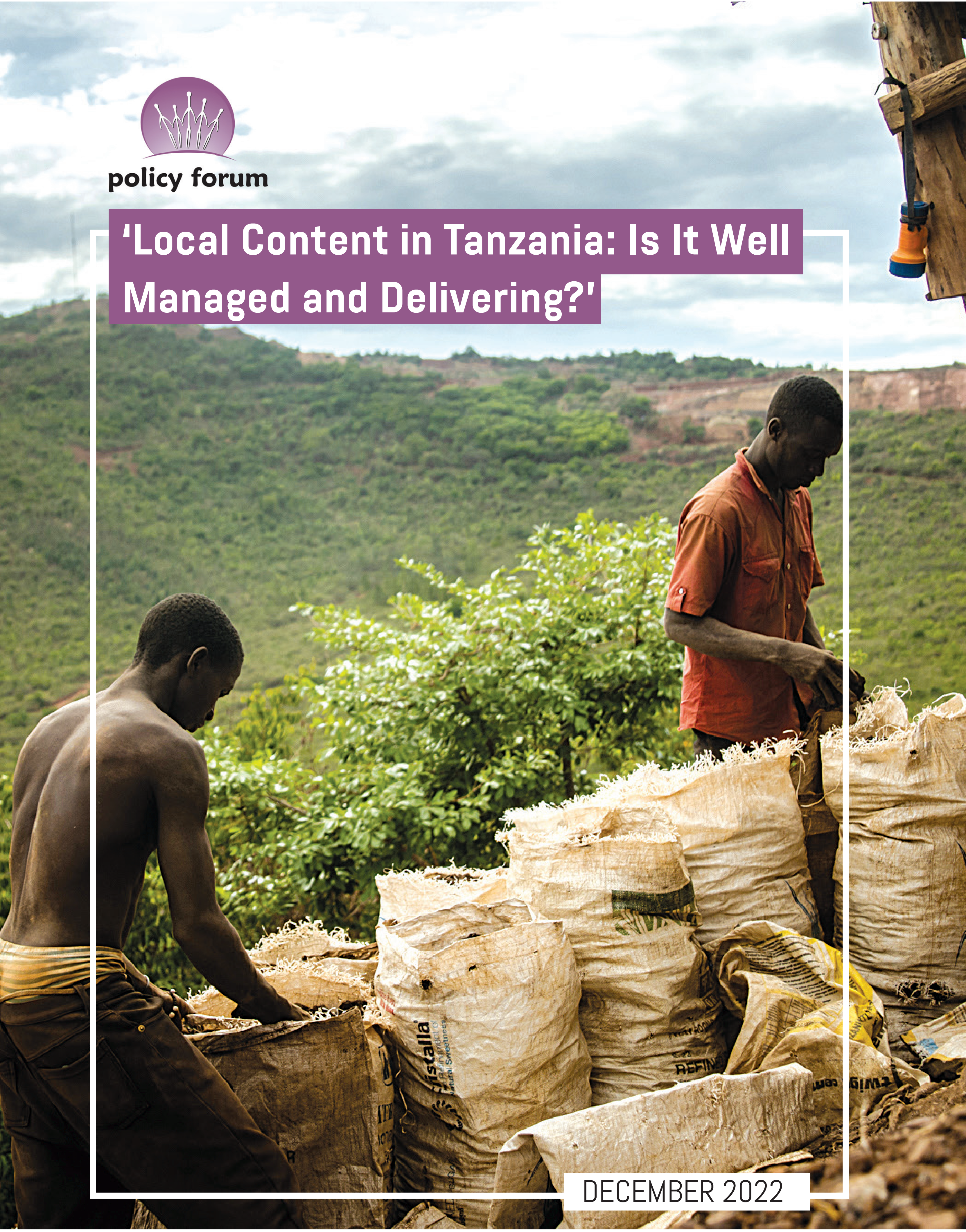
policy forum

'Local Content in Tanzania: Is It Well Managed and Delivering?'



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List of Abbreviations

ASM	Artisanal and Small-scale Mining
BEE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
CSR	Corporate Social Responsibility
DSE	Dar es Salaam Stock Exchange
EACOP	East Africa Crude Oil Pipeline
ESD	Enterprise Supply Development
ESG	Economic, Social and Governance
EWURA	Energy and Water Utilities Regulatory Authority
HDPE	High-Density Polyethene
GoT	Government of Tanzania
GGM	Geita Gold Mine
LC	Local content
LCP	Local Content Plan
LNG	Liquified Natural Gas Project
LSM	Large Scale Mining
MSM	Medium-Scale Mining
NA	Not Applicable
NEEC	National Economic Empowerment Council
PURA	Petroleum Upstream Regulatory Authority
PVC	Polyvinyl Chloride
SDL	Skills Development Levy
SME	Small and Medium-sized Enterprises
SML	Special Mining License
TEITI	Tanzania Extractive Industry Transparency Initiative
TPDC	Tanzania Petroleum Development Corporation
TMC	Tanzania Minerals Commission
VETA	Vocational Education and Training Authority

Executive Summary

The reality that abundant natural resources do not automatically translate into benefits to economies and citizens of countries where natural resources are mined has been recently appreciated by countries across the globe. To redress the situation, most resource-rich countries have embraced resource-nationalist legal frameworks to enhance the maximization of public economic rents and strategic public ownership and facilitate developmental spill overs to local economies.

The need to increase local participation in the extractive sector has promulgated local content (LC) policies in most resource-rich countries, including Tanzania. LC policies aim to regulate the extractive industry to provide greater ownership to the state and local firms through local firms accessing various value chains and capturing more significant economic rents. Chief among others, one way to maximize local take is through increasing local participation in acquiring employment, training, having domestic beneficiation and obtaining contracts to supply goods and services to the sector.

Since, LC policies are necessary but not guaranteed success, Policy Forum commissioned this study to explore the management of local content policies in the extractive sector with a view to examining whether it is delivering as expected. In that case, Shinyanga and Geita regions were sampled for analysis concerning the mining sector. On the other hand, unlike the mining sector, the oil and gas subsector has not been fully developed. The Dar Es Salaam region has thus been sampled as it is the headquarters the of Oil and Gas company responsible for the East Africa Crude Oil Pipeline (Hoima-Tanga pipeline) and many other prospective contractors.

It should be noted that there is a lingering debate about whether local content is beneficial. There are opportunity costs in imposing local content requirements. Therefore, there is a need for proper local content design, implementation, monitoring, and evaluation to ensure that local content policies are not counterproductive.

As popular as local content policies are, there is still some contextual disagreement over what constitutes local content in a particular setting. Through the interviews, even the implementers (government, companies, and Local Government) have different responses on the same. For instance, most do not consider value addition a critical dimension in the local content policy.

Indeed, what ‘local’ and ‘content’ entails in various local content policies worldwide differs. In this study, the dimensions applied for ‘local’ are namely: geography, ownership, and value addition (wealth retention). On the other hand, ‘content’ consists of Employment, Procurement of goods and services, Skills development and technological transfers are thoroughly discussed with examples drawn from other countries and Tanzania in particular.

In a nutshell, findings from this study suggest that a lot more is needed to be done to improve management and delivery of LC in Tanzania. Consequently, recommendations from this study include but are not limited to the need to review the existing LC legal framework to make it i) more facilitative ii) give priority to the communities in the vicinity of the extractive operations iii) provide clearer demarcation of mandates of various government institutions that oversee LC implementation iv) make corresponding enforcement possible and v) involve local government authorities where actual extraction takes place in managing LC. Moreover, there is also a need to have a funding mechanism for local suppliers through the introduction of government bank guarantees, government subsidies, Public-Private Partnership funding options and Tax return mechanism to extractive companies. Furthermore, there is a need to review Tanzania’s education policy and make it competence-based rather than knowledge-based. Also, Tanzania needs to build a manufacturing base for value addition. Finally, there is a dire need to improve the governance of LC.

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

The idea that natural resource endowment accelerates economic growth and people's development has been questioned (Auty, 1993). Indeed, nations endowed with non-renewable natural resources often find themselves at a crossroads of opportunities and challenges and tend to record slow economic growth. Instead of benefiting and prospering the country and its citizen, the extraction of natural resources can cause significant socioeconomic problems. Indeed, according to the *Resource Curse* concept, abundant natural resources can increase the likelihood of adverse socio-economic outcomes and poor livelihood if mismanaged[1]. It follows that those natural resources endowment is not an automatic ticket to economic success.

The reality that natural resources do not automatically translate into benefits to economies and citizens of countries where natural resources are mined has been recently appreciated by countries across the globe. To redress the situation, most resource-rich countries have embraced resource-nationalist legal frameworks to enhance the maximization of public economic rents and strategic public ownership and facilitate developmental spill-overs to local economies (see, e.g., Huggins and Kinyondo, 2019; Kinyondo and Huggins, 2019; Kinyondo and Villanger, 2017; Siri and Kinyondo, 2016).

In essence, resource nationalistic policies aim to regulate the extractive industry to provide greater ownership to the state and local firms through local firms accessing various value chains and capturing bigger economic rents via taxes, fees, and royalties (Kinyondo and Huggins, 2019). Note that one way to maximize local take is through increasing local participation in acquiring employment, training, and beneficiation and obtaining contracts to supply goods and services to the sector. Importantly, the need to increase local participation in the extractive sector has promulgated local content (LC) policies in most resource-rich countries, including Tanzania. Nevertheless, since having LC policies is necessary but not a guarantee of success, this study seeks to evaluate the efficacy of LC management and delivery in Tanzania.

1.2. Rationale for Local Content

LC policies entail efforts to maximise local participation through employment creation, beneficiation, training, and involvement of locals in supply value chains as contractors. When done correctly, local content can provide a significant source of income to locals and national economies, to the tune that is potentially much higher than sums paid to the government by maximising taxes, royalties, and various fees, especially during new field or extractive project development[2]. Moreover, local content offers companies, communities, and governments an opportunity to unlock mutual benefits from resource extraction by focusing on core competencies and interlinkages that do this by facilitating local employment, beneficiation, training and the use of local goods and services in extractive supply chains, thereby offering local economic empowerment[3].

Local content matters because research shows that up to 70% of extractive companies' revenues are directed towards covering operating costs that include but are not limited to procurement and repair of machinery. Subsequently, governments' corporate taxes, royalties, and related fees are captured from some 30% turnovers. Since the bigger cake is within operating costs and the only sure and legal way to extract revenues from it is through local content, the necessity to develop it is a no-brainer.

As a resource-rich country, Tanzania has also opted for resource nationalistic legal framework. Specifically, the country has recently passed various laws establishing linkages between extractive companies and the local economy.

