

MOZAMBIQUE'S INVESTMENT ACCELERATION (2007 - 2015): DYNAMICS AND STRUCTURAL EFFECTS

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An Investment Acceleration, Outstripping the SSA Average

Gross Capital Formation's doubled in five years driven by both FDI and public investments.

The investment acceleration was dominated by: Minerals and Extractives (avg. 17% GDP)
Public & Basic Infrastructure (avg. 11% GDP)

Figure 1: Annual Gross Capital Formation by Sector (% GDP). Source: INE
Gross Capital Formation's Weight on GDP Doubled (2010-14) Surpassing SSA Average

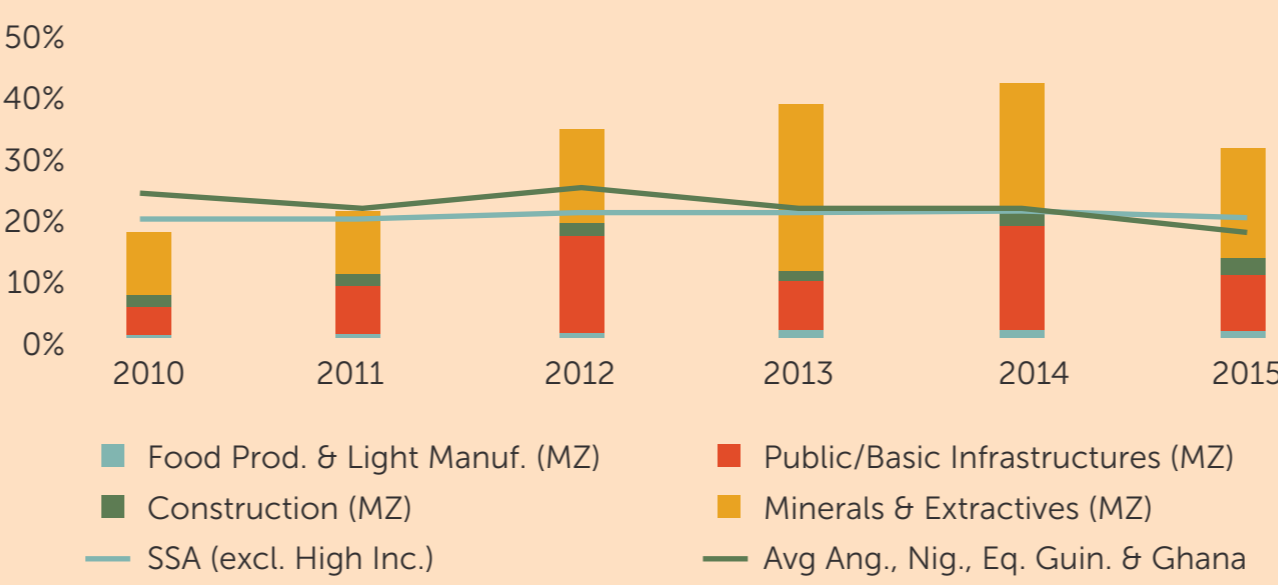
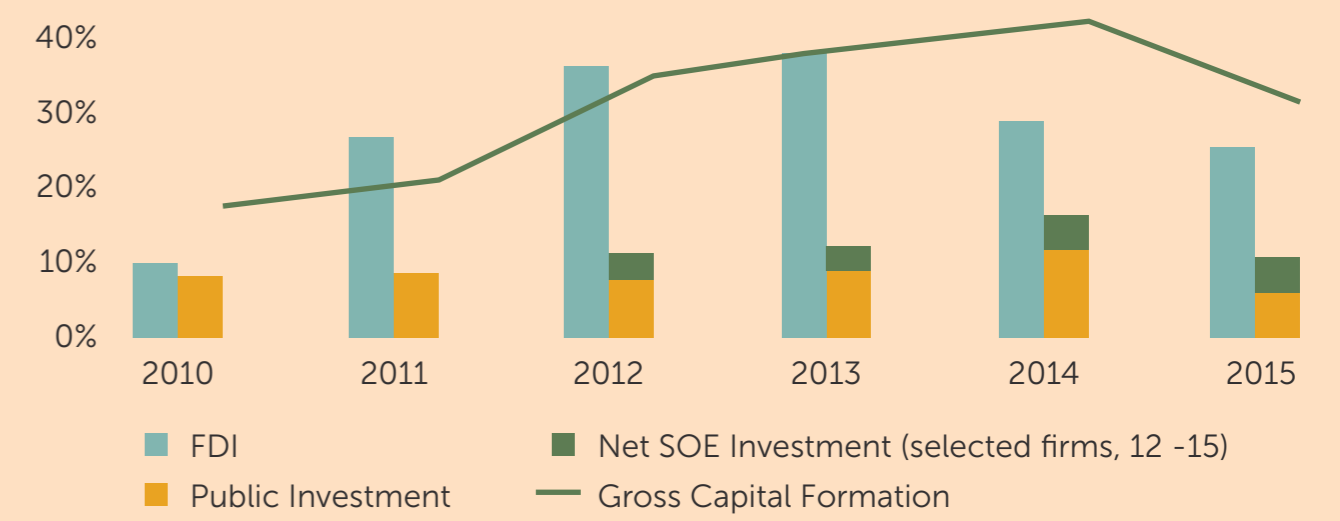


