

Pipeline Fuels Regional Growth

Five years after its entry into service, the Mozambique-South Africa pipeline, fuels economic growth and regional cooperation in southern Africa. It proves that the Western ideas on Africa suffering from a "curse" of natural resources are lies and demonstrates that the African development plan NEPAD has begun to fulfill its promises in the field of development and economic integration.

It was a problem with an obvious but expensive solution. Mozambique contained some 3,000 bn cubic feet of natural gas, but lacked the technical capacity and domestic market to exploit it. Energy-hungry South Africa, across the western border, faced soaring demand for electricity but had no gas with which to generate it. The solution was found in 2003, when an agreement between the two countries and a \$1.2 bn investment by Sasol, a South African synthetic fuel manufacturing company, brought the construction of an 865-kilometre pipeline that links supply to demand in a deal that benefits both countries.

The pipeline is forecast to boost Mozambique's already booming economy significantly, with government slated to receive some \$2 bn in royalties and taxes over the project's 25-year lifespan. Despite the recent growth, unemployment and poverty rates remain high.

The collaboration will provide South Africa with a steady stream of cleaner energy and reduce pollution as the country seeks to clean up its dirty industries. Sasol estimates it would have to burn 5 mn extra tonnes of coal per year were it not for Mozambique's gas.

The company is the sole investor in the pipeline, although the two governments have an option to acquire a combined 50 per cent ownership, Johann van Rheede, Sasol's media manager, told *Africa Renewal*. Initially, all the gas will be exported to South Africa. The Mozambican government is entitled to some of the gas, but this will likely be sold while the government develops uses for it. The gas can be tapped to generate power for communities along the pipeline's route and possibilities include boosting rural

businesses by providing them with gas for heating or lighting or for processing their products. Gas can also be used to fire smelting plants for aluminum and other minerals.

Short Term, Long Term Benefits

"This pipeline is welcome," says Armenia Mabote, chairman of the Instituto Nacional de Petróleo, Mozambique's petroleum and gas regulatory authority. "It will boost Mozambique's efforts to fight poverty."

"The venture, at peak, spawned 2,400 job opportunities in Mozambique," says Mr. van Rheede. Mozambicans also fill the bulk of the 238 permanent jobs created by the project. Sasol, he adds, injected \$5 mn towards community welfare along the pipeline route — drilling boreholes for clean water and refurbishing schools and clinics.

NEPAD 'Charting A New Path'

The pipeline also demonstrates the benefits of greater regional economic integration. Many countries cannot afford large infrastructure investments for their small domestic markets, says the African Development Bank (ADB). Pooling resources enables countries to share costs for the benefit of all involved. African leaders in July 2001 adopted the New Partnership for Africa's Development (NEPAD) to provide a framework for countries to build strong ties with each other and accelerate economic growth.

South African President Thabo Mbeki, one of NEPAD's architects, emphasizes that

African countries face a common challenge to attain development and prosperity for their citizens. "Through NEPAD," Mr. Mbeki asserts, "we are charting a new path for the regeneration of our continent, to ensure that we harness our skills, expertise, talents, resources and natural riches to bring a better life to all Africans." NEPAD helped bring the pipeline deal together," noted Mr. van Rheede. "Sasol is proud to contribute to the NEPAD vision

Former Mozambican President Joaquim Chissano has dismissed concerns that the deal favors South Africa. "The two leaderships are committed to African integration... We take this to be the policy of the private sector in both countries. There is no spirit of hegemony, but one of partnership."

Fueling A Regional Economy

The project comes at an important phase in Mozambique's history. Sixteen years of war turned the country into one of the poorest nations in the world. But since the fighting ended in 1992, Mozambique has had one of the world's most rapidly growing economies. Reconstruction aid and foreign investment in natural resource-based projects are driving the growth, much of it from South Africa.

Overall, South Africa has invested about \$4 bn in Mozambique, according to official South African government estimates and is Mozambique's largest economic partner. Fifty-seven per cent of Mozambique's imports come from South Africa -- 18 per cent of the country's total exports to Africa. About 26 per cent of Mozambique's exports are destined for South African consumers.

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