

Programme Document

«Responsible Management of Petroleum Resources in Mozambique»

1) Programme Summary

Impact	Reduced poverty in Mozambique.
Operative goal	Economically, environmentally and socially responsible management of petroleum resources in Mozambique.
Main outcomes	<ol style="list-style-type: none"> 1. INP set goals, define and assign responsibilities in a way, which promotes economically, environmentally and socially responsible management of petroleum resources. 2. INP manages the core functions of its mandate as the national petroleum regulatory authority. 3. Accountability and transparency in the petroleum sector is strengthened.
Cooperating institutions in Mozambique	<p>National Petroleum Institute - Instituto Nacional de Petróleo (INP)</p> <p>Ministry of Mineral Resources (MIREM)</p> <p>Ministry for Coordination of Environmental Affairs (MICOA), including National Directorate of Environmental Impact Assessment (DNAIA)</p> <p>Ministry of Finance</p> <p>Autoridade Tributária (Tax Authority – AT)</p>
Norwegian institutions involved	<p>Norwegian Petroleum Directorate (NPD)</p> <p>Ministry of Petroleum and Energy (MPE)</p> <p>Petroleum Safety Authority Norway (PSA)</p> <p>Norwegian Environment Agency</p> <p>Ministry of Foreign Affairs (MFA)</p> <p>Norwegian Tax Administration</p> <p>Norad</p>

Main implementing partners	INP and NPD
Programme period	2014 – 2018
Budget frame	NOK 50 million
Risk factors	<p>EXTERNAL</p> <ol style="list-style-type: none"> 1. Lack of sufficient governmental support 2. Lack of stakeholder/donor coordination 3. Political uncertainty 4. Security issues 5. Health (Traffic, HIV, malaria, etc) <p>INTERNAL</p> <ol style="list-style-type: none"> 1. Receiving capacity 2. Funding issues 3. Efficiency of programme management 4. Lack of compliance with new disbursement routines (in the new agreement) 5. Organisational behavior in INP relating to too little sharing of information and delegation 6. ICT and data management quality 7. Losing personnel to the private sector
Other Norwegian support programmes of relevance	<ol style="list-style-type: none"> 1. Tax for Development – Institutional support to AT 2. Support for the development of oil and gas technical vocational training – TVET Pilot Phase 1 3. Gender and Energy – Gender Mainstreaming in energy and petroleum
Other donors	World Bank (MAGTAP programme)

2) Introduction

Norway has provided petroleum related assistance to Mozambique for more than three decades, most recently through the Oil for Development (OfD) programme. The first OfD agreement, entered into between NPD and INP in 2006, ended in 2020, with an external evaluation pointing to concrete results, especially related to developing a sound framework for regulating the petroleum sector.

In a letter dated 29th of November 2010, Mozambique requested MFA for continued institutional support to INP in a second phase of an OfD programme. In November 2011, Norway and Mozambique entered into a new agreement for institutional support to INP for the period 2011-2015.

In May 2012, the Central Control Unit (CCU) in the MFA in Norway instructed a suspension of further disbursements to INP under the 2011-2015 agreement, due to investigations of financial discrepancy.

In February 2013, short-term legal assistance for 2013 to INP by the law firm SimonsenVogtWiig AS was approved, and in May 2013, a short-term programme for the period May to December 2013 on resource management support from NPD to INP was approved.

In January 2014, CCU forwarded a claim for repayment of USD 140 811 to INP. The claim was repaid on March 27, 2014, and the CCU case is now closed.

With reference to the CCU process and a dramatically altered situation in Mozambique (with several massive gas discoveries in recent years, see below), the parties have agreed conclude the 2011 agreement and enter into a new agreement in 2014. This document constitute INPs formal request for institutional support under the OfD programme.

3) Background

Mozambique has a massive upstream potential in natural gas. The critical factor in the future exploitation of the country's gas, however, is the emergence of sound commercial criteria for the establishment of a south-east African gas-gathering network capable of serving developing markets in the region. A central challenge for Mozambique is also to translate its resource wealth into social and economic welfare for its people.

There are three onshore gas fields, Pande, Temane and Buzi-Divinhe. Pande and Temane has reserves estimated to be in excess of 3.8 Tcf and Buzi has recoverable reserves in the order of about 0.3 Tcf. The Pande/Temane gas field started production in February 2004, with delivery of gas mainly to South Africa through an 865 km of pipeline to Secunda. There exist five takeoff-points from the pipeline to serve local gas market, and from which two have been put to use. The export gas is a dry gas, and extracted condensates are transported to Beira by trucks. Some intermediate LPG gasses are flared. An LPG extraction facility is under planning.

