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THE PETROLEUM ACT
(CAP. 392)

REGULATIONS

(Made under section 258)

THE PETROLEUM (LOCAL CONTENT) REGULATIONS, 2017

ARRANGEMENT OF REGULATIONS

PART I
PRELIMINARY PROVISION

1. Citation and Commencement.
2. Application.
3. Interpretation.

PART II
LOCAL CONTENT OBJECTIVES

4. General Objectives.

PART III
LOCAL CONTENT GENERAL PRINCIPLES

5. Principles of Local Content.

PART IV
OBLIGATIONS AND RESPONSIBILITIES

6. Communication of Local Content Procedures and Obligations.
7. General Local Content Requirement.
8. Participation of a Tanzanian Citizen in Petroleum Activity.
9. Submission of a Local Content Plan for Approval.
10. Review and Approval of a Local Content Plan.
11. Contents of a Local Content Plan.
12. Employment and Training Sub-Plan.
13. Succession Plan.
14. Semi-skilled and Unskilled Labor.
15. Procurement of Works, Goods and Services from Tanzanian Entrepreneurs.
16. Programme for Research, R&D, and Innovation.
17. Technology Transfer Programme.
18. Submission of a Technology Transfer Plan.
19. Support of Technology Transfer to Tanzanian Companies.
20. Technology Transfer Report.
21. Insurance and Reinsurance.
22. Legal Services.
23. Legal Services Plan.
24. Engineering Services.
25. Engineering Services Plan.
26. Financial Services and Approval of Offshore Financial Services.
27. Financial Services Plan.
28. Operation of Bank Account in Tanzania.
29. Minimum Local Content Levels.
30. Bidding Process and Evaluation.
31. Submission of Proposed Procurement Plan.
32. Emergency procurement.
33. Submission of Semi-annually Forecasts.
34. Requirement for Submitting a Local Content Performance Reporting.

35. Requirement by Third Party to Report Local Content Information.
36. Establishment of a Common Qualification System.
37. Objective of Common Qualification System.
38. Availability of Information.
39. Public Education and Sensitization.
40. Local Content Monitoring.
41. Assessment of Performance Report.
42. Investigations of Petroleum Activity.

PART V
GENERAL PROVISIONS

43. Bid Evaluation Guidelines.
44. Review of the Local Content Plan.
45. Electronic Filing of Documents.
46. Establishment of Guidelines and Procedures.
47. Offences and Penalties.
48. Complaints handling mechanism.

SCHEDULES

THE PETROLEUM ACT
(CAP. 392)

REGULATIONS

(Made under section 258)

THE PETROLEUM (LOCAL CONTENT) REGULATIONS, 2017

PART I
PRELIMINARY PROVISIONS

Citation and
Commencement

1.-(1) These Regulations may be cited as the Petroleum (Local Content) Regulations, 2017 and shall come into operation on the date of publication in the *Gazette*.

(2) Notwithstanding subregulation (1), the provisions of Part IV and regulation 47(4), (5), (6) and (7) relating to a contractor, subcontractor, licensee or any other person engaged in a petroleum activity shall come into operation within six months from the date of publication of these Regulations.

Application

2. These Regulations shall govern local content matters related to petroleum upstream, midstream and downstream activities in Tanzania Mainland.

Interpretation

3. In these Regulations, unless the context otherwise requires:

Cap. 392

“Act” means the Petroleum Act;

“Authority” in the case of-

(a) upstream activities, means PURA; and

(b) midstream and downstream, means EWURA;

“bid rigging” means the manipulation of a bid process by dishonest conduct;

“cartelization” means a collection of businesses that act together as a single producer and agree to

influence prices for certain goods and services by controlling supply through their production and marketing activities;

“common qualification system” means a sole centralized system of pre-qualified service providers in Tanzania’s petroleum industry based on their capacities, capabilities and local content strength to enable ranking and categorization of the service providers as well as tracking and monitoring their performance;

“contractor” means a second party or an entity to which any interest on the licence may be transferred in the application of the provisions of the relevant agreement;

“downstream activities” means the transportation, distribution, storage, regasification and marketing of gas and petroleum products;

Cap. 414

“EWURA” means the Energy and Water Utilities Regulatory Authority established under the Energy and Water Utilities Regulatory Authority Act;

“financial services” means, but not limited to, business of banking, any business of a financial nature, the business of a credit union, insurance business or insurance brokerage, the business of securities and any business relating to pension funds;

“front” means to deceive or behave in a particular manner as to conceal the fact that a company is not a Tanzanian company;

“innovation” means something new or a change made to the existing product, idea, device, contrivance, process or field originated after study and experiment, usually something which has not previously been in existence;

“integrated LNG Project” means the project in which the participants share a unity of interest in the liquefied natural gas (LNG) value chain from production of natural gas through the liquefaction of the LNG;

Cap.212

- “local company” means a company or subsidiary company incorporated under the Companies Act, which is one hundred percent owned by a Tanzanian citizen or a company that is in a joint venture partnership with a Tanzanian citizen or citizens whose participating share is not less than fifteen percent;
- “licensee” means a licensee or a license holder as defined under the Act;
- “local content” means 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 petroleum operations in order to stimulate the development of capabilities of Tanzanians and to encourage local investment and participation;
- “local content performance report” means the assessment and review of local content plan to ensure compliance with these Regulations;
- “local content plan” means a forecast of procurement, employment, technology transfer and research and development opportunities submitted to the Authority by a licensee, contractor, subcontractor, or allied entity;
- “midstream activities” means activities related to petroleum processing, refining, liquefaction, storage and transportation to the point of supply or loading as a commodity;
- “petroleum” means any naturally occurring hydrocarbon, whether in gaseous, liquid, solid state or any naturally occurring mixture of hydrocarbons, whether in a gaseous, liquids, or solid state or mixture of one or more hydrocarbons whether in a gaseous, liquid or solid state and any other substance and includes petroleum that has been returned to a natural reservoir, but shall not include coal or any substance that may be extracted from coal or other rock;
- “petroleum activity” means petroleum operations and all

- other petroleum and natural gas midstream and downstream activities as defined under the Act;
- “petroleum operations” means any or all operations and activities in connection with reconnaissance, exploration, appraisal, development, production, processing or liquefaction and includes activities in connection with decommissioning of petroleum facilities;
- Cap.392 “PURA” means the Petroleum Upstream Regulatory Authority established under the Act;
- “research” means the systematic investigation into and study of materials and sources in order to establish facts and arrive at new conclusions;
- “research and development or R&D” also known as “research and technological development or RTD” means the systematic and investigative activities a business conducts to improve existing products and procedures or to lead to the development of new products and procedures;
- “sub-plan” means a detailed plan within a local content plan specifying low level actions;
- “subcontractor” means any business entity hired by contractor to carry out all or a portion of petroleum operations as approved by contractor under the terms of agreement;
- “succession plan” means the process of passing each key leadership role within a company to someone else in such a way that the company continues to operate after the incumbent leader is no longer in control;
- “technical core staff” includes engineers, geo-scientists and technicians; and
- “upstream activities” means and comprising of geophysical exploration, exploration for and development of petroleum, constructing and operating of wells, production of petroleum, construction, operating and use of storage reservoir, construction and operation of pipelines and other special infrastructure for petroleum.

