

The Project Formulation Study on the Promotion of Industrial Development in Major Corridor Areas in Mozambique

March 2008

**Japan International Cooperation Agency
Economic Development Department**

PREFACE

Since the end of the civil war, Mozambique has seen a high growth rate of 7% to 8% annually. On the other hand, GDP per capita is still at a low level among developing countries. The government announced the importance it places on economic development to achieve poverty alleviation and to resolve the development gap between southern and northern regions of the country in the Poverty Reduction Strategy Paper (PARPA II).

In the meantime, as neighboring countries depend on Mozambique for access to the ocean, it is placed in quite an important position geographically. Natural resources have great potential for development, and several big investments have been introduced in this field. From the viewpoint of domestic industries, there exists much potential in agriculture, tourism, and other sectors.

Despite the potential, however, industries—especially small and medium-sized enterprises (SMEs), which will be the driving force of the economy in the long term—have faced constraints, such as in terms of management skills, finance, and human resources.

In line with these conditions, Japan International Cooperation Agency (JICA) planned and conducted this study in order to consider future cooperation in economic development.

It would be gratifying if the results of this study are utilized effectively to produce a concrete understanding of potential cooperative ventures.

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ABBREVIATIONS

DI	gross domestic income
NEPAD	the New Partnership for Africa's Development
JICA	Japan International Cooperation Agency
PARPA	Action Plan for the Reduction of Absolute Poverty
SADC	Southern African Development Community
F/S	feasibility study
D/D	detail design
CSR	corporate social responsibility
FTA	free-trade agreement
APO	Asian Productivity Organization
JPC-SED	Japan Productivity Center for Socioeconomic Development
JETRO	Japan External Trade Organization
AOTS	the Association for Overseas Technical Scholarship
IPEX	Mozambique Institute of Export Promotion
ACIANA	Nampula Industrial, Commercial, and Agricultural Association
AfDB	African Development Bank
INE	National Statistics Institute (Instituto Nacional de Estatística)
CPI	Investment Promotion Center
HACCP	Hazard Analysis and Critical Control Point
EU-GAP	European Union Good Agricultural Practices
ANE	National Roads Administration
JBIC	Japan Bank for International Cooperation
CTA	Confederation of Business Associations of Mozambique
INNOQ	National Institute of Standards and Quality
WTO	World Trade Organization
FFPI	Small Industry Promotion Fund
CADI	Counseling Center for Industrial Development
ISO	International Organization for Standardization
BAU	Integrated Administrative Counter (Balcão de Atendimento Unico)
SIDA	Swedish International Development Agency
INEFP	National Institute for Employment and Professional Training

UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
IMF	International Monetary Fund
EU	European Union
IFC	International Finance Corporation
FAO	Food and Agriculture Organization of the United Nations
OPEC	Organization of Petroleum Exporting Countries
MICTI	Mozambique Information and Communications Technology Institute
UGC	General Union of Cooperatives
USAID	United States Agency for International Development
CLUSA	Cooperative League of the U.S.A
KfW	Kreditanstalt für Wiederaufbau (Reconstruction Credit Institute)
DANIDA	Danish International Development Agency
NORAD	Norwegian Agency for Development
UGC-CPC	UGC Savings and Credit Cooperative
PoDE	Enterprise Development Project
UTPIR	Rural Industrialization Promotion Unit
CFM	Mozambican Harbor and Railroad Public Corporation (Portos e Caminhos de Ferro de Moçambique)
NDC (CDN)	North Corridor Development Corporation (Corredor de Desenvolvimento de Norte)
PEP	Private Enterprise Partnership for Africa
UCODIN	Nampula Province Integrated Development and Coordination Unit
EDEL	Local Economy Development Strategy
FDI	foreign direct investment
REO	regional economic output
NDI	national direct investment
AMODER	Mozambique Association for Rural Development (Associação Moçambicana para o Desenvolvimento Rural)
IDIL	Institute for Local Industry Development
MCDDT	Mozal Community Development Trust
SME	small and medium-sized enterprises

Chapter 1: Outline of the Study

1-1 Background and Purpose of the Study

Sixteen years has passed since the civil war came to an end in Mozambique. Since then, the nation's general conditions, such as the economy and politics, have remained stable, and the international community has been paying great attention to the country. Despite the high growth rate of the economy during the last few years, however, high unemployment and low GDI per capita still make Mozambique one of the most impoverished countries.

From the viewpoint of its geography, Mozambique holds a critical position for surrounding countries that depend on it for a gateway to the ocean. Maputo, Beira, and Nacala are in important locations not only for Mozambique but for South Africa, Zimbabwe, Zambia, and Malawi. Among them, the capital city, Maputo, and the surrounding area are the biggest industrial zone and have received much foreign direct investment (FDI), including investment in megaprojects such as Mozal, which a Japanese trading company has a stake in.

Beira port is situated in the central region and provides a gateway for Zimbabwe and other countries. Zimbabwe's economic conditions have affected activities in the region recently, although it has potential for further development from the viewpoint of infrastructure and resources.

In the northern region, the port of Nacala and the corridor through Mozambique, Malawi, and Zambia are regarded as important regional infrastructure in the New Partnership for Africa's Development (NEPAD). Natural resources have also been found in the area and FDI for coal, copper, and heavy sand has been made. The northern region has great development potential for natural resources and agriculture compared to other parts of the country.

As described in the following chapter, megaprojects are the main force in the economy now, but the role of small and medium-sized enterprises (SMEs) is also quite important, and revitalization of the local economy is a critical issue in the medium and long term. Accordingly, at the development assistance policy dialogue held in March 2007, both governments recognized the potential and the need to solve the regional development gap in the country, and they agreed to place priority on regional development.

In accordance with this understanding, the Japan International Cooperation Agency (JICA), which is an affiliate organization of the Japanese government and has the role of implementing technical assistance in ODA, conducted a study from 2006 to 2007 on the feasibility of rehabilitating the road in the Nacala corridor. In the study, regional development was considered as one important element of the scope of the work, and a *Michinoeki*¹ project was undertaken and has been transferred to the Mozambican side.

In the meantime, JICA has little experience in the field of industrial development in Mozambique. Therefore, this study was planned and conducted to collect various data and information for further consideration of future cooperation.

¹ *Michinoeki* means a roadside station for drivers and passengers that has a shop, rest facilities, and a kiosk for the community.

1-2 Members

	Name	Role	Affiliation
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1-3 Schedule

See ANNEX (p. 155).

Chapter 2: Summary of the Study

2-1 Industrial Development in Mozambique

2-1-1 Structure of industrial promotion policy

The Government Program for 2005–2009, a five-year program, is listed at the top of the government's development policy. The Action Plan for the Reduction of Absolute Poverty (PARPA II 2006–2009) follows, and the Sectoral and Provincial Strategic Plan is listed third. These plans and strategies have a logical consistency, and detailed analysis and action plans based on these policies can be found at the provincial level.

In the five-year program, three components are stipulated as important issues: human and social development, good governance, and economic development. Among them, targets emphasized in economic development are SME development, relevant laws and regulations, utilization of locally available resources, human resource development, and strengthening of financial support. In the program, improved productivity in agriculture is specifically mentioned. This demonstrates the importance of agriculture in Mozambique.

As mentioned, the focal points of PARPA II are consistent with the five-year program. More detailed action plans, such as the establishment of one-stop shops, collaboration with private training centers, formulating an industrial promotion strategy, and a transportation network between the south and the north are described in PARPA II, but the east-west international corridor that this study focuses on does not appear.

A sectoral policy called the Industrial Policy and Strategy was approved by the ministers' council in July 2007. It shows five objectives and nine important areas, such as food, wood furniture, natural gas, and so on. Under these targets, 14 strategic vectors are described, and those vectors will lead to further development activities. Details are outlined in Chapter 4.

The establishment of the Micro, Small, and Medium Institute can be raised as a noteworthy action plan. The institute aims to provide several services for SMEs in one body, such as training, consulting, and financing through the integration of existing institutions and sections. The Strategy for Development of Micro, Small, and Medium Enterprises also recommends that a credit guarantee institute be established in order to strengthen financing capabilities, including microfinancing.

2-1-2 The Japanese government's assistance policy

Rural development and economic advancement were recognized and agreed on as top priorities in development cooperation at the policy dialogue between the two governments in March 2007, along with human resources development and capacity and institution building in government. This top issue follows the vision in PARPA II "to maintain high average annual rates of economic growth similar to those of previous years by adopting a comprehensive and inclusive model in order to improve living conditions, the well-being of our citizens, and to reduce poverty," and the Japanese government's development initiative to alleviate poverty through economic development.

In Mozambique, about 80% of the labor force is engaged in the agricultural sector, and dependency on agriculture is typical in rural areas. The agricultural sector is therefore highlighted in PARPA II, especially regarding the improvement of productivity. With the growth of agriculture, it points out that

revitalization and strengthening of industry through human resources development and infrastructure development are important issues to achieve medium and long-term economic growth.

Moreover, in terms of institutions, the Ministry of Industry and Commerce has created the Agro-processing Technical Unit and the Rural Industrialization Promotion Unit to promote product processing and mechanization in agriculture. Accordingly, it can be said that agriculture is a key sector among development issues even in terms of industrial development in the country.

2-2 Development in Economic Corridors

The concept of economic corridors came from an argument among the members of the Southern African Development Community (SADC). There are several corridors in Mozambique, such as the Maputo corridor to South Africa, the Beira corridor to Zimbabwe, and the Mtwara corridor to Tanzania, Malawi, and Zambia. Among those, this study was conducted to find facts mainly in the Nacala corridor area as well as the Maputo and Beira corridors. Unfortunately a spatial development plan and program from the viewpoint of economic corridors could not be found despite the abovementioned regional initiative.

In the meantime, agriculture is the main industry throughout the country, and its development and revitalization along with the development of tourism and mining will be a key issue for boosting regional economies. A summary of findings on each corridor area follows, and a detailed analysis can be found in the following chapters.

It is understood that the current Nacala corridor means railroad transportation, which operates from the port of Nacala to Malawi. However, due to the limited operations of only two or three trains a day and the poor condition of facilities, freight has frequently become stranded. The road network is not in good condition either. Roads are paved only between Nacala and Numpula, about 197 km, and the approximately 500 km from Numpula to the Malawi border have not yet been paved. Even four-wheel-drive vehicles are easily stuck in muddy conditions during the rainy season, to say nothing of heavy-duty trucks. JICA conducted a feasibility study on upgrading the Nampula-Cuamba road from 2006 to 2007. After completion of road upgrading, logistics and regional transportation will shift from the railroad to the road. Along the corridor, commercial products such as cotton, tobacco, and tea are produced and make up a large portion of the regional economy. Improvement of road conditions has a significant impact on such industries.

From another viewpoint, an irrigation scheme on government-owned land should be considered for agricultural development.

Logistics have been mobilized along the Maputo corridor to South Africa. The corridor has excellent infrastructure and an industrial park. The Mozal megaproject is spotlighted as a driving force of the regional economy. The megaproject definitely encourages and enhances affiliate companies in the surrounding area, and they provide a variety of services to the project. However, it does not have an affect throughout the corridor, and there is a lot of unutilized space along it. According to interviews with private companies, the current function of the corridor is limited only to freight from South Africa headed to the port in Mozambique, and it provides very little benefit to local industry. Additionally, a Maputo Province development plan has the characteristic of promoting affiliate industries and collaborations with corporate social responsibility (CSR) in addition to agro-processing, fisheries, and promoting tourism.

Due to the economic situation in Zimbabwe, logistics in the Beira corridor are comparatively in recession. However, the infrastructure has been maintained, and several industries, such as textiles and

mineral water, are located there. A development plan in Sofala Province dealt with development of agriculture, agro-processing, tourism, and mining.

2-3 Potential for Technical Assistance from Japan

Domestic industry is in a severe situation because of the regional political and economic environment. SADC member countries approved a free-trade agreement to begin from 2008, and therefore Mozambique will receive more finished products made in neighboring countries, which will impact immature domestic industries. The following points should be considered for future technical assistance from the Japanese side.

1. Clear output and methodology

Each plan must be clear and concrete to secure consistency with development policy and strategy both at the national and the provincial level, in order for nationals of both countries to understand the plans clearly.

(a) Choose a potential industry

Agriculture

Cashew nuts (the current main export product), maize (exported to Malawi), tobacco, sesame (exported to Tanzania), stock farming, peanuts, timber (99% of felling concessions are with foreign companies), cotton (raw material is exported), fruit, basket weaving

Fisheries

Prawns (potential locations), salt (exported to Malawi)

Industry

Engineering (potential for irrigation projects), auto mechanics, biofuels (from *Jatropha* plants)

(b) Comprehensive approaches, from planning to income generation

All modalities should be considered when designing detailed plans. Several organizations, namely the Japan Export Promotion Organization (human resources development in export management; marketing), the Asia Productivity Organization, and the Japan Productivity Center for Socio-Economic Development (productivity improvement), and the Association for Overseas Technical Scholarship (human resources development on a business basis), are raised as corresponding organizations in Japan in addition to JICA, and they are expected to be involved in activities at several phases, such as fact-finding, formulating solutions, institutionalization, financing, marketing, and human resources development.

2. Key personnel and institutions

It is essential that collaborative partners should have a strong commitment and willingness to change the situation. In particular, key personnel must be secured to lead a plan in the proper direction. During the study, ACIANA, IPEX, and the Chamber of Commerce were recommended as potential partners.

3. Synergistic effects with other and existing projects

It is important to formulate a regional development strategy in consideration of the Nacala road rehabilitation project, which the Japanese government will support. Japanese experts for the “one village, one product” project, which were requested in 2007, will be considered in making new plans.

During the study in Nampula it was found that 90% of vehicles in the city were Japanese, and 95% of them were in their second use. Proper maintenance is required to ensure safe driving and safety for pedestrians as well as for environmental concerns. Currently, most maintenance garages don't seem to have licenses, and most spare parts have quality limitations. Accordingly, there is a great need to train garage mechanics.

Lots of commodities and food in supermarkets come from neighboring countries; few are made in Mozambique. Apparently, the quality of packaging is different between them at first glance. Packaging skills show an immediate need for quality control and adding value in order to compete with products from other countries.

2-4 The Direction of Future Cooperation

Considering the need for support and Japanese experience and resources, the field with the highest priority and potential for support by Japan is depicted in Tables 2-1, 2-2, and 2-3. For detailed discussions explaining these points, refer to Chapters 3 to 6.

Here, a framework incorporating three different levels of business environment is used to show where the respective needs are among surrounding enterprises. Needs from the viewpoint of regional industrial promotion are shown within a framework classified by sector. They are the external-level business environment, the intermediate business environment, and internal-level management assets. The needs of each environment are determined according to the place where decisions are made. For example, in the intermediate environment, the target of policies is not within enterprises, nor is it the government that forms the external environment through laws and regulations. That is why it exists between external and internal environments.

In addition, the priority of each matter is shown with ○ and △. In cases where industrial promotion is necessary but the actions taken are not sufficient, ○ indicates high priority. Where a field has impact on industrial promotion but is not an urgent matter, or it is urgent but some other organization has already started taking action, the indicator is △. Furthermore, regarding Japanese experience, cases where Japan has enough experience and resources in addition to experience in technical transfers in other countries are marked with ○. And cases where there is enough experience but only with limited resources are marked with △.

Table 2-1 Support needs from the viewpoint of policy and the potential for JICA cooperation

Field		Needs	Points to be considered	Priority	Japanese experience	C/P
External	Organization	MSME Institute advice	Will be established, but structure of organization and support are not yet determined; nor is budget	○	△	MIC
Inter-mediate	Trade	Simplification of customs procedures	Collaboration with port authority and executing organization is necessary	○	△	MIC
Internal	Human resources	Business advisory services	Not enough support, even from donors; need to determine how knowledge extends to all regions	○	○	Province, private MIC
	Product	Strengthen processing industry	Donor support is limited to specific districts; concern about capacity of regional governments to digest standardized processing	○-△	○-△	Province, private MIC IPEX
		"One village, one product"	Need to collaborate with JICA experts	○	○	IPEX Province, private

Source: Prepared from survey results

Table 2-2 Support needs from the viewpoint of regional industry and the potential for JICA cooperation

Field	Needs	Priority	Japanese experience	C/P
Agriculture	Master plan on agricultural development for improving income (Nacala)	○	○	MA
	Irrigation development (Nacala)	○	○	MA
	Agricultural research center for products appropriate to Mozambique (Nacala)	○	○	MA
Agro-processing	Quality control, packaging, marketing, and technology improvement for agro-processing	○	△	MIC, private
	Investment promotion in port areas (Nacala, Maputo)	○	○	MIC, CPI
	Support for existing enterprises for ISO9001 and HACCP (Maputo)	○	○	MIC, private
Fisheries	Fisheries research center and technology for aquaculture (Nacala, Beira)	○	○	MF
	Cooperative establishment for fishermen and management advice, including on marketing (Nacala)	○	△	MF, fishermen
	Processing technology improvement (Nacala, Beira)	○	△	MF, private
	Construction of small-scale infrastructure like warehouses (Beira)	○	○	MF
	Construction of a public fish market (Beira)	○	△	Beira
Lumber	Sustainable wood industry development (Beira)	○	○	MA
	Wooden furniture industry development (Beira)	○	△	Provincial farmers
	Wooden handicraft industry development (Beira)			
Manufacturing	Technology skills improvement (curriculum, skills of trainers)	○	○	MEC, scholars
	Technology improvement in metal processing, machinery (Beira, Maputo)	○	○	Private
	Advice on incentives for labor-intensive industry (Beira, Maputo)	○	○	MIC, CPI
	Biofuel technology utilization of <i>Jatropha</i> , etc. (Nacala)	○	△	MIC, MA
	Supporting industry development for Mozal (Maputo)	○	○	MIC, private
Tourism	Promotion of tourism on Island of Mozambique (bridge, paved road, certification of guides, rehabilitation of historical buildings, information center)	○	△	Island of Mozambique
	Establishment of <i>Michinoeki</i> (Beira)	○	○	MT, ANE
	Vocational training in tourism (Nacala, Maputo)	○	△	MT
	Master plan for tourism development (Maputo)	○	△	MT
Mining	Survey of mineral resources (Nacala)	○	○	MMR
	Institutionalization of individual miners; technology and environment education (Nacala)	○	△	MMR villagers
	Tourism promotion in mining areas (Nacala)			
Retail	Sanitation improvement of supermarkets and general stores (Maputo)	○	△	Province
	Introduction of low-interest financing for retailers (Maputo)	○	○	MIC

Source: Prepared from survey results

Table 2-3 Support needs from the viewpoint of the private sector and the potential for JICA cooperation

Field		Needs	Points to be considered	Priority	Japanese experience	C/P
Inter-mediate	Supply/market chain	Processing of domestic agro-products	Need to scrutinize development study	○	△	Provincial CTA
		Wood processing	“One village, one product” for wooden furniture	○	△	Province, private
	Resource	Aquaculture	An expert would be suitable	○	○	MA
Internal	Human resources	Manufacturing technology and skills training	Training through industrial association is necessary	○	○	CTA
	Technology	INNOQ capacity development	Government has started reconsidering importance	○	○	MIC INNOQ

Source: Prepared from survey results

A matter common to the three different viewpoints in the results above is the strengthening of processing in agriculture, fisheries, and forestry. It is necessary to include fields such as the promotion of the machine sector and improvement in quality control know-how on this issue because they are closely related to the processing-quality industry. In addition, tourism and mining are industries with large support needs. Based on the results above, possible cooperative scenarios have been derived and are shown in Table 2-4.

Table 2-4 Cooperation scenarios in Mozambique

	Field	Region	Counterpart	Target
1	Strengthening processing industry (agro, lumber, fisheries)	Nacala corridor	Nampula Province (districts) MIC, IPEX, private org.	Processing company or cooperative; villagers
2	Tourism promotion	Island of Mozambique–Nacala	Ministry of Tourism, Nampula Province (districts), NGO	Villagers, shops, hotels, restaurants
3	Mining promotion	Nacala or Beira corridor	Ministry of Mining and Natural Resources, provinces (districts)	Villagers
Other	MSME Institute support	Maputo	MSME Institute (MIC)	MSME
	Expediting customs procedures	Maputo, etc.	MIC, Ministry of Finance, port authority or company	Exporters, importers
	Biofuel development	Nacala or Beira corridor	Ministry of Agriculture, MIC, provinces (districts)	Villagers, enterprises
	“One village, one product” promotion	All provinces	Ministry of Industry and Trade, IPEX, provinces	Villagers, MSME

Source: Prepared from survey results

2-4-1 Strengthening the processing industry

Scenario 1 is to strengthen the commodity-processing process, which almost all entities—central government, local governments, and private associations—emphasize. The commodities included here are agricultural products, lumber, and fisheries. Although many donors have already supported this field, support is limited to a specific commodity by specific producers in one district of one province.

Therefore, provincial governments consider it not to be the kind of cooperative venture that people in the province can utilize widely. The Local Economic Development Strategy (EDEL) is being prepared in Nampula Province, and one of the important pillars of the strategy will be access to domestic and foreign markets by regional enterprises. It is expected that the standardization of processing, which includes identification of the commodity, production, and sales, should be done first, and then the extension of such standardized knowledge will be needed. The reason why Nampula Province was selected for this attempt is that they not only believe it is needed but they have considered what should be done and have tried to include it in their policies.

More concretely, it is possible to have activity at two stages utilizing the JICA development study scheme. Phase 1 is the standardization of skills in an overall process. This stage is not to improve the technology itself but to improve the managerial skills of the entire process, which even includes a grasp of market needs and sales. Standardization of skills and the preparation of a manual for training local agency staff who will also execute management advice and training courses will be done simultaneously. Although the province and districts are the direct counterparts in this project, there is concern about the capacity of local government staff regarding these skills to enlarge knowledge to the province overall due to the fact that they do not directly provide management advice. Hence for local government staff it is recommended to provide advice on the overall management of policy implementation and collaboration among related organizations.

Next, Phase 2 is carrying out the model diagnostic training course, which includes developing the methodology of the new product (value-added new processing), processing technology, quality control (introduction of management tools, 5S practice, etc.), as a pilot project targeting enterprises and cooperatives. Enterprises that want to participate will receive diagnostic and advisory services from staff trained in Phase 1. Furthermore, enterprises and cooperatives have the opportunity to get connected with other sectors, including the sector that supplies the processing machinery, so that they can form a cluster.

Also, Phase 2 supports sales promotion by connecting shopping centers from, for example, South Africa by organizing a kind of trade fair from the opposite side. This makes it possible for processing enterprises to set clear goals as to what kind of products they should produce to be purchased by major distributors.

Lastly, the success and failure cases from the above phases will be analyzed and discussed in a final report. If the enterprises analyzed agree to disseminate the information, it will be reported in a workshop to extend the knowledge to the province overall.

If an expert on “one village, one product” is dispatched separately, it is possible to work cooperatively with the expert by utilizing his or her information in selecting sectors and enterprises as model organizations. Fig. 2-1 shows the overall actions in a project with the operations and processes necessary to produce processed products. Solid lines indicate the main actions to be improved through the pilot project.

2-4-2 Promotion of tourism

Scenario 2 is the promotion of tourism. In Mozambique, there are undeveloped beaches along the extensive coastline. Many of them have potential as tourist destinations, with beautiful coral reefs. In many areas, however, those potential resources are not fully utilized due to the lack of road infrastructure, tourism facilities, and so on, although there is a case in Nacala where a tourist complex has been developed through private investment.

Especially on the Island of Mozambique, which is the origin of the country's name and has been listed by UNESCO as a World Heritage Site, there are many historic buildings from the colonial era, when it was the capital city in 17th century. It is a typical tourism resource with great potential. On the other hand, there are ruins that have not been maintained well and need to be rehabilitated. Construction of infrastructure, like paved roads, a bridge connecting the island to the continent, and facilities for tourists are necessary as well. There is a lack of decent hotels for tourists from foreign countries. It is an area where a comprehensive tourism development plan is necessary. Also, donors have not done much yet on this island, and it is possible to differentiate support from Japan by working on these matters.

Concretely, one idea for a cooperative venture is the master plan for tourism promotion through the scheme of a development study on the Island of Mozambique. Among the action plans which will be included in this master plan are restoration of ruins, repair of cobblestone pavements, licensing for tourist guides, establishing an information center, etc. Since it is about 50 km from the Nacala corridor, widening of the road from the corridor to the island is also needed. In addition, it is important to train human resources who work in this industry. It is necessary to upgrade the level of quality of services, with the perspective that tourism development is competitive among nations.

2-4-3 Promotion of mining

Concerning the development of mining in Scenario 3, various mineral resources are produced in many places. Among these, Nampula Province is one area with potential, with the example of a heavy-sand project at Moma. But the actual amounts of mineral resources are not yet known due to the lack of a thorough survey. Hence the need for such an investigation is high.

In addition, there are many primitive mining operations by private traders at the farming village level. The gold and jewels extracted are sold directly to processors or exporters. For example, craftsmen make gold jewelry and sell it in the Nampula municipality. Although their scale is small, they have the potential to become a local specialty industry with improvement in purity, processing technology, and design. The industry can be developed by introducing "one village, one product" activities. Also, one idea for development is to set up the area itself as a kind of theme park where tourists can enjoy trying the jewelry-making process.

Furthermore, since there are concerns about child labor and farm-work abandonment in the mining industry, it is necessary to pay close attention to these issues.

2-4-4 Others

1. MSME Institute support

The Micro, Small, and Medium Enterprise Institute is a governmental organization that is supposed to be established in 2008. Its establishment has already been decided on, but the form of the organization with regard to management methods and structures is still at the concept-formulation stage. Hence there are many unknowns, and it could change in any way according to the ideas of high-ranking staff, board members, or the donors who support it. In addition, there is concern about the capability of the staff and whether they can carry out the functions expected of them. Therefore, by sending an advisory-type JICA expert to this new organization, it will be possible to advise them on their direction and to improve staff capability simultaneously.

2. Expediting customs procedures

As discussed in Chapter 4, crossborder transactions and the speed of customs procedures are evaluated as poor. On one hand, the number of containers handled at the port of Nacala is 44 per hour, a world record (*Investir Magazine*, Aug.–Sept. 2007). Similarly, there are both positive and negative elements. It is important to solve the negative points and focus on the positive points to appeal to potential investors.

In concrete terms, not only customs clearance but the whole process required for trade at the border needs to be expedited through a project. As pillars of activity, there can be a procedures system improvement (trade procedures rule book, electronic procedures, providing information through the Internet); administrative human resources training (compiling a manual, etc.); collaboration among related organizations; guaranteed transparency (monitoring, electronic procedures, staff training, disclosure of legal and cost information through the Internet).

3. Biofuel development utilizing *Jatropha*

In Mozambique, there is a movement called “one *Jatropha* by one pupil in one year.” Similarly, the interest regarding biofuels is very high. But, biofuel manufacturing technology using *Jatropha* and similar plants is still low, and the need for technology transfer in this field is high. Japan does not necessarily have long experience in this area, but it is worth considering how to cooperate in this field since it is closely related to energy problems for micro, small, and medium-sized enterprises at the district level.

4. One Village One Product

With support from Proudly South African of South Africa, a certification system has just started for goods made in Mozambique, and 39 enterprises have been certified so far. With this system, affiliated ministries work closely and establish examination systems, such as for aspects of hygiene. Because the system has just begun, only major enterprises such as mCel and Mozambique Air are certified; hence it is necessary to consider how to extend certification to the small-business level in the regions. In addition, the present system has put emphasis on enhancing domestic consumption, and it might be necessary to restructure it in cases where it is used to promote exports in the near future. Advice from a JICA expert on these matters would be useful.

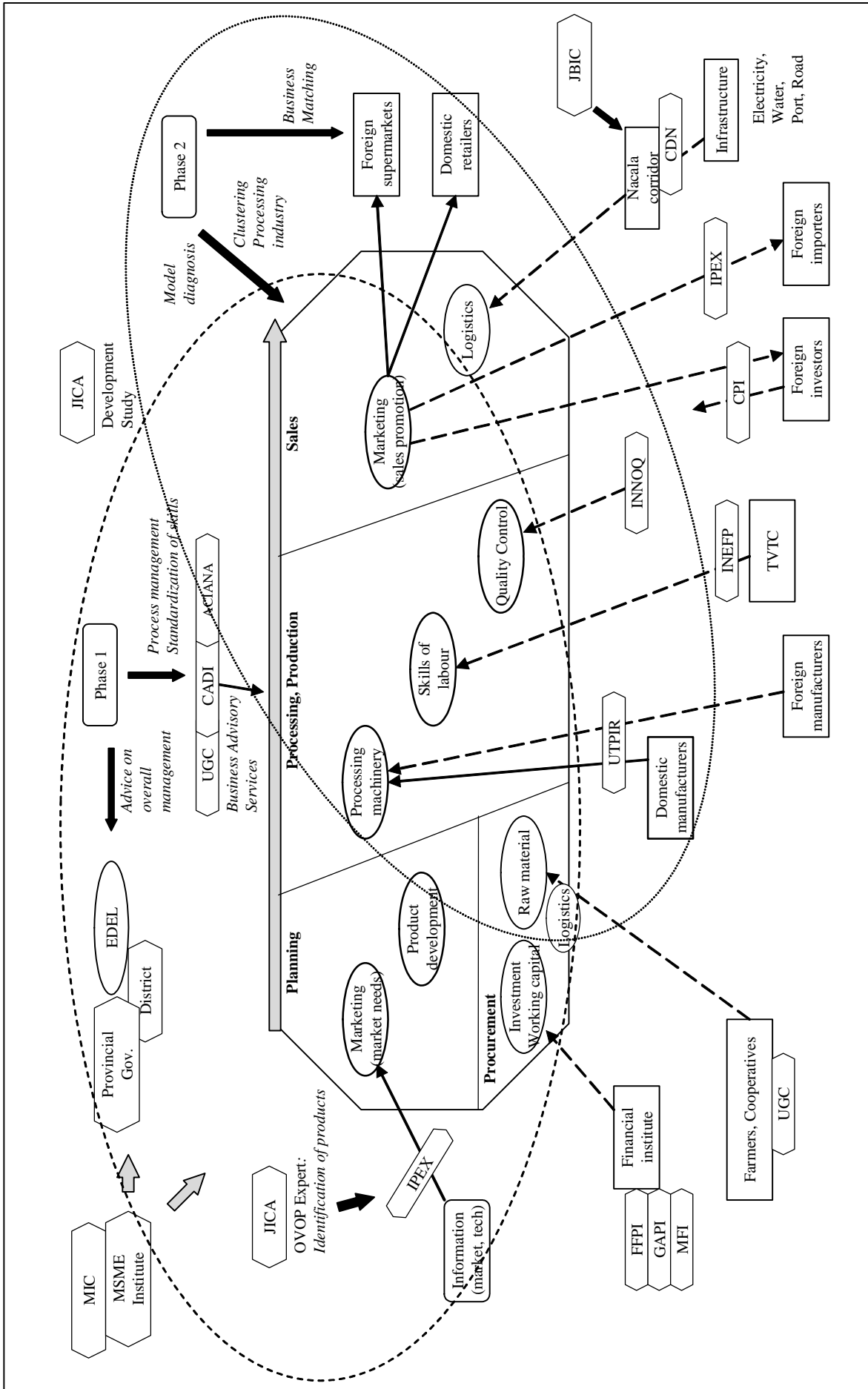


Fig. 2-1 Scenario 1: Support for the processing industry in Nampula Province

Chapter 3: General Characteristics of Industry in Mozambique

3-1 Economy, Trade

3-1-1 Economic conditions

1. The macro economy

Major macroeconomic indexes are shown in Table 3-1. Economic growth indicated by the GDP growth rate in the last years in Mozambique is greater than expected, consistently over 7% and sometimes more than 10% since 1998, except for 2000 when massive fraud hit the country. As a result, the GDP doubled in less than 10 years, from about US\$3.5 billion in 1997 to US\$7 billion in 2006 (calculated from the *INE Statistics Yearbook* 1998 and 2006). Although the rate of growth in the last two years is not as rapid as before, GDP per capita has also grown constantly and reached US\$350 in 2006 with a growth rate of more than 4%. Purchasing power parity per capita has grown faster than GDP per capita and marked 7% growth in 2006, reaching over US\$2,000.

Good economic growth conditions have been realized with the existence of megaprojects (MPs). For example, the export rate from MPs dominates, at 74% of exports in 2005. It contributed more than 22% of the country's GDP. US\$440 million, nearly half of the US\$900 million increase in GDP, was brought by MPs in 2005 (calculated from INE and CPI figures). On the other hand, the GDP ratio of exports not including MPs decreased 0.5% in 2005 compared with the previous year. This kind of negative situation in domestic industry outside MPs is problematic despite high GDP growth. Furthermore, the GDP ratio of imports not including raw materials, which are mainly by MPs and dominate imports, has an increasing tendency.

In addition, as discussed in Chapter 4, MPs are considered organizations that offer business opportunities to small and medium-sized enterprises in the area. Hence the contribution by MPs to GDP can be much larger, although it is not differentiated in statistics.

Next, as for the current account, it is in the negative. However, the GDP ratio with grants included improved to 0.7% in 2006 from 8% 2002. On the contrary, when grants are not included, it fluctuated somewhere around -11% to -14% between 2003 and 2006 and does not show clear improvement. The good thing is that the GDP ratio of medium and long-term debt decreased from 60% to less than 1% with a waiver of debt obligation. Also, short-term debt decreased from 30% to 6% in 2006. Surprisingly enough, the government of Mozambique has increased repayment of the public debt every year, including the interest amount (more than US\$60 million per year), after the waiver of debt obligation. This can be perceived as honest action by the government of Mozambique. For reference, ODA has increased steadily from US\$870 million in 2000 to approximately US\$1.3 billion in 2005 (World Development Indicators Database). This accounts for almost 20% of GDP for that year.

With regard to investment, the GDP ratio of investment in the country has decreased from nearly 30% in 2002 and 2003 to a level under 20% in 2005. Simultaneously, the GDP ratio of gross capital formation in 2004–2006 stabilized at approximately 20%, lower than the 27% in 2003, and the flow of foreign direct investment also stagnated in 2006. Consequently the concern is that the speed of GDP growth will slow in the near future.

As for the inflation rate, it stabilized at a somewhat high level of approximately 13%, except for 2005. It is difficult to apply policies to lower inflation, considering the fact that future GDP growth can be slowed. Hence it is possible that the present level of inflation will continue.

Table 3-1 Major macroeconomic indicators

	2002	2003	2004	2005	2006
Population (thousands)	18,078	18,514	18,962	19,420	19,889
GDP (billions of current MZM)	96.9	113.9	128.7	151.7	173.6
GDP (billions of current US\$)	4.1	4.8	5.1	6.8	7.7
GDP growth (annual %)	8.2	7.9	7.9	8.4	8.0
GDP per capita (current US\$)	231	264	305	335	349
GDP per capita growth (annual %)	–	14.3	15.5	9.8	4.2
PPP per capita (US\$)	1,538	1,608	1,750	1,940	2,089
PPP per capita growth (annual %)	–	4.6	8.8	10.9	7.7
Export of goods and services (% of GDP)	23.9	25.4	29.8	30.5	29.2
Exports by megaprojects (% of Export)	64.3	65.2	72.2	74.0	–
Export of goods and services excluding MPs (% of GDP)	8.5	8.8	8.3	7.8	–
Import of goods and services (% of GDP)	27.2	33.2	47.3	44.4	43.1
Imports by MPs (% of Export)	31.9	18.0	16.0	21.3	-
Import of goods and services excluding MPs (% of GDP)	18.5	27.2	39.7	34.9	-
Current account balance excluding grants (% of GDP)	-17.7	-12.8	-11.5	-12.6	-13.8
Current account balance including grants (% of GDP)	-8.1	-3.6	-4.8	-4.7	-0.7
Medium and long-term debt (millions of US\$)	586.2	585.5	494.9	3.0	2.8
Medium and long-term debt (% of GDP)	64.2	64.6	1.41	0.8	0.7
Short-term debt (millions of US\$)	200.1	209.1	199.3	159.6	10.2
Short-term debt (% of GDP)	31.1	33.6	25.5	28.3	6.0
Public debt payment + interest (year-end millions of US\$)	42.8	49.6	57.9	68.2	61.9
Gross domestic investment (% of GDP)	29.8	27.4	18.6	18.7	19.3
Gross capital formation (% of GDP)	-	27.4	22.6	19.4	21.5
FDI net inflow (millions of current US\$)	-	-	124	164	162
Inflation rate (annual average %)	16.8	13.4	12.6	6.4	13.2
Exchange rate (MZM/US\$ average, end of period)	23.343	23.353	18.991	23.675	25.970
Unemployment rate (%)				18.7	
Monthly minimum wage (MZM)	893.6	981.0	1,120.3	1,277.1	1,443.2

Note: MZM before 2004 are figures before redenomination, and are shown without 3 digits for comparison purposes.

Source: National Statistics Institute (INE); Investment Promotion Center; IMF; World Development Indicators Database

In addition, the unemployment rate was 18.7% in 2005 (all numbers in this paragraph are from INE). In Mozambique the population ratio of those of production age, over age 15, is 49.9%, and excluding disabled people among them is 91.8%; hence approximately 8.9 million officially have jobs. Since approximately 1.66 million people are registered as unemployed, the goal of the Ministry of Labor to create 1 million jobs by 2015 means a 14% increase of the number of people employed, or a decrease in the number of people unemployed by two thirds. As seen in Table 3-2, the lower the age is, the greater the unemployment rate is.

Table 3-2 Unemployment rate among the younger generation (2005)

Unit: %

Age range	Overall	Urban	Rural
15–19	36.8	56.8 (M 53.4, F 60.1)	26.4
20–24	27.2	45.1	16.6
25–29	19.6	30.9	14.0

Source: National Statistics Institute (INE)

Evaluations by ratings agencies are also a good reference point to see risk levels for the economy of a particular country. According to Standard & Poor's sovereign local currency rating, Mozambique is a B, the same as Madagascar, Mali, Burkina Faso, and Cameroon in Africa. This is lower than South Africa (A+), Nigeria (BB), Kenya (BB–), Ghana (B+), and Senegal (B+), and only Lebanon (B–) in the Middle East is lower than Mozambique among 117 countries and regions (Zimbabwe and Malawi are not rated). For comparison, the lowest-rated countries in Asia are Mongolia and Cambodia, but at B+ they are rated higher than Mozambique.

2. Trade

Regarding Mozambique's balance of trade, shown in Table 3-3, exports were US\$2.38 billion while imports reached US\$2.87 billion in 2006. Although the trade deficit of US\$500 million decreased by more than US\$150 million compared with the previous year, there was no change in the negative trade structure. The reason unrefined metals occupied 60% of exports is that aluminum exports from Mozal were extremely large. For the domestic manufacturing industry not directly related with MPs, the largest were food, beverages, and tobacco, which in 2006 marked a 2.6-times larger export volume than the previous year and reached almost 10% of exports, followed by livestock with 5% less and vegetables with 2%. In addition, wood processing, considered as important as food processing in industrial policy, occupied only 1.5%.

For imports, mineral resources, machines/electrical machinery, and transport equipment accounted for over 10% in 2006, followed by vegetables at a ratio of 7% or more. Besides mineral resources, imports which have increased most in actual volume over three years are transport equipment and machines/electrical machinery. Machines/electrical machinery saw 15% growth in 2005 and 2006.

As seen in Table 3-4, in 2006 the Netherlands suddenly occupied nearly 60% of export destinations, while in 2001 it was only 1%. This is because Mozal started exporting the whole aluminum it produces through the Netherlands. When the export ratio is calculated excluding the Netherlands, South Africa is in first place with a 37% export share, as well as being first in imports. Concerning Zimbabwe, export share increased from 5.3% in 2001 to 7.9% in 2006. Many whites who had been doing business in Zimbabwe fled to neighboring countries, and domestic industry grew stagnant. As a result, exports from Mozambique increased conversely. Furthermore, the United Arab Emirates occupies 2% of imports and is establishing the same kind of positioning that China has created.

Table 3-3 Exports and imports

Unit: millions of US\$

	2004		2005		2006			
	Export	Import	Export	Import	Export	%	Import	%
Total	1,503.7	2,034.7	1,745.0	2,408.3	2,381.1	100	2,869.3	100
Live animals and products	105.3	43.8	85.6	60.2	97.5	4.1	73.6	2.6
Vegetables	54.9	159.5	65.2	193.6	69.1	2.9	212.0	7.4
Animal and vegetable fats and oils	6.6	33.6	4.2	34.8	5.8	0.2	45.7	1.6
Food products, beverages, tobacco	79.7	59.8	86.5	62.1	229.9	9.7	70.4	2.5
Mineral products	164.6	356.8	252.9	75.7	352.3	14.8	539.4	18.8
Chemicals (incl. rubber, plastic)	2.3	220.6	10.4	192.6	3.5	0.2	244.5	8.5
Leather, fur, footwear	1.3	9.9	1.0	12.8	0.9	0.0	12.0	0.4
Wood and wooden products	30.0	12.3	32.4	11.1	35.6	1.5	16.9	0.6
Pulp and paper	6.0	74.3	17.5	83.3	14.6	0.6	64.0	2.2
Textile fibers and articles	31.0	54.7	72.3	55.2	53.2	2.2	54.3	1.9
Pottery, glass	0.5	19.5	1.5	22.5	2.3	0.1	27.5	1.0
Precious stones and metals	2.1	0.1	1.1	0.2	2.7	0.1	0.2	0.0
Base metals and articles	926.7	108.5	1,052.8	124.9	1,429.6	60.0	160.0	5.6
Machinery, electrical machinery	64.1	300.3	39.2	344.5	36.0	1.5	397.7	13.9
Transport equipment	11.9	183.3	21.1	275.0	43.9	1.8	304.9	10.6
Optical, photographic instruments	2.4	68.0	1.6	35.2	2.6	0.1	42.1	1.5
Miscellaneous	0.9	329.5	0.7	824.3	1.4		604.1	21.0

Source: National Statistics Institute (INE)

Table 3-4 Main trade countries

Unit: millions of US\$

	2001		2006				
	Export	Import	Export			Import	
	%	%	Value	%	% excl. Neth.	Value	%
Netherlands	1.0	0.9	1,422.1	59.7		453.4	15.8
South Africa	15.3	40.7	361.7	15.2	37.7	1,056.2	36.8
Zimbabwe	5.3	0.8	76.1	3.2	7.9	24.2	0.8
Switzerland	–	0.3	52.6	2.2	5.5	–	–
Spain	3.8	1.9	43.5	1.8	4.5	25.3	0.9
China	0.2	2.0	32.9	1.4	3.4	76.5	2.7
India	0.5	2.4	30.2	1.3	3.1	92.1	3.2
Portugal	4.0	8.5	29.7	1.2	3.1	95.2	3.3
Germany	–	0.5	25.8	1.1	2.7	53.7	1.9
Malawi	1.7	0.1	24.7	1.0	2.6	17.7	0.6
United States	0.9	1.8	6.5	0.3	0.7	65.1	2.3
United Arab Emirates	–	1.3	3.5	0.1	0.4	59.3	2.1
Brazil	–	0.4	–	–	–	22.1	0.8
Japan	4.2	0.7	7.0	0.3	0.7	18.6	0.6

Note: "% excl. Neth." = ratio excluding the Netherlands

Source: Calculated from National Statistics Institute figures

The Southern Africa Development Community (SADC) has already decided to create a free trade zone in 2008, a customs union in 2010, and a common market in 2015. In consequence, trade with countries inside the SADC is expected to increase dramatically. Presently, due to the high tariffs on raw materials imports, domestic manufacturers can not compete with imports on price. Hence free trade is good news for industries that depend on raw materials imports from within the SADC. But for raw materials imported from outside the SADC, industries face the threat that products from neighboring countries will displace domestic products.

In addition, there is no clear indication as to whether Mozambique will benefit from the EU Cotonou agreement or the U.S. African Growth and Opportunity Act (AGOA). Considering the fact that it is mainly the textile industry that benefits from these agreements in other countries and that the Mozambican domestic textile industry has been almost displaced by Chinese products, there is no industrial bases in Mozambique to benefit from these agreements. The food industry faces other problems related to quality, such as HACCP and EU-GAP, rather than custom tariffs.

3. Investment

The flow of foreign direct investment (FDI) has increased to US\$160 million in 2005 and 2006 compared to US\$120 million in 2004. At the same time, investment from inside the country has expanded from approximately US\$40 million in 2004 and 2005 to US\$110 million in 2006. Investment by sector is shown in Table 3-5.

As for investment into Mozambique, since the existence of one large investor entirely distorts ratios and averages, it is difficult to grasp the real trend. According to 2006 figures, the average investment amount per project reached US\$1 million except for agricultural-related industries and transport/communications. The possible reason for the large average investment for agriculture could be merely a single large investment. In addition, from the abundance of cases, it is thought that agriculture-related industries is a sector that draws much attention from foreign investors.

Table 3-5 Investment by sector

Unit: millions of US\$

	2004	2006				
	Total	Total	%	No. of projects	Average	Employment
Agriculture	107.6	674.2	72.7	33	20.4	21,845
Fisheries	25.1	8.1	0.9	1	1.0	100
Mining, energy	6.7	1.0	0.1	1	1.0	16
Industry	43.6	39.8	4.3	40	1.0	3,638
Construction	5.6	7.3	0.8	10	0.7	372
Transport, communications	167.8	88.7	9.6	9	9.9	1,143
Tourism, hotels	124.8	70.0	7.6	68	1.0	2,183
Banking, financial	–	2.9	0.3	2	1.5	66
Other	31.2	35.0	3.8	19	1.8	8,480
Total		927.1	100.0	183	5.1	37,843

Source: Investment Promotion Center

Investment in tourism has also expanded, especially from South African investors. Average investment per project is approximately US\$1 million, and average employment is more than 30. That means the projects were not merely travel agencies with one office and could be new three-star hotels with 30–40 rooms. There were nearly 70 projects in 2006, and that reflects not only the high expectations of the government but a positive projection for future growth and the flow of tourists created by private investors.

As shown in Table 3-6, the constant sources of investment are three countries—South Africa, the United Kingdom, and Portugal—followed by other countries in Europe, the United States, India, and Mauritius, then countries like Malawi and Zimbabwe.

In addition, there are several incentives for investment in Mozambique, such as a 100% foreign capital entry, no limitation on dividends, time-limited reductions (10%) in income tax on agriculture, tax exemptions in the Free Zone, and tax reductions in underdeveloped areas. However, these incentives are not as attractive as in other countries that actively court investment. In addition, since investments from abroad and domestic investment are treated equally, it does not seem that Mozambique is actively preparing favorable conditions to promote FDI. In the case of MPs it is possible to negotiate investment incentives individually. International organizations like the World Bank recommend adopting this kind of favorable tax-treatment system, however, to increase tax revenue. Because of this, it is difficult to anticipate more attractive favorable treatment in the future.

Furthermore, the International Finance Corporation (IFC) has conducted its *Doing Business* survey to compare the ease of doing business every year (See Chapter 6 for details). In Mozambique great progress has been made through positive reform on three points: starting businesses, protecting investors, and enforcing contracts. On the other hand, items like dealing with licensing and trade across borders were evaluated as poor.

Table 3-6 Investment by country

Unit: millions of US\$

	2004	2005	2006	
	Total	Total	Total	No. of projects
South Africa	58.5	93.7	56.8	65
Mauritius	2.8	3.4	45.0	6
United Kingdom	13.5	27.8	21.2	13
Ireland			10.0	1
Portugal	6.4	7.3	5.8	14
Malawi	4.8		4.5	2
United States		1.5	2.6	3
India	10.2		2.3	3
Zimbabwe	4.7	9.1	1.8	7
Germany			1.7	6
Sweden		6.0		
China		5.6		
Angola		2.4		
Netherlands		1.3		
Serbia and Montenegro	5.0			
Switzerland	2.5			
Tanzania	2.2			

Source: Investment Promotion Center (CPI)

There is positive data regarding trade across borders. For example, the number of containers handled per hour at the port of Nacala is 44, which exceeds 28 at Durban and was the world record (*Investir Magazine*, Aug.–Sept. 2007). It is possible to make further progress if emphasis is placed on expediting trade procedures along with the construction of infrastructure.

3-2 Structure and Characteristics of Industry

3-2-1 Characteristics by sector

The GDP ratio of added value in Mozambican industry is shown in Table 3-7. The service industry accounts for almost 50%, agriculture 20% with a declining tendency, and mining and industry 25%–30%. It follows more or less the same pattern as in other countries with GDP per capita over US\$2,000.

Table 3-7 Added value ratio

Unit: % of GDP

	2000	2005	2006	
	Total	Total	Total	excl. nonferrous metals
Agriculture (incl. cattle breeding, fisheries)	26.1	21.7	21.7	27.4
Industry (incl. mining)	26.6	28.6	29.0	10.3
Services (incl. electricity, water, education, health, government)	47.3	49.7	49.3	62.3

Source: Calculated from World Development Indicators Database and National Statistics Institute (INE) figures

Table 3-8 Gross output by manufacturing industry

Unit: millions of MZM (current value)

	2004	2005	2006	%
Manufacturing	31,435	37,770	50,951	100.0
Crude petroleum and natural gas	1,061	2,382	3,121	6.1
Building stone, sand, clay	46	57	47	0.1
Food products and beverages	7,919	6,961	7,417	14.6
Tobacco	276	386	547	1.1
Textiles, clothing	14	213	198	0.4
Leather and footwear	11	23	20	0.0
Wood products	71	43	48	0.1
Paper, printed materials	96	339	400	0.8
Chemicals (incl. rubber, plastic)	405	418	423	0.8
Nonmetallic mineral products	1,432	1,795	2,015	4.0
Nonferrous metals	19,913	24,995	36,557	71.8
Fabricated metal products	78	35	37	0.1
Machines and equipment	10	6	6	0.0
Electrical machinery	2	0	0	0.0
Motor vehicles and trailers	2	5	4	0.0
Others	95	111	113	0.2

Note: MZM before 2004 are figures before redenomination, and are shown without 3 digits for comparison purposes.

