

Natural Resources, Environment, and Sustainable Growth in Mozambique: Perception

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- Strategic location and the existence of abundant natural resources of Mozambique makes this country unique
- The fact that Mozambique uses only 12 per cent of its arable land suggests that it underutilize its potential
- Therefore, Mozambique must start now with the monitoring processes and set up a good system of management of its resources

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- Setting up proper management will contribute to the maintenance and replacement of biodiversity
- Given that Mozambique relies on Agriculture and the majority of the population lives in rural areas where natural resources play important role, we need a continuous assessment and necessary policy adjustments to accommodate changes in the natural wealth and environment.
- This will help in implementing poverty reduction strategies, which contribute to sustainable growth

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- Natural resources in reality constitute the base for building up produced capital. We have seen that many countries with natural resources have grown rapidly if income derived from them are better used (invested), except in cases where Dutch disease arises.
- The assessment that was done for the case of Mozambique constitute an important value added to the knowledge of what Mozambican resources can do for the sustainability of its growth.

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- This knowledge will help a better planning and policy design for monitoring and better exploitation.
- An strategic policy is now required so that we avoid to go through the development path that the developed countries went through.
- We are luck because all instruments for planning, monitoring and management are already in place, therefore, we should make better use of them.
- These methodologies should be taught to Mozambicans so that they keep on updating and advise the politician about the way to follow.

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- Our understanding is that this methodologies are not difficult to be managed by Mozambicans and, therefore, we do need a closer cooperation with institutions alike so that knowledge is transferred
- The reduction in potential natural resources reduces (in principle) potential wealth for future generations
- This will impact negatively in the sustainability of the country's growth since it reduces *genuine* saving rate

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- However, our perception is that these methodologies should not be applied mechanically
- It is important that a more detailed inventory be made even at district level, so that more effective and efficient policies be introduced and proper measure with regard to monitoring and management at institutional level be taken
- Mozambique has taken the district as the base for the country sustainable development strategy and, therefore, we need to involve all the actors in this development process

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- This way the country will avoid the depletion of natural resources, in particular the non-renewable resources
- We can think from the study that policymakers need to address the issue of saving natural wealth for future generations
- Furthermore, as the study point out, the *genuine* saving for Mozambique was negative in 2005, implying that total wealth of the country is declining
- This suggests that policymakers need to do something to revert such trend, since persistent negative savings implies that wealth is in depletion, leading to unsustainable growth path in the long run

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- One way of reverting this scenario is to invest the rent derived from the exploitation of natural resources in any other form of capital so that capital is not lost but transformed
- Our perception from the study is that more effort has to be put on reducing water and environmental pollution
- The study points out that Mozambique is strongly vulnerable to climate shocks, which is justifiable from its geographical location, and therefore, it is necessary that policymakers take measure that will cushion the effects of such shock (some of which are underway through the National Institute of Natural Disasters Management , the INGC)

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- Due to the fact that wealth depletion because of climate change can be high, policymakers can be advised on how to use the results of such kind of studies for better control of wealth exploitation through measures of forward looking
- Among the most depleted resources are gas and coal. The study concludes that the fact that *genuine* saving is negative may indicate that rent derived from these resources is not reinvested enough in other type of capital. If this is true then there is high possibility that future generations will enjoy lesser wealth than the actual generation

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- Therefore, there is a need to make more aware to policymakers about this fact
- We agree with the study in that, the use of concessionary exploitation rather than license exploitation may promote sustainability in natural resources exploitation and control
- The license regime raises the issue of free-riding, since the licensees are not bounded, and therefore, there is no incentive for sustainable exploitation that promotes sustainable growth in Mozambique

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- We also agree that enforcement is needed to reduce log exports, this will create national capacity and part of the wealth will remain within the country through reinvestment
- Improve the enforcement of regulation is an institutional matter, which need to be addressed
- The review of fees may contribute for more efficient exploitation of various natural resources, which will increase the productivity

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- These issues are also valid for agriculture and in addition improvements in market systems, accessibility and credit availability are needed
- Infrastructure often reduces transaction costs. So, in order to make natural resources contribute to sustainable growth we need mechanisms that reduces transaction costs, such as infrastructure and more functional judicial systems for conflict resolution when it arise
- We agree on that the actual tax holiday scheduled to large projects is not as much efficient as it was supposed to be, in this regard studies should be conducted to determine the optimal taxation, including property taxation

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- We need a more effective system of water, air pollution and climate change management. Some of the technical solutions advanced by the study are really pertinent and merit due attention from the policymakers
- The City of Maputo and other Mozambican town and cities, are currently receiving high levels of vehicle pollution, this need to be limited at reasonable levels (internationally acceptable standards)

Steps Forward

- An advisory board to the Government is needed. This board should use a model built for policy purpose, monitoring and management
- Involvement of an research institution, which in first place will have to assess all the resources available, including at district level so that development measures be taken according to potentialities of each district
- More intensive involvement of local community in policy decisions, monitoring and management so that it fills part of the process of the sustainable growth

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- Reinvesting the rent from natural resources within community that control and manage these resources may constitute another important incentive
- Assessment should be done continuously to allow policymakers with instruments for decision and dialogue when necessary
- Relevant ministries should coordinate efforts in researching better methodologies for resource and pollution assessment and management, which will allow to determine proper measures of updating the model, as well as, its structure.
- Develop legal instrument that incentive natural resources replacement