Mining in Mali
– a background note for the Swedish International Development cooperation Agency

July 2010

Olof Drakenberg

Environmental Economics Unit

Sida's external expert advice for environmental economics

UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Table of contents

This desk study has been prepared by Olof Drakenberg, Environmental Economics Unit, (Sida's External Expert Advice) at the University of Gothenburg at the request of Malin Synneborn Lundberg, (Sida), as input to the preparation of a new Swedish cooperation strategy for Mali.

Executive summary

Mining, both small scale and large scale, has the potential to contribute more to poverty reduction in Mali if resources are used responsibly[1]. The main opportunity is through efficient use of government revenues from the sector. This means that mineral wealth is transformed to other forms of wealth such as human capital, financial or manufactured capital resulting in more sustainable livelihood opportunities and pro poor economic growth. This can be achieved through gender and poverty sensitive investments in education, health, infrastructure etc. However, the mining sector is prone to corruption and boom and bust circles due to volatile world market prices and high values of the mineral resources.

A focus on revenue transparency in the mining sector provides an opportunity to reduce corruption risks, increase fiscal revenues and strengthen democratic governance. There is substantial momentum in the Extractive Industries Transparency Initiative (EITI) process globally and it appears to be similar in Mali, although advances are not as fast as hoped for. Diverging actors are coming together in this process including leading extractive companies, International Finance Institutions, NGOs, bilateral donor agencies and governments. The implementation of EITI can have multiple benefits beyond the mineral sector on issues like access to information and civil society participation opening for more democratic governance. But the process is also facing resistance from those that benefit from the current state of play and suffer from capacity constraints.

Although transparency is at the heart of successful management of developing countries mineral wealth it is critically important that fiscal and legal systems ensure that governments get a fair share of the revenues. There has to be sufficient capacity to negotiate and monitor the sector. As minority owner in mining operations and regulator of the industry the Government faces conflicting interests. Long term costs of poor environmental management are rarely given due consideration when jobs, profits and short term local development are in focus. The mining code in Mali is up for revision and there appears to be pressure to reduce taxes to attract more investments. This is questionable as a recent report for IMF suggests that Mali's tax regime is competitive at current levels. Regional harmonization of taxes and regulation as promoted by ECOWAS should be encouraged.

Empowering civil society to be aware of their rights and the legal requirements of mining companies is a powerful opportunity to ensure that local communities sustainably can benefit from the country's mineral wealth. Key issues include security of local land rights, rights to fair compensation, respect for environmental regulations including financing of post mining closure activities etc. Although large scale mining operations bring jobs, incomes and infrastructure to local communities there are mixed views of the long term benefits when mines are closed. Negative social and environmental consequences may be substantial.

Active promotion of artisanal mining and its integration into the formal economy can benefit both fiscal revenues and improve livelihoods. This could include better policies targeted to artisanal mining, awareness campaigns on value addition, environment and health issues, better access to

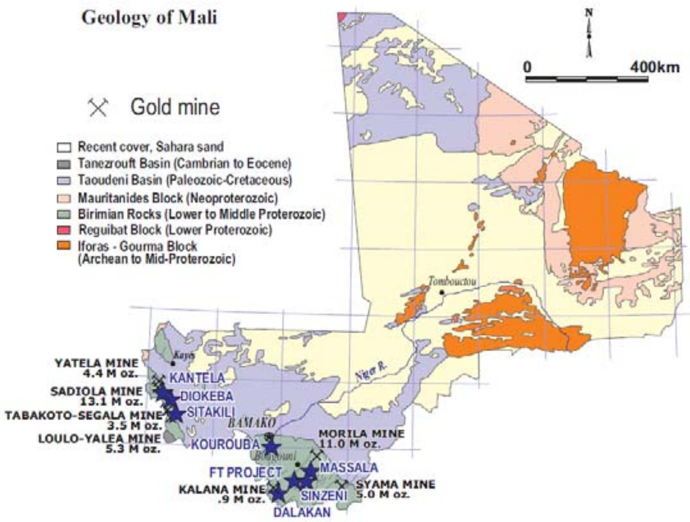
[1] One of the EITI principles speaks of prudent use of natural resources. See Annex IV. What is prudent in one context might be different from time to time and for different countries (Eddie Rich, EITI personal communication). Transparency is a mean to enhance the chances that resources are used responsibly.

credit, and more focus on mining communities' basic needs. Supporting women miners associations might be considered.

