

Extractive Industries Transparency Initiative (EITI)

## **Second Validation of Mauritania**

### **Final assessment by the EITI International Secretariat**

08 January 2019

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## 1. Summary

Mauritania’s second Validation commenced on 8 September 2018. The EITI International Secretariat has assessed the progress made in addressing the ten corrective actions established by the EITI Board following Mauritania’s first Validation on 8 March 2017<sup>1</sup>. The ten corrective actions relate to:

1. MSG governance (Requirement 1.4)
2. Workplan (Requirement 1.5)
3. Licence allocation and licence registers (Requirements 2.2 and 2.3)
4. Contract disclosure (Requirement 2.4)
5. State participation (Requirement 2.6)
6. Comprehensiveness (Requirement 4.1)
7. Data quality (Requirement 4.9)
8. Revenue management and expenditure (Requirement 5.1)
9. Subnational transfers (Requirement 5.2)
10. Review of outcomes and impact (Requirement 7.4)

**The Secretariat’s draft assessment is that Mauritania has addressed six of the ten corrective actions and made “satisfactory progress” on the corresponding requirements. In addition, it has been established that one requirement was not applicable. Of the three outstanding corrective actions, two are assessed as “meaningful progress with considerable improvements”, and one as “meaningful progress with no improvements”.** The draft assessment was sent to the Mauritania EITI MSG on 5 December 2018. MSG comments on the assessment, which broadly agreed with the draft assessment, were received on 27 December 2018. Having considered these comments, the assessment has been finalised for consideration by the EITI Board.

<sup>1</sup> EITI (March 2017), ‘EITI Board decision on Mauritania’s 2016 Validation’, accessed [here](#) in August 2018.

## 2. Background

Mauritania was accepted as an EITI Candidate in September 2007 and was designated as compliant with the EITI Rules in October 2010. Mauritania was declared compliant to the 2011 EITI Rules on 15 February 2015. The first Validation of Mauritania against the EITI Standard commenced on 1 July 2016. On 11 January 2017, the EITI Board found that Mauritania had made meaningful progress in implementing the 2016 EITI Standard. Ten corrective actions were identified by the Board, as listed above. The Board encouraged Mauritania to address these corrective actions to be assessed in a second Validation commencing on 8 September 2018.

Mauritania has undertaken a number of activities to address the corrective actions, including:

- Two thirds of the civil society constituency on the EITI-Mauritania MSG was renewed in December 2017. This followed a consultative process in the capital Nouakchott and mining regions, and the adoption by civil society of a code of conduct and a public selection process;
- On 21 January 2017, the MSG approved the Terms of Reference for the Independent Administrator for the 2015 EITI Report;
- On 31 December 2017, Mauritania published its 2015 EITI Report;
- On 15 May 2018, the Prime Minister of Mauritania presided a ministerial meeting to review the implementation of corrective measures from EITI Validation;
- On 7 September 2018, Mauritania EITI 2018-2019 workplan and 2017 annual progress report were published, alongside several addenda to the 2015 report pertaining to licence allocation, contract disclosure, subnational transfers, data quality, and revenue distribution;
- On 20 September 2018 (after the start of Validation) the updated decree establishing Mauritania EITI was adopted by the Council of Ministers.

The following section addresses progress on each of the corrective actions. The assessment is limited to the corrective actions established by the Board and the associated requirements in the EITI Standard. The assessment follows the guidance outlined in the Validation Guide<sup>2</sup>. In the course of undertaking this assessment, the International Secretariat has also considered whether there is a need to review additional requirements, i.e. those assessed as “satisfactory progress” or “beyond” in the 2016 Validation. While these requirements have not been comprehensively assessed, in the Secretariat’s view there is no evidence to suggest progress has fallen below the required standard and no additional issues that warrant consideration by the EITI Board.

## 3. Review of corrective actions

As set out in the Board decision on Mauritania first Validation, the EITI Board agreed ten corrective actions<sup>3</sup>. The Secretariat’s assessment below discusses whether the corrective actions have been sufficiently addressed. The assessments are based on a desk review of minutes of the MSG meetings from June 2017 to August 2018, the 2015 EITI Reports, the 2017 annual progress report and the 2018-2020 work plan, alongside various documents submitted by the MSG to the secretariat, e-mail correspondences, and limited stakeholder consultations (in-person and via skype with the Technical Secretariat, as well as industry and civil society representatives). All documents used as part of this review are available on the EITI Mauritania website.<sup>4</sup>

<sup>2</sup> [https://eiti.org/sites/default/files/documents/validation-guide\\_0.pdf](https://eiti.org/sites/default/files/documents/validation-guide_0.pdf)

<sup>3</sup> EITI (March 2017), ‘EITI Board decision on Mauritania’s 2016 Validation’, accessed [here](#) in August 2018.

<sup>4</sup> ITIE Mauritanie accessed [here](#) in September 2018.

### 3.1 Corrective action 1 (#1.4)

In accordance with Requirement 1.4.a.ii, the MSG should ensure that its procedures for nominating and changing multi-stakeholder group representatives are public and confirm the right of each stakeholder group to appoint its own representatives. In accordance with Requirement 1.4.b.ii and 1.4.b.iii, the MSG should undertake effective outreach activities with civil society groups and companies, including through communication such as media, website and letters, informing stakeholders of the government's commitment to implement the EITI, and the central role of companies and civil society. Members of the MSG should liaise with their constituency groups. In accordance with Requirement 1.4.b.vi, the MSG should ensure an inclusive decision-making process throughout implementation, particularly as concerns industry. In accordance with Requirement 1.4.b.vii the MSG should ensure timely announcement of meetings and circulation of documents. It should also ensure written records of its discussions and decisions are kept, in accordance with Requirement 1.4.b.viii.

#### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress in meeting this requirement. The MSG comprised relevant actors and most stakeholders felt adequately represented. The TOR for the MSG addressed the requirements of the EITI Standard, but it has not been fully implemented. The nominations procedures for current MSG members are unclear and the level of consultations within each constituency about MSG representation is a concern. The MSG meets frequently and attendance is sufficient to reach the quorum, but MSG deliberations are poorly documented. Government and industry representatives have strong capacities to carry out their work, but weak capacity within civil society has negatively impacted on the functioning of the MSG.

#### Progress since Validation

The decree establishing Mauritania EITI was updated in 2018 and adopted by the Council of Ministers after the start of Validation, on 20 September 2018, and subsequently published in the Official Gazette on 30 September 2018<sup>5</sup>. The MSG's ToR were last updated in March 2016.<sup>6</sup> There are plans to update the MSG ToR to align them with the 2018 Decree, the 2016 Standard, and Mauritania EITI's new priorities, including mainstreaming and beneficial ownership, although this has not been done to date. There are also plans for a new ministerial order to formalize MSG membership following recent changes.

#### Procedures for nominating and changing multi-stakeholder group representatives

*Government nominations:* Nominations procedures have remained the same since the first Validation. In addition to the senior advisor to the Prime Minister's chairing the MSG (1), and to the Central Bank of Mauritania, the government is represented by seven members, as stipulated in Decree 2009-231, from the Directorate General (DG) of Mines (1) and the DG of Petroleum (1) at the Ministry of Petroleum, Energy and Mines ; the DG of customs (1), the Treasury and Public Accounts (1), and the tax administration (1) at the Ministry of Economy and Finance; the Ministry of Environment and Sustainable Development (1), and the Ministry charged with civil society relations (1). The MSG self-assessment for the Second Validation (p.4) notes that the government constituency will be renewed towards the end of 2018, following the adoption of the updated Decree establishing the EITI, through a new ministerial order.<sup>7</sup> Government commitment remained high during the period under review, with the Prime Minister

<sup>5</sup> Décret 2018-135 abrogeant et remplaçant le décret portant création, organisation et fonctionnement de l'ITIE Mauritanie (September 2018), accessed here in September 2018.

<sup>6</sup> Règlement intérieur de l'ITIE Mauritanie, accessed here in September 2018.

<sup>7</sup> ITIE Mauritanie, auto-évaluation pour la seconde Validation (septembre 2018), accessed [here](#) in October 2018.

of Mauritania chairing a ministerial meeting on 15 May 2018 to review the implementation of corrective measures from EITI Validation.

*Civil society nominations:* The 2016 MSG ToR and the 2018 Decree confirm that the civil Society Constituency has 14 seats on the MSG, including eight seats for NGOs, two seats for the press syndicate, two seats for the Mayors' Association, one seat for the lawyers' Association, and one seat for the Order of Accountants.