1 Local content in Tanzania: Are local suppliers motivated to improve? - ScienceDirect

2 Resource-based industrialisation in Africa: Optimising linkages and value chains in the extractive sector (ecdpm.org)

3 oso-9780198851172-chapter-13.pdf (silverchair.com)

As alluded to previously, the laws aim to enable local businesses, employees, and inputs to be given opportunities to participate in the extractive sector (Kolstad and Kinyondo, 2017). It should be noted that developing LC is not as simple as it may sound. This is because it is not something that can be achieved automatically. Indeed, LC requires countries to have a skilful workforce, strong institutions and a vibrant industrial base that can easily be linked to the sector in question (Kolstad and Kinyondo, 2017).

Besides, local content in the absence of good governance is a recipe for corruption. As seen in multiple African countries, it can enrich a small group of individuals, thereby becoming a breeding ground for the so-called resource curse in the form of political patronage and rent-seeking (Kolstad and Kinyondo, 2017). This shows that while local content may be necessary, it is insufficient in ensuring that most of the citizenry benefits from the extractive sector.

Tanzania introduced LC clauses in its legal framework as far back as 1979. However, it was in 2017 when the law came out the strongest. It is thus vital to gauge if that has significantly impacted the development of local content in the country. Current data on the mining and oil and gas sectors is crucial in enabling analysis of the impact of more recent local content provisions. It is acknowledged that some of the basic secondary data may be available but scattered across the many government institutions regulating the extractive sector. These include but are not limited to the National Economic Empowerment Council (NEEC), Ministry of Minerals, Ministry of Energy, Tanzania Mining Commission (TMC), Petroleum Upstream Regulatory Authority (PURA) and Tanzania Petroleum Development Corporation (TPDC). This present work will attempt to gather the information and try to make sense out of it in terms of where Tanzania stands as far as developing local content is concerned.

It should also be noted that whereas a significant body of work on local content policies in Tanzania's extractive sector focuses on design and effectiveness (see, e.g., Kolstad and Kinyondo, 2017; Kinyondo and Villanger, 2017; Siri and Kinyondo, 2016), there is no universal agreement on either what the term 'local' entails or what the term 'content' covers in the local content. Subsequently, little is known about whether and how local communities adjacent to mining or oil and gas fields benefit from local content policy in Tanzania. Moreover, it is still unclear how the Government ensures local content is realised across all levels. The usual implementation gap between LC requirements and the corresponding enforcement of implementation comes to mind.

Against this background, this study intends to assess the management of the local content policies in Tanzania's extractive sector. Since the oil and gas industry has not been fully developed like the mining sector, the discussion on the oil and gas subsector will be limited to the prospective Uganda-Tanzania (Hoima-Tanga) Oil Pipeline. Findings from this study are meant to contribute to the existing efforts to develop LC in Tanzania's extractive sector particularly on procurement efforts of local goods and services, job creation, as well as skill and technology transfers.

1.3. Objectives

1.3.1. General Objective

The study aims at exploring the management of local content in Tanzania's extractive sector with a view to examine whether it is delivering as expected.

1.3.2. Specific Objective

a) To assess LC policies in Tanzania and establish how they are expected to benefit the local population.

b) To explore the role of the Government and gauge the extent to which it oversees LC compliance.

c) To assess the communities' perspectives on Government's engagement in LC creation.

d) To examine the challenges facing the Government as well as communities in deploying LC.

CHAPTER TWO: METHODOLOGY

2.1. Approach to the Study

This study adopted a case study design to explore the management of local content policies in the extractive sector with a view to examining whether it is delivering as expected. Shinyanga and Geita regions were sampled for analysis concerning the mining sector. It should be noted that, unlike the mining sector, the oil and gas subsector has not been fully developed. Dar Es Salaam region has thus been sampled by the virtue of it being the home to Oil and Gas company responsible for the East Africa Crude Oil Pipeline (Hoima-Tanga pipeline) and many other prospective contractors.

The rationale for selecting Shinyanga results from the fact that the region is home to Artisanal and Small-scale Mining (ASM), Medium Scale Mining (MSM) as well as Large Scale Mining (LSM) operations. They include Williamson Diamond, Bulyanhulu Gold Mining and Buzwagi Gold Mining[4] companies. Buzwagi is a great case study as it will give a sense of whether benefits from LSM can go beyond the lifetime of the mine.

Geita Region was selected based on the fact that the region is responsible for almost half of the country's total gold export value. For instance, during the fiscal year 2020/21, Tanzania's mineral export recorded a significant share of Tshs. 5.59 trillion with Geita contributing a whopping export value of Tshs. 2.3 trillion alone.[5] As is the case with Shinyanga region, Geita is also home to ASM, MSM and LSM.

A case study design was picked to allow for the generalisation of findings, locate deviant cases and regional comparison. This has built a strong case which can be used to inform the local content design and implementation in Tanzania, particularly to new and emerging investments such as in Nyanzaga (Mwanza), Tembo Nickel (Kagera) and Liquified Natural Gas Project (LNG) in Mtwara and Lindi.

The study employed both primary and secondary data. Secondary data was mined from available official documents, academic papers, laws, and policies relevant to the mining sector. On the other hand, primary data was collected using semi-structured interviews which were administered to various stakeholders in Shinyanga, Geita, and Dar es Salaam. Moreover, the study did make use of direct observations of local participation in the extractive sector activities and results. The three instruments of data collection are succinctly discussed below.

2.1.1. Desk Study or Literature Reviews

The study involved a desk review focusing on building cases to pin down relevant information on issues of interest to enhance the quality of the analysis findings. Subsequently, secondary quantitative and qualitative data and information were collected from various official sources. The study drew upon existing research and data where possible and reviewed all available documents concerning and relevant to local content implementation, design, and management in the extractive value chain in Tanzania.

2.1.2. Semi-Structured Interviews

Under this technique, the study extended consultation with key informants to explore their experience in managing local content policies in the extractive sector value chain and to capture communities' perspectives on the government's engagement in local content development. Local content performance was gauged by examining management and delivery of the same. To do so, four separate instruments were used to gather information from extractive companies, government officials, ASM actors and the rest of the communities. It should be noted that all questions in semi-structured questionnaires sought to probe the gender dimension possibilities.

4 Note that Buzwagi Gold Mining Company is in closure phase.

5 https://www.teiti.go.tz/storage/app/uploads/public/62b/d78/278/62bd782789fa8959777682.pdf

2.1.3. Population Size

With literature pointing to a large sample comprising at least 25 observations, this study aimed to sample 77 respondents. Gender balance was strictly observed as the study deliberately targeted a nearly 50-50 representation of respondents across the gender division. Occupations, Gender, and age were highly considered to determine respondents. Table 1 below provides the backgrounds of respondents.

Table 1: Respondents' distribution table

Respondents	Gender		Region		
	Male	Female	Shinyanga	Geita	Totals
Local Government Authorities	2	3	- 1 Male - 1 Female	- 1 Male - 2 Female	**5**
Mining Companies	3	-	- Bulyanhulu - CASPIAN Mining	- Geita Gold Mine	**3**
	1 Male, from Dar es salaam (EACOP)				**1**
ASM Mines	1		-	- Nsangano Gold Mine Project	**1**
Regional Mining Associations	1	2	- 2 Female	- 1 Male	**3**
Non-Governmental Organizations	7	6	- 4 Male - 2 Female	- 3 Male - 4 Female	**13**
Politicians (MPs/councillors)	4	4	- 2 Male - 2 Female	- 3 Male - 1 Female	**8**
Religious Organizations	2	2	- 2 Male	- 2 Male	**4**
Community Development Groups	6	14	- 3 Male - 7 Female	- 3 Male - 7 Female	**20**
Locally based Suppliers (Any Tanzanian Supplier)	1 male from Dar es Salaam (AKO Group Ltd)				**1**
Local-Local Supplier (Supplier from the operation region)	9	5	- 4 Male - 3 Female	- 5 Male - 2 Female	**14**
Government Institutions	4 from Dodoma (3 male & 1 Female)				**4**
Total Number of Respondents					**77**

2.1.4. Direct Observations

Another method that was employed in this study was direct observation. This method was applied to document success and worse-case scenarios, if any, about local content designing and its implementations in Shinyanga, Geita and Tanga. Where possible, photos were used to report such cases.

CHAPTER THREE: ANALYSIS AND RESULTS

3.1 Local Content Policies in Tanzania: A contextual assessment

The pattern is almost universal. Immediately as natural resources are discovered a lot of expectations are built among the citizenry. Unfortunately, the paradox of plenty usually strikes to quench all the expectations as only a corrupt few benefit (Karl, 1997)[6]. What follows is a public outcry as the public begins to demand its fair share of the cake[7] . Eventually, local content policies are unleashed to mitigate and manage social and political risks due to rising anger from citizens in the quest for a better and fairer distribution of wealth.

There is a lingering debate about whether local content is beneficial. For instance, Kolstad and Kinyondo (2017) argue that local content practices may offset income tax as they raise multinational's operational costs and hence reduce the taxes which can be obtained from these companies. This implies that there are opportunity costs in imposing local content requirements since the forgone taxes can be used in other ways, which could potentially do more to improve development prospects (Kolstad & Kinyondo, 2017). Therefore, there is a need for proper local content design, implementation, monitoring, and evaluation to ensure that local content policies are not counterproductive.

As popular as local content policies are, there is still some contextual disagreement over what constitutes local content in a particular setting. Indeed, there is a worldwide differing understanding of what the terms, 'local' and 'content' entail. It is therefore crucial that these terms are unpacked so that the analysis that follows is undertaken using a solid framework.

As alluded to previously, local content is a multi-dimensional concept whose scope and depth vary substantially. That said, in this study, The World Bank and Kaiser EDP (2015) framework is adopted. Specifically, 'local' in this context represents three dimensions namely: (i) geography, (ii) ownership and (iii) value addition (wealth retention). On the other hand, 'content' consists of (i) Employment (ii) Procurement of goods and services and (iii) Skills development and technological transfers. It is important to note that in order to fully understand local content the three dimensions in each separate terms (local and content) must be unpacked so as to assess the level and quality of citizen participation in the extractive sector. The next two sections deal exactly with that matter.

Unpacking the 'local' angle

As explained earlier on, 'local' is a term that stands for three dimensions. These include, (i) geography, (ii) ownership and (iii) value addition (wealth retention). They are all clarified below.

