



OCCASIONAL PAPER NO 151

Governance of Africa's Resources Programme

August 2013

A Boom for Whom? Mozambique's Natural Gas and the New Development Opportunity

Ichumile Gqada

South African Institute of International Affairs

African perspectives. Global insights.

ABOUT SAIIA

The South African Institute of International Affairs (SAIIA) has a long and proud record as South Africa's premier research institute on international issues. It is an independent, non-government think tank whose key strategic objectives are to make effective input into public policy, and to encourage wider and more informed debate on international affairs with particular emphasis on African issues and concerns. It is both a centre for research excellence and a home for stimulating public engagement. SAIIA's occasional papers present topical, incisive analyses, offering a variety of perspectives on key policy issues in Africa and beyond. Core public policy research themes covered by SAIIA include good governance and democracy; economic policymaking; international security and peace; and new global challenges such as food security, global governance reform and the environment. Please consult our website www.saiia.org.za for further information about SAIIA's work.

ABOUT THE GOVERNANCE OF AFRICA'S RESOURCES PROGRAMME

The Governance of Africa's Resources Programme (GARP) of the South African Institute of International Affairs (SAIIA) is funded by the Norwegian Ministry of Foreign Affairs. The programme contributes to policy governing the exploitation and extraction of Africa's natural resources by assessing existing governance regimes and suggesting alternatives to targeted stakeholders. GARP examines the governance of a number of resource-rich African countries within the context of cross-cutting themes such as environmental change and sustainability. Addressing these elements is critical for Africa to avoid deepening the challenges of governance and reducing its vulnerability to related crises, including climate change, energy security and environmental degradation. The programme focuses on the mining, forestry, fisheries and petroleum sectors in select African countries.



Programme head: Oladiran Bello, ola.bello@saiia.org.za

© SAIIA August 2013

All rights are reserved. No part of this publication may be reproduced or utilised in any form by any means, electronic or mechanical, including photocopying and recording, or by any information or storage and retrieval system, without permission in writing from the publisher. Opinions expressed are the responsibility of the individual authors and not of SAIIA.

Please note that all currencies are in US\$ unless otherwise indicated.

ABSTRACT

In the two decades since the end of Mozambique's civil war the country has depended heavily on international donors to fund its development. Although the economy grew at record rates from the mid-1990s, poverty levels remain above 50%. Mozambique has now discovered natural gas deposits in large commercial quantities. These discoveries could contribute billions of dollars to the economy and catapult Mozambique into place as the world's third largest exporter of LNG.

This paper investigates the likely impact on Mozambique's socio-economic development of discoveries of natural gas deposits, and of industrial development in the natural gas sector. It analyses the likely uses of the 'gas boom' by government in contributing to the improvement of the economic situation of Mozambicans. The discussion is set within the context of Mozambique's political and economic development since gaining independence in 1975.

Whether or not the new opportunity will translate into real benefit for Mozambicans in general depends on a number of critical factors: This report looks at those issues against the background of the need for development in Mozambique and concludes that, although natural gas presents a great opportunity for development and the government appears to be committed to using the resource to improve the lives of Mozambicans, much work lies ahead. Translating Mozambique's natural resource wealth into developmental outcomes will require commitment from all stakeholders, especially the government, civil society and the private sector.

ABOUT THE AUTHOR

Ichumile Gqada holds a Master of Social Science degree in Global Studies from the University of Cape Town. A former researcher with the SAIIA Governance of Africa's Resources Programme, she currently works at the Petroleum Oil and Gas Corporation of South Africa (PetroSA), where her research centres on the global hydrocarbons sector, with particular focus on natural gas.

ABBREVIATIONS AND ACRONYMS

CSR	corporate social responsibility
EITI	Extractive Industries Transparency Initiative
ENH	Empresa Nacional de Hidrocarbonetos de Moçambique
FDI	foreign direct investment
Frelimo	Front for the Liberation of Mozambique (Frente de Libertação de Moçambique)
G-19	Group of 19 aid donor countries, also Programme Aid Partners
GBS	general budget support
GDP	gross domestic product
GoM	Government of Mozambique
IEA	International Energy Agency
IMF	International Monetary Fund
LNG	liquefied natural gas
MDGs	Millennium Development Goals
MDM	Movement for Democratic Change (Movimento Democrático Moçambique)
MGJ/a	million gigajoules of gas a year
MW	megawatt
NPI	National Petroleum Institute
OECD	Organisation for Economic Co-operation and Development
Parpa	Action Plan for the Reduction of Absolute Poverty (Plano de Acção para a Redução da Pobreza Absoluta).
PAP	Programme Aid Partners (See G-19)
PRSP	Poverty Reduction Strategy Paper
Renamo	Mozambican National Resistance (Resistência Nacional Moçambicana)
SAP	structural adjustment programme
SPF	Social Project Fund
TCF	trillion cubic feet
UNDP	UN Development Programme
WWF	World Wildlife Fund

INTRODUCTION

Since 2010 the government of Mozambique (GoM), along with international companies involved in hydrocarbons prospecting, has made a series of announcements of natural gas discoveries. Currently, estimates from two of the five exploration blocks in Cabo Delgado Province, where Mozambique meets Tanzania, indicate that the country possesses well over 100 trillion cubic feet (tcf) of natural gas.¹ These announcements have given rise to much excitement; 'ordinary' Mozambicans are hoping for improvements in their living conditions, while their government is looking forward to billions of dollars in export revenues and foreign direct investment (FDI). Government departments involved in the gas sector have made repeated statements of their intention to use these funds for national development.² Along with this commitment the government has taken steps to improve the regulatory environment for hydrocarbons, including gas, through a review of Petroleum Law 3/2001 of 21 February. It also commissioned a Natural Gas Master Plan for Mozambique (the 'Master Plan') that will outline scenarios for utilisation of the resource once production starts in 2018.³ Early indications are that the government is considering two options for the gas. The first is to sell all of it in liquefied form on the international market, and the second is to use a portion of the resource for domestic gas-based industries, and export the rest. A key policy question is how to optimise the balance between the two, to meet the twin objectives of economic growth and sustainable development.

The argument for general development of the gas sector hinges on the belief that it will bring in foreign revenues, create jobs and boost economic growth.⁴ GoM considers that these benefits will in turn contribute to poverty alleviation, one of Mozambique's key priorities. Although the logic of this is understandable, given the country's low socio-economic status, experience in many resource-rich African countries points to the fact that natural resource wealth does not *per se* translate into economic and human improvement. Countries such as Nigeria, Sierra Leone and the Democratic Republic of Congo, which have abundant natural resources, have been less than successful in using their endowments to make the transition from low- to middle-income economies, or to reach acceptable developmental indices.⁵

Pitfalls attending resource extraction have been widely documented. The phenomenon of resource abundance existing alongside poor economic indicators, also known as the 'resource curse', threatens to overshadow the hopes and possibilities that come with large resource discoveries. Export of a single commodity, particularly petroleum, frequently crowds out other economic sectors and strengthens the national currency, while having a concomitant inflationary effect on other non-resource export commodities (a phenomenon known as the 'Dutch disease'). This situation renders the national economy overly reliant on natural resource exports, which in turn increases its vulnerability to external shocks.⁶ Much of the literature on the resource curse has focused on oil, largely due to its dominance in the fossil fuels industry, and it is possible that the theory may not necessarily function in exactly the same manner when dealing with gas. This caveat notwithstanding, a range of challenges associated with resource discoveries and booms has been widely ventilated. There is a convergence of opinion that sound economic policy and law-making, a political will and governmental commitment to development, and good and transparent governance of the petroleum sector, can do much to ensure that the

exploitation of petroleum resources leads to broader economic and social development in the face of challenges that in the case of Mozambique among others include poverty, poor access to energy, limited infrastructure, unemployment and an unskilled workforce.

In the past two decades gas has emerged as a major component in the global energy mix. It is increasingly seen as an attractive fossil fuel alternative to crude oil and coal, because it is cleaner burning than either and sufficiently versatile to be used as direct domestic and industrial heating and power generation; as a direct fuel source for vehicles; and as industrial feedstock for liquid fuels and other chemical products. According to the International Energy Agency (IEA) natural gas is 'poised to enter a golden age'.⁷ A significant proportion of the coming gas boom will be from unconventional resources such as shale gas and coal-bed methane, provided that the social and environmental impacts associated with their extraction can be ameliorated. By 2035 gas will overtake coal as a primary energy source, to comprise 25% of the global energy mix – second only to crude oil.⁸ Similarly, it has been argued that 'gas is the only fossil fuel set to increase its share of energy demand in the years to come'.⁹ Whereas the gas boom relies primarily on unconventional gas, conventional gas resources such as those in northern Mozambique certainly have a role to play. Currently, successive discoveries of conventional and unconventional gas resources suggest a revolution in the global energy industry may be at hand. What this will mean for governments and national economic development depends on the governance mechanisms and management systems put in place to ensure that the resource is transformed into tangible social benefit.

Whether GoM will be able to keep to its objective of using gas for development, either through revenues from exports or the creation of domestic gas-based industries or a combination of both, largely depends on the way in which the sector is governed. It is too early to state with any certainty that the exploitation of this finite resource will benefit the majority of Mozambicans. Given the adoption and implementation of sound governance policies, however, together with competent and transparent administrative processes, effective, functional and independent oversight institutions and a commitment to directing profits toward socio-economic development, GoM can go some way to avoid the resource curse and its consequences while advancing its stated developmental goals.

This paper sets out to consider the implications of the gas discoveries for Mozambique's socio-economic development. It examines the extent to which GoM has conceptualised and understood development since the end of the civil war in 1992, in order to suggest how it might facilitate future development in the petroleum sector and the economy in general. In doing so it draws on field research conducted in Mozambique, policy documents, international best practice guides and existing literature on various aspects of Mozambique's development.

BACKGROUND

The 11 provinces and 128 districts that make up Mozambique lie behind the Indian Ocean coastline of south-eastern Africa. The country shares borders with Tanzania, Malawi, Zambia, Zimbabwe, South Africa and Swaziland and covers a surface area of 799 390 km², of which 786 390 km² and 13 000 km² are respectively firm land and inland waters. Its coastline runs 2 700 km from north to south, and the country's climate

ranges from tropical to subtropical. Mozambique's coastal position gives it a geographical advantage over its inland neighbours, which use its ports as entry and exit points for their international traffic. The national capital, Maputo, is in Maputo Province, along the southernmost tip of the country and bordering South Africa and Swaziland. The great majority of the country's 24 million inhabitants are rural dwellers, more than 50% of them living below the \$1.25 a day poverty line. The official language is Portuguese, although English is used extensively as the business language in the main cities. Among the many other languages spoken are Makhuwa, Ndaou, Tsonga, Lomwe and Sena.¹⁰

Mozambique gained independence from Portugal in 1975. Since then the country has been governed by Frelimo, the Frente de Libertação de Moçambique (Front for the Liberation of Mozambique). Mozambique has had a multi-party democratic political system since 1990 and held four rounds of general elections between 1994 and 2009 and three rounds of municipal elections between 1998 and 2008. The main opposition party is Renamo, the Resistência Nacional Moçambicana (Mozambican National Resistance), although the newly-formed MDM, the Movimento Democrático de Moçambique (Democratic Movement of Mozambique) is growing in numbers and holds the mayoral seats in Beira, Sofala Province and Quelimane, Zambezia Province.

