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Transparency & Accountability  
for the Extractive Industry

# REALIZING LOCAL CONTENT DEVELOPMENT IN TANZANIA

Suggestions Arising Out of  
'Golden' Voices from  
Geita and Mara Regions



# **Realizing Local Content Development in Tanzania: Suggestions Arising Out of 'Golden' Voices From Geita and Mara Regions.**

## **A Popular Version**

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## 1.0 Introduction

Whether resource-rich countries have benefitted from mining in Africa has been a point of contention for over two decades. The general feeling particularly among ordinary citizens has been that international mining companies are ripping off their countries as resource wealth has always gone hand in hand with absolute poverty in these jurisdictions. This reality has given rise to promulgation of resource nationalistic policies intended to maximize take from the mining activities. It must be noted here that resource nationalistic elements are also embedded in the African Union's Africa Mining Vision of 2009.

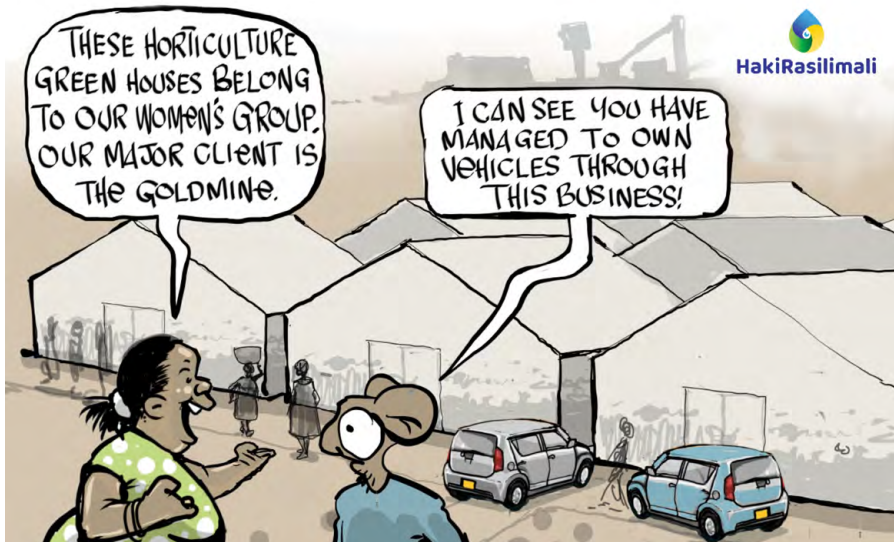
Tanzania has also embraced resource nationalism following grievances from citizens over the years. The move is a no brainer since the ever-increasing Foreign Direct Investment in mining does not correspond to its contribution to Gross Domestic Product (GDP). For instance, despite the fact that the mining sector has been growing at 13.4 percent, up until 2017, its contribution to GDP was a meagre 4.8 percent. It is hereby noted that the said, contribution has since gone up to 9.7%. However, the increased contribution has not translated into poverty reduction in and around mining areas.

It is against this background that various presidential mining committees have been formed in the past two decades. Perhaps the most important of such committee was the Bomani Committee of 2007 which was tasked to review and advised the government on its mining oversight role. Importantly, the Bomani Committee led to the promulgation of the 2009 Mining Policy and the subsequent Mining Act of 2010. Nevertheless, it was the Mruma Presidential Committee of 2017 which brought about some more surgical reforms to the Mining Act of 2010 by introducing a number of aggressive resource nationalistic provisions.

Resource nationalism entails attempts by resource-rich countries to maximize take by increasing state ownership of resources, state participation in harvesting resources, increasing rents through charging higher corporate taxes, royalties and other fees and lastly through

developing local content. This study, focused on local content, a resource nationalism strategy to increase citizen participation in the resources sector by increasing local employment opportunities, training, securing tenders to supply goods and services as well as beneficiation in the sector.

It is noted in this study that there is now a more defined legal framework governing local content in Tanzania. However, whether that framework has enabled citizens at the grassroots to effectively partake in the mining sector remains to be proven. It is against this backdrop that this study was aimed at exploring community perspectives on the effectiveness of local content requirements in enabling local communities to participate in Tanzania's gold sector.

