



The role of Natural Resources in Africa's Future: A vision from the “extractive economy” in Mozambique

Carlos Muianga, Rogério Ossemane and Oksana Mandlate

Presentation for the Governance of Africa's Resource Research Network (GARN)
Seminar

**“The role of Natural Resources in Africa's Future: Towards a vision for the
governance of Africa's natural resources”**

Kampala, 13th March 2012

Structure of the presentation

- Objective
- The argument
- Current dynamics and the pattern of accumulation in Mozambique
- The mineral-energy dynamic in Mozambique
- Opportunities and challenges

Objective

Based on the understanding of the current dynamics and system of accumulation (and their specific constraints) in Mozambique (Castel-Branco 2012, 2011, 2010), this presentation intends to raise questions for the debate on how to think, strategically, in natural resources extraction as a fundamental dynamic for Africa's future, as well as the opportunities and challenges this raises.

The argument

We argue that a more consistent and structured understanding about the role of natural resources in Africa's future, particularly in Mozambique, does only make sense if analyzed within the entire process and system of accumulation (production, appropriation, distribution, utilization and reproduction of the surplus created):

- what are the current and dominant production dynamics, their specific features, and how these dynamics affect the processes of accumulation?
- what are the main interests and how do these interests shape the role of resource extraction in the whole system of accumulation?

Current dynamics and the pattern of accumulation in Mozambique

- Investment and production dynamics
 - FDI driven by capital intensive megaprojects and large export markets
 - Focus on exports of primary (unprocessed) products
 - Agricultural (tobacco, cashew nuts, cotton, sugar, biofuels, forestry, etc.)
 - Mineral resources and energy (aluminum, electricity, gas, coal, heavy sand, etc.)
- Financing
 - Fiscal revenues as a proportion of GDP, about 20% in 2011 (growing but still below the regional average)
 - Foreign dependence (public and private)
 - Foreign aid finances around 50% of state budget
 - FDI account for more than 80% of total private investment
 - External and internal debt (Massarongo & Muianga 2011)
 - Increasing external commercial debt (US\$900 millions for 2010-2013)
 - Public sector competing for financial resources with domestic private sector

The mineral-energy dynamic in Mozambique

- Some data (Castel-Branco 2011)
 - Investment in mineral resources and energy and related infrastructures over the last 10 years account for two thirds (2/3) of total private investment
 - Three quarters of industrial output and two thirds (2/3) of total exports of goods and services, and rising
 - Demand pressure on skilled labor, infrastructure, energy, food, etc.
 - Lack of employment and domestic input-output linkages
 - Fiscal revenue accruing from minerals-energy broadly represents 2% of the GDP share of minerals-energy and including all megaprojects it represents 3% of total revenues (less than the agricultural VAT (5%)).

The mineral-energy dynamic in Mozambique

- Base/source for accumulation for both MNCs and emerging national capitalist classes, through:
 - privatization of all rents, including financial speculation on productive assets
 - State demand on shareholding for national entrepreneurs
 - Political elite shareholders (political capital as active)
 - Conflict of interests (government officers with private interests in companies)
 - shares accruing from property of basic resources
 - reinvestment of rents on logistics for mineral-energy (infrastructure and transport), which in turn reproduce the system of accumulation (Castel-Branco 2011).
 - absorption of a substantial proportion of domestic financial resources

The mineral-energy dynamic in Mozambique

Investment realized and expected investment for the next 10 years (data from companies and press)

| Sector | Projects/Company | USD, Billions |
|--|--|---------------|
| Gas | Anadarko, ENI, Sasol (including plants for processing liquefied gas) | 66.0 |
| Coal | Vale; Rio Tinto, Jindal, Coal India | 4.5 |
| Mineral-energy related Infrastructures and logistics | Nacala railway - Vale | 4.0 |
| | Thermal power plants - Rio Tinto, Vale, Jindal | 4.3 |
| | Mphanda-Nkuwa hydroelectric plant | 1.7 |
| | Regional Transmission Project - CESUL | 2.8 |
| Aluminium | Mozal 3 - BHP Billiton | 3.0 |
| Heavy Sands | Kenmare; Pathfinder Minerals | 1.2 |
| Total selected projects | | 87.5 |
| GDP, 2011 (Index Mundi estimation) | | 9.5* |

Opportunities and challenges

- Challenge for industrialization
 - How can resource-based accumulation translate into industrialization and economic transformation? (Castel-Branco 2011)
 - Macroeconomic natural resource matrix?
 - Socialization of rents and surplus?
 - Economic and industrial strategy for a more diversified and articulated production
 - Diversification beyond natural resource extraction and processing
 - Macroeconomic implications (wage goods, forex revenues, inequality)
 - Conflict over resources (financing, land, water, energy, qualified labor, etc.)
- Improving the legal framework
 - Mega projects and Public-Private Partnership law (recently approved)
 - Taxation
 - Review of the tax regime
 - Capital gains tax
 - Mining law review
 - Transparency (IETI? How relevant it is?)
 - Disclose of future contracts

THANK YOU

carlos.muianga@iese.ac.mz; rogerio.ossemame@iese.ac.mz;
oksana.mandlate@iese.ac.mz



www.iese.ac.mz