

South-South Integration and the SDGs: Enhancing Structural Transformation in Key Partner Countries of the Belt and Road Initiative

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# Industrial Policy in Southern Africa: Mozambique's experience

## Abstract

This paper discusses the industrial policy experience of Mozambique since post-independence and until the latest Industrial Policy and Strategy launched in 2016. It presents its main landmarks and assesses policy objectives, priorities, and strategies in light of the key challenges for structural transformation in Mozambique. Taking stock of this experience and results, the paper concludes offering some concrete policy proposals to improve policy efficacy in the years to come.

**Key words:** Mozambique, Industrial Policy, Diversification.



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## 1. Introduction

In addition to agriculture and fisheries, industry is indicated as an engine of the economy with a high potential for the generation of new jobs, also mentioned in the Government's Five-Year Program 2020-2024 as “engine for the structural transformation of the national economy, contributing to its qualitative change and improvement of its competitiveness with a view to its insertion in the regional and global market”.

The National Development Strategy (ENDE) states that the process of structural transformation of the economy should focus on priority areas of development, which are guided by specific strategies, namely for the agricultural and fishing sectors, the manufacturing industry, the extractive industry and the tourism industry. It also presupposes that the achievement of integrated economic and social development involves the structural transformation of the economy to a competitive and diversified stage, thus betting on industrialization as the main way to achieve the vision of prosperity and competitiveness, based on an inclusive and sustainable growth model, ensuring that natural assets continue to offer the environmental resources and services on which the well-being and continuous progress of the country depends.

The discovery and exploitation of natural resources, with emphasis on minerals (coal, heavy sands, iron ore, graphite), hydrocarbons (natural gas) is seen as a potential for diversifying production, advanced industrialization, promoting economic transformation and job creation and as an opportunity to make the national economy more competitive, with expectations that this sector may contribute to economic and social development through (i) adding local value to these resources; (ii) integration of local companies in the supply chain of goods and services produced by them to multinational companies on the one hand or by reinvesting the revenues generated by the sector.

According Balchin et al, 2017, quoted McMillan et al., 2017, the economic transformation process in Mozambique will involve moving labour and other resources from lower- to higher-productivity activities, through both shifting resources between sectors to higher-value activities (e.g. from agriculture to manufacturing) and moving resources to higher value-activities within sectors (e.g. through moving resources out of low-value, low-productivity subsistence farming and into high-value crop farming feeding into sophisticated value chains). Economic transformation will result in a more diversified Mozambican economy, characterized by more subsectors and increasingly complex productive activities and greater levels of domestic value addition in trade.

This paper aims to describe the recent industrial policy experience of Mozambique, starting in its second chapter by addressing the objectives, priorities, pillars (vectors), strategies and main landmarks of industrial policies since post-independence, industrial policies and strategies from 1997, 2007 to the latest in 2016.

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Chapter 3 looks at the current challenges of structural transformation in Mozambique, which, based on data from the National Institute of Statistics, show the behavior of sectoral contribution to GDP, both average and annual over a 23-year series (1997 to 2019), as well as the contribution of the sectors (agriculture, industry and services) in employment (18 years), thus summarizing some of the obstacles to an effective structural transformation of the country.

The fourth and last chapter discusses (analyzes) the previous chapters and ends with a proposal of recommendations on the way forward (promising new policy measures) to achieve considerable structural transformation.

## 2. Mozambique's experience in industrial policy

### 2.1 Post-independence industrial policies

The development of the manufacturing industry in Mozambique started in the 1930s and accelerated in the 1960s, allowing the supply of semi-processed raw materials for export or for supplying the Portuguese manufacturing industry (as were the cases of the cashew nut shelling industry, ginning cotton, sisal, copra and sugar) and the satisfaction of the growing domestic market, mainly of the colonists (Castelo-Branco, 1994).

Over the 45 years of independence, the manufacturing industry has been recognized in various ways, such as the “engine”, “driver”, “driving force”, “determining factor”, “dynamizer” in the structural transformation and development of the economy, which led with several programs / policies and strategies focusing on this sector.

The first post-independence sign was the establishment in 1977 of an economic program for the manufacturing industry that aimed to restore the levels of production reached in colonial era and to develop a basic industry in order to change the underdeveloped industrial structure of the country, as a way of responding to crisis generated by abandonment, sabotage of industries by former owners, the shortage of qualified technicians to replace foreigners and technological obsolescence in the industrial park.

