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Gordon Institute of Business Science
University of Pretoria

The role of MNCs as a channel of the resource ‘curse’: Insights from gas-rich Mozambique

Khetha-Okuhle Rantao

19111127

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Abstract

The resource ‘curse’ is premised on an inverse relationship between mineral wealth and economic growth. The declamation pertaining to the reasons for, and exceptions to, the resource ‘curse’ remains inconclusive. MNCs are cited amongst the reasons for the resource ‘curse’, particularly in developing economies. However, Africa (and the role of MNCs) remains underrepresented in resource ‘curse’ literature. In light of this, the study’s aim is to determine how MNCs in Mozambique’s gas sector could be considered a causal channel of the resource ‘curse’, as the contest for relatively untapped natural gas reserves in Mozambique is intensifying. An exploratory case study is provided, where Phase I consisted of 11 qualitative interviews with 14 oil and gas experts while Phase II analysed secondary data in the form of public documents and audio-visual materials, intended to supplement and verify the interview data. The results reveal that MNCs (i) promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives and (ii) leverage the diplomatic relationships of their home country government to supersede the host country’s sovereignty. Moreover, the Mozambican government’s cultural practices exacerbated the prospects of a resource ‘curse’ outcome. The study concludes that the MNC, in the case of Africa, in particular Mozambique and Angola, is indeed a channel of the resource ‘curse’.

Key words: Oil and gas multinational corporations, MNC; Resource curse; Mozambique; Developing economies

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Philosophy (International Business) at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Signature of researcher/ student

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Khetha-Okuhle Rantao	Date

Contents

ABSTRACT ii
Declaration iii

Abbreviations 1

Chapter 1: Introduction to the research problem 2

1.1. Preamble 1
1.2. The resource 'curse' debate 2
1.3. The business case 3
1.4. The EXMNCs role 4
1.5. The host governments perspective 6
1.6. Extant literature regarding the EXMNC vis-à-vis the resource 'curse' 6
1.7. Context of the research 7
1.8. Relevance and contribution of the study 9
1.9. Thesis report structure 10

Chapter 2: Literature Review 11

2.1. Where it all started 13
2.2. Defining the resource 'curse' phenomenon 13
2.3. Developments pertaining to the resource 'curse' 14
2.4. Critiques of the resource 'curse' 20
2.5. Status quo: Inconclusive results 20
2.6. So, is Africa cursed? 21
2.7. Can Africa be cured? 21
2.8. The EXMNC as a channel of the resource 'curse' 24
2.9. Conclusion 27

Chapter 3: Research Propositions 28

3.1. Preamble 28
3.2. Research questions and propositions 29
3.2. Conclusion 31

Chapter 4: Research Methodology 33

4.1. Overview 33

4.2 Research Design 33
4.3. Research scope 36
4.4. Universe and population 36
4.5. Unit of analysis 36
4.6. Data collection 40
4.7. Ethical Concerns 40
4.8. Data analysis 42
4.9. Field issues and limitations 43
4.10. Storing data 45
4.11. Quality assurance/Validity & objective 45
4.12. Summary 45

Chapter 5: Results 47
5.1. Preamble 48
5.2. Primary Data: Findings and Results 49
5.3. Secondary Data – Findings 75

Chapter 6: Discussion of Results 85
6.1. Preamble 85
6.2. Discussion 86

Chapter 7: Conclusion 102
7.1. Preamble 102
7.2. Principle Findings 102
7.3. Contributions 105
7.4. Implications for policymakers (host government) 106
7.5. Implications for mangers (EXMNC) 107
7.6. Implications of the managers (EXMNCs) home-country government 107
7.7. Limitations of the research 108
7.8. Suggestions for future research 108

REFERENCE LIST 109
APPENDIX 1 – Consent form 121

APPENDIX 2- Interview guide 123

APPENDIX 3- Primary set of codes for data 131

Abbreviations

AIDS	Acquired immunodeficiency syndrome
BEPS	Tax base erosion and profit shifting
CSR	Corporate social responsibility
CSR 2.0	Corporate sustainability and responsibility'
EITI	Extractive Industries Transparency Initiative
EXMNC	Extractive sector foreign multinational corporation (including IOCs, NOCs and OFSCs and any multinational company in the extractive industry)
FDI	Foreign direct investment
FMGOI	Five major groups of interest
Globalisation-'curse'	Developing countries opening their borders to EXMNCs
HIV	Human immunodeficiency virus
IOC	International oil company
LNG	Liquified natural gas
NGO	Non-governmental organizations
NOC	National oil company
OECD	Organisation for Economic Co-operation and Development
OFSC	Oilfield services company
Other Voices	Academic Institutions, Civil Society, NGOs and knowledgeable Mozambican/ Angolans
SOE	State owned enterprise
U.S.	The United States of America
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

Chapter 1: Introduction to Research Problem

1.1. Preamble

The relationship between natural resource endowment and economic growth has caused much debate amongst researchers, academics and policymakers for several decades. These debates have however remained inconclusive. The point of contention is premised on a theory that purports that resource-rich countries, particularly in Latin America, the Middle East and Africa, (a) do not benefit from their resource endowments and (b) perform worse than less well-endowed countries (like Singapore, Korea, Japan and Hong Kong), as measured by economic and social indicators (Badeeb, Lean & Clark, 2017). This phenomenon is widely recognized as the resource 'curse' or the 'paradox of plenty' – these two terms can be used interchangeably (Auty, 1993). As stated by Lyons (2015), "it goes against conventional wisdom that something providing great wealth and revenue is bad for a state and its population" (p. 4).

The reasons for and exceptions to the resource 'curse' is based on a combination of political and economic factors (defined as channels) such as the institutions weakening, the Dutch disease effect and the crowding-out effect (Wu, Li, & Li, 2018; Badeeb, Leana & Clark, 2017). These channels are premised on observational data, as a result, the debates relating to the resource 'curse' remain robust and unsettled.

The anchor stakeholder in the resource sector is the multinational corporation which possesses the financial capital and technical expertise on which oil exporters rely on to extract and monetise mineral wealth (Wiig & Kolstad, 2010). While scholars continue to deepen their understanding of the channels that contribute to the resource 'curse' (Olsen & Wig, 2017; Hong, 2017), the role of the multinational corporation in the extractive sector (hereafter EXMNC) is relatively under-researched. Instead, the debate regarding the impact of EXMNCs on economic development remains topical in international business scholarship (Ghauri & Yamin, 2009), versus in economic and political scholarship. Thus, much work needs to be done to fully understand the breadth and scope of the EXMNCs role as a channel of the resource 'curse'. This study addresses this gap in the literature by answering the research question: "**How can EXMNCs be considered as channels of the resource 'curse'?**"

1.2. The resource 'curse' debate

The genesis of the natural resource 'curse' dates to the 1950s. The resource 'curse' only exists for certain types of resources, it is therefore unique to hydrocarbons (Manzano & Rigobon, 2001). Thus, natural resources refer to oil, gas and minerals that are extracted (Badeeb, Lean & Clark, 2017). Initial studies demonstrated a strong link between resource wealth and poor economic development (Sachs & Warner, 1995). There has been and there continues to be an abundant body of work scrutinizing and analysing the multiple dimensions relating to the reasons for, and exceptions to, the resource 'curse' (Mehlum, Moene & Torsvik, 2006; Humphreys, Sachs & Stiglitz, 2007; Brunnschweiler, 2008).

As described in more detail in Chapter 2, much of the work considers the causal channels through which natural resource wealth will impede economic performance, market and economic factors (for example Dutch disease, commodity price instability and crowding out of manufacturing/ agricultural activities. Including the institutional factors within the host governments' control (such as corruption levels, institutional strength, quality of governance and the prevention of civil wars) (Mehlum, Moene & Torsvik, 2006; Papyrakis & Gilberthorpe, 2017; Frankel, 2010). The channels that facilitate the 'curse' (in general, that is, not specific to a country, region or continent) are deeply researched and understood, as are the negative products of resource wealth, being the blow-out of the HIV/AIDS, autocratic rule, poor governance, social unrest and gender inequality (De Soysa & Gizelis, 2013). However, studies examining the EXMNC as a possible transmission channel of the resource 'curse' are scarce.

In contrast to the established literature supporting the resource 'curse', there has been an emergence of literature contesting the phenomena and presenting evidence of a positive effect on GDP per capita (Smith, 2013; Sarraf & Jiwanji, 2001). Theoretical and empirical research has produced mixed results, by way of example, Sudan, Nigeria, Angola and Venezuela are said to be 'cursed', while Malaysia and Chile are said to have avoided the 'curse' (Stevens, 2003; Bucuane & Mulder, 2009; Marroquín, 2014; Amundsen, 2014). Strong cases have also been made against and in support of the 'paradox of plenty'. Scholars have shown that natural resource abundance impacts growth either negatively or positively (Havranek, Horvath & Zeynalov, 2016). There remains a strong academic need for further scholarship on the resource 'curse' phenomenon, at least until consensus is reached, or all diplomatic possibilities are exhausted.

1.3. The business case

The benefits and pitfalls of natural resource extraction must be understood; from transportation to electricity generation, almost every major production network is heavily dependent on the oil and gas sector (EIA, 31 May 2019). The sector's vital role in the global economy for the foreseeable future cannot be underestimated, notwithstanding increasing concerns regarding the atmospheric abundance of greenhouse gases primarily from the burning of fossil fuels (Gregory et al., 2007). Following China's policy to switch from coal to gas, global trade in liquified natural gas (LNG) saw an eight percent (3.2 billion cubic feet per day) growth spurt in 2018 year-on-year (IMF, 2019). The substantial growth trajectory of natural gas consumption is projected to occur for the next twenty years (BP Energy Outlook, 2018), with Standard Bank (2019) expecting an average demand increase rate of 98 percent between 2018 and 2040.

In his keynote remark at the 2018 World Gas Conference, Michael K. Wirth (Chairman & Chief Executive of Chevron Corporation) states that the human race "requires access to reliable, affordable, cleaner energy and the human progress it enables […] by every objective measure, there is no practical solution to this global challenge that does not include a significant role for natural gas. Natural gas underpins our energy future" (World Energy TV, 2018).

In summary, "if petroleum[1] booms are likely to produce poverty, inequality and political crises inside oil-exporting countries […] then crises within oil exporters are essential to understand, not only because they shape the lives of people within their borders or regions, but also because they can reverberate powerfully throughout world markets and even threaten global peace" (Karl, 1999, p. 33).

1.4. The EXMNCs role

Globalisation has birthed the emergence of multinational corporations (MNCs, or multinational enterprises (MNEs) or transnational corporations (TNCs)), a term used to describe geographically borderless corporations whose activities extend beyond the boundaries of their origin country to several countries simultaneously (Al-Daoud, 2018). For this study, multinationals corporations in the extractive sector refer to privately-owned international oil companies (IOCs), oil companies that are majority-owned by their respective national governments (NOCs), oilfield services companies (OFSCs) and any other multinational enterprise that explores and produces oil and/ or natural gas (together and hereafter EXMNCs) (Al-Fattah, 2013).

EXMNCs are typically prominent entities ranked amongst the most powerful in the world, these companies often have market capitalisations substantially larger than their developing host country's gross domestic product (GDP). For example, ExxonMobil's (an IOC) market capitalisation ranged between US$289.75 - 343.4 billion in 2019 (Bloomberg 30 August 2019; Forbes, 15 May 2019) versus Mozambique's GDP of US$14.458 billion in 2018 (World Bank Data,

[1] Petroleum products can be made from natural gas, alongside crude oil, coal and biomass (The U.S. Energy Information Administration (EIA)).

undated). Moreover, Saudi Aramco, Saudi Arabia's state oil company (a NOC) was valued at US$2 trillion and is amongst the world's most valued companies (Dutta, 2018).

Given the giant stature of EXMNCs, their role and conduct have been under scrutiny for several decades, particularly in developing countries. Research on the MNCs impact on developing economies dates back to the 1960s, when Rostow's (1960) economic development model (a model that suggests that investments from MNCs positively impact developing economies by facilitating exponential economic growth) was nullified on the grounds that the model's true intention was to cast doubt on the negative impact of Western MNC on developing countries (Frank, 1967).

The complex relationship between MNCs and society is well recognised by international business scholars (Rodriguez, Siegel, Hillman & Eden, 2006). MNCs are being held responsible more so now, than ever, for societal ills notwithstanding the noteworthy corporate social responsibility (CSR) initiatives they have undertaken in developing countries (Porter, & Kramer, 2019). Fuelling this surge, are revelations similar to that of Burton (2014) and Paul and Barbato (1985) who found that EXMNCs have at times funnelled large proportions of revenues derived from natural resource extraction in developing countries to their home countries. Hence, Irogbe (2013) is of the view that EXMNCs do not have a philanthropic agenda and are self-serving institutions.

Economist and statistician Friedman (1962), has defended EXMNCs, stating that EXMNCs have no social responsibility and that their only concern should be lawful profit maximization. In their defence, EXMNCs have subsequently taken a more diplomatic approach to Friedman and have argued that their innovative technology and CSR programs have contributed to the sustainability of extractive activities and have been beneficial to all stakeholders, including local communities and the developing economies in which they operate (Canel, Idemudia & North, 2010). Critics argue that this argument is only valid in countries with a solid regulatory environment, vigilant and active civil society and with strong institutional capacity to implement and enforce the law. Developing countries are unlikely to possess these attributes, suggesting that EXMNCs are not benefiting stakeholders in developing economies (Canel et al., 2010). These are a few of the examples of the robust on-going debates underpinning the developmental contribution of EXMNCs in extractive industries, a debate which could further be enriched by the natural resource 'curse' scholarship, as discussed in Chapter 2.

1.5. The host governments perspective

MNCs rely on their home country government to support their internationalization activities (Guler & Guillen, 2010; Luo, Xue & Han, 2010). Li, Meyer, Zhang and Ding (2018) found that MNCs consider the diplomatic relations between their home country and host government ahead of investing in a host country. In the extractive sector, EXMNCs bargain with host country governments on several matters including the sharing of resource revenue (Li et al., 2013), therefore in building a case for examining the EXMNCs role in the resource 'curse' phenomenon, the host government's stance cannot be overlooked.

For example, in 1951, the Prime Minister of Iran, Mohammed Mossadegh, did not believe that the country was being adequately developed by the EXMNC, as a result he decided to nationalise the Anglo-Iranian Oil Company (with compensation) in an attempt to further develop the country (Irogbe, 2013). EXMNC have been found to be negotiating terms that leave the host country with exceptionally low revenues (Venables, 2016). This "resource nationalism," was birthed in the 1970s via the establishment of NOCs, that is, oil companies that were majority-owned by the state (Venables, 2016).

NOCs currently control 90 percent and circa 75 percent of world oil reserves and global production respectively. Moreover, resource nationalist policy regimes in African countries are on the rise, primarily in the form of increases in tax regimes, governments share of royalty in oil and gas, expropriations as well as increased mandated beneficiation and state/ local equity participation requirements (Venables, 2016; Graham & Ovadia, 2019; Bremmer & Johnston, 2009; Mares, 2010; Vivoda, 2009). This evidence points to the possibility that African host governments generally distrust EXMNCs' economic contribution, as they amend the rules of the game by requiring a larger 'piece of the pie' in addition to larger local economic linkages from EXMNCs (Roberts, 2016). This calls for studies that examine whether the EXMNCs are a channel of the resource 'curse' phenomenon, particularly in Africa.

1.6. Extant literature regarding the EXMNC vis-à-vis the resource 'curse'

It is accepted that EXMNCs have significantly benefited from resource extraction activities in developing countries. The heart of the study pertains to whether these benefits have been at the detriment of the economies of the host countries, thus exacerbating or igniting the resource 'curse'. Amongst the very first, albeit imprecisely, to link the EXMNC to the resource 'curse' phenomenon were the dependency theorists who believe the continuous exploitation via unfair trade deals, debt and foreign aid by EXMNCs has worsened the development deficit in poor countries (Mlambo, 2019; Rudra & Jensen, 2011; Sommerfeldt, 2018).

McFerson (2010) was amongst the first over the last decade to directly link the EXMNC to the resource 'curse' outcome by stating that the oil addiction of EXMNCs was the reason underpinning oil malediction for the people of Africa. Supporting the view that EXMNC caused a resource 'curse' outcome was Wiig and Kolstad (2010), they argues that the reliance on CSR as a profit maximisation or risk mitigation tool (instead of improving the host countries conditions), places EXMNCs at risk of facilitating patronage, thereby, exacerbating the resource 'curse'. Thereafter, literature singling out the EXMNC as a channel of the resource 'curse' began to increase, albeit very slowly. While EXMNCs have been identified as a cause of underdevelopment and poverty on the African continent (Osuagwu & Obumneke, 2013; Nfam & Mawere, 2018). More recently, a team of researchers definitively concluded that the EXMNC's profit maximisation agenda contributed significantly to the natural resource 'curse' (Adams, Adams, Ullah & Ullah, 2019).

Duruigbo (2014) challenges the notion of a resource 'curse' and suggests that Africa is prey to a leadership 'curse' instead. This view dismisses the notion of the resource 'curse' and the suggestion that the EXMNC is exacerbating the phenomenon. Perhaps then, the question to ask is how the EXMNC is exacerbating the leadership 'curse' or whether African resource-rich countries are subject to a globalisation -'curse'[2]. Be it leadership or mineral wealth driven, scholars have shown that Africa is cursed and the literature regarding EXMNC role in exacerbating this 'curse' is sparse.

1.7. Context of the research

Around 32 percent of African countries are reliant on resource fiscal income ranging from 12.5 percent to 52.6 percent share of GDP (Dwumfour & Ntow-Gyamfi, 2018). Barring Botswana, who has avoided the 'curse', mineral wealth in African countries encapsulates the resource 'curse' (Sebudubudu & Mooketsane, 2017; Acemoglu, Johnson & Robinson, 2002). Nonetheless, Africa remains underrepresented in resource 'curse' literature despite the notable activity of EXMNCs, and existing studies about Africa have focused heavily on South Africa, Angola, Nigeria and more recently Ghana (Sala-i-Martin & Subramanian, 2013; Okpanachi & Andrews, 2012; Gyimah-Boadi & Prempeh, 2012).

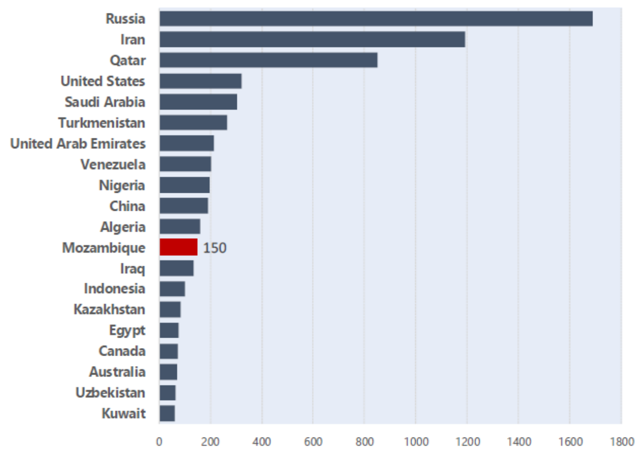
This research is premised on developing countries, particularly in Africa. The contest for relatively untapped oil and natural gas reserves in sub-Saharan Africa is intensifying on the back of depleting global oil and gas supplies (Frynas & Paulo, 2006). It is only in Africa that substantial

[2] Developing countries opening their borders to EXMNCs.

new oil and natural gas fields have been discovered. A great proportion of petroleum reserves entering the world market over the next decade is likely to come from Africa (Klare & Volman, 2006; Graham & Ovadia, 2019). Mozambique, in particular, possesses considerable unexploited and newly discovered natural gas quantities in the Rovuma Basin, where Mozambique meets Tanzania, where each license – Area 1 and Area 4 – has been awarded to EXMNCs.

It was initially projected that Mozambique's gas production would result in the country being the third largest global exporter of Liquefied Natural Gas (LNG) (Inui et al., 2015). However, Figure 1.1 places Mozambique as the twelfth largest holder of natural gas reserves across the globe (IMF, 2019).

Figure 1.1: World's top 20 proved reserves of natural gas, 2018 (Tonnes of cubic feet)



Source: IMF, 2019

As such, Mozambique's liquification capacity is being aggressively developed. It is estimated that the total investment required to fund the first phase of projects in Mozambique will be the equivalent to four-times the country's 2018 GDP, that is circa US$55 billion. The low-income country will attract substantial foreign direct investment (FDI) inflows relative to the US$ 2.7 billion attained in 2018 and despite returns on investment on the continent declining by approximately 45 percent between 2010 and 2018 (UNCTAD, 2019). The International Monetary Fund (IMF) projects an average real GDP growth rate of 24 percent by 2025 (Inui et al., 2015), therefore the rents generated from Mozambique's natural gas reserves will facilitate economic development and tackle poverty (IMF, 2019).

While the IMF's economic development and average real GDP growth rate projections are reassuring, the reality is that the socioeconomic impact of monetising natural gas in Mozambique is unknown, empirical evidence (in general and not specific to Mozambique) suggests either a "blessing" or 'curse' outcome is possible. Casting further doubt, is Bucuane and Mulder's (2009) findings that Mozambique is vulnerable to a resource 'curse' outcome, this finding is based on the natural gas findings referred to in this thesis.

This research builds on Bucuane and Mulder's (2009) research; it is premised on Mozambique yet draws insights from Angola – although Mozambique has been monetising natural gas (on a small scale) for well over a decade, the Rovuma Basin gas reserves are yet to be developed. These two countries have been chosen because they (i) possess considerable oil and/ or gas reserves, (ii) they are member countries of the Southern African Development Community (SADC) and Lusophone Africa, and (iii) they were previously Portuguese colonies, plagued by an elongated civil war following independence. Moreover, Angola is a case in point of the 'paradox of plenty'. It is the second-largest oil producer in Sub-Saharan Africa, yet the majority of its population experience low per capita income and lives in extreme poverty (Wiig & Kolstad, 2010).

1.8. Relevance and contribution of the study

Numerous scholars have devoted great time to explaining the causes of the resource 'curse'. However, they have given little attention to understanding whether the EXMNC is a direct channel of the resource 'curse'? For example, while Bucuane and Mulder (2009) have evaluated the risk of a resource 'curse' outcome in Mozambique, the relationship between the EXMNC and resource 'curse' has not been considered in the context of Mozambique. Adams et al. (2019) are amongst the few to explicitly confirm a clear direct relationship between the EXMNC and the resource 'curse', they do this by reviewing existing studies that have explored the causes and implications of the resource 'curse' in countries such as Zambia, Ghana, Liberia and Nigeria.

As a result, little has been written regarding the EXMNC's role as a channel of the resource 'curse', particularly in Mozambique, and the results are always based on a methodology that rests on theoretical perspectives. Augmenting these theoretical views with first-hand data from a wide range of oil and gas sector experts (including EXMNCs, financial institutions, civil society, government institutions, academic institutions and non-governmental organisations (NGOs)) provides a holistic perspective. Perspectives that contribute to a deeper understanding and knowledge of the core 'reality' of the EXMNC's role vis-a-vis the resource 'curse' phenomenon that enrich and argument existing literature. This study fills that void.

In contrast with most contributions to the literature on the resource 'curse', this study reports data from in-depth semi-structured interviews based on the case study methodology. This approach provides a deeper and more holistic understanding of the nuances apropos to the EXMNC actions vis-à-vis the resource 'curse' prodigy.

The evaluation conducted in this study is not based on the past only, it also serves to document the current actions of the EXMNCs that may risk a resource 'curse' outcome in the future. In documenting these processes in Mozambique as they unfold, scholars who research this topic in future and in the context of Mozambique can place reliance on historical data points captured in this study.

In summary, this study answers how the EXMNC can be a channel of the resource 'curse'. The following are the specific contributions: (i) it provides a better understanding of whether EXMNCs use CSR to mask their inability to meet local content requirements and (ii), it sheds light on the role played by the EXMNC's home government in support of the EXMNC.

The next chapter highlights the literature that underpins this study. These findings should be of interest to researchers, academics and policymakers interested in the resource 'curse' phenomenon in highly fragile African states such as Mozambique (Fund for Peace, Fragile State Index, 2018).

1.9. Thesis report structure

To help shed some light on how the EXMNC can be a channel of the resource 'curse'. Chapter 2 builds a bridge between the two bodies of scholarship by: conducting an analysis of the key contributions to literature and the principles of the resource 'curse' theory, thereafter, marrying this theory to the relevant literature relating to the EXMNCs role in developing markets. Chapter 3 surveys a variety of propositions derived from the literature review, these are detailed in Chapter 4. The research findings are presented in Chapter 5, prior to providing an in-depth analysis and discussion of the results in Chapter 6. Finally, Chapter 7 concludes with the policy implications and limitations of the study. Appendices containing the relevant information used in the research process are included at the end of this document.

Chapter 2: Literature Review

This study explores the research following question: "How can EXMNCs be considered as channel of the resource 'curse'?" In light of this, the scope of the literature review pertains to the resource 'curse' phenomenon coupled with the literature on EXMNCs in developing countries. Moreover, this chapter is primarily based on peer-reviewed academic literature published between 2019 and 2014.

This paper comprises of eight major concepts as depicted in Figure 2. The genesis and definition of the resource 'curse' is first discussed in section 2.1 and section 2.2 respectively. This is followed by a description of the pertinent matters that have dominated the resource 'curse' debate in section 2.3. Section 2.4 presents the literature that contests the phenomena, this is done prior to outlining the reasons for the inconclusively of the debates in section 2.5. Section 2.6 then applies the resource 'curse' literature in an African context, section 2.7 examines the effectiveness of the initiatives intended to overcome the resource 'curse'. Finally, the researcher's primary purpose is to examine the inextricable link between the resource 'curse' literature and the EXMNC in developing countries, thus the literature regarding the EXMNC in developing countries is discussed in section 2.8.

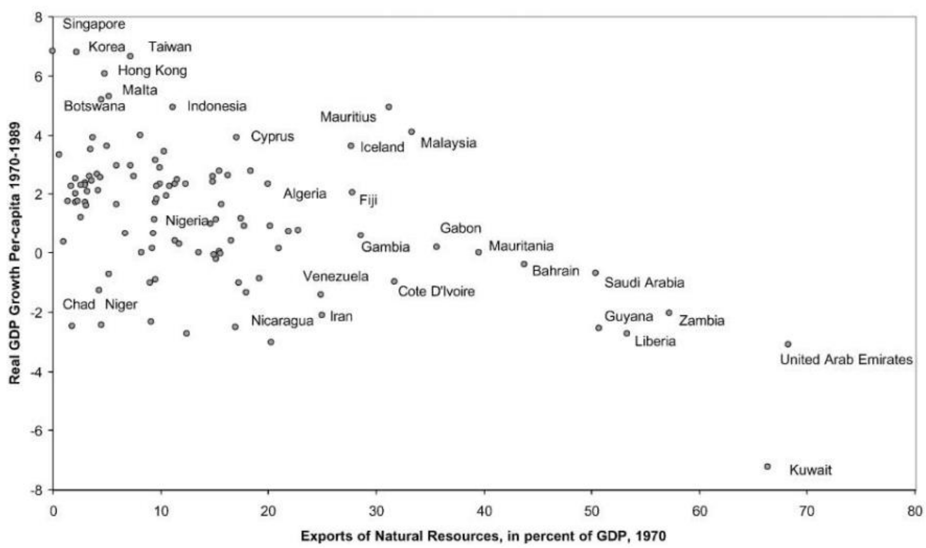
Figure 2.1: Major themes discussed in Chapter 2

Source: Authors compilation

2.1. Where it all started

From the late 1980s, ideological debates with respect to the inverse relationship between natural resource endowment and economic success became very popular. These debates were premised on the belief that natural wealth impedes economic growth. Figure 3 shows an inverse relationship between quantities of minerals exported in 1970 and long-term (being from 1970 – 1990) economic growth performance measured by the growth rate of per capita gross domestic product (GDP) (Sachs & Warner, 2001) or per capita gross national product (GNP) (Gylfason, 2001). Although Neumayer (2004) argues that GDP is the wrong measure of income for resource-rich economies as GDP contains the depreciation of produced capital, this study uses GDP as the measure of the resource 'curse'. Moreover, barring Iceland, Malaysia and Mauritius, the countries that grew rapidly were not initially mineral-rich.

Figure 2.2: Natural resource abundance and growth



Source: Sachs and Warner (2001)

2.2. Defining the resource 'curse' phenomenon?

In addition to the negative correlation between resource wealth and GDP, a growing body of well-established empirical literature produced by political scientists and economists sought to evidence that natural resource-rich countries performed no better than their resource-poor counterparts. This counterintuitive outcome was termed the resource 'curse' by economic geographer Auty (1993). As a result, the resource 'curse' exists only for certain type of resources.

While water, forestry, mineral and agricultural assets are by definition natural resources, the resource 'curse' notion is only applicable to non-renewable natural resources (Mavrotas, Murshed, & Torres, 2011; Dubé & Polèse, 2015; Badeeb, Lean & Clark, 2017). Scholars have even made further distinctions by differentiating between point (for example oil and natural gas) and diffuse (for example agricultural products) resources. Point resources are less likely to positively impact economic development, as the benefits thereof are concentrated in the hands of the elite (Le Billio 2001). Therefore, the resource 'curse' literature is unique to point-sourced economies where oil, gas and minerals are extracted (Mavrotas, Murshed, & Torres, 2011; Badeeb, Lean & Clark, 2017).

