



**EITI**



**Moçambique**

**Independent Report of the Extractive  
Industry Transparency Initiative**

**Year: 2020**



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## Limitation of the Scope

One of the key criteria in the process of recognition as a member of the ITIE is the need to perform a reconciliation between payments declared by companies in the extractive industries and receipts declared by government agencies, such reconciliation being performed by an independent entity (Independent Trustee).

In this respect, I2A Consultoria e Serviços, SA was selected by the EITI Mozambique Coordination Committee as Independent Trustee within the framework of a public tender held for the preparation of the Ninth Report of EITI Mozambique, covering the year 2020.

The functions of the Independent Trustee are as follows:

- Preparation of the reconciliation process of all material payments (as defined by the Coordination Committee) made by companies in the extractive industries, which were operating in Mozambique, and receipts by the Government and Government Agencies in 2020;
- Preparation of a report, consistent with the background information related to the extractive sector in Mozambique, highlighting the payments made by companies in this sector to the Government and Government Agencies and identifying the discrepancies, if applicable, found in independent reconciliation.

Implicit advisory to the function of Independent Trustee does not constitute any form of audit, and the Independent Trustee is not responsible for confirming the accuracy of reported figures and the legal and contractual obligations of companies in the extractive industries, Government and Government Agencies. The information presented in this report is the responsibility of the participating entities. The procedures carried out by the Independent Trustee to collect both numerical and non-numerical data, to reconcile the information received from the different entities, and to compile it in the form of a report, do not constitute an audit or review carried out in accordance with International Standards on Auditing. Accordingly, we do not express and will not express any opinion on the payments/receipts disclosed.

I2A Consultoria e Serviços, SA shall not accept any liability whatsoever for the consequences of any action or other action taken as a result of the contents of this report.

## List of Acronyms and Abbreviations

AI – Independent Administrator

AMA 1 – Anadarko Moçambique Área 1, Lda

AQUA - National Agency for Environmental Quality Control

AT – Tax Authority

Bbls – Barrel of oil

BH – Buzi Hydrocarbons

BM – Bank of Mozambique

CC – Coordination Committee

CCPP - Concession Contracts for Research and Production

CDGM – Companhia de Desenvolvimento de Gás de Moçambique, SA

CFM – Portos e Caminhos de Ferro de Moçambique, EP

CGE - General State Account

CINAC – Cimentos de Nacala, SA

CMG - Companhia Moçambicana de Gasoduto

CMH - Companhia Moçambicana de Hidrocarbonetos

COR - Revenue Budget Unit

CTR - Revenue Tax Classifier

CUT - Single Treasury Account

DAF - Tax Department

DGI – General Directorate of Tax

DIPREME – Provincial Directorate for Mineral Resources and Energy

DNT - National Treasury Directorate

DNGM – National Directorate of Geology and Mining

DPPF - Provincial Directorate of Planning and Finance



EDM – Electricidade de Moçambique, EP

EEA – Eni East Africa Spa

EMEM - Empresa Moçambicana de Exploração Mineira

ENH - Empresa Nacional de Hidrocarbonetos

IMF - International Monetary Fund

GIGA – Gigajoule International (PTY)

GJ – Gigajoule

GNL – Liquefied Natural Gas

GTL - Gas-to-liquids

IAV – Vehicle Municipal Tax

ICE – Specific Consumer Tax

IDE – Foreign Direct Investment

IFC – International Finance Corporation

IGEPE - State Participation Management Institute

IGREME – Inspectorate General for Mineral Resources and Energy

INAMI - National Mining Institute

INE - National Statistical Institute

INP – National Petroleum Institute

IPA – Personal Municipal Tax

IPM – Mining Production Tax

IPP – Oil Production Tax

IPRA – Municipal Property Tax

IRN – National Reconstruction Tax

IRPC – Corporate Income Tax

IRPS – Personal Income Tax

IRRM – Mining Resource Income Tax

IS – Stamp Duty

ISRS - International Standard on Related Services

ISS – Surface Tax

EITI - Extractive Industries Transparency Initiative

ITIEM – Mozambican Extractive Industries Transparency Initiative

VAT – Value Added Tax

KOGAS – Korean Gas Corporation

MEF - Ministry of Economy and Finance

MEO - Budget Preparation Module

MEX - Budget Execution Module

MGC – Matola Gas Company, SA

MGJ – Million Giga joules

MIREME – Ministry of Mineral Resources and Energy

MITADER - Ministry of Land, Environment and Rural Development

MRV – Mozambique Rovuma Venture, SPA

NUEL – Single Legal Entity Number

NUIT – Tax Identification Number

OE – State Budget

PBP – Price at the well mouth

GDP - Gross Domestic Product

REOE/REO – State Budget Execution Report

ROMPCO – Republic of Mozambique Pipeline Company

SADC - South African Development Community

SOE - State-owned enterprise

SICR - Revenue Collection and Control Systems

SISTAFE - System of State Financial Administration

SPM – Sasol Petroleum Mozambique, Lda

SPME – Sasol Petroleum Mozambique Exploration Limited

SPT - Sasol Petroleum Temane, Lda

TA - Administrative Court

TEPMA1 - Total E&P Mozambique Area 1, Lda

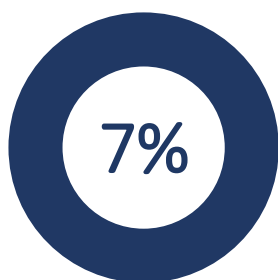
TSC – Fuel Levy

UGC – Major Contributors Unit

## Executive Summary



This is the tenth report reconciling payments made by companies operating in the extractive industry and receipts from the State.



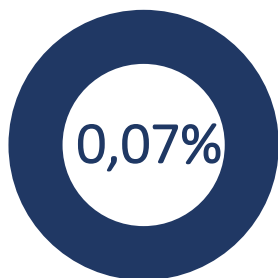
The state collected 213.500,2 million meticaís in tax revenue, of which 15.944,18 million meticaís or 7% correspond to revenue from the extractive industry.



Extractive industry's contribution to GDP was 6.9% in 2020, up from 7.9% in 2019.



A total of 33 companies were selected for the process of reconciling tax payments made by companies, of which 22 are from the mining sector and 11 from the hydrocarbon sector. For the 9th Report a total of 29 companies were selected.



In this process 92% of tax revenues from the extractive industry were reconciled. The differences between payments made by the companies and receipts received by the State correspond to 0,07% with respect to the amounts confirmed by the State in 2020.



In 2020, 2,051 mining titles were in force, subdivided into: 810 prospecting and research licenses, 311 mining concessions, 538 mining certificates and 392 trading licenses.



In 2020 there were 12 concession contracts in force in the hydrocarbon sector, of which: 2 were in the production phase, 2 in the development phase, 6 in the research phase and 2 for gas transportation.



## 1 INTRODUCTION

## 1 Introduction

The Extractive Industries Transparency Initiative (EITI) is a global standard aimed at promoting the open and responsible management of natural resources in implementing countries. To this end, this standard requires the dissemination of information along the value chain of the extractive industry from the extraction stage to how the revenues are raised by the government and how they benefit the nationals of those countries.

Driven by the belief that resources belong to the nationals of those countries, EITI seeks to strengthen public and corporate governance, promote understanding of natural resource management and provide data to induce reforms for greater transparency and accountability in the extractive sector.

The EITI was officially launched in 2002 at the Summit of Heads of State and Government held in South Africa. Mozambique joined the initiative in 2009, having produced ten reports (counting the present one) covering information on the years 2008 to 2020. The country joined the initiative as a way to improve the various internal instruments already in place to promote good governance, including transparency and the prevention of corruption, and also to ensure that company payments and government receipts from the extractive industry were published regularly and in the public domain.

The country was classified as having Significant Progress - with considerable improvements in 2012 (year in which it submitted the Second Reconciliation Report for 2009) and renewed this status in 2019 (corresponding to the assessment of reports submitted between 2012 and 2017).

Notwithstanding, according to the report of the 2nd validation of the International Secretariat (of 2019), although it was considered to comply with the EITI Standard, there are still challenges for the country, as highlighted in the report concerned<sup>1</sup>, and that the country intends to address with this report.

For the preparation of the Tenth EITI Report in Mozambique for the year 2019, the Government of Mozambique, through the Ministry of Mineral Resources and Energy (MIREME), appointed I2A Consultoria e Serviços, SA, hereinafter referred to as "Independent Administrator" (IA), to prepare the report concerned.

It should be noted that under Article 2 of Section 4 of the EITI Standard, implementing countries must publish the information required by the Standard (usually by means of an EITI Report) within 2 years, for example, information for the financial year ending 31 December 2020 must be published no later than 31 December 2022.

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<sup>1</sup> <https://eiti.org/documents/mozambique-validation-2019> – accessed on 26 August 2022

## 1.1 Scope of Work and Methodology

The advisory service to be provided by the Independent Trustee is to assist the Coordination Committee (CC) of Mozambique in producing the 9<sup>th</sup> report for EITI Mozambique under the terms of the 2019 Standard, based on the data for the year 2020.

Accordingly, the work carried out has considered the objectives assumed by the Executive Secretariat and the CC in the "Operational Plan for EITI in Mozambique 2019-2021":

- 1** Compliance - Ensure that Mozambique maintains EITI compliant country status on a permanent basis;
- 2** Systematic Reporting - Systematic reporting and disclosure of information relating to the transparency of the extractive industry;
- 3** Impact - Contribute to improve the impact of the extractive industry on the development of the country.

In addition, this work addressed the challenges related to the reporting and validation process presented in the diagnosis made by the EITI Executive Secretariat, with the support of the EITI SC. These challenges can be classified into the following categories:

- A. Issues identified by the EITI Board in October 2017 (classified by level of importance);
- B. Issues identified by the International Validator in October 2017;
- C. Issues identified by the International Secretariat in 2018 after the 7<sup>th</sup> Country Report;
- D. Findings of the Independent Trustee who prepared the 7<sup>th</sup> Report;
- E. Issues identified by the International Secretariat in 2019 after the 8<sup>th</sup> Country Report;
- F. Findings of the Independent Trustee who prepared the 8<sup>th</sup> Report;
- G. Issues identified by the International Secretariat during the second validation in April 2019 and recommendations of the EITI Board of Directors.
- H. Aspects identified and recommended by the Independent Administrator in the 9<sup>th</sup> Report.

Therefore, the scope of the Independent Trustee's work comprises five phases:



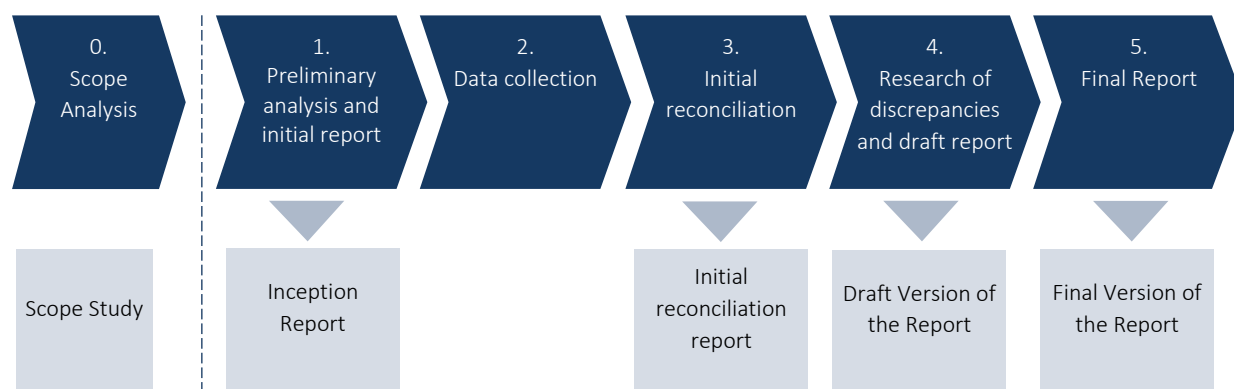


Figure 1- Phases of the project

Accordingly, the report follows the structure of the 2019 Standard dimensions, which are set out below. In order to provide a better understanding of the EITI, at the beginning of each chapter a description of the EITI Standard requirement has been inserted which is intended to be addressed, as translated<sup>2</sup> by EITI International.

## 1.2 Brief description of the 2019 Standard

The EITI standard sets out requirements that must be followed by all countries implementing this initiative. These requirements were created taking into account the extractive industry value chain.

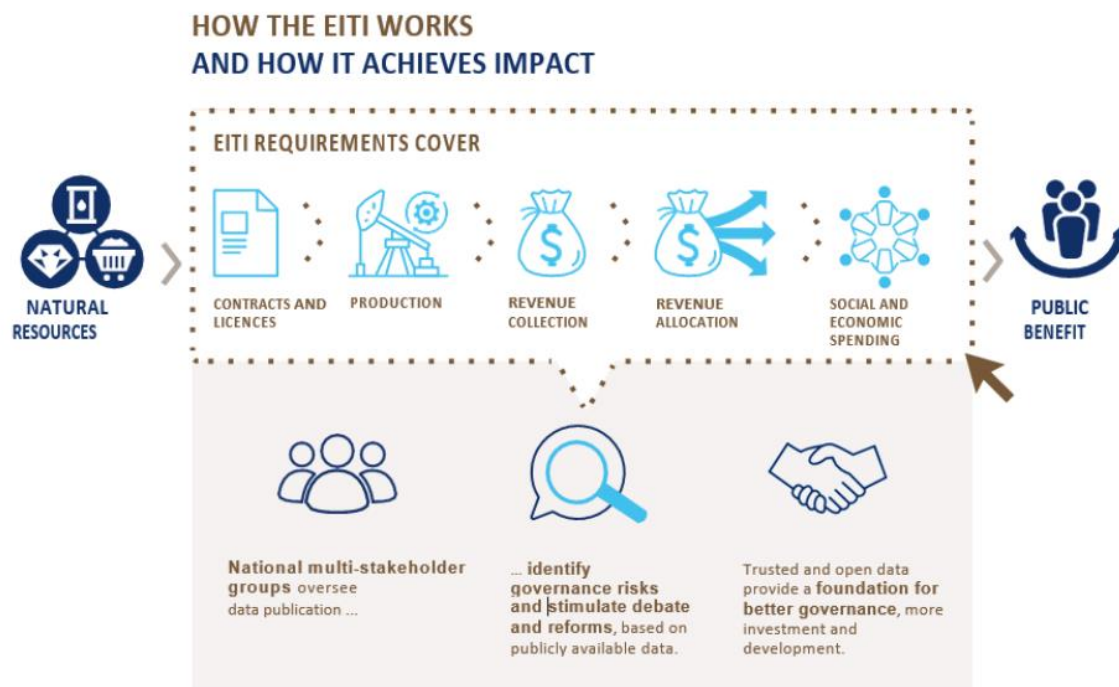


Figure 2 - Dimensions required by Standard 2019 for the EITI Report

<sup>2</sup> <https://eiti.org/collections/eiti-standard> - accessed on 26 August 2022

### **1. Supervisão efetiva pelo grupo Comité de Coordenação:**

EITI requires effective multi-stakeholder oversight, including an operational steering group comprising government, companies and the full, independent, active and effective participation of civil society. Key elements related to oversight by the group's Coordination Committee include:

- 1.1. the Government's commitment;
- 1.2. corporate participation;
- 1.3. civil society participation;
- 1.4. the establishment and operation of a group Coordination Committee; and
- 1.5. an agreed work plan with clear objectives for the implementation of the EITI and a schedule aligned with the deadlines set by the EITI Executive Committee.

### **2. The legal framework and the tax regime, including the allocation of licenses and agreements:**

EITI requires disclosure of information relating to the management rules of the extractive industry, enabling interested parties to understand the laws and procedures for granting Exploration and production rights, the legal, regulatory and contractual framework applying to the extractive industry, and the institutional responsibilities of the State in managing the industry. Requirements related to the legal framework and the allocation of extractive industry rights include:

- 2.1. legal framework and tax regime;
- 2.2. provision of contracts and licenses;
- 2.3. registration of licenses;
- 2.4. contracts;
- 2.5. beneficial owners; and
- 2.6. State participation in the extractive industry.

### **3. Exploration and production:**

EITI requires the dissemination of information related to exploration and production to enable stakeholders to understand the potential of the sector. EITI requirements related to transparency in exploration and production activities include:

- 3.1. information on exploration activities;
- 3.2. production data; and
- 3.3. exportation data.

#### **4. Revenue collection:**

A clear understanding of company payments and government revenues can inform public debate on the governance of the extractive industries. EITI requires comprehensive disclosure of company payments and government revenues from the extractive industry. EITI requirements related to revenue collection include:

- 4.1. comprehensive disclosure of tax and revenues;
- 4.2. sale of the State's share of production or other revenue received in cash;
- 4.3. infrastructure provisions and exchange operations;
- 4.4. transportation revenue;
- 4.5. transactions related to state-owned companies;
- 4.6. subnational payments;
- 4.7. level of disaggregation;
- 4.8. data timeliness; and
- 4.9. quality of the information disclosed.

#### **5. Revenue allocation:**

EITI requires disclosure of information related to revenue allocations, allowing stakeholders to understand how revenues are recorded in the national and, if applicable, sub-national budgets, as well as tracking corporate social spending. EITI requirements related to revenue allocations include:

- 5.1. Revenue distribution;
- 5.2. Sub-national transfers; and
- 5.3. revenue and expense management.

#### **6. Social and economic expenses:**

EITI encourages the dissemination of information related to revenue and expenditure management, helping stakeholders to assess whether the industry has the desired social and economic impacts and outcomes. Requirements related to social and economic expenditure include:

- 6.1. social and environmental expenditure by companies;
- 6.2. parafiscal expenditure by state-owned enterprises;
- 6.3. overview of the contribution of extractive industries to the economy; and
- 6.4. environmental impact of extractive activities

## 7. Outcomes and impact:

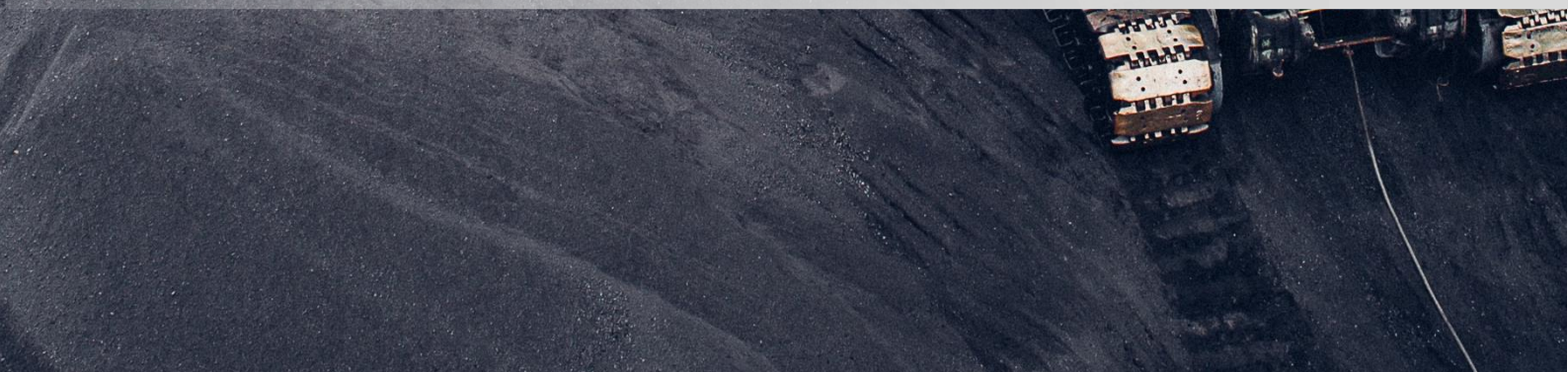
The regular dissemination of extractive industry data has limited practical use without public awareness, understanding of the significance of figures and a public debate on how resource revenues should be used effectively. The EITI requirements related to results and impact aim to ensure that stakeholders are involved in the dialogue on the management of natural resource revenues. The EITI disclosures lead to compliance with the EITI Principles by contributing to a wider public dialogue. In addition, it is essential that lessons learned during implementation should be put into practice, that recommendations from EITI implementation should be considered and, where relevant, implemented in practice and that implementation of the EITI should have a stable and sustainable basis.

The EITI Requirements related to outcomes and impact include:

- 7.1. Public debate;
- 7.2. accessibility and opening of data;
- 7.3. recommendations resulting from the EITI implementation;
- 7.4. review of the outcomes and impact of the EITI implementation.



## **2 PROFILE OF MOZAMBIQUE**



## 2 Profile of Mozambique<sup>3</sup>

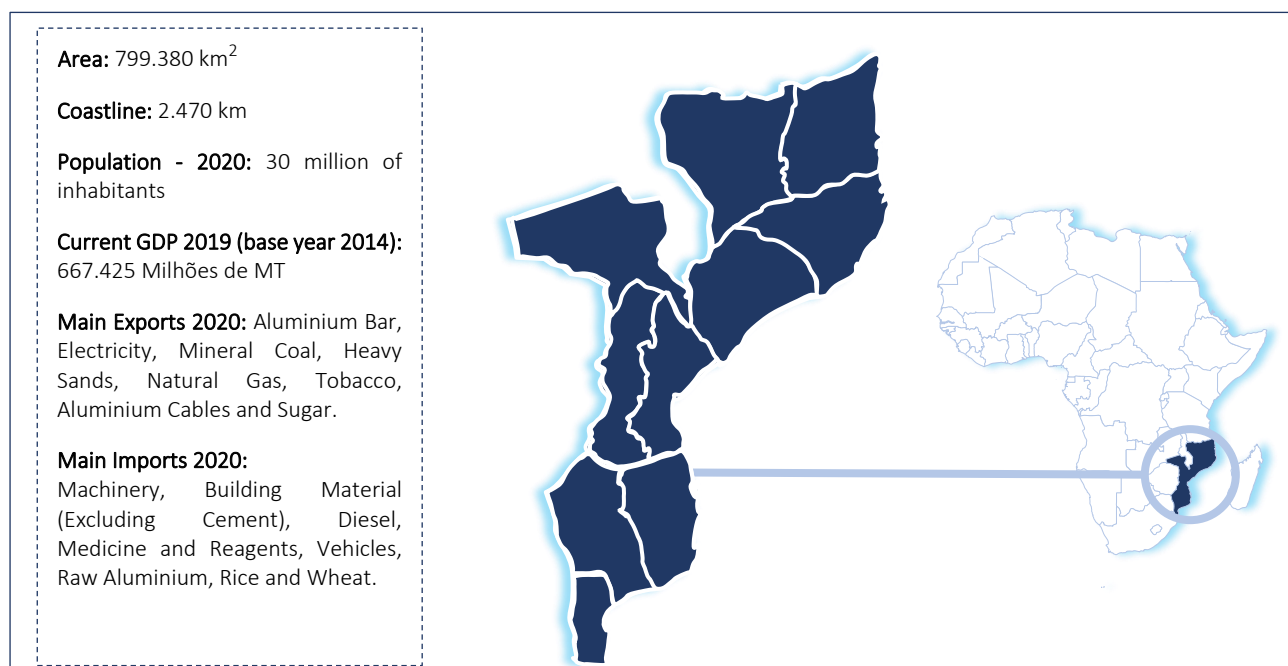


Figure 3 – Profile of Mozambique (Source: INE)

Mozambique is located on the southeast coast of Africa, and is surrounded by South Africa, eSwatini, Zimbabwe, Zambia, Malawi and Tanzania, with an Indian Ocean coastline of 2.700 km. Its location is strategic as four of the six countries it shares borders with have no access to the sea, and therefore depend on Mozambique for access to global markets.

The country possesses important natural resources such as arable land, forests, water, energy and mineral resources, including the third largest natural gas reserve on the continent, discovered in the Rovuma river basin on the border with Tanzania, Cabo Delgado province in the north of the country.

With a population of approximately 30 million (INE, 2017), of which 68% live in rural areas and 60% live along the coast, livelihoods in Mozambique depend to a large extent on natural resources, such as agriculture (dependent on rainfall and other non-adverse natural conditions) and fishing.

### 2.1 Political Context

The Frente de Libertação de Moçambique (Frelimo) and the Resistência Nacional Moçambicana (Renamo) remain the country's main political forces, followed by the Movimento Democrático de Moçambique (MDM). Frelimo won the 2019 presidential and legislative elections with a large margin. Frelimo also secured a majority in all 10 provinces, thus electing governors in each province.

<sup>3</sup> <https://www.mz.undp.org/content/mozambique/en/home/countryinfo.html> - accessed on 15 November 2021  
<https://www.worldbank.org/pt/country/mozambique/overview#1> - accessed on 15 November 2021

Renamo, the former rebel group that fought a bloody civil war that ended in 1992, maintained military bases after the UN-backed Rome Peace Agreement. Since the end of the civil war, the country has experienced several outbreaks of armed confrontation and violence. A new peace agreement was reached in August 2019, however it has been violated several times by a breakaway Renamo military faction known as the Military Junta. However, the new Renamo leader, Ussufo Momade, who took the reins of the party after the death of Mr Afonso Dhlakama, has shown determination in pursuing the peace agreement, despite facing an internal backlash from members of his military wing. The August peace agreement aimed to achieve greater pacification of the country by integrating residual Renamo fighters into the national army and dismantling Renamo military bases around the country.

Meanwhile, Mozambique is grappling with another so-called insurgency in parts of the gas-rich province of Cabo Delgado. By mid-February 2021, more than three years after the insurgency began, 798 incidents of conflict had been recorded in Cabo Delgado, resulting in almost 4,000 fatalities and 600,000 refugees. It is estimated that three million people will face high levels of food insecurity across the country due to the combined effects of the conflict in the north, climate shocks and COVID-19 mitigation measures, which have constrained economic activity.

## 2.2 Economic Context

Mozambique achieved significant economic growth between 2000 and 2015, with average real GDP growth rates of 7%, representing one of the highest on the continent. Mozambique's strong economic performance is due to a combination of good macroeconomic management, several large-scale foreign investment projects in the extractive sector and significant donor support. The country, also benefited from the impact of the commodity price boom of the 2000s in the agricultural and mineral sectors. However, growth was not equitable and did not necessarily translate into similar gains in living standards for the population.

Poverty in Mozambique remains high, with up to 46.1% of the population living below the national poverty line in 2014/15, only 6,7 percentage points below the rates prevailing in the early 2000s (about 52,8% in 2002/3). Despite the reduction in the incidence of poverty, in absolute terms, the number of poor people in Mozambique has remained relatively unchanged. Other basic welfare measures such as maternal mortality (489 deaths per 100,000 live births in 2015), infant mortality (53,3 deaths per 1.000 live births in 2017), primary completion rates (46,4% in 2007) or access to electricity (24,2% of the population in 2016) also remain problematic and below regional averages, despite the large investments that have been made in social sectors during the last two decades. In addition, the improvement in living standards has not been evenly spread across the country, with improvements heavily concentrated in urban areas and the southern part of the country.

Since 2016, Mozambique's economic performance has seen a sharp reversal, with a slowdown in economic growth, a worsening of the government's fiscal position and an increase in debt levels, mainly due to falling world commodity prices, the impact of drought and spiralling indebtedness. More recently, in 2019, Mozambique was heavily affected by two tropical cyclones, Idai and Kenneth, which resulted in significant loss of human life and widespread damage to crops and infrastructure.

Mozambique has faced a complex socio-economic environment that presents enormous challenges but also opportunities for the future. For example, Mozambique ranks 10th in the countries most vulnerable to natural disaster risks. The country is exposed to extreme weather events, with floods, cyclones and droughts being the most frequent threats. These natural hazards have always been part of the country's history and have always had a long-term impact, especially on the lives of the poorest, due to their limited capacity to deal with them. However, with climate change, climate-related risks are occurring with increasing frequency, which can place serious constraints on national development.

In addition, investments in the emerging gas industry in the north of the country represent an important source of national income in the medium and long term. The prospects for a new phase of growth driven by additional revenues from the extractive industry require the government to focus on achieving economic diversification through policies that promote investment and job creation in non-extractive activities while providing more equitable access to social services.

#### Public Debt<sup>4</sup>

According to the Annual Public Debt Report <sup>5</sup> of 2020 published by the Ministry of Economy and Finance, at the close of fiscal year 2020, the total stock of Central Government debt stood at USD 12,94 billion, having registered an increase of 5% compared to 2019. This level of increase in public debt can be considered modest when taking into account the environment of strong and unavoidable expansionary pressures on the 2020 Budget, in which even after grants, the deficit remained at atypically high levels (7%).

The total stock of Central Government Public Debt comprises two large partial aggregates:

- External debt - comprising multilateral loans (including the MOZAM 2032 bond) and official bilateral loans; and

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<sup>4</sup> <https://www.mef.gov.mz/index.php/todas-publicacoes/instrumentos-de-gestao-economica-e-social/gestao-da-divida-publica/gdp-2020/1238-relatorio-anual-da-divida-publica-exercicio-fiscal-2020/file?force-download=1> accessed on 24 August 2022

<sup>5</sup> <https://www.mef.gov.mz/index.php/todas-publicacoes/instrumentos-de-gestao-economica-e-social/gestao-da-divida-publica/gdp-2020/1238-relatorio-anual-da-divida-publica-exercicio-fiscal-2020/file?force-download=1> accessed on 24 August 2022



- Domestic debt - which includes Securities (Treasury Bonds and Bills), Central Bank Loans, Bank Financing and Financial Operations for Restructuring and Consolidating the Debts of the SOE's.

In recent years, the evolution of the total stock of Public Debt has tended to reflect the effect of a more accelerated growth of Domestic Debt. While the External Debt increases at an average of 4% per year, the Domestic Debt has been growing at an annual average of 22%, driven mainly by the strong increase in domestic financing furniture.

Million USD						
Classification	2016	2017	2018	2019	2020	% Total 2020
External Debt	8.626,30	9.487,90	9.804,50	9.850,20	10.101,17	78%
Domestic Debt	1.228,60	1.829,22	2.290,13	2.514,97	2.834,56	22%
<b>Total Debt</b>	<b>9.854,90</b>	<b>11.317,12</b>	<b>12.094,63</b>	<b>12.365,17</b>	<b>12.935,73</b>	<b>100%</b>

Table 1 – Evolution in Partial and Total Central Government Debt

As shown in Table 1, the structure of the debt portfolio did not undergo any significant change, as it continued to be mainly composed of external debt, which represents 78% of the total and corresponds to 72% of GDP, and internal debt, which represents 22% of the total and corresponds to 20% of GDP.

As for the direct debt of the State-owned enterprises, in 2020, both the external and internal debt of the SOE's were net positive movements, leading to the total stock position at the close of the fiscal year growing by 10% compared to 2019. The maintenance of the level of indebtedness of SOE's, which has been observed over recent years, which was driven by the financing needs of the State's participation in the mineral-energy sector, through ENH. It should be noted that these debts, mostly associated with ENH operations, currently represent about 75% of the total stock of direct debt of the SOE's, as shown in the table below.

Million USD								
Classification	2017		2018		2019		2020	
External Debt	410,30	41%	1.431,70	76%	2.267,48	83%	2.630,19	87%
Domestic Debt	587,70	59%	459,00	24%	472,20	17%	389,98	13%
<b>Total Debt</b>	<b>998,00</b>	<b>100%</b>	<b>1.890,70</b>	<b>100%</b>	<b>2.739,68</b>	<b>100%</b>	<b>3.020,17</b>	<b>100%</b>
of which ENH debt			1.263,70	67%	1.929,10	70%	2.268,86	75%
<b>Total Debt excluding ENH</b>			<b>627,00</b>		<b>810,58</b>		<b>751,31</b>	

Table 2 – Evolution of the Total SOE's Debt

Although relatively short, the expansion cycle caused a structural (long-term) change in the configuration of the SOE's debt portfolio. On the one hand, the structure of the portfolio, which until 2017 had been dominated by domestic credit, is inverted, and from 2018 onwards it is mainly composed of foreign credit, because resources in the magnitude required for the investments made had to be mobilised externally. On the other hand, this cycle accentuated the dollarization of the external debt portfolio of the SOE's, whose composition by currencies had been proportionally balanced at least until 2017.

However, a relative diversification of the debt portfolio composition by currency is notable in 2020, due to the contracting of loans in South African Rand.

Maintaining the allocation pattern of previous years, credit to SOE's in 2020 was mainly absorbed by the Public Enterprises segment (86%), with the remaining 14% being mobilized by Subsidiary Companies.

Million USD

Borrowing Companies	2019	2020	% changes 19-20
<b>Public Companies</b>	<b>2.215,09</b>	<b>2.583,46</b>	<b>17%</b>
ADM, EP	193,73	245,33	27%
EDM, EP	35,13	18,32	-48%
ENH, EP	1.948,90	2.286,31	17%
Correiros de Moçambique, EP	0,32	0,23	-28%
CFM, EP	36,20	32,59	-10%
Rádio Moçambique, EP	0,00	0,30	0%
Televisão de Moçambique, EP	0,81	0,38	-54%
<b>Subsidiary Companies</b>	<b>524,56</b>	<b>436,72</b>	<b>-17%</b>
BNI, SA	5,20	16,73	222%
CMG, SA	64,81	58,36	-10%
EMEM, SA	35,73	32,39	-9%
PETROMOC, SA	210,90	142,67	-32%
TMcel, SA	101,44	72,68	-28%
DOMUS, SA	0,69	0,45	-36%
EMOSE, SA	2,99	2,06	-31%
LAM, SA	97,29	105,37	8%
SMM, SA	1,35	1,65	22%
Sociedade Notícias, SA	0,37	0,18	-51%
STEMA, SA	3,78	4,19	11%
<b>Total</b>	<b>2.739,65</b>	<b>3.020,18</b>	<b>10%</b>

Table 3 – SOE's Debt by Segments and Companies

### 2.3 Development challenges

The main challenges facing the country include maintaining macroeconomic stability, considering the exposure to commodity price fluctuations, and making further efforts to restore confidence through improved economic governance and greater transparency. In addition, structural reforms are needed to support the private sector which is currently facing serious difficulties. Another major challenge is to diversify the economy away from the current focus on capital-intensive projects and low-productivity subsistence agriculture, while strengthening key drivers of inclusion, such as improving the quality of education and health service provision, which in turn could improve social indicators.



**3 LEGAL AND INSTITUTIONAL FRAMEWORK, INCLUDING  
CONTRACTING AND LICENSING (REQUIREMENT 2)**

### 3 Legal framework and tax regime, including the allocation of licenses and agreements (Requirement 2)

**Overview:** The EITI requires disclosure of information related to the management of the extractive sector, enabling stakeholders to understand the laws and procedures for granting exploration and production rights, the legal, regulatory and contractual framework applicable to the extractive sector, and the institutional responsibilities of the state in managing the sector. The EITI requirements on transparency of the legal framework and the granting of rights in the extractive industry include: (2.1) Legal framework and fiscal regime; (2.2) Granting of contracts and licenses; (2.3) Registration of licenses; (2.4) Contracts; (2.5) Effective beneficiaries; and (2.6) State participation in the extractive sector.

#### 3.1 Legal framework and tax regime (requirement 2.1)

- a) Implementing countries should disclose a description of the legal framework and fiscal regime governing the extractive industries. This information should include a summary description of the fiscal regime, including the level of decentralisation of fiscal powers, an overview of applicable laws and regulations, a description of the different types of contracts and licenses governing oil, gas and mineral exploration, and information on the roles and responsibilities of the relevant government agencies.
- b) If the government is undertaking reforms, the Coordination Committee is encouraged to ensure their documentation.

##### 3.1.1 Main legal instruments

The legal framework for mining and oil activities in Mozambique was created to ensure greater competitiveness, transparency and safeguard national interests. The main legal instruments governing the extractive sector in Mozambique are presented in the table below.

Mining Sector		
Designation	Legal Instrument	Description
Laws	Law No. 20/2014, of 18 August.	Mining Law, revokes Law 14/2002 of 26 June
	Law No. 15/2017, of 28 December.	Amends and republishes the Specific Regime of Tax and Fiscal Benefits Regime for Mining Activities, approved by Law 28/2014 of 23 September

Mining Sector		
Designation	Legal Instrument	Description
Decrees	Decree No. 26/2004, of 20 August	Environmental Regulation for Mining Activities.
	Regulation No. 5/2008, of 9 April.	Regulation of Specific Tax on Mining Activities, as amended by Decree No. 28/2015 of 28 December - Regulation of the Specific Tax and Fiscal Benefits Regime for Mining Activities
	Regulation No. 20/2011, of 1 June.	Regulation on the Marketing of Mining Products// Decree No 34/2019 and Decree No 25/2015
	Decree nº 61/2006, of 28 December	Approves the Technical and Health Security Regulation for Geological Mining activities and revokes the legislation that contradicts this Regulation
	Decree No. 63/2011, of 7 December	Regulation on the Employment of Foreign Nationals in the Oil and Mining Sector
	Decree No. 22/2014 of 16 May	Approves the mineral resources policy and strategy.
	Decree No. 22/2015 of 17 September	Defines the attributions, competences and organisation of the National Institute of Mining
	Decree nº 13/2015 of 3 July	Mineral Labour and Petroleum Regulation.
	Decree No 28/2015 of 28 December	Regulation on the Specific Regime for Taxation and Tax Benefits for Mining Activities
	Decree No 25/2015 of 22 November 2015	Regulation on the Trade of Diamonds, Precious Metals and Gems (revoked by Decree nº 63/2021, of 01 September)
	Decree No. 31/2015 of 31 December	Mining Law Regulation// Amended by Decree nº 34/2019 of 02 May
	Decree No. 15/2017 of 28 December	Amends the Specific Taxation and Tax Benefits Regime for Mining Activities
	Decree No 78/2017 of 28 December 2007	VAT Refund Regulation
	Decree No 32/2019 of 29 April 2009	Regulation of the National System of Rescue and Rescue for the Mining Industry of Mineral Resources
	Decree No 34/2019 of 2 May 2009	Regulation on the Inspection of Mineral Resources and Energy
Decree No 63/2021, of 01 September	Regulation on the Commercialisation of Diamonds, Precious Metals and Gems	
Resolutions	Resolution No 89/2013, of 31 December.	Defines the principles and main actions for the management and exploitation of mineral resources to contribute to the economic and social development of Mozambique.
	Resolution No 21/2014, of 16 May	Approves the corporate social responsibility policy for mineral resources in the mining industry
Diplomas	Ministerial Diploma No 189/2006 of 14 December 2006	Basic Environmental Management Standards for Mining Activities
	Ministerial Diploma No 92/2017 of 11 June	Standards and Procedures for the Registration of Eligible Technicians for the Preparation of Research Reports and Work Programmes in Mining Projects

Table 4 - Main Mining Legislation

Regarding Vale Moçambique S.A., Law no. 14/2002 of 26 June prevails, since the respective contract was signed before the entry into force of the current Mining Law no. 20/2014 of 14 August.

