



EITI



Moçambique

**Independent Report of the
Extractive Industries
Transparency Initiative
Year 2019**



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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 Administrator).

In this respect, I2A Consultoria e Serviços, SA was selected by the EITI Mozambique Coordination Committee as Independent Administrator within the framework of a public tender held for the preparation of the Ninth Report of EITI Mozambique, covering the data of the year 2019.

The functions of the Independent Administrator 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 2019;
- 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 Administrator does not constitute any form of audit, and the Independent Administrator 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 Administrator 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. 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

BPRL – Bharat Petroleum Resources Limited

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

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

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

NUIT – Tax Identification Number

OE – State Budget

ONGC Videsh – Oil and Natural Gas Corporation Videsh (India)

PBP – Price at the well mouth

GDP - Gross Domestic Product

PTTEP – PTT Exploration and Production Public Company, Limited

REOE/REO – State Budget Execution Report

ROMPCO – Republic of Mozambique Pipeline Company

SADC - South African Development Community

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

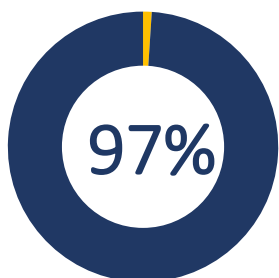
TSC – Fuel Levy

UGC – Major Contributors Unit

Executive Summary



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



97% of tax revenues from the extractive industry were reconciled.



The differences between the payments by the companies and the receipts from the State correspond to 0,17% of the amounts confirmed by the State in 2019.



1 INTRODUCTION

1 Introduction

The Extractive Industries Transparency Initiative (EITI) is a global standard that promotes 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 collected 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.

Mozambique has adhered to the initiative in 2009, having produced 9 reports (counting the present one) covering the years 2008 to 2019. The country's membership has emerged as a means of improving the various domestic instruments already in place to promote good governance including transparency and prevention of corruption and to ensure that payments and receipts by the government from the extractive industry are 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 (in 2019), although it was considered to comply with the EITI Standard, there are still challenges for the country, as highlighted in the report concerned¹, and that the country intends to address with this report.

For the preparation of the Ninth 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 present report.

1.1 Scope of Work and Methodology

The advisory service provided by the Independent Administrator was to assist the Coordination Committee (CC) of Mozambique in producing the 9th report for EITI Mozambique under the terms of the 2019 Standard, based on the data for the year 2019.

¹ <https://eiti.org/scorecard-pdf?filter%5Bcountry%5D=42&filter%5Byear%5D=2019>

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 CC. 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 7th Country Report;
- D. Findings of the Independent Administrator who prepared the 7th Report;
- E. Issues identified by the International Secretariat in 2019 after the 8th Country Report;
- F. Findings of the Independent Administrator who prepared the 8th Report;
- G. Issues identified by the International Secretariat during the second validation in April 2019 and recommendations of the EITI Board of Directors.

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

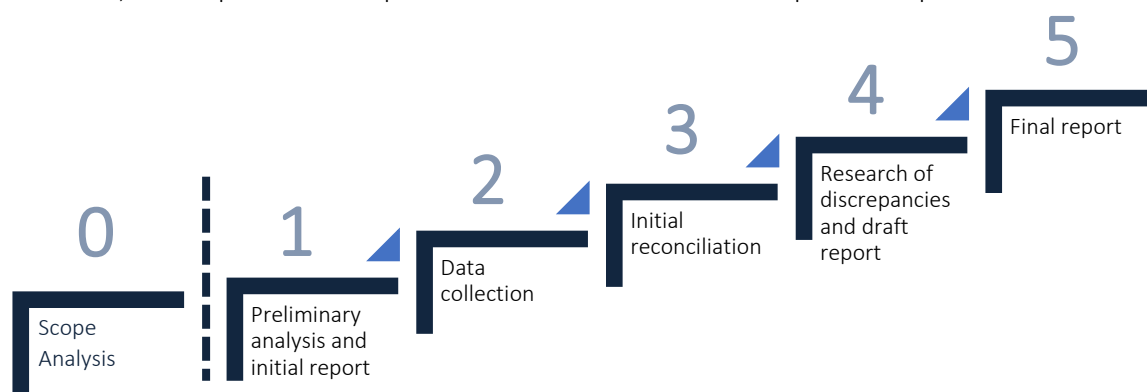


Figure 1-Project phases

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 translated² by EITI International.

1.2 Brief description of the 2019 Standard

The ITIE standard establishes requirements that must be followed by all countries implementing this initiative. These requirements have been created considering the value chain of the extractive industry.

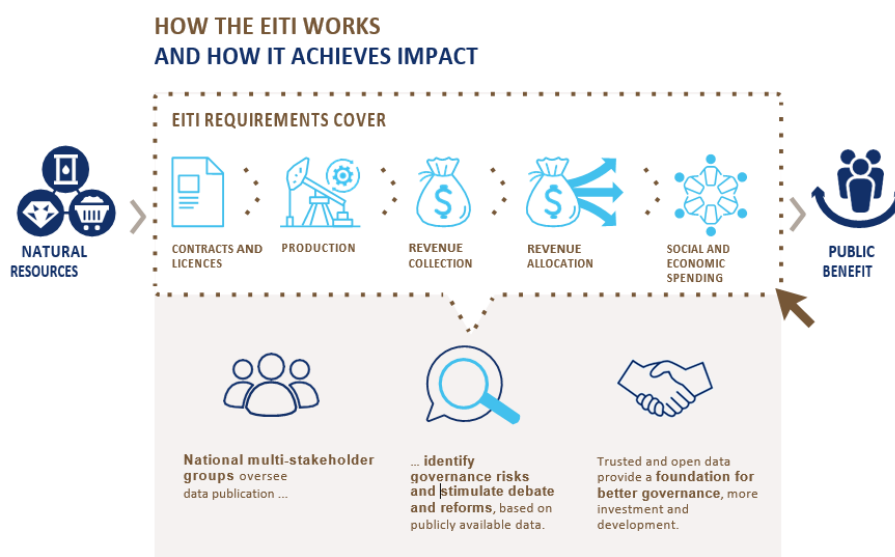


Figure 2 - Dimensions required by Standard 2019 for the EITI Report

In this context, the requirements of this standard are as follows:

² https://eiti.org/files/documents/eiti_standard2019_a5_pt.pdf

1. Oversight by the multi-stakeholder group: The EITI requires effective multi-stakeholder oversight, including a functioning multi-stakeholder group that involves the government, companies, and the full, independent, active and effective participation of civil society. The key requirements related to multi-stakeholder oversight include:
 - 1.1. government's commitment;
 - 1.2. company engagement;
 - 1.3. civil society engagement;
 - 1.4. the establishment and functioning of a multi-stakeholder group; and
 - 1.5. an agreed work plan with clear objectives for EITI implementation and a timetable that is aligned with the deadlines established by the EITI Board.

2. Legal and institutional framework, including allocation of contracts and licenses: The EITI requires disclosures on how the extractive sector is managed, enabling stakeholders to understand the laws and procedures for the award of exploration and production rights, the legal, regulatory and contractual frameworks that apply to the extractive sector, and the institutional responsibilities of the State in managing the sector. The EITI Requirements related to a transparent legal framework and awarding of extractive industry rights include:
 - 2.1. legal framework and fiscal regime;
 - 2.2. contract and license allocations;
 - 2.3. register of licenses;
 - 2.4. contracts;
 - 2.5. beneficial ownership; and
 - 2.6. state participation in the extractive sector.

3. Exploration and production: The EITI requires disclosures of information related to exploration and production, enabling stakeholders to understand the potential of the sector. The EITI Requirements related to a transparency in exploration and production activities include:
 - 3.1. information about exploration activities;
 - 3.2. production data; and
 - 3.3. export data.

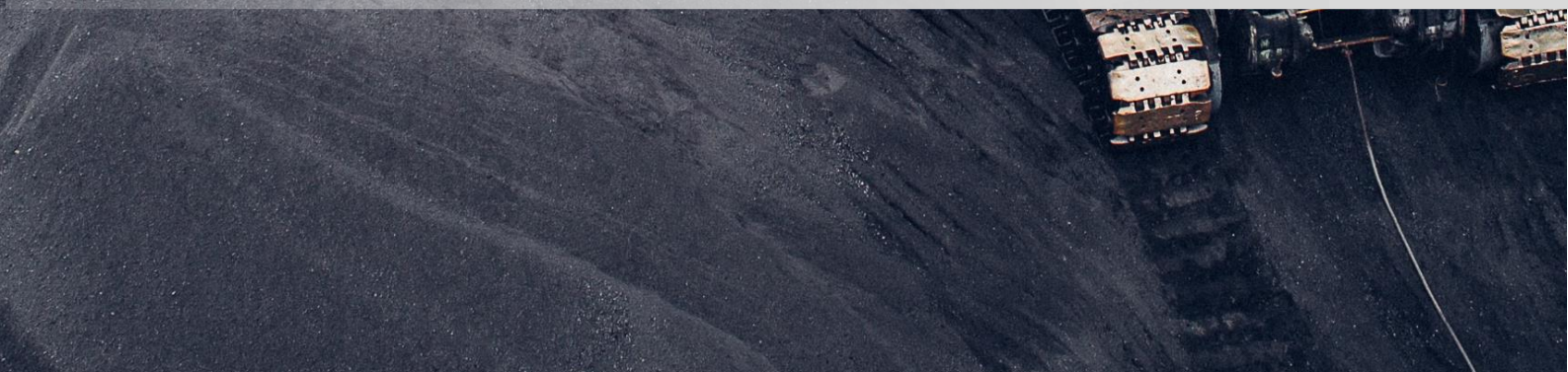
4. Revenue collection: An understanding of company payments and government revenues can inform public debate about the governance of the extractive industries. The EITI requires comprehensive disclosure of company payments and government revenues from the extractive industries. The EITI Requirements related to revenue collection include:
 - 4.1. comprehensive disclosure of taxes and revenues;

- 4.2. sale of the State's share of production or other revenue collected in kind;
 - 4.3. infrastructure provisions and barter arrangements;
 - 4.4. transportation revenues;
 - 4.5. SOE transactions;
 - 4.6. subnational payments;
 - 4.7. level of disaggregation;
 - 4.8. data timeliness; and
 - 4.9. data quality of the disclosures.
5. Revenue allocations: The EITI requires disclosures of information related to revenue allocations, enabling stakeholders to understand how revenues are recorded in the national and, where applicable, subnational budgets, as well as track social expenditures by companies. The EITI Requirements related to revenue allocations include:
- 5.1. distribution of revenues;
 - 5.2. subnational transfers; and
 - 5.3. revenue management and expenditures.
6. Social and economic spending: The EITI encourages disclosures of information related to revenue management and expenditures, helping stakeholders to assess whether the extractive sector is leading to the desirable social and economic and environmental impacts and outcomes. The EITI Requirements related to revenue allocations include:
- 6.1. social and environmental expenditure by companies;
 - 6.2. SOE quasi-fiscal expenditures;
 - 6.3. an overview of the contribution of the extractive sector to the economy; and
 - 6.4. the environmental impact of extractive activities.
7. Outcomes and impact: Regular disclosure of extractive industry data is of little practical use without public awareness, understanding of what the figures mean, and public debate about how resource revenues can be used effectively. The EITI Requirements related to outcomes and impact seek to ensure that stakeholders are engaged in dialogue about natural resource revenue management. EITI disclosures lead to the fulfilment of the EITI Principles by contributing to wider public debate. It is also vital that lessons learnt during implementation are acted upon, that recommendations from EITI implementations are considered and acted on where appropriate and that EITI implementation is on a stable, sustainable footing.
- The EITI Requirements related to outcomes and impact include:

- 7.1. public debate;
- 7.2. data accessibility and open data;
- 7.3. recommendations from EITI implementation;
- 7.4. Review the outcomes and impact of EITI implementation.



2 PROFILE OF MOZAMBIQUE



2 Profile of Mozambique³

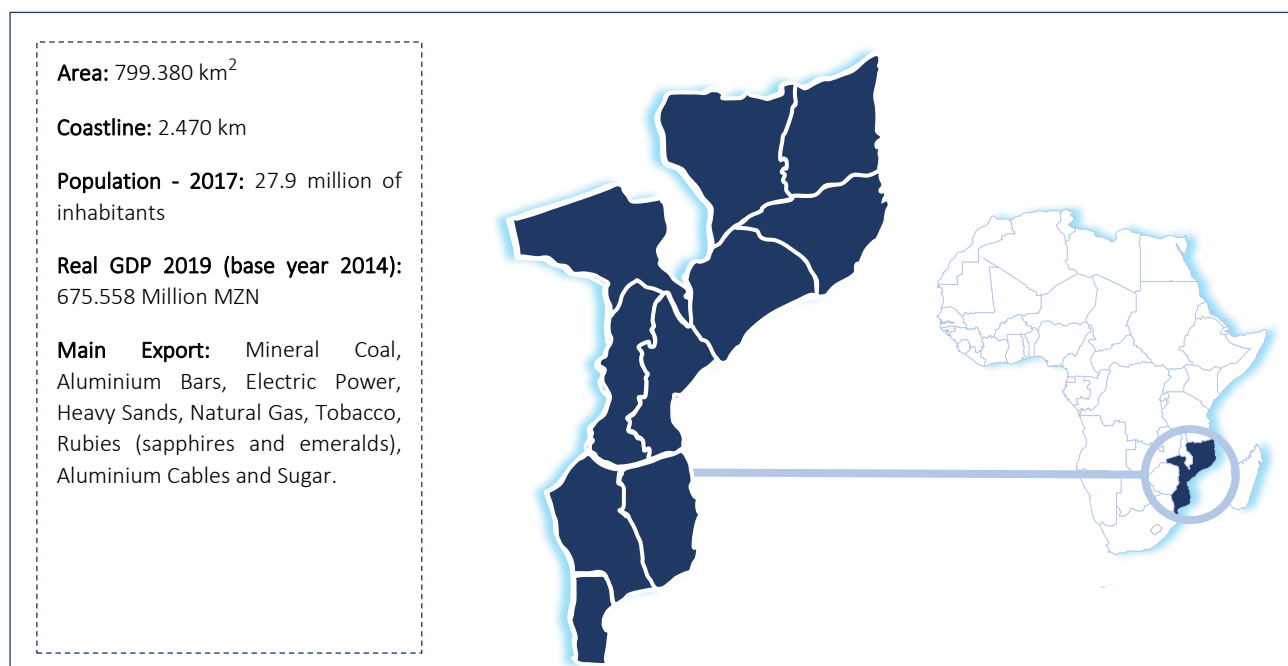


Figure 3 - Profile of Mozambique (Source: INE)

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.

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 28 million (INE, 2017), 68% of whom live in rural areas and 60% live along the coast, subsistence in Mozambique depends largely on natural resources such as agriculture (dependent on rain and other natural conditions) and fishing. In addition, three strategic seaports in the cities of Nacala (north), Beira (centre) and Maputo (south), as well as regional transport corridors serving the hinterland's neighboring countries, offer many opportunities for regional trade and economic growth.

Mozambique achieved significant economic growth between 2000 and 2015, with average real GDP growth rates of 7%, representing one of the highest in 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 has also benefited from the impact of the commodity price boom of the 2000s on the agricultural and mineral

³ <https://www.mz.undp.org/content/mozambique/en/home/countryinfo.html>

sectors. However, growth has not been equitable and has not necessarily translated into similar gains in the standard of living of 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.



**3 LEGAL FRAMEWORK AND TAX REGIME, INCLUDING THE ALLOCATION OF
LICENSES AND AGREEMENTS (REQUIREMENT 2)**

3 Requirement 2 - Legal framework and tax regime, including the allocation of licenses and agreements

OVERVIEW: The EITI requires disclosures on how the extractive sector is managed, enabling stakeholders to understand the laws and procedures for the award of exploration and production rights, the legal, regulatory and contractual frameworks that apply to the extractive sector, and the institutional responsibilities of the State in managing the sector. The EITI Requirements related to a transparent legal framework and awarding of extractive industry rights include: (2.1) legal framework and fiscal regime; (2.2) contract and license allocations; (2.3) register of licenses; (2.4) contracts; (2.5) beneficial ownership; and (2.6) state participation in the extractive sector.

3.1 Legal framework and fiscal regime (Requirement 2.1)

- a) Implementing countries must disclose a description of the legal framework and fiscal regime governing the extractive industries. This information must include a summary description of the fiscal regime, including the level of fiscal devolution, an overview of the relevant laws and regulations, a description of the different types of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals, and information on the roles and responsibilities of the relevant government agencies.
- b) Where the government is undertaking reforms, the multi-stakeholder group is encouraged to ensure that these are documented.

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
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

Mining Sector		
Designation	Legal Instrument	Description
	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. 63/2011, of 7 December	Regulation on the Employment of Foreign Nationals in the Oil and Mining Sector
	Decree No. 22/2015 of 17 September	Defines the attributions, competences and organization of the National Institute of Mines
	Decree No 13/2015 of 3 July 2015	Mining and Petroleum Labour Regulations.
	Decree No 28/2015 of 28 December	Regulation of the Specific Regime of Taxation and Fiscal Benefits of Mining Activity
	Decree No 25/2015 of 22 November	Diamonds, Precious Metals and Gems Trading Regulations
	Decree No 31/2015 of 31 December 2005	Regulation of the Mining Law// Amended by Decree no. 34/2019 of May 2
	Decree No 15/2017 of 28 December 2007	Changes the Specific Taxation and Fiscal Benefits Regime of the Mining Activity
	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
Resolutions	Resolution No 89/2013 of 31 December.	It defines the principles and main actions of management and Exploration of mineral resources to contribute to the economic and social development of Mozambique.
	Resolution 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 1 - Main mining sector 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	Lei nº 21/2014, of 18 August	Petroleum Law, repeals Law 3/2001 of 21 February
	Lei nº 14/2017, of 28 December	Specific Tax and Fiscal Benefits Regime for Petroleum 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

Hydrocarbon Sector		
Designation	Legal Instrument	Description
Decree	Decree No 24/2004, of 20 August	Regulation of petroleum operations (in force until the publication of Decree No 34/2015 of 31 December)
	Decree No 44/2005, of 29 November	Natural Gas Distribution and Marketing Regulation
	Decree No 4/2008 of 9 April 2008	Oil Production Tax Regulation (revoked by Decree No 32/2015 of 31 December)
	Decree No 56/2010 of 22 November 2010	Environmental Regulations for Petroleum Operations
	Decree No 63/2011 of 7 December	Regulation for employing foreign nationals in the oil and mining sector
	Decree No 45/2012 of 28 December 2012	Defines the regime to which the activities of production, import, receipt, storage, handling, distribution, marketing, transport, export and re-export of petroleum products are subject and revoked by Decree No 89/2019 of 18 November
	Decree No 25/2014 of 23 September 2004	Law of legislative authorisation for Natural Gas Liquefaction projects in Areas 1 and 4 of the Rovuma Basin
	Decree No 13/2015 of 3 July 2015	Mining and Petroleum Labour Regulation
	Decree No 32/2015 of 31 December 2005	Regulation of the Specific Taxation and Fiscal Benefits Regime for Petroleum Operations
	Decree No 34/2015 of 31 December	Petroleum Operations Regulation/ Amended by Decree 34/2019 of 2 May that approves the Regulation on the Inspection Activity of Mineral Resources and Energy.
Decree No 84/2020 of 18 September	Petroleum Operations and Infrastructure Licensing Regulation	
Resolutions	Resolution No 40/2008 of 15 October 2008	Ratifies the Agreement between the Republic of Mozambique and the Republic of Angola in the field of Oil and Natural Gas.
	Resolution No 27/2009 of 8 June 2009	Petroleum Operations Concession Strategy
	Resolution No 64/2009 of 2 November 2009	Strategy for the Development of the Natural Gas Market in Mozambique
Diplomas	Ministerial Diploma No 272/2009 of 30 December 2009	Petroleum Activities and Facilities Licensing Regulations
	Ministerial Order No 31/2014 of 19 March	Regulation on the Licensing of Technical Petroleum Personnel
	Ministerial Diploma No 210/2012 of 12 September 2012	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 petrol station owners and retailers
	Ministerial Diploma No 176/2014 of 22 October	Approves the construction, operation and safety of petrol stations

Hydrocarbon Sector		
Designation	Legal Instrument	Description
	Ministerial Diploma No 66/2008 of 23 July 2008	Approves the specific regulation for designated oil product warehouses

Table 2 - Main hydrocarbon sector 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.

3.1.2 Reforms in the sector's legislation

Review of the Mining and Petroleum Law

MIREME informed the Independent Administrator that the current Mining and Petroleum Laws are under revision, given the need to adjust the legal framework of mining activities and petroleum operations to the current economic order of the country and the developments in the relevant sectors.

The information provided by MIREME indicates that the proposed revision of the Mining Law includes provisions on the obligation for mining owners, under the Extractive Industry Transparency Initiative (EITI), to disclose their results, the amounts paid to the State as well as the charges related to corporate social responsibility subject to supervision.

