COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN MOZAMBIQUE

A study conducted by the World Bank Group in partnership with SIDA

Summary

June 2021

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CONTENTS


STAFF

A BRIEF OVERVIEW

The Country Private Sector Diagnostic (CPSD) is a joint IFC-World Bank diagnostic that aims to make concrete recommendations for crowding-in private sector investment and financing in client countries. The CPSD analyzes the country context, including the state of the private sector, and identifies cross-cutting as well as sector-specific opportunities and constraints.

The analysis presented in the Mozambique CPSD will feed into various upcoming World Bank Group (WBG) engagement reports for the country, including the IFC country strategy and the WBG Systematic Country Diagnostic (SCD). Similarly, it is expected that the CPSD will be of interest to the government, the private sector, and other development partners. Policy makers in Mozambique can take advantage of the CPSD to undertake reforms for improving the opportunities for private sector investment in priority economic sectors.

The CPSD seeks to provide answers to the main development questions for private sector development in Mozambique, including which traded sectors, beyond extractives, have the most potential to drive growth and productive employment, and what reforms are needed to support this change.

In this context, a set of (a) sectors and (b) cross-cutting issues are analyzed to provide an in-depth understanding of what is needed to promote private sector development and economic impact. The criteria for selection of these sectors and issues included their potential for affecting poverty, jobs,[1] and growth[2] and for achieving reforms within a reasonable timeframe. As part of the diagnostic, the team held extensive discussions with the public and private sectors of Mozambique.[3] The results indicate that Mozambique should pursue the following:

- Immediate opportunities in upstream linkages to extractives, agribusiness, niches of tourism (for post-COVID-19), and housing construction
- Medium-term opportunities in transport and logistics and in energy
- Long-term opportunities in downstream linkages to extractives, the financial sector, forestry, and fisheries

The CPSD also highlights the need for Mozambique to address key cross-cutting constraints to better position itself to capitalize on these opportunities, outlined in table 1.

TABLE 1. SECTORS AND CROSS-CUTTING ISSUES ANALYZED IN THE MOZAMBIQUE CPSD

SECTORS	CROSS-CUTTING ISSUES
1 - Upstream linkages to megaprojects	1- Skills
2 – Agribusiness	2- Investment policy and promotion
3 – Tourism	3- Market and competition policy
4 – Housing construction	Other cross-cutting issues: regulatory environment and trade policy, governance, labor regulations, access to finance and to land, the macrofiscal scenario, and infrastructure.
5 – Connectivity: Transport and logistics	
6 – Energy	
Other sectors with potential: downstream linkages to extractives, the financial sector, forestry, and fisheries	

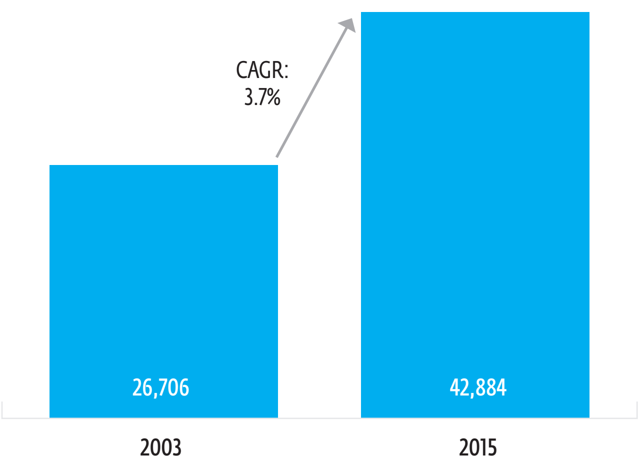
One of the key priorities of the government in its five-year program (2020–24) is to support economic growth, increased productivity, and employment creation. The government of Mozambique would like to develop a more diversified and competitive economy and to intensify the productive sectors with the potential to increase income generation and create more job opportunities, especially for youth. The critical sectors of focus in the five-year program include agribusiness, fisheries, tourism, infrastructure-related sectors, and extractives, including linkages to these opportunities. The significant alignment of timing between the CPSD and the government plan presents an excellent opportunity to develop an effective agenda of reforms and programs.

I. COUNTRY CONTEXT AND THE STATE OF THE PRIVATE SECTOR

Mozambique is a low-income country of 29.6 million people located in Southeastern Africa. Mozambique has a gross domestic product (GDP) of approximately US$12 billion and a GDP per capita of US$ 417, which is among the lowest in the world. Poverty is high, at 48.4 percent in 2015, albeit lower than the 58.7 percent rate in 2009.[4] Even under declining poverty rates, the total number of people living in poverty grew as population growth outpaced GDP growth. Mozambique has one of the highest total fertility rates in Sub-Saharan Africa, and the population is expected to grow to 50 million people by 2050. Given this scenario, the country needs rapid solutions for more and better jobs.

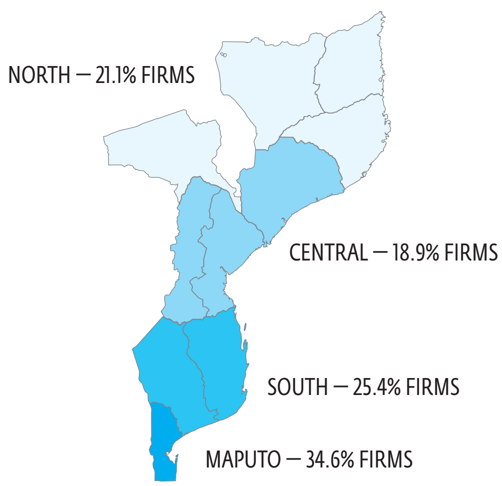
Mozambique's private sector mostly comprises informal, small-scale enterprises. Given the country's vastness, the population is scattered, with very limited agglomeration centers beyond the capital city and two other major cities. The informal sector represents about 90 percent of the enterprises in Mozambique,[5] but only 31 percent of GDP.[6] The number of formal sector firms has been increasing, albeit at a slow pace, and there are currently fewer than 50,000 companies. Three-quarters of these formal firms are microenterprises, employing fewer than five people, while only 2 percent of firms employ over 100 workers. Firms in the formal sector are also relatively new, with 50 percent of the microenterprises being only six years old or less (figures 1 and figure 2).

FIGURE 1. CHANGE IN NUMBER OF FORMAL SECTOR FIRMS, 2003–15



Source: [INE 2003, 2015] Mozambique Enterprise Census (CEMPRE), 2003 & 2015.
Note: CAGR = compound annual growth rate.

FIGURE 2. FORMAL FIRMS BY REGION, 2015



Source: INE 2015.

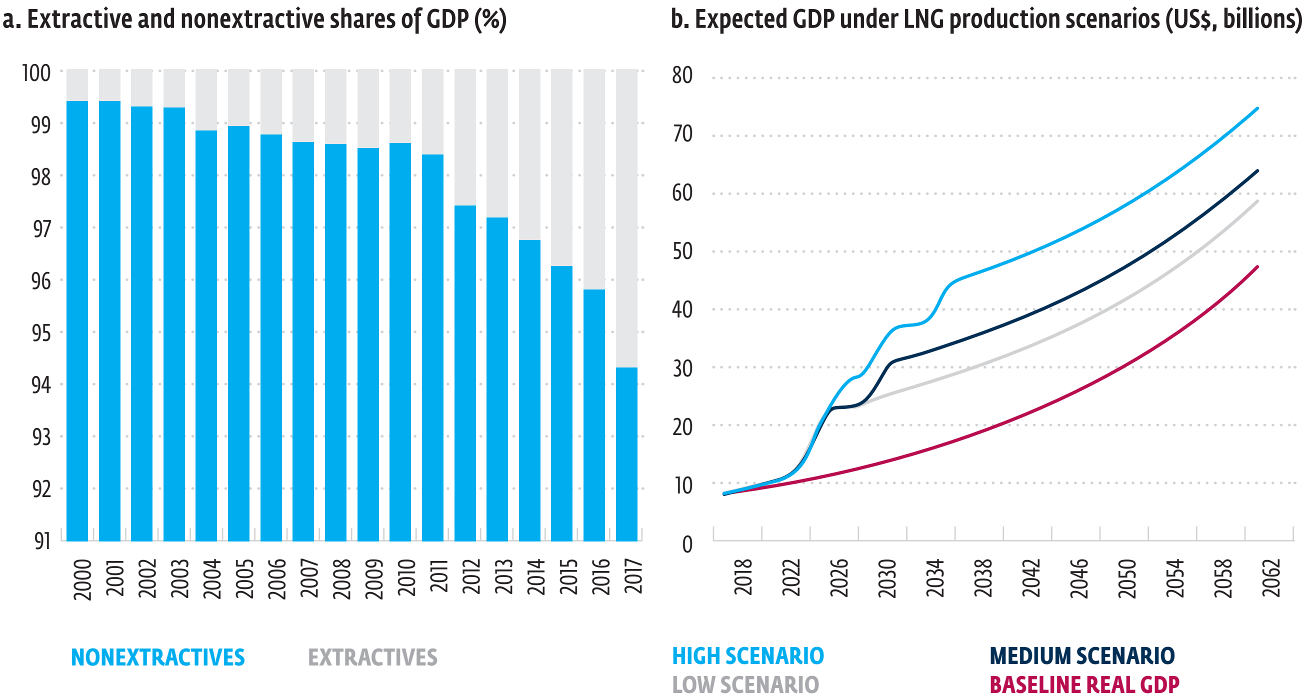
Historically, the country's growth model has been one of dependence on megaprojects, but this has not delivered the required number of productive jobs to meet the needs of a growing population. Despite the large investments in megaprojects flowing into the country over the past 20 years, other sectors remain largely underdeveloped. The economy is dominated by the agricultural sector, employing over 70 percent of the labor force but accounts for only 25 percent of Mozambique's GDP. Services had a marked growth in importance over this period, representing approximately 55 percent of GDP. Manufacturing and extractives split the remaining 20 percent equally.

It is envisaged that the country will experience unprecedent investments. Gas projects are expected to reach over US$60 billion in investments and have the capacity to generate revenues of approximately US$300 billion for the accumulated duration of the projects until 2050. Although the large oil and gas investments can create opportunities for links to the local economy and can have a remarkable development impact in the country, these investments are not expected in themselves to generate enough direct employment opportunities. Hence, effectively using the resources generated by the gas investments and providing further linkages upstream, downstream, and through consumption will be critical.

The gas investments can create 35,000 direct jobs in the peak third year of construction, but that is only a fraction of what is required given the current growth rate of the labor force. An estimated 500,000 young people are expected to join the labor force every year in Mozambique over the period of 2018 to 2050. The working-age population will grow at a rate of 3.9 percent per year, which is greater than the average of 3 percent per year for Sub-Saharan Africa as a whole. This raises the question as to whether spillovers to other sectors or new sectors can absorb the growing labor force needs.[7] Another important question to ask is how the resources generated from gas can best be used.

Realizing the full potential of these large oil and gas investments will require a shift in Mozambique's development strategy to date. The likely windfall from natural gas and mineral resources presents both an opportunity and a challenge. Although expectations are high, there is fear of replicating a noninclusive model of economic growth, with enclave development of industrial investments, while the rest of the economy remains underdeveloped (figure 3). Economic and social unrest are evident in some parts of the country, and without a concerted effort to create jobs and develop the economy as a whole, there is a high potential for escalation.

FIGURE 3. CONTRIBUTION OF A INDUSTRIES TO GDP GROWTH, 2000–17

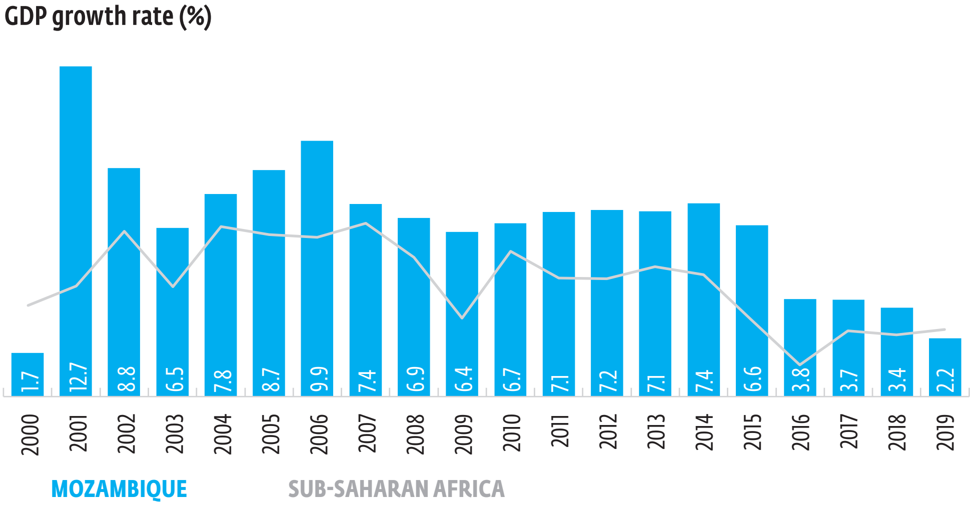


Source: World Bank.
Note: GDP = gross domestic product; LNG = liquefied natural gas.

