Abstract: Under the current international economic conditions, where Asian countries are strong competitors in the manufacturing commodities, low income countries like Mozambique could potentially attempt to compete in industries without smokestacks. A diversified growth strategy could combine sound and transparent public policies on natural resources exploitation, with policies promoting productivity growth in agriculture, and the integration of both sectors in processing value chains. This medium to long term approach combined with stabilizing macroeconomic policies could revert current economic crises due to a risky and imprudent strategy based on non-transparent natural resources policy and public debt mismanagement.
1 Introduction

Considering the strong competition from Asian countries and other emergent economies in the exports of manufacturing goods, Mozambique could potentially attempt to break into the international market through the exports from industries without smokestacks (IWSS\(^1\)). This growth path could be an alternative or even complementary to a strategy of extracting and processing natural resources, while also the country could also invest in smokestack industries.

Mozambique is a Sub-Saharan African country that has been growing rapidly since 1993, at an annual average rate of 7.8%, as a result of a series of transformations after its independence from Portugal in 1975, notably from a central planned economy to a market economy in the mid 1980’s, from civil war to peace in 1992, and from a one party system to a multi-party democracy in 1994. Though, since 2012, the last two transformations have signs to have been overturned.

This rapid growth in the past two decades has been influenced by substantial inflows of foreign aid and foreign direct investment, a high rate of population growth and a young population, on average relatively good weather conditions, significant investments on education, health, and basic public infrastructures, and legislation and institutional reforms.

Nevertheless Mozambique did not undergo a similar structural transformation the industrialized countries and the emergent Asia and Latin-America economies did. Still to-date around 4/5 of Mozambique’s labour force is active in agriculture, livestock, forestry and fisheries, applying traditional manual and low productivity technology (Tarp et al 2002:6-7, Chilonda et al 2011: xv Jones and Tarp 2012). It has a small and fragmented manufacturing sector producing for the internal market, and a large non-competitive and non-tradable services sector. The aluminium smelter is integrated into the international market but has a minor multiplier impact in the national economy as it operates like an enclave. Extractive industries have been expanding gradually since 2004 and more rapidly from 2011 onwards, driven mainly by with the mineral coal exports.

With this type of structure, the economy is not getting internationally competitive neither is allowing small family producers in agriculture and fisheries and the lower income producers in urban areas to increase significantly their income. As a result, the headcount poverty levels of the total population remained at around 54% from 2002-03 to 2008-09, according to the official household budget survey analysis available (MPD 2010).

As of 2010, economic policies have been targeting increasingly investments in naturals resources exploitation, mainly mineral coal and natural gas. This policy choice resulted in a surge on foreign investment on both products. However, in 2015 the decline in international oil prices, the reduction in external demand for coal and natural gas, accompanied by a slowing down in foreign investments and a weak exports performance, led to a strong and persistent depreciation of the Metical, and a rise in inflation. This macroeconomic unstable trend is continuing in 2016.

Also from 2010 onwards the Government tended to increase public investments by obtaining non-concessional credit in the international market and consequently increased the external debt ratios (IMF 2010: 18; IMF 2014a:15; GdM 2016: 28 Abril). This increase in the external debt has aggravated the already unbalanced macroeconomic scenario (WSJ 2016, IMF 2016a: 15 April). This crisis possibly uncovers the frailness of the strategy based on the extraction of natural

\(^1\) Industries Without Smokestacks are activities producing horticultural products, fruits, agro-industry goods, tourism, information based services, and other tradable services.
resources mainly for exports, and paves the way for the search of alternative strategies that would enable the Mozambican economy to compete in the international market.

This paper uses hard data from statistics and other complementary sources to define the size and the role of the industries without smokestacks in the domestic economy (section 2), presents the main public policies on macroeconomy, trade, labour and their impact on IWSS (section 3), shows the tourism development potential and identifies main policy challenges (section 4), and concludes in the last section.

2 Development of industries without smokestacks, in 1993-2015

Wide spectrum economy evolution versus lack of structural transformation

The transition to the market economy in the 1980s, the peace agreement with Renamo in 1992, the multi-party elections in 1994 and the transition from the apartheid regime to a multiracial and multi-party system in South Africa in 1990-1994, formed the basic conditions for recovery and growth of the Mozambican economy at an unprecedented pace and with a noticeable level of diversification (Fig. 1).

Figure 1. Transportation, hotels and restaurants, information and communications contributed together to 1.2% to the annual average growth in the period of 1993-2015.