PART II
LOCAL CONTENT OBJECTIVES

General
Objectives

4.-(1) The objectives of local content are:

- (a) to promote the maximization of value-addition and job creation through the use of local expertise, goods and services, businesses and financing in the petroleum industry value chain and their retention in the country;
- (b) to develop local capacities in the petroleum industry value chain through education, skills transfer and expertise development, transfer of technology and know-how and active research, development and innovation programmes;
- (c) to achieve the minimum local employment level and the amount of money spent in the country for the provision of goods and services in the petroleum industry value chain as specified in the First Schedule to these Regulations;
- (d) to increase the capability and international competitiveness of domestic businesses;
- (e) to create petroleum and related supportive industries that will sustain economic development;
- (f) to achieve and maintain a degree of control over development initiatives by Tanzanians; and
- (g) to provide a robust and transparent monitoring and reporting system to ensure delivery of local content policy objectives.

(2) The Authority shall, in ensuring the local content objectives are achieved, undertake the following controls:

- (a) develop a baseline data and information to identify the current capacity and capabilities for Tanzanians to be employed and local

- companies to become suppliers;
 - (b) develop needs assessment of the required capacities to deploy Tanzanian experts in the petroleum industry;
 - (c) identify the areas in which there is no capacity and capabilities and it will not be sustainable for Tanzania to have such a category in place; and
 - (d) identify ways in which initiatives under paragraphs (a) to (c) will be reported, monitored, measured and evaluated through a regulated framework for local content with aim of continuous improvement.
- (3) The Authority shall, in consultation with other relevant entities:
- (a) develop and publish the local content framework on technology transfer with respect to the petroleum industry;
 - (b) develop strategies for monitoring and evaluation of the local content plan on technology transfer; and
 - (c) develop such other undertaking as may be necessary for the purposes of achieving local content objectives.

PART III LOCAL CONTENT GENERAL PRINCIPLES

Principles of
Local Content

5.-(1) Any person vested with functions and responsibilities under the Act and these Regulations shall adhere to the following underlying local content principles:

- (a) acquisition of services by contractor, subcontractor, licensee or any person are prioritized, in the first instance, in favour of local service provider or locally manufactured goods, provided that such goods or services are of competitive terms and meet standards acceptable by Tanzania Bureau of Standards or

- other internationally acceptable standards;
 - (b) qualified Tanzanians are afforded first opportunity for employment; and
 - (c) prioritization of on-job training for Tanzanians.
- (2) The local content principles referred to in subregulation (1), shall be reflected in the local content plan as provided in these Regulations.

PART IV OBLIGATIONS AND RESPONSIBILITIES

Communication of Local Content Procedures and Obligations

- 6.**-(1) A contractor, subcontractor, licensee, or any other person shall:
- (a) communicate local content policies, procedures and obligations to any person engaged by that contractor, subcontractor, licensee or such other person to perform an aspect of a petroleum activity; and
 - (b) monitor and ensure compliance with local content procedures and obligations.
- (2) Notwithstanding subregulation (1), a contractor, licensee or such other person shall make available the local content procedures and obligations of that contractor, licensee or such other person available on their respective websites.

General Local Content Requirement

- 7.**-(1) A contractor, subcontractor, licensee or any person that carries out petroleum activity shall comply with local content requirements as provided for in the Act and these Regulations.
- (2) A contractor, subcontractor, licensee or any other person shall ensure that any person it engages to undertake any activity in connection with petroleum activity complies with local content requirements.

Participation of a Tanzanian Citizen in Petroleum Activity

- 8.** A person conducting petroleum activity shall ensure that:
- (a) a qualified Tanzanian citizen is given priority in employment and training in any matter

- relating to the petroleum activity;
- (b) preference is given to goods and services provided, manufactured or locally available in Tanzania in accordance with the provisions of the Act and these Regulations; and
- (c) a Tanzanian citizen is given priority in any matter relating to the technology transfer, research, development and innovation in any petroleum related activities.

Submission of a
Local Content
Plan for Approval

9.-(1) A Licensee and contractor shall, at all time, be responsible to submit a comprehensive local content plan, which shall include or reflect local content plans of its subcontractor or any other person engaged to undertake petroleum activity, to the Authority for approval.

(2) Subcontractor or any other person shall, before engaging in a petroleum activity, prepare and submit a local content plan to the contractor, which shall be subject to further verification by the Authority.

(3) For purposes of subregulation (1) and (2), a contractor and licensee shall submit to the Authority:

- (a) a local content plan which corresponds with a work programme to undertake petroleum activities; and
- (b) an annual local content plan in respect of each year.

Review and
Approval of a
Local Content
Plan

10.-(1) The Authority shall, within twenty eight working days of receipt of a local content plan submitted under regulation 9, assess and review the plan and communicate the decision thereof.

(2) The Authority shall, for the purposes of reviewing or assessing the local content plan-

- (a) provide as far as practical to persons involved in the petroleum industry or likely to be affected by the decision, a reasonable opportunity of being heard; and
 - (b) take into account any representation made.
- (3) Upon considering the approval of a local

content plan, the Authority shall have regards to the following:

- (a) the submitted local content plans are complete, prepared and submitted based on these Regulations, particularly, aiming at achieving the objectives enshrined in subregulation 4(1); and
- (b) participation of Tanzanians including local companies with not less than twenty five percent participating shares in the business, as the case may be, in the regulated activities unless a waiver or an exemption is granted by the Authority.

(4) Where the Authority is not satisfied with the local content plan submitted by an applicant, it shall direct the applicant to submit the revised local content plan to the Authority within fourteen working days.

