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In the Name of Standards: Challenges of Achieving Local-local Content(s) in Natural Gas Investments in Lindi and Mtwara Regions in Tanzania

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Abstract

Recent literature has shown that resource curse can occur at the subnational level, and in some cases without resources. This paper draws from the literature on subnational resource curse and local-local content. It presents evidence from a study on processes in which investments are implemented and negotiated between different actors. It provides an understanding on how and why resource curse occurs. The paper is based on a study that focused on two cases of construction: the natural gas pipe from Mtwara to Dar es Salaam, and the liquefied natural gas (LNG) in Lindi. A total of 85 interviews were done with local communities, the government, investors and non-governmental organizations. This was complemented by a review of different models for compensation or benefits to the communities. The study found out that none of the frameworks for benefitting the local communities can work in the localities where resources are extracted without modification. This is due to the fact that investors set unrealistic standards for the delivery of services, and there was also a conflict between national and international standards. As such, the local content was not customized to the local context of the localities where the natural gas was extracted, but only at the national level, which ultimately deprived these localities of the benefits of having the expected and real development from their resources. The paper argues that for local content to bring positive changes in the communities where gas is extracted, a local-local content is needed. It further argues that for the frameworks to function, they need to be applied not in isolation but in combination and modified to take into account the local-local context.

Keywords: *extractive industries, local content, natural gas, subnational resource curse, benefit.*

Introduction

There are a number of compensation frameworks used when large-scale investments displace people and/or their livelihoods. Such frameworks as environmental impact assessment, social licence to operate, and corporate social responsibly are only a fraction of them. Most of them originate from the global north, and are top-down. The extent to which they are compatible with the local context is not yet established. Therefore, applying them to the global south and the localities where resources are extracted is necessary for gauging their effectiveness in bringing about the realization of benefits to these communities. This paper reviews some of these frameworks and their ability to bring about local-local content.

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The term local-local content—or subnational local content—is used to refer to local contents of localities in which resources are extracted. It is, in other words, questioning the participation, involvement and benefits to local communities where resources are extracted. Recent literature have promoted studying the development of localities where resources are extracted. For example, Gutiérrez (2019) and Nwapi (2015) have also noted that most of the localities where resources are extracted are left—and some even become—poorer than before when resources were extracted. This paper apply this concept to the case of natural gas investments in Tanzania.

Tanzania makes a unique case because communities neither own the land nor the resources underneath. The right to land is vested under the President, who has the authority of giving it to investors for 'national interest'. Tanzania's 1999 Land Act has increased commodification of land by promoting the market value of land, and there is no resettlement policy or law. In reality, there is no true market value of land as land has both socio-economic and cultural values. Close to a true value of land could be compensation for the livelihood foregone to let an investment take place, or continued compensation as long as the investment is operating. Besides, the so-called 'market rate' is established on the basis of current market price of land, and does not take into consideration the fact that the value of land changes immediately after it has been acquired for investment; and also ignores the future market value of the land. On the same lenses, the livelihood security which one is insured of when one owns land is also eroded. These and many other challenges in the compensation of those who surrender their land for investment are some of the reasons that necessitated this study.

This paper intends to add in the literature the issue of local-local content by bringing empirical data from interviews with 85 actors from communities, the government, investors and non-governmental organizations conducted in and outside localities where resources are extracted. The paper explores the extent to which the design of the Tanzania local content caters for the majority of the agricultural communities who have given up their land for investors in the expectation of benefiting from investments. In particular, the paper studies the completed and ongoing processes of investments in natural gas in Tanzania, and how the local content will cater for the expectations of the majority of local communities in the localities where the resource is extracted.

The paper is informed by a study that was conducted in Mtwara and Lindi between 2015 and 2016. The study used what we call *process tracing,* in which we studied the processes of the establishment of gas investments in Mtwara and Lindi; and its associated investments such as the Mtwara port expansion, fertilizer industry in Kilwa, and urban expansion projects in Mtwara and Lindi municipalities. We interviewed 85 individuals from the villages, government, non-governmental organizations and investors. The villages includes Msimbati, Madimba, Msanga Mkuu, Mbanja, and Songosongo. The study was conducted in three phases. Phase one was done in August 2015, phase 2 in February 2016, and phase 3 in August 2016. The main method used was in-depth interviews. The main question asked was on the perceptions of the communities, investors and NGO's on the investment processes: whether they will bring benefits to the communities where the resources were extracted.