3.1.1. Geographical Location

The nature of extractive operations puts pressure on the environment and general living standards in areas where the actual extraction occurs. It follows then that any fair distribution of socio-economic benefits gained from the extractive sector must necessarily consider extracting locations. It is thus crucial that priority is given to the locality where extraction takes place. In other words, 'local' must involve a recognition of both the country and vicinity levels (World Bank & Kaiser EDP, 2015, p. 20). Companies may therefore be considered 'local' if they are:

a) fully locally based. Practice differs across countries. This means that there are countries whereby local content to them favors companies or businesses originating from, registered, incorporated, or conducting business in the locality of the mine site only (the so called 'local-local'). In comparison, other countries consider businesses located anywhere within a particular country as local. A hybrid of the two is also a possibility.

b) locally based but foreign-originated. This implies that the capital, registration, and services might be sourced from outside the country, but the company operates within a country or in the vicinity of the mining operations.

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6 Establishing development linkages in the extractive industry: Lessons from the field (unctad.org)
7 1 (policyforum-tz.org)

c) locally originated but foreign based, which means some companies are registered in the countries or vicinity where mining operations are taking place but conducting business outside the country of the vicinity.

This broad definition of geographical location is important because in the absence of clear rules, it can lead to a situation where mining companies will count purchases of goods and services as 'local' even if they do not create meaningful economic benefits—such as purchasing imported goods from domestic suppliers or using services by expatriate employees of foreign companies that are registered in-country.

There is a good practice in some companies in Ghana where 'local' suppliers consist of only businesses registered in the country, and 'local-local' suppliers are those operating from the vicinity of mines (mining communities). Although the local content regulation in Ghana does not reference the obligation to procure from specific vicinity, it is a good practice to demarcate local-local suppliers as they tend to create multiplier effects within mining areas.

3.1.2. Ownership

'Local' ownership focuses on participation of nationals or citizens in the supply of goods and services. It can take many forms, including:

(a) Capital or equity participation; that is, a minimum percentage of the capital or shares of the supplying firm must be held by nationals or citizens of a country.

(b) An obligation for a supplying firm to employ a maximum number of local staff (e.g., local citizens).

(c) Management control by nationals, whereby procurement firms would qualify as local when citizens of the country have senior management positions.

(d) An obligation for a foreign supplier to enter joint ventures or partnerships with local firms.

(e) An obligation to list a minimum percentage of shares on the domestic stock exchange markets to encourage nationals and citizens to acquire stakes in the foreign company.

Experiences in applying the ownership criteria vary significantly across countries. For instance, while in Norway, ownership of a company is not a determining factor, Brazil accepts foreign ownership but prefers partnerships. Meanwhile, Nigeria, Angola, Ghana, and Uganda consider local ownership a determinant. In Ghana, the priority is given to 'local-local' companies, that is, those businesses in the vicinity of mining operations, unlike Uganda, where the preference is given to national (local) companies.

Similarly, local procurement in Zambia has a national focus. Specifically, the law states that "citizen-owned company means "a company where at least fifty points one per cent (50.1%) of its equity is owned by Zambian citizens and in which the Zambian citizens have significant control of the management of the company" [Law 7/08, Art. 2 (1)] (Columbia Centre on Sustainable Development, 2014, p. 5).

In South Africa, local procurement ownership criteria aim to address historical inequalities. Subsequently, the 2018 Mining Charter (Department of Mineral Resources, Republic of South Africa, 2018, p. 16) requires a minimum of 70 per cent of total mining goods procurement spending on South African manufactured goods. The 70 per cent shall be allocated as follows:

(a) 21 per cent spent on goods produced by companies owned and controlled by historically disadvantaged persons.

(b) 44 per cent spent on goods produced by Broad-Based Black Economic Empowerment (BEE) compliant companies, and

(c) 5 per cent on goods produced by women or youth-owned companies.

Similarly, the Charter requires that 80 per cent of the total spent on services be sourced from South African firms, with the following allocation:

(a) 50 per cent spent on services provided by companies owned and controlled by historically disadvantaged persons.

(b) 10 per cent spent on services supplied by BBBEE-compliant companies.

(c) Women-controlled companies supply 15 per cent of services; and

(d) Youth-controlled companies supply 5 per cent of services.

3.1.3. Value Addition (retention of wealth)

Value addition refers to a process by which the monetary worth of a good or service increases as it goes through various stages of processing. When using value addition as the criteria, goods and services are considered 'local' when a certain proportion of value addition is performed in-country instead of outside the country.

Beneficiation is considered to be important, particularly when exploring potential economic linkages and benefits thereof. Specifically, the policy is expected to promote the domestic manufacturing industry and support the growth of local suppliers to those firms. In this context, only goods manufactured in-country, particularly from inputs sourced locally, would be considered 'local' as they would have a specific value addition. In contrast, a good imported directly to the mine site would not qualify as 'local' procurement.

The amount of domestic value addition needed for goods to be considered 'local' varies across countries. In some countries, rules of origin are well-defined, and companies must produce certificates of origin for their inputs. In other cases, the value-added criteria are not explicitly defined. However, mining companies are required to buy their inputs from domestic firms with the risk that some may be mere repackaging facilities or re-sellers of imported goods.

Ghana has chosen to ringfence a targeted list of inputs that must be purchased in-country to stimulate local procurement. To this end, 29 products have been listed to be phased in over time. In 2014 companies were required to source the first list of eight products from local industries. These products included lime, grinding media, high-density polyethene (HDPE) and polyvinyl chloride (PVC) pipes, cement and cement products, tire re-treading, general and special lubricants, explosives, and caustic soda. In 2016 the list was extended to 19 products.

While Ghana specifies which products must be sourced locally, it does not specify how much value should be added for those inputs to qualify as locally procured. As a result, it is not easy to assess the extent to which this policy has helped deepen the manufacturing base in the country. In Botswana, goods and services must be procured to the maximum extent possible consistent with safety, efficiency, and economy. Again, there is no set level regarding the value-added criteria; therefore, the impact of the policy on industrial development is challenging to measure.

Unpacking the 'content' angle

3.1.4. Employment

Access to direct employment for local communities has been a primary concern of resource-rich host communities/countries. The issue has actually become a political agenda in most developing resource-rich countries. Indeed, to host governments, local employment in the extractive sector supports broader political priorities for job creation, human capital development and inclusive economic growth (World Bank, 2014).

Having more nationals or locals employed directly in the extractive value chain across all levels is critical. This is important not only for tax revenue maximization purposes but also for transferring skills that could be applicable elsewhere in the economy. This incentivises host governments to promote direct employment of locals in the extractive sector.

The indirect effect of securing local employment is increasing the ability of locals to consume goods and services due to their improved purchasing power.

On the other hand, providing direct local employment to communities around the mining areas or nationals is a strategy for companies to gain and maintain a 'social licence to operate. Maintaining a social licence to operate is a mutual benefit for both companies and the host government. When the local community supports the extractive project, the host governments will receive revenues from resource rents and taxes and extractive companies can operate peacefully without expecting disruptions from the public.

Other countries require foreign companies to give preference to the employment of local staff, to limit the employment of foreign staff, or to submit plans on how they intend to increase local labour participation throughout the project life. Nigeria, for instance, requires that junior or intermediate positions be reserved exclusively for Nigerians

3.1.5. Procurement of goods and services

Broadly speaking, local procurement refers to purchasing goods and services from domestic suppliers. This entails the capacity of local businesses to access extractive procurement markets. If accessed, extractive markets can provide significant business opportunities and sustainable linkages that are beneficial to the local economy and companies.

However, extractive companies are inherently capital-intensive and traditionally rely on imported goods and services. In most cases, the importation of some goods, such as machines, is tax waivered. This limits opportunities for local manufacturers, assemblers, suppliers, and labour to add value and, ultimately the opportunity for economic diversification.

To promote or induce extractive companies to source locally, host governments are now opting for demand and supply policy options comprising mandatory quantitative or qualitative requirements, incentives, or a mix of both. The demand-side policy option refers to instruments that encourage extractive companies to procure goods and services from local suppliers. Incentives on the other hand, are geared towards supporting local suppliers to access extractive sector procurement markets by achieving global standards in terms of price, quality, volume, and reliability of their products.

The choice of policy options highly depends on the host government's priorities and development vision, including revenue generation, business development, employment, and global positioning (Ramdoo, 2016). That said, it is important to assess the extractive sector local sourcing in the context of the broader domestic policy and economic environment (MSV, EWB Canada, and Canadian International Resources and Development Institute, 2017, p. 5). For instances, poor physical infrastructures such as roads, communications, and persistent lack of access to electricity will have a detrimental effect on domestic businesses' attempts to provide goods and services competitively, regardless of what policies governments put in place to foster local procurement in the extractives.

It should be noted here however that in the absence of good governance, local procurement policies may be prone to corruption risks, such as the misuse of local procurement requirements to favour the politically connected suppliers. This may result in the creation of artificial monopolies which control the supply of goods that were already being successfully and widely procured locally (Kolstad and Kinyondo, 2017; OECD, 2016).

Generally, most resource-rich governments in their policy frameworks codify quantitative requirements (legally binding targets) on extractive companies in terms of volume that is targeted number of local contractors to be awarded tenders to supply goods. Alternatively, value (that is, a percentage of company spending on local procurement) can be prescribed for extractive companies to be adhered to. In this case, ring-fencing available goods and services to be sourced in the locality/domestic is of high importance.

Note for instance that in Angola, logistics and catering services are explicitly reserved for local suppliers. In South Africa, local procurement targets grant preference to Black Economic Empowerment (BEE). As for Nigeria, exclusive consideration is given to Nigerian indigenous service companies. Meanwhile in Zambia, the maximum preference is given to local procurement.

3.1.6. Skills development and Technological transfer

Direct local employment at various stages of the extractive value chain requires both the host government and companies' efforts to enhance the local workforce capabilities. This is possible through training, skills and expertise development, and technology transfer.

It should be noted that the main reason extractive companies need to employ expatriates is that host countries/communities' workforce usually do not meet the required competence. Skilling domestic workforce and suppliers would thus reduce the need for expatriates in the sector.

Other countries have opted to finance skills development and training by seeking financial contributions from foreign companies or putting aside a share of royalties. For example, in Nigeria, one per cent of the total value of contracts awarded in the upstream sector goes to a Content Development Fund (KPMG, 2010) to support training and business support services. Similarly, South Africa and Malaysia have established skills development funds to which extractive industries must contribute. In Brazil, a share of royalties goes to the Oil and Gas Sectoral Fund to support specialised training and capacity building (Cosbey, 2015)

Notably, Ghana has established an Oil and Gas Business Development and Local Content Fund to support local capability development aspects of the local content framework. The fund is primarily used for education, training, research, and development in oil and gas sector. Sources of the fund include a contribution from licensed operators (at amounts specified in the applicable Petroleum Agreements), oil and gas revenue, levies, grants, and other support from Ghana's Development Partners[8] .