Mozambique's economy includes services sectors (taking in transport), some manufacturing, fisheries and agriculture as well as electricity exports to neighbouring countries, including South Africa. Donor aid is the single biggest contributor to the national budget, at around 50% in 2010.¹¹ The contribution of extractive industries to the fiscus is, however, growing rapidly. According to Minister of Mineral Resources, Esperança Bias, in 2011 gross domestic product (GDP) increased to \$13,740 billion from \$10,420 billion the previous year¹². Although the value of exports began to decline from 2010, in 2011 the economy grew at an annual rate of 7.2%, up from 6.8% in 2010¹³. In recent years the country has emerged as a resource haven. In addition to rich deposits of coal and natural gas Mozambique has significant deposits of heavy mineral sands; limestone; bauxite; rare earths; graphite; gold and base minerals, among others. Depending upon how they are managed, such natural resources could lift Mozambique into middle-income status.

Gas has been discovered in two areas: the Rovuma Basin off the coast of Cabo Delgado Province, and the Mozambique Basin, an on- and offshore area spanning the coastal provinces of Inhambane and Sofala (see Figure 1). Currently, gas is being produced (by the South African integrated energy and chemicals company Sasol Ltd) only at the Pande and Temane fields in Inhambane Province but plans are under way for production in the Rovuma Basin to begin by 2018.

Preliminary indications point to the possibility that gas development and production might adversely affect other economic sectors. Cabo Delgado, for example, is a tourist destination and ecological hub and the location of the protected Quirimbas National Park. A representative of the World Wildlife Fund (WWF) in Maputo believes the rich ecology and its attendant tourist trade may be negatively affected by gas production planned for the area.¹⁴ The international environmental network Friends of the Earth affiliate, Justiça Ambiental, conducted field research in the Rovuma Basin in 2009. The study cites compelling evidence that seismic studies (used in preliminary investigations to determine whether rock formations contain oil or gas) already may have harmed marine animals, while also resulting in a loss of income to local artisanal fishermen due to fish stock deaths and migration.¹⁵ Similar concerns have been expressed regarding gas development for the

central coastal areas of Mozambique, where coastal communities derive their livelihoods from artisanal fishing.

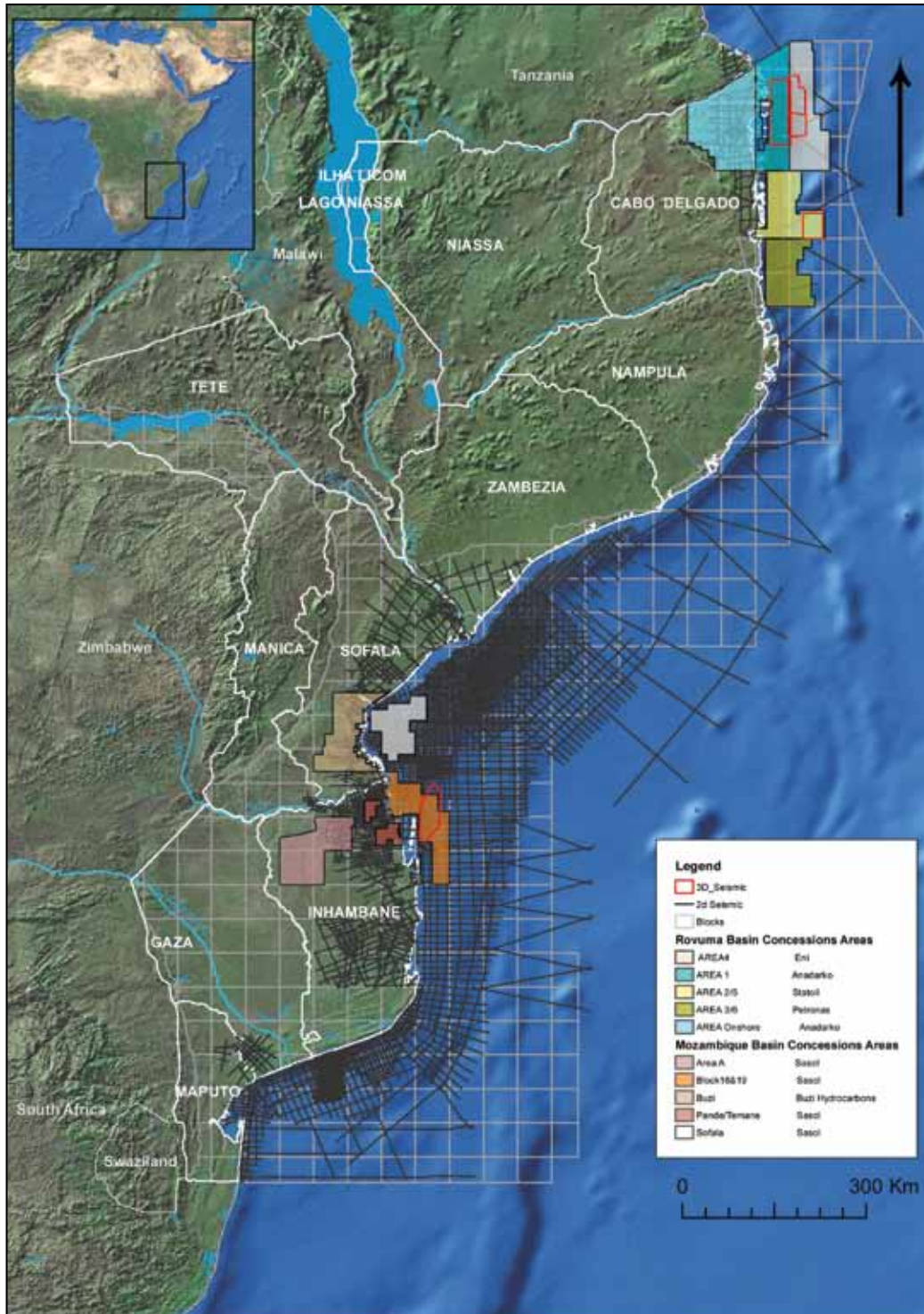
Resource extraction necessarily has an impact on the environment and for that reason achieving complete environmental balance and harmony is to all intents and purposes impossible, nevertheless all activities should aim to limit any environmental degradation that might result. This approach is already addressed in law and in environmental impact assessments: maintaining environmental integrity should not be sidelined as the resource revenues threshold draws nearer and the stakes get higher. There is a further fear that as the date looms for initial production in the Rovuma Basin, fisheries and agriculture, which are important subsistence sectors, may be neglected in favour of the more profitable petroleum sector.¹⁶ The GoM should try to allay such fears through a genuine commitment to further developing these sectors, not only because they are activities that traditionally have supported livelihoods but also because of the risks inherent in over-reliance on exports of a single natural resource commodity.

MOZAMBIQUE'S HYDROCARBONS SECTOR

Exploration in Mozambique's hydrocarbons sector dates back more than a century, to the 1904 discovery of onshore sedimentary basins in the Mozambique Basin; financial and technological constraints prevented its development. Between 1961 and 1967 further onshore discoveries by multinational oil companies at Pande, Buzi and Temane in the Mozambique Basin proved the presence of hydrocarbons reserves, although at that point their commercial viability remained untested.¹⁷ Political unrest during the struggle for independence followed by the civil war between Frelimo and Renamo halted further exploration or development of the hydrocarbons sector (at the time, also, international interest in petroleum resources was focused on the more lucrative crude oil sector). Recognising the potential of hydrocarbons as an energy input, however, the GoM established a national oil company, Empresa Nacional de Hidrocarbonetos de Moçambique (ENH), in the 1980s. This was followed by a mapping and appraisal exercise at Pande, where gas had already been struck in the 1960s.¹⁸

In the early 2000s Sasol drilled and successfully appraised the Pande and Temane fields, proving the commercial viability of gas reserves of around 2.7tcf, equivalent to 25 years' production.¹⁹ At an initial cost of \$1.2 billion, Sasol, the South African government and the GoM together signed an agreement in 2000 allowing for the introduction of Mozambique's gas into the South African market.²⁰ Project work on the venture began in 2002 and first production and export to South Africa took place in February 2004. With a total lifespan of 25 years, the project is structured in three eight-year phases. In the first of these (2004–2012) Sasol's production capacity was 120 million gigajoules of gas a year (MGJ/a). The bulk of the product was exported to South Africa through an 865 km pipeline connecting the central processing facility near the Pande and Temane fields to Sasol's facilities at Secunda in South Africa's Mpumalanga Province.²¹ The second phase, beginning in early 2012, has a production capacity of 183 MGJ/a, most of which will be exported to South Africa. A smaller proportion (27 MGJ/a) will be sold on the Mozambican market and 9 MGJ/a will remain in Mozambique as royalty gas.²²

Figure 1: Natural gas fields in Mozambique: operational and proven reserves



Source: National Petroleum Institute (Instituto Nacional de Petroleo), Maputo, Acreage Map & INP Database, <http://www.inp.gov.mz/Exploration-Production/Maps>.

