

# Board decision on the Validation of Tanzania

Decision reference: 2017-53/BM-38

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## The Board's decision

The Board came to the following decision regarding Tanzania's status:

The Board agrees that Tanzania has made meaningful progress overall in implementing the 2016 EITI Standard. The Board's determination of Tanzania's progress with the EITI's Requirements is outlined in the assessment card below.

The EITI Board agreed that Tanzania has made satisfactory progress in meeting the requirements in the EITI Standard on Requirements 1.2, 1.3, 2.1, 3.1, 4.7, 4.8, 4.9 and 7.4. The Board further agreed that Tanzania has made meaningful progress in meeting requirements 1.1, 1.4, 1.5, 2.4, 2.6, 3.2, 3.3, 4.1, 4.6, 6.3, 7.1 and 7.3, inadequate progress in meeting requirements 2.2, 2.3, 4.5, and 5.1, and no progress in meeting requirements 4.4 and 6.2. The areas of concern relate to government engagement (requirements 1.1), multi-stakeholder group governance (1.4), EITI work plan (1.5), license allocations and register (2.2 and 2.3), the government's policy on contract disclosure (2.4), state participation (2.6), production and export data (3.2 and 3.3), comprehensiveness of revenue disclosures (4.1), transportation revenues (4.4), state-owned enterprises transactions (4.5), direct subnational payments (4.6), revenue management and expenditures (5.1), quasi-fiscal expenditures by state-owned enterprises (6.2) economic contribution (6.3), public debate (7.1) and follow-up on recommendations (7.3).

Accordingly, the EITI Board agreed that Tanzania will need to take corrective actions outlined below. Progress with the corrective actions will be assessed in a second Validation commencing on **25 April 2019**. Failure to achieve meaningful progress with considerable improvements across several individual requirements in the second Validation will result in suspension in accordance with the EITI Standard. In accordance with the EITI Standard, Tanzania's multi-stakeholder group may request an extension of this timeframe, or request that Validation commences earlier than scheduled.

The Board's decision followed a Validation that commenced on 1 January 2017. In accordance with the 2016 EITI Standard, an initial assessment was undertaken by the International Secretariat. The findings were reviewed by an Independent Validator, who submitted a draft Validation report to the MSG for comment. The MSG's comments on the report were taken into consideration by the independent Validator in finalising the Validation report and the independent Validator responded to the MSG's comments. The final decision was taken by the EITI Board.

## Background

Tanzania committed to implementing the EITI in 2008 and was accepted as a candidate country in February 2009. A multi-stakeholder group was formed in late 2009 to oversee EITI implementation. The country became compliant with the then EITI Rules in December 2012.

The Validation process commenced on 1 January 2017. In accordance with the Validation procedures, an [initial assessment](#) was prepared by the International Secretariat. The Independent Validator reviewed the findings and wrote a [draft Validation report](#). [Comments](#) were received from the MSG. The Independent Validator reviewed the comments and responded to the MSG, before finalising the [Validation report](#).

The Validation Committee reviewed the case on 20 September 2017. Based on the findings above, the Validation Committee agreed to recommend the assessment card and corrective actions outlined below.

The Committee also agreed to recommend an overall assessment of “meaningful progress” in implementing the 2016 EITI Standard. Requirement 8.3.c. of the EITI Standard states that:

ii. Overall assessments. Pursuant to the Validation Process, the EITI Board will make an assessment of overall compliance with all requirements in the EITI Standard.

...

iv. **Meaningful progress.** The country will be considered an EITI candidate and requested to undertake corrective actions until the second Validation.

The Validation Committee agreed to recommend a period of 18 months to undertake the corrective actions. This recommendation takes into account that the challenges identified are relatively significant and seeks to align the Validation deadline with the deadline for the 2017 EITI Report.

