

**SPEECH BY HONOURABLE MIZENGO P. PINDA (MP), PRIME MINISTER OF THE UNITED REPUBLIC OF TANZANIA DURING THE OFFICIAL OPENING OF THE ROUNDTABLE DISCUSSIONS ON "MANAGING NATURAL RESOURCES TO ENSURE PROSPERITY IN AFRICA" AT THE HYATT REGENCY HOTEL, DAR ES SALAAM, 28<sup>TH</sup> FEBRUARY 2012**

*Professor Joseph Semboja, Chief Executive Officer (CEO), Uongozi Institute;*

*Mr. Peniel M. Lyimo, Acting Chief Secretary;*

*Your Excellency Sinikka Antila, Ambassador of Finland to Tanzania;*

*Honourable Members of Parliament;*

*Excellencies Ambassadors, High Commissioners and Other Members of the Diplomatic Corps present here;*

*Permanent Secretaries;*

*Professor Paul Collier, Guest Speaker;*

*Distinguished Participants;*

*Ladies and Gentlemen.*

## **INTRODUCTION**

I am greatly honoured to preside the opening ceremony of the Roundtable Discussions on **'Managing Natural Resources to Ensure Prosperity in Africa'** organised by the Institute of African Leadership for Sustainable Development – commonly known as *Uongozi* Institute. It is important to mention at this point in time that, natural resources include both non-renewable natural resources (such as timber and non-timber forest products, sea food, oil, gas and minerals) and renewable natural resources.

I commend the leadership and the entire management team of the Institute for this timely initiative. I consider it as a timely initiative as all African countries are struggling to use their natural resources to untie their people from the poverty traps.

In order to understand broadly the importance of natural resources in economic growth and nation prosperity, one has to look at it from the historical point of view – that is, from the times of colonialism to the globalisation era. Most African countries were colonised mainly for the simple reason of being the sources of natural resources.

Globalisation has perpetuated the transfer of natural resources from African continent to the developed countries. Unfortunately, this transfer has not benefited both parties fairly. Instead, African countries have been the net exporters of natural resources at very low prices while importing finished products at very high prices. This justifies the assertion that ***African continent produces what it does not consume and consumes what it does not produce.***

It is therefore, my humble request that during your discussions you will from time to time look at the issue under discussion from the historical perspective in order to draw the right recommendations and conclusions.

## **THE IMPORTANCE OF GOOD LEADERSHIP IN THE ECONOMIC DEVELOPMENT**

### **Distinguished Participant;**

This roundtable discussion has been organised by the Institute of African Leadership for Sustainable Development which has a core objective of addressing issues of leadership and management for public servants toward meeting head-on prevailing social and economic challenges which can be overwhelming. In Tanzania, the importance of good leadership in development goes the way back to 1960s. It was on the 5<sup>th</sup> of February 1967 during the initiation of the Arusha Declaration that the late Mwalimu Julius Nyerere said and I quote:

***"The development of a country is brought about by people, not money. Money, and the wealth it represents, is the result and not the basis of development. The four prerequisites of development are different; they are people; land; good policies and good leadership".***

End of quote.

I will only address two elements: **one is Land which is the holder of all Natural Resources we are discussing here today; and two is Good Leadership which is the core concern of the Institute of African Leadership for Sustainable Development.** Unfortunately again, the African Leaders have not been able to use the available abundant resources in their respective countries for the prosperity of their people and Nations at large. The onus is thus on the Institute to live up to its core function of developing leaders and managers who will address the current and emerging challenges of economic, social, and political development.

## **RENOWNED RESEARCHERS ON THE NATURAL RESOURCE BOOMS**

### **Ladies and Gentlemen;**

Natural Resources are major sources of livelihood for individuals, communities and Governments in many African countries. I understand that, African countries share a common desire for managing our natural resource base to bring prosperity to the current and future generations. This requires, among others, what the late Mwalimu said: **Committed People, Sound or Good Policies and Good Leadership** to ensure that equitable and sustainable results are achieved from the use of these resources. We are here today to exchange best practices, to learn from each other and to share experiences on the effective management and the efficient use of natural resources to ensure prosperity of various countries in Africa and how Tanzania can use such experiences to harness economic growth and nation prosperity. Professor Paul Collier has written a number books but of interest to me and this roundtable is the book titled: "*The Bottom Billion – Why the Poorest Countries Are Failing and What Can Be Done About It*". In Chapter 2 of this book; Professor has written about "Traps" and in Chapter 3, he has focussed on "Natural

Resources Trap". In this Chapter, in the very first sentences, Professor Collier says, and I quote:

**"A much more paradoxical trap has been the discovery of valuable natural resources in the context of poverty'. You would hope that the discovery of natural resources wealth would be a catalyst to prosperity, and sometimes it is. But these are the exceptions. Sometimes resources wealth has contributed to the conflict trap.** End of quote.

