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Negotiation of Contract and Resource Blessings: Case Study Tanzania

Dafina Daniel Ndumbaro

PhD Candidate, Koguan Law School, Shanghai Jiao Tong University,
LLM Xiamen University China,
Advocate of high Court and subordinate court thereto Tanzania,
Legal officer, Ministry of Labour Tanzania

Abstract

According to the International Monetary Fund's (IMF) Country Report No. 14/121 May 2014, Tanzanian government could be looking at peak of USD 5-6bn revenue (resource blessings) each year between 2029 and 2044 from natural resources (oil and gas) revenue. However, there are challenges associated with the nature of contracts/agreements entered with international companies there is a likelihood that, if not properly negotiated may end up into resource curse. Resource blessing has been studied by number of researchers, however, most of the study analyses resources blessings associated with good administration of natural resources such as lack of corruption, strong rule of law and financial system. However this paper considers blessings in relation to the root cause which is contract formation, stressing on negotiation. The study draws attention on the importance of contract negotiation in relation to natural resource blessings or benefits in Tanzania. The study explores how Tanzanian' government experience negotiations and how successful negotiation bring about resource blessings. The effect of poor negotiation has been investigated too. The analysis based on existing legislations, books, articles, online sources and production sharing contract in order to ascertain the challenges and effect of productive negotiation in Tanzania. The study recommend that, negotiation is primary factor in natural resource blessings, therefore need to be taken with great care to bring productive contract or resource blessings.

Key Words: Tanzania, Negotiation, Natural Resources Contract, Resource Blessings, Resource Curse.

Introduction

Sustainable development of a country among others depends on the minerals mined from the earth (Rejoice F 2015), Natural resource endowments contribute much in countries GDP. In Democratic Republic of Congo 59.8 per cent of GDP are from natural resources, Kuwait 59.1 per cent, Equatorial Guinea 53.9, Libya 47 per cent and Saudi Arabia 46 per cent are from natural resources (World Bank Group 2019). Natural resources have helped many countries, including Australia, Canada, Finland, and Norway, to grow and diversify, in part by providing a basis for developing associated technologies and capital goods industries (World Bank 2001). Discovery of natural resources act as catalyst for development and can contribute positively in country's economy (Tanzania Investment Centre 2004). However, discovery alone has nothing to do with development of economy of the country (Khadijah M 2010) if problem of strong foundation of contract negotiation met successfully (IMF 2014). If done effectively in a single generation, converting these nonrenewable natural resources into capital can allow a country to transition from poverty to at least middle-income status and enable its citizens to enjoy a better quality of life (Peter D2017) from resource blessings.

Resource blessing has been studied by number of researchers (Frederick V 2011); however, most of researcher analyzes the blessings in relation to good administration of natural resources, lack corruption, strong rule of law and financial system. However this study brings analysis of resource blessings in relation to root cause which is contract formation, stressing on negotiation.

Negotiation lay foundation of successful resource blessings, is the key entity in the formation of successful contract (Samira K 2014) that is, poorly negotiated natural resources contract is the root cause of contractual instability and fall short of tax raising potentials (Peter D 2017). Instability is caused by action of government to rescue the blessings from curse, that is, the government may be forced to review the contract for the reason of public interest. This was clearly depicted in 2012, when Tanzania government reviewed all investment contracts for reasons of public interest. The contracts were poorly negotiated hence fall short of tax raising potential (Standard Chartered Bank). Poorly negotiated contract calls for regular review of contracts. Regular review creates instability in the investment (Peter D 2017) and has effect of reducing revenue captured by the parties. Zambian government was the fact to this issue, the government poorly negotiated copper investment deal with foreign investors (Zambian Government 2000), which bring about resource curse to the government, as the negotiators failed to raise revenue share of royalty rate. They negotiated and fixed the royalty rate for copper at 0.6 percent of the gross revenues of the companies, less beneficial compared to statutory royalty rate of 3 percent of a company's gross revenues under the repealed *Mines and Minerals Act* of 1995 (John L 2008). After few years the government ends up into unilateral review the signed contract for the benefit of public. Successful natural resources contract is outcome of negotiation (Abhinay M 2006), this is to say, if negotiation not successful, a part actually loses the contractual deal (Samira K 2014). Negotiation of contract needs special attention (Nair A. S, and Stafford, E. R 1998) for the host state to realize the blessings of natural resources (Tanzania IMF 2014).