Hydrocarbon Sector		
Designation	Legal Instrument	Description
Laws	Law No 6/2011 of 11 January	Establishes the principles and rules for the licensing, manufacture, storage, trade, transit, cutting and transport, as well as safety measures for users of Explosive substances.
	Lei nº 21/2014, of 18 August	Petroleum Law, repeals Law 3/2001 of 21 February
	Law No. 15/2011 of 10 August	Establishes the Guidelines for the Process of contracting, implementation and monitoring of public-private partnerships, large scale projects and business concessions
	Law no. 25/2014, of 23 September	Legislative Authorisation Law relating to the Natural Gas liquefaction projects in Areas 1 and 4 of Rovuma Basin
	Law No. 27/2014, of 23 September	Establishes the Specific Taxation and Tax Benefits Regime for Petroleum Operations
	Law No 14/2017, of 28 December	Specific Tax and Fiscal Benefits Regime for Oil Operations.
Decree-Law	Decree Law No 2/2014, of 2 December	Special Legal and Contractual Regime Applicable to the Liquefied Natural Gas Project in Areas 1 and 4 of the Rovuma Basin
Decree	Decree No 27/2002 of 19 November	Approves the terms for carrying out the activities of production, transport and sale of Natural Gas in the unified blocks of Pande and Temane.
	Decree No 24/2004 of 20 August 2004	Petroleum Operations Regulation (in force until the publication of Decree No. 34/2015, of 31 December)
	Decree No 25/2004, of 20 August	Creates the National Petroleum Institute (INP) and approves the respective Organic Statute
	Decree No 44/2005, of 29 November 2005	Regulation on the distribution and commercialization of Natural Gas
	Decree No 4/2008, of 9 April	Regulation of the Petroleum Production Tax (repealed by Decree No. 32/2015, of 31 December)
	Decree No 10/2009 of 1 April	Alteration to the Development Plan for the Pande and Temane Natural Gas Project
	Decree No 56/2010 of 22 November 2010	Environmental Regulations for Petroleum Operations
	Decree No. 25/2011, of 15 June	Approves the Regulation on the Environmental Audit Process.
	Decree No. 63/2011, of 7 December	Regulation for the employment of foreign citizens in the petroleum and mining sector
	Decree no. 45/2012, of 28 December	Defines the regime to which the activities of production, import, reception, storage, handling, distribution, commercialisation, transport, export and re-export of petroleum products are subject and repealed by Decree No. 89/2019, of 18 November
	Decree no. 25/2014, of 23 September	Legislative authorization law regarding the Natural Gas Liquefaction projects of Areas 1 and 4 of the Rovuma Basin

Hydrocarbon Sector		
Designation	Legal Instrument	Description
	Decree no. 35/2014, of 1 August	Amends subparagraph a) of paragraph 1 of article 17, paragraph 1 of article 21, paragraph 2 of article 52, article 65, paragraph 1 of article 76, article 82 and paragraphs 1 and 2 of article 89 of the Regulation of the Law on Explosive Substances
	Decree no. 83/2014, of 31 December	Approves the Regulation on Hazardous Waste Management and the respective annexes.
	Decree no. 13/2015, of 3 July	Mining and Petroleum Labour Regulation
	Decree No. 32/2015, of 31 December	Regulation on the Specific Regime for Taxation and Tax Benefits for Petroleum Operations
	Decree nº 34/2015 of 31 December	Regulation of Petroleum Operations/ Amended by Decree No. 34/2019 of 02 May that approves the Regulation of the Inspection Activity of Mineral Resources and Energy.
	Decree No 74/2016 of 30 December	Approves the complementary terms to the Petroleum Exploration and Production Concession Contract, for Area 4, in Rovuma Block, approved by Decree No. 68/2006, of 26 December, in order to allow the development of the FLNG Coral Sul venture, located in the southern part of the Eocene 441 Coral Reservoir.
	Decree No 75/2016 of 30 of December	Approves the terms of the amendments to the Petroleum Exploration and Production Concession Contract, for the Area 1, in Rovuma Block, approved by Decree 67/2006, of December 26, 2006, in order to allow for the construction and operation of two initial units for the production and commercialisation of Liquefied Natural Gas, in the Afungi Peninsula, Cabo Delgado Province.
	Decree No 76/2016 of 30 of December	It approves the Terms and Conditions of the Government LNG Contract for the Initial Liquefied Natural Gas (LNG) Project of Area 1, in the Rovuma Block with a view to ensuring the availability of large LNG volumes for sales, greater competitiveness in terms of price and the maximisation of revenues and other benefits in LNG marketing and transportation operations and to avoid competition in the commercialisation of LNG from the same Development and Production Area
	Decree No 77/2016 of 30 December	Approves the terms and conditions of the Government LNG Contract for the Area 1 Initial LNG Project in the Rovuma Block with a view to achieving greater price competitiveness and maximising revenues and other benefits of economies of scale in the marketing, transportation and commercialisation operations of LNG produced in the first two natural gas liquefaction units, in the Afungi Peninsula, Cabo Delgado Province, by making the Government's share of LNG available for joint sale.
	Decree No 78/2016 of 30 December	Approves the terms for the joint sale of Liquefied Natural Gas (LNG) from the Initial Project between the Parties constituting the Area 1 Concessionaire in the Rovuma Block with a view to ensuring the availability of large volumes of LNG to ensure price competitiveness

Hydrocarbon Sector		
Designation	Legal Instrument	Description
		and the maximization of revenues and other benefits from the marketing, transportation and commercialization of LNG.
	Decree No. 56/2017 of 27 October	Approves the terms and conditions of the Supplementary Agreement to the CCPP for Area 4 of Rovuma Basin.
	Decree No. 52/2018, of 3 September	Approves the Terms of the Concession Contract of Exploration and Production of Petroleum, for the Angoche Offshore Area (A5 - A), to Eni Mozambique S.p.A., Sasol Petroleum Mozambique Exploration Lda. and Empresa Nacional de Hidrocarbonetos, E.P (ENH, EP), as Concessionaires.
	Decree No. 53/2018, of 3 September	Approves the Terms of the Petroleum Exploration and Production Concession Contract for the offshore area Delta do Zambeze (Z5-D), to ExxonMobil Moçambique Exploration and Production, Limitada, RN Zambezi North PTE. LTD and Empresa Nacional de Hidrocarbonetos, E.P (ENH, EP), as the Concessionaires.
	Decree No. 54/2018, of 3 September	Approves the terms of the Concession Contract of Exploration and Production of Petroleum for the Zambezi Delta Offshore Area (Z5-C), to ExxonMobil Moçambique Exploration and Production, Limitada, RN Zambezi South PTE. LTD and Empresa Nacional de Hidrocarbonetos, E.P (ENH, EP), as Concessionaires.
	Decree No. 55/2018, of 3 September	Approves the Terms and Conditions of the Concession Contract of Exploration and Production of Petroleum for the Mazenga "Onshore" Area to Empresa Nacional de Hidrocarbonetos, E.P (ENH, EP), as the Concessionaire
	Decree No. 56/2018, of 3 September	Approves the Terms of the Petroleum Exploration and Production Concession Contract for the Angoche Offshore Area (A5 - B), to ExxonMobil Moçambique Exploration and Production, Limitada, RN Angoche PTE. LTD and Empresa Nacional de Hidrocarbonetos, E.P (ENH, EP), as the Concessionaires.
	Decree No. 57/2018, of 3 September	Approves the terms of the Concession Contract of Exploration and Production of Petroleum for the Onshore Area Pande Temane (PT5-C), to Sasol Petroleum Mozambique Exploration Limitada, and Empresa Nacional de Hidrocarbonetos, E.P (ENH, EP), as Concessionaires.
	Decree No. 47/2019 of 5 June	Approves the terms and conditions of the 2nd Area 4 Supplementary Agreement to the Area 4 Offshore Oil Production and Exploration Concession Contract in the Rovuma Block ("CCPP"), and the amendment to its Annex C, relating to accounting and financial procedures, approved by Decree nº68/2006, of the 26th December.
	Decree No. 51/2019 of 12 June	Approves the Financing Structure for the Golfinho/Atum Liquefied Natural Gas Project.
	Decree No. 89/2019 of 18 November	Regulation on Petroleum Products (revokes



Hydrocarbon Sector		
Designation	Legal Instrument	Description
	Decree No. 39/2020 of 12 June	Approves the inclusion of TEPMA1, in the Financing Structure of the Golfinho/Atum Natural Gas Project and approves the Long Term Sheet for Common Terms of Area 1 UVJ Senior Debt Financing, dated 15 May 2020 ("2020 Technical Sheet").
	Decree No 84/2020 of 18 September	Regulation on the Licensing of Petroleum Infrastructures and Operations
Resolutions	Resolution No. 40/2008 of 15 October	Ratifies the Agreement between the Republic of Mozambique and the Republic of Angola in the field of Petroleum and Natural Gas.
	Resolution No. 27/2009 of 8 June	Strategy for the Concession of Areas Petroleum Operations
	Resolution No. 64/2009 of 2 November 2009	Strategy for the Development of the Natural Gas Market in Mozambique
	Resolution No. 14/2015 of 8 July	Approves the Organic Statute of the Ministry of Mineral Resources and Energy
	Resolution No. 25/2016 of 3 October	Approves the Model Concession Contract for Petroleum Exploration and Production
	Resolution No. 5/2018 of 7 February	Approves the Golfinho/Atum Development Plan
Diplomas	Ministerial Diploma No. 272/2009 of 30 December	Licensing Regulations for Petroleum Facilities and Activities
	Ministerial Diploma No. 31/2014 of 19 March	Regulation on the Licensing of Petroleum Technical Personnel
	Ministerial Diploma No. 210/2012 of 12 September	Regulation on the Determination of Maximum Prices for the Sale of Natural Gas
	Ministerial Diploma No. 142/2012 of 28 August	Approves the Model Contract for the supply of fuel between the Distributor, including owners of fueling stations and retailers
	Ministerial Diploma No. 176/2014 of 22 October 2014	Approves the construction, operation and safety of fuel filling stations
	Ministerial Diploma No. 66/2008 of 23 July	Approves the specific Regulations for designated warehouses for petroleum products

Table 5 - Main hydrocarbon legislation

For companies operating in the Rovuma basin, namely Total E&P Mozambique Area 1, Lda and Eni East Africa, Law no. 3/21 of 21 February prevails, since their respective contracts were signed prior to Law no. 21/2014.

Note that the above legal instruments can be found in the Gazette of the Republic of Mozambique.

### 3.1.2 Reforms in the sector's legislation

#### Review of the Mining and Petroleum Law

The 9th EITI Report indicated that the Mining and Petroleum Law was undergoing a review process, given the need to adjust the legal framework for mining activities and petroleum operations to the country's current economic order and developments in the respective sectors.

With regard to the Mining Law, the proposed revision is based on the need to improve the following aspects:

- i. the treatment of joint stock companies versus the need to present the holders of shares and participatory interests in mining title companies
- ii. the strengthening of the Government's powers to regulate the procurement of goods and provision of services to mining companies to ensure greater participation of nationals and the establishment of partnerships with foreigners
- iii. the inclusion of norms to ensure the inhibition of mining licensing in areas of total and partial protection, in order to ensure the defense of public interest; and
- iv. with the country implementing the standards of the Extractive Industry Transparency Initiative, the Mining Law should include clear commands on the need for collaboration of mining holders in publishing and providing information to ensure transparency in the management of the extractive industry.

Additionally, the review of the Mining Law is aimed at allowing the adjustment of the matters listed in the Law of the Sea, approved by Law no. 20/2019, of 8 November, which defines the mechanisms for the exploration of geological and/or geophysical resources, and the rules for the private use of maritime space, the improvement of language and the introduction of definitions essential in the regulation of mining operations

With respect to the Petroleum Law, the INP clarified that the revision aims to adjust the Law to the dynamics of the petroleum industry, as well as align theoretical and operational aspects identified as omissions or unclear aspects in the interpretation of the Law.

At this time, the proposed revision of both Laws was assessed by the MIREME Technical Council and Advisory Council, and was subsequently submitted and considered at the meeting in preparation for the Council of Ministers, where it was concluded that they should be improved. Currently, there is no defined time frame for the conclusion of this work.

## Local Content Act

In the 9th EITI Report it was indicated that the proposed Law of Local Content which aims to establish norms to be observed in the supply of goods and services to enterprises operating in national territory, with national content, as a way to promote the development of national business, was still under preparation. The objective of this law is to value goods and services produced domestically, with the incorporation of national production factors, namely capital, raw materials and labor. The proposal aims to encompass all sectors and not only the extractive industry. According to MIREME's Local Content Working Group, the draft law has been submitted to the Council of Ministers.

Still, on the matter of local content, Decree-Law no. 2/2014, of 2 December, which establishes the terms and conditions of the activities to be carried out in Area 1 and/or Area 4 of the Rovuma Basin, defines that the concessionaires must, individually, draw up a local content plan for each undertaking in the Rovuma Basin, in accordance with the principles established in Article 10 of this Decree-Law, namely:

- preference to Mozambican natural or legal persons for goods and services, in accordance with paragraph 8;
- for those categories of goods and services requiring specialised know-how, preference shall be given, under the terms of paragraph 8, to Mozambican individuals and legal entities, to foreign companies that associate with Mozambican individuals or legal entities, by any legally permitted means, including through subcontracting or partnerships in the form of a company or other non-corporate, irrespective of the level of participation of each of the Mozambican and foreign associates;
- in respect of master contracts and/or contracts for the supply of goods or services related to technology, patents or supply with special requirements, including those related to the construction, operation and maintenance of infrastructure of the Rovuma Basin Project, the contracting entity may freely proceed to acquire them, either from foreign companies or from Mozambican individuals or companies.

On the other hand, MIREME is in the final stages of drafting the Unique Local Content Program which aims to support the Government in maximizing the added value associated with oil and gas projects so as to ensure the creation of business opportunities and increase local employment. This program represents a response to the need for a single national strategy for the short, medium and long term, with a clear set of actions to promote national participation in the oil and gas value chain.

## Sovereign Fund

The Bank of Mozambique (BM) organised a high-level international seminar on sovereign funds in March 2019, in partnership with the International Monetary Fund (IMF), with the aim of fostering a broad forum for debate and obtaining contributions that could serve as a basis for the process of establishing a mechanism for the management of revenues from non-renewable natural resources in Mozambique.

In this sense, the BM concluded that there is national consensus on the importance of creating a Sovereign Fund in Mozambique, and this seminar was an important milestone in achieving political consensus on the need for a Sovereign Fund in Mozambique.

As a result of this action, combined with working visits to 6 Sovereign Wealth Funds<sup>6</sup>, the Central Bank has prepared a proposal for a model Sovereign Wealth Fund<sup>7</sup> and a roadmap for its operationalization. This proposed Sovereign Wealth Fund has two objectives:

1. **Accumulate Savings** through the maximisation of the value of the fund to ensure that revenues from non-renewable natural resources are spread over several generations. This objective responds to the sovereign concern to reconcile present and future generations' needs.
2. **Contribute to Tax Stabilisation**, in order to isolate the Budget and the economy from the adverse impacts resulting from commodities price fluctuations on international markets.

The public consultation process for this proposal was carried out from October 2020 to December 2020, and involved all provincial capitals of Mozambique. With this exercise, the Bank of Mozambique intended to collect contributions for the enrichment of the Technical Proposal, and various stakeholders participated in the process, including, Public and Private institutions, International Organizations, Civil Society Organizations, Academia and the Public in general. In parallel, various events took place, including seminars, training sessions, interviews on radio and television, major newspapers and magazines. In all, a total of twenty-eight public sounding actions were carried out throughout the country, involving national and international entities.

At this stage, the technical analysis was finalized and submitted to the MEF to coordinate the drafting of the proposed Sovereign Wealth Fund Law, which is expected to be submitted to the Council of Ministers in September 2022.

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<sup>6</sup> Alaska Permanent Fund Corporation (EUA); Heritage and Stabilization Fund (Trinidad and Tobago); East Timor Petroleum Fund (Timor Leste); Pula Fund (Botswana); Fundo Soberano de Angola (Angola) e Government Pension Fund Global (Noruega)

<sup>7</sup> [https://www.bancomoc.mz/fm\\_search.aspx](https://www.bancomoc.mz/fm_search.aspx) - accessed on 26 August 2022

### 3.1.3 Mozambican Tax System

The Mozambican Tax System is based on criteria of social justice and the legal and fiscal regime follows the principles of tax legality, equity, efficiency and simplicity of the tax system. This system aims to satisfy the needs of the State and other public bodies, achieve economic policy objectives and guarantee the fair distribution of income and wealth.

The bases for the implementation and the general principles and rules of the Mozambican legal and tax system are laid down in the Basic Law of the Tax System (Law No. 15/2002 of 26 June 2002) and the General Tax Law (Law No. 2/2006 of 22 March 2006).

The Mozambican Tax System has a structure comparable to the more modern tax systems, with a tripartite structure through which wealth, income and consumption are taxed separately, integrating national and municipal tax. The national taxes are classified as direct taxes (tax levied directly on income or wealth) and indirect taxes (tax levied on expenditure).

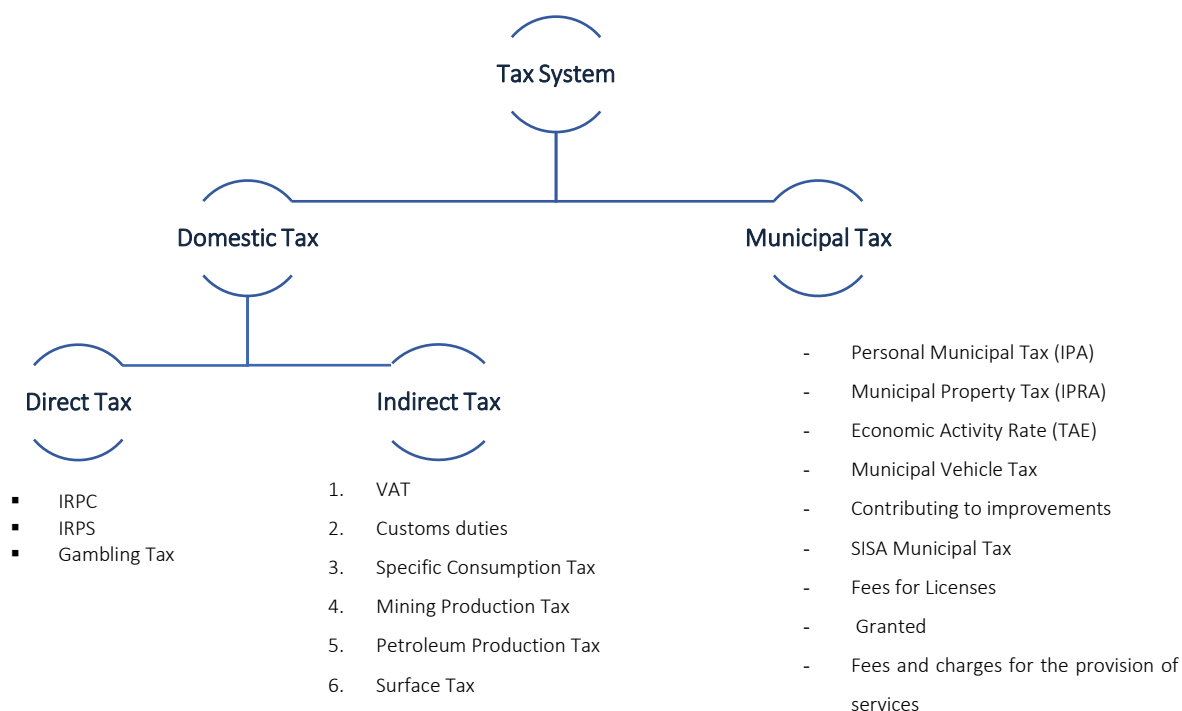


Figure 4 - Classification and types of tax in Mozambique

#### 3.1.3.1 Decentralisation of tax competences

It is possible to conclude from Article 270-A(1) of Law No. 1/2018 (Law on the occasional revision of the Constitution of the Republic of Mozambique) that the aim of decentralisation is to organise the participation of citizens in the solution of their community's particular issues, to promote local development, the deepening and consolidation of democracy, within the framework of the unity of the Mozambican State.

Following the review of the Constitution of the Republic, in the chapter on decentralisation, it is noted that it does not give any indication on the decentralisation of fiscal competences, and that tax revenues resulting from the collection of national tax are managed at central level and allocated to municipalities through the Municipal Compensation Fund.

### 3.1.3.2 Description of the main National Tax<sup>8</sup>

#### Corporate Income Tax (IRPC)

IRPC is a direct tax levied on income obtained, even if from illicit acts, in the period of taxation, by taxpayers.

According to the IRPC Code, approved by Law 34/2007, of 31 December, the following are IRPC taxpayers:

- commercial or civil companies in commercial form, cooperatives, public companies and other legal persons governed by public or private law with their registered office or effective management in Mozambican territory;
- entities without legal personality, with their head office or place of effective management in Mozambican territory, whose income is not subject to Personal Income Tax (IRPS) or Corporate Income Tax (IRPC) directly in the ownership of natural or legal persons;
- entities, with or without legal personality, which have neither their head office nor effective management on Mozambican territory, under the conditions set out in Articles 4 and 5 of this Code, whose income there from is not subject to IRPS.

Entities with their head office or corporate domicile in Mozambican territory are subject to IRPC on all their income, including that obtained outside that territory, in which case they may deduct the tax paid abroad, as regulated. On the other hand, entities which do not have their head office or place of effective management in Mozambican territory are subject to IRPC only in respect of income obtained therein.

Taxpayers with head office or permanent establishment in Mozambique are taxed at the rate of 32%. Income obtained in Mozambican territory by entities which do not have their registered office or effective management in Mozambique, and which are not attributable to the permanent establishment situated there, is taxed at IRPC at a rate of up to 20%.

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<sup>8</sup> The Tax Codes described in this chapter can be found on the Mozambique Tax Authority website: <http://www.at.gov.mz/index.php/por/Legislacao>

In the extractive industry, the rate of IRPC may differ from the above-mentioned rate, depending on the terms of the contracts signed with the State, for cases where the contracts were signed before the entry into force of the current Taxation and Fiscal Benefits Regimes specific to Mining and Petroleum Operations.

Regarding capital gains, in accordance with the Taxation and Fiscal Benefits Regime specific to Mining Activities and Petroleum Operations, this concept includes gains resulting from the onerous or gratuitous, direct or indirect alienation of mining or petroleum rights located in Mozambican territory. Irrespective of whether they are obtained by entities resident or non-resident in Mozambican territory, capital gains are taxed autonomously at the rate of 32%, with the liability for payment of the tax arising from gains obtained by non-resident entities and without a permanent establishment in Mozambique being jointly and severally charged to the acquiring entity or to the holder of the mining or petroleum rights.

### Personal Income Tax (IRPS)

Personal Income Tax (IRPS) is a direct tax levied on the annual overall value of income, even when derived from illicit acts, of the following categories, after the corresponding deductions and rebates have been made:

- **First category:** employment income;
- **Second category:** business and professional income;
- **Third category:** income from capital and capital gains;
- **Fourth category:** property income;
- **Fifth category:** other income.
- IRPS is due by natural persons residing in Mozambican territory and by those who do not reside there and obtain income there. In the case of taxpayers residing in Mozambican territory, the IRPS is levied on all their income, even if obtained outside Mozambican territory, in which case they may deduct the tax paid abroad, under the terms of the IRPS Code. Non-resident taxpayers in Mozambican territory are subject to IRPS solely for the income obtained therein.
- The general annual IRPS rates for residents range from 10% to 32%, by tax income echelons. Non-residents are taxed by withholding tax at the definitive rate which can vary between 10% and 20%.
- With regard to the income of the 1<sup>st</sup> IRPS category, the withholding tax is carried out on a defined basis and in accordance with the table below:

Limits of gross monthly salary ranges	Amount of IRPS to be withheld for the lower limit of gross salary, by number of dependents (MZN)					Coefficient applicable to each additional unit to the lower limit of gross salary
	0	1	2	3	4 ou mais	
Until 20.249,99	-	-	-	-	-	-
From 20.250,00 to 20.749,99	0,00	-	-	-	-	0,10
From 20.750,00 to 20.999,99	50,00	0,00	-	-	-	0,10
From 21.000,00 to 21.249,99	75,00	25,00	0,00	-	-	0,10
From 21.250,00 to 21.749,99	100,00	50,00	25,00	0,00	-	0,10
From 21.750,00 to 22.249,99	150,00	100,00	75,00	50,00	-	0,10
From 22.250,00 to 32.749,99	200,00	150,00	125,00	100,00	50,00	0,15
From 32.750,00 to 60.749,99	1.775,00	1.725,00	1.700,00	1.675,00	1.625,00	0,20
From 60.750,00 to 144.749,99	7.375,00	7.325,00	7.300,00	7.275,00	7.225,00	0,25
From 144.750,00 onward	28.375,00	28.325,00	28.300,00	27.275,00	28.225,00	0,32

Note: The signal (-) means there are no withholding tax and the coefficient is not applied. The (0,00) means that it only applies to the coefficient.

Table 6 - IRPS 1st category income retention table

Thus, the computation of the withholding tax to be withheld on a monthly basis corresponds to that determined using the following formula:

$$IRPS = (Gross\ tax\ remuneration - Lower\ limit\ of\ the\ range\ in\ which\ the\ gross\ remuneration\ is\ included) \times coefficient + Value\ to\ retain\ by\ number\ of\ dependents$$

### Value Added Tax (VAT)

The VAT shall apply to all transfers of goods and services effected for consideration within the national territory by taxpayers acting as such, as well as to imports of goods.

According to the VAT Code, the rate of this tax is 17%, and the following are considered taxpayers:

- natural or legal persons resident or having a fixed establishment or representation on national territory who, independently and as a matter of course, are engaged in production, trade or the provision of services, whether or not for profit, including mining, agriculture, forestry, stockbreeding or fishing activities;
- natural or legal persons who, while not carrying out an activity, also carry out, independently, any tax transaction if it meets the conditions of actual incidence of Personal Income Tax or Corporate Income Tax;
- non-resident natural or legal persons without a permanent establishment or representation who, even independently, carry out any tax transaction, provided that such transaction is connected with the exercise of their business activities wherever it occurs or when, regardless



of such connection, such transaction fulfils the conditions of actual incidence of Personal Income Tax or Corporate Income Tax;

- natural or legal persons who, in accordance with customs legislation, import goods;
- natural or legal persons who, on the invoice or equivalent document, unduly mention value added tax.

The taxable amount of transactions subject to VAT shall be the amount of the consideration obtained or to be obtained from the customer, the recipient or a third party. In the case of goods or services subject to fixed prices (energy, water, fuel, etc.), VAT is levied on a fraction of the invoice or price, which reduces the taxable amount.

### **Excise Duty**

The Excise Duty selectively tax the consumption of certain goods, produced in the national territory or imported, listed in the table attached to the Code of this tax.

The tax rates are "ad valorem" (percentages) or specific or a combination of the two, considering the nature of the goods to be taxed as well as the social, economic or general or particular preventive objectives to be pursued in each case.

### **Customs Duties**

Customs duties are levied on the value (determined under the terms of the applicable customs regulations) of goods imported or exported through the borders of the national territory, for this purpose defined as "customs territory". On importation, the reference base is, as a rule, the CIF value (cost, insurance and freight) and the rates vary between 2.5% and 25%.

Mozambique's customs tariff was recently amended and republished by Law number 11/2016, of 30 December, corresponding to the sixth edition of the Harmonised Commodity Description and Coding System Nomenclature, an instrument of the World Customs Organisation having formally entered into force on 1 January 2017, but its practical application was not possible until mid-2017, when it was uploaded into the "*Janela Única*" electronic system.

It should be noted that the import of products with SADC (South African Development Community) certificates of origin is exempt from customs duties.

## **Stamp Duty**

Stamp Duty is levied on all documents, contracts, books, papers and acts designated in the Table annexed to the Code of this tax, and transactions covered by the incidence of value added tax and not exempt from it are not subject to this tax.

Stamp duty rates are applicable depending on the nature of the different tax acts and facts and the possibility or not of determining the respective value. The rates take the form of "ad valorem" or fixed quantity (specific rates).

Entities with an economic interest are subject to Stamp Duty, bearing the respective burden. In the case of economic interest common to several entities, the tax charge is distributed proportionally among all of them.

## **Inheritance and Donation Tax**

Inheritance and donation tax shall be levied on transfers free of charge of the right of ownership of movable and immovable property, whatever the denomination or form of the title.

Inheritance and gift tax are payable by natural persons who acquire ownership of movable or immovable property for free, even if a right of usufruct, use or housing has been established in favour of third parties. The tax is assessed at rates ranging from 2% to 10%.

## **National Reconstruction Tax (IRN)**

The National Reconstruction Tax represents the minimum contribution of each citizen to public expenses and is levied, according to specific rates, on all persons residing in the national territory, even if foreigners, when the circumstances of age, occupation, fitness for work and other conditions established in the respective Code are met for them.

The fee is established for each year by the Minister of Planning and Finance, through diversified proposals from the Provincial Governments, in order to meet the degree of development and socio-economic conditions prevailing in each district or region.

With the entry into force of the Municipal Tax System in 2001, the incidence of this tax was reduced to areas of the country that are not yet municipalised, being from it formally exempted taxpayers who provide proof of payment or exemption from the Personal Municipal Tax in the territorial district of their residence.

## Fuel tax

The fuel tax is levied on the fuel produced or imported and commercialized in the national territory, and this is due by:

- refiners, importers or distributors who produce industrially or by any means trade in fuel on Mozambican territory;
- individual importers, natural or legal persons who bring fuel into the national territory by land or sea for their own or others' use.

Fuel tax are variable according to output and are set per unit of measurement and should be updated quarterly by order of the Minister of Planning and Finance according to the variation in the inflation rate, however updates tend to be annual.

### 3.1.3.3 Description of the main Municipal Tax

The bases of the Municipal Tax System in force in Mozambique are defined in Law No. 1/2008 of 16 January, which was created by the need to reformulate this system, harmonize it with the Basic Law of the Tax System and introduce changes in order to comply with the Law on the State Financial Administration System. The main taxes and fees that make up the Municipal Tax System are described below.

#### Personal Municipal Tax (IPA)

The Municipal Personal Tax replaces the National Reconstruction Tax and is levied on all national or foreign persons, resident in the respective municipality, when they are between 18 and 60 years of age and for them the circumstances of occupation and fitness for work are verified. The following are considered to be residents of the local authority.

The amount of the Municipal Personal Tax in force annually in each local authority is determined by applying the rates shown below, according to the classification of the local authorities, on the highest national minimum wage in force on 30 June of the previous year:

- 4% for level A;
- 3% for level B;
- 2% for level C;
- 1% for level D.

### **Property Tax (IPRA)**

The Municipal Property Tax is levied on the patrimonial value of urban buildings located in the territory of the respective municipality. The property value of urban buildings is understood to be the value stated by the owner in the property matrices, in the absence of these, unless it deviates from the normal market price. Urban building is understood as any building incorporated in the ground, with the land that serves as a patio.

The owners of the property rights on 31 December of the previous year to which this tax relates shall be subject to this tax, being presumed as such the persons in whose name they are registered in the property register or who hold them in any capacity on that date.

The rates of the Municipal Property Tax are as follows:

- residential buildings: 0,4%;
- buildings intended for commercial, industrial or self-employed activities and those intended for other purposes: 0,7%.

### **SISA Municipal Tax**

Sisa's Municipal Tax is levied on the transfer, in an onerous way, of the right of ownership or of partial figures of this right, over real estate. For the purposes of this tax, real estate is considered to be urban buildings located in national territory. This tax is payable by natural or legal persons to whom the rights over urban buildings are transferred.

The tax rate is 2% and is levied on the declared amount of the transfer or the asset value of the urban building, whichever is higher, unless it deviates from the normal market price.

### **Vehicle Municipal Tax (IAV)**

Vehicle Municipal Tax replaces Vehicle Tax in municipalities. This tax is levied on the use and enjoyment of the following vehicles, registered or registered with the competent services in Mozambican territory, or, regardless of registration or registration, as soon as, one hundred and eighty days after entering the same territory, they come into circulation or are used in the normal conditions of their use:

- Light and heavy vehicles of twenty-five years of age or less;
- Passenger motorcycles with or without car of fifteen years of age or less;
- Aircraft with private use engine;
- Recreational boats with private motor.

The owners of the vehicles, whether natural or legal persons, public or private, resident in the respective municipality, shall be liable to the tax, and persons in whose name they are registered or registered shall be deemed to be such, until proved otherwise.

The IAV fees are annual and are fixed by Decree 63/2008, of 30 December, and vary according to criteria established according to the type of vehicle and fuel used, engine capacity, power, voltage, age, load capacity or number of passengers, maximum take-off weight in the case of aircraft and power of propulsion in recreational craft, among others.

### **Improvement Contribution**

The Improvement Contribution is a special contribution due for the execution of public works that result in real estate valuation, having as a total limit the expenditure made and as an individual limit the increase in value that the work results in for each property benefited.

The taxpayer of the Contribution for Improvement is the owner or holder of any title to the property benefited by the work.

### **3.1.4 Specific tax, fees and contributions of the Extractive Industry**

In addition to the taxes mentioned up to this stage, other specific taxes, fees and contributions approved by specific legislation are also part of the Mozambique Tax System. For the case of extractive industries, the applicable laws are the Law number 24/2014 and Law number 27/2014, both of 23 September, which approve the Specific Taxation and Fiscal Benefits Regime of Mining and Petroleum Operations, respectively. It should be noted that these regulations were updated by Law No. 15/2017 of 28 December for mining and Law No. 14/2017 of 28 December for hydrocarbons.

#### **3.1.4.1 Mining Area**

The Specific Tax Regime and Tax Benefits for Mining Activities, approved by Law nº 28/2014, of 23 September, entered into force on 1 January 2015. This regime applies to natural and legal persons engaged in mining activity in national territory, which in addition to the taxes specified in this regime are subject to the general taxation regime.

The regulation of this scheme was approved by Decree number 28/2015, of 28 December, which entered into force on 1 January 2016. These regulations repealed the previous instruments that determined the rules of taxation in the mining area, namely the Laws number 11 and 13/2007 and

Decree number 5/2008. It should be noted that the Law number 24/2014 has been updated by law number 15/2017, of 28 December, as previously indicated.

The Specific Tax and Fiscal Benefits Regime for Mining Activities provides for the Tax on Mining Production (IPM), the Surface Tax (ISS) and the Tax on Mining Resources Income. In addition to these taxes, this regime has specific provisions for income tax. A description of these tax and the specific provisions will be given below.

### Mining Production Tax (IPM)

The Mining Production Tax is due monthly, it must be paid by natural or legal persons who own mining titles or not, and it is levied on the value of the mining product extracted, concentrates and mineral water.

The IPM rates were defined according to the mineral extracted, as presented below:

Mineral	Rate
Diamonds	8%
Gemstones, precious and semi-precious stones	6%
Heavy Sands	6%
Basic metals	3%
Coal	3%
Ornamental rocks and other mining products	3%
Sand and Stone	1,5%

Table 7 – Rates of IPM

### Surface Tax (ISS)

The surface tax shall be payable annually and shall be levied on the area subject to a prospecting and exploration licenses, mining concession or mining certificate, measured in square kilometres or hectares and, in the case of mineral water, shall be levied on each mining title.

The following shall be subject to surface tax: natural or legal persons holding a prospecting and exploration licenses, a mining concession or a mining certificate.

The tax base for the area tax is the number of square kilometres or hectares of the area subject to prospecting and research licenses, mining concession or mining certificate.

The ISS rates are as shown in the following table:

Description	Rate
<b>a) Exploration and research licenses for all minerals</b>	
i. No. 1st and 2nd year	17,50 MT/ha
ii. No. 3rd year	43,75 MT/ha

Description	Rate
iii. No. 4th and 5th year	91,00 MT/ha
iv. No. 6th year	105,00 MT/ha
v. No. 7th and 8th year	210,00 MT/ha
<b>b) Mining Concession</b>	
i. For mineral water	85.000,00 MT/Mining Title
ii. For other mineral resources:	
From 1st to 5th year	30,00 MT/ha
From 6th year. onward	60,00 MT/ha
<b>c) Mining Certificate</b>	
i. From 1st to 5th year	30,00 MT/ha
ii. From 6th year. onward	50,00 MT/ha

Table 8 – ISS rates

### Mining Resource Income Tax (IRRM)

IRRM is a tax levied on the net cash flow under a mining bond, as soon as that flow gives rise to an internal rate of return, before the IRPC, equal to or higher than 18%.

This tax is due when there are accumulated net cash gains at the end of the fiscal year and the applicable rate is 20%.

### Specific rules on income tax

The taxpayers covered by the Specific Regime of Tax and Fiscal Benefits for Mining Activities, when determining the taxable income, shall consider the following rules:

- The tax profit shall be determined for each mining title, i.e., on an individual basis, for each prospecting and exploration license, mining certificate or mining concession.
- Each prospecting and exploration license, mining certificate or mining concession shall obtain a Tax Identification Number – NUIT.
- The deduction of general administration costs borne by the participated company or other associated company obtaining income from a mining title in Mozambican territory in a given tax year may not exceed 3% of the total expenses of that company in that same year, excluding depreciation.
- The costs resulting from the following are not deductible:
  - Prospecting and research without discovery;
  - Wilful misconduct on the part of the taxpayer or anyone acting on his behalf with regard to the management of the mining activity;

- Contracts to cover risks or losses arising from these contracts, also known as “hedges”;
  - Expenditure on vocational training of expatriate staff and training programmes if they do not comply with the terms required by the applicable legislation;
  - Financial offers made to the State for the granting of mining concessions;
  - IPM;
  - IRRM;
  - Costs of trading or transporting the mining product beyond the delivery point;
  - Expenses for an independent expert to be consulted for the purpose of determining the price of the mining product, when not requested by the government;
  - Commissions paid to intermediaries;
  - Expenses incurred in arbitration proceedings, not requested by the government;
  - Damage caused by the negligence or wilful misconduct of the taxable person or of anyone acting on his behalf;
  - Implementation of a social responsibility plan;
  - Tax arising from the transfer, whether onerous, of shares in the mining industry.
- It should be noted that specific depreciation rates are applied.

### **Tax Benefits**

The enterprises under the Mining Law benefit, during 5 fiscal years, from the date of beginning of mining Exploration, from exemption of:

- Customs duties due on imports of equipment for mining prospecting and exploration operations, classified under Class K of the Customs Tariff;
- Customs duties due on imports of goods listed in Annexure II of Law number 28/2014, which are equivalent to goods of class K of the Customs Tariff.

It should be noted that the enterprises carried out before the entry into force of Law 28/2014 could benefit from VAT and ICE exemption on the above-mentioned imports.

### **Other Fees**

The Mining Law Regulation approved by the Decree number 31/2015 establishes different fees related to the processing of mining titles and necessary permits.

The fees shown in Annexure 9 to the Regulation are shown in the table below.



	Type of mining title	Valor (MT)
<b>1</b>	<b>Prospecting and Research License</b>	
	Application registration fee	4.000,00
	Title issuance fee	4.000,00
	Fee for late submission of the request for extension	4.000,00
	Extension fee	10.000,00
<b>2</b>	<b>Mining Concession</b>	
	Application registration fee	5.000,00
	Title issuance fee	7.000,00
	Fee for late submission of the request for extension	20.000,00
	Extension fee	50.000,00
<b>3</b>	<b>Mining Treatment License</b>	
	Application registration fee	10.000,00
	Title issuance fee	15.000,00
	Fee for late submission of the request for extension	30.000,00
	Extension fee	60.000,00
<b>4</b>	<b>Mining Processing License</b>	
	Application registration fee	10.000,00
	Title issuance fee	15.000,00
	Fee for late submission of the request for extension	30.000,00
	Extension fee	60.000,00
<b>5</b>	<b>Mining Certificate</b>	
	Application registration fee	2.000,00
	Title issuance fee	2.000,00
	Fee for late submission of the request for extension	5.000,00
	Extension fee	5.000,00
<b>6</b>	<b>Mining Pass</b>	
	Application registration fee	1.000,00
	Title issuance fee	1.000,00
	Fee for late submission of the request for extension	3.000,00
	Extension fee	3.000,00
<b>7</b>	<b>Authorisation for Extraction of Mineral Resources for Construction/Geological Research or Scientific Studies</b>	
	Application registration fee	2.000,00/1.500,00
	Title issuance fee	2.000,00/1.500,00
	Fee for late submission of the request for extension	5.000,00/3.000,00
	Extension fee	5.000,00/3.000,00
<b>8</b>	<b>Fees for requests for transfer of title</b>	
	Prospecting and research license	200.000,00
	Mining concession	300.000,00
	Mining Certificate	50.000,00
	Mining Pass	5.000,00
<b>9</b>	<b>Title transfer registration fees</b>	
	Prospecting and research license	150.000,00
	Mining concession	200.000,00

Type of mining title		Valor (MT)
	Mining Certificate	30.000,00
	Mining Pass	5.000,00
<b>10</b>	<b>Taxas de pedido de alargamento de área</b>	
	Prospecting and research license	200.000,00
	Mining concession	300.000,00
	Mining certificate	100.000,00
<b>11</b>	<b>Area Enlargement Endorsement Rates</b>	
	Prospecting and research license	20.000,00
	Mining concession	30.000,00
	Mining Certificate	10.000,00
	Authenticated copy of any license/certificate	1.000,00
	Copy/extract of any archived record (per page)	2.000,00
<b>12</b>	<b>Operator and subcontractor registration fees</b>	
	Prospecting and research license	100.000,00
	Mining concession	300.000,00
	Mining Certificate	50.000,00

Table 9 - Fees for processing mining titles and permits

### 3.1.4.2 Hydrocarbon Area

The Specific Regime of Tax and Fiscal Benefits from Petroleum Operations, approved by the Law number 27/2014, of 23 September, has been in force since 1 January 2015. Its regulation, approved by Decree 32/2015, of 31 December, came into force on the date of its publication. In 2017 the government introduced some amendments to the Specific Regime of Tax and Fiscal Benefits from Petroleum Operations, through the Law number 14/2017, of 28 December.