The situation in the gas industry has changed since Sasol began its production and exports. In Mozambique, game-changing discoveries of conventional gas have been made in the Rovuma Basin, which could earn Mozambique billions of dollars in FDI and export revenues. Internationally, the use of relatively new technologies in the extraction of unconventional gas has given greater access to a previously inaccessible resource, thereby raising the profile of gas as an energy input in the fossil fuels market. In July 2005 the National Petroleum Institute (NPI), which is responsible for managing Mozambique's petroleum resources and administers operations, announced Mozambique's second petroleum licensing round, 'focused on the Rovuma Basin off the coast of Cabo Delgado Province'.²³ Since that announcement multinational petroleum companies have entered Mozambique in search of opportunities in the gas sector. Subsequently two other licensing rounds were opened, with a fifth expected in 2013. To date, most of the interest in Mozambique's hydrocarbons centres on the Rovuma Basin and on the Mozambique Basin in the central on- and offshore area. Current estimates from exploration by US company Anadarko Petroleum Corporation and the Italian integrated energy company, ENI, are that the Rovuma Basin alone holds in excess of 100tcf of the gas resource in place.²⁴

The four petroleum licensing rounds to date have resulted in the GoM's awarding several concessions for hydrocarbons exploration in 11 areas in the Mozambique and Rovuma basins. In accordance with the provision in Petroleum Law 3/2001 that 'the State reserves itself [sic] the right to participate in Petroleum Operations in which any legal person is involved',²⁵ ENH, as Mozambique's national oil company, has a stake in each of the exploration blocks, allowing for direct representation of the national interest at decision-making level in every consortium.²⁶ The government, with ENH as its vehicle, expects to carry its shareholding through to the development of each of the blocks, a provision also enshrined in law. Despite current record annual economic growth rates, financially this undertaking will represent a major challenge for the GoM. ENH, however, believes that finance will not be a significant obstacle, and is 'looking to banks and re-evaluating its assets' to find ways of financing the next stage of development in the exploration blocks.²⁷ The company believes that it is in the national interest that it maintains a shareholding in the concession blocks, which can be used by the government to maximise the benefit of the gas revenues for the people.²⁸

Tables 1 and 2 show each of the exploration blocks by operator and the share held by ENH as 'GoM's representative in the oil and gas industry'.²⁹

Major discoveries in Area 1 and Area 4 have resulted in fierce bidding for stakes in each of the blocks as some companies have sought to relinquish their shares and others seek entry into this frontier area. As an example, in 2012 London-based Cove Energy PLC sold its 8.5% stake in Area 1 to Thailand's national oil company PTT EP for \$1.9 billion. In the first quarter of 2013, ENI committed itself to selling 20% of its stake in Area 4 to the China National Petroleum Corporation (CNPC), and currently a deal is pending on the sale of a 20% stake on offer in Area 1. As exploration begins in the other blocks in the Rovuma Basin there is a strong possibility that the trend towards trading stakes will continue.

Table 1: Exploration blocks in the Mozambique Basin

Block	Operator	ENH share
Sofala	Sasol	15%
M-10*	Sasol and Petronas (Malaysia)	15%
Areas 16 and 19	Sasol	15%
Area A	Sasol	10%
Buzi	PT Kalila Energy (Indonesia)	25%
Inhaminga	DNO International (Norway)	20%

* The well drilled by Sasol in Block M-10 has since been plugged and abandoned as it did not encounter any significant hydrocarbons. Preliminary exploration activities continue in the other blocks.

Source: compiled by author.

Table 2: Exploration blocks in the Rovuma Basin

Block	Operator*	ENH share
Onshore Area	Anadarko Petroleum	15%
Offshore Area 1	Anadarko Petroleum	15%
Blocks 2 and 5	Statoil (Norway)	10%
Blocks 3 and 6	Petronas	10%
Area 4	ENI	10%

* Most of the operating companies are in consortium with other international petroleum companies in their respective exploration blocks but these have not been listed.

Source: compiled by author.

The Rovuma Basin holds most of the gas resource so far discovered in Mozambique. Anadarko and ENI, the companies leading exploration in the Basin, have indicated that the volume of proven gas reserves justifies construction of a liquefied natural gas (LNG) facility on the coast. In December 2012 the two companies signed a Heads of Agreement that will allow for co-ordinated efforts in developing a LNG plant to receive gas from the offshore fields, and pre-treat and process it in preparation for storage and export.³⁰ There is a fair measure of certainty that most of the gas from the Rovuma Basin will be sold on the international market and Asian countries have already been identified as its primary customers.

There have been calls, however, from within government and from civil society, to ensure that the gas is also used domestically to address some of Mozambique's pressing socio-economic challenges.³¹ These problems in part have been inherited from Mozambique's colonial past and from post-colonial socialist policies that failed to address the legacy of the long Portuguese occupation, 16 years of civil war between Frelimo and Renamo that began two years after independence, and post-transition policies that to date have been less than entirely successful in addressing major socio-economic problems.

COMING OF AGE: MOZAMBIQUE'S POLITICAL AND ECONOMIC HISTORY

Mozambique was a Portuguese colony until 1975. During the colonial era the economy was dominated by agriculture, trade – mainly with South Africa and Zimbabwe (then Rhodesia) – and remittances from migrant labourers working in neighbouring countries. Because the colonial government had remitted the bulk of revenues generated in Mozambique to Lisbon, the seat of the colonial power, at independence in June 1975 the Portuguese left behind them an economy that had not enjoyed all the fruits of the indigenous population's labour. Frelimo inherited a largely uneducated and unskilled population; a country with weak infrastructure ravaged by a decade-long independence war, low investment in infrastructure and the looting of public property by colonial authorities once it emerged that independence was inevitable.³²

Portugal's rapid withdrawal and handover of power to Frelimo was followed by the establishment of a one-party state based on Marxist ideology.³³ Frelimo aligned itself with the USSR and soon after coming to power embarked on a programme of 'socialist reform'. South Africa and Rhodesia, respectively still under Apartheid and minority rule, responded by down-scaling their economic co-operation with Mozambique. This had a devastating effect on the ability of the Frelimo government to overcome the socio-economic ruin that the newly-independent state had inherited. The imposition of a centrally directed economy, a gradual exodus of skilled Portuguese nationals, weakening economic ties with neighbouring countries and a largely uneducated population, further aggravated the desperate malaise that characterised post-colonial Mozambique.

The situation deteriorated further in 1977 when Renamo, backed by Rhodesia and South Africa, launched a civil war against the Frelimo government.³⁴ The war diverted attention from urgent economic questions and further destroyed the infrastructure.³⁵ By the 1980s, influenced by the imminent collapse of the Soviet Union, persistent domestic economic decline and the debilitating effect of an overly dominant state, the Frelimo government had started to turn to the West. New political alliances and new sources of funding, however, came with conditions attached. Mozambique found itself compelled to join the International Monetary Fund (IMF) and the World Bank and to adopt their structural adjustment programmes (SAPs). At the same time Mozambique abandoned its centrally planned socialist economy in favour of neoliberal economic policies. In 1987 the IMF and the World Bank sponsored an 'Economic Recovery Programme' for Mozambique which, although showing positive indicators for macro-economic growth, carried with it a social cost evidenced by declining wages, rising food prices and high inflation.³⁶ The move to a market-based economy was, however, followed by an inflow of development aid and private capital, mainly from Western countries;³⁷ new funding that contributed to improved economic growth in the late 1980s and served to cushion the impact of SAPs on social indicators, with foreign aid increasingly directed towards human development by the early 1990s.

While a new economic order was being established, changes in the political landscape were also under negotiation. Direct peace talks between Frelimo and Renamo began in 1990 and a new constitution enshrining free and fair multiparty elections was adopted in November of the same year. The war finally came to an end with the signing of the Rome General Peace Accords in 1992.³⁸ The first democratic general elections were held in

1994 with Frelimo winning a majority in both presidential and parliamentary elections. The party went on to win both the presidency and a parliamentary majority in general elections in 1999, 2004 and 2009.³⁹

From the beginning of the 1990s it became increasingly clear that Mozambique's new economic trajectory was not without controversy or contradictions. The purported benefits of SAPs and foreign aid notwithstanding, the economy again declined in the early 1990s and along with it, real per capita income. Exports fell and the budget deficit continued to increase in spite of government budget cuts.⁴⁰

At that point it proved difficult for Western institutions promoting the Washington Consensus to claim unqualified success in Mozambique's economic transformation. As the country stood on the threshold of real democracy it found itself in a very weak economic position. By the end of the civil war in 1992 it was not only one of the poorest countries in the world, but was also among the most heavily-indebted, with an external debt bill of over 200% of GDP by the mid-1990s.⁴¹ At the behest of various multilateral institutions the government had tightened its budgets, adopted fiscal policy reforms to meet free-market imperatives, removed subsidies, devalued the currency and opened up the borders to cheap imports. Socially, the war had resulted in more than a million casualties, the internal displacement of three million people, and further destruction of the remaining infrastructure, including health and education facilities.⁴² All these factors contributed to a severe impairment of general living conditions, the amelioration of which formed urgent priorities which the GoM needed to address through donor aid and with whatever policy instruments were available to it.

In the 1990s a group of 19 donor governments and agencies (the G-19, also known as the Programme Aid Partners [PAP]), committed itself to assisting Mozambique by increasing financial aid and institutional and policy-making support. Initially this was directed towards a peaceful transition to multiparty democracy but later efforts went towards promoting socio-political inclusiveness in Mozambique's democratisation programme.⁴³ In the years following the first democratic elections donors had engaged in project-based support as part of a wider agenda of promoting democracy and good governance, which later also shifted to support for the central state budget.⁴⁴ Record annual economic growth – hovering around 7–8% from the mid-1990s into the 2000s – and relative political stability, encouraged donors to view Mozambique as an exemplar for donor aid to foster the achievement of 'peace, stability and growth'.⁴⁵

Donor aid to Mozambique, in a time of limited economic independence, in fact has had a significant impact: on state budgeting, on poverty alleviation and on policy-making and politics. Although there have been claims that Mozambique has relied so heavily on donors that it has become 'aid addicted',⁴⁶ exponential growth in the extractive sector, along with concomitant FDI inflows, has led to projections of a decline in aid dependence. A pattern is beginning to emerge. In 2010 external support for the state budget was 51.4%; this had dropped to 44.6% in 2011, suggesting an increased government capacity to fund its own spending. In the same two years, mainly due to a booming extractive sector, FDI doubled from \$1 billion to \$2 billion, with the World Bank estimating that Mozambique could receive \$70 billion in revenues from gas projects by 2020.⁴⁷ As its burgeoning mining and hydrocarbons industries begin to confer greater financial independence the relationship between donors and the GoM, as aid recipient, is bound to change. Addressing the likely outlook of government's relationship with donors, in a December 2012 interview with the

Belgium-based magazine *GREAT Insights*, President Armando Guebuza indicated precisely how the GoM sees future relations with donors:

‘...the relationship will probably change in the sense that as time goes on and as we have more resources in our budget, we are going to need more business and commercially oriented relations with those countries that have traditionally provided development funding. It will shift as time passes; in about 10 years’ time we will not be relying on donations like we are today. We can expect a gradual shift in the focus of the relationship.’⁴⁸

It is clear that the GoM sees relations moving more towards economic partnership than aid dependence. Fortuitously this shift comes at a time when governments in Organisation for Economic Co-operation and Development (OECD) countries (which include most of Mozambique’s donors) are tightening budgets.⁴⁹ Depending on how it is negotiated and managed, the changing nature of the donor-recipient relationship, while gradual, may well serve the future interests of both the G-19 and Mozambique.

FROM DONORS’ DARLING TO RESOURCE-BASED SOVEREIGNTY?

Donor aid has come in two streams from the G-19. First, donors have directly funded specific projects. This assistance has been in the form of direct institutional capacity building at national and local level, primarily for improving service delivery and administrative skills. Secondly, the G-19 directly provides general budget support (GBS) to the state in order to help the government fund development projects, such as poverty reduction programmes.