Mining in Mali

Where, what and who

Gold washing has been practiced for a long time. Gold dominates totally Mali's mining activities[2] and is mainly concentrated to the western and southern regions. Gold deposites in the Kayes region include: Sadiola, Yatela, Loulo, Segala, Tabakoto, Farabantourou, Medinandi and in the Koulikoro and Sikasso region include: Syama, Kalana, Kodieran, Bale, Misseni Flat, Morila. See also map below. The mining operations are joint ventures with the Mali government holding a minority stake (about 20%) and with international mining companies as majority share holders. The mining industry has significantly increased foreign direct investments in Mali.[3] In September 2010 an Indian-owned company plans to extract iron ore in Mali (Reuters, 2010-06-01)



Map: North Atlantic Resources Ltd

Larger mining companies in Mali are AngloGold Ashanti, Gold Fields, Camec, Iamgold, Randgold, Resolute Mining Limited, Avnel gold, Avions Resources. The first two companies are EITI supporting companies which means that they have committed to internationally support EITI and to submit a self assessment form.

---

[2] Mali's mining sector is dominated by gold. Examples of Mali's vastly undeveloped mineral resources include bauxite, chromium, copper, diamond, granite, gypsum, iron ore, kaolinite, lead, lithium, manganese, marble, nickel, niobium, palladium, phosphate rock, rutile, silver, talc, thorium, tin, titanium, tungsten, uranium, and zirconium. (US Geological survey minerals yearbook—2007)

[3] Between 1998-2006 it is estimated that about US$1 Billion was invested.(Thomas, 2010)

Impact economic development and jobs

Mali has become the third largest gold producer in Sub Saharan Africa with production growing from 4 tons in 1991 to 48 tons in 2008. The price of gold has risen from about US$445/oz in 2005 to about US$1200/oz in June 2010 thus rapidly increasing profitability of the sector and investments. Changes of mining regulations undertaken in 1999 have also increased investments in Mali.

The share of gold revenue of total government revenues went up from 6,5% in 2004 to 17 % in 2008 and gold exports account for more than ¾ of all exports (Thomas, 2010).

Spill-over effects from mining to other sectors have been limited (Thomas, 2010). Mining equipment and maintenance services are mostly imported and the gold is sold for exports without value addition in other sectors. Therefore the main contribution of gold mining comes through royalties and corporate taxes. However, also the petroleum sector and the services sectors in the mining districts have benefited from mining investments (Camard et al, 2008). This means that proper taxing system, collection of taxes and efficient use of tax incomes is of key importance if Mali is to reap the full benefits of its mineral wealth.[4] See Annex I for more data of gold mining for GDP, exports and fiscal revenues.

Although mines are majority owned by foreign companies and are run by expatriates the vast majority of direct and indirect employed are Malians. A study of the two largest mines revealed that 90% of the labor force was Malians of which 2/3 was from the region (Jul-Larsen, 2006). About 13 000 are formally employed representing some 15% of total formal employment.

Experiences in gold mines in Mali show that local job creation can be substantial, that incomes may rise substantially and that it contributes to more investments in local infrastructure, schools, health clinics etc. (Oxfam, 2004; Jul-Larsen, 2006). However, local investments paid for by mining companies have created uncertainty on who is responsible for what (private-public) , who makes the decisions and who is accountable to whom. Compensation paid by companies to land owners has differed substantially, partly depending on their ability to negotiate, level of local resistance and support from government (Keita, 2008). According to some reports where mining operations have been short lived, it is questionable if the benefits have outweighed the negative impacts of the operations (Oxfam, 2004).

