

Mozambique should revise upwards the percentage of 2.75% in favor of communities affected by extractive industry projects

- This is what CDD researcher, Américo Maluana, argued in the first webinar of the series on “Extractive Industry, Inclusive Governance and Structural Economic Transformation”. This is a series of webinars that is organized by CDD in partnership with the Centre for African Studies at Leiden University in the Kingdom of the Netherlands, under the African Policy Dialogue (APD) program.



Mozambique has one of the lowest percentages (2.75%) in Africa and the world for transfer of revenues generated by the extractive industry to local communities affected by the projects. The revision of the percentage of 2.75% in favor of communities affected by extractive industry projects becomes urgent not only to enable the communities' right to development, but also as part of conflict mitigation strategies in Cabo Delgado, a province rich in natural gas. This thesis was defended by Américo Maluana, CDD researcher, in the first webinar of the series on "Extractive Industry, Inclusive Governance and Structural Economic Transformation". This webinar series is organized by CDD, in partnership with the Centre for African Studies at Leiden University in the Kingdom of the Netherlands, under the African Policy Dialogue (APD) program.

Speaking on the topic "Natural Gas and Development: Integrating Future Gas Revenues from the Rovuma Basin into Cabo Delgado's Local Development Agenda", Américo Maluana began by explaining that the legal basis on the distribution of revenues from the extractive industry for the development of the communities hosting the large investments in Mozambique is based on the Laws 11/2007 and 12/2007 of June 27. Although not specific, these laws determine that a percentage of the royalties must be allocated to the development of local communities.

Six (6) years later, in 2013, through the Budget Law (Law 1/2013, January 7), the Government decided to set a 2.75% percentage of the royalties. In the same year, the criteria to be observed in the implementation of projects financed by the revenues from mining and oil exploitation channeled to the communities were defined through Circular n 01/MPD-MEF/2013. Under this instrument, projects aimed at building socio-economic infrastructure (education, health, agriculture, forestry, services, roads and bridges of local interest, and water supply and sanitation systems) are eligible.

In 2014, the new mining and petroleum laws were approved, and both legal instruments also advocate the channeling of a percentage of resource revenues to the State Budget for



AMÉRICO MALUANA
CDD Researcher

community development. However, Américo Maluana argues that in a comparative perspective with other experiences of revenue sharing in countries rich in natural resources, one can see that the percentage of 2.75% that is transferred to the producing communities in Mozambique is among the lowest in Africa and the world. "This raises the urgent need for a review as one of the conflict mitigation strategies in Cabo Delgado, placing it on the country's development agenda. This issue is part of a broad advocacy agenda by civil society organizations," he said.

Looking at the context of conflict in Cabo Delgado, Maluana argued that socio-economic solutions must come in advance of natural gas revenues. "Total, for example, should not wait for natural gas revenues to start investing in local communities." Still, Maluana warned that revenues from the extractive industry should not be shared only with the producing regions, at the risk of excluding other regions and creating asymmetries in the country's development.

Drawing from international experience, the speaker highlighted some important aspects to be observed for an efficient, fair and stable sharing of extractive industry revenues, namely clarity in defining the objectives of sharing and aligning the revenue sharing system with its objectives; choosing appropriate

te revenue sources and fiscal tools; defining simple and enforceable revenue transfer formulas; creating a degree of flexibility in the

system; national consensus on the formula; codifying the formula in the law; transparency and formalizing independent oversight.

“Maximizing the benefits of the extractive industry is a central element in the Government’s policies,” Henriques Cossa, Advisor to the Minister of Mineral Resources and Energy

The Ministry of Mineral Resources and Energy was represented by the Minister’s Advisor. In his speech, Henriques Cossa welcomed the theme of the webinar and said that it was aligned with the vision of the Government of Mozambique that involves the economic transformation of the country. “The maximization of the benefits of the extractive industry is a central element in the Government’s policies. And these benefits include, in addition to tax revenues, the building of economic and social infrastructure, capacity building to maximize national participation in value chains, through training to increase the employability of the labor force in extractive enterprises along with the development of Mozambican companies to manufacture and supply goods and services. In other words, the development and maximization of local content,” he explained.

The Advisor to the Minister of Mineral Resources and Energy also spoke of the implementation of social projects based on the revenues from the extractive ventures and social responsibility actions in the places where such ventures are implemented. “I cannot fail to emphasize the role of the civil society in debating central development issues of our Country. The growing extractive industry will contribute significantly to economic growth and increase the potential for the achievement of Mozambique’s development goals.”



HENRIQUES COSSA

Advisor to the Minister of Mineral Resources and Energy

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“The Extractive sector should play a central role in reducing poverty and social inequalities,” Obadia Miroro, Representative 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. The central objective is to encourage the use of evidence for policy formulation and implementation in Africa. And this is accomplished through three (3) strategies: “the first is through research, the second is knowledge sharing, and the third is through policy dialogues,” said Obadia Miroro, representative of the INCLUDE Platform.

For Obadia Miroro, the extractive sector must play a central role in reducing poverty and social inequalities. “These discussions about how LNG projects can promote structural economic transformation are very important. And this debate is happening in Mozambique - hosted by CDD - which is one of the seven (7) African Policy Dialogues. We have others happening in Kenya, Uganda, Ghana, Niger and Mali and they all have the same goal: to encourage the use of evidence in policy formulation and implementation in



OBADIA MIRORO

Representative of the INCLUDE Platform

the hope that this will translate into inclusive governance,” the INCLUDE Platform representative explained.

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“Mozambique must strengthen the right of citizens to participate in the extractive industry business. But the question is: how can a mineral digger leave the precarious context in which he works to gain dignity and an official status?”, Tomás Langa, executive coordinator of the Environment Association (AMA), based in Cabo Delgado, questioned. In his intervention, this activist criticized the lack of opportunities for millions of young people, not only from Cabo Delgado, but from all over the country. “We are experiencing an undeclared situation where Mozambicans are treated as being of first, second or third category. Our rhetoric about inclusion must be reflected in people’s lives. We have to give people back their dignity,” he pleaded.

The AMA executive coordinator argues that after the discovery of huge amounts of natural gas in the Rovuma Basin, the Mozambican State should have given more time to better prepare itself, studying the experiences of other hydrocarbon producing countries to reduce the tendency of resource curse. “Right now we have the conflict in Cabo Delgado. We all want our country’s defense to



TOMÁS LANGA
AMA Coordinator

be strong. But if the costs of defense are too high, we will hardly have the benefits that are expected from the gas industry,” Tomás Langa warned.


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