

Inclusive governance is essential to ensure that the extractive industry contributes to the structural transformation of the economy



Credits: Preto & Branco

While extractive industry investments have contributed to strong economic growth over the last decade, they have not had the desired impact on poverty reduction and diversification of the economy. In fact, the recent economic outlook does not allow for great expectations when the natural gas projects in the Rovuma Ba-

sin enter the production phase. This is one of the central ideas defended by Dimas Sinoa, researcher at CDD and the key speaker in the second webinar of the series on "Extractive Industry, Inclusive Governance and Structural Economic Transformation". This is a webinar series that is organized by CDD, in partnership with the Centre for African Studies at



Dimas Sinoa, researcher at CDD

Leiden University in the Kingdom of the Netherlands, under the African Policy Dialogue (APD) program.

Speaking on the topic of “The Role of Extractive Industry in Economic Growth and Structural Transformation”, Dimas Sinoa brought up the coal mining projects in Tete to show how large investments in the extractive industry are not necessarily a guarantee of a structural transformation of the economy, either locally or nationally. In other words, Dimas argues that the coal mining projects that portrayed Tete as the el dourado of Mozambique and the destination of choice for businessmen have not lived up to the expectations that were generated among Mozambicans.

“Communities continue to complain of high levels of pollution, weak community consultation mechanisms on the part of mining companies, discontinuity in development funding programs, in addition to the high cost of living caused by those projects born by local communities. Therefore, throughout all these years, the abundance of natural resources has not been transformed into wealth for that community. In general, the

population of Tete and Moatize in particular do not feel included in the process of exploitation of mineral resources,” the CDD researcher explained.

Tete’s coal mining also serves to show how the natural resource boom has not been able to strengthen other sectors of the economy, especially agriculture - which employs most of the Mozambican population. “The increase in the weight of the extractive industry in GDP is not reflected in the absorption of labor (it participates in less than 1% in total employment). This means that the extractive industry contributes very little to the direct sharing of income from the exploitation of natural resources among Mozambicans. Meanwhile, agriculture, although its contribution to GDP has fallen to about 25%, remains the main source of employment for most Mozambicans. Manufacturing is practically non-existent, and services are mostly dedicated to the marketing of imported products with little added value to the GDP.”

In his presentation, Dimas Sinoa put forward some recommendations for the extractive industry to contribute not only to economic growth, but above all to the struc-

tural transformation of the national economy. The first recommendation is to establish an inclusive governance model that ensures that all stakeholders have a voice and participate in the decision making process for a transparent and careful management of natural resources and the revenues that come from their exploitation.

Another recommendation has to do with the need to leverage the natural gas from the Rovuma Basin for national development, and this includes using the natural gas for the production of electricity. Besides being used domestically, the energy generated from natural gas can be exported to neighboring countries; it also includes using gas for the production of fertilizers in large quantities and at low cost, in order to promote greater productivity and competitiveness in agriculture. The recommendations also include the need to use gas for the production of fuels and related products. It should be remembered that fuels are part of the list of the main imported products in Mozambique, so the

bet on domestic production would contribute to the reduction of imports and, consequently, to foreign exchange savings.

"While extractive industry activity does not directly create many jobs, the long value chain of natural gas projects, for example, can generate a wide range of opportunities for diversifying the economy by promoting manufacturing and services under local content policies. It is therefore important to ensure that local content is a reality first in the regions affected by LNG projects, but also in the country as a whole," Dimas Sinoa concluded.

Invited to make comments on the topic at hand, Stiven Ferrão, social activist from the Association of Support and Legal Assistance to Communities (AAAJC), argued that the extractive industry in Mozambique has not changed the national economic structure. "The government got revenues, but there was no inclusive development," the activist from AAAJC, a civil society organization based in Tete, argued.

"Dialogues like this are a starting point for discussing the challenges and role of inclusive governance," Anika Altaf, Coordinator of the INCLUDE Platform

The APD is implemented in the context of INCLUDE, a platform for knowledge production and sharing and engagement between academia, civil society organizations and policy makers. In last week's webinar, the INCLUDE Platform was represented by its Coordinator, Anika Altaf. In her speech, she argued that the extractive industry can be a key strategy for structural transformation of the economy by contributing to poverty reduction and provision of economic opportunities. "Growing inequalities within countries affect social and political stability and economic growth. There are opportunities in the ongoing LNG projects for youth and women (...), but we also know that these areas unfortunately face conflict and population displacement. So dialogues like today's are a star-



ting point to discuss the challenges and the role of inclusive governance, which, as the last CDD webinars have proven, is essential. We look at development as something much more than economic growth. We also look at

the non-monetary dimensions of well-being; we look at education, health, and political freedom. It means that we don't just look at the level of outcomes, but also at distribution. Only equity matters," she said.

“Extractive industry projects should contribute to the creation of success stories of Mozambican companies,” Julio Sethy, private sector representative from Cabo Delgado

After Tete, Cabo Delgado became the preferred destination for extractive industry investments, thanks to the huge reserves of natural gas in the Rovuma Basin. Speaking at the webinar, the Cabo Delgado private sector representative argued that oil multinationals should empower small Mozambican companies to grow and become competitive. “We have nothing against foreign companies, but they should bring a multiplier effect and help develop national companies. For example, we don't need foreign companies for the extraction of stone and sand for construction. Primacy should be given to companies owned by Mozambicans. The big extractive industry projects should contribute to the creation of success stories of Mozambican companies. And success stories mean, for example, having Mozambican companies as subcontractors for the oil multinationals. The government should approve a law that protects Mozambican companies, allowing them to compete with some privilege in the




supply of goods and services to the multinationals. When hiring, whenever possible, it would be important to give preference to Mozambicans. It is certain that for some jobs we do not have qualified labor.



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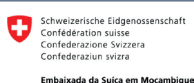
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