Since the end of the 1980s an increasing number of people have engaged in small scale, artisanal mining. The number of people with mining as primary occupation have been estimated to between 100 000 to 200 000 (Oxfam America, 2006). Globally, artisanal gold miners are projected to triple in coming years due to the mining boom (CASM, 2009). Artisanal mining is informal and is characterized

[4] Windfall revenues from gold mining can be a mixed blessing and is referred to as the “resource curse” creating challenges by strengthening the local currency making other exports more difficult. As the CFA is tied to the Euro this does not apply to Mali. Moreover, it may cause financial instability with large variations in the government’s budget and it has in many countries caused wars or internal strife for access to valuable recourses (OECD, 2008). Substantial flows of easily accessible money may also lower accountability between government and its people and thus constrain sound development of the country (Collier, 2008).

by use of simple technologies often close to large scale mining operations. Many have mining as a safety net in cases of crop failure or drought. Contrary to most countries artisanal mining is legal in Mali. More than half of the artisanal miners are women and children active on many sites in Mali (Keita, 2001). Women are active in multiple areas including mineral processing, washing and supporting activities like cooking and supply of water and fuel wood. Mining activities provides an economic opportunity for women but the social status of women in mining is low (Keita, 2001). In some areas women miners have organized themselves in associations.

Mining code and the impact of mining on fiscal incomes

A new mining code is scheduled to be presented to government in end of June 2010 and may include lower taxation than today (Reuters, 2010-06-01). This is contrary to the general advice given by the African Development Bank calling on African government to use the increased interest to increase government revenues stating that reasonable taxes are accepted by investors (AFDB, 2010). Currently Mali apply a mix of fiscal tools to tax the mining companies, the most important being a royalty (a tax on production) and a corporate tax (tax on profits). The mining sector contributed to about 15 % government revenues in 2007 of which about 15% was royalties, 59% was profit taxes, 15% payroll taxes and 10% other taxes.[5]

According to the law, 60% of corporate taxes should go the municipality, 25% to the district and 15% to the region while 80% of the tax on artisanal gold production should go the municipality, 15% to the district and 5% to the regions (Keita, 2008).[6]

Many NGO's are skeptic to the gradual reduction of taxes for mineral operations as mining rarely has contributed to broader economic development. A 2008 report for the IMF[7] argues that Mali has a sound mineral taxing system with 3% (royalty tax) and the profit tax of 35%. This means that it strikes a balance between providing incentives for investors while allowing a fair share for government. Suggested improvements include better sharing of benefits between local and central governments, better accounting rules and minority owner rights. Furthermore, the IMF report supports numerous international and national organizations claims to improve accountability and transparency of mining revenues. (Oxfam America, 2008; Keita et al, 2008; Open Society Institute on Southern Africa, et al, 2009).

ECOWAS is working on harmonizing West African mining codes to avoid a race to the bottom where countries compete for investments with lax regulation. Oxfam America has been invited to contributed to the process to improve social and environmental considerations (human rights,

---

[5] Government participation is up to 20% of the equity. Mining ventures are free of corporate tax for the first five years of production. Thereafter, the tax rate is 35% or less when profit is reinvested in Mali. A depletion allowance can be negotiated up to 27.5%. All equipment for the project can be imported duty free during the exploration period and for the first three years of the exploitation period. Service tax to revenue service is 3%. Royalty on the value of production is 3%. (Thomas, 2010)

[6] For instance the municipality of Sanso received approximately 1.15 million Euros in business taxes between 2004-2006 (Keita et al, 2008)

[7] Camard et al, 2008, Mali – selected issues, IMF Country report

conflict resolution, access to information, stakeholder engagement etc) (Oxfam America, 2008). The code is due in 2012 and was adopted in April 2009. (ECOWAS, 2009).[8] For an international comparison of taxing regimes, see Annex III.

A local and international debate on increasing transparency on revenue from mining, including fiscal incomes, can in part explain why the Government of Mali become a candidate country for the Extractive Industries Transparency Initiative (EITI) in 2006.

Impacts on social development

As described above, the large scale mining operations have attracted foreign direct investments, boosted exports, increased fiscal revenues, created local employment and capacity and development. The social impacts have largely been local in the mining areas. Increased wages have mostly been used for consumption and housing and rarely to diversification of the local economy beyond services (Jul-Larsen et al, 2006). Main issues of controversy between companies and communities include compensation of land expropriation, reduced influence/role of local leaders and involvement of local community in decision making on local investments. Women's needs are marginalized when decisions on local investments were made. Controversial issues between municipal authorities and mining companies have related to responsibility for local investments (Jul-Larsen et al, 2006). Inflow of foreign managers and trained professionals from Bamako has also created some social tension locally as they brought with them different customs, had higher salaries and competed for land.