Survey report conducted by World Bank Group shows that, energy contributes much in Tanzania economy compared to other sectors. Twenty nine (29) percent of Tanzania economy is from energy and energy sector ranked to be third most important sector (WBG 2014). Despite its contribution to country's economy yet the government reported to receive minimum share of revenue in natural resources compared to other countries which is less than ten percent (10%) and ranked to be the last one in the world between year 2000-2011(Peter D 2017).

Chief Secretary of Tanzania (Ombeni Sefue) has this to say during officiating six months capacity building to the oil and gas negotiation team. *"Negotiating oil and natural gas agreement with international oil companies is a challenge which government of natural rich resources countries from Africa must address". The international oil*

companies can afford to bring with them the best technical fiscal and legal capacity in the world, backed by wide and lengthy experiences in the field. So the first challenge we face is one of negotiating power asymmetry between the high under sourced African government and high resourced international oil companies” (The Citizen 2015).

Similarly, review was conducted by special committee from Member of Parliament in oil and gas contract in order to determine in what extend Tanzania benefits from oil and gas exploration and ensure maximum benefits are received by the government. The review based on eleven samples of concluded contract in oil and gas .The committee come out with the findings that; there are loopholes in investment contract which lead to less revenue capture of US 128 million, that is, there is resource curse of US\$ 128 million in Tanzania from the reviewed contracts. The signed contracts found to have disadvantaged the country. The loopholes are due to poor negotiation in the contract by government side. The review further reveled that, instability in the investment caused uncertainty and discouraged investment, instability was measured to be 15% dip in foreign direct investment in 2016 and expected to increase if the situation will not be handled (Parliamentary Special Committee 2018). Poor negotiated contract is root cause of all that is, poor negotiation is the root cause of resource curse.

According to the International Monetary Fund's (IMF) Country Report No. 14/121 on the United Republic of Tanzania (URT) published in May 2014; the Tanzanian government could be looking at peak of USD 5-6bn revenue each year between 2029 and 2044 from natural resources (oil and gas) revenue (Tanzania IMF 2014). The report further reveals that, however, there are challenges associated with the nature of contracts/agreements entered with international companies in Tanzania. As a matter of fact, there is a likelihood that if not properly negotiated Tanzanians’ sky-high expectations from the burgeoning natural resources sector could end up in vain(Tanzania IMF 2014). It was further depicted that, negotiation remain as challenge in investment contracts in Tanzania (Parliamentary Special Committee 2018), that is, negotiators fail to bring good deal for government during negotiation process. Despite that there are depicted negotiation challenges, yet none of investment laws or policies addresses the issue in Tanzania. Negotiation of contract is seen as more practical standing outside of substantive law; the law of contract and natural resources laws has nothing to do with negotiations of investment contract. The Acts just lay down general concept of contract and management of natural resources respectively after exploration. Beneficial and stable natural resources investment is outcome of successful negotiation. Successful negotiation may bring good deal to the government, guarantee stability to investors, reduce conflict and facilitate sustainable economic development which can be termed as resource blessings in Tanzania.

Against this backdrop this paper bring analysis of root cause of resource blessings which is negotiation of contract in Tanzania, focusing on the challenges associated with negotiation and effect of poor negotiation are studied. It also analyzes how the government experiences negotiation of natural resources contract.

The Tanzanian government adopted modal production sharing contract which act as a basis for negotiations, however, provisions of the model may change depending on the interest and negotiation ability of other part (investor). Having expert negotiators from government side is vital for the government to have resources blessings and creating stability of contract. The government challenge of receiving less share of revenue in natural resources or resource curse can be minimized to great extent if negotiation properly handled. The study is of the view that, negotiation is the key issue in natural resources investment contracts; therefore need to be properly handled. The study further recommends that, a need of having capacity building for negotiators and negotiation guideline is essential to bring about resource blessings in Tanzania.

Resource Blessings

It is presumption that, countries endowed with natural resources are economically more advantageous than countries having less or not endowed with natural resources. The concept of resource blessings come into being whereby countries blessed with natural resources managed to take advantage from their natural resource and gain benefits (Essay UK 2013), example Australia, Canada, Finland, and Norway. However, if countries with abundant natural resources failed to manage the resources to gain benefits, example Venezuela, Angola and Democratic republic of Congo, this can be considered as resource curse (World Bank 2001).