Indeed, the analysis of Professor Collier goes hand in hand with what has always been said that the discovery of natural resources in most African countries has turned to be a curse rather than a blessing. It has fuelled conflicts and unending wars rather than prosperity, eradication of poverty and the achievement of sustainable development. It's my hope that this roundtable discussion shall come up with recommendations that would help the leadership of the African countries address this quagmire and paradox.

### **Ladies and Gentlemen;**

We are privileged to have with us today Professor Paul Collier whose book I have just mentioned above as our Guest Speaker. Professor Paul Collier is a world renowned Economist; Professor of Economics and Director of the Centre for Study of African Economies at the Oxford University in the UK.

As I said earlier, Professor Collier has published cutting-edge researches on a broad range of issues pertinent to economic development. In particular, he has researched extensively on natural resources booms and their impact on the economies. He has advised numerous Governments and international organisations on this issue. **Prof. Paul Collier, thank you for agreeing to be here with us to share your knowledge on managing natural resources.** We are all proud of your presence here and we will all benefit immensely from your knowledge and experiences on the topic under discussion. Professor, on behalf of the Government of the United Republic of Tanzania, I cordially welcome you to Tanzania and feel at home. I wish you a pleasant stay which will leave you with unfading memories about Tanzania.

## **MANAGING THE NATURAL RESOURCES FOR SUSTAINABLE PROSPERITY**

### **Distinguished Participants;**

Today's theme: **"Managing Natural Resources to Ensure Prosperity"** is a typical example of the challenges leaders in Africa encounter in the daily discharge of their responsibilities. In the management and utilisation of natural resources, it has remained a relentless challenge to balance between production, consumption and conservation despite the fact that it is an important factor in achieving sustainable the development of our economies.

Most of, if not all the time, countries particularly the developing ones have focused on the use of natural resources for **economic and social benefits and ignore the conservation part.** This is to say the least unfortunate! It was not until 1992, during the United Nations Conference on Environment and Development that the 'protection of environment' took its proper seat in the process of development. It was during the Environment Conference; the United Nations adopted the words 'Sustainable Development'

built in three pillars: economic development, social development and environmental protection.

The Agenda 21, the Rio Declaration on Environment and Development, the Statement of Principles for the Sustainable Management of Forests and the World Summit on Sustainable Development clearly outlined the three pillars of sustainable development as named above.

However, given the levels of poverty in developing countries particularly in Africa, striking an acceptable balance between economic, social and environmental concerns remains a daunting task for any nation.

In addition, there are inevitable trade-offs when addressing the requirements of the current and future generations. There can also be differing needs and perceptions within national, regional and international contexts. Therefore, it is important that there are opportunities such as this, to meet and share ideas so that leaders may understand the perspectives of others and collaborate to achieve national goals for sustainable development. While the Institute has a core function of developing leadership and management skills, it should not forget the last part of its title which is 'sustainable development'.

## **IMPORTANCE OF NATURAL RESOURCES TO THE LIVELIHOOD IN AFRICA**

### **Ladies and Gentlemen;**

In Africa, natural resources are fundamental to livelihood. Statistics show that the continent's natural resources are of World significance. As I said earlier on, these include goods produced from renewable natural resources such as **timber and non-timber forest products and seafood** and there are also, those produced from **non-renewable natural resources such as oil, gas and minerals**. It is a paradox that a continent such as Africa which is so well endowed with uncountable and immeasurable natural resources continues to suffer such extreme poverty.

In my view, the absence of appropriate and effectively leadership and management institutions and clear frameworks have impeded the positive and profitable exploitation of African resources. How we manage our natural resources and the associated revenues has profound impact on the future course of our economies and the prosperity of Africans.

### **Ladies and Gentlemen;**

I have been informed that, today's roundtable discussions will mainly focus on **non-renewable resources which include oil, gas and minerals**, which are finite and unevenly distributed. The wealth that they generate is transient as well as vulnerable to rent-seeking. In addition, their exploitation is often **capital-intensive rather than labour-intensive and can create enclave economies that have few or no links with the wider national economy**. These characteristics generate daunting policy challenges which are difficult to overcome. Since the roundtable discussion is being held in Tanzania it is indeed appropriate for us to use the case of mining in elaborating on this topical subject matter.

