
A REVIEW OF KEY SECTORS, GOVERNMENT INTERVENTIONS AND DONOR SUPPORT

**BACKGROUND STUDY FOR THE PREPARATION OF THE LET'S
WORK STRATEGY IN MOZAMBIQUE**

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EXECUTIVE SUMMARY

This study was carried out with the objective of informing the Let's Work Program for Mozambique about the key sectors that have been provisionally identified for value chain interventions (agriculture, forestry, construction and the extractive industries) with a comprehensive overview of each sector and further analysis of selected value chains within each sector. The study also closely examines the employment skills situation in the country as well as the position of women in the labor force. Finally, to ensure better coordination and complementarity with other donor initiatives, a comprehensive list of projects and programs connected to employment generation and skills development is presented. The consultant reviewed all known documentation considered relevant to the objectives of the study and conducted interviews with a broad range of stakeholders from the private sector, government and donor community.

Despite rapid economic growth, the proportion of people living in absolute poverty in Mozambique has changed little and high levels of underemployment remain, as well as an uneven balance of gender inclusiveness

In reviewing the government's 5 year development plan, the report demonstrates that employment creation, productivity increases and greater competitiveness are central to government strategy.

Agriculture, employing 80% of the population and the second largest sector, has enormous potential for employment creation and poverty reduction as Mozambique has 36 million hectares of arable land of which only about 5 million hectares are currently cultivated. The study reviewed fruit processing as a potential value chain, given the large variety of fruit currently grown at scale or with strong potential. Poultry was also considered due to the potential to replace the large imported volumes, stimulated by the significant increase in the production of locally grown soya over the past 10 years. Sesame was examined due to its rapid increase as a cash crop in the Centre and North of Mozambique. One issue that the report flags and is encumbering the country's competitiveness in agricultural exports are the high port charges and inefficiencies. Cashew was the final selection, given the potential for increased exports of processed nuts from a highly under-utilized processing capacity. Despite large donor investments in this value chain and government efforts to replenish the ageing tree stocks, smallholder uptake of new trees has been a major obstacle for the development of this value chain.

The forestry sector (with sub-sectors in plantations and native logging concessions) is seen as important for rural employment and poverty reduction, especially through its potential for generating seasonal employment complementing agriculture. 7 million ha. have been identified by government for future planting. Partnering with Portucel (which will have the largest planted areas in Mozambique for the production of pulp) is recommended because of IFC's heavy investment commitment in the forestry operations and its socially responsible initiatives. The report also highlights the need to

develop downstream processing of native wood which is exported mainly to China with significant illegal quantities. The development of both sectors is hampered by the lack of vocational training facilities. Complicating interventions in this sector is the separation of responsibility of the two sub-sectors under two different ministries.

The construction sector offers considerable potential for employment creation through the anticipated projects linked to the development of the oil and gas sector and the significant unsatisfied demand for lower cost housing. A major challenge facing this sector is linking national SMEs to the foreign companies contracted for the anticipated construction boom as local SMEs face difficulties in complying with the required industrial norms and standards. Major potential is also seen in the domestic production of construction material to replace expensive and often low quality imported materials. A major constraint facing the sector is the lack of appropriate skills.

The last sector considered are extractive industries. The chapter highlights that the initial development phases of the large mega projects generate considerable employment during initial intensive construction but, once operations start, employment sharply decreases because of the highly capital-intensive nature of large-scale mining. However, the report also looks at the large employment impact from informal artisanal and small-scale mining (mainly gold and precious stones) that occurs in many parts of the country as well as indirect income emanating from supporting services. A major challenge for the large projects is the lack of trained Mozambican labor and the dependence on expatriate manpower.

In chapter III, the report turns to the fundamental issue of skills for employment, describing the virtual monopoly (until recently) of government institutions in determining the supply of skills which is generally considered to be out of touch with the demand arising from a changing economy. In recent years private training institutions have stepped in (often not very successfully) to bridge the gap between demand and supply, with some companies preferring to establish in-house training facilities. The massive increase in those completing primary education and a significantly increasing secondary school output have created a strong pressure to expand TVET and higher education opportunities. To better respond to the needs of the labor market, the government adopted a strategy to reform the technical and vocational training in 2006 which has suffered considerable delays and challenges, mainly caused by inadequate institutional capacity.

Chapter IV reviews the situation of women in the Mozambican labor market. Despite ratifying all 8 core ILO Labor Conventions, Mozambique ranks 123rd out of 130 countries in the Gender Equality Index. Women's participation in the labor force is slightly higher than that for men especially in the younger cohort of 15-24 years old, reflecting a high rate of participation in rural subsistence agricultural activities and lower participation in formal education. Only 4% of working women are formally employed by the government or private sector, partly accounted for by their lower levels of

schooling. There are a number of remaining legal issues that hinder the parity of men and women in the labor market. Barriers to increase labor market participation of women are strongly related to the issue of reproductive health, while few business laws and policies include targeted measures to support women who are already in a vulnerable position in the labor market.

Chapter V reviews donor activities within the job creation agenda in Mozambique providing detailed tables of: I) World Bank Group high potential projects; ii) donor projects within the job-creating agenda and iii) current and planned donor activities relating to skills development.

I. BACKGROUND

1. Introduction and Scope

The following analytical work is part of the initial analysis for the Let's Work Partnership (LWP) in Mozambique to develop and implement a comprehensive jobs strategy to support private sector-led job creation or improvements in the quality of jobs through a multi-stakeholder value chain focused approach with a focus on the bottom 40% of the population.¹

In consultation with the government, the private sector and partners, the Let's Work program will focus on a few select value chains to try to build comprehensive interventions around the value chains for job creation.² This means developing the value chain around key investment projects, building capacity among the local SMEs to work in the value chains of larger companies, developing key skills required for the value chain development of that sector, and creating access to finance for the companies in the value chain, and also simultaneously addressing other key constraints like regulatory issues or access to infrastructure.³ Ultimately the goal will be to catalyze private sector investments that help create a significant number of jobs, and/or to significantly improve the quality of jobs (e.g. productivity, wages, labor and working conditions, inclusion – such as women and youth, etc.).

The Let's Work program in Mozambique will include analytical work and pilot operations that support the following three areas of focus: 1) promoting the creation of private sector jobs through a value chain-based approach; 2) increasing the productivity of jobs that already exist; and 3) helping connect people to jobs.

Chapter I briefly reviews the socio-economic situation of Mozambique and then looks at the relevant parts of the government's 5 year plan relating to employment. Chapter II, the heart of this study is a

¹ Let's Work Partnership (LWP) is a global partnership that unites organizations dedicated to providing effective solutions to the global jobs crisis by harnessing the potential of the private sector to help create more and better jobs that are inclusive. 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. Mozambique was selected by the Let's Work Steering Committee as one of eight pilot countries along with Zambia, Tanzania and Bangladesh. Let's Work (LW) will partner with the Mozambican Government, local partners and stakeholders and the private sector to develop practical approaches that help catalyze private sector investments and job creation, working in specific sectors and put together a comprehensive package of interventions to strengthen the jobs situation in the country. LW partners include several IFIs- AfDB, ADB, IsDB, IADB, 15 EDFIs including CDC, FMO, DEG etc.), PIDG, donors including DfID, Switzerland, Netherlands, and other organizations like the ILO, ODI, World Business Council for Sustainable Development (WBCSD), and others.

² The reason for using a value chain approach towards sector development is that one of the key findings of the IFC Jobs Study was that the most significant job creation effects of private sector investments was not so much direct jobs created by clients, as the jobs created in the clients' value chains. The value chain approach also has the potential to reach poorer sections of the local population.

³ The IFC Jobs study found that access to reliable power, for example is one of the most severe constraints for companies, especially SMEs, in low income countries e.g. in Africa.

sector review of agriculture, forestry, construction and the extractive industries. Chapter III reviews the situation of skills for employment while chapter IV analyses the situation of women in the labor market. Finally chapter V reviews donor activities in the jobs creation agenda. The methodology used in this review was a mix of desk review of existing documents and information collected during meetings held with various stakeholders during the consultancy mission.

2. Socio-economic situation in Mozambique

Mozambique has experienced during the last years a very high and stable economic growth of 8% per year with a forecast for the future of 7.5%. This is primarily due to the newly developed raw materials, especially through the gas and coal discoveries in the north of the country, and an associated rapidly growing foreign investment capital (foreign investment capital was in 2012 of USD\$4.5 Billion). The main existing economic activities in Mozambique are services with 46.1%, agriculture with 31.5% and the industrial sector with 22.4%, of the national GDP.

Of the more than 11 million workers in Mozambique, it is estimated that only 6% are employed in the formal sector and only 3% are active in the private sector. Currently 300,000 to 350,000 young people flow every year into the labor market, with growing tendency. A large number of these young people, however, only will find work within the informal sector.

Despite the soaring economic growth in the recent years, poverty reduction has not advanced; rather stagnating since 2003. Mozambique was ranked third poorest country in the world (185 of 187) according to the UNDP Human Development Index in 2012 (2014 ranked 178). More than 50% of the population lives below the poverty line of 1,25US dollars a day. The extractive industries and megaprojects were unable to achieve the expected spillover-effect on stable job creation. 80 percent of the working population earns less than USD\$2 a day.

Poverty in Mozambique is highest among those living in rural areas⁴, especially among households that are not connected to markets and service delivery systems. The rural population depends heavily on agriculture and natural resources.

The growth of the private sector is limited by a poor investment climate. Especially problematic are: access to finance, and the quality of labor. About 90 percent of all private enterprises are small and medium enterprises (SMEs).

The government sees, among its greatest challenges, the creation of jobs, reflected in a number of strategy documents, like the government's five-year development plan *Plano Quinquenal do Governo (2015-2019)* (PQG). To achieve sustainable job creation, a number of interconnected and correlated

⁴ Of the poor, 85 percent were working in the agricultural sector (PCN for the forthcoming Mozambique Systematic Country Diagnostic, March 2015)

activities need to take place, like a diversification of the economy, improvement in quality of the human resources, access to inputs, integrating capital-intensive large-scale projects with the poverty reduction strategy of the government, access to markets and information, quality assurance, etc.

3. PQG - The 5 year development plan of the Government of Mozambique

The PQG for 2015 – 2019 has its central focus on increasing employment, productivity and competitiveness, in order to improve living conditions of Mozambicans in rural and urban areas, in an environment of peace, harmony and tranquility, consolidating democracy, and inclusive participatory governance.

In light of this Program, the key actions of the state will be directed to five priorities:

I) consolidation of national unity, peace and sovereignty; ii) development of human and social capital; iii) promotion of employment, productivity and competitiveness; iv) development of economic and social infrastructure, and v) sustainable and transparent management of natural resources and the environment.

The materialization of the government actions in each of the five priorities will be supported by three pillars: i) the guarantee of the democratic rule of law, good governance and decentralization; ii) promotion of balanced and sustainable macroeconomic environment and iii) strengthening international cooperation.

Priority 3 – the Promotion of Employment, Productivity and Competitiveness

To promote employment, productivity and competitiveness of the national economy and businesses, the government pursues a list of strategic objectives. These strategic objectives will be driven by a market-oriented agriculture, with strong involvement of the family and the private sectors as to generate jobs and income, ensure food and nutritional security, the provision of raw materials for the domestic industry and generate surpluses for export. The strategic objectives are the following:

- i) Increase production and productivity in all sectors with *emphasis on agriculture*;
- ii) Promote oriented *industrialization to modernize the economy* and the increase in exports;
- iii) *Promote employment, labor law and social security*; and
- iv) *Promote the value chain of the national primary products ensuring the integration of local content*

To Promote employment, labor law and social security the government envisages the following actions.

- a. Boost and consolidate the social dialogue and the culture of work;

- b. Promote employment in the various sectors of economic and social activities, encouraging and supporting initiatives that generate employment and self-employment;
- c. Integrating job creation as one of the evaluation criteria of the impact of public investments;
- d. Integrate sectorial strategies and policy measures that contribute to maximizing employment opportunities;
- e. Increase the effectiveness and efficiency of public centers for intermediation of demand and supply of jobs and stimulate private sector involvement in the provision of these services by simplifying procedures;
- f. Promoting Pre-vocational internships as a mechanism to raise the level of employability and inculcate the culture of work among young people;
- g. Implement programs and professional training aligned with the needs of the productive sector, stimulating massive participation of young people and encouraging diversification and professional improvement;
- h. Modernize and expand employment centers and operationalize the information and guidance services;
- i. Acquire new mobile units to increase access to vocational training in rural areas and implement programs and vocational training for the young;
- j. Strengthen vocational training mechanisms involving the private sector and develop a scholarship program and training oriented to supply areas with high shortage of skilled labor;
- k. Pursue and ensure the international certification of vocational training centers to ensure the competitiveness of the national labor force;
- l. Increase control of the labor law and promote decent work;
Increase support of micro, small and medium enterprises as a way to expand employment opportunities and self-employment of Mozambicans with guidance for the youth.

II. KEY SECTOR REVIEW

Preliminary discussions with stakeholders and partners revealed that Agro-processing, Forestry, Construction, and Oil and Gas, are the sectors with high potential for job creation and importance for the economy. Other sectors like Tourism, Logistic, and light Manufacturing are also playing an important role in the economy of Mozambique and for growth of jobs, but due to strong additional constraints within these sectors and the need to priorities within the Let's Work Partnership, they have not been selected for deeper analysis within this report, but will be potentially considered in a second phase. The following chapter will give an analysis of each of the selected sectors, an overview of the sector, the challenges and opportunities for job creation, the underlying and high potential value chains, as well as an analysis of the main players in the sector, followed by the key government institutes and policies.

1. Agriculture / Agro-processing

Introduction

The agriculture sector maybe plays most important role for the development of the Mozambican economy and job creation, since 80 percent of the population is active in this sector, and contributes to 25 percent of the GDP. The here presented analytical work is part of the initial analytical work of the Let's work Program in Mozambique, analyzing selected, high potential sectors for job creation.

This section starts with a general overview of the structure of the sector, followed by the analysis of the constraints and opportunities. Four high potential value chains were chosen with discussions of the specific constraints and major private sector players. This section also overviews major donor interventions and describes key public institutions and existing policy issues.

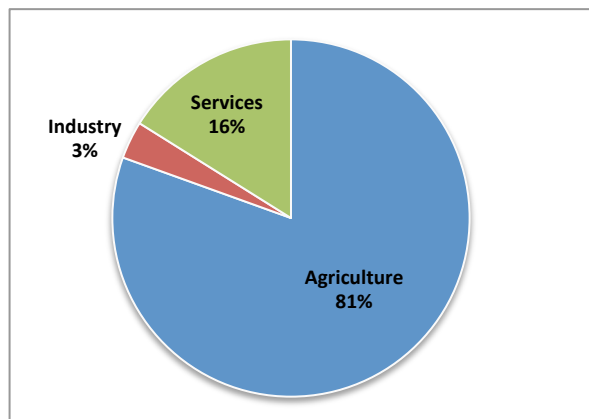
The sector note is mainly based on a desk review of World Bank Group (World Bank and IFC) internal documents, the background paper for the World Development Report 2013 from Jones and Tarp on *Jobs and Welfare in Mozambique* (2013), project documents from USAID on *Feed the Future* project, the report on *Enterprise Mapping for Mozambique* from John Sutton (2014), the publication from Teresa Smart and Joseph Hanlon: *Chicken and Beer: A recipe for agricultural growth in Mozambique* (2014), amongst others. The research was completed through a number of interviews with donor organizations operating in the sector such as USAID, Swiss Cooperation, Aga Khan, Dfid, and World Bank Group specialists, as well as private sector representatives from Matanuska, Jacaranda and Amarula, giving a profound inside view of the knowledge and needs of the sector from the different angles.

