

EXAMINING THE NEW LOCAL CONTENT REGIME IN THE MINING SECTOR IN TANZANIA

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Abstract

This paper examines the new local content regime in the mining sector in Tanzania. It analyses the new approach taken by Tanzania in implementation of local content policies. The article argues that local content policies and laws adopted in Tanzania aim at ensuring that the government obtains more benefits from extraction of mineral resources beyond the traditional taxes and royalties paid by holders of mineral rights. Thus, local content policies ensure value addition in the mining sector and maximization of economic benefits from the sector through the use of non-fiscal measures such transfer of technology, the generation of value-added in domestic supply sectors, the creation of local employment opportunities, and increasing local ownership and control and local processing of mineral products before exports. This article concludes that effective implementation of local content regime in Tanzania will generate additional benefits to the economy beyond taxes and royalties paid by holders of mineral rights.

Key Words: local content, value addition, mining sector

1. INTRODUCTION

Tanzania is endowed with substantial mineral resources, including gold, copper, diamonds, and gemstones such the unique

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tanzanite.¹ The ongoing mining activities in Tanzania provide the government with revenues from taxes, royalties and levies payable by holders of mineral rights. Currently, the contribution of the mining sector to the Gross Domestic Product (GDP) is approximately 5%.² Apart from taxes and royalties, the mining sector has very limited linkages to the other sectors of the economy. Thus, the mining sector is considered enclave by nature “disconnected and isolated from the rest of the economy”.³ Consequently, there are limited economic benefits to the country in terms employment opportunities created, skill development, and spillover effects to the local economy.⁴ Instead, a big portion of the benefits goes to foreign countries and multi-national corporations that provide capital and industrial technology required to operate the mining sector.⁵ This view is supported by resource curse literature which explains the negative co-relation between resource extraction and socio-

¹ Other minerals available phosphates, mica, gypsum, limestone, graphite, quartz and vermiculite include nickel, cobalt, copper, apatite, niobium, iron ore and coal. See The United Republic of Tanzania, Ministry of Minerals *Investment Opportunities in the Mineral Sector* (2018) available at https://www.madini.go.tz/wp-content/uploads/2017/12/INVESTMENT-OPPORTUNITIES-IN-MINERAL-SECTOR_2017.pdf accessed on 10th February, 2020.

² Ministry of Minerals Budget Speech for the financial year 2019-20 at p.9. Available <https://www.madini.go.tz/wp-content/uploads/2019/05/DOC-20190529-WA00141.pdf> accessed on 15 February 2020.

³ Owusu, R.B.G., “Linkages in Ghana’s gold mining industry: Challenging the enclave thesis” 37 *Resources Policy* 2012, 434, at pp. 434-435. See also Fessehaie, J and Morris, M., “Value Chain Dynamics of Chinese Copper Mining in Zambia: Enclave or Linkage Development?” 25 *European Journal of Development Research*, 2013, 537 at p.538.

⁴ Nem Singh and Bourgooin (2013) Nem Singh, Jewellord/Bourgooin, France (eds.) (2013): *Resource Governance and Developmental States in the Global South: Critical International Political Economy Perspectives*. Hampshire.

⁵ Radley, B., “The End of the African Mining Enclave? Domestic Marginalization and Labour Fragmentation in the Democratic Republic of Congo” *Development and Change*, 2019, 1, at p 2.

economic development.⁶ According to this school of thought, mineral rich countries have failed to transform their natural resources wealth into socio-economic development.⁷

To ensure that there are more economic benefits from the mining sector, in addition to taxes and royalties, governments in mineral-rich countries are now implementing broader policies which ensure, among others, diversification of the economy, linkage of the mining sector to the local economy and spillover effects to the local economy.⁸ One of such intervention measures is the introduction of local content requirements. Local content policies ensure the creation of linkages between the mining sector and other sectors of the economy. Such linkages are created through five channels namely the creation of local employment opportunities, local participation in the mining sector, procurement of local goods and services, technology and skills transfers and local beneficiation of mineral products.⁹ Thus local content is a policy intervention measure by the government to ensure value addition in the mining

⁶ Gelb, A., *Oil Windfalls Blessing or Curse?*, London: Oxford University Press 1988, at pp. 7-9. See also general discussions by Sachs, J.D., and Warner, A.M., "Natural Resources and Economic Development: The curse of natural resources" 45 *European Economic Review*, 2001, at pp. 827-838 and Auty, R.M., *Sustaining development in mineral economies: The resource curse thesis*, London: Routledge, 1997, at pp. 1-12.

⁷ *Ibid.*

⁸ Ramdoo, I., *Unpacking Local Content Requirements in the Extractive Sector: What Implications for the Global Trade and Investment Frameworks?* (2015) at 1 available at <http://e15initiative.org/wp-content/uploads/2015/07/Extractive-Ramdoo-FINAL.pdf> accessed on 18 February 2020. See also Tordo, S et.al *Local Content Policies in the Oil and Gas Sector*, Washington: The World Bank, 2013, at p. 1.

⁹ Amoako-Tuffour, J., Aubynn, T and Atta-Quayson, H., *Local Content and Value Addition in Ghana's Mineral, Oil, and Gas Sectors: Is Ghana Getting It Right?* (2015) 4 available at <https://includeplatform.net/wp-content/uploads/2019/07/GTF-Local-Content-MOG-in-Ghana-SR-formatted.compressed.pdf> www.acetforafrica.org. Accessed on 15 February 2020. See also Ovadia, J.S., *The Role of Local Content Policies in Natural Resource-Based Development* (2015) at 37 available at https://dev.oefse.at/fileadmin/content/Downloads/Publikationen/Oepol/Artikel2015/Teil1_03_Ovadia.pdf accessed on 15 February 2020.

sector and maximization of economic benefits from the sector through the use of non-fiscal measures such as the promotion of local skills technology transfer, use of local manpower and local goods.¹⁰

The concept of local content is not new in the mining sector in Tanzania. For example, the Mining Act 1979¹¹ required all applications for grant of mineral license to be accompanied with proposals for the employment and training of citizens of Tanzania as well as procurement of goods and services obtainable within Tanzania.¹² Similarly, the Mining Act 1998¹³ imposed an obligation on the applicants for special mining license to have a plan with respect to the employment and training of citizens of Tanzania.¹⁴ The same approach was adopted by the Mining Act 2010¹⁵ which retained the requirements to have in place a plan relating to the employment, training of Tanzanians and succession plan on expatriate employees,¹⁶ procurement of goods and services available in Tanzania.¹⁷

Notably, the Mining Act 2010 was amended in 2017¹⁸ where more emphasis was placed on, among others, the training and

¹⁰ Ramdoo, I., *Design Local Content Policies in Mineral-Rich Countries*, The international Institute for Sustainable Development (2018) pp.2-8. Available at <https://www.iisd.org/sites/default/files/publications/local-content-policies-mineral-rich-countries.pdf> accessed on 18 February 2020.