Number of authors debated on what is called resource curse (Christa N 2008), however much attention has been paid to the management of revenues (Peter G 2014). Some bring up analysis on impact of abundant of natural resources in relation to economic growth (Alexeev M and R. Conrad 2005) to justify resource blessings or curse. However, root cause or primary factor for resource blessings or curse is formation of contract whereby most of researcher did not put into consideration into their analysis.

When there are discoveries of natural resources public keep eye open to see how will benefit from discoveries (East African 2013). Currently (2017) were reported vast discoveries of oil and gas fields in Tanzania. Discoveries estimated to 57 trillion cubic feet (Tanzania Invest 2018). Given continued offshore discoveries to date and continue growth in proven gas reserve is likely to continue into more future (Bright Africa 2016). However discovery alone has nothing to do with resource blessing (Khadijah M 2010), if there is no strong foundation of natural resources investment contract (Tanzania IMF 2014), on which this study considers as primary factor for resource benefits or blessings.

International Monetary Fund's (IMF) Country Report No. 14/121 on the United Republic of Tanzania (URT) published in May 2014; reveals that, Tanzanian government could be looking at peak of USD 5-6bn revenue each year between 2029 and 2044 from natural resources (oil and gas) revenue (Tanzania IMF 2014). The report further reveals that, however, there are challenges associated with the nature of contracts/agreements entered with international companies in Tanzania. As a matter of fact, there is a likelihood that if not properly negotiated Tanzanians' sky-high expectations from the burgeoning natural resources sector could end up in vain (Tanzania IMF 2014). It was further depicted that, negotiation remain as challenge in investment contracts in Tanzania (Parliamentary Special Committee 2018), that is, negotiators fail to bring good deal for government during negotiation process. Negotiation processes not only about distributing, rents, but also about distributing risk (Peter G 2014). Basing on this analysis it is clear that, poor formation of contract especially negotiation is the root cause of resource blessings. That is, if contract poorly negotiated may bring less or nothing to the government hence resource curse.

Negotiation

Negotiation is key factor in contact formation: it is also crucial to sector performance (Anderson E W and Weitz B A 1998) as it involves exchanges of bargaining between parties which is a key factor in understanding the role of parties (Bagozzi R 1975) in the investment contract. In negotiations all parties discuss terms and conditions to reach an agreement. Negotiation is investment dialogue between parties intended to inter into investment contract, it is pre contractual stage which set foundation of contract. **Marsh defines** "negotiation is two or more parties with common (and conflicting) interests who enter into a process of interaction with the goal of reaching an agreement (preferably of mutual benefit)" (Hendon, R A et al 1996). From Marsh definition of negotiation parties are having both common and conflicting interest, the challenging part of negotiation is how to win or balance conflicting interest in order to bring resource blessings during negotiations. That is, negotiation is very important especially when the parties' technology, cultural and economic systems are different (Samira K Mohamad H).

2014). Parties enter into negotiation dialogue with different objectives, the government may intend to have control of natural resources at same time to maximize revenues, while investor may intend to limit risks and obtain return. Parties need to balance interest of each other to reach mutual understanding during negotiation in order to attain beneficial to host state (resource blessings) and stability of investment. Negotiation is one among key issue in building blocks in contract which determine value and standard of contract. Negotiation is determinant factor for investment benefits (Samira K 2014 and Mohamad H 2014). Therefore needs special attention, otherwise may end up into resource curse. In negotiation number of issues need to be taken into consideration, government should set parameters on what issues to negotiate, what time will be appropriate for negotiation and what contract structure to carry out the investment. That is host state need to be very careful and detailed negotiating natural resources contractual provisions in order to bring resource blessings, such as, investment guarantee, oil and gas price, tax issues, compensation any case of performance failure or violation of contractual terms. However other factors such as settlement of disputes, how to protect health and environmental during and after exploration activities, provision for guarantee performances such as monitoring and evaluation of performance, governing laws, detailed work program from investor, force majeure clause, termination and performance clause as to when the contract will be interred into force should not be neglected because has effect to resource blessings.