Overview of the Sector

Agriculture is the second largest sector in the economy of Mozambique, contributing to 25 percent of the GDP and employing over 80 percent of the active workforce. Although the economy has been growing fast during the last years, there has been little change in the structure of the economy and employment. 80 percent of the jobs are still in agriculture as compared to about 87percent in 1997. While there has been a doubling of the share of household enterprises over time from about 4.4percent in 1997 to 8.4 percent in 2009, the country remains a large agricultural economy, which is mostly characterized by low productive, subsistence agriculture. Mozambican agriculture occupies a very small space in global value chains. Local agricultural activity occurs at the primary level (farm-level production), with some subsectors (e.g., tobacco, sugar and cotton)

providing added value from agro-processing.⁵ Nevertheless, agriculture offers considerable scope to narrow persistent income disparities between rural and urban areas and reduce poverty in regions that have benefited little from the economic gains of recent years.⁶

Figure 1 : Employment by sector(2003) ⁷



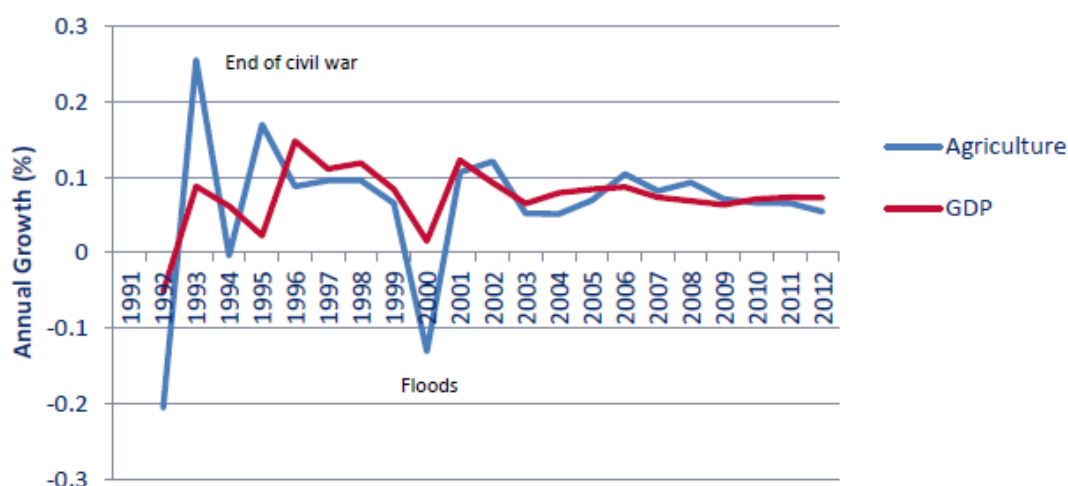
The agriculture sector growth (including livestock and forestry) is estimated at 8.8 per annum (as measured in 2014). The Ministry of Agriculture and Food Security (MASA) estimates that commercialized agriculture (excluding livestock and forestry) grew by 36 percent in 2013 and 14 percent in 2014. This category includes agribusinesses and larger farmers (farms exceeding 10 hectares), some with smallholder farmers participating.

Figure 2: Agricultural performance 1992-2012

⁵ World Bank, 2014, Concept Note Let's Work Program Mozambique.

⁶ World Bank., 2014, "Mozambique Systematic Country Diagnostic Concept Note "Page 29.

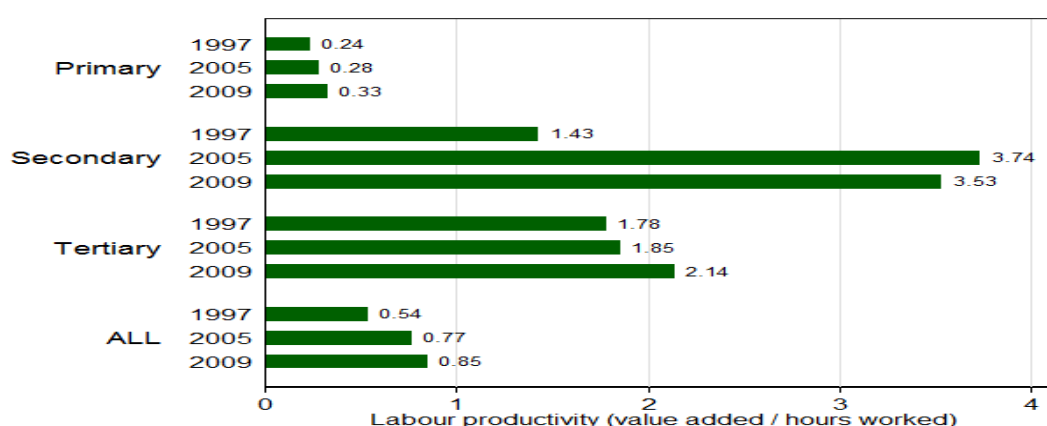
⁷ World Development Indicators



Source: National Institute of Statistics (INE)

Nevertheless, the labor productivity level in the agriculture sector is very low.⁸ Not only is labor productivity very low but it also has remained fairly stagnant in the past decade because of rudimentary technologies and lack of access to credit, information, infrastructure and markets.⁹

Figure 3 : Estimates of average labor productivity, by economic sector¹⁰



Four different types of enterprises are active in the agriculture sector, mainly i) small-scale subsistence farmers; ii) small- and larger-scale farmers connected to markets; iii) vertically integrated agribusiness firms (operating out-grower schemes); and iv) agribusiness service providers (input suppliers, aggregators). The sector is dominated by the small-scale-subsistence farmers, with low productivity. To develop the agriculture sector and increase the productivity, a

⁸ Labor productivity is defined as output per unit of labor input. GDP per person engaged in 1990 US\$. Source: - Key Indicators of Labor Market (KILM), International Labour Organization (ILO)

⁹ Jones and Tarp. *Jobs and Welfare in Mozambique, 2013*. Background paper to World Development Report (WDR)

¹⁰ Ibid.

systemic inclusion on of the first two groups into value chains that are demand driven, with whom group three and four are already operating.¹¹

Mozambique has a great natural potential for agribusiness investments. Mozambique has six agricultural growth corridors, of which the Nacala, Zambezi and Beira corridors have been highlighted in multiple sources as having high potential to support sustainable agribusinesses. This is based on a combination of their agronomic conditions, existing infrastructure such as ports and existence of defined economic zones in Nacala (e.g. Nacala has a 500 Ha industrial free zone with no VAT and customs duty) and Beira.¹² Each of the three corridors has received multiple investments in the agribusiness sector during recent years. Olam for example has invested USD\$50 million in the Zambezi Corridor, while the Beira corridor benefits from a USD\$20 million catalytic fund and several investments have been directed at improving the port facilities. Furthermore, the Japanese and Brazilians are supporting the development of the Nacala Corridor through the ProSavana initiative, a controversial large scale commercial agri-business project. But out of the 36 million hectares of arable land existing in the country, only about 5 million hectares are currently cultivated. Countrywide, there is abundant water for irrigation. Rainfalls are generally good coupled with an environment of diverse agro-ecological suitable for growing a range of products. Nevertheless, irrigation systems are needed to allow commercial agri-business and an increase of productivity. However, with the exception of a few new recent agribusiness investments and technical assistance from development partners that have fueled the emergence of new, export-oriented value chains including sesame, poultry, and horticultural crops such as bananas, mangos, baby corn, and green beans, the country still has an enormous untapped potential. The biggest investment that occurs in agriculture at the moment is within the construction and rehabilitation of irrigation schemes and other methods for catching and conserving water.¹³

Adapted business models like contract farming and out-grower schemes, linking smallholders with processing entities or large commercial farms have been providing commercial opportunities for smallholders to join those emerging value chains. Other agribusiness successes with strong integration of small holder farmers is been made within the traditional value chains such as sugar plantations, cashew, and tobacco processing.

Challenges and Opportunities

Challenges

¹¹ IMF. "Mozambique Rising Building a new tomorrow".2014. Page 73

¹² IFC: Mozambique Country Diagnostic, 2015

¹³ World Bank. "Mozambique - Analysis of Public Expenditure in Agriculture". 2011. Page 98

The Agriculture sector is facing a number of constraints, hindering the increase of productivity the sector and growth. The different actors within the agriculture sector face different constraints and require different types of support.

Looking at the bottom 40%, rural poverty is highest among those working in the agricultural sector¹⁴, especially among households that are not connected to markets and service delivery systems. Rural farming and land management practices contribute to the degradation of the resource base that supports agricultural production and livelihoods. Introducing rural households to improved technology, connecting them to markets, and facilitating such markets to develop in an environmentally sustainable manner will require public investment and support programs. The agriculture outcomes and the livelihoods of the poor depend heavily on the natural resource base of the rural landscape and resilience to the effects of climate change. Most poor rural households produce food for self-sufficiency and lack the technology and cash flow to invest in their land. Agriculture production benefits from a range of environmental services generated at landscape level, including water availability and quality, soil fertility conditions, rainfall patterns. Households also depend on native ecosystems and woodlands for game, energy, shelter materials, and medicinal plants. Eighty percent of domestic energy needs are supplied from fuel-wood, charcoal and waste from agriculture. Yet, the use of unsustainable and unprofitable farming practices has damaging environmental consequences, contributing to the cycle of resource degradation, food insecurity and poverty.¹⁵

The main bottlenecks that prevent the farming and agribusiness sectors to develop include a lack of skills and knowledge among producers, outdated production technology (seed, fertilizer, agro-chemicals), underdeveloped value chains and market access for farmers, inadequate aggregation and marketing capacity, severe rural infrastructure deficiencies, processing technology limitations, and inadequate government services. Agriculture sector growth requires private sector participation, public investment, and an enabling business environment. New private investment opportunities exist, but they require complementary public investments to make them feasible. These investments are value chain and area specific and require careful identification and targeting. If well targeted, public investment and facilitation would result in increased farm and non-farm employment and improve overall sustainability.

For the rural communities, the land tenure insecurity is a strong threat for the development of responsible investment in agriculture. Although the land reform process and land administration system in Mozambique are sound, its implementation at the local level can be improved. With the

¹⁴ Of the poor, 85 percent were working in the agricultural sector (PCN for the forthcoming Mozambique Systematic Country Diagnostic, March 2015)

¹⁵ World Bank: PAD Landscape Program, 2015, page 3-4

increasing interest if many foreign investors, especially China, the Gulf States and Japan to acquire large farm land overseas, with a strong focus on Africa, the issue of land grabbing increases. But the existing agriculture land is occupied by the number of subsistence farmers, feeding their families. Companies are pushing farmers out of the land and away from the water resources.¹⁶ The Government's agribusiness promotion center (CEPAGRI), under MASA, have a critical role in facilitating and guiding agribusiness investors, ensuring that the interests of rural communities are considered and that farming communities are included in the investors' business models where possible. Continued capacity development at CEPAGRI would further improve agribusiness investment promotion and governance, using the recently approved Principles for Responsible Agriculture Investment (developed by FAO, IFAD, UNCTAD and World Bank).

Additional challenges are the increasing unpredictability and severity, floods and droughts that frequently disrupt agricultural production and livelihoods in Mozambique. An opportunity exists to develop climate-smart agriculture by promoting technologies in the form of drought-tolerant and short-maturing varieties and more efficient and effective fertilizer products are currently on the shelves in other countries in the region. Investments in irrigation infrastructure and improvements in the management of public irrigation schemes will also contribute to mitigate drought risk. Furthermore, security of land tenure is a prerequisite to induce farmers to make the long-term investments needed to make production more resilient to climatic shocks, both on farmer fields and in the watershed. Thus, land administration and land use planning implementation support would also comprise an integral component of support for climate-smart agriculture.

A major challenge for the agriculture development in Mozambique is access to finance. The agribusiness sector in Mozambique suffers from a lack of access to affordable finance. Local currency loans are typically only available at rates of over 20 percent, while \$US loans are difficult to obtain, given the relatively underdeveloped nature of the agribusiness export sector. Financial intermediaries usually require substantially more than a 100 percent collateral which many Small and Medium Sized Enterprises (SMEs) are unable to afford. Lack of access to finance is seen as a major constraint for the agribusiness sector: Mozambique is ranked 150th out of 183 countries for 'getting credit' in the World Bank's Ease of Doing Business Rankings. In 2015 the agricultural sector received just 2.7 percent of all loans provided by Mozambican financial institutions.

Mozambique's expanding extractive industries will profoundly alter the structure of the economy and pose risks to the international competitiveness of other sectors, emphasizing the need for public and private investment in the rural sector. If managed poorly, rapid development of the mining and gas industries could expose the country to the hazards of the "Dutch disease": as

¹⁶ UNAC and Grain, 2015: *The Land Grabbers of the Nacala Corridor*

foreign currency surges into Mozambique, the local currency appreciates, the competitiveness of non-resource products declines, especially agricultural exports, and cheap imports flood local markets. Recent analysis on wealth accounting in Mozambique suggests that growth in the past decade has not been sustainable, driven by a depletion of energy resources without an equivalent investment in physical or other forms of capital. The large investments in extractive industries may lead to concentration of growth in a few cities and sectors with limited linkages with the rest of the economy. This concentration of growth can contribute to and exacerbate social tensions and fuel conflict as a result of unmet expectations. There is also mounting evidence that renewable natural resources, which provide significant opportunities for sustainable rural and peri-urban economies, are gradually becoming degraded.

Constraints to a more developed agribusiness sub-sector include the limited expansion of infrastructure. The poor quality roads add costs to the agri-businesses and restricts farmers' access to markets. The low coverage of railway services and poor performance of existing rail services is also a constraint to agribusinesses. Across all sectors the poor quality of electricity supply is adding to the costs faced by agribusinesses.¹⁷

The unclear labor laws relating to agriculture sector are also obstacles for the creation of rural jobs (i.e. agriculture and forestry). During discussions with the private sector, the lack of clarity about the status of agriculture sector workers under the Mozambican Labor Law was highlighted. The general labor law currently states that the regulation of the labor rules applicable to the agriculture sector will be governed under a specific regulation.¹⁸

Opportunities

Mozambique's investment climate is unfavorable but improving. As measured by The World Bank Doing Business Indicators, it ranks 142 out of 189 countries in 2015, up 15 from 2014. In the agribusiness sector, private sector participation is hindered by the constraints identified above, and addressing these constraints would make an important contribution to the improvement of the investment climate in the agriculture sector.

Agriculture is a significant potential contributor to rural poverty reduction. While not all farming households may have the same opportunities, agricultural improvements offer scope to narrow persistent income disparities between rural and urban areas and to reduce poverty in regions that benefitted little from the economic gains of recent years. Stronger fundamentals for agricultural competitiveness, based on improved agricultural productivity and more effective markets, will potentially spur growth in exports and reduce Mozambique's import bill for agricultural commodities.

¹⁷ IFC: Mozambique, 2015. Country Diagnostic,

¹⁸ Let's Work, World Bank, 2015, *Mozambique Jobs diagnostic*

Increased productivity will also benefit subsistence households with limited potential market connectivity.

Based on recent discussions with producers, processors and traders/exporters in various value chains, there is significant potential for growth, both in terms of expansion and increasing productivity/efficiency. Agricultural transformation is slow but ongoing, based on private investment and the gradual introduction of new commercial models. The agribusiness-smallholder business models have the potential for up-scaling and to participate in productive commodity value chains that will generate higher incomes for farming households while building an agricultural production base capable of competing in international markets.¹⁹

Value chains and potential crops

Mozambique's agriculture sector is very diverse and its growth potential is equally diverse. To supply products to the international company's good quality control and certification is needed. Food commodities for which local markets exist include maize, rice, beans, peanuts and increasingly cassava. Important cash crops for which production has increased during recent years include soya, sesame, cotton, tobacco, sugar cane, banana, and vegetables. Cashew and citrus fruits have traditionally been important cash crop that may have potential to grow.

In 2005, the World Bank commissioned a study²⁰ to identify the agricultural sectors with the greatest comparative advantage. The Domestic Resource Cost (DRC) method was employed to determine which value chain should be selected for intervention. The study noted that several sectors (rice, potatoes, paprika, and bananas) could have different profitability and DRC levels if technical assistance or different sets of inputs were available. This highlights how DRC can be a useful tool but should not be the only determinant for sector selection. DRC use should be weighed in light of the assumptions used to complete the analysis.²¹

After numerous interviews with the GoM and donors, as well as World Bank specialists in Agriculture, four high potential value chains have been selected for analysis i) fruit processing, ii) poultry including soybean production, iii) sesame, and iv) cashew.

Fruit-processing²²

¹⁹ IMF, 2014, "Mozambique Rising Building a new tomorrow" Page 73

²⁰ Nicholas Gergely conducted and prepared the report entitled "Economic Analysis of Comparative Advantage for Major Agricultural Cash Crops in Mozambique." 2005.

²¹ World Bank, Concept Note Let's Work Program Mozambique, page 26

²² ABDI (Agencia Brasileira do Desenvolvimento Industrial), 2011: "Caderno com conceito fabril final para processamento de frutas"

Fruit processing is a part of food processing and includes fruit and vegetable processing. The main reason for fruit and vegetable processing is to ensure a better food supply and nutrition for the local market. Other reasons are the reduction of the dependence on imports and to increase the competitiveness. The best location for a fruit processing plant is close to where the fruits are growing or close to urban areas, to avoid typical issues faced in rural areas, such as missing storage, transport and cool chains.²³ Fruit processing extends the life of the fruit, standardizes the quality, is distributed easier, minimizes losses and increases the availability. The fruit processing can be divided into two parts: (1) obtaining the fruit pulp, and (2) packaging the product for consumption (fruit nectar and fruit jelly).

