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Original article

Resource nationalism and local content in Tanzania: Experiences from mining and consequences for the petroleum sector

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ABSTRACT

Many resource-rich African countries have recently drafted local content policies for their petroleum sector. Using Tanzania as an example, this paper argues that previous experiences in the extractive industries are a central factor for public sentiments and debates on resource nationalism and local content in the petroleum sector. The paper focuses on the shifting local content polices in the mining sector over the last two decades and presents some of the initiatives that mining companies have taken to increase the local content. The 2010 Mining Act has weak and unbinding requirements on local content. National statistics show that there has been no increase in the local purchase of goods and services and that the percentage of expats in the sector has been relatively stable over the years. As in other African countries, local content is subject to elite capture and patronage, but support to cooperatives is one way of involving local communities in a positive manner. Discontent with the contribution of mining to the national economy entailed a heated debate on local content policies for the petroleum sector, but the legislations that were put in place in 2015 ended up being relatively 'soft', due to the fear of losing investors.

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1. Introduction

Over the last decade, local content has received increasing attention in resource rich developing countries. Local content policies and legislation typically require investors to purchase a certain percentage of goods and services within the host country, and to train and hire national staff. In Sub-Saharan Africa, at least 11 countries have recently formulated local content policies for their oil and gas industries, or are in the process of doing so (Ovadia , 2012, 2014; Ablo, 2015). The main goal of local content initiatives is to increase the economic benefits from natural resource extraction. In the African context, local content is seen as a potential solution to the sky high rates of unemployment among youth on the continent, envisaged to possibly reduce social unrest and violence and contribute to the industrialisation of resource rich countries (Ovadia, 2012:139). However, many scholars have emphasised the potential negative consequences of local content polices in countries with flawed institutions, specifically those characterised by rent seeking behaviour and patronage (Wiig and Kolstad, 2010; Oguine, 2011; Ovadia, 2014; Hansen et al., 2016). There are also concerns that strong and binding regulations for local content may limit companies' ability to generate income and thus host countries' revenues from the sector (Oguine, 2011; Kolstad and Kinyondo, 2015).

In Tanzania, large reserves of natural gas were discovered in 2010; the country is projected to become one of the major gas exporters in the world within the coming 20 years. There have been heated debates on local content in the country, and petroleum companies have faced very strict restrictions on work permits for expats. This is a requirement that companies find inappropriate since in their view, the required competence is not yet available in Tanzania.

This paper focuses on the shifting local content polices in Tanzania over the last two decades, and presents some core facts on the contribution of large-scale mining to the national economy in terms of revenues and local content. Our aim is to contribute to an understanding of the immense interest in local content in Tanzania in recent years, and to present some of the challenges and successes in local content development so far. Our study shows that there has been a focus on quantity rather than quality in the reporting of local content, that there is a need for a stronger regulation of local suppliers to make them adhere to ethical standards, but also that investment in training and local

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cooperatives can be beneficial for both corporations and host communities.

Landmark work on resource nationalism, undertaken in the 1970s, focused on the cyclical relationship between resource prices and resource nationalism (Vivoda, 2009). Recent work on resource nationalism and local content emphasises the role of political institutions (Wilson, 2015), historical factors (Bremmer and Johnston, 2009; Andreasson, 2015) as well as the politics of identity and social justice (Childs, 2016). This paper contributes to these debates by demonstrating that a country's former experiences with foreign investment in the extractive industries, as well as politico-historical factors, forcefully feed into the public debates and sentiments concerning resource nationalism and local content.

The paper is structured as follows. The section following this introduction presents the research methodology. Section 3 briefly examines the literature on resource nationalism and local content with a focus on experiences in Sub-Saharan Africa. Section 4 describes the mining sector in Tanzania, the legislative framework from the late 1970s up until today, and some core facts on large-scale mines and local content. In this section, we present statistics and qualitative research findings on employment and the procurement of goods and services. Section 5 looks at discrepancies in the reporting on local content. Section 6 presents the impact of the experiences from mining on the debates on local content in the petroleum sector. The concluding section argues that while public sentiments in Tanzania are in favour of resource nationalism, the petroleum legislation that was passed in 2015 is relatively 'soft', reflecting the government's limited space for negotiation and fear of losing investors.

2. Research methodology

The paper draws on interviews and meetings with a broad range of stakeholders in Tanzania between August 2014 and May 2015 in Dar es Salaam, as well as in Geita, Kahama, Msalala, and Tarime districts. Meetings were held with officials from the Tanzania Petroleum Development Corporation (TPDC), the Ministry of Energy and Minerals, the Tanzania Revenue Authority (TRA), the National Bureau of Statistics (NBS), the World Bank, IMF, British Gas and Statoil. A total of 33 semi-structured interviews were carried out with the following stakeholders: Government representatives (State Mining Corporation, Ministry of Labour and Employment, local authorities in Geita District Council, Msalala District Council and Kahama Town Council), mining companies (Acacia, formerly Barrick Africa, Geita Gold Mine), representatives of the private sector (Tanzania Private Sector Foundation), suppliers (the catering firm AKO and Bamboo Rock Drilling), civil society organizations (Tanzania Extractive Industries Transparency Initiative, Natural Resource Governance Institute, Policy Forum, Lawyers' Environmental Action Team), as well as consultants and academics (UDSM staff and three independent consultants).

Site visits, organized by Acacia, were made to three Acacia mines: North Mara, Bulyanhulu, and Buzwagi. In addition, experienced research assistants conducted 31 structured interviews with representatives of local governments, suppliers, and civil society organisations in Geita and Kahama Town Councils, hosts to Geita Gold Mine and Bulyanhulu Gold Mine. In 2014, these two mines together accounted for more than half of the country's total gold production (TMAA, 2015).

The main aim of all interviews was to understand the local content in the mining sector from a historical perspective, the efforts made to enhance local content, and the challenges met. Quantitative data were drawn from the most recent TEITI and TMAA reports (TEITI, 2014; TMAA, 2015), as well as from mining companies' reports.

