



CHATHAM HOUSE

Chatham House, 10 St James's Square, London SW1Y 4LE

T: +44 (0)20 7957 5700 E: contact@chathamhouse.org

F: +44 (0)20 7957 5710 www.chathamhouse.org

Charity Registration Number: 208223

Transcript

Harnessing Mozambique's Mineral Wealth

HE Armando Emílio Guebuza

President of Mozambique

Chair: Alex Vines OBE

Research Director, Area Studies and International Law; Head, Africa Programme, Chatham House

9 May 2012

The views expressed in this document are the sole responsibility of the author(s) and do not necessarily reflect the view of Chatham House, its staff, associates or Council. Chatham House is independent and owes no allegiance to any government or to any political body. It does not take institutional positions on policy issues. This document is issued on the understanding that if any extract is used, the author(s)/ speaker(s) and Chatham House should be credited, preferably with the date of the publication or details of the event. Where this document refers to or reports statements made by speakers at an event every effort has been made to provide a fair representation of their views and opinions, but the ultimate responsibility for accuracy lies with this document's author(s). The published text of speeches and presentations may differ from delivery.

Alex Vines OBE:

Good afternoon, everybody. My name is Alex Vines, I am head of the Africa programme here at Chatham House. I am delighted today to be chairing this meeting with His Excellency Armando Guebuza, President of Mozambique. President Guebuza, welcome back to Chatham House; in your first term you spoke here once, and we are delighted to see you again.

This is an important year for Mozambique, I was just discussing with the President how we first met 20 years ago in Rome during the peace negotiations for Mozambique. In fact, 20 years ago this year the Rome General Peace Accords were signed, and the war in Mozambique ended. How has Mozambique changed? It has changed dramatically; businesses today are telling me about how they want to invest in the Mozambican currency, the metical; believe me 20 years ago the metical was not [laughter] something I wanted large quantities of in my pocket.

So, times have changed, and, indeed, Mozambique is transformed, it is one of the more successful African countries in terms of post-conflict growth. Today, His Excellency has agreed to speak about harnessing Mozambique's mineral wealth. As plenty of you know, Mozambique has significant deposits of coal, and also new exciting finds of natural gas. So, this is an important moment to reflect how is Mozambique going to manage its natural resource endowments, sustain the growth that it has – the easy, post-conflict growth has finished – and reduce poverty, and bring Mozambique to being a middle-income country, which clearly with the blessing of geology and the industrialness [sic] of the Mozambican people is possible.

This meeting is on the record, so not under the Chatham House rule. And, I invite His Excellency to go to the podium to present his speech. Your Excellency, you are welcome.

HE Armando Emílio Guebuza:

Thank you.

[Applause]

Well, thank you very much for your warm words of understanding Mozambique as you do, and also friendship towards the Mozambican people. Mr Alex Vines, Director for Africa of Chatham House, Your Excellencies, the high commission of ambassadors, distinguished members of Chatham House, ladies and gentleman, we are greatly honoured to be here today, and we thank Chatham House most warmly for giving us an opportunity to share

our views on such an important topic – the challenges and opportunities of mineral resources in Mozambique.

The recent confirmation of the large quantities of coal and gas has put the spotlight of the media, the business community, and that of non-governmental organisations on Mozambique. In the world of trade, and on the floor of any stock exchange around the world, Mozambique has become synonymous with coal and gas. In the meantime, we continue with our geological mapping and cartographic production, as well as with the dissemination of the information and data that we acquire to improve our geological knowledge base and to attract more and more domestic and international investment. Our presentation will focus on gas and coal, and the challenges and opportunities they present to us.

However, the conclusions and thrust that shape our vision can be extrapolated to other natural resources, [incoherent]. The challenges we face force us to be innovative, and opportunities that come along with these new resources strengthen the belief that working harder, we can make poverty history in Mozambique.

Ladies and gentleman, the legal framework is in place to ensure that [incoherent] processes and procedures are transparent and predictable. The mining law that has been enforced since June 2002 defines the procedures for granting coal licenses and concessions. The use of a computerized registration system plays a role in ensuring greater transparency in the management of this and other natural resources. From that law, a number of regulations were derived, and reference can be made to the mining regulations: the safety and environmental regulations, and the mining trade regulations.