In the 1980s and 1990s, macroeconomic stabilization and structural adjustment policies, including the World Bank ‘Heavily Indebted Poor Countries’ initiative, created an enabling environment for price stability and economic equilibrium to a significant extent stimulated by external aid inflows (Tarp et al 2002; IMF 2004: 4-5; USAID 2004: 1.1, 1.5). ‘End of period’ annual inflation reduced from 54.1% in 1995 to 16.6% in 1996, reaching an average of 2.9% in 2011-2014 (IMF 2001: 4; IMF 2014a: 18; IMF 2015: 19). The exchange rate difference between
the Official rate of 2,742 MT/USD and the rate in the free market of 2,951 MT/USD in 1992 declined to 10,776 MT/USD and 10,890 MT/USD, respectively in 1995 (IMF 2001: 100).

Although diversified to some extent, this growth pattern prove not to be sustainable. The ratio of the current account deficit over the GDP in nominal prices averaged 26.9% in the period 1993-2015, but it has shown an aggravation to 41.8% in 2011-2015 (INE 2016b). Net international reserves declined from USD 2,995 billion at the end of 2013 to USD 2,889 billion at the end of 2015, i.e., it represented a decline from 3.3 months of imports of goods and non-factor services to 2.7 months (IMF 2016b). Around 80% of the labour force is active in agriculture, livestock, forestry and fisheries sectors (Jones and Tarp 2012). These primary sectors produced 34.1% of the aggregated valued added in 1993-95, but produced only 25.0% in 2013-15 (INE 2016a). The decline in the share of primary sectors in the GDP switched mainly to an increase in the relative share of mining and services. Production in mining and services increased from 0.2% and 51.2% respectively to 4.6% and 55.2% in the same periods. Meanwhile, industry experienced a slight change, from 14.5% to 15.3%. Mining occupies only 0.2% of the labour force and services are mainly non-competitive in the international market or non-tradable. The share of services in total exports declined from an annual average of 35.5% in 2000-2002 to 17.2% in 2012-2014 (INE 2001-2015).

Evidently, the economy has been growing mainly towards the internal market, but a large share of its labour force uses almost exclusively manual technology with low productivity rates (Tarp et al 2002; Cruz et al 2014). There is no evidence of a labour force transition from primary sectors to secondary and tertiary, accompanied by an increase in agricultural productivity. The share of urban population in total has been kept constant at around 30% between the two recent population census from 1997 to 2007 (INE 1999, 2010). Also there is no statistical evidence of a significant change in the economic structure in rural areas.

The annual average share of manufacturing in the GDP increased from 13% in 1993-1999 to 16% in 2000-2007 (INE 2016a). The aluminium smelter started producing ingots in 2000, and contributed to increase the weight of manufacturing in the GDP (Andersson 2002: 531, 540). But this share declined to 11% in 2008-2015, as the aluminium production stopped increasing while the GDP continued to rise. Besides aluminium ingots, Mozambique is exporting a low share of manufactured goods. The annual average manufactured2 exports as a percentage of total exports of goods and services increased from 10.9% in 2000-2007 to 20.6% in 2008-2014 (INE 2001-2015; BM 2016). Including aluminium ingots, this share increases to 52% in the whole period, 2000-2014.

Although the size of manufacturing is relatively small in the total GDP, its annual average value added per worker, at constant prices, of 151 thousand Meticais is placed in the 4th position below 214 thousand Meticais for other services - including financial, information and communications, and real estate activities, 235 thousand Meticais for mining and 317 thousand Meticais for transportation and storage, in the period of 1993-2015 (Jones and Tarp 201; INE 2016a). The 7.7% annual average real growth rate of value added per worker in the manufacturing sector, is the 3rd highest following the construction (10.3%) and mining (21.4%) sectors. Although this indicator dropped from 7.7% to 1.3% in 2005-2015, considering the performance in 1993-2015, the productivity per worker in manufacturing evidences the potential for value added creation and economic growth stimulation.

2 Manufactured exports include: Food, beverages and tobacco; chemicals; plastics and rubber; leather; paper and cardboard; textiles; shoes; common metals; machinery and electrical equipment, transportation equipment; optic equipment, photos and watches; medical equipment and toys. Aluminium ingots are excluded from manufactured exports, in this ratio.
The role of services in the structural transformation in Mozambique has been mixed in 1993-2015. It is heavily weighted in the economy with 53% annual average share of the GDP, but it has a weak role in international transactions. While there is an increasing number of people in small commerce and other services at a subsistence level, there is also an increasing number of skillful young people working in transportation, information and communications, financial activities and real estate. These skills required some degree of investment in education and the ability to operate with modern technology.