(5) Where the Authority fails to notify the applicant of its decision under subregulation (1) or otherwise of the revised local content plan under subregulation (4), the said plan shall, after sixty working days of the submission, be deemed approved.

Contents of a
Local Content
Plan

11. A person who carries out petroleum activity shall prepare a local content plan which shall detail the following:

- (a) employment and training;
- (b) Succession Plan, where applicable;
- (c) research, development and innovation;
- (d) procurement of goods and services;
- (e) technology transfer;
- (f) legal services;
- (g) engineering services;
- (h) financial services;
- (i) insurance services; and
- (j) any other details which the Authority deems fit.

Employment and
Training Sub-
Plan

12.-(1) A local content plan submitted by a contractor, subcontractor, licensee or any other person shall contain a detailed employment and training sub-plan which shall include:

(a) a forecast of the hiring and training needs of the contractor or its subcontractor, licensee or such other person which shall, among others, contain:

- (i) a specification of the skills needed;
- (ii) the anticipated skill shortages in the Tanzanian workforce;
- (iii) the available list of industrial attachment;
- (iv) the specific training requirements; and
- (v) the anticipated expenditure that will be incurred by the contractor or its subcontractor, licensee or any other person in implementing the Employment and Training Plan and Succession Plan as forecasted.

(b) a time frame within which the contractor, licensee or any other person will provide employment opportunities for the Tanzanian workforce for all phases of petroleum activity to enable members of the Tanzanian workforce be prepared for such opportunities; and

(c) efforts made and procedures adopted for the accelerated training of Tanzanians.

(2) A licensee and contractor shall provide to the Authority, as the case may be a semi-annual report on-

- (a) employment and training activities for the reporting period; and
- (b) a comparative analysis of the Employment and Training Plan with the employment and training activities undertaken to monitor compliance.

(3) The semi-annual report referred in subregulation (2) shall include information from its subcontractors or any other persons engaged in petroleum activities.

(4) The semi-annual report shall state the number of new Tanzanians employed during the respective quarter and their job descriptions.

(5) The Authority may request any further information it considers necessary for purpose of implementation of these Regulations.

(6) Where Tanzanians are not employed because of lack of expertise, the contractor, subcontractors, licensee or any other person shall ensure, to the satisfaction of the Authority, that reasonable effort has been made to provide training to Tanzanians in that field locally or elsewhere.

Succession Plan

13. A local content plan submitted by contractor, subcontractor, licensee or such other person shall, where applicable, contain a detailed succession plan for any employment position, that is occupied by a non-Tanzanian to ensure that the minimum local content levels specified in the First Schedule to these Regulations are met.

Semi-skilled and Unskilled Labor

14.-(1) A contractor, subcontractor, licensee or such other person engaged in petroleum activity shall employ only Tanzanians in semi-skilled and unskilled labour.

(2) For purpose of subregulation (1), “semi-skilled labour” means jobs which require basic knowledge in the area of professional and “unskilled labor” means jobs which do not require special training or skills.

(3) In the event that due to lack of qualification, a Tanzanian cannot be employed in terms of subregulation (1), a contractor, subcontractor, licensee or such other person may, by a written approval of the Authority, employ a non-Tanzanian in semi-skilled labor.

Procurement of Works, Goods and Services from Tanzanian Entrepreneurs

15.-(1) A contractor, subcontractor, licensee or any other person shall ensure that preference is given to works, goods and services provided, manufactured or locally available in Tanzania in accordance with the provisions of the Act and these Regulations.

(2) Where goods and services required by the

contractor, subcontractor of licensee are not available in Tanzania, such works, goods and services shall be provided by a company which has entered into a joint venture with a local company.

(3) The local company referred to in subsection (2) shall own shares of at least twenty five percent in the joint venture.

(4) Notwithstanding subregulation (3), a non-local company which intends to provide goods, works or services to a licensee and contractor within the country shall, subject to the Authority's approval, enter into any other business arrangement which will guarantee a local participation of at least ten percent shares, interest or equity of the contract value for the provisions of the works, goods and services.

(5) In the event that formation of joint venture or other business arrangements in the form prescribed in subregulation (4) fails, and upon application by the licensee or contractor, the Authority shall grant approval for the said applicant to source such works, goods and services through any other arrangement which will provide the local company with a transfer of competence and technology.

(6) For purposes of subregulations (1) and (2), a licensee and contractor shall prepare and submit to the Authority a procurement plan for duration of five years indicating, among other things, the use of local services in insurance, financial, legal and goods produced in Tanzania.

Programme for
Research, R&D,
and Innovation

16.-(1) A contractor, subcontractor, licensee or any other person shall ensure that the local content plan submitted to the Authority as required by regulation 9 contains a detailed programme for research, development and innovation, the budget for the promotion of education, training and research and practical attachments in the country in relation to its overall work programme and activities.

(2) A research, development and innovation

programme, and budget subplan submitted by a contractor and licensee to the Authority in respect to a petroleum activity shall:

- (a) outline an evolving three to five year programme for petroleum related research, development and innovation initiatives to be undertaken in the country;
- (b) provide details of the expected expenditure that shall be made in implementing the research, development and innovation, and budget plan;
- (c) provide for public calls for proposals for research, development and innovation initiatives associated with the activities of the contractor or its subcontractor, licensee or any other person and criteria for selecting proposals which qualify for support; and
- (d) provide details on the manner in which they shall collaborate with the Authority, as the case may be, higher learning institutions and other local training, learning and research institutes in the area of research, development and innovation.

(3) The contractor, licensee or any other person shall:

- (a) annually, update its research, development innovation and budget plan; and
- (b) submit the updated plan to the Authority for review and approval.

Technology
Transfer
Programme

17. A contractor, subcontractor, licensee or any other relevant person shall:

- (a) implement the local content plan on technology transfer and supplier development programmes;
- (b) support and carry out a programme in accordance with the local content plan on technology transfer; and
- (c) prioritize the promotion of technology transfer to Tanzania in relation to petroleum industry and its supply chain.

Submission of a
Technology
Transfer Plan

18.-(1) A licensee and a contractor shall submit to the Authority a technology transfer plan in such form and manner prescribed by the Authority.

(2) A technology transfer subplan to be submitted in terms of subregulation (1) shall include a programme of planned initiatives aimed at promoting the effective transfer of technologies from the contractor or its subcontractor, licensee or any other relevant person to a local company.

Support of
technology
transfer to
Tanzanian
companies

19.-(1) A contractor or its subcontractor, licensee or any other relevant person shall support and facilitate technology transfer in regards to formation of joint ventures, partnering of licensing agreements between local companies or citizens and foreign contractors and service companies or supply.

