

DARUBINI

Tanzania's Mining Policy on Local Content: Progress and Associated Challenges



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Tanzania's Mining Policy on Local Content: Progress and Associated Challenges

Endowed with mineral resources, Tanzania has experienced a boom in its mining sector over the past years. However, for a long time, there has been a concern about the limited participation of, and hence, limited benefits to, local communities and businesses in the sector's value chain. In response to these concerns, Tanzania introduced the Mining (Local Content) Regulation of 2018 to ensure that mining activities' benefits are shared more equally among its citizens. This article examines the progress and challenges faced in implementing the Mining (Local Content) Policy in Tanzania.

Why Local Content in the Extractive Sector?

In its [Vision 2025](#), Tanzania envisions transforming into a resource-based industrialized economy ([Enns, 2020](#)). This vision emphasizes full citizen participation to turn natural resource extraction into a driver of national and local development. Meaningful [citizen participation](#) should involve locals taking advantage of opportunities available in the extractive sector/value chain by supplying goods and services, securing employment, embracing the transfer of technologies, as well as other value addition activities ([Oliver 2021](#)). Local content requirements have become the main way to achieve this for the mining sector.

In Tanzania, resource nationalistic policies were introduced in 2017 regulating the extractive industry with the primary objective of ensuring that the country would maximize its benefits from extractive activities (Thabit Jacob, 2018). One of the prominent strategies in this context was the formulation of Local Content policies. Through these policies, Tanzanian firms and citizens are prioritised in extractive value chains, to allow them to capture more significant economic rents (Djeynaba, 2022), through employment, training opportunities, and securing contracts to supply goods and services to the sector ([Oliver 2021](#)).

The significance of developing local content, particularly at the grassroots level, can be best understood by considering the negative externalities stemming from the mining sector. The adverse impacts of mining, such as displacements, water, and air pollution, disproportionately affect communities residing in and around the mining areas ([Pandey Binay Prakash, 2022](#)). Therefore, there is a pressing need to internalize these negative externalities by compensating affected local communities. One of the ways to achieve this is facilitating communities' participation in the sector through developing local content.

Regulatory Framework of Local Content Requirements in Tanzania's Mining Sector

In Tanzania, the Policies and Laws governing the mining sector have been reviewed to capture local content issues which aim at ensuring that Tanzanians are given preference in employment and supply of goods and services in the sector. These laws 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.

The relevant laws and regulations discuss 11 different aspects of local content requirements (HakiRasilimali, 2023). These include company obligations to submit a local content plan, detailing the strategies, procedures, and opportunities for Tanzanian citizens to fully participate in the mining value chain. The local content policies further obligate companies to give priority to goods and services provided by Tanzanian companies and citizens. A failure to do so can result to revocation of company's mining license

Local content development in Tanzania

Despite adequate legislation and regulation, available studies indicates that there is [little evidence](#) that local content policies have so far effectively provided much competitive advantage to locals (Weldegiorgis, 2021) nor that they have increased [mining-based benefits](#), particularly at the community level ([Kinyondo, 2019](#)).

The implementation of local content policies in Tanzania's mining sector encounters a range of challenges. A notable challenge lies in the disparity between required skills and available workforce. The policy's goal of boosting local employment is impeded by a shortage of suitably skilled individuals for specialized roles within the mining industry. HakiRasilimali (2023) found that that jobs in large-scale mines remain inaccessible for most locals. Reasons cited for this ranged from lack of awareness, lack of qualifications, and limited job opportunities. Bridging this skills gap necessitates the implementation of continuous training and educational initiatives.



Furthermore, the capacity limitations within local companies stand out as a prominent hurdle. These companies often lack the necessary technical prowess, financial backing, and equipment to compete with established international counterparts, hampering their ability to fulfill the demands of the mining sector. The few companies that succeed in accessing supply contracts tend to provide only low-value goods such as vegetables and fruits.