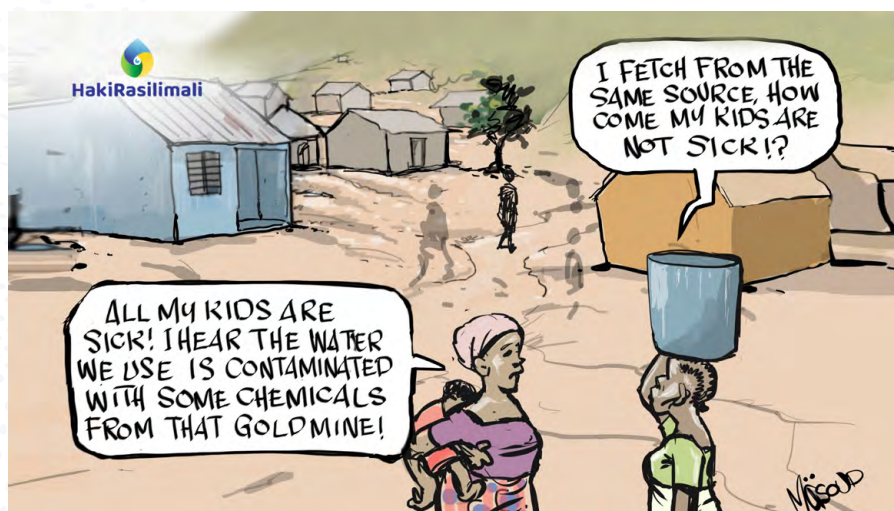




## 2.0 Why Local Content?

It is important to note at this juncture that Tanzania aspires in its Vision 2025 to become a resource-based industrialized economy. At the heart of this vision is the desire to ensure that citizens fully participate in this resource-based economic revolution. Subsequently, any meaningful citizen participation must involve locals taking advantage of opportunities available in the mining sector by supplying goods and services, securing employment, embracing technological transfer, as well as other value addition activities across the mining value chain.

Moreover, as it shall be discussed later, local content is entrenched in our legal framework. Specifically, it is guided under Part VIII of the Mining Act (Chapter 123 R.E 2019). Specifically, local content is governed by the Mining (Local Content) Regulations of 2018, as amended from time to time. In compliance with the laws and regulations, companies are required to submit a local content plan, detailing the plans, procedures, and opportunities to enable Tanzanian citizens to fully participate in the mining value chain. However, there is no evidence that local content policy in Tanzania's mining sector has effectively provided a competitive advantage to locals.



Perhaps the most important reason why local content development particularly at the grassroot level, must be studied lies on negative externality emanating from the mining sector. Indeed, the negative consequences of mining such as displacements, water and air pollution affect disproportionately communities that live in and around mining areas. There must therefore be ways to internalize these negative externalities by compensating affected local communities and what better way to do so but by helping these communities to participate in the sector through developing local content!

### 3.0 What the Study Sought to Achieve

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The main objective of this research is to unearth best practices of local content implementation which can lead to an increased level of Tanzania citizens' participation in and benefit from the mining value chains at the grassroots level. The corresponding specific objectives of this research study are to:

- i. Assess local employment status in the industrial gold mine regions of the Geita and Mara.
- ii. Explore the status of the local supply of goods and services in the gold mining regions of Geita and Mara.
- iii. Assess knowledge transfer to locals by the industrial gold mining companies.
- iv. Explore the level of local communities' participation in gold value addition.
- v. Examine the level of monitoring and compliance to local content requirements in Geita and Mara regions.



## 4.0 What does the Law stipulate about Local Content?

The Tanzania Multi-Sectoral Local Content Guidelines define local content as the value added to or created in the economy through deliberate utilization of Tanzanian human and material resources and services in investments to stimulate the development of capabilities and to encourage local investments, ownership, and participation. It follows that Tanzanian citizens' involvement in key mining economic activities is crucial.

Local Content has become a strategic issue in Tanzania as it can stimulate broad-based economic development by alleviating poverty and ensuring sustainable economic and social outcomes. Laws and regulations governing local content in Tanzania include the Mining Act CAP 123 of 2019, the Natural Wealth (Permanent Sovereignty) Act of 2017, and the Natural Wealth (Review and Renegotiation of Unconscionable Terms) Act of 2017, with regulations including the Mining (Local Content) Regulations of 2018 the Mining Mineral Beneficiation) Regulations, the Mining (Value Addition) Regulations, and the Mining (Minimum Shareholding and Public Offering) Regulations of 2016, as amended from time to time.

These laws and regulations are designed to promote participation of Tanzanians and Tanzanian-owned businesses in the country's extractive industries. They stipulate local content requirements that must be adhered to in mining operations in the country. The law specifically requires all applicants of mineral rights and holders of prospecting, mining, special mining, processing, smelting and refining licenses, including their contractors, sub-contractors or other allied entity engaged in mining activities (Stakeholders), to ensure that local content is a major component of the mining activities engaged.