The approval of the fundamental lines of development of the Country contained in the Indicative Prospective Plan for 1981-1990 which highlighted as fundamental questions of the plan the programs of Cooperative of the Field, Creation of the Development of the Heavy Industry, Development of the State Agrarian Sector and Workforce and Training, indicated the need to elaborate perspective programs detailed by the contemplated state organisms.

With the approval of the Prospective Indicative Plan (PPI), in 1981 a specific industrialization program was officially adopted, aiming at the construction in ten years, of the essential bases of the modern basic industry in Mozambique that was based in (Castelo-Branco, 1994):

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- Strengthening the role of the state sector and decentralized planning;
- Realization of new and large investments from scratch, especially in the heavy and chemical industry;
- Location of large industrial clusters in the vicinity of their main raw material sources and markets for their final products; and
- Concentration and rationalization of the existing industrial park, in order to facilitate the planning and allocation of resources, as well as the construction of economies of scale.

The PPI was unsuccessful due to a combination of several factors such as: the internal situation (the emergence of the destabilization war and later turned into civil war, effects of the natural calamities that hit the country at that time, shortage of qualified human resources, financial), international situation marked by the cold war and the policy of isolationism against the Apartheid regime in South Africa (Meque, 2013); dependence on external resources, trade orientation excessively focused on the internal market, unbalanced macroeconomic management, excessive centralization and a structurally inadequate relationship with the agrarian sector (Castelo-Branco, 1994).

João and Chongo (2015) quoting Dava and Tamele (2011) highlight among the various projects conceived in the light of the PPI, the National Energy Transport Network (RNT), the Caia aluminium production factory, the Port of Nacala, the sugar mills of Luabo, Marromeu and Búzi, the Gurúe tea industry, and the Mocuba textile factory.

In 1984, Mozambique adopted the Structural Adjustment Program, with the opening to the market economy thus abandoning the centralized economy model adopted after independence, which was based on the administrative allocation of resources through centralized planning, with the State as the centre of accumulation, and with new investments from scratch as a priority, having then started in 1987 with the implementation of the Economic Rehabilitation Program characterized by the liberalization of market operations and the privatization of state and intervention companies, with the private sector as the centre of accumulation, and with investments rehabilitation of the existing industrial park as a priority.

## 2.2 Industrial Policy and Strategy (1997-2006)

The first Industrial Policy and Strategy, PEI (1997-2006), which aimed of creating a competitive modern industrial base and less dependent on the outside, had the following specific objectives: (i) to support the enhancement of natural resources; (ii) contribute to the balance of exchanges with the outside world; (iii) participate in meeting basic needs and (iv) promote the development of technologies that favour the intensive use of labour.

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Using as main criteria the most significant contribution to increase the added value of the national industry; opportunity to export and import substitution, particularly for basic and intermediate goods; and increasing the cohesion of the industrial fabric and creating conditions for the emergence and viability of other industries, gave priority to the food and agro-industry, textiles, clothing and footwear, metal-mechanics and electro-mechanics and construction materials.

This policy went beyond the manufacturing industry in its priorities, covering the extractive, fishing and energy industries.

As guiding principles (pillars) of industrial development, it indicated: the role of the state and the private sector; the restructuring of the state business sector; the rehabilitation/modernization of the industrial park; the development of Micro, Small and Medium Industries (MSMI's); the role of the informal sector; the industry decentralization; preservation of the environment and regional integration.

The Industrial Strategy indicated, among its objectives, the creation and a more favourable environment for industrial activity, the promotion of industrial investment, the rehabilitation and modernization of the industrial sector, the promotion of the private sector, the growth of industry, the development of industry in the sense the objectives of the industrial policy outlined and the development of a strong and competitive industrial fabric in the context of regional integration.

Among the various vectors (pillars) of PEI (1997-2006), it is worth highlighting: (i) promotion of foreign investment; (ii) public investment; (iii) simplification and rationalization of the regulatory environment; (iv) industry financing; (v) protection and incentives for the national industry; (vi) export promotion of industrial products; (vii) Industrial Free Zones (IFZ's); (viii) promotion of technological development; (ix) promoting quality and (x) developing support infrastructures and services.

The PEI (1997-2006) approach has provenly launched the country on a new path and allowed for the first large-scale investments in the extractive sector, including bringing to the market the previously 'abandoned' natural gas from the Mozambique Basin (Dietshe and Esteves, 2018).

The construction and start-up of the Mozal aluminum smelter during the term of the PEI constitutes Mozambique's first post-war megaproject, with tax incentives and reduced electricity tariffs being important factors in attracting foreign investors, which led the secondary sector (mining, transformation, electricity and construction) to continuously increase to 25 per cent of GDP in 2004 (Doris C. Ross, 2014).