As for the Petroleum Law, the proposed revision introduces an amendment to Article 50 on the Extractive Industry Transparency Initiative (EITI), adding an obligation for concessionaires to provide data on request. While not clarifying what these data are, it is understood that they will be the data resulting from the EITI Standard that is in use.

Local Content Law

The proposal for the Local Content Act, which aims to establish rules to be observed in the supply of goods and services to enterprises operating in national territory, with national content, as a means of promoting the development of national business, is currently in progress. The aim of this law is to enhance the value of goods and services produced internally, with the incorporation of national production factors, namely capital, raw materials and labour. The proposal aims to cover all sectors and not only that of the extractive industry.

Nevertheless, 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 noncorporate, 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.

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.

In fact, the central bank has prepared a proposal for a Sovereign Fund model⁴ and a strategy for its operation, which is still under discussion. The proposed Sovereign 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 conciliate present and future generations' needs.

⁴ http://www.bancomoc.mz/fm_pgLink.aspx?id=352

2. **Contribute to Fiscal Stabilization**, in order to isolate the Budget and the economy from the adverse impacts resulting from commodities price fluctuations on international markets.

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).

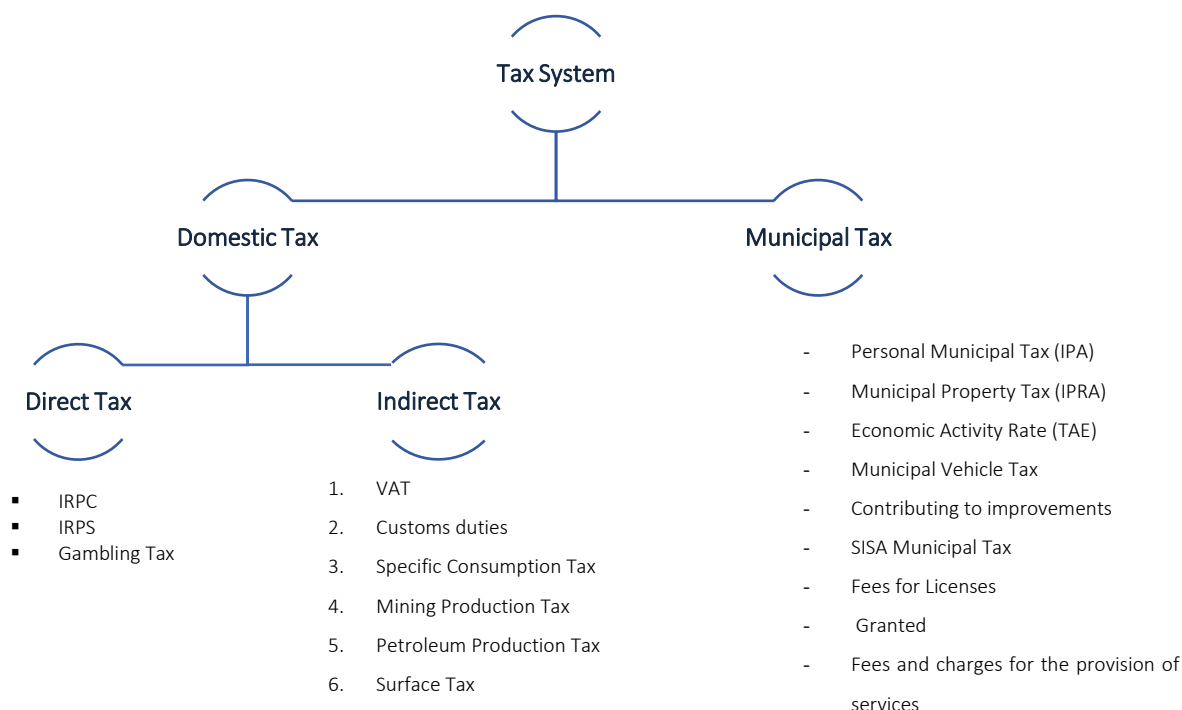


Figure 4 - Classification and types of tax in Mozambique

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 Tax⁵

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

⁵ 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>

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%.

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 1st 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 (MTs)					Coefficient applicable to each additional unit to the lower limit of gross salary
	0	1	2	3	4 or more	
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 3 - 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.

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.

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 4 – IPM rates

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
a) Exploration and research licenses for all minerals	
i. No. 1 st and 2 nd year	17,50 MT/ha
ii. No. 3 rd year	43,75 MT/ha
iii. No. 4 th and 5 th year	91,00 MT/ha
iv. No. 6 th year	105,00 MT/ha
v. No. 7 th and 8 th year	210,00 MT/ha
b) Mining Concession	
i. For mineral water	85.000,00 MT/Mining Title
ii. For other mineral resources:	
From 1 st to 5 th year	30,00 MT/ha

Description	Rate
From 6 th year. onward	60,00 MT/ha
c) Mining Certificate	
i. From 1 st to 5 th year	30,00 MT/ha
ii. From 6 th year onward	50,00 MT/ha

Table 5 – 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		Amount (MZN)
1	Prospecting and Research License	
	Application registration fee	4.000,00
	Title issuance fee	4.000,00
	Fee for late submission of the request for extension	4.000,00

	Type of mining title	Amount (MZN)
	Extension fee	10.000,00
2	Mining Concession	
	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
3	Mining Treatment License	
	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
4	Mining Processing License	
	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
5	Mining Certificate	
	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
6	Mining Pass	
	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
7	Authorisation for Extraction of Mineral Resources for Construction/Geological Research or Scientific Studies	
	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
8	Fees for requests for transfer of title	
	Prospecting and research license	200.000,00
	Mining concession	300.000,00
	Mining Certificate	50.000,00
	Mining Pass	5.000,00
9	Title transfer registration fees	
	Prospecting and research license	150.000,00
	Mining concession	200.000,00
	Mining Certificate	30.000,00
	Mining Pass	5.000,00

	Type of mining title	Amount (MZN)
10	Area Enlargement Application Fees	
	Prospecting and research license	200.000,00
	Mining concession	300.000,00
	Mining Certificate	100.000,00
11	Area Enlargement Endorsement Rates	
	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
12	Operator and subcontractor registration fees	
	Prospecting and research license	100.000,00
	Mining concession	300.000,00
	Mining Certificate	50.000,00

Table 6 - 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 ⁶ 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 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.

⁶ 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.

The IPP rates are as follows:

Type of product	Rate
Crude oil	10%
Natural gas	6%

Table 7 - 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:

Designation of Procedure	Fee Amount in (MZN)
Presentation of the application for the granting of the right to exercise petroleum operations	2.000.000,00
Consideration of the request for renewal of the Concession Agreement	500.000,00
Appraisal of the application for extension of the Concession	125.000,00
Authorisation to begin infrastructure operations	1.000.000,00
Approval of the Demobilisation Plan	125.000,00
	500.000,00

Table 8 - 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 BOE⁷. 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.

⁷ 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 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 Porta⁸. 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:

⁸ <http://portals.flexicadastre.com/mozambique/pt/>

Prospecting and research license: allow 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 these licenses is as follows:

- two years for mineral resources for construction, renewable once for the same period;
- five years for other mineral resources, including mineral water, being renewable once, for a further three years.

Mining concession: 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.

Mining certificate: 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.

Mining pass: allows the exercise of artisanal mining operations for a period of 5 years, extendable successively for equal periods according to the economic life of the mine. This title was created for the direct benefit of the communities. The characteristics and limitations that distinguish artisanal mining operations for the purposes of mining passes from other mining operations are laid down by regulation.

Mining treatment license: 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.

Mining processing license: 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.

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:

Recognition agreement: 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: 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.

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.

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 operations are not covered by an exploration and production concession contract.

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.

Construction and operation of infrastructures: 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.

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.

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 follows⁹:

- 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;
- 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;

⁹ http://www.mireme.gov.mz/index.php?option=com_content&view=article&id=21&Itemid=109

- 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 petroleum 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.

The fundamentals of the mining licensing process are based on the Mining Law (Law 20/2014) and its regulation, Decree 31/2015. INAMI's licensing department is the department responsible for the Mining Registration and Licensing Services¹⁰.

Hydrocarbon Area

As mentioned, the entity responsible for regulating petroleum 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 petroleum 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

¹⁰ INAMI's organisation chart: <https://inami.gov.mz/index.php/organograma>

Functions of Mining Registration and Licensing Services: <https://inami.gov.mz/index.php/servicos-inami/servicos-de-cadastro-mineiro-e-licenciamento-scadminl>

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.

In Mozambique, the natural resources located on the ground and underground, in inland waters, the territorial sea, the continental shelf and the exclusive economic zone, are the property of the State, as established in the Constitution of the Republic.

Petroleum operations are performed by means of a concession contract resulting from an open tender, simultaneous negotiation or direct negotiation. The granting of rights for the exercise of this type of operation always respects national interests in relation to defence, navigation, research and conservation of marine resources, existing economic activities and the environment in general.

3.2 Contract and license allocations (Requirement 2.2)

a) Implementing countries are required to disclose the following information related to all contract and license awards and transfers taking place during the accounting period covered by the most recent EITI disclosures, including for companies whose payments fall below the agreed materiality threshold:

- i. A description of the process for transferring or awarding the license;
- ii. The technical and financial criteria used;
- iii. Information about the recipient(s) of the license that has been transferred or awarded, including consortium members where applicable; and
- iv. Any material deviations from the applicable legal and regulatory framework governing license transfers and awards.

In cases where governments can select different methods for awarding a contract or license (e.g. competitive bidding or direct negotiations), the description of the process for awarding or transferring a license could include an explanation of the rules that determine which procedure should be used and why a particular procedure was selected.

Where there are gaps in the publicly available information, these should be clearly identified. Any significant legal or practical barriers preventing comprehensive disclosure of the information set out above should be documented and explained, including an account of government plans to overcome such barriers and the anticipated timescale for achieving them.

b) Where companies hold licenses that were allocated prior to the period covered by EITI implementation, implementing countries are encouraged to disclose the information set out in 2.2(a).

c) Where licenses are awarded through a bidding process, the government is required to disclose the list of applicants and the bid criteria.

d) The multi-stakeholder group may wish to include additional information on the allocation of licenses as part of the EITI disclosures. This could include commentary on the efficiency and

effectiveness of licensing procedures, and a description of procedures, actual practices and grounds for renewing, suspending or revoking a 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:

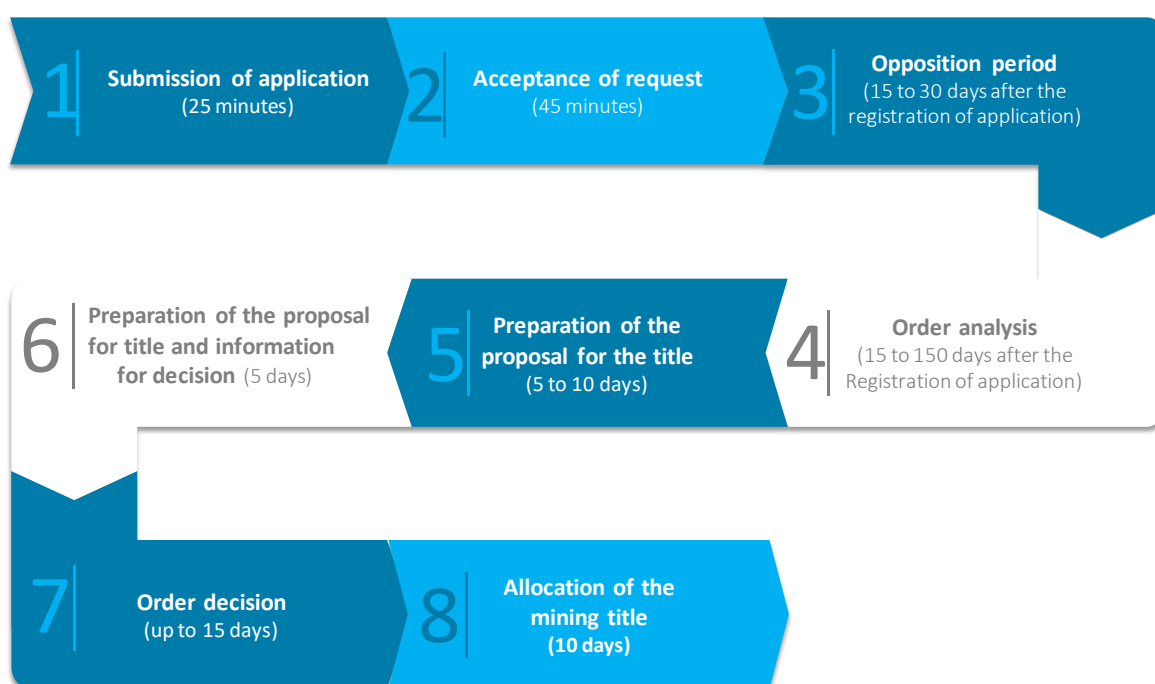


Figure 5 - Flowchart of the Licensing Process in the Mining Area (Source: INAMI)

The requirements for the licensing procedure vary according to the mining title concerned. INAMI has published on its website ¹¹ 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)

¹¹ Requirements for Mining Licensing: <https://inami.gov.mz/index.php/requisitos-para-licenciamento-mineiro>

that have been the object of previous mining activity; d) reserved for mining activity; and e) of total or partial protection.

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 tender documents;
- 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 requirement for the winning tenderer to agree that his technical-economic and financial proposal should be part of the mining contract without modification of any material provision, unless such modification is for the benefit of the State, 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 force¹² in the year 2019 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.	164
Mining concession	46
Mining certificate	76
Marketing licenses	100
Total	386

Table 9 - Mining titles in force - 2019 (Source: INAMI)

¹² Information available on INAMI website: <https://inami.gov.mz/index.php/component/content/article/103-destaques/destaques/140-nota-de-informacao-sobre-titulos-emitidos-e-extintos-2?Itemid=437>

In addition, the information with the mining titles attributed can be accessed in the following links:

- Instituto Nacional de Minas de Moçambique (www.inami.gov.mz);
- Instituto Nacional de Minas de Moçambique (www.inami.gov.mz);
- <http://inami.gov.mz/index.php/component/content/article/107-anuncios-aviso/152-lista-de-titulosmineiros-concessoes-mineiras-2019?Itemid=437>

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 the 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;
3. Analysis of the request for transmission in order to verify the legal requirements listed in number 6 of Article 128 of the Mining Law Regulation;
4. In case of omission of data, the titleholder 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 Clearance Certificate proving that the capital gains have been paid or have not been paid, which states that the holder does not owe the State;
7. Once the above-mentioned Tax Clearance 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.

Regarding the processing of transfers of mining titles during the financial year 2019, INAMI has indicated that it has processed and completed the 7 cases presented below. It should be noted that these transfers gave rise to capital gains tax amounting to a total of 116,658,265.27 MZN:

#	Holder	License	Description	Capital gains tax charged (MZN)
1	Suní Resources, S.A	8770C	Transfer of title to Mozambican Ruby, Lda	20.873.198,49
		10031C		
2	Rio Buzi Resources Sociedade-Unipessoal	9307C	Transfer of prospecting and research licenses to Rio Buzi Resources, Lda	8.918.080,00
		6595CM		
3	SRL Mining, Lda	8955C	Assignment of exploration and research license quotas	6.128.469,81
		7414L		2.842.594,09
4	Pathfinder Moçambique, S.A	4623C	Transfer of shares in the Mining Concession	77.895.922,88
Total				116.658.265,27

Table 10 - Mining titles issued in 2019 (Source: INAMI)

Additionally, INAMI clarified that the company Alstones, Lda submitted the application for the transfer of quotas. This application was analysed, and the applicable capital gain rate was indicated, however, the company subsequently requested the abandonment of the area. Reddys Global Industries, Lda submitted its application for the transfer of its mining title, and the capital gains tax payable was also indicated; to date the company has not submitted its decision on the transfer.

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) demonstrated by proof of the existence of financial resources at its disposal for the support of mining activities (ii) 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.

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 petroleum operations follows the steps presented in the flowchart below:



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

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

- Exploration Right – article 7
- Research and Production Right – article 9
- Construction of Pipeline Systems and Operations Right – 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.

The INP *site*¹³ 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

¹³ <http://www.inp.gov.mz/pt/Politiclas-Regime-Legal/Legislacao>

decisive control over the person constituting the concessionaire or participation in the concession contract, and

- Ownership of the right to use an infrastructure.

For the financial year 2019, the transmissions of participatory interest took place as shown in the table below:

Area	Transferor	Transferee	%
A5-A	Eni Mozambico	Qatar Petroleum Mozambique, Limitada	25,5%
	Sasol Petroleum Mozambique Exploration, Limitada	Sasol Mozambique A5-A Limitsdsa	25,5%
A5-B	ExxonMobil Moçambique Exploration & Production, Limitada	Qatar Petroleum Mozambique, Limitada	10%
	ExxonMobil Moçambique Exploration & Production, Limitada	Eni Mozambico	10%
Z5-C	ExxonMobil Moçambique Exploration & Production, Limitada	Qatar Petroleum Mozambique, Limitada	10%
	ExxonMobil Moçambique Exploration & Production, Limitada	Eni Mozambico	10%
Z5-D	ExxonMobil Moçambique Exploration & Production, Limitada	Qatar Petroleum Mozambique, Limitada	10%
	ExxonMobil Moçambique Exploration & Production, Limitada	Eni Mozambico	10%
PT5-C	Sasol Petroleum Mozambique Exploration, Limitada	Sasol Mozambique PT5-C, Limitada	70%

Table 11 - Petroleum rights transfered in 2019 (Source: INP)

According to the information provided by INP, the above transfers did not give rise to the payment of capital gains tax, since the transfers were made at cost price.

On the other hand, under Article 53 of the Petroleum Law, in conjunction with Article 3(d) of Decree 34/2015 of 31 December, the indirect transfer of Anadarko's interest in the Concession Contract for Exploration and Production of Petroleum, to Area 1, in the Rovuma Block to Occidental Petroleum Corporation, was also approved, and in turn the transfer to Total of Anadarko Mozambique's holdings in Area 1 Limited ("AMA 1") and its affiliates.

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.

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 2019, only the mining area has been put out to tender.

Mining Area

During 2019, INAMI launched public tenders for mining licensing of 12 areas for prospecting and exploration of mineral products with an opening date for bids scheduled for 11 September 2019.

The type of mining resource and the areas available in the tenders were as follows:

- i. Basic Metals, in Monapo District, Nampula Province;
- ii. Precious Metals and Basic Metals, in the District of Namuno, Cabo Delgado Province;
- iii. Precious Stones, Semi-Precious Stones and Tantalite in the District of Gilé, Zambézia Province;
- iv. Precious Metals, Precious Minerals and Associated Minerals in the District of Memba in Nampula Province;
- v. Rubi, in the District of Ancuabe, Cabo Delgado Province;
- vi. Precious Metals and Basic Metals, in the District of Meluco, Cabo Delgado Province;
- vii. Bismuth, Limestone, Lead, Copper, Iron, Platinum Group Minerals, Nickel, Silver, Rare Earths, Titanium, Uranium, Vanadium, Zinc and Apatite, in the District of Changara in the Province of Tete;
- viii. Gold and Basic Metals, in the District of Chifunde, Tete Province;
- ix. Phosphates, in the District of Monapo, in Nampula Province;
- x. Coal, in the District of Lago, Niassa Province; and
- xi. 2 research areas of Berilo, in the District of Marávia, in Tete Province.

Out of the 12 areas for competition only five winners were found, as for the remaining 7 no tenders were submitted and, according to INAMI, the tenders were cancelled. The winning companies were the following:

Company	Area	Mining	District	Province
Sociedade Mineira de Ancuabe	8817AC	Rubi	Ancuabe	Cabo Delgado
Bio Energy, Lda	5181AC	Precious and Semi-Precious Stones and Tantalite	Gilé	Zambézia

Company	Area	Mining	District	Province
Bio Energy, Lda	8843AC	Precious Metals, Precious Minerals and Associated Minerals	Memba	Nampula
Marrupa Mining, Lda	5197AC	Precious Metals and Base Metals	Namuno	Cabo Delgado
Marrupa Mining, Lda	5175AC	Gold and Basic Metals	Chifunde	Tete

Tabela 12 - Vencedores do concurso lançado pelo INAMI

It is important to mention that both the tenders and the results have been published in the most widely circulated newspapers in the country and are available on the INAMI website ¹⁴.

In addition, the list of applicants who have submitted proposals and the evaluation criteria for the selection of the applicants can be found in Annexure 2.

Hydrocarbon area

In the area of hydrocarbons, no tender for petroleum rights was held.

3.2.3 Analysis of the efficiency and effectiveness of licensing/contracting processes

Mining Area

After analysing the procedures for the allocation, 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, the assessment of the degree of compliance with them 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 Mining Law regulation, in its article 3, highlights the minister's powers, indicating that it is up to the minister to decide on the award, modification, transmission and revocation of part of the mining titles, without, however, indicating the assessment criteria that contribute to the minister's decision.