3. Resource nationalism and local content in africa's extractive industries

It has been argued that a new tide of resource nationalism is presently taking place globally, including in Africa (Andreasson, 2015; Wilson, 2015). A government's motivation for pursuing resource nationalism is closely connected to the power balance between it and international companies, and in the classical economistic market cycle bargaining model developed by Vernon in the 1970s, is cyclical, and causally related to world market prices and industrial maturity (Vivoda, 2009; Wilson, 2015). Recently, scholars have sought to place resource nationalism into different categories linked to political systems and historical legacies. For example, Bremmer and Johnston (2009) have suggested the following categories: 'revolutionary resource nationalism', 'economic resource nationalism' and 'legacy resource nationalism'. In another example, Wilson (2015), based on a survey of 12 countries, has come up with the following divisions: 'rentier states', 'liberal market economies', and countries characterized by 'developmentalism'. The author argues that market prices should be seen as enabling factors only, while political institutions influence the types of strategies that states adopt.

Local content policies are perhaps the most widespread form of resource nationalism at present. It is estimated that approximately 90% of resource rich countries have introduced some form of local content requirement, most of them quantitative (Dobbs et al., 2013). Quantitative requirements, Ramdoo, (2015) explains, "impose quantitative requirements on companies in the form of legally binding targets, generally in terms of volume (for example, the number of local staff to be employed or the number of contracts to be awarded to local suppliers) or value (that is, a percentage of spending on local procurement)". Qualitative requirements, on the other hand, are policy tools, pieces of legislation, and contractual agreements that are generally less constraining, aiming at "transfer of technology or training of staff" (Ramdoo, 2015:2).

In Sub-Saharan Africa, Angola, Nigeria, and South Africa have been identified as countries that score high on the level of requirements for employment, procurement, ownership and reporting (Ramdoo, 2015:18; Ovadia, 2016). Together with Brazil, Nigeria and South Africa have a comprehensive legal framework accompanied with penalties for non-compliance (Ramdoo, 2015:18). Legal frameworks are no guarantee for local content actually being implemented in the envisaged way, however. In the case of Nigeria, for example, the Nigeria Local Content Act has been criticized for being too ambitious, setting unrealistic targets. Having penalties in place will be of little or no use if the required goods and services are simply not available in the country (Oguine, 2011:421).

Some scholars are very clear in their support for local content policies. For example, on the basis of his work on local content in Angola and Nigeria, Ovadia, (2014) argues that "local content may be the single most significant innovation in energy policy in the Global South in recent decades" and that "local content – properly implemented and supported by various stakeholders – offers new potential not only for sub-Saharan Africa's current and future oil exporters, but for all countries with significant natural resources wealth" (Ovadia, 2014:138). But it is important to take stock of the author's precondition: that it must be "*properly implemented and supported by various stakeholders*". More recently, Childs, (2016) argued that "resource nationalism symbolically equates increased national control of extractive resources with the more equitable distribution of their benefits" (Childs, 2016:544). However, in a number of countries, local content policies have facilitated patronage mechanisms, and local content policies may thus serve to enhance elite interests rather than the overall economic benefits for the country and the poor. In Angola and Nigeria, simplistic

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and/or surface measures for monitoring and evaluation of local content activities concentrate on Angolan/Nigerian ownership ("fronting"), rather than Angolan/Nigerian value-added (Wiig and Kolstad, 2010:186; Oguine, 2011; Ovadia, 2014:145). Similarly, in Tanzania, Uganda and Mozambique, there is a "tendency for local content to be politicized" and driven towards "linkage patronage" (Hansen et al., 2016:223). In Uganda, on the other hand, there is more focus on added value and less on local ownership (Ovadia, 2016).

Local content polices and legislation represent a threat to investors' potential economic surplus, and, consequently, to host countries' revenues (Oguine, 2011; Ovadia, 2016). Kolstad and Kinyondo (2015) have argued that in many countries, it may be more beneficial to avoid local content policies, and rather give companies optimal production opportunities – which again may result in higher revenues to the host states. These revenues can then be used to support other forms of industry or social services. A final line of argument holds that by conducting "resource-nationalistic experiments", or imposing strict local content regulations, developing countries may risk losing investors altogether (Bremmer and Johnston, 2009:156; Oguine, 2011).

4. The mining sector in Tanzania and shifting local content legislation

Since Tanzania's independence in 1961, the view of national ownership of natural resources and the role of local content has undergone rather dramatic shifts. In the *ujamaa*/African socialism period, the main focus was on developing the agricultural sector – the mining sector was to a large degree under the direct control of the state – and the contribution of mining to GDP dropped from 10% to 2%. The 1979 Mining Act required applicants "to present a plan for local procurement of goods and services" (Makene et al., 2012:8), but in the period covered by this act, gold production was dominated by small scale and artisanal mining and there was no foreign investment in the sector. Nyerere argued that the country's mineral resources should be left in the ground until Tanzanians could manage the extraction process effectively for themselves.

In the mid-1980s, Tanzania went through structural adjustment, which entailed privatisation and liberalisation. As in many other developing countries, the World Bank was instrumental in opening up Tanzania to foreign investment in the mining sector. The World Bank's *Strategy for African Mining* technical paper, 1992 "criticised the previous local content, local employment and local ownership requirements and specifically recommended the state not to distinguish domestic from foreign investors and not to use mining as an engine of employment generation" (Hansen, 2013:20). The World Bank's five-year Mineral Sector Technical Assistance Project culminated in the drafting and implementation of the 1998 Mining Act (Butler, 2004:68) which makes no mention of local content.

