the company has constructed classrooms, laboratories, dormitories while also supplying electricity and water to Mwendakulima High School. It has also provided desks to five primary schools and constructed 32 pit latrines and staff houses at each primary school. Bore holes have been drilled at the health centre and all primary schools.

Fifteen acres of land was identified for horticultural farming at Mwendakulima village with the aim that vegetables grown would be sold to the mine. There was also to be
training for villagers on best farming practices. SHIDEPHA+, a local NGO, was eventually commissioned to manage the project. Unfortunately, the site has been deserted, partly due to poor management by the selected organization and a lack of enthusiasm to farm by community members. At the start, this land for farming was coordinated by the village council and community members managed to sell some vegetables to the company but later the management was transferred to SHIDEPHA+. It reportedly encountered problems and failed to continue the project. It is reported that the company had approached Sokoine University of Agriculture to revive the farm. The company has also trained 50 community members on bee-keeping skills and supported them with initial inputs such as providing commercial beehives for a women’s group. Another women’s groups has received soft loans and training in poultry and pig keeping.

Other initiatives include suppliers’ meetings at which the company provides details on what services can be supplied by entrepreneurs from across the Lake Zone. Attendees are informed about required standards and the tendering process. Such programs have resulted in the company engaging local food suppliers, for example, a supermarket was contracted to supply eggs for the mine’s catering operation.

From the testimony of participants, it is understood that at the start of operations the company imported all food for the mine from South Africa. After local complaints, some provisions started to be supplied from Mwanza city. But, now, supplies are also sourced from nearby towns, especially Kahama Town, and other places within the Lake Zone. These are supplied by business people who have won tenders to supply rice, eggs, etc. At the time of the study, the Acacia Buzwagi Mine was conducting further meetings with local suppliers to develop further commercial opportunities with the mining site. All of these initiatives and engagements at the Buzwagi Mine have been vital in ensuring that the mine is viewed as part of the community and has won over the majority psychologically suggesting that Acacia Mining has obtained an SLO from the community.

5.2.2.3 Bulyanhulu Gold Mine
At Bulyanhulu Mine, Acacia Mining has been supporting some development projects in the communities surrounding the mining sites through its CSR program. The upgrading of the Bugarama Dispensary to a health center (at a cost of TZS 800 million) was one milestone investment. Since the operator at Bulyanhulu is the same as the Buzwagi Mine, community investments were made in similar areas, especially education. Here, the company contributed to the construction of laboratories, housing for teachers, classrooms and desks, as well as provision of scholarships. Apart from the indirect contributions, the company also supported women’s and youth groups through employment opportunities that did not require specialized skills.
5.2.2.4 Geita Gold Mine

In the case of the Geita Gold Mine, AngloGold Ashanti has implemented a number of social projects in the areas of water, education and agribusiness. The company’s main investment is the clean water pipeline from Lake Victoria to Geita Town. Geita Town (which hosts the mine) is less than 40 kilometres away from Lake Victoria yet for many years the town (and district in general) has had no reliable source of clean water. The pipeline, which was fully funded by the company, is expected to cost TZS 15.4 billion and is scheduled for completion by late 2016. Geita Gold Mine has also invested in the construction of a school (Nyakumbu Girls Secondary School, Compound Primary School), including classrooms and staff housing, as well as boreholes for clean water following the relocation of the entire village of Mtakuja, which was within the concession area.

Despite these efforts, the discussions indicated there was hostility (‘silent resentment’) between the communities and the company as a majority of participants claimed not to have been compensated fairly. In addition, the failure to provide small-scale/artisanal miners with access to other areas with gold is another reason why hostility for the mine persists. On the other side, the government has significantly contributed to this state of affairs by failing put in place programs to provide alternative livelihood opportunities for people in the surrounding communities.

5.2.2.5 North Mara Gold Mine

Acacia Mining has initiated similar projects in communities around the North Mara Gold Mine as those implemented at its Buzwagi and Bulyanhulu sites. For example, projects have included the rehabilitation of the Nyamongo Health Centre as well as renovation of classrooms, staff houses and desks of Igwe Secondary School and primary schools. In addition, the company has fully funded the construction of two new primary schools around the mine and paid the school fees for children from poor families. As a result, enrolment rates have grown significantly. Funds have also gone into drilling boreholes for villages, providing water pumps, and the building of the ward government office and a police station in Nyangoto village.