3.2. Local Content Policy, Practices and Outcomes in Tanzania's Extractive Sector

The Tanzania's Development Vision 2025 sees harnessing natural resources as key to national growth. It thus seeks optimal exploitation of natural resources to underpin broad-based sustainable growth and socio-economic development. It is not surprising then that the government is committed to promoting natural resources-based industrialisation in the National Five-Year Development Plan III (2021-2025). Needless to say, if well governed, natural resources can promote economic growth through local beneficiation and value-addition, thereby building the manufacturing base and in turn increasing employment opportunities and supply of goods and services inside Tanzania.

It is noted here that to realise an industrial economy and inclusive growth by 2025, the government of Tanzania needs to ensure meaningful participation of Tanzanians in the extractive sector value chain. In other words, the success of Tanzania's Vision 2025 depends on the country's local content development level.

It is thus crucial that the Mining Act of 2010 (R.E. 2019) and the Petroleum Act of 2015, together with their enabling regulations, require all companies to have local content plans upon investments as part of the licencing requirement. Furthermore, the Natural Wealth and Resources (Permanent Sovereignty) Act 2017 re-introduces local content requirements by emphasising that natural resources in Tanzania belong to Tanzanians and therefore must benefit them through various means, including ownership, employment, procurement of goods and services, domestic retention of wealth (Value addition) and the requirement for companies to plough-back of profits from the mineral sector[9] . Nevertheless, it is important to note that most of Tanzania's Laws and some clauses in the Petroleum Act do not apply to the East Africa Crude Oil Pipeline as per the amendment of 2020[10] According to Tanzania's extractive legal framework, local content means the quantum of composite value added to or created in the economy of Tanzania through deliberate utilisation of Tanzanian human

8 oso-9780198851172-chapter-7.pdf (silverchair.com)

9 Section 100F of the Mining Act 2010 (re 2019) require every mineral right holder to participate fully in the growth of the Tanzania economy by investing a portion of the returns from the exploitation of the country's mineral wealth.

10 Microsoft Word - local content guidelines new March.doc (uwezeshaji.go.tz)

and material resources and services in the investment to stimulate the development of capabilities of Indigenous of Tanzania and to encourage local investments, ownership, and participation[11][12]. According to this definition and requirements, local content in Tanzania, covers all dimensions: ownership, geographical location and value addition, employment, procurement of goods and services and skills development.

It should be noted that there are two main approaches used by host governments across the world to enhance local content development. They include:

I. Regulatory approaches: this is typically mandatory as it provides 'stick'-based policies that rely on solid compliance mechanisms with the prospect of financial sanctions or loss of licenses.

II. Facilitative approaches: this is mainly incentive-based as it offers 'carrot' policies that offer support and incentives for the development and employment of local workers. Governments are positioned to influence both the supply and demand sides of local jobs in the mining sector.

The Government of Tanzania (GoT) has adopted both regulatory and facilitative approaches in designing and implementing local content in the extractive sector. Indeed, as a regulator, the government, through Tanzania Mining Commission, Energy and Water Utilities Regulatory Authority, the Petroleum Upstream Regulatory Authority and related agencies, is mandated to compel extractive companies to comply with local content requirements. On the other hand, as a facilitator, the GoT, through its agencies such as National Economic Empowerment Council (NEEC), Vocation Education and Training Authority (VETA), Mineral Resource Institute, and related institutions empowers local labour force to be directly or indirectly employable in the sector.

In line with the above, mining operations, contractors, sub-contractors, acquisition of extractive licences all require submission of adequate Local Content Plan (LCP) which must be approved by the Mining Commission. The Local Content Committee evaluates the submitted LCP to verify whether such plans have complied with the local content requirements before the approval of the Commission. The approval process is fairly rigorous. For example, 78 LCPs were presented before the Committee for review in 2019/20 and only 51 qualifying[13]. As a matter of Tanzania's law, extractive companies with unapproved LC plans are not allowed to operate until they acquire approval.

3.2.1. Tanzania's Local Content Requirement in Perspective

3.2.1.1. Ownership

As mentioned earlier, ownership is among the criteria used when defining local. In Tanzania, local ownership as a criterion manifested in diverse ways in the policy and legal framework. These include capital and equity ownership, the requirement to enter a joint venture with local companies; and an obligation to list a minimum percentage of shares to the domestic stock exchange.

3.2.1.2. Capital or equity participation.

This entails a minimum percentage of the capital or shares of the company that nationals or citizens of a country must hold. In Tanzania, "local company" means a company or subsidiary companyincorporated under the Companies Act, which is one 100 per cent owned by a Tanzanian citizen or a company that is in a joint venture partnership with a Tanzanian citizen(s) whose participating share is not less than 51 per cent[14] the case of the mining sector and not less than 15 per cent in the petroleum sector[15] At the moment, CASPIAN is the most significant 100 per cent locally owned company providing drilling and other services to the mining companies such as Williamson Diamond (since 1998) and Geita Gold Mining between (between 2004 to 2006).

11 Section 4(1) The Mining Act 2010 (R.E. 2019)
12 en-1622017772-THE PETROLEUM (LOCAL CONTENT) REGULATIONS, 2017.pdf (nishati.go.tz)
13 62bd782789fa8959777682.pdf (teiti.go.tz)
14 Section 102(9) of the Mining Act 2010 (re 2019)
15 Regulation 3 of the Petroleum (Local Content) Regulations, 2017

A caveat that is important to provide here is that CASPIAN is owned by Mr Rostam Aziz (and his brother), a kingmaker and politically connected giant who has not only been the member of parliament but also the national treasurer of the ruling Chama Cha Mapinduzi party. The success of CASPIAN, therefore, is subject to debate whether it is a 'Tanzanian dream' or yet another product of rent-seeking shenanigans in Tanzania's extractive industry.

It is also hereby noted that CASPIAN is in the process of buying a 50 per cent share of Petra Diamond upon gaining approval of the Treasurer and become an equal shareholder with Petra Diamond. The means of payment will be through the recovery of USD 11.1 million outstanding settlement payment of past technical services provided by CASPIAN to Williamson Diamond. This will paint a new shareholding arrangement with GoT owning 37 per cent, Petra owning 31.5 per cent and CASPIAN 31.5 per cent[16] . A reason to celebrate our local champion? Debatable.

It was noted earlier that CASPIAN provided mining services to Geita Gold Mine's Lone Cone Pit between 2004 and 2006. However, at the moment, the same services at GGM are contracted to Capital Drilling (Tanzania). But the question is, if CASPIAN possesses capabilities to provide mining services and has done so for GGM before, why is GGM contracting a foreign company, Capital Drilling (Tanzania) Limited to do so? By extension, why did the Mineral commission approve Capital Drilling (Tanzania) Limited to provide the same service without having a joint venture with local companies as stipulated in the legal framework? Is CASPIAN incapable? Why not a joint venture? Is Capital Drilling (Tanzania) Limited considered a local firm? Or is the regulator too lax?

On the other hand, while the petroleum sector is still in its infant stage, the EACOP has provided an experience the country can learn from. Despite being a cross-border project, EACOP embraces national content programs in all project contracts to encourage and develop local procurement of goods and services. In this sense, if a company has an ownership percentage as stipulated by the Petroleum Act and its enabling regulations on Local content qualifies to be a contractor on the project. Furthermore, EACOP encourages and supports the formation of joint ventures between international and local companies to facilitate transfers of competencies and, most importantly, technologies[17].

3.2.1.3. Requirement to list on Domestic Stock Exchange.

This is an obligation for companies to list a minimum percentage of shares on the domestic stock exchange markets to encourage nationals and citizens to acquire stakes in the companies as per Section 126 of the Mining Act 2010 (RE 2019). The law is promising yet impossible to implement. The question of Mining Companies listing a certain percentage of their Shares at the Dar es Salaam Stock Exchange (DSE) proved to be impractical given limited resources available at DSE, among many other reasons.

However, the provision requires only Special Mining License (SML) holders to list their shares at DSE. Subsequently, subcontractors and those with Mining Licenses and other mineral rights (license) categories are not legally required to list. If GoT wants to leverage on ownership, it is critical for both foreign and locally owned subcontractors to list their shares at DSE. The same reason prompted GoT to compel SML owners to list to apply for foreign subcontractors. As for locally owned investors, it will be an opportunity to raise capital for investment but also have diverse investors.

Despite the mandatory provision, recent negotiations (framework agreement) between the GoT and Companies seem to compromise this provision.

That said, the Mining State Participation Regulation of 2022 gives a waiver for companies not listing their shares for citizens to buy if the government has 16% Free Carried Interest. Hence, the provision for listing at DSE seems redundant.

16 https://www.tanzaniainvest.com/mining/williamson-diamonds-mine-shareholders-2022
17 National/Local Content Plan – EACOP –

3.2.1.4. Geographical Location

It is crucial to link the extractive operations in a particular locality with the distribution of socio-economic benefits. This is key in ensuring that priority is given to national/local goods and services. In Tanzania, local content refers to the national content (it is about the participation of Tanzanian citizens regardless of their location in the country). Subsequently, there is little effort made by companies to give priority to the communities in the vicinity of the mining operations.

For example, Geita Gold Mining, a subsidiary of AngloGold Ashanti, has branded itself as a visionary company committed to establishing a sustainable local procurement programme underpinned by its ideals to stimulate socio-economic development within the communities and countries in which the group operates. Hence, the company prefers to procure goods and services locally. Nevertheless, due to the inadequate capacity of the communities in Geita, Geita Gold Mine and the National Economic Empowerment Council of Tanzania (NEEC) have agreed to provide consultancy and support services to Geita's local content implementation in 2020. This agreement aimed at improving and enhancing the participation of Tanzanians in various investments. The project targets over three hundred entrepreneurs and vendors with existing businesses in the region (GEITA), including youth, women, and people with disabilities . As rosy as this initiative may sound, it has failed to achieve its intended goal. Indeed, the main challenge facing the initiative has been the fact that most companies are registered as Geita based with a sub-office in Geita, but in real sense, their headquarters are outside the region.

On a positive note, for the EACOP project, geographical location (vicinity) will automatically matter, as displayed on their website, in some of their activities, especially during the pre and construction phases. Services provided will be on-site (nearby the construction route). Again, whether the office spaces owned by Tanzania from the region are subject to discussion and possibly will not matter in the procurement process.