In this sense, we are of the opinion that, in a legal document, the criteria for the decision making by the Minister should be indicated, so that it is not presented as having a discretionary power or using

¹⁴<https://inami.gov.mz/index.php/concursos/adjudicacoes/150-adjudicacao-do-concurso-publico-para-o-licenciamento-de-12-areas-para-prospeccao-e-pesquisa-de-produtos-minerais>

subjective criteria in the analysis of the processes, which could in some way give rise to disparate interpretations.

Hydrocarbon area

After analysing the procedures for the allocation, transmission, renewal and revocation of rights in petroleum operations, we are of the opinion that they allow the processes to be processed with the necessary urgency and quality. However, the assessment of the degree of compliance requires additional work, which can be carried out by INP, via a satisfaction survey where users and civil society can notify the constraints existing in this process.

It should also be noted that the Oil Law Regulation, in its article 3, sets out the powers of the minister overseeing the petroleum area, indicating that it is up to him to approve the concession contracts for recognition and indication or change of operator. However, it does not indicate which assessment criteria compete for the Minister's decision.

In this sense, we are of the opinion that in a legal document, the criteria for the decision by the Minister should be indicated, so that it is not presented as having a discretionary power or using subjective criteria in the analysis of the dossiers, which could give rise 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 website¹⁵ and in the Mining Law regulation. The requirements for this process, by type of mining title, are summarised below:

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

¹⁵ <https://inami.gov.mz/index.php/requisitos-para-licenciamento-mineiro>

- 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;
- 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.

Commercialization 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 Commercialization 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.

According to information provided by INAMI, 12 mining titles were renewed and 36 revoked during 2019. Details on these data can be found in Annexure 1.

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 petroleum 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 Register of licenses (Requirement 2.3)

- a) The term 'license' in this context refers to any license, lease, title, permit, contract or concession by which the government confers on a company(ies) or individual(s) rights to explore or exploit oil, gas and/or mineral resources.
- b) Implementing countries are required to maintain a publicly available register or cadastre system(s) with the following timely and comprehensive information regarding each of the licenses pertaining to companies within the agreed scope of EITI implementation:
 - i. License holder(s).
 - ii. Where collated, coordinates of the license area. Where coordinates are not collated, the government is required to ensure that the size and
 - iii. location of the license area are disclosed in the license register and that the coordinates are publicly available from the relevant government agency without unreasonable fees and restrictions. The disclosures should include guidance on how to access the coordinates and the cost, if any, of accessing the data. The government should also document plans and timelines for making this information freely and electronically available through the license register.
 - iv. Date of application, date of award and duration of the license.
 - v. In the case of production licenses, the commodity being produced.

It is expected that the license register or cadastre includes information about licenses held by all entities, including companies and individuals or groups that are outside the agreed scope of EITI implementation, i.e. where their payments fall below the agreed materiality threshold. Any significant legal or practical barriers preventing such comprehensive disclosure should be documented and explained, including an account of government plans for seeking to overcome such barriers and the anticipated timescale for achieving them.

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

Mining Area

INAMI has provided information on the mining permits in force up to the end of 2019, 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 ¹⁶, where the same site presents the countries for which the mining registration was made, and the visualization 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 INAMI¹⁷ website. By visiting this site you can check additional information, such as:

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

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 website¹⁸. In addition to the INP website, the contracts are also published on the MIREME website¹⁹.

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 ²⁰, respective operators, State participation (direct and indirect) and the coordinates of these areas;
- Legislation of the sector; and
- Hydrocarbon production data and payment of royalties.

¹⁶ <http://portals.flexicadastre.com/Mozambique>

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

¹⁷ <https://www.inami.gov.mz>

¹⁸ <http://www.inp.gov.mz/pt/Pesquisa-Producao/Concessoes-em-Vigor>

¹⁹ https://www.mireme.gov.mz/index.php?option=com_phocadownload&view=category&id=8&Itemid=160

²⁰ <http://www.inp.gov.mz/pt/Descricao-de-Concessoes/Coordinate-of-Current-Concessions>

3.4 Contracts (Requirement 2.4)

- a) Implementing countries are required to disclose any contracts and licenses that are granted, entered into or amended from 1 January 2021. Implementing countries are encouraged to publicly disclose any contracts and licenses that provide the terms attached to the exploitation of oil, gas and minerals.
- b) The multi-stakeholder group is expected to agree and publish a plan for disclosing contracts with a clear time frame for implementation and addressing any barriers to comprehensive disclosure. This plan will be integrated into work plans covering 2020 onwards.
- c) It is a requirement to document the government's policy on disclosure of contracts and licenses that govern the exploration and exploitation of oil, gas and minerals. This should include:
 - i. A description of whether legislation or government policy addresses the issue of disclosure of contracts and licenses, including whether it requires or prohibits disclosure of contracts and licenses. If there is no existing legislation, an explanation of where the government policy is embodied should be included, and the multi-stakeholder group should document its discussion on what constitutes government policy on contract disclosures. Any reforms relevant to the disclosure of contracts and licenses planned or underway should be documented.
 - ii. An overview of which contracts and licenses are publicly available. Implementing countries should provide a list of all active contracts and licenses, indicating which are publicly available and which are not. For all published contracts and licenses, it should include a reference or link to the location where the contract or license is published. If a contract or license is not published, the legal or practical barriers should be documented and explained.
 - iii. Where disclosure practice deviates from legislative or government policy requirements concerning the disclosure of contracts and licenses, an explanation for the deviation should be provided.
- d) The term 'contract' in 2.4(a) means:
 - i. The full text of any contract, concession, production-sharing agreement or other agreement granted by, or entered into by, the government which provides the terms attached to the exploitation of oil, gas and mineral resources.
 - ii. The full text of any annex, addendum or rider which establishes details relevant to the exploitation rights described in 2.4(d)(i) or the execution thereof.
 - iii. The full text of any alteration or amendment to the documents described in 2.4(d)(i) and 2.4(d)(ii).
- e) The term 'license' in 2.4(a) means:
 - i. The full text of any license, lease, title or permit by which a government confers on a company(ies) or individual(s) rights to exploit oil, gas and/or mineral resources.
 - ii. The full text of any annex, addendum or rider that establishes details relevant to the exploitation rights described in in 2.4(e)(i) or the execution thereof.

- iii. The full text of any alteration or amendment to the documents described in 2.4(e)(i) and 2.4(e)(ii).

Mining Area

The Mining Law provides, in Article 8(4), that mining contracts shall be made public in the Government Gazette, preceded by the prior approval of the Administrative Court, within 30 days. Paragraph 5 of the same article states that *“Without prejudice to their publication in newspapers or on websites, mining contracts, once approved, as well as their amendment, must be referred to the Assembly of the Republic”*.

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 INAMMI’s website ²¹ 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)

²¹ <https://inami.gov.mz/index.php/projectos>

#	Holder	Type of Concession	Description
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 13 - Mining contracts in force (Source: INAMI)

Unpublished contracts include the following:

- **Vale Moçambique:** o the contract is not published because it was concluded before the entry into force of Mine Law No. 20/2014 of 14 August 2014, which lays down in Article 8(5) the obligation to disclose mining contracts.
- **Highland African Mining Company, Lda e JSPL Mozambique Minerais, Lda:** the contracts are not disclosed since the visa procedure of the Administrative Court is ongoing.

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 Portal²².

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

Hydrocarbon Area

The publication of contracts concluded in the context of petroleum operations is provided for by Law, specifically in Article 28(2) of Law 20/2014 of 18 August (Petroleum Law), from which it is removed that "without prejudice to safeguarding the confidentiality of strategic and competitive commercial information of petroleum operations, the main concession contract concluded shall be subject to the supervision and approval of the entity legally competent for that purpose, as well as the publication of the main terms of the concession contract."

²² <http://portals.flexicadastre.com/Mozambique>

This publication and other relevant information on the sector is published by INP on its website²³, as well as on MIREME's website²⁴.

Additional information can be found on these websites, 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 2019 are presented below:

#	Operators	Effective Date	Area	Type of Contract	Phase
1	SPT	26/10/2000	Pande and Temane deposit	PPA	Production
2	SPM	01/09/2002	Pande and Temane Block	PSA	Development
3	EEA/MRV	01/02/2007	Area 4 of the Rovuma Basin	EPCC	Development
4	AMA 1/TEPMA1	01/02/2007	Area 1 of the Rovuma Basin	EPCC	Development
5	Buzi Hidrocarbons	01/04/2019	Buzi Block	EPCC	Research
6	ExxonMobil	01/12/2018	Area A5B Mozambique Basin	EPCC	Research
7	ExxonMobil	01/12/2018	Z5D Mozambique Basin Area	EPCC	Research
8	ExxonMobil	01/12/2018	Area Z5C Mozambique Basin	EPCC	Research
9	Sasol PetroMoz	01/01/2019	Mozambique Basin PT5-C Area	EPCC	Research
10	Sasol Petroleum Sofala, Limitada	01/07/2005	Block 16&19	EPCC	Research
11	ENI Mozambico	01/01/2019	Area A5A - Mozambique Basin	EPCC	Research
Contratos de Gasoduto					
11	ROMPCO	26/10/2000	Temane (Moz) to Secunda (RAS) 865 KM	PLA	Transport of gas
12	MGC	28/04/2004	Ressano Garcia to Matola	PLA	Transport of gas

Table 14 - 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.

3.4.1 Other information

Mining Area

Under Article 15(1) of the Mining Law, reports, data or other information produced in connection with prospecting and exploration, extraction or other related activities are the property of the State. The

²³ <http://www.inp.gov.mz/pt/Pesquisa-Producao/Areas-de-Pesquisa-e-Producao-Actuais>

²⁴ https://www.mireme.gov.mz/index.php?option=com_phocadownload&view=category&id=8&Itemid=160

National Directorate of Geology and Mines is also responsible for keeping copies of the reports, as well as all raw geological data, including geochemical, geophysical, geochronological data, aerial photographs, digital elevation model or other information produced within the scope of prospecting and exploration activities, mining or other related activities. 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.

Hydrocarbon Area

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

It is also possible to extract from paragraph 3 of the same article that data acquired under the research and production concession contract must be kept confidential for a period of 5 years from the date of their acquisition or until the area of the concession contract has been renounced 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 owners of the corporate entity(ies) that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract, including the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Where possible, beneficial ownership information should be incorporated in existing filings by companies to corporate regulators, stock exchanges or agencies regulating extractive industry licensing. Where this information is already publicly available, the EITI Report should include guidance on how to access this information.
- b) Implementing countries are required to document the government's policy and multi-stakeholder group's discussion on disclosure of beneficial ownership. This should include details of the relevant legal provisions, actual disclosure practices and any reforms that are planned or underway related to beneficial ownership disclosure.
- c) As of 1 January 2020, it is required that implementing countries request, and companies publicly disclose, beneficial ownership information. This applies to corporate entity(ies) that apply for or hold a participating interest in an exploration or production oil, gas or mining license or contract and should include the identity(ies) of their beneficial owner(s), the level of ownership and details about how ownership or control is exerted. Any significant gaps or weaknesses in reporting on beneficial ownership information must be disclosed, including naming any entities that failed to submit all or parts of the beneficial ownership information. Where a country is facing constitutional or significant practical barriers to the implementation of this requirement by 1 January 2020, the country may seek adapted implementation in accordance with Article 1 of the EITI Board's procedures for oversight of EITI implementation in section 4.
- d) Information about the identity of the beneficial owner should include the name of the beneficial owner, their nationality, and their country of residence, as well as identifying any politically exposed persons. It is also recommended that their national identity number, date of birth, residential or service address, and means of contact are disclosed.
- e) The multi-stakeholder group should assess any existing mechanisms for assuring the reliability of beneficial ownership information and agree an approach for corporate entities within the scope of 2.5(c) to assure the accuracy of the beneficial ownership information they provide.

This could include requiring companies to attest the beneficial ownership declaration form through sign-off by a member of the senior management team or senior legal counsel, or submit supporting documentation.

- f) Definition of beneficial ownership:
 - i. A beneficial owner in respect of a company means the natural person(s) who directly or indirectly ultimately owns or controls the corporate entity.
 - ii. The multi-stakeholder group should agree an appropriate definition of the term 'beneficial owner'. The definition should be aligned with (f) above and take international norms and relevant national laws into account, and should include ownership threshold(s). The definition should also specify reporting obligations for politically exposed persons.
 - iii. Publicly listed companies, including wholly-owned subsidiaries, are required to disclose the name of the stock exchange and include a link to the stock exchange filings where they are listed to facilitate public access to their beneficial ownership information.
 - iv. In the case of joint ventures, each entity within the venture should disclose its beneficial owner(s), unless it is publicly listed or is a wholly-owned subsidiary of a publicly listed company. Each entity is responsible for the accuracy of the information provided.
- g) Implementing countries and multi-stakeholder groups should also address disclosure of legal owners and share of ownership.

As indicated in paragraph (b) of this requirement, implementing countries are required first to check government policy on the disclosure of actual beneficiaries. This verification makes it possible to confirm whether or not there is an obstacle to the disclosure of beneficial owners within the legislative framework of the country.

Mozambique has no specific law to regulate the issue of beneficial owners, and in the Report on Transparency, Governance and Corruption, prepared with the assistance of the Legal Department and Public Finance Department of the International Monetary Fund, the government recognises the need to introduce aspects on this issue into national legislation, indicating that the Ministry of Justice is drafting legislation to allow the coherent collection of information on beneficial owners through the commercial register. In addition, it is indicated that this effort will be underpinned by the digitisation of

the commercial register to facilitate access by bodies such as the Mozambique Financial Information Office - GIFiM.

At this stage, the difference between legal and permanent beneficiaries should be highlighted. The legal beneficiaries are the individuals who appear in the company's registration documents as partners or owners and who legally exercise control over the company, while the beneficial owners are those individuals who ultimately own or control the company, even if legally they do not appear in the registration documents.

The following describes what the Mining and Petroleum Law and the Commercial Code indicate about the legal beneficiaries of the holders of mining and hydrocarbon rights.

Under the terms of Article 7 of the Mining Law, under the heading "Requirements for the award of mining titles", mining titles are awarded in areas available to applicants who meet the requirements set out in the Mining Law and other applicable legislation, and applicants incorporated as companies must, at the time of submission of the application, attach the document of incorporation of the company, including the identification of the holders of shares and the respective value of the subscribed share capital.

In addition, in the Petroleum Law, Article 26 - "Subjects" - states that Mozambican persons or foreign legal persons registered in Mozambique who can prove that they have the competence, technical capacity and financial means to effectively conduct petroleum operations may hold the right to carry out petroleum operations. Furthermore, this article states that applicants for the right to carry out petroleum operations, constituted in the form of a commercial company, must, on submission of the application, deposit the document proving the formation of a company, including the identification of the holders of shares and the respective subscribed value.

It appears then that one of the most common vehicles for mining and petroleum operations is the commercial companies.

Under the Mozambican Commercial Code there are 5 types of commercial companies: (i) sociedade em nome colectivo, (ii) sociedade de capital e indústria, (iii) sociedade em comandita, (iv) sociedade por quotas, and (v) sociedade anónima. The table below shows the classification of the corporate type of companies selected for the reconciliation process:

#	Company	Type of Company
Mining Sector		
1	Africa Great Wall Mining Development Company, Lda	Sociedade por quotas
2	Cimento Nacional, Lda.	Sociedade por quotas
3	Cimentos de Moçambique, S.A.R.L.	Sociedade anónima
4	CINAC-Cimentos de Nacala, S.A.	Sociedade anónima
5	Empresa Moçambicana de Exploração Mineira, S.A	Sociedade anónima
6	Fábrica de xaropes e Refrigerantes Vumba, S.A	Sociedade anónima
7	Hayu (Mozambique) Mining Co. Lda.	Sociedade por quotas
8	ICVL Zambeze, Lda.	Sociedade por quotas
9	JSPL Mozambique Minerals, Lda	Sociedade por quotas
10	Kenmare Moma Mining (Mauritius) Limited	Sociedade por quotas
11	LIMAK Cimentos S.A.	Sociedade anónima
12	Minas de Benga, Lda.	Sociedade por quotas
13	Minas de Revuboé, Lda.	Sociedade por quotas
14	Montepuez Rubi mining, Lda.	Sociedade por quotas
15	Mozambique Heavy Sands Company VII, Lda.	Sociedade por quotas
16	Sociedade Águas de Moçambique, Lda.	Sociedade por quotas
17	Twig Exploration Mining Lda.	Sociedade por quotas
18	Vale Moçambique, S.A.	Sociedade anónima
Hydrocarbon Sector		
1	CMG	Sociedade anónima
2	CMH	Sociedade anónima
3	ENH Kogas	Sociedade anónima
4	ENH, E.P.	Public Enterprise
5	ENI Mozambico	Sociedade anónima
6	ExxonMobil	Sociedade por quotas
7	Matola Gás Company	Sociedade anónima
8	Mozambique Rovuma Ventures, Spa Mozambique	Consortium
9	Rompco	Sociedade por quotas
10	Sasol Petroleum Temane, Lda	Sociedade por quotas
11	Total	Sociedade por quotas

Table 15 - Corporate type of the selected companies

The corporate acts of commercial companies are subject to registration and publication in accordance with the Law. With regard to the act of incorporation of the company, article 247 of the Commercial Code states that it must be published in the Official Gazette by means of a simplified extract.

In fact, the same Article 247(4) makes it clear that the simplified extract must contain the following elements:

- i. date of registration;
- ii. unique legal entity number;
- iii. date of incorporation of the company;
- iv. name of the company;
- v. registered office;

- vi. share capital;
- vii. form of distribution of the share capital among the partners, with their identification and respective unique tax identification numbers;
- viii. form of the administration and form of obliging the company;
- ix. identification of the members of the administration.

As to amendments that may occur to the articles of association, these must also be disclosed, in accordance with article 246 of the Commercial Code. In addition, this regulation indicates that any interested party may obtain a copy of the memorandum of association from the Registry of Legal Entities or from the company.

Therefore, as far as legal beneficiaries are concerned, there is a register publicly available for access to this information.

For the purpose of this report, government bodies and selected companies were requested to disclose, when filling in the information collection forms, the information concerning their actual beneficiaries, as can be seen in Annexure 3. In addition, the EITI Standard indicates that listed companies, including fully owned subsidiaries, disclose the name of the stock exchange and include a reference to the stock exchange records on which they are listed to facilitate public access to information on their beneficial owners. In this sense, for the hydrocarbon sector, INP discloses this information on its website²⁵.

It is important to mention that, according to the EITI Standard, if a country is facing significant constitutional or practical obstacles to the implementation of this requirement by 1 January 2020, it may request an adapted implementation under Article 1 of the EITI Coordination Committee procedures for the oversight of the implementation of the EITI. Therefore, it is recommended that the EITI Coordination Committee request adapted implementation of this requirement, given the absence of specific legislation in the country, without prejudice to adopting alternative mechanisms to disclose this information.

3.6 State participation (Requirement 2.6)

- a) Where state participation in the extractive industries gives rise to material revenue payments, implementing countries must disclose:

²⁵ <http://www.inp.gov.mz/index.php/pt/Descricao-de-Concessoes/Areas-de-Concessao-Activas>

- i. An explanation of the role of state-owned enterprises (SOEs) in the sector and prevailing rules and practices regarding the financial relationship between the government and SOEs, i.e. the rules and practices governing transfers of funds between the SOE(s) and the state, retained earnings, reinvestment and third-party financing. This should include disclosures of transfers, retained earnings, reinvestment and third-party financing related to SOE joint ventures and subsidiaries.

For the purpose of EITI implementation, a state-owned enterprise (SOE) is a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government. Based on this, the multi-stakeholder group is encouraged to discuss and document its definition of SOEs, taking into account national laws and government structures.





- ii. Disclosures from the government and SOE(s) of their level of ownership in mining, oil and gas companies operating within the country's oil, gas and mining sector, including those held by SOE subsidiaries and joint ventures, and any changes in the level of ownership during the reporting period.

This information should include details regarding the terms attached to their equity stake, including their level of responsibility for covering expenses at various phases of the project cycle, e.g. full-paid equity, free equity or carried interest. Where there have been changes in the level of government and SOE(s) ownership during the EITI reporting period, the government and SOE(s) are expected to disclose the terms of the transaction, including details regarding valuation and revenues. Where the government and SOE(s) have provided loans or loan guarantees to mining, oil and gas companies operating within the country, details on these transactions should be disclosed, including loan tenor and terms (i.e. repayment schedule and interest rate). Multi-stakeholder groups may wish to consider comparing loans terms with commercial lending terms.

- b) SOEs are expected to publicly disclose their audited financial statements, or the main financial items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available.
- c) Implementing countries are encouraged to describe the rules and practices related to SOEs' operating and capital expenditures, procurement, subcontracting and corporate governance, e.g. composition and appointment of the Board of Directors, Board's mandate and code of conduct.

Before presenting the results on this requirement, it is important to mention that the Mozambique CC, with the support of the International EITI Secretariat, is in the process of contracting a specific study with the objective of collecting and analysing data on state participation in the extractive industry and the role of the State Enterprise Sector, in the context of the requirements of EITI Standard 2.6, 4.2, 4.5 and 6.2, in order to fully meet these requirements. In the meantime, the information that has been collected and systematized in this report is presented below.