A fair amount of literature has found a sturdy link between natural resource wealth and unsatisfactory economic performance (Corden & Neary, 1982; Gelb, 1988; Ross, 2001). Based on empirical evidence Sachs and Warner's (1995) pivotal work found that the full effect of the once-off resource boom is to initially raise the level of GDP. However, the resource boom also ushers in an elongated period of subsequent reduced growth, such that GDP eventually falls below that of non-resource economies. Karl (1999) does not argue that "oil countries are worse off than many of their non-oil counterparts […] but rather that the path by which they have arrived at their current troubles is different from those countries without oil, and despite their riches, they have arrived at similar crisis points" (p.33).

2.3. Developments regarding the resource 'curse'

This section of the thesis describes the different disciplinary focuses that have shaped the resource 'curse' literature.

2.3.1. Resource abundance versus resource dependence

Scholars have tabled an interesting observation in relation to the resource 'curse' phenomenon. They have distinguished between abundance versus dependency (Brunschweiler & Bulte 2008; Stijns 2005). Resource dependency is measured as a percentage of total oil and gas exports to GDP evidencing the disproportionate reliance by such countries on oil rents as the main source of income (El Anshasy, 2014; Barma, Kaiser & Viñuela, 2011). Another indicator of dependence is an export profile of between 60–95 percent of a country's total exports being oil or gas (Karl, 2007).

Kropf (2010) was amongst the first to discover a bias resulting from the exclusion of unobserved data (in addition to omitted geographical or climate variables) in the existing empirical research used to determine the existence of the resource 'curse' as a proxy for resource dependence. By removing this bias, (1) a positive correlation between resource endowment and growth was reflected and (2) the results indicated that a resource 'curse' outcome was primarily dependent on how economic rents were handled. Moreover, research has shown that a higher share of public sector wages mitigates the 'curse' only in highly oil-dependent countries (El Anshasy, 2014). Thus, resource endowment on its own does not necessarily lead to a 'curse' outcome, the criteria for a resource 'curse' is twofold, (1) the country would have to possess mineral wealth and (2) be sufficiently dependent on such wealth.

2.3.2. Channels of the resource 'curse' literature

There are diverse views concerning the factors that cause the 'curse', see for example Badeeb, Leana and Clark (2017); Gylfason (2001); Frankel (2012) and Collier & Goderis (2008). However, the underlying causes of the resource 'curse' remain unsettled (Ross, 1999). For example, Roberts (2016) is certain that geology alone is not fundamental in determinant of positive nor a negative socio-economic transformation. Manzano and Rigobon (2001) believe that the main culprit for the truncated growth in resource-rich developing countries is the debt-overhang problem, which is premised on the collapse of commodity prices in the 1980s that reportedly left developing countries with a hefty debt to service. Whereas Ross (2001) pointed to authoritarian rule and Karl (2005) singled out the adverse impact of unexpected deteriorations in volatile oil prices on the per capita income of oil-exporting nations.

As research on the subject matter intensified, studies backing the existence of the resource 'curse' claimed that there are in fact six main transmission channels that could lead to meagre economic performance: poor institutions, price volatility, extended patterns in commodity prices, Dutch disease, crowding out of manufacturing and civil war (Frankel, 2012). Contemporary research supports three of the six channels identified by Frankel (2012), being institutions weakening the Dutch disease effect and the crowding-out effect, while introducing disregard of quality education and corruption to the list of channels (Wu, Li, & Li, 2018; Badeeb, Leana & Clark, 2017). Literature has proffered a plethora of economic and political channels of the resource 'curse' notion. A brief synopsis of the main channels of transmission (being the Dutch disease, institutional weakens, corruption, civil war and external debt) are provided hereunder.

2.3.2.1. Dutch disease

The Dutch disease phenomenon is best described as the unavoidable consequence of resource dependency where (i) resource booms shift resources (such as employment) away from other sectors of the economy that have positive externalities for growth such as agriculture and manufacturing and (ii) currency appreciation occurs on the back of the sizeable export of such minerals which in effect makes the export of all other goods from that country uncompetitive on a global scale (Sachs & Warner, 1999). A combination of perverse private sector behaviour alongside misguided policy adoption yields the Dutch disease, thus it can be avoided (Saad-Filho & Weeks, 2013). Moreover, the Dutch disease is less likely to occur if the quality of education is sufficiently high (Horvath & Zeynalov, 2016). Nülle and Davis' (2018) work also challenges economist's consensus that the Dutch disease is inevitable in resource-rich nations, with or without policy interventions, as they find no theoretical or empirical evidence supporting the unequivocal prevalence of the Dutch disease. Thus, a consensus is yet to be attained as to whether the Dutch disease is an unavoidable channel of the resource 'curse'.

2.3.2.2. Institutional weakening

The empirical literature has shown that institutions and regime type are key to economic development. The quality of public administrations, degree of democracy, quality of governance and the risk of civil wars are proxies for institutional quality (Mavrotas, Murshed & Torres; 2011; Popova, 2015).

'Grabber friendly' institutions, being institutions that facilitate wealth grabbing, are thought to be the main determinant of a resource 'curse' outcome (Mehlum, Moene & Torsvik, 2006; El Anshasy, 2014). In contrast, democratic states that uphold the rule of law and exhibit high bureaucratic quality often escape the resource 'curse' and can convert resource wealth into an asset (Amundsen, 2014; Mehlum, Moene & Torsvik, 2006; Marroquín, 2014; Boschini, Pettersson & Roine, 2007). Thus, it can be argued that given the current institutional strength in Nigeria, Angola, Algeria, Egypt and Libya, these countries will not be able to reverse the resource 'curse' (Eregha & Mesagan, 2016). Ross (2001) found that oil hurts democracy and thus validated the oil-impedes-democracy claim. Haber and Menaldo (2011) disagree, they found that mineral reliance does not weaken nor preclude democracy. Popova (2015) states that neither Ross (2001) nor Haber and Menaldo (2011) have gathered sufficient evidence to support claims that mineral wealth negatively impacts political regime.

2.3.2.3. Corruption

A universal consensus on the definition of corruption has not yet been reached and existing definitions are too narrow (Maguchu, 2018, Marino, 2018). However, corrupt actions broadly include acts such as bribery or nepotism by a public officer for private gain (McKoy, 2012). McFerson (2009) states that corruption is prevalent in both resource-rich and resource-poor countries, thus resource opulence is not a condition for public corruption. Cai and Newth (2013) use an objective mathematical model to show that corruption forces the resource-rich economies into a vicious downward spiral by lowering the marginal return on productive activities. McFerson (2014) narrows the source of corruption to colonialism. Knutsen, Kotsadam, Olsen and Wig (2017) echo the positive correlation between resource wealth and corruption, they find that resource rents incentivize and enable local officials to require bribe payments for personal gain. In summary, literature tells us that while corruption is universal, resource-rich nations are more inclined to suffer from heightened corruption levels than their resource-poor counterparts (Papyrakis, Rieger & Gilberthorpe, 2017).

2.3.2.4. Civil war

Ross (2015) found considerable evidence supporting the notion that resource wealth eroded democracy and increased both corruption (as discussed above) and civil conflict. Mihalache-O'Keef (2018) explains that the greed theory is premised on the underlying assumption that "a country's economic structure and market activities define a social and financial environment that can either fuel conflict or support peace" (p.190). In line with the greed theory, natural resource dependence materially upticks the risk of conflict (Collier & Hoeffler, 2004; Brown, 2013). According to Lei and Michaels (2014), the frequencies of internal armed conflict increased by five to eight percent in resource-rich countries and that this result was amplified for countries that had a history of armed conflicts or coups ahead of the discovery of oil. Linked to civil war, increases in oil income prevent with the collapse of autocratic regimes by limiting the prospects for democratization (Wright, Frantz & Geddes, 2015).

2.3.2.5. The impact of external debt

High debts, generated as a result of fiscal irresponsibility and over-generous credit induced by the promise of oil, ignite the "Dutch Disease" and exacerbate corruption and rent-seeking behaviour (Nooruddin, 2008). Saunders and Caramento (2018) found that the resurgence of resource nationalism was significantly enabled when Zambia's external debt substantially decreased via a debt relief programme. Moreover, weakened commodity prices and ballooning debt severely constrained the state's financial autonomy leaving the state in a position where they could not continue to forcefully pursue the kind of local procurement measures and developmental regulatory regime.

2.3.3. Socioeconomic consequences of the resource 'curse' phenomenon

The channels that facilitate the 'curse' are deeply researched and understood, as are the products of resource wealth, being the adverse impact on health, education and private liberties as explained below. Karl (2007) cites exaggerated poverty rates, illiteracy, heightened child mortality rates and derisory health care as social outputs of the resource 'curse'. Studies also show that autocratic rule, poor governance, social unrest, gender inequality, and the accelerated spread of HIV/AIDS (De Soysa & Gizelis, 2013). Sterck (2016) argues that against the notion of a direct relationship between mineral wealth and the spread of epidemics such as HIV/AIDS and tuberculosis.

The opportunity cost of investing in education versus earning reasonable wages in the resource sector incentivizes unskilled workers to disregard education (Kronenberg, 2004). Alexeev and Conrad (2011) found that in transition economies, mineral wealth can be linked to heightened infant mortality rates, reduced primary school enrolment rates and low life expectancy. More recently, studies found that for authoritarian regimes, oil wealth dependence (as defined in section 2.3.1) led to significantly lower levels of social spending particularly on public education and health (Hong, 2017; Cockx & Francken, 2016).

Based on a panel of 162 countries during 1932-2003, Wigley (2018) found that resource endowment negatively impacted private liberties. That is, mineral rich governments seldom protected certain basic rights such as freedom of movement and religion. Despite the negative connotations of resource wealth, Stijns (2001) remains positive and encourages the exploitation of natural resource wealth in developing countries and argues that resource extraction has positive effects, particularly when high human capital levels are low.

2.3.4. Technological advancement enhances research methodology

As Cust and Poelhekke (2015) pointed out, improved technology over the years has resulted in access to data at the subnational (local and regional) level, therefore significantly shifting the methodology used by scholars to analyse the resource ‘curse’ notion. Technological evolution facilitates access to granular data, allowing researchers to migrate from analysing cross-country data to within country data sourced from, inter alia, individual household, district and municipal databases. The ability to draw on subnational data has allowed Porter and Watts (2017) to single out Edo State, as having ‘escaped’ the resource ‘curse’, despite being a state located in the oil producing Niger Delta region of Nigeria, a country which has been severely cursed by its mineral wealth. It is difficult to measure cross-country comparisons empirically, thus Carr and Fails (2018) have used subnational variations to circumvent these limitations and found that resource wealth drives stronger fiscal performance at the state level, but that this performance was eroded by the negative effects of factors such as political polarization, legislative term limits and lower wage growth. Although technological advances in data gathering have allowed scholars to refine the methodology used in researching the resource ‘curse’, the results remain inconclusive.

2.3.5. Summary

In essence, the resource ‘curse’ theory and debate is premised on the comparison between two types of countries, countries with great natural resource wealth and their natural-resource-scarce counterparts. However, a comparison between Nigeria and Indonesia, two countries who share the common experience of an oil boom, has resulted in diverged outcomes despite Nigeria’s superiority to Indonesia up until the 1970’s (Collier & Gunning, 1999). It was found that Africa’s policies to diminish foreign trade, from the early 1970s into the 1990s, was the reason behind its relatively slow economic growth even when compared to another resource-rich country (Collier & Gunning, 1999). Nigeria and Indonesia are illustrative cases of the divergent outcome when one compares resource-rich countries, that is, two-mineral rich countries’ performance could also be poor relative to each other. This raises questions about the validity of claims purporting that mineral-rich countries perform worse than their mineral poor counterparts, as this could be a common feature of the real world and not something specific to the resource ‘curse’ thesis.

2.4. Critiques of the resource ‘curse’

There are opposing views with regards to the authenticity of the resource ‘curse’, that is, whether the phenomenon is real or illusory. In contrast to the well-established literature supporting the resource ‘curse’, emerging of literature has contested the phenomena and presenting evidence of a positive effect on GDP per capita (Smith, 2013; Sarraf & Jiwanji, 2001; Alexeev & Conrad, 2011). Cynics of the resource ‘curse’ theory point to countries that have avoided the ‘curse’ such as Norway, Chile and Malaysia (Stevens, 2003).

Rigorous testing methodologies have been used to dispel the very existence of the ‘curse’, the results are contrary to those presented by Sachs and Warner (2001) and their successors. One such study tested the existence of the resource ‘curse’ using sophisticated empirical methods and longitudinal data and found a positive effect on GDP per capita following longstanding natural resource extraction (Smith, 2013). This study was based on sample countries across, inter alia, Sub-Saharan Africa, East Asia, Eastern Europe, Latin America, the Caribbean, Middle East and North Africa. Arin and Braunfels (2018) used Bayesian Model Averaging techniques to investigate the existence of a natural resource ‘curse’. They found a positive effect of oil rents on long-term economic growth however; this positive effect is conditional on the quality of the institutions. Another study challenging the resource ‘curse’ hypothesis did not find a negative indirect effect through the institutional channel and this study was also based on countries across several regions (Brunnschweiler, 2008).

Researchers have found that mineral wealth is a favourable basis for economic growth provided the country was not extensively dependent on its natural resource wealth (Wu et al., 2018).

Badeeb, Lean and Smyth's (2016) results reveal symptoms of a resource 'curse' in Malaysia's financial sector, thus challenging the conventional narrative that Malaysia's mineral wealth is a favourable basis for its economic growth. Alexeev and Conrad (2011) scrutinized the relationship between point-source mineral wealth and economic performance (including institutional quality and social welfare – based on infant mortality rates and life expectancy) and find little evidence of a natural resource 'curse'. Some critics of the resource 'curse' phenomenon believe the advantages of mineral wealth counterbalance its damaging effects (Ross, 2015). "A significant minority suggest that the appearance of a resource 'curse' is a statistical affect created by either endogeneity or omitted-variable bias" (Ross, 2015, p. 240).

2.5. Status quo: Inconclusive results

Strong cases have been made against and in support of the 'paradox of plenty'. It has been challenging to settle resource 'curse' disputes as the vast majority of existing research is based on observational data. Havranek, Horvath and Zeynalov (2016) test the existence of a natural resource 'curse' by studying 402 existing regression specifications over a period of two decades. Their results are inconclusive: approximately 40 percent report a negative effect, 40 percent no effect and only 20 percent a positive effect.

The inconclusive results are testament to the notion that the resource 'curse' phenomenon does not promote a narrative that associates mineral wealth with a constant and unavoidable detrimental outcome for the economy (Karl, 2005). It is accepted that countries affected by the resource 'curse' are better off as a result of their resource endowment, the 'curse' refers to the inability to develop a country meaningfully from the endowment of such resource (Karl, 2005). Economists are merely puzzled by the lack of economic transformation in countries where significant amounts of the fiscal revenue are derived from the commercialization of their resource wealth.

Badeeb, Leana and Clark (2017) have sought to finally settle the dispute, after evaluating the conflicting evidence and the findings of other recent surveys. They conclude that the case supporting the resource 'curse' is not invalid and in fact remains convincing. It may be that there is no one silver bullet answer, instead, natural resource abundance should be viewed as a double-edged sword, as it is equally an imperilment at it is beneficial (Frankel, 2012).

2.6. So, is Africa cursed?

Evidently, natural resources are more of a 'curse' than a 'blessing' for several resource-rich African countries (for example Nigeria, Angola and Mozambique) because they are designated as some of the least developed countries in the world (UNCTAD, 2019). Angola is highly sensitive to oil price movements and is a case in point of the 'paradox of plenty', it is the second largest oil producer in Sub-Saharan Africa, yet the majority of its population experience low per capita income and lives in extreme poverty (Baumgartner, 2016; Wiig & Kolstad, 2010). In Africa's case, "the oil 'curse' is not merely the superstition of social scientists but rather an empirically corroborated maxim" (Rexler, 2010, p. 27).

2.7. Can Africa be cured?

Is it possible to reverse Africa's narrative […] shifting her trajectory from a 'curse' to a 'blessing'?

Academic literature prescribes several remedies thought to cure the resource 'curse'. Ross (2015) recaps on some of the proposals made by scholars, including Moss' (2013) call for the distribution of oil rents to citizens; Barma, Kaiser, Le and Viñuela's (2011) stance on how resource rents should be channelled; Ross' (2013) suggestion for alternative tax and royalty systems; as well as Humphreys, Sachs and Stiglitz' (2007) recommendations that host governments (i) should practice patience by waiting to strengthen institutions ahead of privatizatising their resource sector, (ii) hold EXMNCs to higher standards and (iii) ensure contract terms with EXMNCs are scrutinised.

Moreover, and in line with resource 'curse' literature are studies endorsing growth policies as a means to stimulate economic growth (or reverse the 'curse') (Gafur & Bay, 2017). Then finally, the International Monetary Fund's (IMF) was the first to propose the use of Sovereign Wealth Funds (SWF) to overcome the resource 'curse'. Meng (2015) defines a SWF as "firms that manage Government-owned investment funds for a variety of macroeconomic purposes." (p. 213). Several scholars have found that the establishment of SWFs does not necessarily prevent a resource 'curse' outcome, while others advocate for developing countries to steer away from the establishment of SWFs (Rajan, 2013; Torvik, 2018; Venables, 2016). That said, SWFs can be used as a means of achieving distributive justice of resource rents (Silva, Morbach & Medeiros Costa, 2019; Heffron, 2018).

Scholars have also studied the impact of economic assistance in the form of foreign aid as a mechanism of reversing the resource 'curse'. Resource-rich nations arguably do not require foreign aid as they generate considerable resource rents. Nonetheless, McFerson (2010) found that foreign aid will not reverse the resource 'curse'. Moreover, Blunt (2014) found that in Mongolia's case, Western 'development assistance' used altruism as a facade to disguise its true intention of serving the political interests of the nation's providing such 'assistance' and their trading partners.

Transparency reigns supreme amongst the suggestions tabled by scholars as a means of preventing and possibly reversing the resource 'curse'. There are two complementary initiatives intended to eradicate the resource 'curse' phenomenon, - promote transparency and assist mineral-rich nations to curb corruption – initiatives pioneered by international and regional organisations. The most prominent international-led initiative is the Kimberley Process Certification Scheme and the Extractive Industries Transparency Initiative (EITI). Organizations such as Publish What You Pay, Global Witness and the Revenue Watch Institute, have also been set up to fulfil a similar mandate of promoting transparency and eliminating corruption (McFerson, 2010; Van Alstine, 2014). Moreover, the African Development Bank has created the African Legal Support Facility to assist developing countries in complex negotiations with powerful EXMNCs. In addition, Canada, the United States (U.S.), European Union and Norway have introduced transparency laws in supports of the EITI (Sovacool, Walter, Van de Graaf & Andrews, 2016). The above is a synopsis of the initiatives led by organisations located outside the African continent.

African-led initiatives include the African Union's (AU) Africa Mining Vision (AMV), which is a continental framework for natural resource governance. The AU's other self-monitoring flagship programme amoungst member States, intended to improve governance at the continental level, is the African Peer Review Mechanism (APRM). Several countries have teamed up to form the Economic Community of West Africa States (ECOWAS), which has adopted a Conflict Prevention Framework (ECPF) intended to promote stability, transparency, social cohesion and the sustainable development of West-Africa's natural resources sector.

While the above-mentioned initiatives are recognised by academic literature, there are mixed views about how effective these initiatives are. By way of illustration, Papyrakis, Rieger and Gilberthorpe (2017) support the EITI initiative, they argue that participation in the EITI scheme has the ability to effectively eradicate corruption and therefore recommend that EITI membership is a precondition to obtaining aid. Kasekende, Abuka and Sarr (2016) as well as David-Barrett and Okamura (2016) conclude that EITI membership is used by corrupt countries as reputational intermediary intended to lure FDI. Then lastly, Sequeira, McHenry, Morrison-Saunders, Mtegha and Doepel (2016) find that the EITI scheme and membership does not add any value as non-EITI members disclose the same information as EITI members.

Ekmen (2011) analyses the Kimberly Certification Scheme (as opposed to the EITI) and finds that this scheme is inadequate on a standalone basis. Khadiagala (2015) supports Ekmen's (2011) findings in that undemocratic regimes ultimately cannot be controlled solely by transparency rules. Khadiagala (2015) suggests that the impact of transparency rules will be strengthened by the broad civil society participation in national and regional discussions regarding natural resource governance. Rajan's (2011) findings are beguiling, he argues that both the host governments and EXMNCs have been found to equally resist the requirement for heightened transparency.

The EXMNC's aversion to transparency initiatives, intended to alleviate the resource 'curse' in developing countries, is amplified by McFerson's (2010) firm belief that one would be naïve to believe the 'curse' is reversable or avoidable (as the benefits of cheap oil and minerals to EXMNCs outweighs the socioeconomic devastation in developing nations). The remainder of this chapter tilts the lens and focusses on the EXMNC, in the context of the resource 'curse' thesis.

2.8. The EXMNC as a channel of the resource 'curse'

2.8.1. EXMNCs in developing markets

Dunning (1981) declares that natural resource seeking motivates EXMNCs from advanced economies to enter developing markets, which are markets characterised by their high growth rates and rapid economic development (Knutsen, 2012).

Be it in Nigeria, South Africa, the Democratic Republic of Congo or Zambia, history tells us that developing countries in Africa have inadequate technological know-how to process their own natural resources. Developing countries require the technological expertise of EXMNCs (Mlambo, 2019). History also bears testament that the beneficiaries of the resource wealth has been the EXMNCs at the expense of the African country (Burton, 2014). The central disconnect is the dyadic contrasting objectives of the EXMNC and host government: the EXMNCs is driven by profit maximization while the host government seeks domestic benefits from spillovers (Morgado, 2014).

While international theories suggest that EXMNCs will adopt different modes of entry into developing economies, in the extractive industry, the exploration and development rights are generally auctioned, and the foreign investment contracts are awarded to successful EXMNCs (Venables, 2016). There are mainly three types of contracts which may require the EXMNC to partner with the host government or state-owned enterprise: (1) concessions or licenses (where EXMNCs are granted exclusive rights to extract oil or gas and in return, the host government receives licensing fees, royalties and taxes); (2) production sharing contracts; and (3) risk-service contracts (where the EXMNC produces hydrocarbons on behalf of the host government and is paid a fee for these services) (Tienhaara, 2011).

In order to secure the foreign investment contracts, EXMNCs must supplement their firm-specific advantages with the promise to undertake CSR initiatives and implement local content requirements (J. Li et al., 2013). Scholars claim socially responsive EXMNCs are preferred by host governments in the award of such foreign investment contracts. For example, Angola's most prized oil asset (Block 0) was awarded to Chevron Texaco following the announcement of a US$50 million partnership with the U.S. Agency for International Development (USAID) and the United Nations Development Programme (UNDP) and a US$80 million pledge to a social fund (Frynas, 2005).

2.8.2. David and Goliath: When host governments meet EXMNCs

Smith (1979) noted that "despite whatever benefits they [EXMNCs] may bring in the form of managerial and technological know-how, take more than they give and-what is more important - make it virtually impossible for local, self-sustaining industrialization to occur" (p. 250). In an attempt to realise the full value for their natural resources, host governments are increasingly requiring an ownership stake next to the EXMNC, amoungst other requirements (Venables, 2016; Graham & Ovadia, 2019; Bremmer & Johnston, 2009; Mares, 2010; Vivoda, 2009).

"Economic principles suggest that the host country—owner of the resource—should put in place a regulatory and fiscal regime in which the investor can make a normal rate of return, and rents over and above this rate can then be captured by the resource owner, the state" (Venables, 2016, p. 167).

Li, Meyer, Zhang and Ding (2018) found that EXMNCs were likely to invest in countries where they could leverage the good diplomatic relations of their home country. Depending on the political strength of the EXMNCs home country government, EXMNCs may call for political intervention from their home governments when the bargaining outcome is not in line with their objectives (Duanmu, 2014). In order to protect corporate interest, home governments comply by responding to the EXMNC's call for intervention.

The U.S. for example, has a history of operating at the behest of American EXMNCs (Irogbe, 2013), in this instance, the trade imbalance between a developing country and the U.S. government would favour the EXMNC (Agubamah, 2014). Thus, developing countries do not only contend with the experienced powerful EXMNC but the EXMNCs home-country regime (Osuagwu & Obumneke, 2013). EXMNCs, alongside their home-country governments, have argued that bilateral investment treaties are used to offer protection against a host country's breach of contract or unforeseen adverse conduct (Venables, 2016), such as capital expropriation or the repatriation of profits (Mehta, 2014). The counterargument is that the resource-dependent host government is not incentivised to carelessly breach a contract, more so because the country's developmental needs cannot be met without the capabilities and resources of the EXMNC (Rodriguez, Uhlenbruck & Eden, 2005). Furthermore, developing countries have been known to go out of their way to lure EXMNCs by offering tax incentives and reduced tax rates (Lent, 1967), this strengthens the argument that host countries are unlikely to carelessly breach foreign investment contracts.

Lastly, there are cases where the dominant role and unfair practices of EXMNC have resulted in the host government's share of revenues being exceptionally low (Venables, 2016). How then, do host governments protect their interests?

2.8.3. Subjugating Goliath - CSR and local content requirements

There is a corpus of research studies concerned with the EXMNC in relation to developing economies, however, it is predominantly focused on their adoption of CSR initiatives and sustainable development (including climate change), local content requirement policies and tax structures (double taxation treaties, transfer pricing, tax avoidance and evasion and tax incentives granted by developing countries as a mechanism of attracting FDI) which are said to be depriving developing countries of their fair share of tax income (Kolk & Lenfant, 2010; Emmanuel, 2016; Ngoasong, 2014; Eweje, 2006; Ite, 2004).

Cockx and Francken (2016) propose that the EXMNCs increase funding for education through CSR initiatives. The call for heightened CSR initiatives should be approached with caution, Idemudia and Osayande (2016) found that EXMNCs' efforts are marred by the same difficulties (for example bridging the trust divide between EXMNC/ host governments and host communities) that undermine host governments' community development programmes. Visser (2012) believes CSR should solve global problems and reverse negative trends. Porter & Kramer (2019) agrees with Visser and emphasises that the success of CSR lies in the creation of shared value (CSV), a notion premised on the long-term economic value created by business from addressing fundamental societal ails. While Elkington's (1998) concludes that extraordinary triple bottom line performance will be achieved when firms form new types of economic, social, and environmental partnerships. CSR initiatives are often voluntary and have the potential of generating financial benefits for EXMNCs (Porter & Kramer, 2019).

Unlike CSR requirements, which are voluntary in nature, host governments have exerted their own pressure via the introduction of local content legislative requirements. Local content policies require EXMNCs to procure materials, goods and labour from local suppliers in the domestic economy. The business practices utilised by EXMNCs in response to this requirement are a crucial determinant of economic stimulation within the host country (Ngoasong, 2014). Adedeji, Sidique, Rahman and Law (2016) endorse Ngoasong's (2014) findings by using a structural equation modelling (SEM) approach to show that local content requirement policies have a positive impact on local value creation. Kolstad and Kinyondo (2017) disagree, they argue that that if EXMNCs are forced to use uncompetitive local inputs, this raises their operating costs which in turn reduces the taxes payable by the EXMNC. Thus, the optimal structure for host government is to maximise tax extraction by aborting local content requirements and use these taxes to fund meaningful development initiatives (Kolstad & Kinyondo, 2017). In the regard, Ovadia (2016) has observed a watering-down of traditionally 'hard' regulatory local content policies in five African countries (Mozambique, Uganda, Kenya, Tanzania and Liberia) in favour of softer' voluntary ones that prioritise a win–win' outcome between the host country and EXMNCs.

The debates regarding the design and implementation of local content requirement policies in extractive industries are ongoing (Emmanuel, 2016). Moreover, host countries have strengthened their monitoring capabilities and have defined cancellation provisions and penalties for non-compliance in the foreign investment contracts (Ngoasong, 2014). Despite legal directives to source locally, EXMNCs do not necessarily procure from local firms due to the local markets' inability to meet standards (Sen, 2018). In Mozambique in particular, Morgado (2014) found that Mozambican private companies believe EXMNCs avoid (i) partnering with domestic suppliers and (ii) developing the local market.

In addition, EXMNCs have been found to set aside senior corporate positions for expatriates (Adams et al., 2019). The EXMNCs behaviour is counterintuitive for host countries development mandate, as spillovers occur when local employees transition from the employ of the EXMNC to setting up and/or working for domestic firms in the extractive industry. Substantial spillovers occur, provided that these local employees had occupied positions of power (giving them access to technological know-how and managerial competences) while in the employ of the EXMNC (Farole & Winkler, 2014). The EXMNCs willingness to adhere to local content requirements calls for further investigation.

2.8.4. Goliaths track record

Gupta (2018) found that EXMNCs group structures are deliberately set up (often in tax havens) for the sole purpose of reducing the EXMNCs tax liability. This is achieved via the shifting of profits in the form of royalty payments thus the economic substance of transactions transferring intangibles within the EXMNCs group structures need to be closely examined (Gupta, 2018). According to Koethenbuerger, Mardan and Stimmelmayr (2019), the profit shifting is achieved via the shifting of profits generated from subsidiaries domiciled in high-tax jurisdictions to subsidiaries domiciled in low-tax countries thus achieving zero reportable taxable profits in the high-tax jurisdiction.

2.8.5. In Goliaths defence…

EXMNCs take insurmountable risk when doing business on the African continent, the local economic and political environment is unpredictable (Venables, 2016). What is often overlooked is the level of financial and technical investment required for exploration, discovery and development of a natural resource deposit as well the inherent risk of resource development due to geological and price uncertainty (Venables, 2016). Furthermore, in some African countries security and theft is also a noteworthy concern, take for example the Niger Delta where EXMNCs (i) employees were physically attacked following the change in political regime in 1999 and (ii) have to deal with high levels of oil bunkering (that is, crude oil theft) (Schultze-Kraft, 2017).