Figure 2: FDI, Public & SOE Invest. (% GDP). Source: INE, BoM & SOE Accounts.
Acceleration Largely Driven by FDI Growth: From 10% 39% of GDP, 2010-13



Foreign Direct Investment Dominates Extractives, but not Jobs

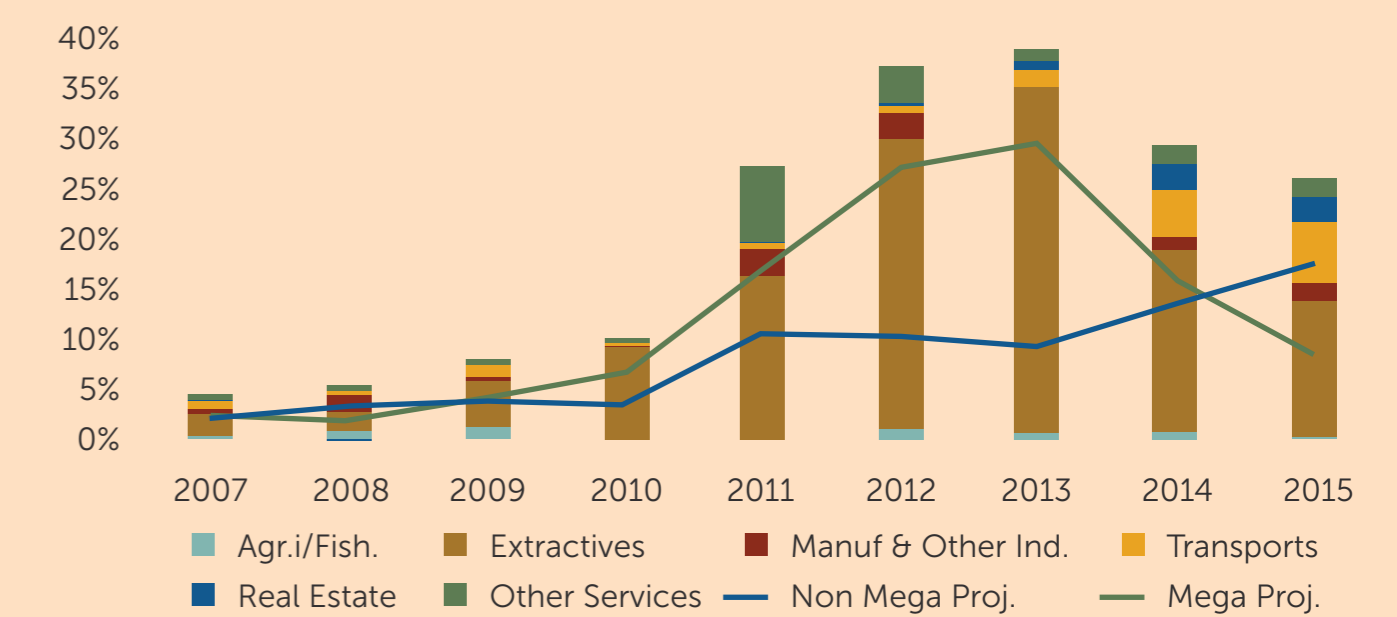
As expected, the extractive sector was also predominant among FDI inflows between 2010 and 2015 representing an average of 72% of total inflows, 2010-15.