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, , 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 research of mineral resources, development of mining projects in partnership with other national or foreign companies.
4		Hydrocarbon sector	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.


#	Entity	Area	Function
5			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.

Table 16 - State Entities in the Extractive Industry

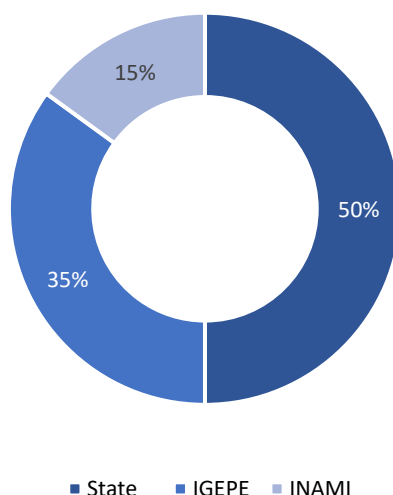
Mining Area

Through the action of EMEM, an institution created in 2010, whose goal is to make geological mining exploration, production and sales of mineral products, sales of raw materials for mining utilities, consulting, cooperation with other countries or foreign companies to provide consulting and technical assistance in the areas of mining, exploration and research of mineral resources and development of mining projects.

In addition, EMEM acts as an economic policy instrument in the mining area and aims to promote greater inclusion of local content, as well as to develop initiatives for local mineral processing, thus safeguarding the country's commercial interests in the mining area.

For the year 2019, according to EMEM, no dividends have been paid to the State, as the company is still in the investment phase and the participated companies have been recording accumulated losses, a fact which leads the company to rethink the strategy of its participation. On the other hand, no sale of its shareholding has occurred.

The participation in EMEM is structured according to the graph below:



Graph 1 - Corporate structure of EMEM

According to EMEM, at present it has no financial relations with the State as regards the granting of loans and guarantees, but there is intervention by the State, as the majority shareholder, which is responsible for the payment of expenses in the companies and/or projects in which it participates, these payments are recorded as shareholder loans. In the case of the free carry participation, responsibility for the expenditure is also borne by the majority shareholder.

According to the information provided by the company, the publication of its accounts, after approval at the General Meeting, is made on EMEM's website²⁶. However, when the Independent Administrator tried to access this site, he found that it was not functional.

In addition, EMEM has indicated the projects in which it participates, which are listed in the table below, with the indication of their degree of participation:

#	Name of the company	Shares	License	Mineral exploited	Participation Status
Actual shareholdings					
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	Graphite	Regularised
4	GK Ancuabe Graphite Mine, S.A.	10%	4C	Graphite	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
8	EMEM Logística e Serviços Mineiros, S.A.	100%		Mining Logistics	Regularised

²⁶ www.emem.co.mz

#	Name of the company	Shares	License	Mineral exploited	Participation Status
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
Empreendimentos por negociar					
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: EMEM)

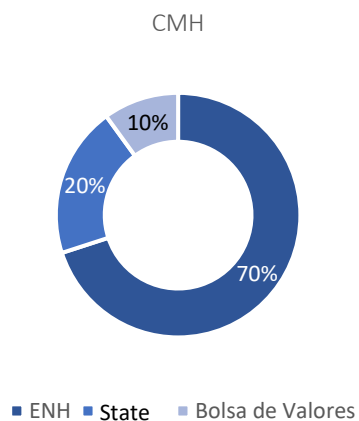
Hydrocarbon Area

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.

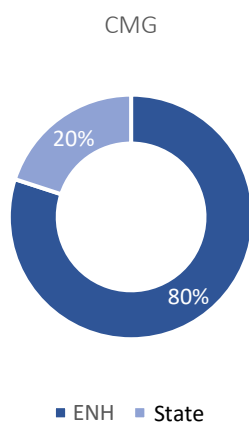
This institution was incorporated in 1981, and has recently established itself as a business group involved in all stages of petroleum operations and activities of research, exploration, development, production, commercialization, as well as transportation, storage and sale of hydrocarbons and their 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 *sociedades anónimas* (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

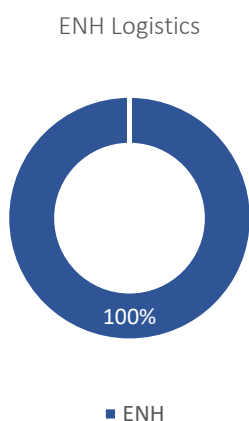


Graph 2 - Corporate structure of CMH

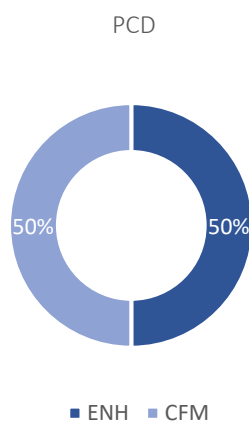


Graph 3 - Corporate structure of CMG

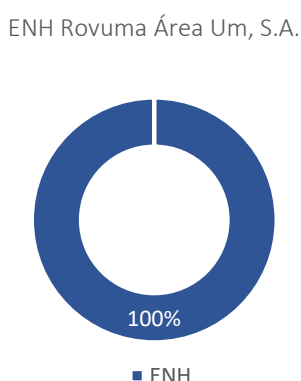
- Companhia Moçambicana de Hidrocarbonetos:** incorporated in 2000 with a view to improving oil operation development and coordination activities in the Pande and Temane natural gas field. It is the representative of ENH in upstream gas activities. It owns 25% of Pande and Temane's activity, extending to the participating capital, costs incurred, and revenues received. Its financial statements can be accessed through the following link: www.cmh.co.mz.
- 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.



Graph 4 - Corporate structure of ENH Logistics



Graph 5 - Corporate structure of PCD



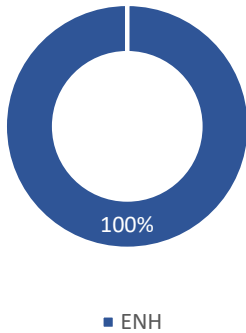
Graph 6 - Corporate structure of ENH Rovuma Área Um, S.A.

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.

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. However, when the Independent Trustee accessed it, the website was at its creation phase.

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.

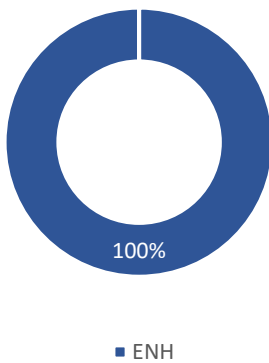
ENH FLNG Um, S.A.



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.

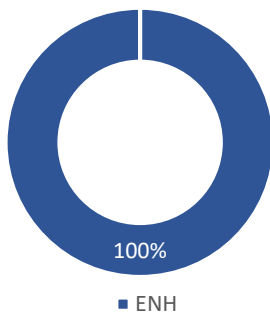
ENH Rovuma -Area Four



Graph 8 - Corporate structure of ENH

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.

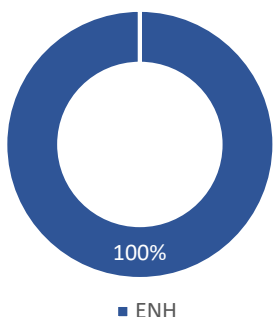
ENH Mamba



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

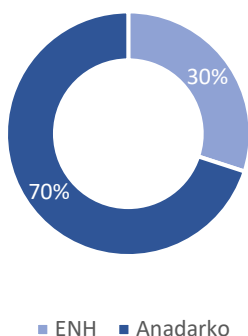


Graph 10 - Corporate structure of ENH

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.

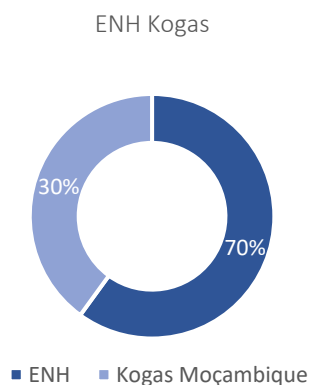
Inhassoro, S.A.

RBLL



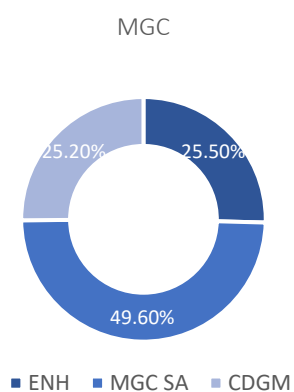
Graph 11 - Corporate structure of Rovuma Basin LNG Land, Lda

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 and Total.



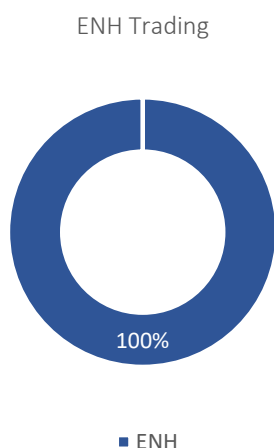
Graph 12 - Corporate structure of ENH-Kogás

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 of 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	Participatory Interest		Status
1	Block of Angoche A5-A	Offshore – Mozambique Basin	ENH	15%	Research Phase
2	Block of Angoche A5-B	Offshore – Mozambique Basin	ENH	20%	Research Phase
3	Blocks of Zambezi Z5-C	Offshore – Mozambique Basin	ENH	20%	Research Phase
4	Blocks of Zambezi Z5-D	Offshore – Mozambique Basin	ENH	20%	Research Phase
5	Area PT5-C	Onshore - Mozambique Basin	ENH	30%	Research Phase
6	Block of Mazenga	Onshore - Mozambique Basin	ENH	100%	Research Phase
7	Block of Búzi	Onshore – Mozambique Basin	ENH	25%	Research Phase
8	Blocks 16 & 19	Offshore - Mozambique Basin	ENH	15%	Renounced on 1 June 2020
9	Block MZ 09	Onshore - Mozambique Basin	Joint Study and Implementation Agreement	-	Research Phase
10	Area 1	Offshore – Rovuma Basin	Affiliate of ENH (ENHRA 1)	15%	Mozambique LNG 1 project (Dolphin-Atum field) under development
11	Area 3 & 6	Offshore – Rovuma Basin	ENH	30%	Research Phase
12	Area 4	Offshore – Rovuma Basin	Affiliate of ENH (ENHRA 4)	10%	South Coral FLNG project under development and Rovuma LNG project in pre-development phase
13	PPA	Onshore – Mozambique Basin	Affiliate of ENH, CMH	25%	Production Phase of the Pande and Temane Fields
14	PSA	Onshore – Mozambique Basin	As a contracting entity		Pre-development phase
Gas pipeline contract					

#	Concession	Area	Participatory Interest		Status
15	MGC	Ressano Garcia a 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

The Mozambican government approved by Decree-Law No. 102/2019 of 31 December, the issue of the sovereign guarantee to cover debt service during the construction phase of the Mozambique LNG project (Golfinho-Atum Gas Field) estimated at USD 2.25 billion.

On the other hand, in 2019, ENH declared to have paid dividends to the State amounting to 100.000.000,00 MZN, based on the declared net profit for the economic year 2018/2019.



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



4 Requirement 3 - Exploration and Production

OVERVIEW: The EITI requires disclosures of information related to exploration and production, enabling stakeholders to understand the potential of the sector. The EITI Requirements related to a transparency in exploration and production activities include: (3.1) information about 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.

The country's mineral resources include coal, gold, copper, iron, bauxite, heavy sands, precious stones and graphite.

In recent years, the country has seen the opening of new mines and the development of new projects in this area. This record stems from the extensive geological mapping work carried out throughout the country during the period from 2002 to 2007 and still underway.

The focus in Mozambique's mining area is on coal, where MIREME estimates that the country has 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 2019 was in the order of 10,3 million tonnes, equivalent to approximately 84,3 billion meticaís.

In 2019 two major heavy sands projects started production in Zambezia province, namely the concessions 7408C of Mozambique Heavy sands and 7150C of Tazzeta Resources, Limitada.

Hydrocarbon Area

In the hydrocarbon sector, according to INP, the research for these resources began in the early 1900s with the discovery of rather thick sedimentary basins in the mainland of Mozambique. From 1948 several foreign companies began hydrocarbon research with a greater incidence in onshore areas, culminating in the discovery of the Pande Gas field in 1961, followed by the discoveries of Buzi (1962) and the discovery of the Temane field (1967). However, due to the political instability the country faced after its independence there was a reduction in research activities until the early 1990s.

In recent years, huge gas reserves have been discovered in Mozambique, making the country an international reference. Alongside these discoveries, this area represents a source of significant investment for the country, examples of which are the Anadarko (currently Total) and Mozambique Rovuma Ventures projects. As an example, the former announced its final investment decision for the Golfinho/Atum Gas Field project, located in Area 1 of the Rovuma Basin, on 18 June 2019, whose development plan includes a total investment of USD 23 billion.

Currently, Sasol Petroleum Temane, Lda (SPT) is the only company that carries out gas and condensate production activities in the Pande and Temane deposits. According to MIREME data, the quantities of natural gas produced were 174 million gigajoules (GJ) in 2019, equivalent to 10.8 billion meticaís. Regarding condensate, the quantities produced were 302.4 thousand bbl's, for the same period.

4.2 Production (Requirement 3.2)²⁷

Implementing countries must disclose timely production data, including production volumes and values by commodity. This data could be further 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 correspond to those presented below. The order of the data is in accordance with the classification of this institution.

Products	U.M.	Price 2018 (MZN)	2019	
			Produced Quantities	Amount in Meticaís
Metallic Minerals				
Gold	Kg	1.200.000,00	429,50	515.400.000,00
Tantalite	Ton	686,30	131.557,00	90.282.306,80
Ilmenite	Ton	11.674,60	1.442.711,00	16.843.073.840,60
Zircon	Ton	43.400,00	121.768,00	5.284.731.200,00
Rutile	Ton	37.200,00	8.264,00	307.420.800,00

²⁷ 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>

Products	U.M.	Price 2018 (MZN)	2019	
			Produced Quantities	Amount in Meticaís
			Subtotal (1)	23.040.908.147,40
Non-Metallic Minerals				
Graphite	Ton	16.925,30	113.803,00	1.926.149.915,90
Treated Bentonite	Ton	531,00	77.734,40	41.276.966,40
Diatomite	Ton	3.621,20	72.439,00	262.316.106,80
Limestone	Ton	60,00	915.199,80	54.911.988,00
Sands for Construction	m3	100,00	3.525.856,60	352.585.660,00
Clay	Ton	3.458,00	1.833.682,00	6.340.872.356,00
Bauxite	Ton	3.540,00	8.024,30	28.406.022,00
Stone for Construction (gravel)	m3	340,10	4.295.703,50	1.460.968.760,40
			Subtotal (2)	10.467.487.775,50
Precious and Semi-Precious Stones				
Tourmalines	Kg	10.641,00	4,50	47.884,50
Facetable Tourmalines	Kg	28.600,00	4.262,00	121.893.200,00
Facetable Grenade	Kg	101,20	128.738,00	13.028.285,60
Marine Waters	Kg	32.394,00	0,00	0,00
Ground Marine Waters	Kg	8.098,50	8,00	64.788,00
Ruby	Ct	3.060,00	2.260.691,80	6.917.716.908,00
			Subtotal (4)	7.052.751.066,10
Fuel Minerals				
Coal (Coque)	Ton	11.287,00	5.356.390,00	60.457.573.930,00
Coal (Burning)	Ton	4.786,00	4.983.145,50	23.849.334.363,00
			Subtotal (5)	84.306.908.293,00
Hydrocarbons				
Natural Gas	Gj	62,14	174.041.751,90	10.814.954.463,10
Condensate	bbl	2.398,00	302.398,80	725.152.322,40
			Subtotal (6)	11.540.106.785,50
Total				136.408.162.067,50

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

In addition, Annexure 4 presents the production data of the companies selected for the reconciliation process. However, there is a need to present these data disaggregated by region, by all companies or projects operating in the country and to include methods for the calculation of production volumes and values.

4.3 Exports (Requirement 3.3)

Implementing countries must disclose timely export data, including export volumes and the value by commodity. This data could be further disaggregated by region, company or project, and include sources and the methods for calculating export volumes and values.

Export data of mineral resources and hydrocarbons are presented below:

Products	U.M.	Prices (USD) 2019	2019	
			Exported Quantities	Vamount in USD
Metallic Minerals				
Gold	Kg	45.642,00	211,00	9.630.462,00
Tantalite	Ton	25,00	115.530,00	2.888.250,00
Ilmenite	Ton	121,00	872.451,90	105.566.679,90
Zircon	Ton	1.047,00	70.688,50	74.010.859,50
Rutile	Ton	646,10	7.997,00	5.166.861,70
			Subtotal (1)	197.263.113,1
Non-Metallic Minerals				
Graphite	Ton	1.017,00	146.793,00	149.288.481,00
Treated Bentonite	Ton	70,00	0,00	0,00
Diatomite	Ton	117,00	330,00	38.610,00
Limestone	Ton	72,00	1.574,10	113.335,20
			Subtotal (2)	149.440.426,20
Precious and Semi-Precious Stones				
Tourmalines	Kg	250,00	0,00	0,00
Facetable Grenade	Kg	16,00	33.000,00	528.000,00
Marine Waters	Kg	3.262,00	0,00	0,00
Ruby	Ct	526,30	504.122,80	265.327.789,50
			Subtotal (3)	265.855.789,50
Fuel Minerals				
Coal (Coke)	Ton	140,00	3.003.669,80	420.513.772,00
Coal (Burning)	Ton	80,00	2.837.494,30	226.999.544,00
			Subtotal (4)	647.513.316,00
Hydrocarbons				
Natural Gas	Gj	0,98	141.413.482,10	138.585.212,50
Condensate	bbl	35,58	303.773,20	10.808.250,50
			Subtotal (5)	149.393.463,00
Total				1.409.466.107,80

Table 20 -- Mineral and hydrocarbon export data for 2019 (Source: MIREME)

In addition, Annexure 4 presents the export data of the companies selected for the reconciliation process. However, there is a need to present these data in a disaggregated form for all companies or projects operating in the country and to include methods for the calculation of production volumes and values.

4.4 Domestic consumption

Consumption data on the national market for mineral resources and hydrocarbons are as follows:

Products	U.M.	Prices (MZN)	2019	
			Quantities	Amounts in Meticals
Mineral Resources				
Coal (Thermal)	Ton	1.410,00	140,90	198.669,00
Sand for Construction	m ³	100,00	3.400.000,00	340.000.000,00
Limestone	Ton	60,00	209.067,00	12.544.020,00
Stone for construction (gravel)	m ³	751,00	4.150.000,00	3.116.650.000,00
Clay	Ton	777,80	57.262,10	44.538.461,40

Products	U.M.	Prices (MZN)	2019	
			Quantities	Amounts in Meticais
			Subtotal (1)	3.513.931.150,40
Hydrocarbons				
Natural Gas	Gj	42,00	28.664.830,90	1.203.922.897,80
			Subtotal (2)	1.203.922.897,80
Total				4.717.854.048,20



**5 REVENUE COLLECTION
(REQUIREMENT 4)**

5 Requirement 4 - Revenue collection

OVERVIEW: An understanding of company payments and government revenues can inform public debate about the governance of the extractive industries. The EITI requires comprehensive disclosure of company payments and government revenues from the extractive industries. The EITI Requirements related to revenue collection include:

- (4.1) comprehensive disclosure of taxes and revenues;
- (4.2) sale of the state's share of production or other revenues collected in kind;
- (4.3) infrastructure provisions and barter arrangements;
- (4.4) transportation revenues;
- (4.5) SOE transactions;
- (4.6) subnational payments;
- (4.7) level of disaggregation;
- (4.8) data timeliness; and
- (4.9) data quality of the disclosures.

5.1 Comprehensive disclosure of tax and revenues (Requirement 4.1)

- a) The EITI requires disclosure of all material payments by oil, gas and mining companies to governments ("payments") and all material revenues received by governments from oil, gas and mining companies ("revenues") to a wide audience in a publicly accessible, comprehensive and comprehensible manner. The expectation is that implementing countries will disclose the requisite information through routine government and corporate reporting (websites, annual reports, etc.), with EITI Reports used to collate this information and address any concerns about gaps and data quality.
- b) The multi-stakeholder group is required to agree which payments and revenues are material and therefore must be disclosed, including appropriate materiality definitions and thresholds. Payments and revenues are considered material if their omission or misstatement could significantly affect the comprehensiveness of the disclosures. A description of each revenue stream, related materiality definitions and thresholds should be disclosed. In establishing materiality definitions and thresholds, the multi-stakeholder group should consider the size of the revenue streams relative to total revenues. The multi-stakeholder 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 host government's production entitlement (such as profit oil)
 - ii. National state-owned company production entitlement
 - iii. Profits taxes
 - iv. Royalties
 - v. Dividends
 - vi. Bonuses, such as signature, discovery and production bonuses
 - vii. Licence fees, rental fees, entry fees and other considerations for licences and/or concessions

viii. Any other significant payments and material benefit to government

Any revenue streams or benefits should only be excluded where they are not applicable or where the multi-stakeholder group agrees that their omission will not materially affect the comprehensiveness of the government and company disclosures.