In its first year of operation, 2001, industrial production increased by 33 per cent. In 2007, the manufacturing industry represented approximately 16 per cent of GDP, although 70 per cent of its contribution to GDP was produced by Mozal. In fact, the strong growth of this sector in the

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referred period (in 1996 corresponded to 8.5 per cent of GDP) was due to the creation of Mozal (Casalino and Carvalho, 2007).

Since 2004, several projects have started in the extractive, mining or processing sector, namely the Kenmare heavy sands project, the Vale and Rio Tinto coal mines which led to exports of goods and services in Mozambique registered a strong recovery in net terms. (Doris C. Ross, 2014).

### 2.3 Industrial Policy and Strategy (2007)

In order to maximize the opportunities of the regional integration process with the imminent creation of a free trade zone scheduled for 2008 and in order to improve the competitive capacity of the national industry, the Industrial Policy and Strategy, PEI (2007) was approved, with the objective of articulating the activity of the State and the productive sector in the creation of an environment of industrial and economic competences that allow and promote the materialization of the objectives, guidelines and priorities of industrial development.

PEI (2007) had the following specific objectives:

- Development of coordination, articulation and implementation mechanisms and of economic and impact analysis of public policies, strategies and interventions as well as of the complementary and competitive investments, including the rationalization and the development of policy institutions and the promotion of industrial activity;
- Development and provision of technological services and information and economic analysis and markets that are crucial for the creation of productive capacities with competitive standards;
- Development and strengthening of the coherence and consistency between infrastructure, cross-cutting economic and social policies, institutional support and training programmes and the priorities and needs of industrial development;
- Mobilization of public and private financial resources for the development of the industrial base;
- Identification and elimination of redundant and irrelevant administrative and bureaucratic procedures, the simplification of administrative processes and the building of a public culture of providing useful, low-cost, efficient, timely and good quality services for the development of competitive productive activities.

PEI (2007) guided the best use of national capacities and resources; strengthening business linkages; the gradual modernization of the productive base; the promotion of import substitution and the promotion of exports on a broader, interlinked and competitive basis and directed industrial development towards: the development of a base of technology, institutional, information, as well of policy and management development and analysis, the diversification of

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the productive base, the development and strengthening of competitive domestic industrial linkages and complementarities, and the diversification of industrial exports, which will benefit and develop agrarian, fishery and tourism potential, as well as the capacity of the engineering and packaging industries and industrial technological, information, marketing and regulatory services.

Using basic criteria (possibility of fast modernization, penetration and expansion of markets; contribution to increase exports and/or substitution of imports) and specific criteria (diversification of the productive base and markets, maximization of linkages and the use of national resources, development of synergies and national industrial capacities of new technology and innovation and employment, PEI (2007) prioritized the following industries: food; furniture; construction materials and instruments; collection and recycling of industrial waste; mechanical engineering, metal-mechanics and electro technical, chemical, diversified industrial use of the energy potential created by the extraction of natural gas, development of major projects related to the industrial use of the mining potential of Mozambique.

The textile and clothing industries, as well as the printing industries, for being labour-intensive and capital-intensive, appeared to be those that deserved special treatment in the context of that time and in light of the challenges imposed by the liberalization of regional trade.

Programs such as infrastructure, technical and vocational education and adult literacy, support for business development, industrial articulation and institutional development, technological development and economic and market analysis, promotion of national production and exports (Made in Mozambique) and revision and rationalization of investment incentives were part of the vectors (pillars) considered in the PEI (2007), on which an action plan was drawn up which also included the following:

- Promotion of the establishment of small agro-industrial units in rural areas;
- Mobilization of financial resources to support the industrial sector;
- Revitalization of industrial Free Zones;
- Implementation of multi-sectoral programs;
- Implementation of actions aimed on improving the business environment;
- Elaboration of sub-sectorial studies in order to stimulate industrial development;
- Promotion of vertical and horizontal business linkages; and
- Strengthen areas with competitive advantages in view of the challenges of regional economic integration.

Part of the results of implementing the PEI (2007) included the establishment of the Institute for Promotion of Small and Medium Enterprises (IPEME), promotion of various industrial

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development zones, including the Nacala and Manga-Mongassa Special Economic Zones and the Beluluane Industrial Free Zone (Dietshe and Esteves, 2018).

With regard to strategic instruments, stands up the approval of the Development Strategy for the Textile and Clothing sector, Strategy for the Improvement of the Business Environment (EMAN I and II), introduction of the “Made in Mozambique” seal program and the law of competition.