Source: National Statistics Institute (INE)

As is seen in Table 3-8, nonferrous metals account for 71% of gross output from mining and industry, which accounts for 29% of GDP in 2006; a large portion of that is from aluminum—in other words brought only by Mozal. Therefore, when Mozal is not counted, the share of mining and industry decreases sharply to 10%. Agriculture increases by 6% while services increase substantially and exceed 60%. For comparison, another agrarian country in Africa, Ghana, has agriculture and forestry/marine products at 40% of GDP, mining and industry at 27%, services at 33% (Ghana Statistical Service, 2002). It is very rare for a heavily indebted poor country like Mozambique to have a ratio skewed toward the service industry.

Looking into the industry more deeply, food, beverages, and tobacco reach 14% after nonferrous metals. As seen in Table 3-5, it is possible that this figure will progress further within a few years with the presence of large investment in 2006. On the other hand, supporting industries such as chemicals account for less than 1%. The machine sector is also tiny, accounting for almost nothing. Whether or not it can supply inexpensive domestic machinery is a primary factor in strengthening the processing industry. But in the case of Mozambique, it is very small. Because of that, the synergy effect in the domestic manufacturing industry that brings faster growth can not be expected.

Both wood processing and construction materials are considered important sectors in industrial policy, yet they have little share in the Mozambican economy at this moment.

In addition, the textile industry, which had nearly no share in 2004, recovered drastically in 2005 and occupies 0.4% in 2006. This kind of trend is good news for promoting a sector with a low GDP ratio.

3-2-2 Current conditions of micro, small, and medium enterprises

1. Definition

The definition of micro, small, and medium-sized enterprises in Mozambique is stipulated in the Decree on Industrial Activity Registration (2003), as shown in Table 3-9. In cases where an enterprise meets all three conditions, it is considered to be in each category. There is a different definition in the Labor Law; hence conditions stated in the Labor Law should be applied in labor matters. (The Labor Law definition is discussed in Chapter 6.)

Small enterprises have under 125 employees, and medium enterprises have under 250, more or less the same as in other countries. Mozambique is unusual in categorizing by initial investment, which is already fixed and cannot be changed. Since only a company that has more than US\$10 million is considered a large enterprise, most enterprises except for MPs are included in the small and medium-sized enterprise category. Mozambique is also unique in considering potential electricity consumption as a standard. In a certain sense, electricity consumption is stated clearly in invoices for payment of electricity rates, and thus is a value that cannot be manipulated separately from the number of employees and initial investment.

Table 3-9 Definition of micro, small, and medium-sized enterprises in Mozambique

	No. of employees	Initial investment (US\$)	Electricity consumption potential (kW)
Micro	up to 24	up to 24,999	up to 9
Small	25–124	25,000–2,499,999	10–499
Medium	125–249	2,500,000–9,999,999	500–999
Large	250 and up	10,000,000 and up	1,000 and up

Source: Industrial Policy and Strategy

2. Number of enterprises and value added

The number of registered enterprises in Mozambique by size, the number of employees, and the value added is shown in Table 3-10.

The ratio of the number of enterprises and employment are averaged in comparison with other countries. The number of domestic enterprises is approximately 29,000, which is extremely low. For example, comparing the ratio of registered enterprises to the population, it is approximately 5% in Japan; 2.5% in Serbia, where a communist regime existed in the Balkans; 1.4% in Ghana, where the population is almost the same as in Mozambique; and it is only 0.15% in Mozambique. Even when the informal sector, thought to be 95% of all enterprises, is included, the figure reaches only 3%, still not high.

From a different viewpoint, this means that the number of domestic enterprises is still far from a saturated state. It is therefore possible to increase the number of enterprises if appropriate policies, such as shifting the informal sector into formal existence, are applied.

Table 3-10 Number of registered enterprises by size, employees, and value added (2004)

	Enterprises		Employment		Value added		
	No.	%	No.	%	millions of MZM	%	% of GDP
Micro	23,074	79.9	42,563	14.1	15,952,381	24.0	16.5
Small	2,779	9.6	17,586	5.8			
Medium	2,621	9.1	69,076	22.9	11,649,419	17.5	12.0
MSME Total	28,474	98.6	129,225	42.8	27,601,800	41.5	28.5
Large	396	1.4	171,920	57.1	38,842,454	58.5	40.1
Total	28,870	100.0	301,145	100.0	66,444,254	100.0	68.6

Note: Value added amount is from 2003; others figures from 2004.

Source: Strategy for Development of Small and Medium Enterprises

3-3 Problems in Industrial Development

Topics on industrial promotion that can be considered in Mozambican macroeconomic general conditions and general data on industry have been discussed above. Critical items are summarized in Table 3-11. Because circumstances such as policy and industry are discussed in detail in Chapter 4, only topics inferred from general data are discussed here.

First, it is widely known that the Mozambican economy depends excessively on MPs. Easing this situation is a long-term challenge for the country. To solve this problem it will be necessary to make domestic industry more vivid and upgrade it. Upgraded industrial structure means that many sectors exist on a certain scale and of a certain quality, that the synergistic effect of several sectors bringing more than the accumulation of a single sector can be seen, and that growth in a certain sector is recognized as contributing to the further growth of other sectors.

For example, in Mozambique, the chemical and metal processing sector has little share in industry at the moment, and various components and parts are only available through import. This attempt would try to supply basic parts in the country. In addition, the supply of machinery used in agriculture or agricultural commodity processing that is produced inexpensively by domestic manufacturers is the key to developing processing in Mozambique.

Table 3-11 Problems in industrial development

Long term
<ul style="list-style-type: none"> • Ease of excessive dependence on MPs • Industrial structure diversified by the extended manufacturing sector and constant investment • Increase in the number of enterprises
Medium term
<ul style="list-style-type: none"> • Investment incentives and solving conflict through recommendations from international organizations • Quality improvement (HACCP, EU-GAP)
Short term
<ul style="list-style-type: none"> • Simplified licensing procedures • Expedited customs clearance

Source: From survey results

Under the present conditions, where the number of domestic enterprises is extremely small, there is a limit to industrial development. Therefore it is thought that a policy to increase the number of enterprises is necessary.

Regarding medium-term challenges, execution of investment-favorable treatment is indispensable because Mozambique is not attractive compared to other countries. Yet this concerns a conflict with recommendations from international organizations. Because of that, a point of compromise should be discovered, and different kinds of incentives should be created.

In addition, tariffs will consecutively be reduced within the SADC. Although tariffs will disappear, barriers in quality will continue to exist. Typical barriers are HACCP and EU-GAP. In order for domestic enterprises to transcend such barriers, it is necessary to consolidate support for them.

In the short run, there are problems to be solved, such as simplifying the license provision procedure and expediting customs procedures. Investors make decisions after analyzing medium and long-term influences with various primary factors, but at the same time they anticipate positive results based on only one or two symbolic changes. Therefore it is possible to shift their attention in a better direction in cases like making progress in the IFC's *Doing Business* report.

Chapter 4: The Government's Industrial Promotion Policy

4-1 Current Policy, Laws, and Regulations for Industrial Promotion

4-1-1 Medium-term development policy framework

Before scrutinizing the policy for industrial promotion, the basic policy that forms the backbone of any such policy should be considered. The government of Mozambique has approved various policies with a time span of 1–5 years. Fig. 4-1 shows the positioning of major policies, with the policy below having been prepared in line with the policy above. That means the government's five-year program is superior to the poverty reduction strategy paper, the Action Plan for the Reduction of Absolute Poverty.

Industrial Policy and Small and Medium-sized Enterprise Policy are among the Sectoral and Provincial Strategic Plans, hence they follow the idea of the government's five-year program and the poverty reduction strategy paper. Concerning the consistency of each policy paper, the Ministry of Planning and Development (MPD) examines plans made by relevant ministries. Additionally, counsellors dispatched from the central government to the provinces check on the development program of each province, and they are finalized with the approval of the MPD.

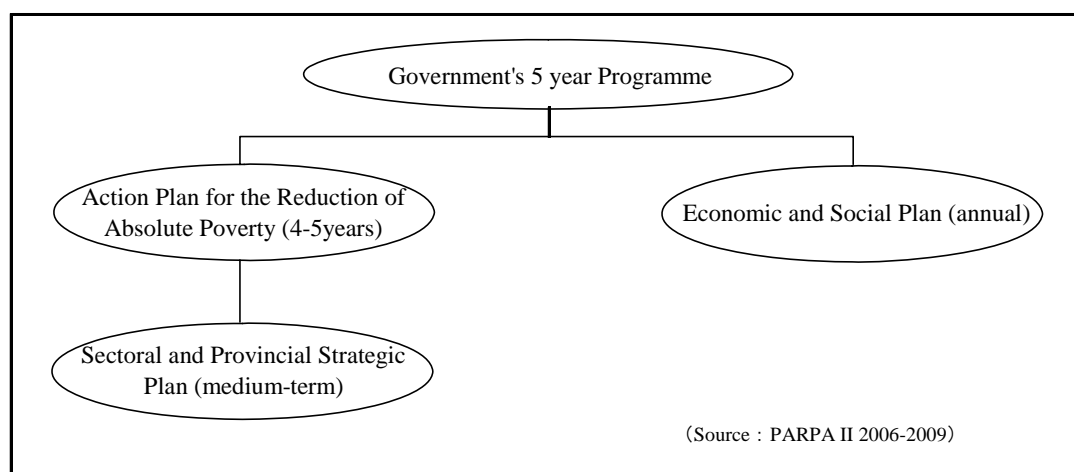


Fig. 4-1 Position of major policies

1. The government's program for 2005–2009

The Government Program for 2005–2009, a five-year program, was approved in March 2005 by the Council of Ministers and is the basic policy backbone of the various domestic policy papers up to 2009. As its basic framework, it sets out three important pillars: human resources and social development, governance, and economic development. The basic purpose of development is to work for the poor in the regions. Crosscutting issues, such as the role of the nation, relationships with donors, and gender are also added to the main pillars. Each issue is divided into several detailed fields, and then purposes and actions are described for each field. The detailed fields included in the three important pillars are shown in Table 4-1.

Table 4-1 Important pillars of the Government Program and the fields covered

Human and social development
Population, education, science and technology, and Innovation Health, access to water, sanitation, and habitation Women, family and social action, culture, religion, sports, youth National Freedom Fighters
Good governance (including institutional development, legality, and justice)
Reform of the public sector and the justice sector Order, public security, and fighting crime
Economic development
Macroeconomic environment International trade and regional integration Development of entrepreneurship Employment promotion and professional skills Agriculture, stock farming, fisheries, forests and wildlife, rural development Industry, commerce, construction, transportation and communications, tourism Mineral resources, infrastructure development

Source: Government Program for 2005–2009

Issues related to industrial promotion are part of the economic development pillar. The direction of economic development is summarized in Table 4-2.

The Nacala railroad, which is in the category of infrastructure, means the Nacala corridor in this document, but the road is not included. It is possible that the construction of a road network originating in Nampula means the road in the Nacala corridor, but that is not clearly stated. The National Roads Administration (ANE) announced that it is introducing a participation process based on a partnership with local governments as part of road reform. In this case, narrow roads are included, but the road in the Government Program does not necessarily mean the main road in the corridor. As a conclusion, the concept of the corridor itself is included in fundamental government policy. Yet it is not clear whether the Nacala corridor is included. The same goes for the Beira corridor and the Maputo corridor.

Purposes and actions in the field of industrial development are shown in Table 4-3. Considering the action plans included, there is a tendency to pay much attention to revitalizing small and medium-sized enterprises (SMEs) by fully utilizing resources in the regions. In addition, the road network of major cities in the Nacala corridor and the Beira corridor are discussed, but again it is not clear whether it means the corridor road itself. Concerning the corridor, it may refer to the rehabilitation of railroads that already exist.

The Government Program for 2005–2009 does not include any numerical targets, hence it is difficult to see to what extent each area is expected to grow.

Table 4-2 Direction of economic development in the Government Program

Macro economy
Fiscal policy: stabilization and appropriate management with an increase in tax revenue Financial policy and exchange rates: low inflation and stable exchange rates, etc. Financial system reform: revitalize financial markets, SME financing, etc.
Industrial promotion
Amendment of the commercial code, Labor Law, law on industrial property rights Public-private partnership enhancement Promotion of sectoral associations Promotion of small and medium-sized enterprises Strengthening financing Promotion of foreign investment Productivity improvement in agro-industry Utilization of resources in the regions: agriculture, forestry, water, livestock, etc. Fisheries promotion: aquaculture Trade policy to enhance domestic enterprises' access to foreign markets Increase in credit for domestic economic entities Restructuring resources for tourism promotion Increasing small and medium-sized enterprises entering mining
Human resources development
Fostering entrepreneurship Human resources development for the needs of the business community Mobilization of the labor market
Infrastructure
Construction of a road network with Maputo, Nampula, Beira, and Tete as focal points Rehabilitation of railroads and ports in Nacala, Ressano-Garcia, Goba, and Limpopo

Source: Government Program for 2005–2009

Table 4-3 Industrial promotion in the Government Program

Purpose	Action
Increase value added in the nation	Formulate industrial policy and strategy Formulate policy to improve quality
Efficient use of agriculture, livestock, forestry, mining, and energy	Revitalize textiles, machinery, agriculture Formulate promotion policy by subsector (food, chemicals, etc.)
MSME development with local resources Increase consumer goods Increase products	MSME development with local resources Licensing system reform Simplify licensing procedures
Increase industrial human resources	–
Development of lands with three corridors	Industrial promotion along the three corridors
Modernization of the Free Zone	Construction in the Free Zone
Decrease intermediate goods imports and promote exports	Implementation and monitoring of SADC protocols
Protect industrial properties	Formulate policy and laws protecting industrial properties Prepare incentives to use industrial properties
Monitor privatization	–
Protect the environment	Prevent pollution from industrial promotion

Source: Based on the Government Program for 2005–2009

2. Action Plan for the Reduction of Absolute Poverty (PARPA)

The poverty reduction strategy paper in Mozambique is called the Action Plan for the Reduction of Absolute Poverty (PARPA), and currently PARPA II for 2006–2009 is in effect. In this section the contents of PARPA I for 2001–2005, approved in April 2001, are examined first, then PARPA II is considered to enable comparison of the two plans.

(a) PARPA 2001–2005

PARPA 2001–2005 (PARPA I), the first poverty reduction strategy paper in Mozambique, was approved by the national assembly in April 2001. It states as its vision, “While achieving annual GDP growth of 8%, economic development from which the poor also benefit will be achieved.” Along with this vision, six important pillars are set out as directions: education, health, infrastructure, agriculture and rural development, governance, and the macro economy. In addition, actions in 11 fields are described: employment and business promotion, social action such as gender issues, housing, mining, fishery, tourism, the processing industry, transport and communication, technology, the environment, and natural disasters.

As numerical targets, only GDP growth rate is specified, and it is difficult to see how far the poverty ratio is meant to decrease. What is shown here is a scenario where a reduction in the poverty ratio would be made possible when a specific percentage of the growth rate in actual consumption is achieved. For example, 69.4% in 1997 would be reduced to 54.2% with an annual average growth of 3%–4%, to 46.7% with 7% growth in 2005.

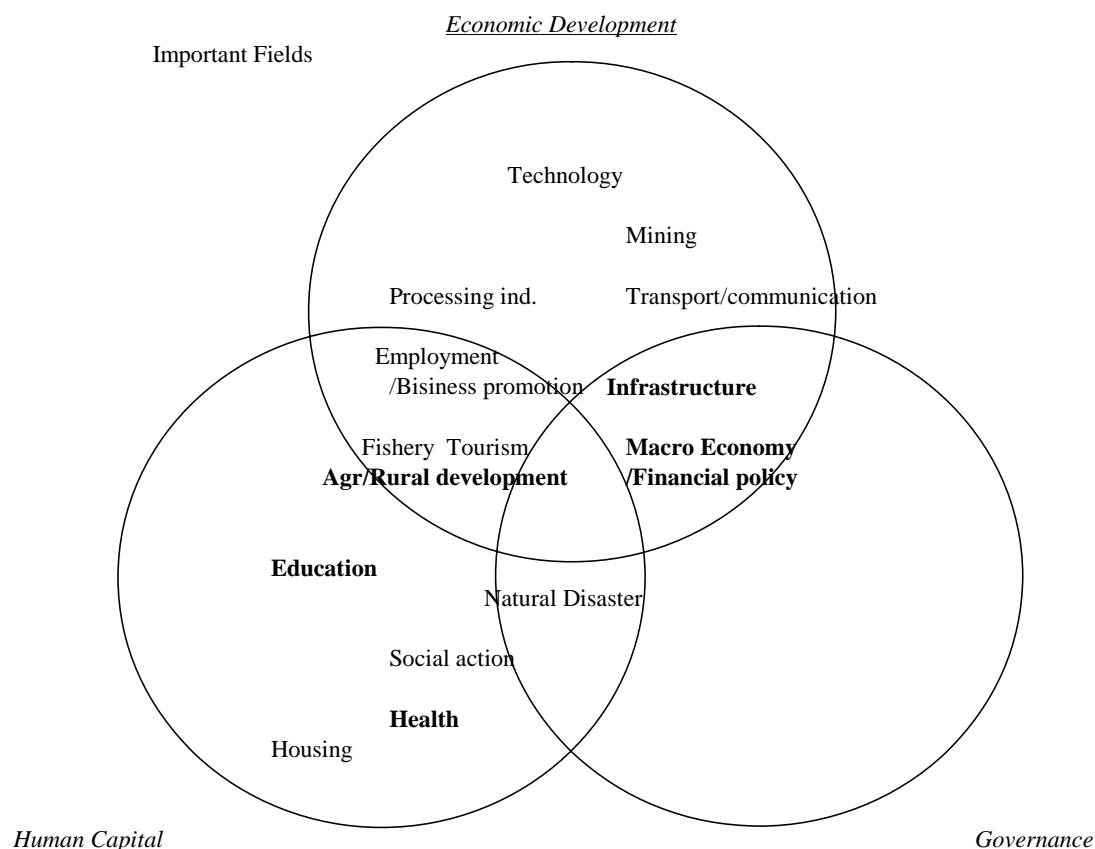
Before looking into the field related to industry, it is better to consider the policy as a whole to get a good grasp of it. In PARPA II the framework with governance, human capital and social development, and economic development is used; hence this framework is utilized in PARPA I as well to make comparison with PARPA II easier.

Based on this framework, important fields allocated in the policy are outlined in Fig. 4-2. Here the abovementioned three main pillars are depicted within circles. For example, education is one of the fields for human capital development, so it is included in the inner part of its circle.

There are cases where a field belongs to a certain pillar but is also related to another pillar. These fields appear where two circles overlap. For example, agriculture and rural development are included in the territory of human capital and social development because PARPA I emphasizes protecting the weak by increasing employment and revitalizing the regional economy. On the other hand, employment creation is achieved by fostering the marketable human resources demanded by industry. Therefore agriculture and rural development are also related to the domain of economic development and appear in the area between economic development and human capital and social development.

PARPA 2001–2005 is characterized by much attention paid to social development and the regions while moving toward economic development. This is a tendency that was seen even in the government’s five-year program, and it can be considered that it concerns not extending economic differences below favourable macroeconomic indicators.

Fields related directly to industry are included in education, infrastructure, agriculture and rural development, and the macro economy along with employment and business promotion, mining, fisheries, tourism, the processing industry, transport and communications, and technology. Fields in Table 4-4 are discussed as concrete actions. Most are similar to those in the Government Program for 2005–2009.



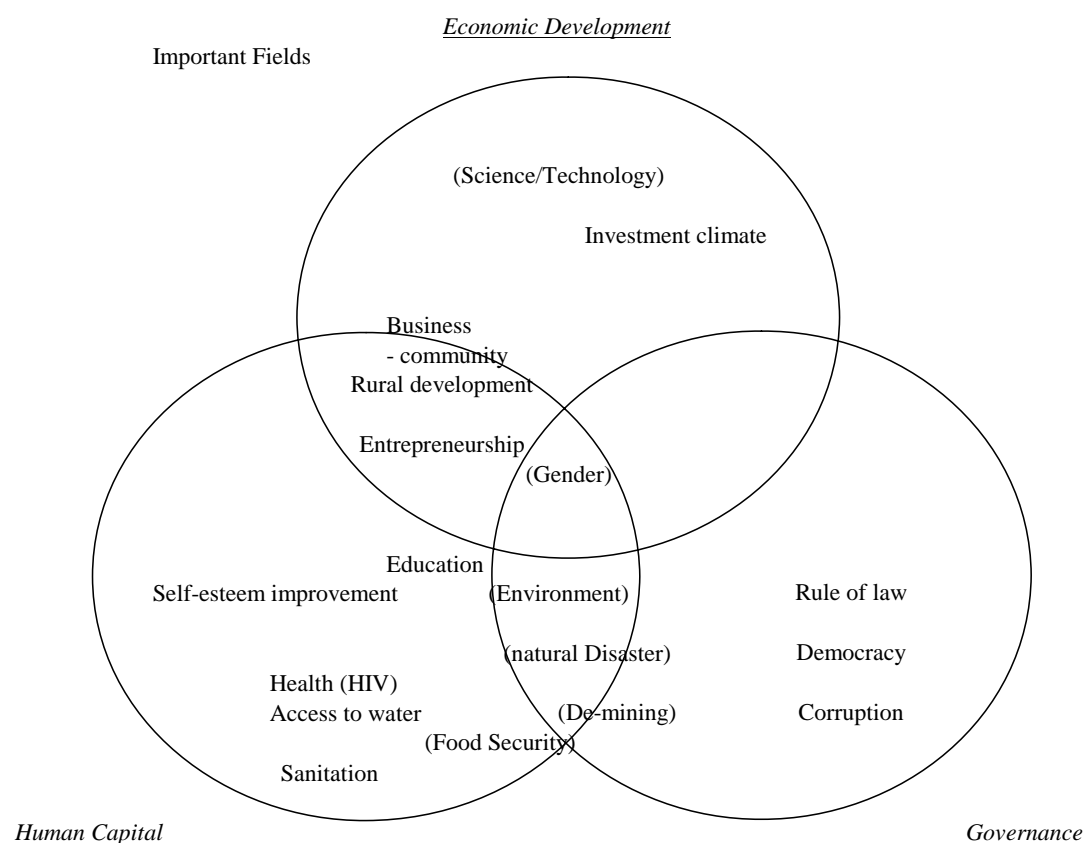
(Source : Made from PARPA, 6 important fields are shown with bold letter)

Fig. 4-2 PARPA 2001–2005

Table 4-4 Industry-related action plan in PARPA 2001–2005

Objective	Strategic direction
Macro economy	Fiscal and financial policy for stabilization Increase tax revenue Financial markets, stable exchange rate Decrease public debt
Employment and business promotion	Human resources development, deregulation of labor and commercial laws
Agriculture and rural development	Improvement in agricultural productivity by enhancing technology, information, and cooperatives
Mining, fisheries, tourism, the processing industry	Growth with MSME development Increase financial schemes, deregulation
Education (vocational training)	Increase opportunities for training for labor-market needs Rehabilitation of vocational schools and new vocational schools Modification of curriculum Strengthen network among vocational schools
Infrastructure	Construction of roads between north and south, districts with potential, and main cities Electricity facilities, construction of a new power plant
Transportation and communications	Port management by the private sector, communications network
Technology	Extension of IT to the regions

Source: Based on PARPA 2001–2005



(Source : Made from PARPA 2006-2009, cross cutting issues are in brackets)

Fig. 4-3 PARPA II 2006–2009

(b) PARPA II 2006–2009

PARPA II was approved by the Council of Ministers in May 2006 and sets out its vision as, “While achieving growth and stability in the economy, the intention is to improve the quality of life and increase welfare.” Although it seems to articulate the objective more clearly than PARPA I, the basic thought and direction are more or less the same. On the contrary, the only numerical goal, annual GDP growth, is not discussed in this document. The scenario in PARPA I that shows the relationship between growth in the actual consumption rate and the poverty ratio is still considered, and it is assumed that the figure 54.1% in 2003 will be 36.4% in 2009 with an annual growth rate of 5%.

The feature that differs from PARPA I is the framework considering the overall picture. As mentioned above, it sets out three pillars—governance, human capital, and economic development—as well as crosscutting issues. The important issues of PARPA II are shown in Fig. 4-3.

Most crosscutting issues are not related to economics or industry but to social development, along with a few environmental issues. In a certain sense, it intends to reveal the important issues at the regional level that are often hidden behind favourable macroeconomic conditions.

In addition, it emphasizes the changes within people, expressed with the word “self-esteem.” It also emphasizes small and medium-level businesses and cooperatives more than PARPA I, as the expressions “MSME” and “small business” are seen more often.

Priority areas for achieving these important issues follow. Table 4-5 shows these priority areas. The four categories used here are not described in PARPA II but were prepared for this report to clarify the relationship between items.

The difference between the two PARPAs is consciousness of the external market. This is probably not because of an increase in consumption of domestic products but because people recognize the changes in the SADC and are paying more and more attention to it.

Furthermore, PARPA II does not outline any numerical targets; hence it is not clear to what extent things are expected to improve.

Table 4-5 Priority areas related to economic development in PARPA II

Category	Priority areas
Macro economy	Macroeconomic stability with appropriate budget management Stability of the government budget by increasing tax revenue Efficient use of donor assistance and public-debt management
Industrial promotion	Productivity improvement in agro-industries and access to international markets SME development in labor-intensive and export-oriented agro industries Trade policy to promote access to foreign markets for domestic businesses Increase in credit for domestic economic entities Promotion of tourism
Human resources development	Market-oriented business community and human resources development Technology improvement in the manufacturing industry
Other	Construction of a north-south corridor Prevention of delayed payments Sustainable utilization of mineral resources Water issues: water for daily life and industry, flooding

Source: Based on PARPA II

Table 4-6 Purposes and actions for industrial development in the strategy section of PARPA II

Purpose	Action
Business environment	Simplifying government procedures, establishing one-stop shops, computerization Developing a special zone for tourism, increased investment in tourism Revising laws and regulations, strategy to arbitrate between employer and employee, social security system
Financing	Increased financing and microcredit Introducing international accounting standards
Private sector	Introducing vocational training strategy, MSME training, an apprenticeship system Establishing a new vocational training center, collaboration with private training centers Introducing industrial property rights policy, accreditation system, and institutions Stable supply of electricity, fuel, renewable energy, new energies
Priority sector: Employment creation	Agro-industry development: technology, market development, etc. Amendment of laws and regulations on land for agriculture and forestry Industrial development: strategies, special rates for electricity and water, north-south axis development, the Free Zone, strategies for MSME, promotion of technology Promotion of fisheries, tourism, mining industry: formulating strategies, etc. Introducing labor-intensive technology, opportunities to explain to new graduates, producers associations
Infrastructure: revitalization of domestic market	Constructing highways, ports, railroads Rehabilitating bridges, roads (N1, 13, 14, 103) Simplifying customs procedures, unfair competition

Source: PARPA II

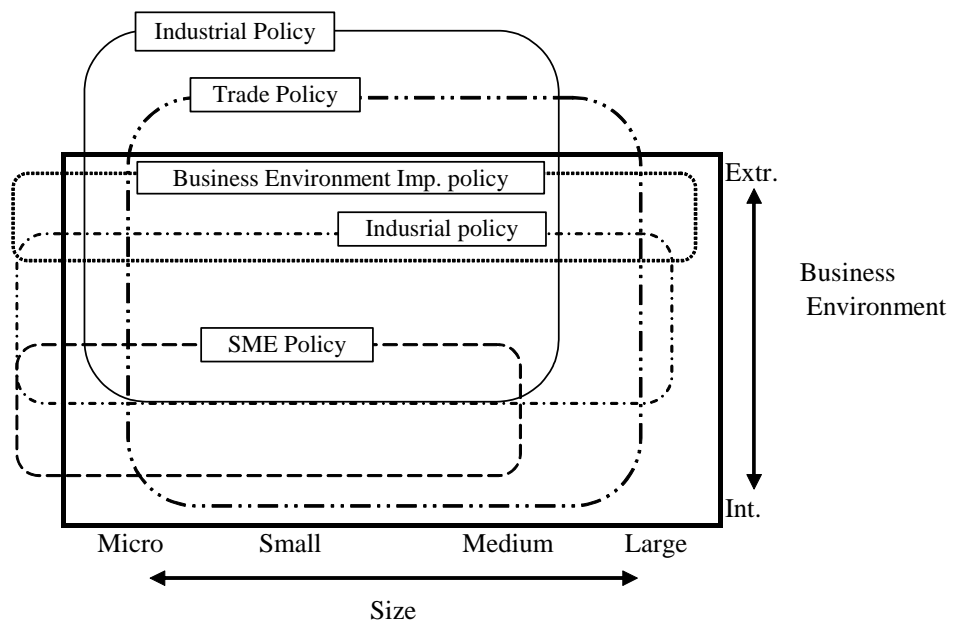
Strategies for important areas are also stated. The vision discussed here, however, is not like the vision in the theory of management strategy, but it is on the same level as the priority areas. Purposes and actions for industrial development are listed in Table 4-6. They are similar to those in the government’s five-year program, as the target period is the same.

The positioning of east-west corridors like the Nacala and Beira corridors is not clear. On the other hand, as seen in the table above, the government has clearer intentions for a north-south corridor.

4-1-2 Industrial Policy and Small and Medium Enterprise Policy

Industrial Policy and Small and Medium Enterprise Policy are part of the Sectoral and Provincial Strategic Plan, shown in Fig. 4-1. These policies are expected to be in line with the content of the government’s five-year program and PARPA. There are additional policies related to industry: the Trade Policy, although nearly 10 years has passed since it was formulated, and the Business Environment Improvement Policy, which is currently being formulated. The Ministry of Industry and Commerce (MIC) is deeply involved in all policies. It seems that industry has garnered more and more attention, as all of them except for the Trade Policy were approved in 2007.

Fig. 4-4 shows the conceptual positioning of these policies in Mozambique. Trade Policy has the role of a vertical or sectoral approach since it puts special focus on agro-industry as well as general trade matters. On the contrary, the Small and Medium-sized Enterprise Policy and Business Environment Improvement Policy take a horizontal approach. Industrial Policy discusses important sectors—a vertical approach—as well as horizontal approaches.



(Source : Made from Industrial Policy and Strategy, Trade Policy and Strategy, Micro, Small and Medium Enterprise Policy and Strategy, Interviews)

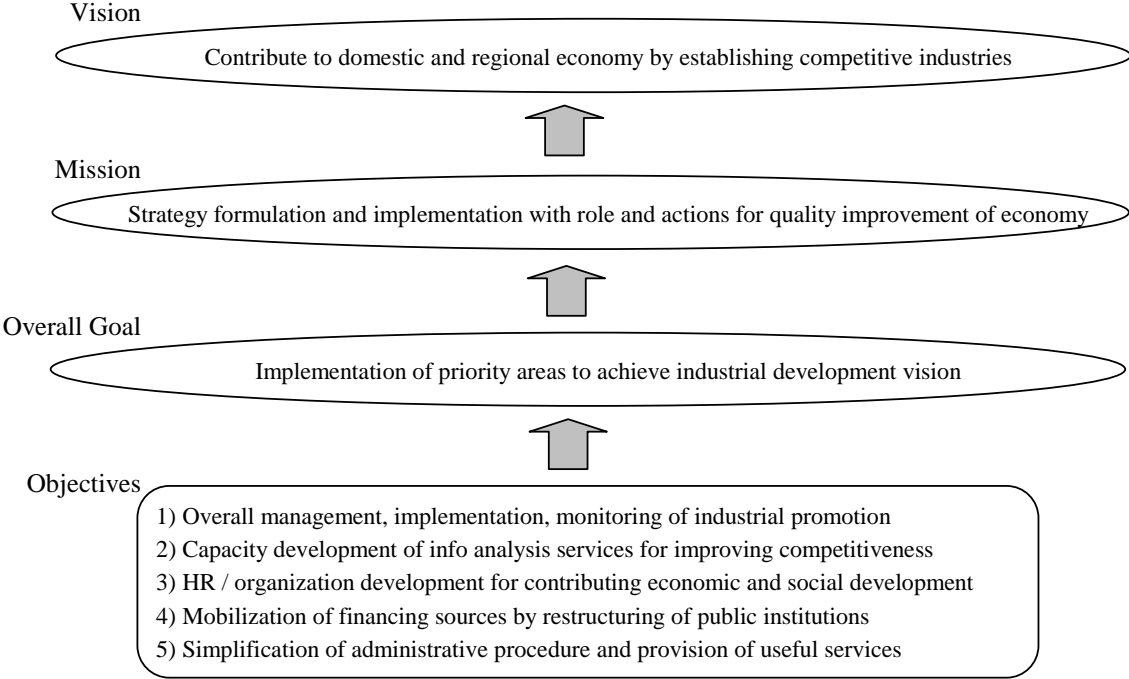
Fig. 4-4 The domain of industry-related policies

Also, among the three policies taking the horizontal approach, the Business Environment Improvement Policy has the potential to more strongly improve the external business environment, and the SME Policy has the potential to more strongly strengthen internal business assets. This figure is intended to show relative positioning, and of course the contents overlap.

As a unique point, the role of trade policy has been reversed compared with a typical trade policy in other countries. It means that in other countries it often shows a horizontal approach while in Mozambique it emphasises detailed actions in agro-industry. This is because trade policy in Mozambique includes not only external trade but domestic trade as well.

In addition to these policies, sectoral strategies are in the process of being formulated. The strategies are being prepared within a short period because regional integration is getting more attention. The government’s five-year program also raises formulation strategies to be achieved by 2009; there will not be enough time for this unless action is taken now.

1. Industrial Policy



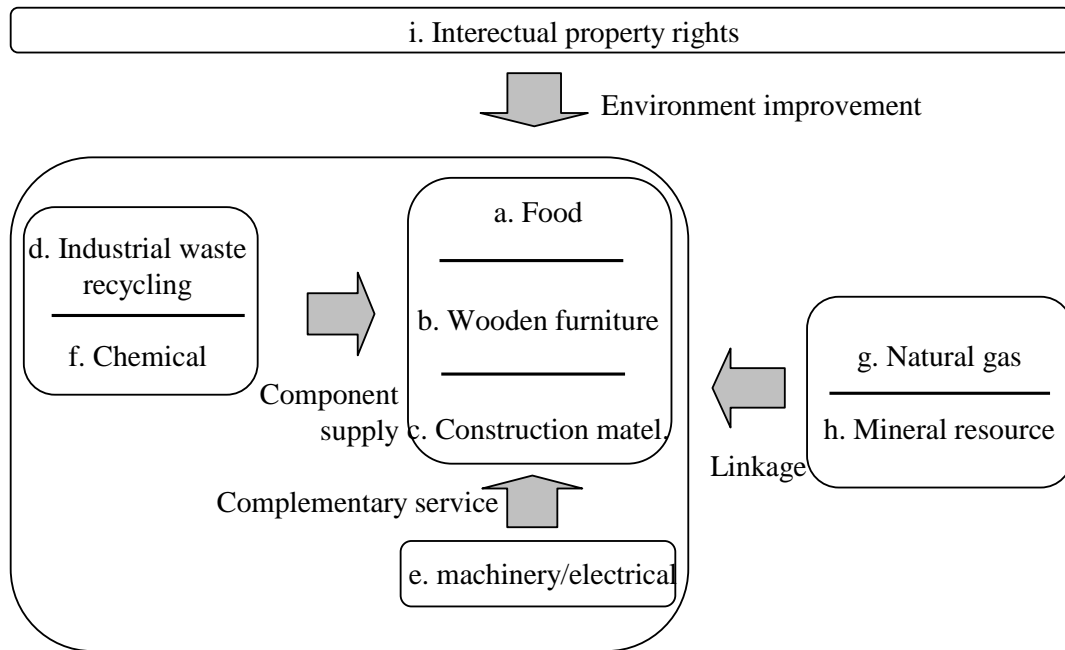
(Source : Industrial Policy and Strategy)

Fig. 4-5 Direction of industrial policy

The Industrial Policy and Strategy for Mozambique was drafted by a Mozambican consulting company through the Enterprises Development Project (PoDE), which was financed mainly by the World Bank, the European Union, and the Norwegian government (NORAD). It was approved by the Council of Ministers in July 2007. First, it analyzes the current conditions and potential of industries in the provinces; then it discusses policies that outline the direction of industrial development and strategies that outline detailed actions. Fig. 4-5 depicts this direction of industrial development.

Next the Industrial Policy and Strategy discusses nine important areas: (a) food, (b) wooden furniture, (c) construction materials, (d) industrial waste recycling, (e) machines/electrical machinery and apparatus, (f) chemicals, (g) matters related to natural gas, (h) matters related to mineral resources, and (i) intellectual property rights. At a glance, these seem to be priority sectors selected according to the impact they have on the nation’s economy and the ease of using investment incentives.

Looking into them more precisely, as discussed later, (a)–(c) are in the category of the manufacturing industry, yet (d) and (e) are fields peripheral to the manufacturing industry, (f) complements (a)–(e), and (g) and (h) indicate the same matter, although the target industry differs. Field (i) directly or indirectly influences the other fields. Therefore it is better not to consider these nine as different target sectors but to view sectors (a)–(c) as promoting domestic industry, with the others connected in support of them. Relationships among the important areas are shown in Fig. 4-6.



(Source : Made from Industrial Policy and Strategy)

Fig. 4-6 Relationships among important areas in industrial policy

First, concerning (a) food, the goal is to utilize the biggest employment sector in the country and to increase the value added to agricultural commodities by adding processing processes.

As for (b) wooden furniture, the intention is to export it after value has been added rather than exporting raw lumber as materials.

Regarding (c) construction materials, this is prioritized not because the materials are abundant but because the government would like to develop domestic industry, even greenfield investment in construction, as well as for constructing houses for the poor. For this purpose, more enterprises first need to be created through government initiative.

Industrial waste in (d) is included to fully utilize the surplus of other industries, like the aluminium of Mozal. Other industrial waste, such as iron and plastic, can be included in potential materials. The potential for new business in these fields is quite large.

Machine/electrical machinery and apparatus in (e) is not intended to foster domestic industry in this sector; rather it is intended to strengthen the repair stage of this industry. A typical example is the automobile. The need for car repairs is high, yet the lack of necessary technology and the skills of human resources in this field is serious—more skilled people are required.

The wooden furniture and machinery mentioned above more or less requires plastic components, and recycling includes processes with chemical reactions. Hence (f) chemicals is also meant to complement other important areas.

Regarding (g) and (h), they basically mean the same thing: to utilize the megaproject effect in economic and social development, which was seen in the case of Mozal. Small and medium-sized enterprises in areas such as maintenance of trucks for transporting aluminium, gardening for plant beds, and catering had opportunities to do businesses with Mozal as a result of measures by PoDE and MOZLINK of IFC. As seen in this example, it is intended to strengthen linkages between small and medium-sized enterprises in the regions with (g) natural gas and (h) mineral resources such as coal mining development by Rio Doce and the heavy-sand project in Moma.

Lastly, concerning (i) intellectual property rights, protection should be emphasized in preparing for regional integration and for taking responsibility as a WTO member as well as demonstrating compliance to receive FDI.

After the policy section, concrete directions for action—strategic vectors—are discussed in the strategy section of the Industrial Policy and Strategy, followed by detailed action plans.

Strategic vectors

- (a) Institution-building in government organizations
- (b) Technology development and development of economic and market analysis capacity
- (c) Domestic-product promotion and export promotion: Made in Mozambique
- (d) Framework for promoting FDI
- (e) Implementation of sector-wide programs
- (f) Implementation of energy programs
- (g) Construction of other infrastructure: water, roads, communications
- (h) Vocational training and adult education to improve the literacy rate
- (i) Implementation of support programs for developing entrepreneurship
- (j) Revision of the Labor Law
- (k) Fiscal policy analysis
- (l) Revision of investment incentives
- (m) Revision of customs tariff lists
- (n) Revision of financial regulations

The topic indicated in (a) means building government institutions, including human resources development, so that they are able to identify what government should do, what the role of each institution is, what exactly should be implemented, and what kind of organizational system is needed.

Concerning other issues, the Labor Law in (j) mean making amendments so that enterprises are not influenced too negatively. The Labor Law was already amended in May 2007 and has been enforced from November. The revision of fiscal policy in (k) is to reexamine financial legislation and decrease tax rates in order to positively influence industrial promotion. At this point, it is related to the revision of investment incentives in (l) and is intended to modify legislation to make it easier for enterprises to utilize investment no matter where it comes from. In addition, the revision of tariff lists in (m) is meant to change the current situation where imported goods are cheaper than domestic goods due to high tariffs on raw materials.

The issues above are shown in Table 4-7, which also shows which strategic direction they correspond to.

Table 4-7 Policy objectives and strategic direction of Industrial Strategy

Policy objectives	Strategic direction
(1) Overall management, implementation, monitoring of industrial promotion	(a), (e), (g)
(2) Capacity development of information analysis, services for improving competitiveness	(b), (c), (d), (e), (f)
(3) H.R./organizational development contributing to economic and social development	(c), (e), (h), (i)
(4) Mobilization of financing sources by restructuring public institutions	(e), (k), (l), (m), (n)
(5) Simplification of administrative procedures and providing useful services	(d), (e), (g), (j)

Source: Based on the Industrial Policy and Strategy

Lastly, the Industrial Policy and Strategy discusses action plans. Table 4-8 shows the objectives of the policy section and the purposes and actions of the strategy section as they correspond to each other.

The policy paper does not describe clearly how each area and action are related, but the correlation seems appropriate in terms of the content covered because it includes most issues of great need in Mozambique.

As explained previously, it is remarkable that this policy paper discusses how to promote industry by utilizing the limited resources of the country. For a country with limited resources, it is important not just to talk about ideal theories but to discuss what seems possible to implement.

In addition, the basic and detailed actions outlined are quite orthodox and achievable in their approach.

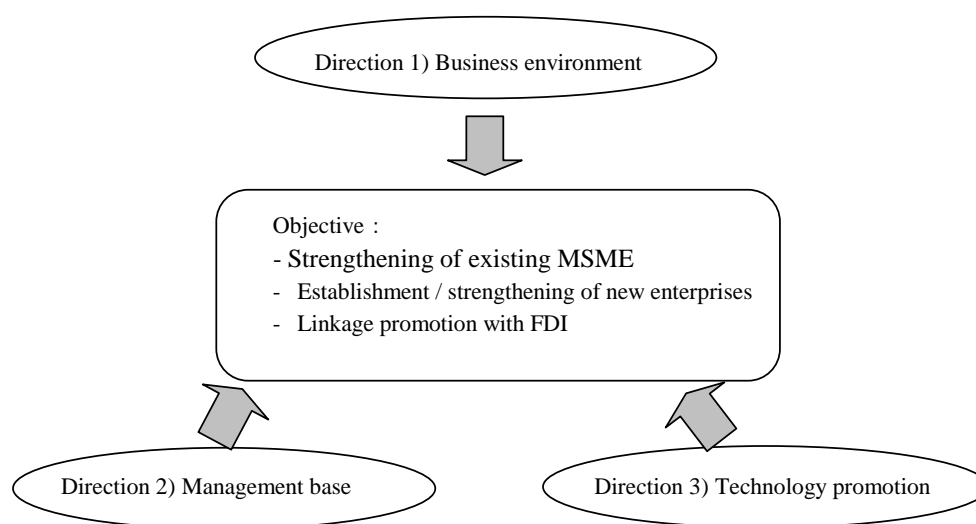
Table 4-8 Action plans in the Industrial Strategy

Strategic purpose	Action	Policy objective
Institution building in government	Industrial strategy implementation system and revision of regulations Establishment of the Micro, Small, and Medium Enterprise Institute Mobilization of financial sources for MSME, restructuring for appropriate use	(1), (4)
Domestic product and export promotion	Increasing awareness of domestic products with Made in Mozambique Government procurement from domestic enterprises, printing textbooks by domestic enterprises Market extension, packaging quality improvement program	(2), (3)
Increase financial incentives	\$20,000–\$100,000 credit for agro-processing enterprises Investment incentive system	(4)
Promotion of rural small processors	Promotion of entrepreneurship, technology, improvement of market analysis capacity, training programs, incentives for establishing a training center	(2), (3)
Mobilization of financial resources for industry	Mobilization of financial resources for industrial strategy implementation, clarifying the role of financial institutions Credit guarantee system, inducing resources to guarantee funds and risk capital Leasing, collaboration with financial institutions for introducing machinery	(4)
Revitalization of the Free Zone	Identifying a potential region for a new Free Zone	(1), (5)
Implementation of crosscutting issues	Industrial promotion crosscutting economic integration Technological innovation system and support system for entrepreneurs and investors, revision of VAT Energy program for natural gas and coal Iodization of salt, capacity development of INNOQ, strengthening the quality certification system Antismuggling at the border, inspection network, inspection of fake goods	(1), (2) (3), (4) (5)
Business environment	Revision of regulations, government corruption Collaboration with other countries in the SADC and WTO, simplification of raw materials import procedures Complimentary support for industry, industry promotion agreements with other countries Promotion of competitive industries: cashews, salt, fish, fruit, vegetables Implementation and monitoring of industrial strategy, improving awareness of industrial strategy in the districts Follow-up after privatization, investment promotion for declining industries	(1), (2) (3), (4) (5)
Implementation of subsector analysis	Use of loss from aluminium moulding, intellectual property rights Promotion of the value chain: food, textiles, fisheries, packaging Bank/supplier/buyer collaboration, supplier credit Promotion of chemical, textile, graphic, furniture, salt industries	(2), (3) (4)
Vertical or horizontal integration	Subcontracts, partnerships: collaboration with megaprojects	(2), (3)
Strengthening competitive industry, influenced by economic integration	Energy-intensive industries, utilization of natural gas and coal, iodization of salt Promotion of cashew, pulp, fisheries, agro-processing, furniture industries	(2), (3)
Infrastructure to reduce transaction costs	Industrial infrastructure, water/electricity supplies, reduction of prices Construction of roads and railroads, systems improvement, price reductions	(1), (4) (5)

Source: Based on the Industrial Policy and Strategy

2. Small and Medium Enterprise Policy

The Strategy for Development of Micro, Small, and Medium Enterprises was drafted by Korean consultants with financing from the African Development Bank. It was approved in August 2007 after consultation with the private sector. It is a strategy to promote micro, small, and medium-sized enterprises until 2012, and it discusses objectives, directions, and action plans after using about two thirds of the space for analysis of the current situation. Fig. 4-7 shows the topics discussed in the strategy paper.



(Source : Made from Strategy for Development of Micro, Small and Medium Enterprises)

Fig. 4-7 Objectives and directions of the MSME Strategy paper

The strategy paper emphasizes collaboration using FDI, like the Industrial Policy. This is because the experience with Mozal is recognized as a success. Here Direction (2), management base, means everything but the technology itself, such as human resources, products, financing, and information, which are included as internal management assets.

Items listed as action plans are shown in Table 4-9. This table also shows the direction each action is related to.

One feature of the three directions is that they set many measures for strengthening the management base, especially in its financial aspects. For financing small and medium-sized enterprises there is the Small Industry Promotion Fund (FFPI) under MIC, but the focus is how to increase loans from private financial institutions, including microfinancing institutions. Hence more attention is paid to creating incentives for them.

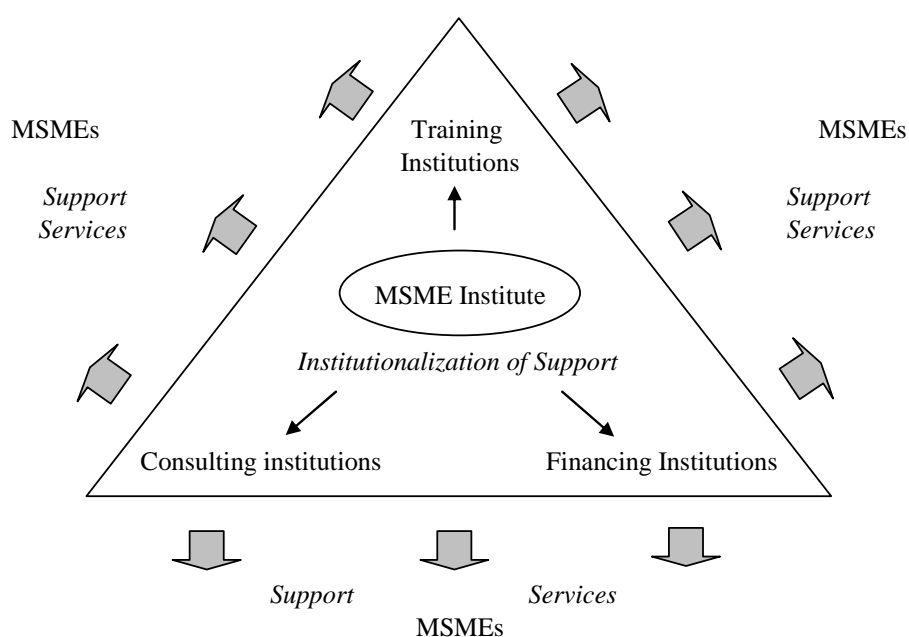
In addition, in the MSME Strategy, establishment of a credit guarantee fund is one of the focal points. In Mozambique land is owned by the nation, and individuals can not buy or sell it. Nevertheless collateral is required for loans in many cases. The credit guarantee fund is expected to improve this situation in the financing environment.

Fundamental infrastructure-related industries, export-oriented enterprises, and advanced technology-related enterprises are mentioned as priority areas. Export enterprises are usually those that export 50% or more of their products. But considering the actual conditions of small and medium-sized enterprises, the document sets 25% as a limit. Currently the government is discussing where the resources for the fund should come from.