- Extractives are predominant among both Mega Project & Non-Mega Project FDI.

The Manufacturing Sector came second representing 18% on average, 2010-15.

The Transports' sector also attracted a significant share of FDI, 2013-15, due to the investments in railways and port infrastructure linked to the extraction of coal.

Figure 3: Annual FDI by Sector (% GDP). Source: BoM.
FDI Flowed Mostly to Extractive Sector (e.g. 34% GDP, 2013)



Trends From Announced Green Field FDI

47% of announced 'capital' FDI flows went to Tete and Cabo Delgado reflecting the predominance of extractives.

Direct Employment Creation was limited to approximately 50000 jobs concentrated in less capital intensive sectors (i.e. manufacturing, construction and agriculture).

Figure 4: Green Field Inv. Announcements (07-15). Source: fDi Markets, FT
70% of Potential Direct Employment Generated in Manufact., Construct. & Agric. (07-09)

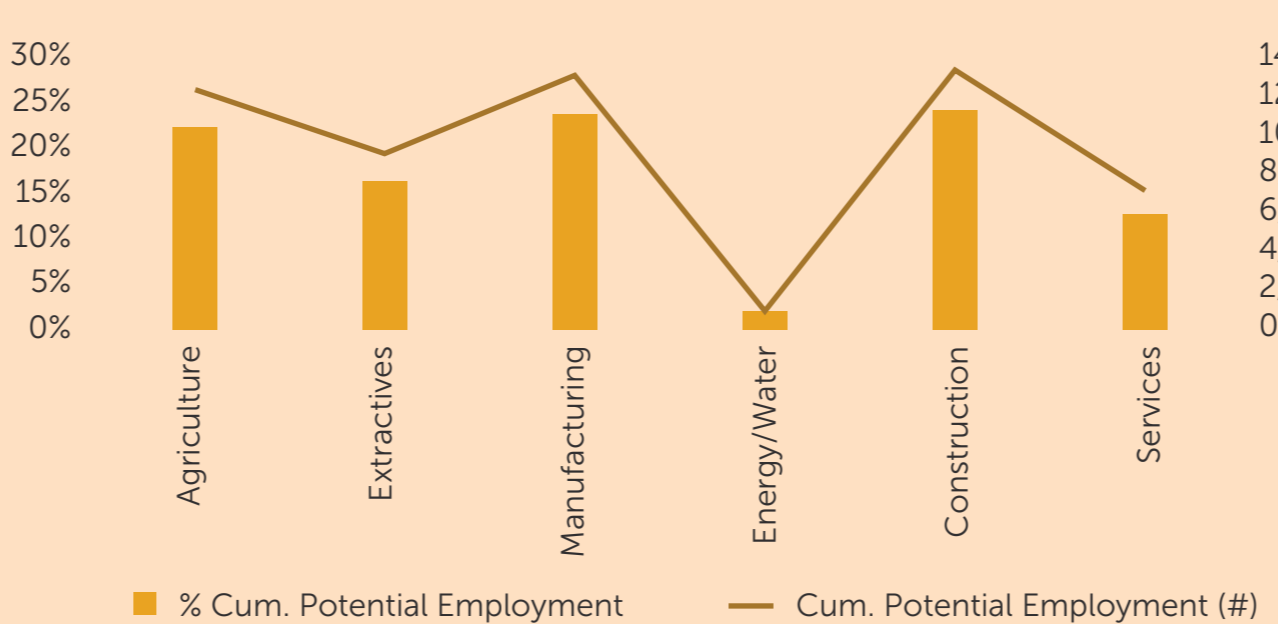
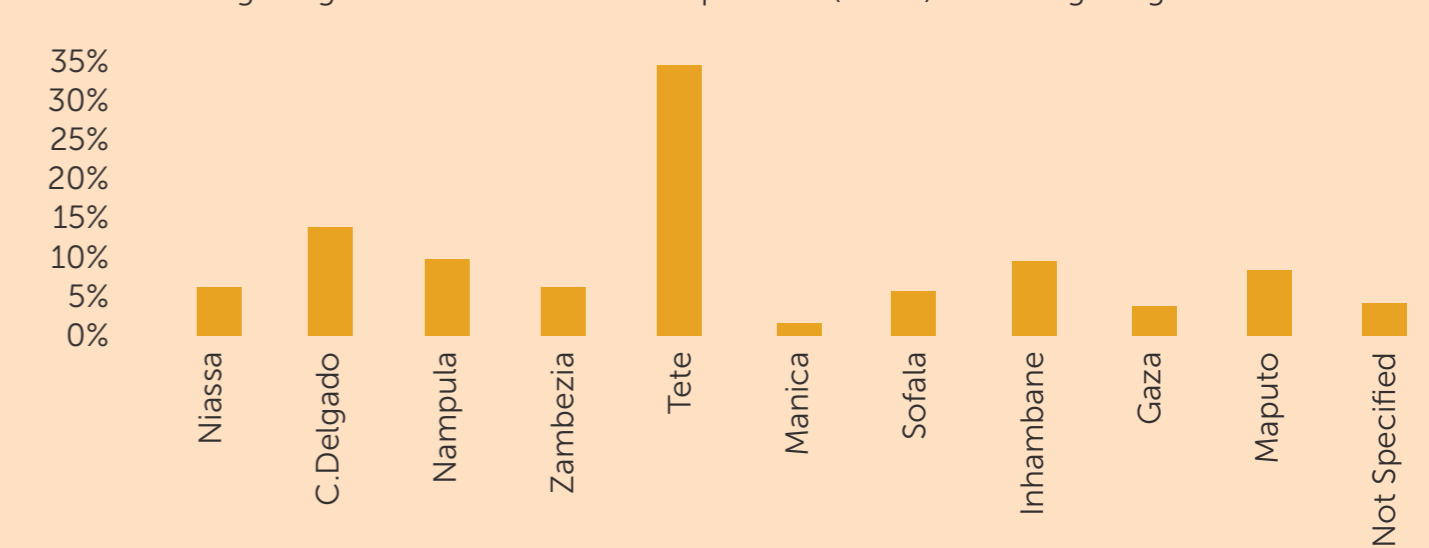