This section presents an overview of the different local content requirements stipulated in different laws and regulations guiding the mining sector and local content implementation in Tanzania. They are succinctly discussed next.

### **i. Preference to Local Companies in Granting Mining Licenses**

The law gives preference to indigenous companies when granting mining licenses. For instance, in the case of a competitive scenario where both a local and foreign company vie for a mining license, a local company is favored. Foreign mining companies must adhere to the law by forming an arrangement where an indigenous company must hold a minimum of 5% equity participation to qualify for a license. Likewise, non-indigenous companies aiming to provide goods or services must establish a joint venture with an indigenous company, in which the respective local company hold at least 20% equity participation.

### **ii. Requirement to Submit Local Content Plan**

The law requires that a prospective mineral right holder, contractors, and subcontractors are required by the law to submit a local content plan to the Mining Commission for approval. The requirement includes all applicants of mineral rights and holders of prospecting, mining, special mining, processing, smelting, and refining licenses, including their contractors, sub-contractors, or other allied entity engaged in mining activities (Stakeholders). The plan must demonstrate company's commitment to local content development.

### **iii. Preference to Tanzanian citizens for supplying of goods and services**

The law requires a mineral right holder to give preference to goods and services that Tanzanian citizens or local companies produce. Where these goods and services are unavailable in Tanzania, the law states that a local company should provide such in a joint venture with a foreign company. The law defines a local company for the purpose of the Mining Act as "a company or subsidiary company incorporated under the Companies Act which is 100 percent owned by a Tanzanian citizen or a company that is in a joint venture partnership with a Tanzanian citizen or citizen whose participating shares is not less than 50 percent".

Similarly, the mineral right holder is required to prepare and submit to the Mining Commission a procurement plan for a duration of at least five years indicating the use of local workers, goods and services produced or available in Tanzania.

#### **iv. The Minimum Local Content Thresholds**

The law sets a minimum time that stakeholders should achieve local content requirements in procuring goods and services; research and development relating to in-country services; health, safety and environment services; and information systems, information technology and communication services. The thresholds range from immediately after the local content plan approval to within 5 years and to within 10 years respectively.

#### **v. Training and employment of Tanzanian citizens**

The local content plan submitted by the prospective mineral right holder must contain the employment and training subplan, among others. The sub-plan must include a forecast of the hiring and training needs of the mineral rights holder, including specification of the skills needed, the anticipated skill shortages in the Tanzanian workforce, the specific training requirements and the anticipated expenditure to be incurred in implementing the employment and training subplan. Also, the mineral rights holder is required to stipulate the timeframe within which they will provide employment opportunities for the Tanzanian workforce for each phase of the mining activity to enable them to prepare for those opportunities. It further requires the mineral right holder to include a succession plan as part of the Employment and Training Subplan to be submitted to the Mining Commission. Lastly, the law requires that all middle and junior positions, or any position designated as such, be occupied exclusively by Tanzanians.

## **vi. Technology transfer, local research, and development**

The law requires a prospective mineral right holder to include a Research, Development, and a Technology Transfer Subplan in the Local Content Plan submitted to the Mining Commission for approval. The law further requires that after the grant of the mining license and before the start of commencing activities, the mineral right holder must submit to the Mining Commission a program for research and development in the country, outlining a revolving three to five-year program for mining-related research and development initiatives to be undertaken and detailing expected expenditure that will be made in implementing the program.

## **vii. Legal, Financial, and Insurance Services Content**

The law requires the mineral right holder to retain services of a Tanzanian legal practitioner or a firm of legal practitioners whose principal office is located in Tanzania. The mineral right holder is thus required to include a Legal Service Subplan in the Local Content Plan submitted to the Mining Commission when applying for a mining license. The subplan must include a comprehensive report on legal services utilized in the preceding six months by expenditure, a forecast of legal services required during the ensuing six months and the projected expenditure for the services, and the annual legal services budget for the ensuing year.

Also, the law requires the mineral right holder to only retain financial services of a Tanzanian financial institution or organization. This requirement may be dispensed with the approval of the Mining Commission for the mineral right holder to retain the services of a foreign financial institution or organization. The prospective mineral holder must include the Financial Services Subplan in the Local Content Plan submitted to the Mining Commission for approval when applying for a mining license. The Subplan must specify the financial services utilized in the preceding six months by expenditure, a forecast of financial services required in the ensuing six months, and the projected expenditure for financial services.