INP is the government authority responsible for regulating the exploration and productions of hydrocarbons, and they are carrying out audits concerning safety and environmental compliance together with MICOA. They are also auditing fiscal meters, both at the gas plant and at the receiving points. The auditing capacity in INP needs to be increased, the compulsory licensing and auditing under the licensing of installation regulation have not yet started, and the cooperation with MICOA has room for improvement. As regards emergency preparedness planning, INP is coordinating the government institutions, and two technical workshops have been conducted under the present OfD programme (e.g. the Matola gas distribution system). More systematic work and assessment of particular LNG and offshore challenges need to be addressed.

INP has the responsibility to undertake certain cost control of the exploration, construction and production activities, under the Exploration and Production Concession Contracts (EPCCs). It is planned to establish improved procedures and improved capacity to conduct this control together with the Tax Authority (AT). It is also planned to enhance the capacity to conduct economic modelling of petroleum projects to be able to serve other Mozambican institutions.

Since 2010, the Government of Mozambique (GoM) along with international companies have been involved in hydrocarbons prospecting in the Rovuma Basin. In Block 1 and 4, the operating companies Anadarko and ENI have 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 in place. The plan is to bring the gas to LNG processing plants and export terminals onshore for sale to customers mainly in the far east. Agreements for maritime delimitation with Tanzania and Comores are bilaterally agreed. The agreement with South Africa is pending.

Along with this commitment, the Government has taken steps to improve the regulatory environment for hydrocarbons, including LNG, through a review of Petroleum Law 3/2001 of 21 February 2001. The amended law is awaiting final approval by the parliament. The involved international oil companies have put forward a number of requests for changes in or exemptions from existing Mozambican legislation to agree on the gas and LNG development. To find an acceptable regulatory regime is presently a major challenge to the authorities. ENH will play an important role in the planned LNG project, both as a partner (10-15% state direct ownership) and as an operator of some service functions.

The Government commissioned a Natural Gas Master Plan for Mozambique (the 'Master Plan') that outline scenarios for utilization of the resource once production starts around 2018. Early indications are that the Government is considering two parallel markets for the gas. The first is to sell the major part in liquefied form on the international market, and the second is to use a portion of the resource for domestic gas-based industries. A key policy question is how to optimize the balance between the two, to meet the twin objectives of economic growth and sustainable development.

The Natural Gas Master Plan also did recommend licensing more acreage to have a better knowledge of the total petroleum resources, particularly in the offshore areas south of the

Rovuma Basin. Considering the limited institutional capacity and the current on-going very important tasks of regulating the planned gas development, the urgency of any new licensing is disputed.

The Mozambique petroleum potential has dramatically increased in recent years: from being a marginal exploration play, to becoming one of the hottest exploration areas in the world. A large part of the area is not yet mapped by seismic lines or tested for petroleum through drilling, and INP is attracting very high levels of attention from the international petroleum industry interested in having access to the new blocks.

Both the expansion into LNG and heavy offshore projects will present huge challenges for INP in the years to come. The work force in INP has already doubled over time, and this growth continues, and this implies that the organizational structure, split of responsibilities, focus and priorities need to be addressed through a strategic plan.

Capacity building to meet the challenges resulting from a more and more demanding petroleum sector, does not relate to INP alone, but goes also for INPs superior ministry MIREM, and for other directly involved ministries like the Ministry of Finance and MICOA.

MIREM directs and executes policies relating to the exploration for and production of mineral resources, including raw petroleum, coal and natural gas, while MICOA is responsible for regulating Environmental Impact Assessments (EIAs). The Ministry of Finance is responsible for financial and economic policy in Mozambique. The Ministry has as one of its main directorates, AT, which collects royalties, taxes and profit shares from companies, including the petroleum sector.

4) Long term development goals of the OfD programme in Mozambique

The operative goal of the OfD programme in Mozambique is “economically, environmentally and socially responsible management of petroleum resources in Mozambique”. The ultimate aim of the programme, “the impact”, is reduced poverty in Mozambique. The causal relationship between the OfD programme and the ultimate aim of the programme is difficult to verify. In addition, there are factors outside of this programme that will determine whether the ultimate aim of the programme can be achieved.

