
INTERNATIONAL WEBINAR SERIES

Sovereign Wealth Fund to Stabilize the Economy and Catalyze Good Governance and Inclusive Growth?

Press Release

Regardless of the exceptional energy market circumstances created by the COVID-19 pandemic, Mozambique is projected to become a major global gas market over the next decade, with more than 30 mmtpa of LNG coming on stream, which is equal to Nigeria and Algeria¹. Discoveries in Mozambique are of high quality. The gas finds in the Rovuma Basin are divided between two different concessions: Area 1 (75 TCF) led by French Total (formerly Anadarko) and Area 4 (90 TCF) led by Italy's Eni.

Large onshore LNG infrastructure facilities are set to start, with French Total led consortium recently completing the \$16 billion financing for part of its Area 1 concession in northern Cabo Delgado. This is the second major milestone in the monetization of Mozambique's world-class gas reserves following the beginning of the construction of the FLNG unit for Coral Floating LNG (FLNG) project in 2018. The first gas exports of the Coral Floating LNG (FLNG) are scheduled for late 2022.

The Government of Mozambique has long hailed LNG revenues as an economic game-changer for Mozambique as LNG has the potential to provide substantial revenues for the government. Economic projections with regard to the extractive industry remain highly speculative. Previous revenue projections generated by the International Monetary Fund (IMF)², the World Bank-funded Gas Master Plan³, and the Standard Bank⁴ analysis commissioned by Anadarko have suggested very substantial government revenues from LNG by early to mid-2020s. These forecasts

¹ <https://www.africaoilandpower.com/2020/03/20/mozambique-the-next-great-lng-player/>

² <https://www.imf.org/external/pubs/ft/dp/2014/afr1404.pdf>

³ <http://www.inp.gov.mz/Highlights/Development-of-a-Gas-Master-Plan-for-Mozambique>

⁴ <https://www.standardbank.co.mz/en/News/LNG-projects-between-2017-and-2022-Projected-FID-is-around-35-billion-US-dollars>

all assumed early exports, the rapid expansion of production capacity and very high LNG prices⁵.

Context has changed dramatically as a result, not only of global factors, e.g. low prices and COVID-19, but also of domestic factors such as bad governance, severe economic crisis and military insurgency near the natural gas concessions in Cabo Delgado. Nevertheless, Mozambique remains firmly put on the path to becoming a top ten LNG supplier. Many observers, however, are skeptical that the government will ensure that the gas benefits are shared out among the population. Despite abundance of natural resources and relative economic growth in the last two decades with an average growth rate of 7% between 2005 and 2014⁶, Mozambique has ranked poorly in key world indexes. In 2018, the country ranked among the bottom eight countries in the World Human Development Index and, in 2019, it ranked 146/180 in the Corruption Perception Index (CPI) with 26 out of 100 scores.

The Gas Master Plan (GMP) identifies several options for revenue management, including the creation of a sovereign wealth fund (SWF); the creation of a National Development Bank or Sovereign Development Fund (SDF); providing finance for public-private partnerships (PPPs); channeling funds into the private banking system; and direct cash distribution to citizens. Considering the country's poor track record in accountability and transparency, the green light to spend immediately billions of dollars of gas revenues would mean a recipe for disaster. The IMF has been providing advice to the government on the topic of Sovereign Wealth Fund (SWF), but African examples suggest that SWF no longer are a guarantee for preventing the looting of state funds for political purposes. On one hand, the idea of a SWF has high-level backing in the Central Bank, Banco de Moçambique. On the other hand, some donor circles acknowledge that a savings-focused revenue management scheme that would effectively transfer wealth from current generations to future generations would not be appropriate given Mozambique's poverty levels and development needs.

Recent experience with the management of the revenues from the capital gains taxes suggests that there is a need for preparedness of Public Financial Management. In view of this, while literature shows that there are two types of SWFs, namely saving and stabilization, civil society believes that, if properly designed, SWFs could also be a catalyst of good governance in the Public Financial Management ecosystem. It is in this context that CDD, FMO and PIE are organizing a series of webinars to gather international experiences from oil and gas emerging

⁵ <https://www.oxfordenergy.org/wpcms/wp-content/uploads/2014/04/NG-86.pdf>

⁶ <https://tradingeconomics.com/mozambique/gdp-growth-annual>

markets on policy options for management of windfall revenues from oil and gas projects. The webinars aim at enhancing CSO's knowledge and capacity to meaningfully participate in and take leadership of Mozambique's policy debates for the management of revenues from the Rovuma Basin.

There will be seven (7) webinars in total. The opening webinar is on August 14, 2020. The speaker is Mr. Benjamin Boakye, Executive Director of Africa Centre for Energy Policy (ACEP), and he will share the Ghanaian Experience. Subsequent webinars will feature Professor Immanuel Botlhale to share the Botswana Experience; Journalist Rafael Marques will share the Angolan Experience; Mr. Atiku Samuel will share the Nigerian experience; social activist Charles Scheiner will share the East Timor experience; Professor Wil Hout will share the Suriname experience; and Solidary Fund will share the South African experience.

Flyers with the details of each webinar will be circulated timely. All webinars will be via Zoom with simultaneous interpretation to Portuguese and English.

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