## Scorecard

EITI Requirements		Level of Progress					
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond	
MSG oversight	Government engagement (#1.1) 			■			
	Industry engagement (#1.2) 				■		
	Civil society engagement (#1.3) 				■		
	MSG governance (#1.4) 			■			
	Workplan (#1.5) 			■			
Licenses and contracts	Legal framework (#2.1) 				■		
	License allocations (#2.2) 		■				
	License register (#2.3) 		■				
	Policy on contract disclosure (#2.4) 			■			
	Beneficial ownership (#2.5) 		■				
	State participation (#2.6) 				■		
Monitoring production	Exploration data (#3.1) 				■		
	Production data (#3.2) 			■			
	Export data (#3.3) 			■			

EITI Requirements		Level of Progress				
Categories	Requirements	No Progress	Inadequate	Meaningful	Satisfactory	Beyond
Revenue collection	Comprehensiveness (#4.1)					
	In-kind revenues (#4.2)					
	Barter agreements (#4.3)					
	Transportation revenues (#4.4)					
	SOE transactions (#4.5)					
	Direct subnational payments (#4.6)					
	Disaggregation (#4.7)					
	Data timeliness (#4.8)					
	Data quality (#4.9)					
Revenue allocation	Distribution of revenues (#5.1)					
	Subnational transfers (#5.2)					
	Revenue management and expenditures (#5.3)					
Socio-economic contribution	Mandatory social expenditures (#6.1)					
	SOE quasi-fiscal expenditures (#6.2)					
	Economic contribution (#6.3)					
Outcomes and impact	Public debate (#7.1)					
	Data accessibility (#7.2)					
	Follow up on recommendations (#7.3)					
	Outcomes and impact of implementation (#7.4)					
Overall Progress						

**No progress.** All or nearly all aspects of the requirement remain outstanding and the broader objective of the requirement is not fulfilled.

**Inadequate progress.** Significant aspects of the requirement have not been implemented and the broader objective of the requirement is far from fulfilled.

**Meaningful progress.** Significant aspects of the requirement have been implemented and the broader objective of the requirement is being fulfilled.

**Satisfactory progress.** All aspects of the requirement have been implemented and the broader objective of the requirement has been fulfilled.

**Beyond.** The country has gone beyond the requirements.

This requirement is only encouraged or recommended and should not be taken into account in assessing compliance.

The MSG has demonstrated that this requirement is not applicable in the country.

## Corrective actions

The EITI Board agreed the following corrective actions to be undertaken by Tanzania. Progress in addressing these corrective actions will be assessed in a second Validation commencing on **25 April 2019**:

1. In accordance with requirement 1.1, the government should demonstrate that it is fully, actively and effectively engaged in the EITI process. The government should demonstrate its commitment to the EITI by appointing a government lead to chair the process, publicly restate its commitment to extractives transparency, and ensure that senior government officials are represented and engaged in the multi-stakeholder group. The government should also ensure that links are made between Tanzania EITI's objectives and ongoing work within their respective agencies. In accordance with requirement 8.3.c.i, the government is requested to develop and disclose an action plan for addressing the deficiencies in government engagement documented in the initial assessment and validator's report within three months of the Board's decision, i.e. by **25 January 2018**. It is recommended that the regulations supporting the TEITA Act are developed and promulgated to demonstrate government commitment and ensure clarification of the terms of engagement for government and other key stakeholders in the EITI process.
2. In accordance with requirement 1.4.a.ii, the MSG should ensure that its procedures for nominating and changing multi-stakeholder group representatives are public and confirm the right of each stakeholder group to appoint its own representatives. In accordance with requirement 1.4.b.ii and 1.4.b.iii, the MSG should ensure that stakeholders are adequately represented. In accordance with requirement 1.4.b.vi, the MSG should ensure an inclusive decision-making process throughout implementation, particularly as concerns industry and civil society. The MSG should develop TORs for its work, with input from all constituencies represented on the MSG, which clearly outline the role and responsibilities of the MSG in their oversight of the EITI process. Each constituency should ensure that their representatives' attendance at MSG meetings is consistent and at sufficiently high level to allow the MSG to take decisions and follow up on agreed matters.
3. In accordance with requirement 1.5, the MSG should adopt a regular cycle of operational workplans and, with input from stakeholders, ensure that their work plans include objectives and outcomes that are clearly linked to the national priorities for the extractive sector.
4. In accordance with requirement 2.2, Tanzania should disclose a description of the process for awarding licenses, including an overview of petroleum or mining licences awarded or transferred during the reporting period, information on the technical and financial criteria for

awarding licenses, and any non-trivial deviations from the applicable legal and regulatory framework for awarding licenses. Should any of this information already be available, the MSG should consider providing direct references to the relevant sources. The MSG may also wish to include commentary on the efficiency and effectiveness of licensing procedures, and could consider tasking the Independent Administrator to provide an evaluation of the licensing process and make recommendations for its improvement.