In addition, the company has funded initiatives to stimulate economic activities in the area. For instance, groups of women and youth have been contracted to provide cleaning services at the mining site. Other groups have been established to engage in other economic activities such as fish keeping and baking. Another group of people has been contracted to rehabilitate open pits at the mine. The company is also procuring a number of products locally for the mine.

Despite these efforts, various issues are outstanding, the major one being youth unemployment. The displaced small-scale miners (mostly young men) have not been allocated alternative areas for mining and very few young adults have been provided with employment in the mine.
5.2.3 Procedural Fairness

5.2.3.1 Mwadui Diamond Mine
Most of the issues with regard to procedural fairness at the Mwadui Diamond Mine were directed at El-Hillal Minerals. Some members of the community are not satisfied with the company’s offers of compensation and have filed a case with the High Court of Tanzania. In discussions with local government representatives and the communities, the dispute is related to the way the company acquired some parts of the mine area. Participants indicated that either the government or the company itself did not communicate very well with the communities.

5.2.3.2 Buzwagi Gold Mine
The framework adopted by Acacia Mining at the Buzwagi Mine has been robust at both ends. The company has involved the community on various issues from the exploration stage to production stage. Through official community meetings and meetings with various government representatives, the company managed to reach resettlement and compensation agreements with the surrounding communities. From the exploration stage, community engagement was relatively high; the displaced members of the community were widely considered to have been well-compensated. Their crops and other non-transferable properties were also included in the compensation negotiations.

The valuation process at the Buzwagi Gold Mine followed legal procedures and government-stipulated compensation rates. The company offered to construct new houses for displaced households. The size of the house was determined by the size of house that was demolished. Before the process began, a resettlement committee conducted several meetings with the mining company and the community at large to agree on the specifics of the compensation process. However, the study found that there were disagreements between the company and few members of the community on compensations as a result of the politicization of the entire process.

5.2.3.3 Bulyanhulu Gold Mine
The history of the Bulyanhulu Gold Mine is well-documented. Land compensation remains an issue as both the company and the government entered the villages without following community representation channels. The community feels it was less represented at the consultation and negotiation stages and that is why hostility remains at a high level around the mine. The research team observed that some community members who had to leave their land had not yet been compensated by the government or the company. However, these claims were not confirmed in the discussions with the company. Therefore, a clear conclusion for policy recommendation was not easy to draw from these conflicting statements.
5.2.3.4 Geita Gold Mine
AngloGold Ashanti compensated the displaced community members, especially those who had to relocate from Mtakuja village, and provided alternative areas to build houses within Geita District. According to the study participants, the government coordinated the entire process of compensation and was in constant consultations with community representatives. Initially, AngloGold Ashanti organized a study visit for a few community and LGA representatives to a mining site in Ghana where the company had relocated a village in order to conduct its activities. However, upon return from the Ghana trip, the representatives suggested to their fellow villagers not to accept the construction of a new village. Instead, they suggested accepting cash compensation as they were not satisfied with the quality of houses at the site they visited in Ghana.

On the other hand, there were claims that some community members had constructed very expensive houses near the perimeter of the mine and started suing the company for compensation as their houses have cracks and other defects. In addition, other participants related that some locals acquired land near the mine site and planted crops that are expensive to compensate. These incidences have led to continuous court battles between the company and a few members of the community.

5.2.3.5 North Mara Gold Mine
As in Geita, the North Mara Gold Mine has experienced problems and clashes with communities as some local people continue to invest near the perimeter of the mine site with a view to getting compensated. At this mine, the situation is a bit worse and scary. The communities have called this practice “tegesha” which is a Swahili word meaning “a trap”. It involves individuals buying land near the mining concession area, then investing in it by constructing a building or planting trees in anticipation that the company will acquire the land and compensate for the investments. An example was cited of a community member who received a huge amount of cash as compensation, then used part of that cash to buy another piece of land near the perimeter of the mine where he constructed an 81-room guest house in the village. The guest house is empty all the time and the company has shown no sign of falling for such a “trap”. The individuals who have attempted to use “tegesha” moan and complain about their houses being disturbed by explosions and blasts from the mine several times a week. They continue to wait for their compensation.