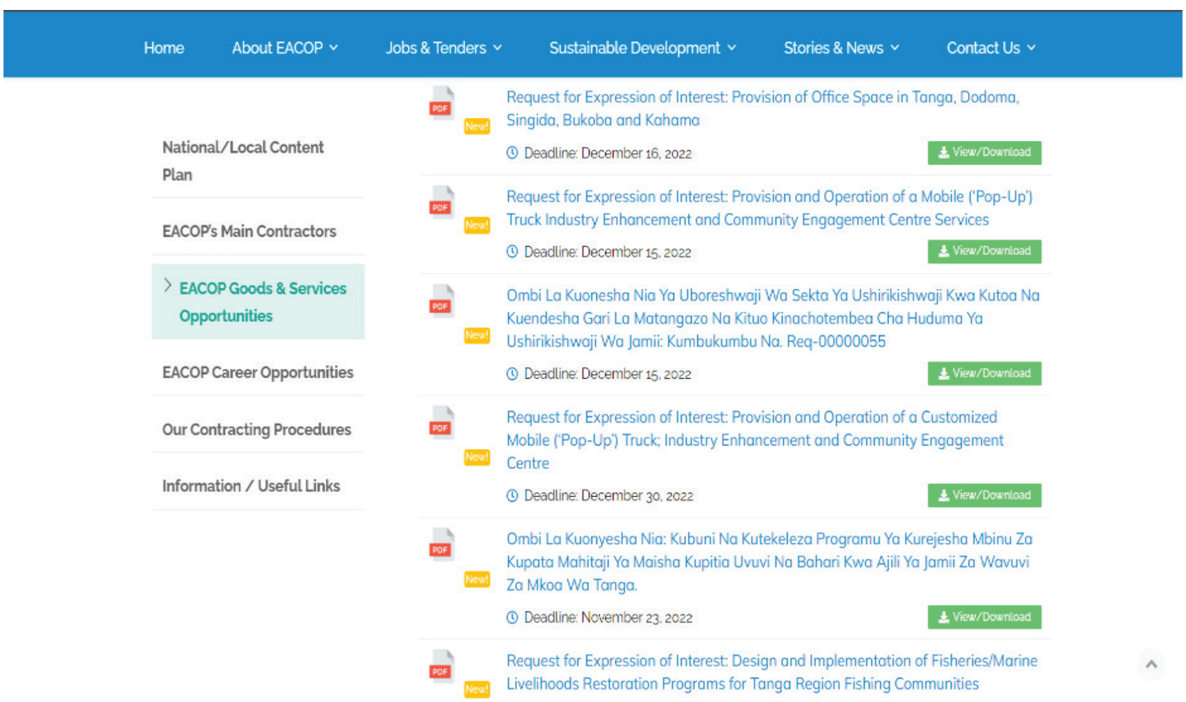

Figure 1: EACOP Goods & Services Opportunities

3.2.1.5. Value Addition

In a dramatic fashion, GoT imposed a ban on exporting unprocessed minerals (concentrates and ores) of all metallic minerals 2017. The ban aimed at promoting mineral value addition and beneficiation activities inside Tanzania. Ultimately, local value addition was meant to widen the link between mining activities and other sectors of the economy particularly manufacturing which in turn was expected to increase revenue generation, employment creation and technology transfer.

Notably, after the 2017 reforms, three precious metals refineries have established in Tanzania. These include Geita Gold Refinery, Mwanza Precious Metals Refinery and Eyes of Africa Refinery. It goes without saying then that the enactment of the Natural Wealth and Resources (Permanent sovereignty) of 2017[18] and the corresponding amendment of the Mining Act, Cap 123[19], have stimulated stakeholders to invest in mineral value-addition activities.

It should however be noted that, despite the requirement and establishment of the abovementioned refineries in Tanzania, there is still no supply of the raw minerals for refinery from large-scale mining (LSM).

The supply is mainly sourced from Artisanal and Small-scale Miners. Interviewed Mining Company representative, affirms that the lack of international certification for these refineries is a fundamental reason as to why LSM do not to supply their raw material to these refineries.

Moreover, while the machinery used in mining operations is necessarily imported, there is still an opportunity for value addition by local contractors and subcontractors. For example, imported machines for drilling or bulldozers by Capital Drill Limited and CASPIAN could be assembled in Tanzania by local subcontractors.

Furthermore, the government needs to be clear and consistent on its niche for the promotion of value addition and the role of value addition in linking different sectors of the economy at the national and global levels**.** For instance, the government should consider evaluating its ambitions to have a stake in all mining ventures, including mineral beneficiation, as required by regulation 6 (1) of the Mining State Participation Regulation of 2022.

3.2.1.6. Local employment

As alluded to earlier, submitting a local content plan that adequately addresses issues related to a direct local employment plan is critical and a condition for extractive companies, contractors, and subcontracts[20][21]. This has helped to improve employment prospects for locals. For example, from 2016/17 to 2019/20, the mining sector alone was reported to provide more than 1,000,505 jobs. Out of these, 190,809 were direct and while 809,696 were indirect jobs. In 2019/20 financial year alone, the mining and quarrying sector (including natural gas) contributed to the total direct employment of 332,468 people.

According to Tanzania Extractive Industry Transparency Initiative (TEITI), in the 2019/20 financial year, extractive and subcontractor companies together have 560 foreign employees (548 males and 12 females) and 8,468 local (Tanzanians) employees (7,801 males and 667 females). As can be seen, the extractive sector is overwhelmingly masculine (males occupying 92 percent of jobs). Local content requirements must seek to also establish a fair gender balance in the sector in future.

Furthermore, in total, all 31 reporting entities spent around Tshs 94.4 billion annually on foreign employees' salaries, while Tshs 230.3 million are spent on salaries paid to skilled local employees and Tshs 9 billion paid to unskilled employees. This information implies that extractive companies do mostly employ unskilled local employees. Also, even though foreigners are few compared to skilled national employees, the salary allocated to the former is disproportionally and significantly large.

For example, Geita Gold Mining (GGM) which identifies itself as a responsible employer has a workforce composition of 2,249 permanent employees of which 97% are Tanzanian. It claims that its Executive Management Team is 82 per cent Tanzanian.

18 Section 11 provides for the ban on the exportation of raw natural resources and set conditions for mineral rights holders to commit on contributing to ensure beneficiation facilities are built within URT.

19 Section 59 requires mineral rights holders to set aside a percentage of the minerals as the minister may determine after consultation with the mineral right holder and the commission for processing, smelting, or refining within the united republic

20 Section 41 (3G and H), section 42 (d), section 44 (d iii and iv), section 47 (b) and section 48 (1b) of The Mining Act 2010

21 Section 225 of the Petroleum Act of 2015 and its enabling regulations

However, according to TEITI, GGM spent Tshs 14 billion on 68 foreign employee salaries, 48 billion on 273 local skilled employee salaries and 5 billion on 92 local employee salaries. Looking at this outlook, it seems like GGM has reached the maximum target set by the regulations of reaching 80% of local employment at the management level. However, the value of employees in terms of salaries is disproportionally skewed towards foreigners.

Unfortunately, TEITI data is not disaggregated based on local vis a vis local-local category. In the presence of disaggregation, it would be possible to assess the number of local employees from the vicinity of extractive operations in relations to locals from elsewhere in Tanzania. The reason of course for lack of data disaggregation is that the term 'local' in the Tanzanian context is national.

3.2.1.7. Skills Development and Technological Transfer

As alluded to above, Tanzania strives to achieve the desired Local content through its policy and legal framework. Securing direct employment, delivering on local sourcing, and promoting domestic supply chains in the extractive sector require the government and companies to have a better strategy to deliver beyond the legal framework. In the long term, Tanzania must transform and diversify its economies to eradicate poverty, manage citizen expectations, and secure intergenerational equity. The key to achieving that depends on the availability of the required skills, capabilities, and technologies to meet the industry's demands throughout its value chain and life cycle.

The sector has a few examples of efforts to upskill locals to fit requirements. For instance, GGM committed to promoting Enterprise Supply Development (ESD) initiatives to upskill local suppliers in mining and alternative industries. Subsequently, GGM agrees with the National Economic Empowerment Council of Tanzania (NEEC) to provide consultancy and support services on Geita's local content implementation in 2020. The aim is to improve conditions that enhance the participation of Tanzanians in various investments. The project targeted over 300 entrepreneurs and vendors with existing businesses in the region (Geita), including youth, women, and people with disabilities. Three main programs, Capacity Building Interventions, Cluster Development and Linkages to Public and Private Institutions, are established to support Local Businesses. In 2020, 320 businesses were taken through a Capacity Building Training.

Notably, also it has been reported that Barrick Gold Corporation committed up to $70 million (about Sh161 billion) for investment in value-adding national projects, which includes mining-related training, skills development, scientific facilities at Tanzanian universities, and road infrastructure.

One can deduce that despite training and skills development being explicitly mentioned in Tanzania's policy and legal framework and forming a part of the licence requirement, it is less clear how this is done and monitored beyond payment of Skills Development Levy (SDL) and Corporate Social Responsibility (CSR) practices. Likewise, the extent to which local content in Tanzania is linked to both requisite skills needed in the extractive sector and the national education policy is also unclear.

The subsequent concern is the government's involvement in ensuring companies comply with Local Content Regulations as stipulated in laws, their enabling regulations, and the framework agreement for the Barrick case. The government should ensure a proper mechanism to monitor the implementation of the companies' succession plans are in place, and regular employment audits should be conducted to assess to what extent companies comply with skills development. Also, NEEC should establish a register for indirect employment (non-extractive business) linked to the extractive sector, and their capacity to supply is vital to understand the multiplier effect of the Extractive sector.

3.2.1.8. Procurement of Goods and Services

Supply of goods and services offers low lying fruits as far as local content is concerned. This is because goods and services constitute a significant portion of operating costs as previously stated. TEITI data indicates that the sale of goods has reached in excess of Tshs. 767 billion and that of services is close to one trillion (See Table 2). The catch as we are going to establish later though, is that there is a lot of leakage as a significant amount of these goods and services are mostly imported.