Figure 5: Green Field Inv. Announcements (07-15). Source: fDi Markets, FT.
Tete & C. Delgado got 50% of Announced 'Capital' FDI (07-15) Reflecting Weight of Extractives



Public Investment: large volumes but uneven results

36% of the Government's Investment Budget (cumulative 2009-15) went to recurrent expenditures.

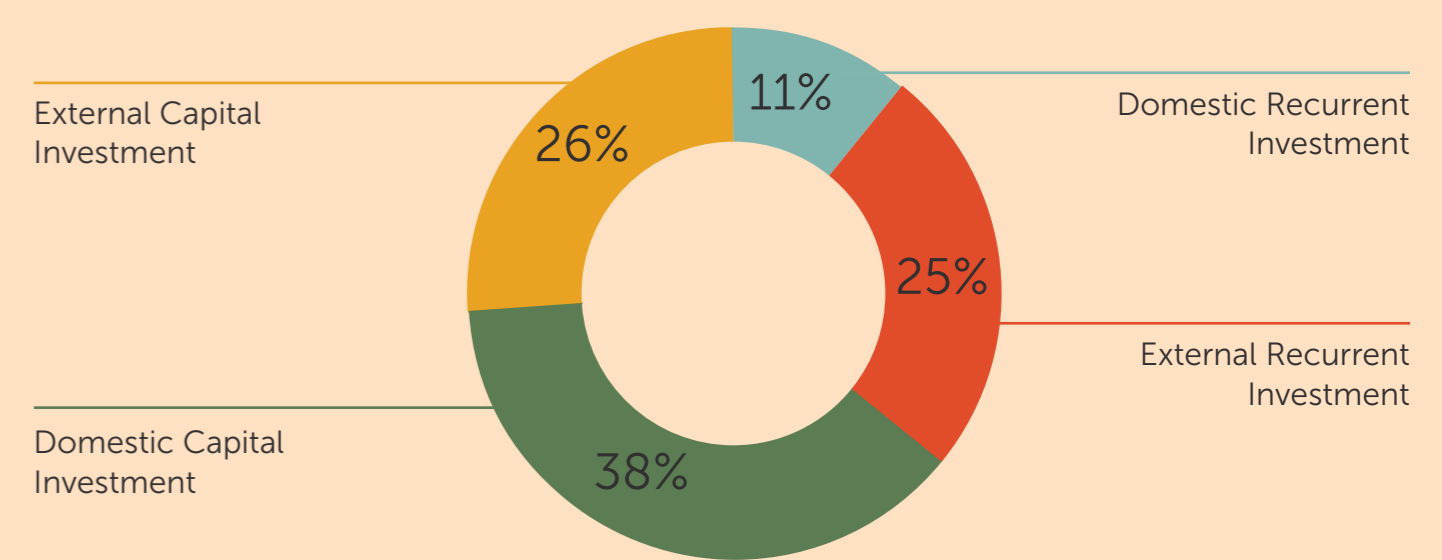
- Share of recurrent expenditures is higher among externally funded investment (25% vs 11%) which generally funds capital costs.