Mining sites, both artisanal and large scale mining, have suffered from higher prevalence of AIDS, drug use, prostitution, crime (Oxfam America, 2004; Keita, 2001). Moreover, children in artisanal mining villages are more unlikely to attend school (Keita, 2001). On the contrary, in large scale mining operations, higher wages has led to higher school attendance (Jul-Larsen et al, 2006).

Mercury is a low cost and effective way for poor miners to purify the gold. Mercury is released to water and air and inhalation of mercury vapor from burning is dangerous for humans as it may affect the central nervous system. Infants and children are particularly vulnerable to exposure. For adults mercury can affect numbness, vision abnormalities and cause memory problems (Telmer , 2009). The use of mercury is explained in Annex II.

Mining operation may create tension between miners and other users of the resource. Mining companies are typically tolerant to artisanal miners, at least s during the explorations phase (Keita, 2001).

The closing of the Syama mine entailed many negative aspects beyond the obvious job losses. These included exodus of the workforce to other mining sites, deterioration of purchasing power, degradation of housing facilities, loss of initiative and malaise, conflicts over land as miners sought to return to agriculture when fertile land had been lost due to pollution or construction. (Oxfam, 2004).

[8] We have not been able to assess any differences between the ECOWAS mining code due in 2012 and the upcoming revised code for Mali.

Environmental impacts

Mining is in a human perspective a non-renewable natural resource. This means that the resource extraction cannot be sustainable. The goal of mineral extraction, in terms of sustainability, is the conversion of mineral wealth to other forms of capital (human, financial or manufactured) and more sustainable livelihood opportunities (OECD, 2008). Generally mining is not an extensive form of land use and environmental impacts are largely local. But impacts may also be widespread and large. Main impacts are air, water and land pollution, energy and water consumption and landscape alteration (OECD, 2008). Small scale mining impacts include siltation of rivers, exploitation of bush meat, deforestation, mercury and cyanide pollution and the destruction of land (OECD, 2008; Keita, 2001). As a consequence public health is affected, agricultural productivity is reduced and the provision of ecosystem services is lowered.

Mali has taken steps to reduce environmental risks by establishing environmental performance standards and signing agreements with companies to build up funds for future clean up operations (Camard et al, 2008). The mining code signals the importance of environmental management at the different stages of the mining process.

The Government of Mali is a minority owner in mining ventures and promoter of mining investments while at the same time being responsible for enforcing environmental legislation. This different roles lead to conflicts of interest. Environmental institutions are weak and large scale mining operator's compliance to environmental regulations and laws in Mali have partly been left to self monitoring. An Oxfam report of company environmental reports reveal a number of insufficiencies e.g. inappropriate methods, lack of data, unacceptable worker exposure to metal- and cyanide-laden dust and pollution. A major, additional critique is that the reports have not been made available to the general public (Oxfam America, 2004).

Opportunities for improving the contribution of mining to pro poor growth

Both large scale and artisanal mining can provide important contributions to poverty reduction in Mali. For mining operations to be pro-poor, central issues include: i) fairer contracts between companies and governments, ii) revenue transparency, iii) pro poor benefit sharing, iv) benefication=adding value prior to exports v) involving the private sector (OECD,2008).

Fair contracts

There is a risk that government lack necessary capacity to negotiate fair contracts with large mining companies. The latter may have larger financial resources, legal and negotiating expertise, political influence. Supporting the government capacity is thus important for fairer deals and can include regional cooperation to avoid the" race to the bottom". Such support is provided by the African Development Bank. Local official's capacity to interact with companies may also need to be strengthened.