The country's pace of GDP growth has been falling. The average economic growth of 3.3 percent between 2016 and 2019 was down from an average of 7.9 percent over the preceding 15 years. The impact of lower commodity prices and a decline in foreign direct investment (FDI) and donor support preceded disastrous events for the country (figure 4).

In 2016, there was a significant loss of confidence following the sovereign debt default. Following the discovery of US$1.4 billion in previously undisclosed public debt, Mozambique faced dramatic consequences in the macroeconomic and fiscal environment. The hidden debt crisis compounded the previous challenges and precipitated a fall in private demand, especially for services, which was a key driver of growth in prior years. This triggered further fiscal constraints and apprehension from development partners.

FIGURE 4. GDP GROWTH IN MOZAMBIQUE AND SUB-SAHARAN AFRICA, 2000–19



Source: Mozambique National Institute of Statistics and World Bank data.
Note: GDP = gross domestic product.

Since 2017, the Cabo Delgado Province has suffered violence, linked to Islamic-inspired extremist ideology. The first attack happened in October 2017, when the insurgent group hit several police stations, government officials, and residents in the town of Mocímboa da Praia. Such attacks, during which entire villages have been burned, are becoming more frequent and visible, resulting in the displacement of thousands of people and in hundreds of casualties, including members of the security forces.

In 2019, two devastating cyclones hit the country, destroying physical infrastructure, disrupting economic activities, and taking a toll on human lives. Around 1.7 million people were affected by Tropical Cyclone Idai in Sofala, Manica, and Zambezia, especially the poor. Cyclone Kenneth affected around 250,000 people in Cabo Delgado. Idai was the deadliest storm to have reached the country in the past 30 years.[8] Both events destroyed and damaged houses, businesses, and core infrastructure, with losses amounting to US$3 billion.

The COVID-19 crisis has a significant impact on the Mozambique economy. Mozambique, along with the rest of the world, is now facing another emergency situation with the coronavirus outbreak. The immediate economic impacts include the postponement of the investment decision for one of the most important gas projects, cancellation of all tourism bookings, closing of restaurants, shortages in the supply of food items for informal markets (with the closing of borders), and disruptions in export-oriented sectors such as agribusiness, fisheries, and coal, with lower demand and declining commodity prices. Other sectors that are suffering include personal services, financial services, construction, transport, and real estate, among others.

The Mozambique CPSD is therefore timely as the country explores opportunities for increasing diversification, building a broader base for growth, and creating employment. In a context of fragility, Mozambique must adjust its growth model to reduce poverty and prioritize private sector investment and development.

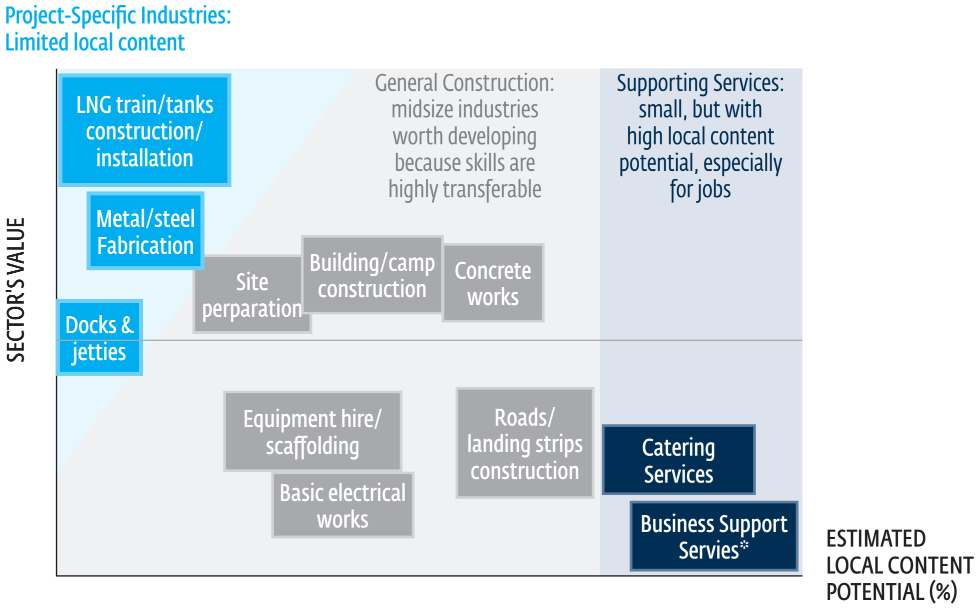
2. DRIVERS OF PRIVATE SECTOR–LED GROWTH

The sector and cross-cutting analyses for the CPSD provide a rich agenda of recommendations. Generally, the study suggests (a) exploring growing markets (including linkages to extractives, agribusiness, tourism, and housing construction) and (b) leveraging on the country's rich natural resources (sustaining forestry, fisheries, and also nature-based tourism), while (c) developing further the enabling transport, energy, and financial sectors.

A. UPSTREAM LINKAGES TO MEGAPROJECTS

A critical path to Mozambique's economic development is generally understood to involve increasing the local capture of upstream linkages to megaprojects. Opportunities for the private sector to serve these markets could be as high as US$8 billion. The main opportunities are in food supply, including agro-industries like horticultures, poultry, and cattle, and catering services; construction services such as site preparation, basic electrical work, and concrete work; and support services, including security services, cleaning services, waste management services, transport services, storage services, and utilities (figure 5).

FIGURE 5. SECTORS WITH MOST POTENTIAL FOR LOCAL CONTENT IN RELATION TO SIZE OF MARKET



Source: Adapted from World Bank Group's analysis of the LNG industry demand and supply in Tanzania , 2014.
Note: LNG = liquefied natural gas.
* Includes five industries: security; cleaning; landscaping services; temporary employment agencies; and passenger transport services.

The CPSD studies the main issues in developing within the sectors opportunities for upstream linkages and puts forward various recommendations. The constraints include the weaknesses in managerial and worker skills, the lack of depth in delivery capacity, gaps in quality standards, information gaps, challenges in mining and gas investments that can lead to further delays, instability in Cabo Delgado, and the uncertainty in regulations. In addition, these potential suppliers also face the broad cross-cutting constraints in the country, including issues regarding access to finance, regulatory environment, land, and infrastructure.

To address the constraints in upstream linkages, the CPSD presents recommendations in four areas: (a) conflict and fragility; (b) institutional and regulatory factors; (c) access to skills, quality, and finance; and (d) access to markets (table 2). In the first area, the CPSD points out the importance of tackling the security situation in Cabo Delgado. In the second area, the CPSD recommends developing a shared vision for local content among key stakeholders, and strengthening the investment policy and promotion. In the area of access to skills, quality, and finance, the CPSD recommends capacity-building efforts with the involvement of the megaproject companies, partnerships with foreign investments for transferring knowledge, measures to improve the quality of Mozambique's infrastructure, and trade finance solutions. Finally, to expand access to markets, the CPSD recommends coordinated efforts for a database of local contractors, a small and medium enterprise (SME) support platform that draws on the lessons from the Mozlink experience, and other opportunities for local markets, including in public procurement.

TABLE 2. RECOMMENDATIONS FOR PUBLIC AND PRIVATE ACTIONS TO DEVELOP LOCAL CONTENT LINKAGES

PROBLEM	RECOMMENDATION	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 1: Conflict and fragility			
Fragility of north and center areas, resulting in linkages that are often not inclusive	Combine interventions in infrastructure and livelihoods development that can integrate communities with the opportunities economic linkages.	High/Medium	MEF, MIC, MADER, MOPHRH
Area 2: Institutional and regulatory			
Local content that creates high expectations but often ends up being disappointing	Develop a shared vision for local content in Mozambique by improving transparency and reducing information asymmetry. Various government, private sector, and development community partners would need to be involved in this coordination.	High/Medium	MEF, MIC, MADER
Limited investment in nonextractive sectors	Strengthen investment policy, including updating investment law and investment promotion capacity.	Medium/ Medium	MIC, APIEX
Area 3: Access to skills, quality, and finance			
Skills gaps affecting opportunities for economic links	Provide sector- and firm-level capacity building where the lead company demonstrates active support. Include support for changing the entrepreneurial mindset, improving processes, and strengthening the skills of the workforce. Training should be customized for women-led firms.	Medium/High	MIC, IPEME, SEJE, regional development agencies (ADVZ, ADIN)
Limited experience in supplying to the extractives sector, which has stringent quality, quantity, and delivery requirements	Facilitate and promote partnerships of local firms that have international capabilities to expand the skills and training to the local firms. Business-to-business matching systems or insourcing knowledge in firms should be pursued.	High/Medium	MIC, IPEME, SEJE, regional development agencies (ADVZ, ADIN)
Quality standards of SMEs not on par with the needs of the extractives sector	Improve Mozambique's quality infrastructure. Strengthen the regulatory and institutional framework for quality standard. Develop a national quality policy; support the development of quality ICT infrastructure; provide technical assistance to firms for upgrading quality standards before certification; and provide support to requests for certification of firms in targeted sectors.	Medium/ Medium	MIC, INNOQ
Access to finance	Increase availability of finance for SMEs in order to meet quality or quantity requirements of large contractors. Alternative mechanisms to increase access to finance include matching grants, support to developing private equity mechanisms, and easier-to-implement trade finance solutions.	High/Medium	MIC, MEF, Banco de Moçambique, regional development agencies (ADVZ, ADIN)

PROBLEM	RECOMMENDATION	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 4: Access to markets			
High costs of searching and screening for quality suppliers	Coordinate efforts for a comprehensive database of local contractors and competences to facilitate procurement.	Medium/ Medium	MIC, MIREME
SMEs with challenges in connecting to linkage opportunities	Create an SME support platform that draws on the lessons from the Mozlink experience. An SME support platform could deliver expert support to high-potential firms. Establish expert desks.	High/Medium	MIC, MIREME
Need to develop alternative potential markets	Establish other opportunities for local markets including linking in public procurement. Promote increased transparency in bidding processes, improve procurement systems in pilot agencies, and provide trainings to micro, small, and medium enterprises in better identifying the opportunities.	Medium/Low	MIC, MEF

Note: ADIN = Development Agency for the North (Agência do Desenvolvimento Integrado do Norte); ADVZ = Zambezi Valley Development Agency (Agência de Desenvolvimento do Vale do Zambeze); APIEX = Investment and Exports Promotion Agency (Agência de Promoção de Investimento e Exportações); ICT = information and communication technology; INNOQ = National Institute of Standardization and Quality (Instituto Nacional de Normalização e Qualidade); IPEME = Institute for Promotion of Small and Medium Enterprises (Instituto para a Promoção das Pequenas e Médias Empresas); MADER = Ministry of Agriculture and Rural Development (Ministério da Agricultura e Desenvolvimento Rural); MEF = Ministry of Economy and Finance (Ministério da Economia e Finanças); MIC = Ministry of Industry and Commerce (Ministério da Industria e Comércio); MIREME = Ministry of Mineral Resources and Energy (Ministério dos Recursos Minerais e Energia); MOPHRH = Ministry of Public Works, Housing and Water Resources (Ministério de Obras Públicas, Habitação e Recursos Hidricos); SEJE = Secretary of State for Youth and Employment (Secretaria de Estado da Juventude e Emprego); SME = small and medium enterprise.