The law further requires that the insurable risks related to the mining activity in the country be insured through an indigenous brokerage firm or, where applicable, an indigenous reinsurance broker. The law, however, permits, through the approval of the Mining Commission, the use of an offshore insurance service, with an assurance from the National Insurance Commission that local Tanzanian capacity has been fully exhausted.

#### **viii. Retention of Earnings within Financial Institutions Established in Tanzania**

The law requires that all earnings from disposal or dealings of mining operations to be retained in the banks and financial institutions established in the United Republic of Tanzania. The law further stipulates that it is unlawful to keep such earnings in banks and institutions outside the United Republic of Tanzania, except where distributed profits are repatriated in accordance with the laws of Tanzania.

#### **ix. The Minimum Shareholding Requirement**

A holder of a Special Mining License (SML) is required to maintain a 30 percent total issued and paid-up share as a minimum local shareholding. If the holder of an SML has failed to secure the minimum local shareholding due to an unsuccessful public offer, they may apply to the Minister of Minerals for a waiver of this requirement. The minimum shareholding should be obtained through a public offering in accordance with the law guiding capital market and securities immediately after the commencement of the mining operations. A holder of SML is only exempted from listing their shares if the SML holder has entered into an agreement with the government for non-dilutable free carried interest shares in the capital of a mining company and economic benefit sharing agreement.

#### **x. Local content monitoring, compliance, and enforcement**

Compliance with local content requirements is monitored by the Mining Commission, which is responsible for overseeing the implementation of the Mining Act and its regulations. The Mining Commission is also responsible for enforcing compliance of local content requirements by conducting audits and inspections of mining companies' procurement and employment practices. Failure to comply with local content requirements can result in penalties, including fines or suspension of operations.

#### **xi. State participation in the mining sector**

State participation in mining activities is one of the ways in which local content requirements are implemented in the mining sector. The law provides for state participation in mining activities through holding direct equity interest in any mining venture, including mineral beneficiation. The Government can acquire equity interest by statutory allocation of shares.



## 5.0 How the Study was Done

A case study design was used to explore the perspectives of the community on the implementation of local content policy with a view to examining whether local content is delivered in accordance to the Mining (local content) (Regulation) 2018 at the grassroot level. Mara and Geita regions were subsequently sampled for this analysis.

The two regions were sampled because they represent the biggest gold mining operations in Tanzania. For instance, The North Mara Gold Mine which is operated by Barrick as a joint venture with the Government of Tanzania, under the joint venture name referred to as 'Twiga Minerals Corporation Ltd' has a processing plant with the capacity to process an average of 8,000 tons of ore per day. In 2022 NMGM produced a total of 263,000 Ounces of Gold.

On the other hand, Geita Region was selected because the region is one of the largest gold-producing regions in Tanzania and is home to the Geita Gold Mine (GGM), which is operated by the AngloGold Ashanti. As of 31 December 2020, the Mineral Resource at GGM was at 7.92 million ounces. The so social differences between Geita (calmer) and Mara (more aggressive) played a major role also in sampling these two regions.

The study employed both primary and secondary data sources. Secondary data was extracted from available official documents and academic papers relevant to the mining sector and local content. Primary data was collected using semi-structured interviews which were administered to local government authorities, general members of the community, politicians and local suppliers of goods and services in Mara and Geita. Moreover, the study used direct observations of local participation in the extractive sector activities and results.

## 6.0 Key Results

The study deliberately targeted a nearly 50-50 gender representation of the respondents. It also aimed a 50-50 North Mara and Geita representation. Ultimately, a total of 60 respondents were consulted, that is, 30 from North Mara and 30 from Geita. Out of 60 respondents, 36 were community members (18 respondents from each region). Gender was highly considered with nine respondents (9 males and nine females) apiece being interviewed from each region. Besides, a total of 20 local suppliers of goods and services were interviewed that is 10 suppliers from each region. Four local government staff were interviewed, 2 from each region.

Moreover, out of the 36 community respondents, 16 had completed primary education, 16 had secondary education, and four had tertiary education. This finding that our respondents have some level of education is consistent with the recent data that shows that the literacy rate in Tanzania has shot up to 76 percent in 202/21 from 69.8 percent back in 2014/15 as Tanzania's National Panel Survey Indicates.

Besides, a considerable number of respondents were youth. The inclusion of youth in the sample was necessary since the population of Tanzania is largely youthful with over 70 percent of the total population comprising under 30s. Moreover, the majority of the consulted community fall in the adult age category (23 out of 36). This was necessary as interviews were meant to focus on individuals who were more likely to have intimate knowledge of mining and older respondents were the right candidates for this requirement.