Table 4-9 Action plan of the MSME Strategy

Objective	Action	Direction
Business barriers	Negative licensing	(1)
Simplification of inspections	Group inspections	(1)
Access to financing	Credit-guarantee institution	(2)
Leasing	Introduction of leasing	(2), (3)
Investment fund	Investment fund for SMEs	(2)
Incentives for banks	Low-interest loans to commercial banks from the central bank	(2)
Microcredit in rural areas	Creation of motivation for loans, support for strengthening organizations Credit to microfinance institutions from the government	(2)
Labor regulations to increase competitiveness	New labor laws	(1)
Taxation	Revision of taxation	(2)
VAT	Shortening refund period	(2)
Market access	Procurement by SMEs, linkages Export promotion, Made in Mozambique	(2)
Market information	Creation of a database	(2)
Collaboration among SMEs	Creation of niche markets, cooperation among enterprises in the same industry	(2), (3)
Financial products	Development of new financial products	(2)
Entrepreneurship	Training courses for youth	(2)
Technological development, management capacity	Technology transfer from FDI to local enterprises	(3)
Certification system	A certificate highly recognized by industry	(3)
H.R. development institution	Clear direction for H.R. management	(2), (3)

Source: Based on the Strategy for Development of Micro, Small, and Medium Enterprises



(Source : Made from results of interviews)

Fig. 4-8 Ideas for an MSME Institute

There are two other new institutions besides the Credit Guarantee Fund to implement the actions outlined in Table 4-9. They are the Micro, Small, and Medium Enterprise (MSME) Institute and the Business Incubator. The MSME Institute is equivalent to the SME Agency in other countries. Although the establishment of the organization was already decided on by the government, concrete details concerning the organizational structure and the method of executing policies and measures have not yet been finalized, and no details are stated in the strategy paper. For the moment, the institute is not supposed to implement all programs by itself, but as shown in Fig. 4-8, with training, consulting, and financing as the three pillars, various organizations, including private institutions, will conduct programs. The role of the MSME Institute is to supervise programs so that they are carried out collaboratively in terms of related matters. The organizations that will conduct programs include governmental institutions like the Rural Industrialization Promotion Unit (UTPIR) of MIC, which promotes the introduction of machinery in rural areas; FFPI; the Institute for Export Promotion (IPEX) under MIC; the National Institute of Standards and Quality (INNOQ); and private organizations like the Counselling Center for Industrial Development (CADI).

Basically, each organization works separately. Government intervention is avoided in situations where programs can be conducted by private institutions. An organization like CADI is expected to continue its support to MSMEs even after the MSME Institute is established.

In addition, the MSME Institute is expected to consider how to fully utilize the limited resources in the country in line with the priorities of the government and to harmonize all relevant programs. Hence more resources will be put into areas with high priority and potential. At present, how to make the MSME Institute sustainable is being discussed within the government, and the institute is supposed to be established in 2008.

Concerning the Business Incubator, the details will be discussed and determined by the MSME Institute, so nothing has been decided on yet, including its establishment. The Mozambique Information and Communication Technology Institute (MICTI) in Maputo is the only business incubator that exists so far. Considering the fact that most businesses in MICTI are related to Edward Mondlane University, the Business Incubator mentioned in the strategy paper is not the same type of organization. In any case, all details, including the basic role of the incubator, will be determined with ideas from anyone who is heavily involved in the MSME Institute, such as organizations with large voices on the board or donors who have provided support, including funding.

The contents of the action plans in the strategy paper are concrete and sufficient, so the possibility of implementation is high. Of course one concern is whether there will be enough financing sources. The overall structure is also unclear since it has not yet been finalized. Hence there are many obstacles before the first steps are taken.

3. Trade Policy

The Trade Policy and Strategy was approved in July 1998. Since the policy was not intended for a long-term span like 10 years, there is doubt about the effectiveness of the policy itself. But according to the MIC National Directorate of Trade, a new policy has not been formulated and the situation has not changed significantly since 1998, so it is still sufficient to refer to the policy for actions necessary to promote trade.

The basic issues are divided into two parts, Domestic Trade and International Trade. Table 4-10 outlines the objectives of the policy.

When this policy was formulated, it was supported by the FAO together with the European Union. Hence it seems to be overly skewed toward agriculture. Yet considering the fact that agriculture is the main industry besides the mineral resources-related industry, it is natural to attempt to improve the trade situation using agricultural commodities.

Table 4-10 Objectives of Trade Policy

Domestic Trade	International Trade
<ul style="list-style-type: none"> - Rehabilitation and extension of rural trade networks - Agro-marketing by farmers, food security - Increased trade of consumer goods and goods for agricultural production - Mechanism to formalize the informal sector - Simplification of licensing procedures - Collaboration among related organizations for construction of rural roads 	<ul style="list-style-type: none"> - Increase of nontraditional products - New market development for export products - Stable supply of imported raw materials/machinery - Analysis of domestic/foreign markets and support for marketing - Cooperation among regional economies - Collaboration among related organizations for exporters to utilize infrastructure

Source: the Trade Policy and Strategy

In addition, there is a specialized policy for agricultural commodities called the Strategy for Agriculture Commercialization 2006–2009. A large portion of its contents are identical to the contents of the Trade Policy; only strengthening processing and value added through establishing a value chain have been added in the Strategy for Agriculture Commercialization.

One of the unique points outlined in the strategy is the construction of storage facilities for food security and export promotion. It is expected to prevent commodities rotting and to increase exports. In this way the strategy has some ideas that are concrete and potentially effective.

In regard to foreign trade, it is necessary to enact related laws and regulations, such as the Competition Law as a WTO member country, and legislation as an SADC member country. INNOQ under MIC has a laboratory, but it does not meet the standards required to be a testing institution. Thus there is no organization in Mozambique that can certify the ISO and HACCP necessary for export.

4. Business Environment Improvement Policy

The Private Sector Support Unit of MIC has been working on formulating a Business Environment Improvement Strategy, and the second draft has been completed. The target date for approval of the policy is the end of November 2007.

The main topics of the strategy are the simplification of procedures for registration, import and export, bankruptcy, worker registration, and licensing. It is expected also to include financing, infrastructure, and governance issues. Although these issues are already stated in the Industrial Policy or the MSME Strategy, the Business Environment Improvement Strategy is intended to emphasize improvement and to reinforce the direction so that all relevant ministries and institutions work closely.

5. Others

Regarding strategies by sector, those for the machinery and textile industries were already formulated and have been discussed at the Council of Ministers. As for the graphics and chemical industries, strategies are in the formulation process with the cooperation of the Irish government, and MIC has a plan to start strategy planning soon for the food industry.

The current tourism strategy was created with the cooperation of the Australian government. Eighteen regions with high potential for tourism development were selected. The strategy intends to promote investment in tourism. The government expects not only investment from foreign countries but also community participation and environmental protection. The basic direction of the strategy is as follows.

Vectors of the tourism strategy

- (a) Planning of integrated actions by relevant institutions
- (b) Increased accessibility to tourism development regions
- (c) Infrastructure and better services from the government
- (d) Environmental protection
- (e) Eco-tourism
- (f) Development of new products and services; utilization of traditions
- (g) Strengthening marketing
- (h) Human resources development
- (i) Community participation
- (j) Contribution to social development
- (k) Support for financing
- (l) Priority regions for tourism investment
- (m) Establishing a quality-control system

Regarding vocational training, the new National Strategy for Employment was finalized in March 2006. Focus areas are the promotion of employment, improvement in the workplace position of women, strengthening vocational training, and countering child labor. It is difficult for socially disadvantaged people and women to get jobs, so introducing support to encourage them to start their own businesses is being considered. In addition, the Strategy for Employment and Professional Formation in Mozambique was also finalized for 2006–2015. Emphasis is placed on creating 1 million jobs, especially for the young.

To meet the needs of the private sector, a three-party council of public, private, and labor representatives is expected to be set up. It is intended to hear the needs of the private sector.

6. The big picture of industry-related policies

So far, four policies and strategies related to industrial promotion by the central government have been analyzed. The four policies are interrelated, and as shown in Fig. 4-4, many parts overlap—hence the importance of having an image of the overall picture of how each policy is related to the others. Fig. 4-9 depicts the action plans in these policy papers. In this figure, programs and institutions that implement programs appear in a box according to what the action is intended to improve. There are three basic frameworks, namely external business environments, intermediate business environments, and internal management assets, based on where the decisions on each matter are made.

The external business environment means policies, laws, and regulations determined by the central and local governments, not within enterprises, to enable the business environment. The intermediate business environment reflects matters related to business partners in other countries or financial institutions—mainly banks. Most are private entities but not the target MSMEs themselves. Hence they are situated between internal and external environments. Also, internal management assets influence the behavior of target MSMEs. The business environment is considered with four main factors: human resources, products, financing, and information.

For example, the product factor includes the quality of products, production technology and facilities, distribution channels, and so on. Financing in internal management assets mainly deals with how to improve the target MSMEs so that they are considered potential customers, while financial matters in

the intermediate environment are intended to develop the environment for financial institutions. In many cases certain action belongs to more than one environment at the same time. In such cases they are positioned near the boundary of related categories.

From Fig. 4-9, it can be observed that the simplification of various procedures in the external environment is already underway to improve the situation, as exemplified by actions like the BAU one-stop shops. Regarding investment matters in the intermediate environment, it has been evaluated positively since many actions connecting investment and improvement in terms of product quality and value have already been taken. For export promotion, however, actions to develop new markets and to find new business partners seem to be insufficient.

Internal management assets have the positive tendency of strengthening vocational training in human resources, yet the action to consolidate business advisory services is not sufficient. There are various programs underway in the products category that are mostly focused on strengthening the processing of commodities with the strong will of the many stake holders. Concerning the financing category, preparing a better environment for financial institutions has already been emphasized, yet more support is expected to be taken from the viewpoint of improving the capability of enterprises to be borrowers. Lastly, regarding information, more actions to develop new markets are necessary since few programs exist in this category.

4-1-3 Related laws and regulations

Table 4-11 Laws related to enterprises

Name	Enactment	Amended
Commercial Code		2005
Law of Arbitration	1999	
Law on the Creation of the Social Security System	1989	
Law on Customs Procedures	1999	
Decree on Commercial Activity Licensing	1998	
Single-person Income Tax Code	2002	
Collective Person Income Tax Code	2002	
Value-added Tax Code	1998 Annex I 1999 Annex II 2001	
Specific Consumer Tax Code		
Investment Law	1993	1995
Code of Fiscal Benefits on Investments	1993	1996
Decree on the Industrial Free Zone	1993	1999
Ministerial Diploma on Registration of Foreign Trade Operators	1998	
Labor Law	1998	2007

Source: the laws described

The policies considered above are implemented in two ways: through improving the external business environment with laws and regulations, or by implementing programs by various organizations and departments. This section considers the former, the situation of enactment and amendment of related laws. Table 5-11 shows major laws related to enterprise activity.

1. Commercial Code and Laws on Taxation

There are two typical forms of enterprise in Mozambique as defined in the Commercial Code: SARL and LDA. Generally it is appropriate to think of SARL as equivalent to a mutual stock company and LDA as a limited liability company. There is no favourable treatment in the tax code for LDA, although the establishment of an LDA is easier than a SARL. There is also a form called SCRL for business by a collective society, in other words a cooperative.

Taxes stated in the Value Added Tax Code and other laws are a corporate tax of 32% and a value added tax of 17% as well as social-security costs of 7%, of which employers bear 4% and workers 3%. Tariffs on raw material imports are a huge burden for enterprises. Also, the rate of corporate tax is higher than in other countries that attempt to induce investment, but it is difficult for the government of Mozambique to reduce the tax rate since there is pressure from international organizations to increase tax revenue. Companies like Mozal are no exception, and it is possible that its favourable treatment will be terminated in the near future. As for the accounting system at the foundation of tax assessments, the international accounting standard has been adopted, and even small and medium-sized enterprises have to follow this rule after 2010.

Basically the Mozambican tax system is executed as written in the tax laws except for cases like the period for VAT refund, which is 30 days longer than the laws state. According to several accountants, the problem of bribes required by tax-authority staff, which is often seen in other countries, is not usually the case for Mozambique, and laws are executed fairly.

2. The Labor Law

Among laws related to enterprises, the Labor Law is frequently cited as a critical obstacle. In August 2007 it was amended and came into force from November of the same year to meet long-term demands from the private sector. The number of expatriates permitted in an enterprise has not changed much; it is still 5% for a company with more than 100 employees, 8% for 10–100 employees, and 10% for less than 10 employees. Rules concerning layoffs have been revised in favor of the management side, however.

When an employee was laid off, the employer had to pay an amount equivalent to 1.5 months' salary for employees who had worked 3–6 months and 3 months' salary for employees who had worked 6 months to 3 years. In the case of an employee who had worked for more than 3 years, it was 1.5 months for every 2 years. Payment was obligatory even for employees leaving for their own reasons unless the employee left the company due to committing a crime. In the amendment, the payment has been set lower, and it is now calculated based on how many times larger the salary is than minimum wage. If it is 1–7 times as large, the payout amount is equivalent to 30 days' salary; 8–10 times is 15 days' salary; 11–16 times is 10 days' salary; and more than 16 times is 3 days' salary. Employers do not have to pay when employees leave the company for their own reasons.

In addition, there are many cases where employers have had to pay salary even during illegal strikes due to the vague definition of a strike. In Mozambique, once the strike plan is reported to the relevant ministry, officials from the ministry also participate in the negotiations. Hence it is clear for both employers and employees whether negotiations are deadlocked or not, and now it is not so difficult to clarify whether a strike is legal or illegal.

These kinds of changes in the new Labor Law are considered positive even by employers.

3. Decree on the Industrial Free Zone

There are two kinds of free zone. One is called the Free Zone Area, and presently only one exists, in a suburb of Maputo. The second is called a Stand-alone Company and is endowed only on companies with more than 250 employees. The enterprise gets the status of Free Zone at their site. Mozal, the heavy-sand project in Moma, and the Nacala corridor development company are examples.

A plan for a new form called a Special Economic Zone has been discussed by the government. It will be located in Nacala and have all functions from production to shipping facilities, based on a model from China. The reason Nacala was selected is that it has a fine deep natural harbor as well as the existence of the corridor and potential forestry and agriculture industries. It could be the base point of development in the northern region. Also the air base at Nacala could be converted into an international airport.

4-2 Industry-related Public and Regional Institutions and Their Roles

With the policies described above as a background, the role and measures of governmental institutions for industry and MSME development are considered in this section.

4-2-1 Governmental institutions

1. Ministry of Planning and Development (MPD)

The MPD is a ministry to carry out overall management of the government's five-year program and PARPA. It is responsible for verifying whether policies and strategies are in line with the five-year program. The MPD also verifies the consistency of development programs on the provincial level with central government policies.

The MPD is also supposed to check on the progress of policy implementation. In regard to corridor development, for example, the Ministry of Transport and Communications hands over the actual development to a private organization through a concession, but the MPD continues to monitor progress.

2. Ministry of Industry and Commerce (MIC)

(a) National Directorate of Industry

The directorate consists of three departments: Industrial Policy, Planning and Industrial Development, and Licensing and Registration. The Industrial Policy Department is responsible for formulating industrial policy and MSME strategies. The role of the Planning and Industrial Development Department is to follow industrial statistics, support, and privatization performance, such as the work environment, time, allowances, profits, etc. The Licensing and Registration Department is responsible for providing licenses to industrial businesses. The number of staff in the directorate is a little under 50.

The MIC budget in 2007 for SMEs was US\$7.94 million in total, including funds for other directorates and institutions. Of that amount, US\$7.93 million is for improvement of the business environment and the rest is for improvement in management and technical capacity as well as direct support to SMEs (*Summary of the Budget for Strategy Implementation of MSME Development, MIC*).

(b) National Directorate of Trade

The role of the directorate is to prepare the environment so that the market functions fairly, to check price trends, and to revitalize the circulation of products, including agricultural commodities, for both internal trade and external trade. It also investigates and analyzes trends in the domestic market and formulates and implements trade policy.

In addition, the directorate is expected to support other directorates and institutions technically for the economic integration of the SADC.

(c) Private Sector Support Unit

The purpose of the unit is to remove obstacles for investors. It works to simplify licensing provision and registration, expedite import and export procedures, and expedite bankruptcy procedures. Of course these matters can not be solved by a single unit. The Public Sector Reform Interministerial Committee with the prime minister as chairperson involves not only MIC but also other ministries, and this unit works as coordinator. The Business Environment Improvement Policy, presently being formulated, is prepared under the leadership of this unit, and the unit will monitor its progress after it is approved.

(d) Rural Industrialization Promotion Technical Unit (UTPIR)

The role of UTPIR is to connect producers of agricultural commodities and manufacturers or intermediaries of processing machinery so that the producers can add value by introducing processing to their products. UTPIR does not provide funds for machine purchase but works to improve the consciousness of enterprise management for the introduction of machinery.

UTPIR started by organizing seminars targeting districts all over the country for introducing their work. Usually executives and sometimes the minister from MIC participate, and the province sends directors as well as district administrators. The will of the ministry to strengthen agricultural commodity processing is very high.

(e) National Product Promotion Technical Unit (UTPRON)

This unit is in charge of the Made in Mozambique program developed by MIC with support from Proudly South African to promote consciousness of national products. UTPRON administers the procedures necessary for certification. National product means both products and services, and that is why it includes companies like Mcel, Vodacom, and a fitness center. Any enterprise with more than 30% Mozambican investment is eligible.

(f) Agro-processing Technical Unit

The unit promotes the establishment of factories by micro and small enterprises. It does not support all the processes of production since the introduction of machinery is handled by UTPIR.

(g) National Institute of Standardization and Quality (INNOQ)

The main role of INNOQ is the introduction of various standards, for example for fruit, rice, wheat flour, corn powder, ISO standards, etc., and the application of a weighing standard. Because equipment for inspection is not sufficient for certification and is not qualified as such, activity regarding standards certification is limited to training to enhance awareness of the standards. The annual budget is approximately US\$120,000 and there are 42 staff members.

(h) Institute for Export Promotion (IPEX)

IPEX was established in 1990 to implement export promotion programs, and it works in correspondence with foreign trade-related organizations like JETRO in Japan, provides information to private enterprises, collects opinions from private enterprises, dispatches missions to trade fairs, promotes Mozambican products (identification, development, and introduction on the Web), advises on export procedures, and conducts market surveys.

In addition, computers are installed in the regional offices to increase SME access to the Internet. There are 49 staff members, including five each in the Beira and Nampula branches. The annual budget is US\$700,000, of which 35% is labor costs and 40% is expenses for facilities maintenance.

Because finding promising export products is one of IPEX's important roles, it has the largest network of domestic manufacturers but a small number of regional offices. It also takes on the role of delivering the voice of regional enterprises to the central government.

(i) Investment Promotion Center (IPC)

IPC is the one-stop shop for foreign investors with funds over US\$50,000, or from domestic investors, US\$5,000 or more. In addition, it is in charge of Free Zone development. When the amount of an investment from a foreign country does not exceed US\$50,000, the Chamber of Commerce and Industry is the window to the country instead. For project application and approval, investments of US\$100,000 or more require approval from a minister, but in cases of investments of US\$5,000–US\$100,000, only approval from the provincial government is necessary.

Also, after the concession for corridor development, CPI supervises the progress, not the Ministry of Transport and Communications.

(j) Small Industry Promotion Fund (FFPI)

FFPI is a financing institution for MSMEs under MIC and was established in 1990. Even though some of the budget is allocated from MIC, it must cover the majority of labor and other costs with profits on interest from lending since it became a private limited liability company in December 2002. It actually started financing MSMEs in 1995 and has branches in Manica, Sofala, Nampula, Zambezia, and Niassa in addition to Maputo. FFPI has approximately 660 current clients, most of them retail stores and other businesses in the service industry.

Six lines of credit worth US\$4 million in total are currently provided by FFPI, and all are operated with funds from donors AfDB, the World Bank, and Sweden. The conditions, target area, and financing sectors are all requested by the donors. For example, funds from AfDB target only fisheries-related enterprises in Sofala and Nampula, and World Bank funds deal only with small enterprises in Niassa.

Average loan amounts are approximately US\$10,000, and the annual interest rate is more or less 20%. Collateral is necessary for borrowing, but almost no enterprise can meet collateral requirements due to the fact that land ownership by individuals is prohibited. Therefore FFPI lends money with only a guarantee from the local government.

Furthermore, FFPI recommends MSMEs get advice on business planning, marketing, quality control, and accounting. The staff of FFPI provides some advice, but it is not sufficient, so FFPI collaborates with organizations such as CADI, the Confederation of Business Associations of Mozambique (CTA), and Enterprise Mozambique.

3. Ministry of Labor

(a) National Institute for Employment and Professional Training (INEFP)

INEFP supervises eight vocational schools all over the country except in the provinces of Tete, Capo Delgado, Zambezia, and Gaza. It supports the employment of unemployed people through employment centers. Staff members number 100 or less, and the budget from the ministry is limited. Hence revenues from training fees are an important funding resource. Tuition for participation in one course is MZM200, but those shown to be from an impoverished group by the local government are exempt.

People registered as unemployed at the employment center are the main target of vocational training, but others can participate when there are vacancies, although they are required to be more than 18 years old and to have finished at least seven years of formal education. Usually it is difficult to get a job only having finished secondary education at a commercial school, and people tend to take short-term training at public training schools so that they can get jobs. In addition, at the Center for Electrotechnical Vocational Training that adjoins INEFP, they implement employee training for the large enterprises like Mozal, Sasol, the Maragra sugar mill, Kempe, Coca Cola, the Xinavane sugar mill, and Mittal.

Practical training at enterprises has been started as a trial project. INEFP finances 75% of the cost of training for the first six months, and so far about 1,000 people have participated in this program in four provinces. It also began an apprenticeship system for a period of 12 months. It seems that there are some cases where the same person is hired by the company after training is over. As another new project, it started including an entrepreneurship class in each course to encourage unemployed people to start their own businesses. The ILO supports such projects by providing the Trainers' Training course package.

The ministry has a new policy to collaborate with private training centers. At present, there are more than 130 private training centers, and it is necessary to establish a network with them.

4. Ministry of Transport and Communications

(a) Corridor Development and Coordination Unit

This unit coordinates all corridor development in Mozambique and also makes initial contact with neighboring countries. When a specific corridor concept arises, a Technical Unit for each corridor is established. A similar unit is established in the base city of each corridor. The role of this unit is to select a project outline, formulate a business plan, organize the investment conference, and institutionalize corridor development, including concessions and business transfers.

In addition, the Multisector Committee of the central government, whose members are the MPD, the Ministry of Agriculture, the Ministry of Finance, the Ministry of Mining, and the Ministry of Public Works and Housing, makes decisions on corridor feasibility studies and business plans with the Corridor Development and Coordination Unit as coordinator. After business is transferred to private enterprises, however, CPI is in charge and MPD only observes progress. The Technical Unit for individual corridor development is therefore abolished at that point. Large-scale infrastructure like road construction in the Nacala corridor is under the supervision of the National Roads Administration of the Ministry of Public Works and Housing.

5. Ministry of Agriculture (MA)

As MIC works to promote the processing of agricultural commodities and circulation in Mozambique, the role of the Ministry of Agriculture is to promote agriculture itself, to understand the production of

agricultural commodities, and to manage and construct farmland and irrigation facilities. It used to have Rural Development as part of its name when the MA supervised that area. In consequence there are many cases where donors name both MIC and MA as counterparts when they implement projects to promote processing in the districts.

6. Ministry of Tourism (MT)

The ministry was established by separating the tourism department from MIC. Its role is the formulation of policies and strategies for promoting tourism, human resources development, overall management of strategy implementation, and donor coordination. Concerning human resource development, it also operates the hotel school in Maputo. In order to train people in tourism resources and protection of the environment, the ministry plans to open new training centers inside a national park in the northern Gorongosa region. In any case, much attention is given to tourism development to promote investment in specific areas, and the ministry functions as a bridge between investors and potential tourism areas.

7. Integrated Administrative Counter (BAU)

BAU is a one-stop shop established in all provinces in May 2007 under the initiative of MIC. BAU is the place to conduct any procedure related to the government, such as migration, transport, women and social action, registration, finance, education and culture, health, and industry and commerce. For example, at the Industry and Commerce counter, it is possible to carry out necessary procedures like applying for project approval, applying for licenses, and getting approval to move stores. The provinces administer BAU.

At BAU, the time needed for each procedure is clearly stated on the bulletin board. For example, regarding Industry and Commerce, approval of a project takes 1–8 days, application and inspection 1–6 days, application and license provision within 48 hours. In order to strictly keep to these time limits, BAU receives complaints and propositions at the information counter, and a notice on the wall states that (1) We help compile application forms, (2) Please obtain a receipt, (3) Please inform us if a procedure has not been completed within the time limit or if the attitude of the staff is negative.

4-2-2 Regional organizations and their roles

1. New Partnership for the Development of Africa (NEPAD)

The concept of NEPAD in a certain sense is related to the concept of corridor development. The Maputo corridor, which was the first corridor constructed in Mozambique, was developed by the South African Spatial Development Initiative (SDI). The form introduced in this corridor was to develop agriculture and the economy by utilizing the potential of the region, and it was possible to develop and maintain sustainability with a partnership that included the private sector. The experience with this kind of SDI was considered positive and given special attention by NEPAD, and it was later adopted in Nacala, Beira, Mtwara, and Limpopo.

The corridor to South Africa is much larger in terms of economic scale, and it is different from other corridors; it faces obstacles in self-financing and operations.

2. Southern Africa Development Community (SADC)

The decision of SADC to create a free trade zone in 2008, a customs union in 2010, and a common market in 2015 has significantly influenced Mozambique, and domestic industries feel pressure to take action toward SADC goals. SADC is considering utilizing the special fund for countries left

behind to support Mozambique. For example, there is action to improve the capabilities of the government workers concerned with trade protocols through the Common Market for Eastern and Southern Africa (COMESA) initiative, and it is possible to use the special fund for this purpose.

However, countries are currently in the process of preparing to make economic decisions about SADC, and how to support the countries left behind has not yet been advanced for discussion. Thus Mozambique still has to prepare for SADC on its own.

4-3 Donor Support for Industrial Promotion

The government of Mozambique observes work by each donor toward the direction of development. In Mozambique, donors actively collaborate. For example, in the field related to industry and SMEs, the donors in Table 4-12 participate in the working group (WG). Its purpose is not only to avoid programs overlapping but also to promote policy dialogue with the Mozambican government by all donors as a group. Each WG is supposed to be held at least once a month.

In addition, a database regarding donor cooperation called ODAmoz became operational from 2007 with the cooperation of the donors.

Table 4-12 Working groups related to industrial and SME development

Working group	Major donors
Private sector	Germany, Denmark, France, Italy, Norway, Japan, Portugal, Sweden, United Kingdom, <u>United States</u> , E.U., World Bank, IFC, UNDP, UNIDO, IMF
Microfinance	Canada, <u>Germany</u> , Denmark, Spain, France, United States, Finland, Sweden, E.U., AfDB, IFC, UNDP
Financial sector	Germany, Finland, United Kingdom, World Bank, AfDB, IMF
Agriculture	Austria, Canada, Denmark, Italy, Ireland, <u>Sweden</u> , Portugal, Finland, United States, Japan, E.U., AfDB, FAO, World Bank
Road sector	Germany, Denmark, Italy, Ireland, Japan, Norway, Netherlands, Finland, United Kingdom, United States, E.U., World Bank, AfDB, OPEC
Energy	Denmark, France, Norway, Finland, AfDB, <u>World Bank</u>

Note: Underline indicates the current chair.

Source: World Bank Mozambique Country Partnership Strategy; based on interviews

4-3-1 Multilateral organizations

1. World Bank Group

(a) International Development Association (including Global Environmental Facility, Trust Funds)

In the four years up to June 2007 the World Bank Group financed US\$2.5 billion: US\$982 million from the International Development Association (IDA) and debt relief of US\$1,349 million (The World Bank Group in Mozambique). Projects include the Market-led Smallholder Development in the Zambezi Valley Project (2006–2011, total budget US\$26.6 million), the Vocational Education and Training Project (2006–2011, US\$30 million), the Transfrontier Conservation Areas and Tourism Development Project (2005–2013, US\$35.7 million), the Energy Reform and Access Project (2004–2007, US\$43.2 million), and infrastructure projects like the Beira Railroad Project (2005–2010, US\$110 million). For donor coordination, the IDA is chair of the Energy WG.

Related directly to SMEs, IDA executed the Enterprise Development Project (PoDE) for six years up to June 2006. Cofinanced mainly by the World Bank, the European Union, and Norway, the project has financing of US\$30 million and consists of four components: the Technical and Learning Component, intended to strengthen links with large enterprises and training, mainly by OJT; the Financial Component, which was support to strengthen commercial banks; the Social Component, anti-HIV/AIDS activity inside companies financed by the Austrian government; and the Institutional Component, to enhance the capabilities of MIC and MT staff. Although they were all under one project, each component was conducted independently.

The World Bank Group plan from now is the Country Partnership Program, prepared as the Country Assistance Strategy for 2008–2011. Three pillars have been set out: Sustainable and Broad-based Growth, which includes promoting technology to achieve strengthened economic growth potential; capacity development of the government in tourism; and expansion of energy production. In addition, the plan has a category called International and Local Investment Enabled, which is supposed to expedite business procedures and extend financing for SMEs and ICT services. For the Utilizing Adjustable Program Loan component, development of the Nacala and Mtwara corridors are under consideration.

(b) International Finance Corporation (IFC)

IFC of the World Bank Group invests in large-sized private enterprises such as Mozal (US\$10 million) and has also executed the *Doing Business* survey every year. To assist in industrial and SME promotion, it used to run the African Project Development Facility (APDF) in Mozambique. Its main activity was to support business planning, but it was shut down, and the Private Enterprise Partnership for Africa (PEP) was started as a new project.

The intention of PEP is to provide support multidimensionally, including from the perspectives of legal amendments, developing business ideas, and providing credit in addition to business planning. For example, in the program called MOZLINK derived from PEP, it takes the role of bridging regional SMEs to Mozal. And with the Entrepreneurship Development Initiative, it has implemented assistance to support agencies and business advisory services as well as business planning. PEP has also started promoting tourism from the perspective of public and private dialogue.

IFC has trials in many African countries through PEP, and the Mozambique SME Initiative (MSI) has been conducted as a pilot project to determine the effectiveness of risk capital. Ordinary banks are interested only in large-scale debt financing, and microcredit handles only small amounts. There was no financial service in the gap between them, and the only choices for most SMEs were a supplier of credit or borrowing money from relatives. MSI is a new concept of risk capital that will attempt to cover this gap.

It can also be called quasi-equity financing. Equity financing is almost impossible considering the circumstances of Mozambique, and it is different from debt financing because it does not require collateral. MSI also combines business advisory services with financing.

The fund was established at the beginning of 2005 and started financing in January 2006. The repayment period is six years, and the grace period is one year. The financing amount available is US\$100,000–US\$1 million, and the average is US\$400,000. Funds for risk capital come from the Finnish, Swiss, and Dutch governments: The breakdown is the IFC at US\$3 million, Switzerland at US\$3.5 million, Finland at US\$750,000, and the Netherlands at US\$4,750,000. Of the entire fund of US\$12 million, US\$5 million is for financing, US\$4 million is for consulting, and US\$3 million is to cover overhead.

Future plans being considered by MSI are IT Incubator support at MICTI and microfinancing through mobile banking.

2. United Nations Industrial Development Organization (UNIDO)

The UNIDO program consists of three pillars: Energy-Environment, Poverty Reduction Through Production Capacity Building, and Trade Capacity Building. The United Nations has started joint programs through several institutions called the One UN Program, and Mozambique is one of eight initial countries.

For Energy-Environment, UNIDO is in the midst of executing a pilot project in Inhambane with a budget of US\$600,000 to determine the influence of promoting tourism on environmental degradation. As a renewable energy measure it is installing hydroelectric power equipment as a pilot project at five sites (*Draft UNIDO Programs Summary Matrix 2007–2009*).

On Poverty Reduction UNIDO is conducting an enterprise creation project that trains potential human resources on construction materials in the provinces of Maputo, Zambezia, Cabo Delgado, and Nampula and dispatches them to India for further training. It is also executing a private-sector development pilot project with cashews as a target commodity in Nampula Province by inviting Brazilian experts, advising on business planning, and handling machinery. In the provinces of Nampula, Sofala, and Gaza, FAO supports agriculture productivity improvement and UNIDO assists business planning and processing technology along with the UNDP on gender issues. It also supports introducing entrepreneurship in training curricula.

For Trade Capacity Building, UNIDO supports a safety and quality control system in Maputo and is preparing a position paper for south-south investment promotion.

3. United Nations Development Program (UNDP)

The UNDP has three pillars: Trade and Private Sector Development, Sustainable Business Development, and Integrated Support for Local Business. With Trade and Private Sector Development the UNDP has been working on improving the business environment with respect to laws and regulations with MIC as a counterpart.

Sustainable Business Development works on labor issues and as a one-stop shop for investors. Integrated Support for Local Business operates with the perspective that industry, agriculture, health, and so on are related each other. The program started in Nampula as a model, and in future it plans to expand to Cabo Delgado.

The UNDP also conducts entrepreneurship lectures aimed at fostering the business mindset in secondary schools and vocational schools. The project started with four schools in 2004 and presently has expanded to 41 schools.

4. African Development Bank (AfDB)

AfDB finances approximately US\$150 million–US\$200 million in Mozambique. It has been working on the Family Sector Income Enhancement Project as a regional industrial-related field in the agriculture category. It promotes poultry farmers in Maputo through a farmers' cooperative, the General Union of Cooperatives (UGC). Its total budget is US\$1.35 million.

With the Rural Finance Intermediary Support program it finances microcredit institutions through the Rural Development Fund, GAPI. In Mozambique there used to be a national development bank in rural areas, but it withdrew, and there are almost no financing institutions in the areas where most cotton and tobacco is produced. Hence it is said that a total of MZM20 million was taken to Malawi and deposited in banks there.

AfDB provides funds with an interest rate of 10%–11%, well below the usual 13%–15%, when it lends money to banks operating in rural areas. Demand for financing in rural areas is high, and financing institutions make large profits on the total budget of US\$1.53 million. AfDB financing is different from investment through FFPI, and AfDB finances only fisheries companies.

Additionally, Women's Entrepreneurship and Skills Development utilizes funds from Portugal, and consultants give advice on business procedures in the provinces of Sofala and Manica, with a total budget of US\$2.5 million.

4-3-2 Bilateral organizations

1. The United States (USAID)

USAID in Mozambique has four pillars: HIV/AIDS-Health, Democracy and Governance, Rural Income Growth, and Trade and Investment. For Rural Income Growth, activities include research and a pilot project.

Projects related to the regional industry in Nampula and Manica provide advice on marketing agricultural commodities; value chains, including processing and sales; and the formalization of cooperatives, etc., under the Rural Business Development Program of Rural Income Growth. It also intends to induce investment from other countries. Activities are implemented by organizations such as Technoserve and CLUSA (Cooperative League of the U.S.A.) in Nacala. Target commodities and sectors include cashew nuts, bananas, forestry, poultry, tourism, etc. For bananas, for example, it works on planting banana trees and also supervises downstream activities to establish the value chain in this sector. For cashew nuts it combines Indian technology with Dutch investment, and revenue in the sector had grown from US\$90,000 in 2001 to US\$24 million in five years. The mobile banking program called Opportunity Bank jointly with the Gates Foundation has contributed to this kind of growth of farm villages as well.

On Trade and Investment, USAID works on building capacity at MIC and CTA through consultants. It also organizes the Private Sector Forum and invites prominent economists from the United States as keynote speakers.

In addition, USAID has provided US\$176 million in U.S. government financing for Highway 1 and US\$17 million to fight the lethal coconut yellowing disease in Nampula and Zambezia through the Millennium Challenge Corporation.

2. Germany (GTZ, KfW)

Germany has undertaken support for MIC and business associations on improving legal, political, and institutional framework conditions in GTZ's SME program in Inhambane, Manica, and Sofala. It also supports strengthening the Microfinance Institution Network as well as the capacity of the central bank. KfW finances GAPI, whose customers are small and medium-sized enterprises. KfW is a chair of the Microfinance WG.

The Conducive Environment for Private Sector Development Project in Sofala has two main activities: improving the business environment and strengthening local private economic organizations. Improving the business environment is intended to change the legal framework as well as simplify licensing procedures.

As for strengthening local private economic organizations, it supports organizations such as CTA, the Beira Commerce Association (ACB), the Chamber of Commerce and Industry, and the Transport Association so that they can support their member enterprises more effectively. This activity includes

strategies, dialogue with government, legal advisory services, a database, providing services through the Internet, publishing books, etc.

The project started at the beginning of 2006 and ends at the end of 2008. However, it is possible that it will be extended four years and later three years.

3. Sweden (SIDA)

Mozambique is one of the highest priority countries for Sweden, and it has been undertaking cooperative ventures since 1975. It is the chair of the Agriculture WG and finances approximately US\$100 million per year, more than half for budget support.

Private sector development is focused on Niassa Province. SIDA established a foundation called the Malonda Foundation (*malonda* means “business” in an indigenous language) and has been operating programs in community development, promoting agricultural production, and promoting tourism with an annual budget of approximately US\$3 million. The Malonda Foundation established the Business Center in Nakssa in Niassa Province as a community development project and has been conducting business advisory services through local and Technoserve consultants as well as legal advice through local lawyers. It also started a postal savings system, although the preparation stage took four years. As for the promotion of agricultural production, SIDA focuses on different commodities from other donors such as lemon grass, sesame, and paprika, and supports NGOs in producing these commodities.

SIDA also started promoting tourism with eco-tourism and hunting. First it is rehabilitating facilities through the Malonda Foundation and next is supposed to start targeting Europeans for tourism.

4. Denmark (DANIDA)

DANIDA has a program to develop business-to-business (B2B). It connects Mozambican enterprises with Danish enterprises as investors, and the former are expected to obtain technology, new market expansion, and export know-how. Currently in municipalities such as Maputo, Beira, Nampula, Morrumbene, and Chimoio, it is working on matching businesses in the leather bag, juice, printing, and dry fruit industries. DANIDA’s annual budget is approximately US\$1.5 million.

5. Norway (NORAD)

NORAD financed the Enterprise Development Project jointly with the World Bank and the European Union. It also supports an entrepreneurship curriculum for vocational training and GAPI for its organizational restructuring. In addition, management training for SMEs was conducted in the provinces of Cabo Delgado, Zambezia, and Nampula through UNIDO.

6. Finland

Support for rural development in Zambezia, especially in Mocuba, was provided to improve production technology, processing, and marketing in rural areas with special attention given to businesses managed by women. In addition it invests in a microfinance institution, SOCREMO.

7. Switzerland (SDC, SECO—State Secretariat for Economic Affairs)

Private-sector development support by SDC is divided into trade and investment. First, trade support started in 2005 in support of WTO Trade Policy. This is not to formulate policy itself but to build capability for WTO negotiations as well as upgrade testing quality. The target is a private inspection facility, which is a kind of intermediate business environment support between the government and exporters. With this program, it provides testing machinery for cashew nuts, honey, fruit, vegetables,

and edible oils by experts sent by UNIDO. This program is for the multilevel WTO negotiations but not for regional economic integration like SADC.

As direct support to enterprises, it supports 6–7 enterprises involved in cashew nuts, fruit, and vegetables through Technoserve, which connects them with exporters by establishing a production system with quality control requirements such as HACCP and EU-GAP. Nampula and Gaza are the target areas.

For Investment Support, it has invested in a private microfinance institution in order to promote small and medium-sized enterprises. It also invests in MSI of IFC.

8. Austria (Austrian Cooperation for Development)

Austria has been implementing projects in Sofala. With the Economic Promotion Program of Smallholder Farming Units, called PROMEC, it intends to foster market-oriented farmers. It focuses especially on cash-crop or juice production as targets by strengthening regional cooperatives. At the same time it is trying to establish a public-private support system.

The District and Municipality Support Project sets out three pillars of activity: decentralization, water and sanitation, and agriculture, and it works to construct infrastructure and train local governments.

9. Italy (Italian Cooperation)

Most of the projects that Italy has been executing, like vocational training, are conducted through NGOs. NGOs, many of them Italian, submit proposals to the Italian government, and if approved, the government finances 70% of the total budget. An additional 25% is from the target organization of the project in Mozambique, and the NGO needs to find resources for the remaining 5%. However, it is possible for the Mozambican organization to add the asset value of their buildings as part of their 25% responsibility.

In addition, Italy has a program called Support the Private Sector to finance SMEs, especially in agriculture-related enterprises, with relatively low interest rates below 10%, through MIC in areas badly affected by flooding. The total budget is €5.39 million.

10. Spain (Spanish Technical Office of Cooperation)

The Spanish government supports industry and SMEs mainly through microcredit and vocational training. It finances a private microfinance institution called Tchuma. The total budget is €1 million and the repayment period is 12 years. Tchuma is the third or fourth largest microfinance institution in Mozambique and has branch offices all over the country. It is especially strong in the southern region.

In addition, it conducts several vocational training projects through NGOs. For example, a Spanish NGO together with a Portuguese NGO conduct training in carpentry and agriculture at a facility for orphans in Boane, Maputo Province. NGOs usually submit proposals to the Spanish Office of Cooperation, and once they are approved they get a budget from the Spanish government. Most of the projects have a duration of 3–4 years. The Spanish Office of Cooperation appraises submitted projects according to their priority and to the initiative called National Reform of Professional Training. The Spanish government finances most of the budget, but NGOs also have to finance 10%–20%.

11. Portugal (Portuguese Cooperation)

Support for regional industrial development from the country that occupied Mozambique is mainly vocational training through NGOs. For example, the project on the Island of Mozambique by the Portuguese NGO Oikos is working on increasing the revenues of fishing families through fishery

training, quality control, etc. The Portuguese government finances 90%, and Oikos bears 10% of the budget.

In addition, Portugal also supports the financial institution GAPI to develop capabilities on intellectual property rights.

12. The United Kingdom (DFID)

The United Kingdom has been conducting processing and packaging of cassava in Inhambane and supports processing through CARE. In addition, it also contributed to the PoDE project of the World Bank, the European Union, and Norway.

13. Ireland

For formulating of sectoral strategies, Ireland dispatches experts to MIC National Directorate of Industry.

14. Belgium

Currently Belgium is conducting the Tax Administration Reform Project.

15. Canada (CIDA)

Through Sustainable and Effective Economic Development, CIDA carries out support for farmers to improve their marketing and production capacity.

16. Australia (AusAID)

AusAID lent support to formulate the Tourism Policy and Strategy.

17. Others

Mainly through investment in the private sector rather than support as a donor, South Africa and Brazil have a huge presence in Mozambique. The donors listed above sometimes invite experts from Brazil, and textbooks from Brazil in Portuguese are often used for vocational training.

18. The big picture of donor support

Lastly, Fig. 4-10 is a summary of the donor support discussed above. It uses the same framework as used for the analysis of industry-related policies and strategies of the central government.

The trend in assistance seen from this table is that first, needs and support match in terms of the external business environment, policy and strategy, and simplification of business procedures. Regarding the intermediate business environment, much funding from donors to financial institutions has already flowed into the country. But the support connecting domestic enterprises directly with foreign partners is not yet sufficient.

As for internal management assets, vocational training for human resources development has been conducted quite a lot; conversely, business advisory services and training for existing human resources inside enterprises is not sufficient. For financing, support for those borrowing money has not been as forthcoming as the provision of information on the credit risks of enterprises to make use of financial resources that already exist in a country.

The overall impression is that support for strengthening internal management assets does not seem to be extended to other regions in the country, since most projects are limited to their target districts. In other words, support in terms of standardizing skills is very rare, and it is difficult for many regions to benefit from it.

4-4 Support Needs from the Viewpoint of Industry-related Policy

Summarizing the above facts and analysis, support needs from the viewpoint of policy and possible JICA cooperation are depicted in Table 4-13. The priority of each item is shown with ○, △, or ×. Cases where industrial promotion is necessary but the actions taken are not sufficient are marked ○, showing high priority. Items that have impact on industrial promotion but are not urgent, or if they are urgent but some other organization has already started taking action, are marked △. Cases where Japan has enough experience and resources as well as technical transfer experience in other countries are marked ○. Cases where there is enough experience but only limited resources are marked △.

Table 4-13 Support needs from the viewpoint of policy and of the potential for JICA cooperation

Field	Needs	Points to be considered	Priority	Japanese experience	C/P	
External	Policy	Trade Policy	Donor support exists but not utilized	×		
		Sectoral strategy	Major sector strategy complete in 2007	×		
		Simplification of procedures	Rapid ongoing changes by government	×		
	Laws & Regs.	Amendment of laws	Shifting to industry-side demand	×		
		SME law enactment	Not imperative	×		
Org.	MSME Institute advice	Will be established, but structure of organization and support are not yet determined, nor is budget	○	△	MIC	
Inter-mediate	Finance	Source increase	Flow of funds from donors continues	×		
	Trade	Business matching	Need to find Japanese partners	△	△	IPEX
		Simplification of customs procedures	Collaboration with port authority and executing organization is necessary	○	△	MIC
	Investment	Incentives policy	Possible conflict with int'l orgs.	×		
Quality control and strengthening processing		Need to connect investors	△	△	Province, private IPC	
Internal	H.R.	Vocational training	Donors do it, need to prepare working opportunities	△	○	INEFP
		Business advisory services	Not enough support even from donors; need to see how knowledge extends to regions overall	○	○	Province, private MIC
	Product	Strengthening processing industry	Donor support limited in specific districts; concern about capability of regional government to digest standardized process	○-△	○-△	Province, private MIC IPEX
			Public machinery center needs to be established	×		
		One village, one product	Need to collaborate with JICA expert	○	○	IPEX Province, private
	Automotive repair	Possible not by expert but by JOCV	×			
	Finance	Support to borrowers	Collaboration with BAS, credit risk information	△	△	MIC, private
		Guaranteed funds	Need support with actual funds	×		
	Info.	Linkage with large	Already in place	×		
		Market info analysis	Need to strengthen with collaboration in quality control and processing	△	○	IPEX MIC

Source: Based on survey results

First, concerning the MSME Institute, its establishment has been decided on, but many points are still vague and may change according to the people involved.

On the other hand, the MSME Strategy was drafted by Korean consultants, and many people in Mozambique believe Asian experience is valuable in this area. Dispatching experts to the MSME Institute is one possible area of cooperation.

The system of the new institute will work as a network of various organizations, including those in the private sector, and the role of the institute is to harmonize all activities. It is thus somewhat different from what has been experienced in Japan in the past. Support possibility is not marked ○ but △ because of that.

Concerning trade, support for matching business partners for import and export seems scarce, as discussed above. Hence it is possible to have a positive impact in a situation where Japan starts a new program on it.

Cooperation by collaborating on internal management assets, especially human resources, means support including the downstream process of matching actual investors, like USAID does. If this is possible, it would work positively for strengthening processing. It is an important possibility, but it will be necessary to collaborate with JETRO if JICA decides to work on it.

Government and donors have already done a lot of vocational training related to internal management assets. Of course considering the fact that more and more employment should be created, it is not sufficient. But it is necessary to contemplate whether Japan is also able to prepare companies that can accept those trained, or at least to organize matching opportunities.

In regard to business advisory services, more action should be taken since the government, the private sector, and donors have not yet implemented much in this area. Japan has long experience with advisory skills standardization, so the potential is high. At the same time, a concern is whether a system and organization able to expand these skills to other regions should be included in the project. Considering the situation in the provinces and districts, it is better to involve private or quasi-private organizations to ensure that the skills are utilized after the project. For example, the AMA project by UGC to strengthen branding in the poultry industry has been successful, so there are some organizations with potential.

As for support to the product segment of internal management assets, the action most greatly needed is to strengthen processing. Many donors have carried out projects on this already, but many of these projects are limited to specific products or commodities in a specific district. Therefore the standardization of skills in processing, including identification of new products, establishing a value chain, and marketing and logistics, are a key action that must be taken.

Although tariffs keep going down with changes in SADC, barriers in the name of quality will not change and will continue to exist. Typical barriers are HACCP and EU-GAP, and it is necessary to support domestic industry to meet this demand.

In addition, chemical and metal processing industries contribute indirectly to the development of the processing industry in agriculture and other sectors. Hence support in such machinery-related areas could remove fundamental obstacles and increase value added.

It was recognized that much was expected of the experts in “one village, one product.” But considering the capacity of what one expert can accomplish, complementary assistance with another JICA scheme is necessary.

Lastly, regarding support in financing, especially for borrowers, the perspectives of business advisory services and a credit risk information database with a combination of market information also need to be included. Establishing such a database is one potential area of cooperation.

(Source: Industrial Policy & Strategy, Small & Medium Enterprise Dev. Strategy, Trade Policy & Policy)

Industrial strategy, SME strategy, Trade strategy, Industry & SME, Industry & Trade, Business Environm., Gov. Inst., Priv. Inst.

