

Extractive Industries Transparency Initiative (EITI)

Second Validation of Mozambique

Final assessment by the EITI International Secretariat

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Acronyms

AGMM	Geological Mining Association of Mozambique
AMDCM	Mozambican Association for Mineral Coal Development
AMOPI	Association of Mozambican International Oil Operators
APR	Annual Progress Report
AT	Autoridade Tributaria (Tax Authority)
CCIE Industries)	Coligação Cívica sobre a Indústria Extrativa (Civic Coalition on Extractive Industries)
CFM	Caminhos de Ferro de Moçambique (Mozambique Ports and Railways)
CIP	Center for Public Integrity (Centro de Integridade Pública)
CMG	Companhia Moçambicana de Gasoduto
CMH	Companhia Moçambicana de Hidrocarbonetos
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CTV	Centro Terra Viva
EDM	Electricidade de Moçambique
EITI	Extractive Industries Transparency Initiative
EMEM	Mozambique Mining Exploration Company
ENH	National Enterprise of Hydrocarbons
EPCC	Exploration and Production Concession Contract
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
IA	Independent Administrator
IGEPE	Mozambique Institute of Management of State Holdings
INAMI	National Mining Institute
INP	National Petroleum Institute
LNG	Liquefied Natural Gas
MAGTAP	Mozambique Mining and Gas Technical Assistance Project
MEF	Ministry of Economy and Finance
MGC	Matola Gas Company
MGJ	Million Gigajoules
MIREME	Ministry of Mineral Resources and Energy
MITADER	Ministry of Land, Environment and Rural Development
MSG	Multi Stakeholder Group
MZN	Mozambican Metical
NUIT	Individual Tax Identification Numbers
PWYP	Publish What You Pay
ROMPCO	Republic of Mozambique Pipeline Investments Company
SNJ	National Syndicate of Journalists
SOE	State Owned Enterprise
TA	Tribunal Administrativo (Administrative Court)
TOR	Terms of reference
ZAR	South African Rand

1. Summary

Mozambique's second Validation commenced on 25 April 2019. The EITI International Secretariat has assessed the progress made in addressing the 19 corrective actions established by the EITI Board following Mozambique's first Validation in 2017¹. The 19 corrective actions relate to:

1. Government engagement (Requirement 1.1)
2. Industry engagement (Requirement 1.2)
3. MSG governance (Requirement 1.4)
4. License allocations (Requirement 2.2)
5. License register (Requirement 2.3)
6. State participation (Requirement 2.6)
7. In-kind revenues (Requirement 4.2)
8. Infrastructure provisions and barter arrangements (Requirement 4.3)
9. Transportation revenues (Requirement 4.4)
10. Transactions related to SOEs (Requirement 4.5)
11. Direct subnational payments (Requirement 4.6)
12. Data quality and assurance (Requirement 4.9)
13. Distribution of extractive industry revenues (Requirement 5.1)
14. Subnational transfers (Requirement 5.2)
15. Social expenditures (Requirement 6.1)
16. Quasi-fiscal expenditures (Requirement 6.2)
17. The contribution of the extractive sector to the economy (Requirement 6.3)
18. Public debate (Requirement 7.1)
19. Discrepancies and recommendations from EITI Reports (Requirement 7.3)

The Secretariat's assessment is that Mozambique has fully addressed 6 of the 19 corrective actions, having made "satisfactory progress" on the corresponding requirements, and has made "meaningful progress" with considerable improvements in addressing the other 13 corrective actions. In addition, the Secretariat finds that progress in implementing Requirement 4.1 has fallen below 'satisfactory' and should be considered 'meaningful'. The draft assessment was sent to the MSG on 11 June 2019. Following comments from the MSG, the assessment was finalised for consideration by the EITI Board.

2. Background

Mozambique joined the EITI in 2009 and was designated compliant with the EITI Rules in 2012. Mozambique's first Validation under the EITI Standard was concluded on 25 October 2017 and found that Mozambique had made 'meaningful progress' with implementing the Standard.² The Board decided that progress with addressing the 19 corrective actions would be assessed in a second Validation commencing on 25 April 2019.

¹ [Board decision 2017-51/BM-38](#)

² [Board decision 2017-51/BM-38](#).

Mozambique has undertaken a number of activities to address the corrective actions:

- The 2015-2016 EITI Report was published in February 2018.³
- Constituencies appointed new representatives to the MSG through free and open processes. Additional state entities and SOEs were invited to observe meetings.
- A Coordinating Commission was appointed to act as an interim national secretariat.
- The MSG discussed the corrective actions in a retreat in late 2018 and agreed an operational plan for 2019-2021.⁴
- The Coordinating Commission has developed a draft study on aligning the scope of the EITI Standard to the institutional and regulatory context of Mozambique.⁵

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 Guide⁶. 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. Following concerns arising from analysis of the 2015-2016 EITI Report, the Secretariat’s assessment is that progress on Requirement 4.1 should be downgraded to meaningful progress. While all requirements have not been comprehensively assessed, in the Secretariat’s view there is no evidence to suggest progress on other requirements has fallen below the required standard and warrant consideration by the EITI Board.

3. Review of corrective actions

As set out in the Board decision on Mozambique’s first Validation, the EITI Board agreed 19 corrective actions.⁷ The Secretariat’s assessment below discusses whether the corrective actions have been sufficiently addressed. The assessments are based on the 2015-2016 EITI Report, the 2017-2018 annual progress report and, minutes of the MSG meetings from January 2017 to April 2019, alongside various documents submitted by the national secretariat to the International Secretariat, e-mail correspondence, and stakeholder consultations conducted in Maputo on 23-26 April 2019 (*see Annex A for list of consulted stakeholders*).

3.1 Corrective action 1 (#1.1)

In accordance with Requirement 1.1, the government should demonstrate that it is fully, actively and effectively engaged in the EITI process. In accordance with Requirement 8.3.c.i, the government is requested to develop and disclose an action plan for addressing the deficiencies in government engagement documented in the initial assessment and Validator’s report within three months of the Board’s decision, i.e. by 25 January 2018. The government should ensure appointment of government representatives on the MSG with the capacity to carry out their duties in terms of influences decision-making and properly informing their constituents.

³ <https://eiti.org/document/mozambique-eiti-2015-2016-report>.

⁴ http://www.itie.org.mz/images/docs/plano_operacional2019_21.pdf.

⁵ Available from the International Secretariat.

⁶ https://eiti.org/sites/default/files/documents/validation-guide_0.pdf

⁷ [Board decision 2017-51/BM-38](#)

Findings from the first Validation

The first Validation found that the government had made public statements of support to the EITI and appointed senior officials to lead the EITI process, however, past EITI Chairs had not attended multi-stakeholder group (MSG) meetings regularly and stakeholders considered the lacking engagement by the government as a whole as an impediment to meaningful EITI implementation. There did however appear to be an expectation among stakeholders that the new administration of the Minister of Mineral Resources and Energy could result in improvements in the level of government engagement. The first Validation also noted that more sustained, high-level commitment and engagement from government would help ensure that EITI Reports contribute more meaningfully to policy discussions and reforms in the country.

Progress since Validation

The Minister of Mineral Resources and Energy, who acts as EITI Champion and chairs the MSG, has changed twice since late 2016 due to Cabinet reshuffles. Leticia Klemens served in the position from October 2016 until December 2017, when the current Minister, Max Tonela, was appointed. MSG minutes from 2017-2019 demonstrate that both participated more actively in MSG meetings than their predecessors. The minutes demonstrate that Minister Klemens, for example, made efforts to ensure that required information would be obtained for the 2015-2016 EITI Report. Consulted stakeholders confirmed that recent ministers were more engaged in implementation than their predecessors.

Changes in political leadership have coincided with changes in the national secretariat. The secretariat was previously hosted by the World Bank's Mining and Gas Technical Assistance Project (MAGTAP). Day-to-day affairs were run by an Executive Secretary contracted by MAGTAP, while the National Coordinator was a political appointee from the Ministry of Mineral Resources and Energy (MIREME). Since MAGTAP funding for the secretariat ended in March 2017, the responsibilities of the national secretariat transferred to MIREME, with day-to-day operations having been supported by MAGTAP. This period of transition appears to have led some loss of institutional memory in a period critical for addressing the corrective actions from the first Validation.

In June 2018, a Coordinating Commission was created as an interim secretariat working within MIREME. It is headed by National Coordinator Isabel Chuvambe from the National Petroleum Institute (INP). She is supported by five staff, some of who have previous experience of EITI implementation from serving as MSG members. The members of the Coordinating Commission are well connected, and the EITI appears to be more tightly embedded in the government than previously. A government representative noted that EITI-related issues were discussed in the highest decision-making meetings of MIREME, which the National Coordinator Isabel Chuvambe attends.

The solution is interim, however, and members are not able to contribute full-time to the EITI. Stakeholders both from the secretariat and from the MSG noted that a permanent secretariat would enable more effective implementation of the work plan.

The interim character of the secretariat owes to an on-going process for institutionalising the EITI to ensure sustainability. While the government covers the salaries of the interim secretariat, the EITI cannot receive funding from the state budget until it has a legal basis. A review funded by the World Bank explored different options for institutionalisation. The government agreed that the optimal solution would be to embed the EITI in the High Authority for the Extractive Industry, a supervisory entity introduced in the 2014 Mining Law. However, the High Authority is yet to be created. According to government representatives, MIREME had approved the most recent proposal for creating the entity, and it was awaiting approval from other government bodies before being introduced to the parliament. Government representatives noted that once the High Authority was created, the EITI would receive

government funding, for example an earmarked share of extractive revenues. Stakeholders from other constituencies appeared supportive of the plan to place the EITI secretariat within the High Authority. However, delays in the process caused concern.

The first Validation flagged that key government entities were not represented on the MSG. While the composition of the MSG has not changed, other entities have since been invited to take part in and observe meetings, retreats and other events. Attendance records demonstrate that INP, IGEPE, EMEM and ENH participated regularly in meetings in 2017-2019. Consulted stakeholders from these entities demonstrated an understanding of the EITI process and commitment to it. Some of them had also contributed to the follow-up of recommendations from EITI reporting.

There is no indication that an action plan to address the corrective action was agreed and published by 25 January 2018. However, the 2019-2021 Operational Plan includes activities that seek to strengthen political commitment and MSG oversight.⁸

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action on government engagement has been addressed and considers that Mozambique has made satisfactory progress on Requirement 1.1. The current Minister of Mineral Resources and Energy Max Tonela and his predecessor Leticia Klemens have demonstrated active engagement in the EITI. Implementation is more embedded into government agencies and their discussions than before.