In 1999 Karl noted two unique attributes of the EXMNCs, the first being the “strong network of complicity” between EXMNCs and local rulers underpinned by the initial bargaining of EXMNC’s anxious to secure new sources of crude oil and, the second being the arcane behaviour EXMNCs relative to their non-oil counterparts. For example, the manner in which EXMNCs assess political risk is profoundly different to other MNCs, EXMNCs have historically continued operating in the middle of turmoil during Angola’s civil war, or in Colombia where guerrillas and drug lords attacked EXMNC corporate executives (Karl, 1999).

Furthermore, oil and gas field development require large capital investment, EXMNC financed virtually all the oil and gas projects in developing countries before the 1970s (Dunkerley, 1995). Difficulty in securing the required finance results in the mothballing of new projects, EXMNC often raise capital by offering innovative financing packages to a wide range of public and private funders (Razavi, 1996). Therefore, EXMNCs commit substantial resources to ensure projects in developing countries are fully funded and implemented.

The prevailing narrative about the EXMNCs role in developing countries may not be an accurate reflection of the true situation – both the EXMNC and host government side of the ‘story’ needs to be captured. There is risk that existing literature, although thin, may not be accurately conveying the EXMNCs role in relation to the resource ‘curse’. Moreover, it is possible that the EXMNCs role has evolved or is evolving and so the existing literature needs to be augmented and updated to reflect the near current reality. Thus, there remains a need for the continuous study of the EXMNC’s role in developing markets, that is, studies that contribute to existing literature by providing a holistic and updated perspective.

2.9. Conclusion

Despite the continuing interest in the resource ‘curse’ phenomenon and rising interest of the impact of EXMNCs in developing countries (Ghauri & Yamin, 2009), the EXMNCs role as a causal channel vis-à-vis the resource ‘curse’ remains underdeveloped. In this chapter, the researcher built a bridge between the resource ‘curse’ literature and the EXMNC role in developing markets as a foundation of testing the relationship between the EXMNC and the resource ‘curse’ hypothesis.

The set of sub-research questions and research propositions will be derived from this literature review and discussed in Chapter 3. Consequently, the following chapter should be viewed as an extension of Chapter 2. The research design is outlined in Chapter 4 followed by a presentation on the research results and detailed analysis of the results in Chapter 5 and Chapter 6 respectively.

Chapter 3: Research Propositions

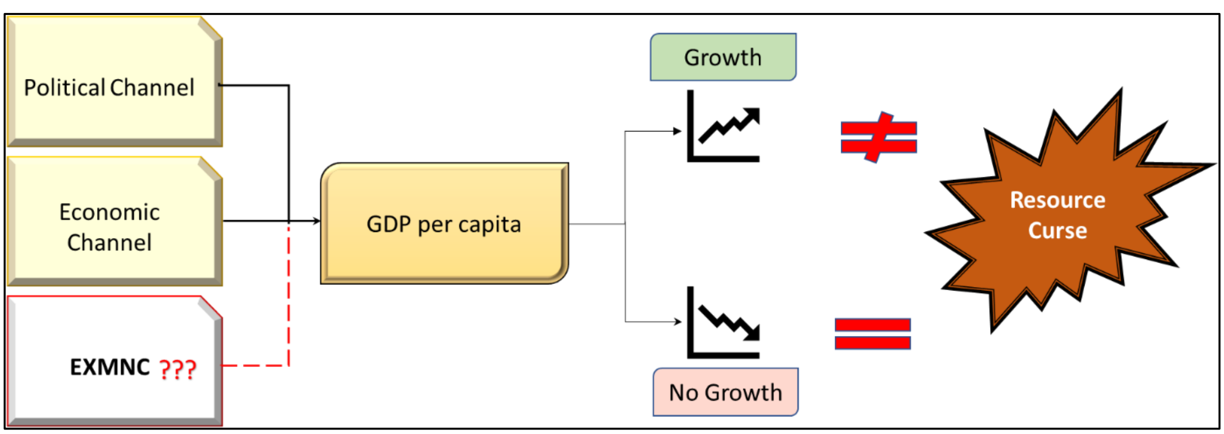
3.1 Preamble

Little has been written regarding the EXMNC role as a channel of the resource ‘curse’, this study fills that void by surveying a variety of sub-research questions directly derived from the overarching research question: “How can EXMNCs be considered as channels of the resource ‘curse’?”

Numerous actions and inactions of the EXMNC could lead to a resource ‘curse’ outcome, thus the overarching research question has been further broken down into three specific sub-research questions. This approach is intended to focus on what would otherwise be a fragmented study by precisely setting the research objectives. When formulating each sub-research question, the researcher was guided by the literature review in Chapter 2, which informed which key actions or inaction of the EXMNC could ultimately result in economic underperformance in their host country. Arguments concerned with unpacking each of the sub-research questions are then put forward ahead of formulating and motivating the respective propositions. Research propositions are used to narrow the scope of this exploratory study.

As depicted in Figure 3.1 below, the researcher will place reliance on existing literature in determining whether the EXMNC actions or inactions result in GDP underperformance (that is, GDP declines or remains stagnant). Economic underdevelopment is the definitive constituent underpinning the resource ‘curse’ phenomenon, therefore GDP underperformance will be used as an indicator of the resource ‘curse’.

Figure 3.1: Testing how EXMNCs are channels of the resource ‘curse’



Source: Authors compilation

As indicated above, the arguments put forward in this chapter are derived from the literature review, therefore, this section of the research paper is an extension of the literature review outline in Chapter 2 and should be read in conjunction with the chapter.

3.2 Research questions and propositions

The below section commences with the research sub-research question. An argument is presented and discussed. Thereafter, the research proposition is formulated and motivated.

Question 1: Does the high cost of debt incentivise EXMNCs to expropriate funds by artificially inflating operational costs?

In the extractive industry, foreign investment contracts are awarded to EXMNCs (Venables, 2016) (see section 2.8.2, the partnership model – Host governments vis-à-vis EXMNCs). In an attempt to realise the full value of their natural resources, host governments are increasingly requiring an ownership stake next to the EXMNC. It is this peculiar requirement that unearths a paradox - partners are generally required to contribute towards their share of costs yet developing countries are unlikely to possess the required capital to do so and are therefore put under severe financial pressure to meet the cash call obligations (Giwa-Osagie & Ehigiato, 2015).

Thus, the cash call obligations required from the host country are usually borrowed from third party lenders (Giwa-Osagie & Ehigiato, 2015). Global oil prices have been fluctuating while global capital needs for oil and gas projects are consistently rising, this mismatch has forced EXMNCs and host governments to raise external capital (Dunkerley, 1995). External funders are often discouraged by the commercial and political risk of these projects and so the cost of raising such funding is high (Razavi, 1996; Venkatesh, Vikas & Charithra, 2018). This means the external debt is likely to erode the economics of the project in favour of the third-party debt providers and to the detriment of both the EXMNC and developing host country. The EXMNC is incentivised to increase shareholder returns by expropriating funds ahead of external debt service. The above argument and discussion lead to the formulation of the first proposition below:

Research Proposition 1: EXMNCs artificially inflate operational costs in an attempt to maximise shareholder returns, thus exacerbating the resource 'curse'.

The adverse effect of artificially inflating operational costs is twofold; (1) it reduces the tax payable by EXMNC to the host country (as costs are recoverable for tax purposes) and (2) it reduces the returns in the form of dividends payable to the host government. Firstly, the EXMNC receives cash from the project disguised as 'cost recovery' and secondly, the higher costs (the delta) is deductible for tax purposes thus reducing the overall tax payable by the EXMNC. The overall impact is that the host country is deprived of its fair share of the rents available for economic development.

Question 2: Do EXMNCs promote and prioritize their CSR initiatives at the expense of meeting local content requirements?

As discussed in section 2.8.4, despite it being in the EXMNCs best interest to prioritise local content requirements, EXMNCs do not necessarily procure from local firms due to the local markets' inability to meet the required quality standards (Sen, 2018; Morris & Fessehaie, 2014). The argument for not using local material due to inadequate quality standards is fathomable, however instances where the EXMNC has the ability to appoint senior local human capital, it remains a challenge to assess the willingness to do so. "Private enterprise by definition is in the business of profit maximization, that is, the maximization of returns to shareholders. There are no legal requirements for it to do otherwise. It follows that anything that detracts from profit maximization, including voluntary investment in local development, is kept at zero or minimized." (Blunt, 2014, p. 388)

In comparison, sustainable CSR activities are a critical value driver for EXMNC as they maximize shareholder wealth and boost the market value of oil and gas companies (Chowdhury, Choi, Ennis & Chung, 2019). Consequently, EXMNCs are incentivized to prioritise their pursuit of CSR initiatives. This raises the question of whether CSR is being promoted and prioritized by EXMNCs at the expense of meeting local content requirements. Therefore, the second proposition is postulated:

Research Proposition 2: EXMNCs promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives thus exacerbating the resource 'curse'.

Scholars have shown that the implementation of local content policies stimulates economic growth (Ngoasong, 2014; Adedeji, Sidique, Rahman & Law; 2016). The opportunity cost of forgoing local content requirements by EXMNs is stunted economic growth.

Question 3: Do EXMNCs rely on diplomatic relations of their home government to dilute the sovereignty of the host government?

Depending on the political strength of the country in which the EXMNC is domiciled or where its headquarters are based, the EXMNC may leverage their home government to dilute the sovereignty of the host government. The dilution of the host country's power provides an enabling envioronment for the maximization of EXMNC returns. This is discussed in more detail in section 2.8.3. (David and Goliath: When host governments meet EXMNCs). The dilemma facing the host country concerns how a country can attract FDI while maintaining fiscal sovereignty in pursuit of development (Mehta, 2014).

Moreover, as briefly mentioned in section 2.7. (Can Africa be cured?), foreign assistance is engineered to serve the interests of the EXMNC's home government, and it erodes the developing country's policy autonomy (Blunt, 2014; Power et al., 2016). The host government's ability to enforce policies intended to develop the economy is crippled by the EXMNC's home government. Thus, the third and final proposition is offered below:

Research Proposition 3: The host country's sovereignty is superseded by the EXMNCs home government thus exacerbating the resource 'curse'.

The power imbalance brought about by the EXMNC's home government and the funding conditions set by Western donors is a twofold setback for the host country's economic development mandate. This has the overall effect of reducing the economic flows attributable to the host country and adversely impacts the rate of economic development of the host country.

3.3 Conclusion

This study adds to the sparse literature concerning how the EXMNC is a channel of the resource 'curse' phenomenon. Three sub-research questions intended to provide insight are posed and propositions formulated to answer the questions. The below Table 1 succinctly summarises the research propositions discussed in this chapter:

Table 3.1: Summary of Research Propositions

a.	Research Proposition 1	EXMNCs artificially inflate operational costs in an attempt to maximise shareholder returns thus exacerbating the resource 'curse'.
b.	Research Proposition 2	EXMNCs promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives thus exacerbating the resource 'curse'.
c.	Research Proposition 3	The host country's sovereignty is superseded by the EXMNCs home government thus exacerbating the resource 'curse'.

Source: Authors compilation

In order to test the validity of each research propositions, each research proposition is field-tested (that is, judged as true or false) using a suitable research methodology, which is discussed in the next chapter.

Chapter 4: Research Methodology

4.1. Overview

The preceding chapters argued that, despite mounting resource 'curse' literature, the EXMNCs role remains an important blind spot in our understanding of the channels regarding the resource 'curse' phenomenon. With the aim of filling this knowledge gap, the research question that this study is intended to answer is: How can EXMNCs be considered as channels of the resource 'curse'? The main research objective is to determine if (i) EXMNCs artificially inflate operational costs in an attempt to maximise shareholder returns, (ii) EXMNCs promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives. Lastly, (iii) the host country's sovereignty is superseded by the EXMNCs home government.

A dual deductive and inductive approach as well as the constructivist philosophy underpinning this multiple case study is discussed in-depth in this chapter. The present chapter describes the research plan and procedures followed by the researcher in collecting and analysing data. Therefore, the remainder of this chapter describes, *inter alia*, the theoretical framework, philosophical assumptions, research scope and the process used to analyse transcripts from the 10 individual and one group interview conducted by the researcher to uncover codes and themes in respect to the research propositions presented in Chapter 3.

4.2. Research Design

4.2.1. Type of study

The research design was informed by the researchers' preference for a participatory and naturalistic approach, consequently making the study qualitative and exploratory in nature (Kirk & Miller, 1986). The researcher sought to conduct the study in its natural setting (Mozambique and/or Angola), while making sense of the EXMNCs role vis-à-vis the resource 'curse' phenomena from the participants' standpoint (Denzin & Lincoln, 2005).

A qualitative study was adopted because the primary aim of the research hereunder was to explain the resource 'curse' phenomenon by relying on the participant's experiences in relation to the EXMNCs actions and inactions in Mozambique and Angola (Stake, 2010). Thus, a qualitative theoretical perspective was well suited for this study because, as advocated by Hancock and Algozzine (2016), (a) the literature as regards to the EXMNCs *vis-à-vis* the resource 'curse' was limited, (b) there were (and there still remains) a host of factors influencing the EXMNCs role in the extractive industry of developing countries. Moreover, (c) the researcher sought to capture the wealth of rich detail that characterised the true nature of the EXMNCs role in developing countries and, importantly (d) the researcher valued the emic perspective. Consequently, this research project captured data that was richly descriptive, heuristic and particularistic providing the depth and texture of the phenomenon – this was achieved by drawing comprehensive information from multiple sources (Creswell, 2007; Merriam, 2001).

This desired design was benchmarked to the methodologies applied by other studies that explored the resource 'curse' phenomenon. The results of the benchmarking exercise were fragmented. That is, hyper-diversity characterised the various methodologies used by scholars who studied the resource 'curse' and/ or the EXMNCs impact in developing countries. For example, researchers have relied on annual reports through content analysis, secondary data analysis, empirical studies, formal models, large-N empirical analyses, hierarchical regression analysis and the adoption of transaction cost economics for an investigative research to conduct their research (Odera, Gow & Scott, 2016; Kolk & Lenfant, 2010; Contractor, 2016; Rudra & Jensen, 2011; Nyuur et al.; 2014). More recently, Adams, Adams, Ullah and Ullah's (2019) methodology was premised on the review of several third-party studies that have explored the causes and implications of the 'paradox pf plenty' in developing countries.

Having said that, the two studies that closely resembled the study here under, from both a context and unit of analysis standpoint, are Wiig and Kolstad's (2010) and Morgado (2014). Wiig and Kolstad's (2010) results were derived from an in-depth case study method underpinned by structured interviews with EXMNCs and government officials in Angola. Morgado (2014) explores the tension between EXMNCs and host country government partners in emerging and developing countries. As such, the research methodology herein was largely based on these studies.

4.2.2. Research philosophy

The data gathered to test the research propositions presented in Chapter 3 was socially constructed and inherently susceptible to change as participants realities changed. By implication, the proposed study was framed in a constructivism paradigm - which reinforces the notion of multiple and dynamic realities (Golafshani, 2003; Crotty, 1998; Hipps, 1993). To acquire multiple realities, the constructivism paradigm inherently calls for diverse data gathering methods, thus the research findings were premised on data drawn from a combination of interviews, documents and audio-visual files (Golafshani, 2003). Access to multiple sources of data allowed for a more holistic investigation and rigorous testing of each research proposition. Table 4.1 details the philosophical assumptions and the research paradigm that guided this exploratory study.

Table 4.1: Constructivism paradigm

Case Study Paradigm - Constructivism	
Ontological	In testing the research propositions detailed in Chapter 3, the researcher was cognisant that multiple realities exist because people are unique, have different backgrounds, cultures, beliefs, values and experiences which informed their perspective of the EXMNCs role in relation to the resource 'curse'. As such, in-depth interviews were conducted to better understand each respondent's perspective and ultimately, their realities.
Epistemological	Each respondent's reality was informed by their individual perceptions and personal experiences. As such, this study drew extensive information from the participants via elongated interviews intended to capture and record these experiences.
Axiology	The researcher was the research tool; therefore, the data collection and analysis process had the potential of being tainted by the researcher's biases, beliefs and values. This risk was heightened by the researcher's characteristics of being an African female investment banker with specialised skills in the energy, oil and gas sectors. Thus, the researcher had a personal and professional interest in the study, which was intrigued by the large natural gas finding in Cabo Delgado, Mozambique and the desire to equip the Mozambican government with the tools that would ultimately shape how the host country relates to foreign multinational companies going forward. The researcher's biases could be described as a tug-of-war between two school of thoughts, the first being an age-old tale purporting that the western world has perfected the business of exploiting Africa and leaving her destitute. The second conflicting bias was influenced by the researcher's professional journey and appreciation for the burdens placed on the private sector to fill the gaping holes often left by incompetent and corrupt governments in developing countries, particularly on the African continent. As such the researcher was acutely aware of these beliefs and biases, which were bracketed, and deliberately entered the research process with an open and objective mind, free from such biases.

Source: Authors compilation

4.2.3. Research approach

The literature review in Chapter 2 generated three theoretical propositions, as discussed in Chapter 3, which sought to establish a causal relationship between the two sets of literature – the resource 'curse' literature and the literature with respect to the multinational corporations *vis-à-vis* developing countries. A deductive approach was used to initiate the research process intended to test the research propositions set out in Chapter 3. That said, the researcher hoped to that the combination of in-depth interview data coupled with secondary data would yield new insights in relation to the causal relationship between the resource ‘curse’ phenomenon and the EXMNCs’ actions and inactions. Therefore, the proposed research approach hereunder was an amalgamation of the deductive and inductive approaches focussed on expanding the resource ‘curse’ theory in addition to testing each research proposition.

4.2.4. Research strategy

There is a growing interest in the use of case studies (Kolk & Lenfant, 2010; Rudra & Jensen, 2011, Du & Vieira; 2012; García-Rodríguez et al., 2013). Larrinaga (2017) is of the view that case study research is the preferred strategy when “how” questions are posed by the researcher. The overarching research question sought to explore how EXMNCs were a channel of the resource ‘curse’ phenomenon. The case study strategy was well suited to address the case of the EXMNC in its natural context of Mozambique and Angola through detailed, in-depth data collection obtained from multiple primary and secondary sources (Hancock & Algozzine, 2016; Creswell, 2007). Thus, the study hereunder is grounded in case study research, which is the most suitable from the five primary types of qualitative approaches described by Creswell (2007).

4.2.5. Time dimension

Cross-sectional studies provide a ‘snapshot’ of a particular situation as studies carried out at a single point in time or over short periods (Levin, 2006). Given the limitations of time and resources to complete the research assignment, this study is therefore cross sectional.

4.2.6. Research instrument

Both the researcher and the interview guide were the instrumentation used for data collection and analysis.

4.3. Research scope

Emerging and developing African economies blessed with mineral wealth form the basis of the scope of this research. In addition to Mozambique, the researcher sought a country that: (i) possessed considerable oil and/ or gas reserves, (ii) was a member country of the SADC and Lusophone Africa, (iii) was previously a Portuguese colony, plagued by an elongated civil war following independence. Hence the research question is studied in the context of Mozambique yet draws insights from Angola (which meets all of the above requirements).

4.4. Universe and population

The universe of corporations, organisations, institutions and persons involved in Mozambique's and/ or Angola's oil and gas sector spans across NOCs, IOCs, OFSC, financial institutions (both international and local commercial banks, development financial institutions and multilaterals) that fund and/or advise oil and gas projects in both Mozambique and Angola. The populations includes government institutions (within Mozambique, Angola and the wider region) directly involved in Mozambique's and Angola's extractive industries and academic experts who are actively involved in the oil and gas sector, Mozambican based NGOs and organisations funded by the likes of the World Bank/ IMF *in lieu* of the gas findings in Mozambique. All these entities and/ or persons are located across the globe.

4.5. Unit of analysis

The unit of analysis was the actions and inactions of the EXMNC.

4.6. Data collection

4.6.1. Sampling technique

The population of potential interviewees is broad, as discussed above. Emphasis was placed on the quality of information with respects to the role of EXMNCs in the aforesaid extractive economies, thus criterion sampling was first employed to identify major groups of interest for whom the research question was important. Groups of interest were selected considering three criteria: (1) activity in the oil and gas sector particularly in Mozambique and/or Angola, (2) either an EXMNC or track record of interacting directly with EXMNCs and (3) ability to articulate one's lived experience in relation to the phenomenon being explored. Fluent English was not a pre-requite, that said, all participants had to be able to express themselves in the English language.

Thereafter, the researcher relied on maximum variation as a sampling strategy, this yielded four major groups of interest (the FMGOI), being the financial institutions, EXMNCs, government institutions and 'Other Voices' (being academic institutions, civil society and NGOs). 'Other Voices' participants were critical to (a) ensure the researcher obtained multiple perspectives about the cases including non-state discourses and narratives around the natural gas finding in Mozambique and (b) triangulate them with those articulated by both the EXMNCs, financial institutions and government institutions.

Within each of the FMGOI, the researcher applied random purposeful or representative sampling to identify the interviewees. Following the initial interviews, additional interviewees were identified and interviewed as a result of snowball sampling.

4.6.2. Sample size

The sample was drawn from the research population. Most of the key EXMNCs who operated in Mozambique and Angola were contacted and most either declined or failed to respond thus the response rate was very low among EXMNCs. Three EXMNC responded, two EXMNCs accepted the invitation but only one ultimately participated – the other stopped responding to emails. Two NOCs were contacted, only one responded however, the researcher managed to interview a former senior employee of the other NOC. Four financial institutions were approached, however, three accepted the invitation but only two ultimately participated in the research. Interviews were also secured with several high-profile public officials who are decision makers on petroleum and hydrocarbon issues within their respective countries – three government institutions accepted the invitation but only two were interviewed. The researcher also conducted further interviews with representation from academic institutions, civil society, NGOs, Mozambicans and Angolans who participated in their personal capacity – a total of four people participated.

Overall, 14 people participated. The participants comprised of executives from one EXMNC, two NOCs, five senior government officials, two financial institutions, two professors from higher education facilities based in Mozambique, one Mozambican NGO and one Mozambican who was previously employed by an IOC overseas. All interviews, but one, were on an individual basis. One interview was conducted in a group setting with four participants (excluding the researcher).

The respondents who participated in the interview process are presented in Table 4.2. To preserve the anonymity of respondents, the researcher provides a limited demographic data set without offering further granularity. Note that no respondents had a direct relationship with the researcher that represented a conflict of interest.

Table 4.2: Summary of interview respondents and demographics

Respondent	Type	Description	Interview Location
Respondent 1	Industry expert	Mozambican: Holds a master's degree in industrial engineering and a PhD in Ocean Engineering. Head of business that support's hydrocarbon players in Mozambique, including ENH.	Mozambique
Respondent 2	Financial Institution 1	Head of Oil and Gas for Southern Africa. Over 20 years in energy investment banking across Europe, the Middle East, America, Australasia and Africa (particularly Mozambique).	South Africa
Respondent 3	Government institution	Government institution directly involved in Mozambique's Area 1 and Area 4 projects. Unlike the other interviews, the respondents	South Africa

Respondent	Type	Description	Interview Location
		herein comprised of four senior government officials – the discussion occurred in one sitting (as a group discussion).	
Respondent 4	EXMNC	Business manager involved in Mozambique's gas sector for over 10 years	South Africa
Respondent 5	Industry expert	Mozambican. Mechanical engineer worked for EXMNC in the oil and gas sector in Houston, U.S.	South Africa
Respondent 6	Financial Institution 2	Investment banker involved in Mozambique's oil and gas transactions in Africa	South Africa
Respondent 7	Financial Institution 3	Regional Investment Manager in SOE working on oil and gas transactions in both Mozambique and Angola	N/A
Respondent 8	NOC 1	Senior manager	Outside South Africa
Respondent 9	NOC 2	Previous NOC employee. Worked directly alongside EXMNCs for four years and involved in negotiations with the EXMNCs	London
Respondent 10	Civil Society	Civil society, human rights activist - Centre for Public Integrity's (CIP) heavily involved in Mozambican gas sector	Mozambique via skype
Respondent 11	Lecturer	Mozambican national. University lecturer in Mozambique. Not directly involved in the gas sector but research topic means he is involved in publicized debates and discussions related to the resource	Mozambique

Source: Authors compilation

4.6.3. Number of participants

The sample frame and the response rate determine whether the results of this study can be generalised, the results are not representative of the population due to a high nonresponse rate (Levin, 2006). That said, the researcher is comfortable with the number of participants because, (a) participants comprised of at least one representative from each of the FMGOIs, (b) sufficient in-depth engagement occurred with each participant – each interview was on average 45 minutes. Moreover, (c) all the participants who were available for an interview participated in the study, (d) the researcher's time and resources were limited in which to complete the research assignment and (e) although the researcher did not seek to attain saturation, cognisance regarding theoretical saturation levels usually arising between 10 and 30 interviews provided additional comfort (Thomson, 2010). The overarching principle here was that the sample size was purely determined by those participants who were willing to partake in the interview, it is for this reason that the researcher was comfortable to 'live with' the number of participants obtained.

4.7. Design

4.7.1. Ethical Concerns

Ethics were paramount throughout the study. The research project was bound by ethical principles acceptable to GIBS. An application for ethical clearance was approved by GIBS' MBA Research Clearance Committee on 11 July 2019, ahead of the researcher commencing the collection of data process. Thus, the researcher obtained ethical approval to work with human subjects. There was minimal risk to the human participants associated with this study, who were all over the age of 21 years and of sound mind, as evidenced by the senior positions they held in their place of work.

As outlined by Frankfort-Nachmias and Nachmias (2008), rapport building with each participant was initiated via the consent form, as shown in Appendix 1, sent to each participant explaining the purpose of the study and disclosing that the researcher was a university student. Thereafter, during the interview and ahead of discussing the main questions, as an icebreaker, the researcher gave the participants some background information about herself and explained the purpose of the study in greater detail, this established some level of trust and credibility at the field site, which in turn allowed participants to open up and disclose their detailed perspectives during the interview

4.7.2. Primary data

The research for this study was based on three preconceived research propositions as discussed in Chapter 3. The researcher chose semi-structured face-to-face interviews as the primary form of data collection as it allowed for the (i) adequate testing of each proposition and (ii) discovery of unforeseen perspectives in relation to the propositions. The interviews were long, intensive and intended to provide high-quality information and thus consisted of several open-ended questions designed to allow the interviewer to ask follow-up questions.

4.7.3. Primary data collection procedure

After reviewing relevant material, which included academic literature, media reports and videos, the researcher developed an interview guide intended to initiate conversations. Some questions could only be answered by a specific FMGOI; thus, the interview guide was not homogenous across the FMGOIs.

The researcher compiled a list of organisations or persons they wished to interview, and participants were contacted via email (often, a meeting was repeatedly requested). Once the invitation for an interview was accepted, the researcher sent a written copy of the guideline questions beforehand and interviews were set up. To increase the comfort of the interviewee, a convenient distraction-free location in which to conduct the interview was agreed upfront with each participant, some interviews were conducted in Mozambique, South Africa, London or via Skype, a telecommunications application that proves video chat and voice calls (Hancock & Algozzine, 2016).

Interviews were not conducted in the absence of written confirmation and verbal informed consent. Ahead of commencing the interview, the researcher reminded the interviewee (i) of their right to withdraw at any time or refuse to answer any question without penalty; (ii) that they would not benefit directly from participating in this research. Additionally, (iii) at their request, their identity and/or all information provided for this study would be treated confidentially. Finally, the researcher would request permission to audiotape the interaction and consent to proceed with the interview.

Each interview commenced with background questions, related to the interviewee and/or the organisation they represented. In instances where interviewees requested confidentiality/ anonymity, questions that were perceived to reveal their identity or the identity of their organisation were omitted. Thereafter, 13 to 14 main questions were discussed per the interview guide (see Appendix 2). Questions were largely similar but tailored for each FMGOI. The primary objective was to discover in what way the EXMNC was contributing to the socioeconomic misfortunes in Mozambique and Angola, hence the main questions were in an open-ended format and explored three broad themes intended to shed light on the three research propositions discussed in Chapter 3. These include (a) the risk of profit shifting and tax minimisation, (b) CSR versus local content prioritization, (c) the impact of the EXMNCs home country government interference on the host country. For completeness and to enhance context, participants were also asked questions that probed their views about regional participation, local content initiatives and the envisaged impact the Rovuma Basin gas findings would have on the Mozambican economy.

Following the interview, respondents were thanked via email. Recorded interviews were sent to be transcribed verbatim by an independent third-party professional transcriptionist, who did not sign a non-disclosure form, as this was not a requirement per the Purple Pages issued by GIBS University. Per normal convention, the entire interview including the interviewer’s questions was transcribed (Smith & Osborn, 2003). Transcribed manuscripts were checked by the researcher against the audio tape and all identifying information was removed ahead of uploading each transcript on the computer for storage purposes.

4.7.4. Secondary data

To supplement the interview data and to obtain a richer and more holistic understanding of the EXMNCs role and dynamics at play in both Mozambique and Angola, secondary data in the form of public documents and audio-visual materials was gathered from three sources: (1) recorded interviews conducted by third parties with BPs group chief executive Bob Dudley as well as Total S.A's chairman and chief executive Patrick Pouyanné, (2) the annual and sustainability reports of EXMNCs; and (3) policy reports, web-based sources, technical reports and press releases.