¹¹ Act No. 17 of 1979.

¹² *Ibid* ss. 27(f); 29(4)(c), 39(3)(d) &(e) and 41(2)(b).

¹³ Act No. 15 of 1998.

¹⁴ *Ibid* ss. 38(4)(f); 39(1)(e); 41(2)(c);

¹⁵ Act No. 14 of 2010.

¹⁶ *Ibid* ss. 10(4)(f); 41(4)(h); 42(1)(d); 44(d)(iii); 48(1)(b); 49(2)(f); 50(1)(c) and 51(e).

¹⁷ *Id* ss. 10(4)(e); 28(3)(e); 34(1)(f); 41(4)(g); 42(1)(d); 44(d)(v); 49(2)(h) and 52(f).

¹⁸ The Written Laws (Miscellaneous Amendments) Act, 2017, Act No.7 of 2017.

employment of Tanzanians¹⁹ and provision of goods and services by Tanzanian entrepreneurs.²⁰ This was followed by the promulgation of the Mining (Local Content) Regulations, 2018²¹ and its amendments through the Mining (Local Content) Amendments Regulations, 2019.²²

This article examines the new local content regime in mining sector in Tanzania. The major aim is to analyse the new approach taken by Tanzania in its pursuit of local content policies. In doing so, the article analyses the key policy documents, laws and institutional framework in place. The next section provides a discussion on the concept of local content and how it can be implemented.

2. MEANING OF LOCAL CONTENT

There is no precise definition of local content. There are two key words worth consideration. First and foremost, the term “local” is used to refer to nationality or citizenship of holders of mineral rights, suppliers of goods and services as well employees. Thus, “local” is considered to have attributes such as prioritization of employment opportunities for citizens, ownership, registration and domicile of suppliers and service providers and local sourcing of products and services.²³ On the other hand, “content” refers to benefits received by the citizens or the local economy generally from the exploitation of the mineral resources.²⁴ These benefits include: development of local workforce, transfer of technology, innovation, fostering

¹⁹ *Ibid* s. 103.

²⁰ *Id* s. 102.

²¹ G.N No. 3 of 2018.

²² G.N No. 139 of 2019.

²³ Ramdoo, I., *Design Local Content Policies in Mineral-Rich Countries* above note 10, at pp.2-8.

²⁴ Hestermeyer, H.P and Nielsen, L., “The Legality of Local Content Measures under WTO Law” 48 (3) *Journal of World Trade*, 553 at pp.556-557.

downstream value addition and beneficiation of locally produced raw materials.²⁵

Based on the analysis above, local content can be summed up as the policies and laws that ensure “*a certain share of factors of production (such as labour, supplies of goods and services, technology, knowledge) required at various stages of the value chain is sourced from the domestic economy*”.²⁶ The major objectives of local content policies include: jobs creation, technology and knowledge spillovers, participation of citizens in mineral value chain creation and industrialization.²⁷ Thus, the local content policies create conducive environment for citizens, local companies and home-based industries to participate in mining activities.²⁸ This ensures part of the economic benefits generated from mineral extraction are retained within the country.

In Tanzania, local content is defined as the quantum of composite value added to, or created in, the economy of Tanzania through deliberate utilization of Tanzanian human and material resources and services in the mining operations in order to stimulate the

²⁵ Ramdoo *Design Local Content Policies in Mineral-Rich Countries*, above note 10, at pp.2-8.

²⁶ Korinek, J. and I. Ramdoo “Local content policies in mineral-exporting countries”, OECD Trade Policy Papers, No. 209, OECD Publishing, Paris, 2017 at 10-12. <http://dx.doi.org/10.1787/4b9b2617-en>. See also Warner, M., (2017) *Local Content in Procurement: Creating Local Jobs and Competitive Domestic Industries in Supply Chains*, London: Routledge, 2017 at pp. 1-9.

²⁷ Korinek, J. and I. Ramdoo *ibid* at 13. See also Lange, S and Kinyondo, A., “Resource nationalism and local content in Tanzania: Experiences from mining and consequences for the petroleum sector” 3 *The Extractive Industries and Society*, 2016, 1095–1104 at p. 1095.

²⁸ Olawuyi, D.S “Local content and procurement requirements in oil and gas contracts: Regional trends in the Middle East and North Africa” *Oxford Institute for Energy Studies*, 2017 at. p.5.

development of capabilities of indigenous of Tanzania and to encourage local investment and participation.²⁹ This definition is further refined in the Mining (Local Content) Regulations 2018,³⁰ to mean the quantum or percentage of locally produced materials, personnel, financing, goods and services rendered in the mining industry value chain and which can be measured in monetary terms.³¹ As it can be seen in this definition, there is more emphasis on ensuring citizens are given priority in employment opportunities as well as procurement of local goods and services.

The local content requirements in Tanzania aim at achieving the following objectives:³² (a) promoting the maximization of value-addition and job creation through the use of local expertise, goods and services, businesses and financing in the mining value chain; (b) Developing local capacities in the mining industry value chain through education, skills transfer and expertise development, transfer of technology and know-how and active research and development programmes; (c) Achieving the minimum local employment level and in-country spend for the provision of the goods and services in the mining industry value chain as specified in the First Schedule to the Local Content Regulations; (d) Increasing the capability and international competitiveness of domestic businesses; and; (e) Creating mining and related supportive industries that will sustain economic development. The next section highlights the major aspects of local content in Tanzania and examines the implementation of local content requirements.

²⁹ The Mining Act, Cap. 123, R.E 2018, s 4(1).

³⁰ G.N No. 3 of 2018.

³¹ Id, Reg. 3.

³² Id, Reg. 4.