Table 2: Procurement Data

SN	Company	Goods	Service
1	Geita Gold Mining Limited	393,333,088,685.38	730,475,736,130.00
2	Tanzania Portland Cement Company Limited	217,944,333,845.35	33,643,326,947.07
3	Bulyanhulu Gold Mine Limited	59,323,364,092.51	75,813,989,833.87
4	AUMS (T) Limited	18,767,555,030.94	6,470,448,154.42
5	Williamson Diamonds Ltd.	27,398,054,341.16	82,386,099,303.89
6	Sandvik Mining and Construction Tanzania Limited	445,263,719.58	4,735,737,903.30
7	Oxley Limited	362,519,522.89	550,761,547.41
8	Tanzania Petroleum Development Corporation	13,136,902,703.24	2,299,344,753.83
9	Stamigold Company Limited	35,788,639,491.99	734,561,850.18
10	State Mining Corporation	786,706,028.44	934,078,761.84
	Total	**767,286,427,461.48**	**938,044,085,185.81**

Source TEITI Report: Data on Procurement of goods and services

In the process of writing this report, 15 suppliers were interviewed so they could provide their input as far as access to procurement market in the extractive sector is concerned. It is interesting to note that the more valuable the supplier is, the more expatriates it has at management level. Table 3 below shows, for instance, that Kaserkandis Construction Company, a level 1 Contractors Registration Board of Tanzania registered company has expatriates holding 80 per cent of management post; Specialized Manufactures Service that deals with equipment repair, has 60 per cent of its management dominated by expatriates; Blue Coast, a leading transport and logistic company and MANTRAC Africa's leading caterpillar distributor have 40 per cent of the management positions taken by expatriates. Meanwhile, companies distributing vegetables and similar low-valued goods and services are fully managed by locals. An interesting observation though was that apart from one supplier who supplied vegetables in one of the major mines, the rest (14 companies) are managed by individuals with university qualifications and their corresponding competences this may suggest that education is key for accessing more significant tenders.

Table 3: Number of Employees and Percentage Locals make in Management

Name of the Company	Number of Employees			
	Male	Female	Total	% of locals in the management
AJISE Environment Conservation	-	-	350	100%
AKO Group Ltd	-	-	1600	100%
Blue Coast	-	-	400	60%
Frester Investment	1600	200	1800	100%
Garda World Security	187	83	270	100%
Hajoka Company Limited	580	40	620	100%
Isamilo Express	84	26	110	100%
Kaserkandis Construction Company (KASCCO)	161	171	332	20%
MANTRAC	21	6	27	60%
Nyakabale Horticulture Group	17	21	38	100%
ORYX Company	-	-	2600	80%
Specialized Manufactures Service (SMS)	36	9	45	40%
T.R Company Services	321	213	534	100%
Umoja wa vijiji 14	150	40	190	100%
Victoria BCR Co. Ltd	24	25	49	100%

It is interesting to note that when asked to mention reasons that qualified them to win tenders, suppliers only gave four. Importantly, the majority of suppliers (87%) mentioned a fair bidding process (47%) and their capacity to produce the result (40%) as the most important reason that helped them clinch the tenders. Alarmingly, only one supplier mentioned local content policy as an enabler. This is a concern because the policy is meant to facilitate suppliers' access to procurement markets.

Table 4: Suppliers' Reasons for Winning Tenders

		Frequency	Per cent
Valid	Bidding process	7	46.7
	Capacity	6	40.0
	Local content policy	1	6.7
	Priority	1	6.7
	Total	15	100.0

It is one thing to supply goods to extractive companies but the extent of retained benefits depends solely on whether the supplies are mostly locally made or otherwise. Respondents were therefore asked to state if part or whole of what they supply is locally sourced and its value. Table 5 below shows an interesting pattern. Companies supplying most expensive goods and services such as Blue Coast, Frester Investment, Garda World Security, Hajoka Company Limited, Isamilo Express, KASCCO, ORYX company and Victoria BCR Co. Ltd either admit they import the goods they supply or claim to have no answer to the question which by all intent and purposes was a tacit admission to importing. This should serve as a wake-up call to the government in that the many billions being quoted directed towards the procurement of goods and services are mostly leaked outside the economy. Time to invest in value addition ventures and start thinking of establishing a manufacturing base that can leverage on the opportunities that the extractive sector, bring to the economy.

Table 5: The Value of Supplied Goods and Services vis a vis Imports

Company	Location	Value (in millions)
AJISE Environment Conservation	Shinyanga	Nothing is imported
AKO Group Ltd	Geita	Nothing is imported
Blue Coast	Geita	No answer
Frester Investment	Shinyanga	Buses, Tshs. 700 millions
Garda World Security	Shinyanga	Defensive weapons
Hajoka Company Limited	Shinyanga	Lubricants, car spare parts and machines
Isamilo Express	Geita	Buses, Tshs. 400 millions
KASCCO	Geita	No answer
MANTRAC	Geita	Nothing is imported
Nyakabale Horticulture Group	Geita	Nothing is imported
ORYX Company	Shinyanga	Oil is imported
SMS	Geita	Nothing is imported
T.R Company Services	Shinyanga	Nothing is imported
Umoja wa vijiji 14	Shinyanga	Nothing is imported
Victoria BCR Co. Ltd	Geita	No answer

3.3. Government's Role and the Extent of its Success in overseeing LC compliance.

As explained previously, the government has a major regulatory and facilitative role to play in ensuring that local content development is realized. A total of eight government officials were interviewed to get a glimpse of the reality on the ground. These included officers from the Ministry of Mineral, Mining Commission, Geological Survey of Tanzania, National Economic Empowerment Council (NEEC) and the Local Government Authority.

As shown later, to corroborate responses from government officials, five senior officials from extractive companies were also interviewed. They include, Bulyanhulu Gold Mining, CASPIAN Mining, East Africa Crude Oil Pipeline (EACOP), Geita Gold Mine and Nsangano Gold Mine Project Ltd.

To start with, government officials were probed on their understanding of local content. Table 6 below clearly shows that the mentality that local content is about jobs is widespread. Indeed, five government respondents (63%) mentioned employment as a feature synonymous with local content. The other two official mentioned skills transfer, with only one stating the supply of goods and services to the extractive sector as a local content feature. Indeed, according to one official, "*Sections 102 to 104 in the Mining Act Cap 123 reflects the main features of the LC policy include transfer of skills to the locals through capacity building programs and succession plan in all positions currently owned by experts by the mineral right holders".* Unfortunately, just like it has been throughout the interviews with many other stakeholders, government officials never mentioned value addition as one of critical features of local content.

Table 6: Government Officials' View on what Constitutes Local Content

	Feature	Frequency	Per cent
Valid	Employment	5	62.5
	Supply	1	12.5
	Transfer of skills	2	25.0
	Total	8	100.0

Thereafter, government officials were asked to state an institution responsible for implementing the Local Content Policy. This brought mixed responses. It appears that at the Local Government Authority Level, the understanding is that Local Content Implementation is overseen by the community development department, as indicated by four (50%) of the respondents. However, a respondent who was a community officer appeared to reject this claim as he suggested that the Procurement Management Units within the local government authorities are responsible for implementing local content policy.

Nevertheless, at the central Government level, the understanding is that local content policy implementation is overseen by the Tanzania Mining Commission, as indicated by two of the respondents. It has to be noted that this view is in line with the regulatory framework. However, the rest of the respondents adamantly claimed that local content implementation is managed by the Local Content Department at the Ministry of Minerals. Already one can see this coordination conundrum which must be negatively affecting the implementation of local content policy in the extractive sector.

When asked whether local content policy addresses the local vis a vis local dimension, government respondents overwhelmingly stated that it is all about local. All Tanzanian nationals qualify as locals regardless of their place of residence within the country. As one of them aptly put it, "*In accordance to Mining Act CAP 123, it targets locals from anywhere in Tanzania and not only locals close to the mine (Tanzania citizens and local companies). It should not be mixed with CSR, which is actually taking into consideration neighborhood communities which are directly affected by the mining activities as per Section 102 (9) of the Act; 'Local company' means a company or subsidiary company incorporated under the Companies Act, which is one hundred per cent owned by a Tanzanian citizen or a company that is in a joint venture partnership with a Tanzanian citizen or citizens whose participating shares are not less than fifty-one percent".* As implied in the law, this understanding robs locals residing in the vicinity of extractive operations of their rightful benefits. Indeed, locals living nearby extractive operations face relocation, environmental effects, and many other socio-economic negative consequences. The fact that the law does not seek to compensate them by prioritizing them through local content opportunities and assuming that CSR is enough cannot and thus should not be accepted.

Mixed responses were also gathered when government officials were asked if the local content policy implementation is being rigorously monitored and evaluated. While four (50%) of government respondents said that local content had been evaluated, the other four suggested otherwise.

The latter cited as lack of resources for evaluation and clear guidelines as some of the major reasons behind the lack of proper evaluation of LC policy implementation in Tanzania.

When the four government respondents who claimed that local content had been evaluated were asked to state the government institution that engaged in the evaluation. It was not surprising that they gave varying responses. Indeed, one claimed that it is the local content department at the Ministry; another stated that it was the Tanzania Mining Commission; the third pointed the Ministry of Minerals and the last one stated that it was the Procurement Management Unit that does it. The most confusing part is the seeming lack of clear understanding of the boundaries between the ministry and various departments/agencies under it. While the law states that the Mining Commission is mandated to evaluate LC implementation, it is clear that the ministry is very much in the mix. This was well captured by one of the government respondents who stated that, "*The Ministry of Minerals itself has consistently done evaluation under the Commissioner for Minerals office responsible for Policy in collaboration with the Mining Commission as the Mining Operations regulator. It must be noted that the evaluation is based on the mining law's requirements*".

The four government respondents claiming that local content has been evaluated were asked to state the outcome of such evaluations. While one failed to state any outcome, the remaining three gave three different outcomes. The three outcomes include, a 90 per cent increase in local employment in the extractive sector, amendments to the mining sector regulations in 2017 and the introduction of joint ventures between locals and foreigners. Needless to say, the suggested causal effect between the claimed evaluation and stated outcomes is not intelligible.

In a remarkable twist, most of the interviewed officials from extractive companies denied that the government evaluates LC implementation. Table 7 below shows that out of five consulted extractive companies, only EACOP indicated that GoT monitors and evaluates local content compliance. According to the interviewed official, the Energy and Water Utilities Regulatory Authority (EWURA) monitors local content compliance every quarter. He specifically claimed that *"the Government monitors Local Content compliance. At EACOP, for example, EWURA does monitor a quarterly basis; we submit the implementation of Local Content every quarter at EWURA if they have any comment, they come back to us for improvements. Also, we have regular engagements with EWURA and Tanzania Petroleum Development Corporation (TPDC) whereby we present everything openly; we are an open company."*

Surprisingly, claims from one extractive company that is government owned and overseeing the oil and gas project was unanimously contradicted by the rest of consulted privately owned extractive companies (See Table 7). Indeed, while, these respondents acknowledged that the Government had done an excellent job of putting in place a local content policy in the mining sector; that has not been accompanied with some rigorous monitoring and evaluation of the policy implementation to ensure better management and delivery of LC in the sector. Since there is no logical reason that can force extractive companies to lie about not being monitored and evaluated, one can safely conclude that there has not been adequate management of LC implementation in the extractive sector. Whether it is true or, not that incompetence and lack of financial and human resources are the reason behind this situation as respondents from extractive companies suggested, the GoT needs to rethink its strategy and ensure that regulatory side of LC policy is enforced. The absence of enforcement is akin to having no law at all.