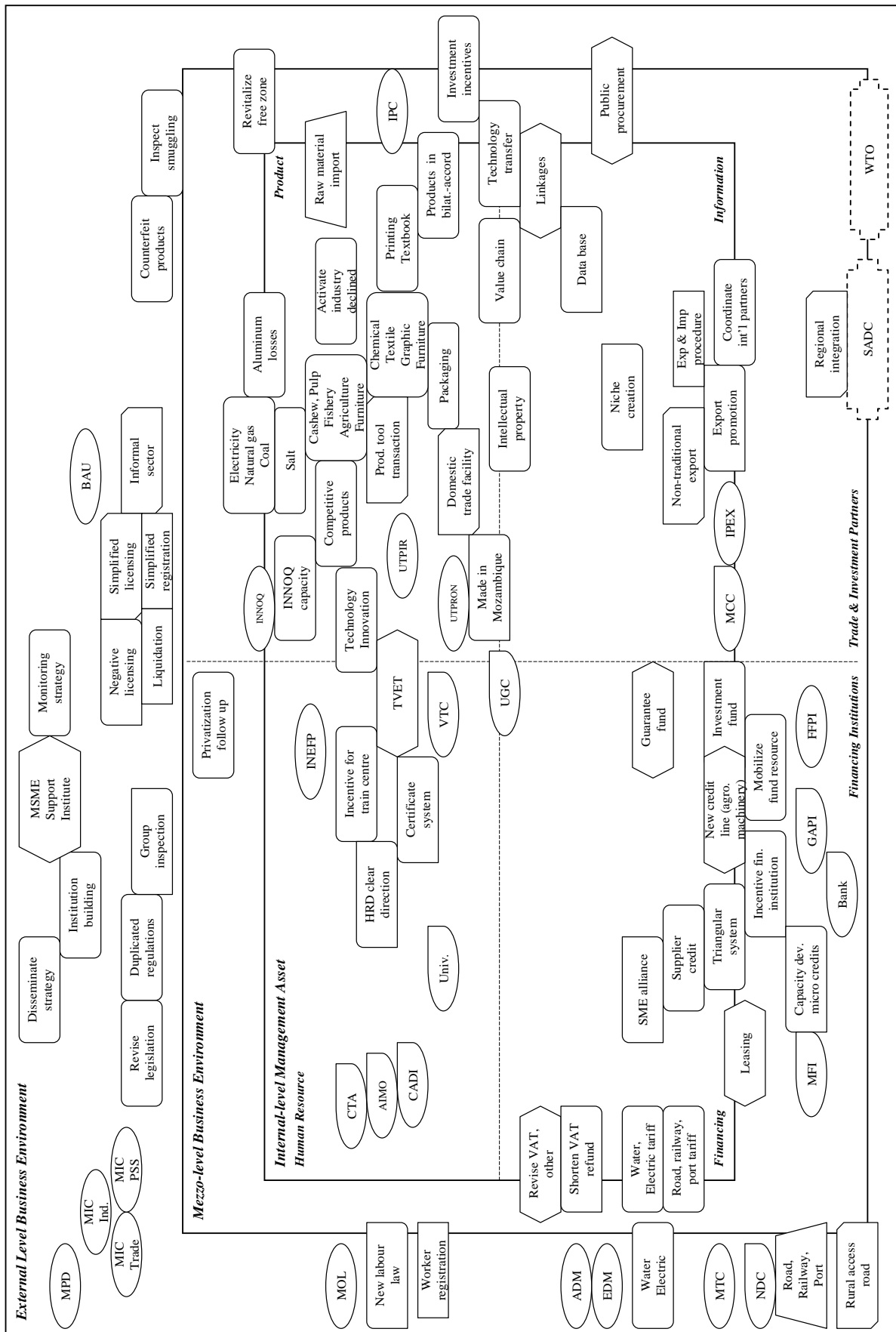


Fig. 4-9 Action plan for industry, small and medium-sized enterprises, and trade in Mozambique

(Source: Interview with various orgs., web-site of various orgs., ODAMOZ web-site)

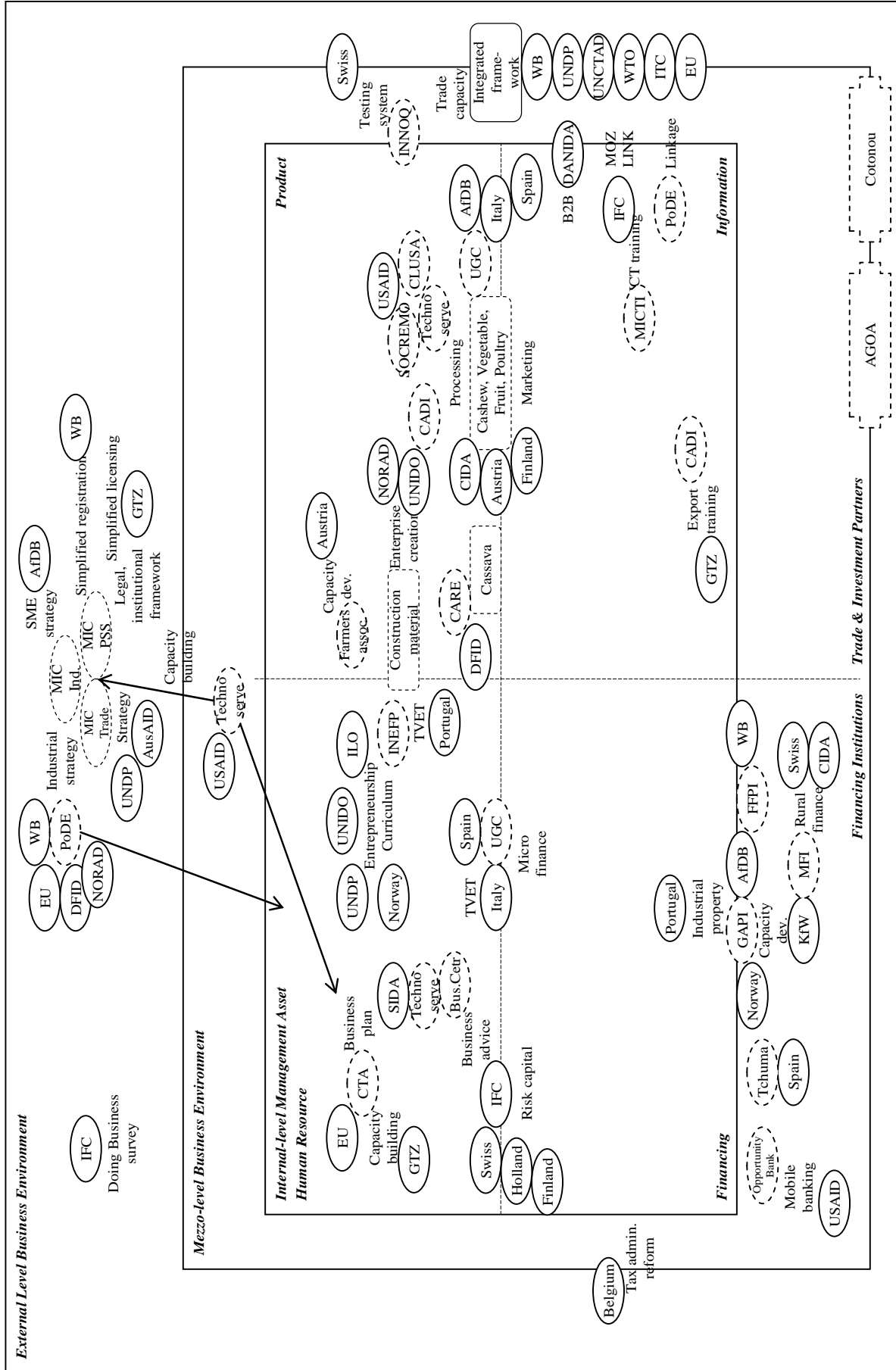


Fig. 4-10 Donor actions for private sector development in Mozambique

Chapter 5: The Current Situation of Local Industry in the Target Area

5-1 Current Economic Conditions, Characteristics, and Problems in Each Corridor Area

5-1-1 The Maputo corridor area

Maputo Development Corridor (MDC) is a private-led integrated regional development plan that comprises roads, railroads, border posts, ports, terminal facilities, and surrounding development with the collaboration of the South African and Mozambican governments.

It covers Mpumalanga, Gauteng, and Limpopo provinces on the South African side and the city of Maputo and Maputo Province on the Mozambican side. The project targets reducing transport costs by using the corridor to export industrial goods from Gauteng Province and minerals and agricultural produce from Mpumalanga Province. In the future, there are also plans to develop the tourism industry in coastal areas of Mozambique and at Kruger National Park in South Africa.²

Maputo Province is composed of eight districts, of which Matola, Boane, Matutuíne, and Moamba are located within 20 km of the corridor and would receive the greatest economic benefits. The city of Maputo and the Matola district have a population of 1.6 million, and the Mozal and Polana industrial estates are located in the Matola district. The main economic activities related to the corridor, such as the manufacturing industry and logistics, are concentrated in the Maputo Bay area.

On the other hand, Maputo, the capital of Mozambique, has the headquarters of banks, insurance, telecommunications, and oil companies, etc., and has the best-developed infrastructure in the country. In other areas, like the Manhiça district, which has a population of 150,000, the main industry is agriculture.

Table 5-1 Main economic indicators of the Maputo corridor area

	City of Maputo (2004)	Maputo Province (2004)
Area (km ²)	316	26,358
Population	1,162,486	1,044,946
Regional Economic Output (REO) (millions of US\$) ³	1,952	1,160
Imports (millions of US\$)	609	150
Exports (millions of US\$)	641	185
Number of tourists	238,483	15,398
Local government budget (millions of US\$) (2007)	38.9	35.3
GDP per capita (US\$)	1,823	1,077

Note: Output from Mozal is not included in the REO of Maputo Province.

Source: City of Maputo and Maputo Province *Annual Statistical Yearbook* (INE)

² The MDC is part of Spatial Development Initiatives (SDI), which plans to include Petersburg and Phalaborwa in South Africa, Tshwane in Botswana, and the Xai-Xai district in Mozambique.

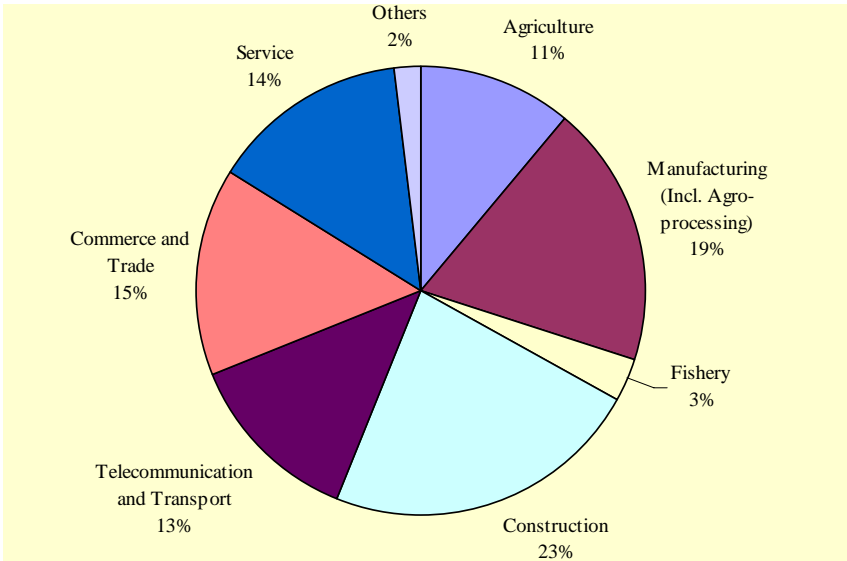
³ The output of Mozal is not included in this figure because Mozal is located in the IFZ.

In the Maputo corridor area of Mozambique, although Maputo port and its outskirts have diversified economic development, other neighboring areas have gained limited economic benefit from corridor development, and the majority of the population is still engaged in agriculture. For this reason, how the corridor can take on neighboring areas as part of corridor area development will be a key issue. After the completion of the corridor, when it connected Gauteng Province and the port of Maputo in five hours' drive, it contributed greatly to improved transport convenience. The volume of cargo for the port of Maputo through the corridor has also increased.

The port of Maputo facility is composed of the Maputo Cargo Terminal (MCT) and the Matola Bulk Terminal (MBT). MCT is mainly utilized for exporting sugar, aluminum, oranges, coal, etc. Even South African companies use the port for sugar exports. The port is managed by the Maputo Port Development Company (MPDC) under a 25-year concession, and each terminal is handled by several private operators. Cargo handling at the port was 6.2 million units in 2006. The port of Maputo plays an important role as the terminal of the corridor.

After the Mozal aluminum smelter went into operation, output in the manufacturing sector in the corridor area grew greatly. The contribution only from Mozal was US\$857 million in 2005. Regional economic output, which includes that of Mozal, reached US\$4 billion. In fact, economic output from the city of Maputo and the Matola district occupies 59% of GDP in the country, and the main economic activity in the country is concentrated in this area.

Although factories are located along the corridor within 10 km of the port of Maputo, a lot of land is not in use and has been left as a wasteland from this area to the border with South Africa. It will be a key point in the future to utilize such a potential asset effectively for the development of the corridor area.



Note: Output from Mozal is not included in this chart.

Fig. 5-1 Industrial structure in Maputo Province

Fig. 5-1 shows in U.S. dollars the industrial structure, excluding Mozal, of Maputo Province. The largest in order of output are construction, manufacturing, and telecommunications and transport. The manufacturing industry occupies 19% of the total economic output of the area. The agro-processing industry plays a central role in the manufacturing sector, which produces 60% of the total, US\$184 million. The milling industry, such as CIM, and soft drinks, such as Coca Cola, are a major subsector in manufacturing, and metalworking is a runner-up.

Table 5-2 Output of the manufacturing industry by type in Maputo Province

Unit: US\$100,000

	2005	2006		2005	2006
Total	2,038	2,547	Textiles	0	1
Manufacturing industry percentage of REO	16%	19%	Hides and skins	1	1
Mining	15	32	Wood processing	6	4
Agro-processing	1,350	1,837	Paper	15	14
Meat processing	92	79	Oil and gas	–	0
Dairy	8	22	Chemicals	147	100
Milling	500	635	Plastic and Rubber	15	34
Soft drinks and alcohol	368	298	Metalwork	382	409
			Nonferrous metals	1	4

Source: Maputo Province *Annual Statistical Yearbook* (INE)

While the northern part of Mozambique has only US\$200 in GDP per capita, the city of Maputo and Maputo Province have a much higher income: GDP per capita in the city of Maputo is 10 times that of the northern part of the country, and Maputo Province averages five times as much. The Maputo corridor area plays a central economic role in the country, as the area has been receiving most of the FDI and is geographically close to South Africa. However, as much investment is concentrated along the Maputo Bay area, there are some large income discrepancies among the districts of Maputo Province.

Table 5-3 Change in GDP per capita in the Maputo corridor area

Unit: US\$

	2001	2002	2003	2004
City of Maputo	1,447	1,562	1,688	1,823
% change	–	7.9%	8.1%	8.0%
Maputo Province	692	772	816	1,077
% change	–	11.5%	5.6%	32.0%
Avg. in the south	404	441	490	603
% change	–	9.2%	11.1%	23.1%

Source: City of Maputo, *Maputo Province Annual Statistical Yearbook* (INE)

In terms of investment by industry in the corridor, the hotel and tourism sector received the largest investment in 2004. In 2005 the largest investment was in agro-processing. There were 52 investments in 2004 worth a total of US\$157 million. In 2005, the number was 49 worth US\$223 million. The manufacturing sector has also received stable investment recently.

Table 5-4 Domestic and FDI investment by industry in the Maputo corridor, Maputo Province

Year	No. of investments		Value (millions of US\$)	
	2004	2005	2004	2005
Total	52	49	157.6	223.2
Agriculture and agro-processing	4	7	7.7	112.7
Telecommunications	4	1	1.7	1.0
Hotels and tourism	5	6	107.6	47.5
Manufacturing	24	17	27.8	28.6
Mining	1	2	0.3	15.6
Construction	2	2	3.4	1.2
Banking and insurance	–	1	–	1.9
Other	12	13	9.0	14.5

Source: CPI

5-1-2 The Nacala corridor area

The Nacala corridor passes through Nampula and Niassa provinces. Nampula Province is composed of 18 districts, the city of Nacala, and the city on the Island of Mozambique. As of 2004, the population of the province was 3.6 million, the most populous province in the country.

Niassa Province has a population of 1.04 million and is composed of 15 districts and the provincial capital, Lichinga. The corridor connects the port of Nacala to Lichinga and to Malawi by way of Nampula and Cuamba. At present, goods are transported to Malawi and Zambia mainly by railroad. The only paved road connection is between Nacala and Nampula and not yet between Nampula and Lichinga. It takes a day to drive between Lichinga and Nacala, and in the rainy season the road becomes impassable by car or truck. In Nampula Province, Nampula, Nacala, and Angoche are densely populated cities. The three areas together have a population of 1 million. In Niassa Province, Lichinga and the Cuamba district are populous. These areas contain a third of the province's population.

The main economic zone of the corridor is concentrated between Nampula and Nacala, and some district capitals located in the coastal area. These areas play an important role in the economic activities of the province. Nampula, important as a relay point on the Nacala corridor, has the best-developed infrastructure in the corridor area. In other areas, subsistence agriculture and fisheries are the main economic activity.

Economic output in both provinces amounts to US\$900 million, which accounts for only 15% of GDP. The development level of the corridor area is far behind when compared with the Maputo corridor area. In addition, as just 30% of households in the area have access to water and electricity coverage is only 16%, improvements in such basic infrastructure should have high priority for provincial development.

Many facilities and factories that were used in colonial times have been left in disrepair. It is said that local industries were more prospering then than now. The revitalization of the economy in this area is still in process after civil war.

Table 5-5 Main economic indicators of the Nacala corridor area (2004)

	Nampula Province	Niassa Province
Area (km ²)	81,606	129,056
Population	3,588,348	1,044,946
Regional Economic Output (REO) (millions of US\$) ⁴	725	178
Imports (millions of US\$)	n.a.	150
Exports (millions of US\$)	n.a.	185
Number of tourists	47,973	15,398
Local government budget (millions of US\$) (2007)	66.4	34.4
GDP per capita (US\$)	202	177

Source: Nampula and Niassa provinces *Annual Statistical Yearbook* (INE)

The biggest industry in this area is subsistence agriculture. The area of irrigated farmland is very limited, however. Perennial crops such as cashews, palm trees, and cassava are mainly planted on rain-fed fields. Cotton is also planted as a cash crop. Output from the agriculture sector accounts for 60% of the provincial economy. Although 4.5 million people live in this area, the manufacturing industry is not well developed, and many necessities of life need to be imported.

Transport and trade industries are well-developed in this area. Twenty-ton capacity trailers transporting goods from the port inland through the corridor can frequently be seen. In the province, the transport and trade industry accounts for 15% of REO. The agro-processing industry comes next. About 10 cashew-nut processing factories are located in the district capitals; they are engaged in semiprocessing and export the nuts to India, Vietnam, and Europe. Two cotton factories are in operation, in Nampula and Meconta. As it is said that many kinds of mineral deposits exist, the mining industry has a huge potential in the future, but it is still not a leading industry in the area. One megaproject (MP), the Moma heavy-sand project, has just started up.

The U.S. capital firm Ayr Logistics has very recently committed to investing US\$5 billion to build and operate an oil refinery in the district of Nacala Velha, on the coast of Nampula Province. If the project comes to fruition, it may trigger an economic revolution in this corridor area.

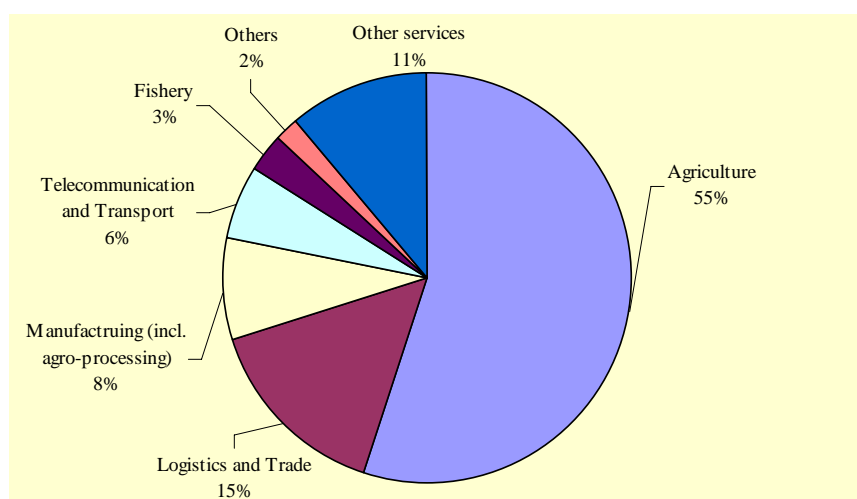


Fig.5-2 Industrial structure in Nampula Province

⁴ The output of Mozal is not included in this figure because Mozal is located in the IFZ.

Table 5-6 Change in GDP per capita in the Nacala corridor area

Unit: US\$

	2002	2003	2004
Nampula Province	154	181	202
% change	–	17.5%	11.2%
Niassa Province	132	151	171
% change	–	15.3%	13.2%
Avg. in the south	441	490	603
% change	9.2%	11.1%	23.1%

Source: Nampula and Niassa provinces *Annual Statistical Yearbook* (INE)

Comparing the average GDP per capita in the southern part of the country, which was US\$600 in 2004, in both Nampula and Niassa provinces the figure was a third, US\$200. Thus the corridor area is classified as one of the poorest parts of the country. Many farmers are engaged in subsistence agriculture, and some live with incomes of less than US\$100 per year.⁵ In addition, problems such as the spread of HIV/AIDS and malaria hinder economic activity in the area.

Table 5-7 Number of registered companies in the Nacala corridor

	Nampula Province	Niassa Province
Mining	12	–
Manufacturing	78	15
Agro-processing	111	83
Construction	10	5
Telecommunications and transport	13	1
Hotels and tourism	461	79
Banking	2	–
Commerce	1,033	303
Other services	80	10

Source: National Statistics Office (INE)

Around 200 agro-processing companies are registered, and many companies are located mainly in Nacala, Nampula, and Lichinga, so the main economic activities are integrated into the local big cities. Even comparatively large companies in the area are engaged in labor-intensive industries and would be categorized as medium-sized enterprises in Japan.

It is possible to obtain investment data on Nampula Province from 2002. The data show that some companies that started operations less than five years ago have already closed down or gone bankrupt. The reasons are partly that some factories had much bigger operating capacity than the raw materials they could procure, or the company was not financially feasible in the situation of the relatively high operating costs in Mozambique.

⁵ Calculated on a cash basis. If the figure included the value of food, were it possible to convert food value into currency, subsistence income would be much higher.

Although many large FDI projects continue to flow into the area, some failures of investments show that investment decisions should be made very carefully. The map below shows the administrative divisions of the districts in Nampula Province.

In terms of investment by industry in the corridor area, the agriculture and manufacturing sector received the largest investments in 2003, and the manufacturing sector saw the most in 2004. Investments in 2003 were worth US\$51 million and in 2004 US\$127 million. Investments were made in Nampula and coastal areas such as Nacala.



Fig. 5-3 Administrative map of Nampula Province

Table 5-8 Domestic and FDI investment by industry in the Nacala corridor⁶

Year	No. of investments		Value ⁷ (millions of US\$)	
	2003	2004	2003	2004
Total	13	20	51.3	150.5
Agriculture and agro-processing	2	4	20.5	16.8
Telecommunications	–	–	–	–
Hotels and tourism	2	4	5.1	5.6
Fisheries	1	–	1.0	–
Manufacturing	7	9	24.6	126.7
Mining	–	1	–	0.1
Construction	–	1	–	1.2
Banking and insurance	–	–	–	–
Other	–	1	–	0.1

Source: CPI

⁶ Details are outlined in Section 6-5-2.

⁷ Due to rounding, subtotals and totals in each sector are not consistent.

More than half of the existing cashew-nut processing factories were newly established in the last five years. Nacala is also widely regarded as the country's best deep-water harbor. The port operation was privatized and is run by the North Corridor Development Corporation (NDC) consortium, which also has the concession for the railroad from the port of Nacala to the border of Malawi, a total length of 941 km. NDC members are RDC from the United States, Manica from South Africa, Edlow Resources of Bermuda, Tertia from Portugal, and CFM from Mozambique.⁸ The handling capacity of the container terminal is 600,000 tons a year, and for general cargo 1 million tons a year.

5-1-3 The Beira corridor area

The Beira corridor connects the port of Beira, located at the mouth of the Púnguè River, with countries inland: Zimbabwe, Zambia, and Malawi. This international corridor has functioned for a longer time than the Maputo and Nacala corridors. Road and railroad networks connect Mozambique with Zimbabwe and Zambia. Mozambique and Malawi are connected by a road network and the Sena Railroad, which is being rehabilitated.

The city of Beira has a population of 560,000 and is the second largest city in the country after Maputo. One third of the population in Sofala Province lives in Beira, the provincial capital. Half of Manica Province's 500,000, people live in the city of Chimoio and the Manica district. As the bulk of the population in Sofala and Beira provinces live along the Beira corridor, there is a large income disparity between this area and rural areas, partly because of the inconvenience of transportation.

Besides trade and transport industries, the main industry is agro-processing. In Sofala Province, 20% of REO is from agro-processing. Agriculture is also a main economic activity, and constitutes the main industry in Manica Province. Forestry and wood processing are also prevalent. There are some unique activities, such as a rose plantation in a greenhouse and baby corn production utilizing the highlands climate. The tourism industry is concentrated in the coastal area. Mining activities are very limited in both provinces.

Table 5-9 Main economic indicators in the Beira corridor area (2004)

	Sofala Province	Manica Province
Area (km ²)	68,081	61,661
Population	1,600,581	1,281,317
Regional Economic Output (REO) (millions of US\$)	638.4	251.0
Imports (millions of US\$)	20,149	9,148
Exports (millions of US\$)	55.6	34.8
Number of tourists	399	196

Source: Sofala and Manica provinces *Annual Statistical Yearbook* (INE)

The port of Beira is operated by Cornelder of Mozambique, a joint venture of Cornelder Holdings, which is a Dutch company, and CFM. Cornelder's share is 67% of the capital and CFM has 33%. The volume of cargo handled in 2002 was 2.76 million tons, 2.31 million tons in 2003, and 2.03 million tons in 2004. The port of Beira plays quite an important role for the countries inland. The volume of international cargo is greater than domestic cargo.

⁸ A rumor suggests that CFM plans to take over management of the railroad sector, as NDC is not managing it well.

Table 5-10 Container handling at the port of Beira (2004)

Destination		Volume (TEU)	
Domestic	Load	3,532	
	Offload	1,593	
	Subtotal	5,125	
Trade	Import	6,626	
	Export	9,013	
	Subtotal	15,639	
Relay	Zimbabwe	Export	6,784
		Import	3,809
		Subtotal	10,953
	Malawi	Export	7,705
		Import	6,396
		Subtotal	14,101
	Zambia	Export	118
		Import	1,115
		Subtotal	1,233
	Botswana	Import	84
		Subtotal	84
	Total		46,775

Table 5-11 General cargo handling at the port of Beira (2004)

Destination		Volume (TEU)
Domestic	Load	2,729
	Offload	3,290
	Subtotal	6,019
Trade	Import	31,797
	Export	276,750
	Subtotal	308,547
Zimbabwe	Export	241,594
	Import	123,166
	Subtotal	308,547
Malawi	Export	72,338
	Import	79,272
	Subtotal	151,610
Zambia	Export	–
	Import	6,844
	Subtotal	6,844
Botswana	Import	–
	Subtotal	–
Total		837,780

Source: CFM

In the manufacturing sector in Sofala Province, agro-processing accounts for US\$131 million, a 76% share of total output. The cement industry follows with 17.7% or US\$23.3 million in output. Nonferrous metals and the soap industry are small-scale runners-up. In the agro-processing industry, the main products are beer, flour, and sugar.

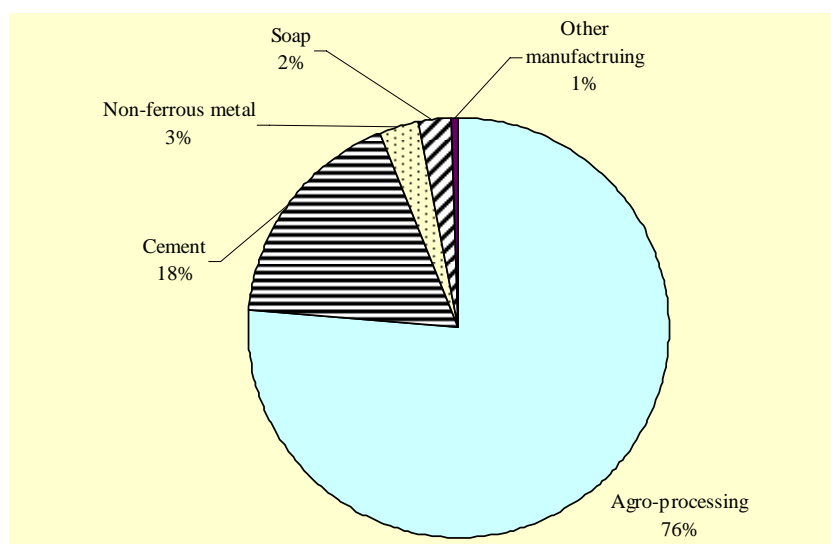


Fig.5-4 Output by manufacturing industry in Sofala Province, based on U.S.-dollar value, 2004

In 2004 Sofala Province had a GDP per capita of US\$399, and Manica Province was at US\$196. Income levels in both provinces are much lower than the average in the southern part of the country. The reason is that industries besides agro-processing are not well developed. Improvement will require local industries utilizing local resources and characteristics to promote economic growth in the corridor area.

Table 5-12 Change in the GDP per capita in the Beira corridor area

Unit: US\$

	2002	2003	2004
Sofala Province	294	342	399
% change	–	16.3%	11.7%
Manica Province	153	177	196
% change	–	15.6%	10.7%
Avg. in the south	441	490	603
% change	9.2%	11.1%	23.1%

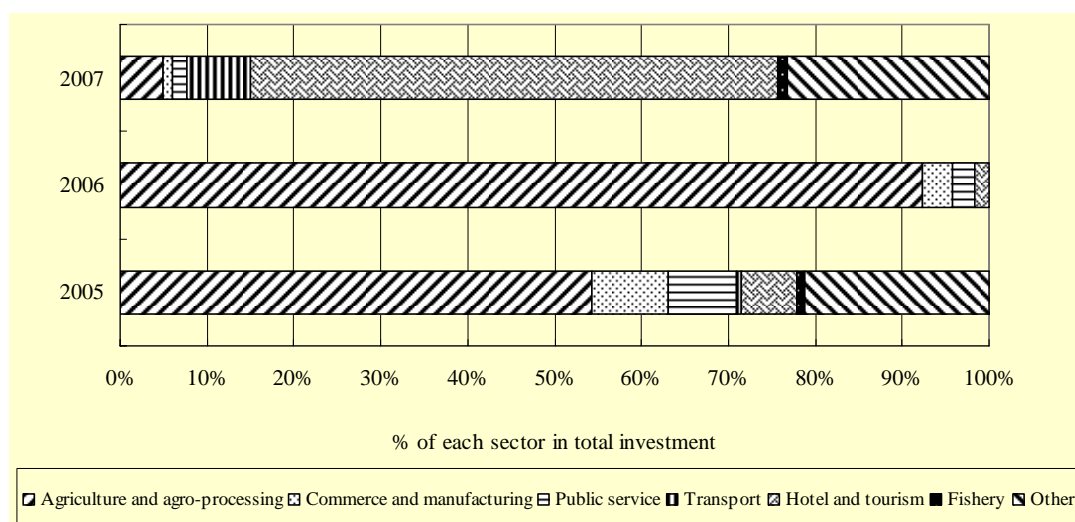
Source: Sofala and Manica provinces *Annual Statistical Yearbook* (INE)

Agriculture and agro-processing were the main industries receiving investment in both 2003 and 2004. The agro-processing sector received US\$51.6 million from Empresa agricola de Moçambique, and the telecommunications sector received US\$253 million from the railroad company Companhia dos Caminhos de Ferro de Beira (CCFB) in 2004. The corridor area, which has received US\$243 million, ranked as one of the top recipient regions in the country in 2004.

Table 5-13 Domestic and FDI investment by industry in the Beira corridor area

Year	No. of investments		Value (millions of US\$)	
	2003	2004	2003	2004
Total	16	30	7.5	253.2
Agriculture and agro-processing	11	16	4.7	72.4
Telecommunications	1	1	1.4	152.5
Hotels and tourism				
Manufacturing	2	1	0.2	0.3
Fisheries		3		5.4
Construction		1		1.0
Other	2	8	1.2	21.7

Source: CPI



Note: Investment data for 2007 includes only the first three quarters.

Fig. 5-5 Investment by sector in Sofala Province

In terms of investment by sector in Sofala Province for the last three years, hotels and tourism saw the biggest investment in the first three quarters of 2007 because investment worth US\$98 million was pledged for a tourist complex in the suburbs of Beira. The commerce and manufacturing sectors received relatively small investments; US\$3.37 million was the highest, in 2005.

5-2 Industry Promotion Policy, Budget, and Implementation in Each Corridor Area

5-2-1 The Maputo corridor area

1. Provincial Development Plan and Regional Industry Promotion Plan⁹

The Maputo Province Strategic Development Plan (MPSDP) for 2004–2013 is composed of an analysis of the current situation (infrastructure, population, economics, and an analysis of each industry), a strategic plan (organizational development, economic development, and social development) and an implementation and monitoring scheme.

In the chapter related to industrial development, while local government emphasizes the importance of the economic impact of MPs on the regional economy, if MPs such as Mozal, the Maputo corridor, the port of Matola, sugar factories, and housing complex construction in the city of Matola are excluded, the local government is apprehensive that the local economy can not grow substantially.

The plan points out that the benefit from MPs does not spread to the local economy because many MPs are developed in a closed economic system. For that reason, the plan takes up the issue of how these investments can be linked to and influence the local economy. MPSDP promotes creating a way to follow new industries in order to link MPs with local industries.

- To promote and encourage the establishment and development of industrial maintenance services, including supply of parts and spares; repair and expansion of infrastructure, buildings, sanitation works, residential and electrical infrastructure; and removal and treatment of industrial waste
- To promote and encourage the establishment of other industrial services, namely cleaning, catering, security, and transport
- To promote the development of mechanical and electrical engineering industries related to megaprojects
- To encourage the cotton fiber industry and the clothing industry
- To promote and encourage intraindustrial diversification based on the utilization of subproducts of production (for example, utilization of aluminum waste to produce kitchen equipment; utilization of molasses from sugar production to produce livestock feed; production of cane alcohol, etc.)
- To encourage large projects to finance enterprises in social development, namely Corporate Social Responsibility (CSR)

MPSDP includes Industry Promotion Plans in each industry sector as follows.

- (a) Agro-processing sector: Priority in this sector should be activities that can generate foreign currency and generate fiscal income and employment. Therefore, the following issues should be prioritized:

⁹ Based on the MPSDP, as Maputo city doesn't have its own Strategic Development Plan.

- To develop production and industrialization of livestock products for export and domestic consumption at different levels of processing
- To develop production and industrialization of cashew nuts, mainly for export
- To develop fresh and semiprocessed fruit, especially dried fruit, and supply fresh and processed fruit (compotes, juices, etc.) for the domestic market
- To expand the sugar industry, especially by introducing small and medium-sized cane fields for sugar production
- To expand poultry activities, including development of feed factories that use local raw materials
- To expand the industry for pasta, biscuits, bread, and pies using locally produced cereals, fruit, and nuts
- To develop industry for agricultural equipment, parts, and instruments

(b) Fisheries and fish-processing sector:

- To provide technical assistance such as fishing or preserving artisanal fishermen's techniques
- To spread the importance of natural-resource protection for sustainable fisheries to artisanal fishermen

(c) Tourism sector:

- To develop tourism that targets South African tourists coming through the Maputo corridor
- To develop small and medium-sized tourism projects of beach and camping facilities

The provincial government is due to evaluate and monitor development plans for each sector. The methods of evaluation and monitoring are now under discussion. Apart from MPSDP, the Ministry of Industry and Trade announced a policy with overriding priority by industry sector in October 2007. It focuses mainly on priorities in the agro-processing industry:

- City of Maputo: Fruit and vegetable canning and bottling (syrup, jam); processed marine products
- Maputo Province: Minimum processed fruit and vegetable products

2. The budget and the implementation body

The municipal budget in the city of Maputo is approximately US\$38.9 million, with 73% used for broadening compulsory education and improving sanitary conditions in the city. For that reason, the budget for industry and commerce is very limited. There are 80 staff members at the Department of Industry and Commerce in the city, and the department's director is dispatched from the Ministry of Industry and Commerce.

The main role of the department is classified into four categories: (1) to monitor whether companies uphold laws and regulations in each industry sector; (2) to monitor the market for prices, quality, and expiration dates, and instruct violating companies; (3) to carry out legal-document procedures related to company registration (though a large part of this responsibility has been transferred to BAU); (4) to conduct internal administration.

As shown in Fig. 5-6, there are seven divisions: Finance, Economic Analysis, Human Resources, Commerce, Industry, Inspection, and Regions. The budget in 2007 for activities was MZM6.42 million (around US\$240,000) and 80% of it was spent on staff salaries and office operations. The rest is used for random inspections of companies and industry seminars. The department does not have any function to promote products of local origin by selecting an industry sector, nor to develop municipal industrial parks, nor to provide small-scale low-interest loans to companies.

The main job of the department is providing commercial licenses and inspecting companies, and it seems it lacks a policy on how to promote industrial development in the city. As a point of reference, the budget of the Department of Agriculture is US\$190,000, and that of the Department of Tourism is just US\$55,000. The Maputo municipal government does not have a Department of Fisheries or a Department of Mineral Resources.

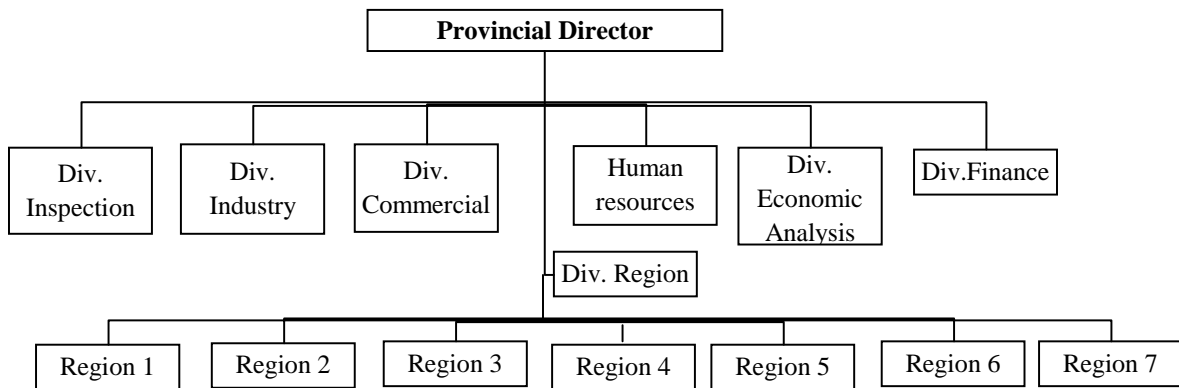


Fig. 5-6 Organization of the Department of Industry and Commerce of the city of Maputo

In the case of Maputo Province, the functions of the Department of Industry and Commerce are the tourism division in addition to seven other divisions, and as in the city of Maputo the director comes from the ministry. There are 52 staff members, and the headquarters is located in the Matola district. The department's 2007 budget in was US\$236,000. They work mainly for small and medium-sized companies, not for large private enterprises.

After amendments to district law, the Department of Industry will merge with the Department of Agriculture, and a new department called the Department of Economic Activity will soon be formed. Presently the department promotes agro-processing by introducing small-scale agro-processing machines. The Department of Agriculture's 2007 budget was US\$1.29 million, while that of the Department of Fisheries was just US\$260,000, and that of the Department of Mineral Resources was US\$130,000. Thus the role of local government in industrial promotion is very limited, and many projects are implemented through nonbudgetary schemes by various donors.

5-2-2 The Nacala corridor area

1. Provincial Development Plan and Regional Industrial Promotion Plan¹⁰

Nampula province's Strategic Development Plan (PEP) for 2003–2007 was formulated in May 2002. The main target is poverty reduction through expansion of sustainable production, provision of job opportunities, and more equitable distribution of wealth. PEP was formulated mainly considering investments around the Nacala corridor area, and it anticipated the following development scenarios during 2003–2007.

¹⁰ Based on the Strategic Development Plan in Nampula Province, as Niassa Province doesn't have its own SDP.

Table 5-14 Development scenarios for Nampula Province

	GDP growth rate (%)	Population increase (%)	Increase in employment (%)	Investment volume (billions of MZM)
Scenario 1	7	2.2	1–2	below 2
Scenario 2	12	2.2	4–5	2.5
Scenario 3	15	2.2	5–6	3.0

Source: Nampula Province Strategic Development Plan

The strategic axis that underlies the development scenarios includes the following five concepts: (1) Promotion of economic growth through strengthening both private and public sectors; (2) Development of human and social capital; (3) Development of infrastructure; (4) Institutional development; (5) Promotion of sustainable use of natural resources. Based on these concepts, the following projects were prioritized or were recommended to be implemented in the Industrial Promotion Plan.

Sector	Project
Mineral resources sector	Moma heavy sand
Tourism sector	Rumba tourist village, tourist complex, relaxation center, Nacala Beach, establishment of a tourism school
Fisheries sector	PPABAS and PPANNCD projects
Transport and telecommunications sectors	Conversion of Nacala air base into an international airport, rehabilitation of the port of Nacala-a-Velha, rehabilitation of Monapo and Namialo stations, rehabilitation of post offices
Agriculture and regional development	Introduction of disease-resistant cassava, community drugstores, promotion of low-cost agro-processing techniques, production and promotion of mushrooms, production of honey, etc.
Commerce sector	Update of registered industry and commercial data, rehabilitation of access roads to markets
Protection of nature and culture	Protection of the coastal zone and marine animal diversity, related research

As of 2007 development conditions are close to Scenario 1 as described in Table 5-14. The provincial evaluation committee has said that the SDP was not implemented as well as planned. They reason that some of the targets are ambiguous and do not include concrete implementation plans.

As a result, they reached the conclusion that the policy to support small and medium-sized enterprises, which form the majority of industries, is ambiguous. Based on that conclusion they are discussing whether support for small and medium-sized enterprises is to be a focused of the next five-year development plan starting from 2008.

UCODIN,¹¹ in which the Provincial Development and Planning Department and CPI provincial office participate as board members, is now preparing a draft of the Regional Economic Development Strategy (EDEL) that focuses largely on support for micro and small enterprises. EDEL will be implemented for the next five years, 2008–2013. In the plan, the following eight subjects related to support for micro, small, and medium-sized enterprises are emphasized: (1) Laws and regulations for regional development; (2) Finance; (3) Technical assistance; (4) Development of service infrastructure in production and commercial sectors; (5) Domestic and overseas market exploration;

¹¹ UCODIN stands for Coordination Unit for the Integrated Development of Nampula.

(6) Provision of information on laws, investment opportunities, and market information; (7) Preparation of an educational curriculum (local curriculum, literacy education, entrepreneur education, etc.); (8) Formulation of a regional economic development strategy, with seminars held and private-sector participation in the process.

The strategic plan will be finalized by the end of 2007. Apart from EDEL, the Ministry of Industry and Commerce announced a policy with overriding priority by industry sector in October 2007. In the Nacala corridor area it focuses mainly on the agro-processing industry:

- Nampula Province: Marine products processing and canning, milling in the Malema district, cashew-nut and apple processing, cassava milling, cotton and revitalization of the textile industry
- Niassa Province: Milling, cashew-nut and apple processing, cotton, bean, and corn processing

2. The budget and the implementation body

The budget of Nampula Province substantially increased by 35% for the last five years, with 95% from the central government and the rest from local taxes. Half, or US\$66.4 million in 2007, is used for free compulsory education, treatment of HIV/AIDS patients, and infrastructure development. The remaining part is mostly used for staff salaries, so the budget for public projects is very limited in each provincial department. For that reason, investment into the local economy in the Nacala corridor area has been done by the private sector, mainly foreign companies, and by donor projects under a nonbudgetary scheme. In the province, the contribution of the provincial government in promoting the local economy is very limited, and many economic activities are carried out by the private sector and donor projects.

The number of staff members working in the Department of Industry and Commerce is 70. Fifty work in the city of Nampula and the rest work at the district level. The director is dispatched from the Ministry of Industry and Trade, as in other provinces. As shown in Fig. 5-7, there are seven divisions: Finance, Economic Analysis, Human Resources, Commerce, Industry, Inspection, and Regions. The 2007 budget for activities was MZM8.12 million (around US\$300,000) with 80% spent on staff salaries and office operations. The remainder is used for random inspections of companies and industry seminars.

As a point of reference, the 2007 budget for the Department of Agriculture was US\$1.27 million; that of the Department of Fisheries US\$240,000; the Department of Mineral Resources US\$300,000; and the Department of Tourism US\$80,000. The main activities of the Department of Industry and Commerce are collecting industrial statistical data and inspecting companies. The department does not have a relationship with large companies in the province, nor does it have detailed information about local industry. As the budget for the activity in the department is limited, most support for the industrial sector is through projects by donors. Donor projects adopt nonbudgetary schemes, and many are run by contracted NGOs. According to interviews with NGOs, one reason for this is poor departmental qualifications and experience to manage projects; another reason is corruption. In the Department of Agriculture, which has a relatively large budget, they have a project budget of US\$130,000 to implement low-interest loans to prospective farmers' groups.

In Niassa Province the 2007 budget for the Department of Industry and Commerce was MZM4.59 million (around US\$170,000). The budget of the Department of Agriculture was US\$870,000, and that of the Department of Fisheries was US\$60,000. The Department of Mineral Resources has a budget of US\$210,000 and the Department of Tourism US\$120,000.

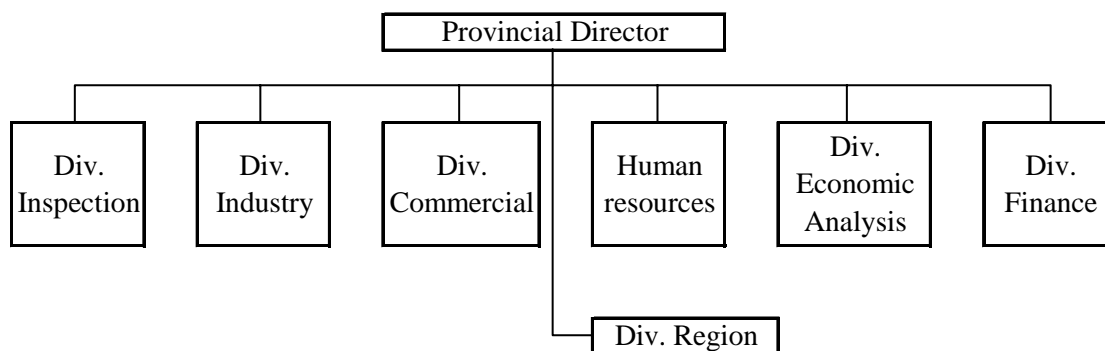


Fig. 5-7 Organization of the Department of Industry and Commerce of Nampula Province

5-2-3 The Beira corridor area

1. Provincial Development Plan and Regional Industrial Promotion Plan¹²

Manica Province's Strategic Development Plan for 2007–2011 is composed of an analysis of the current situation (infrastructure, population, economics, an analysis of each industry, the main development potential in each sector, and principle constraints) and the Provincial Development Plan (vision of development, strategic targets, implementation of development plans, and monitoring methods).

The vision of development emphasizes that it is most important to promote sustainable economic growth through the participation of stakeholders in the process of poverty reduction. Its target is to maintain economic growth of 12%, which was recorded from 1996–1999. It also focused on the following issues: attracting investment and preparing the environment to attract investment, increasing production by SMEs, and developing the processing industry to give additional value to enterprises.

The Plan has five development strategies to attain these targets:

- Improvement of basic infrastructure, services, and access to information
- Provision of high-quality public services through better communication between local government offices and the people
- Preparation of the environment to attract domestic and foreign investment
- Promotion of the participation of people in the process of planning, implementing, and evaluating local projects or programs
- Attainment of self-sufficiency and a farm production surplus

In the field of industrial promotion, the following projects are planned for implementation. While some of the projects have their own provincial or donor budget, others do not.

(a) Agriculture and agro-processing industries:

- To promote processing and preservation of agricultural produce (meat processing)
- To facilitate access to loans for agricultural traders

¹² Based on the Strategic Development Plan in Manica Province, as Sofala Province's SDP is now under preparation.

- To support the promotion of agricultural development by the private sector

(b) Tourism sector:

- To develop tourism through promoting partnerships between private travel agencies and the community

(c) Investment and industry:

- To create publicity from the province itself to encourage private investment
- To support the improvement of technical and management skills in enterprises

(d) Mining sector:

- To promote natural-resources management with community participation
- To construct a pilot center to implement training courses for artisanal miners
- To digitize the data on mineral resources in the province
- To support improvement in mining skills for coal miners

The monitoring committee, composed of directors from Planning, Finance, and Agriculture departments in the province, district administrators, and religious leaders, plans to coordinate or provide advice to solve problems that may cause delays in implementing the plan. The committee will submit a progress report every half year to the provincial government to monitor the progress of projects. The same type of development plan will be formulated at the district level.

The Manica Province SDP was formulated five years after those of Cabo Delgado and Nampula provinces. However, it seems that the content of the SDP is better constructed than others, indicating that the provincial government clearly understands their own problems; thus the SDP can be evaluated highly. Scheduled implementation of the plan and its evaluation system will be key points in the success of the SDP.

Besides the SDP, the Ministry of Industry and Commerce announced a policy with overriding priority by industry sector in October 2007. In the Beira corridor area, it focuses mainly on the agro-processing industry:

- Sofala Province: Marine products processing and canning, milling factories, and wood processing
- Manica Province: Fruit and vegetable processing, dairy products, tanning, production of leather belts and bags, wooden furniture and wood processing

2. The budget and the implementation body

The 2007 budget in Sofala Province was US\$55.6 million, with 55% used for free compulsory education, sanitary improvements, and management of the central hospital. Beyond those items the Department of Industry and Commerce has a limited budget, and it has a staff numbering 62. The director is dispatched from the Ministry of Industry and Trade. The main role of the department is classified into four parts: (1) to monitor whether companies uphold laws and regulations in each industry sector; (2) to monitor the market for prices, quality, and expiration dates, and instruct violating companies; (3) to carry out legal-document procedures related to company registration (though a large part of this responsibility has been transferred to BAU); (4) to conduct internal administration.

As shown in Fig.5-8, there are six divisions: Finance, Economic Analysis, Human Resources, Commerce, Industry, and Inspection.

The 2007 budget for activities was MZM4.92 million (around US\$180,000), with 80% spent on staff salaries and office operations. The remainder is used for random inspections of companies and industry seminars. Activity is focused on attracting investment from Maputo and foreign countries. The 2007 budget for the Department of Agriculture was US\$730,000; for the Department of Fisheries US\$210,000; for the Department of Mineral Resources US\$120,000; and for the Department of Tourism US\$140,000.

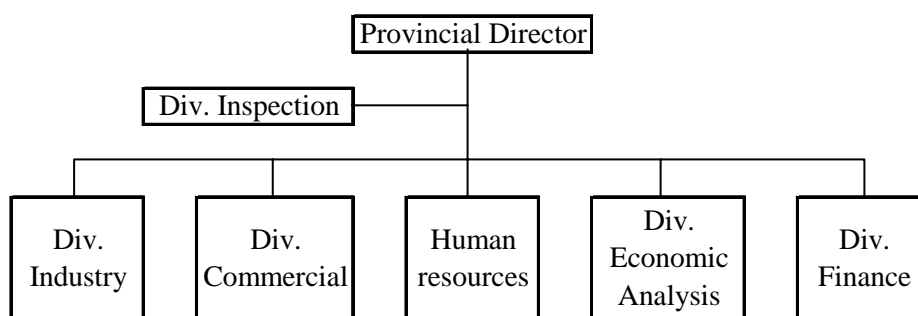


Fig. 5-8 Organization of the Department of Industry and Commerce of Sofala Province

The 2007 budget in Manica Province was US\$34.8 million. The organizational structure of the Department of Industry and Commerce in Manica Province has same structure as that of Sofala Province. The director is dispatched from the Ministry of Industry and Trade, as in other provinces. There are 40 staff members in the department, and the budget for activities is just US\$90,000. Activity focuses on monitoring and supporting small and medium-sized enterprises. The budget of the Department of Agriculture is US\$590,000; that of the Department of Fisheries is US\$32,000; the Department of Mineral Resources, US\$108,000; and the Department of Tourism, US\$120,000. The Provincial Development Plan concretely lists development projects based on the Development Strategy. However, as the project budget is limited, many projects do not have a budget yet.