In the simplification of procedures and legislation component, is highlighted the revision of the regulations for licensing industrial and commercial activity and the institutionalization of the One Stop Shop.

The entry into operation of large and medium-sized industries, in the brewing, edible oil refining, grain milling; cement and plastic products contributed to the fact that, according to PEI (2016-2025) (BR, pag.847), the “manufacturing industry had been the second sector that most contributed to GDP in the last 10 years with a 13.5 per cent share, preceded by agriculture with an average participation of 23.3 per cent”.

## 2.4 Industrial Policy and Strategy (2016-2025)

Guided by a Government Five-Year Program 2015-2019 that considered industry as a determining factor in structural transformation and increased competitiveness of the national economy, by the National Development Strategy (ENDE,2015-2035) that bet on industrialization as a way for the country to achieve prosperity, sustainability, competitiveness and well-being and the structural transformation of the economy and the fact that at SADC level, industrial development has been placed at the centre of the integration agenda for the development of the region, the Government in partnership with the Private Sector decided to review the PEI (2007) in order to adapt it to the current development dynamics and address the challenges of the Industrial Sector in order to align them with the Government's objectives for this sector.

Thus, through Resolution No. 23/2016 of 12 September, it approved the Industrial Policy and Strategy (2016-2025), which has the general objective of making industry the main vehicle for achieving the country's prosperity and well-being through the generation of most jobs, production and contribution to the enhancement of natural resources, more specifically:

1. Increase industrial production, through greater investment attraction for the sector, development of economies of scale in industrial production and greater access to the domestic and foreign market of companies in the industry;
  2. Increase the contribution to employment in the sector, by investing in labour-intensive industries and investing in Micro, Small and Medium Enterprises;
  3. Contribute to the improvement of the trade balance, betting on industries with the potential to substitute imports and exports;
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4. Expand the value chain and the added value of industrial products through greater use of national raw material; and
5. Promote greater local content in industrial production, through greater upstream and downstream economic linkages of companies in the sector.

For the prioritization of industries, the following criteria/variables were used: national priority; the potential for creating upstream and downstream economic linkages; the source of the raw material; job creation; the potential for import substitution; the contribution to the current production level; ease of implementation/deployment and export potential. Based on the variables mentioned, the industries with the highest priority (from the 32 divisions of the Economic Activities Classifier – CAE/ISIC, Rev.4, for manufacturing) for the country were: food and agro-industry; clothing, textile and footwear; non-metallic minerals; metallurgy and manufacturing of metal products; wood and furniture processing; chemistry, rubber and plastics; paper and printing.

PEI (2016-2025) refers to these industries as the ones that industrial development efforts during the period of the same should be concentrated and that the remaining industries will benefit from general initiatives to promote the economic development of the country.

In order to achieve the objectives of the Industrial Policy, pillars of the strategic bet were selected, on which the actions of the Government and the Private sector will fall, namely: infrastructures for economic development; development of human capital; training of entrepreneurs and protection of national industry; access to adequate financing; promoting business linkages; incentives for investment in the industrial sector; innovation, access to technology, research and development; and definition of an adequate institutional model for the promotion of industrial development.

In order to ensure the generation of quick wins on industrial development, the following stimulus measures were proposed: (i) incentive to investment in infrastructure for industrial development through public private partnerships; (ii) promotion of access to financing; preference of national products in Government purchases; incentives and simplification of investment procedures in the industrial sector; and tax and customs incentives.

Due to the fact that the process of preparing the PEI (2016-2025) coincided with that of the elaboration of the SADC Industrialization Strategy and Roadmap, it allowed these to be aligned, which can be found in the strategic objectives (increase in industrial production, added value of manufactured products, contribution to employment and increased exports). The intervention areas of the SADC Industrialization Strategy and Roadmap (infrastructure, skills development and financing) are also reflected in the strategic bet pillars of Industrial Policy and Strategy, namely: infrastructures for economic development; human capital development and access to adequate financing.

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The first signs of the implementation of this policy and strategy were given at the tax and customs level, in view of the revision of the customs tariff, by introducing surcharges for aluminum conductors (10 per cent) and used clothing (25Mt<sup>1</sup> /Kg), worsening the surcharge for imported cement (from 10.5 per cent to 20 per cent) and the reduction of customs duties in the graphic sector (from 20 per cent to 7.5 per cent).

On the other hand, in view of the revision of the Excise Tax Code (ICE), to stimulate the increase in industrial production, enhance production through the use of national raw materials and increase employment, reduced rates were approved for beer produced based on local raw material (cereals and tubers) that made it possible to use corn and cassava for beer production. To stimulate the implementation of new beer industries, the gradual application of the ICE for new investments by the beer industry was approved. The practical result of this measure was the establishment of 2 large brewers (Heineken and CDM - Group AB-InBev) in a rural area, in addition to boosting the development of the Marracuene district, which has become an economic reference.