The processes of establishing two major natural gas investments were studied. The first big natural gas investment in the country that has been implemented is the gas pipe from Mtwara to Dar es Salaam, which was financed by the Exim Bank of China. This pipe was implemented without enough information to the communities as evidenced by their protests in 2013 (Perdesen & Kweka 2017; Kweka & Perdesen, 2023; Poncian, 2018; 2019; Chourment-Nkolo, 2018). The riots were done by the people of Mtwara and some local investors who were hoping for the construction of the 'Dubai' of Mtwara; as promised by President Kikwete at the end of his second term. The second natural gas project is the liquefied natural gas (LNG) that was to be built in Lindi, of which land has been acquired; but it is under heavy friction and manoeuvres between the ruling and the business elite (Perdersen & Kweka, 2017). The implementation of this project is awaiting the decision as to whether resettlement should be done; but most investors have begun to pull out due to the delays in making the decision. Thus, what has been accomplished in the two projects is the acquisition of land from the local communities (ibid.).

Literature Review

The resource curse theory has examined the impact of the extractive industries at the national scale and after the investment using quantitative data on the economy and democracy (Ross, 1999; Watts, 2004). Some studies have looked at the impacts at sub-regional levels, identifying processes under which resource curse occur (Carrilo, 2019; Fleming et al., 2015; Manzano & Gutierrez, 2019). Others have shown how resource curse can occur without resources by just being based on the expectations of communities (Frynas et al., 2017). This paper draws from the literature on resource curse at the sub-national level. It reviews different models for benefiting the communities from social licenses to operate (Prno, 2013), to corporate social responsibility, compensation for environmental impacts, and land loss. It aims at talking about the local–local content (Nwapi, 2015), which is the subnational local content. The paper argues for the consideration of different contexts to prepare local-local contents that are neither uniform nor fixed. Towards this end, the paper employs case studies of large-scale investments in natural gas in Mtwara and Lindi regions in Tanzania.

Local content is perceived as a solution to the resource curse (Ovadia, 2014). Literature on resource curse has established three main factors causing resource curse: the Dutch disease, or in other words, economic causes; rentier states or politically causes which are also linked to corruption (John, 2007; Otaha, 2012). The Dutch disease refers to a phenomenon where a country depends on one resource for export; and once the price of that product declines, the economy of the country also declines (Pereira, 2020). Rentier state refers to a state which is only keen to get rent from investors and not necessarily national benefit from the investment (Beblawi & Lucian, 2015). It is linked to corruption. High level of corruption in countries with oil and natural gas is sometimes a condition which is fuelled by investors to create alliances (Ross, 2015; Watts and Peluso; 2013). As a result of these three, there comes an un-embedded economy, whereby the extractive investment become an 'enclave economy', that is, an economy which is not connected to the local economy, but survives because of a political settlement attained between the ruling and the business class, and investors. This is in terms of procurements, and continue without relying very much on business linkages with the rest of the communities or sectors (Lesuit, 2019), thus creating the resource curse of the majority and benefit to a few. However, as Fryans et al. (2017) found, all these factors are interlinked, and they are the causes of conflicts when there is an investment in a resource. In some cases resource curse in created by the fact that a country is already poor and is run undemocratically, hence, investments can add to the condition of a 'vicious cycle of resource curse.'

Watts and Peluso (2013) have pointed out how resource curse is manufactured in global oil production networks. Watts (2013) pointed out that the link between carbon and democracy is in the production of classes, and one can use class analysis to theorize conflicts associated with oil and gas. The author pointed out that one aspect of oil assemblage is the global production networks that transform space, and yet re-embed the locals where extraction occurs through infrastructures such as wells, pipes and refinery plants (ibid.). He shows how oil and gas constitute two important resources that capitalism depends on for energy, but has little to do with the workers: in this case, the communities where the resources are extracted. Watts (ibid.) pointed out further that the oil and gas industry is dominated by secrecy: quantity is not metered; therefore, prices are not based on true supply of the resources. By showing loss instead of profit in their financial accounts, rich oil producing companies have been able to disrespect local contents, hence leading to poverty and conflicts; which Ross (2015) termed as a 'resource curse'. In Africa, this resource curse is experienced as the lack of transfer of technology, skills, and capital from the so-promoted systems of foreign direct investments.