To strengthen implementation of Requirement 1.1, the government is strongly encouraged to accelerate the process for institutionalising the EITI in order to establish a permanent national secretariat and allocate financial resources to EITI implementation.

3.2 Corrective action 2 (#1.2)

In accordance with Requirement 1.2, companies should demonstrate that they are fully, actively and effectively engaged in the EITI process. In accordance with Requirement 8.3.c.i, the company constituency is requested to develop and disclose an action plan for addressing the deficiencies in company engagement documented in the initial assessment and Validator's report within three months of the Board's decision, i.e. by 25 January 2018. The company constituency members may wish to establish a platform or use existing channels to disseminate EITI information to companies beyond the MSG, and should play an active role in setting objectives for EITI implementation in the country.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The first Validation found that companies were not fully, actively and effectively engaged in the EITI process. While industry representatives regularly attended MSG meetings, their role appeared to be more reactive rather than proactive, and the level of engagement in the design, implementation and monitoring of the EITI process appeared limited, despite being a platform in which industry could raise and address extractive sector challenges.

Progress since Validation

Based on stakeholder consultations, industry engagement continues to be limited and the challenges identified in the first Validation persist. MSG meeting minutes demonstrate that company representatives participate in meetings relatively regularly. However, they do not appear to be proactively shaping

⁸ http://www.itie.org.mz/images/docs/plano_operacional2019_21.pdf.

implementation or using EITI data. This is supported by statements from both government and civil society representatives. Civil society representatives noted that companies were not participating actively in the MSG's discussions. According to them, some company representatives were particularly committed but frequent turnover in representation was a challenge. There does not seem to have been a coordinated effort within the industry constituency to address the corrective action.

The company constituency was invited to nominate new representatives for the MSG in August 2017. A letter inviting the nomination of four members and four alternates was sent to the Association of Mozambican International Oil Operators (AMOPI), the Mozambican Association for Mineral Coal Development (AMDCM) and the Chamber of Mines.

AMOPI nominated members from Anadarko and ENI, with alternates from Sasol Petroleum Temane and Statoil. The attendance of AMOPI members varies, but at least one representative was present in most meetings in 2017-2019. A representative of AMOPI noted that currently MSG members did not communicate about EITI-related issues with their broader constituency.

The coal sector is represented by Vale, but according to attendance data, their member participated in only one meeting. The Chamber of Mines is represented by Kenmare Resources, a longstanding and active MSG member. According to an industry representative, the Chamber of Mines has not been functional since 2014. The representative of Kenmare informs the companies that were members and are still operating in Mozambique informed about the EITI. However, he noted that this covers a relatively small number of companies in comparison with the total number of licenses held.

According to consulted stakeholders, industry representatives discussed addressing the corrective action following the first Validation. However, there is no indication that an action plan to address the corrective action was agreed and published by 25 January 2018.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 1.2. The challenges appear to be largely the same as identified in the first Validation. Companies do not appear to be fully, actively and effectively engaging in the design, implementation and monitoring of EITI implementation. Communication on the EITI within the constituency is weak.

In accordance with Requirement 1.2, companies should demonstrate that they are fully, actively and effectively engaged in the EITI process. The company constituency should establish mechanisms for communicating about the EITI with companies beyond the MSG and play an active role in setting objectives for EITI implementation in the country.

3.3 Corrective action 3 (#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 ensure that stakeholders are adequately represented and 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 and civil society. Each constituency should

ensure that their representatives' attendance at MSG meetings is consistent and at sufficiently high level to allow the MSG to take decisions and follow up on agreed matters.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The first Validation found that key government agencies that play a significant role in the management of the sector (INP, INM, TA, ENH) were not represented on the multi-stakeholder group (MSG), which arguably undermined its work.

Progress since Validation

Following the end of the previous MSG's term, constituencies selected new representatives for the MSG in late 2017. Letters signed by then Minister of Mineral Resources and Energy Leticia Klemens were sent to the CSO Platform for Natural Resources and the Extractive Industry and industry associations, inviting both constituencies to nominate four representatives⁹. The same four ministries (MIREME, Ministry of Industry and Commerce, Ministry of Economy and Finance and Ministry of Land, Environment and Rural Development) continued to represent the government.

According to consulted stakeholders, the civil society platform voted to select the following organisations to the MSG: AENA, AAJC, Centro Terra Viva (CTV) and Kuwuka JDA. AENA is based in the central province of Nampula and AAJC in northern Tete. Civil society representatives' attendance in MSG meetings was largely consistent in 2017-2019.

According to stakeholders, electing WWF as the secretariat of the platform led to a fallout within the coalition. Some CSOs objected to an international organisation acting as coordinator. As a result of CTV formally resigning from the platform, it also lost its seat on the MSG. According to government representatives, WWF had asked to join the MSG and replace CTV. The secretariat has required a letter from the platform appointing the replacement. At the time of consultations, the letter had not been sent and the seat continued to be vacant, but stakeholders confirmed that Kulima, an organisation based in Nampula had been selected by the platform.

Civil society MSG members appear to liaise with their broader constituency through the platform and through a newly established Civic Coalition on Extractive Industries (CCIE)¹⁰, which includes CIP, CTV, Kuwuka JDA, Conselho Cristão de Moçambique and Sekelekani. It remains unclear how the conflict within the civil society constituency will affect EITI implementation and the nomination of members for the next MSG. Some stakeholders noted that CCIE includes the organisations that have most knowledge about EITI implementation and capacity to contribute to the process.

The nomination of industry representatives is described under Requirement 1.2. The representatives appear to be self-appointed by the constituency, following a letter sent by Minister Klemens to industry associations inviting them to appoint members. Civil society representatives noted that company representatives on the MSG were often not in the position to make decisions on behalf of their company. They noted that this slowed down the MSG's work. Industry members attend MSG meetings less regularly than representatives from other constituencies. Communication on the EITI within the company constituency appears weak.

Government representatives do not appear to have a platform to coordinate on EITI-related issues, but the Coordinating Commission that serves as interim national secretariat seems to fill this gap to a large extent (see Requirement 1.1). Representatives from the petroleum sector regulator INP, state-owned

⁹ Copies of the letters are available from the International Secretariat.

¹⁰ <http://www.civilinfo.org.mz/lancada-hoje-coligacao-civica-sobre-industria-extractiva/>.

companies ENH and EMEM and the state holding company IGEPE appear to be participating in the MSG's meetings and events more actively than before, although they are not formally MSG members.

Based on stakeholder consultations and meeting minutes, the MSG appears to be functioning in an equitable manner and in accordance with the MSG Terms of Reference (ToR). Stakeholders commented that a permanent secretariat would help the MSG operate more efficiently and ensure, for example, that recommendations are followed up on.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action has been addressed and considers that Mozambique has made satisfactory progress on Requirement 1.4. The MSG consists of self-appointed representatives from each constituency and functions in an equitable, inclusive manner. The constituencies are adequately represented, although participation by companies continues to be limited (see Requirement 1.2). Civil society and government representatives appear to communicate and coordinate on the EITI with their broader constituencies.

To strengthen implementation of Requirement 1.4, the MSG is encouraged to formalise the observer status of INP, INAMI, ENH, EMEM and IGEPE. Industry representatives are encouraged to ensure that the constituency and its interests are consistently represented in MSG meetings and decisions. The civil society constituency is encouraged to find solutions to working together on the EITI, despite differing views within the Platform on Natural Resources and Extractive Industries.

3.4 Corrective action 4 (#2.2)

In accordance with Requirement 2.2.a, Mozambique should ensure annual disclosure of which mining, oil, and gas licenses were awarded and transferred during the year under review, highlighting the processes for transferring licenses, technical and financial requirements and any non-trivial deviations from the applicable legal and regulatory framework governing license awards and transfers. The MSG could further consider tasking the Independent Administrator to provide an evaluation of the licensing process and make recommendations for its improvement.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. While the Validation noted the description of the licensing process and details on some of the licenses that were awarded, there was limited information available on the process for transferring licenses and the technical and financial criteria used in awarding licenses for both mining and oil and gas companies.

Progress since Validation

The 2015-2016 EITI Report discloses the number of different types of mining licenses awarded in 2015 and 2016 (p.59). The report, however, does not list the licenses awarded and the public interface of the license cadastre does not allow searching for licenses by award date. The report also notes that there are gaps in the cadastre. It is not specified whether the awarded licenses pertain to material companies. The report suggests that no petroleum licenses (contracts) were awarded in the period under review. The report does not specify whether transfers of mining or petroleum licenses took place in 2015-2016. MSG

feedback to the draft Secretariat assessment confirms that no transfers of petroleum licenses took place in 2015-2016.¹¹

Government representatives confirmed that data about license transfers was available in the cadastre system and could be published as a list. They noted that the mining regulator INAMI was currently building its website and that additional information would be included there.¹² As a result of recommendations from EITI, work was currently ongoing to reflect the status of transferred licenses in the online portal as well.

MSG feedback¹³ to the draft Secretariat assessment noted that the non-public Mining Titles Management System (Sistema de Gestão de Títulos Mineiros) that INAMI allows searching for newly-awarded licenses and transfers. According to the feedback, a list of licenses transferred in the period under review were available on the INAMI website. The website was however not accessible at the time this assessment was finalised.¹⁴

The 2015-2016 EITI Report includes a thorough description of the process for awarding licenses, as well as critical recommendations on improving it. The report describes the process for awarding different types of mining licenses (pp. 53-59), as well as the process for awarding petroleum contracts (pp.63-67), with reference respective legislation. For mining, the report describes the process of transferring a license (p.62), noting deficiencies in monitoring compliance. The report does not describe the process for transferring a petroleum concession. Government stakeholders explained the process, but it does not appear to be publicly available.

The report describes the technical and financial criteria for awarding licenses, noting that they are too vague in the case of both mining and petroleum. For mining, the report refers to criteria set in Annex 10 of the Mining Law Regulation (p.60). For petroleum, the report refers to INP's Terms of Reference (pp.67-68). The report notes that the same criteria are used for assessing applications for transferring and awarding mining licenses, which requires ministerial approval (p.62). The criteria for assessing the transfer of petroleum concessions are not described in the report. Government representatives confirmed that a description of the transfer process could be added to the INP website.