Table 7: Extractive Companies' View on LC Monitoring and Evaluation

Yes		Does the Government monitor and evaluate local content compliance		Total
		No		
Company	Bulyanhulu Gold Mining	0	1	1
	CASPIAN Mining	0	1	1
	East Africa Crude Oil Pipeline (EACOP)	1	0	1
	Geita Gold Mine	0	1	1
	Nsangano Gold Mine Project Ltd	0	1	1
Total		1	4	5

It was also important to understand what happens when extractive companies breach local content implementation plans. This is crucial as enforcing the law is key to ensuring compliance. Interestingly, four of government respondents said that no action has ever been taken when the local content policy is not adhered to by the extractive companies. On the other hand, the remaining four claimed that when an extractive company fails to adhere to local content policy, penalties are imposed according to the Mining (Local Content) Regulations of 2018. One wonders if officials claiming penalties merely state what should be done according to the law. This is because, it makes no sense that penalties are unleashed, and fellow officials claim not to have experienced the same happening. It was not surprising that of the four respondents, only one believes action has been taken "because the regulations say so" but could not state what was imposed on what company. The rest of the respondents simply had no answer to the question thereby supporting the suspicion that responses were provided in accordance with what the law states but not what actually happens on the ground.

So far only the regulatory part of local content has been assessed. However, a successful implementation of LC demands facilitative efforts. It is for this very reason that a question was posed to government respondents about benefits that accompany extractive companies should they comply with the LC policy. Only two of government respondents were aware of any benefits thereof. Specifically, they claimed that the government awarded compliant companies with accreditation, recognition certificates, and renewal of permits to incentivize them. They also claimed that supply companies that adhere to local content policy also get priority in acquiring supply tenders.

Interestingly, the rest of government respondents (6) said that no benefits are offered to companies that adhere to the local content policy. They stated that adhering to local content policy is a legal requirement, and thus GoT is not bound to offer any benefits. These sentiments were well stated by one of respondents who strongly said that "a*dherence to the local content is the legal requirement, and therefore all mineral right holders have to be compliant for them to be allowed to operate smoothly in the sector. Contravening would pose some danger of being penalized or punished by the law. This is a part of the so-called ESG (Economic, Social and Governance), where the mining companies are tested on their performance by the shareholders who have put their finances into the respective project."*

Ironically, one of the strategies that must be used to develop LC in Tanzania that extractive companies suggested is providing incentives for compliant companies. During interviews, officials from extractive companies stated categorically that local content policy could not be fully developed. In contrast, locals still have limited capacity in terms of competence, capital and technology. With the government busy trying to satisfy competing needs, all these requirements could have been sourced from the private sector only if the facilitative angle of LC implementation was also prioritized. Unfortunately, it is as clear as daylight that the government does not embrace the facilitative angle of LC policy implementation.

Lastly, when respondents were asked to recommend ways to develop local content, 50 per cent proposed that local capacity development be prioritized to enhance local skills and expertise that can allow locals to participate in the extractive sector. Other recommendations include, developing a cross-cutting local content policy in all economic sectors of the country, exposing government staff so they can understand local content and best practices from other countries, involving local people when making and reviewing policies such as the local content one, as well as providing loans to locals to enhance their financial capacity to engage in the supply chain of the extractive sector.

3.4. Community Perspective of Government Involvement in Local Content

Perspectives are vital in determining how people perceive matters that are important to them. In this case, the study aimed at gauging perspectives regarding people's understanding of local content, whether the policy is helpful and the way forward. This section provides details to that effect.

To start with, 48 members of the community were interviewed, 24 apiece for Geita and Shinyanga regions. In order to interrogate whether there is any gender angle to our assessment, sampling ensured that half of respondents (24) were women. Moreover, sampling considered all possible age brackets and a diverse range of respondents' occupations and education levels, as tables 8, 9 and 10 respectively indicate below, respectively.

Table 8: Age Across Sampled Regions

10-20		Age				Total
		21-30	31-50	Above 50		
Location	Geita	4	8	10	2	24
	Shinyanga	0	10	12	2	24
Total		4	18	22	4	48

Table 9: Occupations of Respondents

Councilors		Title							Total
		Employee	Farmer	Pastor	Small scale miner	Teacher	Unemployed		
Location	Geita	4	7	7	2	1	0	3	24
	Shinyanga	4	6	6	2	2	1	3	24
Total		8	13	13	4	3	1	6	48

Table 10: Education level of Respondents

Secondary education		Educational level		Total
		Tertiary education		
Location	Geita	10	14	24
	Shinyanga	5	19	24
Total		15	33	48

The first thing that needed clarification was the understanding of local content among respondents. Table 11 below provides a summary picture of the level of understanding of respondents on local content. Interestingly, only 14 (six males and eight women) indicated to have no understanding of the concept. This impressive level of understanding of local content among respondents was rightly summed up by a respondent who argued that "*Local content is the policy adopted to capacitate and engage the local communities to benefit from the extractive sector Community participation in the project's service delivery.*"

Table 11: Community's Basic Understanding of Local Content

		Frequency	Per cent
Valid	Employment	7	14.6
	I don't know	14	29.2
	Supply	20	41.7
	Training	7	14.6
	Total	48	100.0

Remarkably, 20 of them (42%) view local content as an opportunity to supply of goods and services to the extractive sector. Meanwhile, 15% a piece considers local content as a gateway for accessing employment or training opportunities. Local content as a tool for training was well encapsulated in an argument by another correspondent who stated that *"It is the policy adopted to capacitate and engage the local communities to benefit from the extractive sector".* An interesting observation is that none of the respondents mentioned beneficiation as being part of local content. This, as shown throughout this study, seems to be an issue of concern in Tanzania. This is because LC is by and large viewed as a tool for employment, training and supplying minor goods and services and not one to fuel backward and forward linkages between the extractive sector and manufacturing.

Having established the level of understanding of what local content entails among respondents, the next step involved assessing if and whether local content policy helps respondents to access employment and procurement opportunities in the extractive sector. Table 12 below, clearly shows that the majority of respondents (77% or 19 males plus 18 females) have never been employed in the sector. Among the few who have once been employed the majority engaged in menial jobs such as cooking, food supply and security. Only two respondents were employed as professionals in the health sector and in management. This suggests that not only is it difficult for locals to get jobs in the sector but also that the lucky few accessing them are mostly offered low level employment and hence lowly paid.

Table 12: Access to Employment Opportunities

Community Health Development (MDH)		Employed in what capacity?							Total
		Cooking	NA	Provision of food to miners	Security position	Small miner	Technical and Management level		
Have you ever been employed in the extractive sector?	Yes	1	2	0	3	2	2	1	11
	No	0	0	37	0	0	0	0	37
Total		1	2	37	3	2	2	1	48

Respondents who have never been employed in the extractive sector value chain were asked why that was the case (see Table 13). A good number of them (18 respondents with 12 of them being females) said it was because of the limited skills that they possess. Seven respondents (four males plus three females) said there was lack of employment opportunities, and two of them pointed to poor recruitment procedures. Ironically, 10 respondents (eight males plus two females) said they had no interest in being employed in the sector value chain. Two of respondents (one male and female apiece) said that they have never been employed because of the poor recruitment procedures; these two indicated that recruitment procedures are sometimes characterized by unfairness and priority to some of the people.

Table 13: Reasons for not Accessing Employment Opportunities

Lack of employment opportunities		Why do you think you cannot access extractive jobs?					Total
		Limited skills	NA	No interest	Poor recruitment procedures		
Have you ever been employed in the extractive sector?	Yes	0	0	11	0	0	11
	No	7	18	0	10	2	37
Total		7	18	11	10	2	48

The story is not that different when it comes to supply of goods and services. Indeed, 38 respondents (79% or 21 male plus 17 females) stated that they have never been part of any consortium that supplied goods and services to the extractive sector. (See Table 14). Of those that did access the procurement market in the extractive sector supply, only five respondents supplied valuable goods (machines, security and medicine). The rest (5) supplied cooking and food. Interestingly, out of 10 respondents who claimed to have been part of the consortium supplying goods and services to extractive sector, seven of them were women. Unfortunately, no respondent who claim to be part of the consortium supplying goods and services to the extractive sector was able to state the volume or indeed value of their supplies. The issue around value is critical here as quantities can be deceiving when it comes to local content.

Table 14: Access to Supplying Opportunities

Cooking		What was supplied, and in what volume and value?						Total
		Food	Machines	Medicine	NA	Security		
Have you ever been part of a consortium supplying any service to the sector	Yes	2	3	1	2	0	2	10
	No	0	0	0	0	38	0	38
Total		2	3	1	2	38	2	48

In trying to explain why they cannot access the procurement market in the extractive sector, a considerable number pointed to either limited supply opportunities (10) or limited access to tender information (11). Favoritism was raised by five respondents, with another three suggested politics to be a deterrent. Only three pointed to lack of capacity as an issue with one respondent questioning the veracity of the local content policy to help them access the procurement market. Table 15 below provides a complete breakdown of the said responses.

Table 15: Reasons for not Accessing Employment Opportunities

Favoritism		If the answer is no, why do you think that is?								Total
		Limited capacity	Limited chances	Limited tenders' information	Local content policy	NA	No reason	Politics		
Have you been part of a consortium supply any service to the sector	Yes	0	0	0	0	0	10	0	0	10
	No	5	3	10	11	1	0	5	3	38
Total		5	3	10	11	1	10	5	3	48

Meanwhile, respondents were asked whether extractive companies are doing enough to help communities participate in the extractive value chain. Only 15 respondents (10 males and five females) believe extractive companies are doing enough (See Table 16). They cited Geita Gold Mine as one example, as it funded youths living in villages adjacent to the mine to attend electrical engineering courses in Arusha. That said, a considerable number of respondents (69% or 14 males plus 19 females) stated that extractive companies do not do enough to help them participate in the sector. The result is easy to see as scholarship to training is not good enough for extractive companies worthy billions of US dollars.