Moreover, ensuring compliance and enforcement of these policies poses a significant challenge. Some mining firms may seek ways to bypass policy provisions, underscoring the need for robust regulatory mechanisms and vigilant monitoring to ensure strict adherence. Additionally, inadequate infrastructure poses a problem in certain mining regions. Despite investment efforts, deficiencies in vital amenities like dependable electricity, water supply et cetra exists, limiting the overall efficacy of the policy in uplifting local communities.

Indeed, the challenges surrounding local content policy implementation in mining are multifaceted. They involve constraints in local companies' capacities, the need for improved compliance mechanisms, addressing skills mismatches and overcoming infrastructure deficits. Tackling these challenges is crucial for the effective realization of the policy's goals and the overall advancement of local communities within the mining sector.

Despite the challenges, notable progress has been made in recent years in addressing some of these difficulties. On March 16th, 2023, during the Second Forum for Tanzania Participation in the Mining Sector held in Arusha, the [Tanzanian Local Content and Corporate Social Responsibility \(CSR\) system](#) was officially launched by Deputy Minister of Minerals,

Dr. Steven Kiruswa. The new system streamlines document submissions in the mining sector by allowing mining companies and service providers to electronically submit plans for Tanzanian participation in the industry and community service provision, replacing the traditional use of hard copies.

in his address, Dr. Kiruswa highlighted significant achievements resulting from improvements to the Mining Act and Regulations on Tanzanian participation in the mining sector. These achievements included increased employment opportunities, establishments of training programs for Tanzanians, and the increased utilization of services and products provided by Tanzanians.

In his speech Dr. Kiruswa identified that, employment opportunities for Tanzanians in large mines rose from 6,668 in 2018 to 15,341 in 2022. Moreover, 8,066 Tanzanians received training in the mining sector in 2022, costing 3.4 billion Tanzanian Shillings (ca. 1.2 million Euro).

These improvements could be attributed to the skills and technology transfer under the Local Content Policy that requires mining companies to invest in training and developing skills of Tanzania workers. Consequently, local employees are gaining valuable experience and knowledge, contributing to the development of the country's workforce and enhancing the transfer of technology to the local mining sector.

Other accomplishments mentioned by Deputy Minister Kiruswa include the increase in domestic procurement, with \$2.22 billion, or 97.4% of mining company purchases in 2022, made through_

Tanzanian companies compared to \$238.71 million, or 46% in 2018. Such figures are difficult to assess in the absence of a precise definition of what constitutes “domestic procurement” or a publicly available database or breakdown.

Additionally, the number of Tanzanian mining service providers increased to 1,386 in 2022, up from 623 in 2018, representing an 81% growth. (Commision, 2023) This has led to the growth of local businesses, as they are now able to supply essential inputs to the mining industry further stimulating Tanzanian economic growth.

Towards Real Progress

The implementation of the Local Content Policy in Tanzania has showed promising results in promoting local participation and economic development in the mining sector.

However, challenges such as capacity constraints, compliance issues, and infrastructures deficits required continuous attention and collaboration among stakeholders to ensure the policy's effectiveness and achieve its long-term goals. Monitoring and refining the policy based on lessons learned will be crucial to maximizing its positive impact to local communities and businesses.

To enhance local content development, it is essential to clarify understanding of local content by not only defining it in terms of national geographical boundaries also grassroots levels. It is also essential to address employment barriers through tailored training initiatives, building capacities of local suppliers to enable to access supply value chains and lastly, the Mining Commission should improve oversight and enforcement capacity.



“Some foreign mining companies still refuse to utilize specific products and services produced by the local population in Tanzania, using quality as justification. Without a robust plan to strengthen the capabilities of the locals, our efforts to promote local content will continue to be ineffective in the long run” .

Prof. Abel Kinyondo
University of Dar es Salaam.

Community Voices: Realizing Local Content Development in Tanzania: Suggestions Arising Out of 'Golden' Voices from Geita and Mara Regions

In the early months of 2023, a comprehensive study conducted by HakiRasilimali shed light on a pressing issue that has long lingered in the shadows of Tanzania's resource-rich regions: the local content policy in the mining sector. Focusing on the golden landscapes of Geita and Mara, the study aimed to gauge the sentiment of local communities towards the implementation of the Mining (Local Content) Regulation of 2018.

