



MINERALS AND EXTRACTIVES: A CASE OF MOZAMBIQUE

**Regional Conference on alternative funding
models for the SADC-Wide basic income grant**

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CIP and the issues of transparency and good governance in the extractive industry in Mozambique

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- CIP is a Mozambican NGO, created in 2005,
- Objectives :
 - Promoting integrity, transparency, ethics, good governance in the public sphere and human rights in Mozambique;
 - Monitoring and participating in public and private processes for promoting transparency, integrity and ethics in the society, contributing to the social and economic development of the country, through research in various areas;
 - Etc.

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- ❑ In order to achieve the objectives of its establishment, CIP is structured in programmatic pillars:
 - ❑ State Budget Monitoring, Public Expenditure Tracking and social auditing;
 - ❑ Anti-corruption Reform;
 - ❑ Natural Resources and Extractive Industry.
- ❑ CIP also works in partnership with several organizations that operate in the same areas of intervention, in order to strengthen interventions. In the context of the extractive industry it is part of a platform of organizations.

The Extractive Industry in Mozambique

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- ❑ In the recent years, Mozambique has been experiencing a new dynamic in the extractive industry, with the approval of several investments for the prospection, research and exploration of mineral resources, especially coal, oil and natural gas.
- ❑ There is a race of large foreign multinationals and national companies for resources;
- ❑ In 2004, production and exploitation of natural gas in Pande and Temane, Inhambane province, started;

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- ❑ In 2007, export of minerals produced from heavy sands in Moma, Nampula, started;
- ❑ In 2007, the Government signed a contract for coal mining in Moatize, Tete with the Brazilian company Vale do Rio Doce,. Production and export began in 2011;
- ❑ Still in 2007, the Government signed several oil research and production contracts with several multinational companies, with particular reference to research in the Rovuma basin.

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- Since that time, huge discoveries of coal, natural gas, iron, among other resources have been made, which place Mozambique on the world map of countries with potential for exploitation of raw materials.
- As a result, people`s expectations with respect to these resources and their impact for the improvement of living conditions and development of the country have been growing;

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- The country's leaders political discourse is calling for patience without explaining why;
- There is a great lack of information about what the benefits of Mozambique will be;
- This secrecy supports the idea that important details might be hidden that might indicate that it will be companies/elite and not the Mozambican State to who will benefit from the extraction of mineral resources.

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- Even with adherence to EITI, we think the country is in a situation of "partial transparency" because it discloses only revenues, leaving out the contracts with the companies, the way the resources generated by the extractive industry are being used and other valuable information;
- The environment is unfavourable for benefiting from resources, since negotiations with companies and the contracts are kept in secret;

Challenges

- This entire dynamic has brought various challenges to the country, especially those related to transparency, and created even more uncertainty about the possibility of all Mozambicans benefiting from the exploitation of resources.
- Here are some of these challenges:
 - Adequate and up-to-date legislation, with clear rules for the exploitation of resources;
 - Transparency in licensing processes of companies and in the negotiation of contracts;

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- ❑ Participation of Mozambican citizens in the processes, especially those directly affected by projects to be implemented;
- ❑ Clarity about how Mozambicans will benefit from the exploitation of resources: ***Companies in the sector allocate resources for capacity building and social projects, but how they function and how such resources are applied is unknown.***

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- Transparency in the management of revenues from the exploitation of resources: ***all resources are allocated to the Treasury Single Account and are used to finance the State Budget, which makes it impossible to know exactly in which activities such resources were allocated, and making it difficult to assess the real contribution of this sector to the development of the country.***

CIP interventions

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- In the Face of all these challenges, CIP has been conducting researches and studies on how the processes should be conducted so that the country and Mozambican citizen are the major beneficiaries of the exploitation of resources;
- Publication of contracts which are secret and explanation of the details and the meaning of the terms of contracts:

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- We recently published an explanatory study on the meaning of the four contracts of the Rovuma basin. The study shows that due to excessive and redundant tax incentives, the State will only get significant revenue much later.

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- ❑ The publication of the Mining Cadastre so that all Mozambicans may know who the holders of the licenses in the country are:
 - ❑ Showed lack of organization and control of the sector. For example: there are many licenses that out of date, on which there has been no intervention.
- ❑ Research and publication of articles detailing the interests of members of the Government, public administrators and the ruling political party in the sector, as well as the links between them and the companies that exploit resources

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- ❑ SPI, a Frelimo party holding, holds several licenses and it is a partner in almost all large mining projects.
- ❑ The business interests of Frelimo elite are migrating from other areas to the extractive sector.
- ❑ Advocacy for the revision of the legislation of the sector and of the tax system, so that the country can benefit more:
 - ❑ E.g. Mines Act, Petroleum Act (proposal recently approved by the Council of Ministers in a process with no public consultation and therefore not transparent), Tax Regime (will be submitted to public consultation soon) etc.

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- Advocacy for the review of already signed contracts;
- Advocacy for the introduction of culture of publishing contracts;
- Participation in the EITI National Coordinating Committee, contributing to the development of TORs for the reconciliation reports, discussion of issues relating to transparency in the sector :
 - Production of explanatory texts and analyses of reports of reconciliation of payments and receipts of EITI so that people understand the importance of this exercise and can demand compliance from

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- Promotion of conferences for the discussion of issues related to the extractive industry;
- Promotion and participation in public debates and in the media on the extractive industry in the country.

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THANK YOU VERY MUCH!