The global demand for energy has led to an increase in the value of oil as a resource. Ross (2015) identified further that the resource curse is actually the oil curse, and it can be applied in natural gas as its price in the global market is determined by the price of oil. Resource curse manifests in low value addition, the extraction of resources onto the communities, and the lack of investment in infrastructures (Ross, 1999). It is also viewed in terms of low skills or technology transfer, and in the politics of the oil and gas investments that involves investors and elites (political, ruling, business, and academic) who normally form a coalition; and reach a political settlement allowing for the investment to take place (Hickey et al. 2017) without much participation of the local communities (Kweka 2011). The recent control of the state and its involvement in negotiations and agreements, is termed as a 'resource nationalism', which however has the aim of policing the revenue, and is not for the interest of the local communities.

There are several frameworks for ensuring local communities benefit from large-scale investments. These range from environmental impact assessment (EIA); international financial institution frameworks; national framework for compensation; social license to operate (SLO), and corporate social responsibility (CSR). The next section reviews the different frameworks and the extent to which they are applicable in the case of natural gas investment in Tanzania.

Review of Frameworks for Benefiting the Local Communities

The first worldwide accepted framework to allow an investment to take place is environmental impact assessment (EIA). Sosovele (2011) points out that the implementation of EIA in Tanzania is faced with governance challenges that are more in the management policies than in the economics of resources. Therefore, most projects end up affecting the physical environment despite having had EIA carried out in the beginning. For example, in the EIA for the gas pipe from Mtwara, one of the main issues that communities raised was to be assured of employment and support as those in Songosongo who had been provided with education for the youth, and had received free medical support (Kweka, 2022). However, as some scholars have pointed out, employment opportunities for projects of this nature are given only at the beginning, during the construction stage: they are not a long-term employment (Aheare & Childs, 2019; Mwanyoka et al., 2021). In this case the local expectations did not match the local-local content. Also, there was no effort to inform the community about this in advance. This is contrary to the principal of prior and informed consent: a consent given when one has enough information to make decision in times of uncertainty (Whitney et al., 2004).

In the case of the liquefied natural gas investment in Lindi, the project was delayed due to the fact that the investors wanted the people to be resettled, but Tanzania's laws do not allow for resettlement. One of the conditions for investors to continue to qualify for loan from international financial corporations is to ensure resettlement, which is the international standard compensation mechanism for land. This condition has led to a delay, and now the non-existence of the investment, while the land has already been taken. Since the LNG in Tanzania is jointly planned by state and foreign multinational companies (Statoil and Exxon Mobil, BG/Shell, Orphir and the Tanzania Petroleum Development Corporation (TPDC), which is now the national oil company), the TPDC had to acquire land and lease it to the multinational oil companies. The TPDC did this without resettlement. As a result, the locals lost the opportunity of being duly compensated.

Social licence to operate (SLO) is promoted as a framework for engaging local communities in decision-making to ensure they benefit from investments in natural resources (Prno, 2013). This framework involves agreement with communities to get their approval, permission, and consent for an investment to take place. It involves a free prior and informed consent (FPIC) (Bice et al., 2017; Prno, 2012). The SLO requires multiple licenses achieved across different levels, and negotiated over time because people's experiences, opinions, and perceptions about an investment changes over time (Prno, 2012). Hence, the SLO is a continuum of achieving legitimacy, credibility, and trust, withdrawal, acceptance and approval (Jijelava & Vanclay, 2017); and it is inclusive of different stakeholders. Changes in land transfer and use need to consider the interests of communities, which differ from one community to another.

The SLO is not without its challenges. In Tanzania, though communities are informed, this is not frequent; and they have no option to say no. Empty promises have been used to lure communities to accept investments (Kweka, 2011, 2012). The practice is that villagers are called in a village meeting and informed of an investment, which in most cases is already approved by the central government before the locals are consulted (Kweka, 2011). The information given to villagers is not about seeking consent, but informing those whose land will be affected for compensation identification (ibid.). The experience from investments in biofuels shows that the local communities found themselves not having binding contracts despite the fact that there were minutes that were used by the investors to acquire land, in which the villagers gave their conditions for the investments to take place (Kweka, 2012). The author found that while the minutes of the village general meeting is considered to be formal and binding to allow the investors to get land, it was not the same for the communities when they demand what the investors promised, which is also documented in the same minutes that gave the investors lands (Kweka, 2012). Again, this left many of the villages with empty promises.