Soon after the elections of 1994 donors realised that despite its measurable successes, project support brought with it heavy pitfalls, some of which have been documented by Tony Hodges and Roberto Tibana (among others). They argue that dependence on donors has also carried significant implications for Mozambique’s budgeting and governance. Project support creates burdens on an already overstretched public service and has served to fragment state planning when projects located within specific departments demand functional and reporting procedures different from normal departmental protocols. The prevailing view that reform is driven not from within but externally by donor countries and agencies has created a public service that is acquiescent rather than proactive. The further fact that some projects are directly funded with money that bypasses the treasury imposes yet more reporting and administrative burdens, increases transaction costs for the GoM as the recipient government, and opens up the scope for funds to be siphoned to other channels.⁵⁰ To some extent these shortcomings have tainted the measurable socio-economic successes the GoM has achieved with the assistance of the G-19 since 1992.

These and other deficiencies led to the introduction of GBS alongside targeted programme support. For more than a decade since then, donor aid has comprised about 50% of the GoM’s total budget. This dominance of aid in the budget prompted one economist to refer to Mozambique as an ‘aid-addicted’ country that would be bankrupt without the constant stream of aid;⁵¹ he argues that the ‘problem’ has become so entrenched that aid in Mozambique has become a ‘renewable resource’.⁵² Such criticisms

notwithstanding, assistance from the G-19, whether primarily through GBS in recent years or from project support earlier, has helped Mozambique to achieve stable annual economic growth rates averaging 8% since the late 1990s.⁵³ The country has diversified its economy to include three main sectors: agriculture, industry – primarily in the form of aluminium for the export market – and services provided mainly by government.⁵⁴ In addition, after 2001 the GoM adopted strategies and programmes specifically targeting human development. By 2008 there had been notable progress in this regard. The rate of absolute poverty fell from 70% to just over 50% in the decade from 1997; in 2009 per capita GDP had almost doubled, to \$454, from the 1997 benchmark; the adult literacy rate stood at 50% in 2008 compared with 40% in 1997; access to water and sanitation had increased markedly by 2008; maternal and infant mortality rates were down and from 1997 the primary schooling completion rate had more than tripled, to 77% in 2008.⁵⁵

In spite of these successes there is a concern that donor funding increasingly has diverted the prerogative of policy-making from Mozambican decision-makers towards donors, and that dependence on aid has made the government more accountable to donors than to its own population.⁵⁶ Expressing such a sentiment, Carrie Manning and Monica Malbrough write that in supporting multi-party engagement in the first elections, donors have been viewed both by Frelimo and Renamo as a constituency that might be more important than even the voters themselves.⁵⁷ Hans Abrahamsson also argues that a calamitous outcome of dependence on donors has been the encroachment of donor countries on the economic and political decision-making processes in Mozambique.⁵⁸ Similarly, Paolo de Renzio and Joseph Hanlon contend that since the end of the civil war the GoM has foregone a drive for a 'national agenda' in exchange for the adoption of donor policies that have served to 'ensure a steady inflow of resources'.⁵⁹ The sheer scale of donor aid has bought the G-19 a seat at the policy-making table in Mozambique, which has led to criticisms that the domestic agenda has been hijacked in favour of what donors, rather than government, regard as more important, eroding the prerogatives of domestic policy-makers to fulfil the mandate given by the electorate. At the same time policy-making has seen a systematic exclusion of civil society agencies and the national assembly, both of them obviously key stakeholders in domestic affairs.

In a paper analysing how hydrocarbon wealth might impact on Mozambique's donor aid programmes, Emily Anderson argues that the booming extractive sector will lead to economic changes which in turn will demand a reassessment of the current pattern of aid.⁶⁰ As extractive projects, particularly for gas, come on line, the traditional North-South donor funding channel favoured by the G-19 might slowly give way to a less conventional investment model aligned with the East and South, which will bring with it greater commercial opportunities for Mozambique.⁶¹ These latter, broader relationships will not be based on policy conditionalities, as was normally the case with the donor-recipient relationship between the GoM and the G-19. Furthermore, future revenues from hydrocarbons and a reduced dependence on international aid – even more pronounced when mining revenues are factored in – will occur at a time of declining aid budgets from established donors, arising from the current global economic malaise and political pressures on donor governments to spend less in areas which their electorates do not consider central to their interests. Such a situation is likely to reduce the influence of donors on Mozambique's domestic politics and policy-making while increasing the leverage of the GoM in negotiating aid conditions.

In 2011 the UN Development Programme (UNDP) ranked Mozambique 184 out of 187 countries in terms of human development, measured by aggregating life expectancy, education and the standard of living.⁶² This shows that despite substantial progress Mozambique continues to face persistent socio-economic challenges that make it one of the world's poorest and least developed countries. A high percentage of the population still lives below the poverty line with inadequate access to formal employment, health care, formal education and energy. A largely rural population, it is reliant on subsistence farming; there is a marked vulnerability to natural disasters such as tropical cyclones and floods; food security and malnutrition is declining; and the HIV/Aids pandemic continues.

Within this context, in September 2000 Mozambique, with 188 other nations, signed the Millennium Declaration under the auspices of the UNDP. This initiative seeks to improve human development by 2015, using eight strategic goals in sectors that include health, education and the environment.⁶³ In 2001, soon after committing to the Millennium Development Goals (MDGs), the GoM drafted its first Poverty Reduction Strategy Paper (PRSP): the 'Action Plan for the Reduction of Absolute Poverty 2001-2005' (*Plano de Acção para a Redução da Pobreza Absoluta: PARPA*). This was followed by two further PRSPs: 'Action Plan for the Reduction of Absolute Poverty 2006-2009' (PARPA II) and Poverty Reduction Action Plan 2011-2014 (PARP). The central objective of PARPA I was to reduce absolute poverty 'from 70% in 1997 to less than 60% in 2005 and less than 50% by the end of this decade'.⁶⁴ PARP, the third strategy paper, aims to use 'pro-poor' initiatives to reduce the incidence of poverty from 54.7% in 2009 to 42% in 2014.⁶⁵ The GoM sees poverty alleviation as one of its key human development objectives and it continues to use the three strategy papers as blueprints for achieving this goal. Donors have supported this through providing GBS at the national level; support renewed in 2009 when the G-19 stated in a memorandum of understanding with the GoM that 'The overall objective of the PAPS' Budget Support to Mozambique is to contribute to poverty reduction in all its dimensions'.⁶⁶

The G-19 also stated that 'the PAPS' Budget Support should help attain the mutual objectives of poverty reduction and the Millennium Development Goals (MDGs) in Mozambique by providing budget financing to the public sector for poverty reduction'.⁶⁷

In addition to donor aid Mozambique has also benefited from the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiative (MDRI) from the World Bank and IMF which, in recognising the adverse effect of heavy levels of debt on poverty alleviation, sought to ease the financial burden on qualifying countries.⁶⁸ While it is undeniable that Mozambique has made progress in human development and reaching MDGs, criticisms persist that continued reliance on donor aid has rendered its government weak in the face of the G-19 and its donor-led agenda.

Gas for development

As a result of its substantial coal and gas discoveries Mozambique has emerged as a fossil fuels resource target for international energy companies looking to extend their footprint in the sector. This particularly applies to the world-class coal deposits of the Moatize Basin in Tete Province and offers potential for unprecedented revenue streams for government, provided the GoM is able to develop a regulatory regime that will allow it fully to capitalise on the abundant resources.

According to Petroleum Law No 3/2001 'Petroleum resources are assets whose proper exploitation can contribute significantly to national development',⁶⁹ a position echoed 11 years later in the executive summary of the Master Plan Draft Report, which suggests that the GoM should develop natural gas resources in a manner that maximises benefits to Mozambique society [sic] ... in order to improve the quality of life for the people of Mozambique, while minimising adverse social and environmental impacts.'⁷⁰

Recognising Mozambique's socio-economic challenges and the pitfalls it might hold for natural resource development, the document also acknowledges that:⁷¹

... while these gas discoveries are an additional economic windfall for Mozambique, they present serious challenges to the GoM in the broader political economy. These challenges lay [sic] in how to encourage development of the resources in a way that brings the greatest benefit to Mozambique.

Much of the discourse within government, civil society and the donor community centres on the main options for utilisation of the resource: respectively export of the larger proportion of the gas, and retention of the remainder, in the form of royalty and profit gas, to be used to stimulate a gas-based industry in Mozambique itself. To this end the Master Plan Draft Report executive summary states:⁷²

'On the one hand, promoting the development of export-centered LNG projects will greatly add to government revenues through monetization of royalties and Mozambique's share profits. This is revenue that Mozambique can use internally for development. On the other hand, royalties and profits can be used in-kind within Mozambique to promote value-added manufacturing that increases local employment, promotes local businesses, and creates potentially broader benefits across the country'.

According to a GoM official, 'government will use gas and coal to industrialise the country, to bring in rents and to create jobs. The focus is on the people and economic growth'.⁷³ There is indeed evidence to suggest that the GoM is already taking steps towards this goal. In October 2012, after three years as a candidate country, Mozambique was granted the status of a fully compliant member of the Extractive Industries Transparency Initiative (EITI).⁷⁴ The GoM sees that status as one way to promote transparency.⁷⁵ It also regards its commitment to implementing the EITI standard as a first step to ensuring that the sector generates wealth for Mozambique.⁷⁶

The government recognises that for the petroleum sector to function optimally, political and corporate governance of the sector should be strengthened. To this end, it has commissioned a study on corporate social responsibility (CSR) in Mozambique. According to a senior official in the mineral resources department the outcome of this study will inform the conduct of mining and petroleum companies' CSR initiatives.⁷⁷

Although the GoM has displayed some level of commitment, and taken some steps towards creating a climate in which the gas can be used for development, many issues still need to be addressed before the country can be seen as fully prepared for the start of production in the Rovuma Basin. Many key decisions must be taken; to do so will require a full understanding of the implications of policy options. These include, but are not limited to, whether the GoM will receive its royalties and profit share in gas or in

cash; precisely how it will use the proceeds of gas production; what kind of investments it has plans for to make the gas revenues go further; which gas-based industries will be supported in utilising the gas internally; the fiscal regime for the sector; and whether there will be a continuation of what are widely seen as excessive tax rebates for so-called 'mega-projects' – capital-intensive, infrastructure-driven, large-scale projects mainly in mining, energy and industry.⁷⁸

Governance and corruption

Within Mozambique and beyond its borders there are perceptions that the level of corruption in the country is high. Demands for electoral reform and improvements in governance were evident in the aftermath of the 2009 general elections, which were marred by procedural and administrative controversies,⁷⁹ together with a 'donor strike' in 2010 in response to widespread corruption and the slow pace of positive change in governance.⁸⁰ Although the G-19 renewed aid flows later the same year, in July 2012 The Netherlands announced that it would stop GBS to the GoM from 2013, due to insufficient progress in poverty reduction, governance and fighting corruption⁸¹ (albeit a decision made against the background of a declining aid budget in Holland⁸² and a drop of almost 3% between 2010 and 2011 in official development assistance from the OECD's Development Aid Committee due in part to the global recession⁸³).