Research reveals that, most negotiations occur under power asymmetry (Gummeson E 1996). Level of power asymmetry differs from one jurisdiction to another depending on the level of sector development. Negotiation power asymmetry between parties lies principally in the nature of the participants' experiences and skills acquired for negotiations. However, it was reveals that, it proves difficult to maintain power asymmetry (Yovovich B.G 1991). Power asymmetry during the negotiation process has been widely investigated (Christian G and Jolibert 2011) as it has effect to play with losing investment revenue and brings resource curse. That is differences between the partners' levels of power to negotiate have crucial influence on the negotiation process (Kumar N 1998) and impact investment contract. *In this context power to negotiate is ability to convince and let other part agree with your opinion or wish/ ability to persuade someone to do something which is out of her plan.*

The positive outcome of a negotiation is assumed to be the realized out of power to negotiate (Kim P H et al 2005). The realized power to negotiate among others is determined by the negotiators' gains. Clopton S.W is of the view that, individual gains as one among negotiation outcomes in investment (Clopton S.W 1984). That is, well trained and well paid negotiator can bring positive result in negotiations deals and vice versa is true. It was observed that, the foreign investors can afford to maintain well trained negotiators by paying good salaries and allowances in order to bring good deal to them during negotiation process (The Citizen 2015). While in other side of coin most of developing countries' government like Tanzania cannot afford to train and maintain negotiators who can bring good deal during negotiation (The Citizen 2015).

Most of the investors wish to invest among others if there is contractual security of tenure (Peter D 2017). The contractual security of tenure is outcome of number of factors not limited to political stability, financial sector stability, and abundance of natural resources, favorable climatic conditions and location of the country (Bank of Tanzania 2006). To guarantee security of tenure, among others there is a need of beneficial and stable investment contract between parties. The beneficial and stable oil and gas contract is outcome of successful negotiations. Natural resources contract is the most important document in investment dealings, it is the instrument that lay down duties, responsibilities and how benefits of the investment will be distributed by parties. Therefore negotiation needs special attention for the host state to realize the blessings of resources. It is primary determinant of benefits or blessings of natural resources, that is, poor negotiated contract fall short of tax raising potential (Peter D 2017) and vice versa is true.

Negotiation of Natural Resources Contract in Tanzania

In Tanzania negotiations is performed by the team of twenty five(25) multi-disciplined negotiators who have been drawn from: the Ministry of Energy and Minerals; Tanzania Revenue Authority (TRA); Ministry of Finance; Ministry of Labour, Employment and Youths; Attorney General's Chambers (AGC); Tanzania Electric Supply Company (TANESCO); Ministry of Industries and Trade; Tanzania Petroleum Development Corporation (TPDC); Planning Commission; State Mining Corporation (STAMICO); the Prime Minister's Office; the Bank of Tanzania (BoT); the University of Dar es Salaam (UDSM); and the National Environment Management Council (NEMC). The negotiation team is required to learn, understand, research, explore and, negotiate for the benefit and best interest of Tanzanians. Negotiators need to train themselves with bargaining tactics in order to strike balance between investors and the government (Daily News 2015). Despite negotiators are drawn from different disciplines still not capable to compete with negotiators from investors who are more skilled. This leads most of the time Tanzanian negotiators being criticized by media, civil society and opposition politicians for failure to bring "good deal" to the government or resource blessings during negotiations (Wiki Open Oil 2018).

Most of negotiation fails to bring resource blessings to the government due to negotiators skills' shortage. States developing their Extractive industries sector must have sufficient institutional capacity (Raw Material Group 2011). Skills shortage is depicted in most oil and gas sector in African countries (The Choice to Change 2016). Despite Tanzania government keeps on improving the sector, but still do not have sufficient expertise to run oil and gas sector (The Citizen 2015). Recently the government call for tender to engage expert human resources to assist negotiation' team in investment contract (Tanzania Invest 2018), in order to get rid with resource curse. However, the government spend a lot of money from donors to hire consultant, whereby if there will be well trained local human resources the money would be used in other development agenda. The government need to equip negotiators with capacity building to enable negotiators to strike balance between the government and investors, as balanced and successful negotiation may result to more revenue capture, stability in natural resources investment in hence resource blessings Tanzania. Poor negotiated investment contract has negative impact to revenue capture, stability in investment (Peter D 2017), hence resource curse. If a part did not attain successful negotiation loses the investment deal (Samira K 2014). This was clearly seen in contract between government of Tanzania and Statoil/ExxonMobil (Kabwe Zitto 2014) on which it was claimed to be poor negotiated and fall short of revenue capture to the government.