This secondary data allowed for a broad discussion and richer understanding about the nature and rational of the business practices used by EXMNC in Angola and Mozambique. Given the low response rate of EXMNCs to the researchers request for an interview, the researcher placed reliance on recorded interviews (visual data) conducted by third parties with the executive members of the EXMNCs – interviews that were freely available within the public domain and conducted during the 2018 and 2019 calendar year. The recorded secondary interviews provided the absent depth and texture in relation to EXMNC participation. The researcher's key questions were addressed during these interviews. Similar to the primary data, the researcher transcribed then analysed the secondary interviews.

4.8. Data analysis

The researcher synthesized different pieces of information acquired from several sources during the research process with the aim of reporting findings that addressed each proposition. The transcripts were organised according to each of the FMGOI. Thereafter, each interview was listened to for a sense of the whole and checked against the transcribed manuscript to ensure transcription accurately reflected the recording. Ahead of generating codes, the researcher critically analysed all the data (being interview transcripts, publicly available documents and audio-visual material) and selected the relevant pieces of data (data that was not relevant, although transcribed, was noted coded). A deductive and inductive approach, grounding the examination of topics and themes, was used to critically analyse and interpret the data (Zhang & Wildemuth, 2009).

In relation to primary data, the researcher borrowed some techniques recommended for interpretative phenomenological analysis where each interview transcript was analysed on an individual basis – for example, the researcher conducted a detailed analysis of the first transcript until an acceptable degree of closure was achieved and only then would the researcher move on an examine the second transcript (Smith, 2004). The researcher conducted a case and cross-case examination across the transcripts while taking heed of apparent convergences and divergences (Smith, 2004; Creswell, 2007).

The key ideas, phrases, quotes and assertions of key participants were scrutinised, and units of general meaning were generated. Units of general meaning were demarcated, and redundancies eradicated. Codes were then derived from the data and a single code was then assigned for each unit of general meaning. The researcher manually coded, categorised, and analysed the information acquired during the research process. 90 initial codes were generated, and this list was then sorted into logical categories comprised of units with relevant meaning (code groups) – based on the number of times the code emerged (a code could appear no more than once against a particular respondent). The codes were tallied and the codes that appeared the most were used as headline themes. Essentially, each new piece of data was studied in light of the research propositions presented in Chapter 3. The researcher established the connections between the patterns that emerged from the analysis against each research proposition in order to construct a preliminary response. Preliminary responses were grouped according to the separate and distinct patterns and themes that emerged (Hycner, 1985). This process was repeated until these emergent themes were well supported by all available data (Saunders, Lewis & Thornhill, 2016). These findings are discussed in the next chapter.

4.9. Field issues and limitations

The following section discusses some of the limitations faced.

Gaining access to organisations based in Angola was particularly challenging. This represents one of the greatest limitations to the study. The researcher shared the same experience as Wiig and Kolstad (2010) who found that “it is extremely challenging to obtain information on oil-related activities in Angola” (p. 180).

The underrepresentation on EXMNCs in this study is another limitation. More interestingly, an EXMNC based in the Netherlands accepted the interview but required that site be in the Netherlands – they stopped responding to emails upon the request that the interview be conducted via skype. The researcher believed the low response from EXMNCs was influenced by an ethical limitation. As advised by Creswell (2007), the researcher had not deceived EXMNC participants about the nature of the study when requesting permission to conduct the interviews, despite the sensitivity of the research topic. Thus, most EXMNCs were reluctant to participate. First-hand data from interviews with additional EXMNCs would have strengthened the emergent themes peculiar to the EXMNC during data processing. To overcome the underrepresentation of

EXMNCs, the researcher relied on publicly available pre-recorded live interviews with EXMNCs executives (conducted between 2018 and 2019).

Primary data was predominately in the form of interviews conducted by the researcher, which is heavy reliant on the interviewing skills of the researcher in addition to the participants ability to articulate themselves. Suoninen and Jokinen (2005) question whether the researchers phrasing of interview questions influences (however subtle) the responses received. As a result, the researcher has steered away from leading questions, 'bracketed' her biases and disclosed her background, beliefs and biases as presented in Table 4.1.

Most participants were able to articulate themselves reasonably well. Mozambican participants were proficient in Portuguese, the indigenous language spoken in Mozambique where the interviews were conducted. Therefore, these participants struggled to express and articulate their points clearly at times, the researcher asked clarification questions and was able to comprehend what respondents meant in instances where their vocabulary was limited.

Linked to the above limitation is that publicly available Mozambican government documents were in Portuguese, a translator (based in Mozambique) was not appointed by the researcher to translate the documents into English due to the high cost of translating such documents. As a result, the research relied on reports prepared by reputable law firms and institutions.

The sample size was not homogeneous, participants characteristics across the FMGOI were diverse making it more difficult to pinpoint common themes and the overall essence of the experience for all participants (Creswell, 2007). Moreover, while most of the interviews were on a one-on-one basis, there was one group interview with four participants (excluding the researcher). While this made for great discussion, the downside was the risk of interjections by others and thus not fully capturing all participants' viewpoints (Hancock & Algozzine, 2016).

This study was based on cross-sectional time dimension. The sequence of events that led to the outcome revealed by the data analysis is unknown as the study was carried out at a sing point in time. Moreover, results my change if timeframe is altered. Thus, the study's ability to infer causality is limited (Levin, 2006).

Finally, the researcher encountered equipment problems during one of the interviews, where unknowingly to the researcher, the recorder stopped recording fifteen minutes into the interview. The researcher overcame this issue by manually transcribing the interview following the discussion.

4.10. Storing data

All the data, be it transcripts, fieldnotes or rough jottings will be stored electronically without identifiers for a minimum period of 10 years by GIBS University.

4.11. Quality assurance/ Validity & Objective

The researcher relied on a couple of tools intended to demonstrate that the study, which is inherently subjective in nature, is authentic, valid, reliable and credible. A triangulation of data strategy was employed to enhance the rigor of the research and regulate the risk of the participants bias', this strategy strengthened the study by relying on multiple sources of data (Patton, 2002). Furthermore, the research process consisted of systematic and transparent procedures (which were extensively described herein) with the aim of ensuring that a third party carrying out the exact steps described herein would achieve the same findings as those discussed in this study (Kirk & Miller, 1986). Evidence supporting the researcher's interpretation has been discussed in detail and each claim has been openly contextualized (Denzin & Lincoln, 2011). Lastly, the research findings have been reported in terms of theoretically meaningful variables coupled with excerpts from interviews thus the study is believed to be objective (Kirk & Miller, 1986; Denzin & Lincoln, 2011).

In addition to the above, the data analysis was peer reviewed by an independent reviewer who is not affiliated with the research project and by the researcher's supervisor (Creswell & Miller, 2000). Furthermore, the raw and coded data underpinning this study has been electronically stored and shared with GIBS University (Denzin & Lincoln, 2011).

4.12. Summary

In what follows, the researcher presents the findings which draw on the methodology discussion herein to test each research proposition. Refer to table 4.3 in the text.

Table 4.3: Research design summary

Research component	Design parameter
Philosophy	Constructivism
Approach	A combination of the deductive and inductive approach
Strategy	Multiple case study
Method	Qualitative exploratory study
Time horizon	Cross-sectional
Data collection	• In-depth semi-structured face-to-face interviews

Research component	**Design parameter**
	• Total of 11 cases, with representation from each of the FGMOs • Secondary data sourced from public documents and audio-visual materials
Data analysis	• Qualitative • With-in case and across-case analysis to identify similarities and discrepancies • Development of a set of codes from the data
Data storage	Electronically stored for a minimum of 10 years
Quality assurance/ validity & objectivity	Triangulation

Source: Research design summary is adapted from Morgado (2014)

Chapter 5: Results

5.1. Preamble

This study aims to add to the resource 'curse' literature by investigating the yet to be researched question: "how can EXMNC be considered as a channel of the resource 'curse'? The literature review in Chapter 2 informed the research propositions that were formulated in Chapter 3. This chapter reports the results of the data analysis conducted to test the research propositions.

The researcher presents the connections between the themes that emerge from the data analysis in respect of each research proposition. To facilitate the ease of navigating this chapter, the presentation and discussion of the findings follow the sequence of the research propositions discussed in Chapter 3. Moreover, as conferred in Chapter 4, the data collection strategy was premised on a multi-source strategy comprised of primary (that is, interviews with a number of different individuals) as well as secondary (that is, public documents and audio-visual materials) sources. The secondary data was largely used to test the validity of the primary data. A description of the data collected and analysed is delineated herein. The finding sourced from the primary data are presented in section 5.2 while secondary data findings are presented separately in section 5.3. An in-depth discussion of the findings are presented in Chapter 6.

5.2. Primary Data: Findings and Results

5.2.1. Brief recollection of interview design and demographics of respondents

As discussed in Chapter 4, the research was exploratory in nature, the interview design was intended to enable both the interviewer and respondent to provide lengthy and detailed replies. The open-ended interview questions were used as cues to ignite discussion in relation to each of the research propositions – this is important to remember when reading the findings herein. Ahead of reporting the interview findings in relation to each research proposition, the researcher restates the interview questions (per the interview guide included in Annexure 2).

Moreover, and in relation to the primary data, some interviews were conducted with Mozambican nationals whose first language is Portuguese. Some of the direct quotations herein have been altered (minor changes) to ensure the message is coherent. With this in mind, the researcher's utmost priority was to preserve the meaning of the direct quotations.

5.2.2. The first research proposition:

Research Proposition 1: EXMNCs artificially inflate operational costs in an attempt to maximise shareholder returns thus exacerbating the resource 'curse'.

Questions posed:

1. Are IOCs/EXMNCs using structuring to minimize monies payable in-country, for example tax havens/ optimal tax structures, financial structures, project accounts held offshore versus onshore?
2. Are EXMNCs incentivized to expropriate funds by inflating operational costs, how does the [foreign investment] contract prevent or monitor this?

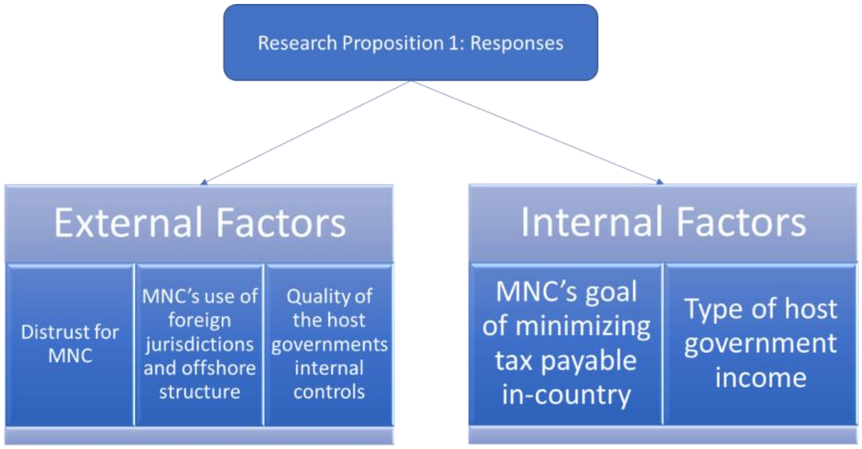
The researcher was not seeking a definitive answer to Research Proposition 1. EXMNCs were unlikely to confirm whether operational costs are artificially inflated, due to the repercussions of so doing. For example, ahead of declining the interview request, an EXMNC based in the Netherlands declined to respond to this specific question.

From the interview analysis, two overarching and complimentary perspectives, that being the external and internal factors, answered the first research proposition. The external factors answer whether the EXMNC is artificially inflating costs and is based on the EXMNCs conduct from a third party's (hence external) standpoint. While the internal factors are considered from the EXMNCs standpoint (hence internal) and seek to answer why the EXMNC would artificially inflate operating costs.

Under the external factors, are the themes that relate to (i) distrust of EXMNCs, (ii) the EXMNCs use of foreign jurisdictions and tax havens to house sales revenues instead of the host country's financial sector and (iii) the host government's ability to control and audit artificial cost inflations. While (i) the EXMNCs goal of minimising tax and (ii) the type of income generated by the host government emerge as the subset themes that constitute as internal factors.

Figure 5.1 depicts the overarching perspectives in relation to Research Proposition 1.

Figure 5.1: Research Proposition 1: Findings and Results



Source: Authors compilation

5.2.2.1. External Factors

5.2.2.1.1. Distrust for EXMNC

Amongst the strongest overall themes to emerge from the data related to the low levels of trust placed on the EXMNC – this was the strongest theme to emerge from the above three external factors. Respondent 5, who has worked for an EXMNC in Houston Texas states that

> *"there's things that these multinational companies have the expertise to do, that goes way, like, above Mozambique governments head"*

Respondent 5 refrains from naming which EXMNCs artificially inflate costs (due to confidentiality) but reaffirms that several EXMNCs artificially inflate costs.

> *"trust me that company will never be profitable, equity thinly capitalize multi-national companies in Mozambique, just enough to run the company. No, you won't see a MNC in Mozambique with huge equity, I mean the balance sheets just enough to run the business, you know. Yes I speak of, I'm never able to get my equity out and all that kind of stuff, and all that, so few of them are profitable, but they run for so long, you know, and equity doesn't dry up, because it's just enough to keep going never profit making but you ask yourself how is this company like, existed for so long".*

Moreover, Respondent 5 shares some of the: *"jokes"* discussed in Mozambican social circles that relate to the creative ways in which EXMNCs may expropriate profits at the detriment of the host country.

> *"an underground pipe, that would take all the gas directly to, like, whatever country and the gas in play or the gas that would just pass through the valve to Mozambique, says ten but actually hundred was like deviated through a different pipe" or "a helicopter, a pipe can be from the project going elsewhere and a vessel waiting somewhere".*

Respondent 7 states that the risk that EXMNCs are not declaring profits is high:

> *"some of them I would imagine try and hide away money from authorities and yeah, especially with declarations"*

While Respondent 9, who worked for a NOC in Angola concludes that there is a *"pervasive reason"* for EXMNCs to inflate costs and shares his sentiments:

> *"Do they do it deliberately? I don't know. I mean, would I believe, they are, in a way, doing it? Most likely".*

Respondent 10 is primarily concerned with EXMNCs doing business with related parties thus making it easier for EXMNC to artificially inflate costs via transfer pricing mechanisms. This respondent states:

> *"If this provider has a linkage or relationship, in fact any relationship with that company {EXMNC]. So, if they do have that relationship, it's easier for them, to inflate or to transfer price, saying that we are buying this technology, we will spend 10 billion. Once they're spending just one billion dollars.*

Then finally Respondent 8 states that:

> *"I cannot say straightly that that will happen or not happen".*

The above captures some of the sentiments of the respondents in relation to the risk of EXMNCs artificially inflating costs. The common theme is of on distrust.

5.2.2.1.2. EXMNCs use of foreign jurisdictions and offshore structure

The interview findings also confirmed that the reasons EXMNCs use foreign jurisdictions and offshore structures is twofold, it facilitates tax avoidance and possibly tax evasion, but it also aids genuine business imperatives.

In response to the question posed by the researcher, Respondent 7 offers two explanations. Firstly, the respondent states that:

> *“Look, that’s always the million-dollar question, because you never kind of get the rational, except, for the fact that, you know, it’s an efficient structure for the lenders”.*

This means that the EXMNCs may not necessarily be in favour of using foreign jurisdictions and this requirement is driven primarily by third party financial institutions. Respondent 7 elaborates by stating:

> *“fear on the other hand is once it’s onshore [that is, in Mozambique], who knows what happens, because there is no clear regime or experience in dealing with, you know, the divisions of monies, the calculation of taxes and efficiently making sure that you know, everybody get the piece of their pie”.*

This is directly related to Mozambique’s underdeveloped financial sector and political risk of holding funds in developing countries – political risks such as expropriation of funds by the host government or the host government imposing laws that constrain the EXMNCs ability to transfer funds outside the host country.

Secondly, (possibly complementary to the first reason stated above), Respondent 7 is of the view that the Mozambican government is facilitating tax avoidance (and possibly tax evasion) by permitting the use of offshore structures by the EXMNCs:

> *“illicit kind of, not really illicit, transfer pricing mechanisms where people [EXMNCs] really exploit those double taxation to create so called tax efficient structures and that’s when monies, I won’t say people [EXMNCs] don’t pay what’s due, but they will make sure that they pay as little as possible of tax because, yeah, shareholders want to have returns and if they can have more returns they will rather take more than less and that’s how the equation works”.*

Respondent 9 says that:

> *“at least in Angola, the way the contracts work…you have an affiliate which is incorporated in-country [Angola], or, you know, represents the operations of that country. Like, Exxon Angola (ExxonMobil Angola], you know, something like that…and then obviously a lot of the specialised work is not done inhouse, in-country, because it centres of excellence, like geologists, you know, special engineering, mainly on the engineering and geology side and exploration side. So, they basically have a global centre that supports all the affiliates worldwide, right? So, and usually what, obviously, the more they charge, basically, the more they can, you know, transfer directly to themselves and as you said, reduce taxes”.*

This supports the notion that foreign jurisdictions are used by EXMNCs for legitimate business imperatives alongside reducing tax. As the MNCs centre of excellence (that service their global operations) is premised in a single location outside the host country.

Respondent 10 acknowledges that:

> *"tax evasion, inflating costs, for example. It's a huge risk",*

Respondent 10 specifically mentions that project costs could be artificially inflated during the construction period as well via the use of subsidiaries based in non-transparent jurisdictions:

> *"We are talking about a project that is previewed to invest 25 billion dollars. This is a cost that needs to be recovered. So how do you assess that truly the companies [EXMNCs] will be investing 25 billion dollars? … we know that this company, like ExxonMobil, like Total, now Total is, is getting into the Rovuma Basin, these companies are working with a very big number, or network of subsidiaries and the name of this subsidiaries are listed in non-transparent jurisdictions. So…there is no beneficial disclosure…to link these subsidiaries to them."*

Respondent 10 is of the view that EXMNCs have refused to use the local financial sector because it is inefficient, however the respondent also said that

> *"they [the EXMNCs] want to avoid that [the local financial market] because, it means that the money they earn will not go to their countries or to offshore accounts, where they can use it […] to facilitate tax evasion. For example, using the, the tax havens."*

Overall, the findings show that the reasons EXMNCs use foreign jurisdictions and offshore structures is twofold, it facilitates tax avoidance and possibly tax evasion, but it also facilitates genuine business imperatives.

5.2.2.1.3. Quality of the host governments internal controls

The third and last prominent theme characterised as an external factor related to the host government's ability to prevent, detect, monitor and audit artificial cost inflations undertaken by the EXMNC. Respondent 8 states that EXMNCs produce bills to evidence their cost and these bills are presented to the regulator which the researcher assumes audits the bills. Moreover, the NOC is also part of a consortium of other JV partners (including other EXMNC) and sector experts:

> *"we analyse and discuss, we can do benchmarking".*

Respondent 9 supports Respondent 8's views, this former NOC employee confirms that:

> *"they [the EXMNC] are actually audited by the government and by the JV partners. Because, remember, each of these concessions usually have more than one partner, right. There's more than one multinational involved. So, you could have Exxon (ExxonMobil] running the, operating a concession, but you also have Total, ENI also as an investor in that concession. And they [Total and ENI in this example] are just financial passive investors. But they have the right to check everything"*

Moreover, Respondent 9 is of the view that while in theory the EXMNC could artificially inflate costs, in practise it would be challenging to do so. This is primarily due to the host governments use of external reputable law and accounting firms to audit the costs presented by the EXMNC. This is substantiated by the statement that:

> *"[a] work orders are when an affiliate [EXMNC] puts a request of work to the parent company. It's on a contract, it's a work order, right? And so, they would audit all of that. They will assess the rates charged, the scope. So, in theory, they could do it, they would reap the benefit in doing so, in practice they might not be able to do it because there's all these levels of controls. And ultimately, what happens is, if the government audit, at least says, well we don't agree with the costs, then it's not accounted for as, for cost recovery in the contract, you know. So, it would basically be a cost they have to bare themselves".*

Respondent 7 is not convinced that the host governments internal controls can adequately audit the costs presented by the EXMNC, the respondent states that:

> *"unfortunately [this] happens outside of the country, the mechanics are outside. So, the complaint is that you can never quite audit this, because it's outside and you [the host government] don't have jurisdiction over what happens outside Mozambique".*

Respondent 10 is adamant that the Mozambican government does not have the

> *"capacity to monitor, to trace, to track, to do all the supervision work on that. So, we are in a kind of a trap, as African countries. We are in a kind of a trap".*

Respondent 5 sums it up by saying:

> *"these guys [EXMNCs] have more than two hundred years under their belt, […] centuries of experience and expertise, centuries, and they've tried and tested everything, you know. So, if we look at government, yes, we'll have the ENH technical*

> *staff on site and according to them everything will be up to scratch, you know, but who knows what else is going on".*

Thus, the findings are inconclusive as to whether EXMNCs artificially inflate costs, however doing so would be challenging given the various controls intended to prevent such practises.

5.2.2.2. Internal Factors

Although the previous section is inconclusive with regards to whether the EXMNC inflates costs as a means of yielding higher shareholder returns, the internal factors that are discussed herein are premised on the notion that the EXMNC expropriates funds via artificial cost inflation. Thus, the internal factors seek to provide an explanation as to why the EXMNC would artificially inflate costs. While the findings herein confirm the EXMNCs goal of minimising tax, other reasons are revealed by the respondents as reported below:

5.2.2.2.1. EXMNCs goal to minimise tax payable in the host country

The EXMNC need to minimise taxes was the most prominent theme to emerge from the interviews, this need was said to be underpinned by the EXMNCs mandate of profit maximization. This theme emerges across all three research propositions. For Research Proposition 1, this topic is considered in light of the artificial inflation of costs by EXMNCs. It is thus the most obvious driver for inflating cost as raised by most respondents.

Respondent 1 states that:

> *"so, at the end, what do you [host government] have it is small amount, […] OK the government has small amount of tax. Because all of these mega projects, they don't pay taxes. The taxes they pay, it's very, very small".*

Respondent 5 endorses this view; the respondent shares their observation:

> *"trust me that company [EXMNC] will never be profitable, equity thinly capitalize multinational companies in Mozambique, just enough to run the company. No, you won't see a EXMNC in Mozambique with huge equity […] so few of them are profitable, but they run for so long, you know, and equity doesn't dry up, because it's just enough to keep going never profit making but you ask yourself how is this company like, existed for so long".*

If the EXMNCs are not profitable, then it is unlikely that the EXMNC is paying tax as tax is levied on business profits. Moreover, Respondent 5 insinuates that the EXMNCs unprofitable status is by design.

The EXMNCs perspective sheds some light, Respondent 4 divulges that the consequence of tax evasion is too big a risk for an EXMNC to take, the respondent goes on to say:

> *"I haven't been involved where I've heard…some company deliberately not want to pay tax, you know, it's part of operations, […] So, I haven't seen that where people evade tax just because they try to be clever. You [the EXMNC] know what the rules are, and you obey [the] rules. It's just the, there's a lot of things people [EXMNCs] will get away with or skip a payment, things like that, but tax, there's a few things in business that you don't play around with and the taxman is one of them".*

That said, Respondent 4 also says:

> *"but also, to pay more tax than what you have to, is also stupid so, but I don't think, everybody will optimise tax".*

The interview data shows that EXMNC are unlikely to evade tax given the reputational and legal consequences of so doing. That said, EXMNCs utilise structures intended to optimise tax and so the overall tax paid in the host country is minimal.

5.2.2.2.2. Type of host government income

It has emerged that the host government gets certain payments first and ahead of operational costs, in addition to corporate tax (which ranks after operational costs but ahead of repayments of debt) and dividend payments. This income is formally termed the Petroleum Production Tax ("PPT") or Royalty.

Respondent 8 confirms the numerous taxes that will form the income base for Mozambique, the respondent states that the Mozambican NOC will have:

> *"We have the petrolic tax for the profit oil, depends what we gonna call it. We have the production taxes, petroleum tax for the profit oil, we have the royalties, we have the corporate tax, we will have the income tax for the people that will work there. So, a lot of source of tax that the government will get it. So, we expect a lot of money coming into this country."*

Respondent 3 also confirms that the host country receives of such income ahead of operating costs (other than shipping costs) and debt repayments, which is not common practice. The respondent describes the various types of income that the Mozambican government will earn:

> *"It's money in, shipping cost from there government's starts to get their first tax. There's another [income stream]. There's a what is known as production bonus. So just in a nutshell […] now they're [Mozambican government] saying at the top, you must give us [the Mozambican government] something called PPT. For [every barrel] produced give us a bonus of so much…known as [the] gross profit-sharing mechanism. No capex [that is, in the absence of capital expenditure]. Government gets [additional] money via an R factor [formula]. We [the EXMNC] put more capex; it makes sense that you [the host government] don't have to get so much because you [the EXMNC] put in Capex on the ground."*

The overall finding is that the host government has incorporated measures in the foreign investment contracts awarded to the EXMNCs, that enable the country to earn income ahead of operating costs and debt service.

5.2.3. The second proposition:

Research Proposition 2: EXMNCs promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives thus exacerbating the resource 'curse'.

Questions posed:

1. What is Mozambique's local content requirements? Does Mozambique have enabling legislation and policy setting that promotes indigenous domestic citizens participation in resource extraction activities (i.e. screening IOCs/ EXMNCs against achieving local content thresholds, local economic development targets and economic empowerment)?
2. Is the IOC/ EXMNC maximizing technology spillovers in Mozambique – by for example (i) partnering with locally owned firms or (ii) purchasing locally sourced goods/ maximizing local content versus importing or (iii) via training and/ or employing local people in meaningful senior long-term positions – please elaborate?
3. Is Mozambique positioned to be completely self-reliant (i.e. minimize its dependence on IOCs/ EXMNCs) in years to come – is that a possibility?
4. Could EXMNCs promote and prioritize their CSR initiatives at the expense of meeting local content requirements?

In analysing the interview data, two themes emerged as discussed in this section. These themes were: (i) local content requirements: the challenges and (ii) EXMNC's reluctance to utilise local suppliers. In addition to the two themes that emerged from the data analysis, for completeness, the researcher reports on the findings that pertain to CSR.

5.2.3.1. Local content requirements: The challenges

Nine of the 11 respondents all referenced the local content requirements as a challenge and thus the overarching theme. There were a few sub-themes that emerged namely (i) the lack of local capacity and Mozambique is unprepared/ not ready (ii) impact of the civil war on development, the requirement for international and regional support.

5.2.3.1.1. Lack of local capacity and Mozambique is unprepared/ not ready

The lack of capacity and experience has been widely acknowledged, particularly by Mozambican nationals. Respondent 1 provides a description of the extent of the incapacitations:

> *"OK. First of all, for example, right now, we have this noise about local content. But a lot of people is talking about the local content, but they don't have nothing, they don't have a factory. They don't have a company".*

Respondent 10 states that the prospects of the local Mozambican sector participating in the EXMNCs supply chain are low:

> *"the [Mozambican] private sector are rushing to get that [those] opportunities, but they [have] never did [done] such kind of a business."*

Respondent 10 is clear that:

> *"what happens is that, we are not prepared to accommodate a local content policy […] because we truly don't have a private sector prepared."*

Respondent 8 states that Mozambique's local content law will not yield the desired outcome as Mozambique is not as developed as South Africa.

> *"we [the Mozambican government] can put our legislation, are we ready or not? Mozambique is completely different from South Africa where a lot of goods and services companies are certified, where the economy it's so competitive that you can find a service provider of nearly everything in South Africa. We don't have it here*

unless we make a very good effort to improve those companies, on a very, very short term, they will not take it."

When asked whether the reasonably established Mozambican banking sector was participating in the projects alongside the EXMNCs, Respondent 6 responded by saying local banks were unable to compete with international banks due to the high cost of raising dollar denominated funding.

"so, what you must remember is that a local indigenous bank if it wants to participate in that dollar facility, it's competing with dollar banks. So, it's competing with Stanchart [Standard Chartered], its competing with Credit Agricole. Its competing with BNP, its competing with, you know, so, banks that have dollar deposit, dollar depositors. So, instantly they out of market from a cost of funding perspective".

Answering a similar question regarding local bank participation, Respondent 2 states that local banks are unable to participate in the projects as they do not have sufficient physical cash to invest, not even in the local currency:

"well it's [the local banking sector] not just deep enough, there isn't a market because you in this catch 22. There is no market because there was no economy. If you had an economy, you would have savings. You would have banks, you would have finance institutions that can loan lots of money, but the absence of economy means you will have the absence of the rest of it."

Respondent 1 believes the lack of capacity should not be reason why local suppliers are deprived of opportunities.

"they [EXMNCs] have to give the opportunity to the Mozambique companies to sell, to buy the goods and services. So, what we call here local content […] it makes no sense that even […] the bread, even the water [must be imported]. That's the bottom [the very least] that we need. The projects [EXMNCs] in Mozambique [should] give us [the] opportunity to participate in that value chain [...] I recognize that we don't have capacity, but we will not have capacity if we don't have the opportunities. OK".

In addition to local opportunities, the private sector has found it difficult to raise financing to support their business activities. Respondent 5 mentions bureaucracy as a barrier to accessing financing in Mozambique and thus as a deterrent for entrepreneurship and gives an example in this regard:

"doing business in Mozambique is tough from a bureaucratic, legal perspective, alright. Just as an example getting a loan in Mozambique okay, go to the bank, the bank approves you a loan, they give you a contract, you take the contract to a Notarial office with your I.D.[identification document], you must personally go, get it stamped, signed or whatever, take it to another like Ministry of Justice or something get a different stamp on it and seal, a white seal, so this seal, it basically just creases the paper take it to the bank and get your loan."

