

# L2C - Learning to Compete Industrial Development and Policy in Africa

## Mozambique Scoping Paper, a draft

24-25 June 2013

Helsinki, Finland

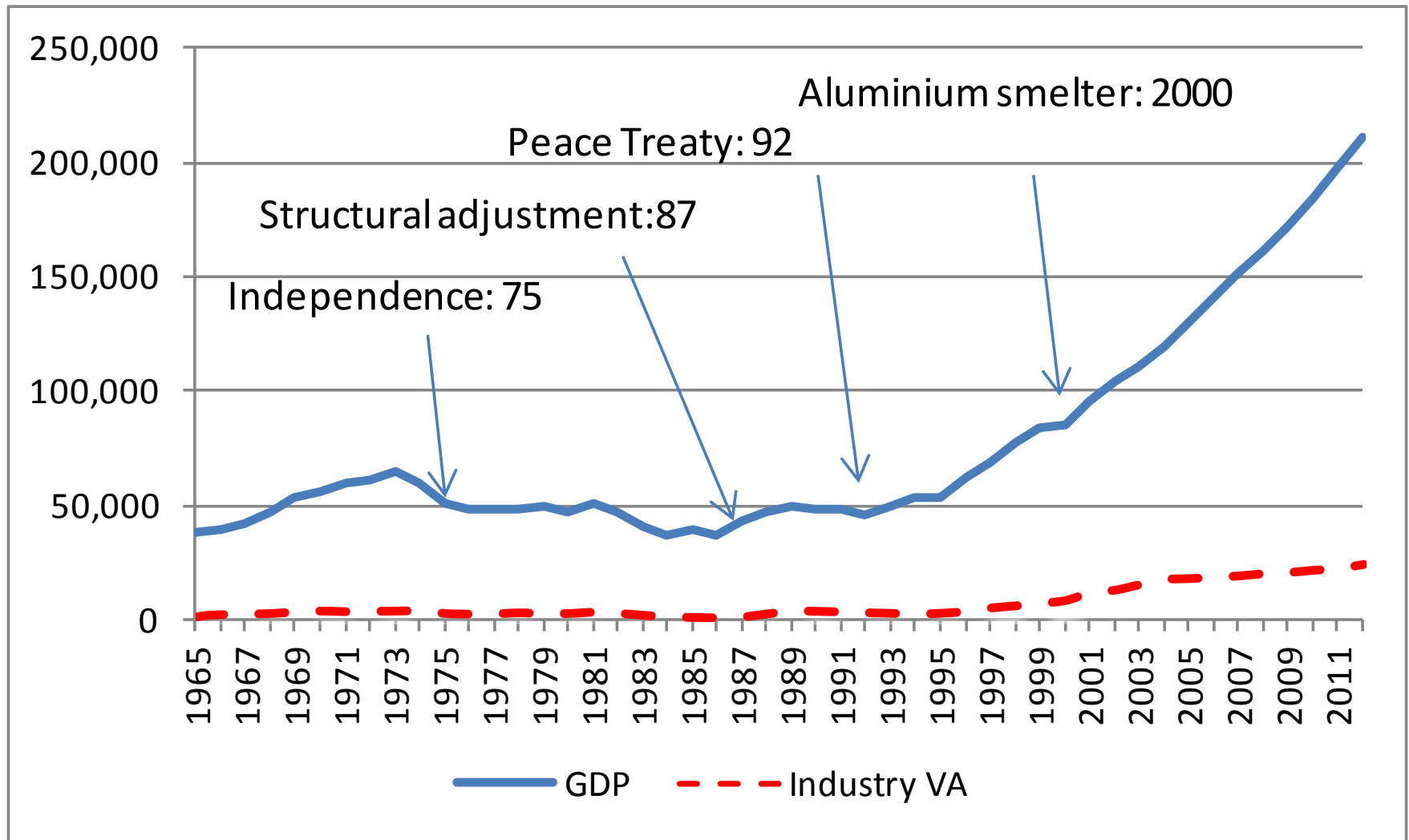
# 1. The evolution of industry: 1965-2012