Long-term indicators of OfD’s operative goals in Mozambique:

Operative goal	Indicators	Baseline
Economically responsible management of petroleum resources	Proven petroleum reserves	More than ~170 Tcf in place
	Petroleum production	~140 MGJ (Pande/Temane)
	The government captures a fair share of the petroleum revenues	<ul style="list-style-type: none"> 2004-2013 Royalty Gas Cash: +/- USD

	<ul style="list-style-type: none"> Tax income from the Petroleum industry/GDP 	25.000.000,00 <ul style="list-style-type: none"> 2009-2013 Fiscal Revenue: USD 210.442.366,25 Government Share: 10% to 25% Income Tax 32% Royalty: Oil 10%/Gas 6%
	GDP per capita per year	\$579 (World Bank, 2012)
Environmentally management of petroleum resources	Natural gas (m ₃) flared per produced boe	1.395.610 Nm ³ /Month (average) 57.551 Gj/Month (average)
Socially responsible management of petroleum resources	HDI index (human development index)	185 of 187 nations ranked (UNDP, 2013)
	Corruption Perception Index (CPI)	CPI – 123 of 176 (score 31 of 100)
	World Governance Indicators (WGI) 1) Voice and accountability (VA) 2) Political stability (PV) 3) Government effectiveness (GE) 4) Regulatory quality (RQ) 5) Rule of law (RL) 6) Control of corruption (CC)	World Bank, 2013 1) 43.12 percentile 2) 58.77 percentile 3) 29.67 percentile 4) 34.93 percentile 5) 33.65 percentile 6) 33.01 percentile
	Ibrahim Index of African Governance	54.8 of 100 (rank 20 of 52)
	Sufficient Emergency preparedness- and HSE plan in place	The 2010 Environmental Regulations is strengthened and improves controls/restrictions on gas flaring. Implementation however is weak. Oil spill response and contingency planning inadequate.
	Number of serious injuries/loss of life as a direct result of the development of petroleum infrastructure and its operations	No serious injuries
	EITI compliance	Yes, since October 2010.
	Gender Gap Index (World Economic Forum)	26 of 136 (2013)

5) Programme Structure

Agreements and governance:

The OfD programme in Mozambique will be based on two agreements:

1. A **programme agreement** to be entered into between the Government of Mozambique, represented by the Ministry of International Cooperation (MINEC) and the Government of Norway, represented by the Ministry of Foreign Affairs through the Norwegian Embassy in Maputo.
2. An **institutional cooperation contract** to be entered into between INP and the Norwegian Ministry of Petroleum, with a delegation of rights and responsibilities to the NPD.

An Annual Meeting will govern the programme, where progress reports, work plans and budgets are discussed and approved. The Annual Meeting shall be called and chaired by Mozambique, represented by INP. INP shall designate a team of at least two persons to be the main contact points for any matters pertaining to the programme. INP and NPD shall meet in the last quarter each year prior to the Annual Meeting to finalize draft annual progress reports, work plans and budgets. The meetings shall be called and chaired by INP.

Financial management:

INP has the overall responsibility for the planning, implementation, reporting and monitoring of the programme.

INP shall ensure that the programme funds are used according to approved work plans and budgets, and that programme funds are properly accounted for.

The Norwegian Embassy will effect disbursements directly to NPD for costs incurred under the programme, upon receipt of requests from INP accompanied by: specified invoices and written approval of the invoices by the chief financial officer in INP.

The Norwegian Embassy will also effect disbursements directly to INP for costs related to minor local activities under the programme.

The annual financial statements shall be audited on an annual basis.

Reviews:

A midterm review shall be carried out in 2016. An end-review or a near-end review shall be carried out in 2018.

Other Norwegian support programmes of relevance:

The OfD programme provides assistance within environmental management and revenue management, in addition to resource management. In Mozambique, the focus has been primarily on resource management. However, Norway has also provided some support for strengthening environmental institutions in Mozambique, such as MICOA. Norway also supports AT through the Tax for Development programme. In the new programme, efforts

will be made to coordinate programme activities with other governmental institutions, including the environmental institutions and AT when relevant.

The Norwegian Embassy has entered into an agreement with the Ministry of Education (MINED) regarding support for the development of oil and gas technical vocational training. The purpose of this support programme is to enable a phase 1 of a pilot project in order to establish and test a new concept of TVET targeting the oil and gas sector in Cabo Delgado province.

Norway supports a gender project related to the energy sector in Mozambique: “Gender and Energy – Gender Mainstreaming in energy and petroleum”. The main goals of this project is to ensure that both women and men participate and benefit from the country’s energy development. INP is also a partner in this project. A Gender and Energy Adviser, engaged by the Ministry of Energy, coordinates the project.

6) Programme Description

The operative goal of the OfD programme in Mozambique is “economically, environmentally and socially responsible management of petroleum resources in Mozambique which safeguards the needs for present and future generations”.

This chapter outlines the program goals, indicators and planned activities.

