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What are the prospects for Mozambique to diversify its economy on the back of ‘local content’?

Evelyn Dietsche¹ and Ana Maria Esteves²

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Abstract: In recent years, Mozambique has made international headlines for the significant hydrocarbon deposits found offshore. These have increased the country's extractive resource endowments, in addition to its mining and onshore natural gas sector. It is expected that these industries will contribute to economic diversification and social development, not least by means of procuring locally produced goods and services and hiring Mozambicans. A key factor to achieve this is building domestic capital—in people, institutions, and infrastructure. Looking at the policy environment, this paper argues that the prospects are extremely challenging for 'local content' to provide the link between the extractive industries and the economic diversification of the local economy. The country urgently needs institutional changes that support broader and rural-focused private sector development.

Keywords: natural resources, extractive industries, economic diversification, local content, corporate social responsibility

JEL classification: E61, L52, L71, L72, O19, O25, O55

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1 Introduction

Mozambique has captured the attention of the international energy community because of the significant exploration successes achieved since 2010 in the offshore Rovuma Basin located along the country's northern coastline. However, prior to these successes, the country's extractive resources sector had already taken off, triggered by the liberalization of the country's economy in the late 1990s and the entry of regional energy players in the onshore oil and gas (O&G) sector. South African energy company SASOL has been producing and exporting natural gas from the onshore Pande and Temane fields in the Mozambique Basin from around 2004 (ILPI 2013). In addition, miners have invested in exploiting the country's hydropower capacity to produce aluminium from imported feedstock, as well as producing the country's coal and other mineral resources.

There are considerable expectations that the extractives sector will contribute to economic and social development by means of procuring locally produced goods and services and hiring Mozambicans. For example, Sutton et al. (2015: 10) suggest that 'the offshore gas industry offers Mozambique a unique opportunity to build up the country's industrial capability by integrating local companies into the supply chain of the multinational firms. Looking at the policy environment, this paper argues that the prospects for 'local content' to provide the link between the extractive industries and the economic diversification of the local economy are extremely challenging.¹ Improving the lives of ordinary Mozambicans will require much more than a booming natural resources sector.

Previous UNU-WIDER papers have underlined that most Mozambicans continue to survive on rural subsistence livelihoods 'working in agriculture, livestock, forestry and fisheries, applying traditional manual and low-productivity technology' (Cruz and Mafambissa 2016: 1). At the same time, the country is known for its foreign-funded mega-projects exporting natural resources existing next to a very small formal private sector dominated by micro, small, and medium enterprises (MSMEs).² According to the 2016 *African Economic Outlook*, 99 per cent of all Mozambican enterprises are either run by individual entrepreneurs or comprise micro-enterprises with fewer than five employees (AfDB et al. 2016). The success in attracting foreign investors to pursue mega-projects has not been matched with equal success in transforming the domestic economy: for many citizens living conditions have hardly improved. The flipside to the country's industrial policy approach of supporting foreign-funded mega-projects is that it has failed to address more fundamental constraints to developing the domestic private sector, especially in relation to non-extractive natural resources and the (agro-)processing of these resources in-country.

Until the mid-2000s the country was broadly heading in the right direction—or so it seemed. After gaining independence from Portugal in 1975, Mozambique underwent several fundamental changes. Initially, it tried a centrally planned economy along the lines of nationalist and socialist principles, but then shifted towards developing a market economy in the mid-1980s. The country

¹ See Dietsche (2014, 2017) for a broader discussion on this subject.

² Sutton et al. (2015) found that 13 firms account for three-quarters of the country's export earnings. More than 60 per cent of these earnings come from four primary industries, with one single firm dominating in each: aluminium (Mozal); electricity (Hidro); ores (Kenmare); and gas (SASOL). These authors' analysis of a 'stratified' sample of 40 dominant firms suggests that about one-third are of foreign origin, one-third are industrial start-ups that date back to pre-independence, and one-third are post-independence industrial start-ups.

also experienced a brutal war that lasted nearly two decades, but then turned towards peace when the two opposing parties, FRELIMO and RENAMO, signed the Rome General Peace Accords in 1992. Elections held in 1994 marked the introduction of a multi-party presidential democracy, replacing the one-party system that had been adopted at independence.³ These developments gave the impression that the country was on the path to achieving socioeconomic change.⁴ Economic growth rates have been impressive, and are presumed to have been driven by the country's ability to attract foreign investment.⁵

However, the most recent economic outlook offers a very different picture: the country faces a fiscal bust that materialized before the expected boom of its extractive resources sector has even taken off. This puts a serious damper on the country's prospects for its significant hydrocarbon and other extractive resources contributing to economy diversification and lifting ordinary Mozambicans out of poverty—particularly if one takes into account that these prospects are thought to arise primarily from wisely reinvesting the revenues generated by the sector.

The question that this situation has given rise to is: what options are left for the incumbent government to ensure ordinary Mozambicans will benefit from the sector over the next decade—as opposed to the later 2030s when, realistically, the country could eventually see a meaningful increase in tax revenues arising *directly* from the sector?

The paper starts with an introduction to the country and the generally positive outlook for its extractive resources sector, as well as a brief summary of its fiscal situation. Against this background, the paper draws attention to some aspects of the country's policy environment that are relevant for the proposition that the country can diversify its severely skewed domestic economy on the back of the impending rise of its natural gas and broader extractive resources sector. The final section summarizes.

2 The country and its extractive industries

Undoubtedly, Mozambique remains one of the poorest countries in the world. With a gross domestic product (GDP) of \$12.35 billion and GDP per capita of \$1,300, it is ranked 222nd out of 229 countries.⁶ On the Human Development Index it ranks 181st out of 188 positions, sharing the ranking with South Sudan, and lower than the Democratic Republic of Congo (DRC) (UNDP 2016). About two-thirds of the population reside in mostly remote rural areas and survive on subsistence livelihoods. Of the country's 28 million inhabitants, roughly two-thirds are under the age of 25.⁷ Those living in urban areas are concentrated mainly around Maputo (around 1.2 million) and Matola (around 0.9 million). Only about one-third of urban employment is considered formal (Orre and Rønning 2017).

³ See Addison (2003) for several chapters on the dynamics underpinning Mozambique's economic and political transitions from a centrally planned to a market economy and from war to peace, and the potential challenges already foreseen in the early 2000s.

⁴ See Hanlon (2017) for a critical assessment of these developments and the role that donors have played.

