

DEBATE I – Inclusive and sustainable growth: youth employment in the context of the extractive industry

This two-pager sets out the highlights of Debate I, part of a series of five Dialogs on Inclusive Policies and Youth Employment in the Extractive Sector in Mozambique held in 2016 and presented on 25 May 2017.

Inclusive and sustainable growth and development are a priority for Mozambique, as set out in its National Development Strategy 2015–2035. However, the debate identified a number of issues that need to be addressed in order to move forward. Firstly, there is a need for a clear **definition of ‘inclusive growth’** to facilitate the division of roles in the implementation of cross-sectoral and coordinated action (including by the government, civil society, and the private sector, as well as by international development actors). To achieve inclusive growth, the Government of Mozambique¹ has proposed a comprehensive and integrated approach consisting of:

- ◆ structural transformation (e.g., mainly the diversification of production and exports)
- ◆ productive and sustained employment creation
- ◆ the significant reduction of poverty and excessive income inequality
- ◆ the preservation of social cohesion (e.g., by combating discrimination and social exclusion)
- ◆ trust, transparency, equality and solidarity
- ◆ accountability

The emphasis on **structural transformation** has prompted debate on the country's socio-economic, political and cultural, and on the identification of lessons learnt from economic growth in the last decade. While extractive industry investments² have contributed to strong economic growth (average GDP growth of 7%) over the last decade³, this growth has not had the desired impact on poverty reduction⁴ and has been accompanied by an increase in inequality, specifically:

- ◆ an increase in the gap in consumption levels between rich and poor (the Gini index increased from 0.42 in 2008/09 to 0.47 in 2014/15)⁵
- ◆ the geographic concentration of poverty (a higher incidence of poverty in rural, northern and central areas of the country)⁶

A World Bank⁷ study conducted in 2016 indicates that the last decade was a period of *low inclusiveness, with growth benefiting mainly the non-poor*. Furthermore, a

regional analysis⁸ found that Mozambique is among the countries with the highest levels of poverty, despite being one of the fastest growing economies in Sub-Saharan Africa.

The relationship between **investment and redistribution** was also debated, with the main argument that investments (public and private) should redistribute resources among the whole population and not only individuals or social groups. A fundamental point made was that investments by the extractive industry are made in the context of a capitalist system, which prioritizes market interests and profits, thus introducing the risk that actions aimed at social inclusion and the promotion of decent jobs are treated as secondary goals. The government has affirmed its key role in the relationship between investment and redistribution, noting that it is up to the State to *regulate and facilitate* the activities of the productive sector, by *creating an environment conducive to economic activity, attracting domestic and foreign investment, and redistributing profits*⁹.

In relation to the need for **trust, transparency and accountability** for inclusive growth, the dialogue has drawn attention to the impact of corruption on the country's economy. One of the studies cited estimates the *total cumulative cost of corruption from 2004 to 2014 at more than USD 4.9 billion*¹⁰.

Regarding future inclusive and sustainable growth, Mozambican population has grown considerably, and that the economy and food production systems must overcome great challenges if they are to keep pace with the increase in the number of people. It was proposed that the government take a careful look at the dynamics of **population growth** and formulate **preventive strategies** so that the country can guarantee the food and nutritional security of its people in the coming decades.

The promotion of **decent jobs** was emphasized as a key factor in inclusive growth, given the potential impact of job creation on income redistribution, the reduction of poverty and inequality, and the inclusion of vulnerable groups in the productive system. It was noted that employment and employability policies should focus on quantitative and qualitative aspects, as emphasized by the title of Mozambique's Employment Policy 2016, 'More and Better Jobs'.

With reference to unemployment indicators¹¹, attention was drawn to informal employment and underemployment, as well as illegal employment¹². The focus on decent work was highlighted as a challenge¹³, as this kind of work covers much more than economic inclusion (remuneration), encompassing *social protection, fundamental labour rights, and freedom of association*¹⁴, among other things. For youths, their understanding of decent jobs is linked to the right to choose a profession, based on vocation and skills (see Debate III). Health,

hygiene and safety at work were also highlighted as important factors in decent work by participants from the extractive industry.

Regarding number of jobs, the data shows that few jobs (less than 2% of the jobs generated¹⁵) are generated directly by companies in the **extractive industry**. It was noted that disaggregated quantitative data is needed on the percentage of jobs generated for specific groups (women, youth, local people, people with disabilities, etc.) that have historically had less access to opportunities (see Debate II).

In the context of rapid economic growth and few direct jobs generated by the extractive industry, the debate focused on the need to define clear strategies to enable Mozambique to take advantage of investments in order to generate economic autonomy (avoid the negative impact of international crises and increasing dependency) through the **diversification of domestic production** and attention to ancillary jobs arising from the development of other activities in the extractive industry's ample value chain¹⁶ (see Debate V). The participation of small local producers and micro, small and medium enterprises in these processes was highlighted. It was also suggested to promote a **transparent debate on government accounts**, covering the criteria for generating and applying government revenue and taxes, and tax incentives for companies in the extractive industry.

