



# MEGA PROJECTS AND SME'S IN MOZAMBIQUE

## CONCEPT NOTE

Supporting the Policy Environment for Economic Development  
(SPEED+)

This publication was produced by the SPEED+ Project under Contract No. AID-656-TO-16-00005 at the request of the United States Agency for International Development Mozambique Mission. This document is made possible by the support of the American people through the United States Agency for International Development. Its contents are the sole responsibility of the author or authors and do not necessarily reflect the views of USAID or the U.S. Government.

## INTRODUCTION

Mozambique is set to become a major world gas supplier in the next 5-10 years, with the discovery of more than 100trillion cubic feet discovered offshore in the Rovuma Basin. The significant wealth that this will bring into the country can be used to reduce the country's poverty levels, and improve the standard of living in general. It is evident that preparing Mozambicans to be in a position to benefit directly from the economic growth that is projected, is a priority. Finding the best way to include individuals (particularly youth) and the local private sector in the natural resources boom is a challenge. Small and Medium Enterprises (SME's) stand to benefit greatly from involvement in megaprojects, and it is important that the next few years are used to prepare these entities to serve these industries.

INNOQ (*Instituto Nacional de Normalização e Qualidade*) has the goal of supporting SME's in creating linkages to Megaprojects. SPEED+ is already working with MIC (INNOQ, IPEME, APIEX, etc.) to implement a few reforms aiming at ensuring that Mozambique's standards and Technical regulations do not create unnecessary obstacles to trade. Bringing SME's up to the par with International standards can help them ensure they are qualified to provide services not only to megaprojects but to improve the way they do business in general.

For SPEED's involvement to be effective and to ensure that duplication of efforts is avoided, an initial scoping was done to gauge areas that have interventions, the level of success of these programs, where SPEED+ could add value to existing projects, or what specific activities it could implement to better position SMEs.

## WHAT HAS BEEN DONE

The table below outlines what organizations and companies are doing to prepare individuals and companies to serve the megaprojects.

Institution	Program	Methodology	Results	SPEED+ Collaboration/Comments
<b>Anadarko</b> (Used Pyxera Global to build supplier database)	Mozambique Supplier Development Program	Supplier awareness events, trainings, disseminations orientations, community based business trainings	200 suppliers registered on the database 22 local business providers	Use this program as a way to get companies certified? Elevate their status? Get the training even if not going to be Anadarko Supplier, but to have access to other megaprojects?
<b>Anadarko</b>	Chicago Bridge and Iron Company – will manage the construction of LNG	CB&I will manage the construction phase of the project	Waiting for FID, maintain very few staff in Maputo until then	Engage this company in the mapping of the services needed, certifications necessary, for SME's to become a service provider. Possibly suggest other models implemented in other countries, while waiting for FID.  Research has shown minimal capacity for local construction companies to supply major projects (see ILO Tree study).
<b>ENI</b> <b>ExxonMobil</b> (Shareholder in ENI)		Company is currently building a supplier database	Strong procurement and local content management established	ENI's work is offshore therefore there are not as many opportunities. Gauge what few opportunities exist? How many companies on its database? How they qualified? Support in getting more companies qualified for the services?
<b>DFID,</b> <b>Norway, GIZ,</b> <b>Shell</b>	Skills for Oil and Gas (SOGA)	Demand drive model. 70% funding for skills building for direct employment	MOU's with Anadarko, CB&I and CCS to include	Program tries to address gap between demand for skills and lack of skills in oil and gas supply chains. Working through private sector