⁵ See also Roe (2018a).

⁶ See www.cia.gov/library/publications/the-world-factbook/geos/mz.html (accessed 12 March 2018).

⁷ See also http://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&ctbar=y&dd=y&inf=n&zm=n&country=MOZ (accessed 12 March 2018).

The country gained independence in 1975, following a decade-long liberation struggle that ended four centuries of Portuguese rule. Two years into exercising sovereign rule, the country slipped into a very brutal and economically devastating political war. Individual human development indicators have improved since the war ended in 1992, but the country started from a very low level and continues to trail behind the sub-Saharan African average. In 2015 the percentage of the population with at least some secondary education was only 2.8 per cent for women and 8.0 per cent for men, compared to the sub-Saharan African average of, respectively, 25.3 per cent and 33.9 per cent (UNDP 2016). Secondary school enrolment is still well below 20 per cent and nearly half of the population above the age of 15 is considered illiterate.⁸

It is clear that in order to improve its human capital, the country needs to balance existing and prospective mega-projects with investment in domestic capital to boost its domestic economy. This poses a serious challenge for the public sector, because what might be good (enough) for large capital projects does not suffice to build the human and institutional assets required to support a more diversified, yet rural-based, economy.

In contrast to the country's challenging social background, the long-term outlook for the country's extractive resources sector remains distinctly positive, for three reasons.⁹ First, since 2010 the country has made international headlines because of the exploration successes achieved in the Rovuma Basin offshore of the Cabo Delgado Province:

- Italy-based ENI (25 per cent)—in partnership with ExxonMobil (25 per cent) and CNPC (20 per cent), as well as Galp Energia (10 per cent), Kogas (10 per cent), and the Mozambican state-owned oil company ENH (10 per cent)—are building a *floating liquefied natural gas* (FLNG) facility with a capacity of 3.4 mtpa (million tonnes per annum) to bring the first 5 Tcf (trillion cubic feet) of the assessed 16 Tcf of recoverable gas from Offshore Area 4 to the market. According to an ENI press release, this is the first FLNG facility to be built in sub-Saharan Africa, and only the third in the world.¹⁰ The facility is being built by contractors TechnipFMC and JGL Corporation, and is currently expected to be completed around 2022.
- US-based Anadarko (26.5 per cent)—in partnership with Mitsui (20 per cent), the state-owned ENH (15 per cent), Videsh (16 per cent), Bharat PetroResources (10 per cent), PTT E&P (8.5 per cent), and Oil India (4 per cent)—are in the process of working towards a final investment decision for an onshore *liquefied natural gas* (LNG) plant to produce the 75 Tcf of recoverable gas that Offshore Area 1 has been assessed to hold.¹¹

Although developing the above fields has taken longer than had initially been hoped for, the sector continues to evolve, and at a faster pace than in some other countries in the region.

Second, since 2004 the South African energy company SASOL has been producing and processing natural gas onshore in the country's more southerly Inhambane Province. Most of this gas has been exported to South Africa, where it is mainly used as feedstock for the chemicals industry. Some gas is also sold to markets in Mozambique, where it is mainly used for electricity generation, covering about 20 per cent of the country's demand. Although not in the same category as the

⁸ See <http://uis.unesco.org/en/country/mz> (accessed 21 March 2018).

⁹ For example, these are summarized by Cooperação Alemã (2018).

¹⁰ See the press releases at: www.eni.com/en_IT/media/2017/06/eni-launches-coral-south-project-in-mozambique?lnkfrm=asknow (accessed 21 March 2018).

¹¹ The project website is available at: www.mzlng.com/The-Project (accessed 21 March 2018).

developments in the northern Rovuma Basin, SASOL's early investments in the previously stranded Pande and Temane fields in the Mozambique Basin have contributed to the country learning about how the O&G sector works and to evolve the legal and regulatory framework governing the sector.¹² In addition, SASOL's interests are located along the Maputo Development Corridor connecting the deep-water port in Maputo with the South African provinces of Gauteng, Northwest, Limpopo, and Mpumalanga, and with Gaborone in Botswana (Östensson 2017).

Third, despite already playing a significant role in the global production of several minerals, Mozambique's mining sector is still only considered to be at an early stage of development. Its potential is largely untapped, including gold deposits in the Provinces of Niassa, Tete, and Manica. Mozambique holds some of the world's largest coal deposits, as well as commercially important deposits of graphite, iron ore, titanium, apatite, marble, bentonite, bauxite, kaolin, copper, and tantalum.

Vale, the Brazilian multinational mining company, has invested in producing coking coal and has been exporting since 2011. Coal concessions formerly held by Rio Tinto were bought by ICVL (65 per cent) and its partner Tata Steel (35 per cent) in 2014, and they are now producing and exporting thermal coal. Investments focusing on the mining and processing of heavy sands have been led by Kenmare Resources, BHP, and others.

In international mining news, Mozambique also features as a country that is poised to gain from rising demand in those types of minerals that are required for the global transition to a low-carbon economy. Several companies are investing in graphite, with Syrah Resources (Australian) expected to commence production in 2018.¹³

In summary, the country's extractive resources industries are expecting a boom. This should be good news for the country, in theory. As highlighted by two related UNU-WIDER papers, these industries could significantly boost the economy for several years, if not decades (Roe 2018a, 2008b). This expectation builds on much the same logic that has underpinned the country's current economy, where export-oriented mega-projects, financed and operated by foreign investors and exploiting the country's extractive resources, dominate the economy (Sutton et al. 2015).

A small counter-balance is provided by a limited number of also primarily foreign-financed companies engaged in construction and in light manufacturing for the domestic market, including some larger-scale and several smaller-sized investments exploiting non-extractive natural resources (e.g., agro-food, sugar, cotton industry). The rest of the economy consists of a mixed portfolio of largely informal micro- and small-sized Mozambican enterprises (Lachler and Walker 2018; Orre and Rønning 2017).

The idea that Mozambique's economy can be diversified on the back of its extractive resources sector would seem, *prima facie*, a rather theoretical and perhaps far-fetched proposition. More realistic would seem the suggestion of some observers who purport that, strategically, the country should balance its growing dependence on extracting and processing mineral resources with more proactive support for other, more labour-intensive industries. Cruz and Mafambissa (2016), for

¹² *Ex-post* assessments of the agreements SASOL negotiated with the Mozambican government have raised several questions about the 'fairness' of the fiscal and commercial terms that came about in the early 2000s, when the respective gas fields discovered in the 1960s had been left stranded for decades and the surge in prices from the mid-2000s to its peak in 2014 had not yet unfolded. At that time, it was not a forgone conclusion that producing this gas would necessarily be commercially attractive.