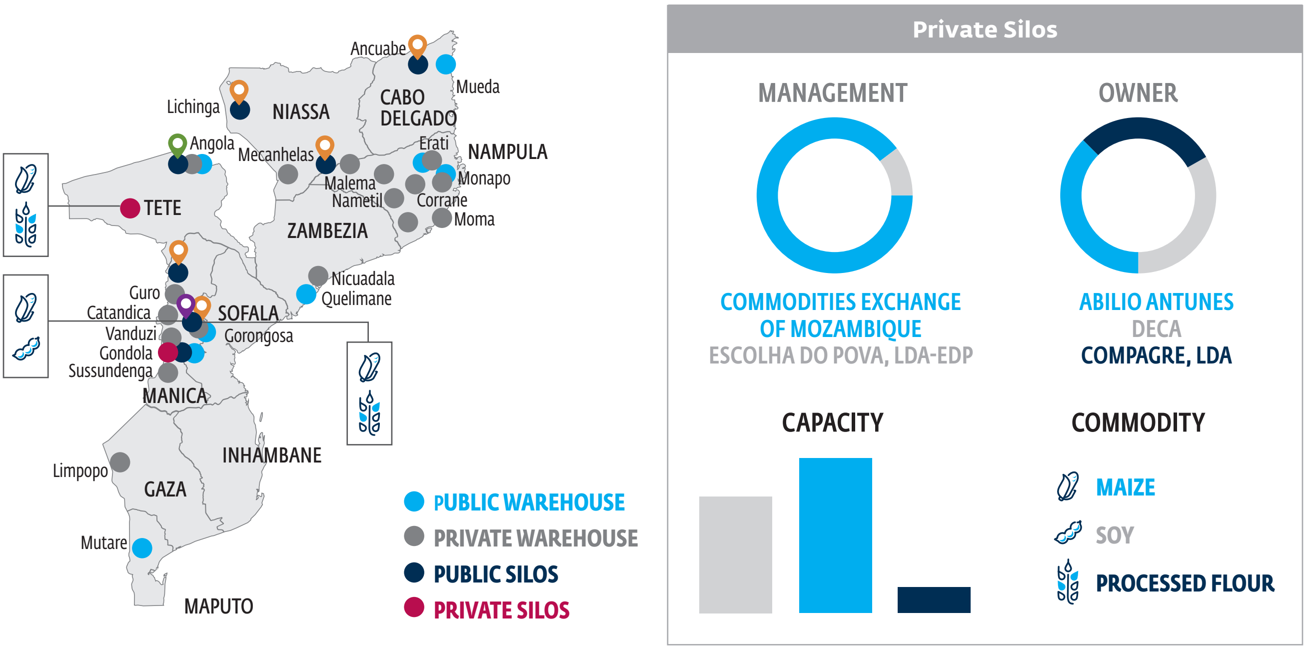
B. AGRIBUSINESS

Agriculture is the most important sector for Mozambique from an employment and social development perspective representing 25 percent of the GDP. It also has strong potential to create value when linked to agro-industries. Currently, agricultural production is largely rain-fed and has one of the lowest yields in cereals in southern Africa. Smallholder production accounts for about 98 percent of the area under production and produces almost all the food crops, such as maize, cassava, rice, and beans. It is characterized by small areas (1.8 hectares on average), low inputs, inadequate equipment, and low yields and returns. Still, there exists a small group of emergent commercial farmers exists who use some agricultural inputs, hire out-of-household labor, and sell their products in local markets.

The challenges in agribusiness have been identified in several analyses. In response to these challenges Mozambique has welcomed various strategies. Most notably, the government, international donors, and various organizations have recently followed three approaches, with pockets of success but also problems in implementation. These approaches include (a) expanding infrastructure, chiefly warehousing capacity and management; (b) supporting emerging farmers through mechanization and extension services; and (iii) developing contract farming.

FIGURE 6. PUBLIC AND PRIVATE WAREHOUSES AND SILOS IN MOZAMBIQUE

Mapping of Public and Private Warehouses in Mozambique



Source: World Bank figure based on government and private sector sources.

The extensive review of approaches and constraints in the agribusiness sector found that the following issues need to be addressed. These include (a) emerging farmers face agronomic and managerial gaps that hamper their ability to run the businesses, aggravated by limited access to finance, including working capital; (b) commercial farming operations are still small in number, and operations typically move slower than business plans; (c) skill gaps are comprehensive and of various degrees; (d) lack of access to power and the high costs of connecting farms are limiting the development of irrigation, on-farm agro-processing, and storage; (e) there are limitations in government-owned and -managed storage facilities; (f) the poor quality of roads and lack of existing cold-chain facilities severely limit access to inputs and markets; and, finally, (g) the institutional support and the organization of programs are not well coordinated and oriented toward addressing the underlying factors of underperformance.

The CPSD highlights the importance of promoting the expansion of contract farming and inclusive business models. Promising value chains include grain and poultry in the Nacala and Beira corridors, fruits and vegetables in Manica and Maputo, and sugar across the country. Cashew nuts and pulses are also export crops with the potential for further production and export. There is a potential to promote several infrastructure projects, including silos, maize mills, rice mills, and irrigation schemes, but transparent processes for awarding contracts are needed. Access to land is a recurring issue for new entrants, especially for emerging farmers needing access to finance. Solutions to expanding knowledge and finance solutions include using fintech solutions. The CPSD recommends supporting Mozambique's Agriculture Service Centers to increase their use and sustainability and contribute to reducing the logistics costs in fresh products. Mozambique needs to develop programs that are sustainable in government budgeting and that can have a medium- to long-term horizon. Coordination across sector actors is key to achieving success.

TABLE 3. RECOMMENDATIONS FOR AGRICULTURAL INVESTMENTS IN MOZAMBIQUE

PROBLEM	RECOMMENDATION	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 1: Warehousing			
Lack of investment in maintenance and lack of use of existing storage facilities	Promote transparent processes to award management contracts for existing warehouse facilities.	Medium/ Medium	MIC
Limited linkages between warehousing and access to finance	Initiate steps of developing cooperatives that can aggregate production around warehousing, using agreements with the financial sector.	Medium/Low	MADER
Area 2: Emerging farmers			
Land issues	Expand land titling processes and planning. Streamline and increase transparency in land registration processes.	High/Low	MITA, MADER, MJ, regional governments
Lack of usage of existing CSAs	Invest in training, both technical and managerial; develop market linkages, such as mapping and aggregating potential demand and off-take; and create access to finance, building on the risk mitigation in skills and markets.	High/ Medium	MADER
Challenges in dealing with common natural disasters	Support disseminating fintech and insurance platforms.	Medium/Low	MADER, MEF, Banco de Moçambique
Limited productivity in main staple crops when compared with other countries in the subregion	Develop and expand research programs for introducing and deploying improved seeds and equipment for farming.	Medium/ Medium	MADER

PROBLEM	RECOMMENDATION	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 3: Contract farming			
Lack of equity and debt markets for medium to large agribusiness investments in targeted value chains	Use public investment alongside private sector investment to create spillovers to other investments and positive externalities on smallholders' income. Focus on sugar, poultry, fruits and vegetables, cotton, cashew nuts, sesame, and pulses.	High/ Medium	MADER, regional agencies (ADVZ, ADIN)
Lack of access to markets	Create linkages between agribusiness and large corporates, such as those in extractives industries, building on quality infrastructure and technology upgrading programs.	High/ Medium	MADER, regional agencies (ADVZ, ADIN), MIC, MIREME
Lack of cold chains	Support public and private investments around cold chain logistics in the Beira corridor, including air freight.	Medium/ Medium	MADER, regional agencies (ADVZ, ADIN)
Area 4: Institutional support and programs			
Lack of sustainable programs that last beyond project and government cycles	Develop programs that are sustainable in government budgeting and that can have a medium to long-term horizon. Do not concentrate government resources in developing policies but be a driver of programs with significant consensus in the sector to remain beyond project cycles.	High/Low	MEF, MIC, MADER, regional agencies (ADVZ, ADIN)
Uncoordinated efforts and strategies hampering success	Promote public-private dialogue and related instruments to support coordination between initiatives, support adequate stock-taking, and drive reforms in targeted value-chains.	High/Low	MEF, MIC, MADER

Note: ADIN = Development Agency for the North (Agência do Desenvolvimento Integrado do Norte); ADVZ = Zambezi Valley Development Agency (Agência de Desenvolvimento do Vale do Zambeze); APIEX = Investment and Exports Promotion Agency (Agência de Promoção de Investimento e Exportações); CSA = Agriculture Services Center (Centros de Serviços Agrários); fintech = financial technology; INNOQ = National Institute of Standardization and Quality (Instituto Nacional de Normalização e Qualidade); IPEME = Institute for Promotion of Small and Medium Enterprises (Instituto para a Promoção das Pequenas e Médias Empresas); MADER = Ministry of Agriculture and Rural Development (Ministério da Agricultura e Desenvolvimento Rural); MEF = Ministry of Economy and Finance (Ministério da Economia e Finanças); MIC = Ministry of Industry and Commerce (Ministério da Industria e Comércio); MJCR = Ministry of Justice, Constitutional and Religious Affairs (Ministério da Justiça, Assuntos Constitucionais e Religiosos); MIREME = Ministry of Mineral Resources and Energy (Ministério dos Recursos Minerais e Energia); MITA = Ministry of Land and Environment (Ministério da Terra e Ambiente).

C. TOURISM

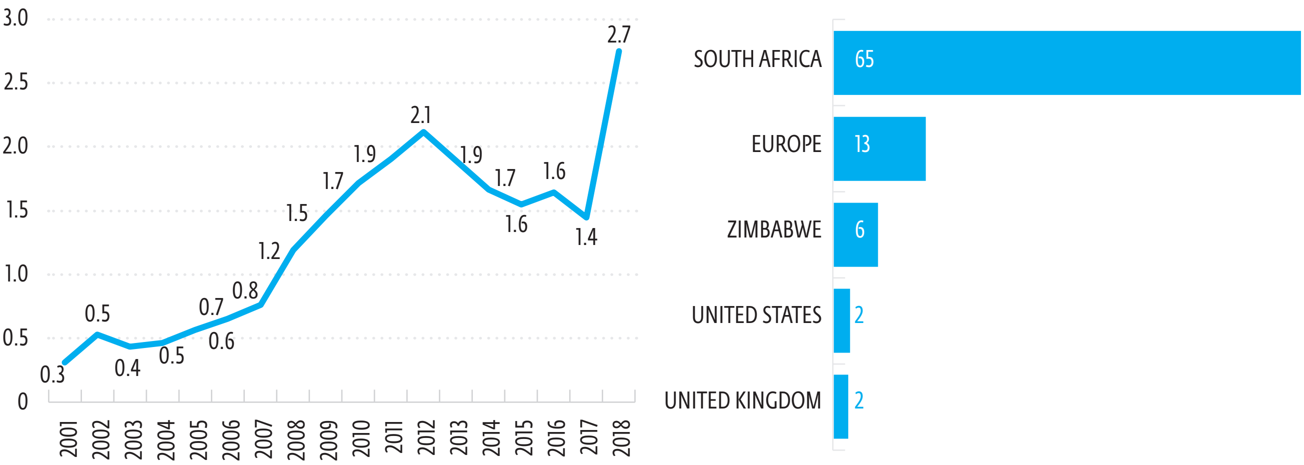
Mozambique has undeniably strong tourism potential, and the government considers tourism a priority sector. Moreover, the government's five-year program (2020–24) recognizes the need to strengthen the capacity and role of tourism for boosting economic growth, productivity, and job creation in both urban and rural communities.[9] Aligned with these strategies, the Strategic Plan for the Development of Tourism in Mozambique (SPDTM II, 2015–24) highlights the need to focus resources on identified Priority Areas for Tourism Investment (PATIs) and to prioritize source markets, products, and places that can increase expenditures in tourism and the overall value created. Although some development is already taking place, especially around the Maputo Special Reserve (Ponta do Ouro node), much remains to be done.

Nature-based tourism holds particular promise. The country's greatest tourism asset lies in its Indian Ocean coastline, which contains numerous stretches of pristine beaches, coral reefs, and prolific marine biodiversity. Whereas the Bazaruto Archipelago National Park and the Quirimbas National Park have been internationally recognized, other high-potential coastal areas remain relatively unexploited. In parallel, the country's extensive network of conservation areas (CA)[10] harbors valuable ecosystems and tourism hot-spots and is increasingly open to tourism investment. In 2019, revenues generated by tourism in CAs amounted to approximately US$2.6 million, up from US$1.6 million in 2017.[11] In the business tourism segment, Maputo City is demonstrating potential for meetings, incentives, conferences, and exhibitions (MICE) tourism.