5.2.4 Actors’ Relationships

5.2.4.1 Mwadui Diamond Mine
Both community and LGA representatives approached during this study indicated that the Mwadui Diamond Mine has not had transparent relationships with local residents or officials. Instead, the company seeks to be on the same page with the central government all the time, that is, the company ensures it is complying with national laws and regulations in relation to its operations and investments. This involves paying the requisite taxes and levies to the responsible government departments. Therefore, the companies are in regular
contact with the regional government who primarily represent the central government.

Mwadui Gold Mine, like other mines, is required to pay a service levy of 0.3% to the LGA. At the time of this study, the LGA confirmed that the mine was paying its levies even though there were delays in payments at different times. Representatives of Kishapu LGA made complaints similar to other mine sites in Tanzania that the operators did not release details of their revenues each year (upon which the levy payments are calculated) so the local authority is not able to precisely compute (and confirm) their share of revenue or make projections on future revenue.

In addition to paying the service levy to the LGA, Petra Diamonds (the larger of the two operators) is paying a levy to eight villages surrounding the mining site. A sum of TZS 1,625,000 per month is paid to each village. Given that this amount is small, the villages have agreed to pool the funds so that only 3 villages are paid a total of TZS 4.875 million each month. At the end of the cycle (end of the year), each village should receive a total of TZS 19,500,000.

### 5.2.4.2 Buzwagi Gold Mine

At the time of the research, the Buzwagi Gold Mine was paying their 0.3% service levy to the Kahama Town Council and the LGA representatives seemed to be happy and on the same page with the company on this issue. The council is collecting around TZS 1.4 billion per year from the mine which amounts to 25% of the council's own source revenue. The Kahama Town Council has agreed that this money be equally shared by all wards forming the council by funding projects that are of mutual interest to all Kahama communities. As described earlier, the relationships between the mine and the three local communities are positive. Acacia has been paying a royalty to Mwime village which surrendered its small-scale mining license which it had acquired before the big mining project arrived. The company however, has not been able to provide the list, contact details and contracts for companies sub-contracted by the mine.

### 5.2.4.3 Bulyanhulu Gold Mine

The relationship between the Bulyanhulu Mine and the local government authorities is positive and the two sides continue to have constant engagement and consultations. In terms of paying taxes, the operator is paying its taxes including the council's service levies. Also, unlike the Buzwagi and other mines, Bulyanhulu Gold Mines has been working with the Msalala Council to track the company's service providers (sub-contractors) so that they can also pay their share of service levies. At the time of the study, the Msalala Council collected service levies from the mine of around TZS 1.4 billion per year, which accounts for more than 50% of the council's own source revenue. The council also received TZS 500 million per year from the companies providing services (sub-contractors) to the mining company. Including the sub-contractor payments increases the contribution of Bulyanhulu Gold Mine to the Council to almost 75% of total own source revenue. Data from the
council indicated that 80% of these funds is put toward development projects, such as improvements in education and local infrastructure, while the remaining 20% is spent on management activities. The council does not disperse cash directly to the surrounding communities (villages) like the Kahama Town Council.

5.2.4.4 Geita Gold Mine
At the level of the council, the company has been paying a service levy of more than TZS 2 billion since the 2014/15 financial year, which represents around 50% of the council’s own source revenue. All this money is used for development projects, such as construction of laboratories in the secondary schools. Again, no direct payments are made to the surrounding communities and villages.

5.2.4.5 North Mara Gold Mine
At North Mara, the mining company has also been paying their taxes and service levies to the local authority. For the 2014/15 financial year, the service levy was approximately TZS 850 million, which amounted to around 20% of the total own source revenue of the district council. The mining company has also agreed to share the list and contracts of its service providers (sub-contractors) so that the council can collect the 0.3% service levy from these companies.

In addition, the North Mara Mine will shortly be dispersing royalties to seven villages following the surrender of the small-scale mining licenses they owned before large-scale operations began. According to the MoU, these payments will be deposited into the villages’ bank accounts and they will specifically be used for development projects. Even though tension between the mine and the communities persists, the relationships between Acacia Mining and the local authorities are positive with the potential to improve further.