One of the major challenges of broad-based development in the context of non-renewable resources is the integration into the national and regional economic fabric. We should ask ourselves: **what can be done to open out the enclave nature of African non-renewable resources?** I believe that the way forward is to strengthen linkages between the mines and the immediate economy.

### **Ladies and Gentlemen;**

The largest and most significant form of linkage in my view is related to supply contracts i.e. the **purchase of goods and services to serve the mining industry**. Mining has operational and non-operational requirements which provide opportunities for the local supply of goods and services. These include provision for extraction, energy, transportation, catering and health. Experience elsewhere has shown that if well established the contribution of such **goods and services aggregate to higher value than the payments of royalties and taxes**. An interesting feature of these services is that, while established to service the mines, they eventually grow to serve other industrial activities and are likely to live beyond the life of the mine.

The second linkage is related to processing and production of final products. This is probably the least developed linkage due to lack of technology, equipments, as well as strong research and industrial base in the continent. As a result, the mining industry in Africa is characterised by extraction and shipping of bulk and raw minerals to overseas for processing, finishing and marketing. In this context, the continent is losing huge revenues and employment opportunities and thus perpetuating the dependency and aid syndrome.

### **Ladies and Gentlemen;**

The point I am making here is that, lack of linkages is not an inherent characteristic of the mining industry. Rather the problem is that, these linkages are predominantly with overseas enterprises. This is what makes mining an enclave activity in Africa. Crucially, this is the major reason why mining does not contribute sufficiently to local economies and development in Africa but rather this industry continues to benefit the haves.

Tackling the problem of linkages entails recognising the constraints of the local economy and then consciously developing policies, strategies and programmes that respond to the local context. For example, it may be the case that due to lack of appropriate **laboratories and expertise**, 'soil' must be shipped overseas to determine the presence and quality mineral or; **due to limited local capacity**, contracts for the supply of basic goods and services must be made with outside suppliers. It could also be the case that, even if local capacity exists, highly demanding central procurement procedures and prohibitive quality requirements by international mining companies prevent small and infant local companies from winning service tenders.

Clearly this is the reasons why Africa's mining industry has limited linkages with internal economies. Unfortunately, until now our pre-occupation with the equally important issues of taxation and royalty due to their direct fiscal benefits have diverted us from paying enough attention to the more important and beneficial issues such as those I have mentioned above.

### **Ladies and Gentlemen;**

The management of non-renewable natural resources in Africa faces two more challenges which, I suggest, need the attention of this meeting. Mining has often resulted in the loss of physical and non-physical assets, including homes, communities, productive land, and income-earning assets. Also we witness loss of cultural sites, social structures, networks and ties, cultural identity and mutual help mechanisms. In the end the affected are likely to face jobless, homeless, marginalization and food insecurity, loss of common lands as well as resources. There are issues of increased health risks and social dissatisfaction. The disruption of formal educational activities and the loss of civil and human rights are also

part of the effects. Failure to mitigate or avoid these risks may generate **"new poverty,"** as opposed to the **"old poverty"** that people suffered before displacement. Certain groups - especially the elderly and women - may be more disadvantaged to displacement-induced and impoverishment risks than others. It is important therefore to think about what should be done to avoid dumping **"new poverty"** in the tailings of investments in the mining sector.

Mining can also have serious environmental impacts. These include erosion, formation of sinkholes, loss of biodiversity, and contamination of soil, groundwater as well as surface water by chemicals from mining processes. If not managed well, any of these could adversely affect the health and livelihood of the people living near mining operations. It is critical to mitigate such risks and engage relevant Communities and Groups through information and education. It is also necessary while using the legal and regulatory frameworks, as well as direct agreements with the mining companies, to establish appropriate environmental safeguards as well as acceptable work conditions. Key to mitigating environmental risks is setting and monitoring appropriate standards.

## **GOOD GOVERNANCE IN THE MANAGEMENT OF NATURAL RESOURCES**

### **Ladies and Gentlemen;**

I have dwelt broadly with areas of natural resources including **timber and forestry production, oil, gas and minerals** but I am sure there are others which warrant the attention of this meeting. The issues are complex and interconnected and the solutions are not so straight forward. My view is that, we have not made enough diagnosis on these issues; instead we have tended to rush into blanket explanations and solutions such as Governance.