The report notes that no petroleum licenses were awarded through bidding process in 2015-2016, although two tenders were launched (p.68). The report includes the names of winning bidders and the number of proposals. The report notes that MIREME and INP "digital platforms" include information about past bidding processes (p. 69).

The report does not discuss deviations from the legal framework regarding individual licenses, but it does assess the licensing framework critically and provides insightful recommendations for reducing discretion and strengthening monitoring (pp.60-61 and 69).

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 2.2. The process for awarding licenses is comprehensively disclosed, and the Secretariat commends the EITI Report for critically assessing the licensing framework and for making recommendations to address deficiencies. However, the report does not include a list of licenses awarded and transferred in the period under review, and the license cadastre does not allow the user to search for licenses by award or transfer date.

¹¹ https://eiti.org/sites/default/files/documents/msg_comments_mozambique_2nd_validation_en.pdf.

¹² <https://inami.gov.mz/>.

¹³ https://eiti.org/sites/default/files/documents/msg_comments_mozambique_2nd_validation_en.pdf.

¹⁴ 9 July 2019.

In accordance with Requirement 2.2, Mozambique is required to disclose licenses awarded and transferred in the period covered by the EITI Report and ensure that information about the licenses is publicly available, for example in the license cadastre or on the INAMI and INP websites, provided that the continuous functioning of these websites is guaranteed. Mozambique is encouraged to disclose the process and criteria for transferring a petroleum license. INAMI and INP are encouraged to carefully consider the recommendations presented in the report on strengthening the license allocation process.

3.5 Corrective action 5 (#2.3)

In accordance with Requirement 2.3, Mozambique should also ensure that the license-holder names, dates of application, award and expiry, commodity(ies) covered and coordinates for all petroleum licenses held by material companies are publicly available. Where this information is already publicly available, it is sufficient to include a reference or link in the EITI Report. Where such registers or cadastres do not exist or are incomplete, the EITI Report should disclose any gaps in the publicly available information and document efforts to strengthen these systems.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The Validation found that the mining cadastre included detailed information on mining licenses, while information regarding hydrocarbon licenses was incomplete. The date of application, date of award and duration of the license, or reference to where this information is accessible, was largely missing for active hydrocarbon licenses and concessions.

The Validation noted that the MSG was encouraged to collaborate with the Mining Cadastre regarding the Flexicadastre to draw attention to data gaps and inconsistencies, and to consider opportunities to link cadastre data with other datasets, notably on production, exports, tax payments and beneficial ownership.

Progress since Validation

The petroleum sector regulator INP has worked to improve the accessibility of petroleum license data through its website. The INP website includes an overview of all petroleum licenses and summary information about them.¹⁵ The summaries include, for example, the names of the licensees, the year of awarding the contract, a map and the size of the area and basic information about the project, including a reference to the bidding round. All data points required under Requirement 2.3.b are not included (coordinates and dates are missing). However, the INP website includes the petroleum contracts, which include the commodities, award dates, the duration of the contract and coordinates.¹⁶ The contracts, which mostly cover both oil and gas exploration and production, are easy to locate as the same area codes are used as in the overview.

Following the commencement of Validation, INP published a table that includes dates of application, award and expiry for all active petroleum licenses.¹⁷ Coordinates of license areas were also published on the INP website.¹⁸

¹⁵ <http://www.inp.gov.mz/pt/Pesquisa-Producao/Areas-de-Pesquisa-e-Producao-Actuais>.

¹⁶ <http://www.inp.gov.mz/pt/Politicis-Regime-Legal/Contratos-de-Pesquisa-Producao-de-Hidrocarbonetos>.

¹⁷ <http://www.inp.gov.mz/pt/Descricao-de-Concessoes/Areas-de-Concessao-Activas>.

¹⁸ <http://www.inp.gov.mz/pt/Descricao-de-Concessoes/Coordinate-of-Current-Concessions>.

MIREME has regularly updated and modernised the cadastre since it was introduced in 2003¹⁹. According to stakeholders, the cadastre will in the future reflect the status of licenses being transferred. Government representatives noted that this was a result of recommendations arising from EITI reporting.

MSG feedback²⁰ to the draft Secretariat assessment suggested that the internal Mining Titles Management System already includes, for example, production, tax and cost data by license. INAMI and the tax authority are collaborating to ensure that tax identity numbers (NUIIT) are linked to the mining cadastre.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action has been addressed and considers that Mozambique has made satisfactory progress on Requirement 2.3. Required data points for petroleum licenses are available on the INP website.

To strengthen implementation, INAMI is encouraged to continue to develop the public interface of the mining cadastre and to consider disclosing data on production, exports, tax payments and beneficial ownership in the portal.

3.6 Corrective action 6 (#2.6)

In accordance with Requirement 2.6.a, Mozambique should provide an explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), including the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. The government should also, in accordance with Requirement 2.6.b, ensure annual disclosure on the level of ownership held by the government and SOEs in mining, oil and gas companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership. This information should include details regarding the terms attached to their equity stake, including their level of responsibility to cover expenses at various phases of the project cycle, e.g., full-paid equity, free equity, carried interest. The government should also provide a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies operating in the country. The MSG should discuss and document its definition of SOEs taking into account national laws, government structures and ongoing reforms.

Findings from the first Validation

Mozambique was found to have made inadequate progress in implementing the requirement. The Validation noted the inclusion of some relevant information on state participation in the extractive industries, including an overview of direct state shareholding in the extractive sector and information on the terms of participation of state-owned enterprises (SOEs) in projects. However, reports do not clearly describe the financial relationships between the government, SOEs and subsidiaries, such as practices related to dividends, financing, loans and reinvestments. Changes in state ownership during the reporting years were not described.

The Validation encouraged clarifications of the state's participation in the sector through other entities, such as IGEPE. Specific disclosures highlighted by the Validation were: i) an explanation of the prevailing

¹⁹ MSG feedback to the draft Secretariat assessment:

https://eiti.org/sites/default/files/documents/msg_comments_mozambique_2nd_validation_en.pdf.

²⁰ https://eiti.org/sites/default/files/documents/msg_comments_mozambique_2nd_validation_en.pdf.

rules and practices regarding the financial relationship between the government and SOEs, e.g., the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing; ii) changes in the level of ownership during the reporting period; iii) details of the terms attached to their equity stake, including level of responsibility to cover expenses at various phases of the project cycle; and iv) the details of any loans or loan guarantees granted to extractive companies by the national and state governments.

Given the ongoing reforms to the legal and regulatory frameworks applicable to SOEs at the time, the Validation noted that the MSG should consider expand its definition of SOEs to take into account relevant national laws and government structures.

Progress since Validation

Financial relationship between SOEs and the state

The 2015-2016 EITI Report explains in general terms how state participation is organised and notes that the MSG has not agreed a definition of a state-owned enterprise (pp.70-71). The report contains a vague table explaining the financial relationship between the state and SOEs (p.79). It is unclear whether the table covers all extractive sector SOEs. Four SOEs are considered material for reporting purposes: ENH, EMEM, CMH and CMG (p.78).

The table notes that no SOEs reported “having benefited from retained profits or reinvestments” or “sovereign guarantees”. The report notes that dividends are paid when decided by the Board of Directors of the companies. The report does not refer to any policy on dividends or retaining profits. The table’s section on third-party financing notes that it takes place but does not refer to a policy or include details. It remains unclear whether the state has granted loans to extractive sector SOEs or vice versa. While the report attempts to partly capture current practices, it does not refer to a policy defining the financial relationship between the state and extractive sector SOEs. The description of current practices also remains incomplete. The Independent Administrator confirmed that information was collected from the SOEs through the reporting template. In addition, several meetings had been held with ENH.

According to news sources, the state provided ENH a guarantee for a loan of USD 2.2bn in 2018.²¹ In March 2019, it was disclosed that the state had agreed to guarantee ENH’s issuance of Eurobonds.²² These sources suggest that the cost of ENH’s participation in LNG projects is high, highlighting the importance of understanding the policy and practice of state guarantees and third-party financing in a timely manner. A recent study on revenue projections from the Coral South FLNG project suggests that due to high financing costs ENH’s participation is unlikely to generate an independent revenue stream for the government.²³

ENH published its 2016/2017 consolidated financial statement on 19 April 2019 in the newspaper O Pais. ENH’s statutes²⁴ also require that it is published on the ENH website, which was not functional at the time of conducting this assessment.²⁵ Some stakeholders and a newspaper²⁶ noted that ENH’s financial

²¹ <http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/67026-mocambique-vai-emitir-garantia-soberana-de-22-bilhoes-de-dolares-para-enh-participar-da-area-1-offshore-da-bacia-do-rovuma>.

²² <https://clubofmozambique.com/news/mozambiques-enh-will-receive-state-guarantee-to-issue-eurobonds/>.

²³ Study available from the International Secretariat, not yet available online.

²⁴ <http://extwprlegs1.fao.org/docs/pdf/moz152051.pdf>.

²⁵ Between mid-April and mid-May 2019.

²⁶ <http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/68419-enh-maquilha-demonstracoes-financeiras-publicadas-com-2-anos-de-atraso>.

statements did not give a comprehensive overview of its operations and finances. Stakeholders also noted that the website had been dysfunctional for a long time.

The EITI Report lists the IGEPE's and the National Directorate of Treasury's (DNT) shareholding in extractive companies (pp.71-72). However, the report provides inconsistent information about IGEPE's ownership and the relationship between participation by IGEPE and DNT remains unclear. The report notes that there were no changes in IGEPE's shareholdings in 2015-2016. In June 2018, a new law on rules regarding state participation in business was passed (Law 3/2018).²⁷ The law will increase the role of the state holding company IGEPE. Oversight of ENH is being transferred from the Ministry of Economy and Finance to IGEPE.

Stakeholders explained that prior to the new SOE law, the financial relationship between the state and majority state-owned companies was governed by "programme contracts" (Contrato Programa) that do not appear to be publicly available. Following the new law, these contracts will be limited to defining the scope of social expenditures. According to an SOE representative, additional "management contracts" (Contrato de Gestão) are now being experimented by IGEPE. The new legislation reinforces the importance of ensuring oversight and transparency of IGEPE, as state ownership is being centralised within it.

Terms of state participation

The report lists the subsidiaries and affiliates of ENH, including their share in different projects (pp. 72-76). Several stakeholders noted that joint ventures between ENH subsidiaries and private companies involved a high corruption risk.