¹³ See *Mining Weekly*, 5 December 2017.

example, argue that Mozambique's 'industries without smokestacks' hold particular potential. They see it as a possibility that the country could feasibly achieve international competitiveness and create formal jobs and self-employment opportunities in the production of fruits and vegetables, in agro-processing, and in various tradable services. With most Mozambicans living in rural areas, it is these industries that can support the growth of MSMEs, producing goods and services for demand that is sustained independently and beyond the O&G sector. Larcher and Walker (2018) also suggest that transforming the rural economy is critical for Mozambicans to benefit from better jobs in the private sector.

3 Facing up to the fiscal crisis

As Roe (2018b) has outlined in detail, recent IMF Article IV consultations have concluded that the country's public finances are in a dire state (IMF 2018). The debt-to-GDP ratio has shot up to around 130 per cent from just around 40 per cent in 2012—notably after achieving Heavily Indebted Poor Country (HIPC) debt relief in the 1990s (IMF 2018: fig. 4). The annual fiscal deficit now stands at 8 per cent of GDP, and for the past three years the country has defaulted on its debt service. To restructure the public debt incurred with private lenders, the government needs to agree a respective programme with, and place its public finances under the watch of, the IMF. Invariably, this means constraining and reprioritizing public spending.

The sad part to this story is that after the large offshore hydrocarbon finds along the Cabo Delgado Province had become public knowledge, overtly promising projections were made about the future government revenues that would arise from these fields.¹⁴ These projections were premised on (1) the assumption that field developments would go ahead, and (2) more or less informed guesses of what the negotiated fiscal terms, cost structures, and timelines of the envisaged developments might be. These projections contributed to inflated expectations about the availability and timing of future public funding and enticed the public authorities to relax their fiscal prudence and loosen control over financial management.

Public debt has been driven up by (1) higher public spending and heavy international and domestic borrowing, and (2) publicly guaranteed loans amounting to \$2.3 billion (equivalent to 20 per cent of the country's GDP) incurred from around 2013. The latter remained undisclosed until 2016, when it transpired that state-owned enterprises had incurred these liabilities with commercial lenders.

Not only did these loans breach the country's Constitution, but also its HIPC commitments and other fiduciary safeguards embedded in the public financial management system.¹⁵ An independent audit (the so-called Kroll investigation) has provided a good idea about what happened in that short period of just a couple of years. The full extent and use of the hidden loans—and who were the responsible decision-makers—has not (yet) been disclosed.

¹⁴ One such set of projections was provided by the IMF's FARI model (Fiscal Analysis of Resources Issues). These projections are discussed by Roe (2018a, 2018b).

¹⁵ Ironically, formal assessments of Mozambique's *de jure* public financial management have awarded the country high marks and commented on the country's impressive systems at the centre. However, *de facto* performance has not met expectations, because political-administrative capacities on the ground have undermined budget execution as set out in approved budgets and medium-term expenditure plans. Andrews (2013) provides a political-economic analysis of this.

As Roe (2018b) has outlined, tight monetary and fiscal policies aimed at restoring fiscal sustainability will require reducing and reprioritizing public spending over the next decade. Meanwhile, the timelines for the development of the envisaged LNG projects have been pushed back several times. This suggests that additional revenues from the Rovuma Basin fields will not flow before the second half of the 2020s at the very earliest. Further, if and when they start to flow, they will likely already be earmarked for debt-reduction purposes. Perhaps it would be reasonable to assume that the country should not expect more meaningful increases in public revenue before some point in the 2030s.

For the domestic economy this means that the public debt burden is poised to crowd out even further the already weak local private sector. The signs pointing to this include interest rates now standing at about 28 per cent for MSMEs¹⁶ and a build-up of public sector payment arrears, including the refunding of value-added tax (VAT).¹⁷ A recent survey has already picked up a decline in the stock of MSMEs (UNU-WIDER 2018). Thus, if prospects for Mozambican MSMEs did not look overtly good prior to the fiscal bust, they certainly do not look good now.

The business environment will worsen further if the provision of public goods and services deteriorates from already low levels. This will undermine investments in human and other forms of domestic capital, which is just what Mozambique desperately needs (Roe 2018b). There is a risk of a widening gap between the skills and entrepreneurial capabilities available in the country and those required by foreign investment projects and their supply chains (Östensson 2017). Such a prospect does not bode well for expectations that ‘local content’ can provide the silver bullet for diversifying the economy.

For foreign investors, the fiscal situation also increases their perceived political-economic and sociopolitical risks. Invariably, they will factor (or most probably already have factored) these into their project economics, with knock-on effects for the actual revenue that will (eventually) be collected from the sector. Several recent studies have attested to very low levels of domestic capacity in, and institutional barriers faced by those sectors that are relevant for the development of, the extractive resources sector, such as the construction industry (Cardno 2015; Cruz et al. 2018; Maugeri et al. 2015) and the metals engineering and manufacturing sector (Lemos and Scur 2014; Sutton et al. 2015). This makes projections about the positive impacts arising from the planned projects, for example in terms of additional jobs, seem overly optimistic. At the very least, such impacts should not be taken for granted, even if economic models and multipliers make them seem real. More important is to cast a critical eye on the supply-side conditions that will be necessary for such impacts to become real.

4 The policy environment

With no additional revenues forthcoming from the extractive resource sector in the near-term, the onus lies on improving the policy environment in non-monetary ways to support the domestic private sector to pull through the dire times that the country is facing over the next decade. This

¹⁶ In accordance with the *General Statute of Micro, Small and Medium Enterprises* (Law 44/2011), the definitions for MSMEs in terms of number of workers are the following: micro enterprises are companies with four or fewer employees; small enterprises are companies with 5–49 employees; and medium-sized enterprises are companies with 50–100 employees.