In 2016, with support from the GIZ and in the context of Mauritania's first Validation, civil society undertook a mapping exercise of civil society actors engaged in natural resource governance and EITI-related matters. The organisations identified through that mapping exercise established a coordination mechanism and adopted a Code of Conduct to govern civil society participation on the MSG during a general assembly held on 30 August 2016. The Code of Conduct notes that CSO representation on the MSG is open to organisations that have endorsed the code of conduct. CSO representatives on the MSG are entitled to a three-year mandate that can be renewed once. The code lists criteria for CSO participation on the MSG, including representing an organisation working on extractives, transparency, good governance, anti-corruption, human rights, or the environment; be experienced in advocacy; among other<sup>8</sup>. CSO representatives on the MSG are expected to share EITI related information with civil society actors beyond the MSG, including for the preparation of the EITI Report, the workplan, Validation, and the ToR for the Independent Administrator. The implementation of the Code of Conduct is overseen by a Commission (Groupe d'implication et de participation de la Société Civile - GIP), made of 14 civil society networks or organisations that have endorsed the Code of Conduct. This Commission oversees civil society participation in the EITI and coordinates the nominations of the eight NGO representatives on the MSG.

While the mayors' association, the lawyers' association, the order of accountants, and the media association nominate their own representative on the MSG, the eight other NGO representatives are nominated through a specific nominations process overseen by the GIP, in line with the Code of Conduct.<sup>9</sup> The eight NGO representatives nominated through this process in December 2017 include three representatives from mining communities (Akjoujt, Nouadhibou and Zouerate), and NGO representatives from Solidarité 2015, Coalition contre la corruption en Mauritanie (3CM), SOS Exclus, and two representatives from Publish What You Pay. A review of minutes and documents of the nominations process, including an article on the outcome of the nominations process<sup>10</sup>, and consultation with stakeholders confirm that the process was public and conducted independently of other constituencies.<sup>11</sup> The steps taken in renewal of the CSO constituency, including the timeline of different meetings, are listed in the MSG's pre-Validation self-assessment.<sup>12</sup>

Two thirds of the membership of the civil society constituency on the EITI-Mauritania MSG was renewed in December 2017. Only three former members (representing Publish What You Pay and the Order of Accountants) out of 14 remained on the MSG, while 11 new members were nominated for the first time. The constituency made efforts to ensure greater diversity in civil society participation on the MSG, improving gender balance and welcoming representatives from the three main mining regions of Mauritania (Nouadhibou, Akjoujt, Zouerat).

<sup>8</sup> ITIE Mauritanie, Note sur les critères d'éligibilité de la société civile (2017), accessed [here](#) in August 2018.

<sup>9</sup> ITIE Mauritanie, Code de conduite de la société civile (2017), accessed [here](#) in October 2018.

<sup>10</sup> ITIE Mauritanie, Processus de renouvellement des représentants de la société civile (2017), accessed [here](#) in August 2018.

<sup>11</sup> ITIE Mauritanie, Note sur les critères d'éligibilité de la société civile (2017), accessed [here](#) in August 2018.

<sup>12</sup> ITIE Mauritanie, auto-évaluation pour la seconde Validation (septembre 2018), accessed [here](#) in October 2018.

***Industry nominations:*** The EITI Decree updated in 2018 and the MSG's ToR from 2016 note that industry constituency has eight seats on the MSG, including two for SOEs SNIM and SMHPM, three for mining and three for oil and gas. The MSG's ToR note that companies have a one-year mandate that can be renewed indefinitely, with an exception for SMHPM and SNIM which have a permanent seat on the MSG.

Industry representatives met to discuss the modalities of industry participation on the MSG at a constituency meeting on 16 October 2017<sup>13</sup>. The meeting minutes set three eligibility criteria for industry participation in the MSG, including being an EITI supporting company at the international level, hold a production licence (for mining companies) or an active licence (for oil and gas companies), and request to join the MSG. The minutes of the industry meeting in August 2018 call companies to indicate their interest in joining the MSG in time for the next company constituency renewal scheduled for December 2018.<sup>14</sup> There is no explanation on why companies decided to exclude companies that don't support the EITI internationally or that are in exploration phase in their eligibility criteria. Industry stakeholders consulted only confirmed that these criteria were established to ensure strong commitment and active participation of company representatives on MSG. The minutes of the industry constituency meetings are publicly available on the Mauritania EITI website<sup>15</sup> and confirm the right of the industry constituency to appoint its own representatives.

A limited renewal of industry participation on the MSG was carried out in January 2018, when a representative from BP entered the MSG replacing the representative from Kosmos Energy. This change in MSG representation followed the agreement signed between BP and Kosmos in December 2016, with BP acquiring a majority share in Kosmos' exploration blocks. In addition to SOEs (SNIM and SMHPM) and BP, the industry constituency is currently represented by Total, Tullow Oil, Tasiast, Sphere and MCM. The three mining companies represented on the MSG continue to be the largest private sector operators with a production licence in iron ore gold, and copper, in Mauritania. While the minutes of the 16 October 2017 industry constituency meetings mention the elaboration of procedures for the nomination of industry representatives on the MSG, there is no evidence to show whether specific procedures have been discussed and agreed by the industry constituency, beyond the eligibility criteria, and how if these procedures were applied in practice for the renewal of the industry constituency on the MSG in January 2018, both for the oil and gas, and the mining sub-constituencies.

### **Inclusive decision making**

While the MSG's 2016 ToR has not been updated, and simple majority voting remains the fall-back option (with the Chair's vote deciding in cases of a tie), a review of minutes of MSG meetings in 2017-2018 and consultations with stakeholders confirm that no MSG decisions have been taken by vote since the first Validation. Civil society stakeholders consulted confirmed that current civil society representatives on the MSG were better equipped to contribute meaningfully to MSG discussions. They were able to speak freely in MSG meeting and to table points on the agenda. They did not have the feeling of being over-ruled in the decision-making process. Similarly, industry stakeholders believed they had the opportunity to contribute to MSG discussions and that the views of all stakeholders were taken into account to reach consensus.

### **Outreach activities and constituency coordination**

***Government:*** On 15 May 2018, the Prime Minister of Mauritania presided a ministerial meeting to review the implementation of corrective measures from EITI Validation. With support from the GIZ, the MSG organised a series of workshop with government stakeholders in August 2018 to elaborate a roadmap for EITI Mauritania to move towards regular and systematic EITI disclosures through government systems.

<sup>13</sup> ITIE Mauritanie, Procès-verbal de la réunion des entreprises du 16 octobre 2017, accessed [here](#) in October 2018.

<sup>14</sup> ITIE Mauritanie, Procès-verbal de la réunion des entreprises du 16 août 2018, accessed [here](#) in October 2018.

<sup>15</sup> ITIE Mauritanie page des entreprises (2018) accessed [here](#) in October 2018

The workshops were an opportunity to conduct outreach and awareness raising on the objectives of EITI implementation. There is no publicly-accessible evidence that senior government officials, other than members of the EITI Technical Secretariat, take part in EITI outreach and dissemination activities with line ministries and agencies.

*Civil society:* There is evidence that outreach activities were conducted with national and local NGOs, as part of the implementation of the CSO Code of Conduct. This included roadshows in the mining regions Nouadhibou (September 2017), Akjoujt (August 2017), and Zouerat (August 2017) to engage local CSOs and communities, with support from the GIZ. There is evidence that training activities have been undertaken to strengthen the capacity of civil society representatives on the MSG. With support from the GIZ, civil society representatives held a strategic planning workshop in May 2018.<sup>16</sup> This included a training session on the EITI, as well as a session for CSO representatives to define their expectations for the Mauritania-EITI, and objectives for their participation in the process. Three other trainings were held in 2017 focusing on the implementation of the code of conduct, capacity building of civil society organisations from mining regions, and strengthening the contributions of CSO representatives on the MSG. These capacity building activities have provided opportunities for outreach, dissemination of EITI reports, and consultation with a broad range of civil society actors on key documents, such as the 2018-2020 workplan. Stakeholders consulted for this second Validation confirmed that Civil Society participation on the MSG had become more active since the Code of Conduct was adopted, and that more efforts had been made by CSO representatives on the MSG to canvass the civil society constituency more broadly, particularly on the workplan and on the annual progress report.

*Industry:* Industry stakeholders consulted for this second Validation confirmed that industry representatives on the MSG met in October 2017 and August 2018 to discuss on the EITI. There is no evidence to suggest that companies that don't support the EITI internationally or that were in the exploration phase were invited to participate. MSG Meeting minutes are published on the Mauritania EITI website.<sup>17</sup> The list of companies represented on the MSG and the contact details of the industry focal point on the MSG, the representative of Total, are also available on the Mauritania EITI-Website. While there is evidence that MSG meeting minutes of industry constituency were shared with material mining, and oil and gas companies on one occasion, there is no evidence to show that companies have canvassed their broader constituency on key EITI documents such as the workplan or the annual progress report.

