

Local Content Working Group

Defining priorities for the local content ecosystem in Cabo Delgado

17th August 2023

Hybrid event held online via Teams and in-person at Kauri Resort, Pemba

On the 17th of August, the MSP (Multistakeholder Platform) for the development of the Northern region held a Local Content Working Group meeting focused on “Defining priorities for the local content ecosystem in Cabo Delgado” with the presence of 42 attendees (34 in-person and 8 online).

The event held in Pemba hosted government officials, local private sector companies, IOCs, NGOs, CSOs¹, UN agencies and donors. Having counted with the opening notes of CPDE-Centro de Provincial de Desenvolvimento Económico de Cabo Delgado in representation of the provincial government, the event was split in two segments, i) a prioritization exercise to define the key priorities of the local content ecosystem, ii) followed by discussion groups that gathered commonly agreed measures to address the identified issues.

The meeting had the following objectives:

- Define essential economic sectors for the province’s economic recovery and socioeconomic stability;
- Determine in which ways government, private sector and development partners can scale up and improve their support for local MSMEs and upskilling of the local workforce.
- Identify critical policy, regulatory and other measures that can support the growth of local MSMEs and local employment.

The meeting counted with the presence of the following organizations:



Opening Notes:

Speaker: Horácio Linaula– Director do Centro de Promoção de Desenvolvimento Económico de Cabo Delgado – CDPE

The intervention questioned the current level of effectiveness and alignment of ongoing local content initiatives in the province while pointing out as some examples of good alignment the partnership between CPDE with MozUp, MSP, TotalEnergies, and ExxonMobil. It was emphasized that CPDE is the appointed institution by the Provincial Executive Council to expand its socioeconomic development strategy. In addition, the need for the creation of a provincial-level strategy in regard to coordination, under the lead of CPDE, was raised. The main outcomes expected from the meeting include a realistic

¹ International Oil Companies (IOCs), Non-Governmental Organizations (NGOs), Civil Society Organizations (CSOs)

debate to ensure an effective coordination that takes in account the priorities of each organization and the priority needs of the local population, especially those of the districts to which IDPs are returning and need to be rebuilt.

Meeting Objectives:

Speakers: Danila Boneva – Director, MSP Secretariat & Lisandro Jordão – Analyst, MSP Secretariat

The Secretariat reinforced the essential role of private sector investment and for the development of the Northern region, by stimulating sustainable income for local MSMEs and jobs for local labor. The meeting emerged as part of the platform’s intention to bring together and create alignment of local content priorities between various stakeholders, including government, state-owned enterprises, and development partners with CSOs and the private sector.

In recent months the province has shown a strong desire to resume economic activities, evident through a sequence of events that built up an upward trend of socioeconomic recovery, namely:

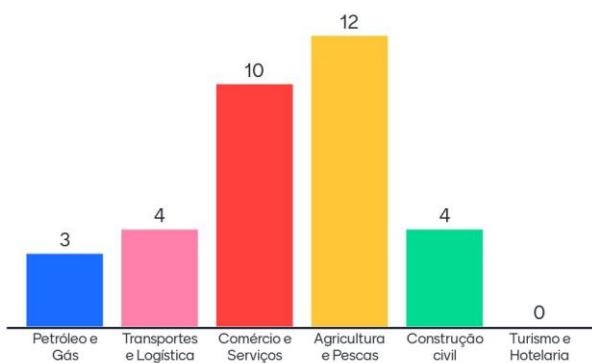
- Increased security stability that motivated the return of the displaced population and the government’s restoration of public services;
- Sensitized the reinforced development partner support to infrastructure, access to finance, and socioeconomic stability;
- Combined with increased confidence in the private sector to resume activities.