Revenue transparency

There is broad agreement among development banks, bilateral donors and non-governmental organizations that improving transparency of the extractive sectors is necessary if mining is to benefit national development (AfDB, 2010;G8, 2007; Oxfam, 2006). If revenue streams between companies and government agencies are public civil society, affected communities etc can more easily hold government accountable. Since its launch in 2002, the Extractive Industries Transparency Initiative has become the primary vehicle to promote transparency and has broad international backing. According to the World Bank CAS for Mali 2008-2011 EITI implementation is an important, but not the only, element of good governance in the mining sector. The government also needs to improve mining title issuance and surveillance, disclosure and management of geosciences information, and its oversight capabilities. Government's capacity to have oversight of company revenues remain an important area of improvement. (Open Society Institute of Southern Africa, 2009). See the box Mali and EITI.

Box 1 Mali and the Extractive Industries Transparency Initiative (EITI)

The EITI is a global standard that promotes revenue transparency. It has a methodology for monitoring and reconciling company payments and government revenues at the country level i.e. companies publish what they pay and government publish what they receive. The process is overseen by participants from the government, companies and national civil society. Technical assistance for implementing countries is available through a Multi-Donor trust fund administered by the World Bank.

The benefit for government is that participation can reduce corruption risks and improve governance and international credibility. EITI levels the playing field for companies as all are required to disclose the same information. For civil society increased transparency makes it easier to hold governments and companies accountable for the revenues generated (EITI, 2010). Mali was accepted as a candidate country in 2007 and applied to extend its deadline for validation in March 2010. The deadline has been extended to September 2010 arguing that the delay is partly due to donor financial support for the process having lagged behind schedule. In 2008 the Swedish government announced its support to the EITI.

More info about the EITI process is available in Annex IV and http://eiti.org/Mali .

However, pressure is mounting on EITI from NGO's questioning its ability to bring about change when only two candidate countries have fulfilled the requirements. (Publish What You Pay, 2010).

Pro poor benefit sharing

Government revenues from mining need to be invested responsibly in ways that benefit the poor e.g. investments in education, health and rural infrastructure. Mining communities run the risk of boom and bust circles. Special government support to manage mining revenues efficiently might be considered.

The externalities of mining, such as water pollution and degradation of land should be compensated for by requiring mining companies to set aside sufficient resources for post closure activities and to give business incentives to minimize negative externalities.

Improving social and environmental outcomes of mining

Better planning, including the use of environmental assessments[9], improved monitoring of mining activities and better access to information are important for reducing environmental degradation. In West Africa the World Bank has included social aspects with environmental assessments when working with governments to reform the mining sector. Greater attention has been put on engaging with local communities, assessment of institutional capacity and political economy aspects. See Box 2. Particular attention to promote artisanal and small scale mining is important.[10]

Box 2 Strengthening institutions for better environment and social outcomes of mining.

The World Bank works with many West African countries. To improve environmental and social outcomes of mining policies Strategic Environmental and Social Assessments have been applied. The SESA focus on a) institutional issues e.g. capacity to enforce environmental regulations, b) governance issues, e.g. inadequate compensation frameworks for environmental and social damage and c) political economy issues, such as unbalanced national and local frameworks for benefit sharing.

The work combines analytical work with broad public participatory processes (including local communities, women, youth, business, government) to identify social and environmental priority issues. A report is prepared including specific recommendations for implementation as an integral part of the mining reform.

Source: Loyaza, F. 2010. Environment Notes, World Bank

Civil society can to some extent compensate for weak governmental monitoring capacity given access to information is granted. Promotion of awareness of environment and health risks of mining and how they can be mitigated is a complementary strategy to reduce negative impacts of mining, particularly in the case of artisanal mining. As an example, projects to reduce the use of mercury in gold washing need to be economically beneficial for the individual miner. It has been shown that recovery of mercury vapor can be profitable for the individual and good for society (Telmer, 2009).

Keita (2008) argues that capacity building at the grass root level, improving access to information and a new legal obligation on mining companies to sign binding agreements with local communities on development projects. People need awareness of laws regulating mining operations but also of environmental risks and how they can be mitigated. Women need to be included in decision making processes on how mineral revenues are used locally.

[9] Environmental assessments may be needed both on a single mine level but also for the mining sector at large. For a single mine the government of Mali requires undertaking of an Environmental impact assessment. A strategic environmental assessment is better when assessing multiple mines or the change of mining policies or similar.