The shareholdings of EMEM are also listed in the report (p.78). For EMEM, the report notes that it was not possible to distinguish possible changes in ownership levels in the period under review. The report notes that EMEM is granted a 5% free carried interest in mining projects that do not have any Mozambican representation, i.e. are fully foreign-owned (p.77). EMEM can also negotiate a higher stake, given that it finances it.

Apart from EMEM, details about the terms attached to state participation are not disclosed. For EMEM, it is not clear if stakes above 5% represent full-paid equity. The 2015-2016 EITI Report notes that carried interest is the most common arrangement, but no details per project are included (p.79). The production-sharing agreements in the petroleum sector are, however, publicly available and detail the terms of ENH's participation in projects. The International Secretariat was shown a table that detailed the terms of EMEM's participation in each project. According to a government representative, the table could be published. [MSG feedback on the draft Secretariat assessment noted that EMEM's financial holdings were recorded in its balance sheet, including the cost of acquisition.](#)²⁸

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made inadequate progress on Requirement 2.6. The EITI Report discloses the level of state ownership and describes state participation in general terms. However, the policy defining the financial relationship between the state and extractive sector SOEs remains unclear and practices are only partly covered.

²⁷ <https://www.ocam.org.mz%2Findex.php%2Fbiblioteca%2Fcategory%2F26-legislacao-fiscal%3Fdownload%3D201%3Alei-n-2-2018-lei-sobre-as-empresas-publicas&usg=AOvVaw2yZOXvAj7rqWq2XXJIer67>.

²⁸ https://eiti.org/sites/default/files/documents/msg_comments_mozambique_2nd_validation_en.pdf.

In accordance with Requirement 2.6.a, Mozambique should provide a comprehensive explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), including the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. The government should also disclose a comprehensive account of any loans or loan guarantees extended by the state or SOEs to mining, oil, and gas companies operating in the country. The government should also disclose details regarding the terms attached to their equity stake in each project, including their level of responsibility to cover expenses at various phases of the project cycle, e.g., full-paid equity, free equity, carried interest. The MSG should discuss and document its definition of SOEs taking into account the different arrangements for state participation defined in national laws, government structures and ongoing reforms.

The government and the MSG are encouraged to undertake a study on the rules and practices of state participation in the extractive sector. Government agencies, such as INP, INAMI, IGEPE, the tax authority (TA) and state-owned enterprises are encouraged to routinely disclose data about the extractive sector through their own reporting systems and websites.

3.7 Corrective action 7 (#4.2)

In accordance with Requirement 4.2, the MSG and the Independent Administrator are required to ensure annual disclosure of the sale of the state's share of production or other revenues collected in kind, and where these are material, comprehensively disclose volumes sold and revenues received from these sales. The published data must be disaggregated by individual buying company and to levels commensurate with the reporting of other payments and revenue streams (4.7). The MSG should ensure that EITI Reports consistently and comprehensively describe the rules and practices regarding the management of revenue from the sale of the state's share of gas and revenues collected in-kind. This should include details on marketing of these resources to domestic buyers, unless considered immaterial by the MSG. The Independent Administrator should provide a clear opinion on the comprehensiveness of the reported data.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The Validation noted the collection on in-kind revenue of material value and reconciles the volumes of in-kind revenue collected by government agencies/SOEs. The data was disaggregated by buying company. However, the arrangements were not clearly explained and there appeared to be inconsistencies in reported volumes. It was also not clear whether there were comprehensive disclosures of the revenues collected from the sales of in-kind revenues by ENH and MGC, which was highlighted as a key focal area for subsequent reports.

The Validation further emphasised that future reporting consistently and comprehensively describes the rules and practices regarding ENH's and MGC's management of revenue from the sale of in-kind gas. Further, recommendations were made regarding the disclosure of revenues transferred to the treasury from the sale of in-kind gas royalties should be disaggregated by MGC and ENH, including the revenue ENH receives from the marketing of these in-kind revenues to domestic buyers, unless considered immaterial by the MSG.

Progress since Validation

The 2015-2016 EITI Report notes that royalty gas can be collected either in cash or in kind (p. 108). The report discloses monthly in-kind payments of gas royalties reported by SPT (Sasol Petroleum Temane) and

ENH, the recipient (pp.110-112). In-kind royalty gas payments are thus effectively reconciled. Pie charts demonstrate that 65.8% and 67.2% of royalty gas was collected in kind in 2015 and 2016 respectively (p.111).

According to the EITI Report, royalty gas from the Pande-Temane gas field is allocated to six entities. The share assigned to each of these entities is disclosed. The report notes that if they are not able to use their annual quota, ENH reallocates the gas to others. The purpose for which each entity receives gas is described in a table (p.108). Government stakeholders clarified that INP decides which entities receive royalty gas based on their proposals. The entities pay the National Treasury Directorate (DNT) or the tax authority for the gas.

A table listing government agencies collecting revenue streams mentions that DNT collects “gas royalty sale revenue” (p.88). However, this is not one of the reconciled revenue streams, and it is unclear whether DNT or the tax authority collected these revenues in 2015-2016.

Government stakeholders noted that of the six entities indicated as recipients of royalty gas in the EITI Report, only one (MGC) was actually operational in 2016. However, the EITI Report or other public sources reviewed by the Secretariat do not clearly disclose government revenues resulting from the sale of in-kind gas royalties.

In addition, partly or fully state-owned entities are allocated a share of “commercial gas” (p.108). The agreed prices are disclosed in the report (p.113). The state, through CMH, also owns a nearly 25% interest in the operation (CMH is 10% owned by individual Mozambicans).

The Administrative Court’s (TA) report for 2016 discloses much of the same information as the EITI Report.²⁹ The TA’s report also makes recommendations about improving the monitoring and disclosure of royalty gas allocations.

As part of MSG feedback on the draft assessment, a table showing in-kind royalty gas allocations in 2015 and 2016 was provided.³⁰ The data was provided by ENH to INP. The table contradicts the information provided in the 2015-2016 EITI Report (pp.108-111). The allocations directed to each entity differ slightly from what is presented in the EITI Report (p.108). The tables demonstrate that actual allocations in both 2015 and 2016 fell below the budgeted amounts. For 2015, the figure of total gas allocated is significantly lower than the figure indicated in the EITI Report. According to the table, entities received roughly 4.55 MGJ in 2015. According to the EITI Report, SPT’s in-kind royalty payments reached 6.80 MGJ in 2015 (p.110). The reason for this difference is unclear. For 2016, the total figures in the EITI Report and in the table provided are consistent (6.97 MGJ).

The table also includes the value of the payment, but this appears to refer to the value of the in-kind payment made by SPT to ENH, rather than payments made by the recipient entities to the state. It is unclear whether the supplementary information provided to the International Secretariat is publicly available.

Secretariat’s Assessment

The International Secretariat’s preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 4.2. The 2015-2016 EITI Report and the Administrative Court’s report include comprehensive information about gas royalties paid in-kind. However, the value of proceeds from the sale of in-kind gas revenues in 2015-2016 is not clear .

²⁹ <http://www.ta.gov.mz/Relatrios%20e%20Pareceres%20CGE/Relat%C3%B3rio%20e%20Parecer%20CGE%202016/Capitulo%2006%20-%20Ind%C3%BAstria%20Extractiva.pdf>.

³⁰ https://eiti.org/sites/default/files/documents/anexo_2_-_quantidades_de_gas_natural_recebidas_pela_enh_itie.pdf.

There are also discrepancies between the information disclosed in the EITI Report and that provided in the MSG's feedback on the draft assessment.

In accordance with the Requirement 4.2, Mozambique is required to annually disclose the volumes of in-kind royalty gas sold to each company and the resulting revenues received by the government from each individual buying company. Mozambique is encouraged to disclose the contracts underlying the allocation of in-kind royalty gas.

3.8 Corrective action 8 (#4.3)

In accordance with Requirement 4.3, the MSG and the Independent Administrator are required to consider whether there are any agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities. Where the MSG concludes that these agreements are material, the MSG and the Independent Administrator are required to ensure that the EITI Report addresses these agreements, providing a level of detail and transparency commensurate with the disclosure and reconciliation of other payments and revenues streams. Where reconciliation of key transactions is not feasible, the MSG should agree an approach for unilateral disclosure by the parties to the agreement(s) to be included in the EITI Report. The MSG should clarify whether EITI reporting comprehensively addresses the possible existence of such agreements not covered in the report, and ensure that it is clearly stated if they do not exist.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. Validation noted an infrastructure agreement between the government and ENI, the construction of an electric power plant, which appeared to be a standalone agreement and not linked to an extractive license. However, reports did not comprehensively address the possible existence of other agreements, which might have involved the provision of goods and services in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities, in line with provision 4.3.

The Validation noted the MSG to consider whether there were any similar agreements, or sets of agreements, involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities, and to clearly document if no such agreements existed.

Progress since Validation

The 2015-2016 EITI Report describes two agreements signed in 2015-2016 under a section regarding Requirement 4.3 (pp.115-116). The report does not describe the actual terms of the deals, nor disclose whether any agreements including infrastructure or barter provisions pre-dating 2015 existed in the period under review. Based on the description of the two agreements and the underlying sources, it is unclear whether the agreements signed in 2015-2016 include infrastructure provisions in exchange for oil, gas or mining concessions.

Government stakeholders stated that no extractive contracts included barter or infrastructure provisions. Most mining and petroleum contracts are publicly available. However, the MSG does not appear to have looked into the agreements highlighted in the EITI Report.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 4.3. The 2015-2016 EITI Report attempts to address the requirement regarding agreements concluded in the period under review. However, the terms of these agreements are not detailed, and it remains unclear whether they actually contain infrastructure or barter provisions in exchange for oil, gas or mining concessions. Stakeholder consultations suggest that agreements that fall under the requirement do not exist in Mozambique, which could indicate that the requirement is not applicable. However, the MSG does not appear to have thoroughly discussed the matter or investigated the agreements presented in the EITI Report.

In accordance with Requirement 4.3, the MSG is required to consider whether there are any agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities. Where the MSG concludes that these agreements are material, the MSG and the Independent Administrator are required to ensure that the EITI Report addresses these agreements, providing a level of detail and transparency commensurate with the disclosure and reconciliation of other payments and revenues streams. Where reconciliation of key transactions is not feasible, the MSG should agree an approach for unilateral disclosure by the parties to the agreement(s) to be included in the EITI Report. The MSG should clarify whether EITI reporting comprehensively addresses the possible existence of such agreements not covered in the report, and ensure that it is clearly stated if they do not exist.

