

DEEPENING VALUE CHAIN AND LINKAGES: LET'S WORK CONSULTATIVE WORKSHOP DISCUSSION SUMMARY

Maputo, Mozambique | November 30, 2015 & December 1, 2015

INTRODUCTION

I. Objectives

The consultative workshop brought together large and small private sector firms, the Government, and development organizations to discuss practical interventions that can help deepen domestic linkages between large firms and smaller domestic enterprises in the agribusiness, forestry and construction sectors. The aim was to allow key stakeholders in the three specific sectors to contribute ideas towards the development of three to five key priority actions in each sector, that have the potential to be impactful in creating private sector led inclusive jobs.

Results from the workshop will be used to validate and expand on the Let's Work's strategy to develop more, better, and inclusive jobs in Mozambique. The workshop outcomes will also feed into a larger Let's Work Mozambique conference that will be held next year.

SUMMARY OF AGRIBUSINESS WORKSHOP DISCUSSIONS

I. Participant Profile:

The session was attended by 19 participants. The attendees included government representatives (MITADER and MEF); agribusiness organizations (production and incubation); farm input suppliers; NGOs; farmer groups; private sector associations; donor and development community members; research institutions; and consultancy companies (participant list included in Appendix).

II. Summary of Open Discussions:

Steven Dimitriyev opened the session by introducing *Let's Work* and the workshop objectives and Fion De Vletter provided a few points to develop context for the open discussions.

The open discussions focused on the following themes: **1)** Administrative processes for gaining DUAT registration; **2)** Government's selective protection policies to boost agricultural processing; **3)** Port handling costs and its effects on competitiveness; and **4)** Conflicts between communities and the private sector

DUAT registration: One of the major constraints to agriculture and plantation forest investments is the excessive time required to obtain a Direito do Uso e Aproveitamento da Terra (DUAT). A DUAT provides rights to undertake specific activities on a piece of land to the holder. DUATs for areas in excess of 10,000 ha need approval from the Council of Ministers. It was suggested that that the government could accelerate the issuance of DUATs for plantation forests, which has the potential to create approximately 300,000 jobs. Participants acknowledged MITADER's recently announced *Terra Segura* policy, which is targeting the issuance of 1 million DUATs over the next 5 years, however; many highlighted that unless major reforms were made within the system, the goal would not be met (only a few hundred thousand DUATs have been issued since independence).



Selective Protection: Participants discussed policy inconsistencies in developing national agri-business. An example discussed during the session cited that the government has requested farmers to produce rice, however; duties are not paid by many rice importers. Therefore, it is relatively costly for national producers to compete with international producers. The government's recent withdrawal on its intention of applying an export tax on pigeon peas, was also cited as an example, as it would have played a key role in developing processing plants. The government's reversed position was attributed largely to donor pressure, who argued that the export tax would have severe negative consequences on producer incomes – a debatable argument, given producer flexibility in choosing cash crops and ETG's dominance of pigeon exports (Mozambique currently being the third largest exporter of pigeon pea). Free trade without selective protection of the infant industry was seen as potentially constraining downstream value chain development, resulting in Mozambique being largely a producer of unprocessed exported agricultural commodities.



Port Handling Costs: Port handling fees are an increased costs. For example, the Matanushka banana company of Nampula, become one of the cheapest producer of bananas, however; this competitive advantage was undermined by the application of wharfage fees by the Nacala Port, which increased costs by 40 percent. After discussions with the Government, Matanushka was exempted from the fees, but this led to inconsistent application of port fees.

Communities vs. Organizations: Conflicts between communities and agri-businesses organizations were highlighted as a constraint during the discussions. Although, many of the challenges portrayed by organizations in the past are real, many false accusations have also concerned investors. It was discussed that many conflicts arise due to misunderstandings, lack of professional consultations between the two parties, and general skepticism of each party's motives. An example discussed was



a recent incident at a Canadian owned mine, where the community reacted to the arrest of one of its members (for stealing) by destroying \$10m worth of equipment, leading to the closure of the mine and a widespread loss of jobs. A participant mentioned that half of his plantation forest had been intentionally burned, despite developing an innovative idea that allowed the community to be major

shareholders in the agricultural activities of the plantation. Another participant highlighted that the failure of promises made by his company, to produce fixed areas of maize and the build schools led to community conflicts and contributed to the ultimate failure of the initiative.

