



The Resource Governance Index Assesses Policies and Practices that Authorities Employ to Govern their Countries' Oil, Gas and Mining Industries

INTRODUCTION

Tanzania's oil and gas sector scores 53 of 100 points in the 2017 Resource Governance Index (RGI). In contrast to its mature mining industry, Tanzania has not yet started large-scale production of gas following the discovery of significant offshore gas deposits – currently estimated at 57 trillion cubic feet.¹ Tanzania's satisfactory performance in value realization, the component that measures the quality of governance in licensing, taxation, local impacts and state participation, is largely based on a legal framework that contains several important provisions on governance and transparency. As the country is not yet producing or exporting from most of these major gas fields, the relevant laws remain largely untested. Depending on progress with investment and implementation, the oil and gas industry has the potential to deliver significant benefits to one of the world's fastest growing populations.

Tanzania (oil and gas): RGI and component scores



Summary of Results

- ❖ Tanzania's oil and gas index score is slightly above the average, and is close to the average performance of other Extractive Industries Transparency Initiative (EITI) countries assessed in the index. Tanzania's composite score of

53 of 100 is a result of strong performance in value realization, scoring 65 of 100, but poor performance in revenue management, scoring 40 of 100.

- ❖ Tanzania's oil and gas sector ranks first in the index in taxation, alongside that of the United Kingdom. The government has disclosed production data on early projects and company payments in a timely and disaggregated manner. Tax rates, rules for depositing tax and other revenues to government accounts, and periodic audits are required by legislation, resulting in a good score for the legal framework.
- ❖ Tanzania scores 48 of 100 points and ranks 27th in licensing, compared to the index's best performer in licensing, Mozambique, which scores 72 of 100. This result is mainly because regulations implementing Tanzania's 2015 Petroleum Act are still being developed.
- ❖ Other weaker scores derive from a lack of implementation. For example, while the 2015 TEITA contains sound principles of transparency and public access to information, adherence to a number of key provisions is lacking.
- ❖ There is still much uncertainty around the timing and size of revenues from Tanzania's gas sector. The recently adopted revenue management framework and resource fund indicates that the country is preparing for a boom. In 2015, Tanzania passed the Oil and Gas Revenue Management Act. This Act introduced fiscal rules that constrain spending

of oil and gas revenues and require a balanced budget, and provide for a sovereign wealth fund to save for future generations and mitigate the effects of volatile commodity prices. In the absence of significant revenues, the fund was not operational at the time of the index assessment, although potential compliance risks are already apparent: there is currently no external body tasked with overseeing compliance.

STATE-OWNED ENTERPRISE GOVERNANCE

TPDC should improve on commodity sales transparency in advance of large-scale exploitation

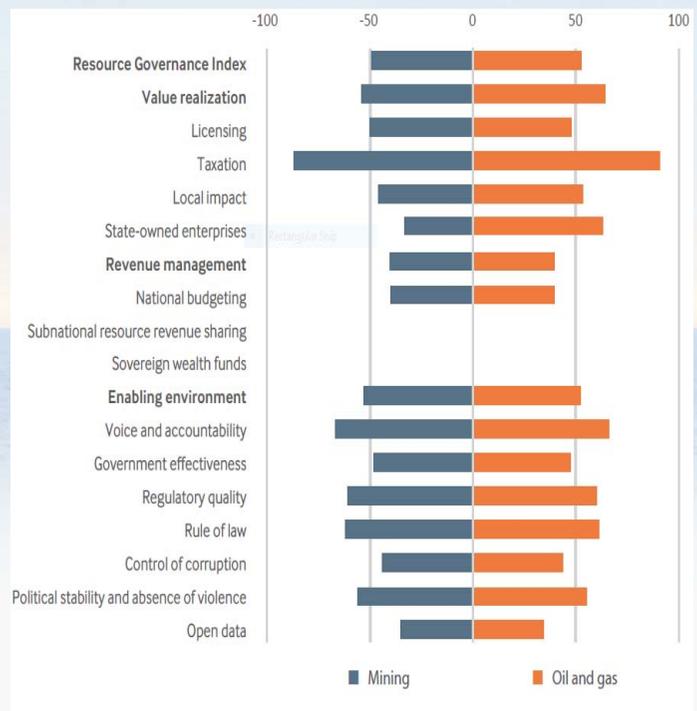
The Tanzania Petroleum Development Corporation (TPDC) manages the government’s interests in the oil and gas sector, from upstream to downstream. The company was founded in the 1970s but its mandate and role have been recently specified in the Petroleum Act and Oil and Gas Revenue Management Act. Its satisfactory score is a result of a comprehensive set of rules covering financial reporting, financial transfers between TPDC and the government, and parliamentary oversight. However, reporting that takes place via the National Audit Office is not very timely.

SOE name	State ownership level	Revenue [USD]	Score [/100]	Rank [/74 SOEs]	Rank [/52 oil and gas SOEs]
Tanzania Petroleum Development Corporation (TPDC)	100%	35 million (FY 2014/15)	64	23	17

GOVERNANCE PERFORMANCE ACROSS OIL, GAS AND MINING SECTORS

Enforcement challenges in Tanzania’s mining sector provide lessons for oil and gas

Performance between Tanzania’s oil and gas and mining sectors is mostly balanced, with a four-point difference in the sectors’ overall resource governance. The oil and gas sector’s slightly better performance, particularly in local impact and SOE governance, is the result of a more recent and well-defined (though as yet mostly untested) legal framework.



What does the Index Measure?

The 2017 Resource Governance Index (RGI) assesses how 81 resource-rich countries govern their oil, gas and mineral wealth. The index composite score is made up of three components. Two measure key characteristics of the extractives sector – value realization and revenue management – and a third captures the broader context of governance — the enabling environment. These three overarching dimensions of governance consist of 14 subcomponents, which comprise 51 indicators, which are calculated by aggregating 133 questions.



Key Recommendations

- ❖ Focus on implementation
- ❖ Continue to open governments
- ❖ Bolster state-owned enterprise governance
- ❖ Protect civic space and combat corruption
- ❖ Strengthen global norms and institutions
- ❖ Use data to drive reforms

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