It has been argued that when many African countries revised their mining legislation in the late 1990s, most opted for nominal tax payments because they were heavily indebted, a move which has crippled their ability to negotiate with the investors for deals more beneficial to the host countries (Hilson, 2012). However, it is unclear to what degree Tanzanian bureaucrats and politicians were concerned about local content at the time. According to the Tanzania Private Sector Foundation (TPSF), the awareness of local content was low up until 2013 as "the government didn't really think about it before" and "local content was not really a language" at the time. The 1998 Mining Act was considered to be very attractive to foreign investors, even when compared to other African countries that were reformed at the same time (Campbell, 2003). During the first four years following implementation of the new legislation, four large scale gold mines were established (see Table 1).

Large scale mining quickly became very controversial for a number of reasons. First, displaced people complained of unfair treatment. The monetary compensation was insufficient and in at least one case, funds for compensation were embezzled by the local authorities entrusted to organize the payments (Lange, 2011). Second, many of the large scale mines came into conflict with artisanal and small scale miners, resulting in violent conflict and several deaths (Curtis, 2008; Lange, 2011). Third, there were suspicions that some of the mining companies had been granted overly attractive concessions due to high level corruption (Cooksey, 2011:52), and these suspicions were strengthened by the fact that the government refused to publicize the contracts. Fourth, the revenues from large scale mining turned out to be very much lower than expected (Curtis, 2008; Cooksey, 2011:52; Lange, 2011). In the period 2001–2009, gold prices rose from USD 271 to USD 972.8 per troy ounce (TMAA, 2015:36). Since there were no windfall taxes, however, and as companies had been granted a five-year period of VAT and duty exemption, the government income was small (Fig. 1). In 2002, seven large scale mines contributed only USD 36.2 million in revenue (Lange, 2011:239). By 2008, Tanzania was the third-largest gold producer in Africa, but the annual royalties were less than USD 30 million that year (TMAA, 2015:9).

Mining companies are required to pay a corporate tax (income tax) of 30% of their income (TEITI, 2014:20). Among the five mines established in the period 1999–2005, however, two have never paid corporate tax, and the three others started paying only after 7, 9 and 11 years of operation, respectively (see Table 1). This situation has attracted considerable media coverage. There are strong sentiments among Tanzanians that the country's resources

Table 1
Large scale gold mines in Tanzania (by year of project start).

Name	Present/last owner	Project Start	Projected/actual closure year	Projected/actual life time	Years of operation before corporate tax was paid
Golden Pride (GPM)	Resolute Mining Ltd	1999	2014	13	11
Geita Gold Mine (GGM)	Ashanti Gold	2000	2026	26	9
Bulyanhulu (BGM)	Acacia	2001	2035	34	Not yet (after 13 years of operation)
North Mara (NMGM)	Acacia	2002	2022	20	Not yet (after 12 years of operation)
Tulawaka (TGM)	Acacia and Northern Mining Exploration[a]	2005	2013	8	7
Buzwagi (BZGM)	Acacia	2009	2020	11	Not yet (after 5 years of operation)
New Luika (NLGM)	Shanta Mining Company Ltd	2012	2023	11	Not yet (after 2 years of operation)

[a] Tulawaka was officially closed in 2013 but is now owned and operated by the Tanzanian state through STAMICO.Source: Adapted from the Annual Report of Tanzania Minerals Audit Agency (TMAA 2015). All Acacia mines were formerly owned by African Barrick Gold.

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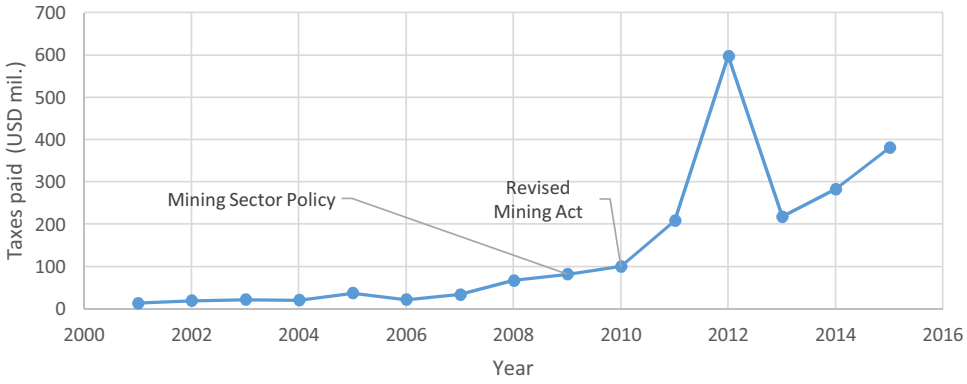


Fig. 1. Taxes paid by large scale mines (in USD million).
Based on figures from Tanzania Minerals Audit Agency's Annual report 2015 (TMAA 2016:22).

have been given away "for free" and that Nyerere was right when he argued that the minerals should be left in the ground until Tanzania had the means to manage effectively their extraction.

Civil society organisations have been at the forefront of criticising the sector. One study, published by the Interfaith Committee, received much publicity (Curtis, 2008). As expressed by one of our informants: "Politicians may accuse NGOs of lying, but they can't accuse the Bishop of that". While some top government officials have defended the sector, many politicians have openly criticised large scale mining. In response to this, President Kikwete appointed a committee to review all mining contracts in 2005, and a new Mining Policy was put in place in 2009, followed by the revised Mining Act of 2010. The act raised the royalty on gold from 3 to 4% and required "the government to own an equity stake in future projects involving over $100 million in capital investment" (Emel et al., 2011:76–77).

The revised policy was a move made to increase the state income from a sector that had not fulfilled the expectations. Of central interest to this study, the revised Mining Act of 2010 reintroduced the requirement for local content – particularly the need for local procurement (Makene et al., 2012:8). The law clearly resulted in an increased interest in local content among Tanzanian stakeholders. Mining companies began reporting on local content and the Natural Resource Governance Institute National (NRGI) started offering training to civil society organisations on local content. In the following sections, we will present the provisions of the Act in terms of local content, official statistics on direct employment and procurement of goods and services in the Tanzanian mining sector, and detail some of the initiatives that have been taken to increase local content.