III. Summary of Proposed Actions

- To win the confidence of the private sector and smallholders, Government should be more consistent with its agricultural policy
- Greater care should be taken to minimize community-private sector conflicts and ensuring land rights, especially in respect to the provision of DUATs (using modern mapping technique such as drone surveying, videos of community meetings, clear resettlement procedures, anthropological enquiry, etc).
- Conduct further research into the experiences of successful and failed smallholder-agribusiness arrangements in Mozambique (in collaboration with the Landscapes Project)
- Address the excessively high port levies that negatively impact competitiveness of agricultural exports.
- Policy to promote downstream processing for products, such as pigeon peas, needs to be carefully assessed and debated.

SUMMARY OF FORESTRY WORKSHOP DISCUSSIONS

Steven Dimitriyev opened the session by introducing Let's Work and the workshop objectives and Fion De Vletter provided a few points to develop context for the open discussions. Martin Johnston from DfiD, an LW Partner, was an attendee, and provided context on the partnerships origins from the IFC Jobs Study, why Mozambique was chosen as a pilot, and DfiD's future outlook for Let's Work. He expressed that Mozambique presented a golden opportunity for the Partnership because the new Government has highlighted job creation as a priority. Therefore, the environment in Mozambique is conducive to advancement with the Let's Work program, and has the resources to support the program. Not only is Mozambique able to support the Let's Work program, but can also support new skills training programs, women's economic empowerment programs, access to finance, and DfiD is also setting up a new higher education program and agricultural program. He highlighted that many initiatives are coming together in Mozambique and that it is his hope that the LWP would be the overall coordinator, not only for DfiD initiatives, but also of complementary initiatives by donors, governments, and NGOs.

I. Participant Profile

The session was attended by 11 participants. The attendees included government representatives (MITADER, MIC, and MEF); NGOs; associations; chambers of commerce; a plantation company; donor and development community; and a consultancy company (participant list included in Annex).

II. Open Discussion

Some of the participants had attended the agri-business session in the morning and suggested an overlap in constraints between the agriculture and forestry sectors. In particular, the plantation forestry sub-sector is confronted by the following four overlapping challenges: **1)** the slow registration of DUATs, **2)** conflicts between communities and the private sector, **3)** the inconsistency

in government policy and 4) the likelihood of high wharfage cost affecting competitiveness. Considerable discussion was also focused on the expected role of the LWP, in terms of addressing more macro policy issues. An interesting issue arising from the discussions is the dichotomy existing between the Niassa plantation investments, which were described as facing challenges, in comparison to the new dynamic investments occurring further south in Nampula and Zambezia/Manica.



DUAT registration: Because of the large areas involved in plantation forestry, obtaining DUATs can take longer time than incurred by those requesting smaller areas, due to the need for approval by the Council of Ministers. To illustrate how critical DUATs are to the development of the sub-sector, participants shared an example of a principal investor that withdrew from both its plantation and chipping factory investments, due to challenges faced over DUAT provision.

Community and private sector issues: It was discussed during the session that communities often find it difficult to forecast the advantages gained from partnerships with the private sector, which are often threatened or broken by mistrust. To better understand and communicate the potential benefits gained by community- private sector partnerships, it was suggested that a study should be conducted on other countries with similar, but more advanced activities, to demonstrate the impacts of successful partnerships over a period of time. It was explained that one of the fundamental sources of conflict is when plantation forests are not allowed to encroach on indigenous forests. Therefore, planted forests often occupy land that is typically set aside for agriculture. This causes considerable tension, but, in the case of some of the Niassa companies, where forests have been abandoned or put on hold, communities suffer from the double negative of less agricultural land and the loss of employment income. The problem of encroached agricultural land may also result in reduced food security, while employment income will be limited as the opportunity is mainly seasonal. Additionally, conflicts with communities on grazing lands obtained by big South African investors has led to the successive burning of pasture without effective intervention from the authorities, and this has led to investors leaving the country. The very different approaches by the plantation companies Chikweti and Florestas de Niassa (now both owned by Green Resources) was referred to as well. In the case of Chikweti, consultations with communities were regarded as unsuccessful, resulting in frequent intentional fires, whereas Florestas de Niassa had long and comprehensive discussions, all of which were videoed, resulting in no known community provoked damages.

Government policy: Concern was expressed that government will devote greater attention on natural resources at the cost of the more sustainable agricultural and forest sectors, and that policy on the latter will continue to be inconsistent. It was suggested that the World Bank develop best practices for the forestry sector as they did for the agriculture sector. Some concern was raised about how effectively the government would encourage downstream value chain activities, citing inconsistencies in the government's approach to the domestic production of alcoholic drinks by charging levies, while imported alcohol is subject to minimal tariffs. .