In Mozambique, high potential fruits to be processed are: mango, papaya, passion fruit, guava, pineapple, cashew, banana, coconut and citrus in general. The banana production has its own characteristics. The low acid of the fruit requires further acidification process, for which methods are employed combining with conservation. This characteristic implies a time and a temperature pasteurization far above those used for other fruits. The enzymatic browning is another factor to be considered in the processing of banana. Once removed the shell, antioxidants treatments should be applied (for example, immersion in dilute organic acids) and / or bleaching (mild heat treatment), in order to prevent enzymatic browning reactions. This complexity of the process, added to a line of extraction, very different from the extraction line for tropical fruits are some elements that complicate processing banana.

The extraction line of coconut water also differs from the tropical fruit processing. The process implies the use of specific equipment. The coconut water has similar features with the banana, the need for pH correction for the pasteurization and aseptic filling. For an economically viable coconut production a large supply of raw material is needed.

The mango fruit is highly nutritional and its cultivation has gained economic importance, being among the ten most grown fruits in the world. However, only a few varieties are suitable for industrialization. The best mangos for processing are those with a reddish yellow color, good palatability, low in fiber, and resistance to handling and transport.

The pineapple *Smooth Cayenne* is the most cultivated pineapple in the world, and the highest cultivated species in Mozambique. The fruit weights between 1.3 and 2.5 kg, has a cylindrical shape, and the pulp contains a high acidity and high sugar level. The fruit has high resistance, which may facilitate its transport from the districts or provinces to the production plants.

Papaya is considered one of the best fruit, both for its nutritional and digestive value. Because of its sensory qualities, papaya is one of the fruits widely cultivated in tropical regions and wide acceptance

²³ www.unido.it/eng/fruit/php

in the international market. Papaya is often used in juice concentrate production, and may be processed as pulp, jam and nectar. The fruit is considered a good source of calcium and an excellent source of pro-vitamin A and vitamin C.

Guava is widely grown in Southern Africa. The composition of the fruit can vary depending of the soil fertility, time of the year, degree of ripeness, climate and nutrition of the plant. The guava fruit obtains high level of vitamin C and pro-vitamin A. The fruit is easy to process based on its texture and shape.

The most known and commercialized passion fruit varieties are the yellow passion fruit, the purple passion fruit and the sweet passion fruit. The yellow passion fruit is grown at a high commercial scale. The bark and passion fruit seeds can be harnessed by exploiting the high content of pectin peel and oil seeds. The vitamin C content in yellow and purple passion fruit juice range from 20 to 40 mg ascorbic acid / 100 ml, and purple shows slightly higher content than yellow.

Mozambique's citrus industry involves the cultivation of crops such as grapefruit, lemons, tangerines and oranges – although only grapefruit and oranges are currently export commodities for the country. Both the climate and the relative ease of cultivation of citrus fruits, make them well suited to production in Mozambique.²⁴ Orange is the most cultivated citrus fruit – 73% of land under citrus cultivation is used for orange cultivation. This is followed by grapefruit (19% of land) and then lemons and limes (8%).

A study done by the CEPBRAI, a Brazilian institute on fruit processing, focusing in Nampula and Inhambane region, analyzed the feasibility of a packaging facility of cans for the Mozambican market and the establishment of a fruit processing company. The fabric was designed to process the pulps and fruit nectar from tropical fruits like mango, papaya, cashew fruit, guava and passion fruit, with a capacity of 4,000kg per hour. It was estimated in the study that the production of can covers needed to exceed 1.5 million can covers to be economically viable. But overall, Mozambique's tree fruit sector remains undeveloped despite having a favorable climate, good production resources, and has an advantage with regards to seasonality giving farmers the possibility to get their produce to markets before competitors and potentially benefit from higher prices. Effectively there is almost no processing of fruit, so that nearly all fruit exports are of fresh fruit.²⁵

Challenges

The private sector is facing difficulties in making the production of citrus commercially viable; partly caused through the recent restrictions on Mozambican citrus exports to South Africa and Zimbabwe

²⁴ Technoserve, 2002. "Briefing Document: The Mozambican Fruit Industry".

²⁵ IFC: Country Diagnostic Mozambique, Phase 2, 2015 (unpublished draft)

due to fruit flies highlighted as a particular constraint. An additional issue facing the sector is the fall in international citrus prices.²⁶

Private Sector Players

The major private sector players in this sector are CB Farm Fresh, working in Tete as a supplier for Servo, the catering company working with Vale. The company collects the fruits and products from small-holder farmers with a refrigerated truck. At the packing house the products are disinfected, graded, cut and packed for the client.²⁷

Citrum-Citrinos de Umbeluzi is one of the few citrus producing companies in Mozambique. Citrum's business had traditionally been focused on both citrus production for the domestic market and citrus production for export to the United Kingdom, Belgium and the Netherlands.^{28,29}

Poultry³⁰

Demand for chicken meat in Mozambique has doubled in the last decade and is expected to more than triple in the next ten years as a result of growing urbanization and income growth, according to the USAID Feed the Future report. At present there is a dependence on imports from Brazil, Asia and USA, because domestic production of chicken meat has not kept up with demand. FAOStat data suggests that chicken imports are valued at approximately USD\$23 million. Approximately 2.3 million smallholders are involved in the chicken meat sector and according to the DNSV (the Mozambican Veterinary Institute) they produce just below a third of total production. Over two-thirds of production comes from the private sector.

The GoM puts a high priority towards the development of an intervention plan within the poultry sector to increase the productivity.

The poultry value chain includes the production of soybean and maize as key inputs to feed the chicken, and consequently the production of the feed, and the chicken production itself.

The poultry Value Chain:

The production of soybean and maize as key inputs into poultry feed: Overall, the national production of soybeans is very low and not sufficient to meet the needs of the poultry sector. There are a few large-scale commercial farmers producing soybean and maize, but these are not big businesses by international standards. The low production of domestic soybean means that it has to be

²⁶ idem

²⁷ <http://www.cbfarmfresh.com/profile.html>

²⁸ <http://www.macaub.com.mo/en/2010/10/27/10029/>

²⁹ http://www.globalgap.org/uk_en/Profiles/dc084e1d-8d83-11e2-a2a2-6805ca037347/

³⁰ IFC: Country Diagnostic Mozambique, Phase 2, 2015 (unpublished draft)

imported, theoretically from non-genetically-modified (GM) producers such as India and Zambia, which is more expensive. A number of market participants are not convinced that all importers are following these regulations, but in theory this creates some additional costs for Mozambican producers than in countries where producers can use GM products. This creates additional working capital and storage needs for poultry farmers. Traders such as Cargill and Afrigri play a key role in aggregating supply, storing the produce in appropriate facilities and offering working capital finance to some of the poultry companies to enable them to manage their working capital requirements over the year.

Production of poultry feed: Poultry feed accounts for around 75percent of the costs faced by commercial poultry producers and roughly half the feed cost is soybean meal. The commercial poultry producers consulted process their own feed on-site and sell off any excess. There are also some poultry feed producers that supply the poultry companies and also export; these companies are reported to have excess processing capacity, with production reportedly limited by a lack of local demand.

The production of poultry: There is huge demand for chicken in Mozambique, and the sector is reported to be growing by around 13 percent per annum – total consumption of chickens is forecast to grow to 137m by 2020 according to the government. This demand is being served by a number medium to large sized commercial integrated poultry companies operating. In addition, there is an informal market in which individual poultry farmers produce live chickens, which are sold/ consumed or kept as a source of eggs.

Private Sector Players

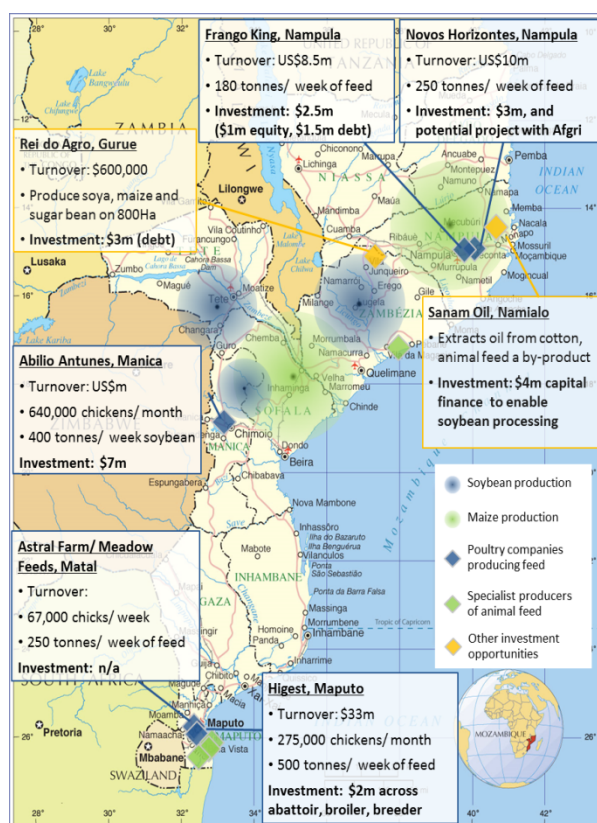
Within the poultry value chain a number of private enterprises are active in Mozambique. The table below lists the major vertical integrated enterprises in the value chain, chicken producers, as well as producers of soybean and maize as food for the chicken production.

Table 1: Selected List of Private Enterprises

Agribusiness	Sector/ activity
Abilio Antunes	Vertically integrated poultry company
Higest	Vertically integrated poultry company
African Century	Vertically integrated poultry company
Novos Horizontes	Vertically integrated poultry company
Astral farm	Vertically integrated poultry company
Sanam oil	Proposed soybean oil extraction
Rei do Agro	Commercial soybean and maize production

Merec	Production of poultry feed
Guita chickens	Chicken producer
AFGRI	Agri service provider

Fig. 4: Distribution of Selected Enterprises



Source: IFC: Country Diagnostic Mozambique, Phase 2, 2015 (unpublished draft)

- The Frango King is a Nampula based privately owned integrated poultry company which is part of the African Century Group. The company has a breeder unit, a hatchery a feed mill, a broiler and an abattoir on its farm. It also has its own retail outlets. 2014 turnover of approx. \$8.5m and around 350 employees.
- Novos Horizontes is a Nampula based private vertically integrated poultry company, which includes a breeder unit, a hatchery, feed processing and an abattoir. They also operate an out-grower arrangement that currently works with 190 out-growers. Turnover is around \$10m and they employ around 300 individuals.
- AFGRI is a South African based private agricultural services and processing firm focused on grain commodities. AFGRI generated revenue of approx. \$675m in 2013, employs almost 4,000 individuals and operates across SSA and in Australia.

- Higest is a private company operating in the South of Mozambique. It is 100percent owned by an individual Portuguese businessman. It reportedly employs around 300 individuals and has a turnover of approx. \$33m per annum.
- Abilio Antunes is a private family-run integrated poultry company in Manica. Business includes: poultry feed, eggs, day-old chicks, broilers and frozen chicken. It is the largest poultry company in the country, with around 1,500 employees. The company is operating at a much larger scale than the other integrated poultry companies e.g. it has an abattoir with capacity to process 640,000 chickens per month compared to Higest which runs at around 275,000 per month.
- Rei do Agro is a commercial soybean, maize and sugar bean producer, the company has been operational for five years and is based in Gurue. Rei do Agro is fully owned by Aslan Global management, which is a privately run agribusiness investment company. Rei do Agro owns 2,500 ha of land and farm on around 800 ha. They are also running an out-grower scheme with 60 farmers, producing soybean on around 300 ha of land. 2014/15 approx. turnover was \$600,000; they are breaking even at the moment.
- Sanam oil is cotton processor that is part of the GEIN group (Grupo de Empresas Issufo Nurmamade) which is a private family run business. The company is planning to invest to process soybean using the solvent extraction method.

Constraints

The poultry sector faces a number of additional constraints, as already mentioned generally for the Agriculture/ Agir-business sector. Limited access to seeds is a key constraint in the poultry, livestock (related to the quality and availability of domestic animal feed) and legumes value chains. It is estimated that less than 10 percent of Mozambican farmers use improved seed varieties, which is limiting yields and also reducing the quality of agricultural produce.

Private sector involvement in the seeds sector is currently very limited. Government has implemented recent reforms to try to address this situation – and it is important the institutions are supported to ensure that the reforms are implemented, but important constraints remain such as:

- Government role in pre-basic and basic seed production.
- Government role in purchasing certified seed.

The soybeans sector as a sub-sector within the value chain faces basic constraints such as a lack of access to high-yielding seed varieties, around 60percent of farmers make use of their own saved seed which over time leads to a decline in yields. Demonstrating existing need to build demand for seed

amongst smallholders.³¹ Maize yields are also very low – with lack of access to improved seeds a significant constraint in the sector. Yields are less than one ton per ha, which compares very poorly with neighboring countries such as Zambia and Malawi which are both producing over two tons per ha.

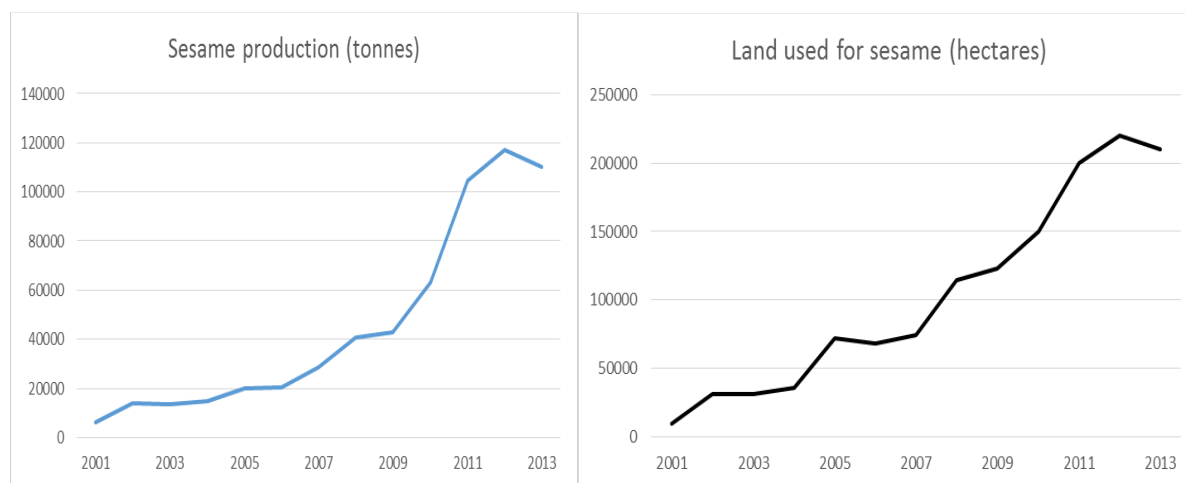
Sesame³²

Sesame is grown primarily as a cash crop in Mozambique; it is an oilseed with high demand in a number of international markets. It is currently the fifth largest agribusiness export crop in the world, earning over USD\$30 million in export revenue in 2011 according to FAOStat data.

Mozambique produced around 110,000 tons of sesame in 2013 on over 200,000 ha of land. Most production takes place in the North and Centre of the country. The crop is grown by smallholders, farmer associations and increasingly by emergent farmers (farming on 5 – 10 ha of land). The government's agricultural census suggests that there were 288,000 farmers involved in the sesame sector in 2010.

The figures below show that production of sesame has been growing rapidly in recent years, driven by an increase in the amount of land under cultivation, which has nearly doubled in the last five years for which data is available. Yields have increased marginally to around 0.5 tons per ha from around 0.3 tons per ha since 2005. However, yields have yet to recover to the 0.6 tons per ha that was achieved back in 2001.

Figure 5: Sesame production in Mozambique



Source: FAOStat

The growth of sesame has been attributed to the relatively high prices - and margin – that farmers have been able to gain, which has attracted farmers into the sector or to expand their existing land under

³¹ IFC: Country Diagnostic Mozambique, Phase 2, 2015 (unpublished draft)

³² Ibid.

cultivation. However, the overall size of the sector remains quite small; according to FAOStat data the total value of sesame produced in 2013 was just in excess of US\$70 million.

Constraints

The sesame consuming nations (Japan and China are key markets) demand a high quality product that has been properly dried, cleaned, sorted etc. Farmers are unaware and unable to meet these standards by themselves. TechnoServe estimates that the level of contamination in production is as high as 20percent. The sector is not seen as being a priority by government and as such does not receive sufficient policy support. As an export crop, the competitiveness of the sector is limited due to inefficiencies at the ports – USAID estimates that the FOB cost of sesame in Mozambique is 200 percent of competitors such as India and Myanmar. Additionally, the high incidence of pests and diseases, such as the flea beetle, can reduce yields by up to 90 percent.³³

Opportunities

The demand for sesame is expected to continue to increase in the future and Mozambique has the ideal agronomic conditions for producing sesame and is relatively close to key sesame markets in Asia and the Middle East. Mozambique has a high potential to target the niche of producing organic sesame that offers high margins for farmers.