Underneath the surface of optimism surrounding the policy, the study unearthed disheartening revelations. At the grassroots level, it was unveiled that the promise of local empowerment remains largely unfulfilled. For the local inhabitants, proximity to gold mines has not translated into proximity to opportunities. The majority of respondents conveyed a poignant reality: jobs in the nearby gold mines have eluded them. From the lack of qualifications to a stark absence of job openings, reasons were as diverse as they were disheartening. Blatant discrimination against the locals served as a disconcerting undercurrent, with one respondent lamenting, **"we have seen call for applications being posted at the village office and our children here do apply for those jobs but for years we have not seen our children being successful to get those jobs and do work in the North Mara Gold Mine site, we only see people from outside Nyamongo getting the jobs"**.

Delving further, the study exposed another layer of the problem. While some locals managed to partake in the supply value chain of the mines, they often found themselves relegated to providing low-value goods like vegetables and fruits. What's more, these limited opportunities were often accessed through consortiums, emphasizing the challenge of individual participation. A web of reasons ensnared these aspirations – opaque tendering processes, intricate negotiations, distrust, financial constraints, and subpar products.

Intriguingly, the chronically tardy payments from mining companies emerged as a key obstacle, strangling the business cycle of these local suppliers. As clearly stated by one respondent **"we have a tender of supplying vegetables and fruits at North Mara Gold Mine through AKO Group Ltd, we normally supply the vegetables and fruits on time, but we face a challenge of the payments being delayed something that hinders the business cycle because we fail to buy pesticides and other materials needed for another production"**.

These troubling discoveries converged with allegations that mining companies have turned a blind eye to the crucial task of empowering communities through essential training. The study thus unmasked a disconcerting gap in the sphere of local content development. Perhaps one of the most concerning findings was the pervasive lack of awareness among the locals about the concept of value addition. A significant number of respondents admitted to being unfamiliar with the term, underscoring the urgent need for extensive awareness campaigns to elucidate the positive potential of local content requirements.

Finally, the study revealed that the majority of respondents harbor a profound skepticism towards the government's commitment to enforcing local content compliance within the mining sector. The implications of this skepticism reverberate strongly against the Mining Commission, which shoulders the responsibility of overseeing local content development in Tanzania.

As the sun sets over the gold-rich landscapes of Geita and Mara, the HakiRasilimali study serves as a powerful call to action, summoning stakeholders to bridge the chasm between promise and reality. It underscores the imperative of aligning policy with practice, ensuring that the allure of golden opportunities in these regions is no longer an elusive dream but a tangible and equitable reality for all.