III. Summary of Proposed Actions

- Bring in international best practices, create awareness about the importance of forests, and the benefits of community and private sector partnerships
- To make impacts in the poorest communities, the program could engage the community from the conception of an investment and provide them with the skills and education needed to engage and negotiate with the private sector. NGOs could be used for support for the process of building and implementing the partnership.
- Promote more proactive engagement from relevant institutions, such as business associations and civil societies, when dealing with investors to encourage best practices.

SUMMARY OF CONSTRUCTION WORKSHOP DISCUSSIONS

Steven Dimitriyev opened the session by introducing Let's Work and the workshop objectives and Fion De Vletter provided a few points to develop context for the open discussions. The International Growth Center (IGC) made a presentation that reviewed its work with of Ministry of Public Works, Housing and Water Resources within the construction sector.

I. Participant Profile

The session was attended by 11 participants. The attendees included government representatives (MORPH); construction companies; construction-related consultancy companies; legal advisor on work-related issues; think tanks; the donor and development community; and chambers of commerce (participant list included in Annex).

II. Presentation by the International Growth Center (IGC)

Novella Maugeri of the IGC provided an overview of IGC's work in supporting the Ministry of Public Works, Housing and Water Resources (MOPRH) in expanding the strategic plan and policies for the civil construction industry and construction materials. They conducted a study from 2012 and onwards. IGC tried to understand the barriers impeding the growth of the construction industry and noted that most of construction companies import products from other countries, as they are not produced locally; the country has potential to extract materials for the industry.

The principal barriers encountered were grouped in 3 categories

1. Institutional Factors
 - Corruption
 - Lack of transparency in the process
 - Excessive bureaucracy
 - Complex taxation
2. Quality
 - Quality either of human capital and of the local products
 - Lack of technical skills at intermediate level
 - Very low quality products with no certification, making it difficult to have access/be eligible to international markets
3. Economic factors
 - Supply does not respond to demand.

- Lack of financing
- old construction technologies leading to very high costs, when compared to international markets

The study conducted by IGC will guide MOPRH's policy design in the construction market, in the next years. The study did not focus on value chains and has a general approach, but it identified four priority pillars:

1. Governance – facilitate the coordination between government, civil society, and private sector to encourage continuous dialogue
2. Quality - strengthen the workforce and the quality of products and processes
3. Access to Finance - address the issue of credit for companies and also for the buyers of construction materials in the local market
4. Use national synergies (mineral resources, wood, etc.) – government, civil society and private sector should develop a strategy to make good use of resources at the national level.

III. Summary of Open Discussions

The discussion covered a broad range of issues including: **1)** quality of current skills; **2)** the training infrastructure; **3)** changing perceptions towards construction skills by parents; **4)** constraints on the development of national SMEs; and **5)** access to mortgage finance, housing policy etc. However, the discussion was dominated by a divergence of opinion on who should be responsible for the provision of construction skills training.

Diminished quality of artisanal skills: Many participants spoke about the diminished quality of



artisanal skills and largely attributed this to the disappearance of the *Escolas de Artes e Ofícios*. Training provided by government institutions such as The National Institute for Employment and Vocational Training (INEFP) only provide short-term vocational courses and much of the real training arises from apprenticeships, for which there is no official recognition. Mozambique has some of

the best wood in the world but carpenters and joiners do not have the capacity to bring out its value in a finished product.

Reduced desire/enrollment for construction training: Participants felt that the demand for technical training from a trainee perspective has fallen due to aspiration on their or their parents' part, to learn more prestigious skills. What were considered to be highly respectable skills during colonial times and for some years after independence, such as being a builder, carpenter, mechanic, or welder, have now been subordinated; especially with the proliferation of private universities and polytechnic institutions, which are graduating students that will find difficulty in obtaining jobs that match their skills, due to over-supply.

Prevalence of informal construction: It was recognized that the vast majority of housing in Mozambique is constructed informally by independent artisans and unregistered companies. Informal housing, using conventional construction material (i.e. bricks, mortar, wood and zinc

roofing) is done over a period of many years in an evolutionary basis (e.g. one new room every year), according to income flows. The vast majority of construction-related artisans are self-employed.

The need for officially recognizing attained skills (certification): There was a general consensus that skills acquisition through on-the-job experience (which was the main way in which Mozambican artisans obtain skills) should be tested and certified in an official manner to improve employment opportunities for laborer that has acquired skills, but has no way of demonstrating their capacity.