Private Sector Players

The evidence from the desk-based research suggests that the sector is attracting some interest from the private sector; for instance an Indian company Primus Agri Products Private Limited is investing US\$3 million to commercially produce sesame in Mozambique's Nampula province. While a Japanese company called Itochu is reported to be expanding its operations to include sesame production and processing. Olam exports sesame as raw material, collecting the crop from small holder farmers and cleaning it before exporting it.

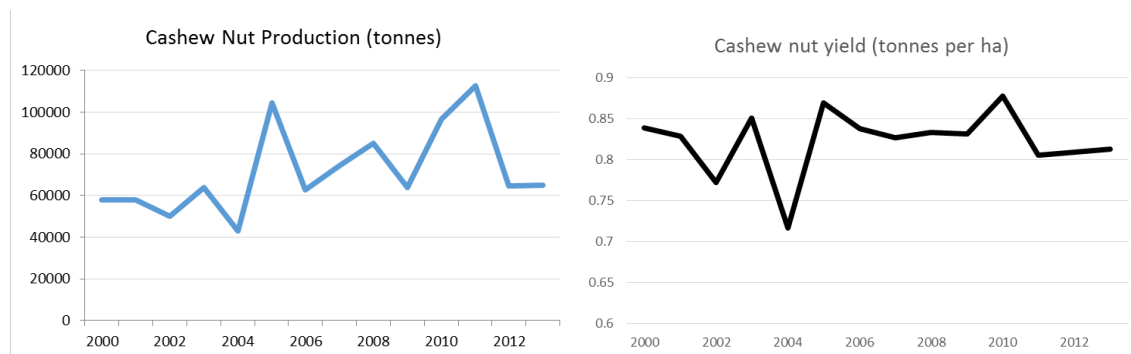
Cashew Nut Processing

The value chain of cashew nut production has a long history in Mozambique. Mozambique was the world largest producer before the production declined in the late 70s. During the recent years, the industry has started to recover. And today Mozambique is the second largest producer of cashew nuts in East and Southern Africa and a major producer in the world.³⁴

³³ Ibid.

³⁴ International Growth Center/John Sutton, 2014, An Enterprise Map of Mozambique,

Figure 6: Cashew production in Mozambique



Source: FAOStat

The newly entering investors in the early 2000, supported by donors like TechnoServe (USAID), together with the support of the Government body for cashew production INCAJU (Instituto Nacional do Cajú), transformed the sector and increased the production and processing. Today the cashew nut sector employs over a million of smallholder farmers.³⁵

The Government body INCAJU is a highly supportive institutions and a major factor for the progress within the sector. The mandate of the body is to i) promote the cashew production in terms of quality and quantity, and ii) promote the domestic processing of cashew nuts.

The processing firms are mainly medium sized, located in the north of the country (40 percent in Nampula). These companies work mainly with small producers, that account for 95 percent of the production, buying the cashew nuts through intermediaries directly from small farmers. The total production in the country is approximately 90,000 tons per year, with 40,000 tons being sold to local processors. The international trading companies have often strong networks to India, since the main export market for raw cashew is India followed by Vietnam and Singapore. Processed cashew nuts are exported mainly to the European Union, United States and the United Emirates.³⁶

The cashew value chain may remain competitive if investments in processing are made. In general there is a huge international market for cashew. The local market is also growing and might be even more lucrative in terms of pieces. There is a strong potential to export raw cashew if domestic processing of cashew would increase. Schemes include the processing within small household enterprises with the additional processing being done in medium sized processing centers.³⁷ Nevertheless, the quality of the processing has to be ensured, as well as the international market, to ensure buyers.

³⁵ International Growth Center/John Sutton: An Enterprise map of Mozambique, 2014

³⁶ Ibid.

³⁷ Interview Ministry of Industry and Commerce, Dra. Rita Freitas

Private Sector Players

One of the main private sector players in the cashew sector are Miranda Caju with 1,493 (2008) employees, Condor Caju with 2,400 employees and Olam with over 1,000 employees.³⁸ Olam for example has four major cashew fabrics mainly in the north (Nampula) and 3 satellite units, where they come to collect the cashew. Within these factories, OLAM employs 580 permanent and 3000 seasonal workers. The major export destination is the European Union and the United States³⁹. Olam encourages the farmers to grow their own seedlings and provide them with technical assistance (no out-grower-scheme). For the future Olam is looking into the possibility to process the cashew fruit for the production of ethanol.⁴⁰

Donor interventions

There is a wide range of projects and donor activities focused on supporting the development of the agribusiness sector in Mozambique. A number of the projects are essentially grant-funded market development activities. These include the USD\$50 million IFAD National Program for Agricultural Extension (PRONEA) project that seeks to increase smallholders' productivity through improved provision of extension services; and the USD\$100 million World Bank project to improve the performance of agribusinesses in two of Mozambique's growth poles, Zambezi Valley and the Nacala Corridor, by providing supportive infrastructure to improve the link between farmers and supply chains.

Other project, like the recently approved USD\$80 million World Bank project on Agriculture and Natural Resource Management focuses to increase market production of agriculture through agribusiness value chain support (USD\$ 30 million IDA, and potentially a USD\$ 5million grant from the Nordic Development Fund). The objective of the project is to scaling up the inclusion of smallholder farmers into agribusiness value chains through a holistic approach that recognizes smallholders' diversified livelihood strategies. Other projects of the World Bank are PROIRRI, an irrigation support project and Agriculture Development Operations (DPOs), supporting the reform development around priority issues.

There is also activity by DFIs and social impact investors in Mozambique. For instance, Norfund recently provided around USD\$20 million of debt and equity to support the development of a banana plantation, while AgDevCo (a social impact investor funded by DFID) has made a number of smaller (< \$2m) investments to support different agribusiness sectors in the country.

³⁸ International Growth Center/John Sutton: An Enterprise map of Mozambique, 2014

³⁹ Major US company for buying the cashew product is KRAFT

⁴⁰ Interview with Olam

The Beira Agricultural Growth Corridor (BAGC) initiative is a partnership between the Government of Mozambique, private investors, farmer organizations and international agencies.

The USAID-funded agribusiness support program *Feed the Future* is a USD\$80 million project, linking small holder farmers with selected value chains of high potential crops.

ILO and FAO propose to implement the Decent Work for Food Security and Nutrition program, promoting sustainable livelihoods of small-scale producers and agricultural workers and their families through decent work in agro-food value chains with high employment, income generation and productivity potential, as well as their impact on food and nutrition security.

The Brazilian/Japanese consortium Pro-Savanna aims to transform 14 million hectares of lands currently cultivated by peasant farmers serving local markets in this area into massive farming operations run by foreign companies to produce cheap agricultural commodities for export.⁴¹

To provide a more comprehensive overview of the existing and ongoing initiatives see chapter VI..

Key government institutions and policies

A number of key policy and institutional reform priorities to address the binding constraints of the drivers of growth are being attended to by the Government of Mozambique (GoM), supported by the World Bank through a programmatic series of Agriculture Development Policy Operations (AgDPOs). The reform agenda supported by the AgDPO series aims to lay an important part of the foundation for increased private investment in the sector by addressing constraints in agricultural productivity, such as the enabling environment for seed and fertilizer technology development and dissemination, enhancing public irrigation infrastructure management, improving land tenure security for farmers, and promoting nutrition. The proposed operation will support this reform program at the local level in project areas, by supporting the implementation of government policies and programs on agriculture productivity and value chain development, land administration, and their integration with infrastructure development and natural resource management.

National Agriculture Investment Plan

The Government of Mozambique is implementing the new agriculture development strategy (PEDSA) and the sector investment plan (PNISA, is the country's main agricultural development initiative), led by MASA. A main focus of the strategy and the investment plan is attracting private investment in the sector. The medium/ long-run vision under the Plan is to develop a "prosperous, competitive, equitable and sustainable agricultural sector" to: (a) accelerate production of staple and nutritious food products; (b) guarantee income for producers; (c) ensure access and secure tenure of the necessary natural

⁴¹ UNAC and Grain: The Land Grabbers of the Nacala Corridor, 2015

resources; (d) provide specialized services geared towards the development of the value chain; and (e) boost the development of the areas of greatest agricultural and commercial potential.

The Plan is directed at small, medium and large producers, which market agricultural inputs and technologies, with a particular focus on creating an enabling environment to support private sector led agricultural development through PPPs and incentives such as subsidies for technological packages, mechanization and electricity supply relating to production of nutritious foods.

The priority food crops identified include maize, rice, wheat, beans, cassava, tomato (and horticulture more broadly), potato, orange and sweet potato; while priority cash crops are cashew, cotton, soy, sesame and tobacco. Priority livestock products identified are dairy products and eggs.

The PEDSA also proposes various measures to boost environmental sustainability and overall climate resilience of the sector. A key challenge that the proposed operation intends to address is the promotion of private investment business models that (a) provide for market linkages with producers and (b) create employment through value addition.

The Ministry of Agriculture (MINAG) is responsible for overall implementation, ensuring linkages with other government ministries and institutions. Total investment needs are estimated at approx. USD\$4billion between 2013-17. Some of the financing is expected to come from budget support, but at present most of the PNISA's activities are unfunded – the financing gap for the program's implementation is estimated to be over \$3bn.

The level of agriculture-supportive public expenditure, including feeder roads and rural services, increased an average of 14 percent annually from 2009 to 2013 and amounted to an average 9.8 percent of total government expenditures. However, agriculture-only expenditures declined from 6 percent of total government expenditures in 2009 to 4 percent in 2012, but are currently showing a rebound. Implementation to date of the National Agriculture Sector Investment Plan (PNISA) is under review by MASA and the donor community, and first indications are that the initial financing gap of the investment plan has narrowed, but that action is still needed on access to technology, markets and infrastructure.

Other key policy policies supporting agriculture sector

- **Government Five-Year Plan (PQG, 2015-2019).** Primary focus is on poverty reduction through promotion of rapid, inclusive and sustainable socio-economic growth. The Plan supports the agricultural sector through the development of basic infrastructure, creation of employment opportunities and the promotion of a business environment conducive for private sector investment.
- **Action Plan for the Reduction of Poverty (PARP, 2011-2014).** A key link in the National Planning System (SNP), PARP is the medium-term strategy for fighting poverty,

and operationalizes recommendations of the PQG. It seeks to increase production and productivity of agriculture and fishery; promote employment (including development of SMEs) and human and social development.

- **Strategic Plan for the Development of the Agricultural Sector (PEDSA, 2011-2015)** identifies six corridors (Nacala; Zambezi; Beira; Pemba Lichinga; Limpopo; Maputo) to target, with the objective of aligning efforts across public, private and development sectors through agricultural potential, support services and connection to market.⁴²

Other Government Institutions

- **IPEX** is the export promotion institute and has identified 7 priority products for high potential of value chain development for export products:
 - Fruit processing especially pulp
 - Mollusc, seafood, fisheries
 - Oil bearing plants, oil processing- coconut, sunflower, peanut
 - Soya
 - Music/dance- handicraft
 - Cashew
 - Periperi
- **IPEME** is the National Institute to Promote SMEs. IPEME has launched a program with JICA (TA) “One district one product”, supporting SME development in selected districts, including agro-processing to link with several supermarkets. IPEME also runs a business incubator, launched by UNIDO and supported by EU, with a focus on a carpentry in Machava on a South African model (Framtec).
- **The Agriculture Investment Promotion Center (CEPAGRI)** is promoting agribusiness investment in Mozambique, supporting the private sector and improving of the business environment. CEPAGRI plays an important role in guiding investors and ensuring that investments involving the use of large land areas are negotiated and approved following the principles of responsible agricultural investment. The identified investment opportunities by CEPAGRI are in: rice, soja, maize, banana, sugar, cassava, cotton, fruits & vegetables, poultry, cattle, and forest. CEPAGRI is planning to develop business centers for farmers (renting machinery), managed by the private sector (already existing in Tete and Manica).

⁴² IFC : Country Diagnostic Mozambique, Phase 2, 2015 (unpublished draft)

- **Instituto de Investigação Agrária de Moçambique (IIAM):** The mission of IIAM is “ *to strengthen the National Research, Innovation and Technology transfer System in Mozambique through the joint effort of various institutions with a common interest in agricultural research and in the transfer of appropriate and valuable results*”. IIAM developed technology which are not otherwise accessible to small farmers and is made available through the research stations that are housed across the country. The institution has strong links to the productive sector, where it conducts research on seed varieties on the request of the private sector. The private sector pays for the research that IIAM undertakes thus ensuring that the research is industry-led and relevant. Further, IIAM has partnerships with the Brazilian Agriculture and Livestock Research Company (EMBRAPA) and other International Research Centers that are part of the Consortium of International Research Centers (including IFPRI in the US, ICRISAT from India). Regional Centers of Science and Technology: Under the Ministry of Science and Technology, the Regional Center of S&T in Nampula has actively worked with clusters in the agricultural sector to identify industry needs and link clusters to training and capacity building service providers. This center could help identify other industry needs that could be matched with existing public or private service providers in identifying proposals that could help improve the capacity of the industrial clusters.

2. Forestry Sector

Introduction

The forestry sector represents one of the highest potential sectors for job creation in Mozambique, especially in rural areas. The potential of the sector to create more and better jobs and improve livelihoods, lies in the complementarity between the forestry sector and the agriculture sector (where most Mozambican poor households work). This will allow the development of full-time - low-skilled employment for the local communities, as a combination of both sectors (seasonal) .⁴³ The following sector note is a quick assessment of the sector as a base to further identify potential intervention and value chains within the LWP.

The note begins with a general overview of the characteristics of the sector, discussing its importance in the Mozambique context. The main private sector players will be listed and shortly described in the following section, before pointing out the underlying value chains with high potential for job creation. The constraints and opportunities of the sector will be analyzed ending with a description of a few ongoing initiatives in forestry by different stakeholders in Mozambique- by the donor community, the government or other development organizations.

