



REPUBLIC OF MOZAMBIQUE

**MINISTRY OF MINERAL RESOURCES AND ENERGY  
EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE**

**To the**

**EITI International Secretariat**

**Oslo**

**Subject: Comments about the Independent Validator's Report, relating to the validation process of Mozambique as a compliant country.**

We received the Independent Validator's Report from the International Secretariat, referring to Mozambique's assessment, as a EITI Standard compliant country. The country was given a period of three weeks to comment on the document.

The notes that follow don't intend to contradict the report, but to make the validator aware of some actions underway, in light of the recommendations listed.

The various recommendations made will be reflected in the Seventh Report, which reports on 2015 and 2016, and is currently being drafted.

There are inconsistencies in some general aspects, so we will explain below some of the data referred to in the report.

In paragraph 2, 86.6 GJ of gas is referred to. It is noted that the only gas field in production is the one at Pande-Temane and the reserves there come to 97 million GJ of gas.

In the same paragraph it says that the largest oil field is still in the exploration phase. However, the 8 billion off-shore project (Coral South floating LNG) operated by ENI received its Final Investment Decision in June of this year, so only the on-shore part of the project remains in the exploration phase.

In paragraph 5 it states that the law makes no explicit reference to the EITI. Regarding this, it is important to note that Mozambique has a number of legal normative instruments, which require various public and private institutions from the extractive sector to be accountable, demonstrate good governance, transparency and sustainable use of resources, among other things. Initiatives such as the EITI are embraced by the Government, as long as their implementation, as instruments or tools to assess the recommendations listed above and constitute an aspect in the implementation and sustainable management of the common good. The law refers to the observance of all these.

Also in this paragraph, the fact that the State doesn't keep a *public register of Beneficial owners* is highlighted. It is important to remember that a large part of mining and oil and gas companies are listed on the stock exchanges of various markets and it is not easy to access beneficiary owners. It is also important to report the Stock Exchanges in which a company is listed.

The Mozambique stock exchange is undertaking a lobbying campaign to improve adhesion by national companies in all branches of the activity.

The last EITI Global Conference, held in Peru, made decisions relating to the publication of beneficiary ownership in implementing countries and established deadlines for the approval of the guidelines. 2020 was set as the final year to start publication.

Implementing countries, including Mozambique, are individually identifying their weak points according to their own realities and also looking at ways to overcome them to carry out this command.

This introductory section also refers to the benefits for communities resident in areas of mining and oil and gas activity. Corporate social responsibility has been being implemented in Mozambique for the last ten years, and more than four years ago the Social Corporate Responsibility Policy for the extractive sector was passed. This is an instrument that few African countries have.

All companies set a minimum value to invest in social projects during the length of the Mining Contract or Concession in the case of hydrocarbons and these values are stated within the contracts.

There are various memoranda signed with companies at the local level and various actions underway. The next report will include more detailed information relating to this matter.

The Assembly of the Republic approved a law that establishes that, in line with revenue collected, the Government will set a percentage of this revenue to be allocated to the communities who reside in

areas of mining or oil and gas activity. This law is being applied and the Government allocates money through the State Budget.

In the process of implementing the law, the efficacy of the way it has been adopted is being analysed and a comparative analysis will be made against the experiences from other producing countries. There is an internal debate currently underway which aims to perfect it.

Point 2 makes general comments about advances in the implementation of the EITI.

Here the impression of the Government's commitment to the implementation of the EITI having reduced is expressed.

In truth this really is just an impression, as the period coincided with the election of a new government and the reorganisation of the government structure. This resulted in the merging of two large departments, namely that of mineral resources and energy, into one ministry and was aggravated by the fact that only one minister was assigned to this post, without a vice-minister during the entirety of the reference period for this assessment, which resulted in the inconsistent presence of the minister because of their agenda. Even so, he rigorously followed the process and forwarded his guidance, by means of the national coordinator, who in absence of the president guided the Coordination Committee sessions. Meanwhile he led some of the meetings held, including with a delegation of the International Secretariat.

It is also important to mention that the minister provides periodic information about the implementation of EITI to the President of the Republic, in the session of the Council of Ministers and this provision occurred also during the reference period.

The sixth report was praised by the Prime Minister and recommended consistent quality improvement in the implementation of EITI.

The presence of the minister in nearly all sessions of the Coordination Committee that she chairs, was more systematic with the indication of the Vice-Minister of Mineral Resources and Energy.

Aiming to improve performance indices in the implementation of the EITI-M, the government decided to restructure the Executive Secretariat at the same time as the end of the Coordination

Committee's mandate and the choosing of the new members. New members will be chosen within days, as the interim Executive Secretariat is currently in place, headed by the National Coordinator.

The Government's commitment is also demonstrated by the decision to institutionalise the EITI-M. A study is currently underway, led by E & Yang, which will advise on the best way to do this. The decision to establish an electronic data platform is also a sign of commitment and acceptance of the EITI as an instrument that should persist through time. The e-reporting project is being handled by Intellica.

In compliance with the voluntary commitment to implement the EITI, the drafting of the Seventh Report has begun, which will cover the years 2015 and 2016. The independent administrator of the report is Deloitte & Touch.

When the visit from the President of the EITI International Board took place, the Prime Minister reiterated the Government of Mozambique's commitment to continuing to implement the EITI and this was made public.

The Minister for Mineral Resources has also reiterated this commitment in written liaison with the World Bank.

We believe that with the completion of the various actions underway, the impression that Mozambique is renegeing on its commitment will disappear.

In the same general comments, reference is made to the relaxing of the industry. In truth companies nearly always showed their presence, it is just that in the majority of cases represented by alternative members. The reasons are obvious and are associated with the explanation above.

In the process of strengthening the EITI-M, the need to reinforce the organisation of business associations in the sector, such as the International Association of Oil and Gas Producers, the Mozambican Coal Development Association, among others.

The level of commitment is such that the ENI, for example, would like to become an individual member of the Coordination Committee.

Point 1.5 paragraph 3 refers that the EITI-M page is deactivated. This could have been because at the time of consulting the webpage there was a technical issue and the page was offline. However, it is active and up-to-date.

As regards the publication of contracts, it is important to mention that the law of mines is adamant as regards this obligation and the model contract also sets out the compulsory nature of this. More than the provision in the laws of mines and oil and gas, although in the latter in a non-direct manner, all mining and oil and gas contracts are published in Mozambique, from the time in which the authorisation from the Administrative Court is attached.

The mining register can be consulted through the *Flexicadastre* system, from anywhere and access information about available areas and register for a specific area. The mining register abides by the principle of first come, first served. It is currently being migrated to a platform with better application and resolution, which is called *Landfolio*.

The transfer of contracts has been published on the INP (National Petroleum Industry) site, as regards the oil and gas industry and the media have given the due coverage to this. However, we agree that the content of the information published and the quality of the platforms used for this could be improved.

It is believed that the next report will contain information referring to transport revenue for natural gas from Temane to Secunda. The MIREME and the Coordination Committee are working so that this information which is in the hands of ROMPCO in RSA can be granted to the independent administrator.

The minimum levels of State participation in oil and gas enterprises are established by law, it being the responsibility of ENH to represent the State in the area of hydrocarbons and *Empresa Moçambicana de Exploração Mineira* (EMEM – Mozambique Mining Exploration Company) as regards mining.

As we close, we would like to reiterate our commitment to meet the recommendations made by the Independent Validator and by the International Secretariat.

We would like to thank the International Secretariat for the support they have given us throughout the seven years we have been implementing the EITI.

Maputo, 02 August 2017

**The Secretariat**