The SLO may not be applicable to countries like Tanzania today where there is increasing recentralization, and decisions on land are taken by the President. The unit dealing with investment in the country has been moved to the President's Office, where also the local government and regional authority ministry is placed, giving more power to the President on issues dealing with local communities. There is a full-fledged unit on local content under EWURA, but this is only in charge with the petroleum. The SLO is a good framework because it gives the communities power to decide, hence local-local content, but it does not fit with the current arrangements of the local government in Tanzania, where there is less power in the hands of communities. Land compensation constitute the sixth framework, but it is done by not taking into account future costs of land; only previous ones.

Having failed in SLO, Tanzania tried to make corporate social responsibility (CSR) mandatory to all investors. CSR, which is the seventh framework, is defined as a tool for corporates to pay for the environmental and social impacts they have caused in communities (Ovadia, 2016). Investors are now required to work with local government authorities and outline the kind of CSRs they will bring to local communities. Though CSR has been made mandatory in Tanzania, investors are required to discuss this with regional and districts authorities.

The extent to which CSR match the needs of the different regions and districts as outlined in their long- and mid-term planning, is not yet studied. CSR is not a development programme, in most cases it is seen as a philanthropic act: it only makes people feel good about an investment (Fryans et al., 2017). For CSR activities to be beneficial, they need to be attached to the means of livelihood of communities or national development plans: namely, poverty reduction and social transformation. Making CSR mandatory and denying SLO is wrong for community development, and will not achieve the local-local content.

CSRs cut across market and non-market forces, promote branding of products for profiting, and have very little attachment to consumers as human beings. In the case of the natural gas investments in Mtwara, the firms have put a buffer between high-profile foreign officers in the companies and the community. The firms operate via what they call community liaison officers, who in most cases are members of the project and not from the localities. This poses a conflict of interest as they cannot side with the communities in case of matters of disagreement between the community and the investors they represent (Ackah-Baidoo, 2013). This could have been the task of the local content office which is proposed to be in the Prime Minister's office since the Ministry of Investment is now with the President's office. Because the community liaison officers are paid by their companies, they many choose to promote the interests of the companies, and make them gain profits even from the CSR activities themselves, through such means as increasing sales through promotion rather than increasing 'humanitarian' acts to the communities.

CSRs can engage with governance issues to influence the use of rent and revenue to support the interests of communities. However, Fryans et al. (2017) and Kolstad and Wiig (2009) found that CSRs can also be used to undermine democracy, and promote patronage and rent-seeking. They show that this can be done through financing autocratic regimes to continue being in power so that investment can continue. Although financing regimes is more expensive than paying for CSR, but regimes possess power (ibid.). Also, the nature and type of CSRs introduced in a community are watched by the government to ensure they not lead to acts against the government. For example, CSRs that can lead to good governance are not liked by authoritarian governments because they may not only lead to monitoring the government, but can also lead to creating new institutions which the government will have to maintain (Fryans et al. 2017; Kolstad and Wiig 2009).

The Tanzania Extractive Industry Transparency (TEIT) is the eighth framework which aims at ensuring that the benefits of investments are enjoyed by the communities where resources are extracted. This is done by requiring investors to publish what they pay to the government, and publish what they earn from investments: publish what you pay (PWYP), and publish what you earn (PWYE). These initiatives call for transparency, accountability and public awareness to reduce corruption (Acosta, 2013). However, these initiatives require the government to be transparent. For a country where local communities do not have much power, it is not easy to hold investors accountable to the state. Hence, such initiatives may not function as expected. The challenge, therefore, remain on how these initiatives can lead to better income distribution (ibid.). Furthermore, for TEIT frameworks to be successful, knowledge and empirical data on revenue sharing formulas between the different stakeholders are necessary (ibid.). However, as mentioned earlier, within the oil and gas sector, company data are difficult to get and can be flawed (ibid.). The lack of accountability from both the government and the society in Tanzania leads to the lack of reporting and trust (Munro & Kweka, 2021). Hence, the enforcement of these initiatives remains largely within the hands of civil societies, which are also deprived of up-to-date information.

