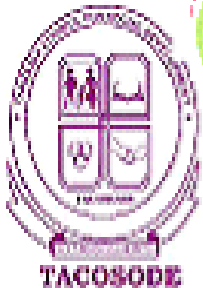


Economic and Social equality: oil and gas

TACOSODE

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1. Background

- Country context
 - Tanzania is endowed with abundant minerals resources
 - Mining accounts for about 3.2% of Tanzania's GDP and 3.6% of its total tax revenues
 - Increased interest in Tanzania's oil and gas production potential
 - Concern that the sector has not helped reduce poverty or improve lives of the poor

2. Oil and gas in Tanzania

- Worldwide, production of oil, gas and minerals generates **large rents**
- Producing countries receive inadequate share of the rents; more so in Developing countries, Africa in Particular.
- 2/3 of poor people live in oil, gas and mineral rich countries.

3. Natural Gas Discoveries



Tanzania has so far made four discoveries of natural gas fields :

- Phase I: 1952 to 1964 by BP and SHELL at the Coastal area of Tanzania
- Phase II: 1969 to 1979 by AGIP at Songosongo Island
- Phase III: 1980 to 1991 by AGIP at Mnazi Bay (Introduction of the Petroleum Exploration and Production Act of 1980)
- Phase IV: 1992 to 1999 by Amoco, Exxon and Tanganyika oil (Dublin)
- Phase V: 2000 to Date oil exploration at the large part of the coastal area including Songo Songo Island , Mnazi Bay, Mkuranga and Kiliwani North.

Available data indicate that :

- At Songosongo the proven, probable and possible reserves stand at 1.10 trillion standard cubic feet (TCF) (EWURA).
- At Mnazi Bay vicinities are estimated at 2.2 TCF.
- Key actors are Tanzania Petroleum Development Corporation (TPDC), Songas Limited (Songas), PanAfrican Energy Tanzania Limited (PAT), and Maurel et Prom (M&P)



4. The wish lists !

- Increase State/Local Participation
- Minimize Risks
- Increase local content
- Industrial development via low oil and or gas prices
- Job creation and skills development
- Attract International/local capital



5. Management of Revenues

- Why should Oil, Gas and Mineral revenues be managed differently?
- Exploitation of Oil and Gas for economic growth have a direct impact to social welfare development and the reduction of inequalities.
- Oil and Gas are highly source of Revenue compare to other sources of revenues.

... Why should Oil, Gas and Mineral revenues be managed differently?

- Finite – don't last forever
- Associated with volatility – dependent on demand in external market conditions and price fluctuation.
- If not managed well, may distort the economy- overvalued currency, weaken export
- Associated with **CORRUPTION**

6. Principles of Good Revenue Management in Tanzania

- Spending is linked to MKUKUTA and towards achieving Tanzania vision 2025
- Sustainable investment in basic economic infrastructure and **social services (education, health and water)** for sustainable development
- Savings Funds for intergenerational Equity.
 - This requires **constitutional protection. Clear and transparent rules for deposit, withdrawals and investment** – very opportune time for Tanzania
- Maintain a sustainable spending level

7. Social Equality Development

- Active and inform citizens **participation**
 - Setting **shared priorities**
- Managing **public expectations** through sustained public education and sharing information
- Developing local content strategy

8. Way forward for Tanzania

● Short term

- Need for critical public debate on the current government policies, laws and regulations governing oil and gas resources
- Critically assess institutional capacity to regulate the sector and administer revenue collection and spending
- Build political consensus around the need for reforms to revenue and expenditure policies

.....Way Forward for Tanzania

- Medium to Long term
 - While promoting investment in oil, gas and minerals, develop a strategy to diversify towards industrialization to avoid over dependency on finite, volatile resource.

....Way Forward for Tanzania

Revenues in the Pipeline for Social Equality and Development:

- ◉ *Require Strengthening Strategic Policy Choices and Fiscal Prudence active citizens engagement*

ASANTENI!!



“We did not inherit resources from our fore fathers; we borrowed them from our grand sons and daughters- thus we have to give it back!