[10] Greater focus on the needs of small scale mining is part of the World Banks activities to improve the contribution of the mining sector in Mali. The other parts include formulation on mining revenue management, strengthening sector management capacity and implementation of EITI. (World Bank, 2007)

Supporting small scale mining

Interventions targeting artisanal mining, for instance by encouraging a move to the formal economy, value addition, better access to credit and capacity development could be beneficial.

Opportunities for Sida to consider

This is a desk study and it would benefit from contacts will local civil society organization, development banks and partners including key players like the World Bank, Oxfam America and the Government of Mali. The first step however, would be to have an open discussion with Sida Bamako.

The Swedish support to civil society, the decentralization reform and general budget support provides several openings.

Link to budget support

As argued, the main contribution from mining is higher government revenues. Supporting the preparation and implementation of a CSLP that efficiently addresses the causes of poverty is thus of highest importance. The measures already promoted in the dialogue on general budget support related to public financial management and anti corruption apply for mining also. Perhaps there are also opportunities to support the governments supreme audit systems. If there is a value added in Sweden adding weight to the EITI process this should be considered.

Link to civil society support

As argued, civil society in general and civil society organizations can play an important role to ensure that individual rights are respected and that the mining communities benefit from investments over time. How are Sida's CSO partners working on these issues today?

Link to forest sector support

Are there overlaps between GEDEFOR areas and the mining areas? Can the emerging principles of transparency in the mining sector be copied to the forestry sector. This could include participatory processes, comparison of revenues paid and received etc,

References

African Development Bank, OECD, UNECA, 2010, African Economic Outlook – public resource mobilization and aid/policy options for deepening the tax base

Bermudez-Lugo, O., 2010, US Geological survey minerals yearbook—2008, The Minerals Industry in Mali and Niger

Camard et al, 2008, Mali – selected issues, IMF Country report No. 08/286

Collier, P. (2008) The Bottom Billion

ECOWAS, 2009, Directive C/DIR.3/05/09 On the harmonization of guiding principles and policies in the mining sector

G8, 2007, Growth and responsibility in the world economy – summit declaration 7 June 2007

Jul-Larsen, E. et al, 2006, Socio-economic effects of gold mining in Mali – A study of the Sadiola and Morila mining operations, CMI R 2006:4

Keita, A. et al, 2008. Legal tools for citizen empowerment: increasing local participation and benefit in Mali's mining sector IIED, London.

Keita, S. 2001, Study on artisanal and small-scale mining in Mali, IIED and WBCSD

Loyaza, F. 2010. Environment Notes, World Bank

OECD, 2008, Natural resources and pro-poor growth – The economics and politics of natural resources use in developing countries

Open Society Institute in Southern Africa, Third World Network Africa, Tax Justice Network Africa, Action Aid International, Christian Aid, 2009, Breaking the curse-how transparent taxation an fair taxes can turn Africa's mineral wealth into development

Oxfam America, 2004, Tarnished legacy: A social and environmental analysis of Mali's Syama goldmine

Oxfam America, 2006, Hidden treasure? In search of Mali's gold-mining revenues

Telmer, K, (2009) Artisanal Gold Council, University of Victoria, Canada in presentation on Mercury Artisinal and small scale mining, Extent, Causes, and Solutions at CASM Maputo 2009.

Thomas, S., 2010, Mining taxation: An application to Mali, IMF Working Paper/WP/10/126

World Bank, (2007) Country assistance strategy for the republic of Mali for the period 2008-2011, World Bank

Websites

EITI press release http://eiti.org/files/news/2008-09-30%20Press%20Release%20-%20Sweden%20to%20get%20behind%20the%20EITI.pdf

Oxfam America, 2009, A new mining code for ECOWAS http://www.oxfamamerica.org/articles/oxfam-america-and-ecowas-to-create-new-mining-code accessed June 4th, 2010

Publish what you pay, 2010, Global oil and mining transparency initiative arrives at key deadline, Press release, http://www.publishwhatyoupay.org/en/resources/global-oil-and-mining-transparency-initiative-arrives-key-deadline accessed June 9th, 2010.

