



What happened to local content in the Tanzanian mining sector?

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Day 2 Paper

S3D

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Local content in the Tanzanian mining sector

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Structure

- Resource nationalism and arguments for and against local content
- Mining history in brief and shifting LC legislations in Tanzania
- Direct employment and procurement
- Concluding remarks

Resource nationalism and LC

- South Africa, Mozambique and Tanzania
- Goal: to obtain greater benefits for the host state
- Nationalization of resources
- Regulatory and fiscal measures – local content
- Procurement - a certain percentage
- Train and hire national staff

Pros and cons

- “Local content may be the single most significant innovation in energy policy in the Global South in recent decades” (Ovadia, 2014 :138).
- Facilitating patronage & corruption
- Concentrate on local ownership rather than local value-added

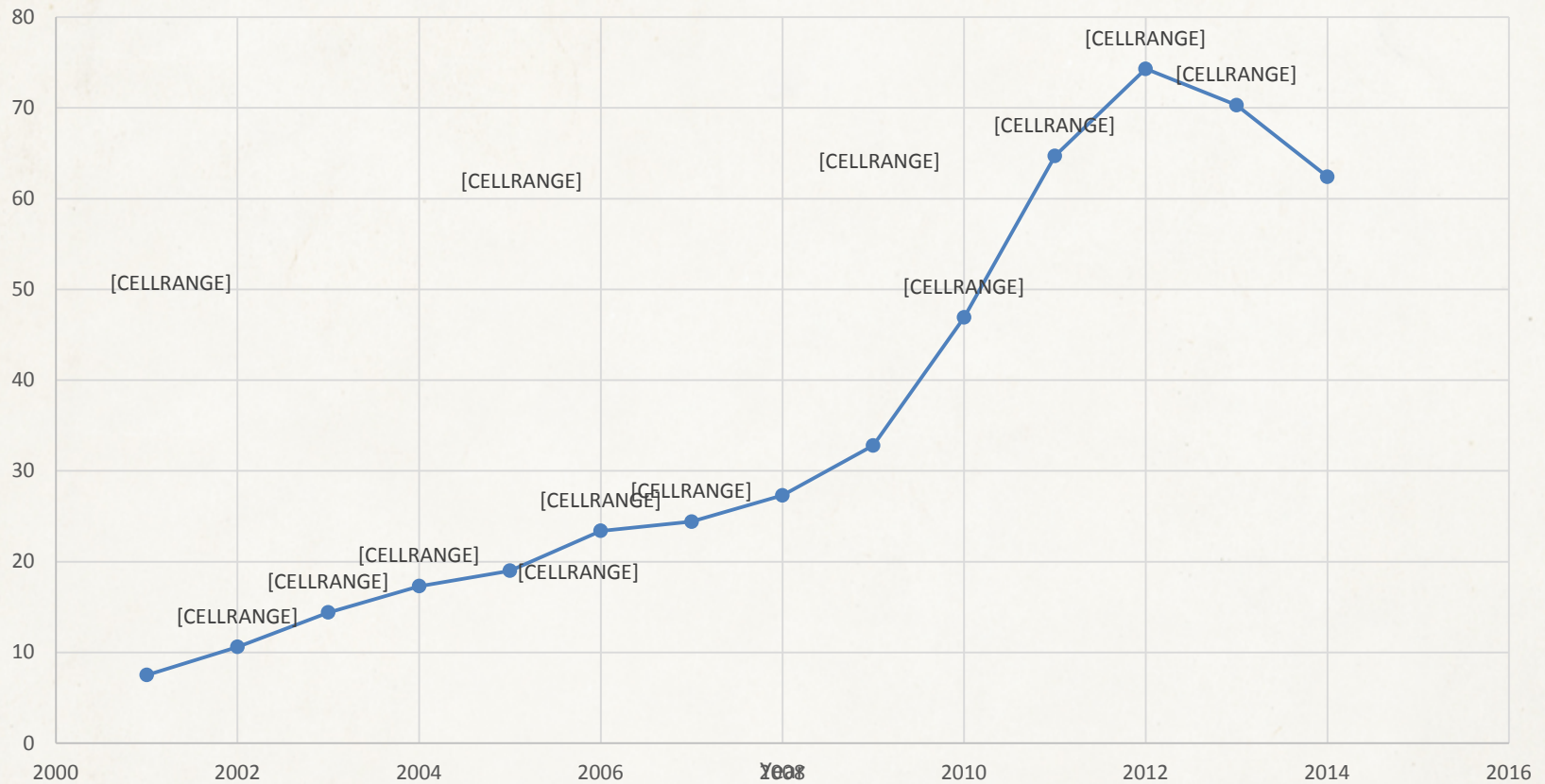
TZ mining history in brief

- The 1998 Mining Act – no LC – WB advice
- First 4 years: 4 large scale mines
- Quickly became controversial
 - Conflict with small scale miners
 - Displacement & human rights
 - Low revenues