In terms of the development of human capital and the training of the national business community, priority was given to the areas of metalwork, food processing and automotive mechanics for the training of trainers and placement of about three thousand graduates per year, to be trained based on standards of competences and aligned with the demands of the labor market.

There is also a record of implementation of Memorandum of Understanding (MOU) between megaprojects with IPEME in the scope of training and creation of opportunities for MSMEs to supply goods and/or services to megaprojects.

In the financing component, the Government represented by the Ministry of Industry and Trade, the National Investment Bank (BNI) and the Private Sector represented by Confederation of Economic Associations (CTA) committed themselves through an MOU (in late 2018) to work together to establish a line/specific fund for financing the industry.

In the pillar related to infrastructures, the Industrial Free Zone of Revúbue (Tete) and Chimbonila (Niassa) were established.

## 2.5 Other policy support and instruments for industry

In addition to the programs, policies, industrial development strategies mentioned, it is important to highlight some of the strategies and policy instruments that impacted / impact industrial development in Mozambique during their lifetime, as are the cases of Agenda 2025, the National Development Strategy (2015–2035), the Strategy for the Improvement of the Business Environment (known as EMAN I and II), the Strategy for Exports (2012–2017), the

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<sup>1</sup> Mt, Meticais – Mozambican currency (1USD is approximately 70 Mt)

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Strategy for Employment and Vocational Training (2006–2015), the Plan of Action for Improving the Business Environment (2019-2021), the Natural Gas Master Plan (2014), the Strategic Plan for the Development of the Agrarian Sector – PEDSA (2010-2019), the Master Plan for the Development of Agribusiness – PDDA (2013-2020), the Integrated Agricultural Commercialization Plan – PICA (2013-2020), the Strategic Plan for the Energy Sector (2009); the Cashew Master Plan (2013- 2023); the Fisheries Master Plan (2010-2019); the Strategy for Science, Technology and Innovation (2006), the Strategy for the Integrated Development of the Transport System (2008), the Strategic Plan for Education (2012-2016), the Strategic Plan for the Development of the Tuna Fishery (2013), the Professional Education Law, the Investment Law 3/93 of 24 June, Law No. 4/2009 of 12 January, the Tax Benefits Code, the Mining Law 20/2014 of 18 August, the Petroleum Law 21/2014, of 18 August.

At the regional level, in addition to the SADC Industrialization Strategy and Roadmap (2015), the SADC Strategic Indicative Plan for Regional Development, SADC Industrial Development Policy Framework (2013) and the Industrial Upgrading and Modernization Program for Improvement and of SADC (IUMP) and at continental level the Strategy for the Implementation of the Action Plan for Accelerated Industrial Development in Africa (AIDA) are highlighted.

### 3. Current challenges of structural transformation in Mozambique

Structural transformation is the defining characteristic of the development process; it is both the cause and the effect of economic growth. Four quite relentless and interrelated processes define the structural transformation process: (1) a declining share of agriculture in gross domestic product (GDP) and employment, (2) the rapid process of urbanization as people migrate from rural to urban areas, (3) the rise of a modern industrial and service economy, and (4) a demographic transition from high to low rates of births and deaths. (Timmer et al, 2012).

Mozambique approved the National Development Strategy (ENDE) 2015-2035, which defines rising the population's living conditions as the ultimate goal through the structural transformation of the economy, expansion and diversification of the productive base.

A World Bank Report reached<sup>2</sup> at three main findings current trends in the ongoing structural transformation in Sub-Saharan Africa (SSA): (i) The structural transformation is occurring more slowly, and is much less variable across countries, than prevailing estimates suggest. (ii) There is a weak relationship between initial agricultural employment shares and the pace of transformation, suggesting little convergence across regions. (iii) Movement out of agricultural employment is clearly, but only modestly, correlated with poverty reduction.