After two decades of relative peace and stability, enviable economic growth rates and some human development improvements, 'Mozambique remains a country in transition'⁸⁴ where donors and civil society are ever more frequently expressing growing concern over slow progress towards good governance, transparency and the eradication of what they regard as corruption.

Many politicians in the Frelimo ruling party have been linked to private companies, creating a sense that political connections have brought with them privileged positions in the private sector. Expressing a similar sentiment, Robert Lloyd argues that:⁸⁵

'economic growth, strong state involvement in the private sector, inadequate administrative and judicial oversight, and Frelimo's control of the government since independence have created ample opportunity for private gain at public expense'.

According to Transparency International's Corruption Perceptions Index 2011, Mozambique ranked 120 out of 182 countries, indicating a prevailing perception of a highly corrupt public service.⁸⁶ Such opinions are further given credence by civil society organisations, which, representing the larger societal base, decry both the involvement of politicians in business and an absence of sufficient public accountability in the use of state revenues.⁸⁷ Unsurprisingly, perceptions of widespread corruption have led to a concern that with the gas boom on the horizon it is the political elite and other well-connected individuals who will derive most benefit from the country's huge new resource, to the detriment of those on the lower rungs of the socio-economic ladder.⁸⁸

One area of particular concern, for example, is the lack of transparency characterising the administration of the Social Project Funds (SPFs) administered by the NPI. These funds, which already amount to millions of dollars, are paid by companies in the extractive sector from the outset of exploration, for social upliftment projects in exploration areas.⁸⁹

Although the receipt of these funds is reflected in EITI reports, questions have been raised as to how the government is using the money, and the accountability and transparency mechanisms in place to ensure that the public benefits from it.⁹⁰ Given that the amounts already spent on SPFs are only a fraction of the FDI inflows that the petroleum sector will see in the coming years, the lack of transparency in their administration is problematic.

The GoM has put in place a number of anti-corruption measures, such as the 2001 Public Sector Reform Strategy, an Anti-Corruption Law promulgated in 2004, and a Central Office for Combating Corruption, established in 2005. There is also a broad-based Anti-Corruption Strategy, to facilitate the implementation of which, a multi-stakeholder Anti-Corruption Forum was created by government decree. This served as a consultation platform for the Strategy (the Forum was later dismissed after the Constitutional Court declared it unconstitutional). In addition a code of conduct for public servants was established⁹¹ and most notably, in 2011 the Council of Ministers adopted an anti-corruption 'package' consisting of a series of bills.⁹² These legislative drafts, targeting the protection of whistle-blowers, promoting ethical conduct and further criminalising corrupt practices, were put before Parliament in November 2011.⁹³ The intention was for the bills to be adopted all together as a 'package' but at the time of writing, Parliament had passed only some into legislation and not others.

Hence, although steps have been taken to address some of Mozambique's persistent governance challenges, institutions that could give effect to these laws have yet to be granted sufficient powers to function. There is also limited co-ordination between those different instruments, which further hinders their ability to address governance challenges.⁹⁴

Petroleum Law No 3/2001 is under review and currently before Parliament as the Petroleum Bill. There is a recognition that in order to achieve best results in maximising government revenues from gas and achieving developmental priorities, Mozambique will have to use other, successful countries as models.⁹⁵ To this end ENH and the NPI have been receiving technical assistance in training and capacity-building from Norway. Norwegian organisations are also working with civil society in researching legislative and environmental aspects of the exploitation of natural resources. In addition to this the World Bank and the government of Norway are providing assistance on investigating possible uses of gas within Mozambique, a process which has culminated in the release of a final version of the Master Plan.⁹⁶

Mozambique's recent compliance in the EITI has been hailed in some quarters as major leap for greater transparency in the country's extractive sector.⁹⁷ This optimism is not, however, shared by all stakeholders. A civil society representative on the EITI multi-stakeholder forum considers that, whereas many improvements had been made in the process leading up to compliance, the EITI has only limited reach. He considers that holding a record of payments and receipts does not per se translate into accountability. The EITI should move beyond documenting payments and receipts towards actively promoting accountability in the utilisation by government of extractive industry revenues.⁹⁸ There have been calls, mainly by civil society, to extend the terms of reference of the EITI to include non-monetary payments by companies to the government, in the hope that this measure would enable greater monitoring of extractive industry payments in cash and also in kind (such as extractive product). Requests have also been made for government to publish contracts signed between companies and the GoM, which at the moment are

considered confidential and are virtually inaccessible to the public. The aim is to improve access to enable civil society to monitor whether companies are in fact meeting their payment commitments in line with their contractual obligations.

As a starting point, however, Mozambique's compliance with EITI shows a serious commitment to transparency and coupled with the initiatives the GoM has undertaken to address corruption and poor governance, there is potential for a well-governed petroleum sector.

NATIONAL DEVELOPMENT POLICY AT THE CROSSROADS

Mozambique has primarily focused on two broad developmental strategies: first, using donor aid for development programmes and priorities as noted earlier and secondly, promoting macro-economic growth through deploying export revenues in state priority areas. The GoM has favoured the mega-projects, justifying them on the basis that they attract FDI, generate employment and contribute to the national fiscus, mainly through export earnings.⁹⁹ Part of the rationale is also that mega-projects fuel entrepreneurial opportunities through the establishment of supportive small- and medium-scale businesses alongside the larger investment projects. In addition, they stimulate the economy in their immediate locality through local procurement and promote CSR initiatives that allow communities to benefit directly from economic development.¹⁰⁰

The first of the mega-projects was the Mozal Project, a \$1.4 billion aluminium smelter located 20 km west of Maputo, promoted by the GoM in the late 1990s as a vehicle to attract foreign investment, and strongly supported by the South African government.¹⁰¹ The project was announced jointly in 1998 by South Africa's Industrial Development Corporation (IDC), the GoM, UK-based diversified resources company BHP Billiton and Mitsubishi Corporation of Japan as partners and shareholders in the project. It was considered a success, as construction was completed ahead of schedule and within budget and the work created 10 000 indirect jobs and 1 000 direct jobs, mostly for Mozambicans.¹⁰² Mozal also facilitated export-orientated infrastructural developments including road construction, a bridge and a new berth at Matola Port in Maputo. Other spinoffs came in the form of CSR initiatives that targeted social and community issues such as HIV/Aids, malaria infection, inadequate access to schooling, health care, sport and culture, high unemployment, poor small business development and inadequate community infrastructure.¹⁰³ The successful construction of what at the time was the country's largest private investment project, and commencement of operations in September 2000, made for a major boost for Mozambique's post-war image, indicating to the world that Mozambique was peaceful, stable and ready to capitalise on FDI.

Following Mozal, the GoM has promoted further investment in mega-projects as one of its key growth strategies. In the early 2000s it awarded petroleum rights to Sasol for gas development in Pande and Temane and for its pipeline to South Africa. This was followed by the signing of an agreement with London-listed Kenmare Resources for development of the Moma mineral sands mine in Nampula Province¹⁰⁴ and a major investment deal with Brazilian mining company Vale SA for the exploration and subsequent production of coal at Moatize.¹⁰⁵ Since then, numerous mining concessions have been awarded, particularly in coal-rich Tete, and exploration for gas resources continues in the northern Rovuma

Basin. While not all these schemes may turn out to be mega-projects, the size of many of the concessions indicates that certainly they will become large in scale.

The socio-economic benefits that to date have accrued from mega-projects, mainly Mozal and Sasol's gas venture, have been presented by the government as evidence of a successful economic model. This has not, however, passed without criticism from within and beyond Mozambique's borders. Mega-projects by their nature rely on a 'trickle-down' approach which assumes that export revenues will contribute to the national fiscus and create opportunities for more businesses and industries, while creating local linkages and products and services supportive of the 'anchor' project. A further assumption is that the revenues will be used by government to develop the country as a whole. Based on these two assumptions it is argued that revenues eventually will percolate through to alleviate poverty and increase access to health care and education among other priorities.

While this model is not necessarily doomed to failure, in Mozambique it has not yet lived up to its promise. Except where the GoM commercial interests are represented by a national company – such as ENH in the petroleum sector – the mega-projects are owned primarily by foreign entities. They are capital-intensive and demand high-level skills that for the most part must be imported, either from the home countries of the operating companies or Mozambique's neighbouring countries.¹⁰⁶ The companies export the bulk of product mainly in their primary form with no value added, resulting in lost potential for additional domestic job creation and business opportunities.¹⁰⁷ The benefits of mega-projects so far have eluded the poorest Mozambicans and have only marginally improved the life prospects of communities in the projects' immediate locality.¹⁰⁸ In a 2011 country risk analysis on Mozambique, the Dutch banking group Rabobank argues that although mega-projects have a positive effect on the economy they do not create many jobs, but instead 'lead to enrichment of the happy few, while many people [remain] unemployed'.¹⁰⁹ The failure of mega-projects to live up to their potential has been aggravated by the GoM's inclination to incentivise them with large tax breaks and import exemptions.

As Mozambique enters the new era of a gas boom, indications are that mega-projects will continue to feature in national policy and that large foreign companies will enjoy a relatively favourable fiscal and tax regime designed to attract even greater inward financial flows. This is regarded by some observers as alarming, given that projects in the gas sector are likely to fall within the 'mega' category due to their large investment and infrastructural requirements. There has been recognition, however, that some changes must be made if Mozambique wishes to achieve greater benefit from economic activities within its borders, particularly those in the extractive sector. Recognising that many contracts unfavourable to it have already been signed with private firms involved in mega-projects, some in the extractive sector, the GoM is seeking legislation to remedy inequitable benefits accruing to the companies involved. In a parliamentary address defending the need to renegotiate such contracts, Finance Minister Manuel Change said that there is a need to achieve 'a more significant economic and financial contribution from the undertakings carried out in the national territory'.¹¹⁰ In line with this sentiment, civil society organisations in Mozambique have also been advocating a reassessment of the financial terms and conditions under which mega-projects in general operate. They argue that through contracts that confer disproportionately favourable tax conditions on operating companies, Mozambique does not receive equitable benefit from operations within its borders.¹¹¹

The promulgation of a new law that permits renegotiation of contracts may ensure that corporations, the state, the national economy and local communities derive more equal benefit from mega-projects.¹¹² It is not enough, however, for such a law to exist merely on paper. The GoM will have to show its commitment to righting many of the wrongs inherent in mega-projects by giving effect to its expressed intentions and actually negotiating changes to contractual clauses that unfairly disadvantage the government and its people. Against the background of the boom in Mozambique's extractive sector, and given that many of these mining and gas schemes by virtue of their size and investment contributions will be classified as mega-projects, it is important that the government demonstrates its commitment to equity in future negotiations for mega-projects by moving ahead with the legislation. This will not only set the tone for what is to come, but will have an immediate, positive effect on Mozambicans in general.