Respondent 5 compares the challenges posed by the bureaucracy in Mozambique to their experience in South Africa:

"As an individual, in South Africa, getting your car loan or whatever, you accept the terms of the contract, by clicking on a link or whatever and voila the money is in your account, you know. So, that is just an example, so it's even more complex for companies to register, you know. We don't have a one stop CIPC, where you can you know, reserve your name, register your company for R200, it's not like that in Mozambique. I don't know if it's the Portuguese legal influence or I don't know what other kind of influence might have attributed or contributed to this, but it's difficult, you know, running a small business is difficult, it's just not feasible, you know, for me a to want to start a company"

5.2.3.1.2. The impact of the civil war on development

Several respondents have agreed that the Mozambican economy is underdeveloped. Respondent 5 explains the reasons for the underdevelopment:

"I have stated that the civil war made Mozambique start from a very low base you know, so, there was a lot required to catch up, you know and only after catching up are you able to then grow, you know. So, I think we [Mozambique] are still in a catch-up phase, there are still people dying from hunger, there are still people dying from lack of adequate medical services from you know, diseases that shouldn't be killing people, like cholera and stuff like that".

Respondent 8's views are similar:

"we need to understand that the country is spending a bit more because the actual conditions is a big thing for second or the third poorest country in the world with lack of infrastructure".

5.2.3.1.3. The requirement for international and regional support

Given the lack of local capacity, several respondents expect that Mozambican nationals will partner and set up JVs with international and regional players, particularly companies based in South Africa. According to Respondent 8:

> *"Even legislation is saying that, the companies (EXMNCs) should prioritise joint ventures between Mozambican companies and international companies".*

Respondent 10 elaborates by providing an example:

> *"South African companies for example, can want to provide goods and service, but not alone, because if they go alone, they'll not be eligible. They need to be associated with local".*

Respondent 2 believes that South Africa is best positioned to benefit from the local content policies of Mozambique:

> *"this [is] a once in a lifetime opportunity for South African business to invest in Mozambique where essentially, they can charge a 10 percent premium per the World Bank local content requirements and the decree law and also ultimately to be facing the customer [EXMNC] of the credit quality of AA-".*

The respondent believes the local content opportunity will also exist for Zambia, Zimbabwe, Kenya and Tanzania. That said, Respondent 8 has a different perspective with respect to Mozambique fulling its local content quotas via a partnership model with international and regional companies, the respondent advocates for a local content definition that requires that local companies are one hundred percent owned by indigenous people.

> *"for me it's not having a foreigner company that comes establish themselves in Mozambique with an office and open a Mozambican branch. That is not a local content even if they get award[ed] the contract, that's not a local content. Local content is Mozambicans create their own company and take advantage of their own opportunities to labour, to service and supplies, to finance and everything".*

Other respondents subtly questioned the benefits of the partnership model as well, Respondent 10 questions the true contribution of the local partner:

> *"but my question is, what will be the contribution of the local? Because there is no technical capacity, there is no financial capacity, because the access to resource or money, as I mentioned, is very expensive."*

Respondent 10 foresees an ethical dilemma that will be a consequence of the indigenous partners inability to meaningfully contribute to the joint venture:

> *"for South Africa, this will be, really an opportunity. But the challenge will be how to get into the market […] they will be preferring to partner with someone well connected […] someone who will make it easy for them. So, these brings us ethical discussion."*

Angola, having been in the oil and gas sector for decades, has chartered the path of endorsing the partnering of local and international companies in pursuit of achieving its local content quota. Respondent 9 relays the ethical dilemma in Angola when local companies partnered with international entities:

> *"an international provider coming in, setting an operation, choosing a very connected individual, local, as being, his local partner. So, in theory that company in Angola was half Angolan [owned] and half international. But the added value, the value added of the Angolan counterpart […] I don't think it was really there. The guy [local elite] was just looking for his dividends at the end of the month, or at the end of the year and whatever, right? And for the international service provider, couldn't be better, right? He doesn't have a, a partner annoying him to do X, Y and Z. Potentially making him to having spent more of his own money. And therefore, it was a nice arrangement for everyone at the end of the day".*

5.2.3.2. EXMNC's reluctance to utilise local suppliers

In addition to the challenges of the host governments local content requirements, another strong theme that emerged from the data analysis was the EXMNCs reluctance to utilise local suppliers. This theme is a trickier one to navigate as the respondents are not aligned regarding the reasons thereof. The point of contention pertains to the EXMNCs willingness *vis-à-vis* its ability to utilise local content. Some respondents are of the view that Mozambique is not prepared, the local market lacks capacity, thus although willing, the EXMNC is unable to rely on the local market. Other respondents believe EXMNCs lack the will to meet the local content requirements, irrespective of local capacity constraints.

5.2.3.2.1. The local market is unable to meet the required standards of quality for world class projects

When asked about inclusivity and whether the local banking market should be playing a bigger role in financing the development of the natural gas field, Respondent 10 said the EXMNCs:

> *"don't want to use our financial system. In some cases, they are right, because our financial system is not efficient."*

Respondent 2 replied by saying:

> *"So, the point is just really […] you've got to sort of park the African thing at the door. The best way to look at these deals is these are world class, well scaled projects that happened to be domiciled in Africa. You know, the resources, the rocks, the rocks are ultimately colour blind or border blind. They are where they are and it turns out these rocks are in Mozambique, which turns out to be a poor country. You know in the 1970's it turned out that there were good rocks in Norway and the UK. Now there are very good rocks in Mozambique, which is a poor country. So, it's economic reality that the local institutions can only do a small part of the deal of this stage".*

Respondent 2's point is that the projects in Mozambique are world class and require world class suppliers. Respondent 10 agrees that the gas industry is marked by gravitas, and that meritocracy would determine whether Mozambican entities are awarded contracts by EXMNCs:

> *"It's about quality [...] it's about prefeasibility and that is important. Prefeasibility means that the company [EXMNC] knows that you [the local partner] will be fulfilling your commitments on time and on a regular basis […] in terms of costs, that is also important […] because all these costs will be the deductible in terms of, or against the taxes of the state. So, the state will be losing twice. Okay, we'll be losing twice. So, we need to be really careful".*

Respondent 10's concern is that uncompetitive pricing will ultimately hurt the Mozambican economy via reduced taxes. Respondent 8 is also concerned about cost emphasising that it does not make sense for the EXMNC to source locally if it's cheaper elsewhere:

> *"somebody was telling me that a ton of old stone, closest to the area where we will implement the project [in Mozambique], [will cost] something close to sixty-three dollars a ton to deliver. Whereas stone from Dubai is seven dollars a ton, even if you add transport [costs] and import rights and everything, even if you add to make it three*

times [more than the unit cost of the original seven dollar] that is still half of what we can supply [in country]?"

Moreover, Respondent states that Mozambique's supplies lack the quality and quantity required by the EXMNC and so the EXMNC will go-ahead and prioritise project completion irrespective of legislative requirements:

"this industry doesn't stop, this is oil and gas. If you have to fly eggs from Australia, we'll fly eggs from Australia. You're not gonna wait because your legislation says that you need to buy your eggs from Mozambique. If you cannot supply in terms of quality and quantity consistently, that will not happen. You can put any legislation because at the end of the day, who puts the money dictates the rules, it's a bit like that."

5.2.3.2.2. Is EXMNC deliberately setting quality standard at levels intended to exclude local participants

While respondents recognise the significance of meritocracy as a condition for EXMNCs sourcing local supplies, respondents were concerned that EXMNCs could be setting specifications at levels aimed at excluding the locals from participating. Respondent 2 cites the onerous requirements set by EXMNCs:

"you read in the advertisements, experience of five years, experience of seven years. How many people like me you have Mozambique with a PhD and project management of oil and gas? Few if any".

Respondents 10 expresses a similar concern related to the onerous requirements set by EXMNCs:

"they [the EXMNC] can say that, we want to buy or to, to hire aviation services, but these aviation services should have these specifications. And some of that specifications cannot be provided from an African company. But, from a European or an American company. So, we also need to look carefully…that the specifications in procurement of these companies [EXMNC] are fair, or are like tailored, to feed just on these western goods and service providers companies".

Respondent 9 sheds some light on the issue of why EXMNCs subscribe to high quality standards:

"the issue for African countries, in my view, is that the base is so low in terms of existing companies for anything really. Decent companies to provide any service…it's very

difficult to ask, you know, for Exxon [ExxonMobil] to give a contract locally, even for security services. Why? Because these companies operate at a very high standard of quality and service, right? So, even food they would want to check that, almost like European union kind of rules […] let's say there's food poisoning or something like. The, the impact of having to change the whole crew because of the catering is not compliant is problematic for them [the EXMNC]. And remember, these guys [the EXMNC], the main focus is, production cannot stop. Doesn't matter what. So, you need to have a very high standard of compliance to be able to even provide services to these companies [EXMNCs], right?"

Thus, in accordance to Respondent 9, the quality standards that the EXMNC is accustomed to cannot be compromised as the consequence of doing so is high.

5.2.3.2.3. Local content will be restricted to labour and staffing

A few respondents are of the view labour will form a significant component of local content. Respondent 3 states that:

"the biggest thing is, you know, manual labour. Communities will be hired by the project and people will be upskilled within the project"

Respondent 8 supports this view and expects that the ratio of foreign labour to local labour will initially be high but that this will gradually improve with time. Respondent 8 compares this to the situation which occurred when South Africa's chemical company, Sasol Limited (Sasol) monetised the gas fields in Mozambique:

"in the beginning we'll have a lot of people coming from overseas for construction and for operation. Okay, obviously along the years, and we've seen what happened in Sasol, in the past, with the Temane fields, we started with a lot of foreigner during constructions and during operations. Now we have around ninety-seven, ninety eight percent of Mozambicans there."

It has also emerged from both Respondent 5 and Respondent 3 that the EXMNCs are being proactive by investing in Mozambique's labour force. Respondent 5 shares how he was recruited from the University of Pretoria by an EXMNC. The recruitment initiative was tailored for Mozambican nationals with engineering degrees. Respondent 5 says that:

> *"we were then sent to Houston in the United States of America, where we were to be trained in operating and manufacturing and developing procedures for the oil and gas sector, to then go back to Mozambique and work in Mozambique."*

Respondent 3 confirms that EXMNCs have seconded different people to Houston, Europe and Asia.

5.2.3.2.4. Summary

The interview data reveals that EXMNCs are not in a position to compromise standards to facilitate local procurement. Respondent 10 asks and answers a question that encapsulates the overall findings from the data analysis:

> *"And the question is, why they [EXMNCs] don't use the local production? It is because there is no local production. If there is local production, there is a lack of quality. If there is quality, it is a very, very expensive in ways where these companies [EXMNCs] cannot afford. So, you have a lot of challenges."*

That said, the EXMNCs invested in developing a suitably high-skilled workforce and have been doing for at least the last four years.

5.2.3.3. EXMNC's CSR Initiatives in Mozambique

The main theme that emerged from the data analysis in relation to CSR is that of sustainability and longevity. Respondents disclosed that the EXMNCs CSR initiatives were either small or futile. Respondent 5 said:

> *"international companies come to Mozambique, extract whatever they need to extract and for whatever years and they depart, because the commodity, the resource has depleted right […] I think for the sake of socio-economic benefit, there needs to be some kind of sustainability and longevity […so that] when their [host country] resources are depleted they can carry on benefitting the country"*

Respondent 5 also felt that EXMNCs CSR initiatives should be deliberate and designed to help government achieve national objectives. Responded 5's said:

> *"government alone cannot do it, you know, so you need private sector not to patch a wound or patch a pothole, but to fix the entire road".*

Respondent 8 states that the CSR initiatives undertaken by EXMNCs in Mozambique are essential as it develops an economy that lacks basic infrastructure. The respondent goes on to say:

> *"this project has to start, we'll have to see from scratch, from roads, from port for offloading the material for LNG export, electricity in that area, resettlement, everything needs to be started from the scratch. It's a very remote area like most of the country, where basic infrastructures are not there. We need water, the electricity, we need to build schools around the facilities, entertainment, restaurants, lot of things that because there's nothing in there."*

Respondent 3 praises the work done by the EXMNCs from a resettlement perspective:

> *"Look, I've been on site. Thrice. Level of literacy is 1 percent. There's no hospital. Police Station is far from the site. Women giving birth had to walk lots of kilometres to reach hospitals or a clinic. But now we've got what is known as a resettlement village there. It's got a clinic. It's got about 572, 3-bedroomed houses […] they're (the local community) having a clinic and what else? Soccer pitch, entertainment and facilities […] they've been compensated for resettling them and serious monies."*

Respondent 5 is not as complimentary, stating that EXMNCs have an opportunity to help build new industries and strengthen existing sectors such as the medical field. Respondent 5 provides an example:

> *"As an African, if I go to the US or South African company go the US, you trust the medical field […] but the US guys come to Mozambique and don't think the medical education here is up to scratch".*

Respondent 5 feels that this is an opportunity for EXMNCs to build and strengthen another sector. Moreover, they are concerned that EXMNCs will build a local hospital (which is available for use by the local community alongside the EXMNC's expatiates) but will import medical services and supplies from their home country thus forgoing an opportunity to maximise their impact in the host country:

> *"Mozambique as a country the doctors will never be able to grow or be trained enough to provide services to American staff, you know, but if you have an expert that trains locals, the local people work in that hospital, you might just up-skill them, empower them to go and open their own competing clinic, possibly, in that same region or*

> *elsewhere. So, that's what I'm talking about, you know. And the consequences of the chain effect can be huge".*

The EXMNCs CSR initiatives are designed to have the dual purpose of serving the community whist fulling a practical unavoidable business requirement (such as resettlement plan or building medical facilities for expats). These initiatives are not aligned with national objectives and are probably not underpinned by sustainability and longevity.

5.2.4. The third proposition:

Proposition 3: The host country's sovereignty is superseded by the EXMNCs home government thus exacerbating the resource 'curse'.

5.2.4.1. Primary Data

Questions posed:

1. When negotiating the terms of the financing arrangements [foreign investment contracts], do host governments typically have world class financial advisors representing the state? Is it possible for an IOC/ EXMNC to contract on beneficial terms at the expense of the host country?
2. Do EXMNCs rely on diplomatic relations of their home government to dilute the sovereignty of the host government?
3. Would you say the country (Angola and/ or Mozambique) is getting the best deal possible from doing business with the IOCs/ EXMNCs?

The three themes that emerged during data analysis were: (i) challenges of the host governments advisory team, (ii) power of the EXMNC and (iii) quality of the deal negotiated by Mozambique.

5.2.4.2. Government's advisory team

The data analysis shows that respondents did not believe Mozambique had sufficient oil and gas sector expertise to negotiate the terms of the foreign investment contracts on a standalone basis. The findings show that the host government engaged the services of world class international advisors when negotiating with the EXMNCs. Respondent 4 confirms that the:

> *"one thing that is quite evident is that government strongly use or need consultants in that negotiations and they always use them. So, I haven't been in a situation where or I've heard about a situation where one of these big deals would've been negotiated and either from an Anadarko perspective or from a Mozambican government*

> *perspective […] there's always consultants on both sides that do support and make sure it's equitable and not one sided".*

The respondents also shared that the funds used to settle the consultants were largely sourced from international development financial institutions and the donor community. However, there were several challenges experienced with the foreign consultants who acted for the host government. The most pertinent being the conflict of interest. Respondent 10 states that the universe of consultants in the oil and gas industry is limited and so the risk of hiring a foreign consultant is that they have previously worked or aspire to work for the EXMNC. Thus, the consultants often negotiate against their client, the host government, and in favour of the EXMNC. Respondent 1 shares the same views as Respondent 10, stating:

> *"here another thing all these consultants they used to work with this international companies [EXMNC]. So, they […] back the interest of the oil companies [EXMNC], not the interest of a country".*

Several respondents advocated for the host government building its own capacity. According to Respondent 10, the host government is unable to "negotiate fair and good contract". For two reasons: (1) the host government lacks sufficient human capital and financial resources; (2) resources would help the host government attract the best quality consultants. Respondent 9 shares the same view and believes that Mozambique needs to fund its own consultants and build in-house expertise:

> *"but also, the other aspect is, with the money, and this is a problem for ENH at the moment, hopefully over time they will make enough money to afford that. You can pay consultants, you know. And the consultants will tell you this is good, this is bad. They're trying to screw you here and there and therefore, at least you [will] have your advice and you can decide, informed, if you want to get screwed or not".*

Respondent 1 acknowledges that even with advisors, the host government has at times made bad decisions. Nonetheless, Respondent 1 relays the importance of the host government having its own in-house consultants versus hiring foreign consultants, the respondent emphasises that someone with a vested interest will fight harder than someone who is not vested.

Responded 1 illustrates this point:

> *“[it] is the same if you have children […] you say OK, sister take care of my children. She will take care of children. If dog comes […] she [the sister] will try to fight, but she will [not] fight in the same way if [it] was you […] as a mother […] you will be in front of child you're fighting that bear with the fight [strength] of a lion. Your sister will try to just dance then maybe she will run, it’s the same”.*

5.2.4.3. The power of the EXMNC

A theme that emerged in all three research propositions was the EXMNC mandate of enhancing shareholder return (profit maximization); this was believed to be the driver of the actions and inactions of the EXMNC. On this basis, the power of the EXMNC was the largest theme to emerge from the data analysis in relation to Research Proposition 3. The data analysis shows that the EXMNC uses its power to achieve its mandate at the detriment of the host country.

The data analysis demonstrates that the EXMNCs power is comprised of several components ranging from its experience levels (relative to the host country) to its ability to leverage diplomatic relations (on the back of the strength of its home country government) to ensure it secures optimal terms, usually at the detriment of the host country. Respondent 1 describes the might of the EXMNC in negotiations with the Mozambican government:

> *“even when you [the host government] have these international consultants the power of the IOC is something. It's a real, real power. They have power.”*

Respondent 8 concurs:

> *“these guys [the EXMNCs] they pay the best…normally their advisors are ten times better than our advisors.”*

Respondent 10 explains that the EXMNCs team out numbers the host governments team:

> *“[EXMNCs] count on a huge number of international consultants and audit companies. Just to deal with specific terms. So, where you find the table, from the side of the company [EXMNC] with almost fifteen people, at the side of government you have just Minister and meanwhile some two, three or four technicians, that do not assist him”.*

Several respondents alleged that the power imbalance is fuelled by the belief that the government of Mozambique needs the EXMNC more than the EXMNC needs the host country’s minerals. Respondent 5 states that:

> *"these IOC's come, and they have more power, ok, Mozambican government needs the IOC more than the IOC needs the government, or so does the Mozambican government believe."*

According to respondent 6, the host government's core competency is governing a country and not exploiting oil reserves, hence the need to attract EXMNCs. Respondent 9 confirms the Mozambican government's need for the EXMNC:

> *"It also depends how desperate you are, right. So, the Mozambicans have nothing now. So, they need these guys [the EXMNCs] to come in".*

Respondent 2 reaffirms that EXMNCs do not need Mozambique at this stage due to a global oversupply of natural and shale gas:

> *"if you look at the world energy balances now you don't need Libya, you don't need Iran, you don't need Iraq, you don't need Venezuela. The world on paper does not need Mozambique. It can choose to use Mozambique and Mozambique can only be part of the solution, if it adopts first world level of governance as well as energy attractiveness."*

The pertinent analogy and metaphor used to capture the power imbalance between the EXMNC, and the host government is that of "David and Goliath[3]" or "giant". Respondent 7 states:

> *"unfortunately, it's always the David and Goliath, the story some of these authorities are not equipped to negotiate on the same you know, level playing field".*

Respondent 8 is in agreement:

> *"it is a David and Goliath thing"*

Respondent 10 explains that:

> *"this is a tall, unfair, negotiation process because we are dealing with companies with centuries of existence…just imagine, a government of the, small country, new country in terms of the entrepreneurs, and poor country with all keen to have more money because of resources they are negotiating with a giant, like ExxonMobil".*

[3] The story of David and Goliath is biblical, it is premised on David who defeats the giant, Goliath, against all odds.

Respondent 9 refers to the EXMNCs as "*big boys"* confirming their gigantic status and their ability to bully the host government:

> *"those are like, really, you know, the guy [EXMNC] that flies in the private jet to meet the President if he needs to. And they can try and bully […] they will interfere with the President and to the political scene in Angola, right. They will try to, you know, influence the President and then they'll try as to tell the guy at Sonangol, do X, Y and Z. I think in Angola, they would try."*

Thus, the might of the EXMNC is strengthened by its ability to leverage diplomatic relationship. This was confirmed several times by the respondents and most of the respondents said this practice was normal. Respondent 1 confirms that:

> *"sometimes, you will have a foreign Minister of foreign affairs coming to visit Mozambique. This guy is here to defend the interest [of the EXMNC]. The first thing that they will say, Oh, my country, so he'll company and investing in Mozambique, only to spend US$10 million dollars. It's normal. When something*

> *[…] there's a clash there they intervene […] it's how it works. It's a lot of money involved. It's a lot of its billions. These guys they go into the White House."*

Respondent 8 confirms that home government intervention is common and that this practice was reciprocal, that is, the host government would also use its diplomatic relations to coerce the EXMNC into conceding during negotiations:

> *"there's government to government talks. For example, when we discuss with our Indian partners, they are Indian government companies. Like ENH, they are Mozambican government company. So, sometimes there is interaction between governments to governments, it's normal."*

Respondent 1 is concerned about the concession made by the host government. Moreover, EXMNC demand concessions in Africa that would not be granted in developed economies. The respondent states:

> *"we are a poor country, you know. So, when this companies [EXMNCs] comes here, they have a lot of exceptions. They don't pay taxes […] some of these projects if [they] were implemented in Europe […] if it was in America will pay taxes. But here everything is different."*

5.2.4.4. The quality of the deals negotiated by Mozambique.

The quality of the deal negotiated by the host government is a theme underpinned by the clichéd idiom: “the proof of the pudding is in the eating.” In essence, the contractual terms negotiated by the Mozambican government in light of (i) the advice received from its foreign consultants and (ii) the EXMNCs power, is at the heart of Research Proposition 3.

While some respondents believed the Mozambican government had an acceptable deal – possibly the best deal, an overwhelming majority of respondents believed the host government had a substandard deal. In arriving at whether the host government negotiated a good deal, Respondent 3 states that:

> *“the cash waterfall tells you that the respective government had an upper hand, despite them, not having a cash or high GDP, the world. But they could negotiate a better package for themselves…”*

Respondent 3 accentuates that the foreign investment contracts negotiated by the Mozambican government meets international standards and that the contracts were benchmarked against the contracts concluded by the government of Qatar.

Respondent 1 considers the current context in which Mozambique finds itself (poor country, plagued by hidden debt debacle[4]) and also concludes that Mozambique secured a good deal:

> *“it's difficult to say if it's a best deal, to me is the best deal possible”.*

Overall, respondent 1 believes that the government negotiated a good deal despite having experienced the EXMNCs ask for terms that were not necessarily market standard – terms that are not acceptable in the U.S. and UK:

> *“I hear in the negotiations…one consultant [acting for the host government] saying to the EXMNC. You know, we know, we both know that in my country, you wouldn't do that. You wouldn't come with that approach in my country. You know that.”*

[4] In 2016, the government of Mozambique disclosed to the World Bank and International Monetary Fund (IMF) state-guaranteed non-concessional “hidden loans” raised earlier in 2013/2014 breaching budget laws and the legal ceiling set on loan guarantees. The “hidden loans” amounted to about 10.6 percent of the 2015 GDP and were raised by two government agencies (Proindicus and Mozambique Asset Management (MAM)) to fund purchases of defence and fishing hardware.

Similarly, to most respondents, Respondent 8 does not believe the government has a good deal and that there is limited opportunity to make the required changes to the foreign investment contract as the contracts were finalised between 10 and 15 years ago. Respondent 8 says:

> *"there's a lot of tricks around this game that you happen to understand along the way but they already in the business for hundreds of years. They've done it in many other countries, okay, and this was our first time for a project of this magnitude. So, my answer would be no, we not ready. We not ready in terms of enough skills, the mass capacity to fight the David and Goliaths, especially being the third poorest economy in the world."*

Respondent 8 elaborates that the host government did not have the upper hand in the negotiations with the EXMNCs and provides an example in this regard:

> *"we cannot call the shots […] "I'll give an example, Area 1, Area 4, each of them building its own processing facility, processing unit. That is the government spending… what Mozambicans could have done if we had the money, our bargain power, our negotiation power would be different. We would have told them listen no, we gonna do a central facility, there's where we gonna process everybody's gas, we don't have to duplicate."*

Respondent 10 disputes the notion that the host government has negotiated the best deal possible and explains that the negotiated foreign investment contracts are inferior because the host government changed the foreign direct contract on at least three different occasions in favour of the EXMNCs:

> *"So, what happen is that, because a country like Mozambique is keen to have a company such ExxonMobil, they offer everything. And there are some examples of that, offering. In 2015, 2016 and 2017, the government changed the law three times."*

Respondent 10 explains that the changes (i) extended the foreign investment contract tenor from 10 to 30, (ii) the host government has allowed EXMNC to hold offshore bank accounts, possibly in tax havens and (iii) the threshold in which EXMNC can mandate contractors without host government input was adjusted in the EXMNCs favour.

Respondent 8 believes the adverse terms of the foreign investment contract are driven by African culture:

> *"we Africans, normally we have this goodwill, of welcoming people when somebody comes to your house or you come to my house. I'll give you the best that I have, even if I have to move out from my master bedroom for you to sleep, I will do that. And when we do business, it's the same. Unfortunately, we don't even probably evaluate what are we giving away sometimes. Not just example of Mozambique, there's a lot of examples in Africa about that and we start crying and complaining that the big international oil company, big multinational players they came here, they take our resources, they do this. No, they asked for it and we give away. They [EXMNC] ask you [the host government] for relaxation on tax, the [host] government has to say yes or not."*

Respondent 9 agrees that culture plays a role however, this respondent believes the culture is not an African culture as it is not prevalent in Angola:

> *"No, I can't speak to Mozambique, but I, I've never been in a negotiation with them. Angola has been, as an oil and gas industry since the sixties. I was privileged to be like, for four years, involved in negotiations with the IOC's on the LNG project, and I can tell you the Sonangol team was, there was not a lot of people, but from the leadership to the people actually at the table negotiating, they were pretty strong people. They would put their feet down and they will push back on a lot of things. I mean, you know, and I saw that myself first-hand. Angolans are generally, culturally, a lot bolder and more arrogant and confident. Maybe the Mozambicans are not, right."*

In response to Research Proposition 3, the findings are that the government has not secured the best deal possible. Respondent 6 eloquently captures the point by reversing the roles and concluding that had the EXMNC been the owners of the gas reserves the deal negotiated with the host government would not suffice in its current form:

> *"if these international oil companies were the owners of those reserves and Mozambique wanted to come and exploit those reserves, what deal would they have reached? Would it be the current deal on the table? And you'd probably find that the answer to that is, a no."*

Finally, a key finding is that Respondent 11 believes the activity of the EXMNCs has resulted in insurgencies that are destabilising the northern province of Mozambique, Cabo Delgardo:

> *"There is a known group of people destabilising the area where you have gas in Cabo Delgardo. But you don't know who these people are. What [are their] objectives. The only thing that you know is that they are doing attacks, killing people, destroying livelihood. Some of these killings are really brutal but you don't have a face of this group. Some say they are terrorists. Some say they are normal insurgency. Some they say this kind of bandits. You know, some they say are simple robbers, but a robber doesn't need to cut off your head to steal what they want. But you have this kind of instability in the Northern part of the Cabo Delgardo province where you have the gas."*

5.3. Secondary Data - Findings

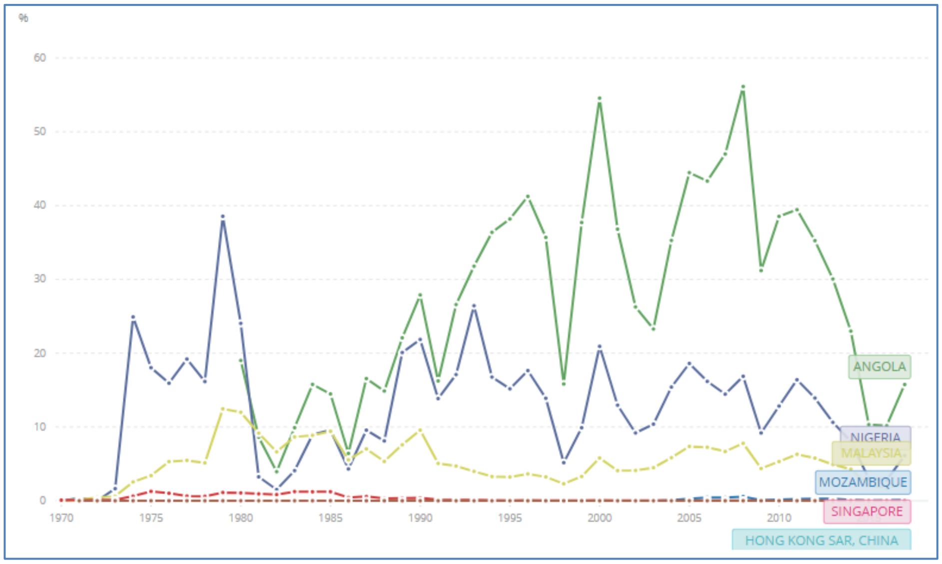
5.3.1. Preamble

As discussed in Chapter 4, secondary data has been drawn to enhance the interview data and to obtain a richer and more holistic understanding of (i) the EXMNCs role in developing countries and (ii) the key themes that emerged from the primary data. Moreover, the reliance on multiple sources of data supports the triangulation of data strategy employed by the researcher as discussed in Chapter 4. The secondary data used has been sourced from various public documents and audio-visual materials. To facilitate the ease of navigating this section of the study, similarly to the primary data presentation, the presentation and discussion of the secondary data herein follows the sequence of the research propositions discussed in Chapter 3.