This sector note is mainly based on a desk review that includes the World Bank Group project documents, the “An Enterprise Map of Mozambique” by the International Growth Center (2014) the report on "REDD+ in Mozambique" by CIFOR (2012), the study on “Enterprise Development Approaches in Mozambique Forestry Study Report” (2014) carried out by UKAID, and the presentation of the *Projecto Estrela* to the Council of Ministers, amongst other sources. The desk research was complemented with interviews with a variety of organizations including *UNIQUE forestry and land use*, an international consulting company for forest management and sustainable land use, the Norwegian Embassy, *Norfund* as well as with the association for Mozambican wood operators *AMOMA* (Associação Moçambicana de Operadores de Madeira) and World Bank Group specialists,

Description of the Sector/ Industry

Over two thirds of the land in Mozambique is covered with forest or woodland formation and approximately a third is feasible for commercial timber production. The large amount of available land, combined with the existing and potential ports (Beira, Nacala and Maputo), the proximity to Asia and South Africa as well as the relatively low price for land, give Mozambique's forestry sector a

⁴³ UKAID. “Enterprise Development Approaches in Mozambique Forestry Study Report”. Business Works Lda. 2014. Page

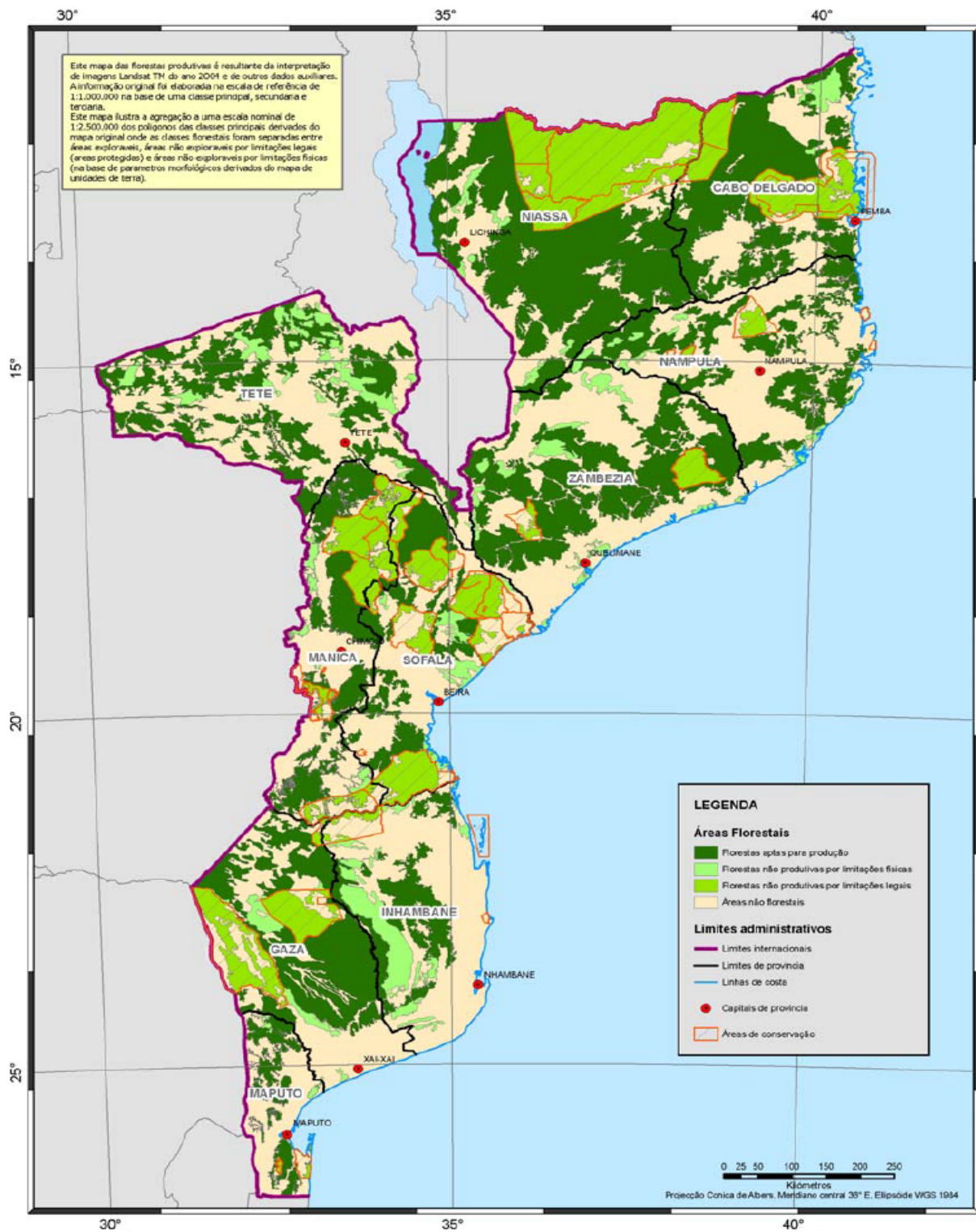
competitive advantage in the global market. The forestry sector accounts for 1 percent⁴⁴ of the GDP and 10 percent of the industrial production.⁴⁵ The GoM receives about USD\$6 million in royalties from logging every year.⁴⁶

Fig. 7: Map of productive Forest in Mozambique

44 Not including fuel-wood and other products directly consumed by the local population and/ or sold in the informal market.

45 UKAID. “Enterprise Development Approaches in Mozambique Forestry Study Report”. Business Works Lda. 2014. Page 6

46 International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014. Page 101



Source: Catherine Mackenzie: Timber Trade Flows within, to and from East African Countries, Mozambique Study, 2014

Forests and woodlands contribute significantly to the welfare of rural Mozambicans, given their strong dependence on the natural environment for subsistence needs (food, shelter, energy) and cash income. Fuel-wood and charcoal are critical to national and household energy needs. About 23.7 million m³ of fuel wood are consumed annually.⁴⁷

Mozambique has two types of forestry; i) plantation forestry, and ii) native forest management. Plantation forestry involves planting a new forest from scratch in a licensed area. Major companies in this sector are mainly large foreign owned enterprises. Native forest management is the use of an existing forest where harvesting is done under a license for a certain amount per year. Companies operating in this sector are mainly local small scale logging companies.

The main companies holding long-term concessions operate in a vertically integrated system, including all steps from logging to marketing. The medium and small companies, often the simple license holders, sell their products mainly to sawmills, who in turn sell directly to their customers. Wood processing firms in Mozambique also include a number of large furniture manufacturers, exporting the end product. The production for the domestic market works is mainly with basic carpentry equipment (e.g. lathes, multipurpose machines, parallel planes, molding lathes, etc.). Every village and district has community carpenters.⁴⁸ The forestry sector accounts for about 10,200⁴⁹ direct formal jobs, mainly in sawmills and forest exploitation; this number is 200,000⁵⁰ if informal jobs are included.⁵¹

The majority of the native forest enterprises are small and medium companies (95.8 percent for all formal enterprises and 99.9 percent if informal enterprises included), and account for 80 percent of employment in the sector. 123 sawmills are registered in the country and 127 carpenter workshops. Additionally, 6,850 formal and 184,000 informal SMEs are trading non-timber products, including honey, handicraft, charcoal and firewood.⁵² It is estimated that Plantation forestry creates about 20-70 jobs per 1000 hectare i.e. stable jobs both in forestry company and their sub-contractors with whom they have long term contracts.⁵³

⁴⁷ Ibid.

⁴⁸ International Growth Center. "An Enterprise Map of Mozambique". John Sutton, 2014. Page 106

⁴⁹ . UKAID: "Enterprise Development Approaches in Mozambique Forestry Study Report". Business Works Lda. 2014.

⁵⁰ . *ibid.*

⁵¹ It is not clear what is the total hour's/day occupation. Most probably the majority is underemployed and/or also active in agriculture sector.

⁵² *Idem.* Page 7

⁵³ Interview with UNIQUE *forestry and land use*, an international consulting company for forest management and sustainable land use

The informal wood market is dominant and the main source of wood for carpentries (SMEs), with a share ranging from 51 percent to the cities of Maputo and Matola to 88 percent for the city of Nampula. The manual sawing also has a significant contribution to the wood supply for carpentry within cities, ranging from 38 percent for the cities of Maputo / Matola and 88 percent in Nampula.⁵⁴

Major private sector players

Major investors are mainly concentrated in the north of the country, in the provinces of Niassa and Nampula, but also the provinces of Zambezia, Manica and Sofala are being explored by investors. The major companies investing in the forest plantation sector are Portucel Mozambique, Rift Valley, Green Resources and New Forest.

Portucel Mozambique, from the group Portucel Soporcel, obtained concessions in Zambezia and Manica. Portucel plans to develop approximately 220,000 hectares of Eucalyptus in both provinces and construct two pulp mills over the next seven years. This investment, valued at \$2.3 billion, is expected to generate the equivalent of 7,000 full-time jobs, as well as employment for numerous independent contractors who will harvest and transport the timber. The project has a strong focus on the social component through the developed Social Development Plan, and is supported by the IFC to ensure the development of the plan and the inclusion of the communities in the forestry sector (more detailed description in chapter V on donor activities).

Rift Valley is an international cooperation, structured into seven industry platforms. Whereby only three, Rift Valley Agriculture and Trading – agricultural capacity building, Rift Valley Bananas – Banana production and export trading and Rift Valley Forestry – sustainable forestry operations, are operating in Mozambique. Rift Valley Energy – Renewable hydro electric energy development and distribution is operating in Tanzania and Zimbabwe, Rift Valley Tea is Tanzania's largest integrated tea producer and Rift Valley Tobacco is Zimbabwe's largest tobacco contracting business. The operating project in Mozambique within the Rift Valley Forestry, is the project *Florestas de Niassa* a greenfield plantation project in the north-western Mozambique. Florestas de Niassa will plant 120,000ha of pine and eucalyptus species s, and conserve 70,000ha of intact natural forest and other vulnerable habitats. The project will providing direct employment for 750 people, and a number of community projects will support the local development.⁵⁵ Rift Valley has also developed a Forestry Training School proposal to tackle the need of skills, during the last month and a Landscape development model (LIRMA project), having pending application in process with CARE and ADPP

⁵⁴ FAEF (Faculdade de Agronomia e Engenharia Florestal da Universidade de Eduardo Mondlane): Avaliacao da exploracao madeira na floresta nativa em Mocambique, 2013

⁵⁵ <http://www.riftvalley.com/profile/>

through SIDA. Rift Valley also receives support from including TechnoServe for the realization of community projects.

Green Resources is a Norwegian company operating in Africa. In Mozambique, Tanzania and Uganda Green Resources has 45,000 ha of standing forest. Its strategy is based on growing wood for both traditional uses (sawn timber, panel board, packaging, tissue, etc.) and for the growing bio-chemical and energy sectors. Green Resources is a leader in carbon finance with four validated reforestation projects.⁵⁶ Norfund, Norway's development finance institution and Finnfund, from the Finnish development cooperation support the operation from Green Resources in Mozambique.

The New Forests Company, a UK based company operating in East Africa, with forest plantations and timber processing, for local and regional export markets. In Mozambique New Forest is just about to start their operation in the North of the country. Agri-Vie, an IFC supported Agribusiness Fund with the purpose of making equity investments in agribusiness companies in Southern and Eastern Africa, has invested in New Forests Company (NFC).⁵⁷

In addition to the large investors there are numerous smaller firms, both registered and unregistered, that cut natural timber. These firms have substantial requirements for trained staff and sub-contractors with forestry, agriculture and construction and transport skills. AMOMA 18 of the SMFEs, holding forest concessions, as members. The associations try to link the SMFEs with the existing value chains and support their interest. There are a number of other regional forest/ wood associations, like ADIMAZ, association of the timber industries (Associação de Indústrias Madeireiras da Zambézia), and AMAZA, association for logging companies (Associação de Madeireiros da Zambézia), both in the Zambezi region.

Forestry sector Value Chains

Value chains include networks and supply chains where primary producers, processors, traders, service providers and other markets actors organize themselves to create increasing value added from a given natural resource. These natural resource based value chains can be based e.g. on forests. The key value chains could include sawn-wood, charcoal, value chains linked large scale pulpwood plantations as well as domestic and local market value chains (e.g. construction wood, poles), as well as non-timber forest products but this needs to be verified during the assignment. The downstream value chain of the forestry sector includes energy (charcoal), furniture, and construction and has high potential for job creation and improved incomes. The Let's Work program will conduct a detailed value chain assessment of the forestry sector in Mozambique.

⁵⁶ <http://www.greenresources.no/>

⁵⁷ <http://www.newforests.net/>

Constraints and Opportunities

Constraints

The sustainable and integrated development and growth of the forest industry is facing a number of challenges and constraints. Forests and woodlands are dominant features of the rural landscape, but are threatened by deforestation. Annual deforestation is high, at around 0.5%/year with 220,000 hectares being lost every year⁵⁸. Forest conversion into agriculture and unsustainable production of biomass energy are the main direct causes of deforestation, while illegal logging leads to the degradation of native forest stands and is often a precursor to forest conversion to other land uses.

The challenges to sustainable native (natural) forest management are particularly significant. Illegal logging is significant. The Environmental Investigation Agency (EIA)⁵⁹ revealed that over 90 per cent of logging in Mozambique during 2013 was illegal, driven by booming timber exports to China, which has cost Mozambique US\$146 million in lost exploration and export tax revenues since 2007. The presence of illegal logging activities could cause degradation of Mozambique's forests due to overexploitation of a few species that have commercial value. There is limited enforcement of the forest management legislation, and often logging concessions do not have management plans or harvest beyond the allowed limits (especially the annual simple license companies).⁶⁰ Simple licenses awarded by local governments are also widely abused, and can lead to forest degradation.⁶¹ Significant policy reforms and stronger law enforcement will be needed to make commercial logging an activity that can generate rural jobs and income while contributing to sustainable forest management. The figure below shows the difference between the registered log leaving Mozambique to China and the amount of log registered in China as import. The significant discrepancy between the export and the import show the extent of the illegal logging.

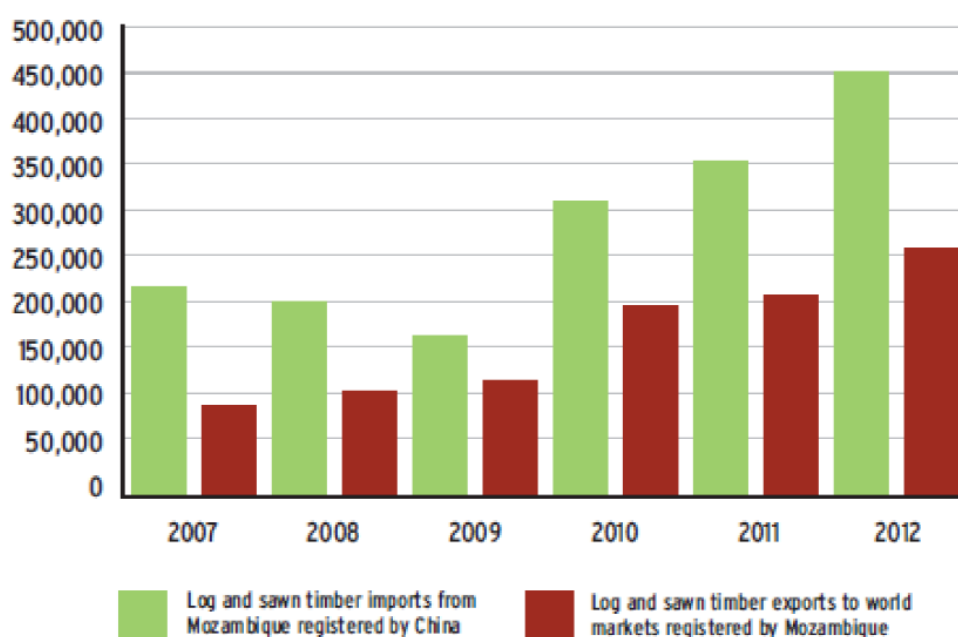
Figure 8: Dimension of illegal logging through difference in registration of import and export in China and Mozambique respectively

⁵⁸ Government of Mozambique – Readiness Preparation Plan – 2013.

⁵⁹ Environmental Investigation Agency. First class crisis: China's Criminal and Unsustainable Intervention in Mozambique's Miombo Forests. 2013.

⁶⁰ CIFOR. The context of REDD+ in Mozambique Drivers, agents and institutions. 2012.

⁶¹ Mozambique defines two regimes of forest management: simple license and forest concession (CIFOR, 2012). Currently, most logging is done through simple license (Ministry of Finance, 2010). A revision of that scheme was approved in December 2011, increasing the duration of a simple license from one to five years and from a limit of 500 cubic meters to 100,000 ha (Club of Mozambique, 08 December 2011). Due to weak enforcement of the regulation, the simple license scheme is very attractive and the volume of timber harvested can be almost double in relation to forest concessions (Republica de Mozambique 2012).



Source: Catherine Mackenzie: Timber Trade Flows within, to and from East African Countries, Mozambique Study, 2014

The problem is often that the simple licenses are misused for additional illegal logging. Asian companies are willing to buy the timber and small-scale farmers with the simple license sell for a much lower price than the market price. This brings companies with concessions under pressure and forces them often to close their business.⁶² Licenses are often misused and resold to professional logger and traders. The cutting of small diameters in the forestry concessions and the slaughter outside of the simple license area appear as the main practices of illegal logging. The recipient of 80 percent⁶³ of the unprocessed timber is China⁶⁴. In 2002 and 2007 the GoM released new regulations to enforce the processing of timber and restrict the export of unprocessed wood. But instead of developing the processing industry, the illegal logging increased 88 percent.

The native forest sector also lacks capacity and is in need of more education and training in forestry technology, entrepreneurship, business management and marketing.⁶⁵ The low level of skills and knowledge about safety procedures makes forestry development that is inclusive of the communities, even more challenging. The capacity of SMEs in the forestry sector (SMFEs) is very weak, making it difficult for them to export their products to western countries.⁶⁶ At the same time the existing SMFEs are confronted by an additional number of constraints hindering their growth, i)

⁶² Interview with AMOMA (ASSOCIAÇÃO MOÇAMBICANA DE OPERADORES DE MADEIRA), the Mozambique Association for Wood, Director Jorge Chacate

⁶³ The CIFOR report (2012) mentions that even 90 percent of the timber export goes to China.

⁶⁴ UKAID: "Enterprise Development Approaches in Mozambique Forestry Study Report". BusinessWorks Lda. 2014

⁶⁵ International Growth Center. "An Enterprise Map of Mozambique". John Sutton, 2014. Page. 101-103

⁶⁶ Ibid. Page 9

restricted harvesting rights, ii) complicated registration and tax processes, and iii) missing possibilities for credit.⁶⁷

There is a strong need for more transparency within the logging licenses. The existing laws are often not implemented because of high levels of corruption, as well as due to lack of knowledge and human capital. The licensing process is very complicated and bureaucratic (many institutions involved) and the poor implementation of the regulations as well as the lack of political will hinder the implementation of the law.⁶⁸

The commercial plantation of forestry faces two major constraints, i) labor issues, and ii) access to land. Most sub-contractors of plantation companies are from South Africa or Zimbabwe and their main reason for not hiring local labor are missing skills. Skills development is urgently needed. Newly hired expatriates at managerial and operational level are brought from South Africa, and Zimbabwe. The required skills needed by sub-contractors are i) land preparation, ii) planting seedlings, iii) weed control, iv) maintenance, and v) harvesting.