According to this regime, the taxpayers covered by it are generally subject to the taxes that make up the Mozambican Tax System, as well as to the parafiscal charges. In addition to this tax, they are also subject to the Petroleum Production Tax, the specific income tax rules and the production sharing mechanisms provided for in the regime.

#### Petroleum Production Tax (IPP)

IPP is levied on petroleum<sup>9</sup> produced in the area of the concession contract, and the tax base of this tax corresponds to the value of the petroleum produced. The value of petroleum produced is

<sup>9</sup> According to the law number 21/2014 – The Petroleum Law includes crude oil, natural gas or other concentrations of hydrocarbons, in the physical state in which they are underground, produced or capable of being produced from or in association with crude oil, natural gas, bitumen and asphalt.

determined based on the average prices at which it has been sold or otherwise disposed of by the producer and its contractors in the month to which the tax to be assessed corresponds.

The IPP rates are as follows:

Type of product	Rate
Crude Oil	10%
Natural Gas	6%

Table 10 – IPP rates

The contracts signed before the entry into force of Law No 12/2007 of 27 June benefit from reduced rates.

In general, the PPI is paid in cash, but the government reserves the right to notify the taxpayer to pay part or all the tax in cash.

### Specific rules on income tax

Taxpayers covered by the Specific Regime of Tax and Fiscal Benefits of Petroleum Operations, in determining the tax income, shall consider the following rules:

- The tax profit must be ascertained for each concession agreement, i.e., on an individual basis.
- Each area of the concession agreement must obtain a NUIT.
- The costs resulting from the following are not deductible:
  - wilful breach of legal and regulatory obligations by the taxpayer or by anyone acting on his behalf in connection with the management of activities relating to the recognition, exploration, development and production of oil;
  - hedging agreements for risks or losses arising from such agreements;
  - expenditure on vocational training of expatriate staff and training programmes if they do not comply with the terms required by the applicable legislation;
  - financial offers made to the State for the award of petroleum concessions;
  - IPP;
  - commissions paid to intermediaries;
  - expenses incurred in arbitration proceedings, except when performed for the defence of oil reconnaissance, exploration, development and production activities;
  - compensation paid by way of penalty clause;
  - damage caused by the negligence or wilful misconduct of the taxable person or of anyone acting on his behalf;

- tax arising from the transfer, whether or not onerous, of holdings in the petroleum sector;
  - tax arising from the transfer, whether or not onerous, of holdings in the petroleum sector.
- It should be noted that specific amortisation rates are applied.

### Production Sharing

The production sharing mechanism present in the Specific Regime of Tax and Fiscal Benefits of Petroleum Operations establishes that the State and the concessionaire are entitled, in undivided participation shares, to the oil available for sale by the concessionaire in each period.

### Tax Benefits

The enterprises under the Petroleum Law benefit, during 5 fiscal years, from the date of approval of a development plan, from exemption of:

- customs duties due on imports of equipment intended for use in petroleum operations, classified under Class K of the Customs Tariff;
- customs duties due on the import of goods listed in Annex II to Law Number 27/2014, which are equivalent to goods of class K of the Customs Tariff.

It should be noted that the enterprises carried out before the entry into force of Law 27/2014 could benefit from VAT and Excise Duty exemption on the above-mentioned imports.

### Other Fees

In accordance with the Petroleum Operations Regulations, approved by Decree number 34/2015, of 31 December, which defines the terms and conditions of contracts, the practices of petroleum operations, including resource management, safety, health and environmental protection, and the submission of plans, reports, data, samples and other information by the holders of rights to carry out operations, the following fees are established for the processing of dossiers and authorisations:

Description of the Procedure	Fee Amount in (MZN)
Submission of the application for the granting of the right to exercise petroleum operations	2.000.000,00

Description of the Procedure	Fee Amount in (MZN)
Assessment of application for renewal of Concession Agreement	500.000,00
Appreciation of the request for extension of the Exploration request of the Concession Agreement	125.000,00
Appraisal of Development Plan	1.000.000,00
Review of Development Plan	125.000,00
Authorisation for the entry into operation of infrastructure	500.000,00
Approval of Decommissioning Plan	500.000,00

Table 11 - Fees for processing dossiers and authorisations in the hydrocarbon area

### 3.1.5 Other Extractive Industry Payments and Contributions

In addition to the payments already mentioned, contracts concluded in connection with mining activities and petroleum operations may lay down other payments as well as conditions for the award and allocation of licenses. These include situations relating to environmental licensing.

The above obligations can be classified as follows:

**Signature bonus:** corresponds to a percentage ranging from 0,5% to 5% of the value of the assets allocated to the project and is made at the time of signing the contract.

**Production bonus:** refers to the payment made in situations where production targets previously established between the parties are met. According to the Research and Production Concession Contract model, the production bonus is due when the production of the contract area reaches for the first time, within a period of one month, a daily average of 25,000 BOE<sup>10</sup>. This payment is also due each time the production of the contract area reaches, for the first time in a month, an average additional tranche of 50,000 BOE per day.

**Environmental License:** is the certificate confirming the environmental viability of a proposed activity, issued by the Ministry of Land, Environment and Rural Development (MITADER). The environmental licensing fees for mining activities and petroleum operations are laid down in specific environmental legislation, namely in the Decree number 26/2004 and Decree number 56/2010, respectively.

**Contribution to the Institutional Capacity Building Fund:** are payments made to the State by the concessionaire, established in the contract signed, granted for training or education in the hydrocarbon area.

<sup>10</sup> Barrel of oil equivalent

**Contribution to the Institutional Capacity Building Fund:** are payments made to the State by the concessionaire, established in the contract signed, granted for training or education in the hydrocarbon area.

**Contribution to Institutional Support:** corresponds to the amount paid by the concessionaire to the INP to be used as institutional support to entities involved in the promotion and administration of petroleum operations.

### 3.1.6 Description of the different types of contracts and licenses

#### 3.1.6.1 Mining Area

The Mining Act establishes the different types of titles that allow their holder to exercise the mining activity, namely:

- Licenses for prospecting and research;
- Mining concession;
- Mining certificate;
- Mining pass;
- Mining treatment license;
- Mining processing license; and
- Licenses to market mining products.

In order to improve transparency and promote investment in Mozambique's mining sector, the Mining Law establishes the creation of the Mining Registration System, in its article 4. In this sense, the Ministry of Mineral Resources and Energy of Mozambique in partnership with the Trimble Land Administration has developed the Mining Registration System Portal<sup>11</sup>. Currently all mining titles and mining contracts of the State are available for consultation purposes.

The following is a brief description of the above mining titles:

Mining Title	Brief description
Prospecting and research license	Allows the performance of geoscientific and geotechnical activities that allow the potential evaluation of mineral resources, aiming at the discovery, identification, determination of the characteristics and economic value of the respective minerals. The period of validity of this licenses is as follows:

<sup>11</sup> <http://portals.flexicadastre.com/mozambique/pt/>

Mining Title	Brief description
	<ul style="list-style-type: none"> <li>▪ two years for mineral resources for construction, renewable once for the same period;</li> <li>▪ five years for other mineral resources, including mineral water, being renewable once, for a further three years.</li> </ul>
Mining concession	<p>Allows operations and work related to the development, extraction, treatment, mining processing and disposal of mineral products. The duration of the mining concession is up to 25 years and may be extended for an equal period, based on the economic life of the mine and compliance with legal obligations on the part of the mining holder.</p>
Mining certificate	<p>Allows small-scale mining operations to be carried out for a period of 10 years, extendable for equal periods according to the economic life of the mine. The characteristics and limitations that distinguish small-scale mining operations for the purpose of mining certification from other mining operations are laid down by regulation.</p>
Mining pass	<p>Allows small-scale mining operations to be carried out for a period of 10 years, extendable for equal periods according to the economic life of the mine. The characteristics and limitations that distinguish small-scale mining operations for the purpose of mining certification from other mining operations are laid down by regulation.</p>
Mining treatment license	<p>Allows activities to recover useful ore constituents in order to make them usable or profitable mineral products through physical processes, excluding industrial processing. The holders of the mining concession, mining certificate or mining password may develop ore treatment activities, except in the cases expressly defined in the Mining Law and in the specific legislation.</p>
Mining processing license	<p>Allows mining operations to be carried out along the extraction industry chain in order to obtain the mining concentrate. Specific authorisation is required for the processing of radioactive minerals in accordance with the legislation applicable to atomic energy and to radioactive minerals.</p>

Mining Title	Brief description
Trading license for mining products	Allows the purchase and sale of mineral products not resulting from mining activity conducted under the mining concession, mining certificate and mining password, attributed to a natural or legal person, constituted between nationals and registered in accordance with the laws in force in the Republic of Mozambique.

### 3.1.6.2 Hydrocarbon Area

The Petroleum Law provides for the following types of concession contracts for petroleum operations:

- recognition contract;
- research and production;
- construction and operation of pipeline systems;
- construction and operation of infrastructure.

Below is a brief description of the above-mentioned concession contracts:

Concession contract	Brief description
<u>Recognition agreement</u>	Grants the non-exclusive right to carry out preliminary research and evaluation work in the area of the concession contract, through aerial, terrestrial and other surveys, including geophysical, geochemical, paleontological, geological and topographic studies.
Research and production concession agreement	<p>Grants the exclusive right to conduct petroleum operations as well as the non-exclusive right to construct and operate oil production and transportation infrastructure, from a concession contract area, unless access to an existing oil or gas pipeline system or other infrastructure is available under acceptable commercial terms and conditions.</p> <p>The exclusive right to oil exploration under this contract may not exceed 8 years and is subject to the provisions relating to the abandonment of areas. In the case of a discovery, the holder of the right to this type of contract may retain the exclusive right to complete work commenced within a specified area, in order to fulfil work obligations and to assess or determine commercial value and to allow for the development and oil production.</p>
Construction and operation agreement of pipeline systems	Grants the right to construct and operate oil or gas pipeline systems for the purpose of transporting crude oil or natural gas where such



Concession contract	Brief description
	<p>operations are not covered by an exploration and production concession contract.</p> <p>According to the Petroleum Law, the concept of an oil or gas pipeline system includes the oil or gas pipeline itself, including valve stations, compressor or pumping stations and any aggregate infrastructure, constructed for the transport of oil, excluding flow collection pipelines from wells or pipelines for the distribution of crude oil, natural gas or petroleum products.</p>
<p><u>Construction and operation of infrastructures</u></p>	<p>Grants the right to construct and operate infrastructures for oil production, such as processing and conversion that are not covered by an approved exploration and production development plan.</p> <p>The concept of infrastructure includes facilities, including platforms, liquefaction plants, factories or boats or other equipment intended to carry out petroleum operations, excluding supply and support vessels, ships and vehicles transporting oil in bulk.</p>

### 3.1.7 Roles and responsibilities of relevant government bodies

MIREME is the central body of the State apparatus that, in accordance with the principles, objectives and tasks defined by the Government, directs and ensures the execution of Government policy in geological research, exploration of mineral and energy resources, and in the development and expansion of infrastructures for the supply of electricity, natural gas and oil products.

The responsibilities of the Ministry of Mineral Resources and Energy are as follows <sup>12</sup>:

- Preparation of proposals and implementation of policies in the Mineral Resources and Energy sector;
- Inventory and management of the country's mineral and energy resources;
- Promotion of an appropriate legal and institutional framework for the development of the sector;
- Promotion and dissemination of the potential of the Mineral Resources and Energy sector;
- Promotion of technological development with a view to the sustainable use of mineral and energy resources at national level;

<sup>12</sup> [http://www.mireme.gov.mz/index.php?option=com\\_content&view=article&id=21&Itemid=109](http://www.mireme.gov.mz/index.php?option=com_content&view=article&id=21&Itemid=109)

- Promotion of the participation of the private sector in the development and use of the potential of mineral and energy resources and respective infrastructures;
- Promotion and control of the activity of prospecting and geological research and rational and sustainable use of mineral resources;
- Inspection and supervision of the sector's activities and control of the implementation of technical safety, hygiene and environmental protection standards;
- Promotion and control of oil production activity and the development of transport and logistics infrastructures;
- Promotion of the development of electrical energy supply infrastructures;
- Promoting the increase in access to energy in its various forms, with a view to stimulating the country's growth and economic and social development;
- Ensuring the security of supply and distribution of oil products on a national level, with particular emphasis on expanding the distribution network to rural areas;
- Promoting the diversification of the energy matrix and efficient use of energy with a view to energy security and stability; and
- Promotion of the safe and peaceful use of atomic energy.

Therefore, in order to fulfil the tasks conferred on MIREME, the National Mining Institute (INAMI) and the National Petroleum Institute (INP) were created to regulate mining activities and oil operations, respectively. Therefore, the licensing process is coordinated by these institutions, which are subordinated to MIREME.

### **Mining Area**

The National Mining Institute (INAMI) was created by Law no. 20/2014, as a legal entity under public law, with administrative and financial autonomy, and is supervised by the Minister who oversees the area of Mineral Resources. This is the institution with regulatory authority for mining activity, responsible for guidelines for the participation of the public and private sector in the exploration, Exploration, processing, export and import of mining products and their derivatives.

INAMI's responsibilities are as follows:

- i. Propose development policies for the mining sector and monitor their implementation
- ii. Analyse and approve projects and technical and economic studies for the opening of new mines as well as the rehabilitation and/or closure of mines

- iii. Receive, prepare, organise and analyse processes relating to the granting of prospecting and research licenses, mining concessions and mineral water concessions, carrying out the acts attributed to it under the Mining Act Regulations;
- iv. Promote, support and control, in coordination with other institutions, the prospecting, research and extraction, use and exploitation of mineral resources, excluding oil and gas
- v. To promote, support and control small scale mining, taking into account the minimisation of negative environmental and social impacts resulting from the exercise of this activity.

Additionally, in the mining area, other entities intervene at the level of MIREME, in particular the National Directorate of Geology and Mines (DNGM), whose functions are indicated in Resolution No. 33/2020 of 19 August of the Interministerial Commission for Public Administration Reform, and the Inspectorate General of Mineral Resources and Energy (IGREME), whose attributions and competences are indicated in Decree No. 31/2019 of 26 April.

### **Hydrocarbon Area**

As mentioned, the entity responsible for regulating oil operations is INP, which was created by the Council of Ministers under Decree 25/2004 of 20 August, as responsible for the administration and promotion of oil operations. It is a legal person governed by public law, endowed with legal personality, administrative, financial and patrimonial autonomy, which carries out its functions in accordance with the applicable legislation, ensuring it the necessary prerogatives for the proper exercise of its powers on the basis of impartiality, technical capacity and impartiality.

Under the terms of the aforementioned Decree, the INP has the following attributions:

- i. Regulation and supervision of the activity of oil exploration, production and transport, as well as the preparation of development policies and norms concerning petroleum operations;
- ii. Preservation of the public interest and the environment by establishing the necessary technical, economic, and environmental conditions, promoting the adoption of practices that encourage the efficient use of resources and the existence of adequate standards of service quality and environmental protection;
- iii. Organisation, maintenance and consolidation of the collection of information and technical data relative to the petroleum industry activities, the national petroleum reserves and the information produced;
- iv. Mediation, conciliation and arbitration, when requested, proceeding in accordance with what was agreed upon by the parties and the legislation in force.

### 3.2 Concessions of contracts and licenses (Requirement 2.2)

- a) Implementing countries are required to disclose the following information relating to all grants and transfers of contracts and licenses that occurred during the period covered by the most recent EITI disclosures, including those corresponding to companies whose payments are below the agreed materiality threshold:
- i. a description of the process for transferring or granting the license;
  - ii. the technical and financial criteria used;
  - iii. information about the destination(s) of the license that was transferred or granted, including, as the case may be, consortium members; and
  - iv. any material deviation from the applicable legal or regulatory framework governing license transfers and awards.

If Governments may select different methods for awarding contracts or licenses (e.g., competitive bidding or direct negotiations), the description of the process for awarding or transferring the license could include an explanation of the rules determining which procedures are to be used and why a particular procedure was selected.

If there are gaps in the publicly available information, they should be clearly identified. Any significant legal or practical obstacles that prevent comprehensive disclosure of the information described above should be documented and explained, along with a description of the Government's plans for removing these obstacles and the expected time frame for doing so.

- b) If companies hold licenses that were granted before the period covered by EITI implementation, implementing countries are encouraged to disclose the information set out in point 2.2a).
- c) Where licenses are granted through bidding processes, the Government is required to disclose the list of applicants and the bidding criteria.
- d) As part of the EITI disclosures, the Coordination Committee may wish to include additional information on the awarding of licenses. This could include commentary on the efficiency and effectiveness of the licensing processes, and a description of the procedures, actual practices and reasons for renewal, suspension or revocation of the contract or license.

#### 3.2.1 Allocation and transfer process for contracts and licenses

##### Mining Area

According to INAMI, the mining titles process follows the procedures indicated in the flow chart below, which illustrates the one described in Article 5 of the Mining Law Regulation approved by Decree No. 31/2015 of 31 December:

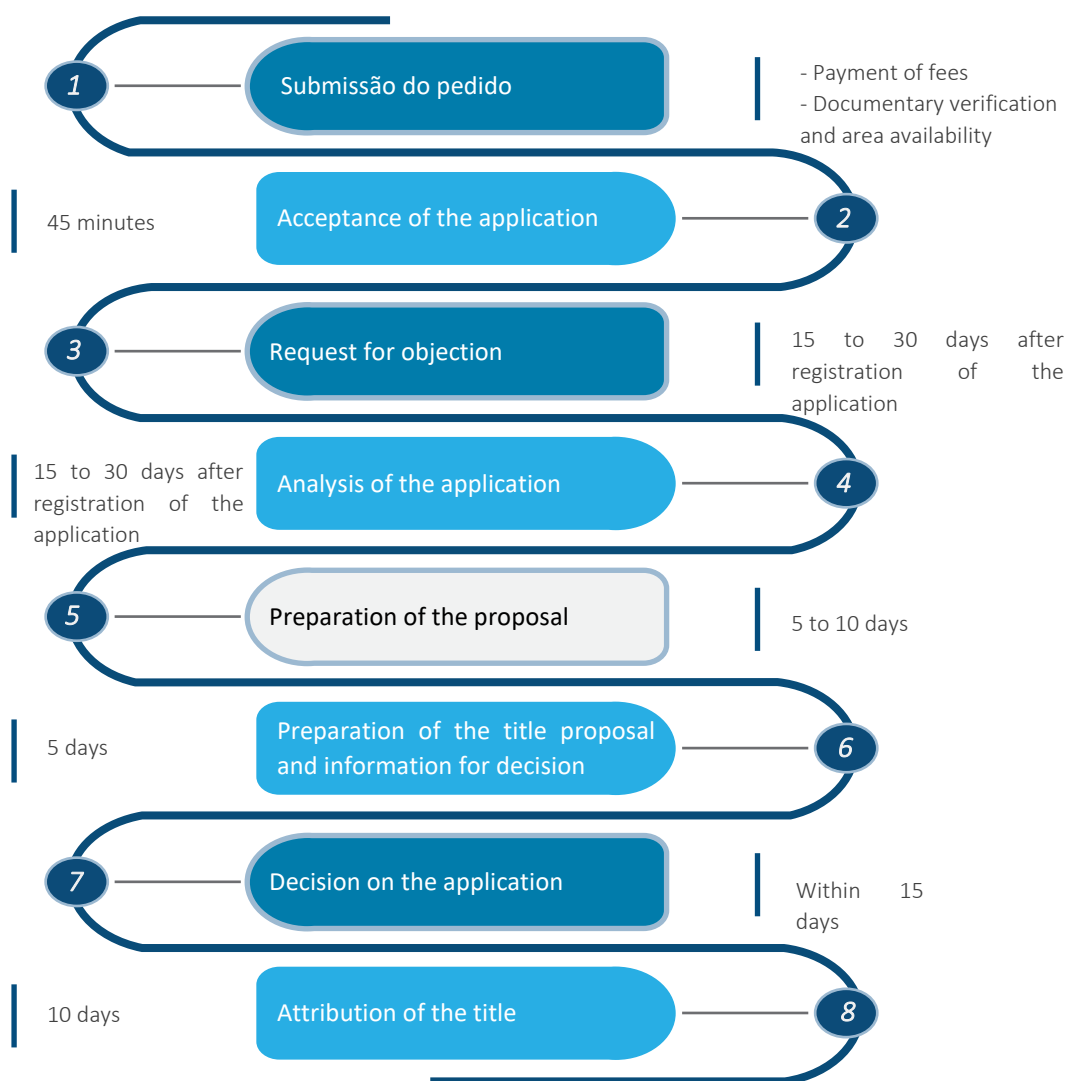


Figure 5 - Flowchart of the Licensing Process in the Mining Area (Source: INAMI)

The requirements for the licensing procedure vary according to the mining title concerned. INAMI has published on its website<sup>13</sup> all the necessary requirements for each mining title.

In addition to the procedure described above, under Article 9 of the Mining Law Regulations, the Government, through INAMI, may hold a public tender for mining activities and operations, taking into account the public interest in areas: a) geologically studied; b) with potential in mineral resources; c) that have been the object of previous mining activity; d) reserved for mining activity; and e) of total or partial protection.

<sup>13</sup> Requirements for Mining Licensing: <https://inami.gov.mz/index.php/requisitos-para-licenciamento-mineiro> - accessed on 15 November 2021

Number 3 of the same Article states that the terms and conditions of the public tender shall be defined by Ministerial Order, which shall include at least the following:

- Definition of the criteria for the selection of eligible tenderers;
- Mandatory payment of the purchase price of the specifications;
- Obligation for any tenderer to offer the signature bonus amount;
- The winning tenderer must be chosen based on the best technical and economic proposal for the development of the mining activity and/or the best proposal for the financial offer;
- The winning tenderer must be chosen based on the best technical and economic proposal for the development of the mining activity and/or the best proposal for the financial offer; and
- Any attempt to modify, contrary to the previous point, disqualifies the winning tenderer and is considered the second-best tenderer.

The INAMI website presents the legislation in force, which is the basis for the procedures and requirements for the granting and transmission of licenses, and internal documents with information necessary for the public, and there is no legal obstacle to the disqualification from disclosure of information that allows the licensing or transmission of licenses.

The summary of the mining titles in force<sup>14</sup> in the year 2020 are shown in the table below. The detailed information can be verified on the map in Annexure 1.

Type of license	Titles in force
Prospecting and research licenses.	810
Mining concession	312
Mining certificate	538
Marketing licenses	392
<b>Total</b>	<b>2.051</b>

*Table 12 - Mining Titles in force - 2020 (Source: INAMI)*

Regarding the procedures adopted for the transfer of mining titles, this is described in Article 62 and the following of the Mining Law, in conjunction with Article 128 and the following of the Mining Law Regulation, and includes:

1. Submission of request for transmission to INAMI;
2. Change of the status of the mining title in the registration system from **in force** to **in force with transmission pending**. In the case of quota transfers there is no change of status in the system since it does not change its holder;

<sup>14</sup> Information available on INAMI's website: <https://inami.gov.mz/images/2021/Titulos-emitidos-no-ano-de-2020.pdf> - accessed on 15 November 2021

3. Analysis of the request for transmission in order to verify the legal requirements listed in Article 6 of Article 128 of the Mining Law Regulation;
4. In case of omission of data, the data subject shall be notified to submit the missing data or proof of compliance with the legally required obligations within the legal time limits;
5. After requesting all legally required documents, INAMI requests an opinion from the Tax Authority in order to assess whether or not there are any capital gains and other tax due;
6. After receiving the favourable opinion of the Tax Authority, INAMI asks the holder to produce a Tax Discharge Certificate proving that the capital gains have been paid or have not been paid, which states that the holder is still with the State;
7. Once the above-mentioned Tax Discharge Certificate is presented, the request for transmission to the competent decision is issued;
8. After sanctioning the transfer, communication to the applicant for the removal of the title, within 10 days after the presentation of the transfer fee.
9. After proof of payment of the legal obligations has been presented, within the legal time limits, the title has been handed over to the holder.

It should also be added that:

- the transfer of mining titles is allowed only to holders with titles in force for more than 2 years and the applicant is obliged to submit the activity report. In the case of applications for the transfer of a prospecting and exploration license, it may only be authorised after the prospecting activities have been carried out for a period of not less than 24 months and the respective prospecting reports have been submitted.
- the transfer applicant, including the transfer of quotas, must have all legally required obligations fulfilled.

With regard to the processing of transfers of mining titles during the 2020 financial year, INAMI indicated the processing of the transfers of 9 mining titles were processed, of which 2 were direct transfers and 7 indirect transfers, as indicated below:

*Direct transmissions:*

Ord.	Company's Name	Licenses	Tax Collected in MZN
1	Ibra Moz SA	8921C	8.261.753,25
			1.342.270,57
2	Eastern Ruby Mining Lda	8277C	1.885.744,00
3	Rubies Resources Lda	5030L	116.549,48
			5.628,92
4	RQL Rubies SA	7083L	812.867,20
		9552L	203.206,80
			532.204,80
5	Holamale SA	8188L	614.400,00
6	SRL Mining Lda	8955C	6.128.469,81
		7414L	2.842.594,09
7	Pathfinder Mocambique, SA (transfer of shares)	4623C	86.803.790,12
<b>Total</b>			<b>109.549.479,04</b>

*Indirect transmissions:*

Ord.	Company's Name	Licenses	Tax Collected in MZN
1	Myala Resources, Lda para Água da Serra de Chiuta	3316C	-
2	Pathfinder Mocambique, SA para TZM Resources SA	4623C	-

**Technical and financial criteria**

The technical and financial criteria relating to the licensing process are set out in Annex 10 of the Mining Law Regulation from which it is extracted that:

- **Technical capacity:** i) It consists of technical personnel at its disposal, qualified in the geological-mining area, and with at least 3 years' experience in carrying out mining operations and activities; ii) the retro mentioned personnel may be their own or contracted; iii) in the case of their own technical personnel, the presentation of the description of the qualifications and experience in the respective area is required; in addition to the description of the qualifications and experience, the contract with the applicant is required; v) the Curriculum Vitae submitted by the mining title applicant must contain the recognized signature of the respective signatories, as well as be updated.
- **Financial capacity:** i) where the applicant is a legal person established for more than three (3) years, its financial capacity is demonstrated by the Accounts Report for the last financial year, or by access to finance from third parties by means of letters of agreement from recognised financial bodies, at home or abroad.



- if the applicant is a legal person established for less than 3 years, or a natural person, its financial capacity is demonstrated by means of a Bank Statement for the last three months, with a balance of at least MZN 500.000,00, or by access to finance from third parties, by means of letters of reference from recognised financial entities, at home or abroad.
- the proof of Financial Capacity referred to above may be provided by the applicant's parent company or partner, and to this end, the express declaration of the parent company or partner, with the recognised signature, undertaking to provide the Capacity in favour of the applicant, shall also be attached.

It should be noted that the analysis of the Mining Act Regulation does not foresee any weighting for the criteria. On the other hand, it is important to mention that article 9 of the Mining Act establishes the Principle of Priority, according to which mining titles are attributed in order of priority of the date and time of submission of the respective application to the competent authority, considering the proposal that offers the best conditions, advantages and gains for the Mozambican State as owner of the mineral resources.

#### **Deviations from the legal framework**

According to the information provided by INAMI, there was no deviation from the provisions of the Law in the process of transfer or mining concession.

#### **Hydrocarbon area**

According to the information provided by INP, the process of granting rights to oil operations follows the steps presented in the flowchart below:

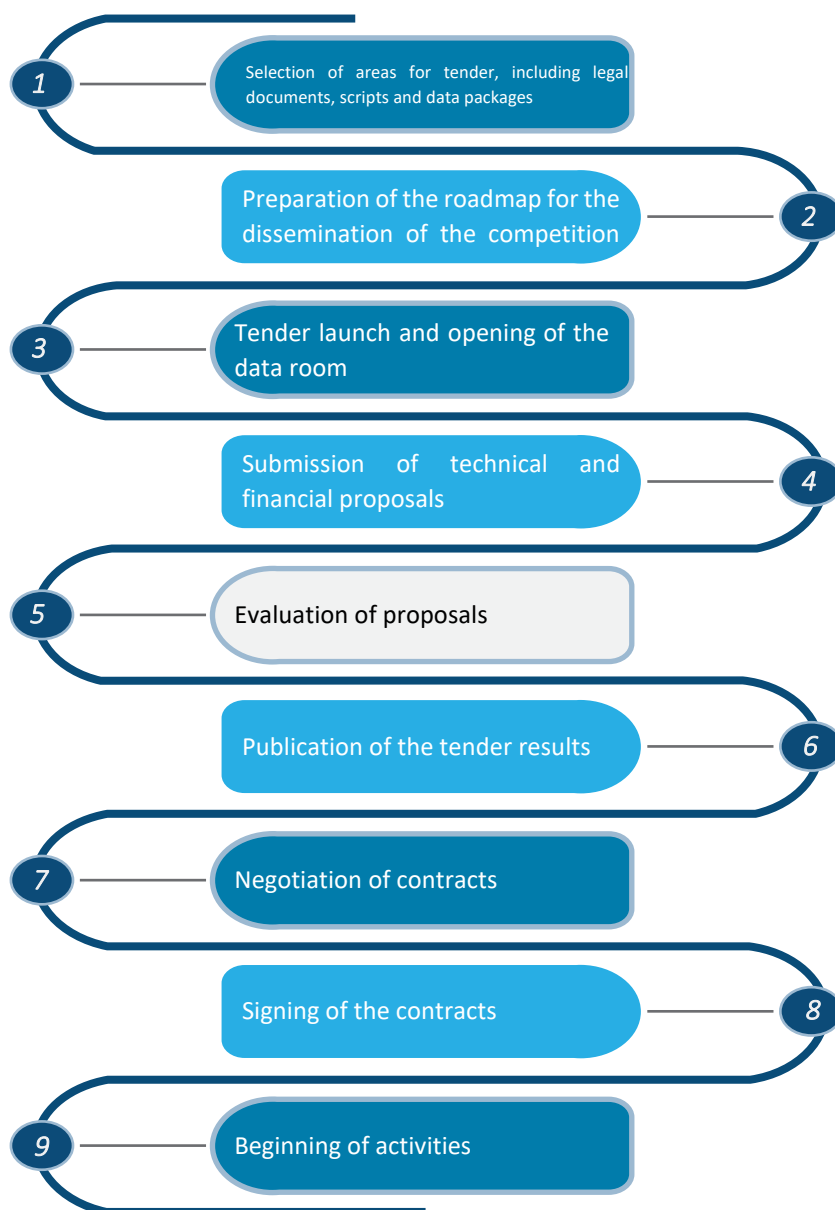


Figure 6 - Flowchart of the Process of Granting Rights in the Hydrocarbon Area (Fonte: INP)

The requirements for entitlement to carry out petroleum operations, which include technical and financial requirements, are described in the Petroleum Operations Regulations:

- Right to Recognition – article 7
- Research and Production Law – article 9
- Construction Law of Pipeline Systems and Operations – article 11
- Construction Concession Agreement and Infrastructure Operation – article 13

In addition, according to article 5 of the Petroleum Operations Regulation, concession contracts for the performance of petroleum operations may also result from simultaneous or direct negotiation in relation to:

- areas already declared available as a result of a previous public tender and which have not been granted;
- areas declared available as a result of termination, resignation, revocation and abandonment, pursuant to the provisions of article 22;
- the need to join areas adjacent to a concession contract area when justified on technical and economic grounds;
- infrastructure and pipeline system concession contract not covered by an approved research and production development plan.

Additionally, the Licensing process for Petroleum Facilities and Operations is governed by Decree No. 84/2020 of 18 September, which establishes the rules and procedures for licensing the construction, installation, alteration, substitution, demobilisation operation of petroleum infrastructures, including storage and transport by circulating means, as well as authorisations through registration. Prior to this Decree, the Licensing process for Petroleum Facilities and Activities was governed by Ministerial Order 272/2009 of 30 December 2009.

The INP *site*<sup>15</sup> contains the legislation in force, which indicates the procedures and requirements necessary for the granting and transfer of rights in petroleum operations, and there is no legal obstacle to the disqualification from disclosure of information that would permit the granting or transfer of such information.

It should be noted that no call for tenders for the award of concession contracts was launched in 2019, nor were there any direct negotiations.

Regarding transfers of concession rights, Article 16 of the Petroleum Operations Regulation states that all concessionaires may assign their rights to another person, however, this assignment is subject to the approval of the Minister overseeing the petroleum area as follows:

- Rights and obligations or undivided proportional share in a concession contract;
- Other direct and indirect interests or participation in the concession contract, including, but not limited to, assignment of shareholdings or any legal instrument which grants or may grant decisive control over the person constituting the concessionaire or participation in the concession contract, and

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<sup>15</sup> <http://www.inp.gov.mz/pt/Politic-as-Regime-Legal/Legislacao>

- Ownership of the right to use an infrastructure.

For the financial year 2020, the transmissions of participatory interest took place as shown in the table below:

Area	Transferor	Transferee	%
Mazenga Onshore	Empresa Nacional de Hidrocarbonetos (ENH)	MozGas UK	80%

*Table 13 - Petroleum rights transmissions in 2020 (Source: INP)*

The concession contract for oil exploration and production for this area was entered into in December 2018 between the Government of Mozambique and ENH, however, in order to ensure the commencement of exploration activities, ENH (the then consortium/operator) requested MIREME in December 2020 to transfer part of its participating interest to MozGas whose authorisation order was issued by the Minister of Mineral Resources and Energy in February 2021.

According to the information made available by INP, in the above mentioned transfer there was no place for the payment of capital gains tax, since no gains were generated.

### Technical and financial criteria

As for the technical and financial criteria for the allocation of rights for the exercise of petroleum operations, these are provided for in the terms of reference of each tender carried out by INP, which in summary evaluates the:

- technical competence and financial strength of competitors;
- the technical database used in the technical evaluation;
- health, safety and environmental policy integrity;
- proposed economic terms;
- social support and training.

### Deviations from the legal framework

According to the information provided by INP, there was no deviation from the Law in the process of transferring licenses.

### 3.2.2 Licenses/Rights granted by means of a tendering procedure

As is extracted in the introductory part of this chapter, this EITI requirement requires that if permits are granted through tendering procedures, the government is required to disclose the list of candidates and the tendering criteria. However, for the year 2020, only the mining area has been put out to tender.

### 3.2.3 Analysis of the efficiency and effectiveness of the licensing/contracting processes Mining Area

After analysis of the procedures for the attribution, modification, transmission, renewal and revocation of mining titles, we are of the opinion that they allow the processes to be processed with the necessary urgency and quality. However, gauging the degree of compliance requires additional work, which can be carried out by INAMI, via a satisfaction survey where users and civil society can communicate the existing constraints in this process.

On the other hand, it should also be noted that the Regulation of the Mining Act, in its article 3, highlights the competencies of the Minister, indicating that it is his responsibility to decide on the attribution, modification, transmission and revocation of part of the mining titles, without, however, indicating the evaluation criteria that contribute towards the Minister's decision.

In this sense, we are of the opinion that the legal document should indicate the criteria for the Minister's decision, so that he does not appear to have a discretionary power or use subjective criteria in the analysis of the processes, which may somehow give rise to different interpretations.

### Hydrocarbon area

Once the procedures for the allocation, transfer, renewal and revocation of petroleum operation rights have been analysed, we are of the opinion that they allow the processes to be carried out with the necessary urgency and quality. However, the assessment of the degree of compliance requires additional work, which may be carried out by the INP, via a satisfaction survey where users and civil society may notify the existing constraints in this process.

It should also be noted that the Regulation of the Petroleum Law, in its article 3, presents the competencies of the minister who oversees the petroleum area, indicating that it is the minister's responsibility to approve the concession contracts for recognition and indication or change of the operator. However, it is not indicated which evaluation criteria are used by the minister in making his decision.

In this sense, we are of the opinion that the legal document should indicate the criteria for decision making by the Minister, so that he does not appear to have a discretionary power or use subjective criteria in the analysis of the processes, which could lead to different interpretations.

### 3.2.4 Procedures for renewal and revocation/extinction of licenses and concessions

#### Mining Area

The process for the extension of the mining title is present on the INAMI website<sup>16</sup> no INAMI and in the regulation of the Mining Law. According to the information made available by INAMI, during 2020, 28 mining titles were cancelled and 17 were revoked. The detail on these data may be found in Annexure 1.

Below is a summary of the requirements necessary for this process, by type of mining title:

#### Prospecting and Research License:

- a) Application addressed to the Minister for Mineral Resources and Energy, with the authenticated signature of the applicant or his representative;
- b) Report on the activities carried out, including investments made during the initial period, prepared and signed by a person authorised to sign mining projects;
- c) Work Programme to be carried out during the extension period and the planned expenditure budget drawn up and signed by a person authorised to sign mining projects;
- d) updating of the environmental management instrument; and
- e) proof of payment of the extension fee.

#### Mining Concession and Mining Certificate:

- a) Application addressed to the Minister for Mineral Resources and Energy, with the authenticated signature of the applicant or his representative;
- b) Detailed report containing, balance of reserves, economic life of the mine and other relevant aspects prepared and signed by a person authorised to sign mining projects;
- c) updating of the Mining Plan to be prepared and signed by a person authorised to sign mining projects;
- d) Updating the Technical-Economic Assessment to be prepared and signed by a person authorised to sign mining projects;

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<sup>16</sup> <https://inami.gov.mz/index.php/requisitos-para-licenciamento-mineiro>

- e) Updating the Environmental Impact Assessment and the Environmental Management Plan must be prepared and signed by a person authorised to sign mining projects; and
- f) Proof of payment of the extension fee.

#### **Marketing License:**

- a) Application addressed to the Minister for Mineral Resources and Energy, with the authenticated signature of the applicant or the authorised representative;
- b) Report on the activities carried out in accordance with the Programme for the Marketing of Mineral Products approved by the Ministry of Mineral Resources drawn up and signed by a person authorised to sign mining projects;
- c) Programme for the Marketing of Mineral Products to be carried out during the extension period and the planned expenditure budget drawn up and signed by a person authorised to sign mining projects;
- d) proof of payment of the extension fee.

The Mining Law establishes in Article 64 the grounds on which the Government may revoke mining titles, varying according to the title. However, paragraph 1 of this article states that any of the mining titles may be revoked when the holder:

- a) failure to pay specific tax;
- b) failure to comply with any regulatory or specific provision of the mining contract, and in these, it is specified that such failure constitutes grounds for revocation of the title;
- c) enters into bankruptcy, agreement or composition with its creditors, unless a security in rem has been lodged and registered over the mining installations;
- d) Operates the transformation or dissolution of the company, unless it has been authorised by the Government;
- e) Is in debt to the State.

#### **Hydrocarbon Area**

Article 20 of the Petroleum Operations Regulation states that renewal of a concession contract may only be granted in exceptional cases, provided that the economic terms offered by the concessionaire are favourable to the national interest. It is also stated that the application for renewal of an exploration and production concession contract, oil or gas pipeline system, and construction and operation of infrastructure must be submitted to the Minister overseeing the oil area no later than three years before the end of the respective concession contract.