5.3 Conclusions on Existence of SLO in Various Mining Sites

5.3.1 Mwadui Diamond Mine
Based on the qualitative data captured on each of the four factors for obtaining an SLO—positive community engagement, the balance of local impacts and benefits, the procedural fairness of the company and the nature of stakeholder relationships—we can conclude that the two companies operating in the Mwadui Diamond Mine have not secured an SLO. Community and LGA representatives both voiced dissatisfaction in general with the operations of the Mwadui Diamond Mine.

5.3.2 Buzwagi Gold Mine
Buzwagi Gold Mine has been successful in many aspects, particularly in respect of engaging the local communities and authorities on different issues. If the company continues to
apply this approach, it will likely obtain an SLO, i.e., a situation in which the communities will feel they are receiving a fair share from what is coming out of the mine and have a greater sense of ownership. This implies that winning over the community psychologically is a central issue for this mine if it is to secure an SLO. The local communities recognize the importance of the social investments that the mine has supported and continues to fund. However, they believe that the company can do much more as what they are doing presently is just “peanuts”. A similar situation persists with respect to compensation; some community members continue to grieve believing they have not been fairly compensated.

5.3.3 Bulyanhulu Gold Mine
Bulyanhulu Gold Mine also has not secured an SLO despite having compensated residents, operated legally, maintained a healthy relationship with local authorities and invested in various social initiatives. Given the history of the mine and changes in ownership, the tension, mistrust, lack of acceptance and outstanding grievances by a majority of community members toward the project persist. Moreover, these negative perceptions are fueled by the slow response by the government agencies that are responsible for ensuring that residents are compensated fairly, for protecting the local environment, and for addressing the social and economic challenges faced by these communities.

5.3.4 Geita Gold Mine
Despite a number of initiatives aimed at improving the relationship between the Geita Gold Mine and the communities around Geita Town, the mine has not been accepted and granted an SLO. Commencing operations involved many major interventions including the relocation of the entire community of Mtakuja village. This upheaval plus other activities may have left permanent psychological scars in the minds of many community members. The study also noted the failure of all parties—the company, local communities, CSOs, LGAs and central government agencies—to prevent residents from buying more land near the mining concession with the aim of claiming multiple compensation payouts.

5.3.5 North Mara Gold Mine
The findings from North Mara are not dissimilar from the situation observed around Geita Gold Mine. The mine continues to have tension with many groups including those engaging in “tegesha”, i.e., investing in property close to the mine. The majority of community participants in the study cited the continued lack of alternative jobs in the area, especially for those who were involved in artisanal mining activities and did not know much about other economic activities. In addition, the limited linkages between mining operations and the economic activities of surrounding villages was another major reason cited for communities not being able to accept the activities of the company.
Chapter 6
Conclusions, Recommendations and Areas for Further Research

6.1 Conclusions
In conclusion, the data presented by this study indicate that obtaining an SLO is like trying to meet all of the expectations of all stakeholders, particularly the expectations of the affected communities surrounding the mine sites. Hence, many companies view SLO as an expensive approach with outcomes that may not last forever because the expectations that significantly determine whether an SLO is granted (or not) can change overnight. Consequently, companies, especially those in the mining sector, tend to consider that they have secured a social license if they pay attention to some issues facing the community and there are no frequent riots or violence around their operations. However, the company representatives interviewed by the study indicated that the gap between what the company views as a major contribution to the community and what local stakeholders demand continues to grow every day. Therefore, as far as large-scale investments are concerned, an SLO is not easily obtained anywhere.

By and large in the mining and petroleum sectors in Tanzania, companies have not been able to secure the social license to operate. Indeed, despite the fact that some companies/mines have taken robust steps, a SLO was conspicuously absent in the extractive sector as revealed by the discussions with community representatives in most sites covered by the research. Mining activities have been taking place for a much longer period than petroleum activities in Tanzania but the basic principles required for granting the SLO appear to present significant challenges to this sector. However, findings indicate an evolution in companies’ acceptance of the need to apply for the SLO through community engagement, the implementation of development projects (CSR) that are community-driven, and consultations with CSOs, local authorities and central government agencies.