Regarding **sustainable growth**, in addition to the concern that the country is growing without significant improvement in the quality of life of the population, the debate focused on the fact that the natural resources being exploited are exhaustible and that, when business activities end, companies will leave the country. Based on these concerns, the importance of preventive strategies was stressed to ensure that future generations can enjoy not only the natural resources, but also the benefits generated during the period that these investments were active. The environmental risks involved in these exploitation processes were also discussed.

To address all these opportunities and challenges, the debate acknowledged the importance of the country's adoption¹⁷ of a number of relevant **cross-cutting policies**, strategies and legislation. However, cross-sectoral implementation, transparent monitoring of activities, and the need to make the mechanisms of participation in governance effective (including for specific groups such as youth, women and others¹⁸) were highlighted as major challenges.

Plataforma Inclusão is an intersectoral initiative launched in 2016 as a contribution to the sharing of knowledge and identification of concrete actions to promote inclusive policies and decent employment for youths in Mozambique.

Hoster and support:

Support:



- ¹ MEF/DEEF (2016a) Inclusive growth and employment generation. Pemba: Ministry of Economy and Finance (MEF)/Directorate of Economic and Financial Studies (DEEF).
- ² Minerals and hydrocarbons are present in all provinces of Mozambique country. In 2016, the Plataforma Inclusão identified the Provinces of Cabo Delgado and Zambézia as the basis for the dialogues, however, the analysis is relevant nationally.
- ³ MEF/DEEF (2016b) *Poverty and welfare in Mozambique: fourth national assessment – IOF 2014/15*. Maputo: MEF/DEEF; World Bank (2016) *Accelerating poverty reduction in Mozambique: challenges and opportunities*. World Bank (<http://documents.worldbank.org/curated/en/383501481706241435/pdf/110868-ENGLISH-PUBLIC-Final-Report-for-Publication-English.pdf>) (Access, April 27th, 2017).
- ⁴ The debates analysed diverse data and sources of information on the subject, including: (1) the percentage reduction in consumption-based poverty, from 51.7% (IOF 2008/09) to 46.1% (IOF 2014/15); (2) the increase in the number of poor by approximately 700,000, from 11,136,448 (IOF 2008/09) to 11,826,280 (IOF 2014/15); also see MEF/ DEEF (2016b), *op cit.*, p xvi, on the increase in the incidence of poverty, and p 76, on the increase in the number of poor individuals; (3) the analysis of Mozambique as part of the group of countries with a high level of poverty and inequality based on poverty line of US\$ 1.25 PPP per capita per day; see World Bank (2016), *op cit.*, p 19, Figure 2.6.
- ⁵ MEF/DEEF (2016b), *op cit.*, p xviii.
- ⁶ MEF/DEEF (2016b), *op cit.* and World Bank (2016) *op cit.*
- ⁷ World Bank (2016), pp 9.
- ⁸ *Ibid.*, pp 8 and 29.
- ⁹ Speech by the Provincial Directorate of Labor, Employment and Social Security of Cabo Delgado during the 'Intersectoral Dialogues on Inclusive Policies and Youth Employment in Cabo Delgado' held in Pemba, November 2016.
- ¹⁰ CPI and Institute Christian Michelsen of Bergen (2016) *The costs of corruption for the Mozambican economy: why it is important to fight corruption in a climate of fiscal fragility*. Norway: Center for Public Integrity and Institute Christian Michelsen of Bergen
- ¹¹ For example, it has been noted that the calculation of youth unemployment should always pay attention to, and differentiate between, the percentage of 'decent' jobs and 'informal' ones, as a large proportion of youth are included in the latter category.
- ¹² Noteworthy is the reference made to a potential increase in the activities of 'illegal mines'.
- ¹³ For example: (1) the mismatch between the potential for decent jobs and the qualifications of the labour force (Cabo Delgado) and the strong evidence that outbreaks of social upheaval are due to the 'exclusion' of the local population from the development process (see ILO-Mozambique Research, cited in IFPELAC Cabo Delgado – Pemba, 11/2016); (2) the contradictions between employment generation and the improvement of social working conditions in the current patterns of the organization of production and work processes in agro-industries (see IESE-Bulletin no. 90–06/2016).
- ¹⁴ Extracts from debates conducted by International Labour Organization (OIT-Mozambique) in Pemba, November 2016.
- ¹⁵ See presentations by MEF/DEEF and DPESS/IFPELAC Zambézia (Quelimane, 10/2016) and MEF/DEEF and DPESS/IFPELAC Cabo Delgado (Pemba, 11/2016).
- ¹⁶ For the standardization of intersectoral strategies, a clearer definition of the 'extractive industry value chain' was deemed necessary, including references to: the various phases of investment; direct and indirect jobs; the (potential) licences/titles awarded to an extractive industry company; subcontractors; other categories that differ for extractive industry companies in terms of tax payment; social responsibility; resources; and investments.
- ¹⁷ For example the: Employment Policy (2016), Youth Policy (version 1, revised in 2012), National Development Strategy 2015–2035, Gender Policy and Implementation Strategy (under review), and Natural Gas Master Plan (2014), among others.

¹⁸ Examples highlighted included the Intersectoral Committee to Support the Development of Adolescents and Youths (CIADAJ) as well as the National Council for the Advancement of Women (CNAM).