- Main features of industry evolution
  - Independence with industrial stagnation
    - Colonial industrialization
    - Post independence central planning: priority for heavy industry
    - Structural adjustment, privatization and deindustrialization
  - New industrialization pattern: Mega-projects, informal sector, special economic zones, and valuable natural resources extraction

# The evolution of industry: Stages

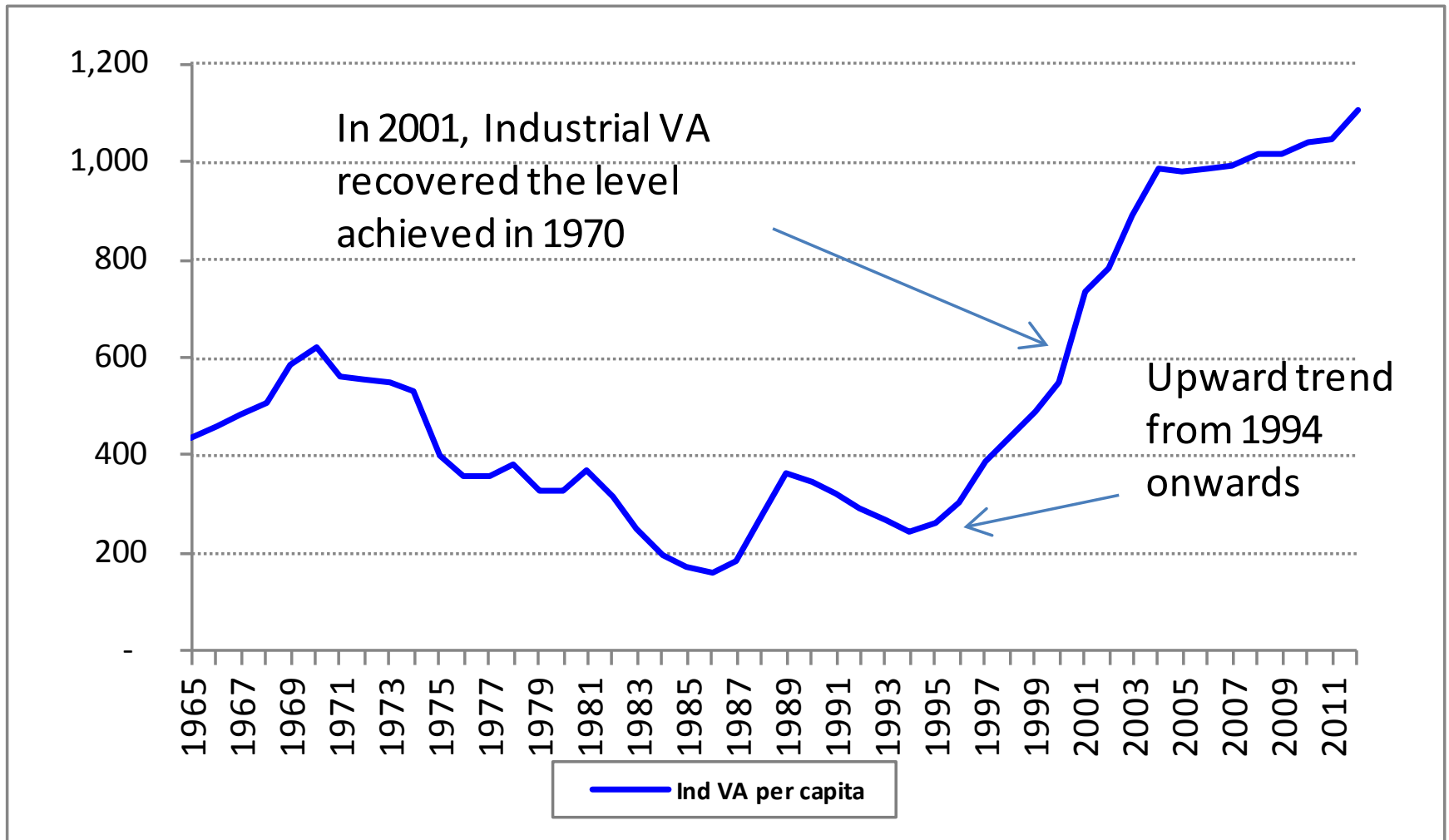
Period	Main feature	Description
1965 – 1974	Pre-independence	Industrial output for the internal market becomes dominant when compared to the exported one
1975- 1986	Central-planning	Independence, nationalizations and a structural break
1987- 1992	Structural adjustment	Price liberalization, starting privatization, during civil war: deindustrialization
1993- 1999	Privatization	Speedy privatization after peace agreement
2000 – Present	Large projects and informal sector	Transition from aid to a domestic financed economy