6.2 Recommendations
Securing an SLO is no longer an optional exercise but must be a primary objective for any large-scale petroleum or mining operation in Tanzania. This process is facilitated through positive partnerships with stakeholders, including all levels of government and the local communities themselves. Based on the study evidence, the following recommendations are made with respect to SLO for both the government and companies in the extractive sector. The recommendations are seen as useful in managing expectations, reducing tension, safeguarding the interests of communities and the environment, and minimizing the indirect costs for investing companies.
**Effective community engagement**

Strong community engagement is key in achieving effective dialogue with citizens around an extractive site, securing transparent and equitable agreements, and identifying and implementing local development projects with stakeholder support. The companies, in partnership with government at all levels, should have a clear community engagement/communication strategy that is explicit on: what messages should be communicated at every stage of commercial activity; how these messages should be communicated; and what working arrangements are needed in relation to issues such as compensation. The establishment of a community relations unit by most companies is a positive step if two-way dialogue results in mutually agreeable outcomes. Having these units partly staffed with personnel from the locality in which the companies have operations will help address the trust issues and provide companies with insights into community attitudes. Annex 1 provides examples of community engagement and community development activities at various stages of commercial activity.

**Local impacts and benefits**

As the report explains, large-scale extractive projects have a wide range of impacts on and potential benefits for local communities. One major challenge for companies seeking an SLO is ensuring that local people have opportunities to earn decent livelihoods and improve their standard of living. Initiatives can include the allocation of alternative mining sites for small-scale miners along with needed equipment and safety measures. In all communities affected by the petroleum and mining sectors, developing the vocational and entrepreneurial skills of the community, especially young adults, is crucial. Creating work opportunities for skilled or semi-skilled jobseekers in the local community can greatly contribute to obtaining an SLO.

The interviews and focus group discussions revealed several unfulfilled promises in the sampled communities, which highlighted the need for greater trust, transparency and equitable dialogue among all stakeholders. Failure to fulfill promises or reach mutually agreeable terms on issues such as compensation can seriously undermine relationships between a community and a company. To improve this situation, tools such as a ‘commitment register’ can be used to promote fairness and accountability. Such a register records in writing all commitments made by company officials to local communities. It is made readily available to community members at all times. Copies of the register should also be accessible to stakeholders to ensure that there is a consistent understanding on important issues. These registers can be especially important during periods of transition when management or ownership of a mine changes. Maintaining a comprehensive and transparent record of commitments undertaken by extractive companies can greatly influence the securing and maintaining of an SLO.
An investment approach to CSR programs and other local content initiatives

As illustrated by this report, employing local people, implementing CSR programs, and offering tenders to local businesses to supply mining operations are all important aspects of a company’s efforts to secure an SLO. Therefore, the management of extractive companies may usefully view these expenditures as investments to mitigate future costs, for instance, disruption to production or damage to corporate reputation if local hostility results in widespread protest and sabotage. Indeed, projects may not be able to proceed if an SLO is not secured or maintained. By viewing CSR and other local content initiatives as investments toward a SLO may elicit a different response from company management. However, any ‘investments’ in the community can only take place in partnership with the government at all levels, citizens, CSOs and other stakeholders who are able to identify and prioritize local needs and appropriate responses.

Effective handling of compensation processes

Ensuring procedural fairness in all of the dealings of mining companies with stakeholders is a critical part of acquiring and maintaining an SLO. This applies especially to compensation. In all of the sites sampled by the study, the issue of unfair compensation arose in relation to land taken for large-scale extractive projects. Therefore, each company needs to ensure that a transparent, equitable compensation process is in place with timely payments that reflect the market value of all land or property acquired by companies for mining or gas related activities. The government, through their respective agencies and departments, should impartially support the process. Compensation guidelines, informed by international best practice, will be essential to regulate the process and ensure procedural fairness.

The role of other actors

Companies must engage positively with a variety of stakeholders if they wish to obtain and retain an SLO. In particular, findings highlight the important role of government at every level in addressing issues related to securing the SLO within the petroleum or mining sectors. Through the Ministry of Energy and Minerals, the government could further support the process by putting in place guidelines that specify the roles of each administrative level with respect to the petroleum or mining sectors. For large projects that require the active support of various government institutions, an inter-ministerial committee may usefully be formed under the leadership of the Prime Minister’s Office, to address issues in a coordinated and timely fashion. Appropriate capacity would be needed. Such initiatives could improve public sector dealings with the extractive sector and certainly aid companies in promoting efficient and transparent working relations with government.
CSOs can also play an important role in facilitating engagement between communities, companies, the government and other stakeholders. The literature in relation to this issue shows that involving CSOs can help to: build the capacity for effective dialogue among all stakeholders; articulate community concerns or interests; and empower all parties to work towards local development interventions that promote socio-economic and environmental sustainability. Companies should explore ways to work more effectively with both government (at all levels) and CSOs, especially as they have the potential to foster more effective relations with different stakeholders.