Plantation companies need DUATs- land rights - to grow plantations. The process of obtaining the DUAT is still complicated, time consuming and sometimes costly (due to bribes). The land use process is often not clear and DUATs do not represent a guarantee since the land is only rented over time. Within the process of obtaining land rights, investors need to consult and negotiate with the communities to use the land, and develop a Social Development Plan, including the building of schools, roads, and infrastructure.⁶⁹

Even though four Forestry Programs are operational at university level, no Technical Vocational Training Program is in place. The rural labor force has no practical experience in the sector. Companies also complain of a high level of absenteeism. At the same time the local workers complain about the poor pay by the international plantation companies and the nature of the jobs (arduous and temporary).⁷⁰

Additional constraints are the poor infrastructure in the country and long distances between the forests and the markets that increase the price of wood (for the mills) and decreases competitiveness. At the

⁶⁷ UKAID. "Enterprise Development Approaches in Mozambique Forestry Study Report". BusinessWorks Lda. 2014. Page 10

⁶⁸ Catherine Mackenzie: Timber Trade Flows within, to and from East African Countries, Mozambique Study, 2014

⁶⁹ Interview UNIQUE

⁷⁰ Idem. Page 10

same time the capital market in Mozambique lacks the capacity to deal with the large investments needed in the forestry sector.⁷¹

Opportunities

The GoM identified seven million hectares of land that have the potential for the establishment of planted forests and private investment in the sector has increased in recent years. Commercial plantations can create rural job opportunities and can improve local work force skills. The promotion of out-grower schemes, the integration of SMEs into the supply chains of larger companies, and the promotion of other types of benefit sharing mechanism from these commercial plantations can contribute to rural development.⁷²

Both the management of natural forests and the establishment of planted forests have the potential to generate jobs and rural income. The commercial logging sector has been experiencing serious challenges, from unfair competition with illegal logging, to limited access to markets. The potential for generating jobs and rural incomes can be improved if enabling conditions and investments can be directed towards added value timber processing activities led by the private sector. The development of skills is the major need to ensure that

Community-based management of natural forests and woodlots has the potential of generating jobs and income to local communities, but will require heavy and medium-term investments in strengthening community organizations, increase technical knowledge and skills, and promoting market access. Providing charcoal to urban centers from sustainably managed woodlots is a promising market. On the other hand, the establishment of woodlots and plantations led by smallholders, communities or the private sector can also supply various markets, such as furniture, poles and construction material in Mozambique.⁷³

Measures to mitigate the illegal logging are needed including the dissemination of all aspects linked to sustainable forest management and increased surveillance efficiency.⁷⁴ To further investigate in sustainable manners of timber production, the University of Eduardo Mondlane has a modern wood products laboratory financed by the Finnish bilateral cooperation, which, if provided adequate staffing and business model, could lead the way in finding new uses for lesser known species and promoting the use sustainably produced timber.

⁷¹ International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014, page 101-103

⁷² World Bank, PAD, Agriculture and Natural Resource Management Landscape Project (P149620), 2015, page 6

⁷³ Ibid. page 7

⁷⁴ FAEF (Faculdade de Agronomia e Engenharia Florestal da Universidade de Eduardo Mondlane): Avaliacao da exploracao madeira na floresta nativa em Mocambique, 2013

Donor initiatives

Few donors are focusing on the forestry development and the lack of intervention during the last 10 years has not been helpful in the fight against illegal logging. The sector is still not completely analyzed and better linkage between the needs of the private sector and the communities is needed.

The World Bank has a number of active projects in the sector, with the recently approved *Agriculture and Natural Resource Management Landscape Project* covering the two sectors, Agriculture and Forestry. The objective is to increase rural communities' incomes (including farmers); to boost the agribusiness and natural resources sectors' performance and contribution to the economy in terms of value addition; employment creation and export revenues; and to reduce net deforestation in project areas.

Within the forestry sector, the IFC has invested in a pulp and bio-mass energy firm called Portucel Soporcel. This IFC headed project with Portucel will ensure the development of the Social Development Plan and the inclusion of the communities in the forestry sector, through capacity building of the community and community land use planning. The project is phased with an integrated US\$2.3 billion plantation forestry, agriculture, pulp and green energy investment in Zambezia and Manica provinces of Mozambique which is being implemented by Portucel Mocambique Ltda. The first phase aims to test the Company's forestry model by developing up to 40,000 ha of sustainably managed eucalyptus plantations and establishing its operational base in the country in 2014-2016. IFC is working closely with the Company to provide advisory support at this critical early stage of the Project. The second commercial phase of the Project will comprise the establishment of commercial scale eucalyptus plantations, roll out of agriculture partnerships and construction of a 1.5 million ton pulp mill and a biomass power generation plant by 2023. The government has awarded Portucel the land use rights to 356,000 hectares of land, roughly two-thirds of which will be used for forestry activities. The objective of the proposed IFC investment is to support the development of this transformational opportunity to help create an inclusive agro-forestry project in Mozambique.⁷⁵

Norfund, a Norwegian institution holds a Forestry Entrepreneurship and Joint Forest Management Project in the North of Mozambique and manages an Investment Fund, working with Green Resources in the area of forestry. The Government of Finland is supporting GoM since 2008 in the implementation of the National Forest Programme (PNF), as well as is operating the Finnfund, investing in forestry projects (New Forest). FAO has been supporting SMFEs that are engaged in the production

⁷⁵<http://ifcextapps.ifc.org/ifcext/spiwebsite1.nsf/651aeb16abd09c1f8525797d006976ba/5bf2fc106873938585257d6200702fae?opendocument>

of timber products, non-timber forest products (NTFPs) and provision of forest-based services such as eco-tourism, conservation of biodiversity and carbon sequestration in the past.⁷⁶

Having in mind this major constraint on skills, a number of donors, mainly Dfid, SIDA; IFC and the World Bank are looking into the potential design and implement of a coherent private sector led training institution to meet the technical and vocational education and training (TVET) needs of the forestry sector in Mozambique.

Key public institutes and policy issues

The GoM has ratified several international conventions⁷⁷ and regional agreements to sustainable manage the forestry resources. Nevertheless, the Government lacks the capacity and the financial resources, as well as the will to manage well the needs of a sustainable forestry sector. Existing strategies in place are the National Reforestation Strategy (2006) that plans to establish a minimum of 2ha of tree plantation and an additional 3ha of land for investors with a concentration of plantations on the north and central regions. The second important policy for the sector is the Forest and Wildlife Law (1999) and the Regulation of Forest and Wildlife (2002) promoting sustainable forest management.⁷⁸ A Participatory Law Enforcement for Forest and Wildlife Strategy and its Action Plan was elaborated and integrated to help to reduce illegal activities and envisage the need of human and technical resources.

A new Ministry of Land, Environment and Rural Development (MITADER) has been established (2014/2015), bringing together responsibilities that were spread through several ministries before, which is expected to facilitate coordination towards integrated landscape management. MITADER is committed to the promotion of agribusiness development in rural areas that are expected to generate jobs and income in rural areas, as well as to the promotion of green and resilient growth in rural areas by adding value to natural resources, particularly forestry and wildlife, and reducing deforestation. For unleashing the potential of Mozambique abundant land resources, MITADER is also strongly committed to improving and strengthening land administration system for enabling overall economic and social development.⁷⁹ MITADER has presented recently a new plan, *Project Estrela*, to the Council of Ministers. The project is aiming to create centers combining in a single space an integrated business services (power station, water treatment, plowed earth, space for manufacturing, central purchasing, etc.), accommodation and basic services (e.g. bank, health centers (hospitals), first aid station, communications) for the community and for the private sector The

⁷⁶ UKAID: “Enterprise Development Approaches in Mozambique Forestry Study Report”. BusinessWorks Lda. 2014

⁷⁷ E.g. Action Plan for Biodiversity in the period of 2003-2010

⁷⁸ CIFOR. The context of REDD+ in Mozambique Drivers, agents and institutions. 2012

⁷⁹ World Bank, PAD, Agriculture and Natural Resource Management Landscape Project (P149620), 2015, page 7

objective of the project is to develop the infrastructure and boost sustainable production of forestry in rural areas. It has yet to be seen how effective this Ministry can implement their plans and promote a more sustainable integrated forest management.

The Ministry of Agriculture and Food Security (MASA) in cooperation with the World Bank and UNIQUE, have conducted recently an interim workshop in Maputo to present the status of the planned study on *Improving the Business Climate for Planted Forests*. The initiative is a joint program between the Ministry of Agriculture and Food Security World Bank, and UNIQUE to bring the private sector and the government together for improving the existing business climate and overcome challenges and constraints for investment. The result of the study will feed into the new REED+ strategy of the Government, as well as into the new World Bank landing project *Agriculture and Natural Resource Management Landscape Project*, as mentioned above.

A number of other donors next to the World Bank have agreements with the GoM supporting the forestry sector. Active agreements are e.g. the finance agreement between the Governments of Japan and Mozambique, was signed in 2010 in support to REDD programme in Mozambique, specifically for the equipment acquisition and capacity building in total value of 7 million dollars. FAO also signed a finance agreement in 2010 to support the National Forestry Program with a value of 200.000 dollars for two years, to facilitate the implementation of the forests and wildlife legislation.⁸⁰

3. Construction

Introduction

The construction sector plays an important role for the development of any economy. In the early stages of growth of a country the construction of public infrastructure and housing for the growing population, creates demand for a strong viable construction industry. The industry also helps to create jobs –both short term unskilled jobs as well as medium term skilled jobs. The following note is part of the analytical work done for the Let's work Program in Mozambique, on selected sectors with high potential for job creation.

The note starts with a general overview of the sector, followed by a discussion of the key players in the sector in Mozambique. The key components of the value chain of this sector are discussed Section five analyses the constraints and opportunities of the sector, with a description of the key stakeholders in the sector.

⁸⁰ Republic of Mozambique, Ministry of Agriculture: National Report to The Tenth Session of the United Nations - Forum on Forests

The sector note is mainly based on a desk review of few documents that includes World Bank project documents, International Growth Center (IGC) namely the “An Enterprise Map of Mozambique (2014), the report on "A Strategy and Policy Framework to Support the Development of the Construction and Building Materials Industries in Mozambique " (2015) as well as the study on “The Challenges and the Way Forward for the Construction Industry in Mozambique" (2012). Other sources are the Five-Year Plan of the GoM (2015-2019) and “O Quadro legal” from ACIS (2008), amongst others. The desk research was complemented with a through a number of interviews with partner organizations such as ILO, Dfid, and World Bank Group specialists,

Structure of the Sector

The following chapter analyzes the structure of the sector, starting with the historical development, reasons for growth and characteristic of employment, followed by a short description of the characteristics of the companies within the sector.

The construction industry is among the sectors with the highest potential to be an important leverage of Mozambique’s economic growth.⁸¹ There is an increasing demand for construction in Mozambique, largely due to the growth of the extractive industries and the need of large infrastructure, e.g. railways and roads, ports, etc., and housing at the same time for the growing communities in those areas, and a growing middle class in urban areas.

Since the end of the civil war in 1992, Mozambique has spent billions of dollars building and repairing roads, enlarging harbors and rehabilitating railways. Commercial and housing construction has rapidly grown because of the emerging urbanization, combined with slowly growing middle class, especially in urban areas. At the same time, Mozambique has a growing demand for heavy construction works in railways, roads, airports, ports, dams, electricity and industrial production plants, including LNG plants for the gas industries.⁸²

The remarkably high growth rates observed in the period 1994–99 reflects the postwar reconstruction works. Furthermore, high growth rates are still on the rise since 2000 and this is expected to continue, also due to major new projects in the offshore gas industry⁸³. Figure 9 below shows the growth development of the construction sector since the early 70s, showing a strong growth and a relatively stable share of 3 percent of the GDP since 2005. Nevertheless, the construction sector share of GDP is relatively small compared to agriculture (over 30 percent) and commerce (19 percent).

⁸¹ International Growth Center (IGC). A Strategy and Policy Framework to Support the Development of the Construction and Building Materials Industries in Mozambique, 2015

⁸² International Growth Center (IGC). “The Challenges and the Way Forward for the Construction Industry in Mozambique”. Vasco Nhabinde, Constantino Pedro Marrengula, Amosse Ubishe. 2012

⁸³ International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014.

Figure 9: The construction sector's value added as a share of GDP in Mozambique

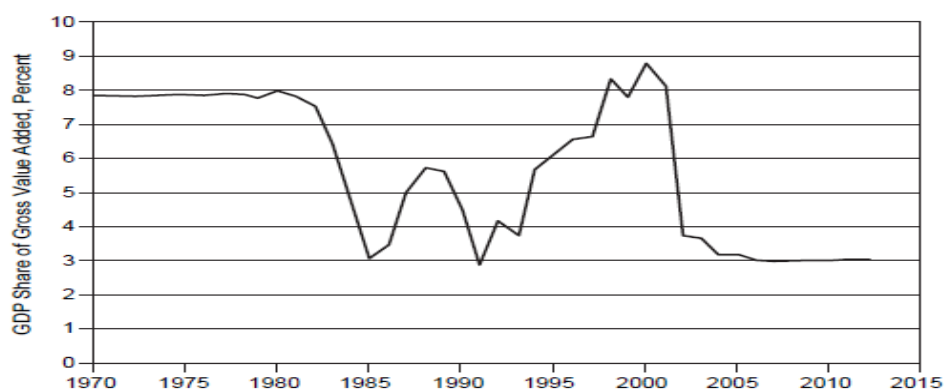


FIGURE 13.1. The construction sector's value added as a share of GDP. (Source: United Nations.)

Source: International Growth Center. "An Enterprise Map of Mozambique". John Sutton, 2014.

Characteristics of the Sector

The Mozambican construction sector (local) is dominated by micro, small, and medium enterprises (SME). Nevertheless, civil construction and public works are mainly carried out by large international companies. The local SMEs are lacking the needed experience and capacity to compete with these large firms and are therefore excluded from the civil construction.⁸⁴ Geographically the construction firms are mainly concentrated in the south of the country (Maputo province) which creates constraints in responding to the growing demand in the north (e.g. growth poles in Tete and Nacala, extractive industries in Tete and Pemba, deep port in Nacala, etc.).

Over all, the construction sector has a strong informal dimension and the number of companies within the construction sector is quite large and diverse. According to the national statistic units (FUE - Ficheriro de Unidades Estatísticas) 42,300 (2008)⁸⁵ companies are formally registered within the construction sector. This data does not allow to calculate the number of informal enterprises.

The companies are divided in seven categories, as listed in table 2, depending on their size and capacity (technically and financially). Additionally to these categories, each contract is categorized into levels of minimum required capital of the company to insure the contract, listed in table 3.⁸⁶ Information about existing employment is limited, also consequence of the strong informal character of the sector.

Table 2: Different Construction License Categories

Category	Description
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⁸⁴ PIREP: Perfil do Sector da Construção Civil

⁸⁵ Ibid.

⁸⁶ <http://www.consuladomocambique.com.br/Upload/Downloads/JornalMocambique25Setembro2013.pdf>

I	Building and Monuments
II	Water and hydraulic works
III	Communication
IV	Urbanization
V	Installation
VI	Foundation and water capture
VII	Others

Source: ACIS: Quadro Legal, 2008

Table 3: Minimum capital per contract value

Level	Minimum value of work*	Minimum company Capital*
1 st	350	20
2 nd	850	50
3 rd	2,500	150
4 th	5,000	500
5 th	15,000	1,500

Source: ACIS: Quadro Legal, 2008 (* 000 metical)

During the past few years most of the Foreign Direct Investment (FDI) has been concentrated on construction within the extractive industries. The number of jobs created within these projects could be substantial. The GoM, for example, has estimated that about 18,000 workers will be needed to construct one LNG plant.⁸⁷

Major players

Civil construction is mainly dominated by large international construction. Major international player and known companies in the sector are Steffanuti Stocks, Soares da Costa, Odebrecht, Kenz, CBI and Teixeira Duarte.