Most international arrivals come from the region, with seemingly few high-spending, long-haul leisure tourists. In 2017 and 2018, approximately 80 percent of international tourists (overnight and same-day visitors) came from within Africa.[12] Self-catering and lower-spending leisure visitors from neighboring countries (mainly South Africa) make up the bulk of leisure tourism arrivals. The next largest source market was continental Europe, followed by the United States and the United Kingdom (figure 7).

FIGURE 7. INTERNATIONAL TOURISM ARRIVALS AND SOURCES

a. International arrivals to Mozambique | **b. Arrivals by source market, 2018**



Source: UNWTO

Note: Recent performance has been particularly mixed. Mozambique registered 1.45 million international arrivals in 2017, which represented a drop of 11.7 percent from 2012, but it rebounded in 2018 to 2.7 million international arrivals, UN World Tourism Organization, 2020 data.

Short- and medium-term performance of the sector will be heavily affected by the ongoing COVID-19 pandemic. Globally, COVID-19 has been affecting all businesses along the tourism value chain. At the time of writing, in line with other national responses to prevent the spread of the COVID-19 virus, the majority of Mozambique's international airlift has been temporarily reduced or suspended and businesses are increasingly opting to close. Although the extent of the crisis in Mozambique is as yet unknown, the private sector estimates that tourism will be the most affected industry, seeing a 60–80 percent drop in sector performance during the first semester of 2020 alone, and losses of between US$53 million and US$71 million, reflecting around a third of the sector's annual business.[13] As other countries, Mozambique foresees a long and challenging recovery period.

Domestic travel is a large contributor to the economy, and spending is expected to continue growing. The industry could further maximize the potential of domestic travel, which is driven by the middle and upper classes as well as the growing expatriate community. This travel is encouraged through a domestic marketing campaign and offers of discounted rates and packages, especially during the off-peak season. and to take advantage of regional and international travel restrictions imposed by the COVID-19 pandemic.

A number of constraints on both tourism supply and demand are limiting tourism investment and growth. Those include business environment constraints, limited institutional capacity, lack of infrastructure, the high cost of travel, weaknesses in service provision, issues with visas, gaps in skills, and poor marketing and promotion. The CPSD thus urges the sector actors to improve planning, promote investment, and stimulate demand in the areas presented in table 4.

TABLE 4. RECOMMENDATIONS FOR INCREASING TOURISM IN MOZAMBIQUE

PROBLEM	RECOMMENDATIONS	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 1: Improve planning and infrastructure			
Limited institutional capacity	Strengthen cross-sectoral coordination for tourism destination planning and management to ensure an integrated, coherent approach. It is also key to address overlapping functions.	High/Low	MICULTUR, INATUR
Limited capitalization of MICE tourism	Establish a Convention Bureau and related capacities to capitalize on MICE tourism opportunities.	Medium/ Medium	MICULTUR, INATUR, private sector
Weak infrastructure and services (such as road connectivity, water, and electricity)	Develop basic infrastructure to facilitate investment in specific sites. Insufficient infrastructure deters investments and limits the geographical spread of tourism visitation and benefits.	High/Low	MICULTUR, INATUR, ANAC, MOPHRH, MIREME
Area 2: Promote investment			
Limited institutional capacity	Build investment promotion capacity to (a) identify and conduct feasibility studies on potential investment opportunities, (b) package and promote opportunities, (c) evaluate proposals and negotiate contracts, and (d) manage and monitor contracts.	High/ Medium	INATUR, ANAC
Lack of readily available investment opportunities	Develop an inventory of potential investments (such as hotels, resorts, and attractions) and prepare profiles for the most marketable opportunities. Prioritize opportunities for filling the gap in mid-level accommodation.	High/ Medium	INATUR, ANAC
Information and knowledge gaps	Streamline and communicate tourism investment procedures and operational requirements. Using an online information portal will help ease time and cost barriers to entry for potential investors.	High/High	APIEX, INATUR, ANAC
Weak regulatory framework for investment in CAs	Draw up regulations to govern the award and management of tourism concessions in CAs. Despite past attempts to regulate the special license, Mozambique still lacks a complete regulatory framework for facilitating tourism investment in CAs.	Low/Low	ANAC

PROBLEM	RECOMMENDATIONS	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 3: Stimulate demand			
Lack of a coherent visa framework	Communicate destination openness by (a) introducing legal amendments to fill in key gaps and clarify procedures; (b) considering visa waivers for key markets that do not pose significant security threats, as done in a number of other SADC countries; (c) allow cheaper, shorter-stay visas to encourage multidestination regional travel; and (d) creating an e-visa system.	High/High	MICULTUR, MINT, MINEC
Limited air connectivity and high cost	Undertake efforts to improve air connectivity to and within the country, including the removal of barriers for new airline operators and/or routes. Review existing aviation-related fees, charges, and taxes.	Low/Low	MICULTUR, civil aviation
Limited regional and international travel	Boost domestic tourism by offering reduced airfares during off-peak seasons or as part of lower-cost packages. Targeting of domestic travel is particularly relevant now and in the post-COVID-19 phase as international travel will be slower to rebound.	High/ Medium	MICULTUR, INATUR, LAM, private sector
Limited visibility	Create an online one-stop shop to provide information to attract and inform potential tourists. Such a portal would also serve to disseminate messages in response to crises or negative media coverage.	Medium/ High	MICULTUR, INATUR
Area 4: Strengthen the value chain			
Lack of access to markets	Promote links between the hospitality industry and local producers to increase their integration into the tourism value chain and reduce reliance on imports.	High/ Medium	MICULTUR, MADER, MIC
Skills gaps and low service quality	Better identify the human resource needs of private sector operators and subsequently address them by revising curricula and increasing the coherence of standards in TVET programs.	High/ Medium	MICULTUR, INATUR, MCTESEP, SEJE, private sector

Note: Currently, citizens of nine Southern Africa Development Community countries do not require tourism visas for visiting Mozambique up to 90 days. These include all of its neighboring countries (Eswatini, Malawi, South Africa, Tanzania, Zambia, and Zimbabwe), as well as Angola, Botswana, and Mauritius (30 days). ANAC = National Administration of Conservation Areas (Administração Nacional das Áreas de Conservação); APIEX = Investment and Exports Promotion Agency (Agência de Promoção de Investimento e Exportações); CA = conservation area; INATUR = National Tourism Institute (Instituto Nacional do Turismo), body mandated to promote investment in tourism interest zones (ZITs); MADER = Ministry of Agriculture and Rural Development (Ministério da Agricultura e Desenvolvimento Rural); MCTESEP = Ministry of Science and Technology, Higher, Technical and Professional Education (Ministério da Ciência e Tecnologia, Ensino Superior e Técnico Profissional); MIC = Ministry of Industry and Commerce (Ministério da Industria e Comércio); MICE = meetings, incentives, conferences, and exhibitions; MICULTUR = Ministry of Culture and Tourism (Ministério da Cultura e Turismo); MINT = Ministry of Interior (Ministério do Interior); MINEC = Ministry of Foreign Affairs and Cooperation (Ministério dos Negócios Estrangeiros e Cooperação); MIREME = Ministry of Mineral Resources and Energy (Ministério dos Recursos Minerais e Energia); MOPHRH = Ministry of Public Works, Housing and Water Resources (Ministério de Obras Públicas, Habitação e Recursos Hidricos); SADC = Southern Africa Development Community; SEJE = Secretary of State for Youth and Employment (Secretaria de Estado da Juventude e Emprego); TVET = technical and vocational education and training.

D. HOUSING CONSTRUCTION

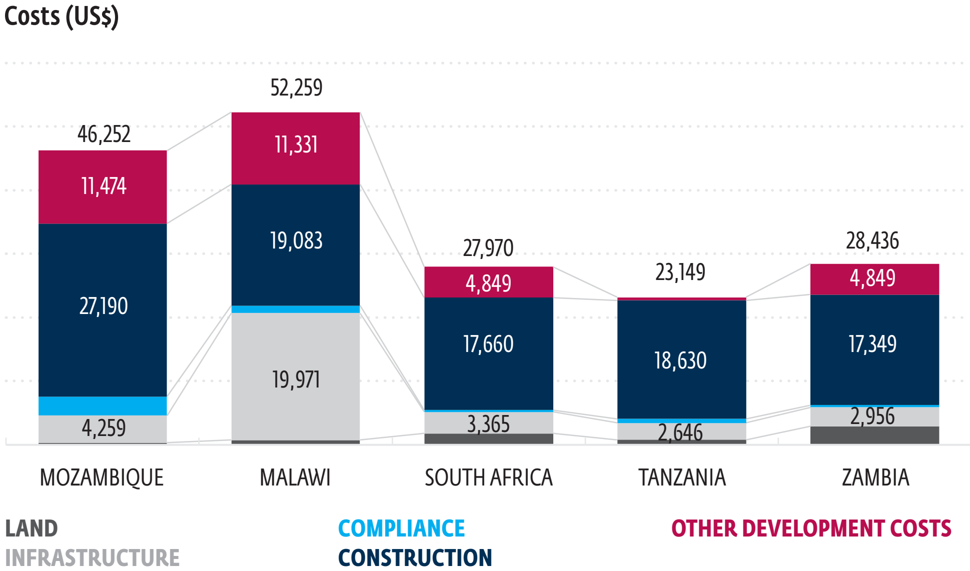
Formal housing is still out of reach for most Mozambicans. Using the ratio of house prices to income, there is a limited availability of formal housing that is affordable for most people. Therefore, most of the population in Mozambique lives in informal housing that is typically self-built using materials that are extracted from the surrounding areas.

The costs of construction are driving the higher costs of housing in Mozambique. When the overall cost of housing is broken down into subcomponents, the main differences from other African countries are in the costs of construction, compliance, and other construction costs. For construction, the largest contributors to the costs are materials. Other costs, such as for financing, are also significantly higher in Mozambique than for regional peers. In addition, land rights are complex to obtain (figure 8).

Although the housing market situation in Mozambique presents great difficulties, the existing housing deficit presents a great opportunity for the private sector. A total of 13.5 million additional housing units are needed by 2050 to accommodate population growth, replace inadequate units, and reduce overcrowding. The growing demand for housing means an equally growing demand for construction materials. Considering the availability of raw materials near consumption areas, and the fact that technology is easily accessible, the space for growing the market is substantial.

More specifically, there is an opportunity for private investment in the manufacture of some of these secondary materials, provided it can be done with acceptable quality and at competitive prices. The availability of raw material inputs points to the following construction materials subsegments as having the greatest possibilities for private sector participation: (a) cement (it is already produced locally mainly from clinker, which is an imported intermediate product); (b) materials produced from cement, for example, blocks; (c) ceramics; and (d) products derived from wood. These products represent almost 35 percent of the cost of materials in a house.

FIGURE 8. HOUSING CONSTRUCTION COSTS IN MOZAMBIQUE AND SELECTED AFRICAN COUNTRIES



Source: CAHF (Centre for Affordable Housing Finance in Africa). "Benchmarking Housing Construction Costs across Africa: Using CAHF's Housing Cost Benchmarking Methodology to Analyse Housing Costs in Fifteen African Countries" (CAHF, Johannesburg, May 2019).

To capitalize on these opportunities, Mozambique must tackle the underlying issues driving the high cost of construction, compliance, and financing of housing. The CPSD recommends tackling the land titling and registration systems, the legislation related to permits and building codes, the coordination between the institutions that govern and promote housing in Mozambique, the assessment of opportunities for public-private partnerships (PPPs), skills development programs, and targeted interventions in growth segments such as processed materials (table 5). The government is seeking to address some of these issues in the Policy and Strategy of Living Places, but significant work remains.

