

# ESRF POLICY BRIEF

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## The Role of Regional Administration and Local Government in Influencing Inclusive Growth Strategies: The Case of Mtwara Region

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### INTRODUCTION

#### Profile of the growth potential of Mtwara region

Mtwara Region is poised to become the next high growth Zone of Tanzania, based on the exploitation of world class proven reserves of industrial minerals and hydrocarbon resources, respectively in the Southern regions of Tanzania and offshore the coast of Mtwara in the Indian Ocean.

The prime drivers of the anticipated high growth rates will be, first and foremost, the substantial Foreign Direct Investment (FDI) flows in the upstream and the downstream activities of hydrocarbon resources exploitation (specifically natural gas extraction and linked petrochemical industrial platform), as well as the associated material suppliers, engineering services and logistics support providers. Currently, there are more than six oil and gas exploration companies which are active onshore and offshore the coast of Mtwara Region.

The second major catalyst and growth driver for Mtwara Region will be the implementation of Mtwa Development Corridor (MtDC) anchor projects of Mchuchuma Coal mine and the linked thermal power generation, as well as the Liganga iron and steel complex.

#### Resources, Funder and Cost Implications

Implementation of this proposal mega project is already under way in a US \$ 3 billion deal signed between Sichuan Group ("SICHUAN") of the Peoples' Republic of China and the National Development Corporation (NDC) of the United Repub-

lic of Tanzania. Implementation of the MtDC anchor projects will entail the construction of a railway line which will terminate at Mtwara Point in order to facilitate the export of base metal products. Construction of the proposed 850 kilometer railway line as well as Mtwara Port expansion and, upgrade to facilitate the export of products, from the Mchuchuma and Liganga Projects, will unlock the potential of other major industrial mineral exploitation projects within the Mtwara Development Corridor and particularly the proposed Malawi – Tanzania Industrial Development Cluster (MTIDC) Project. The MTIDC is a SADC

Regional Special Development Initiative Programme (RSDIP) with the Department of Trade and Industry (DTI) of South Africa being the major funder posits at Makanjira in Malawi and the Coal resources of Ngana (Malawi) and Kiwira, Mchuchuma and Ngaka (Tanzania).

### Employment Opportunities

The project is expected to create 5,000 permanent jobs in Mtwara, and initiate downstream related manufacturing industries such as the production of roofing tiles and gypsum wall-partition boards. The project will export clinker and, more significantly, remove the necessity for other cement factories in the country to import clinker. The empirical lessons of the recent rapid but uncontrolled development of Dar es Salaam City concomitant with steady growth of the economy at rates over 6% year-on-year since year 2000, clearly indicate and underscore the imperative to have and to enforce good land use plan, land allocation and land management with environment sustainability. The Regional Administrative Authorities will provide leadership in a Public Private Partnership to plan the land use and urban development of Mtwara. The PPP in planning will involve Estate Developers (*to build*) Development Banks (*to finance infrastructure development*), utility service companies, Local Government Authorities and other potential uses/tenants/developers.

### Growth of the mining industry in the Lake Victoria zone

Tanzania is currently the third gold producing country in Africa, and poised to take the second place after South Africa following new discoveries. Major operating mines are located in the regions around Lake Victoria (*Mwanza, Mara, Shinyanga and Tabora*), and more discoveries

have been announced in the same "Lake Zone". Tanzania started to attract major investments in the mining industry in the late 1990s when an open and liberal mining policy was adopted, complemented with a very generous fiscal regime. The mining sector in Tanzania became the fast-track growing sector of the economy, registering double-digit year – on – year growth. Current total investments levels in the mining sector in Tanzania exceed one billion United States Dollars, and annual gold exports exceed the billion dollar mark.

However, this evident impressive high growth of the mining industry has not had significant redistributive direct, indirect or induced positive impact to the local economy, save for significantly improving the balance of payments for the country. Unlike South Africa or Zimbabwe, Tanzania lacked both the skills base from a tradition of several generations of miners, as well as vocational training facilities to prepare a skilled workforce which readily meets the specific requirements of the mining industry. Surprisingly, even the State owned power utility TANESCO has failed to capitalize and grow its business on the back of growing demand of the mining sector, with the effect that some of the mines have been constrained to start operations with electricity supplied by oil-fuelled power stations (e.g. Geita Gold Mine).

### Role of regional administration in local government

From the perspective of the investor, the over-all role of Regional Administration and Local Government Authorities is to manage, mitigate or eliminate the political and project risk issues pertaining to the area or region of administrative jurisdiction where the project site will be located.

### **Pre conditions for the realization of inclusive growth.**

The nature of investment by way of both industry structure and choice of technology to be employed in the projects must have inherent characteristics which provide opportunities for participation of local people and businesses. The enabling business and physical environment in the region must be such that "Efficiency Seeking Investments" will be attracted to benefitiate and add value to raw materials before shipment outside the region.

The region must have a skilled labor pool which is competitive in cost and productivity.

### **Some key challenges and initiatives for the way forward Regional Administration and Local Government Authorities**

With respect to the high growth prospects for Mtwara, the first challenge for the Regional Administration and Local Government Authorities, is to map out the downstream options for the development of the emerging natural gas sub-sector, with a view to indentify the industries that can be developed in the region, and in particular, their direct, indirect and induced linkages to other sectors of the local economy in the form of supplies and services to the gas extraction industry. Human resources development is the key issue Primary and Secondary education must be geared to provide the foundation upon which industry-specific skills will build upon.

### **Mtwara Region**

Mtwara is faced with the urgent requirement to develop and build adequate and efficient physical economic services infrastructure. The role of Government of Tanzania acting through Regional Administration and Local Government Authorities is to initiate and over-see the planning, exe-

cution and delivery of public utilities and infrastructure projects in good time.

### **Policy Conclusion and Recommendations**

Mtwara Region is poised to become the new growth pole of Tanzania, based on the exploitation of world class resources of natural gas and industrial minerals. Local communities do not have a skills base which would immediately qualify its people to be considered for employment in the new start-up mega projects. Therefore, without deliberate and planned interventions by Government and other stakeholders, the high trajectory growth envisaged to take place in Mtwara region will exclude local population and create an atmosphere of resentment and animosity to investment in the local communities.

Local Communities must form a partnership to find ways of working together, in empowering local people to participate in the new growth.

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