

Tanzania's Fraudulent Natural Gas Contract with Statoil, BG Group and ExxonMobil. Officials Arrested

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[Two senior Tanzanian officials were arrested after they failed to produce details of multi-billion dollar natural gas extraction agreements](#) signed with Statoil of Norway; the BG Group and Ophir from UK; and [ExxonMobil](#) from the U.S. Opposition politicians want assurances that the money will be spent in a transparent manner.

James Andilile and Michael Mwanda, the chair and the acting director general of the Tanzania Petroleum Development Corporation (TPDC) respectively, were taken into custody on Tuesday for not meeting a deadline imposed by the Public Audits Committee to release details of the 26 production sharing agreements signed by the Tanzanian government.

The arrests were ordered by Zitto Kabwe, the chairman of the committee and a member of Chama cha Demokrasia na Maendeleo (CDM), Tanzania's main opposition party. "Transparency of contracts is fundamental for ensuring proper management of natural resources. Without transparency, no accountability," Kabwe told Reuters news agency. "The intention is to make all the contracts known to the people and not just parliament. Gas wealth belongs to the people of Tanzania and the people have the right to know the contents of the contracts entered into on their behalf."

The two men were released hours later, after the move sparked a political row with Chama Cha Mapinduzi (CCM), the ruling party that has controlled the country for 37 years.

Tanzania is believed to have 50 trillion cubic feet of natural gas that can be extracted from offshore fields. The International Monetary Fund estimates that these reserves could generate as much as \$6 billion a year for Tanzania over the next couple of decades, a significant percentage of the national budget of 18.26 trillion shilling (roughly \$11 billion) But the question remains – how much money will the government actually get?

This past May, one of the contracts was leaked – a deal struck between Statoil, [ExxonMobil](#) and TPDC. Analysts who examined the numbers [suggested that Tanzania could lose as much as \\$800 million a year](#), because the government had failed to negotiate the "model" rate of 50-75 percent of profits after costs, but had settled for 30-50 percent. (Other companies like Swala Oil and Gas, a Tanzanian company, have previously published details of their contracts which are much closer to the model rate.)

Civil society activists were outraged at the time. "The Statoil PSA may well have cost Tanzania several billion dollars – yet it appears [no-one is trying to hold those responsible to account](#)," wrote Ben Taylor, a blogger who specializes in Tanzania. "Unless somebody – the media, politicians, civil society – steps up to fill the gap, decision makers in government will

be left free to make whatever decisions they choose, unencumbered by any need to protect the public interest.”

Meanwhile Kabwe’s committee recently published allegations that [top Tanzanian officials siphoned off \\$122 million from the central bank](#) to private accounts overseas, to pay for dubious electricity projects. International donors have responded by [threatening to suspend almost \\$500 million in aid](#) until the government provides more details on the cash transfer.

“Disbursements have not been made because we are waiting for the controller auditor general report and the government action following that,” Sinikka Antila, the chair of the general budget support committee for international donors to Tanzania, told the Guardian newspaper in the UK.

“The UK takes a zero tolerance approach to fraud and corruption. In line with other donors, we will not disburse any further budget support to Tanzania until we have considered the findings of the inquiries currently under way,” a spokesperson for the UK Department for International Development added.

The Financial Times says that the [oil companies are taking advantage of the situation to postpone investment decisions](#) until after the 2015 elections when Jakaya Kikwete, the current president, will step down.

The opposition has vowed to keep the pressure up. “This is the right time to fight and set very strong deterrent measures against corruption,” Kabwe told the Gaurdian. “if we don’t do this now, the moment we start to receive a lot of gas revenues, we are going to have a big problem.”

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