The most preferred framework and considered of the greatest importance to communities is the local content. This is considered as the nineth framework for benefiting communities. It means value added by an investment to the economy is realized in the localities/communities. It is realized by gaining capital, products, employment and upgraded human capital (Kolstad & Kinyondo, 2017; Kolstad & Wiig, 2009). However, as reported earlier, local communities have only access to marginal jobs of cooking, cleaning and guarding: all of which do not add any value to the economy of their nations, but only cater for the survival of their families. This leads to unequal exchange in cases where communities have provided land they depend on for their livelihoods, or have foregone fishing grounds to let investments take place.

Tanzania's local content aims at providing backward linkages to the natural gas sector through supplies and procurements from local companies. Hence, one can argue that local content is for business elites who are likely to be residing in Dar es Salaam, the commercial city, and not in rural Mtwara and Lindi. This is because, first, for a direct local content to work there must be a strong business sector that can compete and provide goods of standards required in the high-value extractive sectors of oil and gas, which most locals will end up struggling to supply (Nwapi, 2015). As per Adedeji (2017), there is always a barrier to indigenous companies in accessing the industry using capability, capital competence and delivery possibility with the demands for the so-called 'standard goods' in the oil and gas sector. In most cases such businesses are hard to find in the peripheral regions where most of the extraction take place. Therefore, there is little or no chance of there being any collaboration between oil and gas companies and local or indigenous suppliers.

Also, as Adedeji et al. (2017) pointed out, indigenous firms cannot cope with the 'standards' and capacity required by such firms. Hence, the design of Tanzania's local content will only benefit very few business elites in urban Dar es Salaam, Mtwara and Lindi; who are also capable of seeking information from the government, and can be integrated into global production networks. Second, there are politics involved in integrating local companies to global company networks such as those of oil and gas. In most cases the networks operate in cartels of monopoly companies, into which small local businesses are incapable of joining.

Some scholars have argued that local content is a centralized approach that defines 'local' as 'national'; paying little attention to the local population living in the areas where resources are extracted (Nwapi, 2015). Hence, there is a need to think of sub-nationalism, or subnational competitive and comparative advantages, when it comes to local content. This will assist in reducing regional inequality and the challenges of local firms to enter the global production networks, which became competitive especially after the removal of subsidies in production in developing countries, following the structural adjustment programmes of the World Bank. Oil and gas networks are globally—not locally—standardized; and require international companies as suppliers. As Watt (2013) argues, the claim for 'standards' aims at ensuring that only those in the networks of global production—usually capitalistic multinational corporations—are included. This commodification of standards aims at excluding local business-people, and monopolizing the business; thus, leaving very little avenue for local-local content. For example, in the case of Mtwara, the locals do not feature even in providing simple services such as food, transport and accommodation.

Moreover, local content has an economic and political perspective (Hansen et al., 2015). The structure of the economy, political settlement, and power relations characterize the social order in a particular country, and determines the structure of local content. For local content at subnational level to be realized requires the business, regional plans, targets and legislation to the local context (Estevez et al., 2013). The local content legislation in Tanzania is keen to promote medium-scale companies to provide services. Examples of successful local content include Songosongo, where investors provided scholarships to the locals; and in Uganda where investors have strengthened local business environment in Hoima oil producing area, enabled farmers to supply food to the oil sector, made investors purchase protective working cloth from Uganda, and impact technical skills through skilling Ugandans (Kinyera, 2019). Investors also work with NGOs in solving problems of compensation (ibid.). Hence, to be effective, local content needs to be mainstreamed into local development plans.

Challenges of Achieving Local-local Content in Tanzania

The literature on local content in Tanzania has pointed out challenges that the nation is likely to face at the global and national level (Kinyondo & Huggins, 2019). Local-local content is sometimes called community's local content (Tordo et al. 2013), referring to a separate arrangement to help a local community; and it is opposed to national local content that may favour the urban, middle and business classes. The concerns and expectations of the two are very different; and the local content policy of Tanzania needs to take that into account.

In studying the local content in Tanzania, it is important to distinguish the needs of the urban middle class (in urban and towns) and the rural agrarian masses. In developing countries, the usurping of resources from local communities in the name of 'national interest', and refusing to abide to international standards is done in the name of 'state sovereignty' (Emer, Huber & Makene 2011). This has benefitted the business elite (Buur, Macuane & Maganga, 2023). This urban bias continues to date despite the current move by the government of Tanzania to move the capital to Dodoma. Dar es Salaam has for a long time continued to be the primate city given the planned construction of infrastructure such as the ongoing extension of the rapid bus transits, completion of the Ubungo and TAZARA flyovers, and the Mbezi bust terminal. Such developments needed to be fuelled by large-scale investments such as oil and gas, but this was not the case.