Reuters, June 1st 2010, Mali wants new pro-investor mining code

http://af.reuters.com/article/investingNews/idAFJOE6500QL20100601 accessed June 3rd, 2010

Reuters, May 24th 2010, Africa should eye tax hikes on resource firms-study, http://www.reuters.com/article/idUSLDE64L03M20100524?type=marketsNews accessed June 3rd, 2010

Map on page 2 copied from North Atlantic Resources Ltd, http://www.nac-tsx.com/

Annex I Gold sector indicators

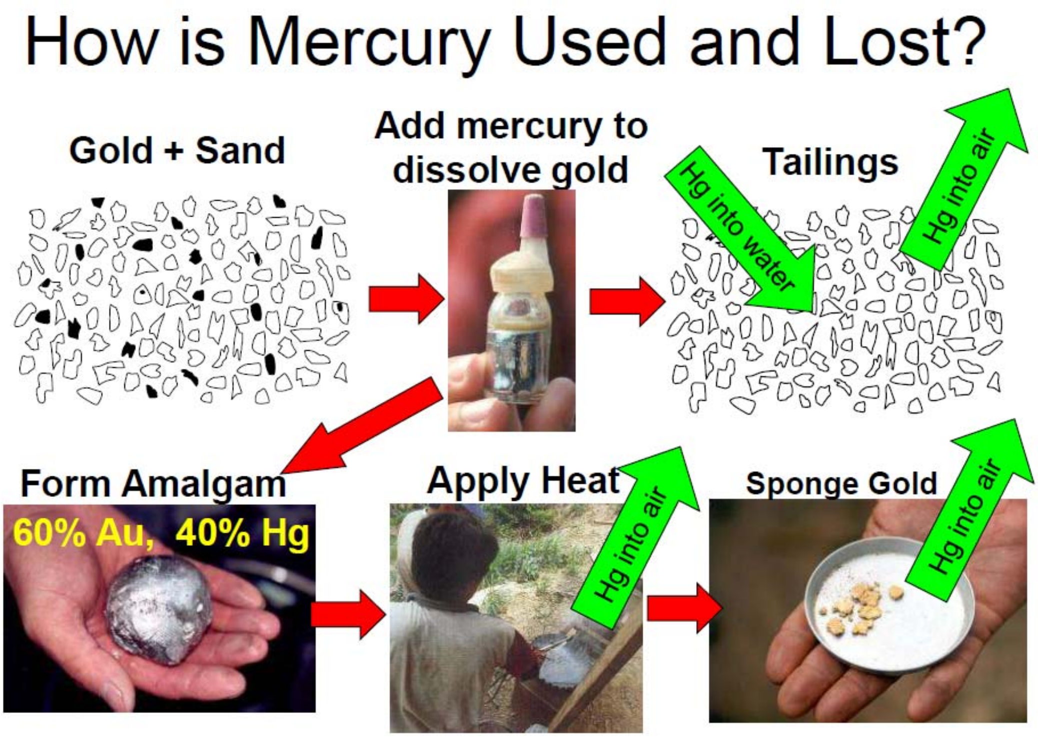
Table 1. Mali: Gold Sector Indicators, 2004–08

	2004	2005	2006	2007	2008 Est.
Market price (US$/oz, period average)	410.2	445.1	610.4	696.8	870.2
Estimated cost (US$/oz) [1]	180.3	205.4	215.3	280.1	290.4
Gold revenue/GDP (percent)	1.4	1.2	1.7	3.0	2.7
Gold revenue/gold exports (percent)	14.9	15.1	15.8	18.4	17.4
Gold exports/total exports (percent)	52.2	62.2	72.4	72.1	77.8
Gold revenue/total revenue (percent)	6.5	6.8	9.5	17.6	17.1

Source: Gold Futures (Comex) price.
[1] Based on the weighted average cost of all operating mines in Mali.

Copied from Thomas, S., 2010, Mining taxation: An application to Mali, IMF Working Paper/WP/10/126

Annex II Mercury use in artisinal mining



Kevin Telmer, (2009) Artisanal Gold Council, University of Victoria, Canada in presentation on Mercury Artinsinal and small scale mining, Extent, Causes, and Solutions at CASM Maputo 2009.