3. TAXONOMY OF LOCAL CONTENT REQUIREMENTS

Local content requirements take different forms in Tanzania. These requirements are summed up into three clusters. For one, the law imposes quantitative obligations which are expressed in form of volumes such as number of local employees to be employed or in form of value expressed in terms of amount of money to be spent by holders of mineral rights or their subcontractors within specified timeframes. In addition, the law imposes qualitative measures such as obligations to report on targets like number of employees, transfer of technology, training of citizens and succession plan. Finally, the law imposes certain preconditions to be fulfilled by foreign companies before they qualify for grant of a mineral right or provision of goods or service to the mining sector. The discussion of these clusters follows.

3.1 Access to License and Markets

The law in Tanzania imposes preconditions for foreign entities and individuals before they qualify for grant of mineral rights. Further to that, the requires certain mineral rights to granted to Tanzanians, specific job positions to be held by Tanzanians and contracts for supply of specified services to be done by Tanzanians. There are also pre-conditions imposed on foreign entities before they can be allowed to supply goods or services in the mining sector in Tanzania. These preconditions are analysed one by one in the following paragraphs.

3.1.1 Mandatory Equity Participation for Citizens in Grant of Mining License

In terms of the Mining (Local Content) Regulations a foreign company cannot be granted a mining license until such company

enters into an arrangement where at least 5% equity participation is held by an indigenous Tanzanian company.³³ The interest of an indigenous Tanzanian company arising from a mining license is not transferable to a non-indigenous Tanzanian company.³⁴ This requirement ensures that Tanzanian citizens also share the benefits of accruing from mineral extraction. This is because, an indigenous Tanzanian company, as a shareholder in the holder of a mining license, will be entitled to at least 5% of the profits made. It is notable, however, that the Minister of Minerals has powers to waive this requirement in circumstances where an indigenous Tanzanian company is unable to satisfy the requirement of 5% equity participation.³⁵ The challenge with provision is that it gives too much powers to the Minister to waive this requirement. Such powers need to be exercised with caution otherwise this provision will not achieve its intended objectives. This provision will be meaningful if it was coached in mandatory terms by requiring foreign companies ensure such 5% equity is held by an indigenous Tanzanian company.

3.1.2 *Mandatory State Participation*

The law sets a general requirement that any authorisation granted for the extraction, exploitation or acquisition and use of natural wealth and resources, including minerals, must ensure that the Government obtains an equitable shares in such extractive projects.³⁶ In implementing this legal requirement, the law provides explicitly that in any mining operations, under a mining licence or a special mining licence, the Government of Tanzania must hold a minimum of 16% non-dilutable free carried interest shares in the

³³ *Ibid*, Reg. 18(2).

³⁴ *Ibid*, Reg. 8(5).

³⁵ *Ibid*, Reg. 8(3).

³⁶ The Natural Wealth and Resources (Permanent Sovereignty) Act, 2017 (Act No. 5 of 2017), s 8.

capital of a mining company depending on the type of minerals and the level of investment.³⁷ Before the Amendments in 2017, the level of state participation was subject to negotiations.³⁸

State participation means the government will acquire 16% of the shares in the holder of mineral rights without making any cash or cash equivalent contribution. It also means the government is entitled to dividends from the holders of mineral rights' profits equal to its 16% shareholding. However, due to existence of stabilization clauses, this requirement does not apply to existing Mineral Development Agreements (MDAs) until after successful renegotiations. In addition to the free carried interest shares, the Government is entitled to acquire, up to 50% shares in the mining company commensurate to total tax incentives granted to such mining company.³⁹ The tax incentives (tax expenditure) granted to holders of mineral rights will be computed and converted into government's equity in the mining projects.⁴⁰ This means government equity may be increased up to 66%.

The government has taken initiatives to implement this requirement for existing MDAs. For example, on 24th January, 2020, the Government and Barrick Gold Corporation reached an agreement to settle their protracted disputes.⁴¹ One of the terms of the agreement is that the Government will acquire a free carried

³⁷ The Mining Act, Cap. 123, R.E 2018, s 10(1).

³⁸ The Mining Act 2010, Act No. 14 of 2010 s 10(1) &(2).

³⁹ The Mining Act, Cap. 123, R.E 2018, s 10(2).

⁴⁰ Ibid, s 10(3).

⁴¹ <https://www.barrick.com/English/news/news-details/2019/The-Launch-of-Twiga-Minerals-Heralds-Partnership-Between-Tanzanian-Government-and-Barrick-/default.aspx>

shareholding of 16% in each of the mines operated by Barrick Gold namely Bulyanhulu, North Mara and Buzwagi.

While free carried interest is considered as one of the major steps for the government to obtain more revenues, there are challenges in ensuring the government obtains dividends from its shares. The first challenges arise from the fact that mining venture is capital intensive and thus it takes a long time for mining companies to start declaring profits. It is estimated that it can take up to 12 years from the production date to the time when the company breaks-even and declares profits.⁴² The other challenge is that sometimes, mining companies manipulate their books of accounts and declare perpetual losses. For example, Resolute Tanzania Limited operated from 1997 to 2012, exported gold and silver worth US\$ 1.5 billion, but paid corporate tax only once, three years before it closed its operations.⁴³

3.1.3 Primary Mining License and Mining License for Gemstones Reserved for Citizens

All primary mining licenses (PMLs) for any minerals are reserved for individuals who are citizens of Tanzania or partnership composed exclusively of citizens of Tanzania.⁴⁴ As regards to bodies corporate, only companies whose shareholders and directors are citizens of Tanzania and control over the company,

⁴² Park, H.M., “Mining Project Evaluation Process for Investment Decisions” MSc Thesis, University of Utah, 2012, at pp. 44, 48.

⁴³ Commissioned in 1998 and was officially closed in February 2014. In its 15 years operations, the mine produced 2.2 million troy ounces of gold and 207,803 troy ounces of silver. See the Tanzania Minerals Audit Agency *Annual Report 2014* (2015) 2 available at http://www.tmaa.go.tz/uploads/ANNUAL_REPORT_2014.pdf. (accessed 20 November 2016) Another report quotes the total revenues generated by the mine to be US\$ 3.5 billion.