(2) The Minister may, upon advice from the Authority, consult with relevant government institutions to propose fiscal incentives to assist:

- (a) foreign companies which aim to develop technological capacity and skills of citizens;
- (b) local companies which establish factories and production units in the country; and
- (c) foreign companies which aim to establish a petroleum research centre in the country.

(3) The Authority shall propose the criteria for obtaining fiscal incentives.

Technology
Transfer Report

20. A contractor and a licensee shall submit a technology transfer report annually to the Authority and a duplicate copy thereof to the Minister, as the case may be, stating the technology transfer initiatives being pursued and the actual implementation status of the technology transfer plan.

Insurance and
reinsurance

21.-(1) A contractor, subcontractor, licensee or such other person engaged in a petroleum activity in the country shall comply with the relevant provisions of the

Cap. 394

Insurance Act.

(2) A contractor or its subcontractor, licensee or such other person shall insure any insurable risk relating to petroleum activity in the country through a Tanzanian insurer.

(3) Where a class of insurance required to be placed with a Tanzania insurer is not available to a person seeking insurance, that person may place that insurance with a non-resident insurer after obtaining prior written approval from the relevant insurance authority and thereafter submit the approval to the Authority before proceeding to procure foreign insurance.

Legal services

22. A contractor, subcontractor, licensee or such other person that requires legal services in the country shall retain the services of a local legal practitioner or a Tanzanian legal firm.

Legal Services Plan

23. The Legal Services Plan submitted to the Authority shall include:

- (a) a comprehensive report relating to expenditure of legal services utilized in the preceding six months;
- (b) forecast of legal services required during the ensuing six months, where applicable, and the projected expenditure for the services; and
- (c) the annual legal services budget for the ensuing year quoted in Tanzania Shillings or United States Dollars.

Engineering services

24.-(1) A contractor, subcontractor, licensee or such other person that requires engineering services in the country shall retain the services of a local Tanzanian firm.

(2) In the event that engineering services cannot be procured in terms of subregulation (1), a licensee and contractor may, by a written approval from the relevant authority, obtain foreign engineering services relating to petroleum activity and thereafter submit the said approval to the Authority before proceeding to procure engineering

services.

Engineering
Services Plan

25. The Engineering Services Plan submitted to the Authority shall include:

- (a) a comprehensive report relating to expenditure of engineering services utilized in the preceding six months;
- (b) forecast of engineering services required during the ensuing six months, where applicable, and the projected expenditure for the services; and
- (c) the annual engineering services budget for the ensuing year quoted in Tanzania Shillings or any other convertible currency acceptable to Tanzania.

Financial services
and approval of
Offshore
Financial
Services

26. A contractor, subcontractor, licensee or any other person that requires financial services shall give priority to a Tanzanian financial institution or organization with respect to petroleum activities.

Financial
Services Plan

27. A licensee and contractor shall submit a financial services plan to the Authority, which shall specify:

- (a) a forecast of financial services and their projected expenditure required in the ensuing six months; and
- (b) a list of financial services utilized in the preceding six months detailing on the nature of financial services provided and the expenditure for the financial services made by the contractor or its subcontractor, licensee or any other person.

Operation of bank
account in
Tanzania

28.-(1) A contractor, subcontractors, licensee or any other person shall maintain a bank account with a Tanzanian bank and transact business through banks in the country.

- (2) For the purpose of these Regulations, “a

Tanzanian bank” means a bank licensed by the Bank of Tanzania to conduct banking business.

Minimum Local
Content Levels

29.-(1) A contractor, subcontractor, licensee or such other person carrying out petroleum activities shall maintain minimum local content levels in respect of its activities as set out in the First Schedule to these Regulations.

(2) The Minister may, in consultation with PURA in the case of upstream petroleum operations and integrated LNG project or EWURA in the case of midstream and downstream operations, vary the minimum local content levels set out in the First Schedule to these Regulations.

(3) For purposes of subregulation (2), the Authority shall, in its respective capacity, determine the criteria for variation of the minimum content levels, including:

- (a) the work programme of a contractor or its subcontractor, licensee and other person specified in the respective petroleum agreement or petroleum license;
- (b) availability of Tanzanian experts; and
- (c) level of growth of the respective petroleum industry.

Bidding process
and evaluation

30.-(1) A contractor, subcontractor, licensee or such other person shall establish and implement a bidding process for the acquisition of goods, works and services that will give preference to a local company.

(2) A contractor, subcontractors, licensee or such other person shall not award a contract based solely on the principle of the lowest bidder.

(3) A contractor, subcontractors, licensee or such other person shall not disqualify a local company which has the capacity to execute goods, works and services, solely on the basis that the local company is not the lowest financial bidder.

(4) Where the total value of the bid of a qualified local company does not exceed the lowest bid by more

than five percent, the contract shall be awarded to that local company.

(5) Where during an evaluation of bids, the bids are adjudged to be equal, the bid containing the highest level of local content shall be selected.

(6) Where a non-local company is required to provide goods and services to a contractor, subcontractor, licensee or any such person, that non-local company shall form a joint venture with a local company.

(7) The local company referred to in subsection (6) shall own share of at least twenty five percent in the joint venture.

(8) Where:

(a) a licence holder, the contractor, subcontractor or any other person has conducted a competitive bidding which is fair and transparent, and has failed to obtain the local company to partner in procuring goods or services it requires; and

(b) the Authority has satisfied itself that:

(i) the licence holder, contractor or any other person has conducted a tendering process in a fair and transparency manner;

(ii) there was no local company that qualified to meet the conditions for the lowest bidder; and

(iii) the formation of joint venture company as provided in the Act and these Regulations has failed,

the licence holder, contractor, subcontractor of any other person may, upon approval of the Authority, enter into any other business arrangements, which will guarantee a local participation of at least ten percent shares, interest or equity of the contract value for the provisions of works, goods and services.

(9) In the event that formation of joint venture or other business arrangements in the form prescribed in subregulation (8) fails, and upon application by the licensee or contractor, the Authority shall grant approval

for the said applicant to source such works, goods and services through any other arrangement.

Submission of
proposed
Procurement Plan

31.-(1) A licensee and contractor shall, in writing, inform the Authority of each proposed contract or purchase order-

- (a) related to petroleum activities which is to be sole sourced; or
- (b) where it is to be sourced by a competitive bidding procedure that is estimated to be in excess of the Tanzanian Shillings equivalent of one hundred thousand United States Dollars for upstream operations and fifty thousand United State Dollars for midstream operations.