5. Local content in the Tanzanian mining sector

5.1. Direct employment

The revised Mining Act states that "the holder of a special mining license shall, as a condition of the license (. . .) employ and train citizens of Tanzania and implement succession plan on expatriate employees in accordance with his proposals as appended to the special mining license" (URT, 2010:43–44). Statistics from the Tanzania Minerals Audit Agency (TMAA) presented in Fig. 2 show that in the period 2007–2015, the percentage of expats has fluctuated between five and eight per cent, standing at six per cent in 2007 and at five per cent in 2015 (TMAA, 2015:41). This is an indication that the law has not had any significant effect for increased employment of Tanzanian nationals.

The Act does not specify any percentages for different categories of staff and the TMAA statistics do not differentiate between categories of staff. We will present briefly some qualitative findings for the following categories: technical staff with vocational training, professionals (engineers), unskilled staff, and top management positions.

The two major mining companies, Acacia and GGM, together with the government authorities, responded to the increased interest in local content by establishing the Integrated Mine Technical Training Programme (IMTT) at the Arusha Technical College (NECTA) and Moshi VETA College in 2009. IMTT is an apprenticeship programme where apprentices spend three months at the centre and six months at the work place (Lukindo, 2014). So far, about 500 apprentices have graduated from the IMTT programme and 95% of them have found employment in mining

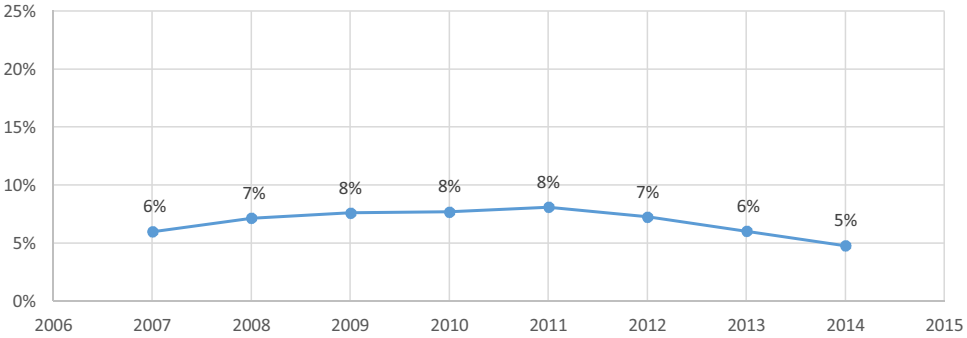


Fig. 2. Expatriate employees in major mines 2006–2014.
Based on figures in TMAA's Annual Report for 2014 (TMAA 2015:41).

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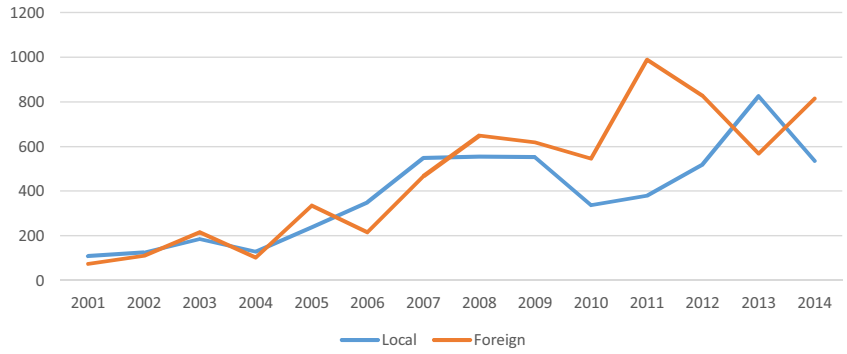


Fig. 3. Procurement of goods and services by large scale mines (in USD million).
Based on figures in Tanzania Minerals Audit Agency's Annual report 2014 (TMAA 2015:37).

companies or related industries. While the project has equipped the sector with better qualified employees, it has most probably not entailed that Tanzanians have replaced expats in the sector to any significant degree.

As for professionals, Tanzanian mining engineers interviewed for this study argued that "locals are subject to a glass ceiling", that they tend to end up occupying low to mid-level positions at the mines, and are commonly supervised by young and inexperienced certificate level expatriates whose "biggest know-how seems to be to have grown up in mining areas in South Africa".[1] Tanzanian professionals also complain about being paid less than expats with similar qualifications. Mining firms acknowledge that the wage differential is company policy and a worldwide practice (Mjimba, 2011:53).

According to the Tanzania Private Sector Foundation (TPSF) and Tanzanian engineers interviewed for this study, international mining companies have trained Tanzanian miners who are now working in West African countries as well as in Congo and South Africa. Our informants argued that the fact that within Tanzania, qualified Tanzanians are paid less than expatriates is a central reason why qualified Tanzanians opt for employment abroad. Moreover, while the Mineral Policy calls for developing local skills, there are no strategies for how to retain the skills. In TPSF's view, "the big question is how we can get the expertise at use here in Tanzania". One positive development is that the Tulawaka mine, which is owned by the state through STAMICO, is operated by Tanzanian nationals only.

As for unskilled staff, the 2009 Mineral Policy states that one of its objectives is to "strengthen involvement and participation of local communities in mining projects" (URT, 2009:9). In both Geita and Kahama, local authorities and NGOs argued that the majority of local people are employed in unskilled jobs like cleaning and security – partly due to the low level of education and partly due to the corrupt practices among mining staff in charge of hiring. According to CSO staff in Kahama, locals did previously have "to pay up to Tshs. 700,000/= or else accept to surrender two months' salary for employment" in order to get jobs, and women were asked for sexual favours.[2] The situation in Kahama reportedly improved after 2010, but in Geita, there was a corruption case in 2014:

> Last year one of the personnel officers at GGM took money from many people promising them jobs in vain. When people complained about him, information reached the Managing Director and the person was fired immediately. (CSO staff member in Geita, 19.05.15)

These examples show, first of all, how desperate people are to get employment and that this situation is taken advantage of by some of the staff in charge of hiring.