3.9 Corrective action 9 (#4.4)

In accordance with Requirement 4.4, the government and the MSG should ensure that material revenues collected by the government and SOEs from the transportation of oil, gas and minerals are disclosed. This could include a description of the transportation arrangements including the product, transportation route(s), and the relevant companies and government entities, including SOE(s), involved in transportation. The MSG may also wish to ensure disclosure of the definitions of the relevant transportation taxes, tariffs or other relevant payments, and the methodologies used to calculate them, disclosure of tariff rates and volume of the transported commodities, as well as disclosure of revenues received by government entities and SOE(s), in relation to transportation of oil, gas and minerals (4.4.a-d).

Findings from the first Validation

Mozambique was found to have made inadequate progress in implementing the requirement. The Validation noted that the MSG and Independent Administrator had reached out to the relevant government agencies to collect data on transportation revenue collected by these entities, and while the companies did not respond, information on transportation tariffs should be accessible in time for the next EITI Report under the Freedom of Information Act (Law 34/2014) and a Decree that will define the tariff methodology for gas transports (under review at the time the 2013-14 EITI Report was produced).

Progress since Validation

The 2015-2016 EITI Report describes the gas and coal value chains, including actors involved in transporting these commodities (pp.18-23).

The report includes further information about the transport of gas. It describes transportation routes, as well as companies and government entities involved in transportation (pp.117-119). The company managing the pipeline, ROMPCO, did not disclose tariff information, arguing that it is not an SOE and cannot disclose confidential information without permission from all shareholders. The state owns 25% of

ROMPCO through CMG. ROMPCO did disclose tax payments and the volume of transported gas. The report continues to note that a reform on calculating tariffs is underway and further information will be publicly available in the future.

CMG is a fully state-owned company (80% ENH, 20% IGEPE, p.20). It participated in EITI reporting, submitting data on material revenue streams. CMG did not report paying any dividends to IGEPE in 2015 or 2016. No dividends from CMG to ENH are captured in the report. The report notes that CMG's participation in ROMPCO was financed by the majority shareholder (Sasol), the European Investment Bank (EIB) and Standard Bank. According to the report, "state participation (quasi-equity) in CMG is pledged to the donors until 2021" (p.72). The details of this arrangement are not disclosed, and the report does not clearly state whether the state or SOEs received material revenue from their participation in ROMPCO. Stakeholders confirmed in consultations that CMG did not pay dividends to ENH and IGEPE due to the need to pay back the lenders. CMG itself did receive dividends from ROMPCO, which are currently not publicly disclosed. A representative of CMG confirmed that they would be willing to submit the data for publication upon request from the EITI. MSG feedback³¹ on the draft Secretariat assessment includes the dividends received by CMG from ROMPCO (in fiscal year July 2014- June 2015 ZAR 117.3m, in fiscal year July 2015-June 2016 ZAR 138m). The information was disclosed after the commencement of Validation and has been published on the EITI Mozambique website.³²

During the period under review (2015-2016) the state transport company CFM was shareholder in three companies involved in the transport of coal (p.22). Revenues from the transportation of coal have not been disclosed. The report argues that they are not within the scope of the requirement, as the companies are not majority state-owned (p.118). According to the report, CFM sold all its shares in these operations to Vale in 2017.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has been fully addressed and that Mozambique has made satisfactory progress on Requirement 4.4, if the information published subsequent to the commencement of Validation is considered. The report describes thoroughly the actors involved in the transportation of gas and coal, changes in ownership structures and transportation routes. The Secretariat considers that ROMPCO's revenues from the transport of gas are not government revenue as such, but any material revenues that CMG as an SOE receives from its shareholding in ROMPCO are transportation revenues as defined in Requirement 4.4. The 2015-2016 EITI Report fails to clarify whether the state, through CMG, received material revenues from the transport of gas. However, the information was subsequently disclosed. The Secretariat's assessment is that the disclosed information meets the Board-approved criteria for considering developments after the commencement of Validation.³³ Mozambique is expected to continue to annually disclose this information, either through the EITI Report or through other public sources.

The Secretariat disagrees with the Independent Administrator's interpretation that the requirement was not necessarily applicable to the coal sector during the year of review, on the basis that the transportation companies are not majority state-owned. The state or SOEs (e.g. CFM) could still be receiving material revenues through their shareholdings. However, as CFM sold its stakes in companies involved in the transportation of coal in 2017, a corrective action on coal transportation revenues does not appear practical.

³¹ https://eiti.org/sites/default/files/documents/msg_comments_mozambique_2nd_validation_en.pdf.

³² <http://www.itie.org.mz/images/GasNatural.pdf>.

³³ <https://eiti.org/BD/2019-15>.

3.10 Corrective action 10 (#4.5)

In accordance with Requirement 4.5, the MSG must ensure that the reporting process comprehensively addresses the role of SOEs, including material payments to SOEs from extractives companies, and transfers between SOEs and other government agencies.

Findings from the first Validation

Mozambique was found to have made inadequate progress in implementing the requirement. The Validation found limited information on the transactions between the government and SOEs, and was not clear on whether SOEs make material payments to the government or collect material revenues on behalf of the state. While SOEs were included in the scope of the reconciliation, it was not clear whether these were reported on comprehensively. No transfers from the government to SOEs were disclosed.

The Validation recommended the MSG to reach out to relevant government agencies and work with the Independent Administrator to obtain information about possible transactions between SOEs and government to ensure that this is covered clearly and comprehensively.

Progress since Validation

The following SOEs participated in the reconciliation process in the 2015-2016 EITI Report by reporting their material payments to government entities: ENH, EMEM, CMG and CMH (p.78). The report notes that in addition, ENH provides administrative services to its subsidiaries for which it receives monthly payments (p.95). Further, the report notes that SOEs reported that they did not receive material payments from other extractive companies and that the only transfers between the SOEs and the government were payments of dividends (p.183).

The report suggests that IGEPE is the only government entity reporting receipt of dividends. However, the report suggests that the National Directorate of Treasury (DNT) has holdings in extractive companies that are not managed by IGEPE (p.71). It remains unclear whether DNT receives dividends from extractive companies in which it holds an equity interest.

EMEM reported that it has not received dividend payments from any investment since its inception (p. 77). ENH's participation in the extractive sector is mostly managed through its subsidiaries. Possible dividends received by ENH are not disclosed in the EITI Report. ENH is required to publish consolidated financial statements, but the International Secretariat could not locate the 2015/2016 financial statement, as the ENH website was not functioning at the time of Validation. Furthermore, ENH's financial statements follow a financial year from June to June, while the EITI Report is based on the calendar year.

ENH administers the collection and reallocation of royalty gas paid in kind (see requirement 4.2). ENH reported the in-kind payments of gas royalties it received in 2015-2016 on a monthly basis. According to stakeholders, ENH does not receive payments from the sales on royalty gas.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 4.5. The 2015-2016 EITI Report discloses payments from SOEs to government entities in material revenue streams. However, the report does not disclose transaction between SOEs and their subsidiaries. It remains unclear, whether the National Directorate of Treasury (DNT) received dividends from extractive companies, as it was not a reporting entity.

In accordance with Requirement 4.5, Mozambique is required to ensure that the EITI reporting process covers all dividends received by the state from reporting entities. Mozambique is encouraged to disclose financial transactions between extractive SOEs and their subsidiaries.

3.11 Corrective action 11 (#4.6)

In accordance with Requirement 4.6, it is required that the MSG establish whether direct payments from companies to subnational governments, within the scope of agreed revenue streams, are material. Where material, the MSG must ensure that direct company payments to subnational government entities are disclosed and reconciled in future EITI Reports.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The Validation noted the different revenues collected at the municipal level, there was no documentation of whether there were any direct payments. There was no mention of cases in which municipalities or district authorities collected revenue directly from extractives companies. While companies operating in the sector appeared to be making some smaller payments to municipalities, further investigation was needed by the Independent Administrator and MSG in order to confirm that subnational payments were not material. The Validation noted that clarity whether direct payments from companies to provinces or municipalities exist, and in the cases where they are material, should be disclosed and reconciled.

Progress since Validation

The 2015-2016 EITI Report (p.96) states that companies did not make any material payments to subnational entities but it is unclear how material revenue streams were selected. The report lists revenue streams that are collected by municipalities, but these are not among material revenue streams. The Independent Administrator noted that the same revenue streams were selected as for the previous EITI Report. According to consulted stakeholders, payments to municipalities are not material. However, the MSG does not appear to have a comprehensive understanding of the volume of direct subnational payments.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 4.6. The materiality of subnational payments by extractive companies remains unclear.

In accordance with Requirement 4.6, it is required that the MSG establishes whether direct payments from companies to subnational governments are material. Where material, Mozambique must ensure that direct company payments to subnational government entities are disclosed and reconciled in future EITI Reports. If the central government does not have data about subnational payments, as a practical solution, the MSG is encouraged to ask companies to submit data on payments to subnational government entities.

3.12 Corrective action 12 (#4.9)

In accordance with Requirement 4.9.a, the EITI requires an assessment of whether the payments and revenues are subject to credible, independent audit, applying international auditing standards. 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 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 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 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

Mozambique was found to have made meaningful progress in implementing the requirement. While the report referred to government agencies having been audited, the Validation encouraged the MSG to review whether government agencies had been audited in accordance with the legislation in subsequent reports. A review of company auditing practices and relevant regulations was not included.

The Validation noted the MSG may wish to ensure that direct links to source material referred to in the report, such as public documents and reports, are included and that the group should also agree the reporting templates used for the reconciliation and document the decision.

Progress since Validation

Many of the deficiencies identified in the first Validation persist in the 2015-2016 EITI Report. The report describes the data assurances requested from reporting companies (p.97). These included either proof of payment or a statement from the company's external auditor, together with the signature of an executive. The report does not disclose which companies complied with the agreed assurances. However, the Independent Administrator (IA) noted in consultation that they only included in the report data that was supported with the requested documentation. The report does not refer to assurances requested from reporting government entities, and the Independent Administrator was not able to confirm whether government data was based on audited financial statements. The report does not include an assessment of whether payments and revenues are subject to credible, independent audit, applying international auditing standards.

The IA's Terms of Reference (ToR) did not follow the latest standard ToR agreed by the EITI Board. This may have contributed to weaknesses in documenting data reliability. However, the ToR did require the IA to "document whether participating companies and government entities had their financial statements audited in the financial year(s) covered by the EITI Report" and disclose any gaps and weaknesses (section 4.3.f).

