



REPORT OF A SEMINAR

on

“Local Content and Technological Capabilities in the Oil and Gas Sector:
Evidence from Latin America and Lessons for Tanzania”

Date: Wednesday, 15th February 2017

Venue: COSTECH, Ground Floor, Conference Room

By

Mr. Musambya Mutambala

Mr. Innocent Wawa

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March, 2017

Introduction

The Science, Technology and Innovation Policy Research Organisation (STIPRO), a Tanzanian based independent think tank committed to undertaking policy research in science, technology and innovation (ST&I) in Tanzania organised a seminar entitled “*Local content and technological capabilities in the oil and gas sector: evidence from Latin America and lessons for Tanzania*”. The seminar was held at the Tanzania Commission for Science and Technology (COSTECH) premises, Kijitonyama, Dar Es Salaam on 15th February 2017. The content of the present report reflects the two-hour intensive seminar programme.

Objective of the seminar

The objective of conducting the seminar was to share lessons emanating from participating in the Evidence and Lessons from Latin America (ELLA) programme especially a study tour to Ecuador.

Participants

The seminar attracted a total number of thirty-seven participants, being representatives from the government institutions and ministries, academia, private sector, civil society organizations and the press.

Context of the seminar organization

The seminar organization was one of the activities earmarked in the Learning into Practice (LEAP) Award that Mr. Musambya Mutambala, a Research Fellow at STIPRO won. The aim of the LEAP award is to support and promote the use of lessons and knowledge gained through the learning alliance on oil and gas - local content under the ELLA programme. The programme has involved online modules on local content development followed by a study tour to Ecuador. Based on the evidences and lessons gained from Latin America, and in comparison with the development of the oil and gas sector in Tanzania, there stimulated a need of debates on local content and technological capabilities of local suppliers in the oil and gas sector. With that regard, the organization of the present seminar was motivated by a systematic collection of issues in the perspective of building and strengthening capabilities of local suppliers and provision of a forum for knowledge sharing with relevant stakeholders involved in the oil and gas sector.

Proceedings

At the opening, **Dr. Bitrina Diyamett**, the Executive Director of STIPRO gave a welcoming remark. She warmly welcomed the participants and thanked them for finding time to attend the seminar. Thereafter, Dr. Diyamett described the organisation and its mission, and related this to the objective of the seminar. She explained the fact that STIPRO is an independent think tank devoted to policy research in science, technology and innovation (ST&I) in Tanzania, the organisation’s mission stands in between the science and society by providing evidences for

policy making in science and technology. She added that the present seminar aims at sharing the experience STIPRO gained in local content development for oil and gas sector as a result of participating in the ELLA programme and study tour to Ecuador, in Latin America.

A next key address was “a word” from **Dr. Hassan Mshinda**, the Director General of COSTECH. He recalled the historical discoveries of the oil and gas and urged for awareness creation in the sector. He congratulated STIPRO for organising such a seminar. According to him, many conferences and debates are focussing on regulations, taxes and revenues, environment and so forth. So, conducting a seminar on local content and technological capabilities in the oil and gas sector was unique and very important, particularly sharing the Latin America’s experience.

The opening session was then followed by the paper presentation and discussions. **Mr. Musambya Mutambala**, a Research Fellow at STIPRO presented a paper entitled “Local Content and Technological capability building in the Oil and Gas Sector: Evidence from Latin America and Lessons for Tanzania”. He stated that local content was increasingly adopted by natural resources rich countries as a strategy with potential benefits for the national economy. Although Tanzania reserves in oil and gas have led the country to be one of the leading countries in Africa, local content involvement in the sector is quite insignificant. Benefiting from secondary and primary information, particularly materials and observations collected through the ELLA Programme as well as participating in the Study tour to Ecuador, the paper has revealed that Tanzania can learn from Latin America in terms of local content development and technological capability building.

One of main lessons regarding local content and technological capabilities was observed through the political dimensions. The Government of Ecuador was fully involved by committing to influence technical, economic, and social changes and improve business environment. Different national programmes were put in place, and the most remarkable is the National Energy Agenda 2016-2040 putting emphasis on energy efficiency, which is associated with technology improvement and strengthening of the innovation eco-system. Ecuador has also established the Ministry of knowledge and human talent (MCCTH) which works across different ministries with mandate to coordinate policies, meetings and discussions of issues related to knowledge community and development, transformation of oil and gas industry, research and technology. The government further put in place a national committee for quality assurance with mandate to discuss quality policies. In all this, what was remarkable is the level of policy implementation, monitoring and seeing through on implementation and enforcement of laws. National committees and institutions were strengthened that allowed to build an infrastructure relevant for oil and gas industry.