Considering the annual average contribution for growth of services, excluding government, education and health, it increased from 2.4% in 1993-2004 to 3.3% in 2005-2015, whereas the GDP growth was 8.4% and 7.2%, respectively. Services had an annual average of 114 thousand Meticais of value added per worker, at constant prices. This value is in 5th position below the “Government” value of 140 thousand Meticais. Worth noting that the contribution of commerce activities is driving down the value added per worker in the overall services sector due to the large number of people dedicated to sales and to other personal services of subsistence remuneration. Even so the annual average real growth rate of value added per worker in the services increased from 3.3% in 1993-2004 to 6.4% in 2005-2015, where the aggregated annual average real growth rate of value added per worker in 2005-2015 was 4.8%.

When it comes to the international market, Mozambique exported an annual average 21.5% share of services in total value of exports of goods and services. This share represented just 18.5% in 2008-2014. The large share of services in the GDP is not matching the much smaller share of services exports in total exports, or even the dynamic of services exports. This is an indication that the globally large contribution of services to the economy could not be considered a sign of structural transformation.

**Industries without smokestacks**

This section accounts for the performance of IWSS with a caveat note on the level of precision as the data available vary in terms of disaggregation degree. Besides IWSS, other Mozambican non-traditional products with potential for export growth are maize, sesame and soybeans, but these will not be dealt with detail in this paper.


Manufacturing output increased its share of GDP up to 18% in 2001, declining afterwards down to an annual average of 10% in 2012-2015. Gross value added (GVA) in current prices of food processing, ‘textiles and garments’, and wood processing represented 32%, 5% and 9%.

---

3 INE’s Statistical Yearbook, various years.
4 INE’s Statistical Yearbook, various years.
5 INE’s Statistical Yearbook, various years.
6 Banana exports reached an annual average of USD 70.9 million in 2011-2014 (BM 2016).
respectively of the aggregate GVA in manufacturing in 2010-2015 (INE 2016c). GVA of these three manufacturing sub-sectors represented 4.5% of the aggregated GVA in the economy. The annual average GVA variation in current prices of food processing, ‘textiles and garments’, and wood processing was 9.9%, 6.2% and 7.7%, respectively in 2010-2015. The variation in the same indicator for the aggregate manufacturing sector was 8.5%, and for the entire economy was 11.2%.

Agro-processing of sugar, cashew-nuts, and cotton fiber for exports is a traditional activity in Mozambique since before its independence, up to today (Sutton 2014, Dias 2012). Maize flour, refined edible oil and processed tea are also exported at a more modest revenue. Processed wood is also currently exported. Processed rice is traditionally consumed in the domestic market, and soybeans production is expanding for poultry feed (Calima et al 2014). There are plans to attract foreign direct investment on two paper pulp projects in Zambézia and Nampula provinces, amounting to USD 4.5 billion (MPD and MF 2012:12).

GVA in tourism (hotels and restaurants) contributes to 2.2% to aggregated value added in 1993-2015. This sector has been growing at an annual average rate of 9.1%, which is higher than the GDP growth. This is a sector with potential for growth, both in the domestic and international markets. One factor that could increase the flow of tourists from abroad is the access to a more cost-efficient air transportation service. International demand and safety inside Mozambique are other relevant factors influencing tourism.

From the GDP production approach, national accounts statistics does not provide disaggregated data on ‘information based services’. The share of these services in total GDP is 3.4% in 1993-2015. It provides aggregated data for the sector ‘Communications and information’ services. This sector contributes to GDP growth with 0.31%, well above in the rank from sectors like ‘hotels and restaurants’ (0.22%), ‘electricity, gas and water’ (0.27%), and ‘public administration and defence’ (0.28%), (Fig. 1). The share of gross value added for ‘consultancy, scientific and technical’ services in total GVA is 2.1%, based in nominal values for 2010-2015 (INE 2016c). Exports of ‘technical assistance and services related to commerce’ (14%), and ‘telecommunications, computers and information services’ (5%) are placed in 3rd and 4th place, respectively, after ‘transportation’ (43%) and ‘travel’ (31%), as a share of total export of services in 2006-2015 (BM 2016). The low share of ‘information and communication technology’ in total exports, allow us to hypothesize that this country is mainly importing information based technology in order to increase productivity across sectors producing for the domestic market.