A review of local content in Tanzania suggests a need for revision. Nwapi (2015) found out that although the local content (national) policy recognizes the need to develop local-local content (subnational local content), however, it talks about 'encouraging' (instead of 'enforcing') companies to procure from local communities. Local (local) contents are public goods; meaning they provide services that are enjoyed by all members of the society. Therefore, the design and implementation of local-local content require the involvement of local communities. However, local content and community involvement in Tanzania are pursued as distinct policies. Local-local content is a local public good that provide services to local communities where an investment or extraction is done. The involvement of communities in deciding the design of a local-local content is important. The challenge is on how to measure achievement of a national local content. In many cases communities are told that it is a 'win' deal; and that "… investors and the government are having a good discussion," but most of the time these are mere politics in decision-making, rent-seeking and corruption (Cookey & Kelsall, 2011).

At the national level, Tanzania's low level of technology and skills limits its capacity to take meaningful part in the extraction of oil and natural gas. As such, it is expected that investors will build skills and lead to a succession plan in the sector over time. During fieldwork it was learnt that some of the investors—Statoil and British Gas — had invested in training to increase the capacity of the locals to engage in the oil and gas industry. Also, the companies have introduced some programmes to support the local youth. Programmes by Statoil, such as the 'Heros of tomorrow'; and by the British Gas (now Shell) through Africare; have supported entrepreneurship in training the youth to enable them supply some goods to the companies.

However, as mentioned earlier, most of these projects have little impact to the community as those who are trained face competition from big commercial companies who can provide in large quantities, and even outsource at times of shortages. The youth reported that they lacked capital; and therefore, were unable to supply goods in large quantities. They further reported that they are not promptly paid upon delivery of services, which makes them unable to continue to provide services given their small capital. Some youth have also been told that the services they try to offer are of low quality; and do not meet the required high 'standards' of the oil and gas companies. Therefore, the investors in Mtwara have been outsourcing most of their supplies from outside the region. The youths also complained of not having land, and failing to sell fish in big hotels in Mtwara.

Local content in natural gas in Tanzania is largely designed to focus on linking local businesses with the sector, which does not carter for the needs of the majority of the local communities where natural gas is extracted: residents here are mainly farmers, livestock keepers or fishers; they are not business people. Though some of the investors have provided CSR in terms of training on entrepreneurship, these businesses remain at a very local and informal scale; and may not be able to compete and/or integrate with global supply networks of oil and gas, which is also very competitive and surfaced with what is called 'politics of standards'. Most investors create 'enclave economies' from surrounding communities, and tend to procure from where they feel safe economically, socially and politically.

Some respondents in Mtwara reported that the companies tended to issue 'sudden' tenders for the supply of food items such as carrots and mushrooms; not giving them enough time to prepare. For example, a company could issue a tender on Friday evening for a delivery on Monday morning; and for items not available in Mtwara (Interviews with communities in Mtwara, 2015). This practice favours big companies—most of which are not in Mtwara—that can store items in bulk. They also noticed that some supplies—that are also available locally—come all the way from Nairobi; again, in the name of 'standards'.

Moreover, politics of tenders and procurement prevails both at the global and national levels. For instance, the loan from the Exim Bank of China that provided for the construction of the gas pipe from Mtwara to Dar es Salaam was attached with conditions on the procurement of the technologies, supplies and technical expertise from China (Interview with a government Officer, 2017). This did not only block local suppliers, but also other global suppliers who could sell at cheaper prices. This was also reported to be the major cause of conflicts as some international companies also expected to access tenders to supply some of their technologies (ibid.).

One of the ways through which local communities at the village or street levels are involved in large-scale investment is by giving land for investments. Despite the cry of 'land grabbing' during the era of biofuel investments (Kweka, 2011; 2012), there are no lessons learnt in terms of land acquisition during the construction of the natural gas pipe. One would have expected that less should be paid when it is external investors who acquire land; and more should be paid when it is the government which acquires land (because it is its people); but it is vice versa. The government claims to follow 'national standards' which pay less than 'international standards'. Even in instances where investors are willing to pay more, the government clings to 'national standards'. For example, in the case of the acquisition of the land for the planned LNG project, the government—represented by the Tanzania Petroleum Development Centre—acquired land in line with its 'national standards' to lease it to the investors. The argument was that the government was avoiding having two standards operating in one country: the national, with low payment rates; and the international, with high rates.