The MSG approved the appointment of Deloitte as IA in April 2017.³⁴ Subsequent MSG meeting minutes do not document the MSG's approval of reporting templates or data assurances. There is no indication of the MSG discussing the auditing practices of reporting entities.

The reconciliation process itself appears to have been professional. Identified discrepancies were not material (p.103) and the reasons behind discrepancies are explained (p.107). Non-reporting material companies are listed, and the report notes that omissions did not significantly affect the comprehensiveness of the report (p.145). However, it is not possible to reliably establish the comprehensiveness of reconciliation as total government revenues are not known (*see Requirement 4.1*).

Electronic data files of the 2015-2016 have not been published and the summary data submitted by the IA was based on an outdated template.

Non-financial information is clearly sourced, but it is not clear how the responsible government entity obtained the data on, for example, production.

In the report, the IA tracks progress with the follow-up of previous recommendations (pp.135-144) and makes further recommendations (pp.145-149). The recommendations are policy-relevant and aim to strengthen the reporting process, but no recommendations related to improving data reliability are included.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 4.9. Discrepancies in the 2015-2016 EITI Report were not material, and at least company data appears to be backed by agreed assurances. However, the report does not include an assessment of the reliability of financial data or document companies' compliance with agreed assurances. It is unclear whether any assurances were requested from government entities. The report does not provide an overview of the audit practices of reporting entities.

In accordance with Requirement 4.9, Mozambique should ensure that (1) the procurement of Independent Administrators for future EITI Reports follows the Standard Terms of Reference agreed by the EITI Board, (2) the MSG's decisions on reporting templates and data assurances are clearly documented, (3) EITI Reports clearly document whether payments and revenues are subject to credible, independent audit and whether assurances agreed by the MSG were complied with and (4) the IA submits electronic data files and summary data in accordance with the latest template provided by the International Secretariat.

The MSG is encouraged to assess the reliability of non-financial information, disclose how government entities collect the data and make recommendation for strengthening data reliability.

3.13 Corrective action 13 (#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.

³⁴ MSG meeting minutes 21 April 2017.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The Validation noted that descriptions of the legal framework and systems regulating the management of revenue from the extractive industries were included. The main revenues and the agencies responsible for collecting them were also outlined. However, it was not clear whether all payments were recorded in the state budget or if some revenues were retained by government entities.

The Validation noted that the MSG should ensure that subsequent EITI reports indicate which revenues from the extractive sector are recorded in the state budget and to investigate whether all revenues, including those collected by IGEPE, ENH and INP and those collected at the sub-national level, are recorded in the state budget. Further, in cases where revenues are not recorded in the state budget, the allocation of these revenues should be explained. Validation also noted that an explanation of the management of contributions to the funds on institutional capacity-building and social projects is documented.

Progress since Validation

The 2015-2016 EITI Report explains that revenues collected by the tax authority, as well as revenues collected by IGEPE are channelled into the Treasury Single Account (p.120). Stakeholders confirmed that revenue from the sale of in-kind royalty gas is also transferred to the Single Account. The General State Account, which is annually adopted by the Parliament, includes further information about budget execution.³⁵

The EITI Report further describes which revenue streams are collected by INP (Contributions to Support and Training Programs, Contributions to Social Projects, Contributions to Institutional Support). The use of these funds is detailed in the report (pp. 126-127). The report does not include a reference to INP's financial reports. Representatives from INP confirmed that their accounts are audited annually and monitored by the Administrative Court (TA). They explained that INP coordinates with different ministries to evaluate communities' requests for social projects.

The report does not reference national or international revenue classifications systems.

Secretariat's Assessment

The International Secretariat is satisfied that the corrective action has been addressed and considers that Mozambique has made satisfactory progress on Requirement 5.1. The EITI Report discloses which revenues are recorded in the national budget and describes the allocation of revenues that are not.

3.14 Corrective action 14 (#5.2)

In accordance with Requirement 5.2.a, the MSG should 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. The MSG is encouraged to reconcile these transfers.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The first Validation noted the descriptions of the system for allocating a percentage of the revenue from petroleum and mining to affected communities and disclosed the transfers by community. However,

³⁵ 2016 General State Account: https://www.cabri-sbo.org/uploads/bia/mozambique_2016_execution_external_year-end_report_ministry_of_finance_sadc_portuguese_4.pdf.

there were inconsistencies in the figures provided, and reports did not explain how revenues were distributed among those communities affected by mining.

The Validation noted that the MSG may wish to consider reconciling these transfers in future in order to assess whether the reported value of the transfers correspond with the revenues received at the local level and are made in accordance with the law. Further enquiry into how these transfers are managed was encouraged.

Progress since Validation

The deficiencies identified in the first Validation persist in the 2015-2016 EITI Report. Law 9/2015 determines that 2.75% of production tax (royalty) should be transferred to the communities where the extractive projects are located. The 2015-2016 EITI Report discloses transfers to each province, district and community in 2015 and 2016 (pp.128-129). The report notes that the methodology for calculating the amounts to be transferred changed in 2015. Government representatives explained that the transfers for the following year are budgeted in September. Previously, the transferred amounts had been based on revenue projections, which led to significant discrepancies. Therefore, the amounts were now based on royalty payments made in the second-to-last year (i.e. 2016 transfers were based on payments made in 2014). This is disclosed in the parliament-approved General State Account of 2016 (pp.61-62)³⁶, which also appears to be the source of information for the EITI Report. The General State Account notes that the transfers were fully executed according to the budget allocations.

The EITI Report effectively reconciles the transfers, as it includes data collected from local governments about the amounts they received (pp.130-132). The report demonstrates that the budgeted transfers were fully received by the local counterparts in 2015-2016.

However, the EITI Report does not clearly state whether the transferred amounts correspond to 2.75% of production tax collected in the reference year. There are inconsistencies in the text and the tables regarding total production tax collected. It is also unclear how the amounts transferred to each community are determined.

The report includes information about the management of subnational transfers on the local level, including a description of projects and the status of execution (pp.130-132). The report observes that accountability in the implementation of the projects is not systematic, the quality of work is often poor and late disbursement of funds delays projects.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 5.2. Details about actual transfers are disclosed, and efforts to reconcile the data and include information about the use of funds are commendable. The report demonstrates that transfers corresponded to the budgeted amounts. However, it remains unclear whether actual transfers represent 2.75% of the collected production tax in the base year and how the portion transferred to each community is calculated.

In accordance with Requirement 5.2, Mozambique should ensure that the specific formula for calculating transfers to individual local governments be disclosed, to support an assessment of whether executed subnational transfers correspond to the formula defined in legislation. Mozambique is encouraged to follow up on the EITI Report's observations regarding weaknesses in the management of subnational transfers. Mozambique could also consider reviewing and drawing on the various publicly accessible

³⁶ https://www.cabri-sbo.org/uploads/bia/mozambique_2016_execution_external_year-end_report_ministry_of_finance_sadc_portuguese_4.pdf.

sources of information related to subnational transfers published by the Ministry of Economy and Finance and the Administrative Court (Tribunal Administrativo) in its EITI reporting.

3.15 Corrective action 15 (#6.1)

In accordance with Requirement 6.1.a, the MSG should agree a clear distinction between mandatory and voluntary social expenditures prior to data collection and ensure that material mandatory social expenditures are comprehensively disclosed in future EITI Reports. Where beneficiaries of mandatory social expenditures are a third party, i.e. not a government agency, the MSG should ensure that the name and function of the beneficiary be disclosed. The MSG should provide a comprehensive overview of existing social expenditures by oil, gas and mining companies, and further clarify how disbursement from social funds are being made and the basis for selection of beneficiaries.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. The Validation found detailed information on the contributions made by companies to the social projects fund and training activities as well as their recipients. However, there were some inconsistencies in total revenue figures and missing details related to GDP contribution and employment. The basis for selection of beneficiaries, those in areas affected by petroleum activities, of the Social Projects Fund were not described.

Progress since Validation

The 2015-2016 EITI Report (p.128) refers to the 2014 Corporate Social Responsibility Policy for the Extractive Industry of Mineral Resources. The report does not include a link to the policy, but it is available on MIREME's website.³⁷ The policy does not define the level of mandatory social expenditures but notes that this shall be defined in contracts and concessions. Stakeholders confirmed that laws do not mandate social expenditures.

The report presents total mandatory and voluntary social expenditures by extractive companies in 2015 and 2016 (p.129). Annex 4 (pp.154-156) breaks down mandatory social expenditures by company, cost, project and province. Annex 5 (pp.158-160) does the same for voluntary social expenditures.

The data is unilaterally disclosed by companies, and transactions are not reconciled. It is not clear whether the contributions were made in cash or in kind. Although the purpose of the expenditure is stated (e.g. poultry farming) the beneficiary is not defined.

The report notes that in total ten companies reported mandatory and/or voluntary social expenditures (p.128). The report does not state whether other companies are mandated to undertake social expenditures as well.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 6.1. The 2015-2016 EITI Report clearly differentiates between mandatory and voluntary social expenditures. However, it is unclear whether disclosures of mandatory social expenditures in the EITI Report are comprehensive. The legal basis for mandatory expenditures is unclear. The report does not disclose beneficiaries of mandatory social contributions nor whether the contributions were made in cash or in kind.

³⁷ http://www.mireme.gov.mz/index.php?option=com_phocadownload&view=category&download=9:politica-de-responsabilidade-social-empresarial-para-a-industria-extractiva-de-recursos-minerais&id=7:resolucoes&Itemid=150.

In accordance with Requirement 6.1, Mozambique should clarify whether all companies making material mandatory social payments are comprehensively disclosing information about such payments. Companies should distinguish whether mandatory social expenditures are made in kind or in cash. Where beneficiaries of mandatory social expenditures are a third party, i.e. not a government agency, Mozambique should ensure that the name and function of the beneficiary be disclosed.

The MSG should provide a comprehensive overview of existing social expenditures by oil, gas and mining companies, and further clarify how disbursement from social funds are being made and the basis for selection of beneficiaries.

3.16 Corrective action 16 (#6.2)

In accordance with Requirement 6.2, the MSG should consider the existence and materiality of any quasi-fiscal expenditures undertaken by extractives SOEs and their subsidiaries, ensuring that all material quasi-fiscal expenditures are disclosed in future EITI Reports. Should material quasi-fiscal expenditures exist, the multi-stakeholder group is required to develop a reporting process with a view to achieving a level of transparency commensurate with other payments and revenue streams, and should include SOE subsidiaries and joint ventures.