⁴⁴ Defined as “Primary mining licence” means a licence for small scale mining characterized by minimal machinery or technology of an initial capital for investment which does not exceed US dollars 5 million or its equivalent in Tanzania Shilling;

both direct and indirect, is exercised, from within Tanzania by persons all of whom are citizens of Tanzania.⁴⁵ However, this requirement may be dispensed where a holder of PML needs a technical support which cannot be sourced within Tanzania, the Commission may on recommendation of the Resident Mines Officer, may allow the holder of PML to contract a foreigner for the technical support.⁴⁶

Similarly, mining licences for mining gemstones are only granted to applicants who are Tanzanians.⁴⁷ However, this requirement may be dispensed with where there is evidence that development of gemstone resources in an area of land subject to a mineral right, is most likely to require specialized skills, technology or high level of investment if a foreign investor was involved.⁴⁸ In such circumstances, the Minister after consultation with the Mining Commission, may grant a mining licence for gemstones to citizen who has entered into a partnership with a non- citizen whose undivided participating shares amount to not more than 50% either alone, in the case of one person or in the aggregate in the case of more than one person.

These requirements aim at ensuring that most of the economic benefits are retained in the local economy. This, in turn, creates a spillover effect to the economy because the profits will be ploughed back to the economy.

⁴⁵ The Mining Act, Cap. 123, s 8(2).

⁴⁶ *Ibid*, s 8(3).

⁴⁷ *Ibid*, s 8(5).

⁴⁸ *Ibid*, s 8(6).

3.1.4 *Foreign suppliers Required to Enter JV Arrangement with Local Companies*

The law sets a general rule that indigenous Tanzanian companies should be given priority in the provision of goods or services in the mining sector.⁴⁹ An “indigenous Tanzanian company” is defined as a company incorporated under the Companies Act that has at least 20% of its equity owned by a citizen or citizens of Tanzania.⁵⁰ This implies that a foreign company in Tanzania that is interested in providing services or supplying goods in the mining industry will acquire the “indigenous Tanzanian company” status under the Regulations, if 20% of its shares are held by Tanzanian citizen (s). However, in addition to this shareholding requirement, there are further requirements that Tanzanian citizens must hold at least 80% of executive and senior management positions and 100% of non-managerial and other positions.

In the alternative, a foreign company (“non-indigenous Tanzanian company”) which intends to provide goods or services to a mining company or its subcontractors must incorporate a joint venture company with an “indigenous Tanzanian company” and afford that “indigenous Tanzanian company” an equity participation of at least 20%.⁵¹ This means a non-“indigenous Tanzanian company” is mandatorily required to operate the company from Tanzania and provide the goods and services in association with an indigenous Tanzanian company.⁵² Again, this requirement ensures an indigenous Tanzanian company obtains not only the economic benefits from the mining industry but also gain experience from the foreign companies. This arrangement also allows transfer of

⁴⁹ The Mining (Local Content) Regulations, 2018, Reg. 14.

⁵⁰ The Mining (Local Content) (Amendments) Regulations 2019, which amend the Mining (Local Content) Regulations 2018; were published under G.N No. 139 of 2019.

⁵¹ The Mining (Local Content) Regulations, 2018, Reg. 8(6).

⁵² *Ibid*, Reg. 15(5).

technology from foreign companies to the indigenous Tanzanian companies.

3.2 Quantitative Obligations

The law imposes quantitative obligations expressed in forms targets to be achieved by holders of mineral rights and their subcontractors. These targets are very specific indicating the number or ratio of local employees to be employed as compared to foreigners. The targets also take the form of and value expressed in terms of amount of money to be spent within a specified timeframe.

3.2.1 Minimum Local Content Levels

The law sets minimum local content levels to be achieved by holders of mineral rights within specified periods of time.⁵³ However, the Minister has powers, in consultation with the Mining Commission, to prescribe for additional minimum local content levels.⁵⁴ The minimum local content levels for goods and services procured within the country and recruitment and training of Tanzanian citizens are divided into three phases. The first phase starts immediately after promulgation of the Mining (Local Content) Regulations, second are targets to be achieved within 5 years and third phase relates to targets to be achieved within 10 years from the date of the Regulations. These minimum local content levels are presented in the table below.

⁵³ *Ibid*, Reg. 13(1)&(2) and specified in the First Schedule to the Regulations.

⁵⁴ *Ibid*, Reg. 13 (4).

Table 1: Minimum Local Content Levels for goods and services and recruitment and training

Sn	Item	Start	5 years	10 years
1.	Goods and Services	10%	50%	60-90%
2.	Recruitment and Training			
	a) Management staff	30%	50-60%	70-80%
	b) Technical core staff	20%	50-60%	70-80%
	c) Other staff	80%	90%	100%

Source: First Schedule, Mining (Local Content) Regulations 2018

The Mining (Local Content) Regulations are also very specific that the holders of mineral rights and their subcontractors are required to spend a certain percentage of particular expenses within the country. For categories of services such as catering cleaning, laundry services and security services the requirement is to spend 100% within the country. As regards to employment of citizens of Tanzania, the law sets a minimum of man hours to be allocated to citizens. These specific percentages are presented in the table below.

Table 2: Specific Percentages to be Achieved

(a) *Research and Development relating to in-Country Services*

Description	Start	5 years	10 years	Measurement Unit
Engineering studies-reservoir, facilities, drilling etc.	20%	40%	60%	Spend
Geological and geophysical services	20%	30%	80%	Spend
Safety and environmental studies	40%	70%	90%	Spend

Local materials substitution studies	20%	40%	75%	Spend
Freight forwarding, logistic management services	80%	90%	100	Spend
Supply base, warehouse, Storage services	50%	80%	90%	Spend
Truck package product, Transportation services	80%	90%	100%	Spend

(b) Health, Safety and Environment Services

Site cleanup services	30%	60%	90%	Man Hour
Pollution control	20%	30%	45%	Spend
Waste water treatment and disposals services	40%	60%	80%	Man Hour
Industrial cleaning services	50%	80%	90	Man Hour
Safety, protection security firefighting	30%	50%	90%	Spend
System Services				
Preservation of mechanical and electrical components services	30%	50%	90%	Man Hour
Equipment brokerage services	50%	70%	90%	Spend
Temporary accommodation, camp	50%	60%	80%	Spend
Services				
Catering Services	100%	100%	100%	Spend

Cleaning and laundry services	100%	100%	100%	Spend
Security services	100%	100%	100%	Spend
Medical services	40%	60%	90%	Spend
Other supporting services	50%	80%	90%	Spend