TABLE 5. RECOMMENDATIONS FOR ADDRESSING POLICY CONSTRAINTS IN SUPPLIES OF AFFORDABLE HOUSING IN MOZAMBIQUE

PROBLEM	RECOMMENDATIONS	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 1: Weak enabling environment			
Inefficiencies in land titling and registration	Address the land titling and registration systems to create greater legal certainty. The time and difficulty related to land titling and registration systems add to the cost of credit and disincentivize private investment. There is a need to improve coordination between central, provincial, and municipal institutions and increase technological resources.	High/Low	MITA, regional governments, municipalities
Weak legal framework	Improve legislation related to construction permits and building codes. Some of the legislation must be reviewed and adapted to the reality of the country. In addition, enforcement of regulations must be improved.	High/Low	MOPHRH, municipalities
Limited institutional capacity	Promote the development of PPPs for housing construction in specific locations, to address public objectives of expanding social housing but also to leverage other companies' resources in investments. It is also important to improve coordination between the institutions that govern housing, including redefining the role of the FFH.	Medium/ Medium	MOPHRH, FFH
Area 2: Limited skills and technical know-how			
Skill gaps	Enhance the quality and quantity of the workforce. to achieve these aims, align the TVET programs with the needs of the construction and building materials industries. The strengthening of technical education institutions for the training of artisans not only will expand the availability of labor for the private sector, but also will generate job opportunities and improve quality and cost of self-construction.	High/ Medium	MOPHRH, MCTESEP, SEJE, private sector

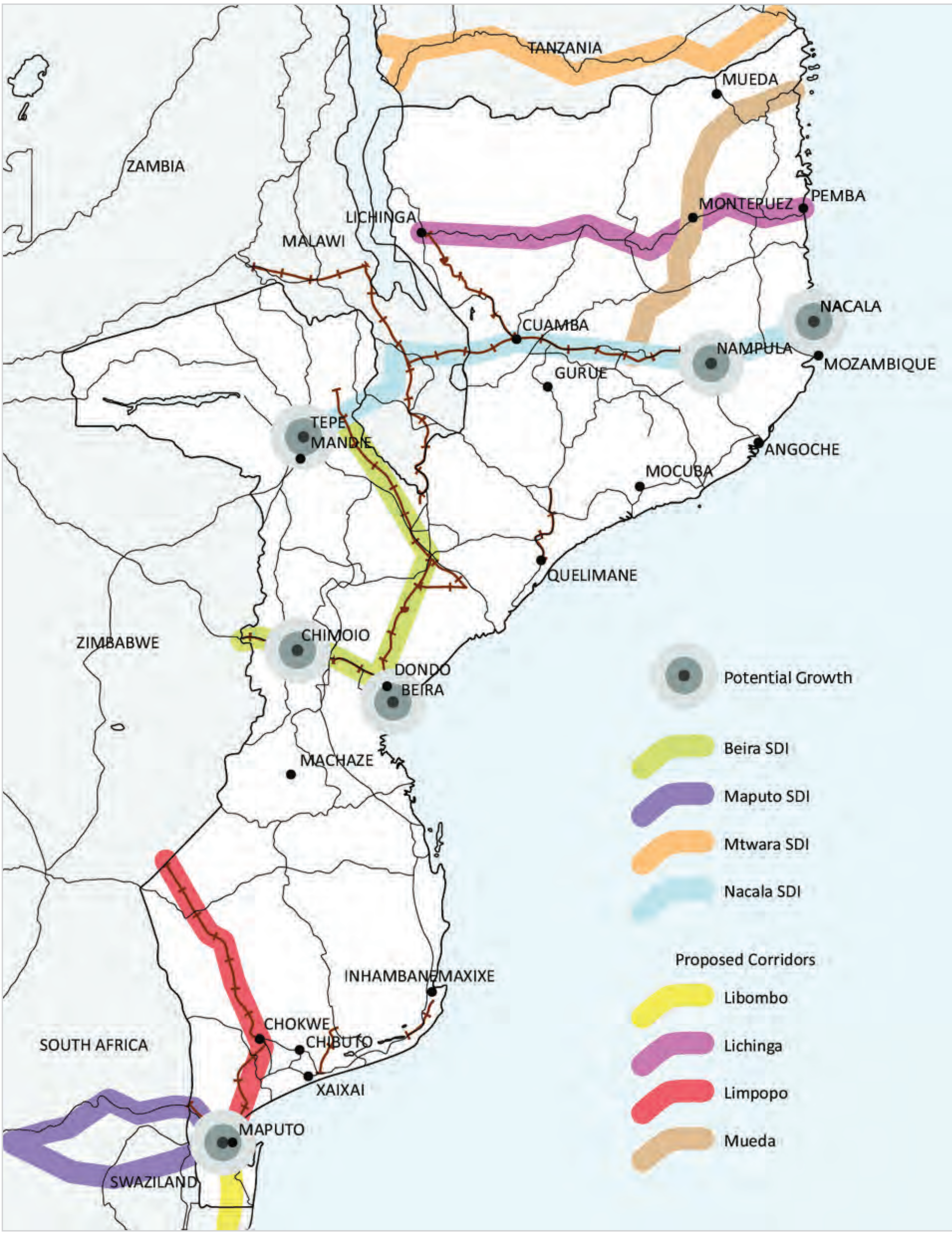
PROBLEM	RECOMMENDATIONS	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 3: Development of supporting sectors with high potential			
Unexplored opportunities in growth segments through coordinated efforts	Focus on potential growth segments in which Mozambique can have competitive advantages, such as timber, tiles, bricks, and cement products (concrete blocks). The government could encourage applied research, improve skills along the value chain, and provide specific incentives for potential investors.	High/ Medium	MOPHRH, private sector
Solutions not adapted to local context	Invest in research and development for resilient materials and construction methods adapted to the reality of Mozambique. Invest in training of builders and consumers, taking climatic conditions into considerations to ensure high quality. Mozambique is one of Africa's most vulnerable countries in regard to climate change because it is exposed to extreme weather events like floods, drought, and tropical cyclones. Resilient materials, given their resistance to extreme weather events, provide long-term benefits for construction. Taking into account the availability of local natural materials, greater possibilities lie in the use of compressed earth block and fiber cement composites.	Medium/ Medium	MOPHRH, FFH

Note: FFH = Housing Promotion Fund (Fundo para o Fomento de Habitação); MCTESEP = Ministry of Science and Technology, Higher, Technical and Professional Education (Ministério da Ciência e Tecnologia, Ensino Superior e Técnico Profissional); MITA = Ministry of Land and Environment (Ministério da Terra e Ambiente); MOPHRH = Ministry of Public Works, Housing and Water Resources (Ministério de Obras Públicas, Habitação e Recursos Hidricos); PPP = public-private partnership; SEJE = Secretary of State for Youth and Employment (Secretaria de Estado da Juventude e Emprego); TVET = technical and vocational education and training.

E. CONNECTIVITY: TRANSPORT AND LOGISTICS

Transport and logistics play a critical role as enabler to other sectors including agriculture, food manufacturing, extractives, fisheries, and forestry. Mozambique's location as the maritime link to landlocked neighbors such as, Malawi, Zambia, and Zimbabwe places the country's transport network high on the competitiveness agenda. The transport and logistics sector in Mozambique consists of a mix of state-owned firms with ownership in ports and other railways, concessions (such as ports and tolls), and local and international firms of various sizes and capacity. The country's three main corridors are Maputo, Beira, and Nacala, located in the south, center, and north, respectively. The corridors are linked to the natural ports with the same names. There is no direct interconnecting rail service between the corridors, and most road networks are not reliable.

FIGURE 9. CORRIDOR EXPANSION IN MOZAMBIQUE



Source: International Monetary Fund, 2020.

Mozambique's development strategy includes the expansion of further corridors (figure 9). These include (a) Libombo, following the new road and bridge connecting Maputo to the Ponta do Ouro border with South Africa; (b) Limpopo, to connect Maputo with Harare in Zimbabwe; (c) Pemba-Lichinga; and (d) Mueda to leverage the opportunities in Cabo Delgado province. Another corridor—Macuze, north of Quelimane—has also been introduced, also to support the pulp and paper industry, although this has yet to be operationalized.

Furthermore, the government's new five-year plan (2020–24) has the goal of developing transport as a means of building social cohesion in the country. Despite the prioritization of these corridors, including some major investments in road and rail infrastructure, the country has still one of the lowest road coverages on the continent, both per capita (45th out of 54) and land area (46th). Only 33 percent of the rural population lives within 2 kilometers of an all-season road.[14]

In addition to the direct costs of operating in the sector, there are many indirect costs associated with the use of the various transport corridors. Those include unreliability, port inefficiency, insecurity, harassment and corruption, border delays, requirement for value added processing before shipping, the need for special handling of particular goods, and the limited number of vessel calls at ports. The competitiveness of transport and logistics in Mozambique is being impacted by an outdated policy framework; political economy factors, including concessions awarded without competitive tenders; factors of competition; infrastructure gaps; inadequate trade facilitation; and limited market size.

To respond to the endemic problems in the sector, the CPSD recommends reforms in regulations, assistance to firm development, improvement in infrastructure, and investment in trade facilitation. The CPSD proposes updating the Transport Policy and Strategy to identify priority investments under a limited resource perspective, as well as improve concession regulations. The study identifies mechanisms for reducing corruption and rent-seeking behavior. The CPSD recommends increased access to finance, including leasing, as well as platforms to facilitate transport. The sector requires significant investments in infrastructure but also in the completion of trade facilitation reforms including the fully expanded use of a single electronic window system, an improved trade inspections system, and easier clearance processes (table 6).

TABLE 6. RECOMMENDATIONS FOR IMPROVING CONNECTIVITY

PROBLEM	RECOMMENDATION	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 1: Regulatory and Institutional			
Lack of priorities in the long list of investments	Update the Transport Policy and Strategy, including clear prioritization and criteria for choice of investment.a	Medium/ Medium	MTC
Concessions awarded without competitive processes	Improve concession regulations, including criteria for award of concessions. Include KPIs. Appoint independent regulator to ensure compliance. Ensure transparency of KPIs.	High/Low	MTC, MIC, CFM
Pervasive corruption in the sector	Help address corruption where possible by imposing weighbridge calibration, dissemination of rules to transporters, and auditing.	High/Low	MTC, police
Mandatory customs brokers	Remove obligatory use of customs brokers.	Medium/Low	Tax authority/ Customs
Missed agreements with neighboring countries affect competitiveness and opportunities	Harmonize standards with the region. Join the regional insurance scheme. Review regulations on axle loads. Revitalize agreements with neighboring countries. Agree on terms for access to the Zimbabwe rail network and vice versa. Actively promote Mozambique corridors to specific value chains in neighboring countries.	Medium/Low	MINEC, MTC, MIC, tax authority/ Customs
Area 2: Firm-related issues			
Firms' limited access to finance, especially on the back of COVID-19 pandemic	Increase access to finance solutions for transporters, including to develop the leasing market.	High/ Medium	MIC, MEF, MTC
Uncompetitive pricing	Develop the electronic backhaul platform, linking Mozambique to regional platforms that can match transporters looking for backhaul with return loads.	Medium/Low	MTC
Limited market hindering development of rail lines	Support key value chains in Mozambique and neighboring countries to create critical mass for exports by rail.b	High/ Medium	MEF, MIC, MADER, regional agencies

PROBLEM	RECOMMENDATION	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 3: Infrastructure			
Poor-quality infrastructure that results in high transport costs	Continue to improve infrastructure, including Machipanda rail line, Nacala corridor roads, and bypass roads at ports and major cities.	High/ Medium	ANE/MOPHRH, CFM
Truck overloadingc	Enforce weight regulations.	Medium/Low	MTC, police
Delays at borders that increase costs	Improve border posts. Longer term, harmonizing procedures and developing one-stop border posts could significantly reduce time spent at borders.	Medium/ Medium	ANE/MOPHRH
Area 4: Trade facilitation			
Limited use of the single electronic window for customs, not reducing clearance times overall	Fully populate the single electronic window, system, including to integrate SPS institutions and other licensing requirements.	Medium/ Medium	Tax authority/ Customs, MADER, MISAU, MIC, and so on
Corridor authorities who have no support to carry out a coordination role	Develop corridor authorities.	Low/High	Stakeholders in Nacala, Beira, and Maputo corridors
Trade restrictions in inspections	Improve the capacity building of Customs to enable a genuine alternative to the TEEN at Nacala and to replace the work previously done by the preshipment Inspection company.	Medium/ Medium	Tax authority/ Customs
Preclearance without the ability to generate the contramarca numberd before the ship docks	Improve allocation of a unique identifier to ships. Enable this to be provided prior to docking, so that preclearance can occur.	Low/High	Ports, Customs
Congestion around the ports, causing delays and creating inefficiencies	Develop a truck appointment system at the ports.	Medium/ High	Ports

Note: ANE = National Roads Administration (Administração Nacional de Estradas); CFM = Mozambique Railway Company (Caminhos de Ferro de Moçambique); MADER = Ministry of Agriculture and Rural Development (Ministério da Agricultura e Desenvolvimento Rural); MEF = Ministry of Economy and Finance (Ministério da Economia e Finanças); MIC = Ministry of Industry and Commerce (Ministério da Industria e Comércio); MINEC = Ministry of Foreign Affairs and Cooperation (Ministério dos Negócios Estrangeiros e Cooperação); MISAU = Ministry of Health (Ministério da Saúde); MOPHRH = Ministry of Public Works, Housing and Water Resources (Ministério de Obras Públicas, Habitação e Recursos Hidricos); MTC = Ministry of Transport and Communication (Ministério dos Transportes e Comunicações); SPS = sanitary and phytosanitary; TEEN = Special Export Terminal of Nacala.

a. The transport policy dates from 1996; the Integrated Transport Strategy from 2009. Neither have clear priorities or criteria for choice of interventions; rather they present a long list of needs.

b. Key value chains include copper from eastern Democratic Republic of Congo and Zambia, and tea and tobacco from Malawi.

c. Overloading affects road quality while making road artificially cheaper than rail.

d. Contramarca number is a unique identifying number for a ship, plane, or truck.