(2) A licensee and a contractor shall submit to the Authority, ninety days prior to the commencement of the petroleum activity, the procurement procedures for approval with at least the following information:

- (a) pre-qualification criteria;
- (b) bid evaluation criteria; and
- (c) any other information requested by the Authority to enable it to determine that the local content requirements have been complied with;

(3) The procurement procedures submitted under subregulation (2) shall comply with the local content requirements as prescribed under these Regulations.

(4) A licensee and contractor engaging in a petroleum activity shall, ninety days prior to the commencement of each calendar year, submit to the Authority annual procurement plan for approval.

(5) Upon review of the contracts under subregulation (1), the Authority shall inform the licensee and contractor of the outcome of the assessment or review and may take appropriate action as it may deem necessary.

(6) The Authority shall, within fourteen working days of receipt of the documents under subregulation (1), communicate its decision to the licensee and contractor.

(7) Where the Authority delays to communicate its

decision to the licensee and contractor within the period specified in subregulation (6), the submission shall be deemed approved.

Emergency procurement

32.-(1) Where there is compelling urgency that creates threats to smooth operation or undertakings of petroleum activity, environment or safety or such other reasons of similar nature, a licensee, contractor, subcontractor or any other person shall undertake emergency procurement which was not submitted in the annual procurement plan.

(2) A licensee and contractor shall, within fourteen days after such procurement provided under subregulation (1), submit a report to the Authority containing details of emergency procurement.

(3) The Authority may investigate or make evaluation of the report submitted under subregulation (2) to determine the authenticity of the same.

(4) A licensee or contractor who provides false or misleading information in the emergency procurement report commits an offence.

Submission of Semi-annually Forecasts

33.-(1) Without prejudice to regulation 31, a licensee and contractor shall not later than the first day of each semi-annual submit to the Authority a list of:

(a) contracts or purchase orders to be sole sourced; and

(b) contracts or purchase orders estimated to exceed the Tanzanian Shillings equivalent of one hundred thousand United States Dollars for upstream operations and fifty thousand United State Dollars for midstream operations intended to be tendered for or executed in the next quarter.

(2) A licensee and contractor shall provide the information specified in the Second Schedule to these Regulations in respect of each contract or purchase order.

Requirement for

34.-(1) A licensee and contractor shall, within

Submitting a
Local Content
Performance
Reporting

sixty days of the beginning of each calendar year, submit to the Authority an annual local content performance report covering all its projects and activities for the year under review.

- (2) The report submitted to the Authority shall:
- (a) specify by category of expenditure the local content on both current and cumulative cost basis;
 - (b) indicate the employment achievement in terms of hours worked by Tanzanians and foreigners as well as their job positions;
 - (c) indicate the training, research, R&D, innovation, industrial and technology transfer availed to Tanzanians;
 - (d) indicate the actual procurement of goods, works and services executed and other information set out in the Third Schedule to these Regulations;
 - (e) indicate changes of the implementation of the approved local content plan and reasons thereof; and
 - (f) provide any other information as the Authority may require.

Requirement by
Third Party to
Report Local
Content
Information

35.-(1) Any person who has a contractual affiliation with a contractor, subcontractors, licensee or any other relevant person shall report local content information to the contractor, subcontractor, licensee or such other person and, if requested, submit a copy thereof to the Authority.

(2) A contractor, subcontractor, licensee or any other person shall allow an agent or official designated by the Authority to access records of the contractor, licensee or such other person for purposes of assessment and verification of the local content information reported.

Establishment of
a Common
Qualification
System

36.-(1) The Authority shall, in consultation with industry stakeholders, establish a Common Qualification System as stipulated in guidelines issued by the Authority.

(2) The Authority shall manage Common Qualification System in accordance with these Regulations.

Objective of
Common
Qualification
System

37.-(1) The objective of the Common Qualification System shall be to serve as the sole system for the registration and pre-qualification of service providers in the petroleum industry.

(2) For purpose of subregulation (1), Common Qualification System shall be used for:

- (a) the verification of contractors' capacities and capabilities through relevant authorities;
- (b) the evaluation of application of local content submitted by a contractor, subcontractor, licensee or any other relevant person;
- (c) the tracking and monitoring of performance and provision of feedback; and
- (d) ranking and categorization of service providers in the petroleum industry based on capabilities.

Availability of
Information

38.-(1) The Authority shall maintain a database containing details of local suppliers, service providers and other entities that meet the requirements of Common Qualification System in the petroleum industry.

(2) Any person may, during working hours or online:

- (a) access records that relate to local content which is kept by the Authority and designated as public records; or
- (b) request to be furnished with a certified copy or extract from any document that that person is entitled to access.

(3) The right of a person to inspect or obtain a copy of a document filed or kept in electronic form by the Authority shall extend only to the reproductions of the document in written form in a manner that the Authority determines.

(4) An application for an extract or a certified copy of document requested shall be accompanied by a fee

determined by the Authority.

(5) The Authority shall, in consultation with other relevant entities, prescribe in the guidelines, the criteria for determining the fees under subregulation (4).

(6) The Authority shall publish on its website, information relating to these Regulations and local content and local participation requirements generally.

Public Education and Sensitization

39. The Authority shall ensure that public education and sensitization activities are undertaken to educate contractors, licensees or any other person, the public and industry stakeholders about the policy on local content and to ensure the implementation of these Regulations.

Local Content Monitoring

40. The Authority shall monitor and investigate the activities of each contractor, subcontractor, licensee or any other person to ensure the achievement of the purpose of these Regulations within the framework of the national policy on local content.

Assessment of Performance Report

41.-(1) The Authority shall, within sixty working days after receipt of the Local Content Performance Report in terms of regulation 34, assess and review the Local Content Performance Report to ensure compliance with these Regulations.

(2) For the purposes of assessment and verification of the report, a contractor, subcontractor, licensee or any other relevant person shall allow an employee or a designated agent of the Authority access to their facilities, documents and information as it may require.

Investigations of Petroleum Activity

42.-(1) The Authority may, for the purposes of enforcing these Regulations, initiate an investigation into an activity of a contractor, subcontractor, licensee or any other person.

(2) Without prejudice to subregulation (1), the Authority may launch investigations to ensure that:

- (a) the local company principle is not diluted by the operation of a front; or
- (b) bid rigging and cartelization are avoided in the procurement process.