¹⁷ See Further Africa (2018a). This announcement cautioned that in the short-term the government only had funds to pay less than 20 per cent of its accumulated arrears. In response, affected companies warned of the risk of mass bankruptcy.

means tackling the institutional barriers that hinder entrepreneurial Mozambicans in rural areas becoming more productive and sustaining a growing number of MSMEs. This is different to giving in to the demands that existing entrepreneurial elites may be lobbying for in terms of capturing a share of the resource rent associated with the production of extractive resources.¹⁸

This section examines the policy environment for diversifying the domestic economy on the back of the extractive industries. It starts off with a brief summary of the political trajectory that has led to the fiscal bust before the boom and the challenges the incumbent government faces. Next, it reviews the country's evolving approach to industrial policy and its achievements in terms of enabling the growth of domestic MSMEs. Third, it examines the potential for 'local content' and corporate 'social investment' to support economic diversification and local economic development.

4.1 Political trajectory of the policy environment

In the post-independence civil war era from 1975 to 1992, Mozambique's first president, Samora Machel, kept with the political spirit of the time and organized the country as a *one-party state*. He embraced both nationalist and socialist policies, guiding a centrally planned economy based on a long-term plan for industrialization. This included the 1975 Constitution establishing that all natural resources belong to the state. Land was nationalized and still today cannot be owned by individuals or organizations; it can only be acquired on lease from the state. Private sector organizations (e.g. schools, clinics) and commercially valuable property (e.g. rental housing) were also nationalized. State-owned enterprises increased sharply in numbers and a good number of these still exist today.¹⁹

Just two years after achieving independence, the country was plunged into a brutal war, fought between the ruling liberation party FRELIMO (Front for the Liberation of Mozambique) and its opposition RENAMO (National Resistance Party of Mozambique), the latter receiving funding at the time from white-ruled Rhodesia and later also apartheid South Africa. This war lasted 17 years and a heavy human cost was paid, leaving many injured by landmines, killing an estimated one million people, and forcing about five million Mozambicans to seek refuge in neighbouring countries. After nearly two decades, the FRELIMO president, Joaquim Chissano, and RENAMO leader, Afonso Dhlakama, agreed to the Rome General Peace Accords that brought peace in 1992.²⁰

The transition to a multi-party presidential republic from 1992 to 2005 paved the way for the country to move on from the nationalist and socialist economic model of the post-independence era and towards a gradual opening up of the economy for private investment.²¹ A significant marker was the first investment in the O&G sector, when SASOL agreed to develop the previously 'stranded' gas onshore field in the Inhambane Province. When the first multi-party elections were held in 1994, the democratic transition came about without pressure from urban protests against the incumbent regime, unlike in most other African countries (Bratton and Van de Walle 1997). The incumbent president, Joaquim Chissano, won the elections and continued to head the

¹⁸ See Melia (2015) for a stylized, comparative assessment of Mozambique's political economy of extractive resources.

¹⁹ The 2018 IMF report mentions loss-making state-owned enterprises as a risk to the country's financial sector.

²⁰ See various chapters in Addison (2003) for more background on how the transition from conflict to peace came about.

²¹ Hanlon (2017) casts a critical retrospective eye on the role that donors have played during this era and the implications in relation to the country's contemporary debt crisis.

government until 2005. The country achieved relative political stability and was hailed for its pursuit of economic and public sector reforms. This period also introduced the first steps towards the decentralization of political power in the spirit of the 1992 *Peace Accords*, albeit in a manner that has favoured FRELIMO.

This positive-looking trajectory started to take a negative turn from 2005, when President Armando Guebuza took over from Chissano. In the following decade, he spearheaded a political culture that favoured centralized political power paired with the cementing of top-heavy elite capitalism, nurturing party political alliances (Bertlesmann Stiftung 2016; Orre and Rønning 2017). His presidency struck observers for its willingness to yield and wield political power through a system of granting the necessary public licences to a small and politically well-connected economic elite (Cruz et al. 2014). This well-connected oligarchy has been eager to capture the rents associated with economic liberalization and the increasing foreign investments into the resource-based industries. Some commentators had already pointed to this risk looming over the country, based on observing how state assets and natural capital were privatized, especially in the aftermath of the war and even before Guebuza had taken over the presidency (Addison 2003).²² Hindsight appears to trace the origins of the present fiscal situation to the Guebuza era.

Elections held in October 2014 passed the presidency to Filipe Nyusi. He is said to be departing from the path that Guebuza and his allies had favoured and the style of political decision-making they had nurtured. The first challenge for the Nyusi government has been to get to grips with the fiscal situation and restore trust with multilateral and bilateral development partners. The second challenge has been to ease the internal political tensions that flared up under the Guebuza presidency and which Nyusi has so far been able to contain on the basis of a fragile ceasefire. In view of local elections forthcoming in October 2018 and general elections looming in 2019, Nyusi is banking on progressing with the decentralization of power to resolve this political subject, pending since the 1990s.²³ In early February 2018, the government proposed constitutional changes redistributing political power to the level of the country's provinces. The National Assembly approved these changes in May 2018 (Further Africa 2018c). The third challenge is to figure out how, in spite of the dire fiscal situation and the constrained budget over the medium term, the country can take advantage of the positive outlook for its extractive resources sector and build human and other forms of domestic capital that the country so desperately needs.

²² It was Guebuza who, in 1975, as interior minister had been responsible for the '24-20' order which forced 200,000 Portuguese residents to decide between adopting Mozambican nationality or leaving the country within 24 hours with a maximum of 20 kg of luggage.

²³ In October 2013 RENAMO called off the Paris General Peace Accords, in relation to which a fundamental point of contention has been for the decentralization of political power negotiated in 1992. The Guebuza government had taken a strong position against RENAMO's demands, whereas the Nyusi government has taken a more conciliatory stance. More recently, it has become less clear to what extent RENAMO continues to pose a threat to FRELIMO. During the time in which this paper was being written, RENAMO leader Afonso Dhlakama died, on 3 May 2018, in his mountain hideout in central Mozambique (Further Africa 2018b). In contrast to FRELIMO's tensions with RENAMO, there is also the view that different factions within FRELIMO pose a greater threat to the incumbent presidency. Questions and concerns have since been raised about whether this situation will further undermine the fragile peace arrangement, or whether it may trigger an alternative political dynamic.

4.2 Industrial policy and MSME development

Examining the approach the country has taken to industrial policy to date, and whether it has been conducive to building linkages between mega-projects and the local economy, can provide clues on how the country can take advantage of the positive outlook for its extractive resources sector.

