State should own 50% of all Africa's mines

By Paul Vecchiatto

13 May 2013

African governments should own at least a 50% of any new mining venture in order to ensure that the country gets more of the revenue from mining projects.

This is a recommendation of Linah Mohohlo, a former governor of the Botswana Central Bank and a member of the Africa Progress Panel.

Speaking at last week's launch of the panel's Africa Progress Report 2013, emphasised that transparency in the monetary flows would result in transparency of how mining companies operate on the continent.

However, Mohohlo stressed that her recommendation was not a call for nationalisation in any way.

"What it is, it is a recommendation. As a former central banker I believe that only central banks can and should handle the revenue flows that stem from mining. The country, or the government, must receive more of the revenue from a a project than the company gets," she said.

Mohohlo said that governments must use the minimum shareholding of 50%, plus a sound tax regime that included clear guidelines on collection and definite dates on the end of "tax holidays" that are often granted to mining companies before a project begins.

Alleviate poverty, deliver services

She went on to say that governments had to ensure that the citizens benefited from the money from mines to alleviate poverty and supply social services.

"The state's role is far greater than just being a partner that extracts profits and collects taxes," she said.

Mohohlo also said African governments were improving their institutional capacity to deal with large multinational mining companies, but that a lot of work still had to be done.

The Africa Progress Report bemoans the lack of transparency exhibited by a number of African state-owned mining companies and their relationships with offshore companies.

It describes the relationships as opaque saying it was impossible to identify who the ultimate beneficiaries were.

The report cites research by multinational watchdogs Revenue Watch and Transparency International, which investigated the reporting practices of 44 major global and national oil and gas producers.

An example was the Nigerian National Petroleum Corporation, which produced limited information on its balance sheet despite having been implicated in potential fuel subsidy irregularities that may have cost that country as much as US$6bn between 2010 and 2011.

"The lack of transparency in African state companies in the extractive sector is a concern given their role in handling large revenue flows," the report stated.

Source: Business Day via I-Net Bridge