Close to 80% of Public Capital Investment is executed at the central level, 12% at the provincial level and 9% by districts and municipalities.

- Public Works (e.g. Infrastructure) and Public Administration (e.g. Government Buildings, Security) are the largest areas of Public Capital Investment and are mostly executed at the central level – 61% of total expenditure.
- 68% of Provincial Capital Investment is split between Public Administration and Education.

Figure 6: Composition – Public Inv. Budget (09-15). Source: Boost.

Only 64% of the Government's Investment Budget (09-15) Corresponds to Capital Expenditures



Investment through State Owned Enterprises and other Public Entities

Large part of Public Investment is conducted through 6 Main SOEs: Telecommunications (TDM); Electricity (EDM); Railways (CFM); Road Fund; Airports (ADM) and Water Fund (FIPAG).

On average, 30% of Budgeted Public Capital Investment (2012-15) corresponds to investments made through these 6 SOEs.

- Off-budget investment of these SOE's represented at least 30% of overall Public Investment (2012-15).

Figure 7: Composition – Public 'Capital' Inv. (09-15). Source: Boost
80% of Public 'Capital' Inv. is Executed Centrally (09-15) o/w 36% on Public Works

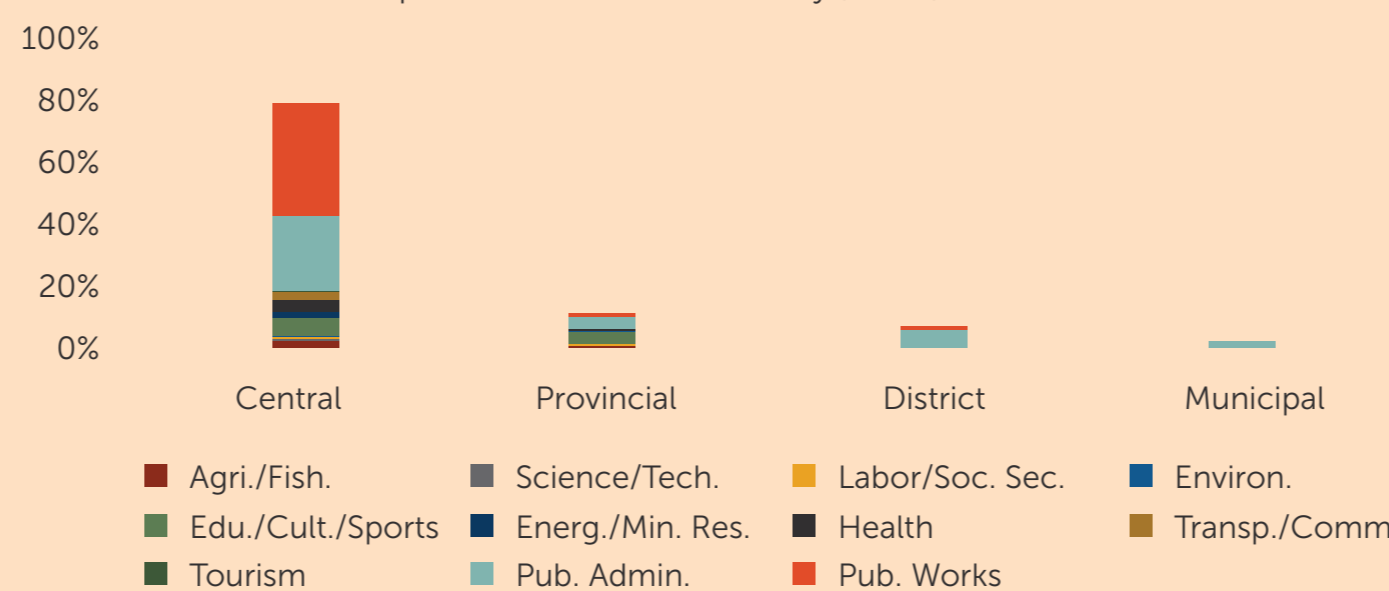
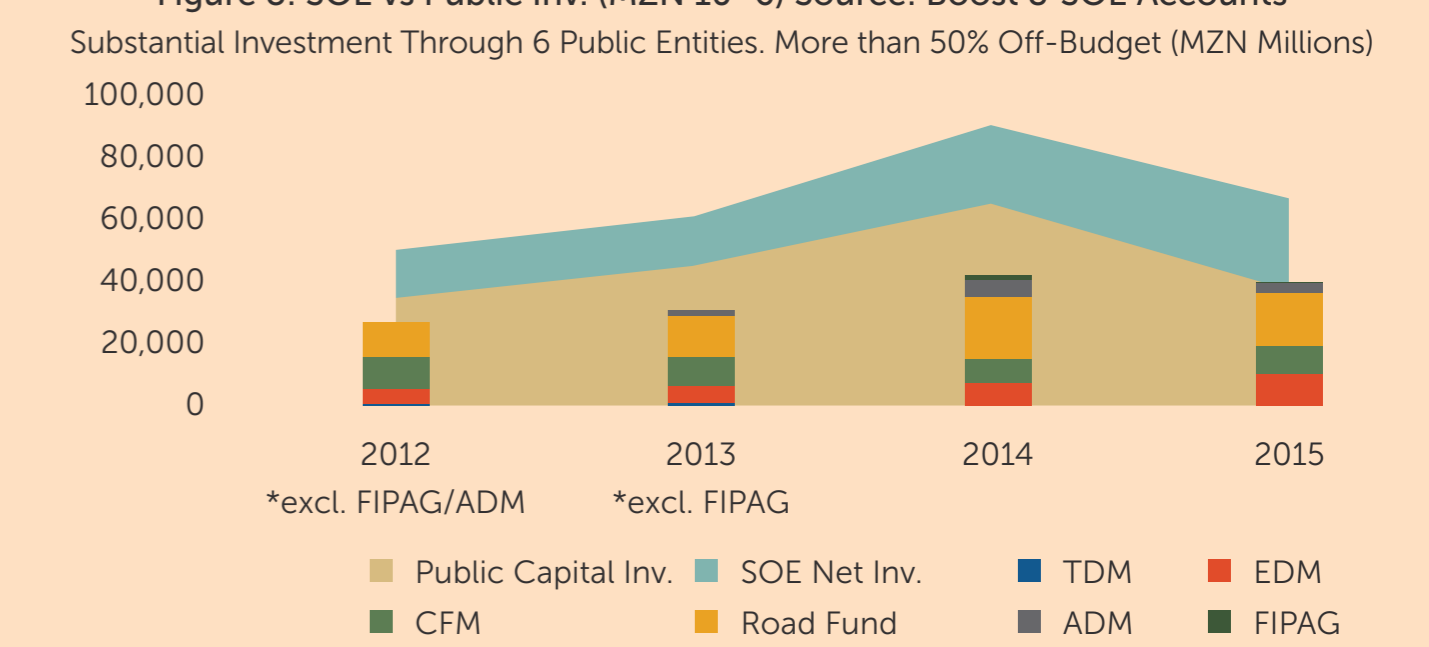


Figure 8: SOE vs Public Inv. (MZN 10^6) Source: Boost & SOE Accounts
Substantial Investment Through 6 Public Entities. More than 50% Off-Budget (MZN Millions)



Impact of Public Capital Investment on Access to Basic Services

Figure 9: Pub. Inv. Water/Sanitation vs Access. Source: Boost & IOF 09-15

Water & Sanitation (09 vs 15)
Despite the Growth of Inv. on Rural Water, Access Remains Higher in Urban Areas