5. In accordance with requirement 2.3, Tanzania should further ensure that information on awarded oil and gas licenses is disclosed, including name of license holder(s), date of application, date of award and duration of the license, and the commodity being produced. The MSG should also ensure that license coordinates are included in the mining license cadastre, if collated. If coordinates are not collated, the government should ensure that the size and location of the license area are disclosed. The government could consider establishing a public petroleum cadastre.
6. In accordance with requirement 2.4, the government should ensure that its policy on contract disclosure is clearly disclosed, as well as actual practice. This should include reference to the relevant provisions in the TEITA Act and progress made in implementing these.
7. In accordance with requirement 2.6.a, Tanzania should provide an explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs) in both the petroleum and the mining sector. This should include an explanation of the rules and practices governing transfers of funds between the SOEs Tanzania Petroleum Development Corporation (TPDC) and State Mining Corporation (STAMICO) and the state, retained earnings, reinvestment and third-party financing. The rules and practices governing TPDC's role as conduit of company payments to government should be disclosed and supported by payment figures where applicable. Tanzania should also confirm whether any loans or loan guarantees have been granted from the government/SOEs to companies operating in the country during the fiscal year covered by the EITI Report, and make information on this publicly available.
8. The government should also, in accordance with requirement 2.6.b, ensure annual disclosure on the level of ownership held by the government and SOEs in mining, oil and gas companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership. This information should include details regarding the terms attached to their equity stake, including their level of responsibility to cover expenses at various phases of the project cycle, e.g., full-paid equity, free equity, carried interest. The government should also provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies operating in the country.
9. In accordance with requirements 3.2 and 3.3, Tanzania must disclose production and export data for the period covered in by the EITI Report. The MSG should seek to improve the consistency and comprehensiveness of production and export data in volume and value terms across the extractive sector, and to ensure that the value of gas production as well as data on export values are disclosed.
10. To ensure that the revenue and payment disclosures are comprehensive in accordance with requirement 4.1, Tanzania and the MSG should ensure that EITI reporting covers material

payments from the sector including revenues collected by SOEs, revenues from transportation of oil, gas and minerals, and direct sub-national payments from oil, gas and mining companies.

11. In accordance with requirement 4.4, the government should ensure that material revenues collected by the government and SOEs from the transportation of oil, gas and minerals are disclosed. The MSG should investigate and document in the EITI Reports whether the government or SOEs receive revenues from the transportation of oil, gas and minerals, and if this is the case, determine whether these are deemed material.
12. In accordance with requirement 4.5, the MSG must ensure that the reporting process comprehensively addresses the role of SOEs, including material payments to SOEs from extractives companies, and transfers between SOEs and other government agencies. The MSG should ensure that transactions related to SOEs operating in the oil, gas and mining sector, in particular TPDC, are adequately disclosed. This should include revenues that TPDC pass on to the Ministry of Energy and Minerals after deducting its costs.
13. In accordance with requirement 5.1.a, the MSG should ensure that the EITI Report adequately explains how extractive sector revenue is distributed beyond the first receiving government entity. The MSG could also consider to initiate a discussion of extractive sector revenue in a broader budgetary context, including requesting more detailed information on the management of extractive sector revenue and related expenditures to be included in the EITI Reports. The MSG may further wish to refer to revenue classification systems in the reports.
14. In accordance with requirement 6.2, the MSG should consider the existence and materiality of any quasi-fiscal expenditures undertaken by extractives SOEs and their subsidiaries, ensuring that all material quasi-fiscal expenditures are disclosed in future EITI reporting. The MSG should in particular seek to shed more light on the operations of TPDC, distinguishing clearly between its public functions and its operations on own account. This should include considering whether there are any material quasi-fiscal expenditures by TPDC in accordance with provision 6.2, and develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams.
15. In accordance with requirements 6.3, the MSG should expand on the contribution of the extractive sector to the economy and ensure that contribution of the extractive sector to GDP in absolute terms (6.3.a), and the percentage share of total government revenue (6.3.b), exports (6.3.c) and employment (6.3.d) is disclosed for the year(s) under review. This could also include providing direct links to further data on extractive sector contribution to the economy.
16. In accordance with requirement 7.1, the MSG should seek to raise greater public awareness of the EITI and understanding of what the data disclosed under EITI reporting mean, to create public debate about how resource revenues can be used effectively. This could be done through more strategic engagement with the media, concerted efforts to disseminate information to affected communities, and wider outreach efforts beyond the EITI launch of the EITI Report. The government and the MSG should discuss the role the EITI could play in achieving national priorities and how it can generate public debate around natural resource use.
17. In accordance with requirement 7.3, the MSG is required to take steps to act upon lessons