**PART V
GENERAL PROVISIONS**

Bid Evaluation Guidelines

43. The Authority shall establish bid evaluation guidelines for ensuring that the year to year progression of the local content objectives stipulated under these Regulations are met.

Review of the Local Content Plan

44. The Authority may make guidelines for preparation and review of a local content plan.

Electronic Filing of Documents

45.-(1) The Authority may issue guidelines to provide for a system requiring documents under these Regulations to be filed in electronic form.

(2) The system for filing documents in electronic form shall provide for:

- (a) the criteria for authorizing persons to file documents in electronic form; and
- (b) the security and authentication of the documents filed.

Establishment of Guidelines and Procedures

46.-(1) The Authority may, in consultation with relevant stakeholders, establish and review the guidelines and procedures for the effective implementation of these Regulations.

(2) Without prejudice to subregulation (1), the Authority may, in consultation with relevant institutions and petroleum industry, issue guidelines for compliance by a contractor, subcontractor, licensee or any other person in respect of the following:

- (a) requirements and targets for the growth of research and development of the upstream petroleum industry of the country;

- (b) minimum standards, facilities, personnel and technology for training in the petroleum industry of the country;
- (c) investment in or setting up a facility, factory, production or other operation in the country to carry out any production or manufacturing or to provide any petroleum related service otherwise imported into the country; and
- (d) generally, for the implementation of these Regulations.

Offences and Penalties

47.-(1) Any person who submits a plan, returns, report or other document that contains false or misleading information, commits an offence and on conviction, be liable to a fine of not less than twenty million shillings or to imprisonment for a term of not less than five years or to both.

(2) Any citizen who colludes with a non-local company or non-citizen to deceive the Authority as representing a local company or citizen to achieve the local content requirement under these Regulations, commits an offence and on conviction, be liable to a fine of not less than one hundred million shillings or to imprisonment for a term of not less than five years or to both.

(3) Any person who colludes with a citizen or a local company to deceive the Authority as representing a local company to achieve the local content requirement under these Regulations commits an offence and shall, on conviction, be liable to a fine of not less than one hundred million shillings or to imprisonment for a term of not less than five years or to both.

(4) Any person who fails to:

- (a) support and carry out a technology transfer programme in accordance with regulation 17;
- (b) support and facilitate technology transfer as regards the formation of joint ventures, partnering of licensing agreements between Tanzanian companies or citizens and foreign

- contractors and service companies or supply companies in contravention of regulation 19;
- (c) ensure that its partners, contractors, subcontractors and other entities report local content information to the contractor in contravention of regulation 34; or
- (d) communicate local content policies, procedures and obligations to any person engaged by that contractor, licensee or any other person to perform an aspect of petroleum activity in contravention of regulation 6,

commits an offence and shall, on conviction, be liable to pay to the Authority a penalty of one hundred million shillings in the first instance and a further penalty of five percent of the penalty for each day that the contravention of the regulation continues.

- (5) Any person who fails to:
 - (a) comply with the minimum local content levels for any petroleum activity in contravention of regulation 29;
 - (b) establish and implement a bidding process in contravention of regulation 30;
 - (c) comply with subregulation 30(2) and 30(6);
 - (d) employ Tanzanians in semi-skilled and unskilled labour in contravention of regulation 14;
 - (e) insure the insurable risks relating to petroleum activities in the country through a Tanzanian brokerage firm or reinsurance broker in contravention of subregulation 21(2);
 - (f) retain only the services of a Tanzanian legal practitioner or a firm of Tanzanian legal practitioners in contravention of regulation 22; or
 - (g) operate a bank account contrary to subregulation 28(1);
 - (i) in the case of a contractor, where the contravention continues after the time specified for remedying the

contravention, the Authority shall withhold the approvals and permits required by the contractor for the conduct of petroleum activities until the time that the contravention is remedied; and

- (ii) in the case of a subcontractor, licensee or any other person, where the contravention continues after one time specified for remedying the contravention, the Authority shall expunge the name of the subcontractor, licensee or any other person from the Register or persons registered to undertake petroleum activities.

(6) Any person who, without a reasonable cause, fails to comply with a request to furnish information or a document under these Regulations within the period specified in the request shall be liable to pay to the Authority a penalty of not less than one hundred million shillings in the first instance and a further penalty of two percent of the penalty for each day that the document remains undelivered to a maximum of forty percent of the original penalty.

(7) A contractor, subcontractor, licensee or any other person that-

- (a) carries out petroleum activities without the required local content requirement in contravention of regulation 7;
- (b) fails to submit a Local Content Plan in contravention of regulation 9(1);
- (c) fails to satisfy the content requirement of a Local Content Plan; or
- (d) fails to inform the Authority of each proposed contract or purchase order in contravention of regulation 31;

commits an offence and on conviction, shall be liable to pay to the Authority a penalty of five percent of the value of the proceeds obtained from the petroleum activity in respect of which the breach is committed but not

exceeding one hundred million shilling.

(8) Any person who does any act of fronting, bid rigging or cartelization during tendering process, commits an offence and on conviction, shall be liable to pay to PURA or EWURA a fine not exceeding one hundred million shillings or to imprisonment for a term of not less than five years or to both.

(9) A penalty required to be paid under subregulation (4), (5), (6), (7) or (8) and which is not paid within the period specified in the notice shall be a debt owed to the Republic and recoverable by the Authority from the holder in accordance with relevant laws.

Complaints
handling
mechanism

48.-(1) The Authority shall make rules and guidelines for complaints handling mechanism under these Regulations.

(2) Any person aggrieved by the decision of the Authority may lodge an appeal with the Fair Competition Tribunal.