5-3 Donor Activities Related to Industrial Development in Each Corridor Area

5-3-1 The Maputo corridor area

Table 5-15 is a list of the main industry promotion projects underway or planned in the city of Maputo and Maputo Province. The main type of project is not just to support the manufacturing sector but also to support the agro-processing sector for poverty reduction and income improvement. The number of projects and project budgets in the Maputo corridor area, which has the capital and an industrial base, are fewer than those in the northern part of the country.

Project budgets for industrial promotion from 2005 to 2010 are shown in Table 5-16. Support for agriculture ranks first, and more projects are planned in Maputo Province than the city of Maputo.

Table 5-15 Main industrial promotion projects in the Maputo corridor area

Project name	Family-sector Income Enhancement Project		
Donor	AfDB	Project period	6/2001–5/2008
Budget	BUA13.46 million	Location	City of Maputo, Matola, Boane, Manhiça, and other districts
Project summary	The project aims to reduce poverty through food self-sufficiency, increased farm income, and improved social welfare. It targets women for support and includes promoting fruit and vegetable processing and marketing components. It also includes a loan scheme for livestock farmers and grain producers. Cashew-nut processing projects, managed by UGC and representing 175 agricultural cooperatives, are an example of a successful project that has contributed to income improvement in villages.		

Project name	Private Sector Development Project—Business to Business		
Donor	DANIDA	Project period	1/2001–12/2008
Budget	DKK27 million	Location	All provinces
Project summary	The project aims to contribute to poverty reduction through promoting private-sector development. It tries to establish long-term cooperative relationships between Danish and local companies.		

Project name	Manufacturing Materials for Low-cost Production		
Donor	UNIDO	Project period	4/2005–12/2007
Budget	US\$40,000	Location	Maputo Province
Project summary	Two or three demonstration sites to manufacture low-cost construction materials will be set up. The project provides training in producing construction materials at low cost on a small scale by using local materials.		

Project name	Cashew Multiplication and Diffusion (MAGIS NGO)		
Donor	Italy	Project period	1/2008–12/2010
Budget	€470,627	Location	Maputo Province
Project summary	The project aims at contributing to poverty reduction through institutional development of a cashew-nut producers' group.		

Project name	Support to the Private Sector		
Donor	Italy	Project period	8/2004–12/2007
Budget	€5.39 million	Location	Maputo Province
Project summary	<ul style="list-style-type: none"> - Supports restoration of the local economy damaged in the 2000 flood - Mainly focused on micro and SMEs in the agriculture sector - Introduced low interest loans to 100 companies 		

Project name	Support of Production Processes and Commercialization of Cashews in Southern Mozambique		
Donor	E.U.	Project period	10/2004–4/2008
Budget	€593,601	Location	Maputo and other provinces
Project summary	- Supports the commercialization of cashew-nut processing		

Project name	Integrated Industrial Development Program to Facilitate Private-sector Development in Mozambique, Part 1–Part 3		
Donor	UNIDO	Project period	10/2004–4/2008
Budget	US\$3 million for each phase	Location	All provinces
Project summary	<ul style="list-style-type: none"> - Aims at poverty reduction through technical assistance to SMEs - Phase 3 is presently planned - Supports the establishment of 10 to 15 new enterprises and improvement of technical skills for existing companies 		

Table 5-16 Industrial promotion project budgets for projects by donors

Unit: US\$1,000

		2005	2006	2007	2008	2009	2010
Commerce and business	City of Maputo	384	276	311	506	545	623
Agriculture	Maputo Province	3,458	2,751	324	2,213	9,228	7,246
	City of Maputo	3,525	1,380	286	2,173	1,981	–
Manufacturing and construction	City of Maputo	37	–	–	–	–	–

Source: MOZ-ODA

Column: Introduction of the Family-sector Income Enhancement Project

The project was started by the African Development Bank (AfDB) in 2001 and aims to reduce poverty through food self-sufficiency, increased farm income, and improved social welfare. It targets women for support and includes promoting fruit and vegetable processing and marketing components.

The Union of General Cooperatives (UGC) represents 175 agricultural cooperatives and established cashew-nut processing factories in the suburbs of Maputo with the support of the AfDB three years ago. AfDB provided technical assistance for product realization and loans for processing equipment.

UGC, which owns the cashew-nut factory, buys raw materials from 13 agricultural cooperatives under UGC, process the nuts, and exports the product to Italy and Spain and sells it on the domestic market. There are 75 staff members, and the production volume is 75 tons per year. While many cashew-nut processing factories in Nampula Province are managed by private companies, this factory is managed by a group of agricultural cooperatives. This unique factory shares profits with the members of the cooperatives, namely the farmers.

As the process of processing cashew nuts is quite labor-intensive, it is well-suited to the economic and social conditions in Mozambique.

The factory plans to expand production soon, and the agricultural cooperatives that provide the raw materials also plan to expand planted land up to 1,200 ha.



Grading machine for cashew nuts



The inner-skin peeling process after roasting

As UGC products are often seen at ordinary local supermarkets, we can say that this project is a successful example in having directly contributed to income improvement for farmers and agriculture cooperatives.

The reasons for success are thought to be that UGC is a big enough organization to have quality staff to manage the factory; UGC has technical staff to understand the processing technology for cashew nuts; and UGC has good connections with exporters.

5-3-2 The Nacala corridor area

Table 5-17 is a list of the main industry promotion projects underway or planned in Nampula and Niassa provinces. The main types of projects focus on increasing production in agriculture and fisheries sectors and the processing sector to generate more income in rural areas. Some projects are trying to increase the income of rural people through production of soybeans and seaweed, which has not been attempted in this area before.

UNESCO also plans to implement a unique project to revitalize communities and improve their income through the promotion of handicrafts on the Island of Mozambique, which is listed as a World Heritage Site. In the area, many projects have characteristics relevant to income improvement for rural people.

Table 5-17 Main industrial promotion projects in the Nacala corridor area (1)

Project name	NGO Program—Support for Agricultural Cooperation, Food Security, and Water Provision		
Donor	Belgium	Project period	1/2003–12/2007
Budget	€1.5 million	Location	Nampula and Niassa provinces
Project summary	The project aims at improving water supplies in villages by supporting the formation of agricultural cooperatives, improving self-sufficiency by increasing agricultural production, and by providing wells through the activities of the Oxfam NGO.		

Project name	Private Sector Development Project—Business to Business		
Donor	DANIDA	Project period	1/2001–12/2008
Budget	DKK27 million	Location	All provinces
Project summary	The project aims to contribute to poverty reduction through promoting private-sector development. It attempts to establish long-term cooperative relationships between Danish and local companies.		

Project name	Production of <i>Kappaphycus alvarezii</i> Seaweed for Sustainable Livelihood in Nampula		
Donor	Italy	Project period	1/2006–12/2007
Budget	€858,310	Location	Nacala-a-Velha
Project summary	The project aims to introduce new employment opportunities and income sources to communities by commercializing seaweed production.		

Project name	Soybean Plantation		
Donor	Norway	Project period	4/2007–11/2009
Budget	NOK22.5 million	Location	Nacala-Velha
Project summary	A pilot project is being implemented to support small-scale soybean farmers along the Nacala corridor. Plans are to export 50,000 tons of soybeans to Norway.		

Project name	Diversification of Artisanal Fishing in the Island of Mozambique Region		
Donor	Portugal	Project period	11/2007–
Budget	€86,058	Location	Coastal areas in Nampula Province
Project summary	<ul style="list-style-type: none"> - Supports activities of artisanal fishermen in coastal areas - Planned to be implemented by the Oikos NGO 		

Table 5-17 Main industrial promotion projects in the Nacala corridor area (2)

Project name	Promotion of Income-generating Activities in the Area of Crafts in Mozambique		
Donor	UNESCO	Project period	12/2007–
Budget	US\$101,000	Location	Nampula Province, Island of Mozambique
Project summary	The Island of Mozambique has been declared a World Heritage Site. Restoration of some ruins is happening gradually. UNESCO aims to revitalize the local community through income generation activities and promoting cultural tourism. It also plans to maintain the traditions of handicraft-making and improve income by establishing a gift shop.		

Project name	Rural Income Program		
Donor	USAID	Project period	9/2003–9/2010
Budget	US\$54 million	Location	Niassa and Nampula provinces
Project summary	The program aims at improving the income of farmers through support to the agricultural sector. In detail, direct financing of agricultural cooperatives for the purchase of agricultural inputs and technical assistance for input use are provided by 20 NGOs and CLUSA. It also targets providing agro-processing equipment to create value-added processed products.		

Project name	Trade and Investment Program		
Donor	USA	Project period	9/2003–11/2010
Budget	US\$16 million	Location	Niassa Province and Island of Mozambique
Project summary	The project aims at expanding markets for exports, improving the export environment, and strengthening labor-intensive industries.		

Project name	Private Sector Niassa/Malonda Foundation		
Donor	Sweden	Project period	1/2002–6/2007
Budget	SEK81 million	Location	Niassa Province
Project summary	The project supported productivity improvement and increased production in forestry, agriculture, eco-tourism, and trade. Plans also included fomenting entrepreneurship among people in the province.		

Project name	GEF—Transfrontier Conservation Areas and Tourism Development Project (TFCATDP)		
Donor	World Bank	Project period	4/2006–6/2013
Budget	US\$10 million	Location	Niassa Province
Project summary	<ul style="list-style-type: none"> - Promotes tourism through the use of national parks. - Components include both formulating and implementing a regional development plan incorporating the concepts of environmentally sustainable land use, natural-resource management, and local investment. - Also includes support for creating partnerships between the local community and the private sector. 		

Project budgets for industrial promotion from 2005 to 2010 in the Nacala corridor area are shown in Table 5-18. Niassa Province has a greater budget in the field of business and trade, and both provinces have a sufficient budget in the field of agriculture. Around US\$48 million will be spent implementing industry-related projects in the area over the next six years.

Table 5-18 Industrial promotion project budgets for projects by donors

Unit: US\$1,000¹³

		2005	2006	2007	2008	2009	2010
Business and trade	Nampula	236	259	311	506	545	623
	Niassa	2,301	3,820	3,566	3,821	3,821	0
Agriculture	Nampula	2,320	2,917	3,846	634	735	–
	Niassa	1,075	2,218	2,103	–	–	–
Trade policy and law	Nampula	957	1,903	2,446	–	–	–
	Niassa	957	1,903	2,446	–	–	–
Food security	Nampula	402	-	310	–	–	–
	Niassa	600	172	226	–	–	–
Total	Nacala corridor	8,848	13,192	15,254	4,961	5,101	623

Source: MOZ-ODA

Column: Introduction of the Rural Income Program by USAID and CLUSA

CLUSA stands for Cooperative League of the United States. It has been implementing projects under USAID and has supported the introduction of new crops and the establishment of both agricultural cooperatives and a farmer-owned export company called Ikuru, whose members number 8,000.

Besides CLUSA, around 20 NGOs and associations are active in the Rural Income Program. The project area includes Nacala, Nampula, and Cuamba. The project weighs farmers-led agricultural development and supports the introduction of new crops such as soybeans or groundnuts, which enable greater income for farmers and allow them to export their own products to international commodities markets.

It also enables producer-led projects by reinvesting profits from exports in purchasing agro-processing equipment and by processing highly value-added products such as sesame and soybean oils.

If the road in the Nacala corridor from Nampula to Cuamba is paved, the many agricultural cooperatives around Cuamba involved in the project will receive economic benefits because of a reduction in transport costs.

5-3-3 The Beira corridor area

Table 5-19 is a list of the main industrial promotion projects underway or planned in Sofala and Manica provinces. Like those of other provinces, the main types of projects are not just to support the manufacturing sector but also to support agro-processing for poverty reduction and income improvement.

As the Beira corridor is already functioning and the area has an economic base to some extent through logistics and trade, it has not attracted as many projects as other provinces. There are projects to teach processing technology to improve the income of small-scale farmers and women in the villages.

¹³ Includes agro-processing projects within the agricultural development frame.

Table 5-19 Main industrial promotion projects in the Beira corridor area

Project name	Private Sector Development Project—Business to Business		
Donor	DANIDA	Project period	1/2001–12/2008
Budget	DKK27 million	Location	Sofala Province, Beira, and other sites
Project summary	The project aims to contribute to poverty reduction through promoting private-sector development. It tries to establish long-term cooperative relationships between Danish and local companies.		

Project name	Natural-resources Management Project		
Donor	Denmark	Project period	12/2005–12/2010
Budget	DKK24 million	Location	Sofala Province
Project summary	The project aims for the sustainable use of natural resources in Sofala Province.		

Project name	Women's Entrepreneurship and Skills Development		
Donor	AfDB	Project period	11/2007–12/2010
Budget	BUA2.5 million	Location	Sofala and Manica provinces
Project summary	<p>The project has two components: (1) Improvement in living conditions in rural villages and support of marketing activities; and (2) Institutional development.</p> <p>The project aims at improving business and agro-processing technical skills through training up to 4,500 women. Among them, 900 selected women will take a business class on entrepreneurship.</p> <p>Coordinating the project is the National Directorate for Women (DNM) at the Ministry of Women and Social Action.</p>		

Project name	Support to the Private Sector		
Donor	Italy	Project period	8/2004–12/2007
Budget	€5.39 million	Location	Sofala and Manica provinces
Project summary	<ul style="list-style-type: none"> - Supports restoration of the local economy damaged in the 2000 flood. - Mainly focuses on micro and SMEs in the agriculture sector. - Introduced low-interest loans to 100 companies. 		

Project name	Rural Income Program		
Donor	USAID	Project period	9/2003–9/2010
Budget	US\$54 million	Location	Sofala and Manica provinces
Project summary	The program aims at improving the income of farmers through support to the agricultural sector. In detail, direct financing of agricultural cooperatives for the purchase of agricultural inputs and technical assistance for input use are provided by 20 NGOs and CLUSA. It also targets providing agro-processing equipment to create value-added processed products.		

Project name	GEF—Market-led Smallholder Development in the Zambezi Valley		
Donor	World Bank	Project period	9/2007–3/2013
Budget	US\$6 million	Location	Sofala and Manica provinces
Project summary	The project aims to improve the income of small-scale farmers in the Zambezi River area. Components include: (1) Formation of community groups and local institutional development; (2) Agricultural production and market exploration (agribusiness, extension service, applied research and demonstrations, etc.); (3) Community agriculture and environment funds for small-scale agricultural investments and sustainable farmland use		

Project budgets for industrial promotion from 2005 to 2010 in the Beira corridor area are shown in Table 5-20. Both provinces have the largest budgets in the field of agriculture. Around US\$45 million will be spent to implement industry-related projects in the area over the next six years.

Table 5-20 Industrial promotion project budgets for projects by donors

Unit: US\$1,000

		2005	2006	2007	2008	2009	2010
Business and trade	Sofala	236	275	380	563	545	623
	Manica	147	18	–	–	–	–
Agriculture	Sofala	1,864	7,188	6,067	5,062	2,978	2,598
	Manica	2,227	5,945	4,471	2,644	1,055	297
Total	Beira corridor	4,474	13,426	10,918	8,269	4,578	3,518

Source: MOZ-ODA

Column: Introduction of Market-led Smallholder Development in the Zambezi Valley

The project aims to improve the income of small-scale farmers in the Zambezi River area. It includes three components: institutional development, market development, and investment support for agriculture-related activities through funding.

- (1) Formation of community groups and institutional development in the area
Institutional development of the community, implementation of rural financing, and capability-building in district government
- (2) Agricultural production and market exploration
Support for agribusiness and market exploration, strengthening of agricultural extension service, applied research, management of a demonstration farm, and establishment of an agro-forestry system
- (3) Community agriculture and environment fund
Preparation of agricultural infrastructure, support for investment in small-scale agri-business and agriculture, and support of sustainable farmland use

The Zambezi River area is far from the corridor and is one of poorest areas in both provinces. It has irrigable land, however, and huge agricultural development potential. The project aims at improving the income of small-scale farmers by enriching the basic agricultural development components that rural communities are lacking. It includes introducing small-scale agro-processing equipment, technical assistance on processing techniques, and teaching marketing methods for processed products in rural communities.

5-4 Michinoeki Pilot Project Development Study

On 17 October and 3 November 2007 the study team visited the *Michinoeki* that opened as a pilot project through the development study titled *Study on Upgrading of Nampula-Cuamba Road*. The facility is located 30 km from Nampula in the direction of Nacala.

Construction was completed on 15 August 2007, and the opening ceremony was held on 17 August 2007. ANE transferred operations to the local government of the Nampula district, and the district entrusted it to the Forum of Agricultural Associations, which represents 11 agricultural cooperatives. Construction cost about 100 million yen. The facility is composed of 10 shop-rental spaces, parking spaces, a main office building, public toilets, and a rest place.

In transferring operations, the development study consulting team implemented the following: (1) Building a partnership with local government; (2) Training of seven staff members; (3) A road safety campaign; (4) Introduction of “one village, one product” activity with the video *Uekatucho Case Study—Use of Local Resources*.

The project also transported second-hand bicycles from Japan to the project site and sold them to people in the neighborhood for MZM7,500. These sales financed the purchase of a refrigerator for the shop at the Michinoeki. Fig. 5-9 outlines the Michinoeki concept compiled by the development study team.

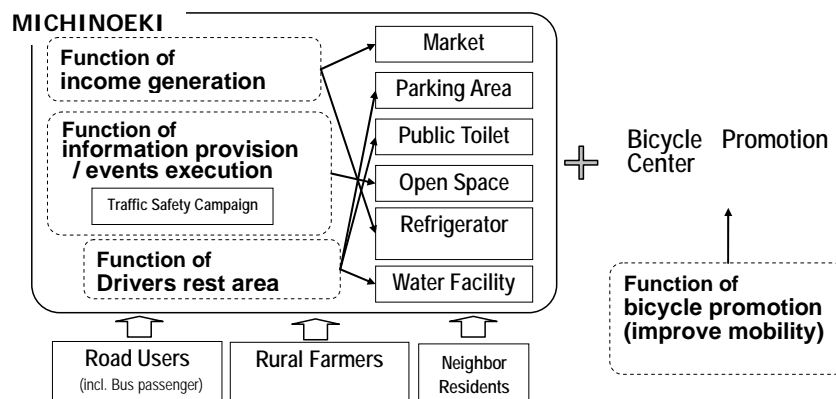


Fig. 5-9 The *Michinoeki* concept

In addition, the pilot project staff plans to implement the following ideas:

- To start sales of fresh fish from Nampula and frozen chicken from Anchilo
- To set up a rest area
- To install a public “one-cell” telephone
- To install a kitchen facility and begin sales of cooked food
- To start sales of cashew apple juice

The following is a summary of interviews with *Michinoeki* staff:

- Daily sales of goods are around MZM2,000. Part of the sales will cover staff salaries.
- There are seven staff members; one employee works three days a week.
- About 10 cars drop in at the facility per day.
- Water pumped from a well is use for toilets and the office.
- There are plans to sell vegetables (tomatoes, onions, cabbages, etc.) at one of the shop-rental spaces. Plans are for a large-scale shop, not a small one.
- Rent on the shop space is MZM5 per day with MZM3 in tax. The renter must pay even if customers don’t buy their products. Many potential renters hesitate to pay.
- Neighborhood residents know the *Michinoeki* well because of the distribution of a pamphlet and publicity on the radio for the opening ceremony.
- Many cars visit after 4 P.M.
- There are plans to open a small restaurant soon.

The study team’s impressions of the *Michinoeki* are as follows:

- It deserves special mention that the project was implemented almost on time with regard to building construction and transfer of operations to the Forum of Agricultural Associations in a country where many projects are often delayed.

- Few cars are aware of the *Michinoeki* yet to use the facility.
- Driving from Nampula it is difficult to see the *Michinoeki* billboard. Many drivers still don't seem to understand what the facility is.
- It is difficult for drivers to enter the *Michinoeki* from the main road because the access road is aligned vertically to the main road. This should be improved.
- Parking spaces seems small, as does the space between them.
- The retail shops are difficult to recognize from the main road.



Overall view of the *Michinoeki*



Rental-shop space

For the future

- As the facility itself has already been transferred to the Mozambican side, it depends on the efforts of the Forum of Agricultural Associations as to whether they use it in a sustainable way and improve its reputation. Although there are slight problems around staff being inexperienced in food and drinks sales, and that they lack the spirit of service, it seems to function well.
- Because the *Michinoeki* does not clearly indicate its function to drivers, it is now only used for food purchase. It is necessary to inform them of the function of the *Michinoeki* using billboards, etc.
- As the shop and retail spaces are located in the inner area away from the main road, drivers are hardly aware of them. Other private competitive shops consider their appeal to customers. It is necessary to devise a method to promote the shop and retail spaces.
- As the current shop space looks like an office, its interior should be improved to make it more comfortable for customers. Putting the shop out front and putting the parking behind would work better. If drivers only want to stop their cars, they can park along the side, as there is enough room along the driveway. The *Michinoeki* needs to appeal clearly to drivers as a convenient facility to shop, rest, use the toilet, etc.
- However, considering that only two months has passed, the number of visitors will increase with some effort. As there is no place nearby to eat lunch, if a cooking facility is built, the *Michinoeki* could serve prepared food to drivers conveniently and at low prices, and its reputation will spread with some publicity effort. It has potential to be an attractive facility if some attempt is made based on local demand. To determine whether each trial is financially sustainable, as it is possible to include it in the function of the *Michinoeki*, it would be better to try them one by one.
- Large billboards at the side of the road are a means to easily get the attention of drivers with color, placement, size, etc. It might be necessary to install a large billboard by the side of road as publicity for the *Michinoeki*. This will increase its appeal to drivers to a great extent, and its reputation will spread more quickly.

5-5 Local Industries with Development Potential and Their Needs for Assistance

5-5-1 The Maputo corridor area

In Maputo Province five industries—agro-processing, fisheries, manufacturing, tourism, and retail trade—have been selected as having development potential in the future. In this section the current conditions of those industries and the needs for assistance are outlined.¹⁴

1. The agro-processing industry

In Maputo Province agro-processing is one of most important industries, employing 9% of the labor force apart from the Mozal aluminum smelter. The output of the industry is around US\$180 million, which accounts for 70% of the manufacturing sector. Flour and rice milling account for one fourth of the total output of the sector.

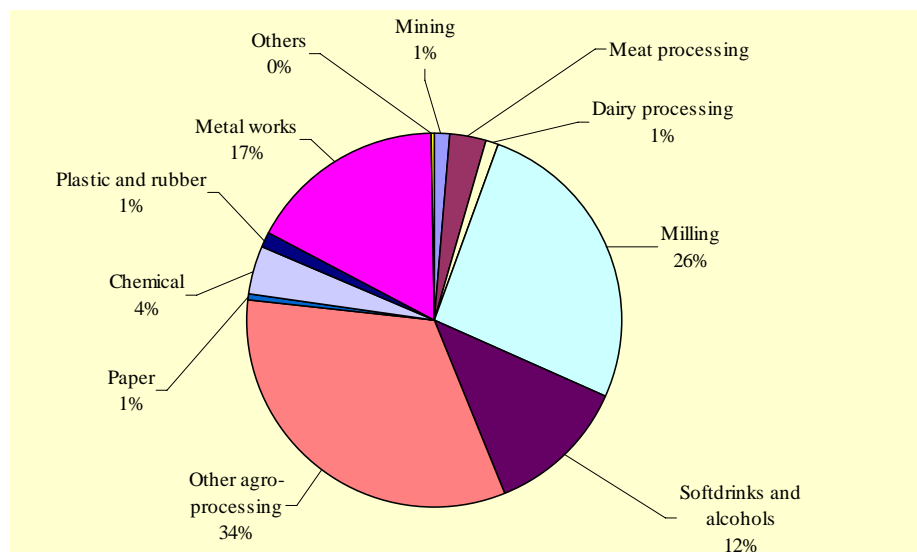


Fig. 5-10 Share of output by manufacturing industry sector in Maputo Province

The main products are staple foods such as copra, flour (CIM), rice (Alfa Comercio International Trading, Africom, and others), sugar (Autopac Maputo and others) and locally consumed soft drinks and alcohol (Coca Cola, 2M).

There are four kinds of agro-processing in the corridor area:

- Imported raw materials—processed near the port—shipped locally for consumption (flour, rice, soft drinks, etc.)
- Domestic raw materials from around the port—processed at large factories—exported (copra, sugar)
- Domestically procured raw materials—processed and shipped for local consumption (animal feed, mineral water)
- Ready-processed products transported to the port from South Africa via the corridor or semi-processed near the port—exported through the port (agricultural produce from South Africa)

¹⁴ Details on logistics and the trade sector are described in Chapter 7.

In Mozambique 80% of agro-processed products on display at supermarkets are imported. Very few processed products, such as staple foods, are produced locally. The main point of origin of imported processed products is Brazil and Portugal. As the price of processed food is extremely expensive, it is urgent to promote import substitution of processed products to decrease the price of food in the area.

Table 5-21 Main agro-processed products in Maputo Province

Year	Production (tons)		Value (millions of US\$)	
	2004	2005	2004	2005
Copra	5,951	4,811	7.7	5.7
Flour	101,364	97,320	32.33	46.4
Rice	19,378	27,358	4.9	6.92
Animal feeds	42,045	20,226	8.9	6.57
Sugar	97,691	116,706	31.9	70.7
Soft drinks and alcohol	53,398	38,294	34.6	26.8

Note: Units for soft drinks and alcohol are kiloliters.

Source: Maputo Province *Annual Statistical Yearbook* (INE)

The output of the sugar industry occupies 28% of the overall manufacturing sector, and 90% of investment from 1990 to 2003 in this sector was for the construction of large sugar factories. Sugar is produced for export, but several foreign-owned factories are milling rice and flour for local consumption. Local and foreign factories in the southern part of the country produce products to satisfy local demand for soft drinks and alcohol. Cashew-nut processing factories are also located in this area. The factories collect raw materials from Maputo, Gaza, and Sofala provinces, process them in the province, and sell the products locally or export them to Europe or South Africa.

In the agricultural sector, 106,000 ha of farmland are used for agriculture, although there are 700,000 ha of arable land in Maputo Province. Although 24,139 ha of farmland have irrigation facilities, only 14,143 ha currently use them.¹⁵ Irrigation is expected to increase and production is expected to increase through improvements in agricultural technology, which will provide raw materials in a stable manner for agro-processing.

In terms of investment in the Nacala corridor, the agro-processing sector received US\$120 million in total in 2004 and 2005. Exported-oriented milling and soft drink production for domestic consumption received major investments. In the future, it will be necessary to promote canning and dried fruit, which are possible to process on a medium scale. The agricultural sector will also need assistance to achieve stable production, as it provides raw materials for agro-processing.

It is also necessary to mention small and medium-sized agro-processing factories funded by local capital in addition to the large processing foreign-capital factories. For the time being in the corridor area agro-processing will be the most important industry for the local economy besides Mozal, so it is absolutely necessary to have policies to encourage stable development.

MPSDP recommends that agro-processing factories improve employee skills and obtain internationally recognized licenses such as ISO9001 and HACCP. It also emphasizes the importance of producing high-value-added processed products through research and development.

¹⁵ Data from the Irrigation Department of the Ministry of Agriculture.

Table 5-22 Main agricultural products and planted area in Maputo Province¹⁶

Units: ha, tons

	2002		2003	
	Planted area	Production volume	Planted area	Production volume
Beans	336	425	226	298
Sweet potatoes	77	667	217	411
Cassava	29	285	40	338
Pumpkins	293	1,994	377	2,323
Lettuce	971	5,952	1,471	9,142
Onions	195	1,390	250	1,862
Greens	1,076	7,308	1,079	10,575
Green peppers	79	495	84	606
Tomatoes	64	441	106	536
Peppers	38	227	26	108

Source: Maputo Provincial Agricultural Office

Needs for assistance

Need	Priority	Japanese experience	C/P
Promoting investment: establishing large agro-processing factories around the port of Maputo area	○	○	MIC CPI
Formulating and implementing a development plan for strategic production and processing of cash crops based on a long-term vision	△	△	MIC
Promoting employee skill development and training in processing technology	○	△	MIC Private co.'s
Promoting licensing such as for ISO9001 and HACCP for existing processing factories	○	○	MIC
Promoting vegetable and pepper processing to satisfy demand in urban areas	△	△	MIC
Expanding production of pasta, biscuits, bread, and pies using locally produced cereals, fruit, and nuts	△	△	MIC
Developing fresh and semiprocessed fruit (especially dried fruit) and a supply of fresh and processed fruit (compotes, juices, etc.) for the domestic market	△	△	MIC
Developing production and industrialization of livestock products for export and domestic consumption at different levels of processing	△	○	MA MIC
To develop production and industrialization of cashew nuts, mainly for export	△	△	MA MIC
To expand the sugar industry, especially by introducing small and medium-sized cane fields for sugar production	△	△	MA MIC
To expand poultry activities, including development of feed factories that use local raw materials	△	△	MA
To develop industry for agricultural equipment, parts, and instruments	△	△	MIC
To promote mineral water production	△	△	MIC CPI

Note: Priority ○ indicates that it is indispensable for industrial promotion; △ indicates that it is not indispensable, but has an impact on industrial promotion; X indicates that it does not have a high impact for industrial promotion.

Japanese experience: ○ indicates that Japan has experience with assistance, including technical transfers; △ indicates that Japan has experience with assistance, but resources for technical transfers are not abundant; X indicates no experience.

¹⁶ Data may not reflect production consumed for self-sufficiency.

2. Fisheries

Although Maputo Province does not have a long coastline as in other provinces, it has fishing ports such as Ponta de Ouro and Ponta de Macaneta. The city of Maputo has the Maputo fishing port, where commercial fishing vessels and small fishing boats can drop in. Table 5-23 depicts marine production in Maputo Province.

Table 5-23 Marine production in Maputo Province

Unit: tons

	2002	2003
Shrimp	772	156
Crab	18	9
Fish	263	213
Squid	23	n/a

Source: Ministry of Fisheries

As the production numbers are not large, they may not reflect marine production by some artisanal fishermen. In recent years, it is said that marine production is decreasing every year due to overfishing. The number of foreign fishing vessels that receive fishing concessions is also decreasing.

It will be necessary to have a program to maintain marine resources through releasing young fish into the sea or conducting planned fishing. Although the Maputo corridor area is the most densely populated part of the country, the area does not have well-organized public wholesale fish markets or markets with freezer compartments, so those kinds of facilities will be necessary. In the socialist era a fish cannery existed in this area, but now there is no factory of that kind, and all canned fish are imported from abroad. Promotion of such industries is also necessary.

MDSDP emphasizes the importance of the fishing sector as follows:

- It has great export potential for qualified markets like Europe
- It supplies food for domestic markets—the city of Maputo and Maputo Province
- It represents a safe food source for artisanal fishing families

From those viewpoints, MPSDP focused on the following:

- Reinforcement of quality control and certification systems to make more profit from international markets, mainly in Europe
- Support for artisanal fishermen; provision of refrigerators and commercial freezers, technical assistance for fish preservation technologies, etc.
- Establishment of regulations and norms for planned fishing and protection of marine resources
- Promotion of aquaculture for shrimp

Needs for assistance

Need	Priority	Japanese experience	C/P
Rehabilitating Maputo fishing port at the port of Maputo	△	○	MF
Constructing small-scale ports and fish-freezing compartments	△	○	MF
Arrangements for a public fish market in the city of Maputo	△	△	City of Maputo
Promoting the construction of a fish canning factory	△	△	MIC CPI
Establishing an aquatic experimental farm and implementation of training for fishermen, including technology for aquaculture	△	○	MF
Implementing training in fish preservation technology for artisanal fishermen	△	△	PFO, fishermen
Implementing training in fish processing techniques for artisanal fishermen	△	△	PFO, fishermen

Note: MF means the Ministry of Fisheries; PFO means the Provincial Fisheries Office.

3. The manufacturing industry

The main industrial goods besides agro-processed goods are shown in Table 5-24. With demand for construction materials in a growing economy, metalworking and cement have an important position in the manufacturing industry. Production of soap and plastic bags depends on local demand. Production of export-oriented products besides aluminum and agro-processed goods are very rare in the area.

Table 5-24 Main industrial goods in Maputo Province

	Production (tons)		Value (millions of US\$)	
	2004	2005	2004	2005
Cardboard	907	831	0.39	0.23
Soap and detergent	5,803	4,146	4.04	3.20
Plastic bags	941	692	2.61	1.63
Cement	407,929	359,879	33.9	16.3
Concrete (m ²)	53,138	54,175	36.6	47.9
Metal bars (unit)	275,097	308,893	1.85	1.72
Matches	568	770	0.93	1.75
Aluminum	454,604	552,541	707.8	977.2

Source: Maputo Province *Annual Statistical Yearbook* (INE)

No industry except agro-processing has a traditional production base in this area, and there are many small and medium-sized factories to satisfy local demand for industrial goods. However, these factories can't produce enough products to meet local demand, so many industrial goods are imported, and the prices are extremely high.

Table 5-25 Companies registered in the city of Maputo

	2004	2005
Mining	10	10
Manufacturing	718	733
Agro-processing	139	152
Construction	158	176
Telecommunications and transport	131	166
Hotels and tourism	1,746	1,822
Banking	69	70
Commerce	3,751	4,138
Other services	n/a	1,274

Source: National Statistics Office (INE)

MPSDP expects to create several types of support industries related to Mozal and is trying to promote the creation of the following new industries in a neighboring industrial park:

- To promote and encourage the establishment and development of industrial maintenance services, including the supply of parts and spares; repair and expansion of infrastructure, buildings, sanitation works, residential and electrical infrastructure; and removal and treatment of industrial waste

- To promote and encourage the establishment of other industrial services, namely cleaning, catering, security, and transport
- To promote the development of mechanical and electrical engineering industries related to megaprojects

In addition, MPSDP recommends the following industries:

- To encourage the cotton fiber industry and clothing industry
- To promote and encourage intraindustrial diversification based on the utilization of subproducts of production; for example, using aluminum waste to produce kitchen equipment; using molasses from sugar to produce livestock feed; production of cane alcohol, etc.
- To encourage large projects to finance enterprises in social development, namely Corporate Social Responsibility (CSR)

It is necessary to promote the introduction of new technology and foreign investment in these fields, as they are difficult to start up with domestic technology, or require a large amount of investment.

Mechanical industries related to automobiles are growing along with the expansion of motorization, as is small-scale metalworking along with the growth of demand for construction materials. However, it seems that local factories still do not have a firm industrial technology base. It is important to raise this level.

From this viewpoint, below is a summary of assistance needs for the manufacturing industry.

Needs for assistance

Need	Priority	Japanese experience	C/P
Promoting investment around the Maputo corridor area	△	○	MIC CPI
Formulating a development plan for industrial parks around the Maputo corridor area	○	○	MIC
Support for fostering support industries related to Mozal	○	○	ME Tech school
Bringing middle-class engineering candidates through curriculum development in technical universities and high schools	○	○	MIC Private co.'s
Supporting improvements in basic industrial technology, such as metalworking and machine manufacturing in existing factories	○	○	MIC CPI
Promoting the establishment of labor-intensive factories along the corridor	△	○	MIC CPI
Promoting bio-ethanol production using bagasse, etc.	△	○	MIC CPI

Note: ME means the Ministry of Education.

4. Tourism

The corridor and the surrounding area have great development potential for the tourism sector, as described in the Maputo Corridor Development Plan. The following are the main tourist zones in the corridor area:

- The city of Maputo, including Inhaca Island and the Costa de Sols area
- Lebombo Spatial Development Initiatives (IDEL), which includes development of road, transmission lines, water supplies, and the tourism sector in the area around the border city Lebombo and Nelspruit in South Africa

(c) The Matutuine district in the southern part of Maputo Province, including Ponta do Ouro and the Elephant Reserve

(d) Grande Limpopo Transborder Park in the northern part of Maputo Province and Kruger National Park

The number of tourists not only from South Africa and Zimbabwe but also from European countries like France has recently been increasing. In the city of Maputo as well as in coastal areas, construction of tourist facilities and exclusive condominiums is booming.¹⁷ Inhaca Island is in the same situation.

Table 5-26 Tourism Statistics (2006)

	Accommodations		Restaurants	
	No. of units	Sales (millions of US\$)	No. of restaurants	Sales (millions of US\$)
Maputo Province	8	1.32	15	1.56
City of Maputo	36	37.5	62	42.4

Source: The city of Maputo and Maputo Province *Annual Statistical Yearbook* (INE)

The Ministry of Tourism has designated areas (a), (c), and (d) as Priority Areas for Tourism Investment (PATI) and plans to invite investments for development.

The ministry also recommends National Tourism Routes and Regional Tourism Circuits that include South African territory in the Strategic Development Plan for the Development of Tourism for 2004–2013:

- Lebombo Circuit: Kosi Bay, South Africa – Santa Lucia, South Africa – Ponta do Ouro – Maputo – Elephant Reserve – Namaacha – Swaziland
- Costa da Logoas Route: Ponta do Ouro – Elephant Reserve – Maputo – Xai-Xai – Inhambane – Vilakulos
- Great Limpopo Bush-Beach Circuit: Nelspruit, South Africa – Kruger National Park, South Africa – Limpopo National Park – Banhine National Park – Zinave National Park – Vilakulos – Bazaruto – Inhambane – Maputo
- Limpopo Route: Maputo – Chókwè – Massingir – Limpopo National Park – Malelane – Komatipoort, South Africa – Ressano Garcia – Maputo

In promoting tourism development through the use of tourism resources, the MPSDP points out the following constraints:

- Lack of access roads to tourist facilities and resources
- When promotion is not done properly, tourists may visit alternate neighboring sites with higher potential
- Lack of tourist information about existing tourism facilities

It will be necessary to furnish tourist facilities that can be used comfortably and safely to improve the quality of service in tourism and related industries, to develop infrastructure in coastal areas, and to restrict development for nature conservation.

¹⁷ The government plans to promote this development, but local residents are strongly opposed to the plan.

Table 5-27 Number of tourists in the Maputo corridor

	2005	2006
Maputo Province	11,387	15,398
City of Maputo	163,856	173,097

Source: INE Monthly Hotel Survey

Needs for assistance

Need	Priority	Japanese experience	C/P
Formulating a comprehensive development plan for the tourism sector in the Maputo corridor area	○	△	MT
Vocational training for workers in tourism and related sectors	○	△	MT
Support to develop know-how in promotion methods in the media, etc.	○	×	MT
Developing tour package to welcome potential tourists, including hotels, sightseeing spots, and souvenir shops	△	×	PTO Private co.'s
Setting up <i>Michinoeki</i> with tourist information centers for tourists coming through the corridor from South Africa	△	○	MT ANE
Training authorized tour guides	△	△	MT

Note: MT means the Ministry of Tourism; PTO means the Provincial Tourism Office.

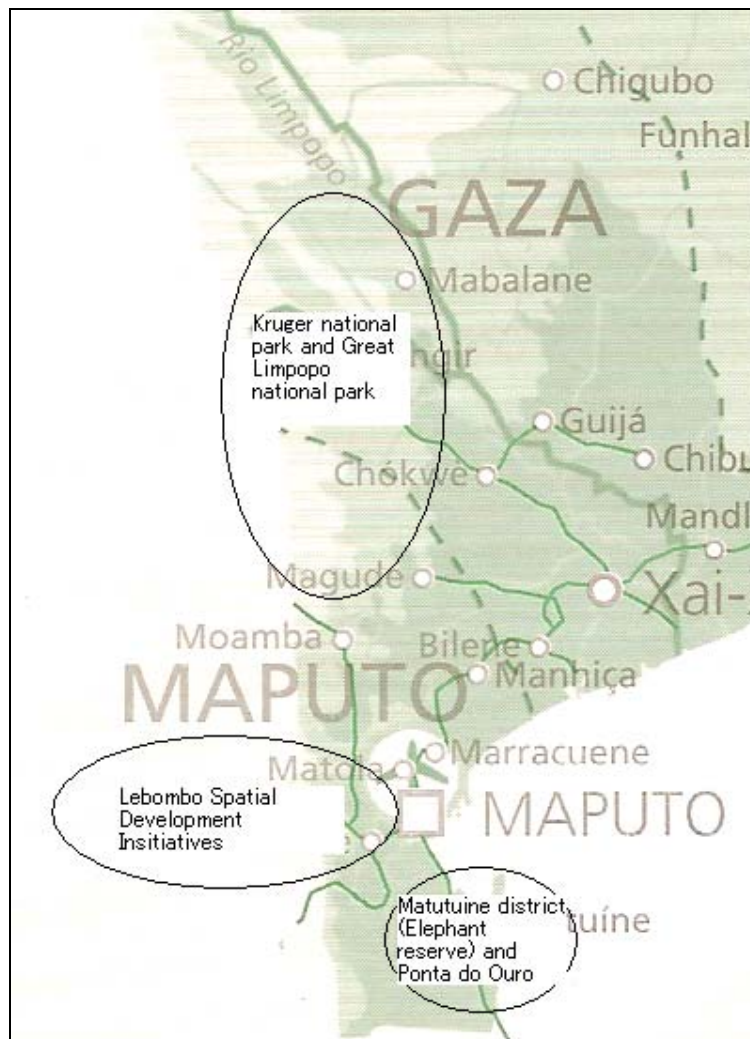


Fig. 5-11 Main tourist areas in the Maputo corridor area

5. Retail trade

As economic growth in the corridor area creates an increase in personal income, retail sales are increasing dramatically.

New types of shops can be seen, including large retail shops to sell electrical appliances and shopping malls that target foreign residents and large-income earners in the city. Purchasing behavior is largely influenced now by the appearance of the hypermarket. These market leaders moved to improve sanitary conditions of food and beverages and to change their marketing methods of approaching customers.

In the future, further competition in the retail trade sector will bring about a positive impact on service and quality in the sector.

Table 5-28 Number of registered retailers

	2004	2005
City of Maputo	2,313	n/a
Maputo Province	1,497	1,786
Matola district	1,083	1,324

Source: City of Maputo and *Maputo Province Annual Statistical Yearbook* (INE)

For example, in the food sector, there are four large distribution channels:

(a) Foreign-capital hypermarket

This type of shop opened around 2000, displays almost all types of food and necessities, and targets large-income earners. Seven shops have opened so far, including Shoprite, Game, and Luz. The numbers of this type of shop will increase in future.

(b) Medium-scale supermarkets funded by local capital or small neighborhood retail shops

The shop layout and variety of goods are inferior to the hypermarkets. If prices are cheaper than at the hypermarkets, they may have a chance to survive. If prices are not competitive, they may face tough competition.

(c) Bazaars, including those managed publicly

These mainly sell fresh vegetables, fruit, and marine products. Many middle-income earners are frequent users of this style of shop. It was the most popular format in the past. The prices are affordable and the freshness deserves attention.

In the future, it will be necessary to improve sanitary conditions to survive competition. However, the bazaar is still very popular for ordinary people.

(d) Informal small and mini street vendors

This type of shop sells goods informally on the street. Some vendors sell processed food after cooking it at home. Many do not have licenses to sell, calling into question the sanitary conditions of the food they sell. Currently, as many workers in the city use this type of shop, inspectors do not enforce strict controls.

Retail shops selling electrical appliances serve as both retail shop and wholesalers. Some also serve as both wholesalers and importers. Retail price for many imported goods are determined by the import price and a fixed profit margin, so the price of many goods is not at all flexible.

Generally, retail prices of many goods are kept relatively high, and some goods are sold for twice as much as in Asian countries. As described above, the retail sector is not well-developed, and it will be necessary to reduce retail prices through promoting competition among shops, increasing the percentage of locally made products, and reducing transport costs.

Chinese products can be found among other commodities. They may replace currently popular products from Portugal and Brazil if they continue to flood the market; the process is now in transition. In any case, as the price of goods is kept high in the city, it is absolutely necessary to lower retail prices of goods for people's standard of living.

Needs for assistance

Need	Priority	Japanese experience	C/P
Sanitary instruction for supermarkets and food shops	○	△	PIO
Lowering tariffs on retail goods	○	△	MIC
Simplifying documentation required to register a retail business	△	△	BAU PIO
Providing low-interest loans to retail businesses	○	○	MIC

Note: PIO means the Provincial Industrial Office.

As the development of retail business mainly depends on their own efforts, it will be necessary to formulate policies to support them, not to restrict their activities.

5-5-2 The Nacala corridor area

In the Nacala corridor area, six industries—agriculture, agro-processing, fisheries, manufacturing, tourism, and mining—have been selected as having development potential in the future. In this section the current situation of those industries and their needs for assistance are described.¹⁸

1. Agriculture

The corridor area has fertile soil and great potential for agriculture. In particular the green belt area, surrounded by the southern part of Niassa Province, the northern part of Zambezia Province, and the eastern part of Nampula Province, is said to be the richest agricultural area in the country. Nampula Province covers an area of 80,000 km², and more than half of the land, 44,300 km², is suitable for agriculture, with only 30% or 13,000 km² used for livestock breeding. Of the farmland, only 4% or 500 ha is irrigated. Currently, 85% of the people in the province are engaged in agriculture, and 98% of them live self-sufficiently doing traditional farming using hoes. Plowing fields with livestock has not become common because of sleeping sickness, transmitted by the tsetse fly.

As described above, as a result of irrigation facilities and agricultural technology—use of home-made seed, nonuse of herbicides—being not well-developed, agriculture has very low productivity. Reasons include the fact that extension services to distribute agricultural technology were not performed in colonial times, and that plantations were left untended after the civil war as capitalists left the country for safety.

¹⁸ Details of logistics and the trade sector are described in Chapter 7.

The current main agricultural products are cashew nuts, mangoes, cassava, and cotton, which is sown in the rainy season. Cashew nuts and cotton have an important place as cash crops in the area as they are sold to processing factories as raw materials. In planting cashew nuts and mangoes, farmers do not know how to lower the height of fruit trees to simplify harvest or how to thin them out to create bigger fruit, so the quality of the produce is not high, and productivity is not efficient either. It is necessary to implement instruction to farmers on basic agricultural techniques. Adversely, the sector may have great potential to develop if the introduction of new agricultural technology, installation of irrigation facilities, and promotion of forming agricultural cooperatives are conducted well.

In the future, it will be absolutely necessary to conduct comprehensive agricultural development and to promote the introduction of low-cost agricultural technology. As it is said that 10% of villagers are HIV-positive, rural development needs to include a component of awareness, in order to secure a sufficient future labor force.

The Provincial Agricultural Office provides technical instruction on staple crops such as cassava and corn that are intended for self-sufficiency, as support for cash crops is conducted by the processing factories.

Table 5-29 Production of principle agricultural produce in Nampula Province¹⁹

Unit: tons

	2005	2006
Corn	34,144	25,835
Rice	6,476	11,830
Sorghum	1,912	428
Cassava	158,390	163,000
Peanuts	21,460	8,402
Beans	40,444	40,620
Sunflowers	6,820	9,500
Sesame	3,565	2,586
Cashew nuts	25,791	30,000

Source: Nampula Provincial Agricultural Office

Needs for assistance²⁰

Need	Priority	Japanese experience	C/P
Formulating an integrated agricultural development plan to support income improvement	○	○	MA
Pilot project for farm pond irrigation to support income improvement	○	○	MA
Establishing an agricultural experimental station for research into suitable crops for the area	○	○	MA
Establishing an agricultural machinery center to promote mechanization	△	○	PAO

Note: PAO means the Provincial Agricultural Office.

¹⁹ Data may not reflect production that is consumed for self-sufficient use.

²⁰ According to a local newspaper dated 8 November 2007, the Chinese government plans to establish an agricultural development technology center in Nampula Province with funds of US\$55 million.

Column: Farmland irrigated from a spring in the Rapale district



As ordinary farmers do not have enough skill and knowledge to increase their yields to increase their income, it will be necessary for them to get basic agricultural education. However, there are some farmers' groups in the area that are engaged in advanced farming. The formation of agricultural cooperatives on a large scale has been tried with the support of USAID over the last 10 years, so there is some possibility for developing agriculture through cooperatives.

In addition, it will be possible to increase irrigated lands by promoting farm pond irrigation.

2. The agro-processing industry

In the corridor area, agro-processing will be the most important industry for the time being in order to revitalize the local economy. Agro-processing can add higher value to agricultural produce through processing and contributes to local economic growth through exports of the processed products. Fortunately, the area has been receiving investment in this sector for the last five years because investors evaluated it as having rich development potential. For example, broiler breeding and processing and cashew-nut and peanut processing have received medium-sized investments.

As some projects have contracts for farming raw materials, they provide income to the contracted farmers and have a broad positive economic impact on rural areas. Donor projects also provide tools to earn foreign currency through exports, even with limited funds, through the formation of agricultural cooperatives, establishment of trading companies, and cooperative initiatives like IKURU.

If the agricultural sector could increase production through improvements in production efficiency, mechanization, and increasing irrigated lands, the processing industry that uses the produce as raw materials could develop to a great extent. In the current stage the processing industry is active in a limited way, in that it can use the raw materials available.

There are three types of agro-processing industry in the corridor area²¹:

- (a) Export-oriented processing (cashew nuts, cotton, sisal)
- (b) Processing for domestic consumption (cassava, wheat flour, corn flour, biscuits, edible oils)
- (c) Import substitution by processing new types of agricultural products or livestock (frozen chicken, sesame)

Among them, (a) export oriented processing and (c) import substitution have recently received much investment. Table 5-30 is a list of investments in the agro-processing sector in Nampula Province.

²¹ In addition, experimental plantation of *Jatropha* is underway in each province for use in biodiesel.