The belief that there is a need to renegotiate the terms of some mega-projects demonstrates a desire to address some of the shortcomings of the 'trickle-down' development model. Given the increasing commercial interest in the country's natural resource wealth and its economy in general, the GoM is bound to see a strengthening in its negotiating position, but the extent of amendments to the taxation regime and fiscal incentives to attract FDI should not be overstated. As yet it remains unclear how far the GoM will go to increase direct state revenues from mega-projects, including those in the extractive sector; especially if such action is seen as possibly setting at risk steady FDI inflows and contributing to an unfavourable investment climate. Although a delicate balance has to be struck between attracting foreign investors and ensuring equitable benefits for government and society, in reality these twin priorities are not always compatible and indeed at times can be the opposite. It is crucial for the GoM to strike the correct strategic balance between them. This is particularly important in the context of growing resource nationalism in Africa, where increasingly, citizens are demanding that they receive greater benefit from exploitation of their countries' natural resources, which they consider national assets to be used for national development.

GETTING THE STRATEGIC BALANCE RIGHT

Access to energy is one of the most important vehicles for poverty alleviation and overall economic growth. Although Mozambique enjoys a myriad of primary energy sources including coal, natural gas, hydro and wind power, at present only 18% of households in Mozambique have access to electricity, with the great majority of Mozambicans reliant on informal energy sources such as biomass and wood.¹¹³ Recent gas discoveries hold the potential to alleviate energy poverty by making available a formal source of energy for households and businesses alike. The executive summary of the Master Plan Draft Report identifies various scenarios for utilisation of the gas, presenting options available to the GoM and companies operating in the hydrocarbons sector, rather than laying down a blueprint which participants must follow. The options are informed by a wide range of factors, including estimated gas supply and production costs; identifiable markets, employment generation capacity, environmental impacts and value added; and ways in which the gas windfall can best address socio-economic challenges.¹¹⁴

Broadly, two options have been identified for the Rovuma Basin discoveries. To make gas production in the Basin commercially viable the developers plan to export the bulk as LNG – presumably at market prices – while the GoM plans to use royalty gas and the profit share allocated to ENH to develop gas-based industry. Anadarko and ENI intend to construct an onshore LNG processing plant initially including two trains (with the option of an increase to 10 trains each) and with a capacity to process five million tonnes of gas annually.¹¹⁵

The remaining output will be used to develop gas industries. In analysing possible uses for the gas within Mozambique, the Master Plan executive summary considers two sectors. The first is small and medium enterprises (SMEs) which use natural gas as process heat in their industrial and commercial operations, including as fuel for transport. These undertakings are not compelled to locate close to the gas source and will use the gas only if it is commercially competitive.¹¹⁶ The second sector comprises large industrial customers which use gas either as a feedstock in manufacturing or as process heat. Feedstock industries include production of fertiliser (urea), methanol and gas-to-liquids. Process heat uses include power generation, aluminium smelting, steel production, petrochemicals and refining,¹¹⁷ known as ‘anchor loads’ due to the volumes of gas used and the pipeline infrastructure needed to make production viable. Such industries tend to locate close to the source of the gas because energy use is their primary input and major cost of production.¹¹⁸ Ventures such as these conventionally would be characterised as ‘mega-projects’ in Mozambique.

Given that it is already being produced in commercial quantities by Sasol in the Pande and Temane fields, interest has already been shown in using gas for power generation. Mozambique’s first gas-fired power station began operating in July 2012 with a production capacity of 107MW.¹¹⁹ Sasol has since entered into a joint venture with the state-owned power utility Electricidade de Moçambique for the construction of a 140MW gas-fired power plant at Ressano Garcia, Maputo Province, expected to come on line in 2014.¹²⁰ The Rovuma Basin discoveries have also prompted South Africa’s national oil company, Petroleum Oil and Gas Corporation of South Africa (PetroSA), to apply for a licence to build a gas-to-liquids facility in Mozambique.¹²¹ Various companies, mainly based in Japan and Germany, have approached ENH regarding gas supplies for proposed methanol and fertiliser industrial plants and a Mozambican company has put in an application for a pipeline project.¹²² Although this list is not exhaustive, the initiatives cited go to show that gas production has real potential to contribute to job creation and economic growth as well as to energy security in Mozambique and the rest of the region.

One way for the GoM to use the newly established gas industry to address some of Mozambique’s socio-economic challenges is by encouraging the growth of SMEs that can provide supporting services to anchor industries. In this way, the GoM can support a ‘bottom-up’ economic growth model; such smaller enterprises will contribute to tax revenues, increase employment and provide a market for gas to be used in their operations. The petroleum industry, however, is very specialised and demands a highly skilled workforce, which at present Mozambique does not possess. The GoM will have to invest in a long-term skills initiative with university education and artisanal training as two of its central pillars. A practical goal for this should be that over time the industry employs a majority of Mozambicans rather than an expatriate technical labour force.

The GoM should also ensure that revenues from natural gas (and other natural resources) are used to diversify the economy by investing in agriculture and fisheries, among other sectors. Such diversification will protect the future economy from the shocks normally experienced in the natural resource export market, while also boosting those sectors most closely, and traditionally, associated with sustainable livelihoods. It is important that the population at large can tap into the natural gas reserves. According to the Master Plan Draft Report executive summary, a pipeline infrastructure, although expensive, is a more cost-effective option than a series of LNG facilities along the various ports in the country. It will also serve to encourage small-scale industries providing services to mega-projects, which in turn should have a snowball effect on job creation and economic growth.¹²³

Export of LNG and development of a gas-based industry within Mozambique should not be seen as two separate options that cannot work in tandem. The GoM must necessarily pursue both strategies if it is to maximise the potential benefits of the gas discoveries. In addition to the advantages previously cited, a gas-based industry would boost Mozambique's exports in the immediate region. Crucially, gas-to-power plants can serve the country's electricity generation demands while also being used to export surplus electricity to the Southern Africa common power grid. Furthermore, natural gas is flexible in application and can also be used as a formal energy source for households, replacing more inefficient inputs.

Given these considerations it is important that the GoM strike the right balance between the quantities of gas exported and the amount retained. It is a foregone conclusion that the bulk of the resource will be exported: the GoM, however, must ensure that it is able to negotiate an equitable share, in cash or kind, with which to address pressing domestic needs.

TOWARDS A FUTURE OF GAS PRODUCTION

Although Mozambique is not new to the gas industry, the scale of the Rovuma Basin deposits, as well as the potential of new fields to be licensed in the next licensing round expected in 2013, makes it necessary to revisit existing governance structures for the industry. Although the projected start date for Rovuma Basin production may appear far off, it is important that government begins the process of signing contracts and putting in place legislative and regulatory frameworks and institutions for a future of large-scale gas production and export. The urgency is not lost on the GoM, as is indicated in the comment by a senior official in the Ministry of Planning and Development that 'the gas in Rovuma needs a fast approach if Mozambique is to get the most out of [it]. Contracts need to be signed; companies are anxious to get started'.¹²⁴ This sense of urgency should, however, be balanced with enough caution to avoid hasty decisions that will prejudice government and citizens once Rovuma Basin production begins. It is also important that decisions are based on a sound understanding of the sector and its potential, and of the demands of the larger economy.

The GoM has certainly tried to get a firmer handle on the gas sector. According to Dr Bias the review of the Petroleum Law noted above carries with it the intention to devote 'extra care to domestic interests' and involve local companies particularly in the provision

of goods and services.¹²⁵ Article 6 of the Law establishes that all petroleum resources within Mozambican territory are the 'property' of the state. Under Article 8 the state has secured direct involvement in the sector through ENH which, as noted earlier, has a shareholding in each of the exploration blocks as well as in Sasol's existing fields. The Petroleum Law as it stands also provides for procedures in awarding contracts; environmental protection once activities have begun; the fiscal regime governing the sector; and dispute resolution mechanisms.¹²⁶ The Petroleum Bill presently before Parliament makes a crucial addition that may have some lasting effect if administered effectively: Article 7 provides that an unspecified percentage of the 'income generated from Petroleum Operations is channelled towards the development of communities in the areas in which Petroleum Operations are conducted'.¹²⁷ Interestingly, unlike present legislation the draft amended Petroleum Law does not encompass the petroleum sector's fiscal regime although it might be thought that stipulating that regime in terms of tax, royalties and other payments due to the GoM, is crucial to sound financial management of the sector as well as to environmental stability and establishing a level playing field among participants. Taxation levels must not be so high as to deter investment, but not so low as to unfairly disadvantage government and society. This is a balance that must be carefully negotiated by the GoM in its quest to regulate the sector in such a way that it remains attractive to foreign capital, while making a meaningful and equitable contribution to the national economy.

Within the extractive sector there are indications that the GoM is committed to ensuring good governance and equitable benefit for society, indicated through collaborative efforts to build capacity and enact legislation between Mozambican state officials, the World Bank and other donor agencies. It has set up an interdepartmental steering committee to oversee the progress of the Master Plan through to completion, which signifies its intent to investigate optimal ways to use the resource. Co-operation between departments in matters of petroleum licensing also assists in streamlining the process and ensures that all relevant issues are taken into account. The CSR study, the review of existing legislation, and compliance with EITI all indicate that the GoM is taking steps towards ensuring good governance in the natural resources sector.

While the discourse within government circles, as well as some actions such as legislative reform, encourage a positive outlook, not all stakeholders in Mozambique are optimistic about the likely contribution of gas to national development. There is a concern that the country will not be able to put in place the requisite governance and management structures in time for the signing of production contracts and the start of Rovuma Basin extraction. Some stakeholders even doubt whether there is a real commitment to this end. Civil society has questioned whether Mozambique's EITI compliance will be effective in eliminating the diversion of resource rents from state coffers, given that funds can be channelled away at stages precedent to those monitored under the standard.¹²⁸ Contracts between government and business enterprises in extractive industries are confidential documents, which makes it near-impossible for civil society to monitor whether companies are rendering the taxes they should under law. Even in cases where companies have been granted favourable conditions it is difficult to monitor whether or not they are paying the amount stipulated in their contracts – a crucial concern in light of the argument that Mozambique has tended to give favourable terms to foreign investors, which are difficult to renegotiate without compromising the country's reputation abroad.

Parliament and civil society have an important role to play in ensuring that developmental policies are adopted, implemented and adhered to. The role of the legislative assembly will have to be strengthened if it is to perform a serious role in holding government to account, a task that may be less than easy given that Frelimo holds well over two-thirds of the seats in the assembly. Mozambique's civil society, too, has always been weak, under-funded and unco-ordinated. There is great potential for a strong and united civil society movement to lobby for the changes necessary to ensure that gas development benefits the broader society. Independent media in Mozambique are widely considered free but lack 'coverage, capacity and funding' and engage in self-censorship due to fear of being taken to court by government'.¹²⁹ This is another problem that must be corrected if the media are to play a serious part in holding the state to account.