Prioritization Exercise:

A live poll was conducted to gauge the local content ecosystem’s perceptions of barriers and solutions for local labor insertion and MSME economic integration. The opinions below were gathered:

1. Which sector is more likely to absorb local labor in Cabo Delgado?



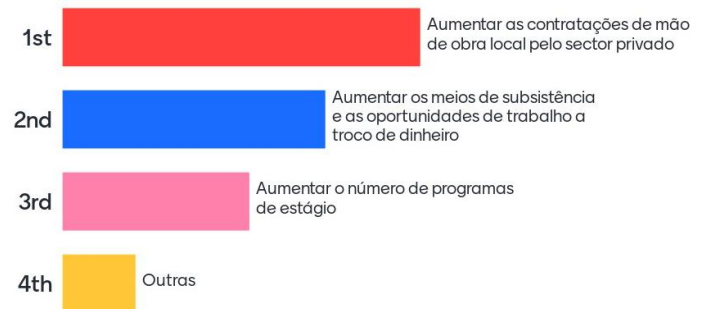
highest potential to absorb the local population of working age, which is aligned with the fact that this sector provides the majority of livelihoods in the province. The second sector is commerce and services, followed by civil construction and transport and logistics.

- According to the poll, the results show that the agriculture and fisheries sector has the

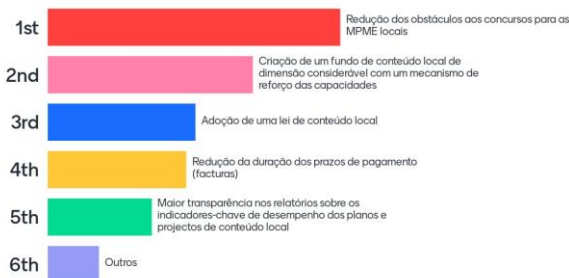
- The Oil & Gas sector is deemed to be less likely to directly absorb large portions of the local labor due to highly specialized labor requirements and formal employment arrangements. Onshore projects are typically expected to be able to employ massively during the construction phase, drastically decreasing demand thereafter.

2. What is the priority measure to accelerate the employment rate of local labor in the province?

- The poll demonstrated that private sector companies are expected to create the majority of new job opportunities. Nevertheless, given the constraints faced by province’s MSMEs employers to resume economic activities in order to be able to generate the expected demand for jobs, it was suggested that higher level decision makers of local content plans and policies need to find alternative measures to unblock the private sector’s ability to create employment opportunities, such as access to finance and to contracts.
- Nevertheless, it was recognized that the problems of local employment in the country are structural and it is not feasible for the private sector to carry all the weight of this responsibility by itself.



3. Which ones should be the priority local content measures for the province?

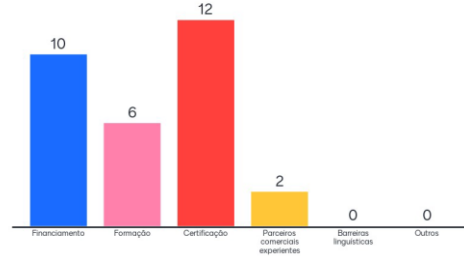


- Moreover, the poll suggested that the reduction of barriers to tenders to local MSMEs is among the top priorities for the local content ecosystem. Some of the observed barriers include - a requirement for submitting proposals and business plans in English, quality certification and bank guarantees even for micro and small enterprises.
- There is a need for local content initiatives to coordinate their activities to reduce the barriers for access.

- to finance as financial institutions are notable to adequate financial products. One solution is the creation of a sizeable fund, which can invest in local MSMEs. The fund will have a technical assistance facility to support MSMEs upskilling (business, accounting, certifications, etc.). The current projects are too fragmented to create results on a scale.
- Regarding the drafting and adoption of a local content law, the participants saw it as one of the critical measures. Current legislation includes local content provisions for different sectors, such as civil construction (e.g. obligation to recruit nationals for certain activities), security and telecommunications. However, having a strong local content law would ensure stricter compliance. Some participants argued that a local content policy would be sufficient in combination with the current legislation.

4. Which critical barriers do MSMEs need to overcome to increase their competitiveness in public tenders?

- The poll ended with the identification of certification and access to finance as the highest pressing barriers to local MSMEs to meet the requirements of high-ticket tenders.
- There is a need to ease requirements for the lower-tier companies with limited capacity, either technical or financial, to increase their revenue-generating opportunities.
- IOCs underlined that MSMEs have to strive to meet some of the requirements, such as Health, Safety, and Environmental standards, which are non-negotiable to megaprojects, thus creating a need for local MSMEs to adapt their operations to




- the industry requirements.
- Barriers can be reduced if the local private sector establishes partnerships with bigger companies and increases trust amongst them to bid as consortiums and maximize their chance to win tenders.