As for top management positions, both Acacia and GGM have in recent years made efforts to "Africanise" their public image. Both companies have local Vice Presidents who are responsible for government relations. In the case of Acacia, the Management Team has six members and Vice President Deodatus Mwanyika is the only Tanzanian.[3] Both the Tanzanian press and Tanzanian judges have openly suggested that Mwanyika merely holds a "ceremonial post" with no decision-making powers.[4] This echoes the situation in the petroleum sector in Angola, where Angolan HR officers are often accompanied by "shadow" expat HR officers (Ovadia, 2012:405).

5.2. Procurement of goods and services

The 2010 Mining Act says that a special mining license shall state "the procurement plan of goods and services *available* in Tanzania" (our emphasis URT, 2010:41). The requirements of the law are thus very mild. The Act does not require Tanzanian ownership, only that the goods and services are available in Tanzania. In Tanzanian mining regulations, a local company is then a company registered in Tanzania, even if it is 100% foreign-owned. Moreover, imported items count as a 'local purchase' as long as they are purchased locally. For example, fuel, which is purchased from locally registered firms like BP and Orxy, counts as 100% local although the import content is 100% (MCDP, 2006:20). In this case, there is hardly any 'value added' in the local purchase.

In the first two years following implementation of the 2010 Mining Act, local procurement actually went down relative to foreign procurement (see Fig. 3). In the following, we will identify two of the factors that have contributed to limited local procurement of goods and services: VAT exemptions, and a challenging business environment, in which local companies find the cost of formalisation to be too high.

A central reason for the high level of procurement from abroad is the 1998 Mining Act. Not only did it not include a local content clause but it also offered generous VAT exemptions to foreign investors (TEITI, 2014:20). Due to the stabilisation clauses, these are still valid for the established mines. Mining companies acknowledge that this influences their use of local content:

[1] Informal interviews with Tanzanian mining engineers at North Mara, Bulyanhulu, and Buzwagi 27–29.04.2015.
[2] Interview with Shirika la Haki za Binadamu (SHIHABI) 12.05.2015.
[3] http://www.acaciamining.com/about-us/our-leadership/management-team.aspx.
[4] This happened in March 2016, the High Court of Dar es Salaam ordered Acacia to pay USD 41 250 000 withholding tax. http://www.ippmedia.com/news/deo-mwanyika-i-was-quoted-out-context.

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> VAT is refunded by TRA because we are net exporters. It therefore makes sense for us to import rather than to buy locally. Even if we buy locally we can get the VAT back, but it takes a long time. (Procurement Officer, 27.03.15)

Nevertheless, several companies have invested in programmes that seek to develop local suppliers. In the case of the Williamson Diamond Mine Mwadui, the project document clearly states that the move is linked both to reducing costs and to "CSR-related benefits" (MCDP, 2006:21):

> In today's global economy, opportunities available through increased sourcing of local content drive international companies to find ways to better engage with local suppliers and reduce costs (. . . .) Good communication links with government and a demonstrated commitment to small enterprise development are particularly relevant in the extractive industries and sectors where there are licensing requirements. (MCDP, 2006:27)

In addition to policies and regulations in host countries, mining corporations are influenced by global trends and initiatives. Barrick, for example, joined the UN Global Compact in 2005. Two years later, it adopted a supplier code of ethics "according to which suppliers to the company are asked to subscribe to and meet standards" set by this body (Goldstuck and Hughes, 2010:80). The UN Global Compact focuses on human rights issues, including labour rights, and environmental issues. Each year, Barrick's suppliers are asked to sign a declaration stating that they "understand and comply with the company's code of ethics" (Goldstuck and Hughes, 2010:80). These ethical standards may be hard to live up to for some of the Tanzanian companies and may discourage them from doing business with mining companies. As argued by the Tanzania Private Sector Foundation (TPSF):

> They (local companies) must formalise, and that is one of the challenges. They have to be formal – they have to pay taxes. When a company tenders for a new contract they will be asked for audit statements for the last three years. The tax burden is high for those that formalise. (TPSF, 02.02.15)

Mining companies will only work with "corrupt free" local SMEs (MCDP, 2006:21). Critical voices in Tanzania argue that a major reason why local content has not taken off in Tanzania is corruption:

> National companies are often organized in a corrupt way, and it is not in the interest of the international companies to be corrupt. They are not used to it, and a company like Barrick needs to protect their name. (University lecturer, 02.02.15)

The businesses environment in Tanzania has been described as "toxic" (Hansen, 2013:38), and, as indicated, the costs of formalisation are high (Hanlin, 2011). A study of local content in Tanzania's mining industry in the early 2010s found that in Kahama, local suppliers did not find African Barrick Gold a very attractive business partner for a number of reasons: the complicated paperwork was perceived as a burden, the timescales for deliveries were unrealistic, and payment of invoices could take up to two months (Hanlin, 2011). Barrick's attempt at establishing a supplier development programme was discontinued after three years since "local suppliers were unable to develop sustainable business from linkages" (Hansen, 2013). Two main reasons were identified, namely the high safety and technical standards required by Barrick and the challenging business climate for small companies.

As in Kahama, local suppliers to the Geita Gold Mine (GGM) complained of delays in payments of invoices (Hanlin, 2011). A 2014 study in Geita found that it can take up to 45 days from the point in time when suppliers deliver goods and until they are paid (EBF, 2014:11). The vast majority of local suppliers do not have sufficient capital to enter on such terms, and suppliers also lacked information about the needs of large scale mining companies (EBF, 2014:13).

