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Director: Marcelo Mosse

Research Director:

Adriano Nuvunga

Editor: Joseph Hanlon

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Rua Frente de Libertação de
Moçambique (ex-Pereira do Lago),
354, r/c.

Tel: 00 258 21 492335 - Fax: 00 258

21 492340 - Caixa Postal:3266

cip@cip.org.mz

www.cip.org.mz

Maputo-MOZAMBIQUE

Mining & oil transparency

Mozambique moves to implement EITI

All payments and receipts in the mining and oil and gas sectors starting from 2008 will be published in detail, the Extractive Industries Transparency Initiative (EITI) Coordinating Committee decided in a workshop in Maputo 19-20 May 2010.

Mozambique was admitted as a candidate member of EITI in May 2009 and must submit its first report to the EITI Secretariat in Oslo by 14 May 2001. EITI is based on comparing payments made by mining companies with receipts reported by government, and the committee decided that its first report should be for 2008, which is the most recent year for which data is available. Results will be reported on a reconciliation basis, with each side reporting by company and type of payment, for example: *Company: Sasol; Payment type: Company tax; Amount: X.*

All companies in the sector are covered, including those doing investigation and prospecting, and both state and private companies are included. All payments and receipts are to be reported, including taxes, contract signing bonuses, contributions by companies to training and capacity building, community funds, and social responsibility payments.

Any discrepancies between company and government reports will be investigated by an independent auditor (so long as the cost of the investigation is not more than the amount in question). Under rules set out by the EITI Secretariat in Oslo, the reconciliation and audit must be done by a recognised international audit firm, chosen by public tender. The Maputo workshop instructed the Committee Secretariat to draft terms of reference for selecting the audit firm.

The Coordinating Committee is headed by the Vice Minister of Mineral Resources, Abdul Razak, and has four representatives each chosen by government, civil society, and the mining companies. It has a five person



secretariat, who were hired by open competition and the posts were advertised in the daily *Notícias*. Candidates were interviewed and chosen by three members of the Committee.

The Executive Secretary is an auditor by profession and before joining EITI was internal auditor of the Nampula roads and bridges company (ECMEP - Empresa de Construção e Manutenção de Estradas e Pontes). One member of the staff is a driver, although the Committee has no car.

The participants in the Maputo workshop came from various places in Mozambique and included representatives from mining and oil and gas companies, ministries, national directorates, universities and civil society organisations. Guests came from East Timor and Liberia, and included the EITI director for English and Lusophone Africa, Eddie Rich. **Tomás Selemane**

Hold-ups in implementing EITI

First government was slow; now it's the World Bank

The process of implementing EITI now faces delays because of the failure of the World Bank to establish the Trust Fund intended to channel donor funds to the Minerals Ministry (Ministério dos Recursos Minerais, MIREM) to run the secretariat.

Last year, the process was delayed by the government. From May to December 2009, nothing was done to recruit a secretariat or define what Mozambique had to do to satisfy EITI, so it was impossible to hire the external auditor. Everyone in government was occupied with the election campaign and then forming the new government.

Once the new government was formed and it was clear that the minister and vice-minister of mineral resources had kept their posts, the process could finally start. Abdul Razak, vice minister and committee president, dynamic as always, raced to catch

Coordination Committee

Abdul Razak – Committee President

Government Representatives

Minerals (MIREM) – Benjamim Chilenge
Planning & Development (MPD) – Fausto Mafambissa
Environment (MICOA) – Paula Panguene
Finance (MFin) – Isabel Sumar

Civil Society

IESE – Carlos Castel-Branco
CIP – Tomás Selemane
SNJ – Ângelo Chipanga
UEM – Daud Jamal

Private Sector

KENMARE – Gareth Clifton
STATOIL – Paulino Gomes
ARTUMAS – Francisco Vieira
VALE – Amado Mabasso

The Committee normally meets twice a month.

Secretariate

Executive Secretary – Milagre Langa
Public Relations – Hélder Sindique
Driver – Sérgio Madede
Accountant – Alice Tibana
Auxiliar – Lério Langa

up. Plans for the secretariat were drafted and approved by the Committee and the team was recruited. Then the 19-20 May workshop was organised.

But the process cannot advance any further until money is available from the Trust Fund. The Secretariat has been operating for two months, but without a budget or salaries. The World Bank is not commenting officially, but informally puts most of the blame on the government for delays because of the elections. Abdul Razak only sent the formal request for money from the Trust Fund in March of this year. Apparently the request was agreed quickly, but the Bank's legal department has also

been moving very slowly in setting up the Trust Fund, and no money is available.