GSI

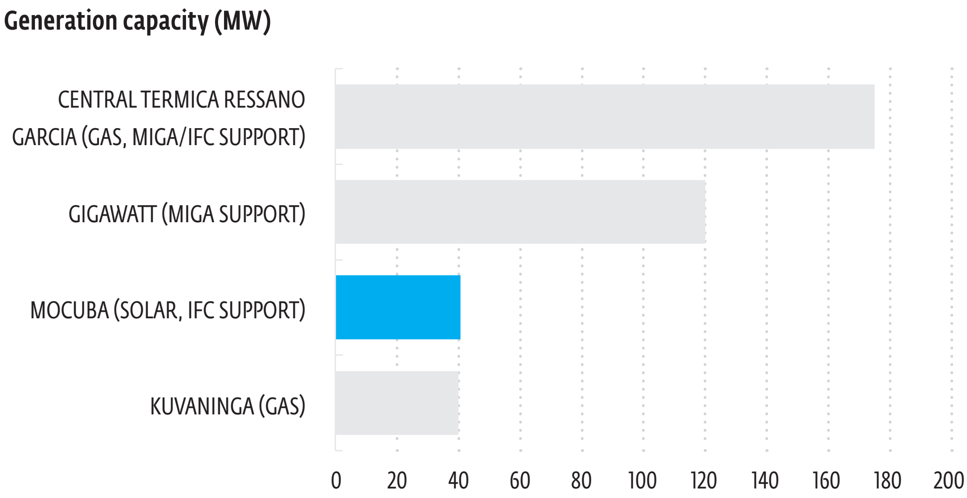
F. ENERGY

The government of Mozambique has a goal to achieve universal access to electricity by 2030. Only 8 percent of the Mozambican population had access to electricity in 2006; by 2018, the access rate jumped to 30 percent. In the same year, the president launched the National Electrification Strategy, to be implemented through the Programa Nacional de Energia para Todos (National Program Energy for All), to strengthen momentum toward achieving the national objective of universal electrification.

The government has pursued a strategy for financing new power generation projects mainly through PPPs. Under some of the PPP arrangements, Electricidade de Moçambique (EDM) co-invests in some generation projects with the private sector and constructs transmission lines connecting the plants to the system. This strategy has resulted in Mozambique adding about 480 megawatts (MW) in five new generation plants since 2015, which represent the first substantial additions to the power generation fleet in 40 years. Four of those plants were developed with the participation of private investors (figure 10). As of 2019, private generation represented 40 percent of domestic consumption[15] and 12 percent of the total generation capacity, including exports.

In spite of the progress, Mozambique faces several challenges to continuing to reduce the gaps toward universal access. First, Mozambique lacks a countrywide interconnected transmission system with redundancy. Because the system has only a few large consumers and limited consumption from the rest of the population, financial viability of electricity supply expansions could be challenging. In addition, macroeconomic shocks worsened the EDM's already fragile financial situation, which affects even contracts with private players. There is a need to improve efficiency to increase capacity. Finally, transmission and distribution subsectors have legal restrictions for private participation. These challenges are even greater because of climate change–related hazards, which substantially increase the costs of infrastructure investments.

FIGURE 10. MOZAMBIQUE OPERATIONAL INDEPENDENT POWER PRODUCERS AS OF 2019



Source: World Bank, "Mozambique-Malawi Regional Interconnector Project" (P164354) PAD, 2019.
Note: MIGA = World Bank Group's Multilateral Investment Guarantee Agency; MW = megawatts;

The CPSD recommends reforms in areas of regulations to further facilitate public and private investments in the sector (table 7). The development of a realistic medium to long term reform road map is therefore considered a first priority. The study also provides recommendations for increasing the capacity and systems in EDM to increase electrification and fulfill the universal service obligation.

TABLE 7. RECOMMENDATIONS FOR ACTIONS ON ENERGY

PROBLEM	RECOMMENDATION	PRIORITY/ FEASIBILITY	MAIN RESPONSIBILITY
Area 1: Regulations			
Lack of a high-level road map for the sector	Develop a realistic medium- to long-term reform road map under a high-level authority (such as the president's office) to help ensure that the roadmap will be implemented. It must be consistent with the existing NES and master plan to avoid overlap and confusion.	Medium/ Medium	MIREME, EDM
Area 2: Financing and EDM performance			
Poor EDM performance	Improve the operational performance of EDM and ensure that commercial losses are reduced. These are the most important measures to avoid a further buildup of payment arrears with suppliers.	High/ Medium	MIREME, EDM
Lack of longer-term sustainable financing for the sector	Secure sustainable financing of necessary capital expenditures to enable EDM to increase electrification. Capital expenditures required to provide access to electricity (universal service obligation) are commercially unviable and need to be funded separately from EDM's commercial operations.	High/ Medium	MIREME, EDM
EDM's weak technical capacity to manage the system	Improve EDM capacity to manage a more sophisticated system of supervision and control in line with system expansion and international power interchanges. EDM, as the transmission system operator, must adjust power and operate the system stably.	Low/Medium	MIREME, EDM
Area 3: Opportunities around HCB			
Future options to unlock additional value in HCB	Exert careful consideration in transitioning the major PPAs between HCB and South Africa power utility ESKOM and between ESKOM and Mozal. The PPA between ESKOM and Mozal ends in 2025, and the PPA between HCB and ESKOM ends in 2029. This is a moment for exploring options to unlock additional value in HCB.	Medium/Low	MIREME, EDM

Note: EDM = state-owned Electricidade de Moçambique; ESCOM = South Africa power utility; HCB = Hidroeléctrica de Cahora Bassa; MIREME = Ministry of Mineral Resources and Energy; NES = National Electrification Strategy; PPA = power purchase agreement.

3. CROSS-CUTTING CONSTRAINTS TO PRIVATE SECTOR GROWTH

In addition to the sector-specific challenges, the cross-cutting constraints facing private investment hamper economic development and job creation in Mozambique. These constraints comprise skills shortages, outdated investment policies, unfavorable competition policies (resulting, for example, in market dominance from state-owned enterprises), challenging regulatory environment and trade policy, governance issues (including corruption and lack of transparency), inadequate labor regulations, difficulty of access to finance and land, macrofiscal issues, and poor infrastructure.

The CPSD covers in detail in the main report a subset of these most critical challenges—namely, skills, investment policy, and market and competition policy. Some of the cross-cutting constraints analyzed, such as competition policy, are studied less in other diagnostics, so the CPSD is an opportunity to bring them to the agenda. Other issues identified and discussed in many studies, such as business regulations, are brought forward in appendix B of the main CPSD report.

A. SKILLS

Labor force participation is high in Mozambique, but most of those in the labor force have low levels of education. Skills gaps are similarly high across the age of firms, regions, whether the firm is an exporters or not, and business ownership. Across sectors, the difference in education of workers is also small. Close to 40 percent of the formal enterprises in Mozambique have foreign employees as managers or professionals. When hiring, larger firms are more likely to complain about the skills of the applicants. Only 20 percent of formal enterprises have formal training programs for their permanent, full-time employees. About 55 percent of the firms with training, only provide it in-house.

During the five years of construction of the gas projects in Cabo Delgado, 63 percent of the 35,000 people hired at peak employment are going to be specialized or semispecialized technicians. Most workers will be foreign, with Mozambicans expected to be 40 percent of the workers, on average. This is the pattern in many oil and gas projects in developing countries. In response to the growing needs, Mozambique had already made significant progress in its national education system as well as in technical and vocational education and training (TVET), with the number of students in the latter growing to almost 100,000 in 2019.

To exploit the upcoming opportunities in extractives, agribusiness, construction, tourism, and enabling services, it will be necessary to build up the skills of Mozambique's labor force. However, there is currently a mismatch between the skills supplied by Mozambique's education system and the skills demanded by firms in the fast-growing sectors, such as oil and gas and mining. Local and foreign firms face a shortage of experienced and skilled labor such as accountants, engineers, mechanics, and managers, as well as experienced, semiskilled labor in some trades, such as plumbing, welding, and electrical components, among others.

While the TVET system in Mozambique is well thought out and designed, the system still has some important gaps, especially in implementation. Between TVET and higher education graduates, Mozambique should expect over 6,000 graduates per year for the next five years to fill employment opportunities such as those in gas. But the effects of the TVET reform are still small, in part because of well-known deficiencies in traditional, publicly delivered, supply-driven approaches. Furthermore, Mozambique's public spending on TVET is among the lowest in Sub-Saharan Africa.

Mozambique needs to continue to move the needle on developing more skills. The CPSD recommends developing training centers with the megaprojects; involving additional megaprojects in the coordination of policies and programs; creating incentives for private training sector investments in TVET and in higher education centers of excellence; improving the efficiency and effectiveness of existing training centers; strengthening the role of the Labor Market Observatory in helping develop new skills or new ways of delivering the same skills; supporting programs that help drive new private sector investment with job creation potential; and planning the public investment beyond current opportunities. The following actions are considered the highest priorities.

Area 1: Leveraging Private Sector Resources and Knowledge

1. Develop training centers with the megaprojects.
2. Involve megaprojects further in the coordination of policies and programs.
3. Create incentives for private training sector investments in TVET and higher education centers of excellence in science, technology, engineering, and information and communication technology (ICT).

Effective TVET requires a combination of up to date training, practice with the right equipment, trainers, and time on the job to enable application of skills in a workplace setting with a coach or mentor. TVET experiences elsewhere have shown that such programs are more likely to succeed when they are strongly linked to firms' demand for skilled labor.

Consequently, it is proposed that extractive and other major industries assist the government in establishing dedicated training centers that focus on priority skills. They should consider cross-sectoral (for example, trade technicians and maintenance technicians) or sector-specific (such as food processing) focus. This will enable some training centers to become dedicated training hubs for specific sectors. In addition, the Mozambican government should incentivize private investments in TVET and higher education centers of excellence in science, technology, engineering and ICT.

This effort may involve the participation of megaprojects in the following reforms:

- Open up their own training centers to more students than they require for their operations ("train for the market") and manage training centers independently or in partnership with local communities and government.
- Upgrade and support the governance and management of existing public training centers under MCTESEP (Ministry of Science and Technology, Higher Education and Professional Training) and SEJE (Secretariat of State for Youth and Employment).
- Contribute to the National Training Fund dedicated to professional education.
- Encourage structured training initiatives to support local small and medium businesses, particularly those forming part of its supply chain.
- Encourage corporates to actively use their expertise to support and improve the TVET policy.
- Participate actively in the dialogue with the National Authority for Professional Education (ANEP).

Area 2: Helping reform public institutions delivery

4. Improve the Mozambican Employment and Vocational Training Institute (IFPELAC).
5. Take measures to increase efficiency and effectiveness of TVET and training systems.
6. Strengthen the capacity of the existing Labor Market Observatory to provide relevant and timely information.
7. Develop new skills or new ways of delivering the same skills.

To improve the development of skills and enable faster jobs transformation, IFPELAC could be reformed so that it relies more on private delivery mechanisms and becomes more responsive to firms' training needs.

A plan to increase the programs of higher education offering degrees in science, engineering, and ICT, and the number of students should be accompanied by measures to increased effectiveness and efficiency in higher education and TVETs. New private investments should present in advance their manpower needs (number, occupation fields, qualifications, and required competences), with further links between the Agency for Promotion of Investment and Exports (APIEX), ANEP, and the National Petroleum Institute (INP). With this information systematized and organized, TVET and institutions of higher education can be better prepared to match the expressed demand.

