

## DEBATE V – Sustainability: social investments and indirect employment

*This two-pager sets out the highlights of Debate III, 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.*

The analysis of Mozambique's socio-economic, political and cultural context (Debate I) points to sustainability as one of the main challenges facing inclusive growth. The country's recent experience of economic growth (driven by the extractive industry), but with a low impact on inclusion, the exhaustion of natural resources, and potential environmental risks, as well as less than 2% of direct jobs being generated by the extractive industry, suggest that it is time for Mozambique to focus on preventive policies that promote sustainability. Hence, sustainability was the focus of the fourth debate.

The insufficiency of factories and domestic means of production was raised, as well as concern about increasing unemployment. A close look was taken at the potential for **indirect employment in the value chain** during the various phases of the extractive industry, including research, development, production, transport, processing and closure<sup>1</sup>. Examples of investment opportunities and potential areas for jobs (direct and indirect) and businesses in the extractive industry value chain<sup>2</sup> were:

- ◆ **Infrastructure:** Rail port, power plants, roads, bridges, telecommunications
- ◆ **Goods and services:** Accommodation, catering, medical care, training, food, consulting, general trade, transport of freight and people/logistics, miscellaneous general and industrial services, infrastructure construction
- ◆ **Industries:** Cement, petrochemicals, aluminium sulphate, fertilizers, jewellery, household gas, liquid fuel
- ◆ **Support of:** Geological analysis, research, computing, environment, hygiene and safety at work, and miscellaneous services (maritime, technical, equipment review and maintenance, security, ROV, aviation, supplies for vessels, field services, road transport, support bases, disposal management of waste, etc.)
- ◆ **Other businesses (e.g., graphite):** School supplies/pencils, car accessories, brushes with electric motors, lubricants, paints, melting ovens, etc.

Investments in **agricultural production, aimed at food security and nutrition** (FSN) were emphasized as central to the country's sustainability. This concern was highlighted,

in an artistic way, by the theatre group<sup>3</sup> with the slogan: 'Oil can be gone! Gas can be over! But the production of food does not end!' Given that the majority of Mozambique's population live in rural areas (mostly youth), specific *strategies were suggested to promote employment by involving these populations in agricultural activities* and as an economic basis for competitiveness and productivity.

The point was made that Mozambique imports many products, which, with the proper development of the means of production, could be *produced domestically*, generating greater autonomy (and sustainability). The Government (Province of Cabo Delgado) presented the 'Provincial Plan for Increasing Agrarian Production and Productivity and Fisheries'<sup>4</sup>, which it prepared in conjunction with several partners. In addition to FSN, the plan aims to *increase employment and exports*. The plan was welcomed positively in the debates, but foremost among the challenges was concern about insufficient funds for the implementation of the plan, as well as questions about the real possibility that this plan (and other policies) could actually generate inclusion through sustainable benefits to associations, small agricultural producers, and domestic micro, small and medium-sized enterprises (MSMEs).

It was warned that *agricultural technologies should be used with care* to help generate inclusion and facilitate the opening of more jobs for youth (rather than replacing manual labour or reducing labour demand). One of the analyses cited in the cross-sectoral dialogues<sup>5</sup> pointed to challenges with the *promotion of decent jobs* in the context of agro-industrial exploitation, including: the prevalence of job instability and irregularity, low pay, precarious working conditions, barriers to accessing social protection services, as well as problems with health, hygiene and safety at work, among other things. On the implications for sustainability, this analysis draws attention to *contradictions between the generation of employment and the improvement of social conditions of work*, given the current patterns of organization of production and work processes in the agro-industry.

The **sustainable application of resources** from extractive industry investments and their impact on social development was also a key topic during the discussions. One of the sectors present<sup>6</sup> proposed that companies look beyond the objective of profit, toward social purpose. Part of the issues and strategies highlighted for the social utilization of resources related to *corporate social responsibility* (CSR), in which companies are encouraged by the government to carry out social and environmental activities<sup>7</sup>. However, some interventions have pointed out that companies do not always comply with their CSR obligations.

The discussions also referred to the *legislation*, which requires a percentage of resources (2.75% under the 2013

Budget Law) to be allocated to the development of communities in the areas where projects are located. From the perspective of inclusion, a government representative from Montepuez District, Cabo Delgado highlighted that it was up to the communities themselves to say what should be done with the money.

The debate focused on the importance of *access to information by youth* on the legislation governing the processes of exploitation and the commercialization of mineral resources so that youths benefit. However, it seems that communities are not aware of the legislation or about the requirement for companies to engage in CSR and, therefore, often do not benefit. The debate raised doubts about the mechanisms for collecting, channelling and monitoring the 2.75% of resources to be allocated to communities and, in this context, it was stressed that youth representatives should be part of the monitoring to ensure that resources are used properly for future generations. The need to improve the information mechanisms was highlighted so that communities and youth know how much they are entitled to at the end of each fiscal year<sup>8</sup>.

