Mozambique: Government Restates Commitment to Eiti

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Maputo — Mozambique’s Deputy Minister of Mineral Resources, Abdul Razak Noormahomed, on Friday reiterated the government’s commitment to the Extractive Industries Transparency Initiative (EITI).

Mozambique was accepted as an EITI candidate country in May 2009, and a Coordinating Committee has been set up to implement the Initiative in Mozambique, consisting of four representatives of the government, four from civil society, and four representatives of mining and oil companies.

The purpose of EITI is to ensure that all revenue received by governments, and all payments made by companies, resulting from mining and hydrocarbon exploitation are made public. Through such transparency, said Razak, “it is intended that the revenues obtained from extractive industries should contribute to the socio-economic development of the country”.

EITI is an initiative proposed by former British Prime Minister Tony Blair in 2002. The EITI website describes the initiative as “a coalition of governments, companies, civil society groups, investors and international organisations”, which “supports improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining”.

EITI points out that the exploitation of mineral resources should generate large revenues that can be used to reduce poverty, but when governance is weak, those same resources “may result in poverty, corruption, and conflict”.

The membership process is long and rigorous, and so far only two countries - Liberia and Azerbaijan - have been declared as “EITI Compliant”. To achieve this status, a country must complete an EITI Validation. All EITI candidate countries must complete their validation within two years of being accepted as candidates, or they risk being sent back to square one. So Mozambique must complete its validation by 2011.
The Validation is done by an Independent Validator chosen by the multi-stakeholder group - in Mozambique’s case, the Coordinator Committee, which Razak said is already holding regular meetings.

To implement the Initiative, via the Coordinating Committee and its Secretariat, the government is proposing an allocation of 1.5 million meticais (about 54,500 US dollars) from this year’s state budget.

Razak denied that EITI is a foreign imposition on Mozambique. On the contrary, he argued, it complements the principles of transparency that Mozambique is already applying. This includes such measures as the auditing of the state accounts by the Administrative Tribunal, and the public Mining Register, which can be consulted by any citizen. This shows which areas of the country have been allocated to which companies or individuals for exploration and hence which areas remain free and can be applied for.

Razak stressed that all contracts in the hydrocarbon and mining areas are awarded after public tenders, and must be approved by the Administrative Tribunal.

The laws on taxes paid by mining, oil and gas companies were revised in 2007 so as to make them uniform and to increase government revenue. Razak pointed out that the royalties paid to the government have increased to six per cent of all gas discovered, and ten per cent of all oil (in addition to the various other taxes that the companies must pay). Negotiations with companies are based on standard contracts that are publicly available on government websites.

But Razak added that the new rules are not retroactive - the government cannot change contracts that have already been signed, such as that with the South African petro-chemical giant SASOL for the exploitation of natural gas in Inhambane province.

All mining and hydrocarbon operations are subject to an obligatory Environmental Impact Study. The reports on environmental impacts are submitted to the Environment Ministry, and only after the Ministry’s approval is an environmental licence issued, without which no work can begin.
Razak pointed out that contracts with oil companies contain stringent environmental clauses, requiring the companies to take care of 100 per cent of any environmental problems, such as a spillage, and to pay for all damage caused.

Currently mineral resources account for less than five per cent of Mozambique’s GDP (mainly the Inhambane natural gas, and titanium ores exploited by the Irish company Kenmare in the northern district of Moma). But the importance of minerals is likely to rise rapidly when the new coal mining projects in Tete province begin production, and the picture will be radically transformed if the current exploration in the Rovuma basin, near the border with Tanzania, discovers oil.

EITI has already proved extremely valuable in highlighting the scale of abuses in some countries that are hoping to join the initiative. This in August a report released by the Nigeria Extractive Industries Transparency Initiative (NEITI) showed financial discrepancies and outstanding payments totaling over US$5bn for revenues generated by the oil and gas sector in 2005.

A thorough audit revealed huge financial discrepancies, mispaid taxes, and system inefficiencies. Thus the report found over 800 million US dollars of unresolved differences between what companies said they paid in taxes, royalties and signature bonuses, and what the Nigerian government said it received.