Steffanuti Stocks has been active in sub-Saharan Africa for almost three decades, operating in a number of projects within different industries. In Mozambique, Steffanuti Stocks is operating since 1993, and today active in various civil and building projects across the country, including the construction in the industry, marine, mining and oil & gas sectors. In the mining and gas industries,

⁸⁷ ONE UN Mozambique: Promotion of youth employment through human capital development in the Extractive industries of Mozambique, Draft Joint Programme Document, 2015

Steffanuti Stocks is actual constructing a new coal terminal in Beira, Sofala for Odebrecht/Vale. Stefanutti Stocks has also started to undertake projects in the Tete and Cabo Delgado provinces, where it has successfully completed some housing and civil projects.⁸⁸

Soares da Costa Construcao is a Portuguese construction holding company, operating in civil construction, infrastructure and industrial construction, and engineering. Recently Soares da Costa received the contract for four big construction contracts, with a value of approximately USD\$ 20 million.⁸⁹

Teixeira Duarte started to operate in Mozambique 1982, during the participation in the tender for the construction of the bridge at the Zambezi River. During the last years Teixeira Duarte was especially constructing school parks, infrastructure and bridge. To diversify better, the construction company started operating within the hotel sector, services and housing construction. Three of the contracts were the construction of the Hotel Avenida and the Hotel Tivoli, both in Maputo, and the Hotel Tivoli in Beira.⁹⁰

Chicago Bridge & Iron Co (CBI) is a US based construction company, selected by Anadarko Petroleum Corp. to construct the liquid natural gas plants, with the main contract of about \$15 billion. The decision of contracting CBI is one milestone to move forward in the development of the oil and gas sector in Mozambique.⁹¹

Kentz Corporation Limited is a British engineering and construction company, in 2009, Kentz was awarded to construct the Phase 1 of the Moatize Coal Processing Plant which became the company's flagship project on the African continent. Kentz received the award of Phase 2 of the Moatize Coal Mining Project by the multinational mining and metals corporation Vale in Tete. The project is one of the largest coal mining operations on the African.⁹²

Odebrecht is a Brazilian construction company that build in cooperation with the company Aeroportos de Moçambique (ADM), the Nacala International Airport. The construction work generated some 5,000 indirect job opportunities. During the airport installation phase, Odebrecht invested in the development and training of the professionals from the region.⁹³

⁸⁸ <http://www.stefanuttistocks.com/Medianews/PressOffice/tabid/146/articleType/ArticleView/articleId/167/Stefanutti-Stocks-celebrates-its-twentieth-year-in-Mozambique.aspx>

⁸⁹ <http://www.publico.pt/economia/noticia/soares-da-costa-ganha-obras-no-valor-de-175-milhoes-em-mocambique-1686463>

⁹⁰ <http://www.teixeiraduarte.pt/o-grupo/teixeira-duarte-no-mundo.html>

⁹¹ <http://www.bloomberg.com/news/articles/2015-05-15/anadarko-picks-main-firm-to-build-giant-africa-lng-plant>

⁹² <http://www.kentz.com/media-centre/press-releases/kentz-awarded-moatize-phase-2-contract-in-tete,-mozambique-by-vale-mozambique,-limitada.aspx>

⁹³ <http://odebrecht.com/en/communication/news/nacala-international-airport-inaugurated-mozambique>

The main player for the cement production is Cimentos de Mocambique, owned to 48 percent by the GoM, one percent by Caminhos de Ferro de Moçambique and 51 percent by Camargo Correia from Brazil.

Value Chains

The construction sector in Mozambique has several sub segments: civil and public construction, housing construction, as well as the embedded value chains of building material (e.g. raw material, intermediate input, building components, finishing's, etc.) on the one hand and linked services (e.g. access to finance, maintenance, repair, insurance, etc.) on the other. Each of the sectors with a different set of characteristics, needs, and challenges.

The following section gives a short overview of each sub-sector, with a deeper look into the building material cement. Cement was used as a building material example based on its importance for the sector and its growing production within Mozambique.

Housing Construction⁹⁴

Housing construction is crucial for economic development and provides an opportunity for local companies to develop and grow. The country's housing deficit is huge and the demand is rising, albeit slowly, driven by rural–urban migration and the slowly emerging urban middle class. Despite the strong economic growth of the country, the income inequality has not decreased and the existing urban lower and middle class do not have sufficient income to invest in formal housing. The challenges in dealing with government processes for obtaining a construction permit (and land issues) also contributes to a slow growth.

The housing construction is dominated by local contractors and informal businesses, as well as the use of locally produced material. The competition within the sector is high and many complaints are registered about poor quality of the construction and lack of skilled labor force.

Public and Civil Construction

Public and civil construction are high-cost projects and dominated by foreign contractors, mainly South African, Chinese and Portuguese companies. These companies have the advantage of obtaining networks with foreign investors and markets, allowing them to act flexibly, obtaining credit (financially flexible), import labor and material and have the capacity to procure the contracts as well as deliver the needed assets to secure the contracts. In the first quarter of 2012, CPI (Center for

⁹⁴ International Growth Center (IGC). “The Challenges and the Way Forward for the Construction Industry in Mozambique”. Vasco Nhabinde, Constantino Pedro Marrengula, Amosse Ubisse. 2012,

Investment Promotion) had approved 20 civil construction and public work projects, generating about 3,000 jobs.

In 2008, the Government introduced new legislation regulating the contracting of public works, supply of goods and the provision of services to the State through the Decree 54/2005 of 13 December. The regulation on employment as well as for the supply of goods and services (procurement regulation), were introduced to rationalize the procedures and to harmonize the procurement of public works by the State with international norms and standards, previously including a number of legal steps, sometimes overlapping. With the introduction of the Procurement Regulation, all public works taken by the Government at all levels (national, provincial, district and municipal as well as the companies in which the State holds 100% of the capital) has to be implemented in accordance with the requirements of the regulation. The Procurement Regulation also regulates consultancies, such as those for the development of public works projects or for supervision and inspection⁹⁵

Since semi- and skilled labor is lacking, many companies provide in-house training, e.g. Steffanuti Stocks built up a training school within their own buildings, training also workers for other companies. Since the request of these trainings is increasing, Steffanuti Stocks, with support from Dfid, is looking into the possibility of building a new training school in the south of the country.⁹⁶ Due to the rapidly growing demand of labor from newly established construction projects in the North, the country needs to assess regional implications of the industry. Therefore, a deeper analysis of the regional needs for trainings is required.

Building Materials

The building material represents a highly important value chain for the construction industries. The construction material is divided in raw material (wood, stones, sand etc.), intermediate input (bricks, cement, steel, etc.), building components (electrical material, frames, etc.), and finishing elements (glass, paints, etc.).

The company's structures are dominantly micro and small enterprises (91 percent), concentrated in the south of the country, but also with a growing presence in the north. The capacity of these smaller enterprises and their experience and skills are limited and make it difficult for local companies to compete with international firms. Over 60 percent of the employees only finished primary schools and as little as 9 percent of the subcontractors hold a secondary school certificate.⁹⁷

⁹⁵ Decree 54/2005 of 13 December (Procurement Regulation), Article 2

⁹⁶ Interview with Dfid

⁹⁷ International Growth Center (IGC): A Strategy and Policy Framework to Support the Development of the Construction and Building Materials Industries in Mozambique, 2015

The recent economic growth has created new opportunities in the construction and building materials industries. Nevertheless, the building materials industry grew at a much slower pace than the whole construction sector. The building materials sector is characterized by an even smaller pool of domestic suppliers who are unable to deliver intermediate inputs to the highest international standards. Foreign companies have the advantage of better links to foreign markets, importing construction material with better conditions and prices.⁹⁸ The existing procedures for importing goods (e.g. VAT procedure) is a burden for local enterprises, which are often not able to compete with the large international companies.⁹⁹

About 60% of the inputs used by the producers of building materials and within civil construction companies in Mozambique are imported. A survey of 30 building materials companies and contractors conducted in 2012¹⁰⁰ discovered that about 35% of the companies source their input from abroad, because they believe that the materials are not available locally, while 45% do so because prices of imported materials are cheaper than in the domestic market. Among the reasons cited by contractors for using foreign suppliers was: i) domestic suppliers fail to deliver on time, and ii) domestic suppliers provide low-quality materials.¹⁰¹

Cement¹⁰²

Cement is one of the main intermediate construction material and increasingly produced in Mozambique. The Mozambican cement industry has been growing slowly under leadership of CIMPOR¹⁰³, the controlling shareholder.

There are currently four cement firms operating in Mozambique, one of which, Cimentos de Moçambique, accounts for three-quarters of total sales. Cimentos de Moçambique operates a cement production plant in Matola and four grinding plants, distributed all over the country. In 1994 a majority 51% stake in the existing factories at Matola, Dondo and Nacala was sold to Cimentos de Portugal (CIMPOR), with the state retaining 48% and Caminhos de Ferro de Moçambique holding 1%. Cimentos de Moçambique was controlled by CIMPOR until 2012, which by then held an 82% stake. The state-owned enterprises, Portos e Caminhos de Ferro and Empresa Moçambicana de Seguros, held the remaining 18%. In 2012 CIMPOR sold 51% of the company to Camargo Correia of Brazil. Apart from Cimentos de Moçambique, there are three other producers now operating, each with a single factory: Cimentos de Nacala, Sunera Ltd and Cimento Nacional Lda.

⁹⁸ International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014.

⁹⁹ International Growth Center (IGC). “The Challenges and the Way Forward for the Construction Industry in Mozambique”. Vasco Nhabinde, Constantino Pedro Marrengula, Amosse Ubisse. 2012

¹⁰⁰ International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014.

¹⁰¹ International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014.

¹⁰² International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014.

¹⁰³ CIMPOR is the leading Portuguese Cement Company

Cimento de Mocambique has the capacity to produce 3.1 million tons per year with a workforce of 1,200 employees. Each factory sources limestone from its own local area. Cimentos de Moçambique sells throughout all regions of the country. Each of the other companies sells only within its local area. Cement is bagged at the plant and is transported primarily by truck, though some is now being transported by rail.

Nine new cement factories are being planned or are under construction, and all are expected to become operational by 2015. These include projects by three Chinese companies. The Africa Great Wall Cement Manufacturer plans to operate a plant at Magude with a capacity of 500,000 tons per annum. The China International Fund is already constructing a plant near Salamanga, south of Maputo. GS Cimento plans to build a plant with an annual capacity of 550,000 tons at Beluane Industrial Park, beside the Mozal aluminum plant. Other planned investments include one by the South African cement firm Pretoria Portland Cement.

Constraints and Opportunities

Despite the construction sector's growth, the creation of jobs, especially long term jobs, in the construction sector has been low and disappointing. The sector faces a number of constraints holding back the development of the local industry and the creation of good, permanent jobs. Overall, the main challenges the construction sector in Mozambique faces can be summarized as: i) quality, ii) skills, and iii) demand.¹⁰⁴

Mozambican companies often fail to compete with foreign companies in the construction market. Only 5% of local contractors manage to bid for significant construction projects. The failure of local construction firms to compete are due to: 1) poor reliability and lack of certification; 2) lack of qualified/ skilled labor; 3) the lack of access to land in urban areas, -which increases informality and hampers the development of the housing market; 4) inadequate government procurement codes, making it impossible for SMEs to apply because of sophisticated requirements, 5) limited access to credit; 6) high value added tax (VAT) level and the associated delays of VAT reimbursement increasing their costs and prices; 7) poor use of technology; 8) barriers (costs) to import raw materials; and 9) policy and institutional fragmentation, which are not supportive to SMEs.

Particularly, the constraint of existing skills hampers the general growth of the sector. Over 60 percent of the labor force within building material and sub-contractors do not even have a primary school certification, and amongst the contractors only 9 percent have a secondary school certification. Employers and contractors report a tremendous lack of semi-skilled and skilled labor force, especially

¹⁰⁴ International Growth Center. "An Enterprise Map of Mozambique". John Sutton, 2014.

managers, project directors, supervisors, and master artisans for building, carpentry, metal work, electricity, welders and water pumps.¹⁰⁵

The foreign owned companies, in comparison to local SMEs, generally have an advantage through their strong links with foreign export markets.¹⁰⁶ At the same time, Mozambican construction industry operators are isolated from each other rather than connected. The emerging business association movement within the construction industry has the potential to push for changes in the right direction, but so far it has not been visibly active. The association has a weak capacity and lacks human and financial resources.

For building material, especially cement, the total industry capacity is already in excess of domestic consumption, but operational problems and production interruptions limit supply and continue the dependency on imports. Therefore, imported cement still accounts for about a quarter of domestic sales. The cement producers suffer from high transport costs and difficult logistics. The interruption of production at a single factory can lead to major shortages and price rises in the local area. Mozambique has abundant deposits of limestone, but the logistical challenges of mining much of the deposits have limited the supply of clinker to domestic cement makers. Over 3 million tons of clinker was imported during the period 2005–12. Nevertheless, **it is forecasted that the cement industry will grow even stronger during the next years, reaching 100kg per inhabitant.** This is due to the large construction projects of the extractive industries, combined with the infrastructure and housing needs.¹⁰⁷

Opportunities¹⁰⁸

To overcome the existing challenges and constraints, improvements are needed. to reach a higher growth potential for the sector as a whole and the number of jobs. The country needs to develop a competitive industry, including the associated sectors in the entire value chain. Below are the most important measures:

i) Development of **certification programs**, to allow local companies to procure/ submit tender to foreign large companies, involving all aspects of the construction industry, linked to training and capacity building of the labor force, including management and entrepreneurship. Companies like Anadarko have programs to identify potential supplier companies and provide them with capacity building on the bidding and procurement process. A more holistic support to train companies/suppliers

¹⁰⁵ International Growth Center (IGC). “The Challenges and the Way Forward for the Construction Industry in Mozambique”. Vasco Nhabinde, Constantino Pedro Marrengula, Amosse Ubisie. 2012

¹⁰⁶ International Growth Center. “An Enterprise Map of Mozambique”. John Sutton, 2014.

¹⁰⁷ <http://www.cemweek.com/news/905-features/22411-new-mozambique-cement-industry-study-the-rough-diamond-of-south-eastern-africa>

¹⁰⁸ International Growth Center (IGC). “The Challenges and the Way Forward for the Construction Industry in Mozambique”. Vasco Nhabinde, Constantino Pedro Marrengula, Amosse Ubisie. 2012.

in procurement procedures should be available, making training on procurement available in a wide range for potential local suppliers.

ii) Analyze the option of **VAT exemption for construction materials and services**. At the moment, VAT is one of the major barriers for the formal construction sector to grow. Introducing VAT exemptions could expand the demand for housing construction within the formal construction sector. At the same time in the short term it is especially fundamental to simplify and speed up the procedures for VAT reimbursement.

iii) Setting up a **forum to discuss needed reforms on land rights**, including marketable land titles for urban land. This has the potential for maximizing the market value for land as an asset being able to use to obtain financial support (credit). It could potentially reduce the land related construction costs, creating more transparency, while increasing state revenue through an efficient property tax. Introducing marketable land titles would promote the increase of the financial sector innovations in favor of a more competitive formal housing market.

iv) **Reformation of the government procurement code**. The current government procurement is too sophisticated for SMEs and leaves them no chance to participate in the tender process. To reform the procurement rules, the public sector needs to ensure a faster payment process of invoices. Outstanding payments over a long period can destroy the financial situation of SMEs.

v) **Increase the available resources and quality for technical and vocational training for mid-level technical and managerial skills in the construction industry**. Within the construction sector, specialized skills – both managerial and technical - are reported to be an important constraint but also low skilled labor lacks. It is not clear which set of skills – technical or managerial - is more binding.¹⁰⁹ Most technical construction skills are learned on the job, but putting in place such a system requires management of apprentices and experienced workers, which is not an easy task for a medium sized business. A flexible labor code is also required to ensure that the apprentice employee pays part of the cost of training (through lower wages and probationary period with a higher risk of employment termination). Theoretically this is already in place through the new Technical Vocational Training Law, but needs to be implemented in practice. Budgetary provisions must be made to avert a labor shortage crisis in the near future and promote the technological upgrading of the industry. Existing initiatives of companies like Steffanuti Stocks, setting up a training school within their own premises and training workers also for other companies, should be bundled to set up common training centers and preparing the graduates for the labor market.

¹⁰⁹ International Growth Center (IGC). “The Challenges and the Way Forward for the Construction Industry in Mozambique”. Vasco Nhabinde, Constantino Pedro Marrengula, Amosse Ubisse. 2012.

vi) **Promote reforms of the financial sector** to allow smaller companies to have access to finance. This needs to be accompanied by changes in management practices and corporate governance among the construction sector agents.

vii) **Promote the simplification to import raw materials for the construction sector and equipment**, since the quality is higher and SME would be able to compete better with international enterprises.

viii) **Promote the development and empowerment of the construction industry forum**. This federation will have to involve all the construction sector actors to accommodate all existing concerns from the different actors, both the public (The Ministry of Public Works, the Labor Ministry, the Ministry of Science and Technology, The Education Ministry, and Universities) and the private sector. The forum could have a crucial role to develop greater management capacity, skills, standards, certifications, as well as promotion of joint-ventures for procurement and bidding purposes.