5.3.2. Verification of the relevance of the resource 'curse' phenomenon

The researcher sought to verify the existence of the resource 'curse' in modern times. The data shown in Figure 3 of the literature review is drawn from 1970 to 1990. The data in Figure 5.1 and Figure 5.2 is drawn from 1970 to 2017 from a sample size that comprise of Mozambique and Angola (the countries on which this case study is base), Nigeria (Africa's largest oil and gas producer), Chile, Botswana and Malaysia (countries that have avoided the resource 'curse') and Singapore, Hong Kong and Korea (being the resource-poor countries with the highest GDP per capita per Figure 3). Figure 6 and Figure 7 are a graphical representation of the (i) oil rents as a percentage of GDP and (ii) the GDP per capita respectively.

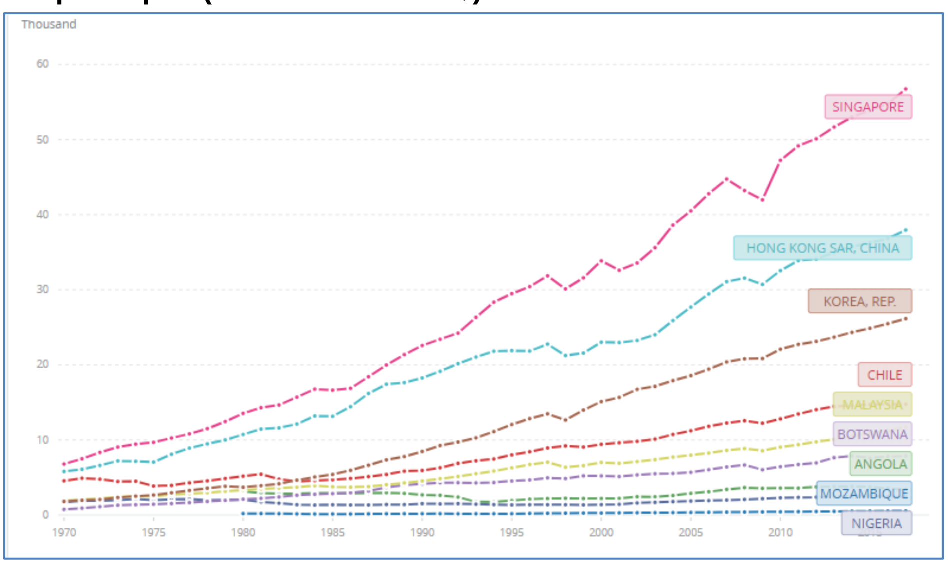
Figure 5.1: Oil Rents (Percent of GDP)



Source: World Bank Data, 2019

Notes: Oil rents are the difference between the value of crude oil production at world prices and total costs of Production. From the above sample size, Angola, Nigeria and Malaysia earnings from natural resources account for a substantial proportion of their GDP relative to Singapore and Hong Kong and Korea. These countries are therefore resource dependent

Figure 5.2: GDP per capita (constant 2010 US$)



Source: World Bank Data, 2019

Note GDP per capita is comprised as the gross domestic product divided by midyear population between 1970 and 2017. Data are in constant 2010 U.S. dollars. Nigeria, Angola, Malaysia and Mozambique (that is, the countries earnings from natural resources account for a substantial proportion of their GDP) have the lowest GDP per capita growth rates.

5.3.3. Finding/ Results

5.3.3.1. Research Proposition 1: EXMNCs may artificially inflate operational costs in an attempt to maximise shareholder returns thus exacerbating the resource 'curse'

Secondary interview data with the CEOs of BP and Total S.A Chairman and chief executive Patrick Pouyanné provides valuable insight in relation to Research Proposition 1:

In relation to the claim by several respondents that EXMNCs relied on tax havens to and the use of transfer pricing to avoid paying taxation. The EXMNC discloses its openness to being more transparent:

> *"I mean let me clear when I became CEO, I had a debate but fiscal transparency with my colleagues because we were criticized because we are not publishing the list of all the consolidated affiliates of the company and where we were well established. And I took a strong position. I told them in the twenty first century we have to be transparent. A company like Total, in fact we are global companies. We are a form of economic power one and seventy-billion-dollar market capitalization. And the society is looking to us as being more powerful than many countries in fact and so we cannot just say we are because we have businesses, we meet that we are hidden."*

Total S.A also confirms that the EXMNC the use of tax havens.

> *It's a message to us and we cannot just say we pay your taxes and we are rid of that we have made of duty towards a society because we pay taxes. People are asking us otherwise it is our business model which will be into question. You know when people are in many elections are voting against for less protectionism, less open trade etc. more protectionism let's […] it's against us somewhere and so we need to be more proactive and transparency is part of it so I have published with lists of subsidiaries with and yes we are still eleven subsidiaries in even tax haven countries.*

Summary: EXMNCs use tax havens. That said, they are adopting policies that enable increased transparency in this regard.

Platform for Collaboration on Tax

In relation to artificial inflation of costs by EXMNCs, the secondary data also revealed that in 2016, the Platform for Collaboration on Tax was jointly launched by the International Monetary Fund

(IMF), the Organisation for Economic Co-operation and Development (OECD), the United Nations (UN) and the World Bank Group (WBG). In addition, the OECD, the World Bank/International Finance Corporation (IFC) and the European Union (EU) jointly initiated the International Cooperation in Transfer Pricing, a task force which has developed a successful Transfer Pricing assistance programme in developing countries

The task force identified that globalisation resulted in developing countries opening their borders to trade and thus exposing themselves to the risk of tax base erosion and profit shifting (BEPS) which denies these countries of critical tax incomes. The task force programme supports developing countries seeking to implement or strengthen their transfer pricing rules in areas that pertain to, inter alia, (i) legislation, capacity building, risk assessment.

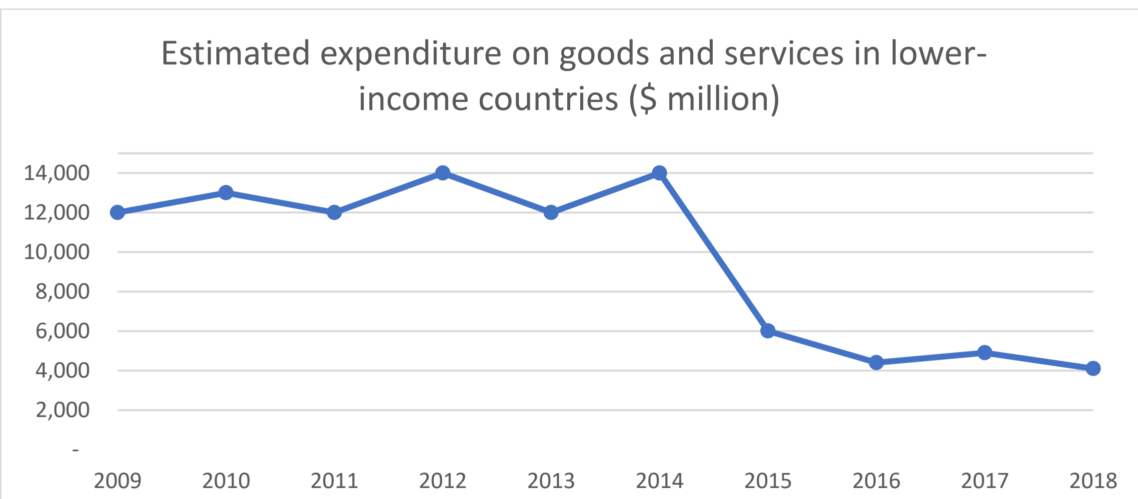
Summary: The international community recognises the severity of the impact of transfer pricing and profit shifting by EXMNCs in developing economies and have responded by formulating regulations intended to protect developing economies.

5.3.3.2. Research Proposition 2: EXMNCs promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives thus exacerbating the resource ‘curse’.

5.3.3.2.1. EXMNCs Local Content versus CSR Spend

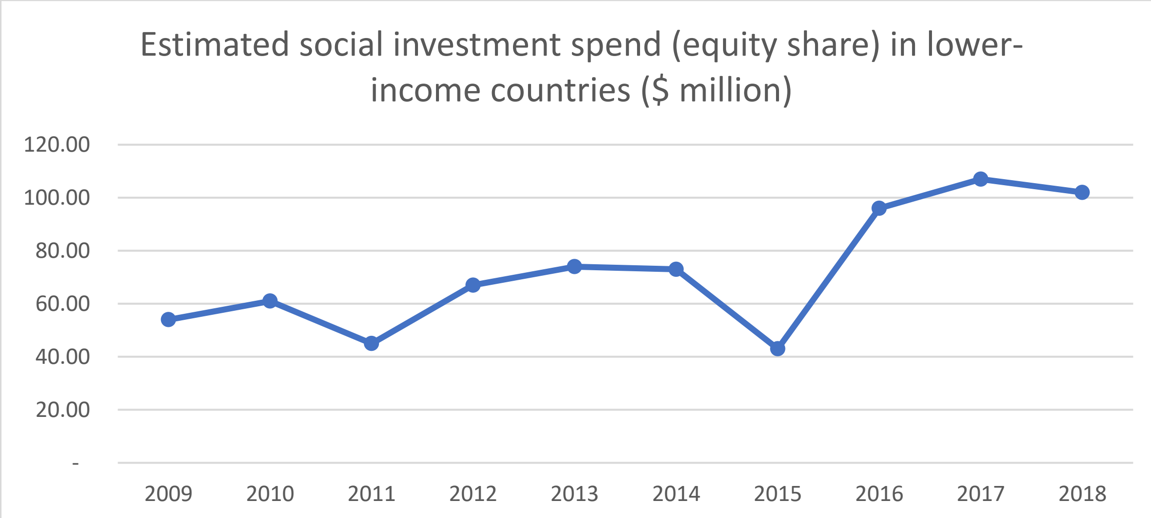
The Royal Dutch Shell (“Shell”) 2018 Sustainability Report depicts the EXMNCs local content spend versus their CSR spend as shown in Figure 8 and Figure 9 respectively.

Figure 5.3: Shell - Contracting and Procurement



Source: Shell Sustainability Report 2018 (Social data)

Figure 5.4: Shell – Social Investment



Source: Shell Sustainability Report 2018 (Social data)

Notes:

- Shell's local contracting and procurement spend peaked in 2014 at US$14 billion before plummeting to just below US$4 billion in 2018.
- Over a similar period, Shell's social investment (that is, CSR) was at an all-time low in 2015 and has since grown exponentially from US$40 million to circa US$100 million in 3 years.

Thus, EXMNCs CSR and social investment spending is increasing, while local content spend decreases substantially. This is an indication that EXMNCs are prioritising their CSR spend at the expense of local content development.

5.3.3.3. Research Proposition 3: The host country's sovereignty is superseded by the EXMNCs home government thus exacerbating the resource 'curse'.

Secondary interview data with the CEOs of BP and Total S.A Chairman and chief executive Patrick Pouyanné provides valuable insight in relation to Research Proposition 3:

The CEO of BP confirms he ran into U.S. President Donald Trump who said:

> *"I just want you to know America would never have done what […] the last administration did to BP which so […]".*

Total S. A's CEO reveals the impact of sanctions placed by superpower U.S. on its business operations:

> *"Secondary sanctions meant the US president can decide what Total cannot have access to any US banks. I cannot run a company in one hundred and thirty countries with any access to in the US banks. It's impossible this is our world. Ninety percent of the financing of Total are linked to US banks. So, it's not possible the second possible secondary sanction, is that he could give order to investors not to invest that in Total. I have more than thirty percent almost thirty five percent of US shareholders. I will not lose them. It's not possible and then he could also give order that we could be a problem zero assets in the US I have more than ten billion dollar we intend to grow so this was not possible".*

As a result, the EXMNC places reliance on the French government leveraging its diplomatic relationships to resolve a political issue that is detrimental to the business operations of the EXMNC:

> *"the only way if we want to make a project it would be to have a project waiver from the US. Not sure it will be easy to obtain to be honest, but we have also contract with Iranian Bevier on that we will respect which is asking us to ask the support of the French authorities to get that waiver. French authorities will discuss and as we said we will, and we are engaging to examine possibility to get it if you are mayor Washington, I will meet the people but again to be clear today we state I give instruction to make no further commitments".*

BP's CEO also reveals that there is a resounding myth that British companies should not be investing in Africa. The motive underpinning this narrative and myth is not made clear:

> *"[…] I'm gonna reiterate this point about Africa because this has done a great disservice, it just perpetuates the myth that British companies for example should not do business in Africa."*

BP's CEO also clarifies that shareholder returns less important than the desire to meet a social and global need:

> *"So, it's all evident it's really, we have to balance all these things, but I will tell you our shareholders do not get up in the morning to create shareholder value. They do it*

> *because the world needs energy they have a broad experience in doing it and people see that we change countries where we operate in."*

The BP CEO also confirms that the EXMNC is not a political entity

> *"[…] and I one of the great things about I think BP is we are regarded as a British company that is global and not political and I think that's an advantage for us right now".*

Summary: It is clear from the above secondary data that ERXMNCs rely on diplomatic relations of their home government to unlock situations that negatively impact their ability to operate the business profitably.

Some respondents (primary data) indicated that the world did not need Mozambique on paper, as such the researcher sought to verify the impact of the shale gas findings in the U.S. on global demand trends. According to the U.S. Energy Information Administration (2018), following the development of shale gas reserves in the U.S., the U.S. now produces almost all the natural gas it utilises. Moreover, the U.S. accounts for circa 40 percent of global gas production growth to 2025 (WEO, 2018). The U.S. gas production is expected to peak between 2025 and 2040, which coincides with the period in which Mozambique's gas production is expected to peak. U.S. production is adding to the pressure on demand for traditional gas exports from African, which were perceived to be relatively expensive (WEO, 2018; Africa oil & gas report - Latham & Watkins LLP).

The secondary data supports the primary data. Simply out: increasing the reliability and validity of the interview data.

5.3.4. Conclusion

The primary and secondary findings provide valuable insight in relation to each research proposition. A summary of the finding presented in this Chapter 5 are tabled below:

Table 5.1: Primary data: The salient findings of the study

Research Proposition 1: **EXMNCs artificially inflate operational costs in an attempt to maximise shareholder returns thus exacerbating the resource 'curse'**

1.	Distrust for EXMNC	There is a probability that the EXMNC will artificially inflate costs. However, it is increasingly more difficult to do so. EXMNCs are self-monitoring by adopting policies that encourage fiscal transparency.
2.	EXMNCs use of foreign jurisdictions and offshore structure	EXMNCs use foreign jurisdictions and offshore structures to facilitate (i) tax avoidance and possibly tax evasion, and (ii) genuine business imperatives.
3.	Quality of the host governments internal controls	It is increasingly challenging for EXMNCs to inflate costs given the various controls in place, intended to prevent such practises.
4.	EXMNCs goal to minimise tax payable in country	The interview data shows that EXMNC are unlikely to evade tax given the reputational and financial consequences of so doing. That said, EXMNCs utilise structures intended to optimise tax and so the overall tax paid in the host country is minimal. Transfer pricing and profit shifting emerged as a key risk.
5.	Type of host government income	The overall finding is that the host government has incorporated measures in the foreign investment contracts awarded to the EXMNCs, that enable the country to earn income ahead of operating costs.
Research Proposition 2: **EXMNCs promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives thus exacerbating the resource 'curse'.**		
1.	Local content requirements: The challenges	Mozambique's local sector (on a standalone basis) lacks the capacity to meaningfully partner with the EXMNCs to meet the governments local content requirements. The availability of consistent supply, the quality of the supply, the cost of the supply and access to financing are the key challenges. The role of the local participant in the partnership model with international companies may yield an ethical dilemma. Further, socio-economic benefits derived from local content policies are diluted.

<table>
<tr><td></td><td></td><td>Local suppliers are unable to access financing due to bureaucracy</td></tr>
<tr><td>2.</td><td>EXMNC’s reluctance to utilise local suppliers</td><td>The world class quality standards that the EXMNC is accustomed to cannot be compromised as the consequence of doing so are high. These standards inherently exclude local participants. Moreover, the local market is costs are not competitive. Irrespective of the EXMNCs willingness to utilise local supply is inconclusive, the EXMNC would not be unable to rely on local supply due to the lack of local supply.

The financial sector has been excluded from participating in the projects due to the exclusionary standards set by EXMNCs</td></tr>
<tr><td>3.</td><td>Local content will be restricted to labour and staffing</td><td>EXMNCs have invested in developing a suitably high-skilled workforce and have been doing for at least 4 years.</td></tr>
<tr><td colspan="3">The EXMNCs CSR initiatives are designed to have the dual purpose of serving the community whist fulling a practical unavoidable business requirement (such as resettlement plan or building medical facilities for expats). Secondary data supports view that EXMNCs are prioritising CSR relative to local content procurement.</td></tr>
<tr><td colspan="3">Research Proposition 3:
The host country’s sovereignty is superseded by the EXMNCs home government thus exacerbating the resource ‘curse’.</td></tr>
<tr><td>1.</td><td>Government’s advisory team</td><td>The host government has a team of world class consultants who (i) are at times conflicted and (ii) do not necessarily prioritise the host governments social development mandate.</td></tr>
<tr><td>2.</td><td>The power of the EXMNC</td><td>The EXMNCs power is derived from their financial strength, the number of years they have been in the industry (often over a century) and their ability to leverage the diplomatic relations of their home country government. This power has bought them the ability to negotiate exemptions, waivers and special dispensations at the detriment of the host country.</td></tr>
</table>

		Power imbalance is described by the 'David and Goliath' metaphor. Moreover, the power imbalance grants the EXMNC the ability to demand concessions in developing countries that they would not ordinarily obtain in developed economies.
3.	The quality of the deal negotiated by Mozambique.	Given the 'hidden debt debacle' and Mozambican cultural practises of being overly hospitable and accommodating, the host governments has not secured the best deal possible. That said, the terms of the foreign investment contracts have been benchmarked to international deals and incorporate some unusual beneficial terms in favour of the host government.
The activities of EXMNCs have yielded violent activity in Cabo Delgardo.		

Source: Authors compilation

The next chapter provides both an analysis and a discussion of the research outcomes; where applicable, ion and interpretation of the salient findings and, where applicable, linked to the literature presented in Chapter 2.

Chapter 6: Discussion of Results

6.1. Preamble

As discussed in the preceding chapter, this study seeks to plug a knowledge gap in relation to how can EXMNCs be considered as channels of the resource 'curse' in the context of Mozambique's natural gas discoveries. That said, neighbouring and fellow SADC country Angola was used a proxy to gain richer insight in relation to the subject matter. Based on the literature review in Chapter 2, the EXMNCs actions or that had the potential of galvanizing a stagnant GDP growth in Mozambique were identified and research propositions formulated in Chapter 3. Data was gathered (primarily via a series of face-to-face interviews) in respect of each research proposition and analysed in accordance with the research methodology described in Chapter 4. Finally, the findings of both the primary and secondary data analysis were presented in Chapter 5.

This chapter advances the findings presented in Chapter 5 by presenting a critical analysis, in-depth discussion and interpretation of the salient findings and, where applicable, connects these to existing research and theories presented in Chapter 2. The key findings, as per Chapter 5, are repeated in table 6.1 below:

6.2. Discussion

6.2.1. Preamble

As discussed in Chapter 2, the debate concerning the resource 'curse' phenomenon remains unsettled. The resource 'curse' is measured based on economic growth performance (being the growth rate of per capita GDP) between resource-rich countries relative to their resource-poor counterparts (Sachs & Warner, 2001. Per Figure 2.1, Sachs and Warner (2001) use data sourced between 1970 and 1990 to evidence the prevalence of the resource 'curse'. In this study, the researcher seeks to establish and validate the prevalence of the resource 'curse' phenomenon in recent times, and ahead of presenting the findings herein. Figure 5.1 and Figure 5.2 show that the most resource dependent countries (as defined in Chapter 2, dependency is measured as a percentage of total oil and gas exports to GDP evidencing the disproportionate reliance by such countries on oil rents as the main source of income (El Anshasy, 2014; Barma, Kaiser & Viñuela, 2011)) also have the lowest GDP per capita growth rates. Moreover, per Figure 5.2, the same countries that were deemed to be resource dependent per Figure 5.1, performed relatively worse than the countries who are considered as resource-poor. Both these observations are an indicator of the resource 'curse' phenomenon as discussed in Chapter 2. Thus, this study and the discussion of the findings hereunder remain relevant.

6.2.2. Research Proposition 1:

EXMNCs artificially inflate operational costs in an attempt to maximise shareholders returns thus exacerbating the resource 'curse'.

6.2.2.1. Research Proposition 1 - Discussion

The first research objective investigated whether EXMNCs expropriated funds via the artificial inflation of operating costs. It is proposed, in Chapter 3, that this was done to maximise shareholder returns and that this action inherently deprived developing host countries of their fair portion of the much-needed income tax revenues. The opportunity cost of depressed taxes (as a direct result the EXMNCs actions) for the host country is stagnated GDP growth, thus yielding or exacerbating the resource 'curse'.

Several conclusions can be drawn from the results presented in Chapter 5. That said, note that the EXMNCs were underrepresented in the sample size from which this data was drawn. Moreover, the findings are irresolute as it is improbable that an EXMNC would willingly admit, on record, to expropriating funds via the artificial inflation of operational costs as this has both reputational and legal consequences. Nonetheless the results still provide meaningful findings and insights that could be generalised, albeit with caution, to other developing natural gas exporting countries in Africa.

Amongst the overall themes to emerge from the data is the low confidence regarding the EXMNCs ability to do what is deemed socially and morally correct. The lack of trust is attributed to the EXMNCs need to maximise shareholder return. The results of the interview data show that some respondents did not unequivocally declare that the EXMNC would not artificially inflate costs while most respondents agreed it was probable. One respondent, the outlier, confirmed with conviction that multinational corporations overstated costs. This respondent had viewed several financial records reflecting zero profits over several years. Koethenbuerger, Mardan and Stimmelmayr (2019) provide an explanation for this observation, they state that profits are shifted by multinational corporations to subsidiaries domiciled in low-tax countries thus achieving zero reportable taxable profits in the high-tax jurisdiction. Mozambique can be regarded as a high-tax jurisdiction as its corporate tax of rate of 32 percent is high relative to Angola's 30 percent, Nigeria's 30 percent and South Africa's 28 percent.

Tax minimisation was one of the key themes to emerge from the interview data. The in-depth interviews findings supporting this theme are that the EXMNC is not just likely to artificially inflate costs, but that the EXMNC may partially declare or understate the revenue generated from the sale of gas. Transfer pricing was also cited amongst the key risks to face the host country.

The data showed that Mozambique would rely on extensive documentation requirements and auditing to curb the risk of tax avoidance. In 2017, Mozambique introduced procedures for the assessment of the transfer pricing transactions between related entities and allow for corrections to the taxable profit by the tax authorities as well as documentation requirements. This practise enables tax authorities to pick up the artificial inflation of costs. Koethenbuerger, Mardan and Stimmelmayr (2019) found that such policies were ineffective in changing EXMNC behaviour concerning profit shifting and tax minimisation. Moreover, Gupta (2018) found that tax authorities failed to identify and thus prevent tax minimising structures when evaluating documents furnished by EXMNCs, due to their flawed approach in analysing such documents.

The host government's inability to prevent, detect, monitor and audit artificial cost inflations undertaken by the EXMNC was amongst the themes to emerge from the data. This theme is quite topical and produced opposing views from the respondents. Some respondents believed the host government is not adequately equipped to monitor and audit artificial cost inflations while the NOCs believe (i) not only are they equipped to monitor costs inflation by EXMNCs but that (ii) there are inherent protections in the structure that deter EXMNC from inflating costs.

These inherent protections range from the multi-layered cost approval process which includes audits conducted by (i) different government bodies within the host country and (ii) world renowned legal and accounting firms. Moreover, the consortiums that own each of the projects in Mozambique (i.e. the JV partners) consist of several EXMNCs, acting in the capacity of financial sponsors. The JV partners, who can benchmark the costs presented by the operating EXMNC against other global operations. This control is not only inherent in the structure, it is also one of the most powerful deterrents in curbing the risk of artificial cost inflation.

Secondary data shows that there is rising concern in the global community relating to tax base erosion and profit shifting (BEPS) by EXMNCs particularly in developing countries. It is projected that BEPS practices cost countries between US$100 and US$240 billion in lost revenue annually[5]. This was deemed a critical challenge for development in developing countries, as it impacted the host governments ability to capture its fair share of the economic benefits from the exploitation of its mineral wealth by EXMNCs. The international community has responded in various ways, the OECD, World Bank/ IFC and EU has formulated a task force aimed at assisting developing countries regarding BEPS.

Moreover, the oil sector and industry has also responded by introducing administrative pricing, and the no-profit rule – two specific practices make the oil sector less vulnerable to transfer pricing. The global community's response and the introduction of sector specific practise are an inditement of the severity of transfer pricing and profit shifting by EXMNCs in developing countries. Whilst the data supports the notion of a high probability of the EXMNC artificially inflating costs, the interview data also reveals it is increasingly challenging for EXMNCs to do so given the various controls intended to prevent such practises.

White's (2017) statements are fascinating, this review suggests that the same audit firms are responsible for assisting EXMNCs escape the regulatory controls in developing countries via the use of extensive tax haven networks. EXMNCs use of foreign jurisdictions and offshore structures was another theme that emerged from the data. The researcher understands that EXMNCs operational SPVs are domiciled in foreign jurisdictions and that their operational bank accounts are held outside the host country, usually in tax havens. The overall sentiment, from the primary data analysis, is that, although foreign jurisdictions aid tax avoidance in the host country. There are other plausible reasons that justify the use of offshore structure by EXMNCs. These reasons include (i) this being a requirement for third party financing, (ii) genuine political risk factors within the host country (such as expropriation of funds), (iii) the host country's underdeveloped financial sector and (iv) the EXMNCs centres of excellence (that service the EXMNC's global operations) are housed in a single location outside the host country.

This finding is in line with existing academic literature, as Robertson (2019) states that a central feature of the globalisation is the use of tax havens by EXMNC to speedily transfer considerable amounts of capital across jurisdictions while paying minimal tax. Gupta (2018) found that

[5] OECD Platform for Collaboration on Tax, 2016

EXMNCs set up complex group structures and deliberately furnished incomplete information to tax authorities as a means of lowering their tax base. The secondary data confirms the use of tax havens by EXMNCs, Total S.A.'s CEO, Patrick Pouyanné advocates for proactive EXMNC transparency and has published the company's lists of subsidiaries of which eleven are in tax haven countries.

The use of tax havens and "tax efficient" structures is intended to reduce the overall tax paid in the host country. After interviewing an EXMNC, their claims are that EXMNCs do not evade tax given the reputational and financial consequences of so doing. While tax avoidance is legal, this raises the debate of whether the deprivation of tax revenue in an underdeveloped or developing country is socially acceptable and/ or ethical. The Duke of Westminster and the Ayrshire Pullman Motor Services is an example of a case where the judgement unequivocally states that EXMNCs have no moral obligation to maximise their tax payments to governments (White, 2018). Thus, the legal stance apropos to the EXMNCs ethical obligations is unequivocal. The legal fraternity's views disregard the social debate and is premised on the letter of the law.

The interview findings revealed that the Mozambican government has incorporated measures in the foreign investment contracts awarded to the EXMNCs. The Mozambican government will earn several types of income that will differ in terms of their ranking in the cash waterfall of each project - which is essentially the priority of payments…who (the host government, EXMNC or the financial institution) gets paid first relative to the other. It has emerged the host government gets certain payments first ahead of operational costs, in addition to tax (which ranks after operational costs but ahead of repayments of debt) and dividend payments which are paid last in terms of priority. This income is formally termed the Petroleum Production Tax ("PPT") or Royalty which is between two and six percent of the sales price of natural gas after deducting the costs of extraction, transport and processing incurred by the EXMNC. The existence of the PPT does not necessarily nullify the motive for the EXMNC to artificially inflate costs, it merely means the impact of an artificial inflation of cost will be less detrimental to the host country.

To take a step back, in Chapter 3, Research Proposition 1 is premised on the EXMNC artificially inflating costs (which rank below the revenue generated from sale of gas but ahead of both tax payments and debt repayments). The researcher states that the EXMNC is motivated by recovering all their costs and in the shortest timeframe possible and argues that the EXMNC may expropriate funds ahead of debt service by inflating operational costs – a cost item that ranks above debt service. "Inconclusive" is the word that succinctly describes and captures the overall findings in relation to the adequacy of the host governments internal controls and whether

EXMNCs artificially inflate costs. While the conflicting views from the various respondents cannot be discounted, the researcher is inclined to lean towards the strong statements made by the two NOCs as these are (i) unrelated parties who agree on the controls in each of the two countries, (ii) the two entities would be hardest hit by the cost inflation, if it were to occur but more importantly, (iii) both entities form part of the consortium alongside the EXMNCs, they have first-hand knowledge with regard to what actually goes on in-country.

