



## LOCAL CONTENT IN TANZANIA

### Overview

Local content is the value added to, or created in, the economy through deliberate utilization of Tanzanian human and material resources and services in investments in order to stimulate the development of capabilities and to encourage Local investments, ownership and participation. Local Content is currently becoming one of the strategic issues in many countries which are rich in natural resources as it stimulates broad based economic development by alleviating poverty and ensuring sustainable economic and social outcomes. In Tanzania the Policies and Laws governing the extractive sector have been reviewed to capture local content issues which aim at ensuring that Tanzanians are given preference in employment and supply of goods and services in the sector. Some of the other sector laws and policies have reserved activities that should be done by Tanzanians only or in joint venture with foreigners, or have given preference to local companies or required a certain percentage of shares in a company to be owned by Tanzanians. Tanzania has decided to take the multi sector approach to local content so that it could apply to other sectors which have a great impact to the economy of the country. This creates a need of all the relevant sector policies and laws to include local content as an essential component for the growth of the economy.

### Local Content Priority Sectors

The local content priority sectors are as follows:-

1. **The Extractives sector (Mining, Oil and Gas);**
2. **The Construction sector (Works, Transportation and Communication)**
  - **The Manufacturing and Trade sector;**
1. **The Agricultural sector (Agriculture, Livestock and Fisheries); and**
2. **Tourism sector (Natural Resources and Tourism)**

The participation of Tanzanians in employment, provision of goods and services, technology transfer, capacity building and community engagement in the sectors mentioned above has not been very well documented and therefore no realistic data is in place. However the challenges being faced by Tanzanians to participate in these sectors include: limited capacity to undertake large projects (capital and technical skills), Lack of entrepreneurial and business skills, lack of capacity to supply large quantity of goods timely, lack of required standards of goods and services required by investors, lack of soft skills, lack of



certifications required by investors in specialized projects, lack of supporting legislation and poor monitoring and enforcement of existing laws.

### **CHALLENGES OF THE LOCAL CONTENT.**

While local content has the potential to drive economic growth and development in Tanzania, there are several challenges that need to be addressed. Some of these challenges include:

1. **Lack of local skills and capacity:** Tanzania faces a shortage of skilled labor, particularly in technical and specialized fields. This makes it difficult for local companies to compete with foreign firms and limits the potential for local content development.
2. **Limited access to finance:** Many local companies in Tanzania struggle to access affordable finance, which limits their ability to invest in capital-intensive projects and expand their operations.
3. **Weak local supply chains:** Many local companies lack the capacity and expertise to supply goods and services to large-scale projects, which often results in foreign companies being awarded contracts and procurement opportunities.
4. **Limited technology transfer:** Foreign companies often bring in their own technology and equipment, which limits the potential for local companies to develop their own capabilities and technology.
5. **Inadequate policy and regulatory frameworks:** The policy and regulatory frameworks in Tanzania are often weak or inadequate, which limits the effectiveness of local content policies and creates uncertainty for investors.
6. **Corruption and lack of transparency:** Corruption is a major challenge in Tanzania and can undermine local content policies by favoring foreign companies and limiting opportunities for local companies.

Addressing these challenges will require a concerted effort from the government, private sector, and civil society to improve local skills and capacity, increase access to finance, strengthen local supply chains, promote technology transfer, and improve policy and regulatory frameworks. It will also require a commitment to transparency and accountability to prevent corruption and promote fair competition

### **The Extractives sector (Mining, Oil and Gas).**

Tanzania is rich in natural resources, with its mining sector being a significant contributor to its economy. The country has a vast array of minerals, including gold, diamonds, coal, and uranium, among others. The mining industry in Tanzania is a major employer, with thousands of people working in both large-scale and small-scale mining operations.



Local content policies have become increasingly popular in Africa's mining sector, with governments recognizing the need to ensure that local communities benefit from the exploitation of their natural resources. Tanzania's mining sector is no exception, with the government enacting policies that promote the participation of Tanzanian citizens and companies in the mining industry.

The country's local content policy in the mining sector is enshrined in the Mining (Local Content) Regulations of 2018. These regulations set out the minimum local content requirements for mining companies operating in Tanzania. The policy aims to increase the participation of Tanzanian citizens and companies in the mining industry by ensuring that a significant portion of the goods and services used in mining operations are sourced from local suppliers.

One of the key objectives of the policy is to create employment opportunities for Tanzanian citizens. Mining companies are required to submit annual plans outlining their local content strategies, which must include provisions for employment and training of Tanzanian citizens. The regulations stipulate that mining companies must ensure that at least 20% of their workforce consists of Tanzanian citizens. This provision has been critical in increasing the participation of Tanzanian citizens in the mining industry.

The policy also requires mining companies to prioritize the use of local goods and services in their operations. The regulations stipulate that mining companies must source at least 20% of their goods and services from Tanzanian suppliers. The regulations also require mining companies to give preference to goods and services produced or provided by Tanzanian citizens and companies.

The government of Tanzania has taken several steps to promote the participation of Tanzanian citizens and companies in the mining industry. One of the key measures is the establishment of the Mining Commission, which is tasked with overseeing the implementation of the local content policy. The Mining Commission is responsible for approving mining licenses and ensuring compliance with the local content regulations.

The government has also established the Mining Cadastre Portal, an online platform for managing mining licenses. The platform enables mining companies to apply for licenses and track the status of their applications. The platform has streamlined the licensing process and made it more transparent, making it easier for Tanzanian citizens and companies to participate in the mining industry.

**The following is a general procedure on the preparation of local content in the Tanzanian mining sector:**



1. **Identifying Opportunities for Local Content:** The mining company should identify potential areas where local content can be utilized, such as procurement of goods and services, employment of locals, and development of local industries.
2. **Develop a Local Content Plan:** The mining company should develop a local content plan that outlines the specific areas where local content will be utilized, the target percentage of local content, and the strategy for achieving the set targets.
3. **Consult with Stakeholders:** The mining company should consult with local communities, government officials, and other stakeholders to ensure that the local content plan aligns with their needs and expectations.
4. **Implement Local Content Plan:** The mining company should implement the local content plan by ensuring that the set targets are met and regularly monitoring and reporting progress towards achieving the targets.
5. **Evaluate and Adjust Local Content Plan:** The mining company should periodically evaluate the effectiveness of the local content plan and make necessary adjustments to ensure that it continues to align with the needs and expectations of local communities and other stakeholders.
6. **Compliance:** The mining company should ensure that it complies with all applicable laws, regulations, and guidelines related to the promotion and development of local content in the Tanzanian mining sector.

It's worth noting that the specific requirements and procedures for preparing local content in the Tanzanian mining sector may vary depending on the type and scope of the mining project, and companies should ensure that they comply with all relevant laws and regulations.

In conclusion, the local content policy in Tanzania's mining sector has been instrumental in increasing the participation of Tanzanian citizens and companies in the mining industry. The policy has created employment opportunities for Tanzanian citizens and encouraged the use of local goods and services in mining operations. The government's commitment to promoting local content in the mining sector is evident in the establishment of the Mining Commission and the Mining Cadastre Portal. These measures have made it easier for Tanzanian citizens and companies to participate in the mining industry and benefit from the exploitation of their natural resources.