On the other hand, the concessions in the hydro-carbon sector are made through public tenders, in line with the 2001 law on petroleum, and the 2007 petroleum fiscal law. There are also specific regulations government petroleum operations, and the protection of the environment. It is clear that even before the discovery of gas that has catapulted Mozambique to fame, we had established frameworks institutional and legal frameworks, which included the definition of procedures towards licenses and concession areas, and the definition of the necessary technical, financial, health, safety and environmental requirements. Under the same framework, we had provided for the separation of the regulatory from the commercial functions in the petroleum sector.

One important procedural aspect that must be mentioned relates to the process leading to the approval of concessions for both gas and coal. We ensure that public hearings take place with all relevant stakeholders, that is to say: ministries; their directorates and subordinate institutions; and with local governments in these communities. The product of these consultations is then submitted to the cabinet for approval, and to the administrative tribunal for sanctioning.

The experience we are accumulating in the implementation of these legal instruments and the attendant procedures is put to good use as we seek to constantly improve and adjust these instruments in consultations with all relevant stakeholders. It is within this context that the sector is undertaking a process of consultations to adjust the current legal framework. The rapid growth of the extractive industry requires such adjustments and adaptations. Furthermore, we are learning from the experiences of other countries and have, as part of this process, dispatched our experts on study tours. We have also sought and acceded to the support of bilateral and multilateral partners and are certain to tap soon into the expertise available within the Commonwealth via its dedicated unit at the Secretariat.

We have also joined the Extractive Industry Transparency Initiative, as we see the value it has in complementing our own work leading to transparent, sustainable, and judicious use of these and other natural resources. Although we are not a diamond-producing country, we have set in motion the necessary mechanisms to join the Kimberley Process Certification Scheme. This way we will be in a better position to participate in the international community effort of monitoring and complying with the certification requirements for the purchase and sale of diamonds.

We now turn to the second challenge, which relates to the administrative capacity – both human and institutional – which have roles in applying the legislation. It is undeniable that we have made great strides in the provisions of access to education in the country since our independence in 1975. In the past, it was the Mozambicans who had to walk long distance to school, today it is the other way around. It is the school that, figuratively, walks those long distances in search of students. This is true not only for primary, secondary, and tertiary centres of learning, and adult education, but also for institutions of higher learning which expanded from the one single university we inherited in 1975 from the five hundred years of foreign domination, to 23 in 2005, and to 42 in 2012. In fact, we are being conservative with figures here because some of these institutions have opened branches in different

provinces, which are quasi-fully-placed autonomous institutions [sic], and most importantly, are seen to be self-contained institutions by our people.

In order for our education system to be more relevant to the students, to the community, and to our national agenda, to make poverty history in Mozambique, we launched the integrated reform programme for professional education in 2006. This aims at rehabilitating and equipping existing schools and expanding the network of these schools to walk those long distances to meet the students. Indirectly, the challenges posed by the natural resources industry we approved in 2010 the training of more Mozambicans in areas which are relevant to this industry. These include geosciences and related disciplines. We are pleased to note that our institutions of higher learning are reforming their curricula and opening new courses to face these new challenges.

Private companies are also taking part in addressing these challenges, either by entering into partnerships with our universities and other training at home, or by offering scholarships abroad. Last week, we visited a vocational training centre accredited by our ministry of labour, owned and funded by a coal company. It provides pre-service and in-service training for each own workers. Where the institutional capacity is concerned, we have continued with the public sector reforms and have established the specific ministry to coordinate the process, which aims at achieving institutional frameworks and procedures, fighting corruption and red tape, and promoting greater efficiency in the public sector.

We continuously strengthen our institutions and ensure that they accelerate the process of decentralisation. For instance, the administrative tribunal, which has as one of its functions the sanctioning of public procurement, is establishing itself in the provinces. As part of the decentralisation process, the local governments have a greater say now in how the companies operate in their territories than before, particularly when it comes to corporate social responsibility. We are aware that some of the challenges in this industry will take a long time to be addressed. We are also aware that we need to act fast and swiftly with all stakeholders.