Balchin et al, 2017 concluded that “however, while Mozambique’s gross domestic product (GDP) has grown annually by 5-7 per cent in real terms over the past decade, this has not been accompanied by structural change or sufficient job creation. Mozambique has not developed

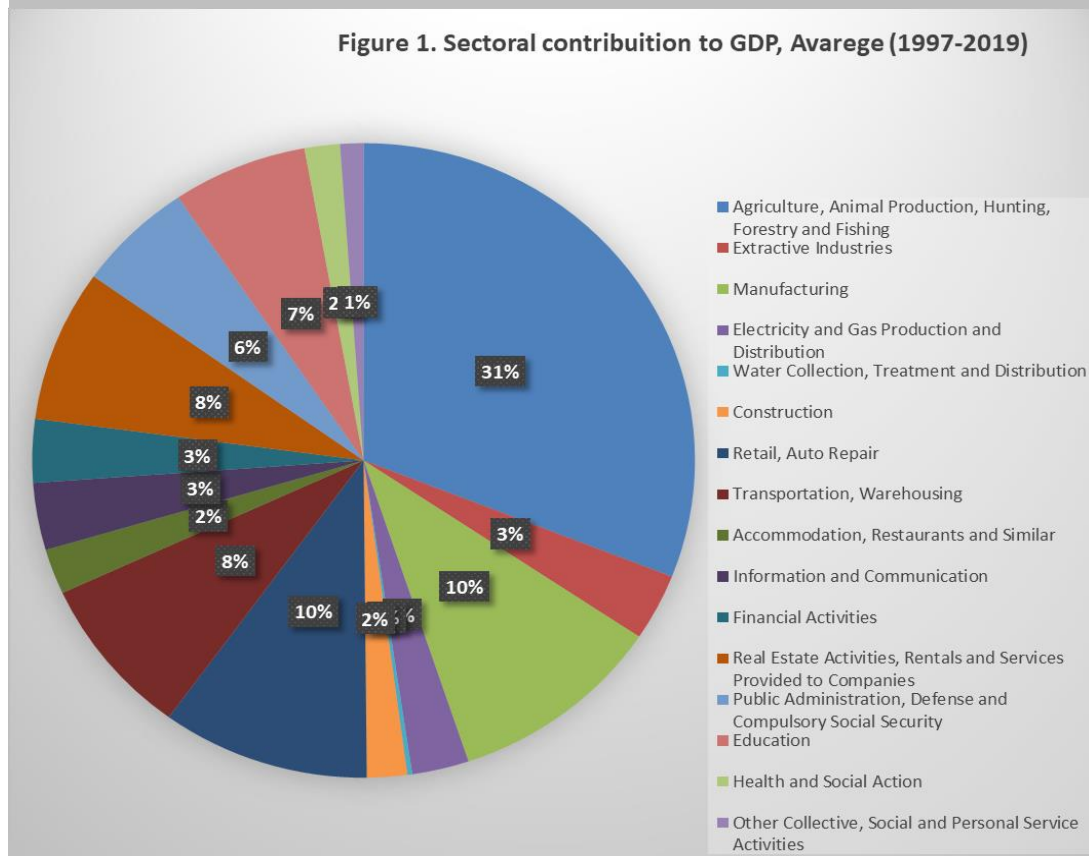
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<sup>2</sup> Structural Transformation in Sub-Saharan Africa, Note prepared by Sub-Saharan Africa Team for Statistical Development Poverty and Equity Global Practice, World Bank, July 2019.

structurally, evident in the limited structural transformation of the economy from agriculture into industry”.

Data’s from The National Institute of Statistics (INE)<sup>3</sup> indicate that the country had an average annual GDP growth of 7 per cent in the last 23 years (1997-2019), having contributed heavily the share of agriculture (31 per cent), manufacturing industry (10 per cent) and trade (10 per cent). (Fig.1)

Figure 1. Sectoral contribution to Figure 1 GDP, Average (1997-2019)