From the limited information available, there is evidence that IWSS have been contributing to the economic growth in Mozambique since 1993 but there is no evidence of a significant contribution to the expansion of its goods and services in the international market.

3 Selected public policies

This section reviews macroeconomic, trade, labour and specific sector policies that influenced economic performance since 1993, in particular of the ‘industries without smokestacks’. A recent and detailed policies review can be found in the UNU-WIDER Working Paper 2014/059 (Cruz et al 2014).

Macroeconomic policies

Macroeconomic stabilization and structural adjustment program (“Programa de Reabilitação Econômica”, in Portuguese) was implemented in Mozambique from 1987 onwards, although initial price reforms started earlier in the same decade (USAID 2004). This program was
implemented as part of the transition from the central planning economy to the market economy system, and as a solution for the declining trend of the economy, even though the country was in the middle of a civil war.

Mozambican economy declined by 26% from 1981 to 1984 (Sulemane 2002). Exports and imports reduced, and trade deficit aggravated from USD -320 million in 1979 to USD -444 million in 1984, having reached USD -607 million in 1982. Foreign debt-service obligations exceeded two times the value of exports of goods and services (IMF 2004). Foreign currency was in short supply, driving the parallel (black) market exchange rate to depreciate and increase the gap with the official exchange rate (Tarp et al 2002: 25-26; Hanlon 1991). Government was able to cover its deficit by printing money, adding pressure for an increase in prices in the parallel market, i.e., inflation was rising (Tarp 1990).

Therefore, the Government allowed the exchange rate to depreciate in the official market, liberalized gradually prices, interest rates, and trade (IMF 1996; IMF 2004). It also controlled public expenditures and money supply, and reformed revenue collection. Although basic policies were implemented in the first years, it was only after the peace agreement in 1992 that economic growth accelerated from an annual average of -6.6% in 1990-1992 to 6.9% in 1993-1995, and ‘end of the period’ inflation declined from 54.1% in 1995 to 16.6% in 1996 and 5.8% in 1997 (Sulemane 2002; IMF 2001).

Fiscal reforms, privatization program and financial sector reforms continued after 1992, aiming at reducing macroeconomic imbalances and improving efficiency and competition in the economy. As a result of the good record of policies and reforms, Mozambique benefited from the debt relief from donors under the Highly Indebted Poor Countries initiative from 1998 to 2002 amounting to US$2.7 billion in 1999’s values (IMF 1998: 3; 1999).

Mozambique continued to implement market oriented macroeconomic policies and structural reforms, since 1987 until 2015 (IMF 2014b: 1; IMF 2016b). Taxation reforms, in particular, institutional reforms with the creation of the Tax Authority allowed the share of state revenues to increase from 12.4% in 2004 to 25.5% in 2015 (Barnes et al 2016; IMF 2016b). This general macroeconomic performance allowed economic agents to take resource allocation decisions based on price signals.

However, many distortions and failures remain such that the Mozambican economy did not yet reach the point of Pareto efficiency. The public deficit has been financed by external aid and public debt, which is a very risky combination when the basic rules of transparency and accountability are violated (GdM 2016; WSJ 2016; IMF 2016a). The exchange rate performance has not always been favorable to the tradable sectors, in particular agriculture.

Trade policies

The exchange rate was devalued in 1987 and tended to be determined by the market, later on. Trade was progressively liberalized. The tariff book was simplified in 1996 (USAID 2004). In 2004 the Most Favoured Nation duty structure included ad valorem percentage rates of 0, 2.5, 5, 7.5 and 25 (Alfieri et al 2006: 6-7). In 2006 the highest rate dropped to 20%. Following the SADC Trade Protocol, Mozambique gradually liberalized trade with other member countries until the end of 2012, and with South Africa until the end of 2015 (PdM 2009). Mozambique is a member of World Trade Organization, and has market access under preferential arrangements with European Union under the Everything But Arms, and with Unites States under the African Growth and Opportunity Act (USAID 2004: 5.1, 5.2).
An interbank foreign exchange market was developed and customs exemptions were reduced (IMF 2004). Customs was reformed and in 2006 the creation of the Tax Authority was a milestone in institutional reform (IMF 2004: 12). These reforms aimed at reducing costs on international trade and at increasing control over tax revenues. Other reforms were introduced to enabling business environment to promote trade, like the creation of the one stop shop and visa abolitions for many SADC countries (Imani and Austral 2007: 3). Mozambique has also developed legislation and started implementing very gradually Export Promotion Zones mainly in Beluluane and Nacala.