6.2.2.2. Research Proposition 1 - Conclusion

It is difficult for a study of this nature to answer Research Proposition 1 with a fair degree of conviction in the absence of the EXMNCs input. Thus, the findings are inconclusive as to whether EXMNCs artificially inflate costs, however it is evident that doing so would be challenging given the various controls intended to prevent such practises. The factors that are expected to significantly decrease the attractiveness of artificially inflating costs is the combination of (i) the PPT (amongst other taxes that rank ahead of the 32 percent corporate tax payable); (ii) the multi-layer cost approval and audits, (iii) the JV partners ability to benchmark costs; (iv) global initiatives aimed at curbing BEPS; and (v) the new trend that seeing EXMNCs voluntarily disclosing payments to host country governments and the jurisdictions in which they house their subsidiaries.

The global communities' ability to rally together and exert the required pressure to yield meaningful results has been instrumental in the fight against BEPS. In essence, a combination of internal (host country initiatives) and external (the collective global effort) pressure has somewhat shielded developing nations from EXMNCs artificially inflate operational costs in an attempt to maximise shareholders returns.

6.2.3. Research Proposition 2:

EXMNCs promote and prioritize their CSR initiatives to mask their inability (or unwillingness) to adhere to local content directives thus exacerbating the resource 'curse'.

6.2.3.1. Research Proposition 2 – Discussion

In analysing the interview data, two themes emerged which are (i) the challenges presented by the local content requirements and (ii) the EXMNC's reluctance to utilise local suppliers. These two themes encapsulate a narrative drawn from the sub-themes presented in Chapter 5 that relate to Research Proposition 2: Mozambique is one of the poorest countries in the world, recovering from an elongated civil war which ended as recently as 1992. Thus Mozambique (companies and individual's) is not ready nor prepared to meaningfully participate in the natural gas sector from a local content perspective. As such, the country requires support from regional institutions and businesses -particularly from its neighbour, the Republic of South Africa (one of the biggest economies in Africa) - via the establishment of partnerships and joint ventures with Mozambican owned entities.

The interview data shows that there is consensus that Mozambique's local sector (on a standalone basis, that is, ahead of partnering with international or regional experts) lacks the capacity to meaningfully service EXMNCs along the supply chain. Morgado (2014) found that the lack of capacity and inadequate safety standards in Mozambique gas sector prevented local firms from providing quality services to EXMNCs. Consistency in supply (that is, the ability to supply the required quantum's timeously), the quality of the supply, the cost of the supply and difficulties in accessing financing are the core challenges faced by local suppliers. Farole and Winkler (2014) believe that for economic development to occur, local firms should operate in a favourable environment which grants them access to finance.

The interview data reveals bureaucracy as a barrier to accessing financing in Mozambique and thus as a deterrent for entrepreneurship. The lack of access to finance should be of resounding concern to the Mozambican government, as ultimately, local private sector participation produces the sustainable jobs and economic growth required to avoid a resource 'curse' outcome, thus Mozambique's resource management needs to encourage private sector development (Venables, 2016). Moreover, Sen (2018) states that there is no doubt that the success of local content policy initiatives and regulatory requirements hinges on development of domestic capabilities and the barriers to entry into the global industry. Form the interview data, the barriers to entry are internal (i.e. bureaucracy within Mozambique's financial sector) and external (imposed by the EXMNC).

The external barriers mentioned above stem from the interview data. Amid warnings of artificial barriers to entry, set by EXMNC by imposing standards that are tailored to exclude local and regional players. The researcher will tackle this theme in three parts, (i) in relation to technical supply of services along the value chain, (ii) in relation to skilled and unskilled labour and finally (iii) in relation to the financial services sector.

i. **Procurement of local materials and goods**

The interview data indicates that the EXMNC is reluctant to procure from the local market. These findings are consistent with Morgado's (2016) findings, who found that EXMNCs in Mozambique are prone to procure from suppliers with whom they are familiar, these are typically foreign firms. Morris and Fessehaie (2014) support the finding that EXMNC are reluctant to procure from the local market, they argue that the development of local linkages and local sourcing is not deemed a core business imperative by EXMNCs.

That said, secondary data sourced from a World Bank (year) study indicates that the barriers to local participation, particularly in countries that lack local capacity, are as a result of the characteristics of the oil and gas sector which include (i) high capital investment, (ii) specialized input, and (iii) technological complexity. Moreover, according to this World Bank (year) study, EXMNCs are generally overly reliant on these well-organized global supply chains as a mechanism of achieving cost reduction, certainty of quality standards, security of supplies, that the existence of these chains inherently tends to lock out local suppliers, even when local capability exists. As such, it is common for EXMNCs to penalises local supplies as the inputs of the oil and gas sector are technologically complex (Amendolagine, Presbitero, Rabellotti & Sanfilippo, 2019).

The findings revealed allegations that EXMNCs were penalising local suppliers by deliberately setting unattainable quality standards. On this basis, several respondents were of the view that local companies would ultimately be awarded futile supply contracts such as those relating to cleaning services, security services and catering. What emerged from the data was that local companies were unlikely to be awarded the futile contracts either as these too were subject to world class quality standards. The dire consequences of a sub-standard (one that does not meet the highest quality standards) diet and catering services is the adjournment of critical operations and heightened medical bill for the EXMNC due to staff food poisoning and/or ill health. Thus, the EXMNCs reluctance to award what is perceived as futile contracts has been construed as an inditement of the EXMNCs unwillingness to employ local suppliers. This highlights a possible misunderstanding or even lack of knowledge with reference to the EXMNCs decision making processes and key drivers. This heightens the risk of tension between EXMNCs and local suppliers (Morgado, 2014)

The researcher presents additional data that casts doubt on the notion that EXMNCs are reluctant to employ local suppliers. Secondary data shows that EXMNCs have taken steps towards the creation of local opportunities via the establishment of AMA1 Supplier Registration System. This system serves a dual purpose, firstly it allows EXMNCs to become aquatinted with local firms that do not have a track record of doing business with the EXMNC. Secondly, it minimises information asymmetry between local and foreign contractors. This registry can be construed as an indicator of the EXMNCs willingness to procure locally, however, whether the EXMNC follows through by procuring locally is challenging to ascertain due to the lack of capacity specifically within Mozambique's local market.

The lack of local capacity does not justify the exclusion of local suppliers from the EXMNCs value chain. Mozambique's Petroleum Law requires that preference be given to Mozambican firms (provided quality of goods and services are comparable to those supplied by foreign firms) and allows for a ten percent premium above the value of the foreign supply quotation (Ovadia, 2016). That said, interview data shows that local market supply contracts are often priced above the ten percent cost differential threshold and are therefore not cost competitive. Another method the EXMNCs willingness to develop the local market can be measured is by assessing whether the EXMNC (i) trains local staff, (ii) assists local suppliers to obtain international certifications and (iii) offers advanced payments to local suppliers (Amendolagine, Presbitero, Rabellotti & Sanfilippo, 2019).

The interview data and supporting literature indicate the EXMNC is reluctant to place reliance on the local market in respect to technologically complex services. The data indicates that EXMNCs are more likely to rather prioritise utilising local labour.

ii. Procurement of local labour

Whilst the interview data presents conflicting results in relation to the EXMNCs willingness to procure from local suppliers, there is consensus that the local content strategy of EXMNC is premised on local hires. The findings show that most respondents were comfortable that EXMNCs will hire locally, but that the ratio of foreign skilled labour to local unskilled labour will initially be high. What is not certain is the sustainability of local employment post the construction phase of the projects – the interview data revealed that the projects were capital intensive (versus labour intensive) and that post the construction phase many unskilled labour recruits would be then be unemployed.

The sustainability of local labour strategy rests with skilled labour. The interview data revealed that EXMNCs are investing in developing a suitably high-skilled local workforce and have been doing so for over four years by recruiting qualified Mozambican students from local and regional universities and seconding these students to their foreign operations across the globe ahead of deploying them to the Mozambican project site.

iii. Procurement of local financial services

An example of EXMNCs setting requirements that are perceived to be deliberately exclusionary in nature pertain to the relatively developed financial services sector in Mozambique. The interview data revealed that the Mozambican banking sector is constrained by the requirement (imposed by the EXMNC) to fund in foreign currencies (versus the Mozambican Metical or ZAR) and were therefore unable to compete with international banks. After examining the relationship between financial development and economic growth emerging economies, Guru and Yadav (2019) concluded that banking sector development stimulating economic growth. Thus, by not involving the banking sector, EXMNCs are stifling Mozambique's economic development.

From a third party's standpoint, it seems logical that a portion of the project costs could be denominated in Mozambican Metical as the EXMNCs cost structure includes costs that are denominated in local currency, municipal services for example as well as local salaries. An argument can be also made regarding the South African Rand (ZAR), interview data revealed that local suppliers would be partnering with South African companies thus, the project cost relating to South African procurement could have been denominated in ZAR to allow for better regional participation.

That said, a conversation should be had regarding whether local and regional banks would accept dollar denominated repayments as the project's revenue streams are denominated in USD. Otherwise the projects could enter into forward contracts and hedge the repayments so that local and regional funders are repaid in their currency of choice. The same argument holds for the insurance sector, EXMNC should be insuring in-country and requiring the local insurers to reinsure with investment grade counterparties.

The interview data revealed that EXMNCs steered away from relying and utilizing the local financial sector (i) due to the risk that the host government would limit the ability to transfer monies outside the host country and (ii) monies held in tax havens facilitated profit shifting.

Other challenges apropos to Mozambique's local content requirements relate to the imminent need for Mozambican firms to partner with international firms. This stance is endorsed by the new Petroleum Law which requires EXMNCs to partner with Mozambican companies or individuals.

From the interview data, South African suppliers are identified amongst the best placed to bolster Mozambique's local capacity. Farole and Winkler (2014) also found that Mozambican entrepreneurs were greatly reliant on South Africa. That said, the interview findings cited two challenges that relate to the partnership model between Mozambican nationals and their international partners. The first is borne by the absence of local capacity, the concern is founded on the presumption that the local partners contribution would be limited to their ability to unlock trade opportunities via their relationship with senior government officials, thus creating fertile ground for corruption. The second challenge relates to the dilution of local content socio-economic benefits as the economic benefits generated from the supply contract would benefit countries outside of Mozambique. Both these concerns are valid and require the Mozambican government to find workable solutions to overcome these challenges.

The interview data also highlights the need to balance the desire to promote local content versus the adverse impact of overpriced local contracts on the host countries tax revenue base. This finding is in line with Kolstad and Kinyondo (2017) conclusion that uncompetitive local inputs are counterintuitive to the host country's agenda of maximising tax extraction. As a result, the interview data indicates that EXMNCs will receive waivers and exemptions in relation to the local content regulations. This finding is consistent with those of Ovadia (2016), who cites that recent African local content strategies are increasingly prioritising a pro-business agenda rather than local content requirements. That said, according to the researcher, the watering down of local content requirements is not only a pro-business strategy, it also in the best interest of the host country tax collection strategy.

6.2.3.2. CSR Findings

The researcher is cognisant that Research Proposition 2 is dual faceted, it seeks to explore local content relative to CSR, thus for completeness, this section of the discussion has consolidated the key themes related to CSR as derived from the interview data.

The secondary data reveals that EXMNCs regard CSR as their "license to operate" which simply means that EXMNC recognise the critical requirement of giving back to the communities in which they operate. EXMNCs believe they have a unique role to play, supplementing government's efforts, that helps achieve societal goals. This finding is in line with Porter and Kramer (2019) regarding the success of CSR being premised on CSV as explained in Chapter 3.

As such, the interview data reveals that the EXMNCs CSR initiatives are on the rise, however, these initiatives are found to be unstainable, lack longevity and are misaligned to Mozambique's national priorities. Newell and Frynas (2007) state that "the greatest contribution CSR initiatives can make is through reinforcing state-led development policy" (p. 679), the interview data reveals that the EXMNCs CSR initiatives do not seek to contribute to emergent national priorities. For example, EXMNCs would import medical staff and supplies from their home country instead of facilitating a transfer of skills to the local medical fraternity. The EXMNCs CSR initiatives are less likely to develop Mozambique due to the (i) lack of integration of CSR as part and parcel of the EXMNCs business model, (ii) mismatch of the CSR initiative *vis-à-vis* the magnitude and urgency of the social problems in Mozambique and (iii) global market's reluctance to penalize EXMNCs who do not prioritize the sustainability agenda (Visser, 2012).

6.2.3.3. Research Proposition 2 - Conclusion

The results of the study reveal that meritocracy will determine whether Mozambican entities are awarded supply contracts by EXMNCs. Moreover, the findings support the research hypothesis that EXMNCs set requirements that are exclusionary in nature, while it may be plausible in relation to the procurement of goods and services, it is questionable when one tilts the lens to the financial sector perspective. Finally, there challenges (and unintended consequences) presented by encouraging a partnership model between local and international entities must be carefully considered and addressed by the host government.

Then lastly, the secondary data made it possible to analyse and definitively answer whether EXMNCs where substituting local content spend with CSR investment. Based on Shell's 2018 sustainability report, the data showed local contracting and procurement spend declined by 71 percent between 2014 and 2018. While in parallel, Shell's CSR investment increased by 150 percent between 2015 and 2018. The secondary data supports the claims made in Research Proposition 2.

6.2.4. Research Proposition 3:

The host country's sovereignty is superseded by the EXMNCs home government thus exacerbating the resource 'curse'.

6.2.4.1. Research Proposition 3 - Discussion

The Mozambican government has limited experience in the oil and gas sector, interview data revealed that the host government is rightly supported by a team of world class consultants ("Foreign Consultants") who advise government when negotiating the foreign investment contract with the EXMNC. From the interview data, the EXMNCs experience was that both the EXMNC and the host government had advisors who ensured that foreign investment contract is equitable, however, several respondents expressed how the EXMNCs advisory team out numbered that the host government and the teams were exponentially more experienced.

The data reveals that Mozambique attributes the 'hidden debt debacle' to the countries inability to build in-house advisory capacity and over reliance on external donor funds. Three matters arise, based on theoretical conclusions presented in Chapter 2: Firstly, the hidden debt debacle is an indication of the heightened risk of corruption in Mozambique that will result from its resource wealth and globalisation (Olsen & Wig, 2017; Papyrakis, Rieger & Gilberthorpe, 2017). Secondly, Mozambique's resource nationalism will be negatively impacted in the absence of a debt relief programme intended to reduce its external debt (Saunders & Caramento, 2018).

Then lastly, the data revealed that the Foreign Consultants are funded by international development agencies such as the IMF and World Bank. Academic literature suggests that the formulaic conditions set by these organisations are designed to promote the EXMNCs agenda of maximising shareholder returns (Blunt, 2014). A key finding is that the Foreign Consultants have previously worked for or aspire to work for the EXMNC, thus there is an inherent conflict of interest which impairs their impartiality. In cases where Foreign Consultants were not conflicted, the interview data reveals that Foreign Consultants do not have a vested interest in Mozambique as they were not Mozambican, and that the lack of vested interest limited the extent to which they would protect the host country's interest in negotiating with EXMNCs.

Respondents believed that the Foreign Consultants were solving for commercial viability (in line with the EXMNC goals) versus their clients (host governments) socio-economic development mandate. These findings are aligned to the notion that encompass characteristics associated with the social norm theory, which purports that the foreign consultants (subordinates) output would be more aligned to the host government's priority (the superior) if the host government had more role legitimacy (Douthit & Majerczyk, 2019). It appears, from the Foreign Consultants perspective, that role legitimacy rests with the EXMNC as opposed to the host government.

Moreover, the interview data reveals the existence of a power imbalance between the EXMNCs and host government which favours the EXMNC. This power asymmetry underpins the relations between the EXMNC and the host government. The source of the EXMNCs power has been a key finding, it is derived from the EXMNCs financial strength, the number of years they have been in the industry relative to the host country (often over a century differential), their dominance in the industry (access to technology, buyers and the broader market), the level of reliance the host government places on EXMNCs and their ability to leverage the diplomatic relations of their home country. The EXMNCs ability to leverage diplomatic relations is discussed in more detail below.

EXMNCs ability to leverage diplomatic relations

Another factor that strengthens the EXMNCs power is the EXMNCs political relationship with its home-country government. The interview data reveals that intervention from the EXMNCs home government is a common practice globally. More surprisingly was the revelation that the host government also reciprocates this practise by requiring the intervention of the EXMNCs home-country government when negotiations break down. The data seems to allude to the conclusion that the home-country government is the de facto decision maker and possibly channel of the resource ‘curse’ in developing countries. The extent of the relationship between EXMNCs and powerful political regimes behind them are disclosed by the secondary data. An EXMNC discloses their reliance on their home country government to help them obtain project waivers regarding the secondary sanctions imposed by the US government.

The secondary data supports the interview findings that EXMNC rely on bilateral investment treaties to secure exemptions, waivers and special dispensations. These finding add new information to Venables (2016) and Li, Meyer, Zhang and Ding’s (2018) which state that bilateral investment treaties are used by politically connected EXMNCs as; (i) a protection mechanism against the risk of doing business on foreign soil, risks such as host government breach of contract, expropriation and adverse taxation changes and (ii) to augment their legitimacy and enhance their ability to access sensitive information. The new information is that expands the purpose of the bilateral investment treaties to include exemptions, waivers and special dispensations.

In addition, this study challenges Duanmu’s (2014) claims that the privately owned EXMNCs are vulnerable to the host government’s sovereignty. This study argues that in developing countries, the EXMNC is inherently more powerful than the host government ahead of investing in the host country, and that the EXMNCs ability to leverage its political power further distorts the power asymmetry between the EXMNC and the host government, in the EXMNC’s favour. Moreover, Duanmu (2014) focusses on a special type of multinational corporation, being the government owned NOC. This study concludes that Duanmu's (2014) findings extend beyond the NOC to include conventional privately owned EXMNCs.

The EXMNC's power has fuelled its ability to negotiate (tax, local content, etcetera) exemptions, waivers and special dispensations at the detriment of the host country. The interview data revealed that the host country changed its legislation on at least three different occasions to accommodate the EXMNC demands. The host government conceded by:

i. extending the contract tenor from 10 to 30 years following alleged threats from EXMNCs that they would not sign the contract. This concession takes away the host governments ability to intervene and renegotiate the terms of the foreign investment contract periodically;
ii. the host government has allowed EXMNC to hold offshore bank accounts, possibly in tax havens. This concession is at the detriment of the local banking sector. Moreover, the host government will not have line of sight into the revenues generated by the project as the cash will be sitting in a foreign jurisdiction – this concession facilitates tax evasion; and
iii. the threshold in which EXMNC can mandate contractors without host government input was adjusted in the EXMNCs favour. This means that the EXMNC has authority to appoint contractors below this higher threshold without requiring host government approval. This gives the EXMNC the ability to circumvent the host government's controls and oversight.

According to the interview data, the aforementioned changes are not in the best interest of the host country. This is expected as EXMNCs with political ties yield an added benefit in host countries characterised by weak institutions, such as Mozambique (Li et al., 2018).

Moreover, the inter data reveals that the host country was unable to prevent the EXMNCs from building two processing facilities adjacent to each other. The host government preference was to avoid the duplication of facilities as the host country would ultimately be responsible for the financial wastage. Whist this study reveals the EXMNCs extraordinary power relative to the host country, the interview data also reveals that, despite this power, the host government was able to incorporate unusual beneficial terms and protections in the foreign investment contract. One such example relates to the introduction of PPT as discussed in section 6.2.2.1. Venables (2016) states that the owner (that is Mozambique) of the mineral wealth should put in place a regime which enable it to be the major benefactor of the resource rents. Given the waivers, exemptions and special dispensations negotiated by the EXMNC coupled with the EXMNCs tradition of optimising their tax structures, it is unlikely that Mozambique will be the major benefactor of the resource rents, however, the inclusion PPT is a step in the right direction for the Mozambican economy.

Given the EXMNCs power, the question posed relates to how the host government was able to successfully negotiate the PPT. Duanmu (2014) explains that the level of economic dependence of the host country on the home market of the EXMNC is a contributing factor. According to the World Integrated Trade Solution (WITS), in 2017, India, South Africa, Netherlands, Italy and China were Mozambique's major trading partner countries for exports while South Africa, United Arab Emirates, China, Netherlands and India were Mozambique's major trading partners for imports. The majority of the leading Area 1 and Area 4 EXMNCs home countries are not Mozambique's key trading partners (although the JV partners include NOCs from these markets as well). Thus, Duanmu's (2014) findings explain why Mozambique would have been able to negotiate the PPT, all else equal.

As revealed by the data, the last and most significant factor that amplified the EXMNCs power is Mozambique's cultural practise of being hospitable and forgoing one's comfort to ensure a guest feels welcome. Caputo, Ayoko, Amoo and Menke (2019) confirm that indicate that cultural values affect the choice of negotiation styles. That data reveals that this Mozambican cultural practise has extended beyond the dining room table (in one's private residence) to the boardroom table in a business setting, where the host government has been overly hospitable and accommodating by granting the EXMNCs requests. This has resulted in the EXMNCs securing exemptions, waivers and special dispensations to the EXMNC at the detriment of the host country's socio-economic mandate.

Finally, another finding relates to the violent activity that has emerged in Cabo Delgardo. The perpetrators are unknown, the killings have been brutal. This finding is in line with academic literature that has found amplified frequencies of internal armed conflict for countries, such as Mozambique, with a history of civil war (Lei & Michaels, 2014). That said, due to their arcane behaviour, EXMNCs continue to operate in Cabo Delgardo (Karl, 1999).

6.2.4.2. Research Proposition 3 – Conclusion

The data has revealed that the answer to Research Proposition 3 while multifaceted, is premised on the EXMNCs power. The EXMNCs power is exaggerated by a host of external factor, including its ability to leverages diplomatic relationships of its home-country government. Both the host government and EXMNC turn to the EXMNC's home country government in times of conflict, thus the ultimate decision maker is the EXMNCs home country government. The second external factor relates to the host government's over reliance on the EXMNC. The third is the Foreign Consultant, who can be deemed the "enemy within" the host government camp campaigning on behalf of the EXMNC. The last factor, possibly the most damaging is the host government itself, by taking a culture of being overly hospitable to the boardroom.

By implication there are several factors that dilute the host governments sovereignty, the EXMNCs home-country government is one such significant factor.

6.2.5. Conclusion

This chapter presented the main findings from the research and the interpretation thereof, and in light of the literature in Chapter 2 and Chapter 3.Chapter 7 concludes this report.

Chapter 7: Conclusion

7.1. Preamble

The chapter herein presents a closing argument for the study: a summary of the principle findings is presented in section 7.2, the contributions made to the resource 'curse' literature are presented in section 7.3 and the recommendations for the three categories of stakeholders: policymakers, EXMNCs, and the EXMNC's home-country government are discussed in section 7.4 , 7.5 and 7.6 respectively. Section 7.7 presents the inherent limitations of the study. Finally, section 7.8 details the matters that future research could address.

7.2. Principle findings

Africa is a poor continent rich in mineral resources, her peoples hope is that the mineral wealth can pave a way to meaningful economic development and improved well-being for all. The continent is plagued by the resource 'curse' (Bucuane & Mulder, 2009; Rexler, 2010; Wiig & Kolstad, 2010). Understanding the reasons for, and exceptions to the resource 'curse' is not just an academic exercise intended to solely add to the body of existing literature – it is a meaningful study intended to practically equip current and future African leaders with the tools to reverse and possibly cure the resource 'curse'.

This study fills a literature gap that pertains to the role played by a key stakeholder in the resource sector, the EXMNC. It provides the depth of insight that has not been previously documented and sheds light on the actions and inactions of the EXMNCs that exacerbate the prospects of a resource 'curse' outcome, particularly in developing countries.

Firstly, the study reaffirmed the internationals community's critical role in rallying behind Africa and exerting the required pressure to alter destructive behaviour (McFerson, 2010; Van Alstine, 2014; Khadiagala, 2015; Sovacool, Walter, Van de Graaf & Andrews, 2016; Papyrakis, Rieger & Gilberthorpe, 2017). The global initiatives aimed at curbing BEPS cannot be underestimated. The long-standing partnership between international organizations and Africa dates back several decades. As a black South African born in the Apartheid era, in conducting this study, the researcher recognised the sturdy undertaking and relentless efforts of the international community that forced the Apartheid government to surrender by abolishing its human right violations. This international force is evident, it will probably be this same undertaking and relentless effort that will facilitate transparency and ultimately help Africa curb corruption and the negative impact of BEPS.

Secondly this study reveals that EXMNCs use CSR initiatives to mask their inability (and possibly unwillingness) to develop the local market in which they operate. If the resource 'curse' is to be reversed, local content policies should be prioritised by EXMNCs, provided the local services and materials are procured at competitive rates and in accordance to the required quality standards. The findings herein are undivided in relation to the local entities ability to secure contracts based on meritocracy, Mozambique simply lacks the capacity. Thus, the viable alternative is for local Mozambican entities to partner with an international expert or for EXMNC to adopt CSR initiatives that achieve meaningful levels of economic development. In other words, CSR initiates should only replace local content procurement to the extent that the CSR initiative upholds the same level of economic development. This can be achieved when EXMNCs integrate CSR as part and parcel of their core business model (versus a as diversion). CSR initiatives should match the magnitude and urgency of the social problem in the developing country. This will be achieved when EXMNC shareholders and the market in general, penalise EXMNCs who do not prioritise the sustainability agenda (Visser, 2012).

Another key finding is that the Mozambican financial sector is a double-edged sword. On the one end its bureaucratic practices are crippling the local market and deterring entrepreneurs from flourishing. While on the other end, this sector has been deliberately excluded by the EXMNCs from playing a meaningful role in the Mozambique's natural gas sector. EXMNCs are overlooking and possibly side-stepping the local financial sector (banking and insurance). This happens in one of two keyways, namely: by securing exemptions that allow for the underlying project accounts to be held offshore. The potentially lucrative and sizeable U.S. dollar denominated deposits and cashflow inevitably bypass the local banking sector, depriving it of the opportunity to thrive. Secondly, EXMNCs are not deliberately setting bespoke conditions aimed at facilitating local financial sector participation at the project level. Conditions such as providing for a local currency (or South Africa Rand or Naira or Kwacha) tranche and depositing meaningful foreign currency in local bank accounts (which can be re-invested by the local bank in the underlying project). The local financial sector is the backbone of a developing economy (Guru & Yadav, 2019), circumventing this critical sector ultimately harms the economy.

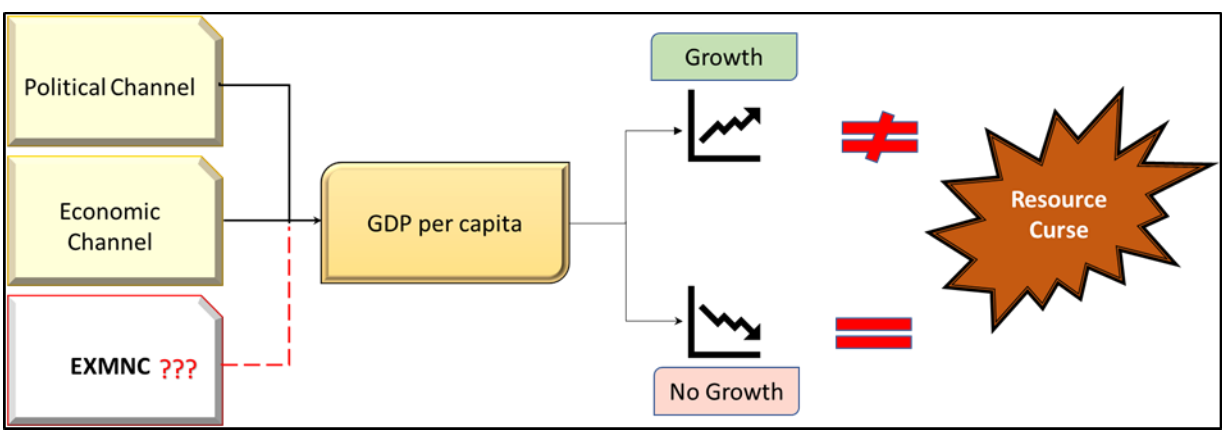
Literature reveals that 'Western development assistance' is intended to create an environment that enables EXMNCs to achieve their mandate in developing economies (Blunt, 2014). This is done in one of two ways (which may not be mutually exclusive), according to literature, Western donors such as the IMF and World Bank directly lend to the African host countries, the conditions of such borrowings are intended to serve the interests of the EXMNC. Moreover, the interview data reveals that the Western donors also fund the Foreign Consultants who are often conflicted and represent the views of the EXMNCs and acts as the “enemy within” the host governments camp. The host government is contending undue levels of pressure to forgo its socio-economic mandate.

The other matter for consideration is that the EXMNCs goal of profit maximisation and that of the host governments to maximise economic benefit are mutually exclusive, that is both goals cannot co-exist. The one cannibalises the other. The EXMNC’s power buys it the ability to ensure that the goal of profit maximisation triumphs.

The findings reveal that the EXMNC’s power is used to negotiate (tax, local content, etcetera) exemptions, waivers and special dispensations at the detriment of the host country. More interestingly is that the EXMNC not only leverages its home governments diplomatic relationships to strengthen its bargaining power, but that the host government also relies on the EXMNCs home government to resolve deadlocks. This finding brings to the forefront the role played by the EXMNCs home government and calls into question the EXMNCs home governments role as a channel of the resource ‘curse’.

Then finally, the host government self-sabotaging is an example of an external factor that exaggerates the EXMNCs power relative to the host government. The host country’s culture of being overly hospitable has negatively impacted Mozambique’s ability to prioritise its social agenda and has de facto, amplified the EXMNCs power.