Outcome 1	INP set goals, define and assign responsibilities in a way, which promotes economically, environmentally and socially responsible management of petroleum resources.
------------------	---

Baseline	Outcome Indicator	Output	Output Indicator	Main Activities
<p>The Petroleum Law 3/2001 sets out rights to all natural resources in the soil and sub-soil, in interior waters and the territorial sea, on the continental shelf and in the exclusive economic zone, as the property of the state of Mozambique. Rights and responsibilities for carrying out petroleum activities are set out in EPCCs as well as the Petroleum Regulations. The Petroleum Law 3/2001 needs to be amended in order to cater for new developments, including for HSE regulations.</p> <p>Draft facility contracts and regulations are developed but not completed. There are 11 concession contracts on going with 1 in the production phase and 10 at the exploration phase but with two with discoveries (Anadarko and ENI). Specific environmental regulations have been in place since 2010.</p>	<p>Legal frameworks and legal documentation: Relevant/sufficient legal framework in place.</p>	<p><u>Legal framework:</u> Revised petroleum <i>law</i>.</p> <p>Under revised petroleum law: Revised and new petroleum operations <i>regulations</i>, environmental regulations and <i>guidelines</i> for supervisions under all new regulations, and model contracts prepared.</p>	<p>Petroleum legislation established and published</p> <p>Updated webpages on legal framework.</p> <p>The public informed on the revised petroleum legislation.</p>	<p>Further development of <u>Legal framework</u> including amended petroleum operation regulations under revision, environmental regulations to be published in Gazette (Public newspaper) and communicated through workshops to the civil society and other related institutions.</p> <p>Guidelines for supervisions under all new regulations. Make all the non-confidential legal documentation available to the public using INP web-site</p>

Baseline	Outcome Indicator	Output	Output Indicator	Main Activities
<p>A Decree Law, Enabling Law and a Host Government Agreement is being drafted and negotiated with Anadarko and ENI in relation to the LNG project</p> <p>Discussions concerning unitization are ongoing.</p>	<p>Legal framework established on the development and unitization of Rovuma gas discoveries.</p> <p>Cost efficient technical solutions.</p> <p>High recovery factor.</p> <p>Benefit to Mozambique society.</p>	<p>Approved PDO.</p> <p>Approved unitization agreement.</p> <p>An operator for the unitized field appointed.</p>		<p><u>LNG documentation, first phase:</u></p> <p>Negotiating process.</p> <p>Unitization process.</p> <p>PDO approval process.</p>
<p>Strategic Plans: Adequate strategic plan for INP and the sector more broadly is not in place.</p> <p>A draft natural gas master plan exists but is pending. Current Exploration policy needs updating especially relating to the size of the discoveries in the recent years. A plan for the 5th licensing round with renewed policies for the 5th licensing round needs to be established.</p>	<p><u>Strategic plans:</u> Exploration plan, Long-term depletion plan for Rovuma Basin gas discoveries (present and future), and updated licensing strategy.</p>	<p><u>Strategic plans:</u> A strategic plan for INP and the sector developed. Exploration plan approved. Long-term depletion plan for Rovuma Basin gas discoveries (present and future) developed. Updated plan for 5th licensing round prepared.</p>	<p>Adequate strategic plan for INP till 2018 in place.</p>	<p>Update resource inventory: Assessment of the resource base strengthening the seismic activity and the geological and geophysical activities, all together with the field assessment.</p> <p>Develop a strategic plan for INP on how to optimize the petroleum resources.</p> <p>Identify existing needs of developing and re-structuring INP that can be implemented immediately and in parallel with the development of a Strategic Plan</p>

Outcome 2	INP manages the core functions of its mandate as the national petroleum regulatory authority.
------------------	--

Capacity to:	Baseline	Target	Output	Output Indicator	Main Activities
1 Assess the petroleum potential including update relevant databases	Resource classification system exists, but needs to be populated with data	High quality resource inventory, based on interpretation of available seismic, well and production data following a recognized international nomenclature	Resource inventory improved.	Resource inventory up to date at any time, populated by latest data available.	Systematic registration and analysis of existing and new seismic, well, testing and production data. Update national resource inventory and the databases.
2 Prepare and implement fair and transparent licensing processes	The first proposal for the 5th licensing round has indicated a high number of blocks, with extensive acreage. The proposed scope of the 5th licensing round needs to be reduced.	Well conducted licensing rounds based on the licensing strategy and conducted through concession rounds, with a high level of transparency, with adequate work programmes to be conducted by high quality companies	Licensing strategy to meet the Mozambique requirements developed.	A license strategy based on the need for Mozambique to carry out new licensing	Preparation of promotion material for 5th licensing round.