As a result of trade liberalization and reforms, as well as mainly foreign direct investment on mineral resources like heavy sands, natural gas, coal, and other investments on hydroelectric power system, sugar and tobacco, exports have grown at an annual average rate of 14.9% between 1993 and 2015 (INE 2016b). Imports grew at 11.5% in the same period. Current account deficit as a percentage of the nominal GDP reduced from -43.7% in 1995 to -9.1% in 2007, reflecting an upward trend in exports. This ratio aggravated up to -53.6% in 2013, due to large foreign direct investments on coal exploitation in Tete province and on natural gas in the Rovuma basin. The current account deficit declined up to 2015 as imports declined at a faster rate than exports due to the reduction in international prices of coal and natural gas, and the postponing of investment in the latter commodity.

Some authors have been defending the need for Mozambique to advance further with the trade liberalization, by continuing reducing tariffs, applying a flat rate, complying with WTO rules, facilitating visas, international work permits, reducing transportation and port costs (Flatters 2002; USAID 2004; Menon 2014). This would reduce transaction costs and would increase competitiveness of Mozambican exports. Other authors consider that trade liberalization has limitations as a promoter of exports if such policy do not insulate producers for the external market from a deterioration in international terms of trade, if the market power from private companies prevent local producers to compete in the international market, and if the foreign aid contributes to an overvalued local currency, reducing competitiveness in the external market (Castel Branco 1997; Mosca et al 2014). A third group of authors consider that Mozambique has not been developing a labour intensive manufacturing production for exports due to weakly designed, coordinated and implemented industrial and competitiveness policies (Krause and Kaufmann 2011: 54; Rand et al 2014: 15).

**Labour policies**

Labour policies in Mozambique are managed by the Ministry of Labour, Employment and Social Security (MITESS). This institution is responsible for planning and monitoring government policies, for coordinating the National Social Security System, and for participating in national minimum-wage negotiations. Two major trade union confederations, Mozambique Workers’ Organization (OTM) and Mozambique Independent and Free Union Confederation (CONSIMLO), participate in the annual minimum-wage definition together with the Confederation of Business Associations of Mozambique (CTA) and the Mozambican Government. MITESS is also responsible for the management of foreign workers quota system and oversees the vocational education and training through the National Institute of Employment and Vocational Training (INEFP).

Over time, several instruments have been used in order to implement labour policies. As part of public sector reform, significant advances has been made in terms of simplification of administrative procedures aimed at improving the business environment. As part of these reforms, the last revision of the labour law entered into force in 2007, through Law 23/2007, replacing previous Law 8/1998 (PdM 2007).
Law 23/2007 brought new elements for the promotion of entrepreneurship and protection of the workers, most notably guaranteeing job safety, preventing dismissal without just cause, promoting the right to trade union activity, the right to strike, to social security, to fair remuneration, to resting, to holidays, to maternity and paternity leave, to retirement schemes, to pre-professional training, and protecting the dignity of workers. This labour law created an extra-judicial system for the resolution of labour disputes. The recently approved Employment Policy aims at harmonizing and aligning various strategic actions to induce improvements to the business environment, and to the labour market (MITESS 2016).

The latest report on the manufacturing enterprises survey in Mozambique in 2012 shows that there is slight improvement in the labour legislation, becoming a minor constraint regarding labour regulations environment, as compared to the 2006 survey. In this survey, labour legislation was considered as a severe constraint for business environment.

**Agricultural and industrial policies**

Agricultural policies in Mozambique have allowed a positive response from smallholder agricultural producers to price incentives, improvements on road and ports infrastructures, improvements in basic trading services, as well as a positive response from a selection of commodity producers for the external market, like sugar and tobacco. Aggregate agricultural production increased by an annual average rate of 6.7% between 1993 and 2015 (INE 2016a), noting that official agricultural production figures are considered overestimated (Pauw et al 2012: 2). However, agricultural production is still based on a larger number of smallholder units, using traditional and manual technology, and low levels of technical inputs. Hence, agricultural productivity remains low (Cunguara et al 2012: 121; Pauw et al 2012: 8-9; Benfica et al 2014: 17).

Industrial policies from 1992 onwards were very hands off, regarding government choices and initiatives. Markets should determine where investors would allocate their resources. A large privatization program took place, eliminating bankrupt companies and allowing for reinvestment on a small proportion of running enterprises. Privatization policy is not considered successful in terms of manufacturing expansion (Castel-Branco et al 2001: 11-12). Following the Export Promotion Zones policy, one major capital-intensive FDI investment project succeeded in the country, smelting aluminium. Other successful industries produced food and beverages for the domestic market, and produced tobacco and sugar, mainly for the export market. Besides these commodities, industrial policies failed to promote manufacturing expansion as a proportion of the GDP, in particular after 2004 (Cruz et al 2014). The state managed to keep a controlling hand on enterprise creation and development, through the licensing process, labour and tax inspections and informal fundraising.