		opportunities, 30% SME Supplier development	graduates in recruiting process	<p>training centers, internships, employers to provide gender awareness training and short courses with accreditation.</p> <p>Although the program has been scaling down in Mozambique due to delays in FID, budget cuts, difficult climate, low demand (no jobs at the moment) and inability to generate demand in other sectors, some positive results can be noted</p> <ol style="list-style-type: none"> <li>1. Work readiness program for youth has 1000 youth trained</li> <li>2. Beautiful training center, great instructors</li> </ol>
<p><b>DFID Norway, GIZ</b></p> <p>(Capital Africa and Mott MacDonald Implementers)</p>	<p>Skills for employment</p> <p>(JOBA)</p>	Vocational training (welding, electricity, etc.), for all industries including extractives	<p>Association established, 8 institutions, 5 grantees. Very loose agreement with Anadarko, Eni and CB&amp;I t give preference to hire graduates</p>	<p>The focus of the program is on transferable skills. Working with 8 private sector training institutes through grants for soft skills development, improve curricula, and “wrap around services” to help graduates find jobs. Now want to help association of TVET academies work on identifying specific demand and meeting it, and are thinking of moving into SME development.</p>
<p><b>World Bank (Mining and Gas Technical Assistance Project (MAGTAP))</b></p>		Strengthen capacity and governance systems of key institutions to manage the mining and hydrocarbon sectors	<p>Study of options for SME provision of services to extractives industry.</p> <p>Supporting SME related matters through IPEME</p>	<p>LNG project negotiations, advising on financing options for LNG projects, improving tax administration, strengthening environmental and social practices, performing geodata collection and administration, and facilitating the development of the domestic market for gas and value addition. Interested in working with USAID formally or informally such as cost-sharing a training or consultant. Will support IPEME to develop an independent online supplier base Platform for everyone</p>
<p><b>Canada: skills training for Employment</b></p>			<p>Strengthen vocational and technical institutes. Teacher training, management training,</p>	<p>Trying to develop private partnerships and student service centers to improve quality of competency-based training programs that respond to market needs.</p>

			procurement of industrial training equipment		
<b>ILO TREE Project</b> <b>(Funded by KOICA)</b>	Training for rural economic empowerment	Training in 20 areas, focused on vulnerable groups	Produced a paper on difficulties (norms and standards) for local SME construction companies to link up with oil and gas companies		
<b>World Bank, DFID, ILO</b>	Let's Work Program	Coordination and knowledge sharing among all partners on the jobs agenda	Produced jobs diagnostics and value chain assessments	Not directly involved in linking SME's to mega-projects	

## **WHERE CAN SPEED+ ADD VALUE**

Working with already existing programs that are successful or have a big chance of success could be a way forward that could bring effective results, without the duplication of efforts or resources.

1. Business environment for SME growth in general by supporting the reform of the VAT system, with special attention to SME's;
2. Co-fund existing programs SOGA or JOBA. Both are established platforms, that need more funding;
3. Specific trainings for SMEs co-funded with MAGTAP, in SME development;
4. Using the results of the ILO Tree study conducted on construction companies, determine ways (policy or trainings) to support these companies to meet construction standards.

## **WHAT CAN SPEED+ DO OUTSIDE OF EXISTING INITIATIVES?**

The scoping uncovered that many companies either did not know about certification, or think they are certified when they actually are not. Also, the lack of demand for certification (or at least, lack of willingness to pay for it), suggests they are either unaware of the benefits, underestimate the benefits, or genuinely don't think it would be useful for their business. Although companies that may not have seen the need in the past, they could benefit from certification in the future, due to the changing nature of the private sector in Mozambique.

SPEED+ could get involved in raising awareness of what standards are relevant, what is most in demand (or will be) and how to obtain financing for it. This would link with the work already being done with INNOQ. A workshop or series of workshops could be organized, guests invited to share experience in their countries (the Ghana Enterprise Centre is a good example) and talk to business about which standards are useful there, and what the experience of Ghanaian firms has been. Getting the main companies in Mozambique to highlight which ones certifications they would need would be essential.

In summary SPEED+ could do the following:

5. Identify specific industries/categories;
6. Map standards required by the megaproject companies and their subcontractors;
7. Raise awareness of what standards exist, how international companies use them, and why companies in Mozambique should get certified (ideally using private sector people to talk directly to business);
8. Link those that want to be certified with financial support (via MAGTAP, banks, etc.) and with contacts for support

U.S. Agency for International Development  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523  
Tel: (202) 712-0000  
Fax: (202) 216-3524  
[www.usaid.gov](http://www.usaid.gov)