The question that Kweka (2012) raised years ago can also be applied here: why will a government not want a better deal for its people? Land is an important asset, and its worth does not only depend on market value, but also on the buyer and the value of the activity that is going to be conducted there. In this case natural gas has a high value; and this needs to be factored in the amount of compensation. In one interview with an old man in Msimbati, he explained how he gave his land of coconuts that he used to sell and get school fees for his grandson. He was compelled to give it up with a small compensation; and now he does not have any sources of income after utilising all the compensated funds. We argue here that the value of land should also factor on future values.

The villagers in Msimbati and Madimba who gave land for the Mtwara pipe and the plant at Madimba had mixed feelings towards the compensation they received, which differed depending on the size of the land, and what was on the land during compensation. There were those who were able to build houses, and those who had another piece land to cultivate: all of whom perceive the investment project as a 'blessing'. Interviews revealed that when it is an exchange of land for land, or land with another asset, they consider it a blessing. However, the majority who were expecting to be employed are still holding grievances and consider the compensation to be unfair deal.

A visit in Hiari and Mbuo villages showed that the situation was different for the youths born in Mtwara who were not employed and complained about "the people from the north", i.e., the employed individuals from outside Mtwara. Those from outside Mtwara seemed to be with permanent jobs in contracts with the minority from Mtwara. Most of the youth from Mtwara did not have the skills and education needed in most of the jobs; which made them feel as if they were getting a fair treatment. This needs to be considered in the subnational local content to avoid a subnational resource curse.

The meaning and value of commercialized land is easy to be manipulated in neoliberal capitalism to create classes of haves and have-nots, or to use Mamdani's (1996) words, the 'citizens' and the 'subjects'. For compensation to be fair, it must be calculated in terms of livelihood drawn from the land as livelihood that is foregone to let the investment take place, and hence compensation must be able to support alternative better livelihood or land to land compensation. Another arrangement could be to ensure ownership of investment; i.e., villagers become part of the owners of the investment by being given shares which the government can oversee on behalf of the villagers whose land has been lost.

In the case of Mbanja ward, where the government plan for the LNG plant to be built, those with small businesses and are not farming wanted the investment to take place very fast so they could engage in businesses with the population that will be working in the plant. This demonstrates the lack of knowledge on the part of the population on how large-scale oil and natural gas companies operate. As it was learnt in Mtwara, contract employments are only available in the beginning during the construction phase; and very few people are taken in marginal jobs such as drivers, cleaners and washing staff after that. Only a few who are skilled can be employed in operating machines.

Looking at the CSR conducted by the investors in petroleum in Mtwara, we find out that they do not match with the communities' expectations. The community was looking forward to benefiting from resources through employment, especially of the youths; and women were waiting for gas for cooking. The CSR has so far only focused on supporting the youth and women to become entrepreneurs. The assumption that everyone wants to do business, and do it on a small-scale (*machinga*-like[1]) is not only applied in Mtwara, but in the whole country. As it has been argued, CSRs are Eurocentric in nature (and I add, *capitalistic*), in thinking that the community aims only at making profits, while they want to restore their livelihood first after they have surrendered their only means of livelihood: land. In the process they actually uproot the communities, creating landless communities. Supporting agriculture transformation could be the kind of local-local content that could make a difference in an agrarian society.

It was learnt in Mtwara that youths were supported to supply vegetables, but they did not have farms. One of the local leader (name and title classified), took advantage of this loophole: he established a farm, hired youth to work in the farm, and made it look like the youth were the ones supplying the vegetables to the companies. This shows how those who have been given the authority to ensure that support goes to the community can usurp the benefits of such support for self-aggrandisement; simply because they have power in terms of cash and decision making, and resources such as land. Thus, such future arrangements could benefit the targeted groups by buying them land from which to operate. In this scenario, investors expected the government to provide land to the youths as they had guaranteed to buy their products.

