

# Tanzania as Future Petro-State: Prospects and Challenges

A programme for research, capacity building and  
policy dialogue

Inception seminar  
Dar es Salaam, 24 October 2014



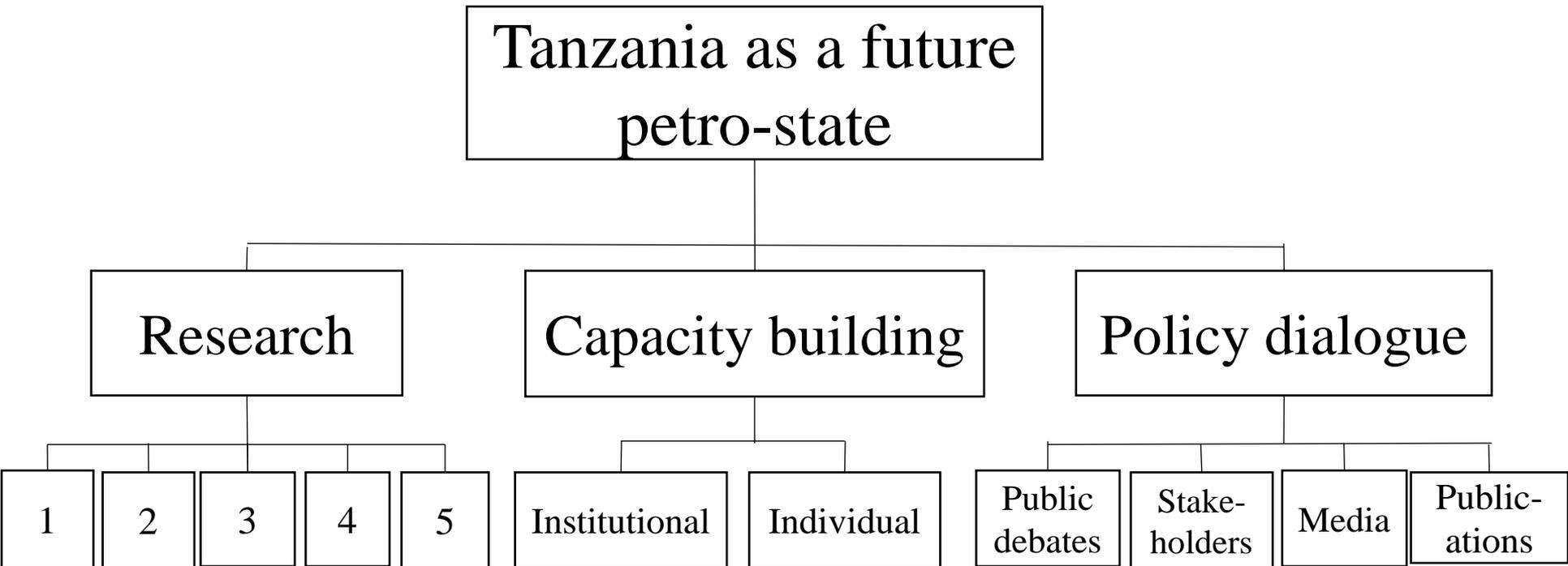
# Outline

- Motivation and objectives
- Programme elements
- Research components
- Way forward

# Motivation and objectives

- **Motivation: How to avoid the resource curse?**
  - Most countries with abundant natural resources experience:
    - Slowdown in growth and human development, inequality
  - Tanzanian experience from mining industry
- **Objectives:**
  - Document changes over time in socio-economic landscape
  - Enhance the empirical understanding of key prospects and challenges facing Tanzania as a new petro-state
  - Provide contextualized and evidence-based policy analysis
  - Contribute to build research capacity
  - Contribute to informed policy making and public debate