Implementation of EITI is considered by the International Monetary Fund (IMF) to be one the “benchmarks” for Mozambique, and this is set out in the November 2009 Letter of Intent. The first report must go to the EITI secretariat by 14 May 2011, if Mozambique is to be considered “compliant”; large amounts of data must be collected and audited in less than a year. So Abdul Razak and the Committee are running to meet very tight deadlines, without money. **TS**

EITI is only the first step

EITI in its initial conception is only comparing two sets of data – what companies say they give to governments and what governments say they receive. It seems a simple mechanical process. But it is a major step forward and politically very important because it makes transparent key information which was previously hidden.

Nevertheless, EITI is only a start, because the extractive industries are very complex, and much more information remains hidden – about the awarding and then trade in land use titles and prospecting licences, and about the mining contracts themselves. All of this is outside the ambit of EITI.

Secret contracts are a particular issue, and it is hoped that discussions on new legislation on mega-projects and public-private partnerships (PPPs) will bring a breath of fresh air into the debate. EITI does not say anything about contracts. East Timor (which had a representative at the May workshop) has made all contracts public.

As we note in the article below, there are huge conflicts of interest, with legislators, ministers, ex-ministers and the families actively involved in the mining sector. This should be open to public debate. Regulations approved in 2007 establish that the mining and oil and gas industries pay a part of their profits to the local communities

where they work – but this, too, appears to be outside EITI.

And there has been little discussion about the conflicts between mining and prospecting on one side and farming, fishing, hunting and tourism. Liberia, which also had a representative at the May workshop, has extended EITI to include the timber industry as well as mining.

Mozambique needs further debate on these issues. For example, some say that secrecy is at the very heart of negotiations and business deals. But when the secrecy covers public goods and services, then the heart of the negotiations too often turns to favouritism, diversion of money, theft and misconduct. The government says that contracts have anti-corruption clauses, but this is meaningless if there is no verification. To avoid misconduct, contracts need to be fully public.

EITI is only a start. This Committee, and the public in general, must look for much broader transparency. **Tomás Selemane**

EITI and how it works

The Extractive Industries Transparency Initiative (EITI, www.eiti.org) establishes global norms for transparent management of revenue from natural resources, through publication of payments and receipts and then comparing the two.

EITI was launched by the then British Prime Minister Tony Blair at the world conference on sustainable development in Johannesburg in September 2002, and followed up by an inaugural conference in London in June 2003. The initiative has support from the international community, notably the IMF and World Bank.

Membership in EITI is voluntary. Two countries, Liberia and Azerbaijan, are full members (called “compliant”) and 28 are candidates, including Mozambique and two of its neighbours, Zambia and Tanzania.



Civil society working on extractive industries

Six Mozambican civil society organisations (CSOs) have formed a coalition to work more broadly on the extractive industries, including forestry and fishing. It is linked to the global *Publish What You Pay* movement.

They are the Associação de Sanidade Ambiental (ASA; Environmental Health Association) and the Associação de Apoio e Assistência Jurídica às Comunidades (AAAJC; Community Legal Assistance Association), both in Tete; Associação para o Desenvolvimento das Comunidades Rurais (ADECOR; Rural Community Development Association) of Moma, Nampula; and three Maputo-based groups, Centro de Integridade Pública (CIP; Public Integrity Centre); the *Amigos da Floresta* (AdF; Friends of the Forest) and the Instituto de Estudos Sociais e Económicos (IESE; Social and Economic Studies Institute).

The first goal of the coalition is to implement EITI in Mozambique, and there are two representatives on the EITI Coordination Committee, Carlos Castel-

Branco of IESE and Tomás Selemene of CIP. But the coalition has a second, broader, aim of investigation, monitoring, and advocacy to turn the extractive industries into an instrument for dynamic sustainable development for the country, and which benefits the people. Therefore, although its initial focus is on EITI, the coalition will not be restricted to EITI.

Each of the member organisations has its own experiences and role. CIP is hosting and coordinating the coalition, and will stress networking and publicity, including a report on civil society and EITI and an EITI newsletter. CIP also hosts the Friends of the Forest (AdF) movement

IESE is coordinating research and publication of research results. It will look at the economics of the extractive sector, linkages, local governance, and alternative development strategies; it expects to produce four books on the extractive economy in Mozambique. IESE will also train local groups in research skills.

The Tete and Moma-based groups (ASA, ADECOR e AAAJC) will be directly involved in research and well as linking with local communities, government, and companies.