6.3 Areas for Further Research
This was an exploratory study that developed and tested a general framework for obtaining a social license to operate. Given the increasing importance of the concept of SLO in Tanzania, more comprehensive investigation of each component of the framework is warranted. Some suggestions are offered below for further research.

Community engagement
Further research is required to better understand and assess the relative effectiveness of different community engagement approaches and techniques for each of the five main phases of the extraction process—exploration, development, construction, production and closure. Some of the key research issues with respect to community engagement during each phase are listed in Table 5 below.

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13 Part VIII of the Petroleum Act of 2015 (URT, 2015c) specifically directs on how the companies should engage with government and local people in the value chain of the oil and gas sector while Part VIII provides provisions for training and employment of locals, corporate social responsibility etc.
## TABLE 5: POTENTIAL COMMUNITY ENGAGEMENT ISSUES FOR EACH PHASE OF THE EXTRACTION PROCESS

<table>
<thead>
<tr>
<th>Project phase</th>
<th>Community engagement issues</th>
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<tbody>
<tr>
<td>Exploration</td>
<td>· Seeking permission for access to land&lt;br&gt;· Negotiating land use and other agreements&lt;br&gt;· Identifying and addressing cultural heritage issues&lt;br&gt;· Informing people of exploration activities and relevant timetables</td>
</tr>
<tr>
<td>Mine development</td>
<td>· Fulfilling the obligations of land use and other agreements&lt;br&gt;· Identifying cultural issues that may extend beyond exploration such as mapping exclusion zones and active protection of sites&lt;br&gt;· Providing information regarding project development particularly when it is uncertain&lt;br&gt;· Involving the community in baseline monitoring of environmental and socio-economic and cultural impacts&lt;br&gt;· Establishing consultative forums and structures (such as community liaison committees).</td>
</tr>
<tr>
<td>Construction</td>
<td>· Have companies understood and addressed community concerns about the environmental and social impacts of large-scale extractive activity&lt;br&gt;· Company responses to community expectations about employment and economic opportunities&lt;br&gt;· Liaison with near neighbours to manage amenities and site access</td>
</tr>
<tr>
<td>Production (operational) phase</td>
<td>· Whether companies are dealing with ongoing amenity and environmental issues and are addressing other matters of community concern&lt;br&gt;· Establishment of systems to ensure that the operation can respond to community concerns&lt;br&gt;· Monitoring systems to ensure that agreements are complied with and undertakings honored&lt;br&gt;· Ongoing public awareness of operations&lt;br&gt;· Participation in consultative groups and forums, and maintaining the involvement and focus of such groups</td>
</tr>
<tr>
<td>Project phase</td>
<td>Community engagement issues</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------</td>
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<tr>
<td>Site closure</td>
<td>· Involvement of external stakeholders in decisions about future land use</td>
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<td></td>
<td>· Ensuring that the community is kept informed of significant developments</td>
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<td></td>
<td>· Publicizing the timetable for site closure</td>
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<td></td>
<td>· Liaising with key agencies (such as local government, housing authorities) to minimize disruption to the community</td>
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<tr>
<td></td>
<td>· Dealing with community concerns in relation to economic and employment impacts.</td>
</tr>
<tr>
<td></td>
<td>· Site rehabilitation and remediation is also crucial</td>
</tr>
</tbody>
</table>

Local impacts and benefits
Further research can also be conducted in relation to local benefits and impacts including addressing local content\textsuperscript{14} issues. The research could address the question of how companies undertake community needs assessments and baseline studies, and, subsequently, how companies attempt to match identified socio-economic needs with interventions. Research can also consider the capacity of communities to cope with socio-economic change, for example, seeking alternative livelihoods. The incentive of companies versus government to invest in infrastructure in areas where exploration is taking place is another issue to pursue. Other potential areas of research include: i) how companies collaborate with key stakeholders to identify then support community development priorities; ii) capacity building for local businesses to provide products or services to extractive companies; iii) capacity building of local people to gain employment in the mining sites; iv) best practice for partnering and collaborating with stakeholders to meet community needs; and v) identifying viable alternatives uses for mine land and project infrastructure at the end of commercial operations.