Table 5-30 Investments in the agro-processing sector in Nampula Province

	Company	Category	Location	No. of employees	Value of investment (US\$)
2002	Liupotur Moçambique	Agriculture and agro-processing	Mogincual	30	60,000
2002	Atsncom T.S.	Agriculture and agro-processing	Malema	197	980,000
2002	Moçambique	Agriculture and agro-processing	City of Nampula	36	50,000
2002	GETT	Broilers and broiler processing	Nampula	20	1,132,585
2002	Africajú	Cashew-nut processing	Mogincual	120	144,816
2003	Unagi Moçambique	Agriculture and agro-processing	City of Nacala	470	20,000,000
2003	Madeiras de Memba	Agriculture and agro-processing	Memba	10	491,667
2004	Moma Cajú	Cashew-nut processing	Moma	60	187,313
2003	Sanam Oil Industries	Edible oils	Monapo	107	1,500,000
2004	Transalt	Salt	Nacala-a-Velha	45	958
2004	Condor Cajú Agr. Indústrias	Cashew-nut processing	Mogovolas	250	1,057,407
2004	Mauricajú	Cashew-nut processing	Angoche	103	75,130
2004	New Horizons Mozambique	Broilers and broiler processing	City of Nampula	50	1,374,890
2004	Remodelação da Fabrica CIM	Milling	Monapo	138	1,200,000
2005	Atija Nuts	Cashew-nut processing	Meconta	104	376,098
2006	CCA – Sisal	Sisal	Angoche	700	5,800,000
2005	Atija Nuts	Cashew-nut processing	Meconta	104	376,098
2006	Unidade Proc.Castanha de Cajú	Cashew-nut processing	City of Nacala	155	404,206
2007	Cajú Ilha	Cashew-nut processing	Island of Mozambique	700	920,000
2007	Cister Moçambique	Agriculture and agro-processing	Nampula	24	50,000
2007	Nova Texmoque	Cotton processing	City of Nampula	450	24,000,000

Source: CPI

Looking at the food consumption of local people, they can not provide rice and wheat for themselves, and those products are partly imported. Vegetables and fruit are also partly imported from neighboring countries.

Edible oils such as cotton and sunflower oils are sold at local bazaars, but the quality is not controlled in any way. It is assumed that farmers provide staple foods like vegetables for themselves and nonfarmers with average incomes purchase food at bazaars.

In comparison, most products sold in supermarkets like Shoprite, which targets people with higher income levels, are imported, and few are sourced domestically. For local people, food prices are extremely high compared to their income levels.

Table 5-30 Production of principle agro-processed products in Nampula Province

	Unit	2004	2005	2006
Flour	Tons	12,990	12,990	61,155
Alcohol	Liters	124,666	111,964	147,874
Ice cream	Liters	52,524	49,156	57,826
Corn flour	Tons	4,349	4,149	4,311
Cassava flour	Tons	290,644	278,491	200,480
Edible oils	Tons	4,667	2,696	1,976
Biscuits	Tons	529	446	692
Candy	Tons	40	40	70
Cashew nuts	Tons	11,977	n/a	62,082
Sisal	Tons	2,359	1,143	1,307

Source: Nampula Provincial Industry and Commerce Office

Table 5-30 shows the production of the main agro-processed products in Nampula Province for the last three years. The main products are wheat flour, cassava flour, sisal, soft drinks, dried fish, and chicken. As there is no canning factory, all canned foods are imported. Also, because palm trees are planted only for personal use, there are very few plantations in the province. After the collapse of the socialist system, copra production was very small, though it still has some potential. There are four large and 10 small and medium-sized cashew-nut processing factories in district capitals, and that product is produced mainly for export.

Here is a summary of the assistance needs for the corridor area.

Needs for assistance

Need	Priority	Japanese experience	C/P
Formulating and implementing a development plan for strategic production and processing of cash crops based on a long-term vision	△	△	MIC
Promoting licensing such as ISO9001 and HACCP in cooperation with INNOQ	△	○	MIC
Promoting quality improvements in processed products for existing processing factories	△	△	MIC, private co.'s
Supporting marketing activities such as quality control, packaging, marketing methods, etc.	○	△	MIC

Agro-processing needs for assistance in villages

Needs for assistance	Priority	Japanese experience	C/P
Supporting the processing of cashew nuts and apples through grants for small processing equipment and marketing methods	○	△	MIC
Developing fresh and semiprocessed fruit (especially dried fruit) like mangoes, bananas, etc., and marketing methods	○	△	MIC
Providing milling machines for cassava and corn for village self-sufficiency	△	△	PIO, farmers
Promoting handicrafts	△	△	PIO, village

Note: PIO means the Provincial Industrial Office.

Column: Points to be considered in implementing the pilot project in villages

- Instruction must be given on standardizing the quality of processed products.
- Lowering production costs will be a key issue, as packaging needs to be imported.
- Education must be provided because of the low awareness of sanitation.
- It will be necessary to provide support for market segment clarification, product packaging, product quality control, marketing methods, etc.
- If rural people in villages can understand the profit to be made in processing, many will be eager to be engaged in this activity. In the current situation, where it is difficult for young people to get jobs in urban areas, it will not be so difficult to find and foster potential young farmers.

Promoting handicrafts



Handicraft sales at a weekly bazaar in Nampula Province



Craftsmen making handicrafts

Handicrafts sold for tourists provide important income for the craftsmen's families.

They have diverse designs and use rare woods such as rosewood and ebony. Quality is near a level to be sold even in the Japanese market.

Many craftsmen inherit carving techniques from their fathers or grandfathers, and the products reflect it. Handicrafts are sold at weekly bazaars, souvenir shops in hotels, on the street, etc. Distribution channels are very limited because of minimal marketing activities.

Some craftsmen come to Nampula from rural villages to work at Handicraft Square as base for contracts.

There are some villages famous for traditionally made handicrafts, where it would be possible to promote the "One Village One Product" project along with tourism development.

UNESCO plans to implement a project to revitalize communities through support of the handicraft industry and opening a souvenir shop on the Island of Mozambique, a World Heritage Site.

3. Fisheries

Nampula Province has a coastline of 460 km, and artisanal fishing is popular at Memba, Nacala-a-Velha, Mossuril, Angoche, and Moma, which are rich in shrimp and crab production. There is commercial fishery by foreign companies as well, but fish production has been decreasing recently due to excessive fishing, and it is necessary to establish sustainable fisheries by control marine resources. Many artisanal fishermen catch fish with a beach seine and small sailboats, and cooperatives have larger fishing operations.

These fishing areas do not have formal fishing ports and freezer compartments. Fishing technology is not well-developed, so it will be necessary to implement training in fishing and preservation technologies. Inland, most fish are sold semidried form. Very few fishermen's cooperatives produce dried products themselves; for that it would be necessary for cooperatives to introduce processing activities to expand commercial sales of their products.

Table 5-32 Marine production in Nampula Province

Unit: tons

	2003	2004
Shrimp	25,896	7,077
Fish	39,283	16,194
Crab	76,526	n/a
Lobster	68,804	n/a

Source: Nampula Province Fisheries Office



Fishing village on the Island of Mozambique



Saltpan

Table 5-33 is a list of investments in the fisheries sector. Some plans are for factories to produce canned products, and foreign investors want to raise shrimp in an aquaculture project. Expanding such business is expected to take nature conservation into consideration.

Table 5-33 Investments in the fisheries sector in Nampula Province 2002–2007

	Company	Location	No. of employees	Value of investment (US\$)
2002	Chettah Moçambique	Moma	25	506,192
2002	Jecilmar	Angoche	30	152,114
2003	Fishing licenses	Nacala	300	1,000,000
2003	Centro de Proc. Pesqueiro Memba	Memba	14	100,000
2005	Mariscos de Nacala	Nacala	18	349,745

Source: CPI

The Ministry of Fisheries formulated the Strategic Plan for the Artisanal Fisheries subsector 2007–2011 (PESPA) in April 2007. The plan emphasizes support for artisanal fishermen, who form the majority of the industry.

Needs for assistance

Need	Priority	Japanese experience	C/P
Constructing small-scale ports and fish freezer compartments	△	○	MF
Establishing an aquatic experimental farm at the provincial level and implementing training for fishermen, including on aquaculture technology	○	○	MF
Promoting the formation of fishermen's cooperatives and implementing training	○	△	MF, fishermen
Implementing training for artisanal fishermen on fish preservation technology	△	○	MF, fishermen
Implementing training for artisanal fishermen on fish processing techniques	○	○	MF
Supporting management of saltpans by cooperatives	△	△	MF, fisheries groups

Note: MF means the Ministry of Fisheries.

4. Other manufacturing industries, besides agro-processing

Industries other than agro-processing do not have a traditional production base in this area. Some manufacturing factories are located in the area to satisfy local demand for commodities: Soap, mattresses, and furniture are produced for the local market. Mattresses and furniture are produced in home-based manufacturing. In Nacala there is a factory called Mogas that produces oxygen for hospitals, etc. There is one big cement factory called ARJ Cement funded with Indian capital that targets selling cement in cities along the Nacala corridor, including Malawi.

Table 5-34 Principle industrial goods in Nampula Province apart from agro-processed products

	Unit	2004	2005	2006
Soap	Tons	767	746	697
Mattresses	Units	21,255	19,707	31,036
Oxygen	m ³	37,636	33,563	84,932
Acetylene	m ³	6,881	6,409	6,881
Furniture	Units	3,840	3,529	3,117
Cement	Tons	-	-	9,070,525

Source: Nampula Province Industry and Commerce Office

Many other commodities are imported. Cheap Chinese-made products of low quality and expensive ones made in other countries are popular. As discussed, because the industry base is still fragile, it is expected that industries will be promoted for import substitution.

On the other hand, some investors regard such an undeveloped industrial situation as an investment opportunity. Many investments are concentrated in the area around Nampula and Nacala. If the corridor and the port of Nacala are better arranged in future, more manufacturing factories will be active in the area.

Table 5-35 Investment by industry in Nampula Province 2002–2007

	Comany	Location	No. of employees	Value of investment (US\$)
2002	Copropa	Meconta	119	290,759
2003	Sociedade Sboeira de Nacala	Nacala	75	9,282,356
2003	Grupo ARJ Cimento de Nacala	Nacala	80	8,166,667
2003	Indústrias Shallon	City of Nampula	33	70,751
2003	IPAN (Ind. P. Alimentares Nacala)	Nacala	150	295,698
2003	Drusa	Nacala-a-Velha	110	5,079,215
2004	G.S. Holdings	City of Nacala	440	7,870,000
2004	Cimpogest Ind. Plásticos	City of Nacala	44	1,000,000
2005	Farinal – Fase II	Nacala	65	8,370,000
2005	G.S. Holdings	Nacala	400	1,030,600
2005	Indústria Salineira	Mossuril	18	55,000
2005	Ikorrocho	Meconta	103	405,515
2005	Sacaria Nacala	Nacala	97	2,130,563
2005	A Nossa Loja	Meconta	250	957,985
2005	Kitplas	City of Nampula	30	400,000
2006	Moagem Industrial CIN	Nacala	55	2,516,000
2006	Fábrica de Zinco	Nacala	15	192,000
2006	Fábrica de Colchões Nacala	Nacala	43	2,012,000
2007	Jiangsun Metals	City of Nampula	65	300,000
2007	Shizan Super Plast	Nacala Porto	76	5,327,786
2007	Plasmoc	City of Nampula	100	3,421,053

Source: CPI

Needs for assistance

Need	Priority	Japanese experience	C/P
Promoting industry for import substitution	△	△	MIC
Promoting automobile parts and related industries: Demand for car, motorcycle, and bicycle repairs is growing, and the associated industries need to be promoted	△	△	MIC
Institutional development of the Chamber of Commerce	△	○	CC
Supporting curriculum development in technical universities and high schools; improvements in teaching abilities	○	○	ME Tech school
Assisting cultivation of <i>Jatropha</i> to produce biodiesel	○	△	MIC MA

Note: CC means the Chamber of Commerce.

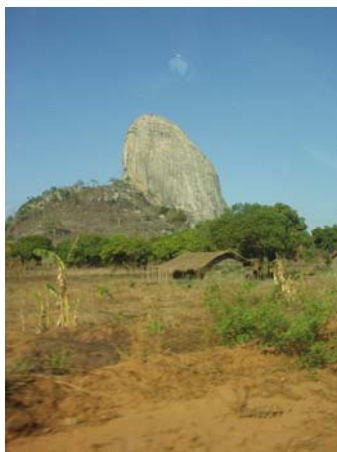
5. Tourism

The tourism sector has great potential. There are many undeveloped beaches at Angoche, Mossuril, Moma, the Island of Mozambique, Nacala-a-Velha, Memba, etc. along the 460 km of coastline. The many parts of the coast with coral reefs and beautiful scenery are areas ripe for tourism development. Although tourist facilities are under construction in Napala and the suburbs of Nacala, many candidate areas are not being utilized because of the inconvenience of road access and lodging facilities. Pemba, which has an international airport, attracts more tourists. It will be necessary to promote private use of the air base at Nacala to welcome more tourists, as the provincial tourism office suggested.

The Island of Mozambique is also located along the corridor. It has been listed as a World Heritage Site and is where the country gets its name. In the 17th century it was the capital of the country and had many historical buildings, but many of them have been left without maintenance. It will be necessary to restore historical buildings, to rehabilitate the road bridge by widening it for two-way traffic, to set up tourist facilities, etc. The number of accommodations where foreigners can stay safely is limited.

The Island of Mozambique needs a comprehensive tourism development plan, and it would be well worth doing. Inland, Niassa Province has scenic Lake Niassa, also known as Malawi Lake, and the 15,000 km² Niassa Reserve at the border of Zambia. Nampula Province also has five forest reserves in Ribáuè and Mecubúri. It will be necessary to develop these areas with the local communities.

Along the corridor tourists can also enjoy scenic and unique large rocks, although the Ministry of Tourism has not listed them as sightseeing spots. In some places near the city of Nampula, camping sites have been developed with this scenic view. In addition, one can view petroglyphs made by indigenous people near Cuamba.



Unique rock along the Nacala corridor



The Island of Mozambique, a World Heritage Site

The Ministry of Tourism has designated the following three areas as Priority Areas for Tourism Investment (PATI) in the Strategic Development Plan for the Development of Tourism 2004–2013.

- (a) Northern Coast and Culture Route: Nampula – Nacala – Island of Mozambique – Pemba
- (b) Lake to Coast Route: Pemba – Quirimbas – Niassa Reserve – Lake Niassa
- (c) Northern Discovery Route: Nacala – Island of Mozambique – Nacala corridor – Nampula – Gurué – Lichinga – Lake Niassa – Nacala

All of these tourism routes have problems with road infrastructure, and airplanes need to be used to complete the routes. In the city of Nampula, the relay point of the Nacala corridor, three four-star hotels have opened in the last five years, and the number of tourists is increasing rapidly.

As mentioned above, although the area has many resources for development of the industry, improving the quality of service in the sector is the most important factor. From historical experience, workers may not understand the meaning of the service industry well, and foreign tourists are sometimes confused about the quality of service.

Tourism development needs to consider international competition among tourist sites, so it is necessary to improve the quality of service from the beginning. Many services offered to tourists in this area are relatively expensive compared to those at other sites.

If Mozambique can not offer competitive prices and service, tourists will not visit the country. For example, divers will not come here just because the sea is beautiful. Tourism promotion and providing high-quality service to customers are absolute necessities. Tourism development can have instant economic impact, so the development priority is high.

Table 5-36 Tourism statistics (2004)²²

	Accommodations		Restaurants	
	No. of units	Sales (millions of US\$)	No. of restaurants	Sales (millions of US\$)
Nampula Province	18	0.914	6	0.17
Niassa Province	16	0.110	2	0.03

Source: Nampula and Niassa provinces *Annual Statistical Yearbook* (INE)

Table 5-37 Number of tourists in the Nacala Corridor

	2003	2004
Nampula Province	30,695	47,973
Niassa Province	4,280	13,672

Source: INE Monthly Hotel Survey

Needs for assistance

Need	Priority	Japanese experience	C/P
Formulating a comprehensive development plan for the tourism sector in the Nacala corridor area, including infrastructure development	△	△	MT
Developing tourist complexes	△	△	MT Private co.'s
Support for tourism promotion	△	×	MT Private co.'s
Vocational training for workers in tourism and related sectors	△	△	MT
Formulating an integrated tourism development plan on the Island of Mozambique, a World Heritage Site: widening the road bridge for two-way traffic, paving roads on the island, issuing licenses for authorized tour guides, restoring historical buildings, setting up of tourist facilities	○	△	City of the Island of Mozambique

²² In 2007 the number of accommodations dramatically increased to 50, as a point of comparison to these 2004 figures for Nampula Province. It is assumed that current sales are at least five times what these figures show for 2004 in both accommodations and restaurants.

6. Mining

Nampula province is rich in mineral resources. However, details of the extent of mineral reserves for each mineral have not yet been investigated. Many types of minerals are found in various districts in the province. The following is a list of districts where specific minerals can be mined.

Tourmaline:	Nacala, Ribáuè, Moma, Monapo, and Eráti
Besmotite, hematite, magnetite, and calcite:	Nacala, Moma, Monapo, Ribáuè, and Eráti
Malachite and azurtite:	Murrupula, Mogovolas, and Moma
Garnet:	Eráti, Monapo, and Lalaua
Topaz, zircon, and corundum:	Lalaua, Ribáuè, and Malema
Apatite and marble:	Monapo and Ribáuè
Chalcopyrite and pyrrhotite:	Memba and Monapo
Graphite:	Monapo and Mecubúri
Heavy sand:	Angoche and Moma
Lamboanites:	Meconta
Basalts:	Mossuril
Calcareous:	Mossuril, Nacala, and Meconta
Black granite:	Memba
Kaolin:	Ribáuè, Mossuril, Nacala, and Monapo
Quartz:	Eráti, Nacarôa, Memba, Lalaua, and Ribáuè
Columbite and tantalite:	Moma, Ribáuè, and Lalaua
Ilmenite and rutile:	coastal dunes of Angoche and Moma

In Nampula Province, a heavy-sand project will start from this year in Moma district with a US\$130 million investment from an Irish firm, Kenmare Resources. Besides large-scale mining companies, artisanal miners at the village level are also engaged in primitive mining in the Murrupula, Moma, Namati, and Mogovolas districts. Gold and gemstones are sold directly to processors and exporters. In the city of Nampula, craftsmen can be found engaging in gold work using mined gold and some processed gold products.

Currently this gold work is done at a micro level, but it may have potential to become a locally renowned product if improvements in purity,²³ processing technology, and the introduction of product designs are conducted properly.

Table 5-38 Production of principle mineral resources in Nampula Province

	Unit: kg	
	2005	2006
Aquamarine	480	264
Tourmaline	1,030	2,257
Gold	4,969	3,010

Source: Nampula Provincial Mineral Resource and Energy Office

²³ Currently the purity is 16 karats.

Table 5-39 Number of registered miners in Nampula Province, including individuals

District	Nacala- a-Velha	Moma	Monapo	Nacarôa	Murrupula	Mogovolas	Mecubúri	Lalaua	Malema	Total
Number	300	2,000	45	54	250	47	32	255	36	3,019

Source: Nampula Provincial Mineral Resource and Energy Office

Column: Artisanal gold miners—Murrupula district, Nampula Province



The following problems appear in such small-scale mining: (1) Boys may devote themselves to mining activity and not go to school; (2) Inequity may happen when minerals are sold; (3) Miners may devote themselves to mining activity without engaging in agriculture activities.

The World Bank supported small-scale miners under the Mineral Resource Management Capacity Project through the provincial Mineral Resource and Energy Office as follows.

- Identifying areas of small-scale mining potential
- Developing effective manual mining practices
- Alleviating mining-related safety hazards

Currently the provincial office plans to promote the formation of a miners' group to encourage more efficient mining activities for artisanal miners.

Needs for assistance

Need	Priority	Japanese experience	C/P
A resource development study to investigate mineral-resource reserves around the Nacala corridor	○	○	MME
Formation of a group of artisanal gold miners in villages where gold can be mined, provision of small equipment to aid mining efficiency, instruction in mining practice and safety hazards	○	△	MME, Village people
“One village, one product”: Promote through publicity some villages where gold can be mined as tourist sites, prepare some facilities for tourists to enjoy the mining process, and open handicraft shops to sell gold work	○	△	MME, Village people

Note: MME means the Ministry of Mineral Resources and Energy.

5-5-3 The Beira corridor area

In the Beira corridor, five industries—agro-processing, fisheries, manufacturing, forestry, and tourism—have been selected as having development potential in the future. The current situation of those industries and needs for assistance are described in this section.²⁴

1. The agro-processing industry

Agro-processing, with a 76% share of the manufacturing sector, is the main industry in Sofala Province. Table 5-12 shows the structure of the agro-processing industry. Beer production ranks first, and wheat flour, sugar, and tobacco follow. Export-oriented processing, such as cotton and copra, account for small output in the province.

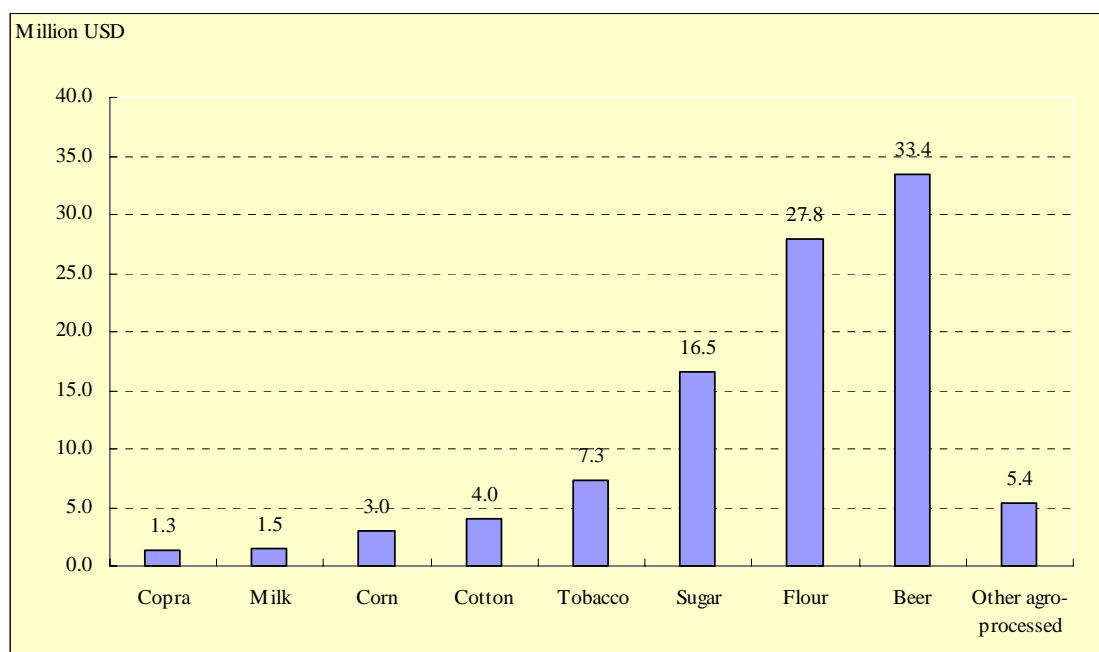


Fig. 5-12 Output of agro-processed products in Sofala Province (2004)

Agro-processing is mainly done by a small number of large processing factories. There are two sugar processors (Sena and Mafanbice) and a cotton processor in the province. There are also three wheat-flour factories, including Melec and Mobeira in the Dondo, Nhamatanda, and Gorongosa districts. As there are few medium-scale processing factories in rural districts, it is necessary to promote the establishment of processing factories there.

Unique kinds of agriculture have developed in the highlands climate in Manica Province, including production of baby corn, greenhouse roses, and coffee production. Vumba is also famous for its mineral spring, where two companies produce mineral water. Beer and wheat flour are mainly processed for domestic demand. Sugar, tobacco, and cotton production are not as common as before, and those processing facilities have remained closed since the colonial period.²⁵

²⁴ Details of logistics and the trade sector are described in Chapter 7.

²⁵ An oil processing factory also remains closed since the civil war.

In the future, it will be necessary to promote processing industries²⁶ such as juice,²⁷ dried fruit, etc., which are possible to produce even on a medium-scale. Because Vumba in Manica Province is already famous for its mineral springs, it should be possible to promote further establishment of mineral-water producers. It is also necessary to support the agricultural sector to be a stable supplier of raw materials for the processing industry. Looking at agriculture in Sofala Province, only 4,500 km² is used for agriculture out of 32,700 km² of arable land, and only 162 km² is irrigated.²⁸

On the other hand, in Manica Province, located inland in the mountains, only 990 ha of land is irrigated. The main agricultural produce in Sofala Province is corn, sorghum, cassava, sweet potatoes, potatoes, peanuts, beans, ginger, sugarcane, bananas, mangoes, etc. As cash crops, tobacco, cashew nuts, and cotton are also produced. In Manica Province, the principle agricultural produce is corn, sweet potatoes, cassava, sunflowers, beans, vegetables like baby corn and green peppers, coffee, oranges, roses, and tobacco by utilizing the highland climate.

Table 5-40 Production of the main agricultural produce in the Beira corridor

Unit: ton

Sofala (2003)	Volume	Manica (2006)	Volume
Corn	103,789	Corn	413,263
Rice	12,206	Sorghum	42,984
Sorghum	38,965	Sweet potatoes	107,135
Peanuts	1,439	Cassava	113,467
Beans	7,380	Vegetables	113,467
Cassava	331,617	Bananas	148,670
Sweet potatoes	174,302	Pineapples	26,057

Source: *Sofala Province Annual Statistical Yearbook* (INE) and Manica Provincial Agricultural Office

In the investment field, US\$66 million was invested in the agro-processing sector in the corridor area in 2004. Except for megaprojects, 70% of the total US\$90 million in investments went into the agro-processing sector. As the table below shows, agro-processing is the most important sector for investors in the corridor area.

Table 5-41 Investments in agro-processing in the Beira corridor (2004)

Comany	Province	District	No. of employees	Value of investment (US\$)
Marnorte: Empresa agricola de Mocambique	Sofala	Buzi	200	51,613,298
Agro-comercialização Barca e Filhos	Sofala	Gorongosa	105	4,712,595
Industria Pecuaria Barca e Filhos	Sofala	Nhamatanda	110	3,623,400
Aloe Miller Africa	Sofala	Maringué	15	765,685
Catarata Investimentos	Manica	Báruè	198	1,209,000
Companhia de Tabacos de Chuara	Manica	Báruè	26	1,853,000
Empreendimentos agrarios de Moçambique	Manica	Sussundenga	102	679,313
Ifloma	Manica	Manica	150	1,100,000
Pimenta de Mocambique	Manica	Chimoio	40	506,300

Source: CPI

²⁶ In Manica, a company plans to produce banana juice with the support of ADEMA.

²⁷ A company from the UAE bought mangoes locally for processing in Dubai and reimport to Mozambique, but it stopped production due to the unstable quality of the juice.

²⁸ Sofala is one of the richest areas for irrigation in the country, along with Maputo Province. Irrigated areas are concentrated near Beira.

Although the agro-processing sector is being revitalized through investments, as described in the provincial development plan, there are very few medium-scale processing factories in the area. When considering the economic benefit to local areas it will be necessary to promote the establishment of that kind of factory in the area. For the time being, it is absolutely essential to have a policy to encourage stable development in the corridor area, as the agro-processing industry will be most important industry base for local economy.

Needs for assistance

Need	Priority	Japanese experience	C/P
Investment promotion: Establishing large agro-processing factories, such as for rice and flour milling, around the port of Beira and along the corridor	○	○	MIC CPI
Formulating and implementing a development plan for strategic production and processing of cash crops based a on long-term vision	△	△	MIC
Promoting employee skill development and training in processing technology	○	△	MIC Private co.'s
Developing processed fruit (dried fruit or juice) with mangoes, bananas, tomatoes	○	△	MIC
Promoting small-scale processing in villages (UTPIR): "one village, one product"	○	△	MIC Village
Processing dairy products from goats (Manica Province): "one village, one product"	△	△	MIC Village
Developing industry for agricultural equipment, parts, and instruments Promoting mineral water production (Manica Province)	△	△	MA

2. Fisheries and fish processing

Sofala Province has a coastline of 315 km and fishing ports such as Divinhe, Sofala, Macuti, Machese, and Ilha de Micungun. It is said that the area has the potential for 140,000 seafood products, including fish, shrimp, crab, lobster, shellfish, and squid. In the river, catfish are also available.

However, fish production is decreasing recently due to excessive fishing, so it is necessary to establish sustainable fisheries by implementing resource controls and releasing young fish.

A Chinese company called Sol e Mar has a shrimp aquaculture project in the suburbs of Beira. According to the CPI Beira office, increasing investments in aquaculture are expected to revitalize the fisheries sector. As many aquatic farms are developed in coastal areas with rich mangrove forests, however, it will be necessary to consider nature conservation.

Table 5-42 Marine production in Sofala Province

Unit: ton²⁹

	2003	2004
Shrimp	3,204	4,268
Fish	3,768	4,593
Crab	132	167
Lobster	n/a	n/a

Source: Ministry of Fisheries

²⁹ Manica Province is located at inland, and fish production in rivers and lakes is very limited. For this reason data from the province is not shown here.

Table 5-43 Investments in the fisheries sector in the Beira corridor, 2004–2005

Year	Company	Province	District	No. of employees	Value of investment (US\$)
2004	Nature's Bounty Mozambique	Sofala	Buzi	18	50,000
2004	Bazaruto Pescas	Sofala	Beira	28	366,703
2005	Moz-Tai Aquaculture	Sofala	n/a	n/a	220,000
2007	BSF-Beira Shrimp Farming	Sofala	Beira	128	1,810,000

Source: CPI



Artisanal fishermen at Savane village



Mangrove forest with a rich ecosystem

Assistance needs

Need	Priority	Japanese experience	C/P
Constructing small-scale ports and fish freezer compartments	○	○	MF
Setting up a public fish market in Beira	○	△	City of Beira
Promoting a fish processing and canning factory: "one village, one product"	○	△	MF Private co.'s
Establishing an aquaculture experimental farm at the provincial level and implementing training of fishermen, including on aquaculture technology	○	○	MF
Promoting aquaculture and nature conservation	○	△	MF
Implementing training for artisanal fishermen in fish processing techniques	○	△	MF Fishermen

3. The manufacturing industry

In Sofala Province, 94% of production in the manufacturing sector is in agro-processing and cement.³⁰ In addition there is soap, chemicals, rubber and plastics, and furniture production. In Manica Province, output from the Coca Cola factory has the dominant share of the sector: Even if output of other agro-processed products is included, it accounts for 97% of the industry. A textile factory that makes textiles from yarn recently started to operate.

³⁰ There is only one cement factory, Cimento de Moçambique at Dondo.

Table 5-44 Output of principle industrial goods in the Beira corridor

Sofala (2004)	millions of US\$	%	Manica (2006)	millions of US\$	%
Agro-processing	100.2	76.3	Agro-processing	14.29	96.7
Cement	23.3	17.7	Soft drinks	12.48	84.6
Soap	3.2	2.4	Mineral water	1.36	9.2
Wood processing	0.02	0.0	Corn flour	0.43	2.9
Paper and pulp	0.01	0.0	Clothes	0.18	1.2
Chemicals	0.38	0.3	Metalwork	0.11	0.7
Rubber and plastics	0.46	0.3	Bricks for housing	0.06	0.4
Nonferrous metals	3.83	2.9	Shoes	0.06	0.4
Furniture	0.02	0.0	Other	0.07	0.5
Total	131.45	100.0	Total	14.75	100.0

Source: Sofala Province *Annual Statistical Yearbook* (INE) and Manica Province's Industry and Commerce Office

Besides agro-processing only the furniture industry has a traditional production base in this area. In Manica Province, simple handicraft-making is an important source of supplementary income for farms, so it will be necessary to promote and create local noteworthy products.³¹

The area is replete with small and medium-sized factories to satisfy local demand for industrial goods. However, such factories can not produce enough products to meet domestic demand, so many of industrial goods are imported, and the prices are extremely high.

In mountainous areas an additional transport cost is added to goods, so they are sold at higher prices, which puts pressure on people's standard of living.

Table 5-45 Number of registered company, Beira corridor (2005)

	Sofala	Manica
Mining	2	2
Manufacturing	262	65
Agro-processing	282	193
Construction	31	9
Telecommunication and transport	97	6
Hotel and tourism	920	451
Banking	7	1
Commerce	3,772	1,068
Other services	243	46

Source: National Statistics Office (INE)

It is necessary to have a policy for import substitution for the primary goods consumed in order to provide them at a cheaper price. As the road in the Beira corridor is well-maintained, it is only 3 hours' drive from Beira port to the border of Zimbabwe. Hence the establishment of labor-intensive factories along the corridor will be important in generating new employment.

³¹ Bárúè in Manica Province is famous for handicrafts.

Needs for assistance

Needs	Priority	Japanese experience	C/P
Supporting the establishment of factories to satisfy domestic demand for consumer goods and technical assistance	△	△	MIC
Promoting textile production, tanning, belts, and suitcases	△	△	Private co.'s, MIC
Bringing middle-class engineering candidates through curriculum development in technical universities and high schools	○	○	ME Tech school
Supporting improvements in basic industrial technology, such as metalworking and machine manufacturing in existing factories	○	○	Private co.'s
Promoting the establishment of labor-intensive factories along the corridor	○	○	MIC IPC

4. Forestry

The northern part of Sofala Province is rich in forestry resources, with 22,000 km² of wooded land with a capacity to produce 92 million m³ of wood. The main types of wood are *panga-panga*, *messassa*, and *chamfuta*; cutting is not well controlled, and replanting is not well implemented. Afforestation is a controversial issue in the development of this sector. Large amounts of wood are not only used for domestic markets but are also exported, mainly to China from the port of Beira. Forestry is also common in Manica Province. There is one big forestry company called Floma and six medium-scale operations that have concessions. There are 850 small-scale companies related to forestry registered in the province. In last five years, as demand for wood has increased, production has increased. Investors from Lithuania, Belgium, Germany, China, and Italy have invested in this sector. However, as development of wood processing is very limited, the provincial government plans to promote it.

Recently, investments by wood processors in this area are increasing, so it will be necessary to develop forestry policy for sustainable development in this sector.

Table 5-46 Investments in the forestry sector in the Beira corridor 2004–2005

Year	Company	Province	District	No. of employees
2004	East African Forestry Products	Manica	Gondola	1,334,723
2005	Exploration and Export of Wood	Sofala	n/a	1,831,666
2005	MPM: Madeira Precios de Moçambique	Sofala	n/a	2,443,372

Source: CPI

Needs for assistance

Needs	Priority	Japanese experience	C/P
Technology transfer of know-how on sustainable forestry management	○	○	MA
Technology transfer on afforestation	○	○	MA
Promoting the wooden furniture industry: “one village, one product”	○	△	PAO, village
Promoting agro-forestry in mountainous areas: “one village, one product”	△	○	PAO, village people
Wooden handicraft-making (Manica Province): “one village, one product”	○	△	PAO, village people
Supporting wood processing technology	△	△	Private co.'s

5. Tourism

The corridor area has many fascinating tourism spots and potential candidates. There are two national parks in Sofala Province: Gorongosa National Park, where we can see several wild animals such as elephants and lions, and the Marromeu Reserve, which has 7,000 head of wild buffalo, in the north part of the province. Manica Province has Lake Chikamba and the Chimanimani Reserve, which has the highest mountain in the country, Mt. Pinga, and a well-known place for mineral springs, Mt. Vumba.

As Manica Province is located in the highlands, tourists can enjoy small streams and waterfalls that can not be found in other provinces. The Zambezi Valley and the Guro and Tambara districts as well as the Púnguè River and the districts of Pindanganga and Gondola are worth visiting. In addition, there are four forest reserves: Inhamatinga, Nhapacue, Maribane, and Zonba. There are official hunting areas in the southern part of Manica and Sofala surrounding the Marromeu Reserve.

A resettlement project is going on with the support of an American NGO to relocate the 15,000 local residents living inside Gorongosa National Park. The project includes components to promote honey and charcoal production for their livelihoods as well as construction of hospitals and schools in the resettlement area.

The Ministry of Tourism designated the following three areas as Priority Areas for Tourism Investments (PATI) and plans to invite investment for their development:

- (a) Sofala tourism zone: Coastal areas in Sofala Province, including Beira, Sofala, and Savane
- (b) Gorongosa tourism zone: Gorongosa National Park and Mt. Gorongosa
- (c) Manica tourism zone: Manica, Lake Chikamba, Chimanimani National Park

Table 5-47 Tourism statistics (2004)

	Accommodations		Restaurants	
	Number of units	Sales(millions of US\$)	Number of restaurants	Sales (millions of US\$)
Sofala	13	1.8	6	0.28
Manica	18	0.52	8	0.11

Source: Sofala and Manica provinces *Annual Statistical Yearbook* (INE)

In the Strategic Development Plan for Development of Tourism 2004–2013, the Ministry has also recommended National Tourism Routes and Regional Tourism Circuits that include both provinces, Zimbabwe, Malawi, and Tete Province.

- Adventure Route (Mozambique-Zimbabwe): Inhambane – Vilakulos – Gorongosa – Lake Chikamba – Manica – Chimanimani – Zimbabwe
- Adventure Route (Mozambique-Malawi): Inhambane – Vilakulos – Gorongosa – Lake Chikamba – Cahora Bassa – Tchuma Tchato – Malawi
- Central Eco-tourism Route: Beira – Marromeu Reserve– Gorongosa – Chimoio – Chimanimani – Chikamba – Manica – Beira
- Central Lakes Route: Beira – Chikamba – Chimoio – Cahora Bassa – Lake Niassa (Malawi)

To promote tourism development by using tourism resources more, it will be necessary to improve road access and to increase the number of accommodations, especially in Manica Province. It will also be necessary to improve the quality of service in tourism and related industries and to restrict development for nature conservation.



Fig. 5-13 Main tourist areas in the Beira corridor area

Table 5-48 Number of tourists in the Beira corridor

	2003	2004
Sofala	19,828	20,149
Manica	8,793	9,148

Source: INE Monthly Hotel Survey

The number of tourists has been increasing recently in both Sofala and Manica provinces. A tourist complex is under construction in the suburbs of Beira. The corridor area is also being spotlighted as a resort.

Needs for assistance

Needs	Priority	Japanese experience	C/P
Formulating a comprehensive development plan for the tourism sector that includes the three tourism area designated in PATI in the Beira corridor area	△	△	MT
Vocational training for workers in tourism and related sectors	△	△	MT
Promoting development of the sector through partnerships between private travel agencies and the community: "one village, one product"	△	×	Private co.'s, village
Support to develop know-how in methods of promotion for the sector in the media, etc.	△	×	MT
Development of tour packages for potential tourists: hotels, sightseeing spots, souvenir shops	△	×	PTO, private co.'s
Setting up a <i>Michinoeki</i> that includes a tourist information center for tourists coming from countries inland via the corridor	○	○	MT ANE
Fostering authorized tour guides	○	○	MT

Note: PTO means the Provincial Tourism Office.

Chapter 6: Present Conditions and Challenges in the Private Sector

6-1 Present Conditions in Major Industries

6-1-1 Industry in general

1. Overview

Although Mozambique has achieved a very high level of economic growth and expanded its exports considerably after the end of the civil war, these successes stem largely from a limited number of large-scale foreign direct investments (FDIs), called megaprojects,³² and there is little growth in local small and medium-sized enterprises (SMEs). Private domestic enterprises in Mozambique are threatened by intense competition caused by the impact of globalization, such as the influx of high-quality products from South Africa and cheap products from China. Concerns are especially acute with the establishment of a free-trade area in SADC from 1 January 2008, when import tariffs between SADC countries were abolished for most products, as noted in Table 6-1. In 2008 when the free-trade area comes into effect, 92.6% of all imports from South Africa became tariff-free, compared to 28.1% previously (October 2007), thus expanding imports from South Africa further and quashing demand for domestic products.

Table 6-1 Percentage of goods not subject to tariffs

Imports from	Tariff line (items)	2001 %	2005 %	2006 %	2007 %	2008 %	2012 %
SADC countries except South Africa ³³	5,246	30.1	30.1	30.1	30.1	94.0	99.6
South Africa		28.1	28.1	28.1	28.1	92.6	92.6

Source: Department of Trade and Industry

2. The new Labor Law

Entrepreneurs often point out that one of the biggest problems of doing business in Mozambique relates to the rigidity of regulations surrounding employment contracts. In Mozambique, the Labor Law has been revised and implemented from October 2007. The new Labor Law has generally been welcomed, since it has relaxed some regulations, creating a more realistic and employer-friendly business environment compared to the former Labor Law, which was seen to have been overly protective of employees. However, fixed-term contracts at large enterprises employing more than 100 people (defined in Table 6-2) can only be made for a period not longer than two years and can be renewed only twice (Article 42.1). This means that after two years, entrepreneurs are faced with the choice to either firing the employee or offering him or her a permanent position. Many entrepreneurs have reservations about increasing permanent staff, and therefore, without the ability to renew the contact, entrepreneurs are forced to release staff members that they have trained and replace them

³² According to the IMF, megaprojects are defined as the following: Mozal, Sasol, the Cahora-Bassa Dam, and two titanium ore projects (IMF Country Report No. 07/262, Republic of Mozambique: 2007 Article IV Consultation, Sixth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Waiver of Performance Criterion, Financing Assurance Review, and Request for a Three-Year Policy Support Instrument—Staff Report; Staff Supplement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for the Republic of Mozambique). Exports by MPs (US\$126 million in 2005) account for more than two thirds of Mozambique's total exports (US\$175 million).

³³ Angola, Botswana, Lesotho, Madagascar, Malawi, Mauritius, Namibia, Swaziland, Tanzania, Zambia, and Zimbabwe are included.

with new employees. This in turn reduces the incentive in enterprises to develop human resources. On the other hand, with the new Labor Law, this rule no longer applies to SMEs, so SMEs can freely sign fixed-term contracts during their first 10 years of operation (Article 42.3). In addition, there has been a simplification of procedures regarding firing and hiring, an easing of restrictions, etc. in the new Labor Law.

Table 6-2 Abstract of the new Labor Law

Item	Law
Category of business enterprises	Definitions of enterprises: - large enterprise: more than 101 employees - medium-sized enterprise: 11–100 employees - small enterprise: less than 10 employees (Article 34.1)
Foreign workers	Upper limits on the percentage of foreign workers that can be employed, through consultation with the Ministry of Labor or its delegate: - in large enterprises: 5% of all employees - in medium-sized enterprises: 8 % of all employees - in small enterprises: 10% of all employees (Article 31.5)
Fixed-term contracts	Fixed-term contracts are made for a period not longer than two years, and can be renewed only twice through the agreement of both parties, without prejudice to small and medium-sized enterprises (SMEs). (Article 42.1) Small and medium-sized enterprises (SMEs) can freely sign fixed-term contracts during their first 10 years of activity. (Article 42.3)

Source: Labor Law (*Lei do Trabalho, Lei no. 23/2007*)

As of 1 April 2004 the Ministry of Labor set the minimum wage for workers in commercial, industrial, and other sectors at MZM1,277,138.00 in the old currency³⁴ per month, and in the agro-industry at MZM918,206.00 in the old currency per month. However, other minimum salaries are defined in accordance with categories specified in professional collective agreements, and these salaries are said to be dependent on profitability and the economic and financial situation of each company. Furthermore, there is a move toward setting different minimum wages for each job category within the two broad categories of “commercial, industrial, and other sector workers” and “agro-industry,” and it can be seen that these minimum wages benefit employers. Minimum wages are adjusted for inflation, and the minimum wages as of October 2007 are set at MZM1,480 (about US\$60) a month for the commercial, industrial, and other sector workers.

3. The general business environment

The business environment in Mozambique is generally said to be bureaucratic, with many procedures required. However, few enterprises feel that it is especially problematic compared to other African countries. According to the *Doing Business 2008* report by the World Bank/IFC, Mozambique is ranked 134th among 178 countries in terms of the overall ease of doing business. Though the overall ease of doing business is low compared to South Africa, when it is compared to neighboring countries (Table 6-3), Mozambique is ranked at the same level as Tanzania and Malawi. The ranking is higher than Zimbabwe, and among the 46 Sub-Saharan African countries, Mozambique ranks 18th.

There are large discrepancies if one looks at the breakdown of the overall rank. For example, Mozambique ranks low at 162, in the bottom tier, for dealing with licenses, but ranks 33rd for the protection of investors, a figure that puts Mozambique among the world’s developed nations.

³⁴ After redenomination, MZM1,000 (old metical) = MZM1 (new metical)

Table 6-3 Rankings for the ease of doing business in different countries

Unit: rank

	World rank (178 countries)					Rank in Sub-Saharan Africa (46 countries)
	Mozambique	Tanzania	Malawi	Zimbabwe	South Africa	Mozambique
Ease of doing business (overall)	134	130	127	152	35	18
Starting a business	125	95	108	143	53	20
Dealing with licenses	147	170	117	172	45	33
Employing workers	162	151	90	123	91	38
Registering property	126	160	87	79	76	19
Getting credit	97	115	84	97	26	10
Protecting investors	33	83	64	107	9	3
Paying taxes	72	104	78	144	61	14
Trading across borders	140	100	161	169	134	23
Enforcing contracts	138	35	135	74	85	29
Closing a business	134	109	135	151	68	26

Source: World Bank/IFC, *Doing Business 2008*

Table 6-4 Rankings for the ease of doing business in Mozambique

Unit: rank

	2006 (155 countries)	2007 (175 countries)		2008 (178 countries)	
Ease of doing business (Total)	110*	140	↓	134	↑
Starting a business	–	157		125	↑
Dealing with licenses	–	147		147	=
Employing workers	–	162		162	=
Registering property	–	124		126	↓
Getting credit	–	94		97	↓
Protecting investors	–	96		33	↑
Paying taxes	–	66		72	↓
Trading across borders	–	137		140	↓
Enforcing contracts	–	141		138	↑
Closing a business	–	130		134	↓

*For the *Doing Business 2007* survey, 20 more countries were added from the 2006 survey.Source: World Bank/IFC, *Doing Business 2008*; *Doing Business 2007*

In Table 6-4, it can be seen that there are few changes in the order of the overall ranking over the past few years. If one looks at the breakdown (Table 6-5), Mozambique lost several places regarding registering property, getting credit, paying taxes, and trading across borders. However, it does not necessarily mean that the business environment of Mozambique has degraded over the years; rather this can be attributed mainly to the development of other countries' business environments. On the other hand, Mozambique has improved its ranking for the ease of starting a business, protecting investors, and enforcing contracts. These changes are attributed mainly to concrete improvements in systems in Mozambique, such as the simplification of procedures (for instance, the number of procedures for starting a business has been reduced from 13 to 10, and the number of days required has been reduced from 113 to 29. The number of procedures for enforcing contracts has been reduced from 38 to 31). In Mozambique, capital of no less than MZM10,000 (about US\$400) is required to

start a business. Even though this is not necessarily a large amount, it could be a deterrent factor for small and micro business start-ups, given that such minimum capital requirements do not exist in most countries, including those surrounding Mozambique, and given that the GNI of Mozambique is only US\$340³⁵.

Table 6-5 Rankings for the ease of doing business in Mozambique

		2004	2005	2006	2007	2008
Starting a business	Procedures (number)	15	14	14	13	10
	Duration (days)	153	153	153	113	29
	Cost (% GNI per capita)	99.6	95.8	95.0	85.7	21.6
	Min. capital (% of GNI per capita)	30.2	14.5	12.0	10.4	115.8
Dealing with licenses	Procedures (number)	–	–	14	13	17
	Duration (days)	–	–	212	364	361
	Cost (% of income per capita)	–	–	148.6	279.3	705.0
Employing workers	Difficulty of Hiring Index	73	72	83	83	83
	Rigidity of Hours Index	–	80	80	60	60
	Difficulty of Firing Index	64	40	20	20	20
	Rigidity of Employment Index	–	64	61	54	54
	Nonwage labor cost (% of salary)	–	–	4	4	4
	Firing costs (weeks of wages)	–	141	141	143	143
Registering property	Procedures (number)	–	7	8	8	8
	Duration (days)	–	33	42	42	42
	Cost (% of property value)	–	11.9	5.2	5.4	8.1
Getting credit	Legal Rights Index	–	–	4	4	3
	Credit Information Index	–	4	4	3	3
	Public registry coverage (% adults)	0.1	0.5	0.8	0.7	0.9
	Private bureau coverage (% adults)	0.0	0.0	0.0	0.0	0.0
Protecting investors	Disclosure Index	–	2	–	7	5
	Director Liability Index	–	–	–	2	4
	Shareholder Suits Index	–	–	–	6	9
	Investor Protection Index	–	–	–	5.0	6.0
Paying taxes	Payments (number)	–	–	35	36	37
	Time (hours)	–	–	230	230	230
	Tax on profits (%)	–	–	–	–	27.7
	Labor tax and contributions (%)	–	–	–	–	4.5
	Other taxes (%)	–	–	–	–	2.1
	Total tax rate (% profit)	–	–	50.9	39.2	34.3
Trading across borders	Documents for export (number)	–	–	6	6	8
	Time for export (days)	–	–	41	39	27
	Cost to export (US\$ per container)	–	–	–	1,516	1,155
	Documents for import (number)	–	–	–	16	10
	Time for import (days)	–	–	41	38	38
	Cost to import (US\$ per container)	–	–	–	1,616	1,185
Enforcing contracts	Procedures (number)	18	38	38	38	31
	Duration (days)	540	580	580	1,010	1,010
	Cost (% of claim)	–	–	–	132.1	142.5
Closing a business	Cost (% of income per capita)	–	–	9	9	9
	Time (years)	–	5.0	5.0	5.0	5.0
	Recovery rate (%)	–	12.3	13.3	15.0	13.9

Source: World Bank/IFC, *Doing Business*, 2004–2008

³⁵ 2006 figures, obtained from the World Bank's *World Development Indicators*, 2007

4. Property ownership

When Mozambique gained independence from Portugal in 1975, land was nationalized. After the end of the socialist regime in the 1980s, residential land was returned to individuals at their request. However, landholding is still not permitted in Mozambique, and individuals can only be tenants of the land for a period of 50 years. The rights for commercial use of land can also be obtained for a period of 50 years, and foreigners have the same rights to land as nationals. Because the transfer of rights for land requires government approval, land can not be used as collateral when obtaining funds.

