

ABERDEEN CITY COUNCIL

| | |
|---------------------|--|
| COMMITTEE | Communities Housing and Infrastructure |
| DATE | 20 January 2016 |
| DIRECTOR | Pete Leonard |
| TITLE OF REPORT | Memorandum of Understanding with Pemba, Mozambique |
| REPORT NUMBER | CHI/15/302 |
| CHECKLIST COMPLETED | Yes |

1. PURPOSE OF REPORT

The purpose of this report is to bring before Elected Members the proposal to sign a 3-year Memorandum of Understanding (MOU, an economic cooperation agreement) with the City of Pemba in Mozambique.

2. RECOMMENDATION(S)

Committee is recommended to:

- a) Approve the signing of a 3-year Memorandum of Understanding (MOU) between the cities of Aberdeen and Pemba in Mozambique, including the development of an annual action plan, subject to input on the content of the MOU from colleagues in legal services
- b) Request officers to report annually to Committee to review outcomes achieved as a result of the Memorandum of Understanding

3. FINANCIAL IMPLICATIONS

There is no additional budget available to support a new Memorandum of Understanding. Therefore all activities will have to be resourced from within the existing operational and staffing budgets for Business Growth, and from interested partner organisations, such as the North East Scotland Trade Group partners (Aberdeen and Grampian Chamber of Commerce, Aberdeenshire Council, the universities, Scottish Development International, Scottish Council for Development and Industry, UK Trade and Investment, Subsea UK).

Currently, the former Director of Enterprise Planning and Infrastructure has been contracted by UK Trade and Investment (UKTI) to undertake 80 days of consultancy support and advice to Mozambique, Tanzania, Uganda and South Africa on the development of their energy industry and associated infrastructure. Thereafter, it is anticipated that further work will be

commissioned by UKTI over a 3-5 year basis to pave the way for Aberdeen, Scottish and UK companies to enter these markets.

The amount of work to be carried out by the International Trade and Investment team in support of the MOU and to complement the UKTI work where appropriate will depend on other team/service priorities and the staffing and budget resources available and will therefore have to be strictly focused and monitored.

4. OTHER IMPLICATIONS

Staffing: The MOU will be managed by the International Trade team (3 FTE at full capacity, though at the time of writing the team is currently at 2 FTE and is in the process of filling the vacancy of 1 FTE) within Business Growth. Given the limited resources, and the range of existing commitments to other export markets, it is essential that a clearly defined action plan be agreed in advance and adhered to.

5. BACKGROUND/MAIN ISSUES

In recent years there has been significant activity between Aberdeen and Mozambique to build links and lay the foundations for UK companies to enter this market. Following a high profile visit to Aberdeen from the President of Mozambique in 2013, there have been further inward and outward visits leading to the development of a proposed MOU between Aberdeen and Pemba to give a more formal framework to the cooperation. If delivered by committed partner organisations in both cities, an MOU can provide focus and credibility to trade development activity.

Over recent years Mozambique has been ranked among the world's fastest growing economies and bilateral trade with the UK is growing rapidly with trade in visible goods increasing by 14% in 2013 to over £150 million. UK export of goods was worth £45 million and UK foreign direct investment totalled USD 1.2 billion. [Source: UKTI]. UKTI has designated Mozambique as a High Value Opportunity market, meaning they target resources towards developing trade activity between the UK and Mozambique.

Mozambique has raised substantial interest and expectations in the global oil and gas industry due to recent major offshore discoveries and the country hopes to harness its vast natural gas reserves to potentially become the world's third largest LNG exporter, behind Qatar and Australia.

With some of the largest gas fields in the world, no supply chain and an immediate, significant demand for skilled workers, there are vast areas of opportunity for oil and gas companies in the energy supply chain to export their products, services and expertise. Particular areas of opportunity include:

- subsea engineering, procurement, installation and commissioning
- original equipment manufacturers of drilling and subsea systems
- offshore support
- manpower services

Opportunities for Aberdeen companies engaging in this emerging export market come from the supply chain involved in offshore gas (LNG production) in deep water reserves where they have particular expertise.

Associated sectors of opportunity for Aberdeen companies also include the renewables industry. Mozambique is a country with widely dispersed, mostly rural population and there is a great deal of potential for supplying electricity for off-grid applications, particularly through solar, small hydro installations and biomass waste from forest and/ or agricultural waste.

6. IMPACT

Improving Customer Experience – Undertaking a 3-year action plan of trade development activity as part of a Memorandum of Understanding has the potential to provide significant new market opportunities for local Aberdeen businesses in and associated with the offshore oil and gas sector. As the UK oil and gas sector's production declines, it is essential to look for new and emerging export markets to which Aberdeen companies' products and services can be sold.

Improving Staff Experience – The Memorandum of Understanding provides a limited opportunity for staff in the International Trade and Investment team to learn about an emerging market and share growing market intelligence with key external customers – the Aberdeen business community – and to demonstrate the positive impact of this initiative.

Improving our use of Resources – By working in partnership with North East Scotland Trade Group partners on key target export markets for the oil and gas sector, such as Mozambique, the Council is able to share the workload and take lead or supporting roles where appropriate, without compromising the level of service delivered to the customer – the Aberdeen business community.

Corporate – The contents of the report relate directly to delivering the economic development aspects of the **Single Outcome Agreement**:

National Outcome 1 – We live in a Scotland that is the most attractive place for doing business in Europe

National Outcome 2 - We realise our full economic potential with more and better employment opportunities for our people

Local Outcome – Anchor the Oil and Gas Industry

Local Outcome – Diversification of the Economy

The contents of the report also relate directly to delivering the economic development aspects of the Administration's **Smarter Aberdeen** vision.

At the time of writing (November 2015), the **Regional Economic Strategy** and **City Region Deal** are being finalised. In both cases, internationalisation is a key theme and the Memorandum of Understanding will provide a framework for Aberdeen oil and gas sector companies to enter a major emerging export market.

At the time of writing, the team have hosted and supported 30 inward business or Government delegations from 16 countries during 2015 and would expect further delegations from Mozambique during the three years of the MOU.

Public – Neither an Equality and Human Rights Impact Assessment nor a Privacy Impact Assessment is required for this report. There may be some limited public interest in the Council’s work with Mozambican authorities as part of the delivery of the wider International Trade and Investment Plan 2016-2017.

7. MANAGEMENT OF RISK

A risk assessment on the MOU action plan will be carried out by officers.

8. BACKGROUND PAPERS

<https://www.gov.uk/government/publications/exporting-to-mozambique/doing-business-in-mozambique-mozambique-trade-and-export-guide>

Source: UKTI, March 2015

9. REPORT AUTHOR DETAILS

Elaine Robertson, Business Growth Manager

Tel 01224 522940 Email elrobertson@aberdeencity.gov.uk