# After the structural break, the economy recovers from 1992 onwards (Million MT; constant prices of 2003)



# Reindustrialization from 1994 onwards: Food and beverages, mega-project

(Meticaïs per capita; constant prices of 2003)

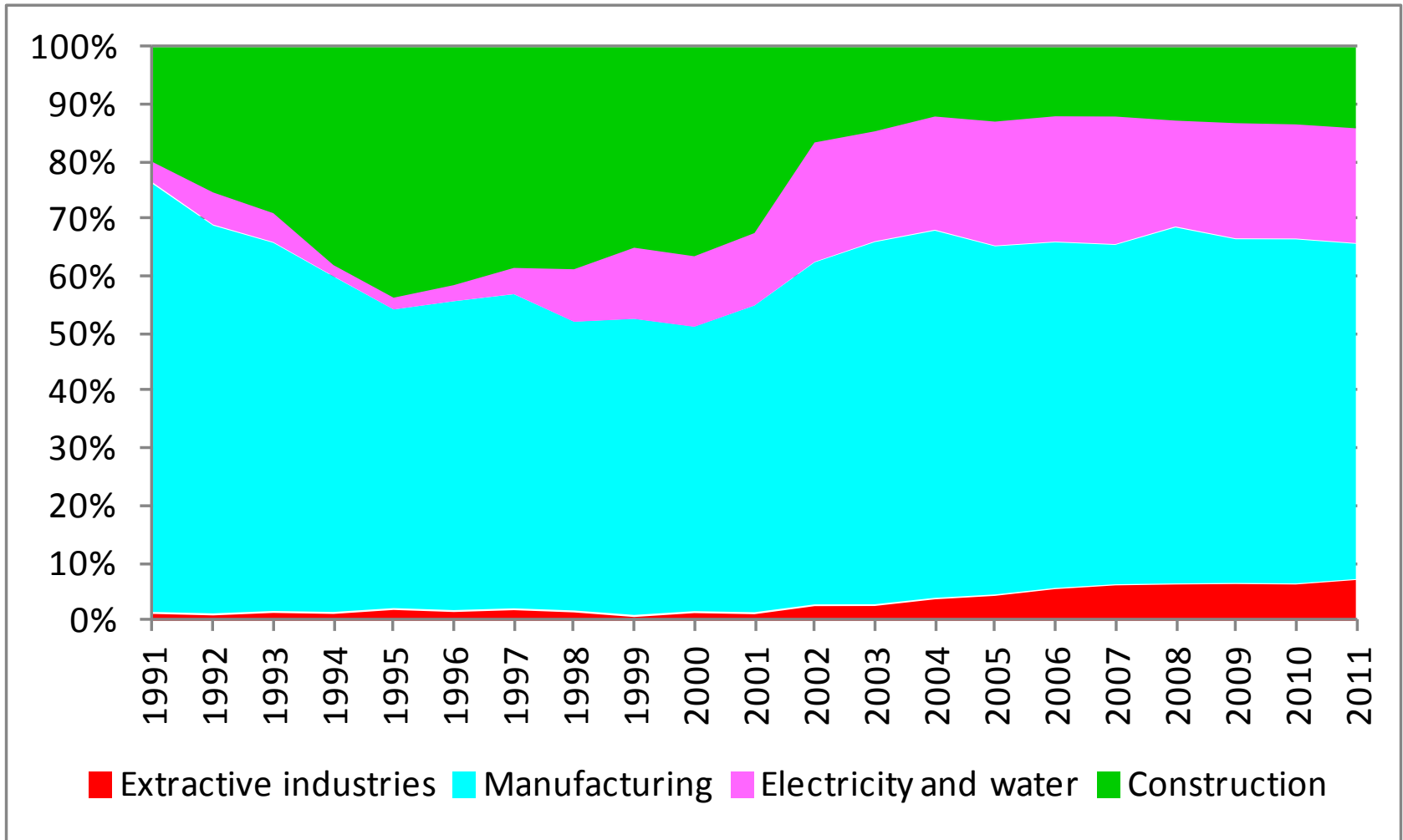


# The evolution of policies

1965 – 1974	Plans for development and industrialization (“Planos de Fomento”)
1975- 1986	“Prospective and indicative plan”: Central planning driven by heavy industrialization
1987- 1992	Structural adjustment: Price liberalization, starting privatization. “Markets will rule + minimum State”
1993- 1999	Speedy privatization, market liberalization, weak public institutions, inviting few visible mega-projects, sugar industry was the exception
2000 – Present	MDG, PRSP (Social success); market “rules” + trade liberalization + weak institutions + no competition policy + nich for few mega-projects (capital market failure + non competitive labor market): fast growing economy

## 2. Industrial structure

value added: Manufacturing stabilized between 59% and 64% after 2002



# Sectoral structure: Number of enterprises

	Number of workers	Extractive industry	Manufac- turing	Electricity e water	Construc- tion	Total
Micro	1-9	11	<b>1,972</b>	5	88	<b>2,076</b>
Small	10-29	10	355	<b>16</b>	<b>104</b>	485
Medium	20-49	8	63	2	12	85
Large	50-99	4	81	6	20	111
Very large	≥ 100	<b>9</b>	76	5	42	132
Total		42	<b>2,547</b>	34	266	2,889

Source: CSO “INE”, Enterprise survey 2008.