(c) *Information Systems, Information Technology and Communication Services*

Network installation, support services	80%	90%	95%	spend
Software development	40%	60%	80%	spend
Software support services	60%	80%	90%	spend
Computer based modelling services	20%	50%	70%	spend
Computer based simulations and training programme services	20%	50%	70%	spend
Hardware installation support services	80%	90%	100%	spend
Operating system installation and	80%	90%	100%	spend
Support services				
User support and help desk services	20%	50%	80%	spend
Information Technology Management consultancy services	30%	50%	80%	spend
Data Management services	30%	50%	80%	spend
Telecommunication installation and Other Information Technology	50%	70%	90%	spend

Services

Support services 30% 50% 80% spend

Source: First Schedule, Mining (Local Content) Regulations 2018

3.2.2 Holders of SML Required to Float 30% of their Shares to the Public

In 2016 the law imposed a mandatory obligation to holders of special mining license (SML)⁵⁵ to float 30% of their issued and paid up share capital to the Dar es Salaam (DSE) in accordance with the applicable listing rules of the stock exchange.⁵⁶ This minimum shareholding requirement prescribed is to be maintained as an ongoing obligation throughout the licence period.⁵⁷ Existing companies were given six months to comply while new companies were required to comply immediately.⁵⁸ The law provides that where the holder of the license fails to secure the minimum local shareholding due to an unsuccessful public offer, the Minister responsible for minerals will grant a waiver to the holder from the minimum local shareholding requirement.⁵⁹

The requirement to float 30% of the shares to the public provides an opportunity to the citizens of Tanzania to participate in the mining industry through purchase of shares in the stock exchange. The bottom-line is that the citizens of Tanzania will also be able get a share of the benefits through dividends or sale of their shares they

⁵⁵ Defined as a licence for large scale mining operation, whose capital investment is not less than US\$100,000,000 or its equivalent in Tanzanian shillings. See the Mining Act, Cap. 123 R.E 2018, s. 4(1).

⁵⁶ The Mining (Minimum Shareholding and Public Offering) Regulations 2016, (GN No. 286 of 2016), RRegs 4(1) and 6(1).

⁵⁷ *Ibid*, Reg. 5(3).

⁵⁸ The Mining (Minimum Shareholding and Public Offering) (Amendment) Regulations, 2017 (GN. No. 44 of 2017), Reg. 5(2)(a)&(b).

⁵⁹ Mining (Minimum Shareholding and Public Offering) Regulations 2016, Reg. 4(2).

hold. It is notable, however, that however, no single mining company has been able to float its shares at the DSE as required by law. As regards to existing mining companies, the reason is that there are stabilization clauses in their agreements.

3.3 Qualitative Requirements

Apart from quantitative quotas discussed above, the law also sets quotas based on values. These include measures such as obligations to report on targets like number of employees, transfer of technology or training and succession plan. These measures are discussed in details below.

3.3.1 *Preferential Treatment of Tanzanian Employees and Suppliers*

There is a general obligations on holders of mineral rights and their subcontractors to give priority to indigenous Tanzanian companies in the provision of goods or services in the mining sector and give priority to employment of Tanzanians.⁶⁰ In compliance with this obligation, holders of mineral rights and their subcontractors are required submit to the Mining Commission a local content plan with provisions that ensure that i) first consideration is given to services provided within the country and goods manufactured in the country; ii) qualified Tanzanians are given first consideration for employment; and iii) adequate provision is made for the training of Tanzanians on the job.⁶¹ There is also an obligation to establish and implement a bidding process for the acquisition of goods and services to give preference to indigenous Tanzanian companies.⁶² In fact, the law requires an indigenous Tanzanian company that has

⁶⁰ The Mining Act, Cap. 123, s 102 read together with the Mining (Local Content) Regulations, 2018 (GN. No. 3 of 2018) as amended “indigenous Tanzanian company”, the stake or equity to be held by Tanzanian citizen(s) 20%.

⁶¹ The Mining (Local Content) Regulations, 2018, Reg. 12.-(1) (b).

⁶² *Ibid*, Reg. 14.

the capacity to execute a job, to be given priority even where it is not the lowest financial bidder.⁶³ Furthermore, the law is very specific that only Tanzanians should be employed in all junior level or middle level positions.⁶⁴

The law further provides that all earnings from disposals or dealings in minerals must be retained in the banks and financial institutions established in Tanzania.⁶⁵ This goes hand in hand with the obligation to maintain a bank account with an indigenous Tanzanian bank and transact business through banks in the country.⁶⁶ It is unlawful to keep such earnings in banks or financial Institutions outside Tanzania except where distributed profits are repatriated in accordance with the laws of Tanzania.⁶⁷ Further to that, there is a requirement that insurable risks relating to mining activity in the Tanzania must be insured through an indigenous brokerage firm or an indigenous reinsurance broker.⁶⁸ Mineral rights holders or their subcontractors will be allowed to look for offshore insurance service only where Tanzanian local capacity has been fully exhausted and upon obtaining a written approval of the Commission of Insurance.⁶⁹

On legal services, it is mandatory to retain only the services of a Tanzanian legal practitioner or a firm of Tanzanian legal

⁶³ *Ibid* Reg. 15.-(2)

⁶⁴ *Ibid* Reg. 22.-(1) junior or middle level positions" includes the position of foreman, supervisor or any corresponding position designated as such

⁶⁵ The Natural Wealth and Resources (Permanent Sovereignty) Act, 2017, s 10(1).

⁶⁶ The Mining (Local Content) Regulations, 2018, Reg 36.-(1) &(2) "an indigenous Tanzanian bank" means a bank that has one hundred percent Tanzanian or a majority Tanzanian shareholding.

⁶⁷ The Natural Wealth and Resources (Permanent Sovereignty) Act, 2017, s 10(2).

⁶⁸ The Mining (Local Content) Regulations, 2018, Reg. 30(1)&(2).

⁶⁹ *Ibid* 31(1).

practitioners whose principal office is located in Tanzania.⁷⁰ As regards to financial services there is an obligation to retain only the services of a Tanzanian financial institution or organization.⁷¹ Foreign financial institutions may only be engaged with the approval of the Mining Commission.⁷²

These local content requirements make it possible for local companies to secure reliable markets for their goods as well as improving their innovation in order to match requirements of mining companies. Similarly, procurement of services offered by local service providers creates opportunities for backward linkages between the mining sector and other sectors of the economy. This is one of the ways, other taxes and royalties, for mining sector to contribute the development of the local economy.