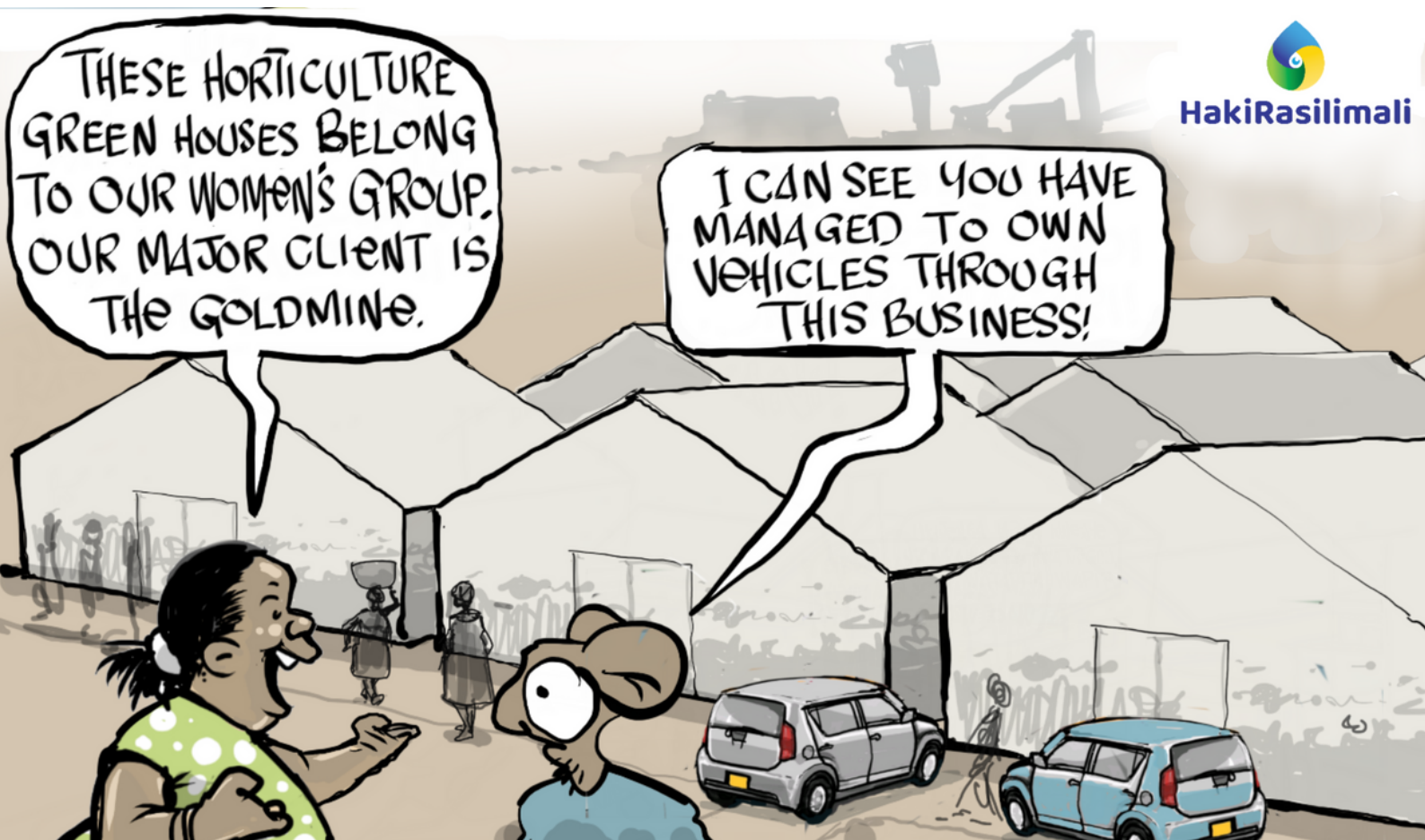


"One of the significant challenges faced by women's groups when they receive loans from local governments is the poor repayment rate, often due to groups changing their original loan objectives. Another challenge is the low level of participation and responsiveness in attending training sessions and seminars."

Valeria Makonda:
Community Development Officer, Geita
TC.

News in Brief: More Stories on Local Content in the Mining sector in Tanzania

1. Govt to heighten local content on Mining sector: [\(IPPMedia, March, 2023\)](#)
2. Livelihoods in Geita are being transformed by GGML-led socio-economic projects: [\(DailyNews, Livelihoods in Geita are being transformed by GGML-led socio-economic projects, April, 2023\)](#)
3. Unintended consequences: Barrick's local content quandary: [\(DailyNews, Unintended consequences: Barrick's local content quandary, April, 2023\)](#)
4. Dr. Kiruswa launches the Local content strategy for Tanzanians' participation in the mining sector: [\(Commission, March, 2023\)](#)
5. Dr. Kiruswa launches the Local content strategy for Tanzanians' participation in the mining sector: [\(Commission, March, 2023\)](#)
6. Stakeholders Demand Meaningful Community Involvement In Mining Operations: [\(PolicyForum, April, 2023\)](#)
7. Researchers: "Put communities ahead when local content benefits come in" (Sunday News Newspaper: 2nd July 2023)
8. How Tanzania can boost local content development: [\(Citizen, July, 2023\)](#)
9. Realizing Local Content Development in Tanzania: Feedback from Communities in the 'Golden' Geita and Mara Regions. [\(HakiRasilimali, 2023\).](#)



Countdown to November!

Anticipating Our Next Publication.

The upcoming quarterly briefing addressing **"Human Rights and Access to Remedy in the Extractive Sector"**

is scheduled for publication in November 2023.

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