Public sector vs. private sector in assuming responsibility for construction skills: The dominant part of the discussion centered on the issue of whether the private sector should assume all or even part of the costs of skilling their employees. Many private sector representatives felt that the government should assume the costs of training (despite the common arguments that the government provides poor training and often courses that are irrelevant for the needs of the private sector). The main argument presented was that the private sector invested to make money and that training was not seen as revenue-generating investment. Others argued that workers trained at their cost are at risk of being poached by companies that did not incur such costs. **An SNC-Lavalin/ Kentz Field Operations representative** stated that their company's philosophy is to train their employees, and that his company had already invested \$5m on two training facilities for its workers (in collaboration with INEFP) and that it was very satisfied with the results. Steven Dimitriyev stated that the questions should be: What can we do for ourselves? He explained that the self-interest of private sector is to have a good work force that can be productive, available, and can be hired to make more money. The private sector has to partner with government to look into incentive schemes.



Creating demand for housing: One of the major constraints for the development of the housing construction sub-sector was the cost of mortgage financing (around 18% p.a.). It was suggested that the World Bank could intervene with a guarantee fund to reduce bank risks and thereby interest rates. It was explained that the costs assumed by such a fund through defaulted loans would ultimately be borne by the

Mozambican government.

The need for a low-cost housing policy: In contrast to government policies in the region, Mozambique does not have a low-cost housing policy. Low cost housing is exclusively constructed, informally, in urban suburbs and over a period of many years. Lower cost housing available through formal projects such as *Casa Jovem* or *Intaka* can cost a minimum of \$70,000 and therefore, is only available for the salaried middle-class.

Creating conditions for developing national SMEs: Promoting national SME construction companies was seen as critical to the development of the national construction capacity. One suggestion, relating more to road building and maintenance, was the need to change the way of attributing contracts, which are usually limited to a year and then renewable. This approach was seen as obstructing the optimal development of SME contractors, who would be able to invest larger amounts and develop more effectively if they were on longer-term contracts. It was also suggested that creating the conditions to link local SMEs to larger projects had proven to be effective through

the Moz-Link project when Mozal was created. This initiative depended largely on the support and involvement of the Investment Promotion Centre (CPI).

IV. Proposed Actions

- Promote low cost housing projects with appropriate financial products (potential challenge - building costs are high (USD 400/mt²))
- Reform technical and vocational education with increased participation from the private sector
- Increase the intervention of privately operated skills training centers.
- Design better legislation to promote skills certification.
- Reform procurement procedures to allow longer contracts for local SMEs, to encourage them to build the capital needed to grow.
- The Center for Investment Promotion (CPI) should review and more effectively promote the policy of SME linkages, based on the Mozlink experience.
- Provide incentives to companies to more effectively use local content.

APPENDIX:

I. List of Participants

Agriculture Participants List

	Name	Company Contact/Participants
1	João Carlos Frade	PROCAMPO
2	Devson Gouvindo	AMOMA
3	Armando Chambele	AMOMA
4	Angelina Maundla	CTA/ Agribusiness
5	Barnabe Zandamela	CTA/Agribusiness
6	Aristides Muhate	MITADER
7	Monica Branks	Verde-Azul
8	Adelina Machado	Machado Know How
9	Alexandre Chauque	Machado's Know How
10	Norato Xerinda	GDS
11	Paulo Muando	GDS
12	Rui Santos	Soluções Rurais
13	Jake Walter	Technoserv
14	Guillermo Machado	ETG
15	Kobus Botha	Servir
16	Jorrit Oppeway	International Growth Center
17	Simone Santi	CMMI – Conselho Empresarial Mocambique/Italia
18	Sharon Ramarini	CMMI
19	Chiara Biasi	CMMI -
20	Jochua Siteo	Associação de Agricultores da Moamba – ADD Moamba
21	Ernesto Paixao Pedro Lewis	CTA
22	Mauricio Dengo	Dengo Comercial
23	Filipe Jose G Marques	BEI
24	Jorrit Oppway	
25	Mauricio Inacio	Dengo Comercial
26	Maimuna Ibrahim	Ministry of Economy & Finance
27	David Ariza Mateos	Bosque Y Comunidad
28	Monica Pereira Mata	Bosque Y Comunidad
29	Jay Michael Totte	WB
30	Sonia Madhvani	WB
31	Steven Dimitriyev	WB
32	Fion de Vletter	WB
33	Adelia Chebeia	WB