Negotiation Challenges

Negotiation is common challenge in most of developing countries like Tanzania (The Citizen 2015). Most of developing countries lay down policies that may attract investors with resources and expertise to exploit and market the gas, however when enter into negotiation deal they find themselves in weak position to win the deal, due to lack of negotiation expertise and knowledge. Opposite party who is investors well equipped with financial resources, knowledge of oil and gas activities and more expertise in negotiation of investment contracts, for that case, there is no equilibrium in negotiation between host government and investor.

International Monetary Funds' (IMF) Country Report (Tanzania IMF 2014) reveals that, there are challenges associated with the nature of contracts/agreements entered with international oil and gas companies in Tanzania, most of them not properly negotiated these may slow back economic transformation expectation in Tanzanians. The parliamentary special committee conducted review of eleven oil and gas investment contracts. The committee came out with the findings that; there are loopholes in investment contract which lead to less revenue capture of US 128 million that is Tanzania loses US\$ 128 million as revenue in the reviewed contract. The signed contract found to have disadvantaged the country; further the contract revealed that, instability in the investment

caused uncertainty and discouraged investment, instability was measured to be 15 per cent dip in foreign direct investment in 2016 and expected to increase if the situation will not be handled (Parliamentary Special Committee 2018), poor negotiated is root cause of all. The special parliamentary committee is the view that, if the negotiation challenges not properly handled there is a likelihood that Tanzanians' sky-high expectations from the burgeoning gas and oil sector could end up in vain. The committee further revealed that, the negotiators negotiated off-shore royalty rate of 5 per cent less than entitled which is 7 per cent, and government through TPDC supposed to acquire participating interest of 25 per cent as minimum share but the interest acquired was between 5-20 per cent. Basing on parliamentary committee findings it is clear that, negotiators failed to raise the share above the fixed amount instead they accepted the share below the amount set by model production sharing agreement. Negotiators deviation from the model PSA, resulting in a significantly lower government take, this denotes that the government lacked the capacity to negotiate contracts (Bærendtsen P 2014), hence resource curse. Similar case happened in the government of Zambia, the negotiators failed to raise the share in turn leads loss of resource curse of USD 20 million to the government, there after the government unilaterally change the terms of contract to get rid with resource curse(Christopher A and Anthony M 2010). Affirming negotiation challenges Chief Secretary of Tanzania (Ombeni Sefue then was) has this to say during officiating six months capacity building to the oil and gas negotiation team

“Negotiating oil and natural gas agreement with international oil companies is a challenge which government of natural rich resources countries from Africa must address. The international oil companies can afford to bring with them the best technical fiscal and legal capacity in the world, backed by wide and lengthy experiences in the field. So the first challenge we face is one of negotiating power asymmetry between the high under sourced African government and high resourced international oil companies” (The Citizen 2015).

When two parties entering into a contract, their relative bargaining power affects the terms of their deal (Albert C and George T 2012). That is, the party with strong negotiation power may reap most of benefits in the intended investment. Negotiation power asymmetry leads to low initial offers and may lead to less favorable negotiation outcomes (Dwyer R and Walker O 1981) such as less revenue capture and instability hence resource curse. Less revenue capture and instability play great role in economic stagnation of a country. To make equilibrium, government should, lay down parameters for negotiations and legislate main negotiation issues such as taxes, royalty rates, technology transfer and local sourcing. However in some jurisdiction like Iraq (Stanford law school 2018) they went far by enacting revenue sharing laws which are not subject to negotiations. In Tanzania attempt has been made by briefly legislating important issues such as distribution of oil and gas revenue percentage. The percentages has been lay down in model production sharing agreement, however still is subjected to parties' negotiation.

It was observed that (Wiki Open Oil 2018), one of the challenges besetting young resource-rich countries such as Tanzania is the absence of a competent multidisciplinary team to negotiate oil and gas deals with investors. Recently the government call for tender to engage expert human resources to assist negotiation' team in investment contract (Tanzania Invest 2018), in order to get rid with resource curse, However, the government spend allot of money from donors to hire consultant, whereby if there will be well trained local human resources the money would be used in other development agenda. **Radon** is of this observation: natural resource contract' negotiations wide range of complex factors, from technical construction standards to equipment depreciation schedules, not to mention commercial and legal matters, Negotiators play an important role in successful-negotiations (Jenik R 2006). Poor negotiated investment contract create instability and fall short of tax raising potentials (Peter D 2017), hence resource curse.

