

# Extractive Industry in Mozambique and its structuring potential on the economy

Carlos Muianga, Oksana Mandate and Rogério  
Ossemame

Governance of Africa's Resource Research Network (GARN) "The  
role of Natural Resources in Africa's Future: Towards a vision for  
the governance of Africa's natural resources", 12.03.2012

# Update of EI situation:

- **Contribution to exports**

- **Investment, in recent years and potential during the next years, in strategic sectors:**

Gas (50 billions – ENI, 15 billions – Anadarko, 1.1 billion – Sasol) – 66 billions

Energy (Transmission Line CESUL – 2.8 billions, power plants – 8.9 billions) – 11.7 billions

Big Forestry Projects (Lúrio – 1.8 billions, Portucel – 2.3 billions) – 4.1 billions

Aluminum (Mozal Upgrading 3) – 3 billions

Coal (Vale – 1.7 billions, Rio Tinto – 0.3 billions, Jindal – 0.2 billions, Coal India – 0.4 billions) – 2.6 billions

Heavy sands (Kenmare – 0.7 billion, Pathfinder – 0.5 billions) - 1.2 billions. The biggest (Gaza and Inhambane) deposit is still on bit

Gold (Pan African – 0.2 billions)

Potential for other strategic industries: phosphates, iron, uranium, rare earth, diamantes.

- **Income generation**

Gas income, projection

Coal income, projection

# EI structuring effect on the economy – Productive structure

- FDI EI investment is predominating– it is defining the construction of the productive base.
- Nationals have capital and technological barriers to entry in industry.

**The system of production and capital accumulation in the economy is concentrating about extraction of natural resource rents. The significant part of the resource rent is not retained by economy. The financing of domestic consumption is deeply depending on natural resource extraction.**

# El structuring effect on the economy – Macroeconomic level

Incentive system on macroeconomic level is narrowing about El

- General inflation level control Vs exchange rate competitiveness – the option is neutral for El but harmful for manufacturing and agriculture - difficulty for expansion of productive base
- Rents inflow conducts to inflation, in particular in context of tension about food prices on international markets – harmful for labour-intensive sectors

# EI structuring effect on the economy – Infrastructure design

- Government priorities investment in infrastructure which promote the EI investment (concept of PPP) – explicitly subsidizing EI with marginal benefits for other sectors (agriculture, manufacturing).
- Supporting existing dynamic vs creating the one new.

# El structuring effect on the economy – Income Distribution

- No retention – no effect
- Private retention by consuming political elite (Law of megaprojects) – income concentration and inequality increase.
- Difficulty to develop large consuming masses and national market – diminution opportunity for enlarge productive base because the narrow middle class

# El structuring effect on the economy – Public policy

- MNC – relative negotiating power and capacity to influence policy choice
- Alliance with national political elite – second most influential group on national political scene
- Under representation of other interest in process of defining the public policy

# EI structuring effect on the economy - Challenges

- Defy macroeconomic objectives that produce the system of incentives which supports the productive base enlargement in context of donors conditionality related to inflation control
- Mobilize the NR rents and direct it to strategic sectors: food production, labour intensive industries
- Create system of incentive to develop downstream linkage from EI, in particular with higher potential to create linkages
- Structuring the national patterns of production and accumulation into the existing transnational organization of production