4 **Tourism and related services: An overview**

**Introduction**

As the economic growth trend is being gradually influenced by the investment in the exploitation of mineral resources (coal and hydrocarbons) and related infrastructure, the tourism sector is seen as an opportunity to diversify the economy through its potential for export expansion, job creation, skills learning, and income generation. Tourism development requires investment in basic infrastructure like road networks, water and sanitation, energy and health centers, as well as in the provision of excellency services in terms of technology and transportation, which are seek by increasingly demanding customers.
Mozambique, as a low income African country, has a potential for competing in the international market, in particular in sectors like tourism due to its cultural, natural and wildlife conditions. Transportation, and information and communications are relevant services supporting the tourism activity.

Through literature review, documentary research, and recent historical data review for the period 2009-2015, this section presents the country’s strategy for tourism in the recent past, the general performance of the transportation sector, recent investment trends, and concludes with a reference on opportunities and challenges.

**Tourism (cultural, resort and wildlife)**

Mozambique can be considered an attractive destination for tourism because of its natural conditions, biodiversity and cultural diversity. Its coastline of over 2700 km, offers other marine resources, excellent beaches, bays and lagoons. In order to take advantage of the country’s touristic conditions and potential, the Government of Mozambique have defined a Strategic Plan for the Development of Tourism in Mozambique (PEDT I) for 2004-2013, as well as various other tourism plans developed at the provincial level (MITUR 2004). With PEDT I, the Government aimed at ensuring that tourism is a strategic sector for economic growth and development through priority setting, definition of products and markets, identifying priority locations for tourism investment and targeting capabilities. At the same time, it recognized the important role of other actors such as communities and the private sector, besides the public sector at national, provincial and district level.

The historical process of the country confirms the identity multi-ethnic, multicultural, multi-religious and multilingual, which results from the fusion of African, Asian and European cultures. The geographical location of the country provides a strategic position in relation to regional markets, combining with the proximity to the largest air transportation hub in Southern Africa, the Johannesburg International Airport.

The geographic division into three regions, North, Center and South, with different characteristics provides a basis for regional profiles. These are based in their own identity, resources, priority development and regional partners, representing vast natural areas of flora and fauna, including 15 national parks and reserves and marine protected areas (MITUR 2004). About 15 % of the country is classified as a protected area (IFC 2012). Follows a brief profile for each region (MITUR 2004: 62):

- **Regional profile North** includes the provinces of Cabo Delgado, Nampula, Niassa and Zambézia. In this region the targets are based on the potential along the coast, various beaches, islands and eco-tourism based on wild characteristic of the region with strong cultural influence. It has protected areas as the National Park and the Quirimbas Archipelago, the Island of Mozambique, Niassa Reserve and Lake Niassa. Exclusive eco-tourism (adventure, bird watching, hunting, lake activities) will be developed in remote areas of Niassa and Cabo Delgado.

- **Regional profile Centre** includes the provinces of Sofala, Manica and Tete. It is based on the development of ecotourism opportunities, adventure, business, trades, beach and sun. It has protected areas like Gorongosa National Park (ideal for ecotourism and safari) and the area of Cahora Bassa.

- **Regional profile South** comprises provinces of Maputo, Maputo City, Gaza and Inhambane. The possibilities include the sun tourism, beach and sea water sports, diving,
ocean safaris, ecotourism, culture and entertainment. It has reserve areas of Limpopo Transfrontier Conservation Area (ecotourism), Maputo-Province Special Reserve (ecotourism), Inhaca and Bazaruto (sun, sand and sea), Inhambane (culture and diving) and Maputo City (culture and entertainment).

**Air transport, road and railway cargo transport**

For the practice of tourism displacement is critical. The movement of people and goods makes the transport one of the important means for the development of tourism. The choice of the type of transportation to be used depends on various factors such as the cost of transport, type of goods to be transported, route, distance, etc.