Corporate tax per 2014

- GGM: 2000 – after 9 years (2009)
- Golden Pride: 1999 – after 11 years (to 2014)
- Tulawaka: 2005 – after 7 years (only in 2012)
- North Mara: 2002 – Not yet after 12 years
- Bulyanhulu: 2001 – Not yet after 13 years
- Buzwagi: 2009 – Not yet after 5 years

Royalties paid (USD million)



LCR in Sub-Saharan Africa

- LCR legislations for mining were put in place after 2000:
 - South Africa 2002-2004
 - Zambia 2006-2008
 - Tanzania 2009-2010
 - Ghana 2012
 - Mozambique 2014

Events that have influenced LC

- Attention from politicians and CSOs
- 2000 UN Global Compact
- 2003 Small and medium enterprise policy
- 2005 Mkukuta
- 2009 Mining Sector Policy
- 2010 Revised Mining Act
- 2014 Draft local content for oil and gas industry
- 2015 Guidelines for CSR & The Tanzania Extractive Industries Act

Increased focus on LC

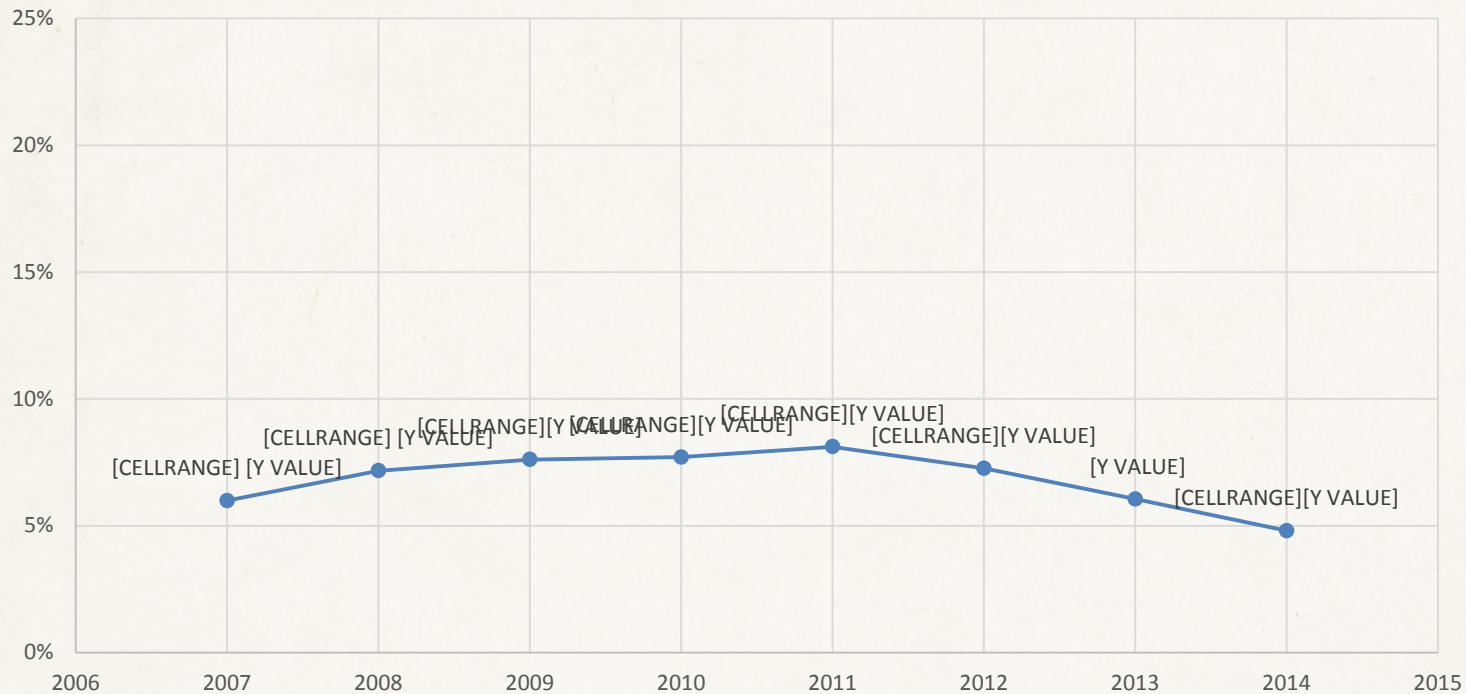
- Acacia
 - 2010: No reporting on local content
 - 2014: Emphasising local content, special report
- GGM
 - 2014: Introduced a program aimed at shifting procurement of goods and services to locals
- NGOs start focusing on LC
- TEITI included LC in reporting requirement

Employment

- 2009: The Integrated Mine Technical Training Programme (IMTT)
 - Apprenticeship programme – 95% employed
- Bribes claimed for lower level jobs
- Higher level staff: gass ceiling
 - Barrick/Acacia: from 91% to 93% (2006-2013)
 - GGM: from 94% to 95% (2006-2013)
 - Tanzanians opt for employment in West Africa
- GGM and Acacaia: Tanzanian Vice Presidents