Over the years, several policies, strategies, and plans have been put in place with the aim of achieving industrial development and strengthening MSMEs. To name a few, these policies, strategies, and plans have included the visionary *Agenda 2025*, which stresses governance, human capital, and economic development and underscores the need for investments to achieve productivity increases in the agriculture and fisheries sectors. Then, there is the *Five Year Plan (2015–2019)*, intended to serve as the key medium-term programming instrument to implement Agenda 2025. A raft of additional strategies have included the *National Development Strategy (2015–35)*, the *Strategy to Improve the Business Environment* (known as EMAN II), the *Export Strategy (2012–17)*, the *Strategy for Employment and Vocational Training (2006–15)*, the *Strategy for the Development of the Private Sector (2013–22)*, and the *Strategic Plan for the Development of the Agricultural Sector*. A *District Development Fund* has also been set up for the purpose of delivering loans and other financial services to enterprises in rural areas.

Alongside this, the country has entertained a forward-rolling *Industrial Policy and Strategy (IPS)* as the overarching framework for growing and diversifying the economy since the mid-1990s. The first IPS (1997–2006) was introduced in the context of the *Structural Adjustment Programme* that guided the country in adopting a liberal approach to re-establishing a market economy. It stressed that the government and its state apparatus are responsible for promoting a friendly environment that offers attractive and transparent incentives to private (foreign) investors. Arguably, this approach set the country on a new path and enabled the first large-scale investments in the extractives sector, including bringing to market the previously ‘stranded’ natural gas of the Mozambique Basin.

The second IPS (2007–15) introduced several additional measures to provide more active support to industrialization. These have included establishing the *Institute for the Promotion of Micro, Small and Medium Enterprises (IPEME)*, tasking it with the responsibility to promote and support MSMEs. The second IPS also promoted several industrial development zones, including the Nacala Rapid Development Zone, the Maluana Technology Park, and the Beluluane Export Processing Zone. The latter is located next to the Maputo Development Corridor, which hosts the Mozal smelter and associated suppliers, as well as several other anchor projects.²⁴ The Mozal smelter imports raw material from Australia and elsewhere through the deep-water port in Maputo and uses hydroelectricity from Cahora Bassa dam to produce aluminium.

Observers have been especially critical of the achievements of these two IPSs as these have left the economy and its manufacturing sector in a mixed state of affairs (Cruz et al. 2014, 2016). While foreign investments in mega-projects have given the country international visibility and export earnings, they have not (yet) contributed more substantially to public finances. For example, SASOL only became a top corporate tax payer in 2015, after its 10-year cost-recovery period ended in 2014. At the same time, it is hard to imagine that the tax base has broadened beyond the extractive industries, when MSMEs are reported to be in decline and the labour market has not changed as much as could have been expected, given the economic growth recorded. In addition,

²⁴ Initially a joint venture project led by BHP Billiton, Mozal Aluminium is now operated by South32 (47.1 per cent), the miner that was demerged from BHP Billiton in 2015. See www.south32.net/what-we-do/places-we-work/mozal-aluminium (accessed 29 March 2018).

prestige developments, such as the various resource corridors and special development zones, have at best delivered mixed results (Mtegha et al. 2012).

The third and most recent IPS (2015–24) was introduced by the current government. Although it continues to underline the need for MSME development, it recognizes that the two preceding IPSs fell short of their expected outcomes.

Under the third IPS, the Ministry of Industry and Commerce (MIC) has introduced a new strategy for MSME development, tasking the IPEME and its Provincial Directorates of Industry and Commerce with its implementation. This includes extending the IPEME's territorial reach to provide MSMEs with more localized services by means of eight business development centres (COREs) and business incubators maintained in the provinces of Maputo, Tete, Manica, and Cabo Delgado, and the districts of Catandica, Chiuta, Caia, and Mocuba. The MSME strategy itself comprises five priorities: (1) improve the business environment; (2) increase the capacity of MSMEs; (3) improve access to financial services; (4) improve market access; and (5) strengthen monitoring and coordination mechanisms. A key aspiration is that MSMEs will be able to take advantage of demand arising from, as well as around, extractive industry projects for locally produced goods and services.

In addition to the MIC's new MSME strategy, the current government also launched a new *National Programme for Sustainable Development (2015–2030)*. It is referred to as the 'Estrela Project' and it is led by the Ministry of Land, Environment and Rural Development. The aim is to improve rural electricity, banking, water, infrastructure, and technology.

The aspirations set out in the MIC's MSME strategy has prompted the World Bank-funded Mining and Gas Technical Assistance Programme (MAGTAP)²⁵ to conduct several studies to support its implementation. These set off from the question: which sector niches could potentially provide opportunities for local MSMEs in the mining, oil, and gas sector, and where and to what extent do these overlap with the sector priorities set by the IPS III?²⁶ The hypothesis behind this question has been that it makes sense to support local production of goods and services for which there is also demand beyond that arising from the extractive resources sector.

The first MAGTAP study split potential opportunities into two sets of goods and services: (1) those that overlap with the five priority industries targeted by the MSME strategy; and (2) those that comprise so-called *transversal services*, defined as bearing relevance not only across the five priority industries but also beyond. Such transversal services include, for example, HVAC (heating, ventilation, air-conditioning), cargo transportation and logistics, rental services, accounting and financial services, supply of office consumables, and waste management.

The results of this exercise are shown in Appendix A. In summary, the study has suggested that, at least in theory, there could well be opportunities for MSMEs to link up with the extractive and related industries.

²⁵ See World Bank (2018). MAGTAP's overall objective is to strengthen the capacity and governance systems of key institutions, managing different aspects of the extractive resources sector.

²⁶ See Community Insights Group and EnergyWorks (2017a).

The second study asked: to what extent do the constraints raised by existing studies on MSMEs apply to the identified niche areas?²⁷ A survey by FinScope (2012) and a study by USAID (2013) served as the benchmark. Both studies highlight which factors undermine MSME development:

- Lack of finance, deficits in human resources, inadequate infrastructure, and corruption and inefficient public processes and public–private relationships are among the most mentioned factors that make for an unfavourable business environment and poor public goods and services provision.²⁸
- Internal factors, such as weak organizational capacity and poor business management practices, undermine MSMEs’ abilities to meet quality standards, achieve certification, and upgrade their applied technologies.