The independence of monitoring agencies cannot be over-emphasised; only through unencumbered autonomy can they can perform their functions effectively. For this reason the GoM must commit itself to good governance, accountability, transparency and integrity by establishing oversight institutions to promote and monitor adherence to legislation in the petroleum sector. While the EITI goes some way towards this, the culture of secrecy surrounding contracts between the GoM and companies in the sector limits the information that can be accessed by those interested in monitoring legislative compliance. Furthermore the limited scope of the EITI, which monitors only payments and receipts, means that it should properly be seen as a starting point rather than an end in itself. Given the substantial income stream the GoM is anticipating as a result of the Rovuma Basin discoveries, prevention of inadequate oversight, which could in time give way to a culture of non-compliance and even corruption, is critical.

In regard to accountability there should be clear and open linkages between the uses of revenues by government. The Petroleum Bill makes provision for a portion of revenues to be remitted to communities in areas where petroleum operations are conducted. This is a step in the right direction but it is imperative that local authorities, which will be tasked with administering these funds, have the administrative and legal capacity to meet this obligation. It is equally important that there should be mechanisms in place to eliminate opportunities for rent capture and corruption at the local level. This will go some way to ensuring that funds are used appropriately for local community needs, avoiding a situation in which revenues remain at the national level due to lack of capacity further down the line – as has occurred in the past.

CONCLUSION

In the past few years major discoveries of natural gas in Mozambique have brought with them an atmosphere of palpable eagerness and anticipation. International companies prospecting for gas have suggested that FDI inflows may run into billions of dollars. The government has indicated that it intends to use this windfall for national development, ordinary Mozambicans hope for a change in their socio-economic circumstances, while civil society is advocating a cautious approach. It is clear that some decisive steps (eg legislative reform, various studies, bilateral partnerships and EITI membership) have been taken towards creating a regulatory framework for natural gas production. Concerns remain, however, around corruption and a lack of transparency and accountability. Donors

and civil society organisations continue to call for greater commitment to good governance and the eradication of corruption; it has become increasingly urgent to address these shortcomings if the gas sector is to realise its full social potential.

The GoM should regard the urgent developmental needs of Mozambique and its people as its primary concern, and accept the implications of such an approach. These would include revisiting unfavourable contracts and giving state contract negotiators enough authority to ensure that future contracts in the gas sector are fair to all parties. The argument that overly lenient conditions for mega-projects serve to attract FDI and are therefore of themselves good for the country in the long run does not hold water when taken against Mozambique's low level of development. The GoM must understand that the gas discoveries have created a sense of hope in Mozambique and that hopes frustrated could bring with them a level of unrest and instability detrimental to the peace and stability that foster inward investment. Achieving such a delicate balance demands first and foremost a political commitment on the part of Mozambique's elected leaders to improving the circumstances of their citizens by devising practical and workable strategies for maximising the socio-economic benefits accruing from the gas bonanza.

Well managed, the gas windfall could move Mozambique's economy steadily forward by making the country a net exporter of the resource; increasing growth rates even further and cutting reliance on donor funding; it will provide the primary resource for a local gas-based industry, increase energy access for households and businesses, and make available more government funds for development programmes.

Whether this will happen after 2018 will depend on many factors. Among them are GoM development policies; the quality of legislation governing the sector and the rigour with which it is enforced; and transparency in managing revenues accruing from operating companies. There must also be stringent accountability structures, strong mechanisms dealing with corruption, and consistent and unbiased legal recourse where legislative compliance is lacking.

Most importantly, there must be the political will and commitment at government level to distribute the new gas revenues in a way that will improve the lot of Mozambicans in general. At present they are some of the poorest people in the world; but it may be that they will not long remain so.

ENDNOTES

- 1 Verma N, 'Mozambique to offer new blocks in Q1 2013-ministry', *Reuters*, 16 October 2012, <http://af.reuters.com/article/investingNews/idAFJJOE89F01D20121016>.
- 2 Personal interview, senior official, National Department of Mineral Resources, Maputo, 15 May 2012; personal interview, senior official, National Department of Planning and Development, Maputo, 17 May 2012.
- 3 ICF International, 'National gas master plan for Mozambique: Draft report executive summary' was submitted to the Government of Mozambique Steering Committee 26 August 2012 with the full document expected in 2013. The document presents a summary of options available in utilising the gas as liquefied natural gas exports or for local industry. It recognises the need to benefit a broad base of society.

- 4 Personal interview, senior official, National Department of Planning and Development, Maputo, 17 May 2012.
- 5 Bucuane A & P Mulder, 'Expanding exploitation of natural resources in Mozambique: Will it be a blessing or a curse?' in De Brito L *et al.*, (eds), *Reflections of economic questions, papers presented at the inaugural conference of the Institute for Social and Economic Studies*. Mozambique: IESE, 2007, p. 104.
- 6 Ismail K, 'The Structural Manifestation of the "Dutch Disease": The Case of Oil Exporting Countries', IMF Working Paper 10/103. Washington, DC: International Monetary Fund, April 2010, p. 4.
- 7 IEA (International Energy Agency), 'Golden rules for a golden age of gas', *World Energy Outlook on Unconventional Gas*. Paris: IEA, 2012, p. 9.
- 8 *Op. cit.* p. 10.
- 9 Wright S, 'An unconventional bonanza', *The Economist*, 14 June 2012, <http://www.economist.com/node/21558432>.
- 10 CPI (Centre for Investment Promotion in Mozambique), <http://www.cpi.co.mz/>; CIA (Central Intelligence Agency), Langley, <https://www.cia.gov/library/publications/the-world-factbook/geos/mz.html>.
- 11 Rasmussen HL, 'Donors put brakes on Mozambique aid', *Mail and Guardian*, 1 June 2010, <http://mg.co.za/article/2010-07-01-donors-put-brakes-on-mozambique-aid>.
- 12 Bias E, 'Exploration and mining opportunities in Mozambique', presentation, Mining Indaba 2012, Cape Town, 6–9 February 2012.
- 13 *Ibid.*
- 14 Personal interview, Researcher, WWF (World Wildlife Fund), Maputo, 16 May 2012.
- 15 Ribeiro D & J Dimon, *Oil or Development: Results from a field study on the environmental and social impacts of oil exploration along the northern Coast*, Justiça Ambiental, September 2011.
- 16 Personal interview, researcher, WWF, Maputo, 16 May 2012.
- 17 Noormahomed AR, 'Overview of Mozambique's natural gas and oil potential', Presentation, Washington, DC, 29 November – 1 December 2006.
- 18 NPI (National Petroleum Institute), 'History of petroleum exploration in Mozambique', <http://www.inp.gov.mz/Exploration-Production/History-of-Petroleum-Exploration-in-Mozambique2>, accessed 10 July 2012.
- 19 Sasol, Annual Review, Johannesburg: Sasol, 2004, p. 38.
- 20 Sasol, 'Presidents Chissano and Mbeki inaugurate natural gas venture in Mozambique', Sasol News Centre, 1 June 2004, http://www.sasol.com/sasol_internet/frontend/navigation.jsp?articleId=8500001&navid=4&rootid=4, accessed 10 July 2012.
- 21 Personal interview, senior manager, Sasol Mozambique, Maputo, 17 February 2012.
- 22 Esterhuizen I, 'Sasol opens expanded gas processing facility in Mozambique', *Engineering News Online*, 30 May 2012, <http://www.engineeringnews.co.za/article/sasol-opens-expanded-gas-processing-facility-in-mozambique-2012-05-30>.
- 23 NPI, Press release, <http://www.inp-mz.com/Press.htm>, London, 15 July 2005.
- 24 Pretorius, *op. cit.*
- 25 Republic of Mozambique, Petroleum Law No 3/2001 of 21 February, p. 6.
- 26 Personal interview, senior manager, Empresa Nacional de Hidrocarbonetos de Moçambique (ENH), Maputo, 15 May 2012.
- 27 *Ibid.*
- 28 *Ibid.*

- 29 *Ibid.*
- 30 Anadarko Petroleum Corporation, 'Mozambique: Developing natural gas', Texas: Anadarko, nd.
- 31 ICF International, 'Natural gas master plan for Mozambique: Draft report executive summary', Fairfax: ICF International, 26 August 2012, p. 1.
- 32 *Ibid.*
- 33 Plank D, 'Aid, debt and the end of sovereignty: Mozambique and its donors', *Journal of Modern African Studies*, 31, 3, 1993, p. 409.
- 34 Abrahamsson H, 'The international political economy of structural adjustment: The case of Mozambique', *European Journal of Development Research*, 7, 2, 1995, p. 313.
- 35 Plank D, *op. cit.*, p. 411.
- 36 Marshal J, 'Structural adjustment and social policy in Mozambique', *Review of African Political Economy*, 47, 1990, pp. 29–31.
- 37 Plank D, *op. cit.*, p. 411.
- 38 US Department of State, 'A brief history of Mozambique, Part 2: The road to peace', <http://africanhistory.about.com/od/mozambique/p/MozambiqueHist2.htm>, accessed, 23 July 2013
- 39 African Elections Database, 'Elections in Mozambique', <http://africanelections.tripod.com/mz.html>, accessed 13 July 2012.
- 40 UNDP (United Nations Development Programme), Report on the Millennium Development Goals: Mozambique 2010, 28 February 2011, p. 6, <http://undp.org/mz/en/Publications/National-Reports/Report-on-the-Millennium-Development-Goals-Mozambique-2010>.
- 41 Dibben P, 'Transport, trade and economic development in Mozambique: An agenda for change', in De Brito L *et al.* (eds), *op. cit.*, p. 198.
- 42 Abrahamsson H, *op. cit.*, p. 299.
- 43 Manning C & M Malbrough, 'The Changing Dynamics of Foreign Aid and Democracy in Mozambique', UNU-WIDER Working Paper, 2012/18. Tokyo: United Nations University, 2012, p. 3.
- 44 Manning C & M Malbrough, *op. cit.*, p. 4.
- 45 De Renzio P & J Hanlon, 'Contested sovereignty in Mozambique: The dilemmas of aid dependence', Managing Aid Dependency Project, GEG Working Paper 2007/25, Oxford: Global Economics Governance Programme, January 2007, p. 2.
- 46 Personal interview, senior researcher, IESE (Institute for Social and Economic Studies), Maputo, 16 May 2012.
- 47 Bruschi F, 'Mozambique at a Turning Point: From Aid Dependence to Development Effectiveness', *GREAT Insights*, 1, 10, 2012, pp. 9–10.
- 48 Interview with President Armando Emilio Guebuza, Brussels, 16 December 2012, *GREAT Insights*, 1, 10, 2012, p. 1.
- 49 OECD (Organisation for Economic Co-operation and Development), *Development: Aid to developing countries falls because of global recession*, 4 April 2012, <http://www.oecd.org/newsroom/developmentaidtodevelopingcountriesfallsbecauseofglobalrecession.htm>, accessed 18 January 2013.
- 50 *Ibid.*
- 51 Personal interview, senior researcher, IESE, Maputo, 16 May 2012.
- 52 *Ibid.*
- 53 De Renzio P & J Hanlon, *op. cit.*
- 54 Dibben P, *op. cit.*, p. 199.
- 55 UNDP, *op. cit.*, p. 7–8.