### **Timely announcement of MSG meetings and record keeping**

*Record keeping:* There is evidence that the MSG has met at least twice per quarter and that meeting minutes have been kept and published systematically.<sup>18</sup>

*Timely announcements of meetings and circulation of documents:* In its pre-Validation self-assessment, the MSG noted that the preparation of MSG meetings had improved since Validation and provided details on when MSG meetings were announced and held in 2017 and 2018 (pp.7-10), which showed that meetings were announced with at least one week's notice, in line with provisions of the MSG's ToR. Stakeholders from the three constituencies consulted for the second Validation did not express any concerns and confirmed that meetings were announced, and documents were shared sufficiently in advance of MSG meetings.

<sup>16</sup> Rapport de l'atelier de planification des activités de la société civile accessed [here](#) in October 2018.

<sup>17</sup> ITIE Mauritanie, Page du collège des entreprises de l'ITIE-Mauritanie, accessed [here](#) in October 2018.

<sup>18</sup> ITIE Mauritanie, Procès-verbaux des réunions du CN-ITIE, accessed [here](#) in October 2018.

## Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on MSG governance has been addressed and considers that Mauritania has made satisfactory progress on Requirement 1.4. The International Secretariat notes the impressive efforts undertaken by the MSG to clarify and update MSG governance procedures. The civil society constituency has agreed on criteria and procedures for the nomination of their representatives on the MSG, which are public and confirm the right of each constituency to appoint its own representatives. The industry constituency has agreed on eligibility criteria for their representation on the MSG, however there appears to be no clear selection procedures for industry representatives on the MSG. While these ad hoc procedures do not have a negative impact on industry participation at this stage, it could be an issue in the future. While there is evidence that Civil society has undertaken limited outreach activities, through emails and through the Mauritania EITI website, there is no evidence to suggest if and how industry representatives on the MSG have canvassed the broader industry constituency on key documents such as the workplan, the annual progress report, or the EITI Report. The MSG has ensured that decision-making process was inclusive. The Technical Secretariat has made sure that there were timely announcements of MSG meetings and circulation of documents, and that written records of its discussions and decisions are kept, even if these could be improved to better reflect MSG discussions.

To strengthen implementation, the MSG is encouraged to make sure that its procedures for nominating and changing multi-stakeholder group representatives, particularly with regards to the industry constituency, are public and implemented in practice. The MSG is encouraged to undertake effective outreach activities with civil society groups and companies, including through communication such as media, website and letters, informing stakeholders of the government's commitment to implement the EITI, and the central role of companies and civil society. Members of the MSG is encouraged to liaise with their constituency groups on a regular basis, and to consult broadly on future EITI documents, including the Annual Progress Report, the Workplan, and the EITI Report.

### 3.2 Corrective action 2 (#1.5)

In accordance with Requirement 1.5.a, the MSG should maintain a current work plan that sets EITI implementation objectives that reflect national priorities for the extractive industries. In accordance with Requirement 1.5.b, the workplan must reflect the results of consultations with key stakeholders.

#### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress towards meeting this requirement. The workplan is available on the EITI Mauritania website and is costed, although sources of funding are not specified. The MSG does not appear to have considered linking objectives of EITI implementation to broader national priorities and stakeholder input to the development of the workplan appear to have been limited. The workplan included activities related to overcoming general capacity constraints, although it would have benefited from a more detailed needs assessment. The workplan did not address the scope of EITI reporting, despite including activities aimed at expanding EITI reporting to other sectors and did not include activities related to following up on EITI recommendations. Nonetheless delays in implementing activities in the workplan appear reasonable in light of funding constraints.



## Progress since Validation

The 2018-2019 workplan was published on 7 September 2018 and is available on the EITI Mauritania website<sup>19</sup>. The workplan reflects the total budget of EITI implementation over the period and the sources of funding for each activity. Resource constraints, particularly due to delays in the implementation of the World Bank grant, remain a major concern and has a direct impact on the implementation of the workplan. The cover page of the workplan links the objectives of EITI implementation to broader national priorities, including to Mauritania's strategic development plan (2016-2030), to the national anti-corruption and anti-money laundering legislation, and to the mining sector policy. The workplan includes activities related to overcoming general capacity constraints. The workplan includes specific activities related to the timely publication of EITI Reports, as well as to follow up to EITI recommendations from the Independent Administrator and from Validation. The workplan includes specific activities related to EITI mainstreaming, beneficial ownership disclosure, and commodity trading transparency. with a review of minutes of MSG meeting confirms that the MSG discussed and adopted revisions on the 2018-2019 Workplan on 19 June<sup>20</sup>. There is evidence that civil society representatives on the MSG canvassed their constituency on the 2018-2019 workplan through the GIP and during the strategic planning workshop held in May 2018, with support from GIZ.<sup>21</sup> Civil society stakeholders consulted confirmed that their suggestions for dissemination of EITI reports and for training activities were taken into account. There is no evidence that the industry representatives on the MSG canvassed the industry constituency more broadly on workplan (see Requirement 1.4). Ahead of Validation, Mauritania-EITI developed a webpage to present its efforts to mainstream the EITI and move towards regular and systematic EITI disclosures<sup>22</sup>. The page includes a link to a mapping on the current level of EITI disclosures<sup>23</sup> as well as too Mauritania's mainstreaming roadmap for 2018-2020.<sup>24</sup>

## Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on workplan has been fully addressed and considers that Mauritania has made satisfactory progress on Requirement 1.5. The 2018-2019 work plan objectives reflect national priorities for the extractive industries. While the civil society constituency has canvassed broadly in the preparation of the Workplan, there is no evidence that industry representatives have sought inputs from the industry constituency more broadly (see Requirement 1.4 above).

To strengthen implementation, the MSG should ensure that future updates of the workplan reflect the results of consultations with key stakeholders. As highlighted under Requirement 1.4, the MSG is strongly encouraged to strengthen constituency processes and ensure that the broader government, industry, and civil society constituencies are consulted on future updates of the workplans. The MSG may wish to publish more regular updates on workplan execution to reflect the detail with which the MSG and secretariat track implementation. This could further support the MSG's efforts to reach out to prospective donors to support specific work plan activities.

### 3.3 Corrective action 3 (#2.2 and #2.3)

In accordance with Requirement 2.2.a, the government should ensure annual disclosure of which mining, oil, and gas licenses were awarded and transferred during the year, highlighting the technical and

<sup>19</sup> ITIE Mauritanie, Plan d'action 2018-2019-2020 (September 2018), accessed [here](#) in October 2018

<sup>20</sup> ITIE Mauritanie, Procès verbal de la reunion du CN-ITIE (June 2019), accessed [here](#) in August 2018

<sup>21</sup> Rapport de l'atelier de planification des activités de la société civile accessed [here](#) in October 2018.

<sup>22</sup> EITI Mauritania, données ouvertes, accessed [here](#) in September 2018

<sup>23</sup> EITI Mauritania, état des lieux des divulgations systématiques, accessed [here](#) in September 2018

<sup>24</sup> EITI Mauritania, plan d'action 2018-2020, accessed [here](#) in September 2018

financial requirements and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers. In accordance with Requirement 2.3, the government should also ensure that the dates of application, commodities covered and coordinates for all oil, gas and mining licenses held by material companies are publicly available.

### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress in meeting [Requirement 2.2](#). The 2014 EITI Report provided a comprehensive overview of the process followed for allocating two mining licenses awarded through competitive bidding and the general oil and gas license allocation statutory rules. However, it did not describe the process for transferring licenses in the mining, oil and gas sectors, nor the process for awarding the four licenses granted on a first-come-first served basis in 2014. A description of the technical and financial criteria used for direct negotiation of oil and gas PSCs was also missing.

The first Validation concluded that Mauritania had made meaningful progress in meeting [Requirement 2.3](#). The 2014 EITI Report provided the license holder names and dates of award and expiry for all mining, oil and gas licenses as well as the dates of application, commodity covered and coordinates of some licenses, but not all. Despite ongoing reforms of the mining and petroleum cadastral systems, the EITI Report did not provide commentary on the status of reforms.

### Progress since Validation – License allocations (#2.2)

Mauritania published addendum to the 2015 EITI Report, including notes from the General Directorate for Mines and Hydrocarbons, on 7 September 2018.

With regards to the **corrective action related to Requirement 2.2**, the 2015 Report mentions that three research permits were granted in 2015, on a “first come first serve” basis to Mauritania Energy Minerals, Minerals Resources Development, and Topworth Mining Singapore PTE Ltd; and that one licence was transferred between Sand Iron Ore Mauritania and Wafa Mining and Petroleum (p.27). The 2015 Report notes that licence allocation and transfer is governed by law 2008-011 for the 2008 Mining Code and law 2012-012 for the template mining contract (*Convention Minière Type*) (page 31). The report provides a general description of the license allocation process in mining, including for research permits attributed on a “first come, first served” basis (pp. 33-35). The procedure is also described on the Ministry of Mines website.<sup>25</sup> The report provides a list of documents required from applicants, which refers to demonstrating competencies and professional experience, technical capacities and bank statements (p.32). It does not however provide a specific list of technical and financial criteria assessed specifically (nor their weightings, if applicable). Similarly, the process for transferring mining licenses are also described (pp.35-36), however it does not provide a specific list of technical and financial criteria assessed specifically in the process. The report does not highlight if there were any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers in 2015. There is no evidence to show whether the MSG has conducted spot checks to review any potential non-trivial deviations in the allocation and transfer of those licences subsequent to the publication of the 2015 EITI Report.