Findings from the first Validation

Mozambique was found to have made no progress in implementing the requirement. The Validation found no documentation of whether quasi-fiscal expenditures by SOEs exist and whether they are material. The Validation noted that the MSG should consider developing a reporting process with a view to achieving a level transparency commensurate with other payments and revenue streams.

Progress since Validation

The 2015-2016 EITI Report notes that SOEs did not report any quasi-fiscal expenditures (p.129). The 2017 annual progress report notes that SOEs' audited financial statements support this claim. Stakeholders noted that ENH supported a football club, which was common practice among companies. Representatives of ENH confirmed in consultations that they did not have quasi-fiscal expenditures. In a workshop held during the Validation mission³⁸, the MSG debated the topic. MSG members expressed interest in increasing their understanding of the requirement and of opportunities for monitoring whether quasi-fiscal expenditures existed.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 6.2. There is no indication that SOEs currently undertake quasi-fiscal expenditures (QFEs). However, the lack of QFEs in the year under review could not be confirmed and the MSG does not appear to have undertaken a comprehensive review of QFEs as part of preparations for the EITI Report.

In accordance with Requirement 6.2, Mozambique should undertake a comprehensive review of all expenditures undertaken by extractives SOEs that could be considered quasi-fiscal. Mozambique should develop a reporting process for any quasi-fiscal expenditures undertaken by extractives SOEs with a view to achieving a level of transparency commensurate with other payments and revenue streams.

³⁸ In Maputo on 25 April 2019.

3.17 Corrective action 17 (#6.3)

In accordance with Requirement 6.3, the MSG should ensure that future EITI Reports provide the contribution of the mining, oil and gas sectors to GDP in absolute terms and an estimate of informal sector activity (6.3.a), comprehensive figures on exports from the extractive industries in absolute terms and as a percentage of total exports (6.3.c), as well as comprehensive extractives employment figures, in absolute and relative to total employment (6.3.d) for the year(s) under review.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. Validation found information on the contribution of the extractive sector to the economy, though there were inconsistencies in total revenue figures and missing details related to GDP contribution and employment.

Validation noted that the MSG should ensure consistency in the figures provided on total government revenue from the sector, and in the next EITI Report, indicate: i) the size of the extractive sector in absolute terms and as % of GDP, ii) exports from the extractive industry in absolute terms, iii) employment in extractive sector as % of total employment. If any of this information is not available, the MSG should ensure that the report describes the efforts made to obtain the information. The MSG may also wish to consider including information on local content provisions.

Progress since Validation

The 2015-2016 EITI Report includes information about the extractive sector's contribution to the economy and exports, both in absolute and relative terms (pp.130-132). The report presents the key regions where production is concentrated and includes employment data collected from companies (pp.133-134). The report does not include an estimate of informal activity. A government representative noted that a study on informal mining activity was being conducted and that an estimate would be available following the study.

The report presents total government revenues from the extractive sector in absolute and relative terms (p.98). However, the figure does not appear to be comprehensive as it is considerably lower than reconciled revenues in 2016, and does not match the figure of total government revenue from the extractive sector provided in the annual report by the Administrative Court (Tribunal Administrativo).³⁹ Consulted stakeholders were not able to explain the difference.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 6.3. The 2015-2016 EITI Report discloses information about the extractive sector's contribution to the GDP, exports and employment. However, inconsistencies between the EITI Report and other publicly accessible sources in total government revenue figures prevent a comprehensive understanding of the sector's contribution to the economy.

In accordance with Requirement 6.3, Mozambique is required to publish a comprehensive figure of total government revenues generated by the extractive industries and an estimate of informal mining activity. Mozambique may wish to ensure that figures of total government revenues from the extractive industries published by government agencies such as the Administrative Court (Tribunal Administrativo) and the tax authorities are consistent.

³⁹ <http://www.ta.gov.mz/Relatrios e Pareceres CGE/Relatório e Parecer CGE 2016/Capitulo VI - Industria Extractiva - AR.pdf> (section VI-18).

3.18 Corrective action 18 (#7.1)

In accordance with Requirement 7.1, the MSG must ensure that EITI Reports are comprehensible, actively promoted, publicly accessible and contribute to public debate. Key audiences should include government, parliamentarians, civil society, companies and the media. The MSG should discuss the role the EITI could play in achieving national priorities and how it can generate public debate around natural resource use.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. Validation noted the various efforts that were made to ensure that EITI Reports were comprehensive, actively promoted and publicly accessible. However, there was limited evidence of strategic outreach and if the EITI process had led to public debate.

Validation noted that the MSG should consider undertaking outreach activities that strategically target media, parliament, industry and key extractive sector players to ensure that EITI objectives are in line with stakeholder priorities.

Progress since Validation

The 2015-2016 EITI Report is comprehensible and written in an accessible style. The data from the EITI Report has been published in a PDF format, but not in an open format (xlsx or csv). A civil society representative flagged this as a challenge to using the data. Draft summary data templates for 2015 and 2016 were prepared and shared with the International Secretariat in mid-2018, while the feedback from the Secretariat has not been addressed and the templates have not been published.

The EITI is rarely referenced directly in the media, but it is contributing to public debates about extractive sector governance and the MSG is reaching out to journalists, parliamentarians and citizens. For example, concerns regarding subnational transfers⁴⁰ and payments by a ruby mining company⁴¹ have been covered by the media. The MSG has an observer from the National Syndicate of Journalists. According to the 2017-2018 annual progress report (APR), three training workshops for journalists were conducted in the second half of 2017 in different parts of the country. The training was conducted by officials from different government entities and SOEs.⁴²

Especially civil society has actively communicated findings from the 2015-2016 EITI Report, as well as increased awareness about the process. For example, the Centre for Public Integrity (CIP) published in June 2017 an analysis on the report, highlighting corruption risks in the licensing process.⁴³ CIP also produced a simplified summary version on the EITI Report.⁴⁴

In 2017-2018, the CSOs Kuwuka JDA and Sekelekani undertook a project that involved increasing awareness about the EITI and civil society's capacity to participate in extractives governance. The project involved seven provincial workshops and three regional ones. MSG meeting minutes demonstrate that the MSG has been actively involved in the outreach conducted by Kuwuka JDA and Sekelekani. According to the 2017-2018 APR, the project's communications component included three radio/TV discussions, which included MSG members from government, civil society and companies.⁴⁵

⁴⁰ <https://www.dw.com/pt-002/mo%C3%A7ambique-falta-de-transpar%C3%Aancia-na-gest%C3%A3o-dos-recursos-naturais/a-43964202>.

⁴¹ <https://allafrica.com/stories/201805110120.html>.

⁴² http://www.itie.org.mz/images/docs/relatorio_progresso2018_17.pdf.

⁴³ <https://cipmoz.org/2018/06/17/gestao-do-sector-extrativo-processo-de-licenciamento-apresenta-serios-riscos-de-corrupcao/>.

⁴⁴ Shared with the International Secretariat in hard copy.

⁴⁵ http://www.itie.org.mz/images/docs/relatorio_progresso2018_17.pdf.

Government representatives lamented that the national secretariat currently did not have financial resources to undertake outreach activities. Ahead of the publication of the 2015-2016 EITI Report, an event had been held in Maputo to discuss the findings. The national secretariat noted that they had discussed the 2015-2016 EITI Report and EITI implementation with parliamentarians. A training session had been held for the parliamentary committee responsible for extractive industries in early April 2019.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has not been fully addressed and that Mozambique has made meaningful progress on Requirement 7.1. The MSG is undertaking efforts to ensure that EITI implementation is contributing to public debate. Especially civil society has analysed the data and conducted outreach across the country. Providing comprehensive and timely information on issues of broad public interest, such as state participation in the extractive sector, could result in further debate. The interim national secretariat's efforts to engage with parliamentarians are encouraging. However, EITI data is not published in open format, which makes it more difficult to analyse. The lack of financial resources is limiting the MSG's efforts to communicate findings from the report.

In accordance with Requirement 7.1 and to facilitate the use and analysis of data by stakeholders, the MSG should ensure that data from EITI Reports is published in open format (xlsx or csv). The MSG is encouraged to seek funding from the government, companies or development partners to communicate the findings and results of EITI disclosures.

3.19 Corrective action 19 (#7.3)

In accordance with Requirement 7.3, the MSG is required to take steps to act upon lessons learnt; to identify, investigate and address the causes of any discrepancies; and to consider the recommendations resulting from EITI reporting. The MSG should ensure more systematic follow-up on the EITI Report recommendations and ensuring that these highlight gaps identified through the reporting process.

Findings from the first Validation

Mozambique was found to have made meaningful progress in implementing the requirement. Validation found that the MSG had considered and addressed most recommendations from EITI reporting. However, more systematic follow-up by the MSG on the EITI Report recommendations was recommended in order for EITI reporting to serve as a more robust tool for improved extractive sector governance in Mozambique.

Progress since Validation

Stakeholder consultations demonstrated that recommendations from EITI Reports had led to improvements, for example, in the mining cadastre and website of the mining regulator (INAMI). There appears to be more inter-institutional cooperation on addressing recommendations than before. This may be due to the Coordinating Committee being embedded within government, unlike the previous national secretariat.

A report from the MSG's retreat, held in late 2018, suggests that the MSG discussed the corrective actions from the first Validation, identified improvements and made recommendations.⁴⁶ The results are visible in the MSG's operational plan for 2019-2021, which includes for instance an activity to prepare a dedicated study on state participation in the sector to address the gaps identified in EITI reporting and Validation.⁴⁷ Additionally, MIREME and EITI Mozambique commissioned a study on the status of EITI implementation, which was concluded in November 2018.⁴⁸ The national secretariat also shared a document dated 6 March 2019 that demonstrates that the MSG and MIREME in particular are following up on the implementation of the beneficial ownership roadmap, in collaboration with the Ministry of Economy and Finance (MEF).⁴⁹

MSG meeting minutes do not demonstrate systematic consideration of recommendations arising from the 2015-2016 EITI Report. However, the national secretariat noted that EITI recommendations were discussed in the retreat together with the corrective actions. The 2017-2018 APR, published in December 2018, does not document the status of implementation of recommendations from EITI reporting. According to a government representative the recommendations from the 2015-2016 had largely been followed up with relevant government agencies, such as the tax authority (AT). The EITI Report did not identify material discrepancies. The 2017-2018 APR does address comments made by the International Secretariat about the 2015-2016 EITI Report and outlines some plans to address them (pp.21-31).