One of the notable challenges facing LCPs is the potential incompatibility with international trade measures applicable to members of the World Trade Organization (WTO). For example, the agreement on Trade-Related Investment Measures, the General Agreement on Tariff and Trade, and the Agreement on Subsidies and Countervailing Measures (ASCM), which adopts the “national treatment” principle, imposing an obligation on member countries to treat one another as they would their own nationals.⁷³

There is also a challenge of inadequate financial capacity for local companies to provide goods and services on the scale and contract terms required. For example, STAMICO failed to secure funding

⁷⁰ *Ibid* 32.

⁷¹ *Ibid* 34(1).

⁷² *Ibid* 34(2).

⁷³ Article 3 of the General Agreement on Tariffs and Trade (GATT), article 17 of the WTO General Agreement on Trade in Service (GATS) and article 3 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

(about US\$ 400,000) required to supply gravel for the Standard Gauge Railway construction project.⁷⁴

It has also been argued that the transition is difficult because companies already have long-term contracts with employees or suppliers. This makes compliance difficult. It should be noted that the success of these requirements depends on enforcement and monitoring mechanisms. It is too early to conclude on the monitoring capacity of the Mining Commission in ensuring compliance with all these requirements.

3.3.2 Capability and Knowledge Development

The law imposes an obligation on the holders of mineral right and their subcontractors to submit to the Mining Commission an employment and training sub-plan containing a forecast of the hiring and training needs which includes- (i) a specification of the skills needed; ii) the anticipated skill shortages in the Tanzanian workforce; iii) the specific training requirements; and iv) the anticipated expenditure.⁷⁵ The plan must also indicate a timeframe within which the mining company and its subcontractor will provide employment opportunities for the Tanzanian workforce for each phase of the mining activity as well as efforts made and procedures adopted for the accelerated training of Tanzanians.⁷⁶ Further to that, there is requirement to submit a succession plan for any employment position that is occupied by a non-Tanzanian to ensure

⁷⁴ HakiRasilimali 2019, *HakiRasilimali Comparative Position Statement on Extractive Sector Ministerial Budgets for Financial Year 2018/19 and 2019/20*. Dar es Salaam: HakiRasilimali/PWYP.

⁷⁵ The Mining (Local Content) Regulations, 2018, Reg. 20(1).

⁷⁶ *Ibid*, Reg. 20(1)(b)&(c)

that the minimum local content levels specified in the First Schedule are met.⁷⁷

3.3.3 Research and Development Contribution and Transfer of Technology

There is a general obligation, after grant of mining licence and before the commencement of mining activities, to submit a programme for research, development and budget to the Commission for the promotion of education, practical attachments, training and research and development in the country in relation to its overall work programme and activities.⁷⁸

The law imposes an obligation on holders of mineral rights and their subcontractors to submit a research and development sub-plan outline a revolving three to five year programme for Mining related research and development initiatives to be undertaken in the country; b) provide details of the expected expenditure that will be made in implementing the Research and Development Sub-Plan; c) provide for public calls for proposals for research and development initiatives associated with the activities of the contractor, subcontractor, licensee or other allied entity and criteria for selecting proposals which qualify for support.⁷⁹

A mining company and its subcontractors are obliged to support and carry out a programme in accordance with the national plan on technology transfer and priorities for the promotion of technology transfer to Tanzania in relation to the mining industry.⁸⁰ One of the ways to support and facilitate technology transfer is the formation of joint ventures, partnering of licensing agreements between

⁷⁷ *Ibid*, Reg. 21(1).

⁷⁸ *Ibid*, Reg. 23.

⁷⁹ *Ibid* Reg. 24(1).

⁸⁰ *Ibid*, Reg. 26.

indigenous Tanzanian companies or citizens and foreign contractors and service companies or supply companies.⁸¹

The holders of mineral rights and their subcontractors are also required to submit a Technology Transfer Sub-Plan which includes a programme of planned initiatives aimed at promoting the effective transfer of technologies from the contractor, subcontractor, licensee or other allied entity to a Tanzanian indigenous company or citizen.⁸²

3.3.4 Requirement for Beneficiation

The law also makes it mandatory that all arrangements or agreements for the extraction; exploitation or acquisition and use of minerals resources shall ensure that no raw resources are exported for beneficiation outside Tanzania.⁸³ There is an obligation on the mining company, when entering into an agreement or license for extraction of minerals, to give a commitment to establish beneficiation facilities within Tanzania.⁸⁴ In this regard, all holders of mineral rights are required to ensure that beneficiation is done locally.⁸⁵ Further to that terms of the arrangement or agreement for mineral extraction shall be deemed to be unconscionable and treated as such if they contain any provision or requirement that are depriving the people of Tanzania of the economic benefits derived from subjecting natural wealth and resources to beneficiation in the

⁸¹ *Ibid*, Reg. 28(1).

⁸² *Ibid*, Reg. 27.

⁸³ The Natural Wealth and Resources (Permanent Sovereignty) Act, 2017, s 9(1) and the Mining Act, Cap. 123 R.E 2018, s 100C(3).

⁸⁴ The Natural Wealth and Resources (Permanent Sovereignty) Act, 2017, s. 9(2).

⁸⁵ The Mining (Mineral Beneficiation) Regulations 2018 (G.N No. 5 of 2018) read together with Mining (Mineral Value Addition) Guidelines G.N No. 60 of 2019

country.⁸⁶ The law also prohibits exportation of minerals and mineral concentrates without value addition.⁸⁷

The Mining (Mineral Beneficiation) Regulations, 2018⁸⁸ provide guidelines for application of a license for processing, smelting or refining of mineral, license fees. The Regulations define mineral beneficiation to include the processing, smelting or refinery of metallic minerals and industrial minerals. In this regard, the Regulations operationalize the state commitment to ensure that natural wealth is used to the greater benefits and welfare of its people. The Mining (Mineral Value Addition) Guidelines 2019⁸⁹ to provide guidelines on how beneficiation and value addition has to be done. The Government has also called for investors on construction of smelters and refineries and so far 27 applications have been received.⁹⁰

These obligations for mandatory beneficiation locally and value addition has the potential to ensure maximum benefits such foreign currency from increased exports of semi and full processed mineral products. It also has potential to create opportunities for employment and training of Tanzanians as well as local procurement of goods and services. It thus provides an opportunity for more government revenues beyond taxes and royalties. It also enhances local content through procurement of goods and services which are locally available.

⁸⁶ The Natural Wealth and Resources Contracts (Review and Renegotiation of Unconscionable Terms) Act, 2017 (Act No. 6 of 2017), s. 5(2) (g).