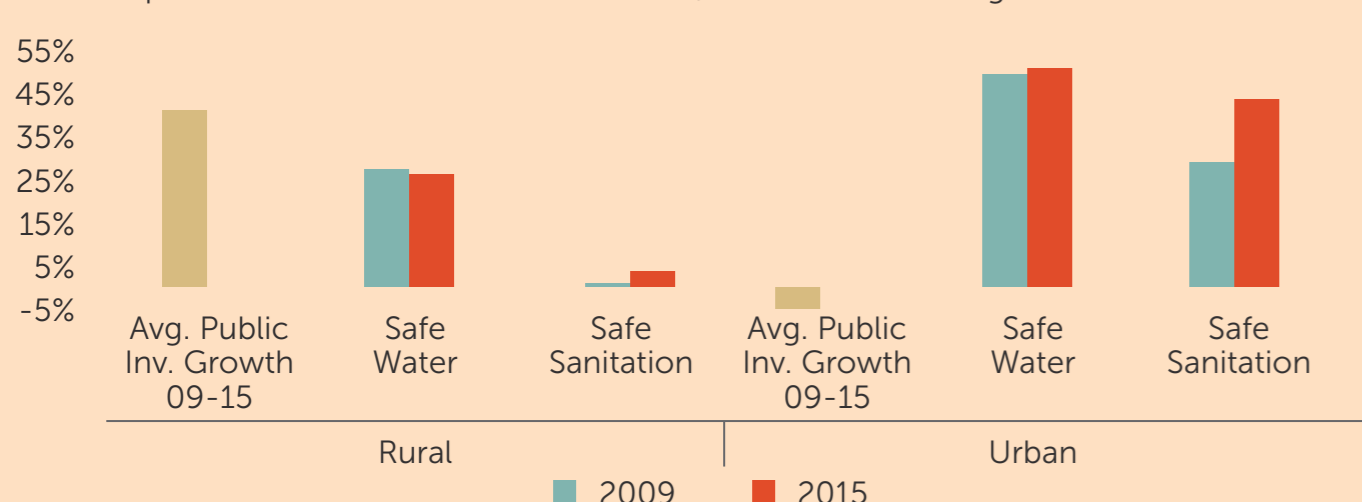


Figure 10: Pub. Inv. Electricity vs Access. Source: Boost & IOF 09-15.

Electricity (09 vs 15)
Low Inv. on Electricity Appears to be Widening the Urb-Rural Disparities in Access

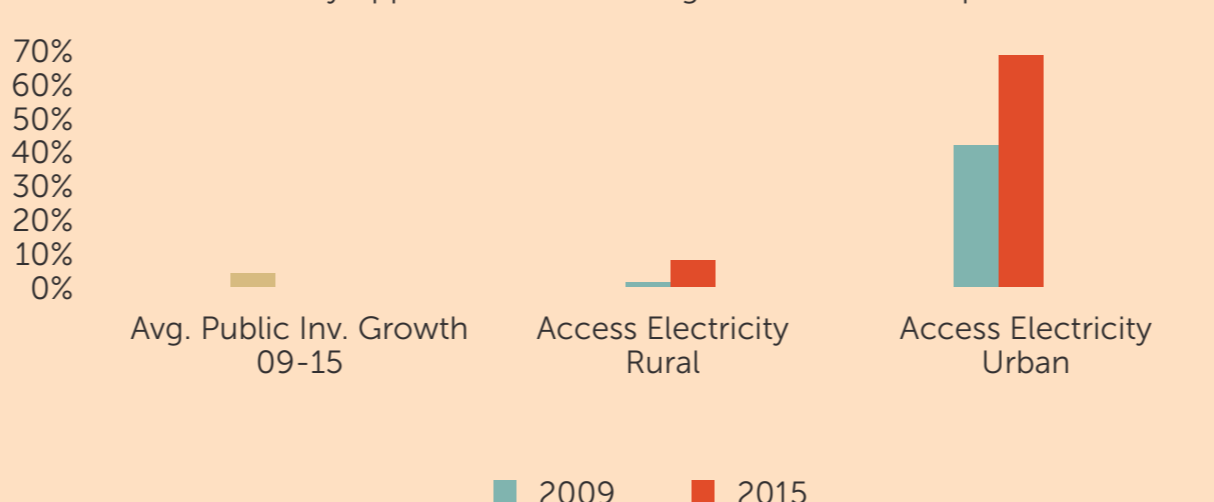


Figure 11: Pub. Inv. Edu/Health vs Access. Source: Boost & IOF 09-15

Education & Health (09 vs 15)
Public Capital Investment has Effectively Reduced Distances to Health Units but not Schools