Procedural fairness
A study on procedural fairness could concentrate on systematically analyzing what strategies companies pursue that are consistent with procedural fairness, especially in relation to issues such as compensating community members. Research may also consider the issues surrounding applied compensation rates versus the economically viable rates, i.e., going beyond legal and regulatory compliance, as well as compensation

\textsuperscript{14} Part VIII of the Petroleum Act of 2015 (URT, 2015c) defines the local content as participation of Tanzanians entrepreneurs in the supply chain of companies.
grievance and complaint mechanisms. Research could also look into how communities can participate strategically in decision-making processes of companies in regard to community investments.

**Actors’ relationships**
Research on actors’ relationships could examine the relative power dynamics between various actors in the context of extractive activities and the impacts on the process of acquiring and maintaining an SLO.
References


Pike, R. (2012). The Relevance of Social License to Operate for Mining Companies. Schroder Fund Advisors LLC, Member FINRA, SIPC 875 Third Avenue, New York, NY 10022-6225.


## Annexes

### Annex 1: Examples of Community Engagement and Community Development Activities in the Extraction Chain

<table>
<thead>
<tr>
<th>STAGE</th>
<th>COMMUNITY ENGAGEMENT ACTIVITIES</th>
<th>COMMUNITY DEVELOPMENT ACTIVITIES [Local Benefits]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration</td>
<td>Discussions and dialogue for the purposes of:</td>
<td>- Facilitating opportunities: for local people to find employment with, or provide products or services to exploration undertakings.</td>
</tr>
<tr>
<td></td>
<td>- Seeking permissions for access to land</td>
<td>- Assisting traditional owner groups to build their capacity to negotiate.</td>
</tr>
<tr>
<td></td>
<td>- Negotiating land use and other agreements</td>
<td>- Supporting or contributing to infrastructure development in areas where exploration is occurring.</td>
</tr>
<tr>
<td></td>
<td>- Identifying and addressing cultural heritage issues</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Informing people of exploration activities and timetables.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Managing expectations and addressing community concerns about:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The impacts of exploration</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Potential for future development</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Opportunities for the community if the resource is developed.</td>
<td></td>
</tr>
<tr>
<td>STAGE</td>
<td>COMMUNITY ENGAGEMENT ACTIVITIES</td>
<td>COMMUNITY DEVELOPMENT ACTIVITIES [Local Benefits]</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Project development</td>
<td>Engaging in further discussion and negotiation for the purposes of:</td>
<td>Undertaking community needs analyses and baseline studies, including understanding community capacity to cope with change, and the strength of community networks and institutions.</td>
</tr>
<tr>
<td></td>
<td>- Ongoing permission for access to land</td>
<td>In collaboration with key stakeholders, planning the company’s community development programs which may include:</td>
</tr>
<tr>
<td></td>
<td>- Fulfilling the obligations of land use and other agreements</td>
<td>- Establishing trusts and foundations to manage royalties, and/or corporate community contributions</td>
</tr>
<tr>
<td></td>
<td>- Identifying cultural issues that may extend beyond exploration such as mapping exclusion zones, active protection of sites.</td>
<td>- Supporting and/or contributing to improvements in community infrastructure (such as schools, housing)</td>
</tr>
<tr>
<td></td>
<td>- Providing information regarding project development particularly when project development is uncertain.</td>
<td>- Outreach programs for marginalized groups</td>
</tr>
<tr>
<td></td>
<td>- Involving the community in baseline monitoring of environmental and socio-economic and cultural aspects.</td>
<td>- Building the capacity of local and indigenous businesses to provide products or services to the facility</td>
</tr>
<tr>
<td></td>
<td>- Establishing consultative forums and structures (such as community liaison committees).</td>
<td>- Building the capacity of local and indigenous people to gain direct employment at the facility.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Liaising with governments about regional development planning.</td>
</tr>
<tr>
<td>STAGE</td>
<td>COMMUNITY ENGAGEMENT ACTIVITIES</td>
<td>COMMUNITY DEVELOPMENT ACTIVITIES [Local Benefits]</td>
</tr>
<tr>
<td>---------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------</td>
</tr>
</tbody>
</table>
| Construction | - Understanding and addressing community concerns about the environmental and social impacts of large-scale construction activity.  
  - Dealing with community expectations about employment and economic opportunities in the construction phase and beyond.  
  - Liaising with near neighbors to manage amenity and access issues. | - Implementing programs to help integrate employees and their families into the community.  
  - Partnering and collaborating with government and other organizations to ensure the delivery of improved services (such as childcare, education, and housing) to communities impacted by construction activity.  
  - Providing employment, training and business opportunities for local people in the construction phase and beyond. |
<table>
<thead>
<tr>
<th>STAGE</th>
<th>COMMUNITY ENGAGEMENT ACTIVITIES</th>
<th>COMMUNITY DEVELOPMENT ACTIVITIES [Local Benefits]</th>
</tr>
</thead>
</table>
| Operations| - Dealing with ongoing amenity and environmental issues and addressing other matters of community concern.  
- Establishing systems to ensure the operation can respond to community concerns and ensuring that agreements are complied with and undertakings honored.  
- Keeping people informed about what is happening at the mine (such as through open days, newsletters hotline).  
- Participating in consultative groups and forums and maintaining the involvement and focus of these groups. | - Working in collaboration with the community to allocate and distribute community development funding, in line with community needs analyses.  
- Implementing or supporting initiatives that address identified community needs.  
- Building the capacity of local organizations (such as through the provision of funding and in-kind support to volunteer and not-for-profit organizations).  
- Providing training, employment and business development opportunities for local people.  
- Partnering and collaborating with other organizations to deliver improved services for the community.  
- Supporting or funding a community visioning exercise. |
<table>
<thead>
<tr>
<th>STAGE</th>
<th>COMMUNITY ENGAGEMENT ACTIVITIES</th>
<th>COMMUNITY DEVELOPMENT ACTIVITIES [Local Benefits]</th>
</tr>
</thead>
</table>
| Planning for closure| - Involving external stakeholders in decisions about post-mine land use and beyond, preferably from early on in the life of the operation. Ensuring that the community is kept informed of significant developments and understands the timetable for closure.  
- Liaising with key agencies (such as local government, housing authorities) to minimize disruption to services and mitigate adverse community impacts.  
- Dealing with uncertainty and anxiety in the community and workforce about closure. | - Working with communities to help them define a post-mining future or providing support for the community to undertake these processes independently.  
- Identifying viable alternative uses for mine land and project infrastructure.  
- Helping to build the capacity of local people to utilize opportunities presented by mine closure.  
- Providing employment and business opportunities around closure (such as rehabilitation work and environmental monitoring).  
- Considering programs that aim to establish alternative businesses and activities that are not dependent on mining (such as tourism, agricultural projects).  
- Where appropriate, establish structures such as trusts and foundations to provide economic benefits beyond the life of the mine. |