Kuwuka JDA has prepared a study assessing the follow-up of recommendations from EITI Reports covering years 2011-2017.⁵⁰ It demonstrates that while recommendations have led to improvements in reporting and inter-institutional cooperation, recommendations from the latest EITI Report still require systematic follow-up.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that the corrective action has been fully addressed and that Mozambique has made satisfactory progress on Requirement 7.3. There is no documentation of the MSG systematically following up on recommendations from the 2015-2016 EITI Report. However, the MSG and individual constituencies have considered recommendations and acted upon lessons learnt from EITI reporting and the first Validation. The identified weaknesses and opportunities are reflected in work plans.

To strengthen implementation of Requirement 7.3, the MSG is encouraged to discuss the recommendations arising from EITI reporting and Validation, to agree a plan for addressing the ones that are considered relevant and to monitor implementation.

4. Assessments of requirements previously assessed as satisfactory in 1st Validation

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" in the 2017 Validation. In particular, the Secretariat reviewed possible back-sliding in the 2015-2016 EITI Report

⁴⁶ Available from the International Secretariat.

⁴⁷ http://www.itie.org.mz/images/docs/plano_operacional2019_21.pdf.

⁴⁸ Available from the International Secretariat.

⁴⁹ Letter from MIREME to MEF on revising the Commercial Code and matrix on status of Beneficial Ownership Roadmap available from the International Secretariat.

⁵⁰ A draft of the study is available from the International Secretariat.

on requirements related to comprehensiveness (Requirement 4.1). The Secretariat's view is that there is evidence to suggest progress has fallen below the required standard on Requirement 4.1 and warrant consideration by the EITI Board, for a downgrade to "meaningful progress".

4.1 Progress on Requirement 4.1

Findings from the first Validation

Mozambique was found to have made satisfactory progress in implementing the requirement. The assessment noted that the MSG had agreed a materiality threshold for company payments, although the rationale for setting the threshold at this level was not clearly documented. Notwithstanding this concern, the report appeared to provide a comprehensive reconciliation of government revenues and company payments in accordance with the agreed scope. The assessment recommended that in the next EITI Report, the MSG should ensure that the rationale for setting the materiality threshold is clearly documented, and that full government disclosure is clearly presented by revenue stream. It also noted that the MSG may wish to review the materiality threshold.

Progress since Validation

The 2015-2016 EITI Report lacks a comprehensive figure for full government revenues from the extractive sector by revenue stream. The figure presented in the report as total government revenue for 2016 is approximately MZN 6 bn (p.98), while reconciled revenues were MZN 12 billion. The report does not provide a clear explanation for the difference. It notes that the figure for total government revenue includes only revenues from so-called megaprojects (p.100). However, small-and-medium scale activities do not account for the difference. Consulted stakeholders were not able to explain the difference either. The Independent Administrator noted that the figure was provided by the tax authority (AT).

Without a reliable figure for total government revenues, it is not possible to assess the comprehensiveness of the reconciliation. It is likely to be high, as the materiality threshold for participating companies is very low (MZN 500,000). However, the selection of material revenue streams for the 2015-2016 EITI Report appears to be based on previous EITI Reports and is not clearly justified based on an assessment of the materiality of revenues in 2015-2016. It is not possible to confirm, based on data in the report, that no significant payments were made in revenue streams that were excluded from the scope of reconciliation.

The proportion of non-reporting companies continued to be high. For 2016, 44 out of 80 material companies failed to submit data (p.102). However, the report notes that payments made by these companies represented only 1% of total reconciled revenue. The Independent Administrator noted that contacting a large number of small companies, many of which are not required to keep audited accounts, was very time-consuming. Consulted MSG members agreed that the materiality threshold could be set at MZN 2.5m for future EITI Reports. This would not significantly affect the comprehensiveness of reconciliation but would reduce reporting costs.

Secretariat's Assessment

The International Secretariat's preliminary assessment is that Mozambique has made meaningful progress in addressing the requirement. The comprehensiveness of reconciliation cannot be reliably assessed as total government revenues from the extractive sector are unknown and the rationale behind materiality decisions is not disclosed.

In accordance with Requirement 4.1, the MSG should clearly justify the selection of material revenue streams by demonstrating that the omission of some revenue streams does not materially affect the comprehensiveness of the EITI Report. The MSG is encouraged to consider raising the threshold for

selecting material companies to ensure a cost-benefit balance in reconciliation. Mozambique should document the options considered and the rationale for establishing the materiality definitions and thresholds. Mozambique should disclose 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 the agreed materiality threshold.

5. Conclusion

Having reviewed the steps taken by Mozambique to address the 19 corrective actions requested by the EITI Board as of the commencement of its second Validation on 25 April 2019, it can be reasonably concluded that 6 of the 19 corrective actions have been fully addressed and that Mozambique has made meaningful progress in implementing the EITI Standard, with *considerable improvements across several individual requirements*. The outstanding gaps relate to industry engagement (#1.2), license allocation (#2.2), state participation (#2.6), materiality and comprehensiveness (#4.1), in-kind revenues (#4.2), barter and infrastructure agreements (4.3), transportation revenues (#4.4), transactions related to SOEs (#4.5), subnational payments (#4.6), data quality (#4.9), subnational transfers (#5.2), social payments (#6.1), economic contribution (#6.3) and public debate (#7.1).

Annex A – List of consulted stakeholders

Government

- Isabel Chuvambe, João Manjate, Luís Mahoque – EITI Coordinating Committee (interim national secretariat)
- Ângelo Nhalidade – MEF
- Humberto Fernando Alage, Hugo Bungueia – Tax Authority (Autoridade Tributaria)
- Victor Guibunda, Moises Amaral – Administrative Court (Tribunal Administrativo)
- Augusto Macuvele, Jose Branquinho, Gil Anibal – INP
- Nelson Zumbene, Helder V. Machaieie, Maura Jorge Inroga, Elsa Alfai – INAMI
- Salva Matlhombe-Igepe, Fabiao Pinto - IGEPE
- Vilela Sousa - MITADER

Civil society

- Claudio Nhandale, Zito Amone, Benjamim Mabochana – Kuwuka JDA
- Fátima Mimbire – CIP
- Abdul Machon – AGMM
- Belmiro Adamugy – SNJ
- Arsenii Manhica – Counterpart
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Companies

- Gareth Clifton – Kenmare Resources
- Filipe Zibane – ENI
- Lovemore Chibaya, Tania Munhequete, Antomio Matola, Acacio Langa, Julia Dias Acacio – ENH
- Antonio Manhiça – EMEM
- Peter Muage Weng, Mateus Mazuze – CMG
- Amina Bavabai, Mauricio Muzime – CMH

Development partners

- Claudio Dimande – Mining and Gas Technical Assistance Project (MAGTAP)
- Lars Ekman – Norwegian Embassy
- Camilla Gendolla – German Embassy
- Jaakko Jakkila – Embassy of Finland
- Isabella Kern – GIZ
- Rogerio Ossemame – DFID
- Swiss Embassy

Independent Administrator

- Rui Alves, Mário Fernandes, Eugénia Santos – Deloitte

Annex B – MSG meeting attendance chart

MSG meeting attendance chart										
MSG meeting 2017/2018	Ano 2017				Ano 2018				Not attended	Attended E: proxy attendance
	1ª Sessão	2ª Sessão	3ª Sessão	4ª Sessão	1ª Sessão	2ª Sessão	3ª Sessão	4ª Sessão		
Government										
Letícia da Silva Klemens - Presidente da ITIE e Ministro dos Recursos Minerais e Energia até Dezembro de 2017					N/A	N/A	N/A	N/A		
Ernesto Max Tonela - Presidente actual da ITIE e Ministro dos Recursos Minerais e Energia	N/A	N/A	N/A	N/A						
Custódio Guilherme Nguetana - Coordenador Nacional até Junho de 2018 - Ministério dos Recursos Minerais e Energia					N/A	N/A	N/A	N/A		
Isabel Maria Sancho Chuvambe Cheleshe - Coordenador Nacional- Ministério dos Recursos Minerais e Energia	N/A	N/A	N/A	N/A						
Ângelo Nhalidede - Ministério de Economia e Finanças										
Mateus Matusse - Ministério de Indústria e Comércio	N/A	N/A	N/A	N/A						
Ivete Maibaze - Ministério da Terra, Ambiente e Desenvolvimento Rural	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A		
Alternativos do Governo										
Augusto Fernando de Sousa										
Luis Mahoque - Ministério dos Recursos Minerais e Energia										
Adriano Chamusso - Ministério de Indústria e Comércio										
Vilela de Sousa - Ministério da Terra, Ambiente e Desenvolvimento Rural										
Finório Castigo - Ministério de Economia e Finanças										
Civil society - full members										
Jordão Matimula - AENA Nampula (Plataforma dos recursos naturais e indústria extrativa)										
Camilo Nhandale - Kuwuka JDA Maputo										
Ali Chaucate - AAJC Tete										
Alda Salomão - Centro Terra Viva em substituição de Fátima Mimbire do CIP a partir de Julho de 2017										
Civil society - alternate members										
Roberto dos Santos - Alternativo da AENA	N/A	N/A								
Germano Brujane - Alternativo da Kuwuka JDA Maputo	N/A	N/A								
Industry - full members										
Gareth Clifton - KENMARE Moma Mining (AMDCM)										
Maria Hunguana - Anadarko (representante da AMOPI)										
Filipe Zivane em substituição de Dalva Chali e Stefano Savione - ENI (Representa AMOPI)			N/A	N/A	N/A					
Carlos Homo - Vale Moçambique			N/A	N/A	N/A					
Industry - alternate members										
Eurico de Azevedo - ENI (Representa AMOPI)										
Yara Miglietti - Sasol Petroleu Temane (AMOPI)										
Karan Sagghi Stateoil (AMOPI)										
Observadores										
Estevão Sumburane - Associação Geológica Mineira de Moçambique										
Eduardo Constantino - Sindicato Nacional de Jornalistas										
Observadores Alternativos										
Abduremane Machon - AGMM	N/A	N/A	N/A	N/A						
Belmiro Adamgy - Jornal Notícias	N/A	N/A	N/A	N/A		N/A	N/A	N/A		