5. The tax system

Although regular corporate income tax is 32%, corporate income tax for agricultural activities, including the livestock business, has been kept at 10% as preferential treatment until 31 December 2010. As shown in Table 6-6, the minimum income tax rate is 10% on earnings up to MZM28,000 (about US\$1,120) and the maximum rate is 32% on earnings over MZM1,008,000 (about US\$40,320). The value-added tax (VAT) is 17% across the board on all imported products and goods and services traded, and employers pay 7% of employee salaries as social security tax, 3% from salaries and 4% from the employer. One can deduce from these figures that the tax rate in Mozambique is comparable to that of other countries.

Table 6-6 Income tax

Annual taxable income (MZM)	% Tax rate
Up to 28,000	10
28,000–112,000	15
112,000–to 336,000	20
336,000–1,008,000	25
Over 1,008,000	32
Annual taxable income (MZM)	Rebate
Up to 28,000	n/a
28,000–112,000	1,400
112,000–336,000	7,000
336,000–1,008,000	23,000
Over 1,008,000	94,000

Source: CPI

6. Finance

Major commercial banks in Mozambique are the Millennium BIM, BCI, Banco Austral, and Standard.³⁶ Millennium BIM is the largest with a 67% market share. Millennium BIM provides enterprise loans regardless of the business sector and size of the enterprise, and the interest rate is the prime lending rate (16.5% as of October 2007) plus a 1%–8% spread (inflation in 2006 is about 13%). Dollar-based loans are provided to exporters (provision to sectors other than exporters is regulated by the government), and the interest rate is the LIBOR/EURIBOR rate plus around 1%. However, the

³⁶ Standard Bank does not lend money to SMEs but only to medium and large enterprises as well as middle- and higher-income individuals.

fact remains that it is extremely difficult for SMEs to secure funds because of rigorous credit checks³⁷ and the requirement of guarantees or collateral. Although commercial banks are starting to promote themselves in provincial towns, the number of branches and activities are still heavily concentrated in Maputo, and the percentage of the population with a bank account is estimated to be well below 10%.³⁸ There even exists some anxiety and distrust towards banks in rural areas.³⁹ So there are limits on opportunities for local SMEs to utilize commercial banks. In addition, since stock and bond markets in Mozambique have not been developed, there are very few opportunities for stock or bond issuance as a means of financing SMEs.

Although there are a number of microfinancing institutions designed to support small-scale economic activities, such as those related to agriculture,⁴⁰ the interest rate that these organizations offer averages 3%–4% per month (about 60% per year). The maximum loan size is approximately MZM1.25 million (about US\$50,000), but small loans from about MZM5,000 (US\$200) are also possible, and the overwhelming number of loans that these institutions make are small or medium-sized loans. For example, AMODER, a microfinance institution aimed at rural development with operations across the entire country, loans are categorized as shown in Table 6-7. Medium and large loans make up 25%–30% of AMODER’s business. Large-sized and medium-sized loans account for 5% and 15% respectively, and small-sized loans account for the largest share of AMODER’s business.

Table 6-7 Interest rates categorized by loan size at AMODER

Category	Amount of loan (MZM)	Interest rate
Small	5,000 – 70,000	3.0%–4.0% per month; first loan is 4%
Medium	70,000 – 400,000	3.0–3.5% per month
Large	400,000 – 2,000,000	2.5–3.5% per month

Source: Based on interviews with AMODER

There are not many organizations that directly finance farmers, although many of the activities that loans are provided for do relate to agriculture. In most of the cases, organizations offer financing to traders who purchase products from farmers or act as wholesalers, where traders make loans to farm families mainly through the provision of goods such as seed. There are a number of reasons why direct financing is not normally provided to farmers. First, farmland can not be used as collateral because landholding is not permitted in Mozambique. In many cases small-hold farmers do not have any assets that can be use as collateral. Normally buildings and cars are used as guarantees, but poor small-hold farmers do not possess those kinds of assets. Second, agriculture carries high risks, even in developed nations, and crop yields are especially unstable in Mozambique, where there is no capacity to reduce external impacts; therefore agriculture is especially susceptible to weather. Last, farmers mostly need funds to purchase seed. This is usually purchased from traders, so it makes sense to have a system where traders provide seed as a deposit and farmers repay the traders through their harvest.

³⁷ Credit analysis is used to verify the financial situation of individuals and enterprises and determine the possibility of default. Criteria include: (1) the enterprise’s financial standing (balance sheets for the last three years, earnings statements, etc.), and (2) bank account history (presence or absence of outstanding debt).

³⁸ Based on an estimate by the head of Millennium BIM. Individual accounts at Millennium BIM number 700,000–800,000.

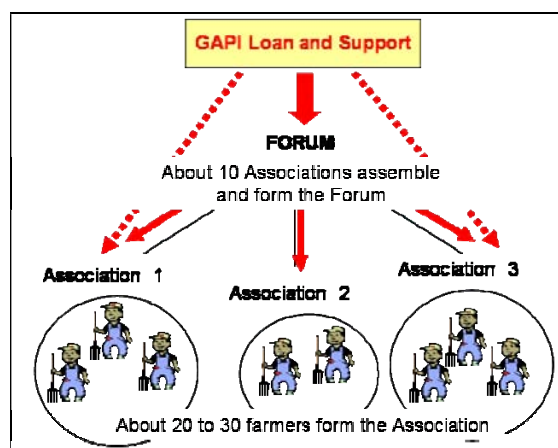
³⁹ The common view of commercial banks is that they do not deal with small loans, application procedures are very complicated, and unlike microcredit organizations, the repayment schedule can not be negotiated.

⁴⁰ There are approximately 15 organizations, primarily nonprofits supported by donors and NGOs.

Even though microfinancing institutions provide loans to traders rather than directly to farmers because it is considered relatively low-risk, as noted above, the default rate of microfinancing institutions related to agriculture is still very high. For instance, at AMODER, the normal default rate is around 25%, but in 2004–2005 in particular, the default rate for agricultural activities went as high as 75% because good weather meant there was an excess of supply and hence the market price crashed. Judicial process in cases of default, including confiscation of houses and buildings used as collateral, is time-consuming and complicated. In addition, as the value of houses used as collateral for small loans is generally low, procedural cost can outweigh the value of the collateral. Therefore staff members are dispatched to villages to check for any dishonest defaults, and this leads to high operating costs and inevitably to high interest rates to secure the stability of the microfinancing institutions.

This information shows that there is a funding gap between commercial banks operating large loans and microfinancing organizations operating very small loans. GAPI,⁴¹ a small semi-private investment promotion company registered as a SARL, focuses on this gap.⁴² GAPI loans amounts of about US\$3,000–US\$4,000 for agriculture, local trade businesses, the food processing industry, the building industry, fisheries, service and logistics, etc. Targets for GAPI are enterprises, cooperatives, organizations, and individuals. However, there are currently no direct loans made to farmers. Loans related to agriculture are provided instead to groups of small associations called forums. In some cases, loans are also provided to the associations themselves. GAPI in effect plays the role of the wholesaler for microfinance, and the forum and association provide the required funds to farmers through a trickle-down structure (See Fig. 6-1). By lending money to forums and associations instead of directly to farmers, GAPI can ask for buildings and processing machinery as collateral, and as a result offers low interest rates of 2% per month. This is lower than the 3%–5% rate for individuals because the group loan system is based on social capital.

One of the features of GAPI is that it provides not only loans but also business support services. Capacity-building activities in fields such as skills development, management, accounting, leadership, and microfinance (community credit and savings) are offered to borrowers—the forum and its farmer members.



Source: Based the result of interview with GAPI)

Fig.6-1 Structure of GAPI loans related to agriculture

⁴¹ Company jointly established by Mozambican government’s Ministry of Planning and Development (MPD) and Germany’s KfW bank.

⁴² In addition to GAPI, for example, IFC calls this gap the “missing middle” and implements the Mozambique SME Initiative (MSI), detailed in Chapter 5.

7. The government's response to improvements in the business environment

The Mozambican government has launched a systematic improvement of the business environment with the assistance of donors. For example, since the establishment of the BAU one-stop shop for procedures for starting a business, obtaining licenses, etc. in each province, the acquisition of licenses in rural areas has been greatly facilitated. BAU is an organization across agencies and ministries administered by the provincial government within the framework of the Mozambique Integrated Program (MIP) designed with support from UNIDO and whose objective is to simplify the license-application procedure for SMEs starting a business. After successful implementation in Zambezia, Sofala, Tete and Niassa provinces, the Ministry of Trade and Industry decided to spread BAU to all areas of the country.

Although the government has undertaken systematic improvement of the business environment through legal revisions and the establishment of BAU, the private sector still points out that some problems remain in the law and other systems. A dialogue between the government and the private sector could greatly assist the government in accurately understanding private sector opinions, and the private sector for its part could deepen its understanding of the institutional reform implemented by the government and utilize it. From this viewpoint, the government holds four official meetings with the private-sector Confederation of Business Associations (CTA) each year. Dialogue between the prime minister and CTA is held once every six months, and dialogue between the Minister of Industry and CTA is held once a year. Furthermore, the Conferência Anual do Sector Privado (CASP), in which the president acts as chairman, is held once a year (in 2007 it was held on 2 and 3 November). Top-level talks are held regularly under this framework. It is important that this dialogue be supported adequately at the working level in order to prevent these talks merely being seen as "events."

6-1-2 Outline of industries

1. Agriculture

Most agricultural activities are carried out by small-hold farmers whose products are mainly subsistence crops such as cassava and maize. Just 16%⁴³ of all farmers have contracts to produce cash crops such as cotton and tobacco as of 2003.⁴⁴ Major agricultural products in Mozambique are cashew nuts, sunflowers, peanuts, beans, rice, mangoes, and papayas in addition to the cassava, maize, cotton, and tobacco mentioned above. In recent years, vegetables such as tomatoes, cucumbers, and lettuce as well as sesame and lychees are produced and are sold in markets and on the street. Although rice consumption in Mozambique is relatively high, it is dependent on imports from Thailand, India, and other countries.

The biggest factors that influence agricultural output are the weather and soil fertility. From this perspective, agriculture in Mozambique could be divided into northern and southern zones by the Save River.⁴⁵ Although the soil in the area south of the Save River is fertile, the weather is unstable. On the other hand, north of the Save the soil mostly lacks nitrogen, phosphorus, and potassium, although the weather is stable and suitable for agriculture throughout the year.⁴⁶ Generally, even

⁴³ World Bank (2006), "Mozambique Agricultural Development Strategy: Stimulating Smallholder Agricultural Growth" Report No. 32416-MZ (http://siteresources.worldbank.org/MOZAMBIQUEEXTN/Resources/Moz_AG_Strategy.pdf)

⁴⁴ The current level may be somewhat higher because of governmental undertakings as well as donor and NGO support.

⁴⁵ The Save River rises in Zimbabwe and flows east to west, dividing the southern provinces of Inhambane and Gaza and the central provinces of Sofala and Manica.

⁴⁶ Advance Science Services HP (<http://www.aaas.org/international/africa/moz/overview.html>)

though the soil of coastal areas is less fertile compared to that of the river basins, agriculture in these areas tend to be more developed because of easy access to urban areas by roads. In other words, agricultural development could be vastly improved in many areas if roads were developed. In particular, there are few paved roads leading to rural areas, and most farm families do not even own a motorcycle; farmers' only means of transport to towns is by bicycle on unimproved roads and then to board a minibus. It is easy to see that agricultural products can not be delivered using this means. In farm villages with associations, the association may borrow a four-wheel drive vehicle and deliver the village's products at harvest time, but this is only for a limited time.

In most agricultural areas, it is necessary to depend on rainwater because of the lack of irrigation and the greatly limited use of fertilizers and pesticides. The use of machinery is not popular because many farmers' lands are very small, with approximately 0.5 ha to 2 ha of land per family unit; thus farmers are only recently starting to use cows for cultivation.⁴⁷

Extension workers⁴⁸ are dispatched around the country by the Ministry of Agriculture⁴⁹ to assist in providing agricultural technical guidance in rural areas. Although the exact number of extension workers is not known, there are five extension workers in Dondo in Sofala Province alone, so it is presumed that there are more than 100 working nationwide.⁵⁰ As there is no formal training booklet on the activities and teaching content of extension workers, for the most part the agricultural guidance and teaching depend on the capacity of the individual extension worker. In some areas there are activities by donors and NGOs to develop the capabilities of extension workers. For instance, in Sofala, an Austrian NGO called PROMEC provides agricultural support in cooperation with the provincial government and implements programs to develop the skills of extension workers. In these supported areas, there are some farmers who supply their products to a large South Africa-based supermarket, Shoprite, by applying some of the skills and knowledge they have learned. For example, one farm learned it is able to get a higher market price for its products by blocking sunlight for a certain period using plastic sheeting and delaying the harvest. Extension workers may also assist in the construction of a simple pond irrigation facility, and provide training to keep the soil fertile using seasonal crop rotation.

Mango and cashew trees can be seen all over Mozambique, and many were planted more than 20 or 30 years ago. Many of farmers grow one or two mango and cashew trees in addition to other crops because they can grow them without irrigation and they are easily maintained. The fruit and nuts are sold on the street and in markets or purchased by traders, but there are problems with productivity and quality, as the trees are often old and not well-maintained. This is commonly the case for cashew nuts.

2. The food processing industry

Due to Mozambique's largely agricultural-based economy, the food processing industry is recognized as having strong growth potential, and the government states the importance of food processing in its Industrial Policy. However, there are few food processing facilities in the country. Along the Maputo corridor, sugar, salt, pasta, biscuits, and juice are produced for the biggest market in the country, the city of Maputo. Salt, biscuits, and dairy products are produced along the Nacala corridor, and salt,

⁴⁷ In the past, cattle breeding was limited because of the spread of the tsetse fly, which transmits sleeping sickness. Government efforts to mitigate the tsetse fly have succeeded and have helped nearly exterminate the disease in southern parts of the country.

⁴⁸ Civil servants who have studied at agricultural schools in neighboring countries such as Kenya and Tanzania as well as in Cuba on governmental scholarships

⁴⁹ Extension workers are provincial government employees, although they are dispatched by the central government.

⁵⁰ Based on information from a PROMEC (an Austrian NGO) coordinator of former extension workers

sugar, and juice are produced along the Beira corridor. There are goods like cashew nuts and salt processed for export, but they are rare, and most of the existing processing industry in the country targets the domestic market. This could explain why processed products in Mozambique are not made from domestic agricultural products, and why the raw materials are often imported. For instance, flour for the production of pasta and biscuits, powdered milk for dairy products such as yogurt and ice cream, and concentrated juice for the production of juice are all imported from South Africa and other countries. It could be argued that the advantage of an agricultural economy is not put to good use because of the lack of linkages between domestic agriculture and the domestic food processing industry.

Column: The cashew-nut processing industry in Mozambique

Mozambique was once one of the top producers and exporters of cashew nuts. Government cashew-nut processing factories were sold to local private enterprises in 1994–1995 because of World Bank structural reform policies for privatization and liberalization. At the same time, the World Bank requested the abolition of the 20% export tax imposed on raw cashew nuts because the cashew-nut processing industry in Mozambique was inefficient, and the processing of nuts in competitive countries such as India should be promoted through liberalizing the export of raw nuts.⁵¹ Consequently many processing factories were closed and the cashew-nut processing industry has been stagnant. However, recent moves to activate the industry have accelerated, and some factories have reopened with foreign investment, especially in the north around Nampula Province.

While one tree is expected to produce 2 to 5 kg of nuts in Mozambique, this is less than half the productivity of new tree in other countries, which produce 7 to 12 kg. The kernel (the part usually eaten) of the cashew nut is encased in a hard shell, and the proportion of kernel to shell is low in Mozambique because the trees are old. For instance, 42 to 44 kg of kernels can be obtained from an 80-kg bag of nuts in Mozambique; in countries like Nigeria the figure is 56 to 60 kg.

During the harvest, agents purchase cashew nuts near the factory from the farmer or groups of farmers, who go directly to the factory to sell their produce. A factory with a capacity of 1,000 tons purchases nuts from about 2,000 farmers. The cashew-nut processing industry is labor-intensive, and the cracking the shells and peeling of testae are done by hand; a large labor force is needed, which has benefits for poverty reduction in the local area. The world market price of raw cashew nuts is US\$0.50 per kg, but processed cashew nuts can fetch about US\$4 per kg.

In the food processing industry in Mozambique there are various labor-intensive enterprises, like cashew-nut processing, and others enterprises that are relatively mechanized. The common problem for both is the lack of packaging skills. Enterprises frequently say they would like to buy the latest machine, but funding remains a problem. Packaging technology in the food processing industry relates to food sanitation, so when packing is done by hand, contamination is a particular concern. In addition, packing also relates to product appearance, so consumers tend to think poor appearance means poor quality.

Enterprises in the food processing industry are generally aware of sanitation. Uniforms are provided to employees in the factory, and many enterprises enforce the wearing of masks and caps and the regular washing of hands. The government has set up test centers in hospitals in each province, and samples are regularly collected and tested for food sanitation.⁵²

⁵¹ Although the Mozambican government decided on a gradual reduction of the tax to 10% over five years, the World Bank required reduction over three years.

⁵² For example, mineral water is sample-tested every week.

3. The fisheries industry

The fisheries industry in Mozambique is mainly divided into two parts. One is relatively large-scale fishing for export implemented by foreign investment. Enterprises have large fishing boats, and the fish are processed simply—frozen and boiled in coastal factories—and then exported through a port. There are such investment businesses at the ports of Beira, Maputo, and Quelimane.

The other segment is small-scale fishermen and small and midsize fish-processing enterprises, where most people in fisheries industry work. The problems associated with these small-scale fishermen are similar to those associated with small-hold farmers, whose quality and productivity are low because of a lack of skills and funds. Boats are often small and old, and thus fishing activities are limited to close to shore. In addition, fish are often left on the boat all day in the sun, as there is no custom for using cold storage and fishermen are not well-informed about the importance of using coolers and ice, even when these items are provided by donors or processing companies. The freshness of fish and shellfish thus can not be preserved, and they become unsuitable for export. There are fish markets in cities like Maputo and Beira, and the fish caught each the day are sold in the evening.

The supply chain of the fisheries industry is similar to the links in the cashew-nut processing industry. Fish processing enterprises often provide the cost of petrol and repairs for fishing boats as an advance to small fishermen. There are many enterprises that provide ice boxes in addition to funds and technical support, including training on the use of cold storage.

4. The manufacturing industry

Although manufacturing in Mozambique declined after independence in 1975 when the Portuguese withdrew, it slowly recovered until 1981. The outbreak of civil war destroyed the industry again, and production in this sector in 1985 was down to 41% of the 1981 level. Even though the government has made efforts to revive the industrial sector after the peace treaty was signed, the industry has not recovered, and industrial zones have been reduced and factories closed because of competition from other countries, such as South Africa. There are some large foreign investments in the manufacturing industry, such as Mozal, but most are SMEs that manufacture domestic goods such as soap, detergent, vegetable oil, plastic products, cotton, and cement, not including the abovementioned food processing items. Though the manufacturing industry in Mozambique is concentrated in Maputo and number of enterprises there predominates, there are some manufacturers of cement, soap, detergent, and plastic products along the Nacala corridor and the Beira corridor centered on Beira.

It is no exaggeration to say that most manufactured products are aimed at the domestic market. However, products made in Maputo are hardly seen in the stores in Nampula due to bad access from south to north. Domestic products tend to be recognized for low quality by consumers, but in general, the products are not popular because of the value compared with imported products. One factor is that most raw materials are imported. In addition, the capacity for productivity is low, and therefore economy of scale is not achieved because of the poor demand for domestic products.

In terms of quality, in medium or larger enterprises, there are many cases where overseas engineers are invited to work, and employees are trained overseas. The Mozambican Industry Association (AIMO) also implements training for workers. However, many enterprises lack technical skills, quality control is not sufficient, and improvement in quality is not considered, so there is little innovation or other improvement. The National Quality Standardization Institute (INNOQ) under the umbrella of the Ministry of Trade and Industry promotes international standards and quality improvement. Though this organization had been weak in the past because of a lack of funds, the government has started to prioritize the functions of this institution and is planning to strengthen the institution through such measures as increasing staff from the present 42.

5. The mining industry

It is thought that there are significant mineral resources in the country, and mining has great potential. About 50 foreign investment enterprises have already entered the mining industry in Mozambique with investments of over US\$200 million. The government aims to double investment by 2010 in the field of heavy sand containing gold, metal, tanzanite, and titanium, and is trying to speed up the process required to obtain new licenses. Major approved investment in this sector is as follows:

- Mining titanium in Moma, Nampula Province, by Kenmare Resources of Ireland, US\$500 million, scheduled to start operations by the end of 2007.
- Investment in sand containing titanium near Chibuto, Gaza Province, by BHP Billiton of United Kingdom, over US\$500 million, scheduled to start operations in 2010–2011.
- Mineral extraction and a generating station in Moatize, Tete Province, by CVRD of Brazil, US\$2 billion.

Mineral resources are found in many areas, and precious stones and gold are found in some cases in rural agricultural villages. In many cases, these villagers become individual miners and work in the informal sector once a mineral is found. In some cases, people are attracted to the area from outside. However, contrary to initial high expectations, in some cases the mineral deposits are not large enough to support all the miners. Agricultural activities are often abandoned once mines are found, so in some areas there are concerns that these mining villages end up suffering more from poverty. Table 6-8 outlines small mining areas that have been identified.

Table 6-8 Brief summary of small-scale mining areas

Province	District	Size (ha)	Minerals
Cabo Delgado	Macomia	7.2	Aguas marinhas, Turmalinas
Cabo Delgado	Nanumo	1,680	Aguas marinhas, Turmalinas
Niassa	Maúa	7.98	Aguas marinhas, Turmalinas
Niassa	Nipepe	1.2	Aguas marinhas, Turmalinas
Niassa	Marrupa	18.4	Aguas marinhas, Turmalinas
Niassa	Cuamba	720	Aguas marinhas, Turmalinas
Nampula	Murupula	240	Ouro aluvionar
Nampula	Moma	160	Ouro aluvionar
Nampula	Mogovolas	320	Ouro aluvionar
Nampula	Monapa	480	Pedras preciosa
Nampula	Mecubúri	180	Pedras preciosa e cal
Nampula	Mecubúri	120	Ouro aluvionar
Nampula	Nacarôa	120	Quartzo Roseo
Zambezia	Nacarôa	60	Ouro
Zambezia	Mogovolas	160	Ouro
Zambezia	Gilé	240	Ouro aluvionar
Zambezia	Alto Molocue	840	–
Zambezia	Alto Molocue	1600	Ouro aluvionar
Zambezia	Alto Molocue	720	Ouro aluvionar
Zambezia	Alto Molocue	600	Ouro aluvionar
Zambezia	Gilé	2.84	Ouro aluvionar
Sofala	Dondo	320	Ouro aluvionar
Sofala	Nhamatanda	960	Ouro aluvionar

Province	District	Size (ha)	Minerals
Sofala	Gorongosa, Gondola	1920	Ouro aluvionar
Manica	Manica	??	Ouro aluvionar
Manica	Manica	320	Ouro aluvionar
Manica	Manica	20	Ouro aluvionar
Manica	Manica	20	Ouro aluvionar
Manica	Chimoio	40	Ouro aluvionar
Inhambane	Chimoio	80	Ouro aluvionar
Inhambane	Gondola	40	Ouro aluvionar
Inhambane	Jangamo	4.48	Argilas
Inhambane	Inharrime Panda	23.04	Calcario lacustre
Inhambane	Massinga	8.64	Calcario lacustre
Inhambane	Massinga	12.8	Calcario lacustre
Inhambane	Vilanculos	3520	Calcario lacustre
Inhambane	Vilanculos	3.72	Calcario lacustre
Tete	Changara	6.42	Ouro aluvionar
Tete	Zumo	9	Ouro aluvionar
Tete	Tsangano	3.08	Pedras preciosas
Tete	Maravia	13.86	Pedras preciosas e semi-preciosas
Tete	Mutarara	6	Agata
Tete	Changara	3.74	Ouro aluvionar
Gaza	Majancaze	4.8	Argilas
Maputo	Namaacha	1.4	Placas rioliticas
Maputo	Manhiça	600	Argilas
Maputo	Manhiça	1.84	Argilas
Maputo	Manhiça	800	Argilas

Source: Ministry of Mineral Resources

6. The forest industry

The main business in the forest industry in Mozambique is exports to countries such as China. Since the forests are located inland along the Nacala and Beira corridors, timber is transported along the corridors and exported from the ports. A license is required to cut timber, and reforestation is mandatory for areas where trees are cut. There are currently about 100 registered timber enterprises, but forestry activities are not adequately regulated, as many enterprises are small-sized.

There are some quality woods such as rosewood and African black wood in Manica and Niassa provinces, and these can not be exported unless they are processed within Mozambique. Various other kinds of wood are allowed to be exported if at least 40% is processed.

Wood is rarely processed in Mozambique. Although flat timber and furniture for domestic consumption are manufactured, they are less popular than the imports from Thailand and South Africa whose quality and design are superior. There is also a small handicraft industry processing boxes and objects using local timber.

6-2 Conditions and Challenges in Transport and Logistics

In addition to the major ports in Mozambique, namely Maputo, Beira, and Nacala, there are also smaller ports such as those at Inhambane, Quelimane, Pebane, Angoche, and Pemba. A large portion of the activities of Maputo, Beira, and Nacala corridors are the transport of goods to and from surrounding countries to and from countries outside the African continent. In short, the main ports and corridors in Mozambique are not used as a means to develop domestic transportation, but rather for transportation for the neighboring landlocked countries. The volume of transactions at the port of Maputo is the largest, followed by Beira and then Nacala. The average annual transaction volume of the three ports is shown in Table 6-9.

Table 6-9 Average annual transaction volume of the three main ports in Mozambique

	Containers (TEU)	General cargo (tons)
Port of Maputo	65,000,000	6,000,000
Port of Beira	50,000,000–55,000,000	4,000,000
Port of Nacala	45,000,000	1,000,000

Source: Based on interviews with operating companies at each port

For reference, indicative prices of cargo fees from three main ports in Mozambique to Asia, China, Europe, and South Africa are shown in Table 6-10. Some prices in the port of Nacala are set higher compared to Maputo and Beira.

Table 6-10 Indicative cargo fees from three main ports in Mozambique

Tariffs in US\$ Main Ports of Asia

Origin	Destination	Container (1x20')	Container (1x40')	Origin	Destination	Container (1x20')	Container (1x40')
Hong Kong	Map/Beira	2,950	5,300	Jakarta	Map/Beira	2,850	2,850
	Nacala	2,950	n.a		Nacala	5,100	5,100
Singapore	Map/Beira	2,750	2,750	Shanghai	Map/Beira	3,200	3,200
	Nacala	4,900	4,900		Nacala	5,800	5,800
Busan	Map/Beira	3,050	5,500	Port Kelang	Map/Beira	2,750	2,750
	Nacala	3,050	5,500		Nacala	4,900	4,900
Bangkok	Map/Beira	2,950	2,950				
	Nacala	5,300	5,300				

Tariffs in US\$ Ports of China

Origin	Destination	Container (1x20')	Container (1x40')	Origin	Destination	Container (1x20')	Container (1x40')
Fuzhou	Map/Beira	3,300	6,000	Xingang	Map/Beira	3,250	5,900
	Nacala	3,300	6,000		Nacala	3,250	5,900
Guangzhou	Map/Beira	n.a	n.a	Yantian	Map/Beira	3,000	3,000
	Nacala	n.a	n.a		Nacala	5,200	5,200
Xiamen	Map/Beira	3,200	5,800	Ningbo	Map/Beira	3,300	3,300
	Nacala	3,200	5,800		Nacala	6,000	6,000

Tariffs in US\$ Main European and South African Ports

Origin	Destination	Container (1x20')	Container (1x40')	Origin	Destination	Container (1x20')	Container (1x40')
Leixões	Maputo/Beira	2,450	4,475	Lisbon	Map/Beira	n.d	n.d
	Nacala	2,950	5,200		Nacala	n.d	n.d
Valência	Maputo/Beira	2,450	4,250	Barcelona	Maputo/Beira	n.d	n.d
	Nacala	2,950	5,250		Nacala	n.d	n.d
Tilbury & NWC Ports	Map/Beira	2,700	4,800				
	Nacala	3,100	5,550				

Source: MOCARGO (April, 2006) – Tariffs for 2006. n.a = not available

Source: CPI

6-2-1 The port of Maputo and the Maputo corridor

The Maputo corridor has been developed through the Spatial Development Initiative (SDI)⁵³ initiated and promoted by South Africa. The Maputo Corridor Logistics Initiative (MCLI), organized by the South African government, a public Mozambican corporation, and public enterprises, has been responsible for the comprehensive development of the port of Maputo, the railroad, and roads.

The management of the port of Maputo has been left to the Maputo Port Development Company (MPDC) through a 15-year concession contract signed in 2001; it can be extended for a further 10 years. The MPDC is 51% owned by a consortium of Mersey Docks Group of the United Kingdom, Skanska of Sweden, and Liscont of Portugal; 33% by the Mozambican Harbor and Railroad Public Corporation (CFM), and 16% by the Mozambican government. The port of Maputo generally includes the Maputo Cargo Terminal⁵⁴ and its neighbor, the Matola Bulk Terminal. Mozal's aluminum is exported from the port of Matola. The volume of major cargo transactions of through the ports of Maputo and Matola by item is shown in Table 6-11. Major exports from Maputo and Matola are aluminum, coal, iron alloy, and sugar.

Table 6-11 Volume of cargo transaction at Maputo and Matola ports

Unit: 1,000

PORT ZONE	CARGO TYPE	IMP/EXP	2006												2005	
			JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL TONNAGE	TOTAL TONNAGE
MAPUTO	GENERAL CARGO	IMP/EXP	12	39	21	74	14	30	18	39	12	50	46	74	430	338
	CITRUS	EXP	0	0	0	0	9	8	22	19	10	0	0	0	68	97
	FUEL OIL, ETC	EXP	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	MOLASSES	EXP	22	0	0	0	6	0	0	0	0	0	0	0	28	7
	BULK SUGAR	EXP	19	5	15	24	68	54	16	92	14	52	45	26	428	352
	CONTAINERS (TEU)	IMP/EXP	4,307	5,317	4,237	4,316	4,731	3,628	5,794	6,537	4,470	6,110	6,898	6,171	62,516	54,088
	CONTAINERS (TONNE)		35	52	42	40	51	42	57	69	56	56	47	50	595	572
	FERRO-ALLOYS	EXP	25	16	44	39	58	48	60	55	48	8	33	72	505	403
	OTHER BULK CARGO	IMP/EXP	26	26	22	21	25	49	46	12	28	42	7	11	315	228
	STEEL SCRAP	EXP	0	9	0	0	0	9	0	5	0	0	6	0	30	23
STEEL PRODUCTS	EXP	3	7	19	1	3	13	11	6	6	2	11	5	88	72	
MATOLA	BULK COAL	EXP	127	61	55	161	156	106	186	87	217	130	146	73	1,504	1,721
	BULK GRAIN	IMP	32	21	22	17	38	7	23	31	46	15	23	22	296	272
	MOZAL	IMP/EXP	146	144	129	201	139	111	216	139	174	143	142	247	1,931	1,890
	PETROLEUM	IMP	21	39	4	61	13	26	43	46	40	16	37	22	368	347
COASTAL	CONTAINERS (TEU)	IMP/EXP	306	188	267	347	259	186	393	282	281	266	172	92	3,039	3,588
	CONTAINERS (TONNE)		3	4	5	4	3	2	5	4	3	3	2	1	40	40
	GENERAL CARGO	IMP/EXP	1	1	0	2	1	0	1	0	1	0	0	2	10	20
	TOTAL TONNAGE		449	424	377	645	579	504	704	604	654	517	545	606	6,609	6,382
PORT CALLS	MAPUTO		32	30	34	37	48	36	48	57	37	30	34	38	461	426
PORT CALLS	MATOLA		19	16	13	25	16	15	23	14	23	13	16	16	209	214
	TOTAL VESSELS		51	46	47	62	64	51	71	71	60	43	50	54	670	640

Source: Maputo Port Development Company (MPDC)

⁵³ Initiative on the government organizing the basic business environment for undeveloped high-potential areas to promote private investment and PPP; proposed by the South African government in 1996

⁵⁴ Bulk cargo such as sugar is transported from the port of Maputo as well.

Most transactions at the port of Maputo except those of Mozal, which accounts for about 85%, are with South Africa, and it is estimated that 5% are with Zimbabwe and 10% are domestic. The main competition for the port of Maputo is the port of Durban and Richards Bay in South Africa, rather than domestic ports like Beira. The port of Durban is a serious competitor because the distances to Johannesburg from Durban and Maputo are almost the same. Though transactions at Maputo are very small compared to Durban⁵⁵, there is a fierce price competition in transaction charges and other fees. The port of Maputo is trying to gain customers by promoting the port as more reliable than Durban due to less congestion and fewer labor strikes. Although there is a feeder ship for containers twice a week to Durban, most of the transactions at Maputo are individual bulk cargoes shipped directly to East Asia (for example, Mitsui merchant ships come to the port of Maputo), Europe, and the United States. The procedure for exports and imports at the port of Maputo are complicated and take three days on average. In addition, complaints are heard from enterprises regarding frequent delays, even if all needed documents have been prepared. However, most enterprises also realize that this is not a problem unique to the port of Maputo or Mozambique; it can be seen anywhere in Africa. Rather, some enterprises even estimate that the procedures of the port of Maputo are smoother than those of other ports in Africa. The recently introduction of scanners to check cargoes imported to Mozambique has been a source of complaints from the private sector since it adds extra time and expense, as enterprises have been made to bear the cost.

The 92-km road from the port of Maputo to the border of South Africa, called the EN4, is managed by Trans Africa Concessions (TRAC) of South Africa through a concession up to 2028. The whole route has been paved, and it takes just over one hour by car to reach the South African border from Maputo. About three round-trip trains a day run from the port of Maputo to South Africa. A concession agreement to privatize the railroad was concluded when the ports were privatized, but the railroad is currently still run by the government. This has led to delays in railroad improvements, and the upgrade was to be completed in December 2007. Therefore, 80% to 90% of cargoes to or from South Africa are currently transported by road.

Since there is a high volume of cargo transported by road across the South African border, there are often long queues at the border, and customs clearance procedures can take a long time. In this regard, the government has begun to consider introducing of round-the-clock operation at the border, and the business hours of the Mozambican border checkpoint, formerly open between 6 A.M.–6 P.M., have already changed to 6 A.M.–midnight. In addition, the different procedural requirements for customs duties between South Africa and Mozambique have been one of the factors causing delays, and there is a demand to harmonize customs in the SADC countries.

6-2-2 The port of Nacala and the Nacala corridor

In the Nacala corridor, harbors and railroads are managed and operated by the North Corridor Development Corporation (CDN), whose shareholders are Edlow Resources and American Railroad Development of the United States.⁵⁶ The port of Nacala is a natural deep-sea port, not only the deepest port in Mozambique but also deeper than other neighboring ports, such as those in Tanzania. However, the volume of cargo transacted through the port of Nacala is less than that of Maputo and the Beira corridor because of the small scale of the local economy and general underdevelopment of the corridor. In terms of general cargo, the port operates at only about 30% of its capacity.⁵⁷ Though the volume of all cargo transactions is less than that of other ports, the volume of containers and general cargo is increasing every year (See Table 6-12).

⁵⁵ Transaction volume at the port of Maputo is 20% that of the port of Durban.

⁵⁶ The Overseas Private Investment Corporation (OPIC) has invested US\$29.2 million.

⁵⁷ Container cargo transactions are projected to reach 45 million TEU in 2007, and are now at full capacity.

Table 6-12 Volume of cargo transactions at the port of Nacala

Containerized cargo (1,000 TEU)								
1997	1998	1999	2000	2001	2002	2003	2004	2005
10,773	15,715	19,493	25,207	26,709	27,997	28,604	30,225	31,118
General cargo (1,000 tons)								
1997	1998	1999	2000	2001	2002	2003	2004	2005 (first half)
429.0	464.8	642.0	672.0	743.2	761.2	817.6	905.1	744.1

Source: CDN

About 70% of the volume of cargo transacted at the port of Nacala is for domestic distribution, and the volume of transactions to Malawi has decreased to 30% of all activities. Five years ago 60% of the volume of transactions was Malawi-related and 40% was for domestic distribution. The growth of the economy of the northern areas is thought to be the reason for the growth of domestic distribution.

The number of days required for export procedures at the port is one to two days, and for imports about six to seven days. By comparison, according to CDN it takes 12 days on average for the import procedure at the port of Beira. However, referring to cargo headed for Malawi, it takes an average of 25 days after the cargo arrives at the port of Nacala until it leaves for Malawi. The reason is not because of customs procedures but because of a lack of locomotives to transport the goods on the railroads. Table 6-13 indicates that the port's efficiency has improved year-by-year from 2004 to 2006. However, the equipment at the port is inadequate, so it is necessary to acquire more forklifts, cranes, and tug boats in order to shorten the loading and unloading time. The lack of cold storage at the port of Nacala at present could be a disincentive for the export of agricultural and fishery products.

Table 6-13 Efficiency of loading and unloading cargo at Nacala Port

	2004	2005	2006
1. Average time waiting for berthing (hours)			
General cargo vessels	22	13	6
Container vessels	12	6	2
2. Average time berthed (hours)			
General cargo vessels	190	144	120
Container vessels	75	48	42
3. Productivity (groups/hour)			
General cargo (tons)	15	25	35
Containers (TEUs)	3	7	9
4. Productivity (groups/shift)			
General cargo (tons)	90	188	280
Containers (TEUs)	21	49	72
5. Productivity (vessels/day)			
General cargo (tons)	852	1,700	3,200
Containers (TEUs)	62	177	260

Source: CDN

Of the 800 km between the port of Nacala and the Malawian border, only the road between Nacala and Nampula, capital of the province, has been paved. It takes approximately two and a half hours by car to travel this 197-km distance. The road west from Nampula has not been paved, and its condition is extremely poor. Transportation is especially difficult in the rainy season, as the road becomes muddy and trucks are often left mired and stranded. The development of this road is planned for the near future with funding from donors, including Japan. The railroads are managed by CDN, and trains run three times a week. However, there have been delays in railroad repair work, and the railroad only runs as far as Cuamba. In addition, the lack of locomotives is a problem, and the number of trains can not be increased due to a lack of funds.

The main imports handled at the port of Nacala for domestic consumption are flour, as there is a mill in Nacala; clinker for cement manufacturing; rice; and general cargo. On the other hand, the main exports are timber,⁵⁸ cashew nuts, corn, cotton, and other products. Roads are used to transport domestic cargo because most of the goods are transported between Nampula and Nacala.⁵⁹ In fact, 70% of all cargo is transported on roads, and 30% is transported by rail. The main exports handled at the port of Nacala from Malawi are basic ingredients for industry, sugar in containers and bags, tobacco, pigeon peas, tea, and other products. The main imports to Malawi are fertilizer, clinker, and flour. Rail is used for most of the commodity distribution to Malawi.

6-2-3 The port of Beira and the Beira corridor

The Beira corridor is of great importance for landlocked countries Zimbabwe, Zambia, Malawi, and Botswana. As shown in Tables 6-14 and 6-15, over 50% of the transaction volume is cargo to and from these countries. In particular, the corridor handles mainly cargo to Zimbabwe, and the entire volume has decreased in recent years because of the decline in the political situation in Zimbabwe. Although the volume of general cargo to September 2007 has decreased, that of container cargo has increased. Some observers thus predict that the economic effect of the political conditions in Zimbabwe may have bottomed out, and things are slowly starting to improve. The volume of domestic cargo has continued to rise.

Beira Port has been managed since 1998 by Cornelder de Mozambique, which is 67% owned by Cornelder Holdings in the Netherlands and 33% owned by the Mozambican government. The biggest problem of the port of Beira is that vessels sometimes can not enter the harbor because it is too shallow. In this regard, Cornelder is currently negotiating with the Danish government and CFM about further dredging the port, and dredging is expected to start in two to three years.

The advantages of the port of Beira are well-scheduled shipping and the existence of direct express shipments from Durban without going through Maputo at least once a week (the feeder boat at Nacala goes through Maputo).

⁵⁸ In the past, logs were a major commodity, but the export of logs is currently prohibited, so the export of wood has declined.

⁵⁹ There is some cargo from Niassa, Cabo Delgado, and Zambezi.

Table 6-14 Transaction volume of general cargo at the port of Beira

Category		Type	Sept. 2007	Cumulative total Jan–Sep 2006	Cumulative total Jan–Sep 2007	2007 target
Domestic trade		Load	–	2,634	2,204	2,500
		Offload	–	1,729	1,864	5,000
		Total		4,363	4,068	7,500
Foreign-trade		Export	9,353	76,802	45,372	75,000
		Import	15,651	260,957	250,074	280,000
		Total	25,004	337,759	295,446	355,000
Intermediate port	Zimbabwe	Export	18,839	136,347	150,994	159,100
		Import	12,060	224,249	163,515	267,500
		Total	30,899	360,596	314,509	426,600
	Malawi	Export		11,774	8,897	25,000
		Import		142,459	107,339	205,000
		Total	10,704	154,233	116,236	23,000
	Zambia	Export	–	15,721	20,260	25,000
		Import	–	42,107	37,992	48,000
		Total	–	57,828	58,252	73,000
	Botswana	Export	–	–	–	–
		Import	–	–	–	–
		Total	–	–	–	–
	D.R. Congo	Export	–	–	–	–
		Import	–	750	–	1,000
		Total	–	750	–	1,000
Total			41,603	573,407	488,997	730,600

Source: Cornelder Mozambique

Table 6-15 Transaction volume of container cargo at the port of Beira

Category		Type	Sept. 2007	Cumulative total Jan–Sep 2006	Cumulative total Jan–Sep 2007	2007 target
Domestic trade		Load	63	427	1,119	200
		Offload	60	49	802	500
		Total	237	1,688	3,506	700
Foreign-trade		Export	980	5,120	5,142	6,075
		Import	1,097	6,359	10,029	8,500
		Total	2,077	19,047	22,285	23,575
Intermediate port	Zimbabwe	Export	282	3,401	3,213	3,865
		Import	202	1,617	2,067	3,075
		Total	484	5,018	5,280	6,940
	Malawi	Export	854	110,182	9,041	10,380
		Import	155	5,578	4,718	7,075
		Total	1,009	10,321	13,759	17,455
	Zambia	Export	40	396	518	890
		Import	106	1,866	1,467	2,000
		Total	146	2,262	1,985	2,890
	Botswana	Export	–	21	–	25
		Import	–	–	–	–
		Total	–	21	–	25
	D.R. Congo	Export	–	60	33	200
		Import	10	181	186	600
		Total	10	241	219	800
Total			1,649	17,863	21,243	28,110

Source: Cornelder Mozambique

About 25% of cargo to Zimbabwe is transported by rail, and 75% is by road. Repairs to the railroad are not yet complete, so cargo to Malawi is transported by road. The 300-km road connecting the port of Beira and the Zimbabwean border has been entirely paved, and it takes about three hours by car. There is an east-west railroad line running from Beira to Zimbabwe called the Machipanda Line, and a north-west route called the Sena Line running from Moatize in Tete Province near the Malawian border to Marrromeu and Malawi. Railroads have been managed since December 2004 by the Beira Rail Corridor, which is 51% owned by RITES and IRCON, Indian governmental organizations, and 49% owned by CFM. According to the 25-year concession contract, 14 engineers and managers are to be dispatched from India. The Sena Line was damaged in a conflict and is currently being restored. The 180-km line from Beira to Inhamitanga was to be completed in 2007, and the 265-km and 670-km line to Moatize in March 2009. The Machipanda Line has already begun operations, and carries on average 350,000 tons of transaction volume. It reached 500,000 tons in 2006, but the transaction volume to Zimbabwe decreased by 22% in 2007. There is a cargo train that runs to Zimbabwe once or twice a day, but the schedule is irregular.

6-3 Human Resources in Mozambique

There are approximately 42 technical and vocational education institutions provided by the Department of National Education and Training's National Directorate for Technical and Professional Education (DINET) within the Ministry of Education and Culture, and many are equivalent to grade 10 secondary schools. There are also other vocational training courses, namely the National Institute of Employment and Professional Training (INEFP) under the Ministry of Labor that also functions as an employment agency and runs training courses. Some vocational training courses are also provided by NGOs and churches, which are short-to-medium term and nonformal⁶⁰ and are mostly taken by people in search of jobs. The Ministry of Public Works, the Ministry of Agriculture and Fisheries, the Ministry of Tourism, and other ministries also run individual training courses in their areas of expertise. DINET accepts 35,000 full-time students a year and INEFP, which has seven branches across the country, provides short-term courses for 1,500 students a year. Although recently technical and job-training schools provided by the private sector have been increasing, these are still rare and are seldom seen in rural areas. Across the country 95% of all technical job-training organizations are established by the government. Less than 25% of all students who attend these courses are women.

Therefore, it can be said that the number of organizations for development of human resources is small and underdeveloped. However, the number of people employed in the formal sector is approximately 520,000, which is estimated to be less than 10% of the active working population.⁶¹ Therefore, the demand for skilled but inexperienced laborers is low and is largely from a limited number of large megaproject enterprises. For instance, training courses are run through the INEFP training institute by Mozal and Sasol, and students on these courses are employed by them on graduating.

In many cases, it is not necessary for small and micro enterprises to employ skilled labor. In medium-sized enterprises, there are many cases where experts are brought in from foreign countries, such as South Africa and India, or employees are sent to study abroad in order to acquire the necessary

⁶⁰ Nonformal here means courses that are not equivalent to normal primary, secondary, and higher education.

⁶¹ World Bank Report (February 2006) "Project Appraisal Document on a Proposed Credit in the Amount of SDR20.8 million (US\$30 million equivalent) to the Government of Mozambique for a Technical and Vocational Education and Training Project," Report No: 33 174-MZ (http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2006/03/01/000090341_20060301115337/Rendered/PDF/33174.pdf).

skills. In these enterprises, midlevel experienced technicians are in demand rather than recent graduates from technical schools.

In Mozambique, the number of enterprises is quite small, as discussed in Chapter 3. In addition, entrepreneurs at these enterprises are often Portuguese or Indian, and even when the entrepreneurs are Mozambican, they are often of European or Indian descent. Even though the main reason for this is historical, Mozambicans are sometimes said to be hard-working and to excel at performing tasks under supervision but to lack managerial skills. The challenge for Mozambique is to foster entrepreneurs and to develop management know-how and skills.

The main constraint for securing human resources in the private sector is the concern about HIV/AIDS. In Mozambique 16.1% of the population between aged 15–49 is infected.⁶² Enterprises are supporting their own workforce by providing periodic health checkups to prevent infection and for early treatment of HIV/AIDS.⁶³

There are numerous donor support programs for the development of human resources. For example, the World Bank has implemented a US\$30 million capacity development program for technical job-training since 2006. A pilot project in Cabo Delgado by UNIDO began in 2004 to promote the adoption of entrepreneurial development courses into the curricula of secondary schools; this project was expanded in 2007 with US\$2.4 million by the Norwegian government and has been implemented across the country.

6-4 Investment by Region

Investment activities in Mozambique above a certain size⁶⁴ are dealt with by the Investment Promotion Center (CPI) for both national investors and foreign investors: (1) investments of less than US\$100,000 require approval by the provincial governor; (2) investments of US\$100,000 to US\$100 million must be approved by the Ministry of Planning and Development; and (3) investments of over US\$100 million or investments in large plots of land—5,000 ha for agricultural investment, 10,000 ha for livestock and forestry—must be approved by a ministerial meeting.

Table 6-16 shows that national direct investment significantly increased in 2006, although foreign direct investment exceeds national direct investment every year.

Table 6-16 Foreign direct investment and national direct investment

Unit: millions of US\$

	2004	2005	2006
FDI	124	164	162
NDI	45	35	113

Source: CPI

Investment by region is shown in Table 6-17, and investments approved in 2006 are shown in Table 6-18. It can be seen that investment in the northern provinces are few and small.

⁶² Prediction by the World Bank in 2005.

⁶³ Many enterprises provide free condoms in workplace restrooms.

⁶⁴ The smallest investments handled by CPI is US\$5,000 for domestic investors and US\$50,000 for foreign investors.

Table 6-17 Investment by region (2006, actual)

Province	Number of projects	Number of employees	Total value (Millions of US\$)	%
Cabo Delgado	5	199	6.45	0.70
Niassa	–	–	–	0.00
Nampula	12	5,451	29.1	3.14
Zambezia	8	7,850	95.6	10.31
Tete	10	685	17.8	1.92
Manica	8	480	7.4	0.79
Sofala	15	1,205	33.1	3.57
Inhambane	44	1,479	29.1	3.14
Gaza	17	7,938	534.8	57.69
Maputo (city and province)	64	12,556	173.8	18.75
Total	183	37,843	927.1	100.00

Source: CPI

Table 6-18 Investment by region (approved in 2006)

Province	Number of projects	Number of employees	Value (US\$)		%
			FDI	NDI	
Cabo Delgado	6	235	7,068,133		1.25
Niassa	1	2,500	10,000,000	2,000,000	9.44
Nampula	10	1,083	1,236,711	8,035,500	1.66
Zambezia	7	543	3,661,000	52,324	1.83
Tete	8	630	15,737,438	418,500	2.02
Manica	10	502	2,802,000	611,000	0.79
Sofala	9	484	1,270,123	7,302,003	2.79
Inhambane	39	1,112	17,533,641	905,810	3.04
Gaza	8	180	3,648,283	79,431	0.80
Maputo (city and state)	59	12,103	99,415,716	93,937,169	76.37
Total	157	19,372	162,373,045	113,241,737	100.00

Source: CPI

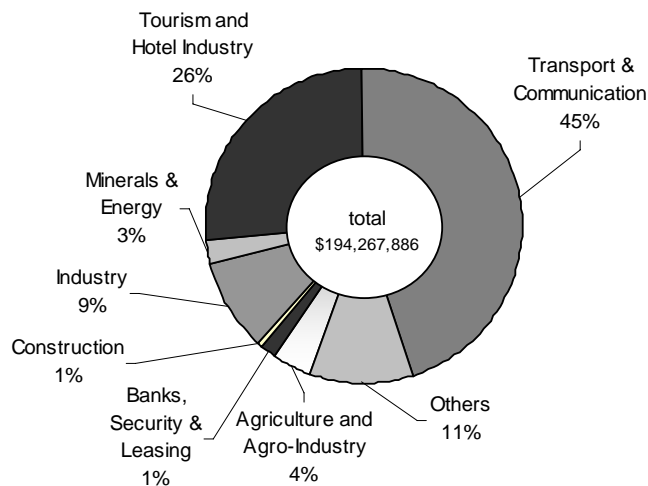
According to CPI, the amount of foreign direct investment approved in 2007 will reach a record high of US\$9 billion. As the amounts in 2006 and 2005 are US\$1.2 billion and US\$1.2 billion respectively, the 2007 number is outstandingly high. This could represent confidence in the business environment and political climate of the country. However, many if not most of the approved projects for 2007 are large-scale projects, and there is also a concern that the economy of Mozambique will remain heavily dependent on megaprojects in the future.