The MSG published an addendum to the 2015 Report prepared by the Ministry of Mines<sup>26</sup>, indicating that the allocation of the three research permits did not deviate from “first come, first served” licence allocation procedure. The note does not describe the specific technical and financial criteria used in the award of these permits. The note adds that Sand Iron Ore Mauritania had transferred the licence to Sand

<sup>25</sup> DMG, Procédures d'octroi des titre miniers au premier demandeur, accessed [here](#) in September 2018.

<sup>26</sup> Ministère des Mines, Recommandations formulées dans le cadre de la Validation (August 2018), accessed [here](#) in October 2018.

Wafa Mining, as per the mining convention, as the project had not been developed by the operator. It notes that the licence expired in February 2017 and had been removed from the licence cadastre.

In oil and gas, the 2015 EITI Report confirms that no new Production Sharing Contract (PSC) was granted in 2015, none expired, and none was transferred. The report describes the license allocation process in oil and gas through competitive bidding. The report notes that the Hydrocarbons Minister can also, on the basis of a “motivated report” and after authorisation from the Council of Ministers, conclude PSCs through direct negotiation. The procedure is described in general terms, with no reference to specific financial and technical criteria used in such a procedure (nor their weightings). The 2015 Report confirms that all PSCs to date have been allocated through direct negotiation.

A note published on the EITI Mauritania website further details the procedure for concluding PSCs through direct negotiation<sup>27</sup>. It notes that the Minister can establish a Technical Commission to assist through direct negotiations. It lists the general technical and financial criteria reviewed by the Technical Commission, including “financial statements of the operator, its track record, as well as its technical capacity to undertake the project”. However, it does not provide details on specific criteria assessed. The note also describes in general terms the process to transfer PSCs, noting that the same technical and financial criteria used in the direct negotiations process are assessed.

### Progress since Validation – License register(s) (#2.3)

With regards to the **corrective action related to Requirement 2.3**, the 2015 EITI Report provides information on 136 mining licenses active in 2015 (pp.132-138), including dates of application<sup>28</sup> and commodities. This appears to include all active licenses, regardless of the materiality of companies holding them. The 2015 EITI Report provides coordinates for 16 mining licences held material companies (pp. 142-148), out of a total of 25 research and production licences held by material companies (as listed in pp 133-138). The report provides the date of contract signature, date of effectiveness and expiry date, and coordinates (pp.149-153) of the 13 active oil and gas licences, but not the dates of application. It includes the coordinates for 11 of these licenses. The report does not specify the commodities covered by these 13 active licences, however this can be deduced from the overview of oil and gas licenses and PSCs that all licenses cover both oil and gas. The report provides details on ongoing reforms of the mining license register.

### Secretariat’s Assessment

The International Secretariat is satisfied that the corrective action on license allocations has been partly addressed and considers that Mauritania has made meaningful progress on Requirement 2.2, with considerable improvements. In mining, while the 2015 EITI Report provides a general overview of the licence allocation and transfer procedures in Mauritania, it does not specifically describe the technical and financial criteria used in licence allocations and transfers in the year under review. While the addendum published by the DG Mines ahead of the second Validation indicates that there were no non-trivial deviation in the allocation of the three research permits and the license transfer in 2015, the absence of a clear description of technical and financial criteria assessed raises questions over the basis for this assessment of no non-trivial deviations. The International Secretariat therefore concludes that the broader objective of Requirement 2.2 has not yet been fully achieved. In oil and gas, the EITI Mauritania website provided a general description of the technical and financial criteria used for direct negotiation of oil and gas PSCs.

<sup>27</sup> Ministère des Mines et des Hydrocarbures, Note sur la procédure d’octroi des contrats d’exploration-production (2018), accessed [here](#) in October 2018.

<sup>28</sup> Except for two SNIM licences and one for MCM that were granted more than 40 years ago.

In accordance with Requirement 2.2.a, Mauritania should ensure annual disclosure of mining, oil, and gas licenses were awarded and transferred during the year, highlighting the technical and financial criteria and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers.

The International Secretariat is satisfied that the corrective action on license register(s) has been partly addressed and considers that Mauritania has achieved meaningful progress with considerable improvements on Requirement 2.3. The 2015 Report provides information on 136 mining licenses active in 2015, including dates of application, commodities, and licence coordinates for 16 out of 25 licences held by material companies. The report provides the date of contract signature, date of effectiveness and expiry date, and coordinates of the 13 active oil and gas licences, but not the dates of application.

In accordance with requirement 2.3, the government should also ensure that the dates of application, commodities covered and coordinates for all oil, gas and mining licenses held by material companies are publicly available.

### 3.4 Corrective action 4 (#2.4)

In accordance with Requirement 2.4.b, the MSG is required to document the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals through the EITI Report. This should include relevant legal provisions, any reforms that are planned or underway as well as an overview of contracts already published.

#### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress in meeting Requirement 2.4b. The 2014 EITI Report did not document the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. It provided only partial details of relevant legal provisions and actual disclosure practices but did not include a commentary on any reforms that are planned or underway. The 2014 EITI Report did not provide an overview of the contracts and licenses that are publicly available.

#### Progress since Validation

Mauritania EITI published its 2015 EITI Report on 31 December 2017. It subsequently published an addendum from the Ministry of Mines on contract disclosure on 7 September 2018.

With regards to mining, the 2015 EITI Report explains a standard *Convention Minière* applies to all mining projects (p37) and is publicly available. This standard mining convention is annexed to law 2012-012.<sup>29</sup> Only two aspects related to the use of public infrastructures, to contribution to SDGs and the Social Development Fund are subject to negotiation. References to relevant legal provisions in the mining code are provided and link is provided to access the Convention Minière Type. The Convention between the State and the mining SOE SNIM was made available to the public in July 2018<sup>30</sup>.

A note from the Ministry of Mines published on the EITI Mauritania website<sup>31</sup>, adds that signed *Conventions Minières* are considered as law and are public documents. They are presented and debated by the National Assembly. Once adopted, the Decree implementing the *Convention Minière* is published in

<sup>29</sup> Loi n°2012-012 réglementant les Conventions Minières et approuvant la Convention Minière Type, accessed [here](#) in August 2018.

<sup>30</sup> ITIE Mauritanie, Convention entre l'Etat de Mauritanie et la SNIM (1998), accessed [here](#) in August 2018.

<sup>31</sup> Ministère des Mines, Politique de divulgation des contrats miniers (2018), accessed [here](#) in August 2018.

Mauritania's official gazette. The note adds that operators are then free to decide whether they want to publish the signed version of the contract. Neither the 2015 EITI Report nor the note confirm whether mining contracts have been published by operators in practice. The note also explains that the government is planning to establish an open data portal to promote Mauritania's the mining sector to operators, through which it expects to publish the contracts signed with mining operators.

With regards to oil and gas, the 2015 EITI Report noted that Production Sharing Contracts (PSCs) contained sensitive information for operators and were therefore not published by the state. Operators could disclose their PSC if they wished to do so, as in the case of Kosmos Energy. The Report did not comment on the public accessibility of other contracts. The 2015 EITI Report provides a link to Kosmos Energy's PSC.

### Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on contract disclosure has been fully addressed and considers that Mauritania has achieved satisfactory progress on Requirement 2.4. Through the 2015 EITI Report and the notes published subsequently by the Ministry of Mines and Hydrocarbon, the MSG has documented the government's policy on disclosure of contracts and licenses that govern the exploration and production of oil, gas and minerals.

To strengthen implementation, Mauritania is encouraged to use its annual EITI reporting as a diagnostic of actual practice in disclosure of contracts in mining, oil and gas. Mauritania may wish to explore ways of using the new geo-scientific portal as a channel for contract disclosure.

### 3.5 Corrective action 5 (#2.6 and #6.2)

In accordance with Requirement 2.6, the MSG should provide an explanation of the prevailing rules and practices related to SOEs' retained earnings and reinvestment. The government should also ensure annual disclosure of any changes in government ownership in SOEs or their subsidiaries as well as terms associated with their equity, and provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies. In accordance with Requirement 6.2, the MSG should consider the existence and materiality of any quasi-fiscal expenditures undertaken by SOEs and subsidiaries in the extractive industries and ensure that all material quasi-fiscal expenditures are disclosed.

#### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made inadequate progress in meeting Requirement 2.6. While the 2014 EITI Report listed two extractives companies in which the state holds majority equity and some of the rules and practices governing financial transfers between SOEs and government, including relevant laws and practices related to dividends and third-party lending, it did not clarify whether there were any changes in ownership of extractives SOEs or their subsidiaries in 2014 and it remains unclear whether disclosures of loans or loan guarantees are comprehensive. The terms associated with government equity in each company were not disclosed, and the rules and practices governing SOEs' retained earnings and reinvestment were not described.

#### Progress since Validation – State participation (#2.6)

Mauritania published its 2015 EITI Report on 31 December 2017. The MSG published addendums from the two extractives SOEs, SNIM and SMHPM, and from the Ministry of Finance on the Mauritania EITI

website on 7 September 2018. Along with its comments on the assessment on 27 December, the MSG shared an additional addendum from SNIM dated 24 December describing in general terms the financial relationship between the state and the SOE, although this was not published online.

With regards to the **corrective action related to Requirement 2.6**, the 2015 EITI Report explains that state participation in the mining sector is through the mining SOE SNIM or through minority equity interests in mining companies held by the SOE SMHPM (p.38), which is also the SOE in the oil and gas sector (p.47).

*Materiality:* The report confirms the materiality of revenues collected both by SNIM, equivalent to 40% of government mining revenues, and SMHPM, which can be calculated as the equivalent of 19.7% of oil and gas revenues (pp.12-14,19-20,85). It provides the state's shareholding in both SNIM (pp.30,104,112) and SMHPM (pp.103,110), demonstrating that they are majority-owned by the government. Both SNIM and SMHPM were included as material entities in the scope of reporting (p.74).

*Financial relationship with government:* The report describes the roles and responsibilities of SNIM (pp.30,37) and SMHPM (p.47). The report describes the state's entitlement to a 10% free carried equity interest in all mining companies holding production licenses (p.38), held by either SNIM in the case of one company or SMHPM in the case of all other mining companies in which the state holds 10% free carried equity (p.38). The report notes that 2015 annual reports are available online for SNIM (pp.30,38) and SMHPM (p.47), with relevant links included. In terms of the financial relations between the mining companies in which SNIM or the government (through SMHPM) hold equity and the government, the report confirms that the government and SNIM's interest in mining companies gives rise to dividends (p.38).

In terms of the financial relations between SMHPM and the state, the report describes the statutory financial relations between SMHPM and the state, including transfers to the petroleum fund (FNRH) (pp.50,59), retained earnings (p.12) and third-party financing (p.51). It provides the value both the state's and SMHPM's share of oil production in 2015 (p.15). The report describes the third-party financing arrangement for SMHPM's interest in the Chinguetti field, from Sterling Energy Plc (pp.51-52). Mauritania EITI published an addendum by SMHPM in August 2018, further clarifying the financial relationship between SMHPM and the government, the financing arrangement with Sterling Energy, audit practices and a loan received from the state, the cost of a building converted to equity in SMHPM.<sup>32</sup>

With regards to the financial relations between SNIM and the state, the report explains that SNIM is required to pay a 'unique annual royalty' (*Redevance annuelle unique*) equivalent to 9% of SNIM's annual FOB turnover, in lieu of all other profit taxes (p.71). Mauritania EITI published an addendum from SNIM 7 September 2018<sup>33</sup>, confirming that SNIM had not paid any dividends to the state in 2015 and that SNIM had not received any loan from the government to finance its activities. It noted that SNIM's financing does not benefit from a letter of comfort from the government, with the exception of the Arab Fund for Economic and Social Development (FADES) loan for USD 100m for the expansion of the Guelb iron ore mine and the construction of an enrichment factory, although it does not provide details of the loan. The 24 December addendum submitted by SNIM reiterates in general terms the financial relationship between the State and the SOE. However, neither the EITI Report nor the addendums describe the statutory financial relations between SNIM and the government, including rules related to retained earnings, reinvestments and third-party funding. Nonetheless, Mauritania EITI published the 1998

<sup>32</sup> SMHPM, Note sur les points soulevés lors de la visite à la SMHPM (August 2018), accessed [here](#) in October 2018.

<sup>33</sup> SNIM, Relations financières entre l'Etat et la SNIM (Septembre 2018), accessed [here](#) in October 2018.

framework agreement between SNIM and the government<sup>34</sup> in August 2018, although the revised agreement concluded in August 2018 has not been disclosed.

Subsequent to the commencement of Mauritania's second Validation, on 13 September 2018, the MSG published an addendum from the Ministry of Finance<sup>35</sup> that explained the statutory rules for SOE profit-sharing (through dividends) and reinvestments, although not of third-party funding.

**Government ownership:** The report provides a list of shareholders for both SMHPM and SNIM (pp.103-104,110,112). The report also lists the state's equity interests in three mining companies<sup>36</sup> (p.38) and its free carried equity interests in three mining companies in which SMHPM holds 10% free carried equity and two companies in which it holds 20% free carried equity on behalf of the state (p.39). The identity of the specific government entity holding the equity is provided. While the report describes the terms associated with the state's free carried equity in mining companies (p.38), it does not detail the terms associated with state (non-free carried) equity in the three mining companies listed<sup>37</sup> (p.38).

It is noted that SNIM established a joint venture with the Saudi Arabian company SABIC, called MSMS Takamul, to develop the Atomai mining deposit (p.38). While the report explains that the company is not yet registered in the mining cadastre given that the mining concession has not yet been awarded (p.38), it does not provide the SNIM's equity interest in the joint venture MSMS Takamul. A review of SNIM's 2015 audited financial statements indicates that the SOE had 13 subsidiaries or joint ventures domiciled in Mauritania in 2015, including its 50% interest in MSMS Takamul.<sup>38</sup>

The report lists three exploration licenses and two production licenses held by SNIM (pp.135-137), but does not describe SNIM's responsibility to cover expenses at various phases of the project cycle.

**Ownership changes:** The report provides the government's equity interests in the three mining companies at the start and end of 2016 (p.38), implying a lack of change in government ownership in the three in 2015. It also describes the way in which the state received its free carried equity interest in the five mining companies in 2012-14 (p.39), implying a lack of government ownership in these five mining companies in 2015, although this is not explicitly stated. The report does not confirm whether there had been any change in government ownership in the oil and gas sector in 2015.

**Loans and guarantees:** The report states that reporting templates for SNIM, SMHPM and the Treasury (DGTCP) included lines for loans and guarantees to extractives companies, but notes that no such loans or guarantees were reported (pp.39,87). However, the report casts doubt on the comprehensiveness of reporting by SNIM, by noting that while SNIM did not include any social expenditures in its reporting templates, the detail of its social expenditures in 2015 is accessible from SNIM's Environmental and Social Responsibility Report for 2015, with a link to the report<sup>39</sup> included (p.87).

The addendum from SNIM published by Mauritania EITI on 7 September 2018<sup>40</sup> notes that the government provided a letter of comfort to SNIM for a USD 100m loan from the Arab Fund for Economic and Social Development (FADES), although it does not provide details of the loan.

<sup>34</sup> Ministère des Mines, Convention entre l'Etat et la SNIM (1998), accessed [here](#) in October 2018.

<sup>35</sup> Ministère des Finances, Note sur la distribution des dividendes (September 2018), accessed [here](#) in October 2018.

<sup>36</sup> SNIM, El Aouj Mining Company SA and Sphere Mauritania.

<sup>37</sup> SNIM, El Aouj Mining Company SA and Sphere Mauritania.

<sup>38</sup> SNIM (2016), Etats financiers de la SNIM, 2015', accessed [here](#) in October 2018, p.25.

<sup>39</sup> SNIM (2016), 'Rapport de responsabilité sociale et environnementale 2015', accessed [here](#) in October 2018.

<sup>40</sup> SNIM, Relations financières entre l'Etat et la SNIM (Septembre 2018), accessed [here](#) in October 2018.

## Progress since Validation – Quasi-fiscal expenditures (#6.2)

With regards to the **corrective action related to Requirement 6.2**, the 2015 EITI Report quotes the definition of quasi-fiscal expenditures in the EITI Standard (p.67), implying that the MSG adopted the same definition although this is not explicitly stated. The report notes that the MSG undertook a standalone study on social expenditures as part of its follow-up on the corrective action related to quasi-fiscal expenditures (p.100), implying that the MSG clearly distinguished between social and quasi-fiscal expenditures by SOEs. It is confirmed that “relevant reporting entities” were asked to report details of quasi-fiscal expenditures in their reporting templates (p.68), with reporting templates showing that the two SOEs were asked to report such expenditures (p.125). However, the report notes that none of the reporting entities disclosed any quasi-fiscal expenditures (p.87). The report notes that 2015 annual reports are available online for SNIM (pp.30,38) and SMHPM (p.47), with relevant links included.