Table 16: Help from Extractive Companies

Yes		Do you think extractive companies do enough to help communities to participate?		Total
		No		
Location	Geita	7	17	24
	Shinyanga	8	16	24
Total		15	33	48

The situation is even worse when considering the government, only six respondents (four males and two females) feel that it is doing enough to help them participate (See Table 17). A further nine respondents said that they do not know at all what the government does in terms of local content development, with 33 respondents (18 males and 15 females) giving a definite 'no' on the question whether the government helps or not. They placed a blame on the Mining Commission's inability to monitor and evaluate local content requirements as the main reason behind their decision to say the government needs to do more.

Table 17: Help from the Government

Yes		Do you think the government is doing enough to ensure compliance with the local content policy?			Total
		No	I don't know		
Location	Geita	1	14	9	24
	Shinyanga	5	19	0	24
Total		6	33	9	48

3.5. Challenges facing GoT and Communities in deploying Local Content

In order to highlight see challenges or rather areas that need to be improved to develop LC in Tanzania, information/opinions from respondents representing GoT, communities, suppliers and extractive companies were separately collected. This was done so as to showcase ideas that converge and of course those that diverge. All in all, a collection of views from four separate sources was meant to paint a complete picture of what needs to be done to develop LC in Tanzania.

To start with, when government respondents were asked to recommend what has to be done to develop local content, 50% recommended that local capacity development be given to enhance local skills and expertise in understanding local content and its practices in the country (see Table 18). Developing the capacities of the locals should be done through training organized by the Government, private sectors, and Civil Society Organizations.

Other recommendations from the government include the need to develop cross-cutting local content policy in all economic sectors of the country, exposing Government staff to the understanding of local content and best practices from other countries, involving local people during the making and review of policies such as the local content policy and the last recommendation is the provision of loans to locals to enhance their financial capacity of the local people to involve in the supply chain of goods and services, here one respondent said there should be *"improved access of the capital by local suppliers through improved fiscal policy and other relevant legislations, capacity building to the local suppliers on SME management; attracting more investors to the manufacturing industry to fill the vacuum of imported goods."*

Table 18: Government Officials' Proposals on how to Develop LC

		Frequency	Per cent
Valid	Development of cross-cutting Local content policy	1	12.5
	Exposure to Government staff	1	12.5
	Local capacity development	4	50.0
	Locals' involvement in policy making	1	12.5
	Provision of loans	1	12.5
	Total	8	100.0

On the other hand, when community members were asked what should be done to develop local content in Tanzania, they gave five strategies (See Table 19). A number of them (29%) said that capacity development is needed to help them participate in the extractive sector value chain. For instance, one respondent argued that there is a need to establish modern Vocational Education and Training Authority (VETA) in areas or districts that have mining operations. Meanwhile, 25% of respondents raised the necessity for provision of loans to locals to enhance their capacity to provide goods and services to extractive sector.

Meanwhile 19% of respondents suggested the need for locals to be involved in policy design and development. This, they said, would help in ensuring that policies such as that governing local content are realistic and potent. Relatedly, 17% of respondents called for priority in trainings, employment opportunities, supply of goods and services to be given to locals residing in villages adjacent to mines to enhance their ability to be involved in the sector. Lastly, 4% of respondents stated that monitoring of the local content compliance is key to helping locals participate in the sector. The performance of the Mining Commission has once again been called into question.

Table 19: Communities' Proposals on how to Develop LC

		Frequency	Per cent
Valid	I don't know	3	6.3
	Local capacity development	14	29.2
	Locals' involvement in policy making	9	18.8
	Monitoring and evaluation	2	4.2
	Priority to locals	8	16.7
	Provision of loans	12	25.0
	Total	48	100.0

Meanwhile, it was also essential to understand from suppliers' point of view on what could be done to develop local content in Tanzania's extractive sector. As can be seen in table 20 below, a considerable number of respondents (67%) mentioned access to finance (40%) and review of the local content policy (27%) as two most important issues to be addressed in order to develop local content in Tanzania. Interestingly, another 20 per cent mentioned the need for local capacity development, which is also nothing but local content. There is therefore a clear call for revisiting the local content policy. Moreover, only two suppliers thought the tendering process and fair treatment of supplier was an issue. This may suggest that the elephant in the room is in making the local content policy a better tool that can induce meaningful participation of locals in the extractive sector.

Table 20: Suppliers' Views on How to Develop Local Content

		Frequency	**Per cent**
Valid	Equal and fair opportunities	2	13.3
	Local capacity development	3	20.0
	Provision of loans	6	40.0
	Review local content policy	4	26.7
	Total	15	100.0

Finally, each extractive company gave one key recommendation on what should be done to develop local content in Tanzania; Bulyanhulu Gold Mine said that compliance benefits provision is critical and a good motivation for companies to continue adhering to local content policy. A respondent said, *"I recommend for the Government to provide clear guidelines of local content and give benefits to companies that comply."* A respondent from Nsangano Gold Mine Project Ltd said that locals should be capacitated through training to enhance their capacity in understanding local content policy and practices but also enhance their expertise in goods and services delivery; he said, *"there is a need for the Government to identify things that the natives can provide as services in the mine and identify the things that the natives need to be empowered to be able to provide services in the mines".*

Another respondent from EACOP recommended that there is a need for a review of the recent local content policy; he recommended that *"Local Content regulations should be revised to adopt onshore oil and gas operations rather than only offshore oil and gas operations as of recent"*. A respondent from Geita Gold Mine recommended that there is a need for the provision of loans to locals to enhance their financial capacity in pursuit and involvement in the goods and services delivery in the sector; this should be done with easy access to loans. A respondent from CASPIAN mining recommended that there should be clear Local content guidelines and regular monitoring of Local content compliance by the Government.

Table 21: Officials from Extractive Companies' Views on how to Develop LC

		Frequency	Per cent
Valid	Compliance benefits	1	20.0
	Local capacity development	1	20.0
	Local content regulations review	1	20.0
	Monitoring and evaluation	1	20.0
	Provision of loans	1	20.0
	Total	5	100.0

CHAPTER FOUR: CONCLUSION AND RECOMMENDATIONS

4.1. Conclusion

This study aimed at assessing management and delivery of local content in Tanzania's extractive sector. Studying local content is important because while corporate taxes, royalties, inspection, and other fees are important, they do not maximize host country take from the sector the way LC can. This is because operations costs cover up to 70% of gross revenues from extractive firms. It follows those corporate taxes, and the like are only part of some 30% of the gross yield. Local content therefore provides for an opportunity for host countries to squeeze in more revenues from the extractive sector.

It was noted in this report that to understand local content one has to unpack the terms 'local' and 'content'. Unbundling the terms quickly provides six dimensions through which local content has to be assessed. These include, (i) geography, (ii) ownership and (iii) value addition for 'local' and (i) employment (ii) procurement of goods and services and (iii) skills development and technological transfers for 'content'. Furthermore, analysis of implementation of LC has to be conducted at two levels namely regulatory and facilitative levels.

Using a case study design that employed both secondary and primary data, this study showed that Tanzania just like many resource-rich countries does have LC legal framework. In fact, LC in the extractive sector was introduced in Tanzania as far back as in 1979. However, the more radical version was introduced in 2017 following resource nationalistic reforms in Tanzania's extractive sector. The obvious question therefore is whether these reforms have made LC management and delivery in Tanzania any better. To answer this question, this study relied on interviews conducted to 77 respondents scattered across Dar Es Salaam, Geita and Shinyanga representing members of the community, suppliers, extractive companies as well as government officials.

Results from the study clearly indicate that the government has been ineffective in terms of managing and delivering LC in Tanzania. Indeed, the majority of interviewed community members, suppliers, extractive companies' respondents and even government officials admitted that management and delivery could be handled better. It was rather critical that even officials from extractive companies who notoriously hate to be regulated, raised the need for the government to raise up its game.

Perhaps the biggest concern came from the fact that all respondents, including those from the government ignored value addition as a major feature of LC. This is problematic as employment, skill transfer and supply, the three preferred features do not necessarily maximize take from LC the way beneficiation does. This was evidenced not only by the fact that expatriates in the extractive sector earn disproportionally high salaries compared to their local counterparts, but also the fact that almost all of the high valued goods and services supplied in the sector are imported, thereby implying leakages in revenues.

Respondents mentioned some of very familiar challenges that need to be addressed if LC is to be effectively managed and delivered in Tanzania's extractive sector. These include the need to i) enforce LC requirements, ii) upskill the local workforce, iii) make finance accessible to suppliers, iv) involve locals in reviewing LC policy, v) have better coordination among various government institutions that oversee LC implementation vi) make LC policy more facilitative and vii) prioritize local-local dimension of LC.

4.2. Recommendations

This study has provided a number of recommendations that, if taken up, can improve LC management and delivery. The same are succinctly listed below.

A. Review the existing LC legal framework. The review must necessarily incorporate the following important clauses:

   (i) clause that gives a reasonable priority to 'local-local' community

(ii) a clause that makes LC legal framework more facilitative

(iii) a clause that clearly demarcates mandates of various government institutions that oversee LC

(iv) a clause that delegates some of the enforcement powers to local government authorities where actual extraction takes place

B. Create a funding mechanism for local suppliers through:

i) the introduction of government bank guarantees

ii) government subsidies

iii) Public-Private Partnership funding options

iv) Tax return mechanism to extractive companies.

C. Review Tanzania's education policy and make it competence-based rather than knowledge-based. While this exercise is ongoing, it is proposed that the review must necessarily seek to:

i) fill the skills mismatch gap through assessing long-term labour market.

ii) involve practitioners in both designing and delivering curricula at tertiary and universities levels education and training.

iii) encourage regular exchange programs for both students and instructors at tertiary and university levels of education and training.

iv) Ensure that education policy review is an ongoing activity in the fast-moving world.

D. Build a manufacturing base for value addition through:

i) Attracting targeted technologies to our special economic zones

ii) Relaxing requirements for investing in targeted firms e.g., ones for mineral processing and polishing.

iii) Assisting existing refineries to be internationally certified

iv) Encourage JV arrangements and start-ups for firms providing services to the extractive sector

E. Improve governance of LC through:

i) Ensuring the availability of both human and financial resources.

ii) Improving transparency in tendering and reporting of LC implementation in the context of six dimensions of LC.

iii) Involving local government authorities in monitoring and evaluation of LC implementation

iv) Involving locals in design of relevant policies

v) Ensuring that coordination among government entities is properly executed.

F. The need to pick and promote winners through:

i) Guaranteeing them loan

ii) Offering them subsidies

iii) Exposing them to training opportunities, including study tours

iv) Helping them to be locally and internationally certified.

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