IGU AMI Presentation: Linkages, Investments and Diversification

*'The role of South African investment in the region and **its linkages to various economies**: Case example of SASOIL between Mozambique and South Africa'- **Measuring the development outcomes of resource extraction in producer countries.***

And the critical role of Linkages, Investment and Diversification as components of an Integrated Model of Development

Who is Sasol: "We contribute locally through the taxes and other contributions we make to governments, the personnel we employ and develop, the goods and services we procure from local enterprises, and the social investments made directly in our host communities" Nothing beyond a CSR feel good platitude/Rhetoric

Sasol's Presence in Mozambique:

- **Sasol Gas**
- **Sasol Oil**
- **Sasol Petroleum International**
- **Sasol Nitro**
- **Sasol New Energy**
- **Sasol Technology**
- **Sasol ChemCity**

The center for the integrity of the Republic of Mozambique (CIP) published a report in 2013 of the Pande Temane project which points to one conclusion, a failure – a zero sum game and another failure of the extractive industries mega projects, often with funding linked from the World Bank and its financial institutions, to deliver equitable benefits to the host country. It is a perfect good case study, of what is wrong when FDI capital is left to its own devices. The report asserts that by **removing production sharing from the petroleum agreement and agreeing to an abusive pricing formula, the government gave away most of its share at the start.**

How then does the topic Linkages, Investments and Diversification, provide a pathway out of this quakmire? If the Pande Temane gas project is the first major extractive project to fail Mozambique, how does the earlier Mozal Aluminum smelter and the subsequent Sasol -ROMBO project, the recently completed gas pipeline project, the Loop Line 1 fair in those stakes of success and failure.

A small diversion from the Sasol case if anything but to make the point about FDI and the extractive industries. In the case of Mozal Aluminum smelter, Samuel Mondlane of Justica Ambiental, released a damning report in 2011/12 on one major mining company. According to the report, the company in question, when it started its operations, had no approval for its Environmental Impact Assessment Report (EIAR) and had subsequently violated several Mozambican and International laws and regulations, mainly regarding labour, environment, and human rights. 1,200 families were displaced from their farming or residential land without prior consultation from the Government. There was no respect for labour rights and it actively prevented the formation of unions. Workers were forced to work for 12 hours per day, breaking the Laws of the Ministry of Labour which appropriates 8 hours. The environmental impact audit reported a lack of compliance with environmental responsibilities and standards set by the company's environmental management plan and the country's legislation.

Soil and water contamination, air pollution, deforestation, forced removals of local communities, and an unsafe living environment were some of the problems resulting from the project. The extractive industries is littered with such examples.

How could the country's economic benefits be assured when the smelting facility began operations as a producer of aluminium exclusively for export? It was only in 2013, when an agreement was signed that would set up an aluminium cables factory in Mozambique. Where are regional linkages when the Mozal aluminium smelter uses alumina imported from Western Australia as raw material, when Guinea in Africa is the world's largest producer of bauxite and dominates African bauxite production? Guinea contains 30% of the world's reserves and accounts for 94% of African bauxite production.

Interestingly, an overview presented by ROMPCO, the Republic of Mozambique Pipeline Company, present a rather optimistic view of the economic benefits of the recently completed gas pipeline project, the Loop Line 1. The Republic of Mozambique Pipeline Company (ROMPCO) is a joint venture between Sasol and the governments of Mozambique and South Africa to transport Mozambique's natural gas assets to markets in both Mozambique and South Africa for the economic benefit of the region. But the persistent question of who benefits amongst the three joint venture partners, Sasol, the Republic of Mozambique Pipeline Company, and the South African Gas Development Company (SOC) Limited is pertinent as is the question of what drives investment?

There is a glowing report of how the project fast tracks the connection of the population to the national grid, of how the monetisation and utilisation of gas is expanded, of how investment in the country's infrastructure build is enhanced, skills training and development accompanied by job creation, local procurement etc. Sasol, for instance claims that the project has "become a global benchmark in multilateral, cross-border public-private partnerships with significant benefits to all stakeholders".

What is missing glaringly missing in the report is the absence of an integrated economic development model. An integrated economic development model seeks to wean away the host country from rent seeking dependence. An integrated economic development model must align the extractive resources sector's related investments and business decision making around infrastructure with Sub-national (Municipalities'), National and Regional Socio -Economic Planning ie LDPs, NDPs and RDPs respectively. Infrastructure development related to large mining projects provides a unique opportunity for developing countries to address weaknesses in their infrastructure sector, and for mineral infrastructures to be shared and leveraged for sustainable economic development. High costs and capital exposure risks can be managed by partnering with governments and other stakeholders, while also enabling producing countries to maximise subnational, national and regional benefits of that infrastructure (e.g., to create new industrial hubs or corridors, better connect markets and improve the movement of goods, services, and people). This is a paradigm shift from a model where Mining companies developed privately-owned infrastructure that they operate and control as part of an "integrated" operation called downstream "vertical integration, which went with private ownership of road, rail and port infrastructure to get to the markets, the discredited pit to port paradigm.

The integrated economic development is also a function of policy cohesion between for instance, mineral policy , industrial policy, development policy etc.

IndustriALL Global Union's sustainable Industrial policy proposals is predicated on the definitional problematic of Sustainable Development which is defined as "meeting the needs of the present, without compromising the ability of future generations to meet theirs. That implies a healthy environment, a healthy economy, and a healthy society.

An industrial policy is a plan to encourage desired patterns of industrial development and growth. It should strategically target specific industries and sectors, as well as consider broader needs such as transportation and communications infrastructure, education and skills training, research and development, energy efficiency and security of supply. Such a policy must recognize manufacturing as a key engine of growth for national economies.

Sustainable industrial policy is not about creating conditions for companies to thrive at the expense of workers, society and the environment. It's about creating conditions under which companies can operate in order to make a sustainable contribution to society

In conclusion, with reference to the AMV, it is apparent that the AMV essentially talks to the issues I have raised when it says that it is about creating a - *"Transparent, equitable and optimal exploitation of mineral resources to underpin broad-based sustainable growth and socio-economic development".* It is not about mining; *It is about development*. It seeks to use Africa's natural resources sector to transform the continent's social and economic development path