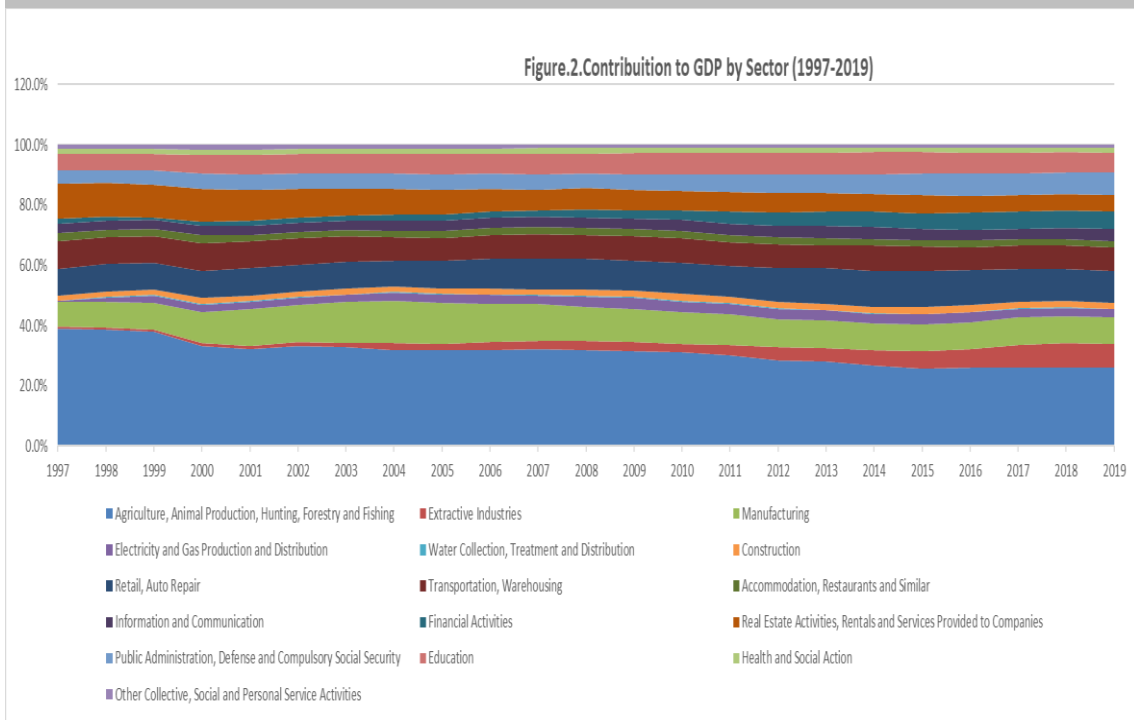
Source: INE (2020) with averages calculated by author. 14

The contribution of agriculture showed a reduction in its contribution from 37.8 per cent in 1997 to 26.8 per cent in 2014, a year from which it remained constant until 2019.

The manufacturing industry recorded a growth in its contribution from 8.4 per cent in 1997 to 14.2 per cent in 2004, having since this year reduced to 9.4 in 2012 and from there maintained a constant contribution of around 9 per cent until 2019 (Fig.2).

<sup>3</sup> <http://www.ine.gov.mz/estatisticas/estatisticas-economicas/contas-nacionais/anuais-1/pib-na-optica-de-producao/pib-na-optica-de-producao-2020/view>

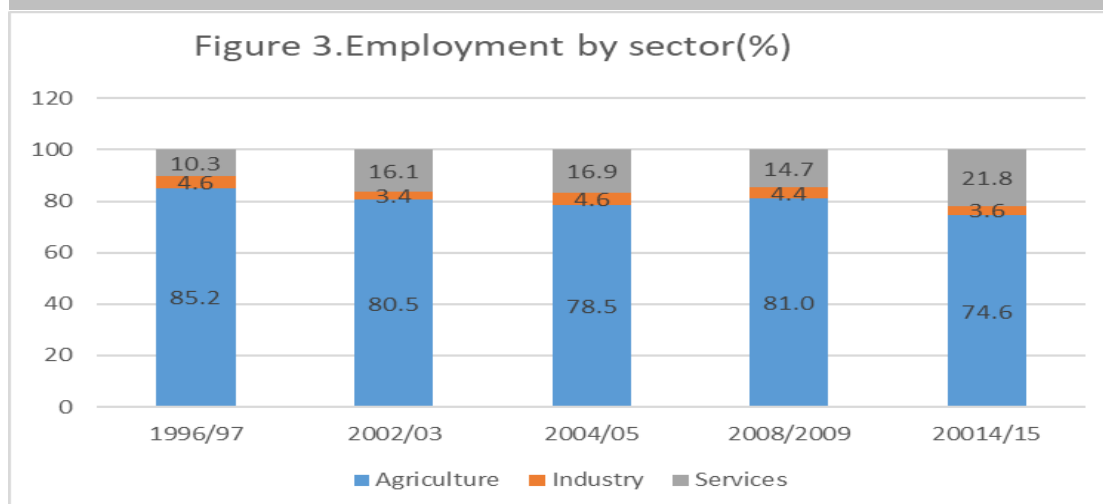
**Figure 2. Contribution to GDP by Sector (1997-2019)**



**Source:** INE (2020).

Regarding the contribution of employment by sectors, based on the distribution of the economically active population, the figure. 3 below shows the domain of agriculture, followed by services.

Industry has shown steadiness over time, with the slight reduction in the contribution of employment in agriculture shifting to services.

