

The use of production sharing agreements (PSA) as a strategy for attracting oil and gas investors in Tanzania

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This study focused on assessing the use of production sharing agreement (PSA) as a strategy for attracting oil and gas investors in Tanzania. The study was guided by two hypotheses as study predictors and oil and gas investors' attraction as the dependent variable. The study was performed using explanatory study design whereas knowledge generation was gathered using causal relationship approach. The study generated information using 68 questionnaires which were supplied to the respective case studies that is government entities responsible for production sharing agreement (PSA). The data collected was organized and analyzed using STATA, which host a number of analytical tools including Ordinary Least Square (OLS) regression which was used in the study to show relationship between study variables. This study in the provide different findings, however, one study hypotheses is the profit sharing structure under PSA was found positive and statistically significant on the attraction of oil and gas investors. The implication is that oil and gas investors through production sharing agreement (PSA) are strongly influenced by the percentage of profit sharing between the government and the investor. The second hypothesis being the tax incentives under PSA was found to be negative and not statistically significant on the attraction of oil and gas investors. This could be due to the fact that the incentives offered are biased depending on the strength of economic system, (Slemrod, (1981)). The study recommends that the government must frequently review the oil and gas sector and enact legislations that will ensure a win situation for both the Host Government and the investors. Proper and fair negotiation of the profit distribution structure under PSA have to take place to ensure a balance within the conflicting goals between the government and the investor. Further studies should be done on the challenges that investors face when negotiating the oil and gas agreements. Also, studies should be done on how to improve the oil and gas agreements so as to obtain maximum investment in the sector.