To answer this question, we studied the community perspectives on the specific elements of local content requirements in the cases of Geita Gold Mine and North Mara Gold Mine. The study sought to explore community perspectives on four elements of employment, procurement of goods and services, knowledge transfer and domestic value addition, due to their significant impact on the local economy, job creation, skill development, and overall community empowerment.

Results from this study were telling as far as local content development at grassroot level is concerned. This section succinctly discusses them below in the order of research questions:

**i. Local employment status**

Results showed that very few locals in Geita and Mara have ever been employed in the mining sector (only 12 out of 36). These were mostly employed in lowly paying jobs such as security guards (4), casual labour (2), plumbers (2), supervisors (1), geo-technicians (1) and project manager (1). It is obvious that these were mostly lowly-paying jobs. Reasons given by respondents behind the lack of meaningful employment opportunities for locals include lack of qualifications (9), limited employment opportunities (7) and bias against locals as jobs are usually given to non-locals at the expense of locals.

**ii. The Status of Local Supply of Goods and Services**

Local procurement can certainly have significant economic benefits to local communities. Some of the major goods and services that are procured in mining operations include, equipment and machinery (e.g., excavators etc.), chemicals and reagents (explosives etc.), transports and logistics, services related to mining (e.g., drilling) and support services such as catering and accommodation. Results show that nine out of 20 suppliers that were consulted, supplied fruits and vegetables to the mines. The few remaining suppliers offered logistical services, accommodations, building materials, civil engineering and manpower, construction materials and mining equipment, fish, food, general supplies, as well as legal services. From this list, it is obvious that the majority of local suppliers provide low value commodities. While there is a scope for expanding supply of fruits and vegetables, locals must be facilitated to engage in more valuable and specialized services.

Ordinary citizens also have on various occasions supplied goods to mines through consortium agreements. Specifically, 18 respondents claimed to have been part of consortium agreement with six of them supplying fruits and vegetables, five provided labour services, two offered security services

and the rest supplied beverages, building materials, dewatering services, fishing and drilling services.

It was important to learn how locals accessed tenders to supply goods and services in the mines. 11 out of 20 suppliers indicated that they were awarded tenders because they formed groups, underwent a training workshop on the production of fruits and vegetables and were given capital and areas for production by the local government authorities. Seven respondents revealed that they were awarded tenders through a competitive tendering process whereby a tender is advertised and companies are invited to bid. One of the respondents claimed that he was awarded the tender because of his financial capacity and expertise to provide the service, while one last supplier revealed that he got the tender because a subcontractor hired him.

These findings suggest that most local suppliers who were awarded tenders to supply goods or services to the company did so through non-competitive processes such as training and formation of groups or through subcontracting. This implies that there may be limited opportunities for other local suppliers who did not undergo the same processes to participate in the tendering process. To promote fairness and inclusivity in the tendering process, it may be necessary to establish clear criteria and guidelines for the selection of suppliers. Mining companies could also consider diversifying its sourcing strategies to increase the number of local suppliers who can participate in the tendering process. Moreover, mining companies could provide additional training and support to local suppliers who may lack the necessary skills and resources to participate in the tendering process.

Upon much probing, most of respondents argued that the local content policy does not give them an edge in terms of participating in supplying goods and services to the mines. They claimed that suppliers from outside the mining areas are the ones which mostly get tenders at their expense. Generally, locals encounter several challenges that include, limited access to opportunities, limited bargaining power, capacity constraints, competition from external suppliers, limited market access, difficulties in compliance to standards and regulations, payment delays and financial risks.

### **iii. The Status of Knowledge Transfer to Locals**

Knowledge transfer is important for building local capabilities. To this end, respondents were asked to explain whether mining companies in their areas had a tendency to support the community in training for knowledge and skills transfer. Results suggest that mining companies have not been consistent in supporting communities in training and other forms of knowledge transfer. While it was acknowledged that sporadic training sessions have been provided by the mining companies, these initiatives were often short-term and lacked continuity due to inadequate monitoring and evaluation mechanisms and lack of consultation with local communities.

### **iv. Community Participation in Value Addition Activities**

Local community participation in value addition creates economic opportunities and fosters social cohesion, knowledge sharing, and sustainable development. Unfortunately, most of respondents (22 out of 36 respondents), indicated that they do not have knowledge of gold value addition with the remaining 14 indicating that they know about gold value addition. Geita had more respondents with knowledge of value addition than Mara. Those who responded negatively indicated several reasons why they do not know about gold value addition, with some indicating that they have never heard of the idea and others mentioning that the same is not happening within their vicinity.