By conducting interviews with around 100 MSMEs, this study drilled deeper into the identified niche areas. On this basis, it concluded that across the two sets of goods and services focused on by the first study, there are two groups of MSMEs that face somewhat different constraints:

- The first group comprises MSMEs offering services that require a higher level of management sophistication. Appendix B labels these services Group A, and they include (a) specialist geological, laboratory, and waste management services; and (b) logistics and transport maintenance services. Mozambican companies offering these services tend to be somewhat larger and more often meet the definition of medium-sized companies.
 - For this group, the good news is that while their management capabilities are not yet what they ought to be in order to qualify as *certified suppliers* to the extractive industries, they are nevertheless close enough to warrant targeted interventions that would get them to this point.
- The second group (Group B) comprises MSMEs that offer a diverse set of goods and services, including goods and complementing services such as construction materials, camp-site equipment, chemicals, and HVAC equipment, as well as more generally the *transversal services* that are listed in Appendix A. Mozambican companies offering these goods and services tend to be smaller and less sophisticated, including micro-enterprises offering anything from catering services to office consumables, to accounting and financial services, to specialized consulting services.
 - This group would primarily benefit from basic and general enterprise development support, as opposed to seeking to qualify these companies as *certified suppliers*, in contrast to the service companies that comprise Group A.

In conclusion, the conundrum is that in order for these two groups to build linkages with the extractive industries, enterprises would require different sets of policy interventions: enterprises offering the services marked as Group A would need very targeted supply-side support to reach the milestone of *certified supplier* status. On the demand-side, local content stipulations could possibly complement this support. Meanwhile, the enterprises offering the goods and services marked as Group B are much further from being able to supply *directly* to lead operators and their lead contractors. Enabling these types of enterprises to benefit from possible *induced* linkages would best be achieved by supporting MSMEs more generally and across all sectors. However, the policies, strategies, and plans with which previous governments have tried to support MSME development have not been particularly effective, especially with regard to that part of the economy that matters most for the majority of Mozambicans. The efforts tried to date do not

²⁷ See Community Insights Group & EnergyWorks (2017b).

²⁸ The UNU-WIDER-supported MSME survey conducted in 2017 also mentions these factors (UNU-WIDER 2018).

appear to have tackled more fundamental constraints that undermine rural-based economic and social development.²⁹ This raises the question of whether more recent efforts, set in the context of the impending resources boom, could make a difference.

4.3 Local content and social investment in local economic development

Local content stipulations tend to target the demand-side of bringing local enterprises into the supply chain of foreign-funded investment projects. In parallel, corporate local content development programmes may also support supply-side interventions to qualify local enterprises as *certified suppliers*.

On the demand-side, the announcement was made in late 2014 that the government was embarking upon drafting a *sector-specific Local Content Bill* to provide a legal and regulatory framework for the participation of Mozambican businesses and citizens in extractive industry projects. In response, several companies that were already invested in the sector commissioned studies that confirmed that Mozambique already has a diverse range of general and sector-specific policies, strategies, laws, and regulations in place setting out local content objectives and stipulations.³⁰ Box 1 highlights some of these (without claiming comprehensiveness).

Notably, it could be seen as a positive sign that the present government has not rushed into finalizing the bill, which to date remains pending and continues to be discussed among key stakeholders. Other countries in the region have pursued a different approach and have put out sector-specific local content laws mandating ambitious quantitative procurement targets. In practice, however, such legislation has delivered rather mixed outcomes (Östensson 2017).

The reason why the proposed 2014 Bill has not been finalized is that domestic stakeholders hold different positions that have yet to be reconciled. One position promotes a principle-led approach that seeks to focus local content on ‘value added in the country’. This position emphasizes the ‘use of local factors of production’ and the ‘development of local value chains’ to diversify the economy. It also appears to go along with a reflective-realist understanding of the existing capabilities of the private sector, with a view to identifying and focusing on niche areas where the extractives sector could most likely source competitive factors of production from within the country. It is said that stakeholders in the Ministry of Economy and Finance (MEF), as well as the majority of stakeholders in the Ministry of Mineral Resources and Energy (MIREME), are in favour of this position.

The other position maintains that local content stipulations should oblige locally registered foreign suppliers of goods and services to ensure they meet mandatory targets on Mozambican co-ownership. Respective targets are quoted as either 15 or 25 per cent. Apparently, it is the Mozambican private sector that is lobbying for this position. Supposedly, the technical argument put forth to underpin this position is that such ownership participation would support technology transfer and deliver dividend income to nationals who would re-invest in the country. At the same time, there are some doubts about whether those lobbying for this position are genuinely interested in entrepreneurship, or whether they are rather looking for rent-seeking opportunities.

²⁹ See Dietsche (2014) for a broader discussion on this subject.

³⁰ See also OECD (2017). USAID/DAI (2015) compiled a detailed but unpublished stock-take of national content provisions in existing legislation.

Box 1: Local content objectives and stipulations

The Policy and Strategy for Mineral Resources (Resolution No 89/2013 of 31 December) and the associated Implementation Plan (2017) contain several local content references, including (1) to promote local entrepreneurship and the creation of partnerships through the entire value chain of the natural resources industry sector; (2) to give priority to increasing benefits to national operators/companies and promote the establishment of SME cooperatives and associations; (3) to give priority to the exploitation of natural resources benefiting the development of local communities; (4) to train professionals (e.g., geologists, geochemists, mining engineers, and petroleum engineers, as well as legal and taxation experts, contract negotiators, and auditors); and (5) to encourage the participation of women.

The Mining Law (Law No. 20/2014 of 18 August) requires that foreign legal entities providing services to mining operations associate with Mozambican legal entities, and that mining operators give preference to local products and services, and ensure the employment and professional training of Mozambican workers. The law also demands that mining contracts stipulate minimum standards for local procurement and employment and training of Mozambicans. The Mining Regulations (Decree No. 31/2015 of 31 December 2015) guide the procurement of goods and services.

The Oil & Gas Law similarly stipulates that foreign companies providing services to the petroleum operations associate with Mozambican individuals or companies, and that rights holders of petroleum operations must give preference to local products and services when these are comparable in quality, quantity, and availability and do not cost more than 10 per cent more than imported goods and services, including taxes. The law also stipulates that production sharing contracts contain stipulations on local procurement and employment and training of Mozambicans.

The Regulation on the Resettlement Process Resulting from Economic Activities (Decree 31/2012 of 8 August 2012) requires that affected communities are given opportunities to benefit directly from investment projects.