Regarding the revocation of the concession contract, Article 24 of the Petroleum Operations Regulation, in its paragraph 3, states that the notice of revocation of the concession contract is based on a legal basis, including:

- a) False or incorrect information, presented in a deliberate or negligent manner, relating to any application for a concession contract, authorisation or approval of a plan, which has been decisive in granting the right to carry out petroleum operations:
  - i. Deviation from the subject matter of the concession contract;
  - ii. Bankruptcy of the concessionaire;
  - iii. Breach or repeated serious breach of the Law or of the terms and conditions of the concession contract;
  - iv. Failure by the concessionaire to comply with any judicial, administrative or arbitral decision or of an independent expert;
  - v. In the case of a single concessionaire and subject to a winding-up decision issued by the competent jurisdiction, except if the winding-up has as its object the merger or reorganisation, duly notified to the Government, or if the majority of the respective shares are acquired by a third party, except for the Affiliate, without the approval of the Government;
  - vi. Abandonment of the concession area for a period longer than three hundred and sixty-five days and;
  - vii. Other causes to be established in the concession contract.

According to INP, during the year 2019 no concession contract, previously awarded, was revoked.

### 3.3 Registration of licenses (Requirement 2.3)

- a) The term 'License' in this context refers to any license, lease, title, permit, authorisation, contract or concession by which the Government grants to company(ies) or individual(s) the rights to exploit oil, gas and/or mineral resources.
- b) Implementing countries are required to maintain a publicly available registry or registry system(s) with the following timely and comprehensive information with respect to each of the company licenses included in the agreed scope of EITI implementation:
  - i. Holder(s) of the license(s).
  - ii. If obtained, the coordinates of the area under license. If coordinates are not obtained, the Government is required to ensure that the size and location of the area under license is disclosed in the license record and that the coordinates are



available to the public at the appropriate government agency without charging disproportionate fees or restrictions. The disclosed information should include guidance on how to access the coordinates and the cost, if any charge, of accessing the data. In addition, the government should document plans and timelines for making this information freely and electronically available through the license registry.

- iii. Date of application, date of grant, and duration of the license.
- iv. In the case of production licenses, the commodity being produced.

It is expected that the license registration will include information on licenses held by all entities, including companies and individuals or groups that fall outside the agreed scope of EITI implementation, i.e. whose payments fall below the agreed materiality threshold. Any significant legal or practical obstacles preventing such comprehensive disclosure should be documented and explained, accompanied by a description of the Government's plans for removing such obstacles and the expected timeframe for doing so.

- c) If such registers or records do not exist or are incomplete, any gaps in the publicly available information should be disclosed and efforts made to strengthen these systems should be documented.

### Mining Area

INAMI has provided information on the mining permits in force up to the end of 2020, specifying them by type of license, type of mineral exploited, date of application for the mining permit, date of concession, duration of the mining permit, stage in which it is in, as can be seen in Annexure 1.

The coordinates of the area of each mining title can be consulted by anyone interested in the Portal of Mining Registration<sup>17</sup>, where the same site presents the countries for which the mining registration was made, and the visualisation of the data is made through a search by the Holder Code (which should be provided by INAMI) or, knowing the geographical location, by the verification in the map of Mozambique presented.

The Mining Registration Portal can also be accessed through the INAMI website<sup>18</sup>. By visiting this site you can check additional information, such as:

<sup>17</sup> <http://portals.flexicadastre.com/Mozambique>

<http://portals.flexicadastre.com/>

<sup>18</sup> <https://www.inami.gov.mz> – accessed on 15 November 2021

- Legislation in the sector;
- Mining contracts;
- Tenders and geological information.

On the other hand, according to INAMI, during 2020 the updating of the mining registration portal was completed and the preliminary design of the electronic platform for the management of online cadastral information is currently underway, which will allow, among others:

- a. The submission of documents by the applicant or holder directly through the online portal (application documents, responses to notifications, attachment of published edicts, proof of payment of taxes and fees, reports, business plans, production and sales data, among other information);
- b. The verification of the general situation of the licensed areas of each company (status of the requests, deadlines to be met for the fulfilment of obligations, taxes due and to be collected, missing reports and dates for their submission);
- c. The updating of contacts, addresses online.
- d. The verification of obligations (reports, plans, start of production, bonds, etc.) during the life of the licenses and respective deadlines.

In addition, actions are underway to ensure the hosting of the cadastral system database in a cloud so that the online cadastral information management system will be operational during 2023.

## Hydrocarbon Area

INP has provided the list of concession contracts in force in 2019, and has indicated that their publication, as well as other relevant information from the sector, is on its website. In addition to the INP website, the contracts are also published on the MIREME website<sup>19</sup>. In addition to the INP website, the contracts are also published on the MIREME website<sup>20</sup>.

By visiting this INP website you can have access to additional information, such as:

- Hydrocarbon Exploration and Production Concession Agreements (CPPP);
- Active concession areas, coordinated, respective operators, State participation (direct and indirect) and the coordinates of these areas<sup>21</sup>;

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<sup>19</sup> <http://www.inp.gov.mz/pt/Pesquisa-Producao/Concessoes-em-Vigor> – accessed on 15 November 2021

<sup>20</sup> [https://www.mireme.gov.mz/index.php?option=com\\_phocadownload&view=category&id=8&Itemid=160](https://www.mireme.gov.mz/index.php?option=com_phocadownload&view=category&id=8&Itemid=160) – accessed on 15 November 2021

<sup>21</sup> <http://www.inp.gov.mz/pt/Descricao-de-Concessoes/Coordinate-of-Current-Concessions> – accessed on 15 November 2021

- Legislation of the sector; and
- Hydrocarbon production data and payment of royalties.

### 3.4 Disclosure of contracts (Requirement 2.4)

a) Implementing countries are required to disclose any contracts and licenses granted, entered into or amended on or after 1 January 2021. Implementing countries are encouraged to publicly disclose any contract or license that sets out the conditions for oil, gas and mineral exploration.

b) It is expected that the CC will approve and publish a plan for contract disclosure that sets a clear timeframe for implementation and addresses any barriers that prevent comprehensive disclosure. This plan will be integrated into the work plans for the period 2020 onwards.

c) **It is necessary to document the Government's policy on disclosure of contracts and licenses governing oil, gas and mineral exploration. This should include the following:**

i. A description of whether the Government's legislation or policy addresses the issue of contract and license disclosure, highlighting, among other issues, whether they require or prohibit contract and license disclosure. If no such legislation exists, an explanation of where Government policy is established should be included, and the Coordination Committee should document its discussions about what constitutes a Government policy on contract disclosure. Any reforms relevant to promoting contract and license disclosure that are planned or underway should be documented.

ii. An overview of publicly available contracts and licenses. Implementing countries should make available a list of all active contracts and licenses, indicating which are publicly available and which are not. For all published contracts and licenses, a reference or link to where the contract or license is published should be included. If a contract or license is not published, legal and practical barriers should be documented and explained.

iii. Where disclosure practices diverge from requirements set out in legislation or government policy regarding the disclosure of contracts and licenses, an explanation for the divergence should be provided.

### Mining Area

The Mining Act provides, in number 4 of article 8, that mining contracts are made public in the Government Gazette, prior to the prior approval of the Administrative Court, within 30 days. Number

5 of the same article states that "Without prejudice to their publication in newspapers or internet sites, mining contracts, once approved, as well as any amendments thereto, shall be sent to the Assembly of the Republic for information".

In accordance with Article 26 of the Mining Law Regulations, INAMI is responsible for issuing a notice in the Government Gazette for the attribution, modification, transmission and extinction of mining titles within 30 (thirty) days from the date of the facts subject to publication. INAMI is also responsible for publishing in the Government Gazette the declaration, modification and extinction of the authorisation and designated mining password areas.

The government has so far concluded 14 mining contracts with the concessionaires, as listed below. These can be accessed through the INAMI's website <sup>22</sup> as follows:

#	Holder	Type of Concession	Description
1	Vale Moçambique	867C	Coal mining in Moatize (Tete)
2	Kenmare Moma Mining, Ltd.	735C	Heavy sands mining in Moma (Nampula)
3	Riversdale Moçambique, Lda	3365C	Coal mining in Moatize (Tete)
4	Rio Tinto Zambeze, Lda	4695C	Coal mining in Moatize (Tete)
5	Minas Moatize, Lda	1163C	Coal mining in Moatize (Tete)
6	Eta Star Moçambique, Lda	5814C	Coal mining in Moatize (Tete)
7	Minas de Revubòè, Lda	4064C	Coal mining in Moatize (Tete)
8	ENRC, Lda	6127C	Coal mining in Cahora Bassa and Chitima Tete
9	Consórcio Anhui Foreign Economic Construction (Grupo) Co.,Ltd, e Yunnan Xinli Nonferrous Metals Co., Ltd	7054C	Heavy sands export in Chibuto (Gaza)
10	Sol Mineração, Lda	5818C	Coal mining in Mutarara (Tete)
11	Twigg Exploration & Mining, Lda	6432C	Graphite exploration in Balama (Cabo Delgado)
12	Capital Resources, Lda	7055C	Exploration of iron, titanium vanadium and limestone in Zobué, Kazula and Moatize (Tete)
13	Highland African Mining Company, Lda	724C	Tantalite exploration in Upper Molocue (Zambezia)
14	JSPL, Lda	3605C	Coal mining in Moatize (Tete)

Table 14 - Mining contracts in force (Source: INAMI)

<sup>22</sup> <https://inami.gov.mz/index.php/projectos> - accessed on 26 August 2021

It should be noted that, the Vale Mozambique contract is not published due to the fact that it was concluded before the entry into force of the Mining Law no. 20/2014, of 14 August, which establishes in article 8(5) the mandatory disclosure of mining contracts.

The data on the other mining titles (Mining Certificates and Mining Concessions) are presented in Annexure 1, and the coordinates of the area of each mining title can be viewed on the Mining Registration Portal<sup>23</sup>.

From the comparison of the disclosure practices and the requirements established in the legislation in force in Mozambique, no divergence was found.

### Hydrocarbon Area

The publication of contracts concluded within the scope of petroleum operations is provided for by Law, specifically, in Article 28(2) of Law No. 20/2014 of 18 August (Petroleum Law), from which it follows that "without prejudice to safeguarding the confidentiality of the strategic and competitive commercial information of petroleum operations, the main concession contract concluded is subject to the inspection and visa of the entity legally competent for that purpose, as well as the publication of the main terms of the concession contract."

In fact, this publication and other relevant information of the sector is carried out by INP on its website<sup>24</sup>, as well as on the MIREME website<sup>25</sup>.

On these websites you can check additional information, such as:

- Active concession areas, their operators, State participation (direct and indirect) and the coordinates of these areas; and
- Sector legislation.

The concession contracts in force in 2020 are presented below:

#	Operators	Effective Date	Area	Type of Contract	Phase
1	SPT	26/10/2000	Jazigo de Pande e Temane	PPA	Production
2	SPM	01/09/2002	Bloco de Pande e Temane	PSA	Production
3	EEA/MRV	01/02/2007	Área 4 da Bacia do Rovuma	EPCC	Development

<sup>23</sup> <http://portals.flexicadastre.com/Mozambique> - accessed on 15 November 2021

<sup>24</sup> <http://www.inp.gov.mz/pt/Pesquisa-Producao/Areas-de-Pesquisa-e-Producao-Actuais> - accessed on 15 November 2021

<sup>25</sup> [https://www.mireme.gov.mz/index.php?option=com\\_phocadownload&view=category&id=8&Itemid=160](https://www.mireme.gov.mz/index.php?option=com_phocadownload&view=category&id=8&Itemid=160) - accessed on 15 November 2021

#	Operators	Effective Date	Area	Type of Contract	Phase
4	AMA 1/TEPMA1	01/02/2007	Área 1 da Bacia do Rovuma	EPCC	Development
5	Buzi Hydrocarbons	01/04/2019	Bloco de Buzi	EPCC	Research
6	ExxonMobil	01/12/2018	Área A5B Bacia de Moçambique	EPCC	Research
7	ExxonMobil	01/12/2018	Área Z5D Bacia de Moçambique	EPCC	Research
8	ExxonMobil	01/12/2018	Área Z5C Bacia de Moçambique	EPCC	Research
9	Sasol PetroMoz	01/01/2019	Área PT5-C da Bacia de Moçambique	EPCC	Research
10	ENI Mozambico	01/01/2019	Área A5A Bacia de Moçambique	EPCC	Research
<b>Gas Pipeline Contracts</b>					
11	ROMPCO	26/10/2000	Temane (Moç) a Secunda (RAS) 865 KM	PLA	Transport of gas
12	MGC	28/04/2004	Ressano Garcia to Matola	PLA	Transport of gas

Table 15 - Existing concession contracts in the hydrocarbon area (Source: INP)

No discrepancies were found between the disclosure practices and the requirements set out in the legislation in force in Mozambique.

## Other information

### Mining Area

Under number 1 of article 15 of the Mining Act, the reports, data or other information produced within the scope of prospecting and research, extraction or other related activities, are the property of the State. It is also extracted from the same article that it is the responsibility of the National Directorate of Geology and Mines to keep copies of reports, as well as all raw geological data collected including geochemical, geophysical, geochronological, aerial photographs, digital elevation model or other information produced within the scope of prospecting and research, mining extraction or other related activity. This Article also provides that:

- Data on the custody of the National Directorate of Geology and Mines resulting from prospecting and research activities, mining or other related activities under a mining title may only be disclosed 90 days after the date of extinction of the mining title;
- Reports, geological maps, geophysical, geochemical and other data collected by means of geological research carried out by a State entity shall be provided to interested parties upon payment of administrative fees;
- Geological samples, including borehole evidence, extracted within the scope of prospecting and research activities shall be deposited at the National Geological Samples Warehouse and

may be disclosed with the technical consent of the holder or 90 days after the date of extinction of the mining title;

- The National Geological Samples Warehouse may, at the request of the holder of the mining title and upon payment of a fee set by the National Directorate of Geology and Mining, store samples taken under the respective license during the duration of the mining title holder's prospecting and exploration license.

## Kimberley Process

The Kimberley Process (KP) is a diamond certification of origin scheme designed to prevent the buying and selling of blood diamonds, i.e. diamonds originating from areas of conflict, civil wars and human rights abuses. It was created in 2003 with the aim of preventing the financing of arms in African countries at civil war.

In 2000, several countries accepted the Kimberley Process, committing themselves to purchase only certified rough diamonds (with provenance confirmed by an official certificate) and to refuse imports from conflict areas. It was an important attempt to break the link between the stimulation of civil wars and the commercialization of valuable natural resources.

Under the terms of the KPCS (Kimberley Process Certification Scheme), participants must:

1. Meet "minimum requirements" and establish national legislation, institutions and import/export controls for diamonds and other minerals;
2. Commit to transparent practices and the exchange of critical statistical data;
3. Trade only with other members who also meet the fundamentals of the Kimberley Process;
4. Certify traded ores as conflict free and provide the certification.

With a view to joining this initiative, Mozambique created in 2015, through Decree No. 26/2015, of 20 November, subsequently updated by Decree No. 64/2021, of 1 September, the Kimberley Process, Precious Metals and Gems Management Unit, abbreviated to UGPK. This body is responsible for everything related to the implementation of the Kimberley Process, namely managing the technical and administrative procedures of tracking, security and internal control of rough diamonds, within the scope of the Kimberley Process and the commercialization of precious metals and gems.

In effect, the competencies of the UGPK are the following:

1. To provide technical advice on the Kimberley Process

2. guarantee the legitimacy of the traceability of the production, import, export and transit of rough diamonds, precious metals and gems;
3. to guarantee the implementation and compliance with the rules governing the Kimberley Process and the Kimberley Process Certification Scheme
4. to coordinate the operation of the Kimberley Process Certification Scheme and the trade of precious metals and gems in Brazil
5. to cooperate in defining and overseeing the implementation of methods of certification, tracking of rough diamonds, precious metals and gems, as well as prevention and combat of illicit trafficking
6. to ensure the development and propose for senior approval the Kimberley Process Certificate Models for precious metals and gems
7. to issue the Kimberley Process Certificate for rough diamonds and the Certificate of Origin for precious metals and gems
8. propose the staffing of the Kimberley Process, Precious Metals and Gemstones Management Unit
9. provide technical advice to the National Council for the Kimberley Process, Precious Metals and Gemstones.

In 2016, the country was assessed by the Kimberley Process Participation and Presidency Committee, having received a set of recommendations to be admitted as a member and consequently begin trading diamonds.

In 2021, the Kimberley Process Participation and Presidency Committee admitted Mozambique to the business of this type of gemstone. This fact allows the country to ensure the traceability of the production, transportation and commercialization of diamonds, precious metals and gems, as well as the issuance of Kimberley Process Certificates (attesting to the origin) by diamond producing countries and precious metals and gems, in order to prevent the introduction of conflict diamonds into the international market and also to prevent them from being destined to non-member countries of the Kimberley Process.

### **Hydrocarbon Area**

Pursuant to number 1 of article 6 the Petroleum Operations Regulation, data acquired under a reconnaissance concession shall be kept confidential for the duration of the respective concession contract, from its effective date.



It also follows from paragraph 3 of the same article that data acquired under the exploration and production concession contract must be kept confidential for a period of 5 years from the date of its acquisition or until the area of the concession contract is relinquished or the rights over the area are revoked or the concession contract terminates.

However, confidentiality does not apply to:

- a) The use of such information between the Minister overseeing the petroleum areas and another state entity, or between state entities when in communication, in the fulfilment of their obligations imposed by the Laws of the Republic of Mozambique;
- b) If it is in connection with any judicial or arbitration proceedings;
- c) If associated with the determination of the concessionaire's obligations and liabilities in respect of payments due to the State.

### 3.5 Beneficial Owners (Requirement 2.5)

- a) It is recommended that implementing countries maintain a publicly available register of the beneficial owner(s) of the corporate entity(ies) applying for or having an interest in an oil, gas or mineral resources exploration or production license or contract, including the identity(ies) of their beneficial owner(s), the degree of ownership and details of how ownership or control is exercised. Where possible, beneficial ownership information should be incorporated into existing company reports and filings filed with corporate regulators, stock exchanges or extractive industry licensing bodies. If this information is already publicly available, the EITI Report should include guidance on how to access it.
- b) Implementing countries are required to document government policy and Coordination Committee discussion on the disclosure of beneficial ownership. This should include information on relevant legal provisions, effective disclosure practices and any planned or ongoing reforms related to the disclosure of beneficial ownership.
- c) From 1 January 2020, implementing countries are required to request, and companies to disclose, beneficial ownership information. This applies to corporate entity(ies) applying for or having an interest in a license or contract for the exploration or production of oil, gas or mineral resources and must include the identity(ies) of their beneficial owner(s), the degree of ownership and details of how ownership or control is exercised. Any gaps or deficiencies in the submission of beneficial ownership information should be disclosed, which includes the name of the entities that have not submitted all or part of the beneficial ownership information. If a country is facing significant constitutional or practical obstacles to implementing this requirement by 1 January 2020, it may request tailored implementation under Article 1 of the EITI Board's procedures for oversight of EITI implementation.
- d) Information on the identity of the beneficial owner should include the name of the beneficial owner, his or her nationality and country of residence, as well as the identification of any politically exposed persons. It is also recommended to disclose their national identification number, date of birth, home or business address and means of contact.
- e) The Coordination Committee should assess any existing mechanisms aimed at ensuring the reliability of the beneficial ownership information and agree on an approach for corporate entities falling within the scope of provision 2.5c) to ensure the accuracy of the beneficial ownership information made available by them. This could include requiring companies to attest the accuracy of the beneficial ownership declaration form through the signature of a member of senior management or legal counsel, or to provide supporting documentation.
- f) Definition of beneficial owners:

- i. A beneficial owner of a corporation refers to one or more natural persons who ultimately directly or indirectly own or control the corporate entity.
- ii. The Coordination Committee should agree an appropriate definition of the term "beneficial owner". The definition should be in line with the point above and take into account relevant international standards and national laws, and include ownership threshold(s). The definition should also specify reporting obligations for politically exposed persons.
- iii. Require listed companies, including wholly-owned subsidiaries, to disclose the name of the stock exchange and include a reference to the registers of the exchange on which they are listed to facilitate public access to information on their beneficial ownership.
- iv. In the case of joint ventures, each entity must disclose its beneficial owner(s), unless it is a listed company or a wholly-owned subsidiary of a listed company. Each entity is responsible for the accuracy of the information provided.

g) Implementing countries and the Coordination Committee should also address disclosure of legal owners and participation in ownership.

As stated in paragraph b) of this requirement, implementing countries are required to first verify the government policy on the disclosure of beneficial ownership. This check confirms whether or not there is any impediment to the disclosure of beneficial ownership within the country's legislative framework.

In this sense, it is necessary to clarify that in Mozambique there is no specific law regulating the matter relating to beneficial owners. However, in accordance with Article 246 of the Commercial Code, acts relating to the company, including the memorandum of association, are subject to registration and publication in the Bulletin of the Republic, through a simplified extract, and any interested party may obtain a copy of the memorandum of association from the Registrar of Legal Entities or the company, as provided in number 2 of Article 247.

As established in number 4 of Article 247 of the Commercial Code, the simplified extract mentioned above must contain the following elements:

- i. date of registration;
- ii. single legal entity number;
- iii. date of incorporation;
- iv. business name;
- v. registered office;

- vi. share capital;
- vii. form of distribution of share capital among shareholders, identifying the latter and their unique tax identification numbers;
- viii. form of administration and the way in which the company is bound;
- ix. identification of the members of the administration.

However, this obligation was introduced in 2018, by means of Decree-Law no. 1/2018, of 4 May, which amends the Commercial Code, and therefore, this rule is only applicable to companies that were incorporated after this regulation came into force.

It should be noted that mining and petroleum activities are carried out by natural or legal persons incorporated under commercial form. Thus, the Mozambican Commercial Code provides for 5 types of commercial companies: (i) general partnership, (ii) capital and industry company, (iii) limited partnership, (iv) joint stock company, and (v) private limited company. The table below presents the classification of the corporate type of the companies selected for the reconciliation process:

Accordingly, we conclude that in Mozambique it is only compulsory to disclose the legal beneficiaries, and the information is publicly available at any Registry of Legal Entities in the country, by simply requesting the company's commercial certificate, with the exception of public limited companies, where information can only be found on the company directors.

It is important to mention that legal beneficiaries are those individuals who appear as partners or owners in the companies' registration documents and who legally exercise control over the company, as opposed to beneficial owners who are those individuals who ultimately own or control the company, even if they do not appear legally in the registration documents.

For the purposes of this report, the selected companies were requested to complete the International Secretariat's basic beneficial ownership form<sup>26</sup>. In addition, commercial certificates were requested from the Directorate of Registration and Notary Affairs. The information disclosed on these forms has been summarised in Annexure 2 - Beneficiaries.

In addition, the EITI Standard requires listed companies, including wholly-owned subsidiaries, to disclose the name of the stock exchange and include a reference to the registers of the stock exchange on which they are listed in order to facilitate public access to information on their beneficial ownership.

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<sup>26</sup> <https://eiti.org/guidance-notes/beneficial-ownership-model-declaration-form> - accessed on 26 August 2022

In this regard, for the hydrocarbons sector, the INP discloses this information on its website<sup>27</sup>, which is also disclosed in Annexure 2.

### 3.6 State participation in the extractive industry (Requirement 2.6)




- a) Where state participation in the extractive industries results in significant revenue payments, implementing countries should disclose:
- i. An explanation of the role of state-owned enterprises (SOEs) in the sector and the prevailing rules and practices regarding the financial relationship between the Government and SOEs, i.e. the rules and practices governing transfers of financial resources between the Government and SOEs, retained earnings, reinvestments and third-party financing. This should include disclosure of transfers, retained earnings, reinvestments and third party financing related to SOE subsidiaries and joint ventures. For the purposes of EITI implementation, SOEs are wholly or majority government-controlled companies that engage in extractive activities on behalf of the government. Based on this definition, the Coordination Committee is encouraged to discuss and document its definition of SOEs taking into account national laws and government structures.
  - ii. Information disclosed by the Government and SOEs on the extent of their ownership interest in mining, oil and gas companies, including those whose owners are subsidiaries and joint ventures of SOEs, as well as any changes in the extent of ownership interest during the reporting period. This information should include details on the conditions of its participation, including its level of responsibility for the payment of expenses at various stages of the project cycle (e.g. paid-in, free participation or silent participation). If there have been changes in the level of Government and SOE ownership during the EITI reporting period, the Government and SOEs must disclose the terms of the transaction, including details on valuation and revenues. If the Government and SOEs have provided loans or loan guarantees to mining, oil and gas companies operating in the country, details of these transactions should be disclosed, including the repayment term and conditions of the loans (i.e. repayment schedule and interest rate). The Coordination Committee may consider comparing the terms of the loans with those of commercial loans.

<sup>27</sup> <http://www.inp.gov.mz/index.php/pt/Descricao-de-Concessoes/Areas-de-Concessao-Activas> - accessed on 15 November 2021

- b) SOEs are expected to publicly disclose their audited financial statements or, if not available, key financial results (i.e. balance sheet, income statement, cash flow).
- c) Implementing countries are encouraged to describe the rules and practices related to operating and capital expenditures of SOEs, their procurement, subcontracting and corporate governance (e.g. composition and appointment of the board of directors, board mandate and code of conduct).

On this requirement it is important to mention that the CC of Mozambique, with the support of the EITI International Secretariat, has contracted a specific study with the objective to collect and analyze the data concerning the state participation in the extractive industry and the role of the State Corporate Sector, under the context of the requirements of EITI Standard 2.6, 4.2, 4.5 and 6.2. This is available on the EITI Mozambique website<sup>28</sup>. The following is the information that it was possible to collect and systematize within the scope of this report.

The Mozambican State verifies its participation in the extractive industry through its institutions and companies, which act as regulators of the industry, on the one hand, and operators of mining and oil activities, on the other. The following table shows the main national entities involved in the extractive industry:

#	Entity	Area	Function
1		General	IGEPE was incorporated in December 2001, by government decree, with the main objective of managing the State's financial holdings, acquired through the restructuring process of the State's business sector. It has the strategic function of coordinating and controlling the State's shareholdings in the corporate sector under the terms of the specific Law and Regulation.
2		Mining Sector	It is the mining regulatory body responsible for guidelines for the participation of the public and private sector in the exploration, Exploration, processing, export and import of mining products and their derivatives. It was created by Law 20/2014, of 18 August (Mining Law), as a legal person under public law with legal personality, administrative and financial autonomy, and is supervised by the Ministry which oversees the area of Mineral Resources.
3			EMEM is the commercial representative in the mining sector, with the objective of carrying out geological mining exploration, production and marketing of mineral products, marketing of raw material of mining utility, advice, consultancy and technical assistance in the mining area, carrying out prospecting and

<sup>28</sup><https://itie.org.mz/index.php/download/eiti-final-report-soe-study-revisions-2/?wpdmdl=3217&refresh=62f9e99ac298f1660545434> – accessed on 15 de November 2021



#	Entity	Area	Function
			<p>research of mineral resources, development of mining projects in partnership with other national or foreign companies.</p> <p>However, this company was dissolved in 2021 through Decree No. 31/2021 of 31 May.</p>
4		Hydrocarbon sector	<p>INP was incorporated in 2004, through Decree No. 25/2004 of 20 August 2004, as the regulatory body for the management of hydrocarbon reserves in the country. This institution is responsible for licensing the blocks and concession areas, as well as supervising the contractual obligations of companies in exploration and production activities. INP is also responsible for advising the Government of Mozambique on any updates to current laws and regulations deemed necessary.</p>
5			<p>ENH was created by Law no. 3/81, of 3 October, as a State Company and was transformed into a Public Company by Decree no. 39/97, of 12 December, with the role of the business arm of the Mozambican State in the oil and gas sector, thus becoming ENH in the equivalent, in the Mozambican context, of those known as NOC (National Oil Companies). ENH's main activity is upstream, focusing its activities on the research, development and production of Hydrocarbons.</p>

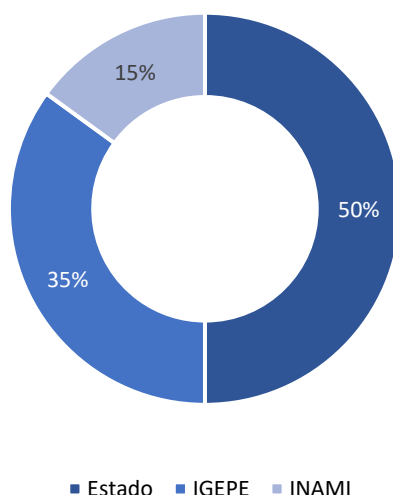
Table 16 - State Entities in the Extractive Industry

## Mining Area

EMEM was created in 2010 to represent the State's commercial interests in the mining sector. The company acts as an economic policy instrument in the sector and aims to promote greater inclusion of local content, as well as developing initiatives for local processing of these resources.

During 2020 EMEM did not make any payment of dividends to the State. In fact, this company was dissolved in 2021, through Decree no. 31/2021, of 31 May, whereby it is stated that the State shareholdings managed by EMEM will be transferred in their entirety to the management of IGEPE. It should be noted that the Decree in question does not mention the reasons for dissolving this company. However, within the scope of this report, IGEPE clarified that, on the one hand, taking into consideration the company's corporate purpose, it is not considered strategic or structuring to maintain it as a business sector company of the State and, on the other hand, EMEM limited itself to managing the State's financial participations, accumulating losses and becoming inoperative due to the high level of debt and investments in non-viable projects.

The participation in EMEM's share capital was distributed as follows in 2020:



Graph 1 - Corporate structure of EMEM

According to IGEPE, EMEM's liquidation process is in progress and includes, among others, the following:

- a. Registration of the dissolution at the Registrar of Legal Entities, which has already been carried out;
- b. The closing and approval of accounts of the outgoing executive (1010 to May 2021) - the accounts are in the process of being audited for subsequent validation by the General Meeting of Shareholders;
- c. The settlement of labour liabilities - the contracts with all the company's employees have been terminated, outstanding salaries and compensation payments have been settled;
- d. Call on creditors to confer credits;
- e. Launch of a public tender for the sale of company assets.

Data released in the last EITI report<sup>29</sup> indicate that EMEM had shareholdings in the following companies:

#	Company's Name	Shares	License	Mineral exploited	Shares Status
<b>Effective participation</b>					
1	Vale Moçambique, S.A.	5%	867C	Coal	Regularised
2	Dingsheng Minerais, S.A.	10%	7054C	Heavy Sands	Regularised
3	Twigg Exploration and Mining, Lda.	5%	6432C	Grafite	Regularised
4	GK Ancuabe Graphite Mine, S.A.	10%	4C	Grafite	Regularised
5	Mozacimentos, Lda	25%	6497L	Cement	Regularised
6	Marsar Dimensional Stones, S.A.	49%	7625C	Marble	Regularised
7	GEPMOZ, S.A.	51%		Gems Marketing	Regularised

<sup>29</sup><http://itie.org.mz/index.php/download/nono-relatorio-itie/?wpdmdl=3092&refresh=618bf2fbe0e1e1636561659> – accessed on 15 November 2021



#	Company's Name	Shares	License	Mineral exploited	Shares Status
8	EMEM Logística e Serviços Mineiros, S.A.	100%		Mining Logistics	Regularised
9	EMGEMAS, S.A.	51%	6262L e 6263L	Gems	Regularised
10	INTERGEMAS	50%		Gems Marketing	Regularised
11	ECGMPPM	40%		Gems Marketing	Regularised
12	ICVL Zambeze, Limitada	5%	4695C	Coal	Outstanding
13	Eta Star Moçambique, Limitada	10%	5814C	Coal	Outstanding
14	ENRC Moçambique, Limitada	5%	6127C	Coal	Outstanding
15	Sol Mineração, Limitada	5%	5818C	Coal	Outstanding
16	Kingho Investment Co., Lda.	10%	6998C	Coal	Outstanding
17	Midwest Africa, Limitada	5%	5086C	Coal	Outstanding
18	Capitol Resources, Limitada	5%	7055C	Iron	Outstanding
<b>Ventures to be negotiated</b>					
1	Minas Revubóé, Limitada	10%	4064C	Coal	To Trade at Market Price
2	JSPL Mozambique Minerais, Limitada	10%	3605C	Coal	To Trade at Market Price

Table 17 - Projects involving EMEM (Source: 9th EITI Report)

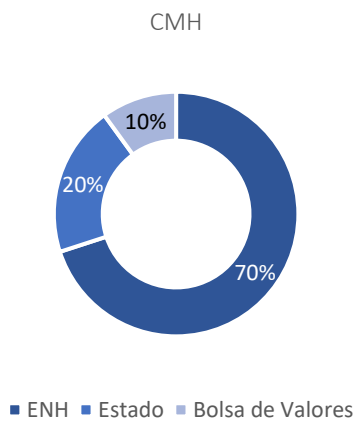
## Hydrocarbon Area

In the hydrocarbon sector, the Mozambican State is commercially represented by ENH - Empresa Nacional de Hidrocarbonetos, a legal company under public law, with legal personality, administrative, financial and patrimonial autonomy, responsible for the research, prospecting, production, development and marketing of petroleum products and their derivatives, including the import, reception, storage, handling, transit, export, processing and refining of these products.

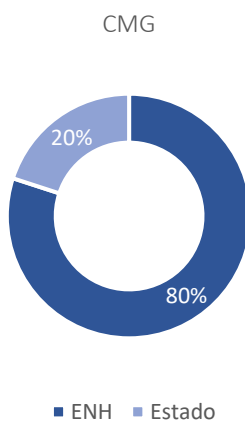
This institution was incorporated in 1981, and has recently established itself as a business group involved in all stages of oil operations and activities of research, exploration, development, production, marketing, as well as transportation, storage and sale of hydrocarbons and their derivatives (including LNG and GTL) at home and abroad.

In order to allow greater commercial and operational flexibility of the company, given the intensification of hydrocarbon exploration activity in Mozambique, subsidiaries and affiliates of ENH have been created which represent its commercial interests, consequently also representing the interests of the State. Thus, a structure has been adopted in which ENH presents itself as the main company, which in turn has created several subsidiaries such as CMH and CMG which are public limited companies (SA), allowing this structure that responsibilities are clearly defined, with SA having greater financial and operational flexibility to be listed on the Stock Exchange.

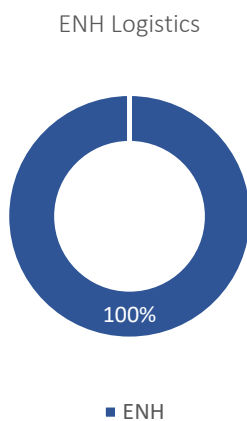
## Subsidiaries and affiliates of ENH



Graph 2 - Corporate structure of CMH



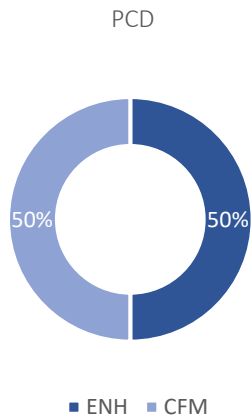
Graph 3 - Corporate structure of CMG



Graph 4 - Corporate structure of ENH Logistics

- 1. Companhia Moçambicana de Hidrocarbonetos:** was incorporated in 2000 with a view to improving oil operation development and coordination activities in the Pande and Temane natural gas field. It is the representative of ENH in upstream gas activities. It owns 25% of Pande and Temane's activity, extending to the participating capital, costs incurred, and revenues received. Its financial statements can be accessed through the following link: [www.cmh.co.mz](http://www.cmh.co.mz).
- 2. Companhia Moçambicana do Gasoduto:** incorporated in 2002 to provide natural gas transportation services over a pipeline and to develop related or subsidiary activities of its core business as well as the provision of related services. It has a 25% stake in ROMPCO, which is the only cross-border pipeline from Temane (Mozambique) to Secunda (South Africa). CMG is the State's vehicle to ensure Mozambican participation in the intermediate operations of the Pande-Temane project.
- 3. ENH Logistics, SA:** its main activity is the provision of transport services for natural gas and other hydrocarbons and the provision of infrastructure to support the hydrocarbon sector in Mozambique, enabling the exploitation of distribution and marketing services for piped gas, and it may also explore other natural and manufactured gas, including compressed or liquefied gas for commercial, industrial, residential or any other purposes. Its financial statements can be accessed through the following link: [www.enhlogistics.co.mz](http://www.enhlogistics.co.mz).

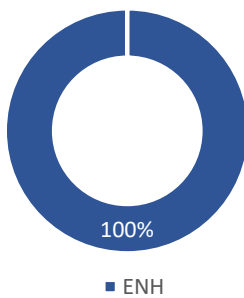
4.



Graph 5 - Corporate structure of PCD

4. **Portos de Cabo Delgado:** a partnership between the Ports and Railways of Mozambique (CFM) and ENH, with 50% each, was created to be responsible for developing and implementing infrastructure to support oil operations, including design, construction, operations and management of specialised port terminals assigned in Pemba and Palma. According to ENH, the financial statements can be accessed through the following link: [www.pcd.co.mz](http://www.pcd.co.mz). However, when the Independent Trustee accessed it, the website was at its creation phase.

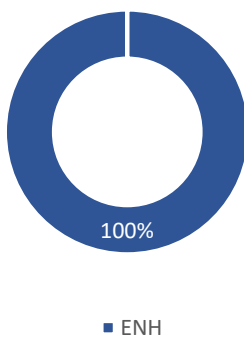
ENH Rovuma Área Um, S.A.



Graph 6 – Corporate Structure of ENH Rovuma Área Um, S.A.

5. **ENH Rovuma Área Um, S.A.:** incorporated in 2017, is responsible for holding and managing the 15% participatory interest in the Area One research and production Concessionaire in the Rovuma Basin, including the development of the different projects and activities inherent in or complementary to the holding and management of the same.

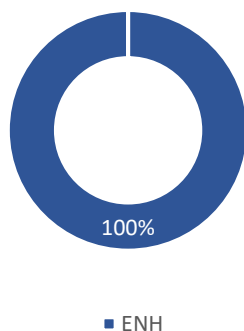
ENH FLNG Um, S.A.



Graph 7 – Corporate Structure of ENH FLNG Um, S.A.

6. **ENH FLNG Um, S.A.:** incorporated in 2017, is responsible for representing ENH's interests in the South Coral Reservoir natural gas liquefaction project in Area 4 of the Rovuma Basin natural gas project. He has a stake in the Coral Reservoir natural gas project in Area Four of the Rovuma Basin, including the execution of financing, construction, operation, maintenance, procurement, liquefaction and discharge of natural gas and condensate.

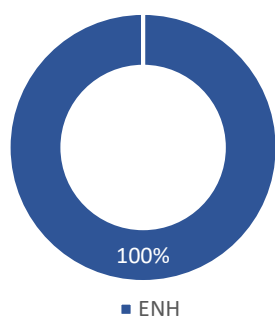
ENH Rovuma - Área Quatro



Graph 8 - Corporate structure of ENH Rovuma Área Quatro

7. **ENH Rovuma Área Quatro, S.A.:** is responsible for holding and managing the 10 % participatory interest in the Area Four Research and Production Concessionaire of the Rovuma Basin, including the development of the different projects and activities inherent in or complementary to the holding and management of the same.

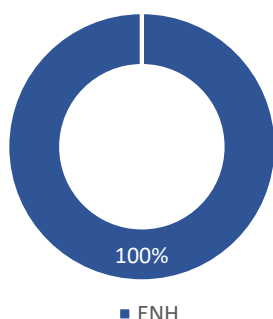
ENH Mamba



Graph 9 - Corporate structure of ENH Mamba, S.A.

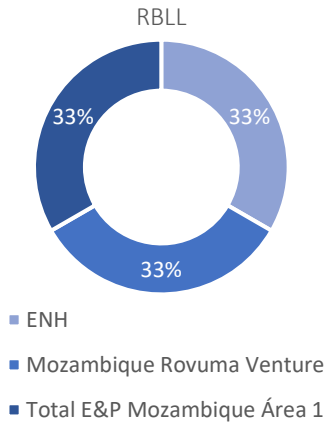
8. **ENH Mamba, S.A.:** holds an interest in the Mamba reservoir natural gas venture in Area Four of the Rovuma Basin, including the execution of financing, construction, commissioning, operation, maintenance, procurement, processing, liquefaction and discharge of natural gas and condensate.

ENH Inhassoro



Graph 10 – Corporate Structure of ENH Inhassoro, S.A.