The analysis of the different modes of transport is done looking into the volume and growth through time. Fig. 2 illustrates the transport of passengers between 2009-2015. Road passenger transportation has by far the highest volume, followed by air transportation. Rail and sea passenger transportation represent less than 0.1%. Passenger road transportation increased by 34.5% in the first four years (2009 - 2012), then almost maintained an annual average of about 50 million passengers per km realized between 2012 and 2015. The total transportation of passengers per kilometre increased from 38.7 million in 2009 to 52.9 million in 2015.

Figure 2. Road passenger traffic increase by 34.5% between 2009 and 2012 (Million passenger-kilometre transported)

![Road passenger traffic increase by 34.5% between 2009 and 2012](image)

Source: Ministry of Transportation and Communications.

The assessment made in the Strategic Plan for the Development of Tourism 2015-2019 indicates that the contribution of tourism was more pronounced in leisure component, which in turn was influenced by business traveling (MITUR 2015a). The entries by air in the main industrial and mining development centers showed a high growth between 2010-2013, while arrivals through areas that rely on leisure tourism as Inhambane, Vilankulo and Inhaca decreased. Currently, the country has eight entry points for international flights.

The volume of road cargo transportation is the highest of all on annual average (Fig. 3). However, rail cargo transportation has been gaining ground over the past four years.
Figure 3. Railway cargo increased by about 5 fold between 2009 and 2012, due to mineral coal exports (Million tons-kilometre transported).

<table>
<thead>
<tr>
<th>Year</th>
<th>Railway</th>
<th>Maritime</th>
<th>Road</th>
<th>Air</th>
<th>Pipeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>772.3</td>
<td>154.2</td>
<td>2,246.8</td>
<td>6.4</td>
<td>122.7</td>
</tr>
<tr>
<td>2010</td>
<td>1,009.8</td>
<td>260.8</td>
<td>2,998.0</td>
<td>6.7</td>
<td>142.7</td>
</tr>
<tr>
<td>2011</td>
<td>1,193.6</td>
<td>200.0</td>
<td>3,331.0</td>
<td>6.9</td>
<td>330.2</td>
</tr>
<tr>
<td>2012</td>
<td>4,582.2</td>
<td>189.9</td>
<td>3,778.5</td>
<td>4.8</td>
<td>442.9</td>
</tr>
<tr>
<td>2013</td>
<td>3,938.8</td>
<td>390.8</td>
<td>4,004.3</td>
<td>4.3</td>
<td>489.6</td>
</tr>
<tr>
<td>2014</td>
<td>4,139.9</td>
<td>419.2</td>
<td>4,199.1</td>
<td>5.0</td>
<td>426.1</td>
</tr>
<tr>
<td>2015</td>
<td>3,757.3</td>
<td>189.9</td>
<td>4,407.0</td>
<td>5.2</td>
<td>479.9</td>
</tr>
</tbody>
</table>

Source: Ministry of Transportation and Communications.

Fig. 4 shows the evolution of the port handling from 2009 to 2015, in three main national ports of Maputo, Beira and Nacala, and in three small-scale ports of Quelimane, Pemba and Mocimboa da Praia. Maputo has been the leader of all in port cargo handling in the period of 2009-2015, followed by Beira, which has been reducing the gap over the years. The total cargo handling increased from 12.7 million metric tons in 2009 to 32.1 million metric tons in 2015.

**Investment in transportation/communications and in tourism/hotels**

Figures 5 and 6 show the volume of investment in Mozambique approved by the Investment
Promotion Center (CPI) for the ‘Transportation and Communications’ and the ‘Tourism and Hotels’. The volume of approved Foreign Direct Investment (IDE) has been larger than the volume of approved National Direct Investment (IDN) in 2009-2015. Approved investment is not the same and realized investment, which usually is smaller than the former.

Except for year 2014, in the rest of the period 2009-2015, the loans or equity investment has been larger than either IDE or IDN, regarding investments on transportation and

Figure 6. Investments in tourism/hotels in 2009-2015.
communications. As for investment in tourism and hotels, loans or equity investment has been larger than either IDE or IDN, except in years 2013-2014. For both sectors, investment tended to decline in 2015.

**Telecommunications**

In the country, three companies are providing mobile phone services, Mcel, Vodacom and Movitel, and one company in the land line telephone, TDM. The spatial coverage of mobile phones is increasing in recent years, as well as the number of consumers (Fig. 7). The company operating the land line telephone is losing consumers (Fig. 8).

Figure 7. Number of mobile phone subscriptions increased after 2012.

![Graph showing number of mobile phone subscriptions from 2009 to 2015](image)

Source: Ministry of Transportation and Communications.