The Regulation for the Contracting of Foreign Citizens in the Petroleum and Mining Sectors (Decree No. 63/2011 of 7 December 2011) applies to foreign and domestic employers and to all foreign employees, imposing a quota regime stipulating that the share of foreign employees as a percentage of the company's workforce can only be 5 per cent for employers with more than 100 employees; 8 per cent for companies with 10–100 employees; and 10 per cent for employers with up to 10 employees. In addition, there is a Strategy for Training Human Resources for the Mineral Resources Sector (2010–20). Furthermore, the Investment Law (2004) requires that applicable investment projects create a minimum of 25 work places for directly employed Mozambicans starting in the second year of operation, and that the Mozambican workforce is provided with opportunities to acquire professional qualifications.

The Natural Gas Master Plan expresses the expectation that the O&G sector will support industrial development delivered by MSMEs developing around the country's mega-projects. It anticipates that specific measures will be put in place to promote the growth of MSMEs in and around the value chain of O&G projects. It also suggests that increased tax revenues will be put towards stimulating MSME development. A set of indicators has been spelled out to guide project approvals. These seek to evaluate investors' commitments towards using Mozambican suppliers and they suggest that investors develop and propose detailed action plans.

Source: authors, based on the discussed laws and regulations.

If it was agreed that some form of ownership participation was to be required, there are also different opinions on whether such participation should be delivered via carry arrangements benefiting selected individuals, or whether beneficiaries should bring their own resources to the table—that is, at least sharing the risks in exchange for the rewards that equity participation should deliver.

In terms of implementation, it is understood that the MEF is taking the lead in advancing the pending Local Content Bill, while subsequent local content regulations would be drafted by MIREME. The MEF is also planning to establish a small unit that would undertake relevant sector analyses to inform as well as monitor the implementation of the eventual Local Content Act.

Less clear is what role the MIC and its IPEME will play. The MAGTAP studies have stressed that the IPEME is ill-prepared to support the enterprises of Group A, as it does not have the knowledge and experience required to guide supplier development for the specialist areas of expertise within which these enterprises operate. Direct participation in extractive industry supply chains requires meeting high international standards, not least because the sector entertains a very low level of tolerance for late and below-standard delivery.

Other supply-side interventions include the experiences gained with local content programmes delivered in the past. Often quoted is the Mozal-related Mozlink programme, which originated in the early days of the Mozal smelter and was led by the IFC. At one stage it included the participation of several foreign companies invested in Mozambique. The results of this programme appear to have been mixed and the programme no longer exists.³¹ All primary references to the programme ceased following the programme's evaluation conducted around 2009/10. One conjecture has been that not all of the suppliers developed under the programme have been of the type adding value in-country. No other third party has stepped up to take on the role that the IFC had sought to play.

In summary, recent efforts suggest an inconclusive picture regarding whether 'local content' can really contribute towards building the domestic capital that is required to diversify and structurally transform the country's economy for the benefit of its rural-based population. Some experimental efforts appear to be underway that could positively contribute to some local companies achieving *certified supplier* status (Lemos 2016; Lemos and Scur 2014).³² However, the litany of challenges that MSME surveys and studies have flagged as constraints to private sector development suggests that claims portraying the country's extractive resources sector as the silver bullet to build up the country's industrial capacity could be grossly overpromising, at least over the next two decades.

Another recent effort that could hold some potential in support of rural-based economic development is the Policy for Corporate Social Responsibility for the Mineral Resources Extractives Industry,³³ which the president approved in May 2015 and which the (then) minister of mineral resources and energy followed up with a regulatory *Implementation Guide*³⁴ that was approved in December 2016. These documents speak to the objective of ensuring that the sector contributes to local economic development by oil, gas, and mining companies developing and implementing comprehensive social investment plans and, in some cases, negotiating local development agreements (*Boletim da República* 2017: 100, authors' translations). Corporate efforts to deliver benefits beyond their core business are expected to prioritize human capital development, local business links, and productive employment creation, and help local companies develop economic activities around oil, gas, and mining projects.

Although the language of the corporate social responsibility (CSR) Implementation Guide overlaps with that more commonly featuring in local content debates, the target beneficiaries are quite

³¹ The authors are aware that individual companies have continued with their own supplier development programmes.

³² This includes providing selected small and medium-sized companies in manufacturing and in the construction and building materials industry with management training and consulting services aimed at improving productivity and firm performance. For additional assessment of the construction sector, see also Cruz et al. (2018), Maugeri et al. (2015), and Cardno (2015).

³³ Presidential Decree No. 11/2015 of 16 May 2015.

³⁴ Ministerial Order No. 8/2017. The original goes by the Portuguese title of 'Guião Implementação de Política de Responsabilidade de Social Empresarial para a Indústria Extractiva dos Recursos Minerais' (Government of Mozambique 2017).

different. The focus is on the local level, where sub-national public authorities struggle to deliver public goods and services critical to building rural-based domestic capital. Here, the guide leaves it open to what extent social investment efforts are negotiated to focus more narrowly on *supplier development*, or whether they may want to target broader *enterprise development* to meet the expectations and needs of impacted rural communities and their respective district and provincial authorities.

From this bottom-up perspective, the expectations are typically to support income generation and (self-)employment opportunities through investments in local capabilities and helping local MSMEs innovate and adopt new technologies, with a view to tapping into potential demand for locally produced goods and services. Corporate efforts to support this type of enterprise development in collaboration with sub-national authorities, communities, and delivery-oriented development partners could hold some potential to bring to the fore and jointly tackle some of the institutional barriers that hinder entrepreneurial Mozambicans in rural areas from becoming more productive and accessing markets.

Perhaps an opportunity lies in the country's predicament of unlikely substantial additional resource revenues over the medium term, despite a booming natural resources sector, *if* this encourages collaborative efforts supporting private sector development from the bottom up. This paper does not have space to delve into the qualitative details of the institutional arrangements that have so far undermined the development of MSMEs. It concludes on the note that it would seem wise to scrutinize these aspects more closely and bring them into the national debate about extractives and development, rather than overpromise on the delivery capacity of local content in a country context in which the gap is particularly wide between most of the inputs that the sector procures and hires, and those which the local economy produces.

5 Summary

This paper has set off from the positive long-term outlook of Mozambique's extractive resources sector and the expectation that it will contribute to economic diversification and social development, not least by means of procuring locally produced goods and services and hiring Mozambicans. The paper has argued, however, that even so, the prospects are challenging for this sector to link up with the local economy and to contribute to its diversification. Beyond foreign-funded and export-oriented mega-projects, the country's formal economy is very small, rural-based, and dominated by entrepreneurs operating at the lowest level of the MSME spectrum.