Most of the informants interviewed for this study acknowledged that many Tanzanian suppliers face enormous challenges concerning quality and the reliability of supply. Stories abound of suppliers who have agreed to supply fresh vegetables or chicken to companies but who are unable to deliver in the long run. So far, there have been no efforts made by the government to support such business ventures, and mining companies' efforts to assist local suppliers to produce goods are seen by many as "little more than lip service and publicity stunts" (Hanlin, 2011).

5.3. Support to cooperatives

While the initiatives to help small and medium sized enterprises (SMEs) appear to have had limited success, Acacia's support to two local cooperatives in Bulyanhulu is, by comparison, successful. The mine supported Kakola, a cooperative formed by community members living adjacent to the Bulyanhulu mine, to enable it to supply uniforms to students in various schools sponsored by Acacia. With time, the Kakola cooperative has expanded and it now produces seat covers and filters used at the mine. By March 2015, the Kakola cooperative had supplied services worth USD 20,000 to the mine.

The mine also assisted in the establishment of the IBUKA Multipurpose Cooperative Society Ltd., whose main role is to organise local communities to supply reliable goods and services to the mine – mainly casual labour related to community relations and security. When the mine needs low-skilled workers, it provides a job description to IBUKA. As of March 2015, IBUKA had more than 5000 members from 12 villages surrounding the mine and had supplied a total of 200 *sungusungus* (local militia) to the mine for security purposes. On average, labourers are paid USD 60 a month and their causal labour contracts last between 2 and 12 months with meals and transport provided by the mine (Kabote and Niboye, 2013). IBUKA also organises groups of farmers to collectively supply food items to AKO, a catering firm operating in the mine. Informants consulted in Bulyanhulu praised the IBUKA arrangement and the initiative has reportedly enhanced the social license of the mine to operate in the area. However, village leaders argued that the 20% fee that IBUKA retains from all contracts should be controlled by village authorities in order to implement projects which benefit the community at large, rather than IBUKA members only. Similar conflicts between CSOs and local government authorities over authority and resources have been found elsewhere in Tanzania (Lange, 2008).

Like Acacia, GGM has, since 2002, supported local cooperatives to enable them supply fruits and vegetables to the catering firm based at the mine. The mine has also supported the establishment of the Small and Medium Enterprise projects.[5] However, a study commissioned by the Ministry of Energy and Minerals in 2014 found that there were no programmes or projects aimed at "empowering" local communities to supply goods and services to the mining sector in the Geita District Council, and that local communities and SMEs were found to be inactive in supplying goods and services (EBF, 2014:8). The contrast between company reporting and government reporting indicates that mining companies either overstate their role in supporting local content

[5] http://allafrica.com/stories/201509150664.html http://www.anglogoldashanti.com/en/Media/Our-Stories/Pages/20160205_GGM.aspx.

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development, or that government-commissioned studies fail to report on the initiatives that have been taken.

The projected life span of the mines may be a central factor influencing the strategies of mining companies for increasing local content. We have not found any reference to local content initiatives at Tulawaka (Acacia) or Golden Pride (Resolute Mining), which closed in 2013 and 2014, respectively (see Table 1). At Bulyanhulu, which is projected to operate for another 19 years, local content initiatives commenced in 2008. The North Mara Gold Mine, on the other hand, which has a projected lifespan of only six years from 2016 and is also owned by Acacia, has not been subjected to the same local content initiatives as Bulyanhulu. In addition to the projected life span, strained relations between the mine and local communities may make it hard to initiate local content initiatives in North Mara. Following alleged killings of 'local intruders' by mine security guards, the situation at the North Mara Gold mine has been extremely tense for years.

5.4. Catering: successful local content but with poor working conditions

While local content in the Tanzanian mining sector is still underdeveloped, a significant change has occurred within one specific sector, namely catering. Up to 2007, all large scale mines in the country used catering services from abroad, and as late as in 2013, African Barrick Gold (now Acacia) purchased 98% of its catering services from foreign suppliers (Hansen, 2013:18). At the time of writing, AKO, a Tanzanian-owned firm, provided catering services to four of the large scale mines. The main reason for this shift is that the company was able to offer high-quality services at a price that was much lower than what the foreign suppliers could offer.

This case demonstrates that when quality services at a competitive price are available locally, international companies will take them into consideration, even if the law does not require them to do so. AKO was presented by several stakeholders as the best example of successful local content in Tanzania. The company employs approximately 1600 Tanzanians and 12 expatriates. Company representatives claim that it buys "up to 70% in localities where mines are located, 25% from Dar es Salaam, and the rest from abroad".[6] This information was disputed in Bulyanhulu, where members of the IBUKA cooperative argued that AKO mostly imports food items from Kenya. IBUKA members also claim that AKO grossly underpays local farmers for the little they buy locally. We found that AKO pays some of its unskilled employees less than the official minimum gross wage (Tshs 350,000 per month, approximately USD 218).

AKO is owned by a Member of Parliament (MP) representing the ruling party. Similarly, one of the largest suppliers of Caterpillars to the mining sector is owned by an MP. A senior official at the Ministry of Work interviewed for this study argued that Tanzanian businessmen who succeed often do this through connections, and that there is thus a process of elite capture. In their study of the investment climate in Tanzania, Cooksey and Kelsall (2011) found that the ruling party "more or less monopolizes the main forms of economic rent" and that "it is difficult to make serious money if one does not have good connections to the CCM" (Cooksey and Kelsall, 2011:87). Although presented by many as the quintessential success story of local content in mining in Tanzania, the AKO experience reinforced two of the main concerns about local content presented earlier: elite capture and patronage.

[6] Interview with the AKO management 03.02.15.

6. Reporting on local content

The increased interest in local content has clearly affected the mining companies' CSR reporting. An analysis of Barrick's CSR disclosures in 2010, for example, found that the company reported on the following main subjects: community, environment, employee, health and safety, as well as security and human rights (Lauwo and Otusanya, 2014). By 2015, Acacia (Barrick) had not only included local content as a category in its CSR reporting, but had also published a separate report on the topic (Ernst and Young, 2015).