## Annex 2: Summary of Study Participants per Site

<table>
<thead>
<tr>
<th>Level</th>
<th>Type of Respondent</th>
<th>Region/District</th>
<th>Total</th>
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<tr>
<td>Companies</td>
<td>Representatives from Companies</td>
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<tr>
<td>Regional Level</td>
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<td>Mtwara</td>
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<td>Lindi</td>
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<td>RC’s Office</td>
<td>Shinyanga</td>
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<tr>
<td></td>
<td>RC’s Office</td>
<td>Mara</td>
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<td>Mtwara</td>
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<td></td>
<td>DED’s Office</td>
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<tr>
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<td>Mwendakulima Village</td>
<td>Kahama TC</td>
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<tr>
<td>Level</td>
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<td>Region/District</td>
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<tr>
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<td>-------------------------------------</td>
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<td>Community members</td>
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<td>Madimba Village (Females)</td>
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<td>Mwadui-Nyenze (Mixed)</td>
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<td>Mwime Village (Mixed)</td>
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<td>Kakola No. 9/Bulyanhulu (Mixed)</td>
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<td>Katoma Street (Mixed)</td>
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<td>Compound Street (Mixed)</td>
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<td>Nyangoto Village (Mixed)</td>
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<td>Kewanja Village (Mixed)</td>
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<tr>
<td><strong>Total</strong></td>
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</tr>
</tbody>
</table>
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