I agree that in order to harness the full potential of its mineral resources, African countries must strengthen their Governance systems and structures. This includes, putting in place appropriate legal, regulatory and contractual frameworks, transparency of contract awards, and well defined institutional responsibilities. We need also to involve all stakeholders at all stages, including the affected communities, and capacity to monitor and enforce regulatory requirements. I also agree that, as a result of the weak bureaucratic capacity in Africa, we have sometimes seen the mining industry not being adequately regulated. Essential analyses not being undertaken and proposals accepted without sufficient understanding of their implications.

### **Ladies and Gentlemen;**

Clearly Good Governance and adequate bureaucratic capacity are essential but not panacea factors for effective management of natural resources and use of the revenues thereafter. I believe that, if properly managed, the current high prices for commodities offer an opportunity for natural resource-rich countries in Africa to transform their economies and thereby eradicating poverty and achieving sustainable development. In addition however, it is my view that the mining industry needs to be integrated with the local economy if more significant and broadly shared tangible benefits are to be realised. It is my sincere hope that, this meeting will deliberate on these issues and come up with practical recommendations and proposals to the African Governments for permanent solutions to the existing and emerging problems.

### **Ladies and Gentlemen,**

Admittedly, I have been lopsided as I have mainly focused my attention and remarks on **non-renewable natural resources**. I did it deliberately as I strongly feel that soon or later the African continent will only be left with negative impacts associated with the extraction of those resources and the benefits will be elsewhere.

At the end of these Roundtable Discussions, the African continent must be shown the way to exist in this unevenly use and benefit from its natural resources. There must be a way of a fair deal; a win-win situation. However, we all know that, non-renewable natural resources are not the only important resources to Africa.

Indeed, more African countries South of the Sahara depend largely also on renewable natural resources for their livelihood than on non-renewable natural resources. As we contemplate about it, there must be significant overlap on issues those which I discussed which are likely to be relevant also for renewable natural resources. In the future, we may also wish to discuss renewable natural resources as the speed of its depletion in African continent is as high as on the non-renewable natural resources.

## **TANZANIA AND NATURAL RESOURCES**

### **Ladies and Gentlemen;**

I have spoken generally on the leadership and management of natural resources in Africa for sustainable development. Tanzania is one of African countries that is also endowed with various non-renewable natural resources as well as renewable resources. Allow me to say a few words about Tanzania and its natural resources. For a long time, there had been the discoveries of minerals and gemstones in this country. Recently, there have been discoveries of huge deposits of gas. Despite these discoveries, exploration on off shore and deep sea are underway and prospects are encouraging. Tanzania has also discovered the deposits of Uranium.

It is in this regard that local, regional and international media have put Tanzania on the higher profiles among countries with abundant non-renewable natural resources worldwide.

As I pointed out earlier on, African countries are facing problems of lack of modern technology and equipment as well as lack of financial and human capacity. Tanzania is also facing the same problems. Tanzania has seen these problems and is working to address them with the help of those who have technologies, equipment and capacities. A dialogue like this one, where we exchange best practices, share knowledge and experiences and learn from each other is the right platform to help us on those bottlenecks.

It is my humble view that African countries, Tanzania in particular will not benefit from its natural resources if we continue to depend on external sources of technology, capital, equipments and expertise.

The discussions here today should show us the possible ways to train our own people to take charge of our resources. We must be able to use our local investors on those areas; and if not possible joint ventures are necessary pre-requisites if we are to benefit from our own resources. Short of these, Tanzania will also fall in the trap of **natural resources curse**.

The natural resources curse has affected most African countries that have discovered oil, gas, gold and diamond, to name a few. I do not need to mention such countries here but

we all know the discoveries of natural resources in Africa has ignited unending interstate and intrastate conflicts and wars. We have lost huge incomes in Africa not to mention the lives of innocent citizens, particularly children, women and people with disabilities.

Tanzania is ready and prepared to work with any development partner, private sector, international institutions as well as individuals to ensure that we develop our own capacities in different areas of extraction, processing and selling of the natural resources. It is only through this that the resources will benefit our people and the country as a whole.

**Excellencies, Distinguished Participants, Ladies and Gentlemen;**

Let me conclude by assuring you that the Government of the United Republic of Tanzania will work on all the recommendations and proposals which will emanate from this Roundtable Discussions.

I now have the honour to declare that, the Roundtable Discussions on '**Managing Natural Resources to Ensure Prosperity in Africa**' the first of this time, is officially open.

**I thank you very much for your attention.**