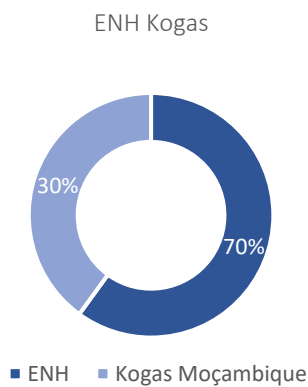
9. **ENH Inhassoro, S.A.:** 100% held by ENH, participates in the natural gas undertaking of the Pande and Temane reservoir, under the Production Sharing Agreement, including the execution of financing activities, construction, commissioning, operation, maintenance, procurement, processing and transport of natural gas and condensate.



Graph 11 - Corporate structure of Rovuma Basin LNG

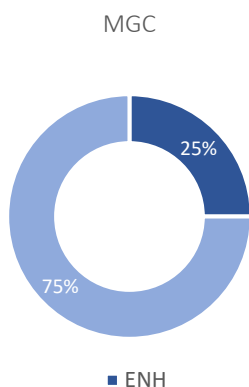
**10. Rovuma Basin LNG Land, Lda:** is the entity that holds the right to use and benefit from land for the development of a liquefied natural gas (LNG) project in Cabo Afungi, Cabo Delgado. It is owned by ENH, MRV and Total.

Land, Lda,



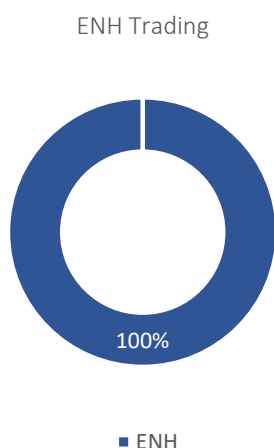
Graph 12 – Corporate Structure of ENH-Kogás

**11. ENH-Kogás:** represents a consortium with Kogás, whose purpose is the construction, installation, operation and maintenance of pipeline systems, as well as the purchase, storage, transport, distribution and sale of natural gas.



Graph 13 – Corporate Structure of MGC

**13. Matola Gás Company (MGC):** has as its main activity the provision of natural gas transport and distribution services through pipelines, as well as the development of projects and activities that complement the main object of its activity. It is one of the recipients of gas paid in cash by SPT. 4



Graph 14 – Corporate Structure ENH Trading, S.A.

**14. ENH Trading S.A:** has as its main activity the operation of distribution and marketing services of piped gas and may also explore other forms of distribution of natural and manufactured gas including compressed or liquefied gas for commercial, industrial, residential or any other purposes and uses made possible by technological advances, and may also develop other related activities.

The table below shows the participation of ENH and its subsidiaries in ongoing projects:

#	Concession	Area	Shares		Status
1	Bloco de Angoche A5-A	Offshore - Bacia de Moçambique	ENH	15%	Research Phase
2	Bloco de Angoche A5-B	Offshore - Bacia de Moçambique	ENH	15%	Research Phase
3	Blocos de Zambezi Z5-C	Offshore - Bacia de Moçambique	ENH	20%	Research Phase
4	Blocos de Zambezi Z5-D	Offshore - Bacia de Moçambique	ENH	20%	Research Phase
5	Área PT5-C	Onshore - Bacia de Moçambique	ENH	30%	Research Phase
6	Bloco de Mazenga	Onshore - Bacia de Moçambique	ENH	100%	Research Phase
7	Bloco de Búzi	Onshore - Bacia de Moçambique	ENH	25%	Research Phase
8	Blocos 16 & 19	Offshore - Bacia de Moçambique	ENH	15%	Participation in the Project under evaluation
9	Bloco MZ 09	Onshore - Bacia de Moçambique	Acordo de Estudo e aplicação conjunta	-	Participation in the Project under evaluation
10	Area 1	Offshore - Bacia do Rovuma	Afiliada da ENH (ENHRA 1)	15%	Mozambique LNG 1 Project (Golfinho-Atum field) under development - Project interrupted due to force majeure issues
11	Area 3 & 6	Offshore - Bacia do Rovuma	ENH	30%	Abandonment by the operator
12	Area 4	Offshore - Bacia do Rovuma	Afiliada da ENH (ENHRA 4)	10%	Coral Sul FLNG Project under development and Rovuma LNG Project in pre-development phase
13	PPA	Onshore - Bacia de Moçambique	Afiliada da ENH, CMH	25%	Production Phase of Pande and Temane fields
14	PSA	Onshore - Bacia de Moçambique	Como entidade contratante		Pre-development phase
15	Coral FLNG	Offshore - Bacia do Rovuma	Coral FLNG	10%	Construction phase of floating platform

Contrato de gasoduto

#	Concession	Area	Shares		Status
16	MGC	Ressano Garcia to Matola	ENH	30%	Transport of Gas

Table 18 - ENH Concessions/Project: Participation and Status

From the above companies, the following have been selected for the reconciliation process:

- ✓ Empresa Nacional de Hidrocarbonetos (ENH);
- ✓ Companhia Moçambicana de Gasoduto (CMG);
- ✓ Companhia Moçambicana de Hidrocarbonetos (CMH); and
- ✓ Matola Gas Company (MGC).

### 3.6.1.1 Financial relations with the State

According to the 2020 REO, article 10 of Law no. 3 /2020 of 22 April, authorised the Government to issue Guarantees and Endorsements in the amount of MZN 33,500 million, however, no Guarantee or Endorsement was issued during that year. Nevertheless, it is important to remember that the Government approved by Decree-Law 102/2019 of 31 December, the issuance of the sovereign guarantee that aims to cover the debt service during the construction phase of the Mozambique LNG project (Golfinho-Atum Field) valued at USD 2.25 billion.

On the other hand, in 2020, ENH declared having paid dividends to the State in the total amount of MZN 516.7 million, relating to the fiscal year 2018/2019 (MZN 206.6 million) and 2019/2020 (MZN 310.3 million).



**4 EXPLORATION & PRODUCTION  
(REQUIREMENT 3)**





## 4 Exploration and Production (Requirement 3)

**Overview:** EITI requires disclosure of information related to exploration and production to enable stakeholders to understand the potential of the sector. EITI requirements related to transparency in exploration and production activities include: (3.1) information on exploration activities; (3.2) production data; and (3.3) export data.

### 4.1 Exploration (Requirement 3.1)

Implementing countries should disclose an overview of the extractive industries, including any significant exploration activities.

#### Mining Area

Mining in Mozambique began in the pre-colonial period when the country was a territory reserved for the exploitation of natural resources. At the beginning of the second millennium several Industrial Free Zones and Special Economic Zones were created in the country, in particular the Moma Industrial Free Zone, where the Kenmare Moma Heavy Sands Project is operating; and the Moatize Industrial Free Zone, where the megaprojects for mining coal were installed (Companhia do Vale do Rio Doce, now known as Vale Moçambique, and Riversdale Mining, now known as Riversdale Moçambique, then Rio Tinto and now ICVL). These megaprojects have significant impacts on the economy, the environment, culture and the social field in the implementation areas and in the country in general.

Among the mineral resources existing in the country, coal, gold, copper, iron, bauxite, heavy sands, precious stones and graphite stand out. However, the country is endowed with several other minerals distributed throughout the country, as indicated in Annexure 3 - Occurrence of minerals in Mozambique.

The highlight in the mining area in Mozambique goes to coal, where MIREME estimates that the country holds reserves of this resource estimated at 38.4 billion tonnes, most of which are located in Tete province.

According to MIREME data, coal production in 2020 was around 8 million tonnes, equivalent to about MZN 68.8 billion.

## Hydrocarbon Area

The hydrocarbon resources in the country are distributed along the main sedimentary basins being for natural gas about 180 TCF in situ of which 174 TCF in Mozambique Basin and 6 TCF in Mozambique Basin. Regarding condensate, based on the existing gas resources, the average estimate is about 670 MMbbl in the two sedimentary Basins, of which 661 MMbbl in the Rovuma Basin and 9 MMbbl in the Mozambique Basin. Regarding the Light Oil resource, the average estimate is about 165 MMbbl in situ in the Mozambique Basin.

These basins result from the fragmentation of southwestern Gondwana in the Mesozoic and the opening of the Mozambique channel, which is associated with the southward movement of Madagascar.

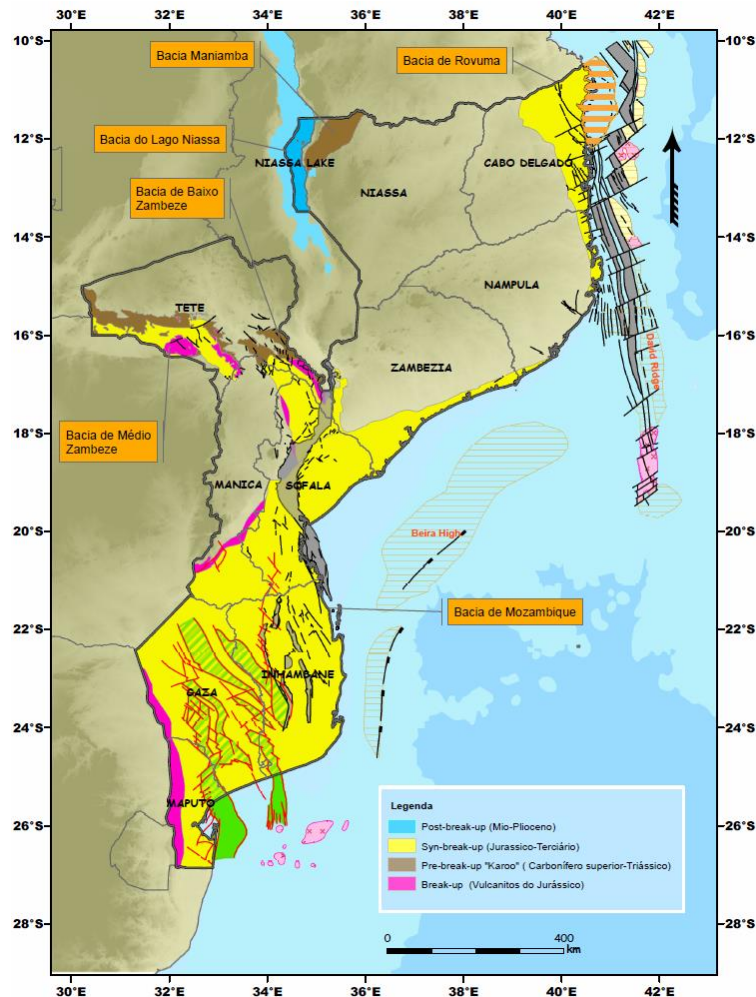


Figure 7 - Sedimentary Basins of Mozambique and their respective predominant geological structures (Source: INP)

The Mozambique Sedimentary Basin occupies a large area of coastal plain and continental shelf to the south of Mozambique and covers an area of approximately 500.000 km<sup>2</sup> of which 275.000 km<sup>2</sup> on land

and 225.000 km<sup>2</sup> at sea up to the bathymetric line 2.000 m. In terms of sedimentary fills this basin comprises continental, marine and deltaic sediments of Cretaceous and Cenozoic age which are underlain by Karro basalts. The sediment thickness increases in E-NE direction reaching 10-12 km in the Zambezi Delta depression.

The Rovuma Sedimentary Basin is located at the southern end of the extensive East African Passive Margin System, which comprises coastal plains of Somalia, Kenya, Tanzania and northern Mozambique. The proportion of the Rovuma Basin in Mozambique covers an area of approximately 29,500 km<sup>2</sup> at sea. The sedimentary fill is composed of Triassic, Jurassic, Cretaceous and Cenozoic marine and deltaic formations whose thickness reaches about 8-10 km.

#### Natural gas and oil fields or discoveries in the Mozambique Basin <sup>30</sup>

The Mozambique Basin is located in the southern and central part of Mozambique and is where the first discovery of natural gas was made in the current Temane field via the Temane 1 well in 1956, followed by the Pande field via the Pande 1 well in 1961.

In these fields, the reservoirs are sandstones interspersed with clays and the main reservoirs are of the Lower Grudja formation (G6, G6A, G7, G8, G9, G10, G11, G11A, G12 and G12A) in the Upper Cretaceous (Mastrichtian to Campanian). These areas or fields are operated by Sasol producing natural gas in this Basin in about 6 Tscf in situ and 4 Tscf recoverable.

Also in the Mozambique Basin, light oil was discovered in 2003 in the Inhassoro field through the Inhassoro 6 well in the Grudja G6 formation (oil ring) and Inhassoro-4 well in the G10 formation. Other deposits in the Temane area have recorded light oil occurrence (Temane Deep). The total volume of light oil is estimated to be around 165MMbbl in situ and 11 MMbbl recoverable.

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<sup>30</sup> <http://www.inp.gov.mz/pt/Pesquisa-Producao/Descobertas-na-Bacia-de-Mocambique/Bacia-de-Mocambique-Quatro-campos-com-os-maiores-volumes-de-gas-no-local> - accessed on 15 November 2021

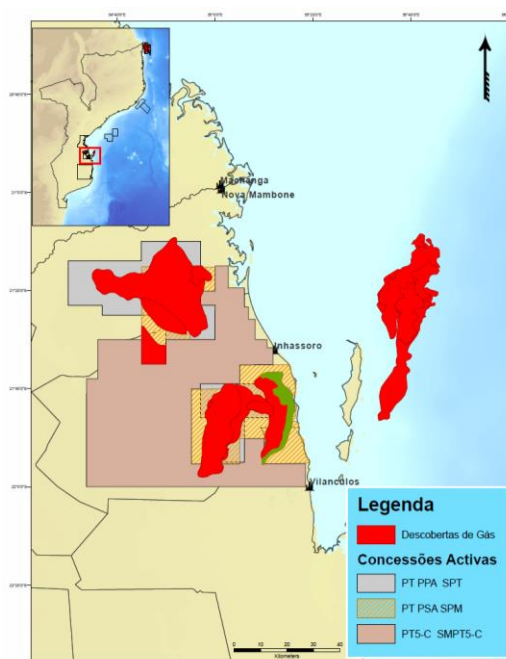


Figure 8 – Discoveries in the Mozambique Basin (Source: INP)

### Natural gas and oil fields or discoveries in the Rovuma Basin <sup>31</sup>

The Rovuma Basin is located in the northern region of Mozambique and was the target of hydrocarbon exploration in the mid 1980s. However, it was in 2010 that a major natural gas discovery was made through the Windjammer-1 well in Area 1 and subsequently in Area 4, adjacent to Area 1.

The main reservoirs encountered are Miocene, Oligocene, Eocene, Cretaceous and Paleocene sandstones. The volume of gas initially in situ is estimated to be about 174 Tscf of which about 126 Tscf is recoverable.

<sup>31</sup> <http://www.inp.gov.mz/pt/Pesquisa-Producao/Descobertas-na-Bacia-do-Rovuma> - accessed on 15 November 2021

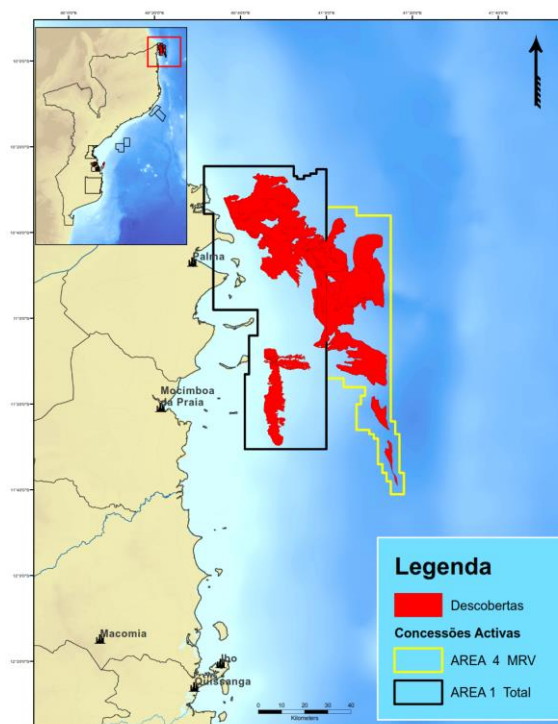


Figure 9 – Discoveries in the Rovuma Basin (Source: INP)

#### 4.2 Production (Requirement 3.2)<sup>32</sup>

Implementing countries should disclose production data in a timely manner, including total production volumes and value per commodity. This data could be disaggregated by region, company or project and include sources and the methods for calculating production volumes and values.

According to MIREME data, the volumes and values of mineral and hydrocarbon production for 2020 are as shown below. The ordering of the data is in accordance with the classification of this institution. Additionally, detailed information on production by license code and company can be found in Annexure 4 - Production data.

Products	U.M.	Price (MZN)	Quantities	Amount in MZN
<b>Metallic Minerals</b>				
Gold	Kg	1.200.000,0	487,9	585.480.000,0
Tantalite	Kg	686,3	209.040,6	143.456.202,2
Ilmenite	Ton	9.317,0	1.608.011,0	14.981.838.487,0
Zircon	Ton	57.750,0	104.076,4	6.010.412.100,0
Rutile	Ton	43.890,0	5.958,0	261.496.620,0
<b>Sub-total (1)</b>				<b>21.982.683.409,2</b>
<b>Non-Metallic Minerals</b>				
Beryl	Ton	12.660,0	79,7	1.008.622,2

<sup>32</sup> Production data for the main minerals and hydrocarbons are available in the statistical yearbook published by INE: <http://www.ine.gov.mz/estatisticas/publicacoes/anuario/nacionais/anuario-estatistico-2019-web-cpl.pdf> - - accessed on 15 November 2021

Products	U.M.	Price (MZN)	Quantities	Amount in MZN
Graphite	Ton	16.925,3	18.159,0	307.346.522,7
Miscellaneous Quartz	Kg	296,0	163.354,7	48.352.991,2
Bentonite	Ton	5.500,0	80.189,0	441.039.500,0
Diatomite	Ton	3.621,2	80.188,6	290.378.958,3
Limestone	Ton	60,0	1.319.746,3	79.184.778,0
Construction sand	M <sup>3</sup>	100,0	3.436.178,6	343.617.860,0
Clay	M <sup>3</sup>	360,0	1.664.163,4	599.098.824,0
Bauxite	Ton	3.540,0	6.490,8	22.977.432,0
Stone for construction (gravel)	M <sup>3</sup>	340,1	3.992.878,8	1.357.978.079,9
<b>Sub-total (2)</b>				<b>3.490.983.568,3</b>
<b>Ornamental Stones</b>				
Granite Blocks	M <sup>3</sup>	18.000,0	2.381,9	42.874.200,0
Granite Slabs	M <sup>2</sup>	550,0	0,0	0,0
<b>Sub-total (3)</b>				<b>42.874.200,0</b>
<b>Precious and Semi-Precious Stones</b>				
Tourmalines	Kg	10.641,0	110,1	1.171.574,1
Facetable Tourmalines	Kg	28.600,0	106.701,1	3.051.651.460,0
Facetable Grenade	Kg	101,0	298.856,5	30.184.506,5
Marine Waters	Kg	32.394,0	27,9	903.792,6
Ground Marine Waters	Kg	8.098,5	35,4	286.686,9
Ruby	Ct	3.668,0	1.598.796,1	5.864.384.094,8
<b>Sub-total (4)</b>				<b>5.865.574.574,3</b>
<b>Fuel Minerals</b>				
Coal (Coque)	Ton	11.287,0	4.670.626,1	52.717.356.790,7
Coal (Burning)	Ton	4.786,0	3.370.584,8	16.131.618.852,8
<b>Sub-total (5)</b>				<b>68.848.975.643,5</b>
<b>Hydrocarbons</b>				
Natural Gas	Gj	62,14	185.884.558,0	11.550.866.433,5
Condensate	bbl	2.398,00	281.138,5	674.170.218,9
<b>Sub-total (6)</b>				<b>12.225.036.652,4</b>
<b>Total</b>				<b>112.456.128.047,68</b>

Table 19 - Mining and hydrocarbon production data for 2019 (Source: MIREME)

### 4.3 Export (Requirement 3.3)

Implementing countries should disclose export data in a timely manner, including export volumes and value per commodity. These data could be further disaggregated by region, company or project and include sources and methods for calculating export volumes and values.

Exportation data for mineral resources and hydrocarbons are presented below:

Products	U.M.	Prices (USD)	Quantities	Amount in MZN
<b>Metallic Minerals</b>				
Gold	Kg	37.922,0	368,3	13.966.672,6

Products	U.M.	Prices (USD)	Quantities	Amount in MZN
Tantalite	Kg	25,8	195.292,0	5.038.533,6
Ilmenite	Ton	122,1	1.223.210,8	149.354.038,7
Zircon	Ton	750,8	72.275,0	54.264.070,0
Rutile	Ton	570,6	9.333,0	5.325.409,8
<b>Sub-total (1)</b>				<b>227.948.724,7</b>
<b>Non-Metallic Minerals</b>				
Beryl	Ton	740,0	611,4	452.460,4
Graphite	Ton	700,0	23.636,8	16.545.760,0
Miscellaneous Quartz	Kg	0,8	1.437,0	1.192,7
Bentonite	Ton	70,0	29.021,0	2.031.470,0
Diatomite	Ton	117,0	270,0	31.590,0
Bauxite	Ton	72,0	3.229,2	232.502,4
Granite Blocks	M <sup>3</sup>	300,0	823,4	247.020,0
<b>Sub-total (2)</b>				<b>19.541.995,6</b>
<b>Precious and Semi-Precious Stones</b>				
Tourmalines	Kg	250,0	90,8	22.700,0
Facetable Grenade	Kg	16,0	154.348,0	2.469.568,0
Marine Waters	Kg	3.262,6	89,2	291.023,9
Ruby	Ct	526,0	0,0	0,0
<b>Sub-total (3)</b>				<b>2.783.291,9</b>
<b>Fuel Minerals</b>				
Coal (Coke)	Ton	140,0	4.139.570,2	579.539.828,0
Coal (Burning)	Ton	80,0	3.201.676,0	256.134.080,0
<b>Sub-total (4)</b>				<b>835.673.908,0</b>
<b>Hydrocarbons</b>				
Natural Gas	Gj	0,67	151.585.225,4	101.562.101,0
Condensate	bbl	71,47	271.451,6	19.401.550,7
<b>Sub-total (5)</b>				<b>120.963.651,7</b>
<b>Total</b>				<b>1.206.911.571,9</b>

Table 20 -- Mineral and hydrocarbon export data for 2020 (Source: MIREME)

In addition, detailed export information by license code and company can be found in Annexure 5 - Export Data.

#### 4.4 Domestic Consumption

The data on consumption in the national market of mineral and hydrocarbon resources for the year 2020 are presented below:

Products	U.M.	Price (MZN)	Quantities	Amount in MZN
Coal (Thermal)	Ton	1.410,0	23.273,4	32.815.494,0
Sand for Construction	M <sup>3</sup>	700,0	3.743.696,0	2.620.587.200,0
Limestone	Ton	68,0	0,0	0,0

Products	U.M.	Price (MZN)	Quantities	Amount in MZN
Stone for construction (gravel)	M3	775,0	4.160.148,0	3.224.114.700,0
Argila	M3	786,0	2.191.140,6	1.722.236.511,6
<b>Sub-total (1)</b>				<b>7.599.753.905,6</b>
Natural Gas	Gj	21,2	23.488.756,26	497.374.413,8
<b>Sub-total (2)</b>				<b>497.374.413,8</b>
<b>Total</b>				<b>8.097.128.319,4</b>

Table 21 -- Mineral and hydrocarbon consumption data in 2020 (Source: MIREME)

Additionally, detailed information on inland consumption by license code and company can be found in Annexure 6 - Inland consumption data.





**5 COLLECTION OF REVENUE  
(REQUIREMENT 4)**

## 5 Collection of Revenue (Requirement 4)

**Overview:** A clear understanding of company payments and government revenues can inform public debate on the governance of the extractive industries. The EITI requires comprehensive disclosure of company payments and government revenues from the extractive industries. EITI requirements related to revenue receipts include:

- 4.1 comprehensive disclosure of taxes and revenues;
- 4.2 sale of the State's share of production or other revenue received in kind;
- 4.3 infrastructure provisions and barter arrangements;
- 4.4 transportation revenues;
- 4.5 transactions related to state-owned enterprises;
- 4.6 subnational payments;
- 4.7 level of disaggregation;
- 4.8 timeliness of data; and
- 4.9 quality of the information disclosed.

### 5.1 Comprehensive disclosure of tax and revenues (Requirement 4.1)

- a) EITI requires disclosure, to a wide range of recipients and in a publicly accessible, comprehensive and comprehensible manner, of all significant payments made by oil, gas and mining companies to governments ("payments") and all revenues received by governments from oil, oil and mining companies ("revenues"). Implementing countries are expected to disclose the required information through periodic submission of government and corporate information (websites, annual reports, etc.) and the EITI Reports are expected to be used to collate this information and address any concerns around data gaps and quality.
- b) It is required that the group Coordination Committee agrees which payments and revenues are relevant and therefore should be disclosed, including appropriate definitions and materiality thresholds. Payments and revenues are considered material if their omission or inaccuracy could significantly affect the comprehensiveness of the information disclosed. A description of each revenue stream, as well as materiality definitions and materiality thresholds, should be disclosed. In establishing the definitions and materiality thresholds, the Steering Committee group should consider the volume of revenue streams in relation to total revenues. The Steering Committee group should document the options considered and the rationale for establishing the definitions and thresholds.
- c) The following revenue streams should be included:
  - i. The production right of the host government (profit oil)
  - ii. The production right of national state-owned enterprises
  - iii. Taxes on profits

- iv. Royalties
- v. Dividends
- vi. Bonuses, such as signature, discovery and production bonuses
- vii. License fees, lease fees, entrance fees and other consideration for licenses and/or concessions
- viii. Any other significant payment or benefit to the Government

Any revenue streams or benefits should only be excluded if they are not applicable or when the group Co-ordination Committee agrees that their omission will not significantly affect the comprehensiveness of the information disclosed by Governments and companies.

- d) Implementing countries should ensure that all government entities that receive significant revenues from oil, gas and mining companies are required to comprehensively disclose their revenues in accordance with the agreed scope. Government entities should only be exempted from disclosing this information if they can demonstrate that their revenues are not significant. Unless there are significant practical obstacles, the Government is also required to provide aggregate information on the total revenues received from each of the agreed benefit streams within the scope of EITI implementation, including revenues that fall below agreed materiality thresholds. Where such data is not available, the Independent Administrator should rely on any relevant data and estimates from other sources to provide a complete account of all government revenues.
- e) All oil, gas and mining companies making significant payments to the Government are required to comprehensively disclose such payments in accordance with the agreed scope. Companies should only be exempted from disclosing such information if they can demonstrate that their payments are not significant.
- f) Companies are expected to publicly disclose their audited financial statements or, if not available, their key financial results (i.e. balance sheet, income statement, cash flow).

### 5.1.1 Revenue collection process

As presented in Requirement 2, the Mozambican tax system contains several taxes that are levied on mining activities and oil operations. In this sense, the state must be properly organised in order to manage the various revenue streams generated by the extractive industry.

In effect, the entity responsible for revenue collection is the Ministry of Economy and Finance (MEF), through its bodies, namely:

- Tax Authority - responsible for collecting tax revenue
- National Treasury Department - responsible for collecting capital revenues.

Neste espectro, a Autoridade Tributária gere este processo através das suas unidades orgânicas:

- **The Directorate General of Taxes (DGI):** responsible for supervising and receiving payments made to the State regarding the general and specific regime, through its Tax Area Directorates (DAF), its various collection points and the Large Taxpayer Unit (UGC). These payments are made by taxpayers to the Single Treasury Account.
- **The Directorate-General for Customs:** responsible for collecting customs revenue and other charges.

The revenue stream from the extractive industry is described in the scheme below:

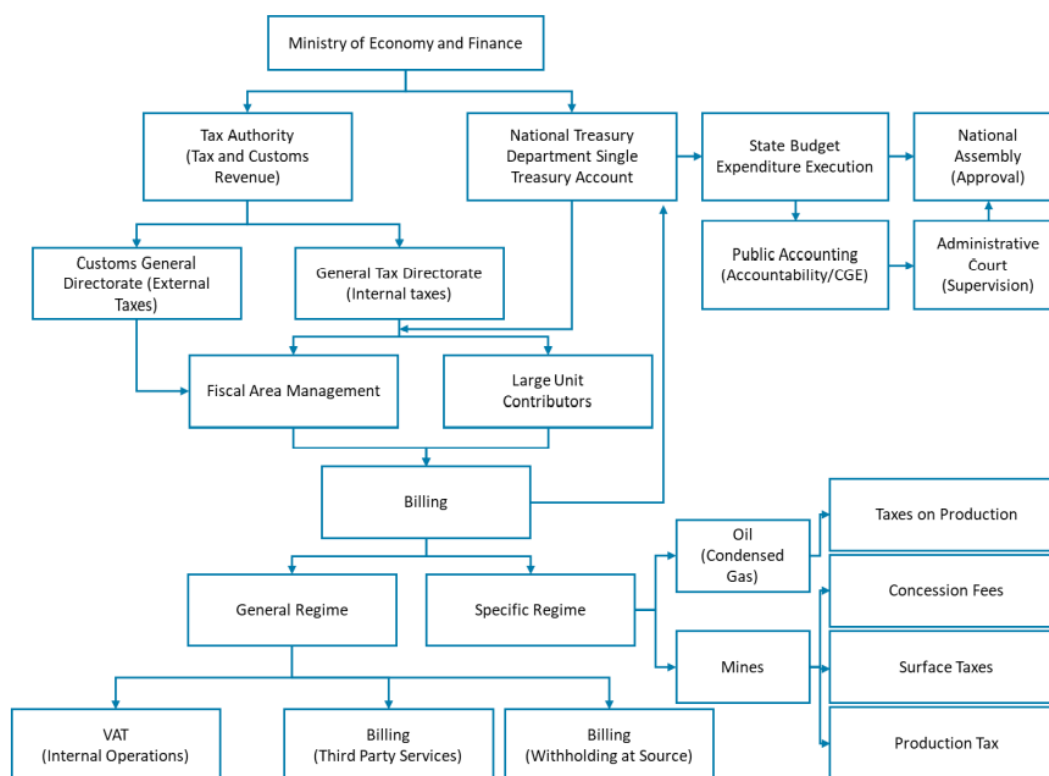


Figure 10 - Extractive industry revenue streams (Source: MEF)

The revenues collected in cash during 2020, under the supervision of INP, were allocated to the companies ENH, MGC and Kuvananga. In turn, the Institute for the Management of State Holdings (IGEPE) has shareholdings in some companies, so it collects dividends from these shareholdings and

INP proceeds with the collection of specific contributions, provided for in the concession contracts in the hydrocarbon area, namely:

- Institutional contribution;
- Social project fund; and
- Institutional Capacity Building Fund;

## 5.1.2 Volume of collections

### 5.1.2.1 Tax Revenue

According to the 2020 State Budget Execution Report (REOE), for that year tax revenue of MZN 213,500.2 million was collected, against the 216,917.6 million meticaís budgeted by Law no. 3/2020, of 22 April, later changed to MZN 195,659.3 million budgeted by Law no. 11/2020 of 24 November, thus corresponding to an achievement percentage of 109.1% in relation to the last budget.

Of the tax revenue collected, according to the UTIE (Extractive Industry Taxation Unit), an integral body of the Tax Authority, the contribution of MZN 15,944.18 million comes from the extractive industry, representing about 7% of the total tax revenue for 2020.

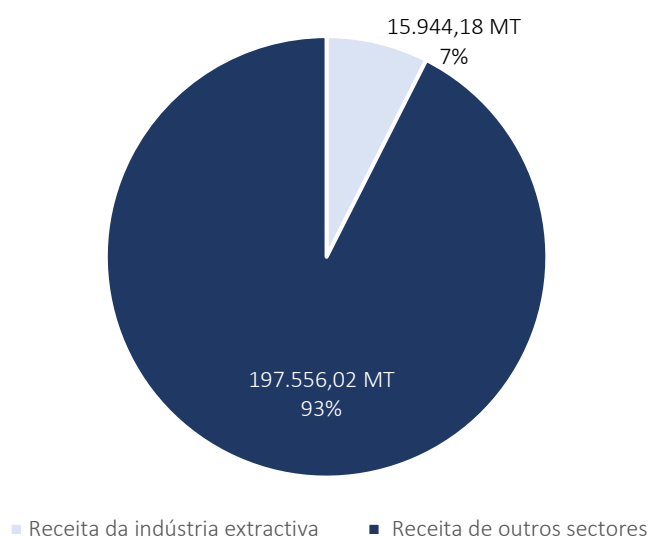


Table 22 – 2020 Tax Revenues (Source: REOE e AT)

The graph below shows the volume of the extractive industry contribution by type of tax:

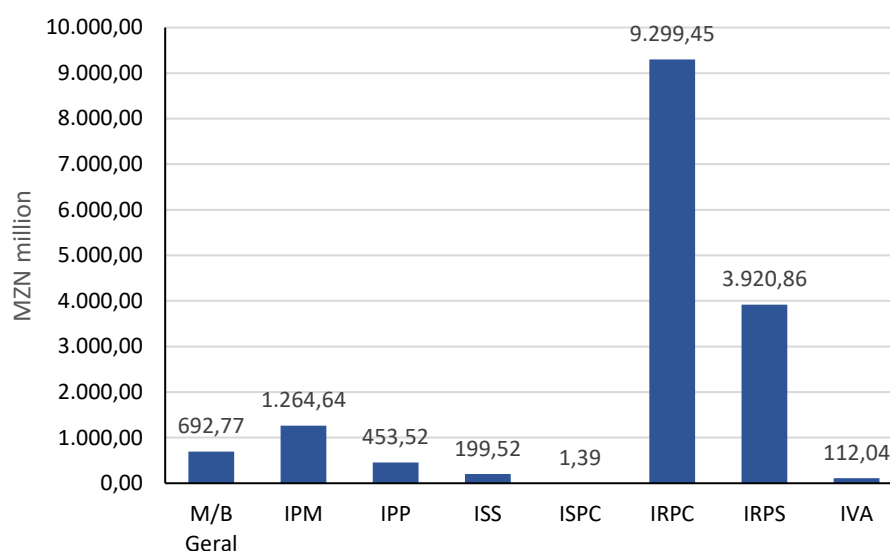


Table 23 – 2020 Tax Revenues (Source: AT)

As shown in the graph above, the largest tax contribution of the extractive industry comes from the IRPC representing about 58% of it, followed by the IRPS with 25% and IPM with 8%.

It should be noted that all taxes that do not have a specific payment slip are paid through the General M/B. However, according to the information provided by the AT and the evidence found in the process of reconciliation of payments made by companies to the State, this model is also used for the payment of taxes that contain payment guides specified by Law. On the other hand, there are situations in which the forms are submitted in appropriate tax forms, however, they are poorly classified at the level of the AT system. In this way, the breakdown by type of tax made by the AT may not be true to the tax in question.

### 5.1.2.2 Other Revenue

#### Tax in cash

As mentioned above, the State also receives tax on production in kind in the hydrocarbon area, as provided for in the Specific Regime for Taxation and Tax Benefits for Petroleum Operations. In effect, the volume of gas in kind received during 2020 amounted to 5.423.802,43 GJ (Gigajoules), allocated to the companies indicated below:

Allocation	Quantity (Gj)
ENH	570.754,43
MGC	1.961.803,00
Kuvananga	2.891.245,00
<b>Total allocated</b>	<b>5.423.802,43</b>

Table 24 – Tax paid in cash

## Contributions to INP

During the year under review, INP received contributions from companies in the hydrocarbon sector in the amount of MZN 466,436,906.70 resulting from compliance with the obligations set out in the concession contracts, as detailed in the table below:

Apoio Institucional			
Description	Forecast USD	Revenue collected USD	Realised MZM
TOTAL	2.000.000,00	2.000.000,00	128.500.000,00
SASOL PT5-C	500.000,00	500.000,00	32.314.406,70
ENI MOZAMBICO A5-A	1.000.000,00	1.000.000,00	63.260.000,00
EXXON A5-B	1.500.000,00	1.500.000,00	96.945.000,00
EXXON Z5-C	750.000,00	750.000,00	48.472.500,00
EXXON Z5-D	1.500.000,00	1.500.000,00	96.945.000,00
<b>Total</b>	<b>7.250.000,00</b>	<b>7.250.000,00</b>	<b>466.436.906,70</b>

Table 25 – Institutional contribution

According to INP, the amounts received were used as institutional support to government entities involved in oil promotion and administration.

Social Projects			
Descrição	Forecast USD	Revenue collected USD	Realised MZM
TOTAL	1.000.000,00	1.000.000,00	66.060.000,00
Sasol PT5-C	250.000,00	250.000,00	15.890.000,00
ENI MOZAMBICO A5-A	250.000,00	250.000,00	15.805.000,00
EXXON A5-B	300.000,00	300.000,00	22.029.000,00
EXXON Z5 C	200.000,00	200.000,00	14.686.000,00
EXXON Z5-D	300.000,00	300.000,00	22.029.000,00
<b>Total</b>	<b>2.300.000,00</b>	<b>2.300.000,00</b>	<b>156.499.000,00</b>

Table 26 – Social Projects Fund

INP stated that the amounts received as social projects aimed to improve the basic social conditions of the populations surrounding oil operations, by shortening the distances travelled in search of drinking water, reducing the mortality rate from human-animal conflict, creating protected areas for the populations, as well as improving the conditions of school buildings in order to offer greater comfort and convenience to students.

In 2020, expenditure on social projects was USD 460,457.91 corresponding to MZN 32.020.032.

Institutional Capacity Building Fund			
Descrição	Forecast USD	Revenue collected USD	Realised MZM
TOTAL	1.000.000,00	1.000.000,00	66.060.000,00
MRV (Eni East Africa SPA)	300.000,00	300.000,00	19.353.000,00
Sasol PT5-C	250.000,00	250.000,00	16.137.500,00
ENI MOZAMBICO A5-A	500.000,00	500.000,00	32.255.000,00
EXXON A5-B	750.000,00	750.000,00	55.072.500,00
EXXON Z5 C	500.000,00	500.000,00	36.715.000,00
EXXON Z5-D	750.000,00	750.000,00	55.072.500,00
<b>Total</b>	<b>4.050.000,00</b>	<b>4.050.000,00</b>	<b>280.665.500,00</b>

Table 27 - Institutional Capacity Building Fund

Regarding this fund, according to INP, in the year 2020 the expense with institutional capacity building amounted to USD 877,102.87 corresponding to MZN 59,283,204.02, used in study programs that can be divided into the following categories:

- Long-term training - involve recent graduates students who intend to continue their studies in the oil and gas field. They are also applicable to internal applications from the fund management institutions (INP and MIREME);
- Short term training - comprise the courses financed for the training of employees of the training fund management institutions (this includes international seminars and training).

It should be mentioned that the INP has committed to publish the audit reports of these funds on its website<sup>33</sup>.

### Dividends paid to the State and IGEPE

On this topic, it is also important to mention that the Government received from the extractive industry during the year under analysis a global amount of MZN 1.207.114.921,80, of which MZN 1.034.510.040,10 were considered as capital revenue, and the rest was consigned to IGEPE, as illustrated in the table below:

Sequence	Company's Name	Dividends paid		
		State	IGEPE	Total
1	Companhia Moçambicana de Gasoduto-CMG	22.500.000,00	7.500.000,00	30.000.000,00
2	Companhia Moçambicana de Hidrocarbonetos SARL-CMH	495.314.645,09	165.104.881,70	660.419.526,79

Amount in Meticais

<sup>33</sup> <http://www.inp.gov.mz/>



Amount in Meticaís

Sequence	Company's Name	Dividends paid		
		State	IGEPE	Total
3	Empresa Nacional de Hidrocarbonetos, EP-ENH, E.P.	516.695.395,01	0,00	516.695.395,01
<b>Total</b>		<b>1.034.510.040,10</b>	<b>172.604.881,70</b>	<b>1.207.114.921,80</b>

Table 28 - Dividends paid to the State and IGEPE

### 5.1.3 Reconciliation Process

#### 5.1.3.1 Reconciliation Process

The methodology adopted for the process of reconciliation of payments made by companies and amounts received by the State was based on the International Standard for Related Services (ISRS) 4400 - Work to Execute Agreed Procedures with Respect for Financial Information. Accordingly, the companies selected for the reconciliatory process were asked to complete a form, which should contain data on payments, namely, value, currency, place, date and entry number and revenue. In addition, for each payment indicated on the form, the companies submitted the respective proof of payment, and in cases where the supporting documents were not attached, the form was requested to be signed/validated by the company's external auditor and the company. All companies chose to send the documentation supporting their payments to the State.

