

## Extractive industry revenue sharing, must integrate producing regions into the development agenda

- The Center for Democracy and Development (CDD), in partnership with OXFAM, Center for Research on Multinational Corporations (SOMO) and Tax Justice Network Africa (TJNA), and with support from the Ministry of Foreign Affairs of Finland, organized, on the 20th of October, in the city of Tete, a reflection event on “Appropriate mechanisms for sharing extractive industry revenues for the integration of producing regions in the local development agenda”.





The event took place in a context where the population in Tete province continues to live with one of the highest incidence rates of poverty (IGM, 2017)<sup>1</sup>, even after long years of large-scale coal exploration by Brazilian mining

company Vale Moçambique. The objective is to advocate for the design of policies that ensure that resources from the extractive industry have a direct impact on improving the lives of the populations in the exploited areas.

## Local government representatives consider it timely to reflect on revenue sharing in Tete

On the Government side, the reflection was attended by Luís Bongisse, Director of Provincial Services for the Economy and Finance, representing the Secretary of State of Tete; Sofia Marcelino Forpence, Permanent Secretary of the Tete district government; and Júlio Langa, Permanent Secretary of the Moatize district government.

In addition to the mineral coal that is already exploited on a large scale, Tete is a province rich in iron, gold, precious and semi-precious stones, whose exploitation is still low. It also has enormous potential in the tourism sector, agricultural and livestock production, fishing and aquaculture, and electricity



Luís Bongisse, Director of Provincial Services for the Economy and Finance

<sup>1</sup><https://igmozambique.wider.unu.edu/sites/default/files/News/Mozambique-A5-web-24022017.pdf>



said Sofia Marcelino Forpence, Permanent Secretary of the Tete district government.



Júlio Langa, permanent secretary of the government of the district of Moatize.

and solar energy production. It is also attractive for commerce in general, with emphasis on the supply of goods and services to existing large companies and for consumption by the population, as it is the third most populous province in the country.

For Luís Bongisse, Director of Provincial Services for the Economy and Finance, the sharing of mining revenues with the producing regions is a reality in Tete, witnessed through the annual allocation of 2.75% of the Mining Production Tax, through the Budget of the State, which has contributed to the implementation of projects for the development of affected communities.

“For example, from 2013 (the year in which the legislation was implemented) until today, around 250 million meticaís were allocated to the development of communities affected by the coal extractive industry, specifically in the district of Moatize, they financed development projects, among which the construction of classrooms, sanitary units, opening of water holes and improvement of access roads stands out”, he underlined.

Luís Bongisse recognized that Mozambican legislation, experience, and reality may be different

from other countries that carry out the same activity. Therefore, he welcomed the reflection, describing it as an opportunity to bring different technical, methodological, and legal approaches that can contribute to the best benefit and use of resources for local communities.

“We hope that this reflection will contribute to the improvement of the standard of living of the populations where mining activities take place.”, said Sofia Marcelino Forpence, Permanent Secretary of the Tete district government.

“The district of Moatize is the place where the extractive industry is a reality”, said Júlio Langa, permanent secretary of the government of the district of Moatize. The advent of the extractive industry in Moatize boosted local socio-economic development, contributing to the well-being of communities, he said “This reflection is very important for the exchange of experiences on how to proceed so that the extractive industry is always a good for the communities and, therefore, for the development not only of the province, but also of the country”.

## Consulting the sensitivities of affected communities is crucial to successfully sharing the benefits of the extractive sector

“This is a time for reflection, not only on the gains that the Mozambican State can make and how it can share with the affected communities, but also to understand the sensitivities of communities on how they would like to see the sharing of benefits from the extractive sector”, he explained. Romão Xavier, Director of OXFAM Mozambique

Tete marks a special period in the development of the extractive sector in Mozambique. “I would venture to say that after the start of gas exploration in Temane, in Inhambane province, and the start of aluminum production by MOZAL, in Maputo province, coal exploration in Tete is by far the most important initiative in that sector. Tete is a learning center for all Mozambicans, not just in the extractive area”.

According to Romão Xavier, it was in Tete where Mozambicans learned that the resettlement of people is a complex process, and it is through this experience that the legislative framework and processes have been improved over the years to better deal with this type of investment.

“And it is in Tete where we intend to reflect and



Romão Xavier, Director of OXFAM Mozambique

learn about how best to promote local development through the exploitation and redistribution of the benefits of natural resources, in a context in which natural resources, especially extractive ones, are exhaustible and their exploitation can create serious problems, irremediable and irreversible environmental and economic problems, so their exploitation must take these issues into account”.

## Two decades later, few benefits were generated for the communities of “El-Dourado”

“When we talk about reflection on the modalities for the populations of the producing regions to benefit from exploitation, this is much more than talking about 2.75% of a production tax”, Prof. Adriano Nuvunga, Executive Director of CDD.

About two decades after the start of large investments for large-scale coal exploration in Tete - which made the province known as “El Dourado”, Mozambique advanced in certain economic indicators, but the population lagged.

The perception we have today is that communities and producing regions are increasingly impoverished, while large companies are developing. This fact shows that something is not right in the way the country has organized itself to exploit resources for the benefit of Mozambicans. “What is necessary is that with the exploitation of resour-



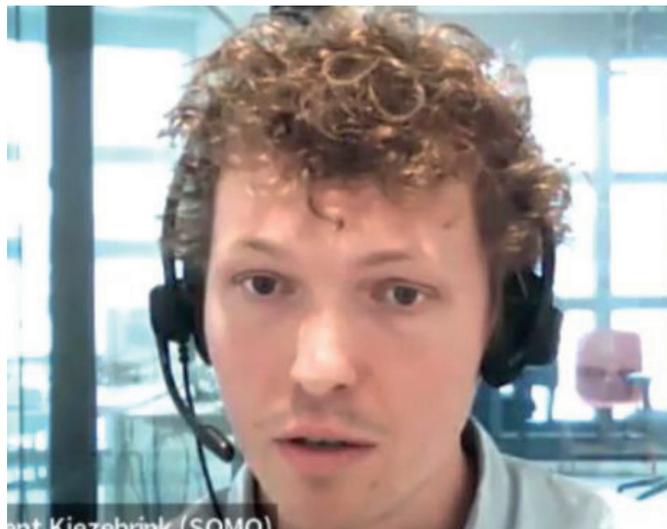
Prof. Adriano Nuvunga, Executive Director of CDD.

ces, the companies that explore develop, the State develops, and the communities also develop”, said Prof Adriano Nuvunga.

“The worrying part of this whole operation for civil society is that it is not clear how this 2.75% royalty is spent, in a context where communities continue to complain about not benefiting from the value”, Vincent Kiezebrink -(SOMO)

Mozambique uses an extractive industry revenue sharing mechanism with affected communities, distributing 2.75% of production taxes or royalties to these communities.

The worrying part of this transaction is that it is not clear how this 2.75% royalty is spent. The most important aspect at this moment in which the government has announced the increase in the percentage to 10% is knowing how we are going to ensure that the value reaches the communities and is well managed”.



Vincent Kiezebrink - (SOMO)

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# REFLECTION

ON APPROPRIATE EXTRACTIVE INDUSTRY REVENUE SHARING MECHANISMS FOR THE INTEGRATION OF PRODUCING REGIONS INTO THE LOCAL DEVELOPMENT AGENDA

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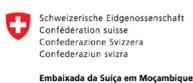
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