CSR and local content provide avenues for local communities to benefit, but the most substantive part of support to the local communities comes from revenue as it is stipulated in the Oil and Gas Revenue Management Act of 2015; and the Local Government Finances Act: that 0.3% of value-added tax and excise duty will be paid to the communities where gas is extracted. In Songosongo, this has been done by the SONGAS and Pan African companies; while in Mtwara rural it has been done by the TPDC for the Madimba gas processing plant. However, the snag here is that funds are deposited in district accounts; and can be used to support other activities in the district without the involvement of the intended beneficiaries.

In Songosongo, the money used to be remitted to the village until closer to the 2015 elections, when it was stated that it had been borrowed for the construction of

[1]*Machingas* are youth petty-traders matching on the streets with items for selling in their hands. They used to be mostly male, but now women and girls have joined the bandwagon.

laboratories and the purchase of desks. However, villagers associated this with a loan to finance elections, and expected it to be repaid. The money that is usually given for both Kilwa (Songosongo) and Mtwara (Madimba) is between TZS100–150m. So, the challenge was on how the district could raise that much money to repay the village. On the other hand, the fund in Mtwara was reported, by the regional office, to have been used in the "usual programme on women and youth." However, it was found that such youth and women 'development programmes' had been politically influenced as most of those who benefitted were linked to some political figures, or had political connections to the ruling party (Interview with the youth, 2015). In addition, a total of TZS250,000 per village was given for cleaning and guarding the pipe way. This amount can vary depending on the size of the area covered by the pipeline in the village.

Villagers expect that investors will fulfil the promises they gave during the introduction of projects and land acquisition processes. Most of these are social services such as schools, hospitals, and water. In Songosongo, most of this has been done; but in many other places these are mere promises. The provision of such social services, which is the duty of the state, only depend on CSR money; and not cash from gas revenues. As a result, many of these communities where resources are extracted are poor and are left with no hospitals, schools or water despite the revenues accruing from gas extraction. One should add that the construction of infrastructures also brings with it in-migrants, which in turn increases the population, and consequently the demand for services that are already stretched.

Therefore, the way the local content in the natural gas in Tanzania is organized will not carter for the local-local content: it only promotes the national business sector, which is linked to the international one. Due to demand for goods with 'standards' to be delivered at specified times, and in large quantities, these conditions have been the main challenges to small-holders farmers and businesses in these localities in taking part in the natural gas economy. The local-local content in the case of natural gas should consider the extent to which the spill-over effects will trickle down to the rural masses in areas where the resources are extracted. The planned fertilizers industries are likely to employ many locals, but will also lower the costs of fertilizer; and these will in turn reduce the cost of farming and increase agricultural production. Fishers in Msimbati and Songosongo explained how they have benefited from electricity as they can now store their fish in refrigerators and sell in large quantities. These are some of the advantages of gas investments to the local population that should be enhanced.

Conclusion

This study calls for a review of different frameworks for benefitting local communities where natural resources are extracted. It has reviewed ten frameworks, and focused on the needs and expectations of the local communities resources are extracted. It has shown that the current local content for natural gas and petroleum in Tanzania is likely to benefit more the business class and not the rural poor farmers. While the business class plays a major role in the economy, it is a very small class.

Modified SLO and CSR frameworks can be used in the place of revenue. CSR needs to be linked to the dominant sectors in the community to add value. Developments in the communities will subsequently add to national development, and reduce regional and class inequalities. Both SLO and CSR are sustainable development tools. The former allows for community participation in decision-making, while the latter provides for the social, economic and environmental needs of the society. It is this combination that will add more value to the community.

The paper has observed that the Tanzania local content as it is designed today has not taken into account the local context as it does not match with the expectations of the local communities. These communities are expected to take part in business opportunities, but the majority are in farming. Also, investors' firms require goods of high 'standards', which even the few existing local businesses cannot compete to provide. Thus, in Lindi and Mtwara regions there are tensions between investors, the state and the communities on the 'standards' to be used. Also, the local population think the 'North' are taking their jobs and the business opportunities. Such negative perceptions constitute a resource curse in the making.

Oil and gas agreements, which are done under extreme secrecy and politics, have had a negative impact on development. To redress this, there is a need to re-design the local content in such a way that it caters for different communities with backward and forward linkages and spillover effects (Adedeji, 2017). As it is, the current local content designs add to unrealistic expectations, and creates the 'Dutch disease'. In fact, "a resource curse without investments" is taking place in these localities.

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