



20th ANNUAL RESEARCH WORKSHOP

**THEME: Harnessing Natural Resources
for Socioeconomic
Transformation**

To be held on 25th & 26th March, 2015
Dar es Salaam, Tanzania;

20ARW THEME:

Harnessing Natural Resources for Socioeconomic Transformation

Background and Context

Tanzania is endowed with a variety of natural resources, some of them in abundance. Natural resources can be classified in many forms, including origin, stage of development, and renewability. Renewability is the most common criteria for classifying natural resources in the context of sustainable development. Renewable resources are those that can easily be replenished naturally, and whose quantities are not easily reduced by human consumption. These include wind, air, sunlight, and geothermal. There are other renewable resources, however, that can become depleted, if human consumption rates exceed recovery rate. These include water and forestry. Non-renewable resources are those that form extremely slowly, or those whose formation is not natural in the environment. Because of this slow formation, these resources become non-renewable because their rates of consumption exceed their rate of recovery. Such resources include minerals and hydrocarbons. In addition to these natural differences, these resources differ in their time horizon, in production requirements, in monetary values, and in utilization. These differences have made their governance regimes very different. Studies and policy discourse on natural resources overwhelmingly focus on high value, non-renewable resources, particularly minerals and hydrocarbons.

Recent discoveries of huge volumes of natural gas in Tanzania, estimated at 46 TCF have added to this bias, due to the prospects that the country will become a major hydrocarbon exporting country over the next decade. Thus, there are high expectations that exploitation of natural resources will substantially increase Tanzania's national income and generate massive employment. Lessons from other countries, however, show that on average, resource-abundant countries have experienced slower growth and lower economic and social development over the last four decades than their resource-poor counterparts, a phenomenon that has come to be known as the 'resource curse' or the 'paradox of the plenty'. Various studies also show how abundance of wealth can encourage establishment of rentier-states, inhibit democracies and/or encourage authoritarianism and poor governance. Good lessons, on the other hand, can be garnered particularly through adopting and/or developing strategies for sharing resources to citizens particularly the most vulnerable and the poorest populations, and to broaden access to high quality social services. . Iran and Alaska are among good countries for the lesson. The Iranian government, for instance, distributes parts of its oil revenue to the Iranian population whereas Alaska deposits some of the state's oil revenue into a sovereign wealth

fund and distributes a portion of the returns to the citizens each year. It is good to note that Alaska is the most economically equal state in the United States. In Tanzania, this could be done through cash transfers, which could be implemented through existing structures and programs of social protection as TASAF. Growing evidence shows that cash transfers given directly to citizens are usually spent well – on food, clothes, transport, schooling, medicine, savings, job search and income generating activities and in acquiring skills. Resource revenue could also be shared through provision of affordable loans to small micro, small and medium enterprises so as to cater for the needs of the growing mass of the population in the informal sector, hence enabling them to participate effectively in the growth process.

Avoiding the resource curse will be a major task for Tanzania, which requires empirical understanding and proactive policy discourse on key prospects and challenges in this industry. The role of natural resources in bringing about socioeconomic transformation, therefore, is a central development question that must be placed high on the agenda of research and policy debate. While a natural bias towards minerals and hydrocarbon is expected, research and policy discussion will also be encouraged on other natural resources Tanzania, particularly forestry and wildlife.

Objective of the workshop

The main objective of the workshop is to promote policy dialogue based on evidence from research on matters related to the management of natural resources in ways that promote transformation of the economy to achieve inclusive development. Inclusive development will be attained only if the majority of the citizens benefit now and in the future.

Specific objectives of the workshop are:

- i. To understand the upstream characteristics of natural resources and what they entail in terms of government choices on investment types and levels, the choice of fiscal regimes, and allocation of risks among key stakeholders
- ii. To understand fiscal implications of extraction or exploitation of natural resources and the alternative mechanisms available for optimal revenue and fiscal management
- iii. To understand linkages between exploitation of natural resources and local economic and social development, including employment, local supply networks, technology transfer and environmental management
- iv. To understand prospects, constraints and opportunities available for individuals and enterprises in Tanzania across natural resource value chains
- v. To explore options available for Tanzania to avoid the risk of turning into a rentier-state and degeneration of democracy and rule of law.

- vi. To explore strategies and means through which the country's resource wealth can be shared directly with the citizens, giving more priority to the most vulnerable and socially unprotected groups of the population.

Questions to be addressed

The 20th Annual Research Workshop will explore the following key questions:

- i. What does it take to ensure that development and utilization of our natural resources generate benefits that are lasting and inclusive to the entire society of Tanzania?
- ii. Under what conditions can we promote development of and integration of SMEs in local supply chains to ensure their participation in the value chains of natural resources in a robust and sustainable manner?
- iii. What lessons can be drawn from both successful and unsuccessful resource-rich countries to avoid pitfalls that lead to the "Dutch Disease" or other forms of natural resource curse?
- iv. Why has the wealth of natural resources in Tanzania failed to stimulate rapid industrialization? Are the current settings in the socio-cultural and political economy right for achieving rapid industrialization using our natural resources wealth?
- v. Should Tanzania focus more on domestic natural gas industrial base or gas export based economy? Does this dichotomy matter for Tanzania?
- vi. Is paying the resource revenue directly to citizens as a small basic income grant and/or affordable small loan effective in ensuring specific needs for specific groups of population are met and for inclusive social and economic growth?