**Figure 3. Employment by sector ( per cent)**

**Source:** INE<sup>4</sup>, with the sectoral aggregations calculated by author.<sup>5</sup>

From the data observed both from the behaviour of the sectors' contribution to GDP as well as from employment, with modest variations and constancy for industry and considering on the other hand the potential of mineral and agrarian resources that the country has, one of the great challenges is sustainable exploitation of these, ensuring its transformation and adding value in the national territory, thus diversifying production both for export as well as for the local market. The link between mega projects linked to the exploitation of mineral resources (gas, coal, limestone, among others) as well as the transformation of them, with Small and Medium Enterprises is also an important challenge to catapult them and contribute greatly to increase employment.

Other challenges for structural transformation can be summarized in: quality of infrastructure (water, energy, access roads); workforce qualification; accessibility and financing costs; institutional coordination and attractiveness of the tax system.

From the analysis made to the Maps "Expenditure of the economic and social sectors" of the State Budget for the years 2016 to 2019 where one of the sectors of great impact for the structural transformation that is industry and trade (of which the manufacturing industry is part) launches a challenge of the need to allocate the budget to this sector to have some significance and to reach a percentage that justifies that it should appear in the referred maps (list include 8 sectors).

<sup>4</sup> <http://www.ine.gov.mz/operacoes-estatisticas/inqueritos>

<sup>5</sup> Coughlin, P. (2015) for 1996/1997 datas



## 4. Discussion and conclusion on the way forward (promising new policy measures)

The history of industrial policy in independent Mozambique shows some constancy and similarity in the a) objectives: enhancement of natural resources, balance of trade balance with increased exports and reduced imports, increased employment with a focus on labour-intensive industries; in b) priority industries: food industry and agro-industry, textiles, clothing and footwear, metalworking/manufacturing of metal products; in the c) pillars/vectors: development of infrastructures, protection and incentives to the national industry, financing of the industry.

Another fact observed in the development of industrial policies in Mozambique is the mixed model of industrial policy, the vertical (specific sectors, subsidies, public participation, etc.) and horizontal (investments in infrastructure, tax, legal and regulatory environment favourable to investment).

In the most recent policies, the focus on simplifying procedures and improving the business environment was evident, culminating in the establishment of a consistent public-private dialogue mechanism, where the Government and the Private Sector discuss matters from the provincial level, through the national level at the level of directors, ministers (quarterly), Prime Minister (half-yearly) and President with the holding of the Annual Private Sector Conferences (CASP).

Although the objectives, priority and pillars referred above are fundamental and the basis for the achievement of structural transformation, the non-effective implementation of industrial policies did not allow for considerable transformations translated in some periods by a slight reduction in the contribution of both GDP and agricultural employment and some constancy/maintenance of the manufacturing industry in recent years.

Interventions from the point of view of financing from both the public and private sectors, cooperation partners as well as NGOs, aimed at supporting the development of the manufacturing industry, have proved to be insignificant when compared to other economic and even social sectors (not listed) of the first 8 sectors in the table "Expenditure in Economic and Social Sectors from 2016 to 2020"<sup>6</sup> that for the public sector case culminated in the creation of funds such as: Agrarian Development, Fisheries Promotion, Housing Promotion, Environment Fund, Sustainable Development Fund, Transport and Communications Development Fund, National Research Fund, among others.

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<sup>6</sup> Tables from Government Budget Document from 2016 a 2019.

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As recommended paths to follow is the full implementation of the different national strategies such as ENDE and sectoral and transversal strategies such as the cases of the Industrial Policy and Strategy and Action Plan for the Improvement of the Business Environment, with emphasis on:

- a) Institutional coordination: strengthen the Public-Private Dialogue mechanism with the framing of issues related to industrial development in the current structure;
  - b) Financing: (i) providing resources to the public sector responsible for industrial development; (ii) operationalize the MOU (MIC, BNI, CTA) to establish a specific line of financing for the industry; (iii) cooperation and development partners need substantial interventions to support industrial development;
  - c) Business linkages: although the law of local content is in the works, the industry itself must create mechanisms to interlink, being membership/establishment and / or strengthening of economic associations is extremely important;
  - d) Development of Industrial parks and Free Zones and Special Economic Zones as a means of attracting investment, improving industrial competitiveness, promoting technological development, increasing and diversifying exports and increasing employment: (i) expanding the legal regime for industrial parks; (ii) public investment in basic infrastructure; (iii) Public-Private partnerships for development;
  - e) Innovation, technology, research and development: strengthen the linkage between the public sectors responsible for science and technology and industry, including industry and teaching and research institutions;
  - f) Improvement of the business environment: (i) simplification of procedures for opening companies; (ii) review of the tax regime; (iii) improving the availability of information about the business environment; (iv) facilitation of investment and market access; (v) reduction in production costs.
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