

DEVELOPING A LOCAL CONTENT UNIT FOR MOZAMBIQUE



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IN BRIEF

- » Mozambique's gas reserves have the potential to transform the country into one of the world's top energy exporters
- » The challenge now is to generate local jobs as the gas industry grows and matures
- » The report proposes the creation of a 'Local Content Unit' within the relevant Ministry
- » The government is currently assessing the scope for implementation of a Local Content Unit

Mozambique's vast gas reserves have the potential to transform the country into one of the world's top energy exporters. The challenge now is to understand how local jobs can be generated as the gas industry grows and matures to ensure that the industry contributes to inclusive economic growth.

In order to address this challenge, the study recommends the establishment of a well-organised and effective Local Content Unit. In acting with and on behalf of the relevant government minister, a Local Content Unit can engage in an ongoing dialogue with lead multinational corporations (MNCs) and their first tier international suppliers, in order to arrive at a pattern of involvement by local firms that is feasible, practical and achievable over an agreed timescale. A Local Content Unit is an alternative to local content rules, which are often ineffective. Indeed, these rules are too easily circumvented, and may generate an unfortunate bias in the supplier base towards those activities that contribute little to the development of the host country's industrial capabilities. In comparison, a well-informed Local Content Unit that enjoys the full support of the relevant government ministry to which it is attached, and the backing of the relevant ministers, can achieve the kind of broad-based involvement of local companies that will maximise the long-term benefit to the Mozambican economy.

This study suggests there is an opportunity to set up such a unit within government, thereby shaping the dialogue between the government and the MNCs in respect to the ways in which domestic firms will be integrated into the industry supply chain. If the process is well managed, the offshore gas industry can open the door to expanding and deepening Mozambican industries. A Local Content Unit would help develop the capabilities of Mozambican firms, improve the quality of their outputs, and create sustainable, high-quality jobs.

The government is currently assessing the scope for implementation of a Local Content Unit.