⁸⁷ The Natural Wealth and Resources (Permanent Sovereignty) Act, 2017, s 9(1) and the Mining Act, Cap. 123 R.E 2018, s 100C(3).

⁸⁸ Issued in response to provisions of sections 60, 61 and 112 of the Mining Act 2018

⁸⁹ G.N No. 60 of 2019.

⁹⁰ Minister of Minerals Budget Speech 2019-20 at p. 26

Implementation of the Regulations remains a big challenges. Since the promulgation of the Regulations very little has been achieved in terms of large scale investment in mineral beneficiation.⁹¹ The challenge lies on the fact that large scale smelting of minerals such as gold requires adequate supply of feedstock which may not be readily available in Tanzania. It also requires high energy which is currently limited. The laws and Regulations are also silent on interim measures where there are no beneficiation facilities in the country. For example, the recent arrangement with Barrick Gold is silent on this aspect.

Finally, the multi-lateral and Bilateral Trade and Investment Agreements to which Tanzania is a party restrict the imposition of beneficiation and value addition obligations. For example, article XI:1 of the General Agreement on Tariffs and Trade (“GATT”) to which Tanzania is a party, restricts the imposition of prohibitions or restrictions other than duties, taxes or other measures on the exportation or sale for export any product destined for the other WTO members. Further to that, agreements for Promotion and Protection of Investments signed by the Government of Tanzania with countries like China, Canada, Mauritius, Finland, Italy Switzerland, Great Britain and Northern Ireland, Denmark, Germany, Sweden and the Netherlands. These agreements have provisions which limit the extent to which beneficiation obligations can be implemented.

While the law imposes an obligation on all holders of mineral rights to ensure that beneficiation is done locally, there are interim measures where there are no beneficiation facilities in the country.

⁹¹ It has been reported that one gold refinery has been opened in Dodoma. No details are available on the capacity of this facility

For example, the recent arrangement with Barrick Gold is silent on this aspect.

4. MONITORING, COMPLIANCE AND ENFORCEMENT

In ensuring compliance with local content requirements, the law requires holders of mineral rights together with their subcontractors when making application to undertake mining activity, prepare and submit a local content plan for approval by the Mining Commission.⁹² The plan entails a long-term local content plan which corresponds with the work programme that accompanies the application; and b) an annual local content plan in respect of each year.⁹³ To ensure that holders of mineral rights and their subcontractors comply with the approved local content plan, the law imposes reporting obligations, designates the Mining Commission as regulator and imposes sanctions for non-compliance. The next section provides a discussion of the reporting, compliance and sanctions mechanisms.

4.1 Reporting

The law imposes an obligation holder of mineral rights and their subcontractors to submit to the Mining Commission an annual Local Content Performance Report covering all projects and activities for the year under review.⁹⁴ This report is based on the approved annual local content plan. The report must indicate category of expenditure the local content, the employment achievement in terms of hours worked by Tanzanians and foreigners.⁹⁵ The law also imposes an obligation on mineral rights holders and their subcontractors to communicate local content policies, procedures

⁹² The Mining (Local Content) Regulations, 2018, Reg. 10(1).

⁹³ *Ibid*, Reg. 10(2).

⁹⁴ *Ibid*, RReg. 37(1).

⁹⁵ *Ibid*, RReg. 37(2).

and obligations, including publishing on their websites, as well as ensuring compliance with local content requirements.⁹⁶

There is also an obligation submit quarterly reports on employment and training activities.⁹⁷ The quarterly report must indicate the number of new Tanzanian employees employed during the respective quarter and their job descriptions.⁹⁸ Where Tanzanians are not employed because of lack of expertise, the holder of mineral right or its subcontractors, are required to take every reasonable effort to provide training to Tanzanians in that field locally or outside Tanzania.⁹⁹

Holders of mineral rights of mineral rights or their subcontractors are required to inform the Commission in writing of each proposed contract or purchase order related to mining activities which is to be sole sourced; or where it is to be sourced by a competitive bidding procedure its value is more than USD 100,0000.¹⁰⁰ There is also an obligation to submit quarterly forecasts for purchase orders to be sole sourced or purchased order through tendering whose value exceeds USD 100, 0000.¹⁰¹

The holders of mineral rights and their subcontractors are required submit a technology transfer report annually to the Commission stating the technology transfer initiatives being pursued and the current results in relation to the Technology Transfer Sub-Plan.¹⁰²

⁹⁶ *Ibid*, RReg. 44.-(1).

⁹⁷ *Ibid*, ReReg. 20(2).

⁹⁸ *Ibid*, RReg. 21(1).

⁹⁹ *Ibid*, RReg. 21(3).

¹⁰⁰ *Ibid*, RReg. 16(1).

¹⁰¹ *Ibid*, RReg. 17(1).

¹⁰² *Ibid*, RReg. 29.

There is also a requirement of third party reporting where all subcontractors are obliged to report to the holder of mineral right on compliance with local content requirements.¹⁰³

4.2 Monitoring

The Mining Commission is designated as the regulator of local content in the mining sector. One of the major functions of the Commission is to supervise and monitor the implementation of local content plan by a mineral right holder and its subcontractors.¹⁰⁴ In discharge of its mandate, the Commission monitors, evaluates and quantifies the added value by the mining company and its subcontractors in the mineral value chain. The Commission is also charged with an obligation of promoting public awareness in local content issues. Such publication education is also used as a guide to prospective investors and suppliers in formulating and developing local content plans and strategies.

To ensure easy monitoring of mining operations and other related activities, holders of mineral rights and their subcontractors to set up a project office within the district where the project is located.¹⁰⁵

The Regulations establish a Local Content Committee for the mining activities whose membership include: one full time member of the Commission who shall be the Chairman; the Director of Labour and Employment; a representative of the Tanzanian Private Sector Foundation; the Chief Executive Officer of the Geological Survey of Tanzania; the Head of legal services department of the Ministry responsible for Minerals; and the Executive Secretary of the Commission.¹⁰⁶ The Committee is under a Chairman who

¹⁰³ *Ibid*, RReg. 39(1).

¹⁰⁴ The Mining Act, Cap. 123 R.E 2018, s. 22 (u).

¹⁰⁵ The Mining (Local Content) Regulations, 2018, RReg. 9.