It was further observed that States developing their Extractive industries sector must have sufficient institutional capacity (Raw Materials Group 2011). Human resources have positive effect to economic growth of a country; human resources plays key role in the management of oil and gas sector (Othman Y 1990) and meet the demand of economic development (Othman Y 1990). Human resource is one among the factors that affect foreign direct investment flow in natural resources sector (Talat A and Mian S 2007) in the world. Lack of trained human resources leads to lack of competitiveness in the in the world economy and adapt to the new technologies (Talat A and Mian S 2007). Human resource development is the essential precondition for country's international competitiveness by promoting social and economic development as well being of the people (Khan A 2007), or resource blessings.

Apart from lack of competent negotiators to undertake negotiation deals, there is lack of negotiation guidelines. It was observed that, negotiations on government side proceed slowly because of goal complexity, contradictory values, carrying forward individual interest, lack of transparency, and a lack of preparation of negotiators (Robin B 2013). Different author's views that, negotiation of contract is more practical, standing outside of substantive law, however, host state laws need to establish some enabling foundations of the negotiation as back up to practical. Despite having some substantive law backup provisions for negotiation in Tanzania the provisions are not detailed to curb number of issues which may contributes positively to resource blessings. A need for having negotiation guideline to backup practical aspect of negotiation is essential to guide negotiators from government. Negotiation can be stressful and they are often laced with un-expected challenges and frustrations, when situation get tough it is easy to lose sight (Keld Jensen 2011). Lack of plan, competent person and lack of feedback and self assessment may contribute to negative outcome for negotiation deal, if a part did not attain successful negotiation he actually lose the investment deal (Samira and Mohamad H 2014). Good negotiation outcome are result of number of factors includes plan for negotiation, competent negotiator feedback and self assessment for negotiators. Marsh is of this view, successful negotiation need to have plan (P Marsh 1984). The plan should set clear management of targeted objectives on which negotiation team will use as a guide in negotiation deals in order to attain government objective.

Successful negotiation can be attained among others with guideline for negotiators. Negotiation guidelines are the rules that guide negotiators through acceptable principles into reaching the intended negotiation goal. In Tanzania despite the fact that there is established team of negotiators to take negotiations in natural resources deals, but negotiation is considered as free zone, there is no a negotiation guideline or code to guide the team into successful negotiation. Successful negotiation is the tool for stability and more revenue capture. If a part did not attain successful negotiation actually lose the investment deal (Samira and Mohamad H 2014) or bring resource curse.

Effect of poor negotiated contract

Most of parties' claims that entail liability against other part in natural resources investment are due to poor negotiated contract (*SCB HK Vs TANESCO 2002*). Poor negotiated contract has effect to liabilities and instability of investment which has negative impact to revenue captured and economic transformation. Well negotiated contract have effect to minimize claims and liability issues. Claims and liability has effect to erode benefits of natural resources investment or bring about resource curse. Successful negotiations (Samira and Mohamad H 2014) of contract have great impact on the success of the contract performance (Samira and Mohamad H 2014). Validity of this was cleanly seen in contract between government of Tanzania and Statoil/ExxonMobil (Kabwe Zitto 2014) in which it was claimed to be poor negotiated and fall short of revenue capture to the government. Similarly in the case of ***Tanzania Minority shareholders (VIP) Vs Independent Power Tanzania Limited (IPTL) HC, Civil case 2002***, whereby Tanzania Minority Shareholders (applicant) and Independent Power

Tanzania Limited (respondent), entered into agreement for supply of electric power in Tanzania. The contract was poorly negotiated by government side. Few years' later government realized there are no benefits captured from the said deal, the government did not wish to honor the terms of contract therefore ceased to pay for the service rendered by respondent (investor). Respondent referred the matter to International Centre for Settlement of Investment Dispute (ICSID), on which ICSID issued an award against respondent for payment of USD 148 billion. That is to say The Tanzanian government was required to pay of USD 148 billion (ICSID Case No. ARB/10/20). The amount eroded all accrued benefits from investment, terminates relationship between investor and government and creates economic dim of the country or resource curse. Well negotiated contract plays great role to minimize contractual liability, that is, well negotiated contract call for smooth contractual performance, which has effect to minimize contractual liabilities (Craig F and Stanovich A 2002). Janette has this to say, liability bring interference to contractual relationship and affect contractual stability (Jeannette A 1998).