Capacity to:	Baseline	Target	Output	Output Indicator	Main Activities
3 <u>Handle plans</u> for development of fields and infrastructure, annual production plans, flaring applications and abandonment plans for wells/field installations	<p>Rovuma PDOs: First phase PDO expected 2014. Next phase, is expected to be finalized in 2 to 3 years. There is a lack of plans to handle the new levels of production of the Rovuma project.</p> <p>Pande/Temane exploration area: PDO expected 2014.</p> <p>Inhassoro light oil/LPG development: PDO possibly 2014.</p> <p>The current level of flaring is very high in Pande/Temane Central Processing Unit (CPU).</p> <p>Considerable number of wells were abandoned.</p> <p>New licensing rounds is on the table for this year, but there is a need to build capacity to assess the oil and gas projects in economic and financial analysis.</p>	<p>INP through active engagement with companies in the field planning process, secure that the PDOs presented are addressing the government concerns. The PDOs approved by the government should only allow limited flaring of gas (for safety reasons only), and production plans based on adequate reservoir modelling results. The PDOs to meet government requirements as to safe conduct and the protection of the environment</p>	<p>Approved PDOs and production plans.</p> <p>Well analysis capacity in place.</p> <p>Economic and financial analysis capacity improved.</p>	<p>PDOs approved and returned to applicant within 3 months, with the necessary conditions stipulated by the government.</p>	<p>Receive and assess PDOs.</p> <p>Technical training and workshops (e.g. HSE training)</p> <p>Analysis of abandoned wells to investigate the integrity regarding leakages and protection for safety.</p>

Capacity to:	Baseline	Target	Output	Output Indicator	Main Activities
4 Conduct <u>relevant supervision, auditing and general control</u> in all phases of the petroleum activity including cost control, financial analyses, fiscal metering and HE&S auditing, including licenses for all installations	INP has started with supervision/control, but needs further development of capacity and competence; that goes especially for HSE and for reservoir technical capacity to do supervision and analysis of the gas outtake. There is lack of competence on this area also in MICOA. A baseline study of the existing environmental situation in the sea around the platforms does exist before production starts.	Necessary audits performed based on the government risk assessments (based on data on incidents and accidents); any deviations noticed and corrected by the industry	Updated procedures to perform supervisions and audits.	Procedures in place, and audits performed following international best practice	Workshops on license supervision. Follow up license activities from seismic acquisition to drilling operations. G&G training. Handling relinquishment of acreage. Petroleum economic training in order to: undertake cost control of operations in all phases in cooperation with AT. Undertake fiscal metering and control of royalty payments in cooperation with AT. Workshop on HSE auditing (in cooperation with other environmental institutions). Technical training (cost control and financial model).
5 Create an <u>efficient and competent institution</u>	INP has been developing over years and some organizational procedures and capacities have been established, but the future will represent increased organizational challenges regarding cooperation with other institution, more teamwork, and improved flow of information and working procedures in the organization.	The organization delivers expected results and maintains a good working environment.	System for Employee/ Customer Survey implemented. Upgraded the current ICT system. INP strategic plan in place. INP plans and policies are gender sensitive	System for Employee/ Customer Survey implemented. Employee turnover. Sick leave data	Develop administrative procedures, personnel plans and data management/ICT systems. Management training. Develop and implement the strategic plan for INP.

Capacity to:	Baseline	Target	Output	Output Indicator	Main Activities
6 Create an environment of cooperation between the involved institutions, and arrange for a reciprocal (mutual) beneficial cooperation with the industry to enhance the industries understanding and compliance to the law and regulations.	Potential for improved cooperation with other institutions involved in the petroleum sector. The lack of Tax and Fiscal auditing capacity of Tax authority and the lack of environment supervision capacity from MICOA are the main challenges we are facing.	Efficient cooperation between sector institutions and industry	Improved cooperation between regulatory authorities and with industry	Cooperation fora established. Number of meetings conducted. Evaluation of cooperation among the management of the institutions	INP must strengthen its coordinating role between Mozambique institutions (national and regional) regulating the petroleum sector and international authorities in the East and South African region. INP must develop an environment of understanding, trust and confidence between the authorities and the industry. Exchange experiences by arranging meetings and workshops.
7 Improve the national understanding of the revised legal framework.	Lack of legal competence and oil and gas knowledge in public institutions such as Ministry of Labor, Ministry of Environment, Customs General Directorate and Tax Authority.	To facilitate its prudent application across government institution. Higher understanding of new legal framework	Legal capacity training programme implemented. Establishment of a "Legal Precedence Register"	Number of trained lawyers. Their knowledge of the relevant legislation. Their capacity to provide legal services within the necessary fields, without external support.	Build legal capacity through training activities and recruitment. Workshops and mentoring programme.