### Secretariat’s Assessment

The International Secretariat is satisfied that the corrective action on state participation has been partly addressed and considers that Mauritania has made meaningful progress on Requirement 2.6. The 2015 EITI Report and subsequent addendums confirm the materiality of two SOEs in the extractives, SMHPM and SNIM. They described the statutory financial relations between SNIM, SMHPM and the government in terms of dividends and reinvestments, but not in terms of third-party funding, although the financial relations between the two SOEs and the government in practice in 2015 are detailed. The report lists the state participations in the extractive industries, although it is unclear whether disclosures of SNIM subsidiaries is comprehensive and confirms the lack of changes in state participation in 2015. While the report describes the terms associated with the state’s free carried equity in mining companies, it does not detail the terms associated with state equity in other mining companies. Although the report states that there were no loans or guarantees, it notes the existence of a sovereign guarantee on a third-party loan to SNIM, without providing details of the terms of the loan guarantee (e.g. interest rate, tenor).

In accordance with Requirement 2.6, Mauritania should ensure that a comprehensive list of state participation in the extractive industries, including terms associated with state equity and any changes in the year under review, be publicly accessible. Mauritania should also clarify the rules and practices governing financial relations between all SOEs, and their subsidiaries, and the state, including the existence of any loans or guarantees extended by the state, or SOEs, to extractives companies or projects.

The International Secretariat is satisfied that the corrective action on quasi-fiscal expenditures has been fully addressed and considers that Requirement 6.2 is not applicable to Mauritania in the year under review (2015). The 2015 EITI Report reflects the MSG’s requests for information on quasi-fiscal expenditures from the SOEs and the Treasury, and their lack of reporting of such expenditures. While the MSG’s scoping of quasi-fiscal expenditures ahead of data collection is unclear, the public availability of the two SOEs’ audited financial statements provide assurances to the comprehensiveness of the SOEs’ reporting of quasi-fiscal expenditures.

To strengthen implementation, Mauritania is encouraged to undertake a comprehensive review of all expenditures undertaken by extractives SOEs (and their subsidiaries) that could be considered quasi-fiscal ahead of data collection for EITI reporting.



### 3.6 Corrective action 6 (#4.1)

In accordance with Requirement 4.1.c, the MSG should ensure that the Independent Administrator assesses the materiality of non-reporting companies and government entities as well as provide its opinion on the comprehensiveness of the EITI Report. The MSG should also ensure that aggregate information about the amount of total revenues received from each of the benefit streams agreed in the scope of the EITI Report, including revenues that fall below agreed materiality thresholds, be provided by government, in accordance with Requirement 4.1.d.

#### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress in meeting Requirement 4.1. The MSG agreed a set of materiality thresholds that ensure sufficiently comprehensive coverage for the 2014 EITI Report and provided justification for the two materiality thresholds as well as listings of all material revenue streams and companies. The materiality of non-reporting was assessed and full unilateral government disclosure was provided, albeit disaggregated by company. While a quantitative threshold was not provided for selecting companies, the MSG's agreed approach provided sufficiently comprehensive coverage of extractives revenues. However, the EITI Report did not include the IA's clear statement regarding the comprehensiveness of the EITI Report nor full unilateral government disclosures disaggregated by revenue stream.

#### Progress since Validation

Mauritania EITI published the 2015 EITI Report on 31 December 2017. The MSG agreed a set of materiality thresholds that ensure sufficiently comprehensive coverage for the 2015 EITI Report and provided justification for the two materiality thresholds as well as listings of all material revenue streams and companies.

*Material revenue streams:* The 2015 EITI Report describes the MSG's approach to determining the materiality of revenue streams (pp.66-67). For mining, the report describes the materiality threshold of USD 50,000 (MRO 16,196m) in aggregate payments per revenue stream, which was selected to ensure a reconciliation coverage of 98.6% of government mining revenues excluding sub-contractors (pp.17,66-67). For oil and gas, the report describes a materiality threshold of USD 50,000 (MRO 16,196m) in aggregate payments per revenue stream for payments in cash (p.67). It also notes that all in-kind payments (i.e. Profit Oil and Cost Oil) from oil and gas companies were included with a de facto materiality threshold of zero (p.67). The report confirms that all revenue streams listed under Requirement 4.1.b were included in the scope of reconciliation (p.66). It is confirmed that material companies were required to also report any other payment of more than USD 10,000 in aggregate (p.66). The report explains that this approach to materiality was selected given the lack of initial unilateral disclosures of oil and gas revenues by FNRH disaggregated by revenue flow and company (p.66).

The report lists and describes the 45 revenue flows considered material for the 2015 reconciliation (pp.69-72).

*Material companies:* For mining, the report states that all producing mining companies were included in the scope of reporting, alongside non-producing exploration or production license-holder companies that made payments to government above an agreed threshold (p.73). The agreed materiality threshold for selecting mining companies is described as aggregate payments to government of MRO 40m (USD xx) or one individual payment flow of more than USD 50,000 (MRO 16,196m) (pp.17,66). It explains that this materiality threshold was selected to ensure a reconciliation coverage of 93.13% of government extractives revenues, excluding payments from sub-contractors (p.17).

For oil and gas, the report states that all oil and gas companies were included in the scope of reporting with a de facto materiality threshold of zero (p.73), with a target reconciliation coverage of 99.9% of government oil and gas revenues (p.17).

The report lists the nine material companies in mining and the ten material oil and gas companies (pp.73-74).

**Reporting omissions:** The report lists three mining companies and three oil and gas companies that did not submit reporting templates (pp.17,174) and provides each company's share of government extractives revenues in absolute and relative terms, based on Treasury reporting (pp.17,77). The value of total omissions from all non-reporting companies was 1.92% of government extractives revenues, with no company accounting for more than 1.47% of government revenues individually, with most accounting for less than 0.13%<sup>41</sup> (p.17). The report describes attempts to contact non-reporting companies and explains that three of the six were no longer present in Mauritania (pp.17,80). The report includes the IA's assessment that this non-reporting did not affect the comprehensiveness or reliability of the data in the EITI Report, given the low value of omissions (p.18).

**Full government disclosure:** The report confirms that government entities discloses extractives revenues from non-material companies unilaterally (p.66), and provides full disclosure of total revenues, including from non-material companies, for every material revenue stream in both mining and oil and gas (pp.84-86,114).

### Secretariat's Assessment

The Secretariat is satisfied that the corrective action on comprehensive disclosure has been addressed and considers that Mauritania has achieved satisfactory progress on Requirement 4.1. The 2015 EITI Report provides, for both oil and gas and mining, a definition of the materiality thresholds for payments and companies to be included in reconciliation, including a justification for why the thresholds were set at these levels. The MSG was involved in setting the materiality thresholds for payments and for companies. All but six smaller material companies and all government entities reported comprehensively all material payments and revenues in the 2015 EITI Report. The materiality of omissions from non-reporting companies is assessed and considered not to affect the comprehensiveness of the reconciliation. Full unilateral government disclosures of material revenues, including from non-material companies, was provided.

### 3.7 Corrective action 7 (#4.9)

*In accordance with Requirement 4.9.b.iii and the standard Terms of Reference for the Independent Administrator agreed by the EITI Board, the MSG and Independent Administrator should:*

*a) examine the audit and assurance procedures in companies and government entities participating in the EITI reporting process, and based on this examination, agree what information participating companies and government entities are required to provide to the Independent Administrator in order to assure the credibility of the data in accordance with Requirement 4.9. The Independent Administrator should exercise judgement and apply appropriate international professional standards<sup>41</sup> in developing a procedure that provide a sufficient basis for a comprehensive and reliable EITI Report. The Independent Administrator should employ his/her professional judgement to determine the extent to which reliance can be placed on the existing controls and audit frameworks*

<sup>41</sup> One company, Dolphin Geophysical Ltd, accounted for 1.47% of government revenues, while all other non-reporting companies accounted for less than 0.13% of government revenues individually.

*of the companies and governments. The Independent Administrator's inception report should document the options considered and the rationale for the assurances to be provided.*

*b) ensure that the Independent Administrator provides an assessment of comprehensiveness and reliability of the (financial) data presented, including an informative summary of the work performed by the Independent Administrator and the limitations of the assessment provided.*

*c) ensure that the Independent Administrator provides an assessment of whether all companies and government entities within the agreed scope of the EITI reporting process provided the requested information. Any gaps or weaknesses in reporting to the Independent Administrator must be disclosed in the EITI Report, including naming any entities that failed to comply with the agreed procedures, and an assessment of whether this is likely to have had material impact on the comprehensiveness and reliability of the report.*

### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress in meeting this Requirement. The MSG adopted a ToR for the IA in line with the standard ToR approved by the EITI Board and considered it approved the reporting templates for the 2014 EITI Report. Although it did not have final approval over the selection of the IA, MSG members considered that they had adequate oversight of the selection process. The 2014 EITI Report described statutory audit procedures for companies and government as well as deviations in practice from these procedures on the part of government. It described the quality assurance procedures for reporting entities, assessed the materiality of noncompliance by companies, provided the coverage of reconciliation and included the IA's overall assessment of the reliability of the 2014 EITI Report. It also reviewed progress in following up on past EITI recommendations and formulated two new recommendations. However, the MSG and IA did not appear to have undertaken a review of actual auditing practice by companies in 2014 prior to agreeing quality assurance procedures. The 2014 EITI Report did not describe the agreed procedures for the IGF's certification of government disclosures, nor reference to where this information was publicly-accessible, and did not provide the IA's assessment of any non-compliance by government entities with the quality assurance procedures.