Forestry Participants List

	Name	Company Contact/Participants
1	Devson Gouvindo	AMOMA
2	David Ariza Mateos	Bosque Y Comunidad
3	Nina Blid	Blid Consultoria e Servicos
4	Norato Xerinda	GDS
5	Marcia Maposse	Bindzu Agribusiness e Consultoria
6	Carolina Reynoso Pieters	Representante Nacional, NCBA CLUSA Moçambique
7	Rita Freitas	MIC
8	Aristides Muhate	MITADER, UT – REDD+
9	Julia Kraetke	DFID
10	Rafael Uaiene	MSU
11	Simone Santi	CCMI
12	Filipe Jose G Marques	Frankfurt School of Finance
13	Kobus Botha	Servir
14	Steven Dimitriyev	WB
15	Fion De Vletter	WB
16	Sonia Madhvani	WB
17	Adelia Chebeia	WB

Construction Participants List

	Name	Company
1	Nadia Ragu Carvalho	CDP, Las
2	Sandra Silva	Insite
3	Gabriel Machado	Innovate Workstream Lead
4	Constâncio Machanguana	GDS/UEM - ESNEC
5	Carlota Filipe	Construcoes Chemane
6	Jaquelina Chilaule	Construcoes Chemane
7	Tomé Chilaule	Construcoes Chemane
8	Jorge Costa	Grow Engineering
9	Rudi Costa	Kentz Engineers and Constructors
10	Antenor Pereira	ILO
11	Novella Maugeri	International Growth Center
12	João Perez Batista de Almeida	Nadhari Opway Lda
13	Pedro Fraga	3MF
14	Julião Alferes	Infra engenheiros
15	Victorino Joaquim	MOPHRH
16	Manuel Pereira	CTA
17	Helena Cardoso	Associacao dos Empreiteiros de Mocambique/ CTA
18	Oscar Cavele	CTA
19	Filipe Marques	BEI
20	Maimuna Ibrahim	MEF
21	Simone Santi	CCMI – Conselho Empresarial Mocambique Italia

22	Henriqueta Chilengue	CMMI
23	E. Pedro Ribeiro	CTA
24	Marcia Mavale Paunde	DFID
25	Avelino Zimila	CTA
26	Tiago Mendonca	BIMZBeter
27	Denise Cortes-Keyser	ACIS
28	Angelina Mahundla	Rede PME's
29	Martin Johnston	DFID

II. About *Let's Work*

Let's Work is a global partnership that brings together organizations dedicated to harnessing the potential of the private sector to help create more, better and inclusive jobs. The program's mission is to work with countries, private sector companies, and development practitioners to support private-sector-led job growth by focusing on removing the main constraints to job creation and strengthening value chains.

The Program Coordination Unit of the partnership is housed within the World Bank Group and current partners of *Let's Work* include the African Development Bank Group (AfDB), Asian Development Bank Group (ADB), Austrian Federal Ministry of Finance (BMF), Department for International Development (DFID), European Investment Bank (EIB), 15 European Development Finance Institutions (CDC, DEG, etc.), Inter-American Development Bank (IDB), International Finance Corporation (IFC), International Labor Organization (ILO), International Youth Foundation (IYF), Islamic Development Bank (ICD), Ministry of Foreign Affairs of Netherlands, Overseas Development Institute (ODI), Private Infrastructure Development Group (PIDG), Swiss Secretariat for Economic Affairs (SECO), World Bank Group, and World Business Council for Sustainable Development (WBCSD). Mozambique was selected by the *Let's Work* partnership as one of seven pilot countries.

III. About *Let's Work* Mozambique

Mozambique was selected by *Let's Work* partners as one of seven pillar 1 country pilots and is the largest, to date. In April 2015, the Mozambique government approved the Plano Quinquenal do Governo (PQG 2015-2019), a five year plan that defines Mozambique's strategic priorities, including job creation. The Ministry of Labor, Employment, and Social Security has recently carried out a detailed consultation process in all provinces and consulted with various stakeholders to draft the National Employment Policy (NEP), which is expected to be launched in June, 2016. *Let's Work* aims to support the jobs dimensions of the Government's five year plan (PQG) and the Government's action plan for the NEP.

The program will achieve this through analytical work, pilot operations, and stakeholder dialogues that supports the following three areas of focus: 1) promoting the creation of private sector jobs through a value chain-based approach. This will help us understand the potential for job creation and the constraints that need to be addressed; 2) increasing the productivity of jobs that already exist; and 3) helping connect people to jobs. The programs aims to work with the Government of Mozambique, the private sector and other development partners that are active in the country to further catalyze private sector investment in value chains that could help create more, better,

inclusive jobs. A key element of the program will be coordination and knowledge sharing among all partners on the jobs agenda.