A national skills development plan with a five-year horizon, updated annually, should guide FDI project investments in TVET. The plan should be divided into three components:

- Demand analysis and priorities: a socioeconomic analysis examining sectoral output, employment, and occupational growth rates, broken down by regions. This is the backdrop for an analysis of priority skills, both across and within sectors. The plan should include estimates of the demand for priority skills and occupation skills.
- Supply gap analysis and priorities: an assessment of delivery gaps and constraints and setting of priorities for investment in capacity to increase access to good-quality TVET, particularly in priority skill areas.
- Preferred megaproject investments in skills and TVET capacity.

In the short run, it is important to work on the transition of youth from the secondary school system to the labor market. In the medium term, the development of high technical skills will be a key part of preparing future generations. This is not the traditional TVET. Rather, university-level technical skills in engineering will be required. It will also require soft or general skills, which are often underestimated, but which also play an important role in stimulating the productivity of workers. Moreover, modern factory work, requires basic literacy and numeracy of the type normally acquired by completion of primary education, and increasingly, requires the behavioral skills and more advanced cognitive skills acquired by completion of secondary education. The latter are required to achieve global productivity and quality standards, even for light manufacturing production.

Area 3: Supporting demand-side interventions for job creation

8. Support programs that help drive new private sector investment with job creation potential.

9. Plan the public investment beyond current opportunities in extractives.

On top of well-defined demand from the extractives industry, it is critical to expand the demand for formal wage employment in other sectors including food manufacturing, tourism, and others, as a means of developing better skills and economic opportunities in Mozambique. Additionally, a recent review of youth employment interventions in Mozambique has identified high-growth entrepreneurship as an underexplored area in existing programs, while evidence from various African countries (Ethiopia, Nigeria, and Zambia) provides confidence for interventions in this space to create skills and jobs. In response to this lack of employment opportunities, programs including business plan competitions and other mechanisms of driving demand for jobs in productive sectors are critical for improving the skills base in the country.

Mozambique would also be advised to focus on regional and sectoral initiatives to accelerate jobs transitions in high-potential labor-intensive industries.[16] Private investors will need to mobilize capital to equip the firms and create productive jobs.

Finally, when construction is complete and the operational phase begins in extractives, demand will reduce while the supply of youth may maintain or increase. Students should learn to learn, should be creative, and should be able to solve problems. This reform is necessary in various areas of the education system. The low internal efficiency of Mozambican schools limits the amount of human capital available in the future. The government of Mozambique should invest in training youth with market skills primarily for national needs.

B. INVESTMENT POLICY AND PROMOTION

Mozambique's investment climate is considered risky, with low rankings in established international indexes affecting the country's attractiveness for FDI. Moreover, the performance on key global indicators is worsening compared with previous years, and Mozambique is losing ground regarding its competitors in the region. The World Economic Forum's Global Competitiveness Index in 2019 ranks Mozambique at 137 out of 141 countries, and the country is ranked 138th out of 190 economies in the World Bank's 2020 Doing Business project.

The regulation defining the framework for investment policy has remained largely unchanged even though the institutional framework and market conditions have not. The investment regime in Mozambique suffers from (a) outdated and fragmented laws that lack detail and definition; (b) absence of implementing regulations; and (c) inconsistencies with Mozambique's international legal obligations. Thus there are concerns about the lack of predictability and the lack of enforceability of investors' rights. In light of the recent gas discoveries, there were discussions of a horizontal local content bill setting stricter targets for all economic activities. Such approach is not recommended because it may slow the growth of sectors that rely on competitiveness, besides creating the risk of that obligations will be duplicated.

Developing trust in the country's s legal, regulatory, and institutional framework points to the need for deep structural reforms that should be sponsored by a high-level reform champion with enough political clout to ensure adequate implementation. The CPSD recommends the following focus areas in the short term: (a) review the Investment Law and other related legislation and align it with international investment policy commitments; (b) introduce mechanisms to help investors navigate regulations and procedures and address grievances, entailing the establishment of an investment ombudsman and of functioning one-stop shops; (c) modernizing the special economic zone (SEZ) regime, including setting up an independent SEZ regulator, and promote the creation of serviced industrial land.

Recommended focus areas are the following:

Area 1: Legal and regulatory framework

1. **Modernize the Investment Law, and other related legislation, and align it with international investment policy commitments:**

    a. Implement a registration mechanism instead of a screening mechanism within APIEX. Moving to a simple registration process in the Investment Law would considerably simplify the process of establishing a new investment in the country.

    b. Define and clearly communicate which sectors of the economy are open, restricted, or closed to FDI. Develop a negative list to increase transparency on sectors where investment is restricted.

    c. Define the Fair and Equitable Treatment (FET) guarantee and the protection against indirect expropriation, because those are the most common breaches alleged by investor under the Investor-State Dispute Settlement (ISDS).

    d. To the extent fiscally possible, allow free transfer of funds in and out of Mozambique for foreign investors. The free transfer of funds is one of the core guarantees that should be offered to foreign investors in a host country.

    e. Accede to the Hague Apostille Convention[17] to simplify the companies' legalization process by the delivery of a standard certificate. Governments benefit from enhanced integrity and a stable revenue stream from charging fees for authentication services.[18]

    f. Review the specificity and clarity of specific provisions and procedures mandated by the Investment Law.

2. **Improve the legal, regulatory, and institutional framework for SEZs. This reform** area is intertwined with the transformation of APIEX and the modernization of the laws and regulations, but there needs to be an explicit space for SEZs:

    a. Modernize current SEZ legislation and streamline it into one independent SEZ law with corresponding implementing regulations.

    b. Clarify criteria, procedures, costs, and timeline and compile this information in an investor handbook and portal that is easily accessible and widely shared.

    c. Set up an independent SEZ regulator and improve the business mindset and capacity of staff.

    d. Promote the creation of serviced industrial land within Mozambique's designated SEZs as a product to offer its potential investors (roads, power, water, telecommunications, drainage, and so on).

3. **Reduce the prescriptive and mandatory nature of performance requirements:**

    a. Consider adapting the hard quota on foreign labor to implement a more flexible quota based on economic needs or at least a rule adapted to sectoral needs.

    b. Reconsider an economywide local content law. The draft bill on the table is unclear and risks duplicating already existing laws and regulations. Further, it is noncompliant with Mozambique's international commitments, increasing the risk for investor state disputes while at the same time potentially introducing new barriers for investment.

Area 2: Institutional framework and capacity

4. **Introduce mechanisms that help investors navigate regulations and procedures, streamline the business environment, and address grievances, such as the following:**

    a. A functioning one-stop shop. One-stop shops, especially when they offer online portals, may reduce corruption, eliminate the need for physical presence, and cut cost and time. Linking different agencies requires a well-coordinated and politically supported approach, as other parts of the bureaucracy might fear the loss of control.

    b. Establish an investment ombudsman that has political clout within an agency. The ombudsman function should restore trust with investors so that it can actually act on its mandate.

    c. Systematically publish laws and regulations online, at least those governing investment.

5. **Transform the institutional framework to facilitate investments by clarifying the lead ministry responsible for investment policy and empowering specialized agencies implementing it:**

    a. Design an FDI strategy under the leadership of Ministry of Industry and Commerce (MIC) that is aligned with national development priorities and sets objectives for, targets, and sequence activities to support FDI.

    b. Finalize the institutional reform of APIEX. Clarify how the investment promotion agency will implement the strategic vision developed by the lead ministry. To do so, the ministry should clearly develop the agency's role, priorities, reporting, monitoring and evaluation, and staffing. Regarding division of the regulatory and promoting roles for investment and exports, the former should be with the ministry and the latter with the agency.

    c. Strengthen capacity to proactively deliver the core services to investors, including foreign language proficiency, a business mindset, and a service mentality.

C. MARKET AND COMPETITION POLICY

In Mozambique, restrictive economywide and sector-specific government interventions, combined with unchecked anticompetitive behavior of market players, are driving the economy's perceived low level of competition. The main competition constraints include the presence of SOEs in markets affected by distortive state aid; lack of competitive neutrality between firms; restrictive sector regulations that prevent entry, facilitate collusion, and discriminate among market players; undue price controls; and absence of an authority able to identify, sanction, and deter anticompetitive market behavior. The private sector competes against SOEs in basically all sectors of the economy.

Even though Mozambique already has a competition law, the authority responsible for implementing the competition framework has never been established. Establishing the competition authority is a paramount step toward competition promotion in the country. Despite the law, there are still significant shortcomings in the current framework that, once an authority is established, could reduce the effectiveness of antitrust policy. There is a high degree of overlap between ownership, regulation, and management of SOEs that can lead to preferential treatment for public companies, crowding out private investments. Mozambique should implement mechanisms to promote separation between these functions of government toward SOEs and separate the commercial and noncommercial activities of SOEs.

Furthermore, public procurement accounts for a significant share of the economy; there is a need to promote greater market participation and transparency in public procurement, allowing for open and competitive selection of suppliers as well as actions to prevent bid rigging. It is important to finalize the databases and electronic systems needed to implement e-procurement.

To promote greater competition it is necessary to implement a comprehensive framework that includes a set of policies and laws to ensure that competition in the marketplace is not restricted in a way that reduces economic welfare.[19] Pro-competition reforms are not a synonym of deregulation or privatization; they encompass government rules and interventions to help markets function better and deliver welfare-enhancing results considering the specific country context and priorities.

Area 1: Competitive Neutrality

On SOEs:

1. Add SOEs' effects on markets as criteria in the Institute for the Management of State Holdings (IGEPE) SOE and public investments 2020–30 strategy to inform the creation, continuation, or elimination of public investments and to inform other pro-competition sector reforms to accompany exits.

2. Embed competition principles in the design of incentive schemes or consider some form of state aid control, including to reduce the degree of discrimination and discretion in their granting processes.

3. Increase transparency in incentives granted by publishing beneficiaries and increase ex post monitoring to assess the impact on the market. Such a control and monitoring mandate could be included under competition authority's mandate.

4. Review the Law on Public Enterprises to demand separation between commercial and noncommercial activities of SOEs.

5. Reduce the number of corporate rules and regulations favoring SOEs relative to private players, such as bankruptcy and antitrust exemptions to noncommercial activities of commercial SOEs.

6. Duly staff, resource, and insulate sector regulators to prevent SOEs from acting de facto regulators in their respective industries, setting standards, entry criteria, or prices that create disadvantages.

On public procurement:

7. Review the rules of engagement of key stakeholders along the public procurement value chain in order to increase their insulation and strengthen checks and balances mechanisms.

8. Consider removing the oversight that the procuring entity currently has over the jury.

9. Consider assigning a binding nature to the Functional Unit for Monitoring of Procurement (UFSA's) opinion and including it as part of the appeal procedures.

10. Implement the antitrust law to identify, sanction, and deter bid rigging in public procurement.

11. Finalize the databases and electronic systems needed to implement e-procurement.

On price controls:

12. Develop a methodology to assess what markets merit price intervention, and of what type and for how long. Use this methodology to consider introducing price controls on unaccounted monopolized sectors while removing controls from competitive retail markets.

Area 2: Competition enforcement framework and establishment of the Competition Authority

13. Ensure the creation of the competition authority, with assignment of public budget, appointment of officials for its board, and technical staff to meet the demands of the competition mandate.

14. Review current law and secondary legislation to do the following:

- Enable competition advocacy, adding capacity to review draft and current laws, policies, and regulations; develop market studies and inquiries; and promote awareness to market players.
- Boost merger control:
  - Include minority acquisition and joint ventures in merger definition.
  - Limit merger thresholds to objective criteria, preferably annual revenues.
  - Implement fast-track procedures to assess less complex transactions with mandatory notification.
  - Define criteria to implement public-interest grounds for merger approval.
- Streamline anticompetitive practices by defining hard-core cartels, considering them per se illegal and differentiating them from other coordinated practices.
- Strengthen enforcement tools:
  - Increase minimum fines and develop fining guidelines.
  - Establish settlements for anticompetitive practices and revamp leaning regime by (a) allowing a 100 percent fine discount, (b) creating a marker system, and (c) regulating use of information.
- Limit exceptions and exemptions by developing economic grounds and objective criteria on how to narrowly apply these carve-outs, especially for players performing noncommercial activities, and in cases with a need to protect a sector because of consumer or national interests.
- Improve institutional design:
  - Insulate the authority from public stakeholders through more robust rules of engagement of senior officials, such as cooling off periods and objective criteria for removal, and less delegation of functions from the competition authority to the Council of Ministers,
  - Insulate authority from private stakeholders reviewing the right of business associations, labor unions, and consumers to take part in decision-making bodies of the competition authority.
  - Review merger fees to align them with service costs; limit the capacity of the authority to be financed by the fines it imposes.