Emel et al. (2012) argue that many of the claims made by major mining companies in Tanzania are misleading and that it is extremely difficult to validate their reports even in cases in which companies use third parties to verify their claims. This is because the third parties usually use data provided by the companies themselves. For instance, Ernst & Young states in its report about Acacia's total economic and tax contributions to Tanzania that its analysis is based on data provided by the Acacia management and that the company is not independently audited by the company (Ernst & Young, 2015:i). The report claims that Acacia's "level of total GDP contribution is equivalent to approximately 2% of total Tanzanian GDP in 2014" (Ernst & Young, 2015:ii).

Our findings show that there are large discrepancies between the figures reported by mining companies and those reported by government bodies. For the year 2014, Acacia reported that it procured locally produced goods and services worth USD 488 million (Ernst & Young, 2015:14). TMAA, on the other hand, recorded that *all* large scale mines in the country combined purchased local goods and services totalling USD 536.56 million in the same year (TMAA, 2015:37).

One reason for the discrepancy in reporting may be the lack of official and clear-cut guidelines on what should count as local procurement. For example, if a large multinational plant for spare parts has a local dealership of suppliers, this is counted as local procurement, "even though in practice these local dealerships are little more than mail boxes forwarding the requests from the mine to regional or worldwide head offices" (Hanlin, 2011:np). Discrepancies in reporting may lead to mistrust and accusations of inflating the figures, while the companies are, in fact, of the opinion that their reporting is in line with the country's policies and laws.

TEITI representatives argued that Acacia's reports on local content look very impressive, but that they do not provide exact information, and that it is therefore important to reconcile the information on local content that the mining companies provide with that of the individuals who provide the services. TEITI therefore decided to include local content for the 2013 reports and onwards. This decision has gained legal support: the Tanzania Extractive Industries (Transparency and Accountability) Act of 2015 requires both government agencies and extractive industries companies to provide accurate and timely information to TEITI.

7. How mining experiences are shaping petroleum debates and policies

Tanzania is projected to become one of world's major exporters of natural gas. While the Government established its national oil company as early as 1969, and gas was discovered in 1974, commercial production only started in 2004. In conferences, media coverage, and the public debate in general, the mining sector is often used as a reference point for how the petroleum sector should be handled.

In contrast to Mozambique, Tanzania has opted for Production Sharing Agreements (PSAs) for their petroleum resources. It has been pointed out that in contrast to the mining concessions, PSAs

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give the government the right to audit the investors' accounting records (Mashauri, 2013). This is a significant difference, since Tanzanian authorities believe that mining companies over-report their expenses and underreport their earnings in order to reduce their taxable incomes (Felister, 2016). However, there has been extensive criticism of the PSA process being too rushed. The first PSAs were signed in 2007, while the National Natural Gas Policy and the Petroleum Act were only in place in 2013 and 2015, respectively. One of the opposition politicians urged the government to postpone the licensing 10 years if necessary – to ensure that Tanzania would have a proper legal framework in place and thus avoid repeating the mistakes that were made in the mining sector (Simbeye, 2013).

The experiences from mining were central in the debates at the second Oil and Gas Conference in Dar es Salaam in October 2013. Reginald Mengi, one of the country's most successful businesspersons and chairman of the Tanzania Private Sector Foundation, argued for a local content policy for petroleum that "ensures guaranteed levels of local participation in the industry", in order to avoid history repeating itself:

> Tanzania should not now shy away from this golden opportunity which will wipe our years of agony caused by the mining sector in this country. We have been blessed with a second chance and let us fully utilize it to create sustainable local participation that will benefit future generations. (Mengi, 2013:1)

His lengthy speech at the conference – where he argued that the National Economic Empowerment Act of 2004 has failed to empower Tanzanians in the mining sector, and that in Nigeria, affirmative action had ensured that 52% of the petroleum blocks have been awarded to Nigerians who have as a result become billionaires – was heatedly debated amongst the audience. Some admired his strong engagement for resource nationalism, while others felt that his main agenda was to enrich himself further, not to help poor fellow citizens. In order to engage the public in the local content debate, Mengi published his speech in *The Guardian* (Mengi, 2013).

In 2014, the Non-Citizens Act was put in place. The Act places strict limits on work permits for foreigners, and companies are required to develop a succession plan for all foreign staff (Kinyondo and Villanger, 2016). As a result of the Act, International Oil Companies (IOCs) have faced great difficulties in securing work permits for their foreign employees. They have expressed frustration over the Tanzanian authorities being unrealistic as to what kinds of jobs Tanzanians are qualified for in the petroleum sector.

In 2013, the IOCs projected that the LNG plant could be set up in 2016 at the earliest (Kiishweko, 2013), but the process of selecting and approving a site was delayed by the government. Consequently, and probably also due to the unresolved policies for the sector, Statoil downscaled its presence by terminating the contracts of 300 local employees and moving its equipment out of the country. In 2014, petroleum prices started to decline. Certain stakeholders, both Tanzanians and foreigners, expressed some concern that the country's stance on local content could delay, or even completely halt, investment decisions. The World Bank, among others, actively sought to influence the new legislation in a bid to make local content requirements less centralised. However, in interviews conducted for this study, Tanzanian decision makers clearly expressed that Tanzania had no reason to trust the World Bank since, in their view, the advice that its officials provided to the mining sector in the 1990s had catastrophic consequences for the country.

A draft Local Content Policy (LCP) was published in 2014, but stakeholders were given less than two weeks to respond to it (Kinyondo and Villanger, 2016). The LCP draft served as a background document for the Petroleum Act of 2015. In the Act, 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" (URT, 2015:22). In contrast to the Mining Act, there is a clear emphasis on value added. All companies applying for licenses to undertake mid and downstream activities must draft a detailed local content plan and licenses will be considered based on the companies' plans:

> Where goods and services required by the contactor, subcontractor or licence holder are not available in Tanzania, such goods and services shall be provided by a company which has entered into a joint venture with a local company. (URT, 2015:140)

The Act also says that the Government "shall revoke a licence where the licensee persistently fails to comply with the approved local content plans" (URT, 2015:104). Compared to the Mining Act, the Petroleum Act has much stronger clauses on local content, although it is clearly softer than the Angolan and Nigerian legislation (Ovadia, 2016:21).