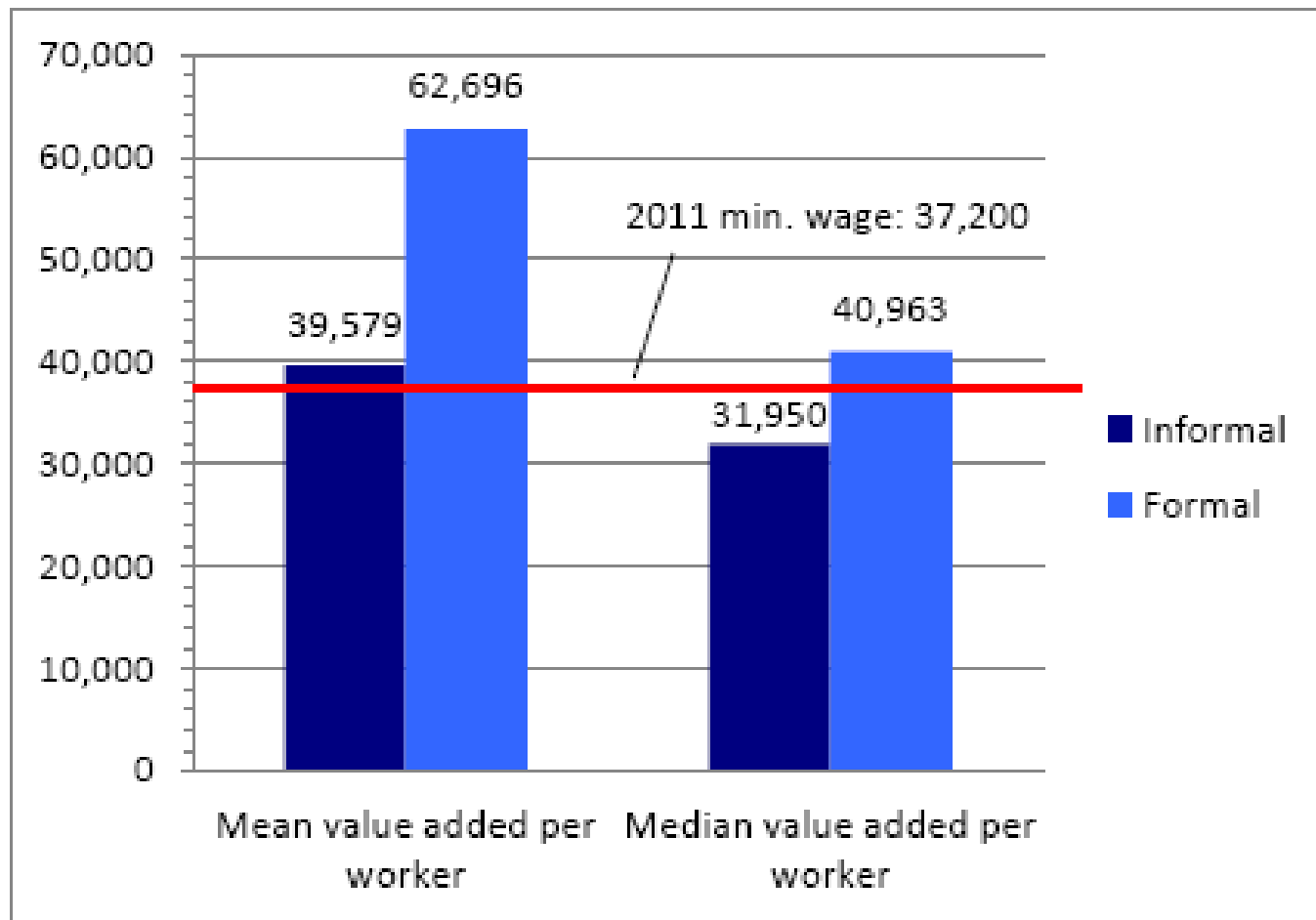
# Micro, small and medium enterprises

	Micro	Small	Medium	Total
Food, Bev, Tobacco	50	48	30	128
Textiles	3	3	3	9
Apparel and Footwear	81	10	2	93
Wood and Paper	71	22	5	98
Publishing and printing	8	7	2	17
Chemicals, Rubber, Plastic		6	4	10
Non-metallic minerals	45	15	4	64
Fabricated Metal Products	125	33	5	163
Machinery etc.	7	5	2	14
Furniture & manufacturing nec	127	29	9	165
Total	517	178	66	761

Note: Blank spaces indicate that no firms fall in the category.

Source: Rand, J. and Tarp, F. 2013

# Minimum wage is above the productivity per worker for the majority, in manufacturing



Note: Only firms with less than 10 workers. Number of observations: 145 (43 informal, 102 formal).

Source: Rand, J. and Tarp, F. 2013

# Industrial main zones

Beira e Dondo  
industrial  
areas

Maputo e  
Matola  
industrial areas

Beluluane  
Industrial  
Free Zone

Nacala  
Economic  
Special  
Zone

Lacone  
IFZ

Minhuene  
IFZ

Manga  
Mungassa  
ESZ



Source: Ministry of  
Planning and Development

# 3. Challenges and opportunities for manufacturing

- Improvement in the business environment
  - More competitive banking system
  - Improvement in labour force productivity
  - Business management training
- Diversification
- Opportunities in the Center and North of the country