Ladies and gentlemen, we now turn to the opportunities that these natural resources bring along. The first is job creation. Together with new skills and work ethics, thanks to the technology transfer that takes place, many young men and women from different parts Mozambique are employed in these companies, and in the companies from which they outsource services they offer services, goods, and products. Mozambicans are setting up their own

businesses, which enter into some kind of symbiotic relationship with these mega projects, and with dynamics created by these investments. The resettlement programmes that these projects undertake in coordination with government, introduce the physical planning element, and bring our people closer together, and thus facilitate the provision of social services.

One needs to point out that there have been problems, but these are not to be taken as policies. After all, they are being addressed by the parties concerned. Just to refresh your memory, under colonial rule, more than 2000 megawatt Cahora Bassa dam was built. It is an infrastructure which is 270km, a long water reservoir, whose widest section measures 30km. When it filled up it turned mountain summits into islands, submerging entire villages and their source of livelihood in the process. The question to be asked today is where have the people who lived on those lands been settled? One could argue that under colonial rule there were settlement programmes, citing the case of [incoherent]; however, a closer look the people who lived in that area, in the area it was to cover, including the parents of our first head of state, Samora Machel, were forcibly removed from drier and less fertile lands. So, they were taken to drier and less fertile lands. They were thus trapped to become the source of cheap labour for this project, which focused mainly on irrigated price reduction.

Mozambicans benefit from the on-going mega projects in other ways. The initial royalties played by corporations to the state strengthen our capacity to deliver services to our people. As they enter into full operation these projects will be sources of taxes from the companies themselves, and from the individuals working for them. But, most importantly, the fact that greater benefits will come with the implementation of further planned projects, such as thermal power plants using coal, the use of natural gas for domestic consumption, and in the petro-chemical industry, including its transformation into fertilizers, [incoherent] and other bi-products.

We are conscious of the fact that the amount of money required for geophysical and feasibility studies are huge, and the risk of not finding economically viable quantities of gas or coal reserves lurks in the darkness ahead. As a poor and developing country, we do not yet possess the financial and technological capacity to buy a sizeable share in these projects. We have, however, been able to negotiate a reasonable participation, which, in the long run, will benefit the people of Mozambique. We are committed to striking a good balance between, on the one hand, the export of raw materials and their bi-products, and on the other hand, their availability in our markets. This is socially viable and economically feasible because our economy is

growing fast, and the purchasing power of our people is also growing in the sense of ownership of these resources to the present. SDAC [Southern African Development Community] is also a fast-growing region with a successful integration programme. However, the market for our coal and gas and their bi-products stretches into the rest of the African continent and the world at large.

Clearly stated, our vision is to turn our mineral resources into a driving force for the sustainable social transformation and industrialisation of Mozambique through value addition within the country with ever-increasing participation of Mozambicans as the workforce at all levels of the value chain and management. We intend to achieve this through capacity building, infrastructure development – including the many railways to get the coal to the coast – research and development, and expansion of public-private partnerships. From our private sector partners we expect not only good corporate citizens, with local social responsibility projects, but also allies in the national agenda to make poverty history. We want them to generate shareholders and to sustain their business, but above all, to make a substantial contribution to the country's development.

Ladies and gentlemen, we are aware of the fact that expectations among our people are very high, we have time and again to bring to their attention firstly that the benefits will not all be immediate. Secondly, despite the fact that these resources belong to all of us, regardless to where they are located or to where we are, they cannot be the solution to all our individual and collective poverty problems. Thirdly, the Mozambique nation should not lose sight of other sectors of our economy that have been the engines of our average growth rate of 7% for more than a decade now.

Ladies and gentlemen, we are well aware that we have a mammoth task ahead. We are aware of the challenges before us and the opportunities that come along with the natural resources we are blessed with. More importantly, we are clear as to where we want to go, and with the commitment, dedication of the Mozambique people, the government's leadership, and a responsible and committed private sector, we can see Mozambique rising to the status of middle-income country within the next ten to fifteen years with tangible benefits to all Mozambicans.

International partners are welcome to join us in this promising journey, together we celebrate the day we have made poverty history in our part of the Indian Ocean. As the land of heroes, we are certain that we will achieve this

feat because, as we said it before in this house, the right not to be poor is a human right, an inalienable right for every human being.

I thank you very much for your attention.

[Applause]