In turn, the government entities responsible for receiving the revenue streams selected for the reconciling process were asked to fill out a form indicating the same payment details as above. It should be noted that the government entities that had these payment data systematized in another form submitted it to the Independent Administrator, being exempted from completing the form for each of the companies selected.

#### 5.1.3.2 Materiality

The materiality established by the CC for the process of reconciliation of payments made by companies and receipts from government entities was 30 million meticaís. That is, all companies whose total amount of contributions channelled to the above entities was equal to or greater than the amount mentioned are eligible for the reconciliation process. However, given the significant impact that certain companies have on the communities where they operate, the CC felt that they should also be part of the reconciliation process.

Therefore, 33 companies were selected for the period under analysis, 22 from the mining sector and 11 from the hydrocarbon sector, as shown in the table below:

#	Company's Name	#	Company's Name
<b>Mining Sector</b>		<b>Hydrocarbon Sector</b>	
1	Africa Great Wall Mining Development Company, Lda.	1	Exxonmobil
2	Cimento Nacional, Lda.	2	Companhia Moçambicana de Gasoduto-CMG
3	CINAC-Cimentos de Nacala, S.A.	3	Companhia Moçambicana de Hidrocarbonetos SARL-CMH
4	Cimentos de Moçambique, S.A.R.L.	4	Empresa Nacional de Hidrocarbonetos, EP-ENH, E.P.
5	Empresa Moçambicana de exploração mineira, S.A	5	ENI Mozambico
6	Haiyu (Mozambique) Mining Co. Lda.	6	Matola Gas Company
7	ICVL Zambeze, Lda.	7	ROMPCO
8	JSPL Mozambique Minerals, Lda	8	ENH Kogás (Pemba)
9	Kenmare Moma Mining (Mauritius), Lda	9	TEPMA1
10	LIMAK Cimentos S.A.	10	Mozambique Rovuma Ventures, Spa Mozambique
11	Minas de Benga, Lda.	11	Sasol Petroleum Temane, LDA.
12	Minas de Revobué		
13	Montepuez Rubi mining, Lda.		
14	Mozambique Heavy Sands Company VII, Lda.		
15	Sociedade Águas de Moçambique, Lda.		
16	Sociedade Águas Vumba, Lda.		
17	Twig Exploration Mining Lda.		
18	Vale Moçambique, S.A.		
19	Tazetta Resources		
20	MMC Resources LDA		
21	GK Ancuabe Graphite Mine S.A		
22	Minas de Moatize		

Table 28 - Selected companies with material payments

The companies that have not gathered the materiality of 30 million meticaís and that have been selected for the reconciliation process are:

Sequence	Company's Name
1	Empresa Moçambicana de exploração mineira, S.A
2	ICVL Zambeze, Lda.
3	Minas de Revobué
4	Sociedade Águas de Moçambique, Lda.
5	GK Ancuabe Graphite Mine S.A
6	Minas de Moatize

Table 29 - Selected companies that have no material payments

On the other hand, there are companies, which are not classified by AT as entities operating in the extractive industry but were part of the reconciliation process.

This fact has already been reported in previous reports, so the Tax Authority should review the parameters of its economic activity classifier:

#	Company's Name
1	Companhia Moçambicana de Gasoduto -CMG
2	Companhia Moçambicana de Hidrocarbonetos -CMH
3	ExxonMobil
4	Republic of Mozambique Pipeline Company - ROMPCO

Table 30 - Selected companies that are not part of the extractive industry according to the Tax Authority (AT)

Accordingly, the reconciliation process covered 95% of the tax revenues of companies classified as being from the extractive industry, according to the economic activity classifier of the Tax Authority (AT), however, including companies without this classification this coverage rises to 126%.

### 5.1.3.3 Outcome of the reconciliation process

After the comparison between the payments declared by the companies and the revenue received by the State institutions, we have calculated a global difference of MZN 15.117.313,89, the difference represents 0,07% of the amount declared by the State. We present below the differences found by sector.

Sector	Final Amount		
	Company	State	Difference
Mining	6.065.289.753,72	6.080.405.323,52	-15.115.569,80
Hydrocarbon	14.582.178.168,88	14.582.179.912,97	-1.744,09
<b>Total</b>	<b>20.647.467.922,60</b>	<b>20.662.585.236,49</b>	<b>-15.117.313,89</b>

Table 31 - Differences found in the reconciliation process - per sector

In the following table we present the reconciliation map per company and sector <sup>34</sup>:

#	Company's Name	Amount in MZN			
		Company	State	Difference	Margin of error
<b>Mining Sector</b>					
1	Africa Great Wall Mining Development Company, Lda.	140.013.719,52	141.607.824,91	-1.594.105,39	-5,31%
2	Cimento Nacional, Lda.		32.201.351,90	-32.201.351,90	-107,34%
3	CINAC-Cimentos de Nacala, S.A.	43.035.336,64	43.035.730,06	-393,42	0,00%
4	Cimentos de Moçambique, S.A.R.L.	177.669.167,19	176.203.466,85	1.465.700,34	4,89%
5	Empresa Moçambicana de exploração mineira, S.A	5.582.264,94	5.582.264,94	0,00	0,00%

<sup>34</sup> A reconciliation per tax type is provided in Annexure 7

Amount in MZN

#	Company's Name	Company	State	Difference	Margin of error
6	Haiyu (Mozambique) Mining Co. Lda.	33.196.717,67	33.196.717,68	-0,01	0,00%
7	ICVL Zambeze, Lda.	16.485.005,88	16.485.005,39	0,49	0,00%
8	JSPL Mozambique Minerals, Lda	61.785.724,13	36.337.439,84	25.448.284,29	84,83%
9	Kenmare Moma Mining (Mauritius), Lda	1.353.502.023,41	1.353.502.023,80	-0,39	0,00%
10	LIMAK Cimentos S.A.	70.938.640,09	70.938.640,09	0,00	0,00%
11	Minas de Benga, Lda.	277.483.991,84	277.487.191,84	-3.200,00	-0,01%
12	Minas de Revobué	8.499.257,60	8.800.822,60	-301.565,00	-1,01%
13	Montepuez Rubi Mining, Lda.	1.847.859.740,00	1.847.859.736,40	3,60	0,00%
14	Mozambique Heavy Sands Company VII, Lda.	79.334.782,56	79.351.011,42	-16.228,86	-0,05%
15	Sociedade Águas de Moçambique, Lda.	22.901.092,71	22.901.092,71	0,00	0,00%
16	Sociedade Águas Vumba, Lda.	30.724.149,20	30.794.395,25	-70.246,05	-0,23%
17	Twig Exploration Mining Lda.	172.830.799,15	172.833.228,18	-2.429,03	-0,01%
18	Vale Moçambique, S.A.	1.637.908.605,39	1.638.385.606,02	-477.000,63	-1,59%
19	Tazetta Resources	35.878.607,72	35.268.466,50	610.141,22	2,03%
20	MMC Resources LDA	27.446.059,31	34.309.057,23	-6.862.997,92	-22,88%
21	GK Ancuabe Graphite Mine S.A	15.662.390,30	15.662.392,89	-2,59	0,00%
22	Minas de Moatize	6.551.678,47	7.661.857,02	-1.110.178,55	-3,70%
<b>Subtotal</b>		<b>6.065.289.753,72</b>	<b>6.080.405.323,52</b>	<b>-15.115.569,80</b>	
<b>Hydrocarbon Sector</b>					
23	Exxonmobil	644.121.445,05	644.122.245,07	-800,02	0,00%
24	Companhia Moçambicana de Gasoduto-CMG	221.502.309,14	221.502.309,14	0,00	0,00%
25	Companhia Moçambicana de Hidrocarbonetos SARL-CMH	2.374.742.811,58	2.374.743.550,58	-739,00	0,00%
26	Empresa Nacional de Hidrocarbonetos, EP-ENH, E.P.	896.320.360,27	896.320.360,22	0,05	0,00%
27	ENI Mozambico	39.127.751,56	39.127.751,52	0,04	0,00%
28	Matola Gas Company	679.452.702,25	679.452.907,25	-205,00	0,00%
29	ROMPCO	1.712.324.217,71	1.712.324.217,71	0,00	0,00%
30	ENH Kogás (Pemba)	80.505.970,63	80.505.970,63	0,00	0,00%
31	TEPMA1	1.879.870.582,08	1.879.870.582,08	0,00	0,00%
32	Mozambique Rovuma Ventures, Spa Mozambique	2.298.309.485,21	2.298.309.485,38	-0,17	0,00%
33	Sasol Petroleum Temane, LDA.	3.755.900.533,40	3.755.900.533,39	0,01	0,00%
<b>Subtotal</b>		<b>14.582.178.168,88</b>	<b>14.582.179.912,97</b>	<b>-1.744,09</b>	
<b>Total</b>		<b>20.647.467.922,60</b>	<b>20.662.585.236,49</b>	<b>-15.117.313,89</b>	

Table 32 - Differences found in the reconciliation process - per company

According to the terms of reference for the preparation of this report, differences above the 3% error margin are to be identified and reconciled. It should be noted that differences above this margin arise from the following:

- Cimento Nacional, Lda – due to the absence of staff responsible for the company in Mozambique, its operations being currently shut down or suspended.
- Africa Great Wall Mining Development Company, Cimentos de Moçambique, Haiyu (Mozambique) Mining, JSPL Mozambique Minerals, Montepuez Rubi Mining, MMC Resources and Minas de Moatize - despite having sent the completed data collection form to the Independent Administrator, these companies did not provide all the supporting documents for the payments they indicated on the form, nor did they reply to all the enquiries concerning the differences found.

#### 5.1.3.4 Reconciled differences

The reasons for the differences identified in the first phase of reconciliation are as follows:

- With the introduction of the e-declaration/e-taxation system for the payment of tax, some tax forms are not reflected in the statement provided by the Tax Authority, which culminated in several differences later clarified by the Government;
- Similarly to the situation mentioned above, some tax forms posted via the SICR system were not included in the statement provided by the Tax Authority;
- Lack of supporting documentation for payments by companies;
- Lack of indication of the revenue and entry number on the payment slips;
- Incorrect classification of payments indicated in the forms;
- Incorrect amounts filled in;
- Filling in the forms based on the tax period (tax year);
- Supporting documentation for the payment of companies with NUITs from MITADER and DIPREME.

#### 5.1.3.5 Contributions to INP

A reconciliation of the contributions channelled to INP was also carried out, namely the Contribution to Institutional Support, the Social Projects Fund and the Institutional Capacity Building Fund. This reconciliatory process did not reveal any discrepancies, as presented below:

Contribution to Institutional Support					Amount in USD	
#	Company's Name	Company	State	Difference	Margin of error	
<b>Hydrocarbon Sector</b>						
1	Eni Mozambico	1.000.000,00	1.000.000,00	-	0%	
2	TEPMA1	2.000.000,00	2.000.000,00	-	0%	
<b>Total</b>		<b>3.000.000,00</b>	<b>3.000.000,00</b>	<b>-</b>		

Table 33 – Reconciliation of the Contribution for Institutional Support

Contribution to the Social Projects Fund					Amount in USD	
#	Company's Name	Company	State	Difference	Margin of error	
<b>Hydrocarbon Sector</b>						
1	Eni Mozambico	250.000,00	250.000,00	-	0%	
2	TEPMA1	1.000.000,00	1.000.000,00	-	0%	
<b>Total</b>		<b>1.250.000,00</b>	<b>1.250.000,00</b>	<b>-</b>		

Table 34 – Reconciliation of the Contribution to the Social Projects Fund

Contribution to the Institutional Capacity Building Fund					Amount in USD	
#	Company's Name	Company	State	Difference	Margin of error	
<b>Hydrocarbon Sector</b>						
1	Eni Mozambico	500.000,00	500.000,00	-	0%	
2	TEPMA1	1.000.000,00	1.000.000,00	-	0%	
3	Mozambique Rovuma Venture, SPA	300.000,00	300.000,00	-	0%	
4	Sasol Petroleum Temane	50.000,00	50.000,00	-	0%	
<b>Total</b>		<b>1.850.000,00</b>	<b>1.850.000,00</b>	<b>-</b>		

Table 35 – Reconciliation of the Contribution to the Institutional Capacity Building Fund

Note that the only payment made to ENH was of USD 50,000.00 made by Sasol Petroleum Temane, relating to the Institutional Capacity Building Fund.

### 5.1.3.6 Dividends paid to the State and IGEPE

We also carried out a reconciliation of the dividends channelled to the State and to IGEPE, and found no divergence.

Sequence	Company's Name	Company's Data				IGEPE Data		Difference
		Estado	IGEPE	Estado	IGEPE	Amount		
		1	Companhia Moçambicana de Gasoduto-CMG	22.500.000,00	7.500.000,00		22.500.000,00	7.500.000,00
2	Companhia Moçambicana de Hidrocarbonetos SARL-CMH	495.314.645,09	165.104.881,70	495.314.645,09	165.104.881,70	0,00		
3	Empresa Nacional de Hidrocarbonetos, EP-ENH, E.P.	516.695.395,01	0,00	516.695.395,01	0,00	0,00		

Amount in MZN

Amount in MZN

Sequência	Company's Name	Company's Data		IGEPE Data		Difference
		Estado	IGEPE	Estado	IGEPE	Amount
Total		1.034.510.040,10	172.604.881,70	1.034.510.040,10	172.604.881,70	0,00

Table 36 - Dividends paid to the State and IGEPE

### 5.1.3.7 Financial Statements

The following table indicates which companies submitted the audit reports, the main elements of the financial statements or indicated that they were audited in 2020.

Ordem	Company's Name	Audit Report	Financial Statements	Observation
<b>Mining Sector</b>				
1	Africa Great Wall Mining Development Company, Lda.	×	×	In the form, it does not confirm having audited accounts
2	Cimento Nacional, Lda.	×	×	Não facultou informação
3	CINAC-Cimentos de Nacala, S.A.	×	×	In the form, it does not confirm having audited accounts
4	Cimentos de Moçambique, S.A.R.L.	✓	✓	Ok
5	Empresa Moçambicana de exploração mineira, S.A	×	×	No information provided
6	Sociedade Águas Vumba, Lda.	×	✓	In the form, it does not confirm having audited accounts
7	Haiyu (Mozambique) Mining Co. Lda.	×	×	In the form, it does not confirm having audited accounts
8	ICVL Zambeze, Lda.	×	✓	In the form, it does not confirm having audited accounts
9	JSPL Mozambique Minerals, Lda	×	×	In the form, it does not confirm having audited accounts
10	Kenmare Moma Mining (Mauritius), Lda	✓	✓	Ok
11	LIMAK Cimentos S.A.	×	✓	In the form, it does not confirm having audited accounts
12	Minas de Benga, Lda.	×	✓	Ok
13	Minas de Revuboé	✓	✓	In the form, it does not confirm having audited accounts
14	Montepuez Rubi mining, Lda.	✓	✓	In the form, it does not confirm having audited accounts
15	Mozambique Heavy Sands Company VII, Lda.	×	×	In the form, it does not confirm having audited accounts
16	Sociedade Águas de Moçambique, Lda.	×	×	In the form, it does not confirm having audited accounts
17	Twig Exploration Mining Lda.	✓	✓	Ok
18	Vale Moçambique, S.A.	×	×	In the form, it does not confirm having audited accounts
19	Empresa Tazetta Resources	×	✓	In the form, it does not confirm having audited accounts
20	Empresa MMC Resources LDA	×	✓	In the form, it does not confirm having audited accounts
21	GK Ancuabe Graphite Mine S.A	✓	✓	Ok
22	Minas de Moatize	×	×	In the form, it does not confirm having audited accounts
<b>Sector de Hidrocarbonetos</b>				

Ordem	Company's Name	Audit Report	Financial Statements	Observation
23	Exxonmobil	✓	✓	Ok
24	Companhia Moçambicana de Gasoduto-CMG	✓	✓	Ok
25	Companhia Moçambicana de Hidrocarbonetos SARL-CMH	✗	✓	In the form, it does not confirm having audited accounts
26	Empresa Nacional de Hidrocarbonetos, EP-ENH, E.P.	✓	✓	Ok
27	ENI Mozambico	✓	✓	Ok
28	Matola Gás Company	✓	✓	Ok
29	ROMPCO	✗	✓	In the form, it does not confirm having audited accounts
30	ENH Kogás (Pemba)	✗	✓	In the form, it does not confirm having audited accounts
31	TEPMA1	✗	✓	In the form, it does not confirm having audited accounts
32	Mozambique Rovuma Ventures, Spa Mozambique	✓	✓	Ok
33	Sasol Petroleum Temane, LDA.	✓	✓	Ok

Table 37 - Companies that have disclosed their audit reports and main elements of the financial statements

#### 5.1.4 Audit of recoverable costs

According to information reported by INP, during the period under review, there was no publication of any report concerning the audit of recoverable costs of the extractive industry.

#### 5.2 Sale of the State's share of production or other income in cash (Requirement 4.2)

Where the sale of the State's share of production or other revenues received in kind is significant, the Government, including State-owned enterprises, is required to disclose the volumes received and sold by the State (or third parties designated by the State to sell on its behalf), the revenues received from the sale and the revenues transferred to the State from the sale of oil, gas or minerals. Where applicable, this information should include payments (in cash or in kind) in respect of swap arrangements or resource-backed loans.

The data published should be disaggregated by individual purchasing company and at levels consistent with the disclosure of other payments and revenue streams (4.7). The Coordination Committee groups, in consultation with the purchasing companies, should consider whether the information disclosed can be disaggregated individually by sale, product type and price.

The information disclosed could include the ownership of the product sold and the nature of the contract (e.g. spot or forward).



- a) Implementing countries, including state-owned enterprises, are encouraged to disclose a description of the selection processes for purchasing companies, the technical and financial criteria used for selection, the list of purchasing companies selected, any significant deviations from the applicable legal and regulatory framework governing the selection of purchasing companies, and the associated sales agreements.
- b) Companies that purchase oil, gas and mineral resources from the state, including from state-owned enterprises (or third parties designated by the state to sell on their behalf), are encouraged to disclose the volumes received from the state or state-owned enterprise and the payments made for the purchase of oil, gas or mineral resources. This could include payments (in cash or in kind) related to swap arrangements and resource-backed loans.

The information disclosed could be disaggregated individually by seller, contract or sale.

For each sale, the disclosures could include information on the nature of the contract (e.g. spot or forward) and port of loading.

- c) Where there are concerns around data reliability and where feasible, the multi-stakeholder group should consider making additional efforts to address what gaps, inconsistencies and irregularities in the information disclosed.

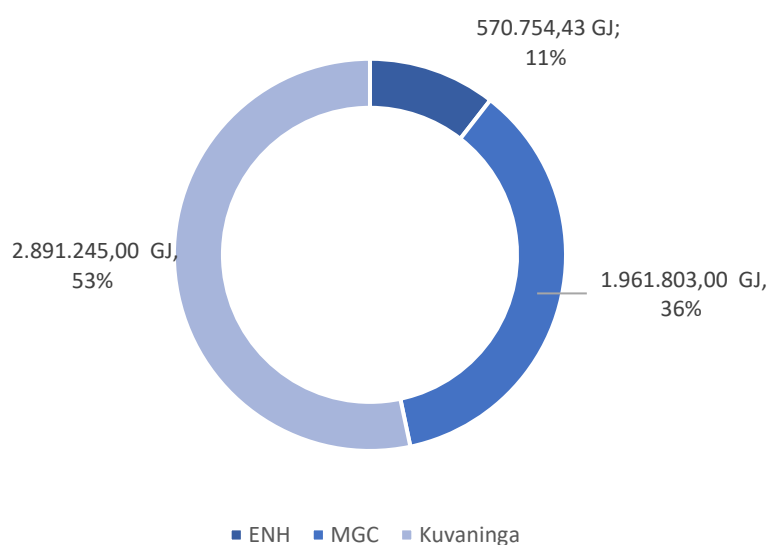
Under Ministerial Order 173/2014 of 10 October, ENH is the entity designated to receive the gas delivered by the producer as a tax on the production of oil, and to carry out the management and administration of the natural gas resulting from the tax on the production of oil paid in kind by the Concessionaires, however the Government grants the allocation to customers.

In this regard, according to the information provided by INP the total volume of gas produced by Sasol in the year under review amounts to 185.884.557.99 GJ and the total condensate gas produced was 281.138.54 bbls. The amounts paid in kind are set out below:

Description	Units	Quantities/Amount
<b>Gas</b>		
Total natural gas produced	Gj	185.884.557,99
Total natural gas exported to RSA	Gj	151.580.225,38
Total natural gas sold on the national market	Gj	23.488.756,26
Total royalty natural gas paid in kind	Gj	5.423.802,43
Total royalty natural gas paid in cash	USD	3.825.324,36
<b>Condensate</b>		
Total condensate produced	bbls	281.138,54
Total condensate sold	bbls	279.087,90
Total condensate gas royalty paid in cash	USD	187.850,21

Table 38 - Royalty gas and condensate

The royalty gas paid in cash was allocated as illustrated in the graph below:



Graph 15 - Allocation of royalty gas

As for the gas allocated to ENH, the company said that all volumes are dedicated to power industries, residential consumption as well as electricity generation. CTRG, Gigawatt, and ENH-Kogas are customers of the company.

The payment terms are defined in each gas purchase contract (GSA) and customers issue a consumption certificate to ENH (this certificate consists of checking the quantities received by the customer at the point of take-off) at the end of each month and from this, the invoice is generated and submitted to the customer within a maximum of five days and must be paid 100% within twenty days via bank. Non-compliance may result in the application of interest on arrears.

As for the criteria used for the selection of buyers, the government grants the allocation to the customers, and through this allocation ENH plays its role which is to manage the commercial operations (including the gas price, the transportation fees and their assumptions, technical aspects such as the specification of the gas and the quantities to be taken on a daily, monthly and yearly basis).

The table below shows the volumes and revenues earned in 2020 by ENH, EP, under the current contracts:

Month	Quantities (Gj)	Amount (MZN)
January	306.011,77	55.513.473,07
February	288.667,68	54.928.745,62
March	283.368,70	55.268.139,42
April	274.830,47	54.773.657,34

Month	Quantities (Gj)	Amount (MZN)
May	287.237,49	58.341.014,41
June	261.661,12	54.026.609,05
July	278.742,10	58.230.668,22
August	279.086,65	57.438.526,82
September	298.684,26	63.575.436,96
October	267.606,18	56.731.524,86
November	242.456,38	52.918.169,17
December	278.185,48	61.975.882,19
<b>Total</b>	<b>3.346.538,28</b>	<b>683.721.847,13</b>

Table 39 - Revenue stream earned in 2020 by ENH

### 5.3 Infrastructure provisions and exchange agreements (Requirement 4.3)

The Coordination Committee group is required to consider whether there have been any agreements, or sets of agreements, involving the provision of goods and services (including loans, concessions and infrastructure works), as full or partial consideration for the award of oil, gas or mineral exploration or production concessions or for the physical delivery of these commodities. To do so, the Coordination Committee group needs to have a full understanding of the terms of the relevant agreements and contracts, the parties involved, the resources committed by the state, the value of the benefit streams (e.g. infrastructure works) and the relevance of these agreements relative to conventional contracts.

Where it concludes that these agreements are relevant, the Coordination Committee group is required to ensure that EITI implementation addresses these agreements and that the information disclosed provides a level of detail and disaggregation commensurate with that of other payments and revenue streams. It is required that the Steering Committee group agrees a procedure for assessing the data quality and assurance of the information indicated above in accordance with Requirement 4.9.

According to the information provided by INP, INAMI and companies selected for the reconciliation process, no contracts of this nature were concluded during the year under review.

On the other hand, INAMI indicated that it has as one of the sources of revenue the financial offer resulting from licensing by public tender, in compliance with paragraph f) of No. 21 of the Organic Statute of INAMI, approved by Resolution No. 5/2016 of 20 June.

Therefore, in 2020 INAMI received the amount of MZN 14,840,800.00 as the financial offer value of a public tender for mining licensing, and no other agreements involving the supply of goods and services were entered into.

## 5.4 Transport revenue (Requirement 4.4)

Where revenues from the transportation of oil, gas and minerals are relevant, the government and state-owned enterprises should publish the revenues received. The data published should provide a level of detail and disaggregation consistent with that of other payments and revenue streams (4.7). The group Coordination Committee is encouraged to agree a procedure to assess data quality and assurance of the information indicated above, in accordance with Requirement 4.9.

Implementing countries could disclose:

- i. A description of the transport arrangements, including: the product; transport route(s); and the relevant companies and government entities, including state-owned, involved in the transport.
- ii. Definitions of relevant transport-related taxes, tariffs or other payments and the methodologies used to calculate them.
- iii. Disclosure of tariff rates and volume of commodities transported.
- iv. Disclosure of revenues received by governmental and state entities in connection with the transportation of oil, gas and minerals.

### 5.4.1 Mining Area

#### 5.4.1.1 Mining Area

Based on data provided by INAMI, there are currently four companies that are mining and exporting coal from Tete province, namely Vale de Moçambique, SA, Minas de Benga, Lda, JSPL Mozambique Mineral, Lda and Minas Moatize, Lda.

#### Vale Moçambique

The production of Vale de Moçambique, SA is drained from Moatize to Nacala through the Moatize-Nacala-a-Velha railway and the coal handling process is carried out by the company CLN (Corredor Logístico de Nacala).

In 2020, 5,128,645 tonnes of coal were transported, of which 2,566,518 tonnes of thermal coal and 2,562,127 tonnes of Coking Coal.

### **Minas de Benga, Lda**

With regard to this company's production, the transport of coal takes place in two stages:

- **1st Stage:** in charge of the company Lalgy Transportes Lda, by road from the processing plant to the railway branch line (both located in the district of Moatize).
- **2nd Stage:** transport from the railway branch to the Port of Beira is done by trains belonging to the company Minas de Benga through the Sena Line (under management of Ports and Railways of Mozambique, E.P - CFM) which connects the town of Moatize to the Port of Beira in a journey of 548km.

Therefore, in 2020 1,425,689.45 tonnes of coal were transported, of which 385,385 tonnes of Thermal Coal and 1,040,304.45 tonnes of Coking Coal.

### **JSPL Mozambique Mineral, Limitada**

Regarding the production of JSPL Mozambique Mineral, Limitada, the transportation of coal takes place from Chitima District in Tete province to the port of Beira in two stages.

- **1st Stage:** the transport is by road through trucks belonging to Indo África Steel and Transportes Lalgy, Lda, which travel 126Km from Chitima to the railway branch located in the town of Moatize.
- **2nd Stage:** it is made by rail through the Sena Line that connects Moatize to Porto da Beira through trains belonging to the company JSPL Mozambique Minerals Lda, and the railway line is under CFM management.

In this context, 922,523.75 tons of coal were transported, 240,295.16 tons of thermal coal and 537,138.75 tons of coking coal.

### **Minas de Moatize**

Regarding Minas Moatize, Limitada, the transport is done by road and under the responsibility of the company's customers, since it sells coal at the mine mouth to customers who are from Malawi, who are responsible for the road transport of the coal purchased.

herefore, 9,477.80 tonnes of Thermal Coal were transported.

### Information provided by CFM

CFM, a public company that manages the railway and port system by providing cargo handling, freight and passenger services, indicated that during 2020 it transported 8.144,505 tonnes of coal and collected MT 3.920,137,680 for these services, as indicated in the table below:

Invoicing figures in Meticaís

Description	Tonnes (Net)	CFM Railway Turnover	CFM turnover at the Port
Minas de Benga (ICVL)	1.397.990	1.022.970.842,00	867.897.091,00
Jindal	881.245	564.510.174,00	539.872.713,00
Vale (L.Norte)	5.865.270	924.886.860,00	-
<b>Total</b>	<b>8.144.505</b>	<b>2.512.367.876</b>	<b>1.407.769.804</b>

On the other hand, according to the 2020 REOE, the State received a total of 1,056.90 million meticaís for the concessions awarded to the Corredor Logístico Integrado de Nacala (CLIN)<sup>35</sup> and Companhia do Desenvolvimento do Norte (CDN)<sup>36</sup>.

Amount in Million MZN

Concessionaires	Amount
Corredor Logístico Integrado de Nacala (CLIN)	817,7
Companhia do Desenvolvimento do Norte (CDN)	239,2
<b>Total</b>	<b>1.056,90</b>

Table 40 – Revenue from concessionaires

#### 5.4.1.2 Transport of graphite

##### Twigg Exploration and Mining Lda

The graphite produced by Twigg Exploration and Mining Lda, is transported by road from the district of Balama in Cabo Delgado to Nacala Port in Nampula by the company Grindrod Logistics Mozambique Lda. During the year 2020, 18,136.76 tonnes of Graphite were transported by this company.

<sup>35</sup> This is the project for a railway line connecting Moatize to Nacala, passing through Malawi and including the coal terminal in Nacala-a-velha. In this project, CFM, appears in partnership with Vale, forming the CLN company (PPP - Public-Private Participation) which is the concessionaire of the new stretches of this logistics corridor.

<sup>36</sup> CDN's objective is the integrated management, rehabilitation and commercial operation of the infrastructures of Nacala Port and the northern Mozambique rail network in the form of a concession.

### **GK Ancuabe Graphite Mine, SA**

Regarding the graphite extracted by GK Ancuabe Graphite Mine, SA, the flow is made from the Ancuabe district in Cabo Delgado, to the port of Pemba by road. During 2020, 3.500.00 tonnes of this resource were transported.

#### **5.4.1.3 Transport of Heavy Sands**

According to INAMI, two companies export heavy sands from Zambezia province, namely, Africa Great Wall Mining Development Company, Lda and Tazetta Resources. On the other hand, Kenmare Moma Mining (Mauritius), Ltd exports from Nampula Province.

### **Africa Great Wall Mining Development Company, Lda**

The heavy sand is transported from the district of Chinde, in Zambezia province, to the Port of Quelimane with small ships and from there to China by sea through the Chinese company Grand Ocean Shipping Holdings (HK) LTD. During the year 2020, 294,515.26 tonnes of Ilmenite were exported.

### **Tazetta Resources**

The distribution process of this resource occurs from the district of Pebane in Zambezia to the VINHTAN Port in Vietnam through the vessel of the company Manica Freight Services, SA, a Mozambican maritime agent. During 2020, 89,180.54 tonnes of Ilmenite were exported.

### **Kenmare Moma Mining (Mauritius), Ltd**

This company operates on its own wharf facilities and has two ocean barges that are used to load and transport the heavy sands to ocean-going vessels. The total export of this resource in 2020 was 853.216 tonnes.

#### 5.4.1.4 Calcário

##### **Cimentos de Moçambique, SARL**

Regarding this company, in Maputo, it transported 49,162 tons of limestone and 49,162 tons of clay, by road in contract with the company JRC and 401,514 tons of limestone by rail by CFM.

In Dondo district, Sofala province, the company transported to its cement factories 68.981 tons of limestone via road in contract with LSTAR.

In Nacala, the company transported 24.719 tons of limestone via road in contract with VICTAB cement factories.

##### **CINAC – Cimentos de Nacala, SA**

This company operates in Nacala, Nampula province and transported 61.484 tons of limestone via road in contact with the company VICTAB.

##### **Limak Cimentos, SA**

The company has no mining concession in operation. Furthermore, the company requested the abandonment of the area because it presented a reduced quantity of limestone.

##### **Cimento Nacional, Lda**

The company has no mining concession in production.

#### 5.4.1.5 Other minerals

##### **MMC Resources, Lda**

This company extracts and exports (by air) gold from Tete province. During 2020 about 340 kg of gold were exported to Dubai.

##### **Sociedade Águas Vumba, SA**

The company is involved in extracting and selling mineral water and does not have transport agreements, but only transfers to the sales depots in Maputo, Beira, Chimoio, Tete and Nampula, with available transporters with a capacity of 30 tonnes or less.



## 5.4.2 Área de hidrocarbonetos

Sasol Petroleum Temane is the sole producer of natural gas in Mozambique, with most of the gas produced exported to RSA through the ROMPCO pipeline, the commercial operator of an 865 km high pressure gas pipeline connecting the gas fields in Pande and Temane (Mozambique) to Sasol's operations in South Africa.

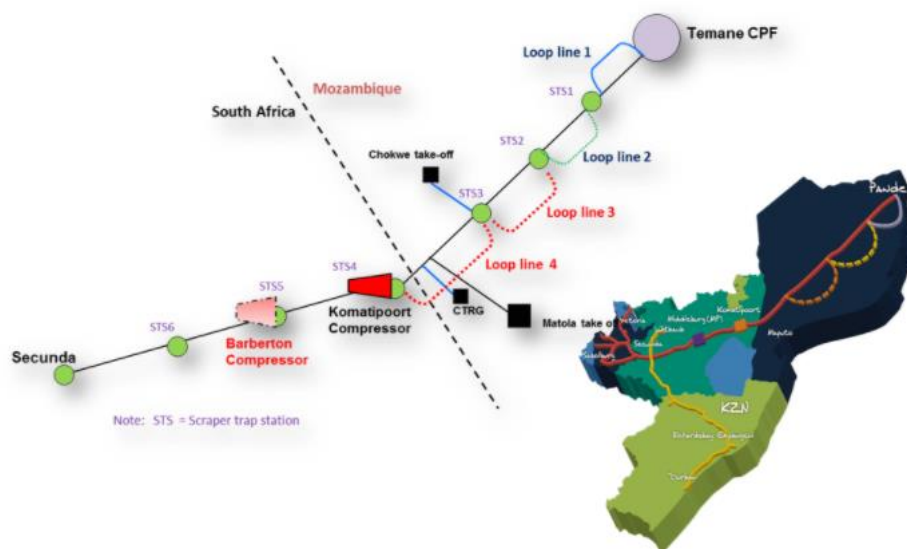


Figure 11 - ROMPCO gas pipeline (Source: ROMPCO)

In addition, there is also the Ressano Garcia gas pipeline, governed by the Gas Pipeline Concession Contract between the Government of Mozambique and Matola Gas Company SARL which has the purpose of transporting natural gas from Ressano-Garcia to Matola.

During 2020, 175.07 MGJ was transported through the ROMPCO Pipeline. This company reported that the revenue from the transportation of gas in the period under analysis amounts to 8,955.96 million meticaís.

On the other hand, CMG received dividends of 339.940 million Rands resulting from its participation in ROMPCO. It should be reminded that this company channelled the amounts of MZN 22.500.000,00 and MZN 7.500.000,00 to the State and IGEPE, respectively, as dividends.

## 5.5 Transactions relating to State-owned enterprises (Requirement 4.5)

The group Coordination Committee should ensure that the disclosure process comprehensively addresses the role of SOEs, including disclosure of comprehensive and reliable information on relevant payments made by companies to SOEs, transfers from SOEs to government agencies and transfers made by the Government to state-owned enterprises.

The role of state owned companies was presented in requirement 2.6. During 2020 there were transfers of dividends to the State and to IGEPE as presented in the map below:

Amount in MZN

Company	Dividends paid		
	State	IGEPE	Total
Companhia Moçambicana de Gasoduto-CMG	22.500.000,00	7.500.000,00	30.000.000,00
Companhia Moçambicana de Hidrocarbonetos SARL-CMH	495.314.645,09	165.104.881,70	660.419.526,79
Empresa Nacional de Hidrocarbonetos, EP-ENH, E.P.	516.695.395,01	0,00	516.695.395,01
<b>Total</b>	<b>1.034.510.040,10</b>	<b>172.604.881,70</b>	<b>1.207.114.921,80</b>

In addition, from the analysis made of the REOE for 2020, in light of article 10 of Law no. 3 /2020 of 22 April, the Government was authorized to issue Guarantees and Endorsements in the amount of MZN 33.5 billion, however, no Guarantee or Endorsement was issued during the period under review.

On the other hand the SOE Report <sup>37</sup> indicates that ENH's Financial Statements for the period 2016 to 2019, under the heading other operating gains and losses, include government grants relating to:

- Funds from the PPA (Petroleum Production Agreement) with SASOL, pursuant to which paragraphs b) and c) of Art. 14.5 establish that the Operator would pay USD 50,000 per year as institutional support and another USD 50,000 for training, during the Development and Production phases; and
- Amortisation of the SAP Software, which its use only began in 2013. The SAP Software was acquired by the funds coming from NORAD for acquisition of Capital Investments. According to the PGC NIRF (NCRF 26) an income should be recognised as it is consumed, hence the company recognised the income (as a Government grant) annually based on the amortisation of the Software.

## 5.6 Sub-national payments (Requirement 4.6)

The group Coordination Committee is required to establish the relevance of direct payments (within the scope of agreed benefit streams) made by companies to sub-national government entities. Where such payments are relevant, the grouping Coordination Committee is required to ensure disclosure of payments made by companies to sub-national government entities and the receipt of these payments. It is required that the grouping Coordination Committee agrees a procedure to assess data quality and assurance of the above information in accordance with Requirement 4.9.

<sup>37</sup><https://itie.org.mz/index.php/download/itie-relatorio-final-vp-estudo-intellica-2022/?wpdmdl=3219&refresh=62f9e99abfe021660545434> – accessed on 15 November 2021

From the analysis of the EITI Guidance, it is clear from the Guidance on subnational payments that subnational payments refer to those that entities make directly to district governments, municipalities and community leaders.

In this spectrum, the selected entities were asked to disclose information on payments made under this heading, but payments to community leaders were not covered.

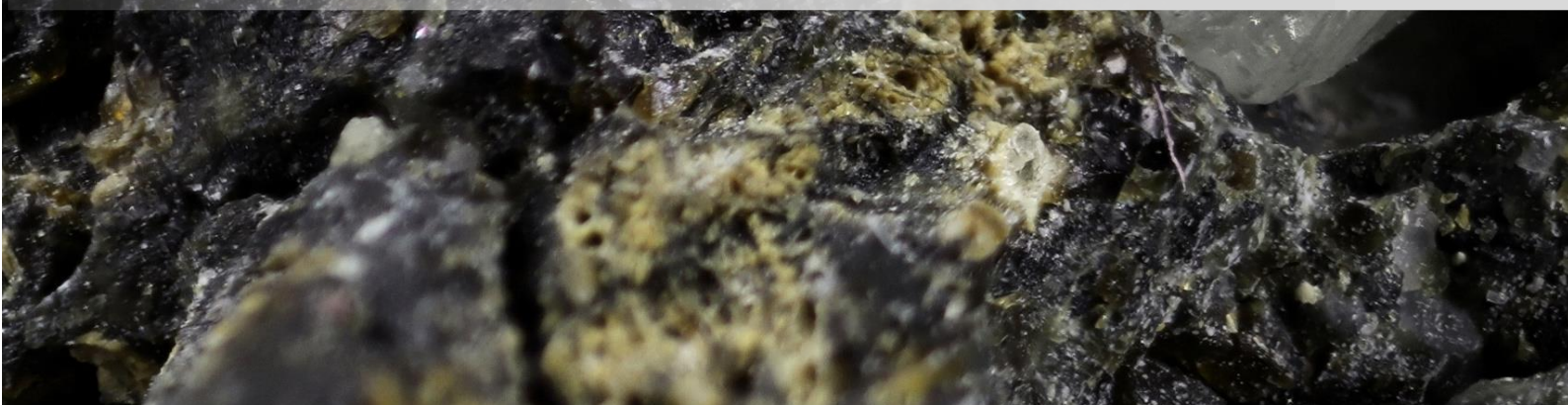
As shown below, the amounts paid are not material to be included in the reconciliation process:

Company's Name	Amount (MZN)	Sub-national government entity	Nature of payment
<b>Mining Sector</b>			
Kenmare Moma Mining (Mauritius), Lda	53.020,00	Municipal Council of Nampula	Vehicle Tax
	2.100.000,00	District Planning and Infrastructure Service	Building License - Moma District Government
LIMAK Cimentos S.A.	525.000,00	Municipal Council of Nampula	Municipal Property Tax
	27.292,65	Municipal Council of Matola City	Advertising and Signage Tax
Vale Moçambique, S.A.	141.960,00	Municipal Council of the Moatize Village	Economic Activity Tax - Municipality of Moatize
	1.841.546,42	Municipal Council of the Moatize Village	IPRA Municipal Property Tax - Municipality of Moatize
Minas de Moatize	353.045,00	Municipal Council of Moatize	Municipal Tax for parking vehicles
<b>Subtotal of the mining sector</b>	<b>5.041.864,07</b>		
<b>Hydrocarbon Sector</b>			
Exxonmobil	48.876,75	Municipal Council of Maputo	Business Activity Tax - Maputo office
	606.824,79	Municipal Council of Maputo	Property Tax
TEPMA1	18.000,00	Municipal Council of Pemba City	Economic Activity Tax - Pemba
	1.044.871,73	Municipal Council of Pemba City	Municipal Property Tax - Pemba
	48.876,75	Municipal Council of Maputo City	Economic Activity Tax - Maputo
	389.250,00	Provincial Directorate of Territorial Development and Environment	DUAT for reacquired persons
Sasol Petroleum Temane, LDA.	31.807,10	Municipal Council of Maputo	Payment of IPA and Taxa de Actividade Económica
	16.156.542,98	Municipal Council of Vilanculo	Costs of litigation appeal, IPRA, CMV out of court settlement
	89.504,40	Provincial Services of Geography	DUAT Fee Payment
<b>Subtotal of the Hydrocarbon Sector</b>	<b>17.827.729,71</b>		
<b>Total</b>	<b>22.869.593,78</b>		

Table 41 - Subnational payments made in 2020



**6 REVENUE ALLOCATIONS  
(REQUIREMENT 5)**



## 6 Revenue allocations (Requirement 5)

**Overview:** EITI requires disclosures of information related to revenue allocations, enabling stakeholders to understand how revenues are recorded in national and, where applicable, subnational budgets, as well as to track social expenditures by companies. The EITI Requirements related to revenue allocations include: (5.1) revenue distribution; (5.2) subnational transfers; and (5.3) revenue management and spending.