The research finding underscores the need for increased education and training programs for small-scale miners and community members to enhance their knowledge about value addition. Additionally, there is a need for the provision of infrastructure and technical support for value addition activities in the communities. These measures could help improve the economic benefits of mining activities in Africa.

## v. Monitoring of Local Content Policy for Compliance

Monitoring is key to ensuring compliance to the local content policy. Respondents were thus asked to express whether they think the government is doing enough monitoring to ensure compliance with the local content policy in Geita and Mara. Most respondents (23 out of 36) indicated that they do not think the government is doing enough, with 9 respondents indicating that the government is doing enough and 4 responding that they do not know. These findings suggest that there is a general perception among locals in Geita and Mara that the government is not doing enough to ensure compliance with the local content policy.





## 7.0 Conclusion

There has been a lingering perception that resource-rich countries have been shortchanged by international mining companies when it comes to benefits accrued from the sector. This gave rise to resource nationalistic policies which were meant to ensure that the said countries maximized their take from mining. Chief among these policies are the local content policies.

Local content policies entail attempts by resource-rich governments to maximize take from mining by increase citizen participation in the sector through securing jobs, supplying goods and services, accessing training as well as transfer of technology and innovation. Tanzania has also promulgated local content policies. However, the efficacy of these policies is yet to be ascertained. It is in this context that this study aimed at examining the extent to which the said policies are effective particularly at grassroot level.

Using a case study design that sampled Geita and Mara regions, this study found out that the majority of local respondents have not been able to access jobs in the mines. Reasons for this unfortunate occurrence ranged from not having interest in securing such jobs, lack of qualifications, limited job opportunities to point blank discrimination against local communities.

Furthermore, results indicate that local communities are, by and large, unable to access supply value chains in mines. The few that do, often end up supplying low-value goods such as vegetables and fruits. Moreover, the majority of respondents that supplied goods to mines, did so within consortium parameters. Respondents pointed out several reasons that keep them out of the supply value chain. They include the fact that tendering process is not transparent, lack of competitiveness in tendering, complex negotiations, lack of trust, shortage of capital and substandard products.

Interestingly, delay in executing payments, was cited by almost half of the suppliers as a reason for underperforming in the sampled region. This coupled with the claims that mining companies never bother to support communities in providing them with requisite training, makes a worrisome discovery as far as local content development is concerned the two regions.

It suffices to say that findings from this study showed lack of understanding as far as value addition is concerned. It was worrying that some of the respondents indicated to have never heard of value addition. This suggests that the regions lag especially behind in terms of value addition dimension of local content.

Ironically, the majority of respondents do not believe that the government is doing enough to ensure that there is local content compliance in the mining sector. This is a damning finding particularly against the Mining Commission, which is responsible for overseeing local content development in Tanzania.

## 8.0 Recommendations

To this end, the present study has come up with recommendations that can kick start effective local content development in Tanzania. They include:

- i. The need to clarify understanding of local content by not only defining it in terms of national geographical boundaries but also grassroots levels.
- ii. Removing all barriers to employment that local communities face lack of qualification through targeted training programs.
- iii. Establishing initiatives to build the capacity of local suppliers to be able to access supply value chains in the mining sector.
- iv. The need for Mining Commission to enforce local content laws to ensure compliance.



All in all, there must be deliberate attempts from both the government and mining companies to empower local communities and suppliers to be able to take advantage of the local content policy. Leaving local content to market forces has never allowed it to be accessible to the poor. It is in this context that local content must be deliberately used as a vehicle to improve the livelihoods of Tanzanians by enabling them to access jobs, training, markets and innovation opportunities that accompany the mining sector.

## 9.0 Areas for Further Studies

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Areas for further research as highlighted from this work include:

- i. Taking stock of the local content legal framework and examining if it is implementable as is or if there is a need for some amendments and/or additions.
- ii. Mapping types of goods and services, including jobs, that are demanded in the mining sector and establishing subsequent skills and capacity gaps to inform local content development.
- iii. Undertaking local content compliance assessment on suppliers, processing, smelting and refining licenses holders, including their contractors, sub-contractors or any other allied entity engaged in mining activities
- iv. Benchmarking local content requirements for emerging extractive subsectors of liquified natural gas and critical minerals.



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