learnt; to identify, investigate and address the causes of any discrepancies; and to consider the recommendations resulting from EITI reporting. The MSG could consider a more systematic follow-up by the MSG on the EITI Report recommendations and ensuring that these highlight gaps identified through the reporting process to help ensure that the EITI could serve as a tool for improved extractive sector governance.

The MSG is encouraged to consider the other recommendations in the Validator's Report and the International Secretariat's initial assessment, and to document the MSG's responses to these recommendations in the next annual progress report.

## News

### **The EITI Board recognises Tanzania's efforts to implement extractives transparency**

*Tanzania Extractive Industries Transparency Act (TEITA) 2015 mandates revenue and contract disclosures.*

**25 October 2017** -The EITI Board today recognised Tanzania's meaningful progress in implementing the 2016 EITI Standard.

*The Board affirmed Tanzania's efforts to institutionalise extractive sector transparency by adopting the Tanzania Extractive Industries Transparency Act (TEITA) 2015, mandating revenue and contract disclosures. The Validation has demonstrated that "the EITI process has provided useful information to the public domain, and that there are further opportunities for the EITI to contribute to the government's reform agenda."*

*In the Validation report, the Board "further highlighted the potential for the EITI to contribute to informing and communicating the outcomes of sector reforms Tanzania."*

## Recommendations

In reference to Tanzania's validation, Fredrik Reinfeldt, Chair of the EITI, said:

*"Validation has shone a light on the need for more comprehensive disclosures about production and export data and the management of revenues from the extractive industries. It has identified gaps in available information on some of the state-owned enterprises in the petroleum and mining sectors and the revenues that accrue from those activities to the state budget."*

The Board highlights Tanzania's achievement of satisfactory progress on eight requirements of the EITI Standard. These requirements are engagement of industry and civil society, legal and fiscal framework, exploration data, disaggregation, timeliness, and documenting outcomes and impact of implementation.

## Scorecard

## Notes

- [Validation](#) is the EITI's independent evaluation mechanism. It assesses countries against progress made in meeting the 2016 Standard.
- The **Board decision** in full, including corrective actions and impact of the EITI in the country, can be found here: [eiti.org/validation/tanzania/2017](http://eiti.org/validation/tanzania/2017)
- The reports giving an extensive review of Tanzania's extractive sector can be found [here](#).
- The Board has taken decisions on the status of Tanzania on 25 October 2017: [eiti.org/document/validation-schedule-decisions](http://eiti.org/document/validation-schedule-decisions)
- See here for a [full explanation of the various levels of progress under the EITI Standard](#).
- See the full 2017 validation page for Tanzania [here](#).
- See [here](#) for a full explanation of the various levels of progress under the EITI Standard.
- For further information about the EITI in Tanzania, please visit the [country page](#) on the EITI website and Tanzania's [own EITI website](#).