### 6.1 Distribution of Extractive Industry Revenues (Requirement 5.1)

Implementing countries should disclose the distribution of revenues from extractive industries.

- a) Implementing countries must indicate which extractive industry revenues, whether in cash or in kind, are recorded in the national budget. If revenues are not recorded in the national budget, the allocation of these revenues should be explained, with links to relevant financial reports where applicable - e.g. sovereign and development funds, sub-national governments, state-owned enterprises and other off-budget entities.
- b) The CC is encouraged to refer to national revenue classification systems and international standards such as the IMF Government Finance Statistics Manual.

During 2020, the Law that establishes the principles and norms of organization and operation of the State Financial Administration System (SISTAFE) that was in force was Law no. 9/2002 of 12 February. However, it is important to mention that this Law was repealed on 23 December 2020, having been replaced by Law 13/2020. Because the budget assumptions of the period under analysis followed the rules defined based on the Law 9/2002, the content of this requirement is based on this Law.

Under the terms of paragraph 1 of Article 14 of Law No. 9/2002, public revenue is defined as all monetary resources or in kind, whatever their source or nature, made available to the State, with the exception of cases in which the State acts as mere temporary depositary.

No revenue may be established, included in the State Budget (OE) or collected except by virtue of the Law and, even if established by Law, revenue may only be collected if provided for in the approved State Budget, in accordance with number 2 of the aforementioned article.

In this sense, Article 9 of the Circular of the Office of the Minister of Finance No. 01/GAB-MF/2010 presents the phases of the flow of forecasting and revenue collection, which are presented below<sup>38</sup>:

1. Registration in the Budgeting Module (MEO) of the legislation establishing the revenue and the creation of the budget classifiers that individualise each revenue;

<sup>38</sup> It should be noted that this explanation intersects with figure 10, presented in section 5.2.

2. Appropriate publication of legislation setting the tariff for the collection of each revenue;
3. Providing for the collection of the revenue and its inscription in the MEO in the process of elaboration of the State Budget;
4. Alignment of e-SISTAFE Revenue Budget Cell (COR) classifications with the CTR (Revenue Tax Classifier) classification);
5. Approval of the State Budget and its availability in the MEX (Budget Implementation Module);
6. Collection of the revenue and its individual accounting in the body or institution generating the revenue;
7. Delivery of the revenue collected through the Model B Guide duly completed by the body or institution managing the event generating it in the Tax Area Directorate (DAF) or Major Taxpayers Unit (UGC);
8. Registration of the revenue in the DAF/UGC and certification of delivery;
9. Transfer of the revenue from the DAF/UGC bank account to the Single Treasury Account (CUT);
10. Issuance of Model 51 and strict verification of the accuracy of the ratings and values entered in Model 51, by a different official from the one who entered them, comparing them with the data in the Revenue Report that gave rise to it;
11. Forwarding Model 51 to the Provincial Directorate of Planning and Finance (DPPF) or the National Directorate of the Treasury (DNT);
12. Issuing and sending a Memorandum proving the amount collected by the Directorate General of Taxes (DGI) to the body or institution managing the event generating the revenue for the purposes of monitoring the classifications and values registered;
13. Registration of the revenue in the Budget Execution Module (MEX) by DPPF/DNT and issue of the Collection Guide with copy to DAF/UGC, for the purposes of monitoring the classifications and values recorded; and
14. Daily monitoring at the MEX by the managing body or institution of the event generating it, for the purpose of certifying the correct classification, the date of registration and the accuracy of the values recorded. In case of inaccuracy or delay in the registration, contact the respective DAF/UGC.

Tax revenues from the extractive industry follow this path until they are entered in the State Budget, with the exception of the tax on oil production paid in kind, as indicated in point 5.2.

On the other hand, in order to align the international procedures recommended by the International Monetary Fund (IMF) and to modernise the services of the Tax Administration, the Economic Classifier of Revenue was approved by Decree No. 68/2014, amending the wording of Article 45 of Decree No. 23/2004 of 20 August, the SISTAFE Regulation. According to this regulation, the classifier must be structured in five levels, which indicate:

- ✓ At the first level, the economic category of current and capital revenue;
- ✓ At the second level, the nature of the revenue considering its origin;
- ✓ The decomposition of revenue according to its nature, from the third to the fifth level.

The Ministry of Economic Affairs and Finance publishes the State Budget Implementation Report each year, as indicated in the SISTAFE Regulation<sup>39</sup> (REOE) for last year, a document presenting the policy, management and implementation of the budget. The level of public revenue collected and disclosed in the AEOE for 2019 was indicated in Chapter 5.3.

As regards the allocation of public revenue, in accordance with the SISTAFE Law, certain principles are observed in the preparation and execution of the State Budget, such as:

- ✓ Unity - determines that the State Budget is only one;
- ✓ Non-consignment - whereby the proceeds of any revenue cannot be earmarked to cover specific expenditure.

However, the following cases are excepted from the principle of non-consignment (according to Article 13 of the SISTAFE Act) of revenues:

- ✓ Because of administrative and financial autonomy, the revenue must be earmarked for a specific purpose or for certain institutions;
- ✓ The financial resources are derived from public credit operations;
- ✓ Resources derived from donations, inheritance or legacies to the State with a specific destination;
- ✓ The resources have by special law a specific destination.

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<sup>39</sup> Access link to the 2020 REOE: <https://www.mef.gov.mz/index.php/todas-publicacoes/instrumentos-de-gestao-economica-e-social/execucao-do-orcamento-do-estado/reo-2020/1203-reo-janeiro-a-dezembro-2020/file?force-download=1> – accessed on 15 November 2021

In the specific case of the extractive industry, 10% of the revenues of IPM and ISS are allocated to INAMI, as established by Decree No. 7/2013 of 7 April, which creates the Geological and Mining Institute and extinguishes the Mining Promotion Fund. According to Decree no. 22/2015, of 17 September, the Geological and Mining Institute is extinguished and its rights and obligations, material and financial resources and participations are transferred to INAMI.

## 6.2 Sub-national transfers (Requirement 5.2)

- a) Where transfers between national and sub-national government entities relate to revenues generated by the extractive industries and are mandated by the national constitution, law or other national revenue sharing mechanism, the Coordination Committee is required to ensure that the relevant transfers are disclosed. Implementing countries should disclose the revenue sharing formula, if any, as well as any discrepancy between the transfer amount calculated according to the revenue sharing formula and the actual amount transferred between the central government and each relevant sub-national entity. The group Coordination Committee is encouraged to agree on a procedure to assess data quality and assurance of subnational transfer information in accordance with Requirement 4.9. Where there are significant constitutional or practical barriers to participation by subnational government entities, the Steering Committee group may seek adapted implementation in accordance with Article 1 of the EITI Steering Committee's procedures for oversight of EITI implementation.
- b) b) The Steering Committee group is encouraged to ensure that any relevant discretionary or ad hoc transfers are also disclosed, and to agree a procedure for assessing data quality and information assurance on such transfers in accordance with Requirement 4.9.
- c) c) The Coordination Committee may also wish to report on how extractive sector revenues earmarked for specific programmes or investments at the sub-national level are managed, as well as actual disbursements made.

The Mining Law and the Petroleum Law define that a percentage of the revenues generated from oil and mining activities must be channelled to the development of communities in the areas where the respective projects are located. This contribution must be reflected in the State Budget, where an amount is determined which varies according to the objectives of each year.



In this regard, the criteria to be observed in the implementation of projects funded by mining and oil revenues are advocated in Circular No. 1/MPD-MF/201325<sup>40</sup>. According to this instrument, resources must be allocated to priority projects in coordination with the respective Locality Consultative Councils, Provincial Directorate of Planning and Finance and District Service, in the following areas, with the District Secretariat being the body responsible for the management and proper application of the allocated resources:

- ✓ Education (classrooms and their equipment);
- ✓ Health (posts, health centres and their equipment);
- ✓ Agriculture (community irrigateds/enterprises);
- ✓ Forestry (community forests);

In accordance with the above, Article 7 of Law 15/2018 of 20 December, the legal instrument that approved the State Budget for 2019, states that 2.75% of the revenue from the tax on mining and oil production should be allocated to programmes aimed at the development of communities in the areas where the respective enterprises are located, as designated in Article 20 of Law 20/2014 (Mining Law) and Article 48 of Law 21/2014 (Oil Law). The 2020 REOE indicates that the entire allocation established for this purpose has been made, as follows:

Amount in Million MZN			
Province & District	Locality	Allocation	Realisation
<b>Cabo Delgado</b>		<b>20,9</b>	<b>20,8</b>
Montepuez	Nyamanhumbir	20,9	20,8
<b>Nampula</b>		<b>4,9</b>	<b>4,9</b>
Moma	Topuito	4,9	4,9
<b>ZambEzia</b>		<b>1,4</b>	<b>1,4</b>
Chinde	Mitange	1,4	1,4
<b>Tete</b>		<b>54,3</b>	<b>54,0</b>
Moatize	Cateme	14,6	14,6
	25 de Setembro	14,6	14,6
	Chipanga II	14,6	14,6
	Benga	7,1	7,1
Marara	Marara	3,5	3,2
<b>Manica</b>		<b>1,3</b>	<b>1,3</b>
Manica	Penhalonga	0,6	0,6
	Manica	0,6	0,6
<b>Inhambane</b>		<b>5,3</b>	<b>5,3</b>
Govuro	Pande	2,7	2,7

<sup>40</sup> [http://www.dno.gov.mz/docs/orc\\_estado/execucao/normas/Circular\\_01\\_MPD\\_MF\\_2013\\_CriteriosProyectos\\_Comunidades\\_Exploracoes\\_Mineiras.pdf](http://www.dno.gov.mz/docs/orc_estado/execucao/normas/Circular_01_MPD_MF_2013_CriteriosProyectos_Comunidades_Exploracoes_Mineiras.pdf) – accessed on 15 November 2021

		Amount in Million MZN	
Province & District	Locality	Allocation	Realisation
Inhassoro	Maimelane	2,7	2,7
<b>Total</b>		<b>88,0</b>	<b>87,8</b>

Table 42 - Allocation of 2,75% in 2019 (Source: Ministry of Economy and Finance, Administrative Court)

According to the REOE, the methodology for transferring funds to the communities consists in making resources available based on the revenues of the year (n-2), i.e. revenues collected in the year 2018. However, the REOE does not allow us to assess which criterion was used to allocate the amount to be allocated to each community and for which activities the funds were allocated.

On the other hand, the amount of MZN 87.8 million indicated above, does not correspond to 2.75% of the 2018 production tax, indicated in the REOE of 2018<sup>41</sup>. That is, the REOE of 2018 indicates a total of MZN 3,657.70 million referring to the production tax, and 2.75% of this amount corresponds to approximately MZN 100.59 million, resulting in a difference of MZN 12.79 million.

		Amount in MZN Million
Description		Amount
Tax on mining production (REOE - 2018)		3.029,90
Tax on petroleum production (REOE - 2018)		627,80
<b>Total</b>		<b>3.657,70</b>
	2,75%	100,59
	Amount allocated in 2020	87,8
<b>Diferença</b>		<b>12,79</b>

Table 43 - Tax on production paid in 2018

According to the explanations provided by MEF, this discrepancy results from the fact that only the production tax is allocated to projects based in the communities indicated in table 42. Accordingly, it is important, through the appropriate legal provisions, to define which communities should benefit from the 2,75%.

### 6.3 Income and expenditure management (Requirement 5.3)

The group Coordination Committee is encouraged to disclose additional information on revenue and expenditure management, including:

<sup>41</sup><https://www.mef.gov.mz/index.php/todas-publicacoes/instrumentos-de-gestao-economica-e-social/execucao-do-orcamento-do-estado/reo-2018/682-reo-janeiro-dezembro-2018/file?force-download=1> - accessed on 15 de November 2021

- a) A description of all revenues from the extractive industries earmarked for specific programmes or geographic regions. This should include a description of methods to ensure the accountability and efficient use of these resources.
- b) A description of the country's budget and audit processes, as well as links to access publicly available information on budgets, expenditures and audit reports.
- c) Timely information from the Government that promotes public understanding and dialogue on issues related to revenue sustainability and resource dependency. This may include assumptions underlying budget cycles in future years and projected production, commodity prices and revenue forecasts from the extractive industries, as well as the proportion of future fiscal revenues expected to be generated by the extractive sector.

As mentioned above, the revenues are not earmarked for a specific purpose, with the exceptions indicated in points 6.1 and 6.2, which is why their allocation cannot be identified.

Regarding the rendering of accounts concerning public revenue and execution of expenditure, the respective process is carried out by the Administrative Court (TA) within the scope of its competences, as recommended under subparagraph a) of number 1 and number 2 of Article 14 of Law No. 14/2014 of 14 August 2014, amended and republished by Law No. 8/2015 of 06 October 2015, which refers to the organisation, functioning and process of the section for the supervision of public revenue and expenditure as well as the Approval of the TA.

In this context, the TA is responsible for assessing the financial activity of the State in the respective year to which the account refers, in areas related to assets, revenues and public expenditure.

On the other hand, with reference to the tax audit of the accounts of the selected companies, the Tax Authority indicated that due to COVID-19, the audit work was suspended in early 2020, and resumed in the third quarter of 2021. Thus, the work started in the years prior to 2020 is still in progress.



**7 SOCIAL AND ENVIRONMENTAL E  
COSTS OF EXTRACTIVE COMPANIES  
(REQUIREMENT 6)**

## 7 Social and environmental costs of extractive companies (Requirement 6)

**Overview:** EITI encourages disclosure of information related to revenue management and expenditure, helping stakeholders assess whether the extractive sector is generating desirable social, economic and environmental impacts and outcomes. EITI requirements related to revenue allocations include: (6.1) social and environmental expenditures by companies; (6.2) para-fiscal expenditures by state-owned companies; (6.3) overview of the contribution of extractive industries to the economy; and (6.4) environmental impact of extractive activities.

### 7.1 Social and environmental expenditures of extractive companies (Requirement 6.1)

- a) Where companies are required to undertake significant social expenditures by law or contract with the Government governing extractive investments, implementing countries must disclose these transactions. Where such benefits are provided in kind, implementing countries are required to disclose the nature and estimated value of the in-kind transaction. If the beneficiary of the mandatory social expenditure is a third party, i.e. not a government agency, it is required that the name and function of the beneficiary be disclosed. If reconciliation is not feasible, countries should provide unilateral disclosures from companies and/or the government on these transactions.
- b) Where companies are required to make significant environment-related payments to the Government by virtue of a law, regulation or contract governing extractive investments, such payments should be disclosed.
- c) The Coordination Committee is required to agree a procedure to assess data quality and assurance of information on social and environmental expenditures in accordance with Requirement 4.9.
- d) Where it agrees that discretionary social and environmental expenditures and transfers are significant, the group Coordination Committee is encouraged to develop an information disclosure process that provides the same level of transparency as that required for other payments and revenue streams.

#### 7.1.1 Mandatory social expenses

##### Mining Area

In the mining sector, paragraphs (c), (e), (f) and (h) in No 2 of Article 8 of the Mining Act stipulate that the mining contract must contain clauses concerning:

- ✓ Local employment and technical vocational training plan;
- ✓ Actions to be taken by the holder in the framework of social responsibility;

- ✓ Memorandum of understanding between government, company and communities; and
- ✓ The extent to which communities in the mining area are involved in and benefit from the initiatives.

The following companies selected for the reconciliation process of this report have indicated in their information collection forms that they incurred the following compulsory social expenditure in the year 2020.

Company's Name	Benefit Amount (MZN)	Nature of benefit	Device where this obligation is found	Observation
Minas de Revubóé	4.132.253,55	Local Communities	Mining Contract - Clause 19 (Community Development)	Failed to provide supporting documentation
	479.475,43	Population Covered by the Resettlement Programme	Mining Contract - Clause 11 (Capacity Building Provisions)	
Twig Exploration Mining Lda.	7.765.671,64	Construction of Pirira Primary School	Mining Contract - Clause 18 (Community Development Agreement)	
	318.000,00	Livelihood Development Program	Mining Contract - Clause 18 (Community Development Agreement)	
	19.582.122,51	Construction of Muapé Primary School	Mining Contract - Clause 18 (Community Development Agreement)	
	1.289.599,48	Rehabilitation of Mualia school road	Mining Contract - Clause 18 (Community Development Agreement)	
<b>Total</b>	<b>33.567.122,61</b>			

Table 43 - Mandatory social expenses in Meticals

It should be mentioned that the above data has not been subject to reconciliation, so there is a need for the Coordination Committee to decide whether these data are material and whether there is a need to proceed with their reconciliation. In addition, the competent authorities should set up a mechanism to check that all companies comply with their compulsory social expenditure.

### Hydrocarbon area

In the hydrocarbon sector, it is foreseen in article 16 of Resolution 25/2016 of 03 October that approves the Model Contract for Concession of Exploration and Production of Petroleum (CCPP), that regarding employment, training and institutional support and social support programs, the concessionaires shall pay to INP a certain amount in US dollars, per year, during the term of the CCPP to be used as institutional and social support for the promotion, exploration and administration of petroleum operations.

These payments resulted in an amount of **USD 2.300.000,00** equivalent to **MZN 156.499.000.00** as per the following graph:

Company	Revenue (USD)
Total	1.000.000,00
Sasol PT5-C	250.000,00
ENI Mozambico A5-A	250.000,00
Exxon A5-B	300.000,00
Exxon Z5-C	200.000,00
Exxon Z5-D	300.000,00
<b>Total</b>	<b>2.300.000,00</b>

Table 44 - Contributions channelled to INP

According to the information shared by INP, during 2020, the following social projects were implemented:

Specific programme	Objectives	Entities benefiting from contributions/Geographical regions	Allocation of contributions (MZN)	Project Status
Allocation of an ambulance in the district of Mueda	Improvement in patient transport conditions	Cabo Delgado – Mueda Village	4.678.950,00	Completed
Rehabilitation of DIPREME office and residence (due to the destruction caused by the IDAI cyclone)	Improve the conditions of the DIPREME offices and protocol house	Sofala – Beira City	3.564.696,83	Completed
Allocation of 2 tractors and respective tools to the Association of Resettled Families in Chibuto	Increase production and productivity	Gaza – District of Chibuto	4.410.375,96	Completed
Rehabilitation and extension project of the water system to the city of Montepuez	Expansion of water supply	Cabo Delgado - District of Montepuez	53.421.683,80	No information on provisional handover of the works. No disbursements of funds have been made in 2020.
Prevention and Fight against COVID-19 in Palma, Cabo Delgado	Preventing the pandemic of COVID-19	Cabo Delgado – District of Palma	724.000,00	Transfers made to beneficiaries

Table 45 - Social projects implemented by INP in 2020

### 7.1.2 Discretionary social expenses

Regarding discretionary social expenses, the selected companies reported that they incurred this type of expenditure in the amounts shown in the table below. Detailed data per company can be seen in 8- Discretionary social expenses.

Area	Amount (USD)	Amount (MZN)
Mining	-	27.744.088,05
Hydrocarbons	2.921.062,48	183.699.196,92
<b>Total</b>	<b>2.921.062,48</b>	<b>211.443.284,97</b>

Table 46 - Discretionary social expenses

To confirm the amounts spent on discretionary social expenses, the companies have provided the following documentation:

- Proof of transfer;
- Terms of delivery by the beneficiary entities; and
- Invoices for the acquisition of the goods/services delivered.

On the other hand, it should be mentioned that in order to guide the implementation of actions within the scope of corporate social responsibility in the extractive industry sector, resolution No. 21/2014 of 16 May was approved as the Corporate Social Responsibility Policy for the Extractive Industry of Mineral Resources, aimed at promoting the establishment of mechanisms that ensure the existence of corporate social responsibility programmes in the mineral resources extractive sector, in order to contribute to poverty reduction and boost sustainable development in Mozambique, as well as framing and coordinating the social and corporate responsibility programmes in the development objectives and programmes, especially at local level.

This instrument, mentioned above, recommends some principles in order to achieve these objectives:

- ✓ **Law, transparency and accountability** – mineral exploration activities must be conducted in accordance with the law, based on decisions taken in a transparent manner and in an environment of accountability of the parties concerned;
- ✓ **Consultation and participation** – all persons who may be directly or indirectly affected by extractive industry activities must be consulted in advance;
- ✓ **Integration and complementarity** – the extractive industry's social responsibility programmes should be framed and complementary to social, economic and institutional development plans and programmes with priority for areas where these operations have an impact, with a view to continuously improving the living conditions of communities;



- ✓ **Environmental responsibility and benefit sharing** – the social and industrial responsibility of the extractive industry includes respect for the principles of sustainable environmental management and must ensure that the benefits resulting from the activity are shared with communities.

## 7.2 Quasi-fiscal expenditures (Requirement. 6.2)

Where state participation in the extractive industries gives rise to material revenue payments, implementing countries must include disclosures from SOEs on their quasi-fiscal expenditures. 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. Quasi-fiscal expenditures include arrangements whereby SOEs undertake public social expenditure such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, etc. outside of the national budgetary process. Implementing countries and multi-stakeholder groups may wish to take the IMF's definition of quasi-fiscal expenditures into account when considering whether expenditures are considered quasi-fiscal.

Parafiscal or extra-budgetary expenses can have a significant impact on the local and national economy, and on the country's fiscal position. In many countries, state-owned enterprises incur parafiscal expenditures on behalf of the state, such as payments for social services, public infrastructure, fuel subsidies and national debt servicing, which are not recorded in the state budget.

It should also be noted that parafiscal expenditure by state-owned enterprises is characterised by being exposed to greater risks of fraud, lack of auditing, and either made at a loss or below the usual rate of profit. Parafiscal spending is often considered less advisable compared to tax expenditure carried forward in the state budget, which normally has parliamentary oversight.

In this sense, this requirement, applicable to state-owned enterprises, requires the development of a disclosure process that offers the same level of transparency as that required for other payment and revenue flows and should include subsidiaries of state-owned enterprises and joint ventures.

According to the Study on the ESS covering requirements 2.6, 4.2, 4.5 and 6.2 of the EITI Standard, after reviewing the Financial Statements of the ESS companies in the extractive industry, no evidence of occurrence of parafiscal expenses was identified. Additionally, from the review the Law that establishes the principles and rules applicable to the State business sector (Law No. 3/2018 of 19 June) and the corresponding regulation (Decree No. 10/2019 of 26 February), no mention is found of the obligation of State-owned companies to make expenditures on behalf of the Government.

It should be noted that, according to the definition of parafiscal expenditure presented above, the Independent Administrator believes that it can be easily confused with discretionary social expenditure incurred by public companies. In fact, within the scope of this report, ENH reported having made the para-fiscal expenses that can be confused with social expenses, and even publicity for the company, totalling MZN 84.548.734, presented in Annexure 9.

### 7.3 Contribution of the extractive industry to the economy (Requirement 6.3)

Implementing countries must disclose, where available, information on the contribution of the extractive industries to the economy in the fiscal year covered by EITI implementation. It is required that this information includes:

- a) The size of the extractive industries in absolute terms and as a percentage of Gross Domestic Product, as well as an estimate of informal extractive sector activities, including, but not limited to, artisanal and small-scale mining.
- b) Total government revenues generated by the extractive industries (including taxes, royalties, bonuses, fees and other payments) in absolute terms and as a percentage of total government revenues.
- c) Exports from the extractive industries in absolute terms and as a percentage of total exports.
- d) Number of jobs in the extractive industries in absolute terms and as a percentage of total employment. Information should be disaggregated by gender and, where available, by company and occupational level.
- e) Main areas/regions where production is concentrated.

#### 7.3.1 Size of the Extractive Industry

According to data from the National Institute of Statistics <sup>42</sup>, during 2020, the Mozambican economy showed a decrease of about 1.23% in relation to the same period of the previous year. This reduction resulted from the decrease in production in the following branches of activity<sup>43</sup>:

- i. Accommodation, Restaurants and Similar Services (22.1%);
- ii. Extractive Industries (15.1%);
- iii. Public Administration, Defence and Social Security (7.1%);

<sup>42</sup> [http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/anuais-1/pib\\_optica\\_producao-18-05-2021.xlsx/view](http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/anuais-1/pib_optica_producao-18-05-2021.xlsx/view) – accessed on 15 November 2021

<sup>43</sup> The business areas indicated reflect INE's classifiers. This classifier was based on the United Nations Economic Activity Classifier. Link to the classifier: [http://www.ine.gov.mz/documentos/documentos-metodologicos/classificacao-das-actividades-economicas-de-mocambique-cae-rev-2/at\\_download/file](http://www.ine.gov.mz/documentos/documentos-metodologicos/classificacao-das-actividades-economicas-de-mocambique-cae-rev-2/at_download/file) – accessed on 15 November 2021

- iv. Import Duties (5.7%)<sup>44</sup>;
- v. Transport, Storage (3.1%);
- vi. Trade, Motor Vehicles Repairs (2.5%);
- vii. Manufacturing (1.5%);
- viii. Education (1.3%);
- ix. Construction (0.9%);
- x. Information and Communication (0.8%); and
- xi. Financial Activities (0.7%).

The sectors that showed growth were the following:

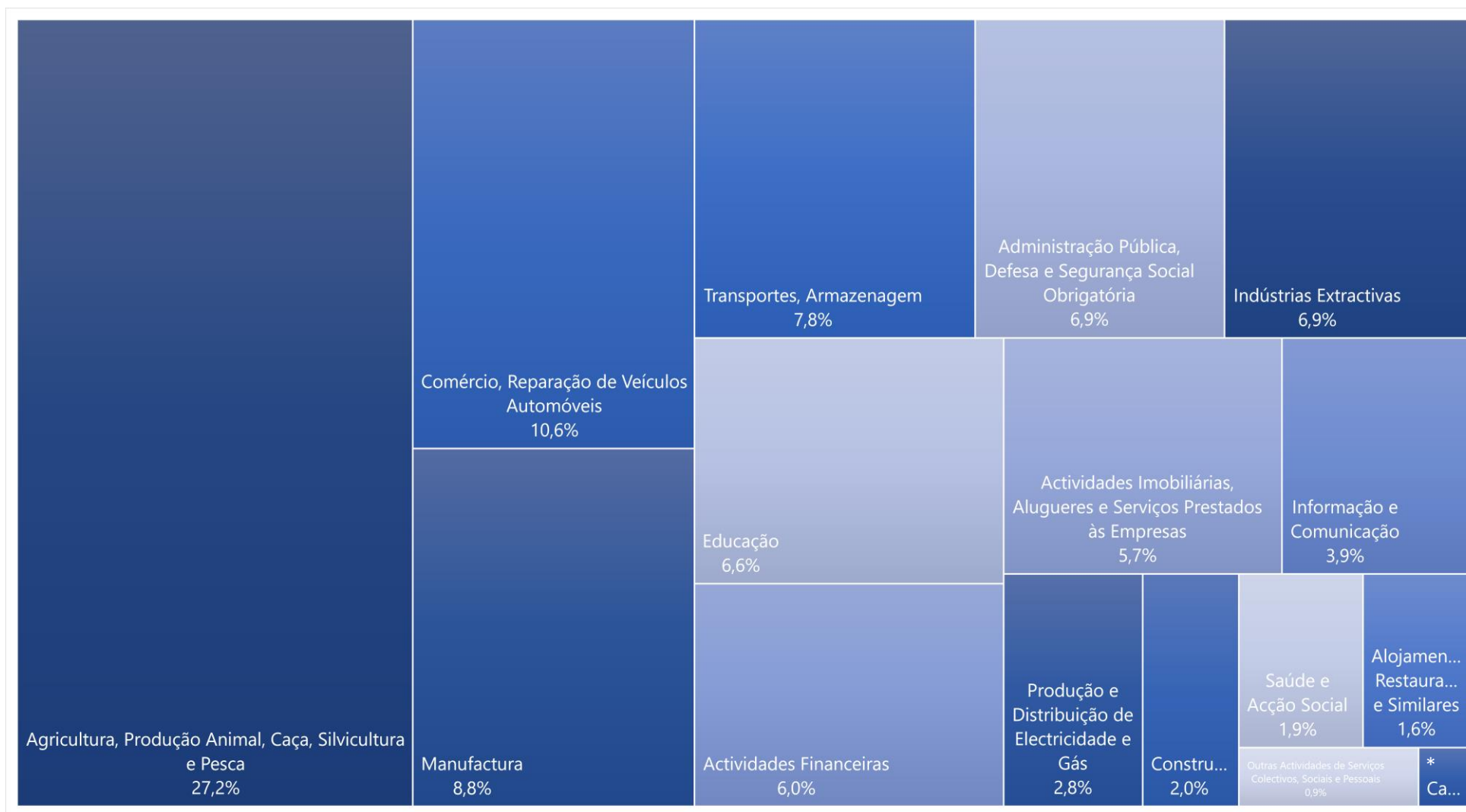
- i. Water Collection, Treatment and Distribution (12.6%);
- ii. Health and Social Welfare (8.5%);
- iii. Agriculture, Livestock, Hunting, Forestry and Fishing (3.1%);
- iv. VAT (3.1%)<sup>45</sup>;
- v. Other community, social and personal service activities (3.1%);
- vi. Electricity and Gas Production and Distribution (2.6%); and
- vii. Real Estate, Renting and Business Activities (1.1%).

In terms of GDP composition, the activity sectors that most contributed to this economic activity indicator were Agriculture, Livestock Production, Hunting, Forestry and Fishing (27.2%), Trade, Motor Vehicle Repairs (10.6%), Manufacturing (8.8%), Transport, Storage (7.8%), Public Administration, Defense and Mandatory Social Security (6.9%) and Extractive Industries (6.9%).

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<sup>44</sup> It is not a sector of activity, but it contributes to the calculation of GDP in terms of production

<sup>45</sup> It is not a sector of activity, but it contributes to the calculation of GDP in terms of production

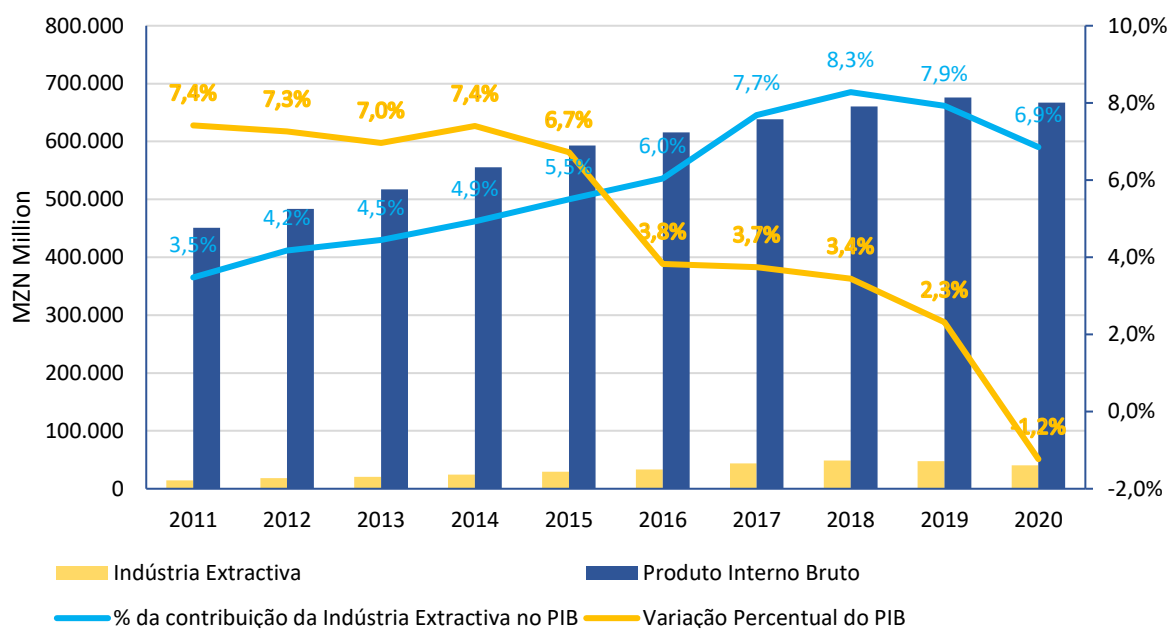


\* Water Collection, Treatment and Distribution (0.3%)

Graph 16 - Composition of real GDP from a production perspective in 2020 (Source: INE)



With regard to the extractive industry, over the past few years the contribution of this sector to GDP has shown high growth, as shown by INE data. However, it can be seen that in the last two years (2019 and 2020), there has been a reduction in the contribution of the extractive industry,



Graph 17 - Extractive industry contribution to GDP (Source: INE)

This reduction in the contribution of the extractive industry to GDP is justified, on the one hand, by the fall in the average international price of coal, aluminium and heavy sands and, on the other, by the fall in production as a result of the restrictions imposed by the pandemic, which led to the closure of some of the main markets for the products<sup>46</sup>.

With regard to the informal extractive sector, the country does not yet have available data, although INAMI, in collaboration with INE, launched the first census of artisanal miners in the country in 2020 to assess their contribution to the national economy<sup>47</sup>. The outcomes of this work are expected to be published in late 2022 or early 2023.

<sup>46</sup> [http://www.bancomoc.mz/fm\\_pgTab1.aspx?id=73](http://www.bancomoc.mz/fm_pgTab1.aspx?id=73) – accessed on 15 November 2021

<sup>47</sup> <https://inami.gov.mz/index.php/component/content/article/103-destaques/destaques/135-assinatura-de-memorando-de-entendimento-entre-o-instituto-nacional-de-minas-inami-e-o-instituto-nacional-de-estatistica-ine?Itemid=437> – accessed on 15 November 2021

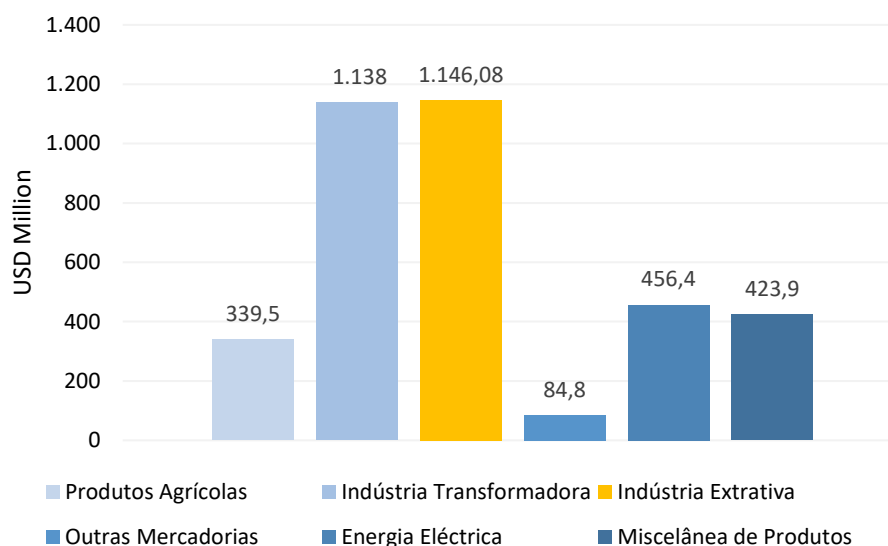
### 7.3.2 Total government revenue

See point 5.3.

#### C) Export

See point 4.3.

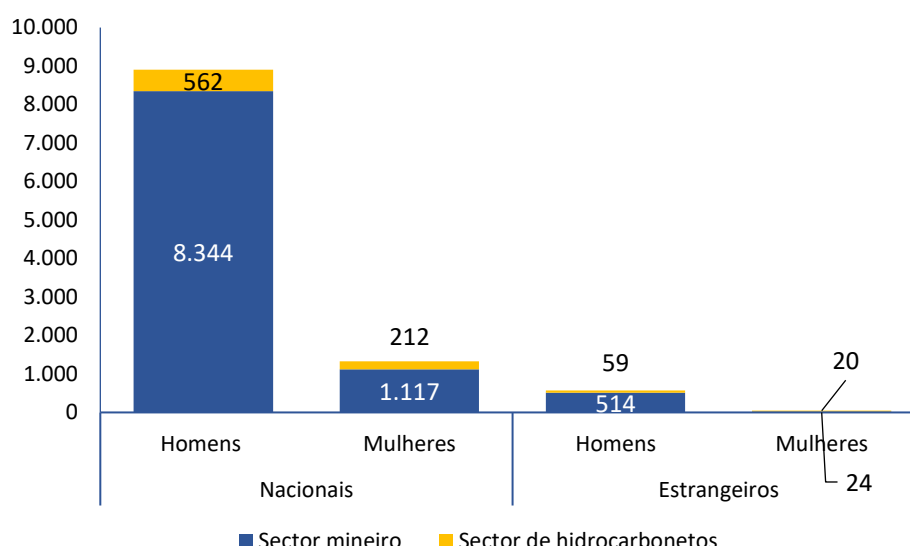
With regard to the percentage contribution of extractive industry exports to the country's total exports, Bank of Mozambique data points to a percentage of 32%, as detailed below.



Graph 17 – Exportation of goods (Source: Banco de Moçambique)

### 7.3.3 Employment

The information collection form distributed to the companies selected for the reconciliation process of this report included a field in which they should provide information on employment data. In this sense, according to the information disclosed by the companies that filled in the aforementioned field, during 2020 a total of 10,852 people were employed, of which 9.999 were in the mining sector and the remaining 853 in the hydrocarbon sector. This data refers to the number of jobs registered in the companies on 31 December 2020. It should be noted that, according to data from the 9th EITI Report, in 2019, the selected companies employed 10.873 people.



Graph 18 - Employment data indicated in the forms

It should be noted that the companies Africa Great Wall Mining Development Company, Lda, Cimento Nacional, Lda and Empresa Moçambicana de Exploração Mineira, S.A did not present data relating to employment.

In addition to the data presented above, Annex 10 shows the number of jobs per type of contract.

### 7.3.4 Main areas/regions where production is concentrated

Data on the main areas/regions where production is concentrated is presented in Annexure 4 on production data. Additionally, the areas where mineral resources occur are presented, this information is organised by type of resource and province.