Mozambique's elite moves into the mining sector

The President, ministers, key Frelimo party figures, and their families have been attracted to the extractive industries, where they have significant business interests. An ongoing CIP study shows the following connections to companies which identify mining, mineral trading, or mineral exploration as one of their objectives:

President Armando Emílio Guebuza, through Intelec Holdings, in association with Shree Cement Limitada, created ECM - Elephant Cement Moçambique, Limitada, to mine limestone and other minerals.

Tobias Dai – ex-minister of Defence and brother-in-law of the first lady, is a shareholder of Tantalite Holdings, established in 2008 to, as the name suggests, mine Tantalite and associated minerals.

Valentina da Luz Guebuza, one of the daughters of President Guebuza, and her uncle José Dai (cousin of Tobias Dai) set up a

mining company, Servicon, Limitada, in 2008.

One of Guebuza's sons, **Ndambi Armando Guebuza**, set up Intelec B.A.C. - Business Advisory & Consulting, Limitada, which is linked to Intelec Holdings.

Environment Ministers **Alcinda Abreu**, in 2008 created Mozambican Investment Enterprise, Limitada, with Manuel Tomás Nhatumbo and Chivambo Samir Mamadhusen (the son of the late Muradhali Mamadhussem, who died with Samora Machel in the plane crash in Mbuzine).

Nelson Diogo da Silva, son of Albano Silva and former Prime Minister Luísa Diogo, with Lucílio Dias Diogo, established Duplo D, Limitada.

Flávio Efraime Pedro Taímo, son Pedro Taímo, the ex-Ministry of Labour representative in the then East Germany, and later South Africa, has with Marta Pedro Paulino and the Aldo Trust set up Gold International, Limitada.

The present Prime Minister, **Aires Bonifacio Ali**, last year became a shareholder in a mining company, Makala Investimentos. His partners are Alexandre Luis Venha and Augusto Alberto da Silva Chirindza.

Abdurremane Lino de Almeida, Vice Minister for the Civil Service, is linked to ABC e Comercio, Indústria e Servicos, Limitada with Aurélio Machimbene Matavek Júnior and Maria António Luís Mate.

Another senior Frelimo figure involved in minerals is **Adriano Fernandes Sumbana** who, with a Russian citizen, Alexei Skrinnik, created the Gold Mining Corporation (GMC). Partners in GMC include Navegação Internacional, Gráfica Tropicana Internacional and Mbimbi. Sumbana is married to the Mozambican ambassador to the United States, Amélia Matos Sumbana. Previously Adriano Sumbana established Delaware Trading, Limitada with Schefler Olga.

Minerais de Moçambique Lda (MIMOC) involves several important Frelimo figures, including Beira businessman **Ganha Ah Kom**, who was elected a member of the Frelimo Central Committee in 2006 at the 9th Congresso in Quelimane; **Joaquim Alberto Chipande**, ex-Defence Minister and member of the Frelimo Political Commission; and the current governor of Gaza, **Raimundo Maico Diomba**. Chipande is also part of Delta do Zambeze Limitada, with Barry John Swart, Paulo Samuel Machatine, Raymond Anthony Parkes and Leonor Paulo Tivane.

Former Education Minister **Alcido Eduardo Ngoenha**, also a Frelimo Central Committee member, in 2008 set up União

Financeira e Minerais, Limitada with Louis Joachin Reynene, Lotterskrantz Limitada and Alipele Servicos, Limitada. It has a specific interest in precious and semi-precious stones. The following year Alcido Ngoenha set up Takura, Limitada with Esperanca Agostinho Mutimba, Stélio Erwin Guenha, Milva Esperança Guenha and Mavis Isabel Alcindo Ngoenha.

Jacinto Soares Veloso, Security Minister in the Samora Machel era and now a prosperous businessman, is part of Companhia Mineira de Naburi, S.A.R.L with Miriam Gaivão Veloso, Diogo José Henriques Cavaco, Eduardo Gaivao Veloso, Sandra Maria da Silva Pinto Belém Rodrigues, Urgel Moraes Barreira, Verónica Alberto Chongo Seneta and António José Marques Gomes. The company has a licence to search for titanium. Miriam Gaivão Veloso is also a shareholder in the import-export company Distribuidora da Zambézia e Cruzeiro do Sul. Jacinto Veloso recently established Companhia Mineira do Chibuto with Diogo Henriques José Cavaco, Moraes Urgel Barreira, and Mário Diniz Fernandes Deus (one of the founders of the geology consulting company Gondwana Empreendimentos e Consultores Lda). Through his company JV Consultores Internacionais, Jacinto Veloso is also involved in companies working with precious stones, including Metais e Pedras Preciosas de Moçambique (Metalmoz Lda), which is turn is one of the founding shareholders of Minas Rio Bravo Lda, a mining company based in Tete.

Luís Nhachote