The process of tabling The Petroleum Act, The Oil and Gas Revenues Management Act, and The Tanzania Extractive Industries (Transparency and Accountability) Act in July 2015 was very controversial. Members of Parliament were only given four days to review these very central pieces of legislation, and the acts were tabled under "the certificate of urgency". An opposition member of Parliament tried to block the bills, but was refused to do so by the Speaker, and the Parliament was reportedly "in disarray" over this decision (Mbashiru, 2015). The National Resource Governance Institute has pointed out that the 1998 Mining Act was similarly tabled under a certificate of emergency and that the law was later reviewed in 2010, also under a certificate of emergency (Olang, 2016).

During the campaigns for the October 2015 national election, mining and resource nationalism was brought up once again. Edward Lowassa, presidential candidate for the opposition coalition, promised to review the mining deals (apparently disregarding the stabilisation clauses). The petroleum companies put all investment decisions on hold until after the election. The optimistic vision of having an LNG plant in place by 2016 has been shelved in favour of a plan to have it installed by 2020 or even later.

While opposition politicians and CSOs argue that the policy-making process for the petroleum sector has been too rushed and that the country risks repeating the mistakes that were made in the mining sector, the delays have come as a surprise to the IOCs. The ruling party has of late been eager to get the legislation in place and see the LNG plant constructed as soon as possible. In August 2016, President Magufuli reportedly requested the Ministry of Energy and Minerals to "sort out all the remaining issues so investors can start construction work immediately" (ESI Africa, 2016).

8. Conclusion

In this paper, we have sought to demonstrate that low revenues from the mining sector, and the low level of 'added value' in local content, have fuelled strong sentiments of resource nationalism in Tanzania. In the revised Mining Act of 2010, the royalty was increased and a government share in new large mines was introduced. The Act also introduced soft clauses on local content. Our study confirms findings from other African countries which show that local content is easily subjected to elite capture and patronage, and that there is a need for foreign investors to look into the ethical standards of their suppliers.

The social discontent with the mining sector affects peoples' sentiments about investors in the petroleum sector. However, it is

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important to note that the 2013 riots in Mtwara were not directed at the IOCs as such, but rather at the government, in disappointment over perceived lost employment opportunities when it was decided to transfer natural gas directly to Dar es Salaam. The IOCs that want to build positive relations with local communities can learn from mining companies' efforts to increase local employment through support to cooperatives. Cooperation with local cooperatives appears to have been the most viable way of avoiding elite capture and securing a social license. During such endeavours, however, it is important to strike a balance between cooperation with local authorities and cooperation with cooperatives, in order to avoid fuelling power struggles at the local level (Lange, 2008).

Scholars have recently sought to classify different types of resource nationalism (Bremmer and Johnston, 2009; Wilson, 2015). Our study of the Tanzanian case demonstrates the importance of viewing resource nationalism from a historical perspective (Andreasson, 2015) and to look into the factors that drive a country to adopt new policies. When Tanzania opened up for foreign investment in the mining sector in the 1990s after more than 20 years of state control of natural resources, it followed liberal market polices and focused on tax only. However, this decision was due to pressure from international finance institutions, not the result of independent domestic choice.

At the moment, Tanzania fits into the 'developmentalism' category of resource nationalism described by Wilson (2015), the idea that governments are judged by their ability to deliver development, industrialization and social services. The state seeks to raise revenues, as well as to enhance local content. However, in contrast to the countries belonging to this category in Wilson's study – Brazil, Chile, India, and Indonesia – Tanzania is a donor dependent country with a very low level of industrialization and poor infrastructure. People interviewed for this study acknowledge that there is a lack of capacity in the country and that strict local content clauses may therefore be counterproductive (se also Kolstad and Kinyondo, 2015). A government minister recently referred to statistics showing that only 3.6% of the workforce has competent skills, and admitted that "inadequate skilled manpower limits local content". She promised that the government would both contribute to raising skills and "review its legislations to accommodate local content in all key investment sectors" (Domasa, 2016). According to some Tanzanian stakeholders, the planned local content law will overrule the LC provisions in the Petroleum Act. We have also noted that the Non-Citizens Act put restrictions on the hiring of expatriates by IOCs long before the Petroleum Act was put in place. This demonstrates the need for researchers interested in local content to consider the legislative framework as a whole, rather than focusing on the mining/petroleum acts only.

Public sentiments in Tanzania are strongly coloured by 'legacy resource nationalism' (Bremmer and Johnston, 2009) and the Natural Gas Policy clearly states that "Natural gas resource found in Tanzania belongs to the people of the United Republic of Tanzania" (URT, 2013:ix), echoing the country's first president, Julius Nyerere. The new legislations for the petroleum sector reflect these sentiments to a lesser degree than many expected, however. Our analysis of resource nationalism in Tanzania has demonstrated that the Tanzanian government is pulled between two potentially contradictory goals. One the one hand, they need to develop policies that will gain the nation in the long run, and that will make people feel that the mistakes that were made in the mining sector are not repeated. On the other hand, the state needs to make the country sufficiently attractive for IOCs to make their final investment decision – in the context of low petroleum prices and the perceived risks associated with doing business in Sub-Saharan Africa (Andreasson, 2015). The latter includes the risk of 'revolutionary resource nationalism' which opposition politicians have sometimes argued for. For the ruling party, increased revenues are central in order to live up to the electorate's demands for improved social services and economic development, and their own goal of re-election and becoming independent of donors. This explains why, in Tanzania, the prospective of high revenues eventually overruled the most radical demands for local content.

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