- 56 Personal interview, senior researcher, IESE, Maputo, 16 May 2012.
- 57 Manning C & M Malbrough, *op. cit.*, p. 3.
- 58 Abrahamsson H, *op. cit.*, p. 315.
- 59 De Renzio P & J Hanlon, *op. cit.*, p. 4.
- 60 Anderson EJ, 'What does hydrocarbon wealth mean for foreign aid in Mozambique?', Policy Briefing 50. Johannesburg: South African Institute of International Affairs, 2012. p. 4.
- 61 Anderson EJ, *op. cit.* p. 2.
- 62 UNDP, *Human Development Report 2011, Sustainability and Equity: A better future for all, Summary*. New York: UNDP, 2011, p. 20.
- 63 UNDP, *op. cit.*, p. 4.
- 64 Republic of Mozambique, Action Plan for the Reduction of Absolute Poverty 2001–2005, Strategy document for the reduction of poverty and promotion of economic growth, Washington, DC: IMF, April 2001, p. 1.
- 65 Republic of Mozambique, Poverty Reduction Action Plan 2011-2014, Wasington: IMF, May 2011, p. 7.
- 66 'Memorandum of Understanding between the Government of Mozambique and the Programme Aid Partners on the Provision of General Budget Support', March 2009, p. 4, http://www.pap.org.mz/others_reports.htm, accessed 11 July 2012.
- 67 *Ibid.*
- 68 IMF, 'Debt relief under the heavily indebted poor countries (HIPC) initiative', 2 April 2013, <http://www.imf.org/external/np/exr/facts/hipc.htm>, accessed 23 July 2013.
- 69 Republic of Mozambique, Petroleum Law No 3/2001, *op. cit.*, p. 1.
- 70 ICF International, *op. cit.*, p. 3.
- 71 ICF International, *op. cit.*, p. 2.
- 72 *Ibid.*
- 73 Personal interview, senior official, Ministry of Mineral Resources, Maputo, 15 May 2012.
- 74 The EITI is an international standard which aims to enhance transparency in the extractive sector, including mining, oil and gas, through the full disclosure of tax and royalty payments and receipts by companies and governments respectively, see www.eiti.org.
- 75 Personal interview, senior official, Ministry of Mineral Resources, Maputo, 15 May 2012.
- 76 EITI (Extractive Industries Transparency International), *Extractive Industries Transparency Initiative, Second Reconciliation Report – Year 2009*, Maputo, May 2012, p. 10.
- 77 Personal interview, senior official, Ministry of Mineral Resources, Maputo, 15 May 2012
- 78 ICF International, *op. cit.*, pp. 32–36.
- 79 Manning C & M Malbrough, *op. cit.*, p. 6.
- 80 Rasmussen HL, *op. cit.*
- 81 *Fin24*, 'Netherlands stops budget aid to Mozambique', 13 July 2012, <http://www.fin24.com/Economy/Netherlands-stops-budget-aid-to-Mozambique-20120713>.
- 82 'Report 2012: Netherlands', Brussels: AidWatch. <http://aidwatch.concordeurope.org/countries/project/netherlands/>, accessed 23 August 2012.
- 83 Tran M, 'Drop in aid shows declining will for global partnership on development', *The Guardian*, 20 September 2012, <http://www.guardian.co.uk/global-development/2012/sep/20/drop-aid-declining-will-global-partnership>.
- 84 Lloyd R, 'Countries at the Crossroads 2011: Mozambique', Freedom House. Washington, DC: Freedom House, 2011.
- 85 Lloyd R, *op. cit.*

- 86 *Corruption Perceptions Index 2011*. Berlin: Transparency International, 2011, accessed 8 August 2012.
- 87 Personal interview, senior researcher, Centre for Public Integrity, Maputo, 17 May 2012.
- 88 *Ibid.*
- 89 Personal interview, researcher, WWF, Maputo, 16 May 2012.
- 90 Personal interview, senior researcher, Centre for Public Integrity, Maputo, 17 May 2012.
- 91 Martini M, 'Overview of corruption and anti-corruption in Mozambique', Transparency International, Anti-corruption Resource Centre, 5 March 2012, pp. 8–9, accessed 9 August 2012.
- 92 Pereira PG & JC Trindade, 'Overview and analysis of the Anti-corruption legislative package of Mozambique: Findings', Basel: Basel Institute on Governance, 31 October 2011, http://www.baselgovernance.org/fileadmin/docs/publications/commissioned_studies/Mozambique_Findings.pdf.
- 93 Martini M, *op. cit.*, p. 9.
- 94 *Ibid.*
- 95 Personal interview, senior official, Ministry of Mineral Resources, Maputo, 15 May 2012.
- 96 Personal interview, senior official, Commercial Department, ENH, Maputo, 15 May 2012.
- 97 Lee R, 'Major step towards mining transparency', Open Society Initiative for Southern Africa, 28 October 2012, <http://www.osisa.org/economic-justice/mozambique/major-step-towards-greater-mining-transparency>, accessed 23 January 2013.
- 98 *Ibid.*
- 99 *All Africa Global Media*, 'Mozambique: Benefits of Mega-Projects Explained to Parliament', 11 April 2012, <http://allafrica.com/stories/201204111170.html>.
- 100 'Mozambique: Planning minister defends mega-projects', Pretoria: TradeMark Southern Africa, 25 November 2010, <http://www.trademarksa.org/news/mozambique-planning-minister-defends-mega-projects>, accessed 10 July 2012.
- 101 Personal interview, senior commissioner, South African High Commission, Maputo, Mozambique, 16 February 2012.
- 102 'Case study: BHP Billiton – Mozal Aluminium Smelter in Mozambique', Melbourne: Business for Millennium Development, http://www.b4md.com.au/Files/MDG2_CaseStudy.pdf, accessed 10 July 2012.
- 103 *Ibid.*
- 104 Barradas S, 'Moma titanium mineral sands project', *Mining Weekly*, 7 July 2006.
- 105 *Business Report*, 'Vale opens \$1.7bn coal mine in Mozambique', 9 May 2011.
- 106 Sonne-Schmit C, Arndt C & M Magaua, 'Contribution of mega-projects to GDP in Mozambique', paper presented at II IESE Conference, Maputo, 22–23 April 2009, p. 5.
- 107 *Ibid.*
- 108 Afrodad (African Forum and Network on Debt and Development), 'What has tax got to do with development? A critical look at Mozambique's tax system'. Harare: Afrodad, 2011, p. 9.
- 109 Meijer R, 'Country Report: Mozambique', Utrecht: Rabobank, October 2011, p. 4.
- 110 *All Africa Global Media*, 'Mozambique: New bill envisages renegotiating megaprojects', 11 May 2011, <http://allafrica.com/stories/201105111043.html>.
- 111 Personal interview, assistant researcher, IESE, 16 May 2012.
- 112 *All Africa Global Media*, 11 May 2011, *op. cit.*
- 113 Mahumane G, Mulder P & D Nadaud, 'Energy outlook for Mozambique 2012–2030 LEAP-based scenarios for energy-based demand and power generation', paper presented at

- Mozambique: Accumulation and Transformation in the Context of the International Crisis, IESE 3rd International Conference, Maputo, 4–5 September 2012.
- 114 ICF International, *op. cit.*, p. 2.
- 115 Jansen R, 'Anadarko, ENI push on with Mozambique LNG', 3 January 2013. London: *TCE Today*, accessed 30 January 2013.
- 116 ICF International, *op. cit.*, p. 7.
- 117 *Ibid.*
- 118 *Ibid.*
- 119 *Macauhub*, 'Ressano Garcia power plant in Mozambique to open on Wednesday', 17 July 2012, <http://www.macauhub.com.mo/en/2012/07/17/ressano-garcia-power-plant-in-mozambique-to-open-wednesday/>.
- 120 Creamer T, 'Sasol, EDM sign contract for Ressano Garcia gas-fired power plant', *Mining Weekly*, 13 December 2012, <http://www.engineeringnews.co.za/article/sasol-edm-sign-contract-for-ressano-garcia-gas-fired-power-plant-2012-12-13>.
- 121 *Fin24*, 'PetroSA in talks with Mozambique on GTL plant', 25 April 2012, <http://www.fin24.com/Companies/Industrial/PetroSA-in-talks-with-Mozambique-on-GTL-plant-20120425>.
- 122 ICF International, *op. cit.*, p. 8.
- 123 ICF International, *op. cit.* p. 21.
- 124 Personal interview, senior official, Ministry of Planning and Development, Maputo, 17 May 2012.
- 125 Aiogace (Angola International Oil and Gas Conference and Exhibition) 2012, 'Utilising and identifying new oil and gas resources for the benefit of Angola's future generations', Interview with Mozambican Minister of Mineral Resources Esperança Bias, Luanda, 7–9 May 2012.
- 126 Republic of Mozambique, Petroleum Law No 3/2001, *op. cit.*
- 127 Republic of Mozambique, Department of Mineral Resources, Petroleum Law Review (unofficial translation).
- 128 Ossemame R, 'Is the Extractive Industries Transparency Initiative Relevant for Reducing Diversions of Public Revenue? The Mozambican Experience', Policy Briefing, 61. Johannesburg: South African Institute of International Affairs, 2013.
- 129 Manning C & M Malbrough, *op. cit.*, p. 15.

SAIIA'S FUNDING PROFILE

SAIIA raises funds from governments, charitable foundations, companies and individual donors. Our work is currently being funded by, among others, the Bradlow Foundation, the United Kingdom's Department for International Development, the European Commission, the British High Commission of South Africa, the Finnish Ministry for Foreign Affairs, the International Institute for Sustainable Development, INWENT, the Konrad Adenauer Foundation, the Royal Norwegian Ministry of Foreign Affairs, the Royal Danish Ministry of Foreign Affairs, the Royal Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency, the Canadian International Development Agency, the Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development, the United Nations Economic Commission for Africa, the African Development Bank, and the Open Society Foundation for South Africa. SAIIA's corporate membership is drawn from the South African private sector and international businesses with an interest in Africa. In addition, SAIIA has a substantial number of international diplomatic and mainly South African institutional members.

South African Institute of International Affairs
Jan Smuts House, East Campus, University of the Witwatersrand
PO Box 31596, Braamfontein 2017, Johannesburg, South Africa
Tel +27 (0)11 339-2021 • Fax +27 (0)11 339-2154
www.saiia.org.za • info@saiia.org.za