- d) Implementing countries must ensure that all government entities receiving material revenues from oil, gas and mining companies are required to comprehensively disclose these revenues in accordance with the agreed scope. Government entities should only be exempted from disclosure if it can be demonstrated that their revenues are not material. Unless there are significant practical barriers, the government is additionally required to provide aggregate information about the amount of total revenues received from each of the benefit streams agreed in the scope of EITI implementation, including revenues that fall below agreed materiality thresholds. Where this data is not available, the Independent Administrator should draw on any relevant data and estimates from other sources in order to provide a comprehensive account of the total government revenues.

All oil, gas and mining companies making material payments to the government are required to comprehensively disclose these payments in accordance with the agreed scope. A company should only be exempted from disclosure if it can be demonstrated that its payments are not material.

- e) Companies are expected to publicly disclose their audited financial statements, or the main items (i.e. balance sheet, profit/loss statement, cash flows) where financial statements are not available.

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 petroleum operations. In this sense, the state must be properly organised in order to manage the various revenue streams generated by the extractive industry.

The Ministry of Economy and Finance (MEF), is the entity responsible for the collection of revenue, and implements through its bodies, namely the Tax Authority, which is responsible for the collection of tax revenue, and the National Treasury Directorate, which is responsible for the collection of capital revenue.

Accordingly, the Tax Authority manages this process through its organic units:

- The Tax Directorate: responsible for overseeing and receiving payments made to the State relating to the general and specific tax regimes, through its Tax Area Directorates, various collection offices and the Major Taxpayers 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:

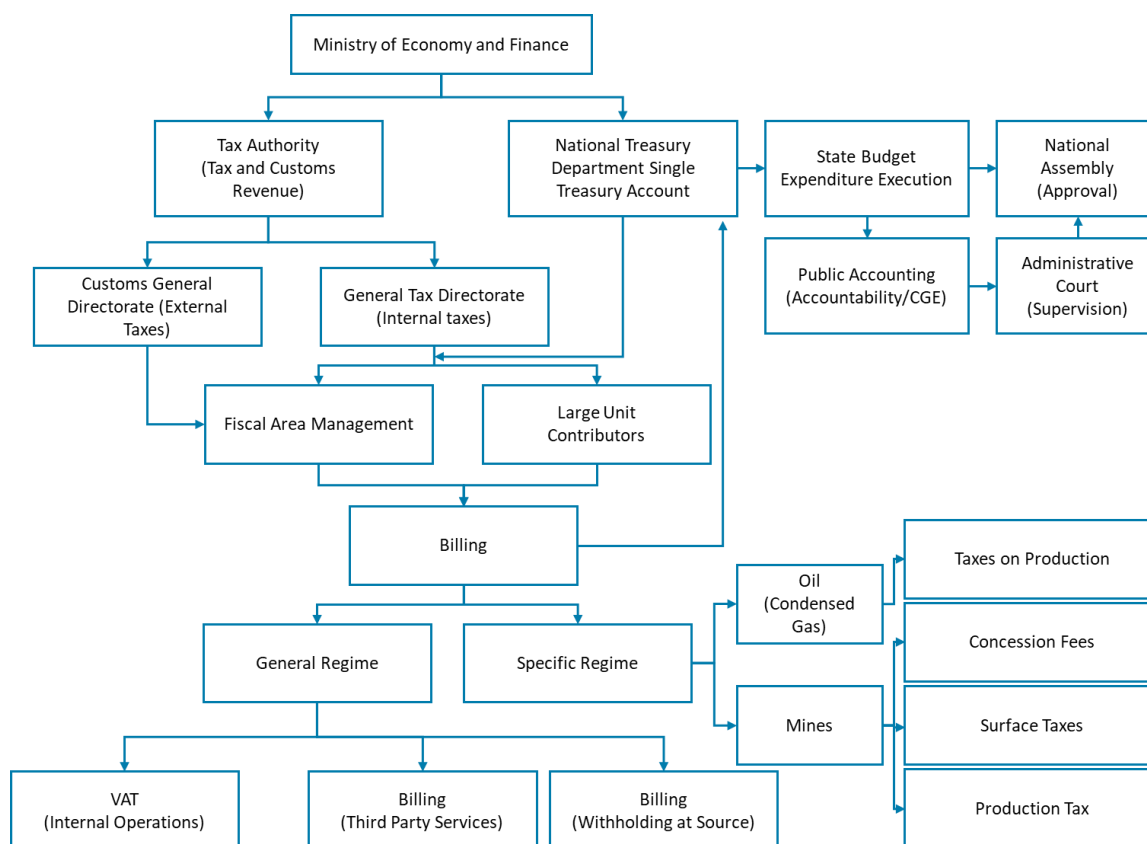


Figure 7 - Revenue flows from the extractive industry (Source: MEF)

The revenues raised in kind during 2019, under the supervision of INP, were allocated to companies, ENH, MGC and Kuvaninga. The *Instituto de Gestão de Participações do Estado (IGEPE)* holds shares in a number of companies and therefore collects the dividends from those shares.

In addition, the INP collects the specific contributions provided for in the concession contracts for the hydrocarbon area, namely:

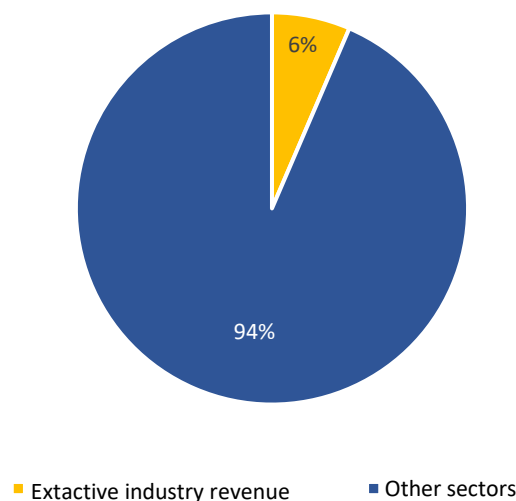
- Institutional contribution;
- Social project fund; and
- Institutional Capacity Building Fund;

5.1.2 Volume of collections

5.1.2.1 Tax revenue

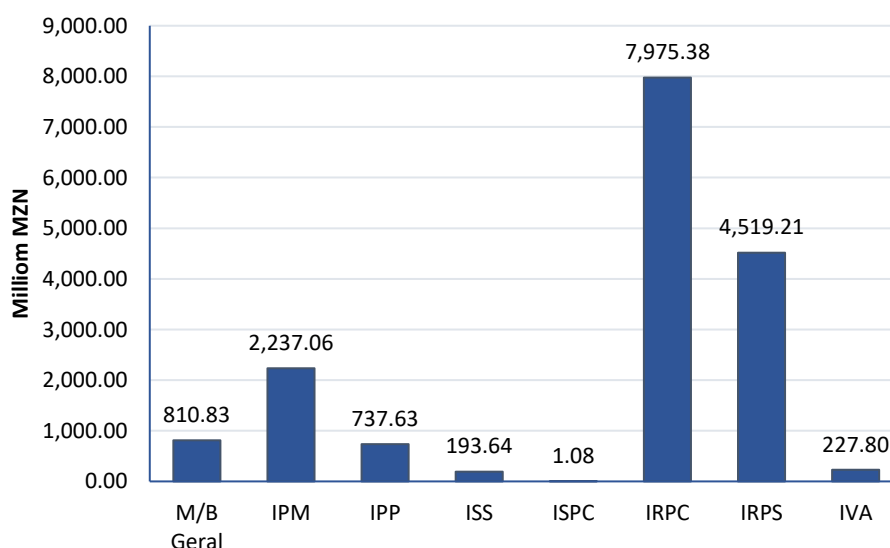
The Implementation Report of the 2019 State Budget (REOE)²⁸ indicates that the tax revenue collected amounted to 258,452.3 million meticaís, more than 29.953.00 million meticaís than that provided for in Law no. 15/2018, which approved the 2019 State Budget.

The data provided by AT shows that total tax revenue from the extractive industry was 16.702.64 million meticaís, thus representing approximately 6% of tax revenue collected.



Graph 15 - 2019 tax revenues (Source: REOE e AT)

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



Graph 16 - 2019 tax revenues (Source: AT)

²⁸ https://www.mef.gov.mz/index.php/documentos/instrumentos-de-gestao-economica-e-social/-21/reo-2019/791-reo-janeiro-a-dezembro-de-2019/file?force_download=1

As shown in the graph above, the largest contribution of revenue comes from the IRPC representing 48% of the total contribution, followed by the IRPS with 27% and IPM with 13%.

It should be noted that all taxes which do not contain a specific payment guide are paid through the General M/B. However, according to the information provided by AT and the evidence found in the process of reconciliation of payments made by companies to the state, this model is also used for tax payments that contain payment notes specified by law. On the other hand, there are situations in which the guides are submitted in appropriate tax guides but are inadequately classified within the AT system. Thus, the breakdown by type of tax made by AT may not be faithful to the tax in question.

On the other hand, in 2019 the government received capital gains from the indirect sale of Anadarko Petroleum Corporation's equity interest to Occidental Petroleum Corporation and, in turn, the transfer to Total Holding SAS, Limited in the amount of **USD 880.212.771** (eight hundred and eighty million, two hundred and twelve thousand and seventy-one US dollars). It should be noted that this amount is not included in the data of the Tax Authority regarding the revenue of the extractive industry, having been registered as IRPC collected in 2019.

5.1.2.2 Other Revenue

Tax in kind

As mentioned above, the State also receives tax on the production in kind in the hydrocarbon area, as provided for in the Specific Taxation and Fiscal Benefits Regime for Petroleum Operations. In fact, the volume of gas in kind received during 2019 amounted to **6 840 328 GJ** (Gigajoules), allocated to the companies listed below:

Allocation	Quantity (GJ)
ENH (Gj)	653.297,26
MGC (GJ)	3.584.298,00
Kuvaninga (Gj)	2.602.733,00
Total royalty gas paid in kind	6.840.328,26

Table 21 - Tax paid in kind

Contributions to the INP

During the year under review, INP collected revenues amounting to **452.905.000,00 MZN** resulting from the fulfilment of the obligations foreseen in the concession contracts as detailed in the table below:

Institutional contribution			
Description	Forecast USD	Revenue collected USD	Realised MZN
TOTAL	2.000.000,00	2.000.000,00	123.880.000,00
SASOL PT5 - C	500.000,00	500.000,00	30.425.000,00

Institutional contribution			
Description	Forecast USD	Revenue collected USD	Realised MZN
ENI MOZAMBICO A5 - A	1.000.000,00	1.000.000,00	60.850.000,00
EXXON A5 - B	1.500.000,00	1.500.000,00	95.100.000,00
EXXON Z5 - C	750.000,00	750.000,00	47.550.000,00
EXXON Z5 - D	1.500.000,00	1.500.000,00	95.100.000,00
Total	7.250.000,00	7.250.000,00	452.905.000,00

Table 21 – Institutional contribution

Social Projects Fund			
Description	Forecast USD	Revenue collected USD	Realised MZN
TOTAL	1.000.000,00	1.000.000,00	61.390.000,00
SASOL PT5 - C	250.000,00	250.000,00	15.357.500,00
ENI MOZAMBICO A5 - A	250.000,00	250.000,00	15.347.500,00
EXXON A5 - B	300.000,00	300.000,00	19.035.000,00
EXXON Z5 - C	200.000,00	200.000,00	12.690.000,00
EXXON Z5 - D	300.000,00	300.000,00	19.035.000,00
WENTWORTH	-	100.000,00	6.277.000,00
WENTWORTH	-	100.000,00	6.069.000,00
Total	2.300.000,00	2.500.000,00	155.201.000,00

Table 22 - Social Projects Fund

Institutional Capacity Building Fund			
Description	Forecast USD	Revenue collected USD	Realised MZN
TOTAL	1.000.000,00	1.000.000,00	62.590.000,00
ENI EAST AFRICA SPA	300.000,00	300.000,00	18.522.000,00
SASOL PT5 - C	250.000,00	250.000,00	15.665.000,00
ENI MOZAMBICO A5 - A	500.000,00	500.000,00	31.330.000,00
EXXON A5 - B	750.000,00	750.000,00	47.580.000,00
EXXON Z5 - C	500.000,00	500.000,00	31.720.000,00
EXXON Z5 - D	750.000,00	750.000,00	47.580.000,00
ENI EAST AFRICA SPA	-	1.400.000,00	85.414.000,00
Total	4.050.000,00	5.450.000,00	340.401.000,00

Table 24 - Institutional Capacity Building Fund

Dividends paid to the State and the IGEPE

Also within the scope of the revenues collected, it should be noted that the Government in the period in question received dividends paid by its subsidiaries totalling **530.648.972,46 MZN**, as shown in the table below:

Amount in Meticals				
Sequence	Name of the company	State	IGEPE	Total
1	Companhia Moçambicana de Gasoduto -CMG	27.450.000,00	9.150.000,00	36.600.000,00
2	Companhia Moçambicana de Hidrocarbonetos -CMH	295.536.729,35	98.512.243,12	394.048.972,46
3	Empresa Nacional de Hidrocarbonetos - ENH	100.000.000,00	0,00	100.000.000,00
Total		422.986.729,35	107.662.243,12	530.648.972,46

Table 23 - Dividends paid to State and IGEPE

5.1.3 Reconciliation Process

5.1.3.1 Methodology applied

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, 29 companies were selected for the period under review, 18 from the mining sector and 11 from the hydrocarbon sector, as shown in the table below:

#	Name of the Company	#	Name of the Company
Mining Sector		Hydrocarbon Sector	
1	Africa Great Wall Mining Development Company	1	Companhia Moçambicana de Gasoduto -CMG
2	Cimento Nacional	2	Companhia Moçambicana de Hidrocarbonetos -CMH
3	Cimentos de Moçambique	3	Empresa Nacional de Hidrocarbonetos - ENH
4	CINAC - Cimentos de Nacala	4	ENH Kogás
5	Empresa Moçambicana de Exploração Mineira	5	Eni Mozambico

#	Name of the Company	#	Name of the Company
6	Fábrica de Xaropes e Refrigerantes Vumba	6	ExxonMobil
7	Hayu (Mozambique) Mining	7	Matola Gas Company
8	ICVL Zambeze	8	Mozambique Rovuma Venture, SPA
9	JSPL Mozambique Minerals	9	Republic of Mozambique Pipeline Company - ROMPCO
10	Kenmare Moma Mining (Mauritius), Limited	10	Sasol Petroleum Temane
11	Limak Cimentos	11	Total
12	Minas de Benga		
13	Minas de Revuboé		
14	Montepuez Rubi mining		
15	Mozambique Heavy Sands Company VII		
16	Sociedade Águas de Moçambique		
17	Twigg Exploration Mining		
18	Vale Moçambique		

Table 26 - Selected companies with material payments

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

#	Name of the Company
1	Cimento Nacional
2	CINAC - Cimentos de Nacala
3	Empresa Moçambicana de Exploração Mineira
4	Hayu (Mozambique) Mining
5	ICVL Zambeze
6	Limak Cimentos
7	Minas de Revuboé
8	Mozambique Heavy Sands Company VII

Table 27 - 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 has been reported since the previous reports, and the justification for this should be investigated.

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

Table 28 - Selected companies that are not part of the extractive industry according to the AT

In this sense, the reconciling process covered 97% of the tax revenues of companies classified as being in the extractive industry, according to AT's economic activity classifier. It should be noted that the CC corrected the data made available by AT, as they included contributions from companies not operating in the extractive sector and contributions from some government entities, such as the Provincial

Directorate of Economy and Finance of Sofala, Provincial Directorate of Planning and Finance - Cabo Delgado, ARA Sul, among others. In this sense, the contribution of excluded companies/entities was 2.146.9 million meticaís²⁹.

5.1.3.3 Outcome of the reconciliation process

After comparing the payments declared by the companies with the revenue received by the State institutions, we find differences of **33.852.105.78 MZN**, the difference represents 0,17% of the amount declared by the State. The differences by sector are shown below.

Sector	Final Amount		
	Company	State	Difference
Mining	5.579.491.929,72	5.545.634.365,04	33.857.564,68
Hydrocarbon	14.278.468.930,80	14.278.474.389,70	-5.458,90
Total	19.857.960.860,52	19.824.108.754,74	33.852.105,78

Table 29 - Differences found in the reconciliation process - by sector

In the following table we present the reconciliation map by company and by sector³⁰.

#	Name of the Company	Company	State	Difference	Margin of error
Mining Sector					
1	Africa Great Wall Mining Development Company	84.306.435,46	84.306.435,46	0,00	0,00%
2	Cimento Nacional	13.891.276,83	14.765.587,73	-874.310,90	-2,91%
3	CINAC - CIMENTOS DE NACALA ³¹	27.464.542,64	27.464.542,63	0,01	0,00%
4	Cimentos de Moçambique ³²	156.476.899,31	156.476.898,92	0,39	0,00%
5	Empresa Moçambicana de Exploração Mineira	11.054.015,95	11.038.310,95	15.705,00	0,05%
6	Fábrica de Xaropes e Refrigerantes Vumba	38.257.496,87	38.268.246,87	-10.750,00	-0,04%
7	Hayu (Mozambique) Mining	25.670.279,08	25.674.279,57	-4.000,49	-0,01%
8	ICVL Zambeze	16.584.903,38	16.584.903,41	-0,03	0,00%
9	JSPL Mozambique Minerals	123.644.084,10	89.371.324,83	34.272.759,27	114,24%
10	Kenmare Moma Mining (Mauritius)	834.636.198,97	834.636.683,97	-485,00	0,00%
11	Limak Cimentos	16.507.197,12	16.507.197,26	-0,14	0,00%
12	Minas de Benga	337.872.517,59	337.872.517,94	-0,35	0,00%
13	Minas de Revubóé	22.517.721,41	22.517.721,41	0,00	0,00%
14	Montepuez Rubi Mining	1.054.691.760,58	1.054.830.246,91	-138.486,33	-0,46%
15	Mozambique Heavy Sands Company VII	20.939.213,87	21.112.248,24	-173.034,37	-0,58%
16	Sociedade Águas de Moçambique	26.986.186,54	26.179.017,63	807.168,91	2,69%

²⁹ Document defining materiality: <http://itie.org.mz/index.php/download/eiti-definicao-da-materialidade-maio-2020-cc/?wpdmdl=3089&refresh=5fcb79f4aabb1607170548>

³⁰ Reconciliation by type of tax is set out in Annexure 7

³¹ The company did not provide supporting documents for tax payments amounting to 689.053.21 MZN, but confirmed that it had made these payments

³² The company did not provide supporting documents for tax payments amounting to 17.781.977.26 MZN, however, it confirmed that it had made these payments

#	Name of the Company	Company	State	Difference	Margin of error
17	Twigg Exploration Mining	329.194.056,56	329.200.657,13	-6.600,57	-0,02%
18	Vale Moçambique	2.438.797.143,46	2.438.827.544,18	-30.400,72	-0,10%
Subtotal		5.579.491.929,72	5.545.634.365,04	33.857.564,68	
Hydrocarbon Sector					
1	Companhia Moçambicana de Gasoduto -CMG	283.599.108,04	283.599.108,09	-0,05	0,00%
2	Companhia Moçambicana de Hidrocarbonetos -CMH	1.725.492.616,34	1.725.492.616,34	0,00	0,00%
3	Empresa Nacional de Hidrocarbonetos - ENH	366.219.077,40	366.219.076,88	0,52	0,00%
4	ENH Kogás	45.560.458,48	45.560.458,51	-0,03	0,00%
5	Eni Mozambico	152.480.155,81	152.480.155,81	0,00	0,00%
6	ExxonMobil	528.899.992,49	528.900.992,49	-1.000,00	0,00%
7	Matola Gas Company	978.562.233,61	978.565.437,94	-3.204,33	-0,01%
8	Mozambique Rovuma Venture, SPA	1.715.727.699,13	1.715.727.699,14	-0,01	0,00%
9	Republic of Mozambique Pipeline Company - ROMPCO	2.310.479.007,86	2.310.479.007,86	0,00	0,00%
10	Sasol Petroleum Temane	4.334.013.478,86	4.334.013.478,86	0,00	0,00%
11	Total	1.837.435.102,78	1.837.436.357,78	-1.255,00	0,00%
Subtotal		14.278.468.930,80	14.278.474.389,70	-5.458,90	
Total		19.857.960.860,52	19.824.108.754,74	33.852.105,78	

Table 30 - Differences found in the reconciliation process - by company

According to the materiality definition document, differences above the 3% margin of error should be identified and reconciled. From the analysis in the table above, it appears that only the JSPL Mozambique Minerals reconciling process has a margin of error higher than the retro mentioned percentage. Until the date of submission of this report this difference was still being investigated by the company and AT.