FIRST SCHEDULE

(Made under Regulation 4(1)(c))

**MINIMUM LOCAL CONTENT IN
EMPLOYMENT**

PART 1 : LOCAL CONTENT LEVELS TO BE ATTAINED IN PETROLEUM ACTIVITY

UPSTREAM				
S/N	Item	Start	5 Years	10 Years
1.	Management staff	10%	15%	25%
2.	Supervisory Staff	15%	25%	40%
3.	Technical core staff	15%	30%	50%
4.	Professional Support Staff	30%	40%	60%
5.	Semi-skilled	50%	60%	80%
6.	Unskilled	100%	100%	100%

MIDSTREAM AND DOWNSTREAM				
S/N	Item	Start	5 Years	10 Years
1.	Management staff	15%	30%	50%
2.	Supervisory Staff	25%	40%	60%

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

3.	Technical core staff	30%	50%	70%
4.	Professional Support Staff	50%	60%	80%
5.	Semi-skilled	70%	90%	100%
6.	Unskilled	100%	100%	100%

PART 2 : SPECIFIC LEVELS TO BE ACHIEVED

1. FEED DETAILED ENGINEERING AND OTHER ENGINEERING SERVICES

Description	Start	5 Years	10 Years	Measured Unit
1.1 FEED and detailed engineering on onshore facilities	5%	10%	20%	Man-Hour
1.2 FEED and detailed engineering on offshore facilities (shallow water)	5%	10%	20%	Man-Hour
1.3 FEED and detailed engineering on LNG facility	5%	10%	20%	Man-Hour
1.4 FEED and detailed engineering gas gathering facilities	5%	10%	20%	Man-Hour
1.5 FEED and detailed engineering on deep offshore facilities – hull and topside modules	5%	10%	20%	Man-Hour
1.6 FEED and detailed engineering on deep offshore concrete structure	5%	10%	20%	Man-Hour

2. FABRICATION AND CONSTRUCTION SERVICES

Description	Start	5 Years	10 Years	Measured Unit
2.1 Terminal or oil movement systems	5%	10%	15%	Man-Hour
2.2 Drilling modules or packages	5%	10%	25%	Man-Hour

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

Description	Start	5 Years	10 Years	Measured Unit
2.3 Piles, anchors, buoys, jackets, bridges, flare brooms, storage tanks, pressure vessels umbilical	5%	10%	20%	Man-Hour
2.4 Top side module (process modules and storage modules)	5%	15%	25%	Man-Hour
2.5. Accommodation module	20%	30%	50%	Spend
2.6 Sub-sea systems	2%	5%	10%	Man-Hour
2.7 Pipeline network	10%	30%	50%	Spend
2.8 Risers	2%	5%	10%	Man-Hour
2.9 Utilities module or packages	2%	5%	10%	Man-Hour

3. MATERIALS AND PROCUREMENT

Description	Start	5 Years	10 Years	Measured Unit
3.1 Steel plates, flat sheets, sections	15%	30%	50%	Spend
3.2 Steel pipes	15%	30%	50%	Spend
3.3 Low voltage cables	10%	20%	50%	Spend
3.4 High voltage cables	10%	20%	50%	Spend
3.5 Valves and pumps	5%	15%	25%	Spend
3.6 Drilling mud-baryte bentonite	5%	15%	25%	Spend

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

3.7 Cement for petroleum drilling	5%	15%	25%	Spend
Cement for normal construction	50%	85%	100%	Spend
3.8 Heat exchangers and other piping accessories	5%	15%	25%	Spend
3.9 Steel ropes and other mooring accessories	5%	15%	25%	Spend
3.10 Protective paints	10%	15%	20%	Spend
3.11 Glass reinforced epoxy (GRE) pipes	5%	15%	25%	Spend

4. WELL DRILLING SERVICES

Description	Start	5 Years	10 Years	Measured Unit
4.1 Reservoir monitoring services	10%	30%	50%	Man-Hour
4.2 Well completion services (permanent gauges & intelligent wells)	10%	30%	50%	Man-Hour
4.3 Wireline services (electric open holes, electric cased hole, slick line)	10%	30%	50%	Man-Hour
4.4 Logging while drilling(LWD)(direction and inclination or Gamma-ray)	10%	30%	50%	Man-Hour
4.5 Production or drilling service	10%	30%	50%	Man-Hour
4.6 2D Seismic data acquisition services	10%	30%	50%	Man-Hour
4.7 Well overhauling or stimulation services	10%	30%	50%	Man-Hour

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

Description	Start	5 Years	10 Years	Measured Unit
4.8 Wellhead services	10%	30%	50%	Man-Hour
4.9 Directional surveying services	10%	30%	50%	Man-Hour
4.10 Cutting injections	10%	30%	50%	Man-Hour
4.11 Cutting disposal services	20%	30%	40%	Spend
4.12 Re-cutting inspection services	10%	30%	50%	Man-Hour
4.13 Cased hole logging services (gyro, perforation, gauges, gyro PLT performance, PLT gauges)	10%	30%	50%	Man-Hour
4.14 Well watch services	10%	30%	50%	Man-Hour
4.15 Cement services	10%	30%	50%	Man-Hour
4.16 Coiled tubing services	10%	30%	50%	Man-Hour
4.17 Pumping services	10%	30%	50%	Man-Hour
4.18 Fluid or bottom hole sampling services	10%	30%	50%	Man-Hour
4.19 OCTS services (cleaning hard banding, re-cutting, re-threading, storage)	10%	30%	50%	Man-Hour
4.20 Well crisis management services	10%	30%	50%	Man-Hour

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

Description	Start	5 Years	10 Years	Measured Unit
4.21 Other drilling services	10%	30%	50%	Man-Hour
4.22 Petro-physical interpretation services	10%	30%	50%	Man-Hour
4.23 Extended well test or early production services including provision of floating or jack-up production unit	10%	20%	40%	Man-Hour

5. RESEARCH, DEVELOPMENT AND INNOVATION RELATING TO IN-COUNTRY SERVICES

Description	Start	5 Years	10 Years	Measured Unit
5.1 Engineering studies-reservoir, facilities, drilling etc.	5%	150%	30%	Spend
5.2 Geological and geophysical studies	5%	15%	30%	Spend
5.3 Safety and environmental studies	50%	70%	90%	Spend
5.4 Local materials substitution studies	40%	50%	75%	Spend

6. EXPLORATION, SUBSURFACE, PETROLEUM ENGINEERING & SEISMIC SERVICES

Description	Start	5 Years	10 Years	Measured Unit
6.1 Onshore seismic data acquisition services	10%	30%	50%	Man-Hour
6.2 Offshore seismic data acquisition services	10%	30%	50%	Man-Hour