### Progress since Validation

Mauritania EITI published its 2015 EITI Report on 31 December 2017. It published an addendum pertaining to the Cour des Comptes' certification methodology on 7 September 2018.

***IA procurement:*** The ToR for the IA for the 2015 EITI Report remains in line with the standard ToR approved by the EITI Board. The MSG approved the reporting templates for the 2015 EITI Report on 21 January 2017. Although it did not have final approval over the selection of the IA given that procurement continued to be handled through the government's public procurement system, MSG members consulted for the second Validation considered that they had adequate oversight of the selection process.

***Audit practices:*** The 2015 EITI Report describes statutory audit procedures for companies and government (pp.62-63), albeit without reference to international audit standards. The statutory audit procedures for the sovereign petroleum fund (FNRH) and SOEs are described (pp.63-64). A review of material companies' submission of 2015 audited financial statements is provided, including from the two extractives SOEs (p.174), with 12 of 19 material companies having provided copies. For government, the report notes that the last audit report available on the Cour des Comptes website dates from 2006, meaning that the IA was not able to confirm whether public accounts for 2015 had been audited as per Requirement 4.9.a (p.63). It confirms that the FNRH had not yet been audited for 2015 (p.64).

**Methodology:** The report describes quality assurances requested from both material companies and government entities (p.24). For companies, assurances consisted of attestation of templates by a company representative, supported by the detail of payments, copies of their 2015 audited financial statements and certified by an external auditor (p.24). For government entities, assurances consisted of attestation from a representative of the entity, supported by the detail of payments and certification from the Cour des Comptes (p.24), albeit only for templates from the Treasury (DGTCP) (p.94). Annex 13 provides an addendum from the Cour des Comptes with a brief summary of agreed procedures for certification of Treasury disclosures (pp.175). The addendum by the Cour des Comptes published subsequent to the EITI Report describes the methodology adopted for its certification of Treasury templates.<sup>42</sup>

While the report does not explicitly describe provisions for preserving the confidentiality of information pre-reconciliation, it notes that the IA's work was undertaken in accordance with International Standard on Related Services (ISRS) (p.5), which includes provisions for appropriate treatment of confidential information.

**Reconciliation coverage:** The report provides the target reconciliation coverages for mining and oil and gas (p.17), as well as an assessment of the materiality of payments from non-reporting companies (p.17), from which it is possible to calculate a final reconciliation coverage.

**Compliance with quality assurances:** Although the report does not explicitly state that reporting government entities followed the agreed quality assurances, it notes in several instances that the Cour des Comptes certified reporting from the Treasury (DGTCP (pp.18,94,99). The addendum to the EITI Report from the Cour des Comptes details the obstacles encountered in the certification process and issues recommendations for improvements in future certifications.<sup>43</sup>

In terms of company compliance with quality assurances, Annex 12 provides the details of each material company's (and SOE's) provision of the required quality assurances (p.174), which reveals that nine of the 13 reporting companies provided all of the required quality assurances, while the other four (oil and gas companies)<sup>44</sup> did not provide certification from their external auditors. It is possible to assess the materiality of these four non-complying companies' payments, both in absolute terms and as a share of total government extractives revenues, based on the government's unilateral disclosure of extractives revenues (pp.85-86). It is possible to calculate the materiality of payments from the four non-complying companies as 34.96% of the government's oil and gas revenues in 2015. All mining companies submitted the required quality assurances.

**Data reliability:** The report includes the IA's overall assessment of the comprehensiveness and reliability of data in the 2015 EITI Report (p.18).

**Sourcing:** All non-financial information in the 2015 EITI Report appears clearly sourced.

**Summary data:** The IA appears to have prepared summary data tables for the 2015 EITI Report produced in line with provisions of the IA's ToR, available the Mauritania page of the global EITI website.<sup>45</sup>

**Recommendations:** The report includes a review of progress in following up on 13 recommendations of past EITI Reports (pp.93-96) and 18 recommendations and corrective actions from the first Validation

<sup>42</sup> Cour des Comptes, Méthodologie de certification des données ITIE (August 2018), accessed [here](#) in September 2018.

<sup>43</sup> Cour des Comptes, Méthodologie de certification des données ITIE (August 2018), accessed [here](#) in September 2018.

<sup>44</sup> Kosmos Energy, Tullow Oil, Chariot Oil Gas Ltd and Total E&P.

<sup>45</sup> See Mauritania country page, EITI website, accessed [here](#) in October 2018.

(pp.97-101). The report also formulates seven new recommendations on the basis of the 2015 EITI Report (pp.21-22,91--92).

### Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on data reliability has been addressed and considers that Mauritania has made satisfactory progress on Requirement 4.9. In accordance with Requirement 4.9, the reconciliation of payments and revenues has been undertaken by an IA, appointed by the MSG, and applying international professional standards. The ToR used for the production of the 2015 EITI Report were consistent with the standard ToR and agreed upon procedures issued by the EITI Board. The report includes an assessment of the materiality of payments from companies that did not comply with the agreed quality assurances, which reveals compliance from all mining companies and from four oil and gas companies that accounted for 34.96% of government oil and gas revenues in 2015. Nonetheless, the final 2015 EITI Report provides a clear assessment by the IA that the (financial) data presented is comprehensive and reliable. The report indicates the coverage of the reconciliation exercise, based on the government's disclosure of total revenues. The report includes an informative summary of the work performed by the IA and the limitations of the assessments provided. The report includes follow up on recommendations from past EITI Reports and Validation, as well as a set of new recommendations. Summary data tables have been published for the 2015 EITI Report.

To strengthen implementation, Mauritania is encouraged to ensure that all reporting entities comply with agreed quality assurances for EITI reporting, with a view to providing a firm basis for the IA's assessment of the comprehensiveness and reliability of the reconciled financial data. Mauritania is encouraged to explore ways of using annual EITI reporting as a diagnostic of public- and private-sector audit and assurance practices.

### 3.8 Corrective action 8 (#5.1)

In accordance with Requirement 5.1.a, the MSG should ensure that the allocation of extractives revenues not recorded in the national are explained, with links provided to relevant financial reports as applicable.

#### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress with regards to Requirement 5.1. While the 2014 EITI Report defined the extractives revenue streams that were not recorded in the national budget and raised concerns over the lack of audit of oil and gas revenues collected by the FNRH, the MSG had not used the EITI Report to clarify the asset allocation practices for FNRH funds.

#### Progress since Validation

Mauritania EITI published its 2015 EITI Report on 31 December 2017. It subsequently published some addendum addendum from the Central Bank of Mauritania and the Cour des Comptes on 7 September 2018.

The 2015 EITI Report includes two diagrams (pp.58-59) indicating that all mining revenues are collected by the Treasury (DGTCP) and hence recorded in the national budget, and that all oil and gas revenues are collected by the sovereign petroleum fund (FNRH). The report confirms that revenues collected by FNRH are not recorded in the national budget, but that withdrawals from FNRH are recorded in the national budget (p.60). The report provides the detail of transfers from FNRH to the national budget in 2015 (p.87)

and confirms that payments by SMHPM and oil and gas companies accounting for 28% of total oil and gas revenues were made to FNRH and not counted as contributions to the national budget (p.11).

The report explains that management of FNRH is under the responsibility of the central bank, with FNRH operations recorded in a special account at the Treasury (pp.60,64-65). The report provides a general description of the management of the FNRH (pp.64-65) and a link to the general Treasury website (p.60), where it states that quarterly and annual reports on FNRH's performance are accessible<sup>46</sup>. Elsewhere, the report notes that audits of FNRH for 2012-14 were completed, although it does not provide guidance for accessing these reports, and notes that procurement of the auditor for 2015 was ongoing (p.60).

Mauritania EITI published an addendum from the Central Bank of Mauritania further clarifying the FNRH's management policy on 7 September 2018.<sup>47</sup> The addendum clarifies the role of the central bank and the Ministry of Finance with regards in the management of the FNRH.<sup>48</sup> It adds that an investment committee is tasked with approving the fund's allocation policy, including investment risk and portfolio allocation, and provides an overview of statutory asset allocation guidelines. However, the Cour des Comptes' report on the 2015 national budget execution<sup>49</sup>, published on the Mauritania EITI website on 7 September 2018, raises concerns over allegations of a lack of asset allocation policy for the FNRH from the Ministry of Finance. The report's review of the FNRH's allocation policy includes a recommendation to the Ministry of Finance to define an asset allocation policy for FNRH, specifying the type of allowable assets and performance criteria. The report includes the Cour des Comptes' assessment that, in the absence of a clear asset allocation policy, FNRH assets have been exposed to higher interest rate, currency, and credit risks.