Regarding the capital gains resulting from the sale of Anadarko's equity interest to Total in the amount of **USD 880.212.771**, for confirmation of this payment, the Tax Authority has made available the certificate of discharge for this tax. It is important to mention that this transaction was made between two non-resident entities in Mozambique for tax purposes, and therefore the tax on the capital gains was paid by Anadarko Offshore Holding Company LLC, through its tax representative in the country.

5.1.3.4 Reconciled differences

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

- Completion of the forms on the basis of the tax period in question, unlike the period of payment to the State;
- incorrect classification of the payments indicated on the data collection forms;
- typing errors in the placement of the amounts paid on the data collection forms;

- the supporting documentation for the justification of the payments did not present the NUIT corresponding to the enterprise concerned. As noted in previous reports, guides are still being paid with the NUIT of DIPREME or MITADER;
- erroneous classification in the registration of taxes collected, i.e. a certain tax is registered in the AT system with another classification.

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:

Amounts in USD					
#	Name of the Company	Company	State	Difference	Margin of error
Hydrocarbon Sector					
1	Eni Mozambico	1.750.000,00	1.750.000,00	0,00	0,00%
2	Total	4.000.000,00	4.000.000,00	0,00	0,00%
3	Mozambique Rovuma Venture, SPA	1.700.000,00	1.700.000,00	0,00	0,00%
4	Sasol Petroleum Temane	50.000,00	50.000,00	0,00	0,00%
	Total	7.500.000,00	7.500.000,00	0,00	

Amounts in MZN					
#	Name of the Company	Company	State	Difference	Margin of error
1	Sasol Petroleum Temane	3.477.636,70	3.477.636,70	0,00	0,00%
	Total	3.477.636,70	3.477.636,70	0,00	

Table 31 - Contributions paid to INP

5.1.3.6 Dividends paid to the State and IGEPE

We also proceeded with the reconciliation of the dividends paid to the State and to IGEPE, and we found no disagreement.

Amount in Meticals						
Name of the Company	Data of the Company		Data of IGEPE		Difference	Margin of error
	State	IGEPE	Estado	IGEPE		
Companhia Moçambicana de Gasoduto -CMG	27.450.000,00	9.150.000,00	27.450.000,00	9.150.000,00	0,00	0,00%
Companhia Moçambicana de Hidrocarbonetos -CMH	295.536.729,35	98.512.243,12	295.536.729,35	98.512.243,12	0,00	0,00%
Empresa Nacional de Hidrocarbonetos - ENH	100.000.000,00	0,00	100.000.000,00	0,00	0,00	0,00%
Total	422.986.729,35	107.662.243,12	422.986.729,35	107.662.243,12	0,00	0,00

Table 32 - Dividends paid to 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 2019.

Sequence	Name of the Company	Audit Report	Financial Statements	Observation
Mining Sector				
1	Africa Great Wall Mining Development Company, Lda	✗	✗	Didn't indicate on the form that have audited accounts
2	Cimento Nacional, Lda.	✗	✓	
3	Cimentos de Moçambique, S.A.R.L.	✓	✓	
3	CINAC-Cimentos de Nacala, S.A.	✓	✓	
4	Empresa Moçambicana de Exploração Mineira, S.A	✗	✗	Indicated in the form that it has audited accounts
5	Fábrica de xaropes e Refrigerantes Vumba, Lda.	✗	✓	
6	Hayu (Mozambique) Mining Co. Lda.	✗	✗	Didn't indicate on the form that have audited accounts
7	ICVL Zambeze, Lda.	✗	✓	
8	JSPL Mozambique Minerals, Lda	✗	✗	Indicated in the form that it has audited accounts
9	Kenmare Moma Mining (Mauritius) Limited	✓	✓	
10	LIMAK Cimentos S.A.	✓	✓	
11	Minas de Benga, Lda.	✓	✓	
12	Minas de Revubué, Lda.	✓	✓	
13	Montepuez Rubi mining, Lda.	✓	✓	
14	Mozambique Heavy Sands Company VII, Lda.	✗	✗	Didn't indicate on the form that have audited accounts
15	Sociedade Águas de Moçambique, Lda.	✗	✓	
16	Twig Exploration Mining Lda.	✓	✓	
17	Vale Moçambique, S.A.	✓	✓	
Hydrocarbon Sector				
1	CMG	✓	✓	
2	CMH	✓	✓	Available in: http://www.cmh.co.mz/
3	ENH Kogas	✓	✓	
4	ENH, E.P.	✓	✓	Available in: https://enh.co.mz/relatorios-contas/#1603463921123-15c40224-5a58
5	Eni Mozambico	✓	✓	
6	ExxonMobil	✓	✓	
7	Matola Gás Company	✓	✓	
8	Mozambique Rovuma Ventures, Spa Mozambique	✓	✓	
9	Rompco	✓	✓	
10	Sasol Petroleum Temane, Lda	✓	✓	
11	Total	✗	✗	Indicated in the form that it has audited accounts

Table 33 - Companies that have disclosed their audit reports and main elements of the financial statements

5.1.4 Audit of recoverable costs

Following audits of the recoverable costs of the Exploration and Production Concession Agreements (CCPP) of Areas 1 and 4 offshore the Rovuma Basin, respectively, for the years 2015, 2016 and 2017, INP, with the support of the British company Bayphase Geologists, Engineers and Investment Analysts, completed the process of certifying the costs declared as recoverable in the years mentioned above, and it was found that of the approximately 2 billion US dollars (1. 967,028,366) declared by the concessionaires of the two areas, some US\$ 33 million (2%) were not considered eligible for recovery.

The reasons for the ineligibility of these costs as recoverable include non-compliance with the accounting procedures established in the CCPP, failure to provide supporting documents for the costs incurred, and others that are contained in the respective Audit Reports.

In addition, regarding Area 4 offshore, US\$ 676 million of the recoverable costs (corresponding to 34% of the total costs declared by Area 4 concessionaires) were incorrectly classified, contrary to the accounting and financial procedures of the contract.

In summary, for both areas the following findings were made:

Group of costs	Area 1	Area 4	Total
Total costs reported	907.440.808,00	1.059.587.558,00	1.967.028.366,00
Costs not approved for recovery	11.228.311,00	22.167.284,00	33.395.595,00
Total costs approved for recovery	896.212.497,00	1.037.420.274,00	1.933.632.771,00
Costs approved for recovery but requiring appropriate reclassification	0,00	676.737.897,00	676.737.897,00

Table 34 - Results of the audit of recoverable costs

The detailed results of this audit work carried out by INP, as well as the corresponding report, are available on its website ³³.

5.2 Sale of the state's share of production or other revenues collected in kind (Requirement 4.2)

- a) Where the sale of the state's share of production of oil, gas and/or mineral resources or other revenues collected in kind is material, the government, including state-owned enterprises, are required to disclose the volumes received and sold by the state (or third parties appointed by the state to sell on their behalf), the revenues received from the sale, and the revenues transferred to the state from the proceeds of oil, gas and minerals sold.

³³ <http://www.inp.gov.mz/pt/Noticias/Auditoria-aos-Custos-Recuperaveis-dos-Contratos-de-Concessao-para-Pesquisa-e-Producao-das-Areas-1-e-4-offshore-da-Bacia-do-Rovuma-referentes-aos-Exercicios-de-2015-2016-e-2017>

Where applicable, this should include payments (in cash or in kind) related to swap agreements and resource-backed loans.

The published data must be disaggregated by individual buying company and to levels commensurate with the reporting of other payments and revenue streams (4.7). Multi-stakeholder groups, in consultation with buying companies, are expected to consider whether disclosures should be broken down by individual sale, type of product and price.

The disclosures could include ownership of the product sold and the nature of the contract (e.g. spot or term).

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

The published data could be disaggregated by individual seller, contract or sale.

The disclosures could for each sale include information on the nature of the contract (e.g. spot or term) and load port.

- d) Where there are concerns related to data reliability and where practically feasible, the multi-stakeholder group should consider further efforts to address any 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.

It should be noted that Mozambique currently has only one company in the gas production phase, which is the SPT and the payment in kind received by the State corresponds to the tax on oil produced by this company.

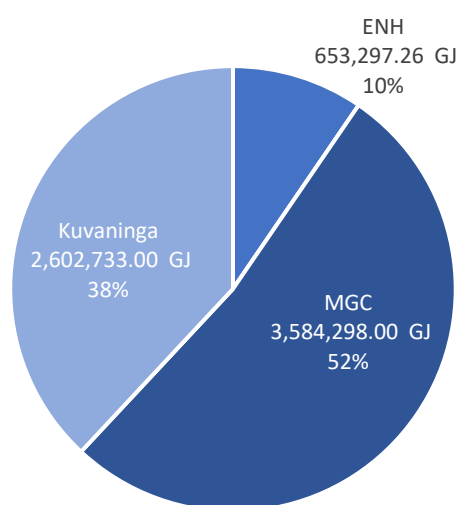
According to the information provided by INP, the total volume of gas produced by SPT in the year under review was **190.887.439.08 GJ** and the total amount of condensed gas produced was **328.923.21**

Bbls. The amounts paid in kind are shown below:

Description	Units	Quantity
Gas		
Total natural gas produced	GJ	190.887.439,08
Total natural gas exported to RSA	GJ	155.226.956,71
Total natural gas sold on the national market	GJ	24.442.943,66
Total royalty natural gas paid in kind	GJ	6.840.328,26
Total royalty natural gas paid in cash	USD	3.004.645,13
Condensate		
Total condensate produced	bbls	328.923,21
Total condensate sold	bbls	330.412,14
Total condensate gas royalty paid in cash	USD	542.138,24

Table 35 - Royalty gas and condensate

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



Graph 17 - 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 2019 by ENH, EP, under the current contracts:

Month	Quantities (GJ)	Amount (MZN)
January	277.265,75	41.641.328,54
February	240.827,73	36.409.506,04
March	258.908,46	39.721.679,68
April	259.019,31	40.138.117,42
May	243.460,20	36.374.888,85
June	231.543,73	34.718.530,37
July	244.443,99	36.203.983,52
August	248.658,64	36.658.438,52
September	261.979,89	39.726.998,03
October	297.720,82	4.151.747,58
November	286.409,91	86.980.061,27
December	291.156,36	43.445.728,48
Total	3.141.394,79	476.171.008,30

Table 36 - Volumes and revenues earned in 2019 by ENH

5.3 Infrastructure provisions and exchange agreements (Requirement 4.3)

The multi-stakeholder group is required to consider whether there are any agreements, or sets of agreements involving the provision of goods and services (including loans, grants and infrastructure works), in full or partial exchange for oil, gas or mining exploration or production concessions or physical delivery of such commodities. To be able to do so, the multi-stakeholder group needs to gain a full understanding of: the terms of the relevant agreements and contracts, the parties involved, the resources which have been pledged by the state, the value of the balancing benefit stream (e.g. infrastructure works), and the materiality of these agreements relative to conventional contracts.

Where the multi-stakeholder group concludes that these agreements are material, the multi-stakeholder group is required to ensure that EITI implementation addresses these agreements and disclosures provide a level of detail and disaggregation commensurate with the other payments and revenue streams. The multi-stakeholder group is required to agree a procedure to address data quality and assurance of the information set out 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.

5.4 Transportation revenues (Requirement 4.4)

Where revenues from the transportation of oil, gas and minerals are material, the government and state-owned enterprises (SOEs) are expected to disclose the revenues received. The published data must provide a level of detail and disaggregation commensurate with other payments and revenue streams (4.7). The multi-stakeholder group is encouraged to agree a procedure to address data quality and assurance of information on transportation revenues, in accordance with Requirement 4.9.

Implementing countries could disclose:

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

5.4.1 Mining Area

5.4.1.1 Transport of coal

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

Vale Moçambique

Vale de Moçambique, SA's production is flown from Moatize to Nacala through the Moatize-Nacala-a-Velha railway line and the coal handling process is done by the company CLN Corredor Logístico de Nacala.

ICVL Zambeze

Regarding the production of ICVL Zambeze, Lda, the transportation of coal takes place in two stages:

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

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 Lalgyl, 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.

Minas de Moatize

In relation to Minas Moatize, Limitada, the transport is done by road and under the responsibility of the company's customers, since the company sells the coal at the mine.

In this respect, CFM, the public company that manages the railway and port system, providing cargo handling, freight and passenger transport services, has indicated the following data concerning the transport of coal:

Client	Product	Tariff	Volumes-2019		Revenue (MT)	Railway Line	Route
			Qtd.	Unid.			
JSPL Mozambique Minerals Lda	Metallurgical Coal	\$11,50	414.891,60	Tons	310.131.471,00	Sena Line	Chorodzi - Beira
JSPL Mozambique Minerals Lda	Thermal Coal	\$8,00	276.594,40	Tons	143.829.088,00	Sena Line	Chorodzi - Beira
ICVL Mozambique	Metallurgical Coal	\$11,75	830.236,80	Tons	634.093.356,00	Sena Line	Benga - Beira
ICVL Mozambique	Thermal Coal	\$8,00	553.491,20	Tons	287.815.424,00	Sena Line	Benga - Beira
Total			2.075.214,00		1.375.869.339,00		

Table 37 - Rates and revenues of CFM for the transport of coal

On the other hand, according to the 2019 REOE, the State received a total of 1,156.80 million meticaís for the concessions granted to the Nacala Integrated Logistics Corridor (CLIN)³⁴ and the Northern Development Company (CDN)³⁵.

Million meticaís	
Company	Amount
Corredor Logístico Integrado de Nacala (CLIN)	864,60
Companhia do Desenvolvimento do Norte (CDN)	292,20
Total	1.156,80

Table 38 - Revenue from concessions

³⁴ This is the railway project linking Moatize to Nacala, passing through Malawi including the coal terminal in Nacala-a-Velha. In this project the CFM, appears in partnership with Vale, forming the company CLN (ppp-public-private participation type) which is the concessionaire of the new stretches of this logistics corridor.

³⁵ CDN aims to manage, rehabilitate and commercially exploit in an integrated manner the infrastructure of the Port of Nacala and the northern Mozambique railway network in the form of a concession.

5.4.1.2 Transport of graphite

Twigg Exploration and Mining Lda

The graphite extracted by Twigg Exploration and Mining Lda, is transported by road from the Balama district in Cabo Delgado to Nacala Porto in Nampula by Grindrod Logistics Mozambique Lda.

GK Ancuabe Graphite Mine, SA

As for the graphite extracted by GK Ancuabe Graphite Mine, SA, it is drained from the District of Ancuabe in Cabo Delgado, to the port of Pemba by road.

5.4.1.3 Transport of other minerals

As part of their activities, CFM also provided transport and mineral handling services to MIMOC and Cimentos de Moçambique companies in the southern zone. According to the information provided by the company, the following minerals were transported:

Client	Product	Tariff	Volumes-2019		Revenue	Railway Line	Route
			Qtd.	Unid.			
MIMOC	Bentonite	\$34,63	220,00	Tons	495.209,00	Limpopo Line	Boane - Chicualacuala
Cimentos de Moçambique	Limestone	MZN 404.02	605.776,00	Tons	244.745.619,52	Goba Line	Salamanga - Matola

Table 39 - Fees and revenues of CFM for the transport of other minerals

5.4.2 Hydrocarbon area

As previously mentioned, SPT is currently the only natural gas producer in Mozambique and most of the gas produced is exported to RSA through the ROMPCO pipeline, the commercial operator of an 865 km high pressure pipeline connecting the gas fields in Pande and Temane (Mozambique) to Sasol's South African operations.

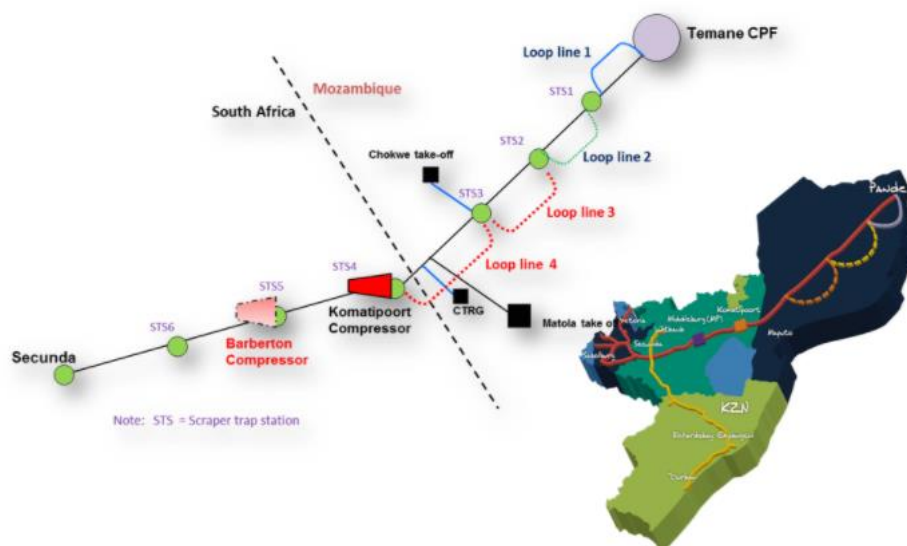


Figure 8 - ROMPCO Gas Pipeline (Source: ROMPCO)

In addition, there is also the Ressano Garcia gas pipeline, governed by the Concession Contract between the Government of Mozambique and Matola Gas Company Sarl, which aims to transport natural gas from Ressano-Garcia to Matola.

During 2019 197 MGJ were transported through the ROMPCO Pipeline and 22 MGJ through the MGC Pipeline.

ROMPCO reported that gas transmission revenues in the period under review amounted to **MZN 8.130.022.256.77**, but did not disclose the tariffs charged for the transport.

In addition, CMG received dividends of **ZAR 345.000,000.00** resulting from its participation in ROMPCO. It should be noted that this company channelled dividends of **MZN 27.450,000.00** and **MZN 9.150.000.00** to the State and IGEPE, respectively.

5.5 Transactions related to state-owned enterprises (SOEs) (Requirement 4.5)

The multi-stakeholder group must ensure that the reporting process comprehensively addresses the role of SOEs, including comprehensive and reliable disclosures of material company payments to SOEs, SOE transfers to government agencies and government transfers to SOEs.

The role of state enterprises was presented in requirement 2.6. However, as mentioned, in order to ensure full compliance with this requirement, a specific study is in the process of being contracted.

In addition, the information requested from state entities and companies (IGEPE, EMEM, ENH, CMG and CMH) demonstrates that in 2019 the State and IGEPE received dividends in the amounts shown in the table below:

Dividends 2019		
Origin	State	IGEPE
CMG	27.450.000,00	9.150.000,00
CMH	295.536.729,35	98.512.243,12
ENH	100.000.000,00	-
Total	422.986.729,35	107.662.243,12

Table 40 - Dividends paid to State and IGEPE in 2019

Additionally, from the analysis made to the REOE for 2019, it was found that under Article 11 of Law 15/2018, of 20 December, the Government was authorized to issue guarantees and sureties in the amount of MZN 151.250,00 distributed as follows:

- Support to the State Enterprise Sector of the extractive industry ----- MZN 136.125 million
- Support to the remaining State Enterprise Sector ----- MZN 15.125 million

However, guarantees totalling MZN 9.207,9 million corresponding to 6,1% of the limit set for the State's business sector, whose beneficiaries were EDM and Petromoc, were issued up to the end of the financial year, with no guarantee being issued to the extractive industry sector.

5.6 Subnational payments (Requirement 4.6)

It is required that the multi-stakeholder group establishes whether direct payments, within the scope of the agreed benefit streams, from companies to subnational government entities are material. Where material, the multi-stakeholder group is required to ensure that company payments to subnational government entities and the receipt of these payments are disclosed. The multi-stakeholder group is required to agree a procedure to address data quality and assurance of information on subnational payments, in accordance with Requirement 4.9.

From the analysis of the *EITI Guidance*, it is clear from the section Guidance on subnational payments³⁶ that subnational payments refer to those that entities make directly to district governments, municipalities and community leaders.

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

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

³⁶ <https://eiti.org/guidance-on-subnational-payments-46>

Name of the Company	Amount (MZN)	Sub-national government entity	Nature of payment
Mining Area			
Kenmare Moma Mining (Mauritius), Lda	28.220,00	Municipal Council of Nampula	Other fees and charges
LIMAK Cimentos S.A.	525.000,00	Municipal Council of Matola City	Local Property Tax
	27.292,65	Municipal Council of Matola City	Advertising Fee and Billboards
Hydrocarbon Area			
ENH, E.P	62.775,00	Municipal Council of Maputo City	ENH vehicle manifest
	360.000,00	Municipal Council of Maputo City	Booking of space for vehicle parking
	1.200.000,00	Municipal Council of Maputo City	Booking of space for vehicle parking
ExxonMobil	39.101,40	Municipal Council of Maputo City	Economic Activity Rate - Maputo office
Sasol Petroleum Temane, Lda	28.267,10	Municipal Council of Maputo	IPA Payment and Economic Activity Rate
Total	15.000,00	Municipal Council of Pemba City	Economic Activity Rate - Pemba
	1.044.871,73	Municipal Council of Pemba City	Property Tax - Pemba
	48.876,75	Municipal Council of Maputo City	Economic Activity Rate - Maputo

Table 41 - Subnational payments made in 2019

6 Requirement 5 - Revenue allocations

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

6.1 Distribution of Extractive Industry Revenues (Requirement 5.1)

Implementing countries must disclose a description of the distribution of revenues from the extractive industries.