¹⁰⁶ *Ibid*, RReg. 5.

appointed by the Chairman of the Mining Commission.¹⁰⁷ The general function of the Committee is overseeing the implementation of the Local Regulations and ensuring measurable and continuous growth in local content in all mining activities.¹⁰⁸ In discharge of its functions, the Committee shall: a) oversee, coordinate, and manage the development of local content; b) prepare guidelines, to include targets and formats for local content plans and reporting; c) make appropriate recommendations to the Commission for smooth implementation of these Regulations; d) set minimum standard requirements for local content in local content plans where applicable; e) undertake public education; f) undertake local content monitoring and audit; and g) perform any other functions conferred on the Committee by the Commission.¹⁰⁹ The Committee shall submit quarterly reports of its activities to the Commission.¹¹⁰

The Mining Commission is vested with powers to monitor and investigate the activities of each holder of mineral rights or subcontractor to ensure compliance with local content requirements.¹¹¹ In discharge of its monitoring functions, the Commission has powers to initiate an investigation into an activity of a holder of mineral rights or a subcontractor.¹¹² One the aims of such investigation is to ensure that the Tanzanian company principle is not diluted by the operation of a front and bid rigging and canalization are avoided in the procurement process.¹¹³

¹⁰⁷ *Ibid*, RReg. 5(3).

¹⁰⁸ *Ibid*, RReg. 6(1).

¹⁰⁹ *Ibid*, RReg. 6(2).

¹¹⁰ *Ibid*, RReg. 6(3).

¹¹¹ *Ibid*, RReg. 47.

¹¹² *Ibid*, RReg. 48(1).

¹¹³ *Ibid*, RReg. 48(2).

To ensure that all subcontractors (and suppliers of services and goods) comply with local content requirements, the law requires the Commission to establish a Common Qualification System.¹¹⁴ This system serves as the sole system for the registration and pre-qualification of local content in the mining industry.¹¹⁵ The Common Qualification System is used for the verification of contractors' capacities and capabilities; the evaluation of application of local content submitted by a contractor, subcontractor, licensee or other allied entity; the tracking and monitoring of performance and provision of feedback; and ranking and categorization of mining service companies based on capabilities and local content.¹¹⁶

When inviting tenders, a holder mineral rights or its subcontractor is obliged to submit the following documents for the approval of the Commission: a) advertisements relating to expression of interest; b) requests for proposals; c) prequalification criteria; d) technical bid documents; e) technical evaluation criteria; and f) any other information requested by the Commission to enable the Commission determine that the local content requirements have been complied with.¹¹⁷ There is also a requirement to provide tender information to the Mining Commission at the various stages of the bidding process. That is before issuing a prequalification notification to prospective bidders, before issuing a Request for Proposals or a Request for Quotations and before awarding of a contract or purchase order to the selected bidder.¹¹⁸

¹¹⁴ *Ibid*, RReg. 40(1).

¹¹⁵ *Ibid*, RReg. 41(1).

¹¹⁶ *Ibid*, RReg. 41(1).

¹¹⁷ *Ibid*, RReg. 16(2).

¹¹⁸ *Ibid*, Reg. 18(1).

4.3 Legal Consequences for Non-Compliance (Enforcement)

Non-compliance with local content requirements is a criminal offence which attracts a number of penalties and fines. The Regulations criminalizes submission of a false plan, return, report or other document and making of false statement in respect of local content. This offence attracts a fine of between TZS 50,000,000 and TZS 500,000,000 or to a term of imprisonment of not less than two years and not more than five years or both.¹¹⁹

It is also an offence for a citizen to act as a front or to connive with a foreign citizen or company to deceive the Commission as representing an indigenous Tanzanian company to achieve the local content requirement. This offence is punishable by a fine of between TZS 100,000,000 and TZS 250,000,000 or to a term of imprisonment of not less than one year and not more than five years or both.¹²⁰

It is an offence for a foreigner to connive with a citizen or an indigenous Tanzanian company to deceive the Commission as representing an indigenous Tanzanian company to achieve the local content and is liable on summary conviction to a fine of up to TZS 10,000,000,000 or to a term of imprisonment of not less than five years and not more than ten years or to both.¹²¹

Where a person fails to communicate local content policies, procedures and obligations to all its personnel is liable to pay to the Commission an administrative penalty of TZS 100,000,000 in the

¹¹⁹ *Ibid*, Reg. 49.-(1).

¹²⁰ *Ibid*, Reg. 49(2).

¹²¹ *Ibid*, Reg. 49(3).

first instance and a further penalty of 5% for each day during which the contravention continues.¹²²

A person who fails to comply with a request to furnish information or record within the period specified in the request is liable to pay to the Commission an administrative penalty of TZS 2,000,000,000 in the first instance and a further penalty of 10% percent of the penalty for each day during which information or record is unfurnished.¹²³

Carrying out mining activities without the required local content requirement, failure to submit a local content plan, failure to satisfy the content requirement of a local content plan and failure to inform the Commission of each proposed contract or purchase order attract an administrative penalty of 5% of the value of the proceeds obtained from the mining activity in respect of which the breach is committed or USD 5,000,000 whichever amount is greater and further liable for cancellation of a contract in respect of the mining activity.¹²⁴

All these penalties, when not paid in time, become debts owed to the Republic and recoverable by the Commission under summary procedure.¹²⁵

5. CONCLUDING REMARKS

This article examined the local content new regime in mining sector in Tanzania. The article analysed the approach taken by Tanzania in its pursuit of local content policies. In doing so, the article analysed the key policy documents, laws and institutional

¹²² Ibid, Reg. 49(4).

¹²³ Ibid, Reg. 49(5).

¹²⁴ Ibid, Reg. 49(6).

¹²⁵ Ibid, Reg. 49(7).

framework in place. The article also outlined the motives behind the adoption of the new local content policies in the mining sector in Tanzania. The major objectives of such policies is to ensure that the government and its people obtain benefits beyond taxes and royalties paid by holders of mineral rights. In doing so, the government has adopted several measures that ensure direct employment of local citizens, transfer of skills and technology, local beneficiation, procurement of local goods and services. The also law establishes the Mining Commission as an independent authority vested with powers to monitor and enforce local content policies. This article concludes that the implementation of local content requirements in the mining sector in Tanzania is an opportunity for the government to ensure to get more economic benefits from the mining sector, in addition to taxes and royalties. Local content policies will also ensure diversification of the economy, linkage of the mining sector to the local economy and spillover effects to the local economy. However, the challenges lies not in the design of local content laws but rather on enforcement of such laws.