Direct employment

Expatriate employees in major mines 2006 -2014

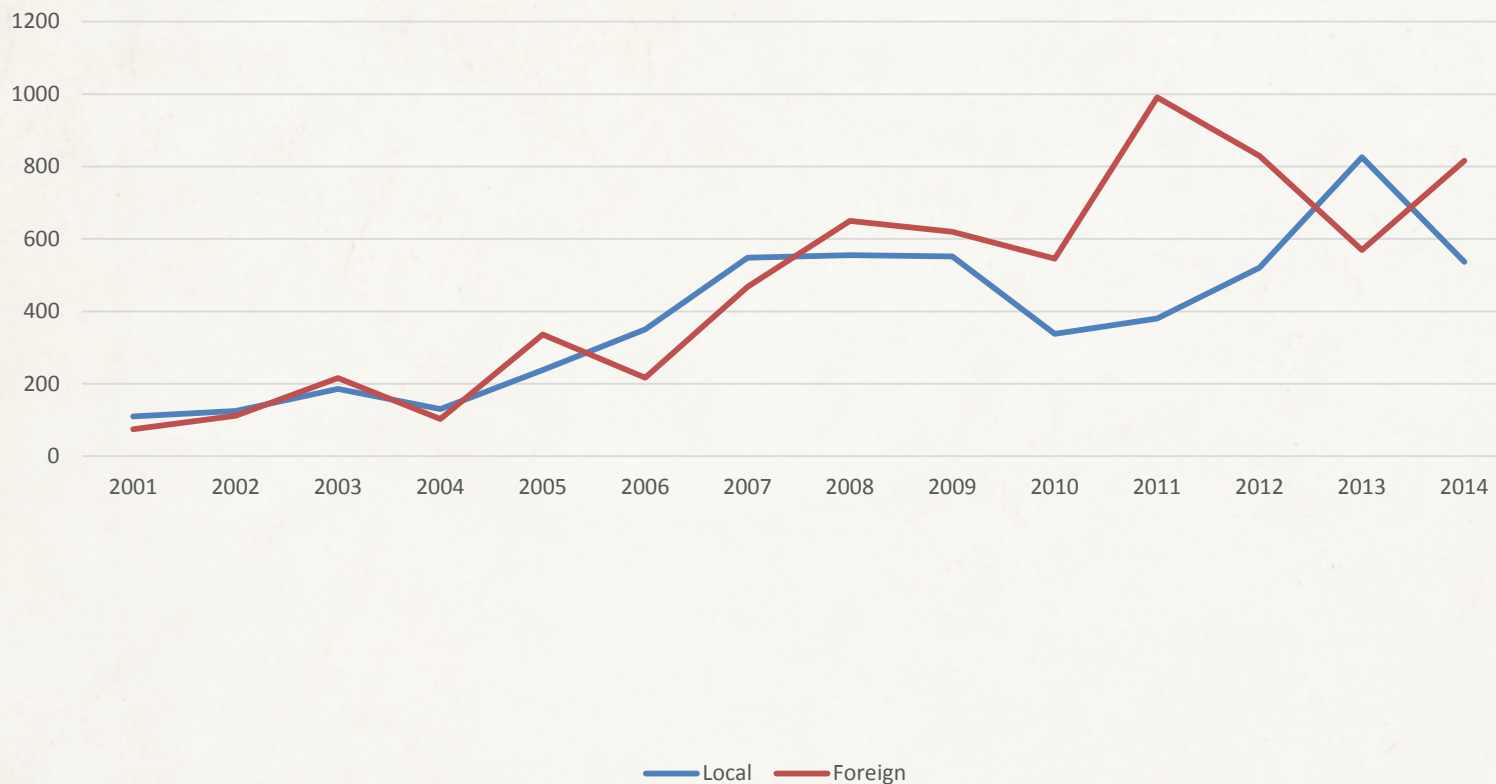


Based on figures in Tanzania Minerals Audit Agency's Annual report 2014 (page 41).

Procurement

- Strict quality/formality/tax requirements
 - Some opt out
- Paperwork, delayed payments
- Lack of access to finance/credit
- A bureaucratic business climate
- A system that favors businesspersons who are politically connected

Procurement of goods and services by large scale mines (in USD million)



Based on figures in Tanzania Minerals Audit Agency's Annual report 2014 (page 37).

Quantity vs quality

- Supplies that count as local content:
 - Multinational plants that have local dealership of suppliers for spare parts
 - Fuel from companies like like BP and Orxy
- Enormous discrepancies in reporting
 - Absence of official and clear cut guidelines for what should count as local procurement
 - Companies accused of inflating numbers

Success and challenges

- Support to business establishment do not always work out
- Support to cooperatives was successful
- When services of high quality at competitive prices are available – companies opt for that
- Local catering firm has replaced foreign firms
 - Grievances at the local level
 - Very low salaries

Conclusive remarks

- Bad experiences from the mining sector very central for present attitudes towards oil & gas
- Studies show that pragmatic policies towards LC often function better than strict laws
- Local content can be central for social license
- Companies need to decide to what degree they should require ethical standards from suppliers