

## **BRIEF REPORT OF THE 7:30 BREAKFAST DEBATE – SEPTEMBER 30<sup>th</sup> 2011**

### **The Status of Transparency in the Extractive Industry: trends, challenges and prospects for the future.**

Tanzania is endowed with a variety of mineral resources, natural gas deposits, and some oil traces. Tanzanian minerals include gold, diamonds and various gemstones. Production of gold (which accounted for 44% of the value of exports in 2007) and diamonds has been climbing steeply since the late 1990s. There are large proven reserves of natural gas in Tanzania and prospects for oil discovery are promising, with a number of searches at advanced stages. It is important that these extractives benefit the Tanzanians and they are supposed to be involved in any issues relating to extractive sectors.

This is why Policy Forum dedicated its September 2011 debate on the issue of transparency of extractive industries in Tanzania, the debate is titled: The Status of Transparency in the Extractive Industry: trends, challenges and prospects for the future.

The debate included two presentations:- One was done by Bishop Stephen Munga, a member of MSG and the other was done by Mr. Ally Samaje the Acting Commissioner for Minerals.

The Debate was facilitated by Alex Ruchyahinduru from Policy Forum.

The first presentation was done by Bishop Stephen Munga, who focused on the General Trends of Extractive Industry Transparency and Accountability in Tanzania.

He started by defining Extractive Industries Transparency Initiative as an international initiative aimed at improving transparency and accountability in countries rich in non-renewable extractive resources-oil, gas and minerals.

He said, Multi stakeholders group write reconciliation reports which are a standard on to what extent there is a disclosure or transparency in the extractive sectors.

He referred the MSG as a consultative group which is also responsible for making key decisions, managing and monitoring the initiative and is the overall governance overseer of the whole EITI process and is composed of, government representatives, companies representatives, civil society representatives and a chairperson who is appointed by the president.

He also pointed out the main goals of EITI being an effort to make natural resources benefit all which has to be executed through a coalition of governments, companies and civil societies; as well to have a standard for companies to publish what they pay and government discloses what they receive.

These goals are aimed at promoting transparency and accountability in the mining sector.

He mentioned some of the achievements of EITI so far as; having a coalition of key stakeholders through the MSG and the chairperson is in place, created a Memorandum of Understanding, produced its first reconciliation report although with a number of discrepancies and as well as having undergone the validation process with a number of lessons of failure to be carried forward

He continued by saying that TEITI is faced with some limitations such as divided interests between the MSG members, sliding back from maximizing to minimizing accountability together with inadequate background information

Lastly, he suggested on the way forward from the above limitations as: focusing on the three main general goals of EITI which primarily intend to maximize benefits for all society member; also transparency should presuppose knowledge and transparency of the foundation tools such as the laws, policies and contracts which are echoed by the numbers in the reconciliation reports; to address problems around the mining sector e.g. payment of compensation, environmental problems, relationship between companies and local communities and mining sector to stabilize the financial sector in Tanzania.

The Second presentation was done by Eng. Ally Samaje, on his presentation he started by giving an overview of the Transparency and Sector governance in the context of Tanzania's Mineral sector, pointing out features of good governance such as rule of law, clear and stable laws and regulations, capacity and skills in government, even and consistent application of laws and fiscal regimes to all, open dialogue between government and civil society and public/ private sector balance.

He said that, the Government has adopted different strategies in enhancing transparency in extractive industries (which also include gas and fuel) for instance in 2003, The Tanzania Government employed Alex Stewart Assayers firm as an initial step of monitoring and managing extraction of minerals, the firm was to audit the production of Gold. The purpose of this was to make sure that these extractive sectors benefit Tanzanians.

In 2007, the Government adopted within its ministry the Gold Audit Programme (GAP) to take over the activities of ASA which was later transformed to Tanzania Minerals Audit Agency (TMAA) in order to widen and strengthen monitoring of mineral audit activities

He later clarified on Tanzania's decision to join EITI in 2009 being voluntarily and mainly for the purpose of promoting public participation in governance of resources extraction and management of revenues from extractive industries. He referred, EITI as one of the Government strategy to involve citizens in administering the mineral sector, whereas the Government signed a Memorandum of Understanding in 2010 with the Multi- Stakeholders working group (MSG) to demonstrate its commitments in supporting the implementation of EITI in Tanzania

He informed members that Government is at the forefront in liaising with extractive companies and instructing them to comply with TEITI requirements in submission of payment receipts requested by the Reconciler accordingly. He added that Government organizes and facilitates participation of Civil Society Organisation groups to take part in the Multi-Stakeholder Groups since their involvement represents other citizens in monitoring extraction of resources. Also the Government sets budget for TEITI implementation since 2009/2010 and dedicated full time staff to work in the TEITI Secretariat.

The discussant of this breakfast talk was Mr. Peter Boffin, in a summary way he said that, he has a strong personal interest in the EITI and has touched upon these issues in his work. These things are usual and even in the Ireland oil and gas issues are being discussed in this same context.

He talked of tax evasion and said there were many questions under such issues and gave a Profile of investors in mining which he said is changing (china – coal and power generation projects). Huge investments from countries with different norms from Tanzania. BG is talking of 7 billion dollars in investment. CSO and research communities and government need to get to speed very quickly on practice and technical issues like taxation (fiscal regime), etc.

### **Plenary Discussion**

- Barrick is paying too little tax! *Why?*
- Is the EITI working?
- Section 25 of the Mining Act, 2010 prohibits disclosure, this is not compliant with the spirit of EITI.
- How will the ministry ensure that Chinese are EITI compliant?
- A question from WWF was that, we have a lot of oil and gas exploration, Is there is anything done in terms of the environment in this issue like the Environmental Impact Assessment?

- The ministry of energy and minerals should be split. We do not have an oil and gas regime.
- We are coming to intervene too late – transparency should start at the exploration level. The revenue stage is a very late stage to begin asking for transparency. Is this by default or by design?
- Why do we not have gold reserves when we are the fourth largest gold producers?
- The new mining legislation, how many contracts under the new law? How are the old contracts affected by the new law?
- Why charge dollars for information?

### **Responds to the comments and questions**

- It's just not barrack that's paying too little but many other companies do so.  
We asked the CAG twice on these issues with no response but we will follow up until we get their response.
- The commissioner said that, in the ministry we monitor the sector and are improving on this. We follow up things like the value of diamonds (Williamson) and we sell on auction basis. The ministry gets the whole information. Corporate tax has been a problem because they report that they do not make profit.
- There is a lot of transparency. If you need any information we will provide it! You just need to make your request official.
- We do Environmental Impact Assessment. If you pass, you get a certificate.
- We have a gas policy but no law but we are still working on this, said the commissioner.
- New law is being applied but most contracts are at the exploration stage.
- Under the old contracts you cannot force companies to pay new rates.
- But you could have put it in the law that the new law will affect old contracts! Ghana has re-negotiated the contracts, why to Tanzania. We have to be serious as these are resources for future generations.

Government should stop being defensive and listen to CSOs and understand why they make the arguments that they make.

- The issue of dollar is the strong point but that one I agree with you that the government need to change and put in Tanzanian shillings.

Mr. Alex Ruchyahinduru closed the discussion and he welcomed again participants for the next 7:30 Breakfast Debate.