Figure 7.1: Testing how EXMNCs are channels of the resource ‘curse’



Source: Authors compilation

The above actions and inactions of the EXMNC negatively impact the GDP performance of the host country as depicted in Figure 7.1. Thus, this research assignment concludes that the EXMNC is indeed a channel of the resource ‘curse’ (McFerson, 2010; Wiig & Kolstad, 2010; Osuagwu & Obumneke, 2013; Nfam & Mawere, 2018; Adams, Adams, Ullah & Ullah, 2019).

7.3. Contributions

To the best of the researcher’s knowledge this study is the first to explicitly investigate the relationship between the EXMNC and the resource ‘curse’ based on in-depth interview data, in the context of Mozambique’s LNG findings. Secondly, the value added by checking the results of the interview data against secondary data, strengthened the reliability of the findings herein. As a result, the analysis differs from others in terms of the methodology used to inform the findings as such, the qualitative study provided deeper and richer insight into the actions and inactions of the EXMNC in developing resource blessed countries (as discussed below).

While other studies have found that the EXMNC is a channel of the resource ‘curse’, these findings were based on an amalgamation of other third-party research papers. This study differs in that the researcher relies on primary interview data, which reveals underlying causal factors that have not been considered, to the best of the researcher’s knowledge, in the context of the resource ‘curse’ literature.

7.4. Implications for policymakers (host government)

The findings presented herein have implications for host government policymakers who have a pivotal role in shaping and directing the EXMNCs activities in the host country. The implications of the study will help developing countries to manage their resource wealth more effectively. The direct implication is that policymakers should take the following aspects into consideration:

7.4.1. Western development assistance

Blunt (2014) suggest ‘Western development assistance’ is designed facilitate the maximisation of EXMNCs shareholder returns. Thus, the host government should be cognisant of this finding and re-evaluate its approach to onboarding foreign aid. Ideally, this finding should deter developing countries from being over reliant on foreign aid. It will be critical for Mozambique to keep a closer eye on corruption (and prevent a replay of the hidden debt debacle) and to ensure that the resource rents are used repay debt, where possible. Moreover, to the extent that Foreign Consultants are appointed, the host country should conduct in-depth due diligence and background checks to minimise the risk of having an ‘enemy within’ the host governments camp. Incentive programmes linked to the Foreign Consultants performance should be introduced, this should inform whether the Foreign Consultant is re-appointed. Finally, Policymakers should consider appointing regional consultants who have a vested interest in Mozambique’s success.

7.4.2. Development of the local financial sector

Financial development and economic growth are positively correlated, as a resuly policymakers should prioritise stimulating the development of the financial sector (Guru & Yadav, 2019). Policymakers should be working alongside local banks to reduce the inherent bureaucratic procedures that deter the start-up of small business from formulating. Local business aimed at supporting the LNG projects should be prioritised and supported by the host government and the local banking sector.

In addition, Policymakers must ensure that the local financial sector (and regional banks) partake in funding the LNG projects. EXMNCs must be incentivised to consider multi-tranche facilities aimed at attracting local and regional players. Moreover, EXMNC should be required to hold a meaningful minimum amount of funds in local banks (monies denominated in both US$ and local Metica) This will help retain economic benefits within Mozambique and the wider region.

7.4.3. Local content versus CSR

Local content requirements should be broken down into three subsets, namely (i) procurement of goods and service, (ii) labour and (iii) financial sector participation overhauling CSR requirements. Local labour and financial sector participation should be a non-negotiable. However, to the extent that EXMNCs are not able or are unwilling to procure goods and services locally, Policymakers should ensure that EXMNC prioritise CSR 2.0 initiatives. These initiatives should be audited annually and monitored on a regular basis. Furthermore, the initiatives should not be at the sole discretion of the EXMNC but rather a collaborative initiative between the EXMNC and host government aimed at addressing matters of national priority.

In instances where local suppliers partner with international enterprise, Policymakers should monitor the terms, or the JV arrangement and the local partners value add. Moreover, Policymakers should impose aggressive penalties for government officials who are found to be partaking in corruption. A combination of the two approaches should minimise the risk of corruption.

7.4.4. Artificial inflation of costs and BEPS

Policymakers must improve their evaluation strategy in relation to BEPS thoroughly examine EXMNCs group structures and related party transactions signing off on costs.

7.4.5. Cultural practises

Policymakers and government officials who negotiate contracts should exercise cultural intelligence and be cognisant of the implications of no doing so.

7.5. Implications for managers (EXMNC)

The findings presented herein pose interesting challenges for EXMNCs and their managers. The most import relate to the use of EXMNEs of foreign jurisdictions / tax havens, barring in mind the moral and social responsibility of enabling development in host countries. EXMNC executives should consider taking steps towards transforming their CSR initiatives to CSR 2.0, particularly if local procurement of goods and services is impractical. Most importantly, the EXMNC management team should take a greater strategic and deliberate approach to ensuring meaningfully local financial sector participation across the value chain. More specifically, EXMNCs should be endorsing multi-currency tranches which cater for local and regional participation. Finally, a reasonable proportion of the total revenue generated by the respective projects should be held in onshore accounts and EXMNCs should be utilising local underwriters to insure the business' construction and operational risk. Local underwriters can be required to re-insure with credit worthy acceptable insurers.

7.6. Implications of the managers (EXMNCs) home-country government

The study sought to determine whether the host government had been 'strong-armed' into a suboptimal foreign investment contract as a result if the EXMNC leveraging its home country's diplomatic relationship with the host country. The findings presented herein also have implications for the EXMNCs home country government who has been found to occupy a pivotal role in resolving disputes between the EXMNC and the host country. Drawing on the outcomes of this research, the EXMNCs home country government should take a step back and consider how their role (and rulings) could be exacerbating a resource 'curse' outcome.

7.7. Limitations of the research

It is worthwhile to mention that the findings are restricted by certain limitations. The study could benefit from additional interview data sourced from organisations based in Angola. This represents one of the greatest limitations to the study alongside the underrepresentation on EXMNCs in the sample size. More in-depth analysis of EXMNCs requires better data access to not just EXMNCs, but to the Mozambican government, the Angolan government, Mozambican local suppliers and Foreign Consultants. Further, although biases were 'bracketed', it is possible that the study has been impacted by the researcher's biases. The study does not incorporate the input from the foreign investment contract between the host country and the EXMNCs (that is, the

EPCC in Mozambique's case). Note that these documents are publicly available but require translation from Portuguese to English.

Another limitation is that the findings of this study are based on a very specialised industry and specific country, being Mozambique. Moreover, the study is cross-sectional and conducted at a specific point in time. The research could have benefited from longitudinal studies. Therefore, generalising the findings herein should be done with caution.

7.8. Suggestions for future research

By way of conclusion, the researcher recommends that future researchers investigate namely:

a. the role of the EXMNCs home country government as a channel of the resource 'curse'. This study reveals the pivotal role played by the EXMNCs home country government in resolving conflicts between the EXMNC and the host government. The substance of this arrangement, is that the EXMNCs home country government is an integral stakeholder with veto power;
b. the role of the Foreign Consultant (and foreign aid) as a channel of the resource 'curse'. The study revealed that the Foreign Consultant is often conflicted and prioritises the EXMNCs requirements, possibly advising the host government to subordinate its socio-economic agenda in favour the EXMNCs profit maximization agenda. Not that this study does not suggest that Foreign Consultants deliberately prioritises the EXMNCs agenda at the detriment of the host country, in fact, the researcher is of the view that this action is not deliberate and unknown to the Foreign Consultant; and
c. the role of cultural intelligence as a channel of the resource 'curse'. The study revealed that the Mozambican Government's cultural practise of generosity and hospitality are brought into the negotiation room. This cultural practise negatively affects the host country's ability to protect and prioritise its socio-economic agenda.

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Appendix 1 – Consent form

Gordon Institute of Business Science
University of Pretoria

[·] July 2019

[Insert Company / University/ Government Dept]

[Insert Address]

Fax: [·]

For attention: [·]

REQUEST TO CONDUCT INTERVIEW FOR RESEARCH PURPOSES – FINANCING THE AFRICAN OIL AND GAS SECTOR

Dear [·]

My name is Khetha Rantao and I am a Masters in Philosophy (International Business) student at the University of Pretoria's Gordon Institute of Business Science ("GIBS"), in Johannesburg, South Africa.

The relationship between natural resource endowment and economic growth has been cause for much debate amongst researchers, academics and policymakers. The point of contention is premised on a theory that proports that resource-rich countries (a) do not benefit from the resource endowment and (b) perform worse than resource-poor countries, a phenomenon widely recognized as the resource 'curse' or the 'paradox of plenty'. The research I wish to conduct for my Master's dissertation considers the international oil company's (the "IOC") role, that is, whether the IOC benefits or worsens the socioeconomic situation in Angola/Mozambique. This project will be conducted under the supervision of Professor Marianne Matthee (GIBS, South Africa).

I would be most grateful if I could meet with you in person – otherwise I would also be comfortable to conduct the interview telephonically or via skype. I intend to provide you with a copy of the questions I will be asking (ahead of the meeting), please note that the list is not exhaustive.

I would like to interview you in person and hope that you are available between 5 – 7 August 2019. I have 13 key questions to discuss and I'll take no more than 60 minutes of your time.

Please note the following:

- if you agree to participate now, you may withdraw at any time or refuse to answer any question without penalty;
- you will not benefit directly from participating in this research;
- all information provided for this study will be treated confidentially; and
- at your request and regarding any report on the results of this research, your identity will remain confidential. This will be done by changing your name and/ or disguising any details of your interview which may reveal your identity or the identity of people you speak about.

I appreciate your consideration of my request. I will contact you on 22 July 2019 to see if you are available or you may leave a message for me using my information below.

If you require any further information, please do not hesitate to contact me on +27 71 602 6050 and 19111127@mygibs.co.za or my supervisor on mattheem@gibs.co.za

Thank you so much and I am looking forward to meeting with you.

Signature of research participant

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Signature of participant Date

Signature of researcher

I believe the participant is giving informed consent to participate in this study

--- ----------------------
Signature of researcher Date

Appendix 2 – Interview Guide

Semi-Structed Open-Ended Interview Questions – Civil Society Mozambique

Theme	Questions
Questions about the interviewee	▪ Briefly describe your role in the organization ▪ How long have you worked for the organization? ▪ Briefly share your personal experience and background in Mozambique's gas sector?
Questions about the company	▪ What are the main goals for the organization? ▪ How long has the organization been involved in the gas sector?
Key questions	1. Please share your thoughts regarding how the natural gas findings in Mozambique's Rovuma Basin are likely to impact Mozambique from a socioeconomic standpoint? 2. In your view, is the international oil company ("IOC")/ multinational oil or gas company("MNC") critical to the socioeconomic development of Mozambique, do IOCs/ MNCs have a role to play? 3. Are you aware of any activity that the IOC/MNC has undertaken to benefit the socioeconomic development of Mozambique? 4. Are you aware of any activity that the IOC/MNC has undertaken that has been perceived as (i) harmful or (ii) not in the best interest of the socioeconomic situation in Mozambique? 5. Does Mozambique have enabling legislation and policy setting that promotes indigenous domestic citizens participation in resource extraction activities (i.e. screening IOCs/ MNCs against achieving local content thresholds, local economic development targets and economic empowerment)? 6. Do IOCs/ MNCs facilitate technology spillovers in Mozambique – by for example (i) partnering with locally owned firms or (ii) purchasing locally sourced goods/ maximizing local content versus importing or (iii) via training and/ or employing local people in meaningful senior corporate positions instead of bringing in expatriates?

	7. Could MNCs promote and prioritize their CSR initiatives at the expense of meeting local content requirements? 8. Do MNCs rely on diplomatic relations of their home government to dilute the sovereignty of the host government? 9. It has been argued that IOCs/ MNCs are influential particularly in the host country. Do IOCs/ MNCs have a moral obligation to use their influence to ensure natural gas revenues paid to host governments are used to improve the socioeconomic situation in the country? 10. According to you, in which way could the arrangements between the government and IOC/ MNC be optimized/ altered so that the socioeconomic situation in Mozambique is improved? 11. When negotiating the terms of the financing arrangements, do host governments typically have world class financial advisors representing the state? Is it possible for an IOC/ MNC to contract on beneficial terms at the expense of the host country? 12. Would you say Mozambique is getting the best deal possible from doing business with the IOCs/ MNCs?

Semi-Structed Open-Ended Interview Questions – Financial Institutions

Theme	Questions
Questions about the Interviewee	▪ Briefly describe your role in the organization/ financial institution? ▪ How long have you worked for the organization? ▪ Briefly share your personal experience and background in financing the oil/ gas transactions in Africa?
Questions about the Company	▪ What are the main goals for the organization in the oil/ gas sector? ▪ How long has the company been involved in the oil/ gas sector?
Key questions	1. Typically, what financing structures/ mechanisms are used to fund oil & gas transactions particularly in Angola and/ or Mozambique?

	In which instances is one structure preferred to another? What are the pros and cons of each structure? 2. Are the typical funding structures designed to maximize the socioeconomical impact in-country? If not, what is the primary purpose of the preferred structure 3. Who decides which funding structure to pursue – the government or the international oil company (“IOC”)/ multinational oil or gas company (“MNC”)? 4. Does the government and IOC/ MNC typically inject equity/ capital for their participating interest? If so, where do governments typically source the equity/ capital required to fund their participating interest? 5. Are funds raised locally or internationally, i.e. is the loan denominated in Angolan Kwanza / Mozambican Metical or USD? Please explain the reasons behind the choice of currency? 6. Do local/ indigenous financial institutions (i.e. banks that do not have a foreign parent) participate in the fund raising? Is local currency funding cheaper? Can local banks participate if the funding is denominated in a hard currency, please elaborate? 7. According to you, in which way could the financing structure be optimized/ altered so that government is receiving (i) more cashflows/ larger quantum’s and/ or (ii) cashflows sooner (timing)? 8. Angola and/or Mozambique’s people should have benefited substantially from oil and gas revenues: a) Is there a role the MNC/ IOC could have played better to ensure the oil/ gas benefits are meaningfully distributed to the people of Angola/ Mozambique? b) Are IOCs/MNCs using structuring to minimize monies payable in-country, for example tax havens/ optimal tax structures, financial structures, project accounts held offshore versus onshore? c) Do MNCs/ IOCs shy away from holding governments accountable for how the oil/ gas money (tax, royalties, dividends/profit share) is spent?

	9. In your view, does the MNCs /IOCs have a moral obligation to use their influence to ensure oil and/or gas revenues paid to governments are used to improve the socioeconomic situation in the country? 10. When negotiating the terms of the concession contract, do governments typically have financial advisors (in addition to legal advisors) representing the state? 11. Would you say the country (Angola and/ or Mozambique) is getting the best deal possible from doing business with the IOCs/ MNCs?

<u>Semi-Structed Open-Ended Interview Questions – EXMNCs & IOCs</u>

Theme	Questions
Questions about the interviewee	▪ Briefly describe your role in the organization ▪ How long have you worked for the organization? ▪ Briefly share your personal experience and background in the oil/ gas sector?
Questions about the company	▪ What are the main goals for the organization? ▪ How long has the company been involved in the oil/ gas sector?
Key questions	13. In your view, is the international oil company ("IOC")/ multinational oil or gas company("MNC") critical to the socioeconomic development of Angola/ Mozambique, do IOCs/ MNCs have a role to play? 14. Are you aware of any activity that your company/ organization has undertaken to benefit the socioeconomic development of Angola/ Mozambique? 15. Are you aware of any activity that your company/ organization has undertaken that has been perceived as (i) harmful or (ii) not in the best interest of the socioeconomic situation in Angola/ Mozambique? 16. Does Angola/ Mozambique have enabling legislation and policy setting that promotes indigenous domestic citizens participation in resource extraction activities (i.e. screening IOCs/ MNCs against achieving local

	content thresholds, local economic development targets and economic empowerment)? 17. Is your company/ organization facilitating technology spillovers in Angola/ Mozambique – by for example (i) partnering with locally owned firms or (ii) purchasing locally sourced goods/ maximizing local content versus importing or (iii) via training and/ or employing local people in meaningful senior corporate positions instead of bringing in expatriates? 18. If your company/ organization is facilitating technology spillovers in Angola/ Mozambique, what benefits have you seen from this knowledge sharing/ activity? 19. Is Angola/ Mozambique positioned to be completely self-reliant (i.e. minimize its dependence on IOCs/ MNCs) in years to come – is that a possibility? 20. Angola/ Mozambique's people should have benefited substantially from oil and/or gas revenues: a. Is there a role the IOC/ MNC could have played better to ensure the oil/ gas benefits are meaningfully distributed to the people of Angola/ Mozambique? b. Are IOCs/MNCs using structuring to minimize monies payable in-country, for example tax havens/ optimal tax structures, financial structuring, project accounts held offshore versus onshore? What are these initiatives intended to achieve? c. Do IOCs/ MNCs shy away from holding host governments accountable for how the oil/ gas revenue (tax, royalties, dividends/profit share) is spent? 21. It has been argued that IOCs/ MNCs are influential particularly in the host country. Do IOCs/ MNCs have a moral obligation to use their influence to ensure oil and/or gas revenues paid to host governments are used to improve the socioeconomic situation in the country? 22. Which financing arrangements are employed by the IOC/ MNC and host governments when developing and operating the oil/ gas fields? 23. When negotiating the terms of the financing arrangements, do host governments typically have world class financial advisors representing

	the state? Is it possible for an IOC/ MNC to contract on beneficial terms at the expense of the host country? 24. Would you say the country (Angola and/ or Mozambique) is getting the best deal possible from doing business with the IOCs/ MNCs? 25. What is typically the largest income stream for host governments (tax, royalties, dividends/profit share, etc.)? In which way could the financing arrangements be optimized/ altered so that the host government is receiving (i) more cashflows/ larger quantum's and/ or (ii) cashflows sooner (timing)?

Semi-Structed Open-Ended Interview Questions – SoEs

	Questions
Questions about the interviewee	▪ Briefly describe your role in the organization? ▪ How long have you worked for the organization? ▪ Briefly share your personal experience and background in the oil/ gas transactions in Africa?
Questions about the SoE	▪ Are you able to share the nature of the relationship and role RSA has with Angola/ Mozambique? ▪ What are the main goals for your organization in the oil/ gas sector? ▪ How long has your organization been involved in the oil/ gas sector? ▪ How is your organization involved in Angola and/or Mozambique's oil and/or gas sector?
Key questions	12. How are RSA companies involved in Angola and/ or Mozambique's oil and/or gas sector – any thoughts on how the gas findings in Mozambique's Rovuma Basin will impact RSA? 13. Do you have a sense of why the gas in Mozambique's Rovuma Basin was not discovered by regional players, for example by a South African company backed by the South African government? 14. Mozambique has a track record of successfully closing and implementing megaprojects (of which some have been backed by the RSA government), in your view, have these projects benefited Mozambique?

	15. In your view, is the international oil company ("IOC")/ multinational oil or gas company("MNC") critical to the socioeconomic development of Angola/ Mozambique, please elaborate? 16. Are you aware of any activities that the IOC/MNC has undertaken that has benefited the socioeconomic situation in Angola/ Mozambique? 17. Are you aware of any activities that the IOC/MNC has undertaken that (i) may have been perceived as harmful or (ii) may have not been in the best interest of Angola/ Mozambique? 18. To the best of your knowledge, in SADC, do governments appoint world class advisors when negotiating with IOCs/MNCs – who advisors government? Is it possible for an IOC/ MNC to contract on beneficial terms at the expense of the host country? 19. Would you say the SADC countries (Angola and/ or Mozambique) are getting the best deal possible from doing business with the IOCs/ MNCs – please elaborate? 20. According to you, in which way could the arrangements between the government and IOC/ MNC be optimized/ altered so that the socioeconomic situation in Mozambique/ Angola is improved? 21. Does Mozambique have enabling legislation and policy setting that promotes indigenous domestic citizens participation in resource extraction activities (i.e. screening IOCs/ MNCs against achieving local content thresholds, local economic development targets and economic empowerment)? 22. Is the IOC/ MNC maximizing technology spillovers in Angola and/ or Mozambique – by for example (i) partnering with locally owned firms or (ii) purchasing locally sourced goods/ maximizing local content versus importing or (iii) via training and/ or employing local people in meaningful senior long-term positions – please elaborate? 23. If the IOC/MNC is maximizing technology spillovers in Angola/ Mozambique, what benefits have you seen from this knowledge sharing/ activity? If the IOC/MNC could better facilitate technology spillovers in Angola/ Mozambique, how could this be done and how would this benefit the country?

	24. Angola and/or Mozambique's people should have benefited substantially from oil and gas revenues: a) Is there a role the IOC/MNC could have played better to ensure the oil/ gas benefits are meaningfully distributed to the people of Angola/ Mozambique? b) Are IOCs/MNCs using structuring to minimize monies payable in-country, for example tax havens/ optimal tax structures, financial structures, project accounts held offshore versus onshore? c) Do IOCs/MNCs shy away from holding governments accountable for how the oil/ gas money (tax, royalties, dividends/profit share) is spent, if so, why? 25. In your view, does the IOCs/MNCs have a moral obligation to use their influence to ensure oil and/or gas revenues paid to governments are used to improve the socioeconomic situation in the country?

Appendix 3 – Primary set of codes for data

Round one sorting – Proposition 1 codes

	Proposition 1												
	Codes	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	
1	Risk government wont get fair share of rents										1		1
2	Hidden Debt Debacle	1											1
3	Long waiting pweriod ahead of first cash flows	1											1
4	MNC seek to minimise tax	1			1	1		1			1		5
5	High cost of debt	1											1
6	Poor Credit Rating	1			1								2
7	Optimum deal outcome for Mozambique	1		1				1					3
8	Flows that remain in Mozambique	1											1
9	Nature of contract between MNC and Government		1										1
10	Nature of financing arrangement		1				1						2
11	Angola less focussed on natural gas		1										1
12	Government cash calls		1				1		1				3
13	Financing role fulfilled by MNC		1				1						2
14	Cashflow ranking of government income			1			1						2
15	Type of government income		1	1					1				3
16	MNC purpose is profit maximisation						1	1					2
17	Lack of trust regarding MNC					1		1		1	1		4
18	Inability to audit costs							1					1
19	Inherent controls								1	1			2
20	Governments internal controls/ inadequate controls								1	1	1		3
21	Capex uplift									1			1
22	Use of foreign jurisdictions & offshore structures							1		1	1		3
23	Government Leverage			1									1
		7	6	4	2	2	5	6	4	5	5	0	46

Round two sorting – Proposition 1 themes:

	Proposition 1												
	Codes	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	
4	MNC seek to minimise tax	1			1	1		1			1		5
7	Optimum deal outcome for Mozambique	1		1				1					3
12	Government cash calls		1				1		1				3
15	Type of government income		1	1					1				3
17	Lack of trust regarding MNC					1		1		1	1		4
20	Governments internal controls/ inadequate controls								1	1	1		3
22	Use of foreign jurisdictions & offshore structures							1		1	1		3
		7	6	4	2	2	5	6	4	5	5	0	46

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Round one sorting – Proposition 2 codes

Proposition 2

	Codes	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	
1	Institutions supporting local suppliers	1											**1**
2	Expectations set by locals & regional community	1		1	1								**3**
3	CSR comprises of small projects	1											**1**
4	Local content: Labour	1						1	1	1			**4**
5	MNC seek to minimize tax	1											**1**
6	Lack of local capacity	1	1	1	1	1	1	1	1		1		**9**
7	Local content: Challenges	1							1	1	1	1	**5**
8	Local content: Partnerships and JVs	1		1		1			1	1	1		**6**
9	Flows that remain in Mozambique	1											**1**
10	Local content: MNC capacity building initiatives/ Role of MNC	1		1		1				1			**4**
11	Mozambique is unprepared / not ready	1	1					1	1	1	1		**6**
12	Mozambican bureaucracy is a barrier	1											**1**
13	Regional support: South Africa's role		1	1		1		1	1		1		**6**
	Regional support: Angola and Nigeria's role								1				**1**
14	Local content: Legislative requirements		1			1							**2**
15	MNC purpose is profit maximization			1		1		1		1			**4**
16	Local content: Role of government				1		1	1	1				**4**
17	Misunderstanding between MNC and communities				1								**1**
18	Blue Carding				1			1					**2**
19	MNC dilemma				1								**1**
20	Impact of civil war and underdevelopment					1			1	1			**3**
21	Ease of doing business in Mozambique					1							**1**
22	Sustainability and longevity of CSR initiatives					1							**1**
23	MNC reluctance to utilize local supply					1		1	1	1	1		**5**
24	Relocation and resettlement					1		1	1				**3**
25	Unintended consequences					1							**1**
26	Lack of trust regarding MNC					1							**1**
27	Overarching role of government					1			1				**2**
28	Local content: Barriers to entry						1						**1**
29	Hidden Debt Debacle								1				**1**
30	Governments internal controls/ inadequate controls					1				1			**2**
31	Mozambique versus Angola - the difference									1			**1**
		12	**4**	**6**	**6**	**15**	**3**	**9**	**13**	**10**	**6**	**1**	**85**

Round two sorting – Proposition 2 themes:

Proposition 2

	Codes	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	
2	Expectations set by locals & regional community	1		1	1								**3**
4	Local content: Labour	1						1	1	1			**4**
6	Lack of local capacity	1	1	1	1	1	1	1	1		1		**9**
7	Local content: Challenges	1							1	1	1	1	**5**
8	Local content: Partnerships and JVs	1		1		1			1	1	1		**6**
10	Local content: MNC capacity building initiatives/ Role of MNC	1		1		1				1			**4**
11	Mozambique is unprepared / not ready	1	1					1	1	1	1		**6**
13	Regional support: South Africa's role		1	1		1		1	1		1		**6**
15	MNC purpose is profit maximization			1		1		1		1			**4**
16	Local content: Role of government				1		1	1	1				**4**
20	Impact of civil war and underdevelopment					1			1	1			**3**
23	MNC reluctance to utilize local supply					1		1	1	1	1		**5**
24	Relocation and resettlement					1		1	1				**3**
		12	**4**	**6**	**6**	**15**	**3**	**9**	**13**	**10**	**6**	**1**	**85**

Round one sorting – Proposition 3 codes

	Proposition 3												
	Codes	**R1**	**R2**	**R3**	**R4**	**R5**	**R6**	**R7**	**R8**	**R9**	**R10**	**R11**	
1	International development financial institution support	1			1			1		1			**4**
2	Local support provided to government	1											**1**
3	Government lacks strategy and political will	1						1					**2**
4	Mozambique is a poor country	1											**1**
5	MNCs seek to maximize exemptions/ waivers/ special dispensations	1						1			1		**3**
6	Government dependent on MNC		1				1			1			**3**
7	Government advisory team	1		1	1		1	1					**5**
8	Government lacks ability to appoint own advisors	1							1	1	1		**4**
9	Government's inadequate capacity	1						1					**2**
10	Reliance on diplomatic relations with MNCs country	1							1	1	1		**4**
11	MNC taking advantage of inexperienced country	1											**1**
12	Government takes bad decisions even with advisors	1											**1**
13	Questioning whether government negotiated the best deal possible	1		1			1	1					**4**
14	The case of Angola		1							1			**2**
15	Regional market not big enough to consume gas findings		1										**1**
16	Foreign aid and donors			1									**1**
17	ENH approach and attitude regarding shareholder carry			1									**1**
18	MNC purpose is profit maximization	1		1									**2**
19	MNC seek to minimize tax				1	1			1				**3**
20	The power of the MNC							1	1	1	1		**4**
21	The power of the media				1								**1**
22	Power imbalance between MNC and government/ David & Goliath					1	1	1	1	1	1		**6**
23	Willing buyer, willing seller - market equilibrium						1						**1**
1	Government Leverage							1		1	1		**3**
25	Government mandate is subordinated to MNCs mandate							1					**1**
26	Government held to international standards they didn't set							1					**1**
27	Lack of accountability							1					**1**
28	Mozambique is unprepared / not ready							1					**1**
29	Sustainability and longevity of initiatives							1					**1**
30	Mozambican culture of being overly hospitable								1	1	1		**3**
31	MNC use of tactics to achieve desired results									1	1		**2**
32	Consultants: The challenge	1								1	1		**3**
33	Government is under resourced (human capacity)									1	1		**2**
34	Terms beneficial to state - when David fights back										1		**1**
35	MNCs are doing the right things			1									**1**
36	African proverb - when two elephants fight (if you want to fast vs far)											1	**1**
		14	**3**	**6**	**4**	**2**	**5**	**14**	**6**	**12**	**11**	**1**	**78**

Round two sorting – Proposition 3 themes:

	Proposition 3												
	Codes	**R1**	**R2**	**R3**	**R4**	**R5**	**R6**	**R7**	**R8**	**R9**	**R10**	**R11**	
1	International development financial institution support	1			1			1		1			**4**
5	MNCs seek to maximize exemptions/ waivers/ special dispensations	1						1			1		**3**
6	Government dependent on MNC		1				1			1			**3**
7	Government advisory team	1		1	1		1	1					**5**
8	Government lacks ability to appoint own advisors	1							1	1	1		**4**
10	Reliance on diplomatic relations with MNCs country	1							1	1	1		**4**
13	Questioning whether government negotiated the best deal possible	1		1			1	1					**4**
19	MNC seek to minimize tax				1	1			1				**3**
20	The power of the MNC							1	1	1	1		**4**
22	Power imbalance between MNC and government/ David & Goliath					1	1	1	1	1	1		**6**
1	Government Leverage							1		1	1		**3**
30	Mozambican culture of being overly hospitable								1	1	1		**3**
32	Consultants: The challenge	1								1	1		**3**
		14	**3**	**6**	**4**	**2**	**5**	**14**	**6**	**12**	**11**	**1**	**78**