The current fiscal situation, in combination with the delays experienced in developing the off-shore natural gas sector, undermines the assumption that additional revenues from the sector could be used to finance visionary strategies and plans aimed at achieving economic diversification and transformation through the spending of these revenues. Thus, the paper has asked the question: what other options are there for the government to ensure its citizens benefit from the extractive resources sector? It has cautioned against optimistic projections overpromising positive impacts and has argued that the onus lies on improving the policy environment for broader and rural-focused private sector development, not least to balance the growing dependence on extracting and processing mineral resources. A stock-take of the policy environment has evolved over time and highlighted that the incumbent government faces the challenge of building much-needed human and other forms of domestic capital in ways that do not rely on spending additional revenues.

While there are some signs of departing from the unfortunate path the preceding government has followed, the jury is out on whether more recent efforts to support MSME development will

deliver such domestic capital building. In the context of potential opportunities offered by the demand arising from the extractives sector, the results of a series of MAGTAP studies has suggested that there are two mutually non-exclusive choices: to focus more narrowly on supplier development, possibly benefiting a few companies achieving *certified supplier* status as the precondition for participating *directly* in the sector's value chain; or to support enterprise development more broadly, recognizing that Mozambique's non-extractive economy is distinctly rural-based. The paper's discussion of recent efforts made to encourage local content and social investment in local economic development has delivered an inconclusive picture regarding the former and cautiously pointed to the opportunities associated with the latter, because it offers at least the potential to innovate around supporting the 'industries without smokestacks' that some observers have highlighted as the key to the country's development.

For the foreign companies already invested in Mozambique, it seems clear that they will have to 'up their game' in terms of the qualitative efforts they have to put into linking up their investment projects with the domestic economy—whether at the level of the national economy, or at the level of the particular provinces, districts, and communities where their operations are located.

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Appendix A: Niche areas overlapping with priority industries set out in the IPS (2015–24)

Identified niche areas procured by the mining, oil, and gas sector	Five IPS priority industries				
	Food and agro- Industries	Chemicals	Non-metallic minerals	Metallurgic products	Clothing, textiles, and footwear
Catering services and food production and distribution	X				
Camp equipment production and rentals				X	X
Safety uniforms (boots, protective clothing)		X			X
Construction materials— production and supply			X	X	
Laboratory services				X	
Chemicals (paints, solvents)		X			
Geo-services (geotechnics, geophysics, hydrogeology)			X	X	
	Transversal services—defined to bear potential relevance across all of the above IPS priority industries				
HVAC	X	X	X	X	X
Office consumables supply	X	X	X	X	X
Cargo transport and logistics	X	X	X	X	X
Engine rewinding (rebobinagem)	X	X	X	X	X
Specialized consultancies	X	X	X	X	X
Accounting and financial services	X	X	X	X	X
Rental—transport services and maintenance	X	X	X	X	X
Waste management	X	X	X	X	X

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Appendix B: Niches that share similarities and specific constraints

	Similarities	Niches	Group-specific constraints
Group A	Specialized services	<ul style="list-style-type: none"> Geological services (geotechnics, geophysics, hydrogeology) Laboratory services Waste management 	<ul style="list-style-type: none"> Relative more small enterprises (nearly 70 per cent) and medium-sized enterprises (over 20 per cent), but fewer micro-enterprises (just over 10 per cent) Good share of more recently established companies (nearly 40 per cent up to five years old) Some companies with foreign capital and more favourable towards partnerships Relatively more limited companies (61 per cent) Human resources constraints, and mentioned training more frequently Government is a key client, followed by large companies Relatively more reliant on imports (just over 70 per cent) Satisfied with reasonably good business (over 50 per cent)
	Logistics and transport maintenance	<ul style="list-style-type: none"> Cargo transportation and logistics Rewinding motors Rentals: transport and maintenance services 	<ul style="list-style-type: none"> Relative more small enterprises (just over 50 per cent) but also micro-enterprises (just over 25 per cent) as well as medium-sized enterprises (just over 20 per cent) Relatively more younger company representatives Nearly as many recently established companies as established companies (48 per cent vs 52 per cent) Some companies with foreign capital (15 per cent) Relatively more individual and sole-proprietor companies (nearly 40 per cent) Less favourable to establishing partnerships Large companies are key clients Relatively less reliant on trust as the basis for sourcing business More likely to engage in exports (just over 30 per cent), but also most dependent on imports (just over 70 per cent) Perception that business has worsened in recent years (nearly 60 per cent) and facing difficulties Lack of certification poses a challenge
Group B	Complementing niche areas	<ul style="list-style-type: none"> Production and rental camping equipment Construction material—production and supply Chemicals (paints, solvents) HVAC 	<ul style="list-style-type: none"> Relative more small enterprises (above 80 per cent), very few micro (less than 10 per cent) and fewer medium-sized enterprises (just over 10 per cent) Relatively more established companies (65 per cent of 10 years and more) Greatest concerns about financial and fiscal constraints Most differentiated customer base Satisfied with reasonably good business (over 50 per cent)
	Transversal products to sectors and companies	<ul style="list-style-type: none"> Pre-specified uniforms and boots Catering services, production and distribution of food Supply of office consumables 	<ul style="list-style-type: none"> Relatively more small enterprises (nearly 70 per cent), and also micro-enterprises (just over 30 per cent); no medium-sized companies Relatively more older representatives, as well as relatively less educated (but still secondary education) Relatively more established companies (just over 80 per cent) Relatively more individual and sole-proprietor companies (just over 25 per cent) Less favourable to partnerships Equipment poses a constraint Individuals are key clients Perception that business has worsened in recent years (nearly 60 per cent) and facing difficulties
	Transversal services to sectors and companies	<ul style="list-style-type: none"> Accounting and financial services Specialized consulting services 	<ul style="list-style-type: none"> Relatively more small enterprises (just under 60 per cent), and also micro-enterprises (nearly 40 per cent); no medium-sized companies Relatively more established companies (just over 60 per cent)

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- More favourable to establishing partnerships
 - Human resources constraints, and mentioned training more frequently
 - Facing legal and regulatory issues
 - Other SMEs are key clients
 - Relatively less reliant on trust as the basis for sourcing business
 - More likely to engage in exports (just over 30 per cent), and least reliant on imports
 - Access to banking is critical (100 per cent)
 - Lack of certification poses a challenge
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