Outcome 3	Accountability and transparency in the petroleum sector is strengthened.
------------------	---

Baseline	Target	Output	Output Indicator	Main Activities
Laws and regulations: Internet access is in place, but webpages need to be improved in order to secure the flow of timely information on law and regulations.	Continuously updated webpages exists including laws and regulations	Laws and regulations are available on official (INP) webpages	Relevant institutions are well informed about the laws and regulations in place.	Update INP web pages to make all laws and regulations available through the INP webpages.
The existing decision documentation systems is not functional and need to be created and defined. The documentation system today is following the extinguished Coal National Directorate before INP's creation. Information on regulatory activities in the petroleum sector is not publically available.	Decision documentation systems exists. Greater transparency in regulatory activities. An information department in function giving INP the possibility to give petroleum sector information to public (men and women), media and NGOs	Decision documentation systems developed and actively used to enhance transparency in regulatory activity. An information department serving media and NGOs with petroleum sector information is established and in operation.	Decision documentation system. Regular update of relevant information on INP webpage.	Develop decision documentation systems. Follow up on EITI reporting. Establish an information department within INP.
Basic flows of petroleum data and information to other institutions in operation and with cooperation in the sector, but improvements are needed. The sector information is not shared within a reasonable time and there is lack of collaboration between the relevant institutions that may be involved in the process.	There is a need to have a regular exchange of information between the institutions. The cooperating institutions in the country (TA, MIREM, MoF, MoL and others) receive satisfactory data and information of the sector.	INP is able to provide necessary petroleum information to other institutions and have their necessary feedback	Relevant institutions are well informed about the	Map adequacy of existing data flows. Schedule regular meetings and define institutional focal points to channel the information

7) Sustainability and risk factors

Factors that may hinder the achievement of a program's intended results.

Assessment of the program's sustainability:
<p><i>The program's local/institutional foundation:</i></p> <p>INP receives full support from superior institutions:</p> <ul style="list-style-type: none"> • It is essential that the petroleum institutions are provided with necessary authority and delegations to conduct their responsibilities. Efficient enactment of laws and regulations, and establishment of national policies for the sector is of vital importance. <p>INPs receiving capacity /access to trained personnel:</p> <ul style="list-style-type: none"> • A strong focus on development activities will improve INPs capacity to meet the expected regulatory workload in the time to come. It will however at the same time when being implemented take resources and attention from the daily regulatory responsibilities; a competition for attention that must be addressed when planning for the development activities. • The involved institutions must be in position to maintain capacity to undertake on-going technical work without resource leakages for ad hoc tasks. • Technical personnel should be exposed to extensive contact with the industry to facilitate an efficient access and flow of information and data. <p>Funding issues and programme management capacity:</p> <ul style="list-style-type: none"> • INP must accept to allocate adequate capacity to meet the contracted needs in the agreement with Norway/OfD. • NPD must be able to find expertise to fulfil the technical support projects agreed in the programme. • INP must find stable sources of income. Governmental budgets and institutional contributions at the signing of the concession contracts are not giving the necessary stability.
<p><i>Participation by different stakeholders and coordination with other actors/donors</i></p> <p>Coordination of stakeholders and actors/donors must be very efficiently performed, and they must work towards common objectives; the present situation must be improved:</p> <ul style="list-style-type: none"> • Mozambican stakeholders: MIREM, INP, MICOA, ENH, Ministry of Finance, AT and MINED. • Norwegian Stakeholders: MPE, NPD, Norwegian Environment Agency, Oil Taxation

Office, PSA, Norwegian Tax Administration, MFA and OfD/Norad.	
<ul style="list-style-type: none"> Other actors/donors: World Bank. 	
<p><i>Other relevant sustainability elements (environmental, technological, economic, socio-economic and culture aspects, etc.)</i></p> <p>Political and social instability can threaten an efficient implementation of the programme.</p> <p>Communication between different cultures can create challenges.</p> <p>Communication with financial and environmental institutions is characterized by language challenges. These institutions do also have high personnel turnover.</p> <p>A growing private petroleum sector can lead to a leakage of personnel from the public sector. A growing national oil company can have a similar effect.</p>	
Mozambique, with support from donors has initiated a process to conduct a Strategic Environmental Impact Assessment (SEA). The industry present impact assessments for each major proposed petroleum activity.	Yes.
Has a Conflict Sensitivity Assessment been carried out?	Part of SEA.

