

# Mozambique



The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at [www.revenuewatch.org/rgi](http://www.revenuewatch.org/rgi).

## Background

Mozambique has considerable natural resources, but effective exploitation of its mineral and gas sectors did not begin until the civil war ended in 1992. The extractive industries still operate below their potential; the government received less than \$40 million in revenues from petroleum and mining in

Mozambique	2000	2005	2011
Population (million)	18.20	20.77	23.93
GDP (constant 2011 international \$ billion)	5.4	7.4	12.8
GDP per capita, PPP (constant 2005 international \$)	501	670	861
Oil and gas revenue (% total government revenue)	...	..	1%
Extractive exports (% total exports)	38%	74%	67%

SOURCES: Oil and gas revenue as share of total government revenue from the Economist Intelligence Unit and the International Monetary Fund. All other data from the World Bank. Oil and gas revenues 2011 data from 2009.

2009. The entry of large multinational companies has boosted the sector and gas exports reached 107.4 billion cubic feet in 2010, when extractive products made up 74 percent of exports. Newly discovered gas reserves are estimated at 4.5 trillion cubic feet. Since gas contributes significantly more to the national economy than mining, the RGI has focused on hydrocarbons.

## Mozambique's Performance on the RGI

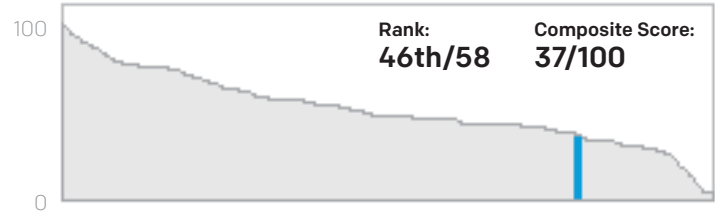
Mozambique received a "failing" score of 37, ranking 46th out of 58 countries, despite a relatively strong showing on the Institutional and Legal Setting component.

### Institutional and Legal Setting

(Rank: 32nd/58 Score: 58/100)

Mozambique's "partial" score of 58 is the product of an incomplete regulatory framework but meaningful disclosure policies.

The Mineral Resources Ministry's National Petroleum Institute (NPI) grants hydrocarbon licenses, which are obtained through public tender, simultaneous negotiation or direct



negotiation. The General Tax Directorate of the Finance Ministry collects royalties, taxes, and profit shares from companies. The NPI regulates the hydrocarbon sector and collects payments from oil companies for social and capacity-building funds. These revenues bypass the treasury, and there is no public information about their management.

Mozambique requires companies to provide an environmental impact assessment before extraction can begin, but the government often lacks the capacity to make an independent evaluation of environmental risks. The country achieved compliance under the Extractive Industries Transparency Initiative (EITI) in 2012. It has yet to adopt a law requiring disclosure of extractive sector information.

### Reporting Practices

(Rank: 51st/58 Score: 26/100)

Mozambique received a "failing" score of 26, reflecting a lack of information on the licensing process, contract terms, and industry data.

The Finance Ministry publishes only aggregated figures for combined revenues from energy, mining, and hydrocarbons. The Mineral Resources Ministry publishes very basic data provided by companies, and the NPI lists information on exploration activities, but little else. The most comprehensive information is published in EITI reports covering the 2008 and 2009 fiscal years. They contain the names of companies operating in Mozambique, the cost of social investments, royalties, taxes, dividends, and license fees. Some environmental impact assessments are made available by resource companies.

### Safeguards and Quality Controls

(Rank: 46th/58 Score: 37/100)

Insufficient government monitoring and poor audit mechanisms led to a "failing" score of 37.

There are no legal provisions limiting the NPI's discretion in licensing decisions, though the Public Tender Law does include mechanisms for appeal. The legislative branch does not review contracts and provides little oversight of the extractive industries. All public entities are audited and the reports are presented to the legislature, but lawmakers do not always follow recommendations from national auditors and not all audit reports

are available to the public. Government officials involved in the sector are not required to disclose potential conflicts of interest.

### Enabling Environment

(Rank: 29th/58 Score: 37/100)

Mozambique releases negligible information about the national budget process and faces challenges with the quality of the rule of law.

### State-Owned Companies

(Rank: 36th/45 Score: 28/100)

State-owned companies are active in all extractive sectors,

though private companies own part or all of most large projects. Empresa Nacional de Hidrocarbonetos is entirely owned by the state. Its audited reports provide data on petroleum operations and subsidiaries, including production by block, but give only limited information on revenue streams such as special taxes and dividends.

### Subnational Transfers

While the Petroleum Law requires that a portion of revenues go to communities where extraction takes place, no such payments have been made. The law does not specify the percentage of petroleum revenues to be transferred nor how the money should be managed.

## Mozambique's Composite, Component and Indicator

Rank (out of 58)		Score (out of 100)
<b>46</b>	<b>COMPOSITE SCORE</b>	<b>37</b>
<b>32</b>	<b>Institutional and Legal Setting</b>	<b>58</b>
	Freedom of information law	0
	Comprehensive sector legislation	67
	EITI participation	100
	Independent licensing process	83
	Environmental and social impact assessments required	50
	Clarity in revenue collection	67
	Comprehensive public sector balance	100
	SOC financial reports required	0
	Fund rules defined in law	..
	Subnational transfer rules defined in law	..
<b>51</b>	<b>Reporting Practices</b>	<b>26</b>
	Licensing process	33
	Contracts	0
	Environmental and social impact assessments	50
	Exploration data	17
	Production volumes	0
	Production value	33
	Primary sources of revenue	17
	Secondary sources of revenue	33
	Subsidies	33
	Operating company names	67
	Comprehensive SOC reports	17
	SOC production data	14
	SOC revenue data	25
	SOC quasi fiscal activities	0
	SOC board of directors	50
	Fund rules	..

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	..
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
<b>46</b>	<b>Safeguards and Quality Controls</b>	<b>37</b>
	Checks on licensing process	33
	Checks on budgetary process	44
	Quality of government reports	40
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	33
	SOC reports audited	44
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	..
	Fund reports audited	..
	Government follows fund rules	..
	Checks on fund spending	..
	Fund disclosure of conflicts of interest	..
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
<b>29</b>	<b>Enabling Environment</b>	<b>37</b>
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	39
	Open Budget (IBP Index)	29
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	43
	Government effectiveness (WGI)	39
	Rule of law (WGI)	37

<span style="color: green;">■</span>	Satisfactory	<span style="color: orange;">■</span>	Weak
<span style="color: yellow;">■</span>	Partial	<span style="color: red;">■</span>	Failing