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

According to Article 14(1) of Law No 9/2002 of 12 February 2002 establishing the System of State Financial Administration (SISTAFE), public revenue is defined as all monetary resources or resources in kind, whatever their source or nature, made available to the State, with the exception of cases where the State acts merely as a temporary custodian.

In addition, according to paragraph 2 of the above-mentioned article, no revenue may be established, entered in the State Budget (SB) or collected except by virtue of the Law and, even if established by Law, the revenue may only be collected if provided for in the approved State Budget.

It should be noted that at the time of writing this report, the Assembly of the Republic had approved, in the use of its powers, the revision of the Law creating SISTAFE, with a view to broadening the scope of its application in order to adapt it to the current context of decentralised governance and to make the management and control of public finances more flexible, allowing for the introduction of the planning and budgeting subsystem to replace the State Budget system, in order to define the planning cycle, its instruments and the responsibility for drawing up and approving it.

In this regard, Article 9 of Circular No 01/GAB-MF/2010 of the Office of the Minister of Finance sets out the stages of the forecast flow and revenue collection, which are as follows ³⁷:

³⁷ It should be noted that this explanation intersects with Figure 10, presented from the point 5.2.

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

In fact, the tax revenue from the extractive industry follows this route until it is registered in the State Budget, apart from the tax on the production of petroleum 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 ³⁸ (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.

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.

³⁸ Access link to the 2019 REOE: https://www.mef.gov.mz/index.php/documentos/instrumentos-de-gestao-economica-e-social/-21/reo-2019/791-reo-janeiro-a-dezembro-de-2019/file?force_download=1

6.2 Subnational transfers (Requirement 5.2)

- a) Where transfers between national and subnational government entities are related to revenues generated by the extractive industries and are mandated by a national constitution, statute or other revenue sharing mechanism, the multi-stakeholder group is required to ensure that material transfers are disclosed. Implementing countries should disclose the revenue sharing formula, if any, as well as any discrepancies between the transfer amount calculated in accordance with the relevant revenue sharing formula and the actual amount that was transferred between the central government and each relevant subnational entity. The multi-stakeholder group is encouraged to agree a procedure to address data quality and assurance of information on subnational transfers, in accordance with Requirement 4.9. Where there are constitutional or significant practical barriers to the participation of subnational government entities, the multi-stakeholder group may seek adapted implementation in accordance with Article 1 of the EITI Board's procedures for oversight of EITI implementation in section 4.
- b) The multi-stakeholder group is encouraged to ensure that any material discretionary or ad-hoc transfers are also disclosed, and agree a procedure to address data quality and assurance of information on such transfers, in accordance with Requirement 4.9.
- c) The multi-stakeholder group may further wish to report on how extractive revenues earmarked for specific programmes or investments at the subnational level are managed, and actual disbursements.

The Mining Law and the Oil Law both of 18 August, as well as the laws repealed by them, define that a percentage of the revenues generated in oil and mining activities should be channelled to the development of communities in the areas where the respective projects are located. This contribution should be reflected in the State Budget, where an amount that varies according to the objectives of each year is determined.

In this sense, the criteria to be observed in the implementation of projects financed by mining and oil revenues are set out in Circular No 1/MPD-MF/201325³⁹. According to this instrument, resources should be allocated to priority projects in coordination with the respective Local 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 irrigation systems/enterprises);

³⁹

http://www.dno.gov.mz/docs/orc_estado/execucao/normas/Circular_01_MPD_MF_2013_CriteriosProyectos_Comunidades_Exploracoes_Mineiras.pdf

- ✓ 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 2019 REOE indicates that the entire allocation established for this purpose has been made, as follows:

Amount in millions meticaais

Province & District	Locality	Allocation	Realisation
Cabo Delgado		22,9	22,9
Montepuez	Nyamanhumbir	22,9	22,9
Nampula		4,8	4,8
Moma	Topuito	4,8	4,8
Zambézia		1,4	1,4
Chinde	Mitange	1,4	1,4
Tete		47,7	47,7
Moatize	Cateme	13,7	13,7
	25 de Setembro	13,7	13,7
	Chipanga II	13,7	13,7
	Benga	3,1	3,1
Marara	Marara	3,5	3,5
Manica		1,3	1,3
Manica	Penhalonga	0,6	0,6
	Manica	0,6	0,6
Inhambane		5,3	5,3
Govuro	Pande	2,7	2,7
Inhassoro	Maimelane	2,7	2,7
Total		83,4	83,4

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 2017. However, the REOE does not allow 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 83,4 million meticaais indicated above does not correspond to 2,75% of the tax on production for 2017 indicated in the REOE for 2017⁴⁰. That is, the 2017 REOE indicates a

⁴⁰ https://www.mef.gov.mz/index.php/documentos/instrumentos-de-gestao/-21/reo-2017/523-reo-janeiro-dezembro-2017/file?force_download=1

total of MZN 4,239.69 million regarding the production tax, of which 2.75% corresponds to approximately MZN 116,59 million, resulting in a difference of MZN 33,19 million.

Amount in millions of meticals	
Description	Amount
Tax on mining production (REOE - 2017)	3.622,05
Tax on petroleum production (REOE - 2017)	617,64
Total	4.239,69
2,75%	116,59
Amount allocated in 2019	83,40
Difference	33,19

Table 43 - Tax on production paid in 2017

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 Revenue management and expenditures

The multi-stakeholder group is encouraged to disclose further information on revenue management and expenditures, including:

- a) A description of any extractive revenues earmarked for specific programmes or geographic regions. This should include a description of the methods for ensuring accountability and efficiency in their use.
- b) A description of the country's budget and audit processes and links to the publicly available information on budgeting, expenditures and audit reports.
- c) Timely information from the government that will further public understanding and debate around issues of revenue sustainability and resource dependence. This may include the assumptions underpinning forthcoming years in the budget cycle and relating to projected production, commodity prices and revenue forecasts arising from the extractive industries and the proportion of future fiscal revenues expected to come from 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.

The Administrative Court (TA) is responsible for the reporting of public revenue and the execution of expenditure, in accordance with Article 14(1)(a) and (2) of Law 14/2014 of 14 August, as amended and republished by Law 8/2015 of 6 October, which concerns the organisation, operation and procedure of the section overseeing public revenue and expenditure and the AT visa.

In this context, AT is responsible for assessing the financial activity of the State in the respective year to which it relates, in the areas of wealth, revenue and public expenditure. It should be noted that at the time of writing this report, the report on the General State Account was in progress, as it must be sent to Parliament by 30 November of the year following that to which the General State Account (CGE) refers, in accordance with Article 50(2) of Law No. 9/2002 of 12 February 2002, establishing the State Financial Administration System (SISTAFE).

On the other hand, of the companies selected for this report, none were subject to the tax audit process for the 2019 tax year information, considering the suspension of audit work due to the COVID-19 pandemic, as indicated by AT.



**7 SOCIAL AND ECONOMIC SPENDING
(REQUIREMENT 6)**

7 Requirement 6 - Social and economic spending

OVERVIEW: The EITI encourages disclosures of information related to revenue management and expenditures, helping stakeholders to assess whether the extractive sector is leading to the desirable social and economic and environmental impacts and outcomes. The EITI Requirements related to revenue allocations include: (6.1) social and environmental expenditures by companies; (6.2) SOE quasi-fiscal expenditures; (6.3) an overview of the contribution of the extractive sector to the economy; and (6.4) the environmental impact of extractive activities.

7.1 Social and environmental expenditures by extractive companies (Requirement 6.1)

- a) Where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, implementing countries must disclose these transactions. Where such benefits are provided in kind, it is required that implementing countries disclose the nature and the deemed value of the in-kind transaction. Where the beneficiary of the mandated 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. Where reconciliation is not feasible, countries should provide unilateral company and/or government disclosures of these transactions.
- b) Where material payments by companies to the government related to the environment are mandated by law, regulation or contract that governs the extractive investment, such payments must be disclosed.
- c) The multi-stakeholder group is required to agree a procedure to address data quality and assurance of information on social and environmental expenditures, in accordance with Requirement 4.9.
- d) Where the multi-stakeholder group agrees that discretionary social and environmental expenditures and transfers are material, the multi-stakeholder group is encouraged to develop a reporting process with a view to achieving transparency commensurate with the disclosure of other payments and revenues. The multi-stakeholder group is encouraged to agree a procedure to address data quality and assurance of the information set out above, in accordance with Requirement 4.9.

7.1.1 Mandatory social expenses

Mining Area

In the mining sector, paragraphs c), e), f) and h) of Article 8, paragraph 2 of the Mining Law, stipulate the need for the mining contract to include 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 2019.

Amount in Meticaís

Name of the company	Benefit amount	Nature of benefit	Device where this obligation lies
Africa Great Wall Mining Development Company, Lda	14.497.141,60	Compensation for culture and drilling of water holes and construction of school desks	Article 41(1)(e) of Law 20/2014 of 18 August - Mining Law
Minas de Revubué, Lda.	9.901.216,00	Social Responsibility Programmes	Mining Contract - Clause 19 (Community Development)
	21.062.310,21	Resettlement Programme	Mining Contract - Clause 11.8 (Enabling Provisions)
Twig Exploration Mining Lda.	26.585.435,46	Technical Professional Training Centre - Balama District Community	Mining Contract - Clause 17 (Employment of Staff)
Total	72.046.103,27		

Table 44 - Mandatory social expenses in Meticaís

Amount in USD

Name of the company	Benefit amount	Nature of benefit	Device where this obligation lies
Montepuez Rubi mining, Lda.	9.935.750,00	Resettlement Programme - Community of Nthoro	- Article 30 and paragraph e) of Article 41 of Law 20/2014 - Mining Law - Decree No 31/2012 Regulation on the Resettlement Process Resulting from Economic Activities

Table 45 - Mandatory social expenses in USD

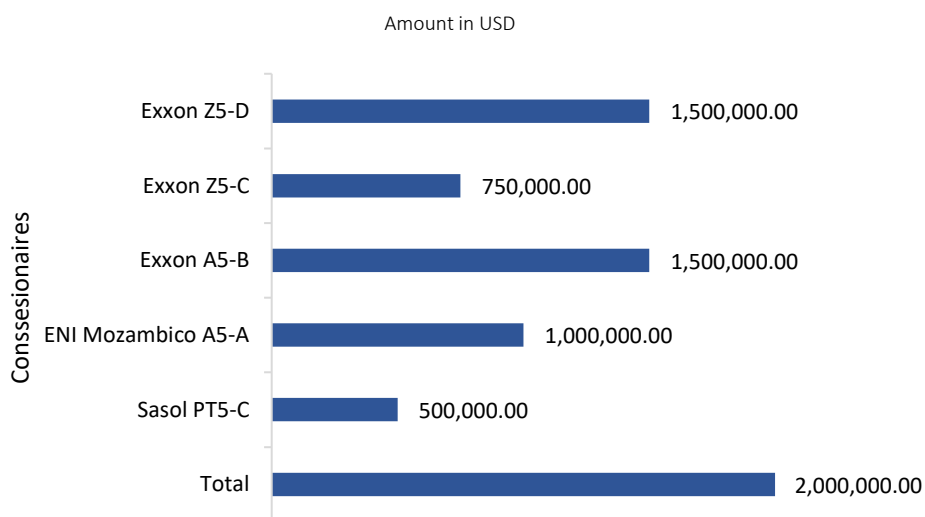
It should be mentioned that the above data has not been subject to reconciliation, so there is a need for the Coordination Committee to decide whether these data are material and whether there is a need to proceed with their reconciliation. In addition, the competent authorities should set up a mechanism 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 7.250.000,00** equivalent to **MZN 452.905.000,00** as shown in the following graph:



Graph 18 - Contributions paid to INP

It should be noted that the discrimination by type of expenditure has been made in the following point 5.3.2.

7.1.2 Discretionary social expenses

As regards discretionary social spending, the companies selected reported that they had incurred this type of expenditure in the figures shown in the table below. The detailed data per company can be seen in Annexure 5.

Area	Amount (USD)	Amount (MZN)
Mining	50.000,00	12.849.383,22
Hydrocarbons	6.925.266,74	376.868.008,01
Total	6.975.266,74	389.717.391,23

Table 46 - Discretionary social expenses

To confirm the amounts spent on discretionary social expenses, the companies have provided the following documentation ⁴¹:

- Proof of transfer;
- Terms of delivery by the beneficiary entities; and

⁴¹ Not all companies have made available the information supporting discretionary social expenses, as shown in Annexure 4

- Invoices for the acquisition of the goods/services delivered.

In addition, INP, within the scope of its competences, implemented some social projects in the year 2019, as a way of allocating the amounts it received as contributions for social projects, as described in the table:

Specific programme	Objectives	Beneficiary regions	Amount allocated
Allocation of an ambulance in the district of Mueda	Improvement in patient transport conditions	Village of Mueda	4.678.950,00
Rehabilitation of offices and protocol residence of DIPREME in Sofala	Improvement in the conditions of the DIPREME offices and the protocol house after the IDAI cyclone	Beira City	3.564.696,83
Rehabilitation and extension project of the water system to the city of Montepuez	Expansion of water supply	Montepuez	53.421.683,80
Basic school construction project	Setting up a basic school	District of Mongicual	18.430.011,72
Total			80.095.342,35

Table 47 - Social projects implemented by INP

On the other hand, it should be mentioned that, in order to guide the implementation of actions within the scope of corporate social responsibility of 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, with the objective of promoting the establishment of mechanisms to ensure the existence of corporate social responsibility programmes in the extractive sector of mineral resources, in order to contribute to the reduction of poverty and boost sustainable development in Mozambique, as well as to frame and coordinate corporate social responsibility programmes within development objectives and programmes, especially at local level.

This instrument, mentioned above, advocates several 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.

From the review of the Law establishing 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), there is no mention of the obligation of state-owned companies to spend on behalf of the government, but only the indication of their functions (Article 9 of Law no. 3/2018), which are:

- a) Implement the strategies outlined by the government for the state business sector;
- b) To provide services and activities of public interest;
- c) To develop commercial activities, the viability of which is proven by previous studies;
- d) Contribute to the public purse.

In addition, the analysis of the Mining and Petroleum Laws does not envisage any indication from the legislator that, under any circumstance, state-owned companies would incur expenses on behalf of the government. There is, however, an obligation to carry out compulsory social expenditure in the context of Requirement 6.1 - Mandatory Social Expenses.

It should be noted that the ITIEM has launched a tender for a study on state participation in the extractive industries and the role of the State Enterprise Sector under the requirements of EITI Standard 2.6, 4.2, 4.5 and 6.2.

However, according to the definition of parafiscal expenses presented above, the Independent Administrator believes that this can easily be confused with the discretionary social expenses made by public companies, so there is a need for the CC, as a first step, to clearly define which expenses can be classified as parafiscal.

Guidance Note: EITI Requirement 6.2⁴² indicates that the CC may adopt the definition of parafiscal expenditures presented in the IMF⁴³ Fiscal Transparency Manual that it considers as parafiscal activities/expenditures:

- Operations related to the financial system, such as:
 - Subsidised loan with administered fees, preferential rediscount practices, issue of guarantees for loans;
 - Underpaid reserves; e
 - Maximum credit limits.
- Operations related to the exchange system, such as:
 - Multiple exchange rates;
 - Import deposits;
 - Deposits on purchases of foreign items; and
 - Exchange rate guarantees.
- Operations related to the commercial sector:
 - Charging less than commercial prices;
 - Providing non-commercial services (e.g. social services);
 - Pricing for budgetary revenue purposes;
 - Paying above commercial prices to suppliers.

⁴² https://eiti.org/files/documents/en_eiti_gn_6.2.pdf

⁴³ <https://www.imf.org/external/np/fad/trans/manual/sec02a.htm>

On the other hand, Guidance Note: EITI Requirement 6.2 presents some examples of parafiscal spending by some African countries:

- **Nigeria:** the retention of part of the domestic crude oil allocations (Naira) to cover part of the subsidy paid by the NNPC (Nigerian National Petroleum Corporation) without being registered in the national budget;
- **Republic of Congo:** SNPC (Société nationale des pétroles du Congo) withheld part of the proceeds of the sale of the State's revenue in kind to pay the infrastructure loans without compensation from the national budget;
- **Côte d'Ivoire:** The government subsidises sales of natural gas to domestic energy producers for expenditure in excess of XAF 50bn, without this being recorded in the national budget. The subsidies are taken from the state's "gas profit" in kind under CPP, which are processed internally for electricity generation.

Therefore, after concluding the most important step in the definition/listing of parafiscal expenditures, the subsequent steps should be followed:

- Step 2 - Identify all expenses incurred with revenues from the extractive industry that are not recorded in the National Budget;
- Step 3 - Identify the activities associated with the parafiscal expenses linked to the revenues from the extractive industry and which are not considered in the State Budget;
- Step 4 - Design a mechanism for the full disclosure of parafiscal expenses;
- Step 5 - Ensure comprehensive disclosure of parafiscal expenditures by the government and its companies.

7.3 The contribution of the extractive sector to the economy (Requirement 6.3)

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

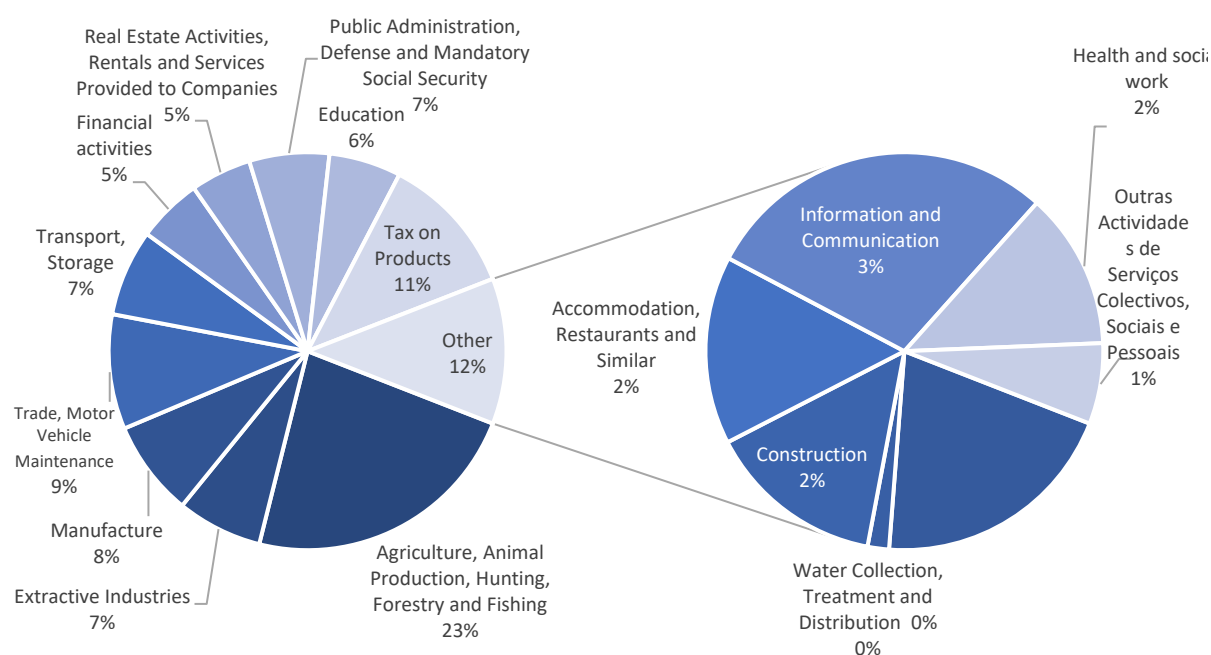
- a) The size of the extractive industries in absolute terms and as a percentage of GDP as well as an estimate of informal sector activity, including but not necessarily limited to artisanal and small-scale mining.
- b) Total government revenues generated by the extractive industries (including taxes, 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) Employment in the extractive industries in absolute terms and as a percentage of the total employment. The information should be

- e) disaggregated by gender and, when available, further disaggregated by company and occupational level.
- f) Key regions/areas where production is concentrated.

7.3.1 Size of the Extractive Industry

According to the data ⁴⁴ of *Instituto Nacional de Estatística*, during 2019, the Mozambican economy grew by about 2,28% over the homologous period. This growth was the result of increased production in the following branches of activity⁴⁵: Information and Communication (4,71%), Real Estate Activities, Renting and Services Provided to Companies (4,49%), Public Administration, Defence and Mandatory Social Security (4,06%), Health and Social Work (4,06%) and Financial Activities 4,01%.

In terms of GDP composition, the sectors of activity that contributed most to this economic activity indicator were Agriculture, Animal Production, Hunting, Forestry and Fishing (23%), Trade, Extractive Industries (7%), Manufacturing (8%), Trade, Motor Vehicle Repair (9%) and Transport and Storage (7%).