4. THE WAY FORWARD ON PRIORITY ACTIONS

Addressing a good subset of the bottlenecks identified in the CPSD represents an outstanding opportunity to drive investment, economic growth, and employment. Mozambique has the potential to create jobs with impact throughout the country. This can lead to returning to the growth levels before 2016 and doubling the economy in 10 to 15 years.

It is not an easy task, though. Mozambique needs to at least tackle the most important constraints to private investment. Within sectors, while specific agendas can run in parallel more broadly it is important to pinpoint the main priorities.

While Mozambique is facing another calamity with the outbreak of COVID-19, the country needs to establish various mechanisms of addressing its impacts on the economy. In the immediate timeframe, and as discussed in a recent WBG report,[20] Mozambique would benefit from ensuring the availability of inputs (seeds and fertilizers) and transport services to produce short-cycle crops; reducing energy bills; reorganizing import processes, including through a duty free marketplace; postponing tax payments to a broader set of firms; and providing firm-level and wage support to targeted firms and sectors.

Beyond the COVID-19 crisis, establishing priorities is critical. Experience in Mozambique demonstrates that the window of opportunity to push an agenda of reforms is often limited. The government already has several ongoing initiatives, including macroeconomic stabilization, crisis response, infrastructure investment, and other development programs. Hence, the CPSD recommendations need to be further integrated with what is achievable under existing and planned platforms, even if they include reformulating existing plans of reform. Finally, there are limits to the technical and implementation capacity for carrying out market reforms, especially on a multisectorial agenda, so ownership and transparency is very important.

As the government, private sector, international partners, academia, and civil society embark on this rich agenda of private sector development, it is critical to identify initial steps. These include the following:

1. Mobilize coordination of activities and agendas, notably through a sectorial/regional approach. This implies working with coordination ministries, involving line ministries, development partners, private sector stakeholders, and agents of regional development (provincial governments/regional development agencies).

2. The government needs to identify a high-level champion for driving the agenda that at a minimum takes stock and oversight of the large-scale cross-cutting reforms that are multisectorial and that will bring to the table the various actors. Understanding the common objectives of the development strategy will not only help establish a clearer purpose for each reform but also help mobilize ministries and other parties that have specific tasks.

3. Discuss with the appropriate line ministries the first set of measures that will be pursued in each sector. Typically, the agenda combines regulations, government procedures, and programs. The most successful strategies involve a combination of the different parts. Ministries should be held accountable for the parts under their purview through strong oversight and the disclosure of problems in implementation.

4. Set a timely schedule of delivery, which should be closely monitored by the coordination ministry for progress. Transparency on delivery and adjustments in implementation are of great importance.

In addition, although each sector analyzed has various recommendations, it is important to identify those with the most urgency. At this stage the following recommendations are priority within the main sectors:

TABLE 8. TOP RECOMMENDATIONS IN MAIN SECTORS AND CROSS-CUTTING AREAS

PROBLEM	RECOMMENDATIONS	MAIN RESPONSIBILITY
Sector: Upstream linkages to megaprojects		
Area 2: Institutional and Regulatory		
Local content can create high expectations but often ends up being disappointing	Develop a shared vision for local content in Mozambique by improving transparency and reducing information asymmetry. Various government, private sector, and development community partners would need to be involved in this coordination.	MEF, MIC, MADER
Area 3: Access to skills, quality, and finance		
Quality standards of SMEs not on par with the needs of the extractives sector	Improve Mozambique's quality infrastructure by strengthening the regulatory and institutional framework for quality standards. Develop a national quality policy; support the development of ICT infrastructure; provide technical assistance to firms for upgrading quality standards before certification; and provide support to requests for certification of firms in targeted sectors.	MIC, INNOQ
Area 4: Access to markets		
SMEs with challenges in connecting to linkage opportunities	Create an SME support platform that draws on the lessons from the Mozlink experience. An SME support platform could deliver expert support to high potential firms. Establish expert desks.	MIC, MIREME
Sector: Agribusiness		
Area 1: Warehousing		
Lack of investment in maintenance and lack of usage of existing storage facilities	Promote transparent processes to award management contracts for existing warehouse facilities.	MIC

PROBLEM	RECOMMENDATIONS	MAIN RESPONSIBILITY
Area 3: Contract farming		
Lack of equity and debt markets for medium to large agribusiness investments in targeted value chains	Use public investment alongside private sector one to create spillovers to other investments and positive externalities on smallholders' income. Focus on sugar, poultry, fruits and vegetables, cotton, cashew nuts, sesame, and pulses.	MADER, regional agencies (ADVZ, ADIN)
Lack of access to markets	Create linkages between agribusiness and large corporates, such as those in extractive industries, building on quality infrastructure and technology upgrading programs.	MADER, regional agencies (ADVZ, ADIN), MIC, MIREME
Sector: Tourism		
Area 2: Promoting investment		
Lack of readily available investment opportunities	Develop an inventory of potential investments (such as hotels, resorts, and attractions) and prepare profiles for the most marketable opportunities. Prioritize opportunities for filling the gap in mid-level accommodations.	INATUR, ANAC
Area 3: Stimulating demand		
Lack of a coherent visa framework	Communicate destination openness by (a) introducing legal amendments to fill in key gaps and clarify procedures; (b) considering visa waivers for key markets that do not pose significant security threats; (c) allowing cheaper, shorter-stay visas to facilitate multidestination regional travel; and (d) creating an e-visa system.	MICULTUR, MINT, MINEC
Area 4: Strengthening the value chain		
Skills gaps and low service quality	Better identify the human resource needs of private sector operators and subsequently address them by revising curricula and increasing the coherence of standards in TVET programs.	MICULTUR, INATUR, MCTESEP, SEJE, private sector
Sector: Housing Construction		
Area 1: Weak enabling environment		
Limited institutional capacity	Promote the development of PPPs for housing construction in specific locations, to address public objectives of expanding social housing but also to leverage other companies' resources in investments. It is also important to improve coordination between the institutions that govern housing, including redefining the role of the FFH.	MOPHRH, FFH
Area 2: Limited skills and technical know-how		
Skills gaps	Enhance the quality and quantity of the workforce. To achieve this, align the TVET programs with the needs of the construction and building materials industries.	MOPHRH, MCTESEP, SEJE, private sector
Area 3: Development of supporting sectors with high potential		
Unexplored opportunities in growth segments, through coordinated efforts	Focus on potential growth segments in which Mozambique can have competitive advantages, such as timber, tiles, bricks, and cement products (concrete blocks). The government could encourage applied research, improve skills along the value chain, and provide specific incentives for potential investors.	MOPHRH, private sector

PROBLEM	RECOMMENDATIONS	MAIN RESPONSIBILITY
Sector: Connectivity		
Area 1: Regulatory and Institutional		
Lack of priorities in the long list of investments	Update the Transport Policy and Strategy, including clear prioritization and criteria for choice of investment.	MTC
Area 4: Trade Facilitation		
Limited use of the single electronic window for customs, not reducing clearance times overall	Fully populate the single electronic window system, including to integrate SPS institutions and other licensing requirements.	Tax authority/ Customs, MADER, MISAU, MIC, and so on
Sector: Energy		
Area 1: Regulations		
Lack of a high-level road map for the sector	Develop a realistic medium- to long-term reform road map under a high-level authority (such as the president's office) to help ensure that the road map will be implemented. It must be consistent with the existing NES and master plan to avoid overlapping and confusion.	MIREME, EDM
Area 2: Financing and EDM performance		
Lack of longer-term sustainable financing for the sector	Secure sustainable financing of necessary capital expenditures to enable EDM to increase electrification. Capital expenditures required to provide access to electricity (university service obligation) are commercially unviable and need to be funded separately from EDM's commercial operations.	MIREME, EDM

Note: ADIN = Development Agency for the North (Agência do Desenvolvimento Integrado do Norte); ADVZ = Zambezi Valley Development Agency (Agência de Desenvolvimento do Vale do Zambeze); ANAC = National Administration of Conservation Areas (Administração Nacional das Áreas de Conservação); EDM = state-owned Electricidade de Moçambique; FFH = Housing Promotion Fund; ICT = information and communication technology; INATUR = National Tourism Institute (Instituto Nacional do Turismo), body mandated to promote investment in tourism interest zones (ZITs); INNOQ = National Institute of Standardization and Quality (Instituto Nacional de Normalização e Qualidade); MADER = Ministry of Agriculture and Rural Development (Ministério da Agricultura e Desenvolvimento Rural); MCTESEP = Ministry of Science and Technology, Higher, Technical and Professional Education (Ministério da Ciência e Tecnologia, Ensino Superior e Técnico Profissional); MEF = Ministry of Economy and Finance (Ministério da Economia e Finanças); MIC = Ministry of Industry and Commerce (Ministério da Industria e Comércio); MICULTUR = Ministry of Culture and Tourism (Ministério da Cultura e Turismo); MINT = Ministry of Interior (Ministério do Interior); MIREME = Ministry of Mineral Resources and Energy (Ministério dos Recursos Minerais e Energia); MISAU = Ministry of Health (Ministério da Saúde); MOPHRH = Ministry of Public Works, Housing and Water Resources (Ministério de Obras Públicas, Habitação e Recursos Hidricos); MTC = Ministry of Transport and Communication (Ministério dos Transportes e Comunicações); NES = National Electrification Strategy; SEJE = Secretary of State for Youth and Employment (Secretaria de Estado da Juventude e Emprego); SME = small and medium enterprise; SPS = sanitary and phytosanitary; TVET = training and vocational education and training.

NOTES

1 The criteria included job creation, creation of highly productive jobs, and indirect job creation.

2 The criteria included private investment potential, contribution to gross domestic product (GDP), and linkages to the rest of economy.

3 Appendix D of the main CPSD report provides further details on the methodology used.

4 World Bank, "Mozambique Poverty Assessment: Strong but Not Broadly Shared Growth," 2017.

5 WBG staff using Mozambique 2018 Enterprise Survey data, 2019.

6 Medina and Schneider. 2018. Shadow Economies Around the World: What Did We Learn Over the Last 20 Years? IMF WP/18/17.

7 World Bank. 2018. Mozambique Jobs Diagnostic.

8 Idai was responsible for the deaths of 602 people in Mozambique and left about 130,000 displaced people. Kenneth caused 45 casualties.

9 Government of Mozambique, Five-Year Plan (*Programa Quinquenal* 2020-2024), 2020.

10 Conservation Areas of Mozambique cover approximately 26 percent of the territory. Biofund, "Conservation Areas of Mozambique." Foundation for the Conservation of Biodiversity (Biofund), Maputo, Mozambique, 2020. http://www.biofund.org.mz/en/mozambique/conservation-areas-of-mozambique/.

11 ANAC 2020 data and World Bank, "Mozambique Conservation Areas for Biodiversity and Development Phase 2" (P166802, project appraisal document, World Bank, Washington, DC, 2018).

12 United Nations World Tourism Organization (UNWTO). Compendium of Tourism Statistics dataset, 2019.

13 CTA (Confederation of Business Associations; Confederação das Associações Económicas), "Impact of COVID-19 on the Mozambican Firms and Proposed Measures for Its Mitigation," 2020.

14 AfDB (African Development Bank). "Country Strategy 2018–2022 Supporting Mozambique toward the High 5s" (AfDB and African Development Fund, Abidjan, Côte d'Ivoire, 2018).

15 World Bank, "Mozambique-Malawi Regional Interconnector Project (P164354) PAD" (Project appraisal document, World Bank, Washington, DC, 2019).

16 World Bank., "Jobs Strategic Policy Note" (World Bank, Washington, DC, 2021).

17 The Hague Apostille Convention of 1961 facilitates legalization of foreign public documents between state parties where a government entity in the home country issues an "Apostille"—that is, a standardized certificate to authenticate the document.

18 World Bank Group, "Investment Entry Toolkit," 2015.

19 Massimo Motta. 2004. Competition Policy: Theory and Practice (Cambridge: Cambridge University Press, 2004).

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