RISK ASSESSMENT		
Risk factors	Assessment (discuss probability and consequences)	Mitigation
EXTERNAL		
Lack of sufficient governmental support	Low risk. Current support from Government is good, but could be a risk in the future	Improved legal framework, improved delegation to, and use of INP. Influence MIREM to provide extended authority if deemed necessary.
Lack of stakeholder/donor coordination	Medium. Lack of coordination results in stakeholder/donors influencing in different directions. INPs receiving capacity is limited and should not be exposed to different donor projects.	The Embassy should play a leading role in the Extractive Industries Task Force. The Embassy is instrumental in coordinating with the other donors. OfD/NPD has an important task to coordinate Norwegian institutions.
Political uncertainty	Medium. Can possibly lead to delays in the programme. Election	Increased awareness necessary. The Embassy should work with new

	next year could lead to change of political leadership, ministers and top management in public institutions.	Government to provide information on the Programme to ensure progress and commitment.
Security issues	Medium. Present situation stable, but possibility of escalation related to presidential election.	Listen to advice from INP and Embassy. Avoid activity in critical areas. Provide assistance also by e-mail, phone conferences, Skype, etc.
Health (Traffic, HIV, malaria, etc.)	Medium, Low if procedures are followed. Procedures for precautionary behavior must be in place and followed.	Duplicating critical competence and knowledge. Sharing information. Regarding traffic, enforce strict rules on own drivers, GPS tracking.
INTERNAL		
Receiving capacity	Medium. Receiving capacity is adequate, but INP has new personnel not fully trained and utilized.	INP must prioritize training, recruitment and management.
Funding issues	Low. Not deemed critical.	The long term financial funding of INP need to be addressed.
Efficiency of programme management	Medium. Very much depending on IT situation in INP. If current update works, problem will be significantly reduced.	Dedicated programme coordinating committee proposed in INP, and NPD project team established for the project. Scheduled minimum two meetings per year. Quarterly Mozambique meetings arranged in Norway by OfD to coordinate Norwegian institutions.
Lack of compliance with new disbursement and budget routines (in the new agreement)	Low.	Several preparatory meetings have been conducted to prepare for the new disbursement routines in the programme.

Organisational behavior in INP relating to too little sharing of information and delegation	Low. Present condition does not represent a big challenge, but with continued growth in INP staff and organization, it might.	Organizational analysis and development in the programme
ICT and data management quality	High. If current update works however, the problem will be significantly reduced. Several databases not operational and updated. Delays in data loading. Back-ups not being performed. Servers not functioning.	Current update being performed regarding ICT infrastructure and data management hardware. A system for renewal of data software. Outsourcing ICT operation responsibility. (Short-term solution, until internal capacity is in place). Increased management awareness. More ICT data management personnel employed and trained. Management procedures in place.
Losing personnel to the private sector	Low, but the probability might increase.	Increase salary, training package, benefits, career plans to enhance job satisfaction.

8) Gender equality

Norway places a strong emphasis on women and gender equality in its foreign policy and development cooperation. Gender equality will strengthen the institutions credibility and ensure that they incorporate the interests of a larger portion of the population.

Describe how gender and equal rights are taken into consideration in the program, and ensured in recruitment and training:

The 1990 Constitution states: "The State promotes, supports and values the development of women and encourages their growing role in society, in all spheres of political, economic and social activities in the country. Mozambique is the signatory of all regional and international initiatives aimed at promoting equal rights for men and women, and instituted the Family law in 2002 and the Law against Domestic Violence in 2009. Across all sectors, Mozambique requires gender equality and women to be an integral part in the social-economic development of the country. In the petroleum sector, and within this programme – in cooperation with the existing gender project (as referred to on page 7) – gender equality can be incorporated in the following ways:

- Institutionalized systems for considering gender in all legal and policy frameworks, strategic plans as well as in reporting on progress of the program.

- Sex disaggregation of human resource data for INP and development of policies and targets on gender in training, recruitment, promotions and retention of staff at INP.
- Institutionalized systems for developing and making use of capacity on gender and local social impact issues.

9) Anti-corruption

Accountability is necessary both for preventing wrongdoing and for addressing it where it has happened. Parliamentary committees, civil society organization and media are all crucial “watchdogs”. In order to play a meaningful role these actors must have independence, relevant knowledge as well as access to comprehensive and accurate information about the petroleum sector.

Describe how transparency, anti-corruption, accountability is taken into consideration in the program:

Reference is made to Outcome 3: “Accountability and transparency in the petroleum sector strengthened.”