## 7.4 Environmental impact of extractive activities (Requirement 6.4)

Implementing countries are encouraged to disclose information on the management and monitoring of the environmental impact of extractive industries. This may include:

- a) An overview of relevant legal provisions and administrative standards, as well as actual practices observed in relation to environmental management and monitoring of extractive investments in the country. This could include information on environmental impact assessments, certification schemes, permits and rights granted to oil, gas and mining companies, and information on the roles and responsibilities of the relevant government agencies in implementing standards and regulations. In addition, it could include information on any planned or ongoing reforms.

- b) Information on regular environmental monitoring procedures and administrative and sanctioning processes, as well as environmental obligations and environmental remediation and rehabilitation programmes.

#### 7.4.1 Legislation

In order to mitigate the environmental risks associated with the exploitation of mining and hydrocarbons resources, and in order to promote efficiency and ensure the proper management of resources in the extractive sector with a view to the sustainable development of the country in the medium and long term, the government has approved the following legal provisions:

- Decree No. 26/2004 of 20 August 2004 approving the Environmental Regulation for Mining Activities, the purpose of which is to establish rules to prevent, control, mitigate, rehabilitate and compensate for the adverse effects that mining activity may have on the environment in order to provide for the sustainable development of mining activity;
- Decree 56/2010, of 22 November - Environmental Regulation for Petroleum Operations, which defines the procedures for the Environmental Impact Assessment Authority;
- The Parliamentary Resolution No 13/2016 of 10 August 2006 - with the aim of ensuring environmental quality control through this legal mechanism - was attributed to AQUA (National Agency for Environmental Quality Control)

It should also be noted that INAMI's function is to promote environmental quality control actions aimed at conserving and protecting biodiversity and other environmental components, to carry out pilot projects for the development, testing and application of technologies for mining processing, and to improve and prevent environmental degradation. In the hydrocarbon sector, INP (National Institute of Petroleum) is also responsible for ensuring compliance with Emergency and Contingency, Safety and Environmental Protection requirements.

#### 7.4.2 Licenses and rights granted

During the 2020 period the Ministry of Land, Environment and Rural Development (MITADER), through the National Directorate of Environment, allocated a total of 17 licenses, as detailed below:

Type of License	Mining Sector	Hydrocarbon sector
Installation License	5	2
Operating License	7	3

Table 47 - Environmental licenses granted in 2020



### 7.4.3 Monitoring procedures

With regard to inspection procedures and monitoring of environmental impacts, the applicable legislation, namely the Environmental Regulation for Mining Activities and the Environmental Regulation for Petroleum Operations, establish that the Ministries overseeing the area of the environment and mineral resources are responsible for carrying out the respective procedures. However, companies must also monitor the parameters of the environmental components affected, in accordance with the provisions of their environmental management plan, and submit the report containing the findings of this assessment to the Ministries mentioned above.

According to AQUA, in the year 2020 Environmental Audits were carried out specifically in the clay, limestone, heavy sands, gold and coal mining industry in the provinces of Maputo, Gaza, Manica, Sofala, Tete and Nampula. The main findings of this work were the following:

#### Regarding waste management:

- Lack of waste deposits and toilets for workers at the mining fronts, promoting the proliferation of waste in the environment and open-air faecal contamination. **(Maputo Province, Gaza Province, Manica Province, Sofala Province, Tete Province and Nampula Province)**
- Existence of waste deposits, however without identification in the processing plants **(Manica Province)**
- Existence of waste deposits properly identified at the processing plants. **(Tete Province)**
- Inadequate management of waste deposited directly on the ground, where it is later burned in the area of the processing plant. **(Gaza Province)**
- Inadequate waste management deposited directly into a mixed pit, where it is later burnt near the gate to the company's offices. **(Nampula Province)**

#### Regarding the management of emissions:

- In relation to dust, both in rail and road transport, the resources are covered with tarpaulin. Near the mines, where access roads are not tarred, and near the communities, water is sprayed from tanker trucks. **(Maputo Province and Sofala Province)**
- The drivers of the trucks transporting raw material have written procedures in their vehicles to regulate the speed of 40 km/h on unpaved roads. **(Maputo Province, Sofala Province, Nampula Province)**

- No monitoring of dust and no dust mitigation system implemented on roads **(Gaza Province and Nampula Province)**

#### **Wastewater management:**

- There is an area for washing machines and vehicles at the mine and an associated water and oil separation basin, whose waters and oils are collected by licensed companies. **(Maputo Province)**
- No treatment station for the effluents from the car and machine washing waters from the workshop. **(Gaza Province and Nampula Province)**
- The wastewater from the mineral processing plants is drained to settling ponds on the ground without prior treatment, which are not fenced and without warning signs about the risks. **(Manica Province)**
- The wastewater generated from the mineral processing plants is reused in a closed loop for mining processing. Two mining companies have operational Domestic Wastewater Treatment Plants (WWTP's), while the third, this infrastructure is not operational. **(Tete Province)**
- Lack of waste deposits and toilets for workers at the mining fronts **(Nampula Province)**

#### **Regarding risk management:**

- For the use of explosives in the Limestone mine, prior notice of the dates and times is given to the communities directly affected by the project for them to adopt the procedures provided for risk prevention. It should be noted that one hour in advance, a siren is sounded to warn of the approaching time of explosions. **(Maputo Province, Sofala Province)**
- Evidence of risk linked to lack of rigorous use of personal protective equipment (PPE) **(Gaza Province and Nampula Province)**.
- Existence of a deep borrowing chamber created by the company in the area of the communities resettled by the company. **(Gaza Province)**
- The existence of fire extinguishers past their expiry date. **(Manica Province, Tete Province)**
- There is not a person responsible for environmental and work safety issues. **(Manica Province)**

- The existence of fire extinguishers within the validity period was verified. **(Tete Province)**
- Existence of Rehabilitation Plans for mined areas **(Tete Province)**
- Rigorous use of PPE. **(Tete Province)**
- No contingency plan for accidents **(Manica Province)**
- Lack of evidence of waste disposal by companies, as well as contracts with waste management companies. **(Manica Province)**
- Access for livestock and communities in the concession area. **(Tete Province)**
- Access of communities and cattle in the areas under exploitation. It should be noted that these are unfenced and without any risk signs. **(Maputo Province)**
- Existence of lakes originated by limestone exploitation, not yet rehabilitated and without risk signs. **(Maputo Province)**
- Existence of several drums containing used oil, without apparent destination and existence of an open pit on the perimeter of the marble and granite processing plant, where dumping of used oil occurs, which culminates with soil contamination. **(Manica Province).**
- There is monitoring of environmental parameters, however it was found that dust is still a major challenge. **(Tete Province)**
- Two coal mining companies use part of the water from the treated effluent for firefighting water and for watering gardens. **(Tete Province)**
- Existence of the Security, Health and Environment Sector and the realisation of periodic campaigns about environmental aspects, as well as the programming of activities for dates related to the Environment. **(Maputo Province and Sofala Province)**
- There is a resettlement zone for affected and identified communities within the perimeter of the concession areas **(Maputo Province)**
- Lack of an environmental sector in the company or services rendered related to the environment by third parties. **(Gaza Province)**

#### 7.4.4 Environmental reports released by companies

Through the information collection forms sent to the companies selected for this report, it was possible to request that they send the environmental reports made on their activity during 2020. Only the companies listed below indicated that they had such reports:

- Cimentos de Moçambique, S.A.R.L.;
- Kenmare Moma Mining (Mauritius), Lda;
- Minas de Benga, Lda;
- Minas de Revuboé;
- Montepuez Rubi mining, Lda;
- Minas de Moatize;
- TEPMA1; and
- Mozambique Rovuma Ventures, Spa Mozambique.

## 7.5 Impact of Covid-19 on the Extractive Industry<sup>48</sup>

### 7.5.1 Mining Sector

The Covid-19 pandemic had negative impacts on the mining sector, with 14 companies operating in the sector suspending their activities following the pandemic, leaving around 4,000 jobs inactive.

The companies that suspended their activities include Vale, which was forced to reduce coal production in Tete. The company recorded a drop in production of approximately one third in the first nine months of the year. In the same period, sales fell 35 percent, from 6.7 million tonnes to 4.3 million tonnes. The third quarter, however, showed improvement over the previous three months without the need for additional operational downtime.

Montepuez Ruby Mining (MRM), which explores rubies in Cabo Delgado province, has suspended all but critical operations since 22 April 2020. All capital expenditure on expansion projects, including the second treatment plant at an estimated cost of USD 25 million, has been suspended. An auction planned for June 2020 has been cancelled due to international travel restrictions. MRM has around 1,300 employees and the halt in operations required the suspension of approximately 423 employment contracts. MRM invoiced over USD 50 million in the first half of 2019, but in the first half of 2020 there was no invoicing.

The effects of COVID-19 led to the paralysis of the activities in 2020 of Twig, one of the largest graphite production companies in the country, associated with falling prices on the international market, a fact that conditioned the production forecasts for 2021 to be made lower than the levels reached in the years 2018 and 2019.

Minas de Benga, which holds a coal concession in the province of Tete, also halted its activities which creates a direct impact on the volume of production and revenues.

In addition to these companies there are other smaller companies that are also facing difficulties, generating uncertainty in relation to maintaining jobs.

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<sup>48</sup> Based on Contextual Report – EITI Moçambique 2019

### 7.5.1.1 Licenses and projects

The impact of Covid-19 has also reduced licensing applications for mining activity in Mozambique. In the first half of this year 144 mining license applications were submitted, compared to 177 in the same period of 2019.

Mining license applications were down in the face of uncertainty generated by Covid-19. The impact of the pandemic also delayed Mozambique's accession to the Kimberley Process, an international diamond certification mechanism, created to prevent the sale of so-called "blood diamonds", illegally mined to fund armed conflicts. It should be noted that only in November 2021 did the Kimberley Process Participation and Presidency Committee, an international body that oversees the diamond trade, recommend the admission of Mozambique to do business in this type of precious stones<sup>49</sup>.

The crisis caused by the new coronavirus also interrupted the census that the Mozambican authorities had been carrying out on artisanal mining, to identify the extent of illegal exploitation of minerals and its impact.

### 7.5.2 Hydrocarbon sector

The combination of the effects of Covid-19 and the low oil prices, led some companies operating in Mozambique to review their business plans.

Eni Rovuma Basin stopped the well drilling activities of the Coral Sul FLNG project, which were taking place in Area 4 of the Rovuma Basin, due to the need for staff rotation. However, the construction of the South Coral floating platform proceeded as scheduled in South Korea, with LNG production planned for 2022.

Total, operator of Area 1 announced, in May 2020, cuts of about 25% in capital expenditure and reduction in operating costs for 2020 globally, maintaining investments in priority projects, which include the Golfinho/Atum project (Mozambique LNG). Also that month, the company was forced to close its camp in Afungi due to the Covid-19 outbreak, which was only controlled in July.

At the Pande/Temane natural gas production project, led by Sasol, the pandemic forced the company to take precautionary measures to protect its workers. In fact, Sasol halted part of its activities while continuing its critical operations, fully observing the COVID-19 mitigation measures.

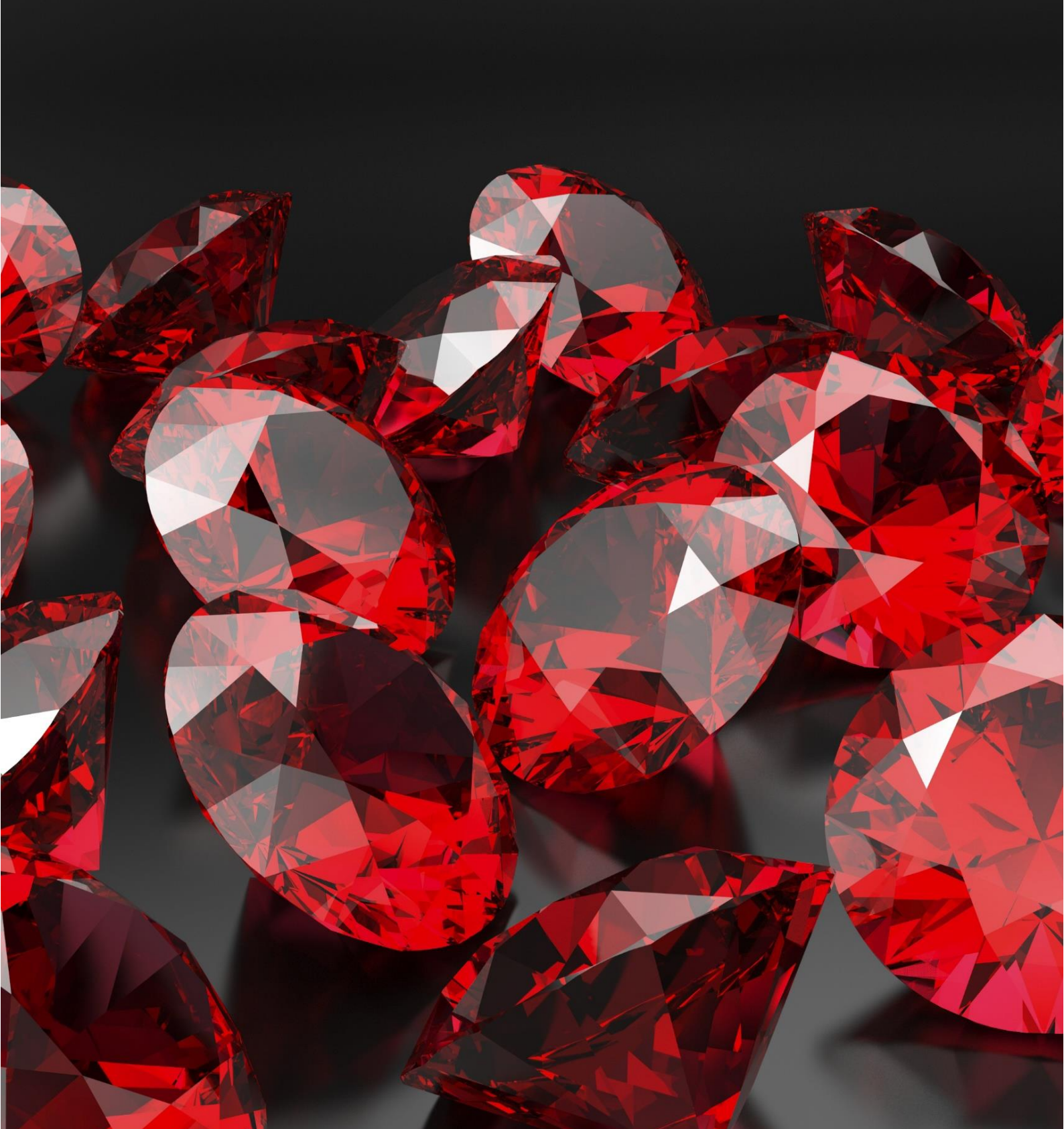
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<sup>49</sup> <https://cartamz.com/index.php/economia-e-negocios> – accessed on 15 November 2021

The light oil production project, also led by Sasol, has suspended drilling, repair and abandonment activities.

Drilling of the second hydrocarbon exploration well in the Búzi block in the Mozambique sedimentary basin was suspended due to Covid-19. Drilling of well BS-2, located 1,000 metres from BS-1, began in May and reached a depth of 836 metres out of a planned 1,548 metres. The drilling of BS-2 is expected to confirm the lateral continuity of the gas-bearing geological formations. BS-1 was drilled in early 2020 and indicated the occurrence of natural gas.

In relation to the areas awarded concessions in the 5th tender for oil exploration and production, INP indicated that the programme of activities and budgets of the concessionaires continued in line with the initialled contracts, with the opening of the first drillings expected in 2021. In the 5th tender the areas A5-A, operated by Eni, A5-B, Z5-C and Z5-D, operated by ExxonMobil and PT5-C, operated by Sasol, were awarded concessions.



**8 RECOMMENDATIONS**



## 8 Recommendations

### 8.1 Follow-up to Recommendations from Previous Reports

Recommendations	Report	Responsible Entity	Status
In order to assess the efficiency and effectiveness of the mechanisms chosen in the Mining and Petroleum Law, we recommend that a specific study be carried out on the practical aspects of the mechanism adopted, which could include a consultation of the main actors in the sector and civil society, or that the work carried out leading to the creation of the Mining and Petroleum Law be published.	9 <sup>th</sup> Report	MIREME	The Mining and Petroleum laws are in the process of being updated. This process will include a public hearing phase, so it is imperative that its results be made public.
In the mining sector, in addition to the mining registration system that allows visualisation of various information on mining titles, we recommend that INAMI publish on its website, in open format, the maps containing the data on mining titles.	9 <sup>th</sup> Report	INAMI	Completed. INAMI already routinely publishes information on mining titles. All that remains is to publish this information in an open format (eg. excel or csv).
<p>The CC should decide on the definition of beneficial ownership that the country will adopt for EITI purposes.</p> <p>We recommend that the adapted disclosure mechanism be requested from the International Secretariat, which could in the first instance contemplate disclosure of legal beneficiaries until an additional mechanism is found, as the country does not have a</p>	9 <sup>th</sup> Report	CC	Nevertheless, the 10th Report presents information on the legal beneficiaries of the companies selected for the reconciliation process.

Recommendations	Report	Responsible Entity	Status
specific Law on the matter, which could guide the CC.			
Although this report presents information on the State's participation in the extractive industry, through its business sector, in order to fully respond to this requirement, and to requirements 4.2, 4.5 and 6.2, the CC has initiated the process of contracting a specific study on this issue. It is recommended that the results of this study be published as soon as they are available.	9 <sup>th</sup> Report	CC	Completed. The SOE Study was published. <sup>50</sup>
We recommend that mineral and hydrocarbon production data be disaggregated by all companies operating in the country and made available in open format on the MIREME, INAMI, INP and ITIEM websites.	9 <sup>th</sup> Report	INAMI, INP and MIREME	Partially completed. Production data is disaggregated by all companies operating in the country and is available on the regulators' websites. However, there is a need for them to be available in open format.
We recommend that the AT review, in its database, the companies classified as operators in the extractive industry, since it includes companies that do not carry out mining and oil operations, and lacks companies that actually carry out these types of operations.  In addition, we recommend that a communication platform be created between MEF and	9 <sup>th</sup> Report	AT and MIREME	Not completed. There continue to be companies which operate in the hydrocarbon sector, but which, according to the AT classifier, are not part of the group of companies operating in this sector (for example: Companhia Moçambicana de Gasoduto - CMG, Companhia Moçambicana de Hidrocarbonetos -CMH, ExxonMobil and Republic of Mozambique Pipeline Company - ROMPCO)

<sup>50</sup><https://itie.org.mz/index.php/download/itie-relatorio-final-vp-estudo-intellica-2022/?wpdmdl=3219&refresh=62f9e99abfe021660545434> – accessed on 15 November 2021

Recommendations	Report	Responsible Entity	Status
MIREME to mitigate these situations.			
The CC is recommended to map revenue streams for sub-national payments and decide whether they should be part of the reconciliation process.	9 <sup>th</sup> Report	CC	According to the CC, MEF and MIREME have formed a working team to draft a legal instrument (Decree) for submission to and approval by the Council of Ministers.
As for the 2.75% allocated to communities, the CC should encourage the government to disclose the rationale behind the amount allocated to each community and for which expenses/projects the money was allocated. Additionally, the CC could help the government to design a plan to use this amount allocated to the communities, taking into consideration their specific needs.	9 <sup>th</sup> Report	Government of Mozambique and CC	According to the CC, MEF and MIREME have formed a working team to draft a legal instrument (Decree) for submission to and approval by the Council of Ministers.
We recommend that the CC, in partnership with the mining and hydrocarbons sector regulators, map all mandatory social expenditures in order to decide whether they should be reconciled.	9 <sup>th</sup> Report	CC	The AI has not received an indication of progress on this recommendation.

Recommendations	Report	Responsible Entity	Status
<p>The Independent Director understands that the definition of parafiscal expenses included in the EITI Standard may allow them to be easily confused with discretionary social expenses made by public companies, so there is a need for the CC to clearly define which expenses can be considered as parafiscal.</p>	9 <sup>th</sup> Report	CC	Completed. According to the SOE's Study no parafiscal expenditures were incurred by the EE.
<p>It is recommended that information on the environmental monitoring and auditing procedures carried out by the competent authorities be routinely disclosed on their respective websites, as well as on the EITI website.</p>	9 <sup>th</sup> Report	MITADER	This information is not disclosed to the public yet.
<p>Update its collection system so that payment slips can be consulted by DGI central services.</p>	8 <sup>th</sup> Report	General Tax Directorate	Not fulfilled.
<p>Reduce the reporting period to one year, as recommended by the standard, which allows for a reduction in the efforts by IAs to collect information and by companies to systematise the data and prepare the respective documentary media.</p>	3 <sup>rd</sup> , 4 <sup>th</sup> , 5 <sup>th</sup> , 7 <sup>th</sup> and 8 <sup>th</sup> Reports	EITI	Fulfilled. This report covers the year 2020.

Recommendations	Report	Responsible Entity	Status
Conduct the IIA selection competition and start activities for the preparation of the reconciliation report at least 5 months before the expected date of submission of the report to the International Secretariat.	8 <sup>th</sup> Report	EITI	Fulfilled. In any case, it is necessary to extend the time for the work (currently 3 months), since the selected companies and the government entities themselves need more time to compile, make available and reconcile the data.
To propose the incorporation in the Mining legislation of the obligation to report data for the purpose of transparency of the extractive industry as already exists in the case of the Petroleum Law (Article 50) and to extend the scope of the latter to commercial matters.	7 <sup>th</sup> and 8 <sup>th</sup> Reports	EITI	Completed. The Mining Law and Petroleum Law are under review and as indicated by MIREME it has been proposed to incorporate a provision on EITI in the Mining Law (article 35) and to improve the current provision in the Petroleum Law (article 50).
Review the materiality criterion for the selection of mining companies for the purpose of reconciliation of tax paid	7 <sup>th</sup> and 8 <sup>th</sup> Reports	EITI	Completed.
Develop the ITIEM Institutional Memory to facilitate the collection of data when they have already been collected for previous reports.	7 <sup>th</sup> and 8 <sup>th</sup> Reports	EITI	The EITI reports are published on the respective dedicated EITI website for Mozambique. However, there is a need to publish the data in open format.
Carry out an awareness campaign by the EITI Coordination Committee in the private sector, especially in the mining area, since	7 <sup>th</sup> Report	ITIEM	Completed. Although there are still a small number of companies that the response time for the EITI has not been timely.

Recommendations	Report	Responsible Entity	Status
<p>the percentage of companies that do not respond to inquiries is high.</p>			
<p>Ensure the updating of active licenses in the Minas Gerais Register. The Mining Registration provided by INAMI presented deficiencies regarding the State of the licenses and their validity.</p>	<p>8<sup>th</sup> and 7<sup>th</sup> Reports</p>	<p>National Mining Institute</p>	<p>The updating process of the Mining Registration is in progress. This is an ongoing process.</p>
<p>Harmonisation of data from the Mining Registration with data from the Tax Authority (SICR) records. The inscription in the mining register should be based on the tax registration declaration of the company's activity to guarantee the consistency of the information and it is recommended that NUIT be part of the elements to be introduced in the Registration (as a mandatory field) since this is the essential element for the crossing of data between INAMI and the Tax Authority.</p>	<p>7<sup>th</sup> Report</p>	<p>National Mining Institute</p>	<p>Ongoing. NUIT is one of the mandatory requirements for registering mining title applications in the registration system and has been systematically introduced in the registration system.</p> <p>INAMI and the AT have issued notices in major newspapers for companies to regularise the NUITs as they cannot use the same one for several licenses.</p>
<p>Increase the level of penalties for companies that do not update their contacts (addresses, telephone numbers, representative contacts) both at the Tax Authority and at INAMI and ensure that the data are updated on time by the respective institution.</p>	<p>8<sup>th</sup> and 7<sup>th</sup> Reports</p>	<p>Instituto Nacional de Minas</p>	<p>There are still outdated data. Penalties for companies that do not update their contacts are laid down in the Mining Law Regulation, Article 146. According to INAMI, the increase in the level of penalties is dependent on a legal review. However, INAMI has carried out permanent awareness-raising campaigns, either by publishing advertisements in the newspaper with the largest circulation or by directly approaching the mining owners so that the companies</p>

Recommendations	Report	Responsible Entity	Status
			update their contacts. About ¼ of the contacts have already been updated in the registration system and this activity is and is ongoing.
Register transfers of mining licenses and update the mining register so that companies that are actually making use of the licenses are selected, either in the form of sub-concession or in the form of a management or exploration contract.	7 <sup>th</sup> Report	National Mining Institute	Update in progress. This process is continuous.
Ensuring that tax collections are registered with the company's NUIT (and not with the Provincial Directorates of Mineral Resources and other Ministries) although training has been provided, the problem persists. Since staff turnover has been identified as a reason for this, there is a need to strengthen training and ensure that knowledge is passed on to the staff who validate the payment slips. The introduction of instructions for completing the payment slip is essential.	2 <sup>nd</sup> , 3 <sup>rd</sup> , 7 <sup>th</sup> and 8 <sup>th</sup> reports	Tax Authority and National Mining Institute	<p>The issue remains, there are still payments made by companies with the UNITs of the Provincial Directorates of Mineral Resources and other Ministries. In some situations, identified, the responsibility for these inaccuracies lies with the companies themselves who fill out the forms with others' NUITs.</p> <p>In order to reduce this type of situation, the payment guides for the specific taxes on mining activities and petroleum operations were approved in 2021.</p>
Create a classifier of companies to identify those that fit into the extractive industry, so that information on the industry's revenue is comprehensive, and not just consider mega projects as is currently being done. Ensure a common mechanism for reporting industry data by the Tax Authority and EITI	8 <sup>th</sup> and 7 <sup>th</sup> Reports	General Tax Directorate	The information provided by TA still does not reflect the contribution of all companies operating in the extractive industry.

Recommendations	Report	Responsible Entity	Status
Conclude the preparation of the guide for the payment of specific taxes for the Extractive Industry that we believe will solve some situations found as: lack of field for identification of the taxpayer's NUIT in Model B; wrong classification of tax paid.	7 <sup>th</sup> Report	General Tax Directorate	Completed. Specific tax payment guides were published in 2021.
Update of the collection system to allow information to reflect all payments made by companies, thus ensuring that the selection criterion for companies is not called into question.	7 <sup>th</sup> Report	General Tax Directorate	The system still has weaknesses.
In the mining licensing process, the National Mining Institute, through the Mining Registration Office, must cross-check the data on company contacts with the information contained in the Tax Authority's SICR.	6 <sup>th</sup> Report	National Mining Institute	Project for the Modernisation of the Mining Registration.
<p>Transmissions of mining titles must be documented and computerised in the Mining Registration in order to allow the collection of the fees made on these concessions;</p> <p>This was identified in the reconciliation process in that the receipts confirmed by the State differed from the payments declared by the selected companies, because the mining title was granted to a third party and the payments declared were restricted to this concessionaire. For example, ENOP holds the license and Mabalane Resources is the concession holder and Ceta</p>	6 <sup>th</sup> Report	National Mining Institute	There are still shortcomings in the updating of the mining register. According to INAMI, the institution documents all transfers of mining titles whose formalisation processes are submitted. Non-formalised transmissions have no effect on the national territory under the terms of Article 62 of the Mining Law, which is why the situations found are not reported or registered and are not legal.



Recommendations	Report	Responsible Entity	Status
has transferred the mining title to Britanor			
The Provincial Directorates of Mineral Resources and Energy should enforce the payment of tax and fees by companies using their respective NUITs in contrast to the NUIT of DIPREME; thus, there should be an alignment between DIPREME and DPEF in order to ensure that effective use is made of the NUIT of those companies.	6 <sup>th</sup> Report	National Mining Institute	The inappropriate use of NUIT continues despite the fact that training has been promoted in the DIPREME's. In order to reduce this type of situation, the payment guides for the specific taxes on mining activities and petroleum operations were approved in 2021.
It is therefore recommended that the Mining Registration Office holds all relevant information on licensed projects duly updated, including NUIT, address and contacts of the projects and their representatives, which is not the case at present.	6 <sup>th</sup> Report	National Mining Institute	Mining Registration Modernisation Project (2016-2018) in progress. The Registration still has no updated information due to the non-provision of this information by the companies.
All companies which hold a license but which are licensed to another entity must notify INAMI in order to allow the collection of taxes levied only on their license.	6 <sup>th</sup> Report	National Mining Institute	INAMI has been carrying out awareness-raising campaigns for miners to formalise transmissions.

Recommendations	Report	Responsible Entity	Status
<p>Updating of the Ministry of Finance's collection control system so that the information obtained from it represents the totality of payments made by projects, so that the criterion for selecting companies on the basis of state confirmations is not called into question and the reconciliation process is efficient. One of the associated risks is the possibility of exclusion of projects which may have actually contributed significant amounts to the State's revenue, on the basis of incomplete data.</p>	<p>5<sup>th</sup> and 6<sup>th</sup> Reports</p>	<p>Ministry of Economy and Finance (Tax Authority)</p>	<p>Completed. The process of centralisation of the collection system of all Tax Areas in the country is ongoing.</p> <p>It is a risk to be incurred until the centralization of that system or alternatively templates should be sent to all companies in the sector (which would be almost impossible given the time factor).</p>
<p>Computerisation of the project files of the mining area, filed with the National Mining Institute. Some of the data of the companies in the sector are still in physical and handwritten sheets, which makes access to information difficult.</p>	<p>5<sup>th</sup> Report</p>	<p>MIREME (INAMI – Mining Registration)</p>	<p>Fulfilled. From January 2017 onwards, in the process of company registration, company data must be registered in the cadastral system. In order to ensure that all processes previously registered without contact are corrected, the project to digitise the registration file is in progress, the next step being the insertion of all the information in the registration system.</p>
<p>It appears that the data of the projects registered in the Mining Register are sometimes incomplete or outdated, which among other situations may lead to the impossibility of access to a certain project. It is therefore recommended that the Mining Register holds all relevant information on licensed projects duly updated, including NUIT, address and contacts of the projects and their representatives, which is not the case at present.</p>	<p>5<sup>th</sup> Report</p>	<p>MIREME (INAMI – Mining Registration)</p>	<p>Fulfilled. Information available in Flexi Registration and its updating will be accompanied by the database of contracts provided by the consultants and the updating by INAMI itself.</p>

Recommendations	Report	Responsible Entity	Status
Updating the DGI database to contain the latest address and contact details of projects.	5 <sup>th</sup> Report	Ministry of Economy and Finance (Tax Authority)	Fulfilled. Information available in the Registration and updated by MEF/MIREME multi-sectoral team.
State institutions, including the Mining Registration and DGI, must ensure that project data, including the name of the entity, is standardised so that information can be cross-checked.	5 <sup>th</sup> Report	MEF/MIREME (AT/INAMI-Mining Registration)	Fulfilled. The Coordination Committee is coordinating with INAMI.
Competent authorities should work in a coordinated manner to ensure the disclosure of information on the annual global employment register and by sector of activity in order to fill the information gap in the country.	5 <sup>th</sup> Report		Ongoing.
Competent authorities and companies operating in the extractive industry should prepare their production data reporting maps in such a way as to minimise the possibility of failures that could lead to differences between the information confirmed by the State and the information reported by the projects operating in the sector, as occurred in the preparation of this report.	5 <sup>th</sup> Report	MIREME (INAMI) / Companies	Completed. The Coordination Committee is coordinating with DPD (MIREME).
The programme used by the Ministry of Economy and Finance should make it possible to collect complete and correct information on payments made by companies, because the system of control of recoveries is decentralised.	4 <sup>th</sup> Report	Ministry of Economy and Finance (Tax Authority)	Completed. The process of centralising the collection system of all tax areas in the country is currently ongoing.

Recommendations	Report	Responsible Entity	Status
Regular updating of MIREME and DGI database is required, which should extend the list of contacts of businesses and their representatives.	4 <sup>th</sup> Report	MEF/MIREME (AT/INAMI-Mining Registration)	Completed. Information available at Flexi Registration and its update will be accompanied by the database of contacts provided by the consultants and the update by INAMI itself.
The Tax Authority should carry out reconciliation exercises between the receipts accounted for by the State and the payments made by the companies, in order to identify in good time situations of irregularity and through this to carry out regularisation.	4 <sup>th</sup> Report	Ministry of Economy and Finance (Tax Authority)	There are still discrepancies between payments reported by companies and those recorded by the Tax Authority.
Regular updating of the database of mining and hydrocarbon companies. It is crucial that MIREME and DGI have contacts and addresses of companies and/or their representatives so that the submission phase of the Reporting Templates can be abbreviated.  - Part of this situation may be associated with the fact that most companies are still at the prospecting and research stage and do not have their own administrative support. They are represented by consultants and lawyers who do not always have the necessary financial information.	3 <sup>rd</sup> Report	MEF/MIREME (AT/INAMI-Mining Registration)	Completed. Information available in the registration system and its updating will be accompanied by the database of contacts provided by the consultants and the updating of INAMI itself.
Considering that the revenue collection control system of the DGI is decentralised and therefore it is not always possible to obtain complete information in real time, the various Tax Areas need to be provided with tools to identify	3 <sup>rd</sup> Report	Ministry of Economy and Finance (Tax Authority)	Ongoing, but with weaknesses.

Recommendations	Report	Responsible Entity	Status
<p>payments from taxpayers in other areas.</p>			
<p>The selection process should not be limited to the information provided centrally by the DGI, but the same information needs to be confirmed by the different tax areas. This results from the fact that the information concerning revenues in the central database differs somewhat from that provided by the tax areas.</p> <p>- In order to ensure that this exercise can be carried out in a timely manner, it is necessary that the reconciliation exercise be started earlier as the information will have to be collected by the various tax areas which, it is known, are not networked or, if they are, do not always provide real-time information.</p>	<p>3<sup>rd</sup> Report</p>	<p>MIREME (Coordination Committee)</p>	<p>Completed. Considered by the Coordination Committee and being implemented by AT</p>
<p>As the number of companies grows and specific revenues from extractive activity increase, the 'survey' should be considered to start paying attention to the payments companies make as a taxable person and not as tax substitutes.</p>	<p>2<sup>nd</sup> and 3<sup>rd</sup> Report</p>	<p>MIREME (Coordination Committee)</p>	<p>Completed. Considered by the Coordination Committee.</p>
<p>Sending proof of payment and receipt was a valuable method of validation which we believe should be followed in future work, as we do not believe that there can be an added burden on companies by requiring them to provide the information validated/certified by independent auditors.</p>	<p>2<sup>nd</sup> and 3<sup>rd</sup> Report</p>	<p>MIREME (Coordination Committee)</p>	<p>Completed. The Coordination Committee decided to require the documentary media for reported payments and receipts.</p>

Recommendations	Report	Responsible Entity	Status
<p>Regular updating of the database of mining and hydrocarbon companies. It is crucial that MIREM and DGI have contacts and addresses of companies so that the submission phase can be abbreviated.</p> <p>- Part of this may be associated with the fact that the vast majority of companies are still at the prospecting and research stage and do not have their own administrative support. They are represented by consultants and lawyers who do not always have the necessary financial information.</p>	2 <sup>nd</sup> Report	MEF/MIREME (AT/INAMI-Mining Registration)	Completed. Information available in the registration system and its updating will be accompanied by the database of contacts provided by the consultants and the updating of INAMI itself.
<p>When the taxpayer is registered at the time of submitting the declaration of commencement of activities, DGI should proceed with the correct statistical framework so that companies are registered according to their area of activities.</p>	2 <sup>nd</sup> Report	MEF (Tax Authority)	Completed. Information available at Flexi Registration.
<p>Mineral Assessment - to ensure transparency in the assessment of minerals it is prudent that the issue of restriction or coverage is fully taken into account.</p>	1 <sup>st</sup> Report	MIREME (INAMI)	Completed. The legislation was reviewed
<p>DETERMINATION IN MINERAL QUALITY - As the evaluation of minerals is affected by their quality MIREM/INAMI and MEF should ensure that mechanisms are in place to confirm the quality provided by mines.</p> <p>This can be done through</p>	1 <sup>st</sup> Report	MIREME (INAMI)	Completed. The legislation was reviewed.

Recommendations	Report	Responsible Entity	Status
independent verification using random sampling.			
DETERMINATION OF OPERATING COSTS - MF and MIREM will need to carry out studies to establish parameters for extractive activities. This will help the tax authorities in determining the cost adequacy and also improve transparency.	1 <sup>st</sup> Report	MEF/MIREME (AT/DPD and INAMI)	Completed. A multi-sectoral MEF/MIREME team was set up
CAPITAL PERMIT/DEPRECIATION - To ensure transparency, the capital-permitting regime should be specified in law and applied in a general manner.	1 <sup>st</sup> Report	MEF (Tax Authority)	Completed. The legislation was reviewed.
INTERSECTORAL COOPERATION - DNM and AT do not cooperate with regard to the transmission of concessions. Some large licenses may be brought to the attention of AT, but there is no systematic provision of information from AT about the change in ownership of concessions. AT should receive information at least on a quarterly basis about any changes in the ownership of licenses.	1 <sup>st</sup> Report	MIREME INAMI)	Completed. Information available in the registration system and a multi-sectoral MEF/MIREME team created.
CAPITAL INCOME TAX - In order to improve the types of income of the extractive sector, the capital gains tax on the transfer of allowances should be considered.	1 <sup>st</sup> Report	MEF (Tax Authority)	Completed. AT already taxes capital gains and the entire license transfer process only takes place with the presentation of the certificate of discharge from the Finances.

Recommendations	Report	Responsible Entity	Status
<p>DATA COLLECTION AND PUBLICATION - The annual publication of information on holders of mining licenses, payment of production tax, ownership or sharing of shares in companies would facilitate access to information and allow transparency.</p> <p>On a long-term basis this will help in income mobilisation.</p>	<p>1<sup>st</sup> Report</p>	<p>MIREME (INAMI)</p>	<p>Completed. Information available in the registration system.</p>

Table 48 - Follow-up to the Recommendations of previous Reports



## 8.2 Recommendations on the 10th Report

Requirement	Recommendation
<p>Requirement 2.3 - Registration of licenses</p>	<p>In the mining sector, in addition to the mining registration system, which allows for the display of various information on mining titles, we recommend that INAMI publish on its website, in open format, the maps containing the data on mining titles, as per INP.</p>
<p>Requirement 2.5 - Beneficial owners</p>	<p>CC should decide on the mechanism for disclosure of beneficial ownership information. However, we understand that the disclosure of legal beneficiaries may represent a temporary solution, given the difficulty in finding beneficial ownership information.</p>
<p>Requirement 3.2 – Production</p>	<p>We recommend that data on mineral and hydrocarbon production be disaggregated by all companies operating in the country and be available in open format on the MIREME, INAMI, INP and EITI websites.</p>
<p>Requirement 3.3 – Export</p>	<p>We recommend that data on mineral and hydrocarbon production be disaggregated by all companies operating in the country and be available in open format on the MIREME, INAMI, INP and ITIEM websites.</p>
<p>Requirement 4.1 – Comprehensive tax and revenue disclosure</p>	<p>We recommend that AT reviews in its database the companies classified as operators in the extractive industry, since they include companies that do not carry out mining and oil operations, and there is a lack of companies that actually carry out this type of operations.</p> <p>In addition, we recommend creating a communication platform between MEF and MIREME to mitigate these situations.</p>

Requirement	Recommendation
Requirement 4.6 - Sub-national payments	It is recommended that the CC map revenue flows for sub-national payments and decide whether they should be part of the reconciliation process.
Requirement 5.2 - Sub-national transfers	Regarding the 2,75% allocated to communities, the CC should encourage the government to disclose the rationale behind the amount allocated to each community and what expenses/projects the funds were allocated to. In addition, the CC could help the government to design a plan to use this amount allocated to the communities, considering their specific needs.
Requirement 6.1 - Social and environmental costs of extractive companies	We recommend that the SC, in partnership with the regulators of the mining and hydrocarbon sector, map out all mandatory social expenses in order to decide whether they should be reconciled.
Requirement 6.4 - Environmental impact of extractive activities	It is recommended that information on the environmental monitoring and auditing procedures carried out by the competent authorities be routinely disclosed on their respective websites, as well as on the EITI website.

Table 49 - Recommendations on the 10th Report