6-4-1 Investment in the Maputo area

The number of investment projects approved in 2006 in Maputo, 59, is overwhelmingly high compared to that in other areas. By sector, investments in transportation and communications represent 46% of all investments. Investment in tourism and hotels (26%) and industry in general (9%) follow (See Fig. 6-2).

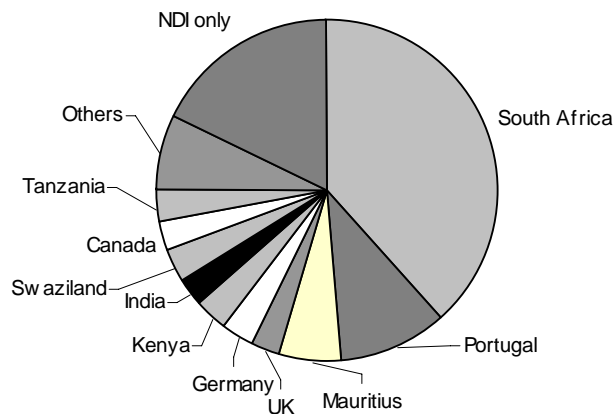
By nation of origin, 26 investments are from South Africa, which tops foreign investment (see Fig. 6-3).

Enterprises approved in 2006 are shown in Table 6-19.



Source: Based on CPI figures

Fig. 6-2 Investment by sector in the Maputo area (value)



Note: When a project contains investment from more than one country, each country is counted (excluding domestic investment).

Source: Based on CPI figures

Fig. 6-3 Investment by nation of origin in the Maputo area (number of projects)

Table 6-19 Direct investment in the city of Maputo and Maputo Province approved in 2006

Company	Sector	No. of jobs created	FDI (US\$)	NDI (US\$)	FDI nation of origin
Galovos	Agriculture and agro-industry	25	2,935,000	1,250,000	South Africa
Cawood & Filhos	Agriculture and agro-industry	10	160,000		South Africa
Sociedade Agro-Industrial da Matola	Agriculture and agro-industry	56	50,000	10,000	South Africa
Ovomoc	Agriculture and agro-industry	6	62,730		United Kingdom
Cb Gomes: Agropecuária Da Moamba	Agriculture and agro-industry	12	200,000	12,880	São Tomé and Príncipe
Golden Fields	Agriculture and agro-industry	515	0	189,880	–
Botha & Mabseco	Agriculture and agro-industry	7	51,000	5,000	South Africa
Casa Novela	Agriculture and agro-industry	10	100,400		South Africa
Mavavuka Banana Project	Agriculture and agro-industry	591	2,666,667		South Africa
Prosperity Insurance: Correctores De Seguros	Banks, security, leasing	12	50,000		South Africa
Expansão Da Socremo: Banco De Microfinanças	Banks, security, leasing	50	2,380,140	453,360	Switzerland, Mauritius, Germany
Consultec	Construction	43	0	398,000	–
Knigh Piésold Consulting Moçambique	Construction	20	60,000		South Africa
Bouwer Investments	Construction	20	1,025,036		South Africa
Adil Pet: Fabrica De Garrafas Plasticas	Industry	20	0	379,000	–
Super Service Industrial	Industry	6	0	5,000	–
Tuff Tanques	Industry	80	1,320,000		Kenya
Universal Optical	Industry	10	250,000		India
Kanes-Danida	Industry	82	0	230,000	–
World Focus 42	Industry	13	200,000		South Africa
Gelatti	Industry	26	130,000	20,000	Portugal
Pão & Companhia	Industry	30	100,000	300,000	Portugal
Mithratech Moçambique	Industry	149	949,600	4,567	South Africa
Makhulo Grafix	Industry	70	2,316,026	154,321	Swaziland
Limpopo Plasticos De Moçambique	Industry	14	341,667		South Africa
Domkate & Co. Water Industry	Industry	30	450,000		Nigeria
Casco Texteis	Industry	30	8,200,000		South Africa
Prim Products	Industry	30	150,000		South Africa
Delta Iron & Steel	Industry	210	520,825	520,825	Canada, Tanzania, Kenya
Gentag Moçambique	Industry	34	151,000	5,000	South Africa
INCOPAL - Fábrica De Farinha De Trigo	Industry	75	0	1,426,910	–
Mitete Industrial	Industry	50	0	45,920	–
Gas Conversion Technology For Automobiles	Minerals and energy	150	1,995,000	5,000	India
Sisga	Minerals and energy	142	2,800,000	200,000	South Africa, Namibia

Company	Sector	No. of jobs created	FDI (US\$)	NDI (US\$)	FDI nation of origin
VIP Aparthotel	Tourism and hotel industry	30	675,000	75,000	Portugal
Ilha de Xefina	Tourism and hotel industry	1,530	3,900,000	2,100,000	South Africa
KMJ Telecomunicações	Transport and communications	9	120,000		Tanzania
Ndlovu Rock Lodge	Tourism and hotel industry	25	450,000	50,000	South Africa
Fisherman: Estância Turística De Luxo	Tourism and hotel industry	10	72,160	9,840	Germany
Machangulo Reserva da Natureza	Tourism and hotel industry	63	41,954,566	44,330	Mauritius
Complexo Baleia Azul Mamole	Tourism and hotel industry	31	733,500	50,000	South Africa, Portugal
Mcel: Moçambique Celular	Transport and communications	500	0	83,641,140	–
Taxi Popular: Chapinha	Transport and communications	536	0	380,800	–
Terminal Interprovincial e Internacional de Transportes Rodoviários	Transport and communications	29	0	346,000	South Africa
Maputo Bulk Liquids Storage	Transport and communications	14	2,717,550	27,450	Mauritius
Spet.com	Transport and communications	16	294,000	306,000	Portugal
Inter Buscor	Transport and communications	284	50,000	5,000	South Africa
Rinoceronte	Tourism and hotel industry	20	475,000	25,000	South Africa
Tyre Corporation	Other	15	50,000		South Africa, Mauritius
Playshop Moçambique	Other	20	510,000	90,000	Portugal
Maputo Private Hospital	Other	240	50,000	35,000	South Africa, Canada
Dzengo	Other	21	0	23,400	–
Dasorte: Gestão e Consultoria	Other	153	2,000,000	500,000	Portugal
Saffer Moçambique	Other	18	399,000	21,000	South Africa, Swaziland
G4S Moçambique	Other	5,807	16,225,000	75,000	United Kingdom
Lavandaria Imperial	Other	48	0	25,200	–
Datanet	Other	7	80,000		Italy
Agri Tractores	Other	4	50,000		South Africa
Malachi Equipamentos Tippers	Other	45	0	401,196	–

Source: CPI

6-4-2 Investment in the Nacala corridor area

Direct investments in the Nacala corridor area are distinctly few, and the number of projects approved in 2006 is only 11. There is no investment project from South Africa, in contrast with the investments in the Maputo area. Although the present level of investment is small compared to other areas, the potential of Nampula Province is regarded as high. For example, a US\$51 million investment approved in 2004 is planned by Chiquita, a leading banana company, in cooperation with Rift Valley of South Africa and Matanuska of Zimbabwe. This project will not only develop 3,000 ha of land and begin production in 2008 but will also build its own dams for irrigation.

Table 6-20 Investments in the Nacala corridor area approved in 2006

Company	Sector	Jobs created	FDI (US\$)	NDI (US\$)	FDI nation of origin
Nampula state					
CCA: Sisal	Agriculture and agro-industry	723	0	6,032,000	–
Condor Granitos e Equipamentos	Construction	23	610,000		Portugal
Companhia Industrial do Monapo Biodiesel	Industry	22	0	1,210,000	–
Fabrica De Colchões De Nacala	Industry	43	503,211		Tanzania
Unidade de Processamento de Castanha	Industry	155	73,500	76,500	India
Moageira Industrial Cin	Industry	55	0	20,000	–
Fabrica de Zinco	Industry	15	0	192,000	–
Divers Eco Operation	Tourism and hotel industry	12	50,000		United Kingdom, Brazil
Safaris Rent-a-Car	Other	10	0	500,000	–
Liceu Pitágoras: Nampula	Other	25		5,000	–
Niassa State					
Floresta do Niassa	Agriculture and agro-industry	2,500	10,000,000	2,000,000	Ireland

Source: CPI

The Mozambican government has also approved the construction of a US\$5 billion, 838-ha oil refinery around the port of Nacala, and capacity of 300,000 barrels per a day is expected. Two thirds will be exported through the port of Nacala. This large investment, directed by Ayr Logistics of the U.S. state of Texas, far exceeds the US\$2 billion investment by Mozal; construction is planned to start in 2008.

6-4-3 Investment in the Beira corridor area

The number of investment projects approved in the Beira corridor area in 2006 is 19. There seem to be a wide range of investments in this area, and there is no distinct characteristic regarding the nature of industries or nation of origin for investment (See Table 6-21). One of three investments by China approved in 2006 is in the Beira Corridor area.

Table 6-21 Direct investment in Sofala and Manica provinces approved in 2006

Company	Sector	Number of jobs created	FDI (US\$)	NDI (US\$)	FDI nation of origin
Sofala state					
Lamego	Agriculture and agro-industry	181	0	6,709,114	–
Elaion Africa	Agriculture and agro-industry	34	100,000	5,000	Germany, Austria
Nhumba Yanga	Construction	60	0	52,000	–
Construcil	Construction	20	0	500,000	–
Yuan Feng Investments	Industry	45	510,000		China
Rodiz Moçambique	Industry	15	64,000		Portugal
Moby: Companhia Industrial da Beira	Industry	22	110,156	35,889	Portugal
Padaria da Munhava	Industry	86	107,967		Portugal

Company	Sector	Number of jobs created	FDI (US\$)	NDI (US\$)	FDI nation of origin
Great Hearth Safaris Mozambique	Tourism and hotel industry	21	378,000		United Kingdom
Manica state					
Moz Mac	Agriculture and agro-industry	6	170,000		South Africa
Valley Of Macs	Agriculture and agro-industry	200	730,000		Zimbabwe, United Kingdom
Agrovilar	Agriculture and agro-industry	10	200,000		Portugal
Construções Bina Jaya	Construction	100	1,000,000	200,000	Malaysia
Indústrias Simba	Industry	98	50,000	50,000	United Kingdom
ASA Industries	Industry		0	16,000	–
Hotel Residencial Castelo Branco	Tourism and hotel industry	15	0	40,000	–
Milpark Hotel	Tourism and hotel industry	10	200,000	200,000	United Kingdom
Mafuia Safaris	Tourism and hotel industry	39	0	100,000	–
African Expeditions Mozambique	Tourism and hotel industry	24	452,000	5,000	United Kingdom

Source: CPI

Column: Investment from China

South Africa, the United Kingdom, Zimbabwe, and Portugal have traditionally been the biggest investors in Mozambique. Recently, however, China has been boosting its presence, especially in the construction industry: Chinese firms built and financed the construction of the Foreign Ministry headquarters, the parliament building, and the international conference center. China's presence will be expanded into other sectors in the future. Trade between China and Mozambique reached US\$210 million in 2006, five times higher than in 2001, and China has now leapt from Mozambique's 25th most important trading partner to sixth. The China ExIm Bank recently expressed interest in financing Mozambique's plans to build the US\$2 billion Mphanda Nkuwa Dam on the Zambezi River 60 km downstream from Cahora Bassa. Maputo's decision to translate its new Labor Law into Chinese also demonstrates Beijing's growing interest in the country.

Reacting to concerns that economic development is concentrating only on capital-intensive industry along the Maputo corridor, the Mozambican government has a policy to promote investment in the mining sector. China is expected to play an important role in this area as well.

6-5 Corporate Social Responsibility Activities by Investor Enterprises

The first and biggest CSR activity in Mozambique was done by the country's biggest investment project, Mozal. International interest has since increased, and many large enterprises now have a specialized division that deals with CSR activities and provide various support programs. CSR activity is implemented not only by foreign enterprises but also by domestic large enterprises such as TDM and mCel. The Mozambican government promotes CSR activities, and for all recent investments CPI ensures that CSR activities are negotiated with the new investors. Some say that CSR activity should be made obligatory in large enterprises. However, CSR activity has already become fully recognized as a natural responsibility of private large enterprises, so CSR activities are being widely implemented without such revision of the law.

At Mozal, in addition to MCDT, a project called MOZLINK aimed at promoting links with local SMEs has been implemented as CSR activity in cooperation with CPI, the Africa Project Development Facility (APDF) of the IFC, and the PoDE project for enterprise development since July 2003.⁶⁵ There are performance criteria for enterprises participating in MOZLINK, and improvements in security, maintenance, quality, and human resources and financial management are introduced through training following a development plan. There are currently 25 enterprises in MOZLINK, and these companies provide services to Mozal. Information sharing is recognized as one of the important factors in MOZLINK, and a virtual SME development center has been established to provide basic information on issues such as the bidding process and raising funds. In addition, data by market and category and information about best practices are provided on the center’s Web site. Fostering and employing women entrepreneurs is also promoted to improve opportunities for women in business. Efforts against HIV/AIDS are conducted in the form of infection prevention for employees in SMEs and education programs to inform them about early detection and appropriate treatment.

Column: Mozal Community Development Trust (MCDT)

The Mozal Community Development Trust was established in August 2000 with a US\$15 million contribution from Mozal. MCDT is managed separately from Mozal, and the management is reviewed periodically through the administrative board of MCDT. It has already implemented over 200 projects and provides US\$2.5 million in assistance every year, a cumulative US\$13 million-plus over the years. The amount of assistance has been increased to US\$5 million a year since 2006. MCDT’s main activities are (1) support of small businesses for employment creation; (2) support for education; (3) support for health care; (4) support for health education; (5) support for sports and culture; and (6) support for social infrastructure. Emphasis is placed on support for education, and the construction of schools and re-education for teachers are actively implemented. In terms of health, improvement of clinics for malaria prevention, establishment of emergency medical centers, and education on HIV are supported by MCDT. In support of small-scale business, local economic activities such as promotion of agriculture (for example, chicken farms) and carpet production by women are supported. In support of sports and culture, assistance is provided in creating parks and fields, and sports days are organized. Resources are distributed heavily in local infrastructure-related projects because of the heavy need for funds.

The primary focus of CSR activities are in areas surrounding the Mozal factory, and activities have been conducted within a radius of 10 km of Mozal, focusing on the direction of Boane,⁶⁶ the opposite direction to Maputo, as a primary target area. An independent evaluation in 2005 commended the work of MCDT for having a large effect on communities, so the target area was expanded to a 20-km radius around Mozal. There is also a project to construct 10 specialized technical schools in each of the 10 provinces in cooperation with NGOs, as Mozal recognizes the need for specialized technical schools in the country.

The MOZLINK program has been expanded with the participation of large enterprises in addition to Mozal as MOZLINK II, in collaboration with CPI and IFC. A list of enterprises who have confirmed or are considering taking part in the program is shown in Table 6-22 along with the potential size of the linkages market.

⁶⁵ As background, all goods and services needed by Mozal, even the company cleaning offices, were brought from foreign countries like South Africa at first because the capabilities of small and medium-sized enterprises in Mozambique are low. There has been criticism of Mozal’s local economic impact and employment creation impact.

⁶⁶ Since there is support from various donors around Maputo, support in the direction of Boane, which has little support, is considered important.

Table 6-22 Companies in MOZLINK II

Company	Category	Linkage market potential (millions of US\$)
Southern provinces		
Mozal	Aluminum refining	150
Sasol Petroleum Temane	Natural gas production and processing	50
Coca-Cola	Food processing	25
Port of Maputo	Logistics and commodity distribution	15
Illovo and Tongatt Hullet	Agriculture and sugarcane processing	50
CDM (SAB Miller)	Beer brewing	15
Midland and Tete provinces		
Mozambique Leaf Tobacco (MLT)	Agriculture and processing	15
Rio Doce-Moatize Coal	Mining and processing	100
Cahora Bassa Hydrop	Electricity generation	50
Sena Railroad and Port of Beira	Logistics and commodity distribution	30
Sena Sugar and Tongatt Hullet	Agriculture and processing	50
Northern provinces		
Kenmare Moma Heavy Sand	Mining and processing	40
Nacala Port and Railroad	Logistics and commodity distribution	20
Nacala Petroleum Refinery	Petroleum processing	75

Source: CPI

Though it is often believed that CSR activities are conducted by large multinational enterprises, small and medium-sized local enterprises also take part in CSR activities in Mozambique. Assistance such as providing donations for disaster relief and contributing their own products to local schools are conducted by comparatively small enterprises. There is also a case where a micro enterprise accepts a small number of students from the entrepreneur's alma mater every year for internships. In addition, many enterprises develop relationships with the local community and support the construction of health care centers and schools, the establishment of welfare facilities, etc. This is often an extension of providing health care assistance to employees and educational expenses to employees' families. This is proof that the effect of the private sector on the local community is not just on the economic level but extends to the social level.

6-6 The Challenges of the Private Sector and Its Support Needs

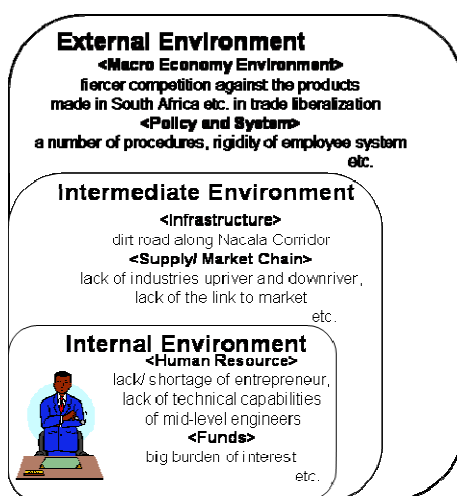
6-6-1 Challenges

1. Industry in general

The present conditions of the private sector present many challenges from the perspective of the external environment (policy and systems, the microeconomic environment, etc.), the intermediate environment (industry conditions downriver and upriver, trade and investment, infrastructure, links to markets, etc.) and the internal environment (people, goods, capital, etc.). The common challenges of industry in general are shown in Fig. 6-4.

In the external environment, private enterprise in Mozambique faces severe competition because of the effects of globalization, leading to inflows of high-quality products from South Africa and inexpensive products from China. In particular, there is concern about expansion of imports from South Africa with the establishment of the SADC free-trade zone from 2008. There are also many

policy and systemic problems for enterprises, such as the procedures required to obtain licenses, rigid labor laws, and capital requirements for starting a business. In the World Bank/IFC's *Doing Business 2008*, the ease of doing business in Mozambique is ranked 134th among the 178 countries surveyed.



Source: Created by the study team

Fig. 6-4 Industry in general

In the intermediate environment, the problem of infrastructure can be pointed out first. Though the roads of the Maputo corridor and the Beira corridor have been fully paved, in the Nacala corridor the road west of Nampula has yet to be paved. As for railroads, the main purpose of all the corridors in Mozambique is distribution to neighboring landlocked countries from the ports, and the use of the corridors for domestic distribution is limited. Intraregional trade with Malawi and Zambia is also limited. This problem is difficult to solve through the improvement of the roads and railroads, however. It is not really an infrastructure problem but more an issue of trade complementarities: That is, the primary export products of Malawi and Zambia are agricultural products, the same as for Mozambique. Referring to the ports, Maputo, Beira, and Nacala ports have been privatized through concessions, and management and operations have greatly improved in recent years. Second, there are challenges related to the lack of downstream and upstream industries and linkages to markets. In agriculture, which 85% of the population is engaged in, the development of food processing industry is hampered because downstream industry is poor and agricultural goods are exported without being processed. Therefore, without adding value to products, they face direct international price competition. In addition, because there is no link to markets, production over and above what can be consumed will be wasted, since it can not be sold. Thus there is no incentive to expand the production scale, which is one of the factors why many family farmers still produce various agricultural crops on small lands of less than a hectare. The problem of linkages is not only part of the agricultural sector but is also severe in the manufacturing sector. Though there are many large-scale foreign direct investment projects, the procurement of primary and interim products from domestic enterprises is very limited because local downstream industry has not been fostered.

In the internal environment, the overall lack of capacity of SMEs is the utmost issue. In human resources, native Mozambican entrepreneurs are rare. Most entrepreneurs are Portuguese and Indian, and even in enterprises managed by Mozambicans, many are white European-Mozambicans or of Indian origins. Therefore, fostering entrepreneurs and improving management know-how and management skills are the main challenges facing the business environment in Mozambique. On the issue of finance, SMEs generally have no access to commercial banks, so microfinancing institutions that focus on rural areas and GAPI, a semiprivate institution providing medium-sized funds, are the

main sources of financing for SMEs and farmers. However, since the default rate is high and there are limited assets that can be used as collateral since land ownership is not allowed, the interest rate is often as high as 60% per year.

Regardless of the industry, improvement in technical skills and productivity presents challenges. The Department of National Education and Training's National Directorate for Technical and Professional Education (DINET) of the Ministry of Education and Culture and the National Institute of Employment and Professional Training (INEFP) of the Ministry of Labor implement vocational training across the country. There are also some vocational training and technical schools managed by the private sector. However, many of them aim at supporting the employment of graduates and the unemployed, and not at technical and skills improvement for midlevel technicians or skilled workers. For the technical and skills improvement of midlevel technicians, classroom training is not appropriate in many cases. However, since one can not expect on-the-job training (OJT) due to the lack of skilled workers in the country, there is a need to develop a framework to improve the technical skills of midlevel technicians.

Based on the discussion above, the challenges of industry in general and the background to these problems are outlined in Table 6-23.

Table 6-23 Challenges and problems in industry in general

Area	Challenges	Problems behind the challenges
External Environment		
Macroeconomic environment	Domestic products are pushed out because of import expansion posed by accelerating free trade	Poor international competitiveness of Mozambican products
Policy and systems	Numerous procedures to apply for licenses, etc.; rigid Labor Law; capital funds required to start a business, etc.	Problems of Institutions and policies (absence of institutional framework to facilitate SME activities), some unsolved problems with New Labor law
Intermediate Environment		
Infrastructure	Undeveloped road along the Nacala corridor	Lack of funds for public works
Supply/market chain	Lack of linkages to industries downstream and upstream	Downstream and upstream industries are not developed; lack of mechanism for interindustry linkages
	Lack of linkages to markets	Weakness of mechanism to link producers and markets
Internal Environment		
Human resources	Shortage and lack of domestic entrepreneurs	Shortages in fostering business entrepreneurs, management know-how, and support for improvement of management skills
	Shortage of skilled labor, technicians	Lack of framework to train midlevel technicians and skilled labor; vocational schools primarily target entry-level labor
Finance	High interest-rate burden	Problem of land ownership, high default rates, lack of collateral of economic value

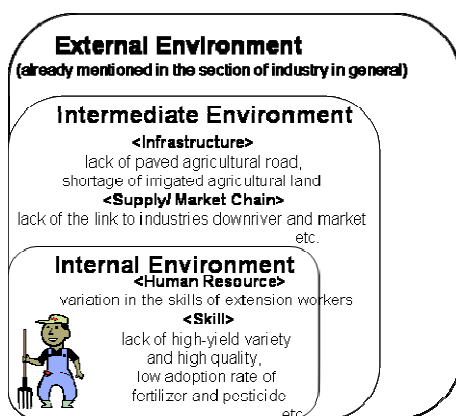
Source: Prepared by the study team, based on interviews in the field

2. Agriculture

The significant challenges of the agricultural industry in addition to those outlined for industry in general are shown in Fig. 6-5.

The main challenges in the intermediate environment of agriculture are the lack of infrastructure and the problems associated with the construction of the supply/market chain. In terms of infrastructure, agricultural roads that connect to the major roads are not developed, which also affects the linkages issues to market and downstream industries. As land irrigation is very limited, the main agricultural

products of Mozambique are cashew nuts and cassava, which do not require much water, even though there are vast tracts of fertile land where cash crops and horticultural products could potentially be developed. The challenges regarding supply/market chain development have already been mentioned in the previous section. The problem is acute for agriculture, since there is a lack of agricultural associations supporting the establishment of links to markets and a supply chain, and even where such organizations exist, there is a general lack of capability in these organizations.



Source: Created by the study team

Fig. 6-5 Problems in agriculture

The main challenge in the internal environment is improvement in productivity. Though agricultural technical training activities are implemented through extension workers dispatched to rural areas by the Ministry of Agriculture, the success of this training is largely dependent on the capacity of individual extension workers, since there are no instruction manuals for extension workers to follow. An easy-to-follow technique built up by skilled extension workers should be summarized into an instruction manual as best practices. From the viewpoint of export promotion, studies are required to determine what varieties should be grown in Mozambique, taking into account the local climate and soil conditions. For example, mangoes are not currently exported, even though they are grown in many parts of Mozambique. The reason for this is that Mozambique does not currently cultivate internationally popular varieties. In addition, adoption of fertilizers and pesticides is very low because family farmers lack funds and proper knowledge about their use and benefits.

Based on the discussion above, the challenges of the agricultural industry and the background to these problems are outlined in Table 6-24.

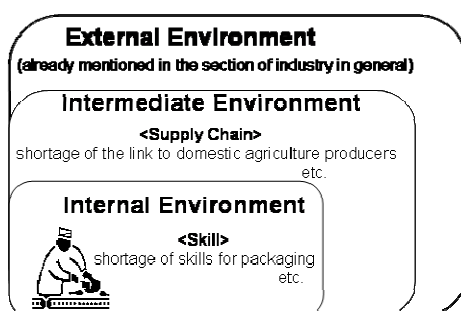
Table 6-24 Challenges and problems in the agricultural sector

Area	Challenges	Problems behind the challenges
Intermediate Environment		
Infrastructure	Lack of paved agricultural roads	Road maintenance and development
	Shortage of irrigated agricultural land	Lack of know-how for inexpensive construction of irrigation facilities
Supply/market chain	Lack of linkages to downstream industries and markets	Lack of agricultural associations; lack of capabilities
Internal Environment		
Skills	Shortage of feasible technical transfer	Skills of extension workers vary
	Difficulty producing internationally accepted varieties and quality	Lack of study on varieties that should be grown in Mozambique
	Low adoption rate of fertilizer and pesticides	Shortage of funds, shortage of proper knowledge about use and benefits of fertilizer and pesticides

Source: Prepared by the study team, based on interviews in the field

3. Agro-processing

The significant challenges of the agro-processing industry, in addition to those mentioned in the section on industry in general, are shown in Fig. 6-6.



Source: Created by the study team

Fig. 6-6 Agro-processing

The government, donors, and the private sectors have recognized the great potential and importance of the agro-processing industry, but there are many challenges that have not been adequately addressed. First, as previously mentioned, links between the agricultural sector and agro-processing have not been constructed. In the cashew-nut industry there has recently been a move to construct processing facilities, process the cashew nuts grown in the country, and then export them. However, similar linkages have not been developed for other products. For instance, imports of powdered milk and concentrated juice extracts are not uncommon for factories processing of yogurt and juice for domestic consumption. In terms of skills, enterprises have a great need for packaging skills. Because of the poor skills available for packaging, not only is product shelf life shortened; it also loses out in terms of physical appearance. This contributes to the fact that domestic products are perceived to be of low quality.

Based on the discussion above, the challenges of the agro-processing sector and the background to these problems are outlined in Table 6-25.

Table 6-25 Challenges and problems in the agro-processing industry

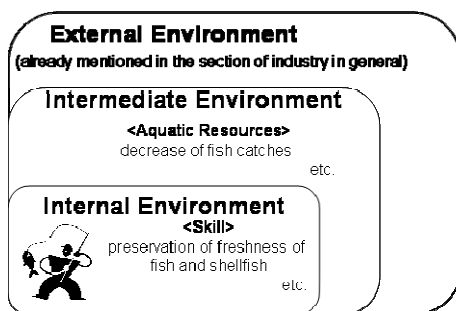
Area	Challenges	Problems behind the challenges
Intermediate Environment		
Supply chain	Shortage of links to domestic agricultural producers	Shortage of information about domestic agricultural producers; few enterprises implementing agro-processing using domestic primary commodities
Internal Environment		
Skill	Shortage of skills for packaging	Shortage of skills for packaging

Source: Prepared by the study team based on interviews in the field

4. Fishery products industry

The significant challenges of the fisheries industry, in addition to those mentioned in the section on industry in general, are shown in Fig. 6-7.

Fishing is popular along the long coast of Mozambique, but most activities are microfisheries. The problem in the intermediate environment is that the amount of seafood caught, such as prawns, is decreasing because fishing activities are not adequately regulated, and thus there seems to be overfishing of some products. Recently, there has been increased interest in aquaculture, but it has barely been implemented at the moment.



Source: Created by the study team

Fig. 6-7 Aquatic Products Industry

The challenge in the internal environment is a lack of awareness about cold and freezer storage. Micro fishermen with small boats usually lack awareness and the culture of using ice and coolers in order to preserve the freshness of the seafood they catch, and therefore the fish often lose its freshness by the time it arrives at market. Midsized processors and exporters rely on such micro-scale fishermen for their supply of seafood for processing; thus the low capabilities of micro-scale fishermen are an obstacle to the country’s seafood exports.

Based on the discussion above, the challenges of the fisheries industry and the background of these problems are outlined in Table 6-26.

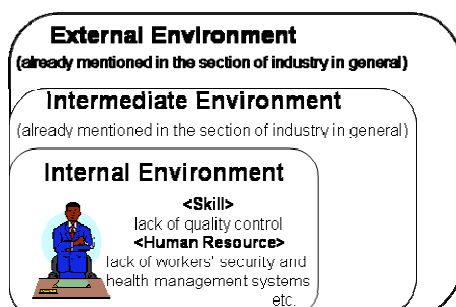
Table 6-26 Challenges and problems in the fishery industry

Area	Challenges	Problems behind the challenges
Intermediate Environment		
Aquatic resources	Decrease in fish caught	Shortage of data about aquatic resources; no regulation of fishing activities
Internal Environment		
Skill	Freshness of fish and shellfish	Lack of awareness about freezer and cold storage

Source: Prepared by the study team, based on interviews in the field

5. The manufacturing industry

The significant challenges of the manufacturing industry, in addition to those mentioned in the section on industry in general, are shown in Fig. 6-8.



Source: Created by the study team

Fig. 6-8 Manufacturing Industry

It is not necessarily appropriate to generalize the problems of manufacturing, since they depend on the products manufactured and because there are high-standard medium-sized enterprises that supply, for example, large companies like Mozal, though the number of such enterprises is very small. However, to generalize, there is a lack of safety and quality controls. Referring to quality control, the National Institute of Standards and Quality (INNOQ) under the Ministry of Trade and Industry aims to promote and control national standards and improve quality, but it is currently a weak organization. In addition, awareness of safety and health controls in SMEs is low, and employees often do not wear helmets in machine factories, gloves in factories producing cleaning materials, and earplugs in noisy sites.

Based on the discussion above, the challenges of the manufacturing industry and the background to these problems are outlined in Table 6-27.

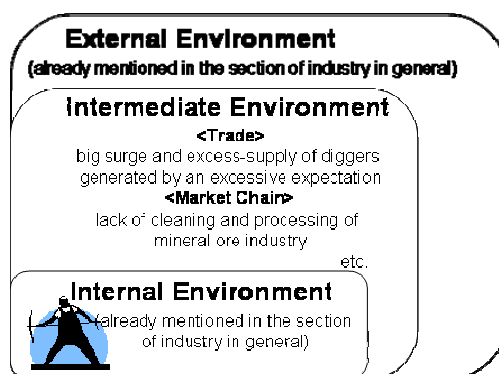
Table 6-27 Challenges and problems in the manufacturing industry

Area	Challenges	Problems behind the challenges
Internal Environment		
Skill	Lack of quality control	Low capacity of INNOQ
Human resources	Lack of workers safety and health-management systems	Improvement of the workplace environment is left to individual enterprises

Source: Prepared by the study team, based on interviews in the field

6. The mining industry

The significant challenges of mining industry, in addition to those mentioned in the section on industry in general, are shown in Fig. 6-9.



Source: Created by the study team

Fig. 6-9 Mining Industry

Excluding some megaprojects, it is common that villagers around the site where mineral resources like jewels and gold are found become individual miners and work in the informal sector. In some cases, there may be a surge of new miners attracted by the potential to earn quick money. However, in some cases there are not enough deposits to support all the miners, and in a few areas, the rate of poverty appears to be higher than in other agricultural areas with the unrealistically high expectations for mining and with agriculture being abandoned. In addition, because downstream industries are not developed, as in other sectors, precious stones are exported as raw gems, and some simple processing of stones that can be seen in souvenir shops in other countries can not be found in Mozambique.

Based on the discussion above, the challenges of the mining industry and the background to these problems are outlined in Table 6-28.

Table 6-28 Challenges and problems in the mining industry

Area	Challenges	Problems behind the challenges
Intermediate Environment		
Trade	Poverty of individual miners	Excessive expectation of mining caused by lack of detailed information about reserves
Market chain	Lack of cleaning and processing industry for minerals	Lack of know-how and information about skills for cleaning and processing

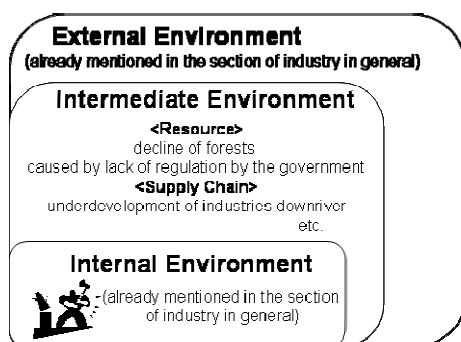
Source: Prepared by the study team, based on interviews in the field

7. Forestry

Though the potential of this industry is recognized in PARPA II and other places, Mozambique is facing a decline in its forests because of the lack of regulation of forestation as well as illegal logging and export. There is negligible processing for domestic consumption, such as timbers for construction, but most high-quality timber is exported without added value.

The significant challenges of the forestry industry, in addition to those mentioned in the section on industry in general, are shown in Fig. 6-10.

Based on the discussion above, the challenges of the forestry industry and the background to these problems are outlined in Table 6-29.



Source: Created by the study group

Fig. 6-10 The forestry industry

Table 6-29 Challenges and problems in the forestry industry

Area	Challenge	Problems behind the challenges
Intermediate Environment		
Resource	Decline of forests	Lax control of regulations for illegal logging and reforestation
Supply chain	Underdevelopment of downstream industries	Lack of domestic processing skills

Source: Prepared by the study team based on interviews in the field

6-6-2 Areas for assistance

In consideration of the challenges that Mozambique faces from the perspective of the private sector, the needs for assistance by JICA exist in the following areas (Table 6-30).

Table 6-30 Assistance needs from private-sector perspectives and potential for JICA assistance

Category	Need	Notes	Priority	Japanese experience	Counterpart agencies	
External Environment	Policy	Formulation of sector strategies by industry	Strategy for major sectors to have been completed during 2007	×	–	–
		Creation of industrial clusters and export promotion through the construction of export processing zones and industrial zones	Scheduled for construction near the port of Nacala	△	○	MIC
		Support for capacity improvement for private enterprises to conform and to make good use of SADC and WTO agreements	Already implemented by other donors and NGOs	△	○	CTA, ACIANA
		Building a framework for dealing with problems and needs of private enterprises (systematization of negotiation between private sector and government, etc.)	Forums between Department of Trade and Industry and CTI have already been established, but functional enhancement is desired	×	–	–
Intermediate Environment	Infrastructure	Development of road along Nacala Corridor	Implementation has already been considered	×	–	–
		Agriculture: maintenance of agricultural roads	Strongly desired; depends on whether it is appropriate as an industrial development project	△	○	Ministry of Agriculture and Fisheries
		Agriculture: technical assistance and financing for inexpensive construction of irrigation facilities	Pond irrigation can be considered; depends on whether it is appropriate as an industrial development project	△	○	Ministry of Agriculture and Fisheries
	Supply/market chain	Expansion and consolidation of MOZLINK's activities	Already implemented by the Mozambican government, IFC, and big enterprises	△	△	CPI
		Support for establishing of association and functional enhancement	Needed in agriculture, marine and mining industry, though it has already been implemented by other donors, support is still needed	△	△	Province, Private sector
		Building a database about producers by area and products, SMEs, and intermediate agents	Though it has been implemented by the government on a trial basis, it has not been successful since detailed research is needed	×	–	–
		Food processing: promotion of processing domestic agricultural products	Research by experts is needed for development	○	△	Province, CTA, ACIANA
		Mining: research by experts about capability of mineral ore processing, promotion of processing by associations	Possibility of "one village, one product" depending on the results of research	△	△	province
		Forestry industry: support for development of processing industry	Support for "one village, one product" for furniture, folk art, etc. can be considered	○	△	Province, Private sector
	Resources	Marine industry: gathering accurate data and information about aquatic resources	Not a pressing challenge	×	–	–
		Mining: detailed research on reserves	Not a pressing challenge	×	–	–
		Marine industry: promotion of aquaculture	Assistance combining technical assistance and private investment from Japan should be considered	○	○	Ministry of Agriculture and Fisheries, CPI
		Mining: support at a village level for sustainable development of mining and agriculture	Support for poverty reduction	△	×	province
Forestry industry: strengthening controls against illegal logging and deforestation		Response by the Mozambique government is needed	×	–	–	

Category	Need	Notes	Priority	Japanese experience	Counterpart agencies	
Internal Management Resources	Human Resources	Management advice and support for improvement of management skills	Support in enterprises is needed (not classroom); dispatch of experts can be considered	△	△	province, CTA, ACIANA
		Manufacturing industry: support for development of midlevel skilled labor	Support for overseas training; Implementation of training programs through industrial associations	○	○	CTA, ACIANA
		Manufacturing industry: strengthening governmental management and supervisory system of worker safety and health management	Commitment and response by the government is required	×	—	—
	Skills	Agriculture: prepare instruction manuals for extension workers and support for capacity-building	Preparation of best-practice manuals drawing on experience in Asia can be considered	△	○	Ministry of Agriculture and Fisheries
		Agriculture: support for agriculture-related research institutions	Improvements on varieties based on NERICA can be considered	△	○	Ministry of Agriculture and Fisheries
		Agriculture: support for popularization of fertilizer and pesticide	Has been implemented by the government	×	—	—
		Food processing: support for packaging skills	Provision of machines to individual enterprise is needed	×	—	—
		Marine industry: promotion of skills for cold and frozen storage through associations	Education on fishermen's habits and consciousness is important	×	—	—
		Manufacturing industry: capacity improvement of INNOQ	Government has started to emphasize the importance of INNOQ	○	○	MIC (INNOQ)
		Manufacturing industry: introduction of quality recognition system in cooperation with industry association such as AIMO	no specific demand	×	—	—
Finance	Financial assistance for SMEs and producers	Financial support for interest compensation, guarantees, establish SME fund, etc.	×	—	—	

Source: Prepared by the study team, based on interviews in the field

High-priority areas for JICA assistance from the perspective of the needs of the private sector could be in the promotion of agricultural products and timber processing. The importance of adding value to primary products can not be overstated. In addition, processing of agricultural products can provide incentives to farmers by fostering downstream industries and is therefore linked to the possibility of promoting agriculture. Currently timber is not processed in Mozambique, and logs with no or only basic timber processing are exported due to the lack of local processing skills. Through a successful implementation of “one village, one product,” for example, the timber industry could be promoted and become a catalyst for the development of the industry. Furthermore, by developing a processing industry in the country, ownership towards preserving the forest may be promoted, thus increasing voluntary forestation.⁶⁷ JICA has experience and resources in these areas, so assistance through “one village, one product” may be appropriate.

Needs for technical assistance from the private sector in aquaculture are high, and Japan has knowledge in this area. Technical assistance from JICA may be combined with investment by Japanese investors if there are adequate conditions for Japanese investment. For instance, if a training institute for cultivation is established, a cultivation farm may need to be established for practical training. In addition, expertise from the Japanese fisheries industry would be required at these training institutes. From this, a

⁶⁷ As a supposition, motivation for conserving forest would not be necessarily be high because most participants in the forest industry are foreigners, such as the Chinese. It can be supposed that logs are sought in other countries when the forests in Mozambique were lost. So if log processing was promoted in Mozambique, concern about forest conservation could appear because the processing industry is dependent on forest procurement within the country.

commercial investment by a Japanese fisheries enterprise could be incorporated with technical assistance by JICA; that is, training projects for Mozambican fisheries industries using JICA could, for example, be established in the same facility that a Japanese fisheries business uses for commercial purposes.

Referring to human resources development, assistance by JICA is needed for skills improvement of midlevel skilled laborers working in SMEs. Implementation of training assistance programs and dispatch of experts through industrial associations may be appropriate in this regard. In addition, as mentioned earlier, the quality of manufactured products is low and domestic products are unpopular, not only abroad but even on the domestic market. Therefore consolidation of quality standards and a control system aimed at improving quality at the national level is needed. This is actually being emphasized by the present government, so JICA's assistance through improving the capacity of INNOQ may be appropriate.

Next, assistance for establishing industrial zones and export zones should be given high priority in assistance related to the external environment. The overall impact may be limited, but the development of the private sector can be expected by giving preferential treatment, and it could also be a catalyst to fostering an industry cluster by consolidating enterprises in specific areas. The construction of an industrial area around the port of Nacala has already been approved, and Japan may assist in this area, advising through the experience of Asian countries. There are also many enterprises that have some anxiety and even repulsion towards SADC and WTO. It may therefore be necessary to remove the anxiety and assist them in utilizing the SADC and WTO agreements for their businesses through capacity-building programs that JICA has implemented in Asian countries.

In assistance related to the intermediate environment, there are high levels of need for improvement in agricultural infrastructure, such as agricultural roads and the construction of irrigation facilities. These may not necessarily be appropriate as industrial development projects but are effective when considering assistance by Japan in general. The establishment of a supply/market chain in Mozambique is a severe problem, and need for assistance in this area is high. There is room for further assistance for expansion and consolidation of business areas of MOZLINK II that have already been implemented by the government and other donors, as well as establishing and strengthening associations in this regard. In the mining area, there are many informal individual miners who appear to be poor. This is not an area where knowledge and experience from Japan can be shared unless export to Japan can be considered as a possibility, but if such a possibility exists, it may be worth considering the promotion of associations and assistance at the village level to ensure sustainable development of mining and agriculture.

In areas of assistance related to the internal environment, there are needs for assistance for training not in classroom programs but by advising individual enterprises, as well as needs for assistance for fostering midlevel skilled labor, for management advice, and for management capacity building. Experts may be sent from Japan, but there are concerns that a very large fund will be required to make a real impact. Lastly, in the area of improving agricultural techniques, assistance can be provided in the preparation of an instruction manual for extension workers, as well as capacity improvement and assistance to agricultural research institutions. Assistance that does not merely provide pure agricultural support but that promotes the development of cash crops which are also feasible with local soil and weather, and the development of linkages to processing factories, distribution to retail markets, and export are desperately required in Mozambique.

ANNEX

	Member 1, 2, 3	Member 4, 7	Member 5, 7	Member 6, 9			
Oct. 10				Arr. Maputo			
Oct. 11				Ministry of Industry and Commerce (MIC), IPEX, INNOQ (Joint meeting) Maputo Port, Polana Industrial Park, Markets			
Oct. 12				Ministry of Agriculture, Irrigation, and Fisheries Ministry of Planning and Development	Confederation of Business Associations of Mozambique (CTA) Investment Promotion Centre (CPI)		
Oct. 13					Maputo Corridor		
Oct. 14							
Oct. 15							
Oct. 16						Ministry of Agriculture, Irrigation Div. Techno Serve inc. (NGO) National Institute of Standardization and Quality (INNOQ)	
Oct. 17				Arr. Maputo		MIC, Private Sector Support Unit Industrial Association of Mozambique (AIMO) Mozambique Cashew Processors Associations (AICAJU)	
Oct. 18					MIC, National Directorate of Industry Ministry of Natural Resources Commercial Department, city of Maputo	Maersk Line Catucha Trading	
Oct. 19					Ernst & Young Price Waterhouse Coopers Escola Superior de Economia e Gestao Small Industry Development Fund (FFPI) Ministry of Labor	UNIDO Ministry of Planning and Development Ministry of Fisheries General Union of Cooperatives (UGC)	Millennium BIM Bank Cimentos de Mozambique Mozal Community Development Trust (MGDT) MODET Millennium BIM Bank
Oct. 20						Documentation	
Oct. 21				Arr. Maputo		Internal Meeting	
Oct. 22						Meeting at JICA World Bank National Institute for Employment and Vocational Training (INEFP) UNDP Embassy of Japan	Ministry of Tourism Italian Cooperation INEFP Pintex
Oct. 23					Mozambique Institute of Export Promotion (IPEX) USAID SIDA Rio Doce AfDB MOZAL	MIC, Agro-processing Technical Unit Africom Ltd.	UGC Factory S.E. Ginwala Filhos, Lda AGRO ALFA S.A.R.L.
Oct. 24					Chamber of Commerce and Industry Rovuma Micro Credito	Department of Industry and Commerce, Maputo Prov.	MOZAL Chamber of Commerce and Industry AFRISAL DO MAR, S.A.R.L. Grupo S.C.L.
Oct. 25						Move to Nampula	Mr. John Mutori (Consultant)
Oct. 26					Trade, Industry and Agricultural Association of Nampula (ACIANA) IPEX Nampula Sonil, Lda	Directorate of Planning and Finance, Nampula Province Unidade de Coordenacao de Desenvolvimento Integrado Nampula Provincial Agricultural Office Nampula Provincial Mineral Resource and Energy Office North Development Corridor	ACIANA IPEX Nampula IKULU
Oct. 27					Nacala Port	Michinoeki (Member No.2: Dep. Nampula to Maputo, Japan)	Nacala corridor (to Napale)
Oct. 28				Move to Maputo Report to JICA	Move to Beira	Market visit Documentation	
Oct. 29				Dep. Maputo	IPEX, Central Region Office Sofala Province Secretariat Office Market visit Austrian Cooperation for Development, District and Municipality Support Project ESEG Beira	Statistics Office, Nampula province Visit to village around Nampula	CETA KPMG Industria Micanicaa Matanuska Mocambique Mineral Resource and Energy Office, Nampula Provincial Agro Industrias Associadas
Oct. 30		Ferneto LDA GTZ Conducive Environment for Private Sector Development Project Move to Maputo	Visit Gold mining site in Murrupula district Nampula Provincial Agricultural Office	Amoder GAPI OASIS - Aguas de Ribabeue Mineral Resource and Energy Office, Nampula Provincial			
Oct. 31		MIC, National Directorate of Trade Investment Promotion Centre (CPI) MIC, Cabinet of Communication and Public Relations International Finance Corporation (IFC)	Cooperative League of the USA (CLUSA)	Agro Industrias Associadas Agricultural Corporatives around Murrupula Royal Plastic			
Nov. 1		GAPI SARL MIC, Private Sector Support Unit	New Horizons	Nacala Corridor			
Nov. 2		MIC, Rural Industrialization, Promotion Technical Unit Seminar in Matutueine District	Sanam Group	CDN - PNI Nacala - Velha (Mine) Madeiras Formas			
Nov. 3				Move to Mozambique island Mozambique island and Nacala corridor			
Nov. 4				Documentation			
Nov. 5		Centre for Industrial Development Counseling (CAD) Ministry of Tourism General Union of Cooperatives (UGC)	Nacala port and others	Ministry of Natural Resources Unidade de Coordenacao de Desenvolvimento Integrado			
Nov. 6		Maputo Commercial School Ministry of Transport and Communications, Corridor Development and Coordination Unit Integrated Administration Counter (BAU)	City of Mozambique Island, District Tourism office OIKOS	Move to Beira			
Nov. 7		MIC, National Directorate of Industry UGC Centre of Professional Training UGC Agency for Development and Credit (CPC) Swiss Agency for Development and Cooperation (SDC) WB-EU Enterprise Development Project (PoDE)	Move to Nampula Michinoeki	IPEX GAPI Confederacao Mocambique			
Nov. 8		Spanish Technical Office of Cooperation IPEY MIC, Cabinet of Communication and Public Relations	Provincial Tourism Office Documentation	Prapesca Companhia Nacional Algodoeira CCFB			
Nov. 9		FFPI Tchuma Credit and Savings Cooperative SCRL Mozambique Information and Communication Technology Institute (MICTI)	Documentation	Mozambique Culture Centre Farm visit in Dondo area Handicraft Association, Manza village PROMECA			
Nov. 10			Documentation	Documentation			
Nov. 11			Documentation	Documentation			
Nov. 12		Enterprise Mozambique Report to Embassy of Japan Report to JICA	Beira Provincial Tourism Office Beira Provincial Mineral Resource and Energy Office CPI Beira	Beira Corridor IDEAA			
Nov. 13		Dep. Maputo	Beira Provincial Agricultural and forestry Office Beira port Beira Provincial Industry and Commercial Office Visit Savane area Garongosa National Park	Fish Market Documentation Documentation Move to Maputo			
Nov. 14			Move to Manica Manica Provincial Agricultural Office Manica Provincial Industrial and Commercial Office	Port Maputo Development Company Fishing Development Fund			
Nov. 15				Documentation			
Nov. 16				Documentation			
Nov. 17				Documentation			
Nov. 18				Documentation			
Nov. 19				Documentation			
Nov. 20				Report to JICA			
Nov. 21				Report to Embassy of Japan Dep. Maputo			

- Member1: Mr. Sakae YOSHIDA
- Member2: Mr. Hiroshi SAWANO
- Member3: Mr. Yoshihiro IMAMURA
- Member4: Mr. Gaku FUNABASHI
- Member5: Mr. Yuji AOKI
- Member6: Ms. Mikiko IMAI
- Member7: Mr. Carlos KIMURA
- Member8: Ms. Eunice Tomomi SUENAGA
- Member9: Mr. Joakin TEMBE