Another important area related to the sustainable use of resources is *tax exemptions*. Taxes are one of the ways the government has to promote social investments (for example, in health services for the local community). On the other hand, the subject of exemptions was seen as a way to encourage extractive industry enterprises to promote social inclusion and employment, including for youth (one proposal was for companies to set criteria for youth to be adequately represented when hiring). The role of the government in formulating *macroeconomic policies* with *incentives for stimulating competitiveness* and growth of the private sector (such as the MSMEs) was seen as crucial for creating jobs on a large scale.

Regarding *sustainability*, several statements during the debate were complementary in the sense of proposing that, while non-renewable resources are exploited, social actions (such as for education, employment promotion and local employability) are taken to favour local development after enterprises leave (e.g., in the case of Montepuez Ruby Mining Company, with a forecast of 25 years of exploitation). However, one of the concerns raised was the need to prevent the private sector from assuming the role of government in implementing social public policy.

To focus the debate, the results of an ongoing study in the Province of Tete (on coal exploration)<sup>9</sup> were presented. Data from this study indicate that in Moatize there has been a drop in the living conditions of local communities at important investment sites (i.e., proportionally smaller monthly family income in areas where there was greater investment). Future projects aiming at inclusive growth need to understand and learn from the experiences in Tete Province (the first in the country to implement

megaprojects), so that conditions in other provinces can become more inclusive and promote jobs for local communities and youth.

Concerning the positioning of youth in the context of the extractive industry, it was pointed out that many young people<sup>10</sup> still do not understand what the extractive industry is, and that basic information is necessary for any inclusion process incorporating rural areas. The debate emphasized the vulnerability of many young people (e.g., with respect to financial constraints, limited access to finance and information, low family income), which poses various barriers to access to employment.

Finally, the strategy of supporting MSMEs to provide goods and services to large companies, as well as to promote the employment of nationals and youth, was well supported throughout the discussions. One of the main challenges for MSMEs was to guarantee the quality of services in order to meet the requirements of large companies. This theme has been linked to the challenge of adapting 'work cultures' to 'local cultures' (as discussed in Debate II). The important role of the Institute for the Promotion of Small and Medium-sized Enterprises (*Instituto para Promoção de Pequenas e Médias Empresas*, IPEME) and the Center for the Guidance of Entrepreneurs (*Centro de Orientação ao Empresário*, COE) was also underscored in order to ensure a good relationship between large enterprises and MSMEs. Finally, it was pointed out that with sustainability the country could increase its autonomy and reduce its economic dependence (from 'donors' or in the form of food self-sufficiency and basic products for domestic consumption).

*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.

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<sup>1</sup> These phases are treated differently by different sources. There is a need for a standard description, covering mining and hydrocarbon investments.

<sup>2</sup> DPRME Cabo Delgado (2016) *A contribuição da Indústria Extractiva na Criação de Empregos (Directos e Indirectos)*. Pemba, and plenary debates.

<sup>3</sup> Theatre Group Matebule and Friends - Ask: "Without Me! For Me?", 2016.

<sup>4</sup> Cabo Delgado DPASA (2016) *Provincial plan for increasing agrarian production and productivity and fisheries*. Pemba, November 2016.

<sup>5</sup> Based on the contexts of tea plantations (Zambézia, Gurué), sugarcane (Maputo, Xinavane) and forestry (Niassa). Maputo Intersectoral Dialogue (July, 2016), based on IESE (2016) *Generating employment and social conditions of work in agro-industry plantations in Mozambique*. IESE-Bulletin No. 90, IESE, 06/23/2016.

<sup>6</sup> Organization of Mozambican Workers – Union Headquarters / Cabo Delgado. Pemba, November 2016.

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<sup>7</sup> For the legal framework, see pp 15 and 16 of the Management Plan for Natural Gas (2014). This document recommends that "in the ambit of corporate social responsibility, companies should not only promote and implement environmental recovery plans for degraded areas, but also promote education and awareness campaigns among communities about the importance of environmental preservation" (p 40).

<sup>8</sup> See statement of the representative of the Ministry of Youth and Sports.

<sup>9</sup> Presentation by Quelimane (2016) Extractive industry: The socio-spatial (as)symmetries and social movements – Analysis of the Province of Tete. Observatory of the Rural Environment.

<sup>10</sup> This alert was strongest for the Zambézia Province. In Cabo Delgado, given the more intensive and recent investment of the extractive industry, youths had better access to information.