**Opportunities and challenges**

Statistics on tourism, transportation and communications reveal an overall dynamic performance in the period 2009-2015. However, tourism services are still far from achieving its potential. This sector has opportunities that could still be further explored, like sun and beach resorts combined with ecotourism and other segments such as cruise, events and business, casinos.

According to the 2nd Strategic Plan for the Development of Tourism 2015-2024 (PEDT II) tourism development is facing four main category barriers: (i) access, (ii) demand, (iii) investment, and (iv) institutional capacity (MITUR 2015a).

- Access – The high cost and limited flexibility of air transportation prevents this country for competing in the region and internationally in the tourism market. Even the road access for many touristic zones is hard and costly.
Figure 8. Number of land line telephone tended to reduce after 2011.

<table>
<thead>
<tr>
<th>Year</th>
<th>Land-line telephone</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>82,447</td>
</tr>
<tr>
<td>2010</td>
<td>88,062</td>
</tr>
<tr>
<td>2011</td>
<td>88,120</td>
</tr>
<tr>
<td>2012</td>
<td>82,140</td>
</tr>
<tr>
<td>2013</td>
<td>77,568</td>
</tr>
<tr>
<td>2014</td>
<td>76,888</td>
</tr>
<tr>
<td>2015</td>
<td>80,999</td>
</tr>
</tbody>
</table>

Source: Ministry of Transportation and Communications.

- Demand – Following respects affect negatively the demand side, like corruption, police hostile attitude towards tourists, poaching, unstable military and political situation, and other negative stories disseminated through mass-media. The limited wildlife tourism experience compared to regional competing countries is exacerbated by a decrease in wildlife numbers and inadequate provision of activities and services based on nature.

- Investment – Delays in the processing of access and exploitation of the land are considered bottlenecks. There is a limited supply of goods and services to tourist companies from other sectors within the domestic economy, against a significant level of imports. The taxes are considered high, as well as regional competition on touristic services. Loan offers to touristic companies is limited and the sector is dominated by modest levels and low quality of equipment.

- Institutional capacity – The quality of tourism training institutions and available skills are limited to the provision of excellent and competitive tourism services. The public sector services, and public-private partnerships at the national, provincial and local levels are inadequate in view of the implementation of tourism plans.

Finally, the Government of Mozambique has adapted a new approach to the development of tourism, which focuses on an integrated planning identifying "Touristic Interest Areas" in Investment Priority Areas in the provinces of Inhambane, Zambézia, Nampula, Cabo Delgado and Niassa.

5 Conclusion

Under the current international economic conditions, where Asian countries are strong competitors in the manufacturing commodities, low income countries like Mozambique could potentially attempt to compete in industries without smokestacks. Examples of commodities and activities that Mozambique could compete in the international market are baby corn, green beans, citrus, bananas, mango, cut flowers, maize and related products, sesame,
resorts/wildlife/cultural/ecotourism, electricity from hydropower plants and natural gas plants, and transportation services.

An analysis of the past two decades when Mozambique could follow an upward economic growth path reveal that this country did not undergo a similar structural transformation the industrialized countries and the emergent Asia and Latin-America economies did. I.e., an expansion of the manufacturing sector, as a share of the GDP and a share of total labor force, an increase in agricultural productivity accompanied by a reduction in its share of labour force due to the migration to other more productive sectors in the economy. In this country, about 80% of the labour force is active in agriculture and other rural activities, producing about 25% of the GDP. Manufacturing output as a share of the GDP has been declining since 2001 to about 10% in 2015. The economy is mainly growing inwards with a shy expansion of exports.

Growth strategy since 2010 has been focused on international investment on mineral coal and natural gas, as well as an expansion in public infrastructure investment with a growing share of external commercial lending. The economic performance in 2015 and 2016 is revealing that such strategy was very risky and unsustainable. Lower general international demand for commodities and in particular coal and natural gas, an extremely imprudent and irregular rise in external public debt, and a decline in foreign aid is leading to a serious economic crises. This is a poor, even wrong growth strategy and public policy mismanagement.

Mozambique is in dire need to revert macroeconomic and other policies in order to stabilize the economy. Meanwhile, a diversified growth strategy could promote synergies to expand output from agriculture and related activities, and other industries without smokestacks to compete in the international market. An open and transparent public policy on exploitation of coal, natural gas and other high value natural resources could integrate these products in processing value chain, such that this economy could gradually industrialize.

References


http://www.ifc.org/wps/wcm/connect/4b9953804b7f31598974ebbbd578891b/CoastalResortsStudy.pdf?MOD=AJPERES


16