Discussion Groups:


The attendants formed 2 discussion groups (one focusing on employment and the other one on MSMEs), guided by three questions as follows:

- What urgent interventions are needed from the government, the private sector, development partners, and NGOs to help players in the local content ecosystem overcome the challenges identified?
- What political, regulatory, institutional, and other measures can stimulate the growth of local MSMEs or the employment of local labor?
- What concrete measures can the province's players take to improve the local content scenario in the province?

The following insights were gathered:

 Sustainable Job Creation	<p>Pressing Interventions:</p> <ul style="list-style-type: none"> ▪ Government: - Create a shared database between the Government of Mozambique and the private sector of local trained youth; ▪ Private Sector: - Increase information sharing between employers on available local talent pool through peer-to-peer referral; - Increase internship partnerships between employers and training centers; ▪ NGOs/CSOs: - Provide employment kits to increase local labor's self-employment opportunities, - Enhance TVET programs' curricula with life skills modules, - ▪ Development partners: - Fund TVET and entrepreneurship training programs; - Support local companies to create local labor employment and procurement quotas
	<p>Policy and Regulatory Reforms:</p> <ul style="list-style-type: none"> ▪ Provide Tax incentives to companies that source goods and services from MSMEs that employ local labor; ▪ Simplify company registration processes and costs. ▪ Impose employment quotas for local youth. ▪ Draft and adopt a local content law.

	<ul style="list-style-type: none"> Private sector companies and NGOs policies should promote the sourcing of goods or services from companies that employ local labor
	<p>Coordination measures:</p> <ul style="list-style-type: none"> Creation/leveraging of dialogue platforms, such as the MSP. Enhanced information sharing regarding demand and supply of jobs; Increased transparency in sharing information about upcoming tender opportunities among stakeholders,

 <p>MSME Economic Integration</p>	<p>Pressing Interventions:</p> <ul style="list-style-type: none"> Reliable, updated, and public provision of statistical data; Creation of a robust local content fund for upskilling local MSMEs and providing them with adequate access to finance services; Investments in the agriculture and fisheries sector with an emphasis on mechanization, storage and logistics;
	<p>Policy and Regulatory Reforms:</p> <ul style="list-style-type: none"> Adoption of local content law Implementation of local content plans of IOCs in coordination with the local private sector; Provide tax incentives for local MSMEs that employ local labor; Reduction of bureaucratic procedures (business enabling environment) and simplification of imports.
	<p>Other measures:</p> <ul style="list-style-type: none"> Reduced requirements to finance local MSMEs – differentiate between micro, and small companies and medium and large ones. Promotion of the cooperative recently created by CEP at the district level so agriculture producers and fishermen take advantage of its legal status to be able to obtain access to finance, contracts, etc.

Closing Remarks:

- The capacity building of local youth needs to be further addressed through increased investments with an emphasis on soft skills.
- There is a need to make adjustments and meet in the middle as not only megaprojects need to adapt their requirements to the local companies, but also MSMEs need to improve their ability to meet industry standards.
- The local content fund is one the most significant outputs of the meeting specifically as it can pose as an alternative for local MSMEs to get access to finance without depending on commercial loans, which are costly;
- Local MSMEs and youth representatives to continue to participate in following working groups and dialogues, so they can raise their concerns and be part of the solutions.

Next Steps:

- The Secretariat encourages local content ecosystem actors to leverage the commonly agreed solutions and measures during the meeting to foster dialogue and raise awareness among potential investors and development partners in upcoming oil and gas summits in the country and the Africa region.

- The key highlights and insights of the meeting will be circulated by the Secretariat's team through the MSP Newsletter, in the September 2023 Oil and Gas Summit, to assist local content actors in the structuring of ideas for more informed decision-making.
- Additional information on initiatives, such as CEP's cooperative and GAPI's fund for local MSMEs will be shared widely, so potential beneficiaries can have more information.

List of attending organizations:

- ENH
- SNV
- MozUp
- Fundação E35
- Gapi
- BAÚ
- CEAM Ida
- Grupo Leonardo
- Ayuda en Accion
- CPDE-CD
- Total Energies
- ADIN
- ENH
- SNV
- EuroCam
- IOM
- Deon Services
- Ascending
- Aga Khan
- Azul
- Fundação Wiwanana
- CEP/CTA - CD
- IGET
- Associação Nacional de Jovens Empresários