Annex III International comparison of mineral tax regimes

Table 6. International Comparisons of Mineral Tax Regimes for Selected Countries

	Royalty	*Profit tax*	*Profit tax exemption*	*Depreciation*	*Dividends*
Côte d'Ivoire	3%	35%	5 years after initial production	Accelerated	12%; 18% during the profit exemption period; and 10% free equity share of the state
Mali	3%	35%	5 years after initial production	Accelerated	10% free equity share of the state
Ghana	3%-12% depending on operating margin	32.5%	No	75% in first year, 50% thereafter	No
Papua New Guinea	2%	30%	No	25% accelerated declining balance after prospecting phase	n.a.
South Africa	None Proposed: 3%	Max. rate {0, τ – (S/m)}, where m is the ratio of taxable profits to turnover (in %) and the parameters τ and S depend on the choice of whether or not to use withholding on dividends	No	100% depreciation upon first year of placement in service; 10-12% loss carry forward	12.5% in the event withholding is selected
Tanzania	3%	30%	No	100% depreciation upon first year of placement in service	10%

Source: Fiscal Affairs Department, IMF.

Annex IV EITI Principles and criterias

From www.eiti.org

The EITI Principles

The EITI Principles, agreed at the Lancaster House Conference in June 2003, provide the cornerstone of the initiative. They are:

1. We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts.
2. We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments to be exercised in the interests of their national development.
3. We recognise that the benefits of resource extraction occur as revenue streams over many years and can be highly price dependent.
4. We recognise that a public understanding of government revenues and expenditure over time could help public debate and inform choice of appropriate and realistic options for sustainable development.
5. We underline the importance of transparency by governments and companies in the extractive industries and the need to enhance public financial management and accountability.
6. We recognise that achievement of greater transparency must be set in the context of respect for contracts and laws.

7. We recognise the enhanced environment for domestic and foreign direct investment that financial transparency may bring.
8. We believe in the principle and practice of accountability by government to all citizens for the stewardship of revenue streams and public expenditure.
9. We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business,
10. We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, which is simple to undertake and to use.
11. We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.
12. In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – including governments and their agencies, extractive industry companies, service companies, multilateral organisations, financial organisations, investors, and non-governmental organisations.

The EITI Criteria

Implementation of EITI must be consistent with the criteria below:

1. Regular publication of all material oil, gas and mining payments by companies to governments ("payments") and all material revenues received by governments from oil, gas and mining companies ("revenues") to a wide audience in a publicly accessible, comprehensive and comprehensible manner.
2. Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.
3. Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.
4. This approach is extended to all companies including state-owned enterprises.
5. Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.
6. A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

EITI validation indicators

1.Has the government issued an unequivocal public statement of its intention to implement EITI?

2.Has the government committed to work with civil society and companies on EITI implementation?

3.Has the government appointed a senior individual to lead on EITI implementation?

4. Has a fully costed Work Plan been published and made widely available, containing measurable targets, a timetable for implementation and an assessment of capacity constraints (government, private sector and civil society)?

5. Has the government established a multi-stakeholder group to oversee EITI implementation?

6.Is civil society engaged in the process?

7.Are companies engaged in the process?

8.Did the government remove any obstacles to EITI implementation?

9.Have reporting templates been agreed?

10.Is the multi-stakeholder committee content with the organisation appointed to reconcile figures?

11.Has the government ensured that all companies will report?

12.Has the government ensured that company reports are based on audited accounts to international standards?

13.Has the government ensured that government reports are based on audited accounts to international standards?

14.Were all material oil, gas and mining payments by companies to government ("payments") disclosed to the organisation contracted to reconcile figures and produce the EITI Report?

15.Were all material oil, gas and mining revenues received by the government ("revenues") disclosed to the organisation contracted to reconcile figures and produce the EITI Report?

16.Was the multi-stakeholder group content that the organisation which was contracted to reconcile the company and government figures did so satisfactorily?

17.Did the EITI Report identify discrepancies and make recommendations for actions to be taken?

18.Was the EITI Report made publicly available in a way that was:– publicly accessible;– comprehensive; and– comprehensible?