# Structure of the programme



# Programme elements

## Research + Capacity Building + Policy dialogue

### I. Research: Generate new, context specific knowledge

- Links between:
  - petroleum production
  - investments
  - industry characteristics
  - local content and price levels
- Revenue and expenditure management
- Changes in policy and institutional governance
- Public expectations and perceptions of government
- Market and non-market institutional interplay

→ **Five research components**

# Programme elements (cont.)

## II. Capacity building on research and policy analysis

- **Institutional capacity:** REPOA & other local partners
  - Workshops (methods), staff exchange, bibliography
- **Individuals:**
  - Senior and junior researchers: seminars and publications
  - PhD/Masters' theses as part of the research components

## III. Policy dialogue and communication

- Engagement with policy makers, civil society, private sector
- Public debates, workshops, conferences, media
- Policy briefs and website
- Working papers, academic journals & edited volumes

# Research components

## 1. Data for Policy Making and Public Engagement

### Purpose:

- Statistical resources and indicators
- Data support to other components
- Establish a baseline for essential statistics
- Systematic collection of data

### Activities:

- Availability and gap study of data for research and policy analysis
- Web based open access system - data search, monitoring and dissemination
- Capacity building on statistical methods and econometrics

## **2. Lessons from the Mining Sector**

### **Hypothesis:**

Investments in the mining sector has contributed less than its potential to the country

### **Issues and research questions:**

- Examine the mining legal framework and implementation
- How to explain changes of mining revenues over time?
- What are the experiences with local content?
- Large scale mining and dealings with:
  - local communities, compensations, livelihoods and environment
- Role of civil society

### **3. Revenue and Expenditure Management**

*“It is possible to have a petro-economy without maximizing national public revenue, and it is possible to have a huge boom of public revenue without proper management. So the two must go hand in hand...”*

Prof A. Mkenda, Deputy PS, Min of Finance

# 3. Revenue and Expenditure Management (cont.)

## Hypothesis:

- Natural resource revenues change incentives for government and citizens: Affects both revenue and expenditure side

## Three main issues:

### **1. Intra-governmental fiscal relations:**

- Factors facilitating and/or impeding coordination in the public sector when designing and implementing fiscal policies?

### **2. Public-private sector interactions:**

- What role do interest groups play in shaping petroleum tax legislation and implementing fiscal policies?

### **3. Public expectations and willingness to pay taxes:**

- Do expectations about benefits from the natural gas revenue affect public support for and willingness to pay tax?

## 4. Local Content for the Oil and Gas Industry

*“Among the most important tools for extracting additional benefits to the local communities of foreign investments in the oil and gas sector, beyond the direct effects (tax revenue, employment etc.), has been to develop policies for local content requirements”*

(Davis & Ellis 2007)

## **4. Local Content for the Oil and Gas Industry (cont.)**

### **Two main issues:**

#### **1. The development of local content policy**

- How was it developed?
- What were the stakeholders' influence?
- How do the processes and degree of national ownership affect its implementation?

#### **2. Effects of elements of the local content policy**

- What activities are initiated to create local economic activity beyond the core resource extraction operations?
- What are the impacts of these activities in the communities?

## 5. Governance in the petro-state

### Managing expectations



*"Gesi nyingine nyingi yagunduliwa!" / "Maumivu ya kichwa huanza poole poole..."*  
*("Lots more gas discovered!" / "Headaches begin slowly, slowly...")*

(Kipanya 2014b)

# 5. Governance in the petro-state (cont.)

## Main issues:

### 1. Institutional set-up for petro governance

- What institutions are established to promote transparency, accountability, public communication and trust?

### 2. Effects of transparency initiatives

- Changes in perceived/observed corruption and public trust?
- Public expectations?
  - Who engages and why? Policymakers vs general public
  - Views of the people and businesses
- How does the Government manage public expectations?

# Way forward

- Review and sharpen the research components by incorporating comments/suggestions
- Commence research activities
- More stakeholder consultations
- Policy dialogues
- Publications and dissemination

**Thank you for your  
attention!**

*Comments and suggestions  
are highly appreciated*