The report does not refer to national or international revenue classification systems.

### Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on data reliability has been addressed and considers that Mauritania has made satisfactory progress towards meeting Requirement 5.1. The 2015 EITI Report highlights the extractives revenue streams that are not recorded in the national budget and provides a general description of the management of these funds. Mauritania EITI has subsequently published an addendum from the FNRH with the fund's general statutory asset allocation guidelines and the Cour des Comptes' report on the FNRH as part of the 2015 budget execution report, which raises concerns over the lack of a clear asset allocation policy from the Ministry of Finance but adequately describes the allocation of FNRH assets in 2015. In the Secretariat's view, the MSG's work in publishing additional information to clarify the asset allocation practices of FNRH is exemplary, although there is no evidence that the MSG has yet followed up with the Ministry of Finance on the Cour des Comptes' findings.

To strengthen implementation, Mauritania is encouraged to work with the Cour des Comptes, Ministry of Finance and FNRH to define a clear public asset allocation policy for management of FNRH funds and to integrate routine disclosures of reports on FNRH fund management. Mauritania may also wish to use its annual EITI reporting as a means of tracking reforms in national revenue classification systems.

<sup>46</sup> Trésor Public de Mauritanie, accessed [here](#) in September 2018.

<sup>47</sup> Banque Centrale de Mauritanie, Note explicative sur la gestion des actifs du FNRH (August 2018), accessed [here](#) in September 2018.

<sup>48</sup> as per ordinance 2006-008 creating the FNRH.

<sup>49</sup> Cour des comptes de Mauritanie, Rapport sur le projet de loi de règlement pour 2015 (Avril 2017), accessed [here](#) in September 2018.

### 3.9 Corrective action 9 (#5.2)

In accordance with Requirement 5.2.a, the MSG should assess the materiality of subnational transfers prior to data collection and ensure that the specific formula for calculating transfers to individual local governments be disclosed, to support an assessment of discrepancies between budgeted and executed subnational transfers.

#### Findings from the first Validation

Mauritania's first Validation that Mauritania had made meaningful progress with regards to Requirement 5.2. While the 2014 EITI Report listed three types of payment flows earmarked for communes and refers to companies' unilateral disclosures of such payments, it did not describe the statutory mechanism nor the barriers to implementation of such subnational transfers, nor the payments themselves.

#### Progress since Validation

Mauritania EITI published its 2015 EITI Report on 31 December 2017. It published an addendum on the issue of subnational transfers and a note from the central bank on 7 September 2018.

The 2015 EITI Report (p.99) states that subnational transfers are not applicable in the context of Mauritania, without providing any background or justification. The report states that some revenues collected by the central government are transferred to special funds, communes and local governments in line with legislation (p.73), although the regulations are not described. However, the report includes transfers from FNHR to the national budget in the categorisation of these transfers. While revenue flow number 45 in the reporting template is named "other transferred revenue", referring to any other transfer from the Treasury to special funds that do not flow to the national budget, although this category does not appear to consist of subnational transfers.

Mauritania EITI subsequently published addendums from the MSG<sup>50</sup> and from the central bank<sup>51</sup> confirming the lack of subnational transfers in Mauritania.

#### Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on data reliability has been addressed and considers that Requirement 5.2 was not applicable to Mauritania in the year under review (2015). Despite ambiguities in the 2015 EITI Report regarding the existence of statutory subnational transfers, the MSG has followed up with relevant government entities and published addendums, including from the central bank, confirming the lack of subnational transfers in Mauritania.

### 3.10 Corrective action 10 (#7.4)

In accordance with Requirement 7.4, the MSG should undertake and document its efforts strengthen impacts of EITI implementation on extractive sector governance, specifically on increasing engagement with stakeholders at the local level and extending the detail and scope of EITI reporting. The MSG should develop specific approaches to engage stakeholders outside of the MSG in soliciting their views, developing APRs, and reviewing the impact of EITI implementation. The MSG may wish to consider

<sup>50</sup> ITIE Mauritanie (August 2018), Note technique succincte sur les transferts infranationaux en Mauritanie, accessed [here](#) in September 2018.

<sup>51</sup> Banque Centrale de Mauritanie, Courrier de la Direction générale de la supervision bancaire et financière (2018), accessed [here](#) in September 2018.

developing more formalised consultation mechanisms with mine-affected communities through established regional focal points.

### Findings from the first Validation

Mauritania's first Validation found that Mauritania had made meaningful progress with regards to Requirement 7.4. The MSG had produced annual progress reports documenting progress and outcomes of implementation, with some limited assessments of impact. The 2015 annual progress report focused more on outcomes than on impact and the overall impact of EITI Mauritania remains unclear. Further work on assessing impact was needed and stakeholder engagement in developing the annual progress report should be strengthened.

### Progress since Validation

Mauritania EITI published its 2015 EITI Report on 31 December 2018. The MSG published the 2017 annual progress report on 6 September 2018.<sup>52</sup>

### Documenting and assessing EITI impact in Mauritania

The 2017 annual progress report contains a succinct and limited overview of the MSG's follow up on past recommendations both of EITI Reports and Validation. While the report describes activities and outputs, it does not provide a detailed assessment of the impact of EITI implementation in Mauritania. The report provides only a limited overview of progress in meeting and maintaining compliance with each EITI Requirement, as well as limited details on achieving objectives set out in the workplan.

The MSG's second Validation self-assessment in August 2018 (p.12) notes that the 2017 annual progress report includes a "limited assessment" of impact. It adds that the annual progress report describes results of EITI implementation rather than impact, and that further work on assessing impact was required. The self-assessment notes that the MSG will commission an impact assessment in the coming months.

The Technical Secretariat and stakeholders consulted for the second Validation confirmed that the MSG had only had very general discussions on EITI impact in Mauritania, but that these discussions had not been documented. They noted that the MSG had not been able to commission an impact assessment in 2017 and 2018 due to lack of funding and lengthy delays with the disbursement of the World Bank EGPS Grant. They confirmed that the MSG would commission an impact assessment in the coming months focusing on EITI impact at the national level and at the level of a few mining regions. Civil society stakeholders believed that the concept of impact was poorly understood and that civil society actors had a role in assessing the different types of impact of EITI implementation.

### Stakeholder engagement in developing the annual progress report

The MSG did not provide any evidence to suggest that stakeholder engagement in developing the annual progress report has been strengthened. There is also no evidence to suggest whether MSG representatives canvassed their wider constituencies for inputs on the draft annual progress report.

The Technical Secretariat, Industry and civil society stakeholders consulted for this second Validation confirmed that they had shared the draft annual progress report with their constituencies, including with companies or civil society organisations beyond the MSG.

<sup>52</sup> ITIE Mauritanie, Rapport d'avancement 2017, accessed [here](#) in September 2018.



## Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on data reliability has not been addressed and considers that Mauritania has achieved meaningful progress on Requirement 7.4, without considerable improvement. The 2017 annual progress report focused more on activities and outcomes than on impact. The report provided cursory details on follow up to recommendations and progress in meeting EITI requirements. Although there remains a lack of clarity around the impact of EITI implementation in Mauritania, there is no evidence that the MSG has prioritised its plans for undertaking a standalone impact assessment. There is no evidence to suggest that MSG members have canvassed their respective constituencies to seek their views and feedback on the annual progress report.

In accordance with Requirement 7.4.a.iii, Mauritania should ensure that the annual progress report includes an overview of the MSG's responses to and progress made in addressing the recommendations from reconciliation and Validation. Mauritania is required to list each recommendation and the corresponding activities that have been undertaken to address the recommendations and the level of progress in implementing each recommendation. Where the government or the MSG has decided not to implement a recommendation, it is Requirement that the MSG documents the rationale in the annual progress report. In accordance with Requirement 7.4.a.iv, the MSG should include an assessment of progress with achieving the objectives set out in its work plan, including the impact and outcomes of the stated objectives.

## 4. Conclusion

Having reviewed the steps taken by Mauritania to address the ten corrective actions requested by the EITI Board, it can be reasonably concluded that six of the ten corrective actions have been fully addressed and that Mauritania has made meaningful progress in implementing the EITI Standard with *considerable improvements across two requirements, no improvement on one Requirement. Mauritania EITI has also confirmed that one requirement was not applicable.* The outstanding gaps relate to **license allocation and licence registers** (Requirement 2.2 and 2.3) and **outcomes and impact of EITI implementation** (Requirement 7.4).