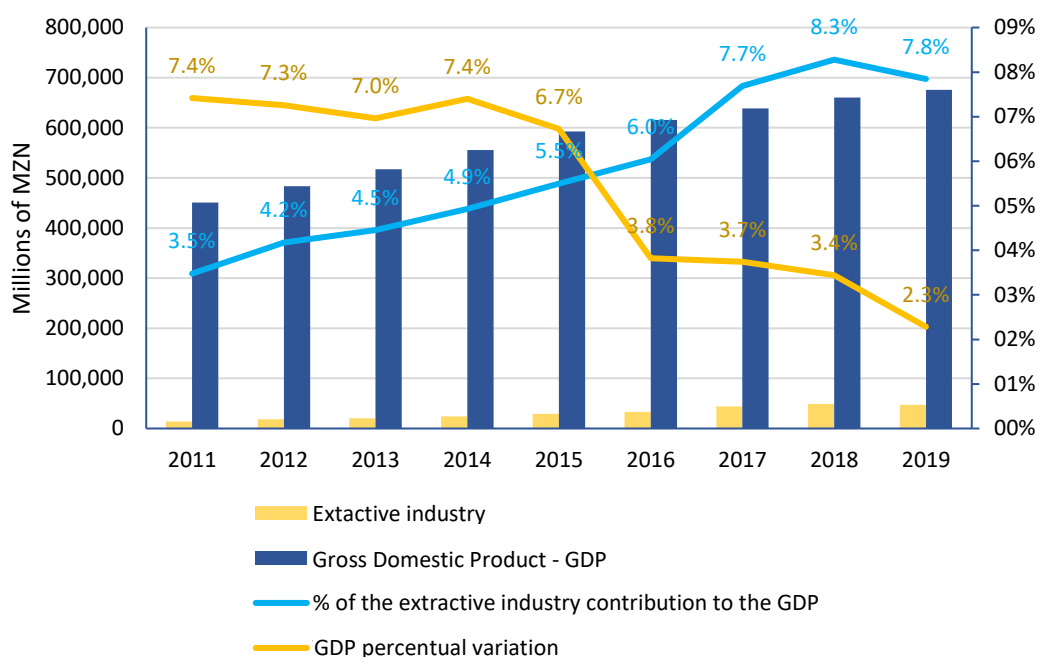


Graph 1: Composition of real GDP in the production outlook for 2019 (Source: INE)

Regarding the extractive industry, over the last years the contribution of this sector to GDP has shown high growth, as shown by INE data, despite a slight reduction in 2019 (by approximately 3,75%).

⁴⁴ Link to data access: <http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/anuais-1/pib-na-optica-de-producao/pib-na-optica-de-producao-2020/view>

⁴⁵ The sectors of activity indicated reflect the Classifiers of the INE. This classifier was based on the United Nations economic activity classifier. Classifier access link: http://www.ine.gov.mz/documentos/documentos-metodologicos/classificacao-das-actividades-economicas-democambique-cae-rev-2/at_download/file



Graph 19 - 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 price of coal and natural gas on the international market and, on the other hand, by the decrease in production, as a result of the combined effect of unfavorable weather conditions (drought and rain) which forced production to stop for some time, as the Bank of Mozambique explains in the 2019 Balance of Payments Report⁴⁶.

Regarding the informal extractive sector, the country does not yet have available data, however, INAMI, in collaboration with INE, launched this year (2020) the first census of artisanal miners in the country to assess their contribution to the national economy⁴⁷.

7.3.2 Total government revenue

See point 5.3.

C) Export

See point 4.3.

⁴⁶ http://www.bancomoc.mz/fm_pgTab1.aspx?id=73

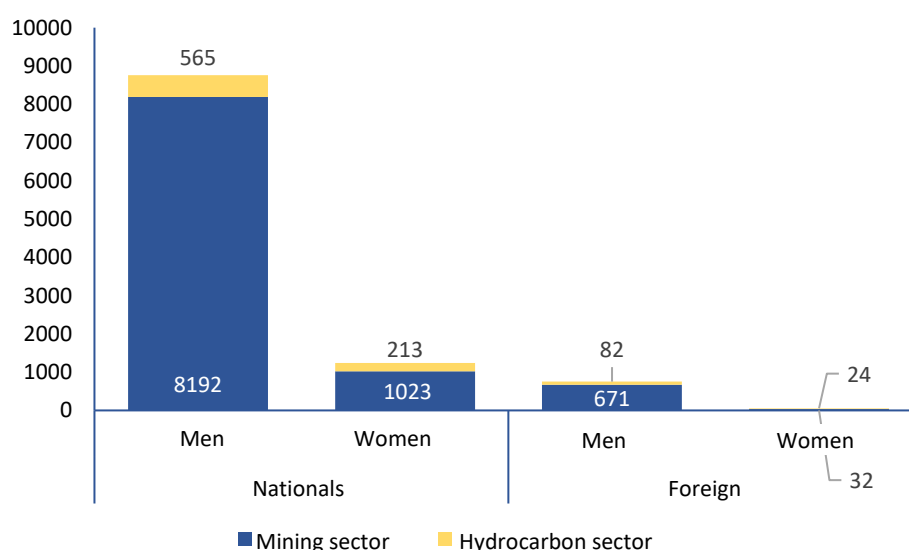
⁴⁷ <https://inami.gov.mz/index.php/component/content/article/103-destaques/destaques/135-assinatura-de-memorando-de-entendimento-entre-o-instituto-nacional-de-minas-inami-e-o-instituto-nacional-de-estatistica-ine?Itemid=437>

7.3.3 Employment

According to the Ministry of Labour, specifically in the Bulletin of Labour Statistics 2019⁴⁸, the several employment promotion measures together provided 478,904 jobs in 2019, a slight increase of 4,6% compared to the previous year.

It can be extracted from this document that 7,247 registered jobs are allocated to the Extractive Industries. However, it does not indicate which companies are part of this sector as a whole.

On the other hand, the information collection form distributed to the companies selected for the reconciling process of this report included a field in which they should make available the information on employment data. In this sense, according to the information disseminated by the companies that filled in the retro mentioned field, a total of 10.873 people was employed during 2019, 9,983 of them in the mining sector and the remaining 890 in the hydrocarbon sector. These figures refer to the number of jobs registered in the companies on 31 December 2019.



Graph 20 - Employment data indicated on the forms

In addition to the above data, the number of jobs by type of contract can be displayed in Annexure 6.

7.3.4 Main areas/regions where production is concentrated

Data for the main areas/regions where production is concentrated is given in Annexure 8. This information is organised by type of resource and occurrence by province.

⁴⁸<http://www.mitess.gov.mz/sites/default/files/documents/files/Boletim%20Anual%202019%20.pdf>

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 the extractive industries. This could include:

- a) An overview of relevant legal provisions and administrative rules as well as actual practice related to environmental management and monitoring of extractive investments in the country. This could include information on
- b) environmental impact assessments, certification schemes, licences and rights granted to oil, gas and mining companies, as well as information on the roles and responsibilities of relevant government agencies in implementing the rules and regulations. It could further include information on any reforms that are planned or underway.
- c) Information on regular environmental monitoring procedures, administrative and sanctioning processes of governments, as well as environmental liabilities, environmental rehabilitation and remediation 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 period 2019 the Ministry of Land, Environment and Rural Development (MITADER), through the National Directorate of Environment, granted the following environmental licenses to mining and hydrocarbon projects:

No	Tenderer	Name of the Project	Location of the Project
1	Minas de Revubue, Lda	Mineral Exploration	Tete - Moatize
2	Haiyu (Mozambique) Mining CO, Lda	Extraction and Processing of Heavy Areas	Nampula - Moma
3	Kenmare Moma Mining (Mauritius) Lda	Expansion of Pilivili Mine	Nampula
4	Vale Moçambique, Lda	Mine Infrastructure - Connection between Mining Sections 1 and 6	Tete - Moatize
5	Afrochine Energy Corporation, Lda	Construction of a Thermoelectric Plant using Diesel Oil and Natural Gas	Sofala - Inhamizua
6	Tazetta Resources, Limitada	Operation of Heavy Mineral Deposits	Zambézia - Pebane
7	Marsar Dimensional Stones, SA	Marble Slab Processing Plant and Open Pit Marble Quarry	Cabo Delgado - Montepuez
8	Mozambique Heavysand Company, Lda	Heavy Sands Farming	Zambézia - Chinde
9	Africa Great Wall Mining Development Company, Lda	Mining, (Concession 5004c)	Zambezia
10	Empresa Recursos de Tantalite, Lda	Mining, in an Area of 1943 hectares	Zambezia - Mocuba
11	GK Ancuabe Graphite Mine, SA	Graphite Processing	Cabo Delgado - Ancuabe
12	Minas Moatize, Lda	Operation of the Opencast Coal Mine	Tete - Moatize

Table 48 - Environmental licenses granted in 2019

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 the information provided by AQUA, 16 environmental audits were carried out in the extractive industry in 2019. The companies subject to these procedures were:

1- Salamanga Limestone Mine	9- Areia Pesadas de Moma
2- Boane Clay Mine	10- Vale Moçambique
3- Mine of Limestone of Muanza	11- Gasoduto da ROMPCO
4- Quissimajulo Limestone Mine	12- Matola Gas Company
5- Relanzapo Limestone Mine	13- Montepuez Ruby Mining
6- ICVL Minas de Benga	14- Grafite de Ancuabe
7- Jindal Coal Terminal	15- Total
8- Hayu Mozambique Mining	16- Eni Rovuma Basin

Table 49 - Companies subject to audit by AQUA

These audits covered the areas of waste management, effluent management, emissions management, fauna and flora management, environmental rehabilitation and risk management. The regulatory bodies involved were AQUA, provincial bodies, INP and private auditors registered with AQUA.

The main findings of these audit procedures were:

1. Failure to comply with environmental legislation;
2. Absence of environmental sectors and/or poor environmental management system in enterprises;
3. Enterprises operating without environmental license or out of date;
4. No regular annual environmental audits under environmental legislation;
5. Poor implementation of the Environmental Management Plan;
6. Failure to comply with recommendations of previous audits;
7. Poor management of solid and hazardous waste;
8. Deficient management of biomedical waste;
9. Failure to implement measures to mitigate environmental quality standards;
10. Absence or non-compliance of equipment maintenance instruments;
11. Absence of security control systems for employees, that is, they operate without proper protective equipment;
12. Deficient control systems and emergency response;
13. Huge volumes of stagnant water that compete as pockets of proliferation of malaria vector mosquitoes;
14. Low awareness of environmental issues among employees;
15. Unsealed or saturated sedimentation basins.

It should be noted that there is a need for environmental regulators to publish and disseminate this data, indicating the findings per company, in order to enable the general public to be monitored.

In addition, INP indicated that in 2019, in coordination with the AQUA, it carried out an Audit of ROMPCO operations, with the specific objectives of verifying compliance with the conditions of the environmental permit, verifying the degree of compliance with measures to mitigate environmental impacts and verifying compliance with environmental quality standards, in accordance with national legislation and best international practices.

Accordingly, there were 7 findings:

- One on non-compliance with the Environmental Audit Regulation;
- Three on deviations from the environmental management plan; and
- Three opportunities for improvement.

There is once again a need for this information and reports to be routinely disseminated and easily accessible.

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 the environmental reports made to their activity during the year 2019. The summary of the companies that responded to this request is shown below.

Sequence	Name of the Company	Observation
Mining Area		
1	Africa Great Wall Mining Development Company, Lda	Prepared by the company
2	Cimentos de Moçambique, S.A.R.L.	Prepared by the company
3	Fábrica de xaropes e Refrigerantes Vumba, Lda.	Prepared by the company
4	ICVL Zambeze, Lda.	Prepared by the company
5	Kenmare Moma Mining (Mauritius), Lda	Prepared by AQUA
6	Minas de Benga, Lda.	Prepared by the company
7	Montepuez Rubi mining, Lda.	Prepared by the company
8	Twig Exploration Mining Lda.	Prepared by the company
Hydrocarbon Area		
1	ExxonMobil	Prepared by the company
2	Rompco	Prepared by AQUA in coordination with INP
3	Sasol Petroleum Temane, Lda	Prepared by the company

Table 50 - Environmental reports released by companies



8 RECOMMENDATIONS

8 Recommendations

8.1 Follow-up to Recommendations from Previous Reports

Recommendations	Report	Responsible Entity	Status
Update its revenue collection system so that payment slips can be consulted by DGI central services.	8 th Report	General Tax Directorate	Not fulfilled.
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 documentation.	3 rd , 4 th , 5 th , 7 th and 8 th Reports	ITIEM	Fulfilled. This report covers the year 2019.
Conduct the IA selection tender 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 th Report	ITIEM	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 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 th and 8 th Reports	ITIEM	Fulfilled. The Mine and Petroleum Law are in the process of being reviewed and according to MIREME's indication it was proposed the incorporation of a provision on the EITI in the Mine Law (Article 35) and the improvement of the provision currently existing in the Petroleum Law (Article 50).

Recommendations	Report	Responsible Entity	Status
Review the materiality criterion for the selection of mining companies for the purpose of reconciliation of tax paid	8 th and 7 th Reports	ITIEM	Fulfilled.
Develop the ITIEM Institutional Memory to facilitate the collection of data when they have already been collected for previous reports.	8 th and 7 th Reports	ITIEM	The data disclosed in the EITI reports are not yet published on the site.
Carry out an awareness campaign by the EITI Coordination Committee in the private sector, especially in the mining area, since the percentage of companies that do not respond to inquiries is high.	7 th Report	ITIEM	Fulfilled. Although there are still a small number of companies that the response time for the EITI has not been timely.
Ensure the updating of active licenses in the Mining Register. The Mining Registration provided by INAMI presented deficiencies regarding the status of the licenses and their validity.	8 th and 7 th Reports	National Mining Institute	The updating process of the Mining Registration is in progress. This is an ongoing process.
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.	7 th Report	National Mining Institute	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.

Recommendations	Report	Responsible Entity	Status
<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>8th and 7th Reports</p>	<p>National Mining Institute</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 update their contacts. About ¼ of the contacts have already been updated in the registration system and this activity is and is underway.</p>
<p>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.</p>	<p>7th Report</p>	<p>National Mining Institute</p>	<p>Update in progress. This process is continuous.</p>
<p>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 movement 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.</p>	<p>2nd, 3rd, 7th and 8th reports</p>	<p>Tax Authority and National Mining Institute</p>	<p>The issue remains, there are still payments made by companies with the NUIT's 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>

Recommendations	Report	Responsible Entity	Status
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 ITIEM.	8 th and 7 th Reports	General Tax Directorate	The information provided by AT still does not reflect the contribution of all companies operating in the extractive industry.
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 th Report	General Tax Directorate	Not fulfilled.
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 th 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 th Report	National Mining Institute	Project for the Modernisation of the Mining Registration.

Recommendations	Report	Responsible Entity	Status
<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 has transferred the mining title to Britanor.</p>	6 th 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.
<p>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.</p>	6 th Report	National Mining Institute	Incorrect use of NUIT continues to occur despite the fact that training has been promoted in DIPREME's.
<p>It is 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.</p>	6 th Report	National Mining Institute	Modernisation Project of the Mining Registration (2016- 2018) in progress. The registration continues with information that is not updated due to the failure of companies to provide it.
<p>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.</p>	6 th Report	National Mining Institute	INAMI has been carrying out awareness-raising campaigns for miners to formalise transmissions. 1500 leaflets containing messages on the procedures for formalising transmissions have been produced.

Recommendations	Report	Responsible Entity	Status
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.	5 th and 6 th Reports	Ministry of Economy and Finance (Tax Authority)	Fulfilled. The process of centralizing the collection system of all existing tax areas in the country is ongoing. This is a risk until the system is centralised or, alternatively, templates should be sent to all companies in the sector (which would be almost impossible given the time factor).
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.	5 th Report	MIREME (INAMI – Mining Registration)	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 cadastral system.
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.	5 th Report	MIREME (INAMI – Mining Registration)	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.
Updating the DGI database to contain the latest address and contact details of projects.	5 th Report	Ministry of Economy and Finance (Tax Authority)	Fulfilled. Information available in the Registration and updated by MEF/MIREME multi-sectoral team.

Recommendations	Report	Responsible Entity	Status
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 th 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 th 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 th Report	MIREME (INAMI) / Companies	Fulfilled. 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 th Report	Ministry of Economy and Finance (Tax Authority)	Fulfilled. The process of centralising the collection system of all tax areas in the country is currently ongoing.
Regular updating of MIREME and DGI database is required, which should extend the list of contacts of businesses and their representatives.	4 th Report	MEF/MIREME (AT/INAMI-Mining Registration)	Fulfilled. 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.

Recommendations	Report	Responsible Entity	Status
<p>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.</p>	<p>4th Report</p>	<p>Ministry of Economy and Finance (Tax Authority)</p>	<p>There are still discrepancies between payments reported by companies and those recorded by the Tax Authority.</p>
<p>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.</p> <p>- 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.</p>	<p>3rd Report</p>	<p>MEF/MIREME (AT/INAMI-Mining Registration)</p>	<p>Fulfilled. 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>
<p>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 payments from taxpayers in other areas.</p>	<p>3rd Report</p>	<p>Ministry of Economy and Finance (Tax Authority)</p>	<p>Ongoing, but with weaknesses.</p>

Recommendations	Report	Responsible Entity	Status
<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>3rd Report</p>	<p>MIREME (Coordination Committee)</p>	<p>Fulfilled. 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>2nd and 3rd Report</p>	<p>MIREME (Coordination Committee)</p>	<p>Fulfilled. 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>2nd and 3rd Report</p>	<p>MIREME (Coordination Committee)</p>	<p>Fulfilled. 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 nd Report	MEF/MIREME (AT/INAMI-Mining Registration)	Fulfilled. 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 nd Report	MEF (Tax Authority)	Fulfilled. 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 st Report	MIREME (INAMI)	Fulfilled. 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 independent verification using random sampling.</p>	1 st Report	MIREME (INAMI)	Fulfilled. The legislation was reviewed.

Recommendations	Report	Responsible Entity	Status
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 st Report	MEF/MIREME (AT/DPD and INAMI)	Fulfilled. 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 st Report	MEF (Tax Authority)	Fulfilled. 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 st Report	MIREME INAMI)	Fulfilled. 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 st Report	MEF (Tax Authority)	Fulfilled. 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.
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. On a long-term basis this will help in income mobilisation.	1 st Report	MIREME (INAMI)	Fulfilled. Information available in the registration system.

Table 24 - Follow-up to the Recommendations of previous Reports

8.2 Recommendations on the 9th Report

Requirement	Recommendation
Requirement 2.2 - Concessions of contracts and licenses	<p><u>Evaluation of the efficiency and effectiveness of the licensing process:</u> The EITI Standard recommends that a commentary on the efficiency and effectiveness of the allowance allocation process be presented in the report. The Independent Administrator presumes that a thorough analysis of the best mechanism to be adopted in the permit allocation process was made when drafting the Mines and Petroleum Law. In this respect, he recommends that the results of this study be disseminated by the competent authorities.</p> <p>On the other hand, in order to measure the efficiency and effectiveness of the chosen mechanisms, and patents in the Mines and Petroleum Law, we recommend a specific study on the practical part of the mechanism adopted, which could include listening to the main players in the sector and civil society.</p>
Requirement 2.3 - Registration of licenses	<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 INP does.</p>
Requirement 2.5 - Beneficial owners	<p>The framework on this subject presented in this report represents the starting point for the CC to decide on the procedure the country will adopt to meet this requirement. We recommend that the International Secretariat be asked for the appropriate disclosure mechanism, which could first consider the disclosure of legal beneficiaries until an additional mechanism is found, as a country does not have a specific law on the matter which could guide the CC.</p>
Requirement 2.6 - State participation	<p>Although this report provides information on government involvement in the extractive industry, through its business sector,</p>

Requirement	Recommendation
	<p>in order to fully meet this requirement and requirements 4.2, 4.5 and 6.2, the CC has begun the process of contracting a specific study on this subject. It is recommended that the results of this study be published as soon as they are available.</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 ITIEM 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 petroleum 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>
<p>Requirement 4.5 – Transactions relating to State-owned enterprises</p>	<p>See requirement / recommendation 2.6.</p>
<p>Requirement 4.6 - Sub-national payments</p>	<p>It is recommended that the CC map revenue flows for sub-national payments and decide whether they should be part of the reconciliation process.</p>

Requirement	Recommendation
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 CC, 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 6.2 - Parafiscal expenses	<p>The Independent Administrator believes that the definition of parafiscal expenses included in the EITI Standard may allow them to be easily confused with the discretionary social expenses made by public companies, so there is a need for the CC to clearly define which expenses are framed as parafiscal.</p> <p>It should be noted that the CC is in the process of engaging a study on the state business sector in order to fully meet this requirement.</p>
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 ITIEM website.

Table 25 - Recommendations on the 9th Report