Poorly negotiated contract has effect to bring about regular reviews of contract by government hence creates instability in investments. Economists consider instability as a serious decrease which is harmful to economic performance (Abdul M and Mansur M 2017). In 2008, the Tanzania government unilaterally removes the stability clause from oil and gas investment contracts for public interest. Similarly in 2012 the minister announces reviews of all existing production sharing contracts for public interest. In 2017 the government enacted laws (Permanent Sovereignty Act 2017) empower the government unilaterally amend the terms of investment contract if it is not for public interest and if investor did not wish to renegotiate. The unilateral interventions of government to rescue the resource blessings from being curse resulted from poorly negotiated contract. Same case depicted in Zambia, whereby Zambian government signed eleven agreements with investors which was poorly negotiated. The government agreed that, will not, for periods ranging from 15 to 20 years, increase corporate income tax or withholding tax rates applicable to resource extraction companies, or otherwise amend the value added tax and corporate tax regimes, or impose new taxes or fiscal imposts, including new import or export duties or other new duties or new royalties that could have a material adverse effect on the company's distributable profits or dividends (Thomas B 2010). The government was blind subjected itself from resource curse by tying itself from the contract which was not for public interest. The government poorly negotiated very wide stability clause without considering how it may affect revenue of a country. The government realized that, was losing a royalty of US\$20 million from the combined gross proceeds of US\$3.4 billion in 2007 because of the low royalty rate of 0.6 percent poorly negotiated in the agreements less than the one stipulated in the Act which was three percent (Christopher A and Anthony M 2010). To rescue the curse the government unilaterally reviewed all contract for public interest. Unilateral review of contract may distort harmony in investment and affect negatively stability in investment hence resource curse. Stability in investment plays crucial role in economic transformation in the national economy investment (Jahangir C 2016). That is, in most countries like Tanzania on which natural resources contributes much on financial return of the country will end up into resource curse.

Conclusion

Discovery of natural resources act as catalyst for development and can contribute positively in country's economy (TIC BOT and ZPA 2004). However, discovery alone has nothing to do with development of economy of the country (Khadijah M 2010) if problem of strong foundation of contract negotiation met successfully (IMF Tanzania 2014). Resource blessing has been studied by number of researchers (Frederick V 2011); however, most of researcher analyzes the blessings in relation to good administration of natural resources, lack corruption, strong rule of law and financial system. This study considers blessings of natural resources in relation to root cause which is contract formation, stressing on negotiation. The study analyzes, negotiation of natural resources contract,

taking into consideration how government experience negotiation in Tanzania. The effect of poor negotiated natural resources contract has been analyzed too. The study goes further by giving case study where by the government reviewed negotiated contract to get rid with resource curse, and when government faces resource curse due to contractual liability caused by poor negotiation which erode all of revenue captured in natural resources.

The study argued that poorly negotiated contract calls for liability and regular review of contracts. Liability has effect to erode all revenue captured and regular review creates instability in the investment hence resource curse. Beneficial and stable natural resources investment is outcome of successful negotiation. Successful negotiation may minimize regular reviews of contract by government, guarantee stability to investors, reduce conflict and facilitate sustainable economic development therefore resource blessings in Tanzania.

Recommendations

The Government needs to invest much in oil and gas institutions, especially in capacity building to local staffs. The government may employ exchange programs of staffs (within fixed time not less than one year), to high experienced oil and gas institutions within and outside the country, so that local staffs may be exposed to complex negotiation deals. The exchanged staff must work for the government. The government should maintain the trained staffs by offering better terms. Trained negotiators may make good deal to the government during negotiations and enable the government to have resource blessings.

A need for developing negotiation guidelines is essential in order to guide the negotiators in the negotiations deal. The guidelines need to address who is responsible to frame negotiation parameters, the goal or main objective for negotiation deal on which all negotiators are required to be clear on desired objective. That is negotiation scope with key information should be clear to negotiators. The guideline should establish the lead of negotiation with clear duties and responsibilities. The lead of negotiation should be competent with sufficient experience in the field and should avoid conflict of interest to avoid instability in contractual implementation. The guideline should set plan for negotiation, and monitoring of implementation of plan, monitoring and evaluation of negotiation deal, feedback, and self assessment for negotiators. Also the guidelines should let the negotiators responsible for any act or omission which leads to failure to bring good deal to the government.

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