All involved parties declare commitment to counteract corrupt practices in the execution of the Agreement. Further, the Parties commit themselves to counteract by taking rapid legal actions to stop, investigate and prosecute in accordance with applicable law any person suspected of misuse of resources or corruption.

The implementing parties declare by signing this Agreement to share all documents and information about the cooperation and resulting from the cooperation with the superior authorities and anyone assigned by the superior authorities to receive such information.

Civil society organisations and media will be invited to participate in training and other activities related to information, when appropriate (ref. Outcome 3).

BUDGET 2014-2018							
	OUTPUTS						Total NOK
Outcome 1	Legal Framework and Petroleum Sector Strategy	2014	2015	2016	2017	2018	
1,1	Optimization of Legal Framework	1 000 000	1 000 000	1 000 000	500 000	500 000	4 000 000
1,2	Legal Supervision Guidelines	1 000 000	500 000	250 000	250 000	250 000	2 250 000
1,3	Gas Master Plan Implementation, Monitoring and Follow up	1 000 000	1 000 000	500 000	250 000	250 000	3 000 000
1,4	Development of a INP Strategic Plan	200 000	1 000 000	250 000	-	-	1 450 000
1,5	LNG and Associated Legal Documentation Preparation	500 000	500 000	250 000	250 000	200 000	1 700 000
1,6	5th Licensing Round Preparation and Execution	500 000	1 500 000	1 000 000	-	-	3 000 000
	Sub Total	4 200 000	5 500 000	3 250 000	1 250 000	1 200 000	15 400 000
Outcome 2	Organizational and Functional Capabilities						
2,1	Exploration and Licensing Strategy Update and Implementation	300 000	1 000 000	500 000	500 000	500 000	2 800 000
2,2	Improvement of the Resource Inventory	1 000 000	1 000 000	750 000	500 000	500 000	3 750 000
2,3	Follow up the PDO's and Production Plans (Rovuma/Inhassoro/Pande and Temane)	750 000	1 500 000	1 500 000	750 000	500 000	5 000 000
2,4	Definition of Supervision Procedures and Improvement of Supervision and Audit Capacity	1 000 000	1 000 000	1 000 000	500 000	500 000	4 000 000
2,5	Development and Implementation a new organization structure and management procedures	50 000	800 000	50 000	50 000	50 000	1 000 000
2,6	Upgrade the existing ICT system (ICT plans and structure)	50 000	50 000	-	-	-	100 000
2,7	Improvement of Institutional Cooperation (Regulator vs. Companies and Other Government Institutions)	250 000	150 000	100 000	100 000	100 000	700 000
2,8	HSE Training	100 000	100 000	100 000	100 000	100 000	500 000
2,9	Work Shops and Seminars	200 000	200 000	200 000	200 000	50 000	850 000
2,10	Economics Training (Cost Control and Financial Models)	400 000	50 000	50 000	-	-	500 000
	Sub Total	4 100 000	5 850 000	4 250 000	2 700 000	2 300 000	19 200 000

Maputo, 11.4.2014

Outcome 3	Accountability and Transparency in the Petroleum Sector	2014	2015	2016	2017	2018	
3,1	Develop a system to publish petroleum sector data, information and regulations on INP webpage	150 000	300 000	150 000	-	-	600 000
3,2	Develop procedures to increase transparency in the sector (Follow up EITI reporting and workshops)	150 000	150 000	-	-	-	300 000
3,4	Monitoring exploration and Metering audit	300 000	300 000	300 000	300 000	300 000	1 500 000
	Sub Total	600 000	750 000	450 000	300 000	300 000	2 400 000
Others	Administration, Human Resources & Finance						
	Internal Procedures (communication and flow of invoices)	100 000	100 000	100 000	100 000	100 000	500 000
	Basic skills training (basic petroleum fundamental training)	200 000	200 000	200 000	200 000	200 000	1 000 000
	INP Financial Control (audit by Ernst & Young of Norad funds)	100 000	100 000	100 000	100 000	250 000	650 000
	Project Management (meeting venue, administrative expenses, logistical support)	500 000	500 000	500 000	250 000	250 000	2 000 000
	Mid-term review (programme monitoring)	-	-	400 000	-	-	400 000
	End review (programme monitoring)	-	-	-	-	500 000	500 000
	Sub Total	900 000	900 000	1 300 000	650 000	1 300 000	5 050 000
	Tax (20 %)	1 960 000	2 600 000	1 850 000	980 000	1 020 000	8 410 000
	Grand Total	11 760 000	15 600 000	11 100 000	5 880 000	6 120 000	50 460 000