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

Description	Start	5 Years	10 Years	Measured Unit
6.3 Seismic data processing services	10%	30%	50%	Man-Hour
6.4 Geophysical interpretation services	10%	30%	50%	Man-Hour
6.5 Geological evaluation services (organic geochemistry, petrology, diagenesis, biostratigraphy, fluid characterization, PVT, core analysis, flooding)	10%	30%	50%	Man-Hour
6.6 Mud logging services	10%	30%	50%	Man-Hour
6.7 Coring services	10%	30%	50%	Man-Hour
6.8 Well Testing services	10%	30%	50%	Man-Hour
6.9 Drilling rigs (offshore)	10%	30%	50%	Man-Hour
6.10 Drilling rigs (semi-submersibles or others)	10%	30%	50%	Man-Hour
6.11 Drilling rigs (land)	10%	30%	50%	Man-Hour
6.12 Work-over rigs (offshore)	10%	30%	50%	Man-Hour
6.13 Snubbing services	10%	30%	50%	Man-Hour
6.14 Liner float, hangers and running equipment services	10%	20%	30%	Man-Hour
6.15 Seismic data interpretation services	10%	30%	50%	Man-Hour

7. TRANSPORTATION, SUPPLY AND DISPOSAL SERVICES

Description	Start	5 Years	10 Years	Measured Unit
7.1 Tugs, remotely operated vehicles(ROV) support, diving support vessels	5%	15%	25%	Man-Hour
7.2 Barges,	10%	15%	25%	Man-Hour
7.3 Disposal, distribution and waste transport services	30%	50%	60%	Spend
7.4 Rental of cranes and special vehicles	20%	30%	50%	Spend
7.5 Freight forwarding, logistic management services	80%	90%	100%	Spend
7.6 Supply base, warehouse, storage services	50%	80%	90%	Spend
7.7 Truck package product, transportation services	80%	90%	100%	Spend

8. HEALTH, SAFETY AND ENVIRONMENT SERVICES

Description	Start	5 Years	10 Years	Measured Unit
8.1 Site clearance services	70%	80%	90%	Spend
8.2 Pollution control	10%	20%	30%	Spend
8.3 Waste water treatment and disposal services	15%	25%	35%	Spend
8.4 Fire and gas protection system services	40%	60%	80%	Man-Hour

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

Description	Start	5 Years	10 Years	Measured Unit
8.5 Ventilation, heating sanitary services	30%	50%	70%	Spend
8.6 Industrial cleaning services	40%	60%	70%	Spend
8.7 Safety, protection, security, firefighting system services	30%	50%	90%	Spend
8.8 Preservation of mechanical and electrical components services	30%	50%	70%	Man-Hour
8.9 Equipment brokerage services	50%	70%	90%	Spend
8.10 Temporary accommodation camp services	50%	60%	80%	Spend
8.11 Catering service	80%	90%	100%	Spend
8.12 Cleaning and laundry services	90%	100%	100%	Spend
8.13 Security services	80%	100%	100%	Spend
8.14 Medical Services	40%	60%	90%	Spend
8.15 Other supporting services	50%	80%	90%	Spend

9. INFORMATION SYSTEMS, INFORMATION TECHNOLOGY AND COMMUNICATION SERVICES

Description	Start	5 Years	10 Years	Measured Unit
9.1 Network installation support services	50%	65%	80%	Spend
9.2 Software development	5%	15%	25%	Spend

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

Description	Start	5 Years	10 Years	Measured Unit
9.3 Software support services	60%	80%	90%	Spend
9.4 Computer based modelling services	20%	50%	70%	Man-Hour
9.5 Computer based simulations and training programme services	15%	50%	70%	Man-Hour
9.6 Hardware installation support services	60%	80%	100%	Spend
9.7 Operating system installation and support services	60%	80%	100%	Spend
9.8 User support and helpdesk services	60%	80%	100%	Spend
9.9 Information Technology Management consultancy services	30%	50%	80%	Spend
9.10 Data management services	30%	50%	80%	Spend
9.11 Telecommunication installation and support services	50%	70%	90%	Spend
9.12 Other information technology services	30%	50%	80%	Spend

10. MARINE OPERATIONS AND LOGISTICS SERVICES

Description	Start	5 Years	10 Years	Measured Unit
10.1 Telecommunications services	40%	60%	80%	Man-Hour
10.2 Supply of crewmen for domestic coastal services	60%	75%	90%	Number

The Petroleum (Local Content) Regulations, 2017

GN. No. 197 (contd.)

10.3 Hook-up and commissioning including marine installation services	20%	40%	75%	Man-Hour
10.4 Dredging services	40%	60%	80%	Man-Hour
10.5 Grave land rock dumping services	80%	90%	95%	Man-Hour
10.6 Floating Storage Unit (FSU)	25%	35%	45%	Man-Hour
10.7 Sub-sea pipeline protection Services	10%	40%	70%	Man-Hour
10.8 Installation of subsea packages	10%	30%	60%	Man-Hour
10.9 Mooring system services	40%	60%	80%	Man-Hour

SECOND SCHEDULE

(Made under Regulation 33(2))

Information to be provided to the Authority with semi-annual forecast

A contractor and licensee shall provide the information specified below in respect of each contract and purchase order-

- (a) a description of the service or items to be contracted or purchased including the material and equipment specification if requested;
- (b) the estimated value of the contract, sub-contract or purchase order;
- (c) the anticipated dates of the following-
 - (i) the issuance and closure of the Request for Proposal; and
 - (ii) Contract Award; and
- (d) any other information requested by the Authority for the implementation of these Regulations.

THIRD SCHEDULE

(Made under Regulation 34(2)(d))

A licensee and contractor engaged in a petroleum activity shall provide, among others, the information specified below in the Local Content Performance Report-

- (a) a description of scope of work done;
- (b) a list of bidders with their description in term of corporate ownership, including the shareholders by percentage, the location of any Tanzania based office, plant or facility;
- (c) for single source procurement, the report shall contain, among other things, a company's description in terms of corporate ownership, including the shareholders by percentage, the location of any Tanzania based office, plant or facility;
- (d) in respect of construction or service contracts, the estimated Tanzanians employment level in person-hours;
- (e) a statement of award rationale or bid evaluation report showing the following-
 - (i) the name of the selected contractor or vendor;
 - (ii) the list of designated subcontractors or sub vendors ;
 - (iii) where applicable, a list of proposed sub-suppliers;
 - (iv) in respect of construction or service contracts, the estimated Tanzanians employment level in person-hours;
 - (v) the Award Notifications Form signed by the appropriate official of the operator or contractor;
 - (vi) a statement of award rationale or bid evaluation report showing-
 - (a) the percentage difference in price between selected bidder and other bids;
 - (b) the primary location of work associated with each bidder; and
 - (c) any other information relevant to the evaluation of bids including, where applicable, a summary of the technical, commercial and local content aspects of bid evaluation.

Dodoma,
6th April, 2017

SOSPETER M. MUHONGO
Minister for Energy and Minerals