Another main lesson was coordination of collaboration among the actors involved in the development of oil and gas sector. Evidences from Ecuador show some examples of strengthened collaboration among the stakeholders such as the government, national oil companies and local suppliers, Universities, R&D centres and technology providers. These actors collaborated at national and regional (Latin America) levels. The collaboration resulted into technology improvement, products specialization and establishment of coordinated procurement system and regional standardization.

Lastly there was financing aspects for technological capabilities. Since technological capability building involves costs, the Brazilian case was informative in the sense that in addition to a considerable budget for R&D activities, the government policies require international oil companies to allocate an amount of their gross revenues in R&D in order to support local R&D centres and develop competences of local suppliers. The paper finally urged the Tanzanian government and private sector to particularly consider an association of political, technological and financial dimensions all together when designing and implementing policies for local content.

The paper presentation was followed by discussions. The paper discussant, **Dr. Abel Kinyondo** from REPOA congratulated the paper presenter and thanked STIPRO, as a local think tank for organising the seminar. He observed that the present seminar was different from many others that use to be organised by foreign companies with a determined agenda for their own benefit. With regard to the theme, he insisted on cluster development such as the development of special economic zones as one of the determinants of technological capability building. For him since “local content” strategies have insignificant results although being debated for a long time in Tanzania, particularly in the mining, he therefore urged locals to have an important ownership in the sector as it is the case for Botswana.

The general discussions focused on local content, ownership and technological capabilities. They are summarised as follows:

- Need to establish a clear profile of opportunities for local content in the oil and gas sector in order to facilitate the way to build technological capabilities in those opportunities;
- The definition of local content in relation to economic development will have meaning if the aspect of ownership is well put in place;
- However, there is recognition of existence of a sort of ownership in the sector. For example, the Production Sharing agreement (PSA) in the oil and gas sector is owned by the Tanzanian Petroleum Development Company (TPDC); the license for exploration is provided by the Ministry of Energy and Minerals as well as other issues related to ownership sharing are controlled by the Government;

- Tanzania has established a number of institutions, but what is lacking is political will and commitment as well as right people for right decision making that benefit the nation;
- Monitoring of activities was lacking in the Tanzania oil and gas that shows limited control over the sector. The government should consider the case of Mauritius in monitoring the economic programmes, including Export Processing Zone (EPZ) initiatives.

Closing remarks

Dr. Adalgot Komba, Chairperson, STIPRO Board of Directors thanked all the workshop participants for staying active until the end of the programme. He congratulated the paper presenter for bringing the discussion of issues related to technological capabilities of national oil companies and local suppliers. For him, the experience and lessons gained from Latin America should be taken into consideration by countries such as Tanzania in order to move the oil and gas sector forward. He hoped that all what was presented and discussed during the seminar will contribute to the development of local content in the oil and gas sector. With these few remarks, he then declared the seminar closed.

Appendix 1



SEMINAR PROGRAMME

**THEME: “Local Content and Technological Capabilities in the Oil and Gas Sector:
Evidence from Latin America and Lessons for Tanzania”**

DATE: Wednesday, 15th February 2017

VENUE: COSTECH, Ground Floor, Conference Room

SEMINAR MODERATOR: Prof. Abraham Temu

TIME	EVENT	RESPONSIBLE
09.30-09.45	Registration	All
09.45-09.50	Welcoming remarks	Dr. Bitrina Diyamett, Executive Director, STIPRO
09.50-10.00	A word from DG COSTECH	Dr. Hassan Mshinda, DG COSTECH
10.00-10.30	Presentation: “Local content Development and Technological Capability Building in the Oil and Gas Sector: Evidence from Latin America and Lessons for Tanzania”	Musambya Mutambala, Research Fellow, STIPRO
10.30-10.45	Discussant	Dr. Abel Kinyondo, Director, Strategic Research, REPOA
10.45-11.20	General Discussion	All
11.20-11.30	Closing remarks	Dr. Adalgot Komba, STIPRO Board Chairperson
11.30	Departure	All

Appendix 2



LIST OF PARTICIPANTS

Date: Wednesday, 15th February 2017

Venue: COSTECH, Ground floor, Conference Room

N o.	Name	Gender	Position	Organization	Institution category	Contact
1	Dr. Abel Alfred Kinyondo	Male	Director of strategic Research	REPOA	Private sector	0788160106 akinyondo@repa.or.tz
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