Ongoing Donor Activities

Not many donors are active in the construction sector because of its high monetary support needs and high potential for corruption and procurement abuses.

The World Bank has a number of active lending projects with the GoM, including the construction of infrastructure (e.g. roads) through the Roads & Bridges project and the Roads and Bridges Management and Maintenance Program, and number of water supply project, like the Greater Maputo Water Supply Project and the Hydro-Met Project as well as the development of energy supply, through the Transmission Upgrade Project. Other projects like the Growth Poles project covers the construction of feeder roads (Tete) and water supply (Nacala). The objective of the Roads and Bridges Management and Maintenance Program (RBMMP) is to promote the use of local resources in roads construction and management. The Growth Poles project is also including the local community through the creation of local maintenance brigades in the Tete region.

The International Finance Corporation (IFC) will construct a steel mill in the Special Economic Zone in Nacala, the north of Mozambique.

Other donors, like the KfW (Kreditanstalt fuer Wiederaufbau), the German financial corporation, is active within the school building construction in Mozambique but also carried out the Inhambane Road Construction and Maintenance Project. The Japanese International Cooperation Agency (JICA) is active in the construction of infrastructure (roads), especially in the North (Cabo Delgado and Nampula) of Mozambique as well as supporting the construction of power substations in the North-East of Mozambique, where the demand for energy is rapidly growing.

Future interventions in the construction sector should focus more job creation and inclusion of local communities as a work force. Examples are rural local maintenance brigades, lowering the cost of maintenance and provide stable employment for the local community.

Key government institutions and policies

The Ministry of Public Works and Housing (MOPH) is the leading ministry for construction, responsible for contracting and supervising of public works, promotion of housing construction and the general promotion of the construction sector. All request of licensing have to be addressed to the Ministry and their respective Directorates.¹¹⁰

In 2005 the GoM introduced new legislation, Decree 54/2005 to regulate the procurement of public works. The objective was to streamline the procedures of procurement, to reduce time consumed and to bring the state procurement of public works in line with the international norms and standards. The responsible government body is the Unit for the Supervision of Acquisitions (Unidade Funcional de Supervisão das Aquisições –UFSA).¹¹¹

The Government of Mozambique (GoM) approved the National Development Strategy (ENDE) in 2014, guiding the development of the country for the next 20 years. The strategy has an integrated approach, including a strategy for the development of the construction sector.

The PQG recognizes the importance of the construction sector for the economic development of the country especially through the needed increase of infrastructure. Public-private-partnerships are particularly, promoted in the plan. The integration and growth of national industries should be strengthened through greater focus on the value chains of megaprojects, including especially small and medium enterprises.¹¹²

4. Extractive Industries

Context

Mozambique only recently discovered its abundance of natural gas and coal reserves. The country's first overseas export of coal came in 2011 from Tete Province. In 2012, four of the world's five largest natural gas discoveries that year were made in Mozambique's offshore Rovuma Basin.¹¹³ Early estimates of the sheer volume of untapped natural gas and coal reserves have since attracted a massive inflow of foreign investment in the form of mega projects such as Vale, Rio Tinto, Jindal, Anadarko, ENI, Sasol, among others. The government has approved 261 new investments only in 2011 with a

¹¹⁰ ACIS: O quadro legal. 2008 (ACIS is the Chamber of Commerce and Industry)

¹¹¹ Ibid.

¹¹² Republica de Mocambique: Proposta Programa Quinquenal do Governo 2015-2019

¹¹³ Columbia University. SIPA. "Mozambique mobilizing extractive resources for development". 2013

total amount of USD\$3,4 billion. The expansion of production has recently slowed down, caused by the falling market prices for coal and gas, nevertheless the long term projection still remains strong.¹¹⁴

The natural resource sector has contributed to the country's rapid growth during the last years (7%-8% GDP growth), but its linkages to the local economy remain weak. Mozambique has a wealth of natural resources including titanium, coal and natural gas and the extractive industries sector in Mozambique currently accounts for about 5 percent of the country GDP, primarily from natural gas development. Expectations are that in as little as 5 years coal and new natural gas projects alone could double their sector contribution to GDP; and with over a thousand active prospecting and exploration licenses, the metals and minerals sector has the potential to contribute an additional 5-8% of GDP based on global comparators¹¹⁵. However, the development of the sector has not created domestic jobs or led to any significant development outcomes in the rest of the economy.

Natural Gas:

The recent gas discovery in the north of Mozambique has converted the natural gas sector of the country into a world-class scale. Gas has been discovered so far in two areas, in the south in Inhambane and in the north, in the Rovuma Basin (Cabo Delgado). The gas fields in the Rovuma Basin are divided in two onshore areas and six offshore sides.¹¹⁶ Exploration in the offshore Rovuma Basin between 2010 and 2012 confirmed the natural gas volumes in excess of 100 Tcf (comparable with Norway –a country with one of the world's largest gas reserves). Initial projected investments, announced by two private sector concession holders, the US based company Anadarko and the Italian company ENI, both seeking to process natural gas as Liquefied Natural Gas (LNG) for export markets, amount to US\$70 billion.

The both dominating companies are about to finish their exploration phase and initiate the construction phase by the end of 2015. Gas production could start as early as 2018. The estimated export revenues from these two projects could be in excess of US\$300 billion over the life of the projects. The size of the discoveries presents an historic opportunity for Mozambique to develop its domestic gas market in addition to developing new export schemes that subsequently create value from its mineral and hydrocarbon resources that go beyond solely generation of revenues, from export.¹¹⁷

¹¹⁴ ONE UN Mozambique: Promotion of Youth Employment through Human Capital Development in the Extractive Industries of Mozambique, Draft Joint Programme Document, 2015

¹¹⁵ World Bank (2012a). Project Information Document (PID) Concept Stage: Mining and Gas Technical Assistance Project (P129847). Mozambique

¹¹⁶ ONE UN Mozambique: Promotion of Youth Employment through Human Capital Development in the Extractive Industries of Mozambique, Draft Joint Programme Document, 2015

¹¹⁷ World Bank (2012a). Project Information Document (PID) Concept Stage: Mining and Gas Technical Assistance Project (P129847). Mozambique

Other major companies involved are; Mitsu from Japan; BRPL Kogas and Videcon, both registered in India, Cove Energy from the UK, Galp from Portugal, Petronas, the Malaysian multinational, and Statoil from Norway.¹¹⁸

Up to six LNG plants/ trains would be viable with the amount of identified gas. Anadarko is planning to construct two onshore initial plants, close to Palma town, with a capacity of 5 million tons of gas/ year each. The total investment is estimated of USD\$18 billion (GDP Mozambique 2012 USD\$14 billion).¹¹⁹

Mining:

The coal reserves are geographically based in the north of the country, in the Tete region. The reserves are estimated to be the largest, unexploited, high-value coal reserve in the world. During the last years the Government of Mozambique (GoM) has issued about 800 mining licenses, having a minimum of 45 national and international companies operating in the region (2012).

Mozambique is growing during the recent years into a world-class mining destination with (i) massive anthracite and other high quality coal reserves that would eventually place Mozambique on par with the world's largest coal exporters; (ii) massive titanium minerals' resources/heavy mineral sands (ilmenite, rutile, zircon); (iii) other minerals such as tantalum, limestone, and; (iv) high prospects for gold, platinum group, uranium, iron ore, and bauxites.¹²⁰

Current coal production is about 3 million tons per year and is expected to increase to 11 million tons per year within the next few years, reaching upwards of 20 to 50 million tons per mine/per year, depending on infrastructure development, presently a major bottleneck to production. The largest concessions were held by Vale and Rio Tinto. In 2014 Rio Tinto pulled out of the coal operation and sold the concession to International Coal Ventures Pvt (ICVL), an Indian based company, for USD\$50 million including the transfer of the Benga coalmine and two other coal deposits in the Tete province.¹²¹

Vale has an annual production of 25 million ton/year. Other major companies are; Indian JSPL's Changara project, with an expectation of , 10 million ton/ year production; Mozambican Chingana Xi project; and Ncondezi Coal project, each with an production volume of 10 million ton/ year.¹²²

¹¹⁸ ONE UN Mozambique: Promotion of Youth Employment through Human Capital Development in the Extractive Industries of Mozambique, Draft Joint Programme Document, 2015

¹¹⁹ Ibid.

¹²⁰ Ibid.

¹²¹ <http://www.thehindubusinessline.com/companies/icvl-wraps-up-mozambique-deal-with-rio-tinto/article6482114.ece>

¹²² ONE UN Mozambique: Promotion of Youth Employment through Human Capital Development in the Extractive Industries of Mozambique, Draft Joint Programme Document, 2015

Mineral Sand and Precious Stones

Current production of heavy mineral sands (primarily Moma mine/ south of Nampula) is modest at about 400,000 tons of ilmenite, half a million tons of zircon and 14,000 tons of rutile per year. Moma project is expanding and will be doubling when the next phase construction is complete. The tantalum project in the Zambezia Province (Noventa, with current production of about 300,000 tons of tantalum) is also expanding and more exploration is taking place for high value minerals and rare earths in the area.¹²³ Recent discoveries of precious and semi-precious stones and minerals (rubies, graphite, diamonds, gold, iron-vanadium, titanium, etc.) and the granting of new blocks for coal exploration in 2014 is expected to result in a rapid increase in the number.

Job Creation:

The high employment promises of the extractive industry during the past years, especially in the mining sector, has not been realized (the gas sector is still within its initial phase). Only a limited spill-over effect took place with the majority of the community being excluded from the boom. Of the promised jobs, only a fraction has been realized.

The extractive industries are not labor intensive: only during the construction phase is the need for employment high¹²⁴, dropping sharply after and leaving only a few permanent, mainly high skilled jobs.

In 2010, 5 of the mega-projects had only generated approximately 3,800 direct jobs. Out of the 261 investments in 2011 (see above), the job projection (best case scenario) is 33,871. Breaking down this number with the investment of USD\$3,4 billion the cost per direct job is USD\$1,385 million. Included in this number are the high skilled jobs, excluding the vast majority of the population. Many high qualified positions are filled with foreign labor, since the extractive industries are entitled to fill up to 30 percent of their work force during the construction phase with foreign labor.¹²⁵

According to Government statistics, as of 2012, mining accounted for more than 15,000 direct jobs, of which more than 10,000 are based at the Tete Province coal mines. While direct employment in mining is not as high as in other productive sectors such as agriculture or forestry, the level of income in the mining industry is substantial. In addition, mining can generate four to five times the number of direct jobs through indirect employment across Mozambique, particularly in affected mining

¹²³ World Bank (2012a). Project Information Document (PID) Concept Stage: Mining and Gas Technical Assistance Project (P129847). Mozambique

¹²⁴ In Tete, the main mining town in Mozambique, during the construction phase 5.000 employees were employed. It is estimated that 18,000 employees are needed for the construction phase of the LNGs

¹²⁵ ONE UN Mozambique: Promotion of Youth Employment through Human Capital Development in the Extractive Industries of Mozambique, Draft Joint Programme Document, 2015

communities. However, with unclear Government strategy, wavering private sector investment and limited local capacity, the extent of indirect employment opportunities will be considerably reduced.

The artisanal and small-scale mining (ASM) sub-sector in Mozambique (mainly gold, gemstones, tantalum, and small-scale quarrying for construction) is large with a rough estimate that upwards of 150,000 artisanal miners are engaged in the sector. In 2012, based on data provided by MIREM, there are 73 designated ASM areas across the Mozambique's ten provinces. Based on a survey carried out in 2006, artisanal gold miners were earning between \$75-\$1,500 per month which was (and continues to be) significantly above other sources of incomes in rural areas. With the increase of gold prices since 2006, the incomes should have become substantially higher today but, according to some miners, the traders were not sharing the increased profits. Most artisanal operations are unlicensed, poorly supervised, and very often environmentally and socially unsustainable (in particular, in regard to water pollution, including in the Lake Niassa watershed as well as the Zambezi River Basin). The sector is challenged by critical issues: the use of mercury in gold production is common; smuggling of gold and gemstones is common; operations are conflict prone – i.e., between the miners in the same area, between miners and communities, between ASM and formal mining operations competing for the same area. Nevertheless, ASM will remain an important income source for many rural communities and has the potential to develop into a more formal and more economically important sub-sector. With Government providing targeted support to ASM since 2002, including setting up the Mining Development Fund (Fundo de Fomento Mineiro) (the FFM is to be restructured but no decision was made yet on its new mandate and affiliation), some progress has been achieved but substantial reforms are required to continue this positive trend. Sustainable development of ASM and communities is further discussed below.¹²⁶

Within the gas sector, ENI for example, estimated the creation of 40,000 direct jobs during the construction of Afungi project in the Rovuma Basin. Additionally, the Government estimated an additional 50,000 indirect jobs in small scale activities.

It is not clear up to now what the impact of temporary employment on poverty reduction has been. Nevertheless, the negative impact on job creation through the extractive industries (and mega-projects) has to be taken also into consideration, e.g. fisherman are displaced, prostitution increases, land grabbing, etc.¹²⁷

Challenges

¹²⁶ World Bank (2012a). Project Information Document (PID) Concept Stage: Mining and Gas Technical Assistance Project (P129847). Mozambique

¹²⁷ ONE UN Mozambique: Promotion of Youth Employment through Human Capital Development in the Extractive Industries of Mozambique, Draft Joint Programme Document, 2015

The extractive industries have raised the expectation of job creation but, because of the poorly trained labor force in Mozambique, the majority of the private sector imports skilled workers. Even though there is a foreign quota in Mozambique, there are exceptions in place for the extractive industries to hire more foreign labor.

Mozambique suffers from a tremendous skills shortage within all levels and sectors. Companies have not only problems to hire managers and engineers but also lower skilled labor.¹²⁸ Many graduates do not possess enough skills/ knowledge to even be hired for lower skilled labor. The majority lacks both technical and soft skills required by the private sector. The education sector is weak and the public technical vocational training has not been able to respond to the needs of the labor market/ private sector.

Challenges for the coal mining is also the existing logistics within the country, which are still a bottleneck in Mozambique and increases the production costs. In the coal sector, the estimated quality of the coal resulted to be less high than initially announced, decreasing the price of the coal. Combining this factors with the general decrease of the coal price at the world market the business is less profitable for the investors.¹²⁹

Recommendations:

The discovery of natural resources has led to large inflows of foreign investment. Until now, Mozambique remains in an investment phase characterized by large import growth. The coming 4-5 years present an opportunity to work on economic linkages to these mega projects, which present an unrealized opportunity for the private sector through maximizing linkages and increasing competitiveness and productivity of local firms, that are not currently able to supply at the scale and quality required by foreign investors.¹³⁰

Extractive industries affect multiple layers of the economy, impact the livelihoods of future generations, and impact environment and local demographics; therefore related policy and investment decisions must be taken by Government in a consistent and sufficiently strategic way, contemplating near and future development. A well-managed sector can bring huge positive and sustainable benefits to Mozambique, including the development of domestic downstream markets and service industries, improved structure and scale of regional and local transport infrastructure, expanded power grids, township developments, socio-economic growth, and positive economic externalities through forward

¹²⁸ USAID/Speed: MOZAMBIKAN LABOR MARKETS, IN THE FACE OF A NATURAL RESOURCE BOOM - What Potential Impacts of Dutch Disease?, June 2014

¹²⁹ <http://www.dailymaverick.co.za/article/2014-07-31-analysis-with-rio-tintos-humiliating-exit-a-degree-of-sanity-returns-in-mozambique/#.VaVCH7T76M8>

¹²⁹ Let's Work, World Bank: Jobs Diagnostic, 2015

¹³⁰ Ibid.

looking management of the revenues generated. If left unmanaged, the impact of extractive industry development can be economically, environmentally, socially and otherwise disastrous and crippling for the country— globally referred to as the “resource curse”. Historically, the development of mineral resources (or other natural resources such as forestry) in developing countries in parts of Africa and Asia had little correlation with reducing poverty. However, based on experience in such countries as Australia, Canada, United States, South Africa, Gulf countries, Finland (and others), it is important to recognize that positive impacts on overall poverty levels are achievable with sound governance and resource management policies and targeted programs to implement them. These countries triggered growth as resource based economies, but ultimately succeeded to achieve growth, diversification and poverty reduction through targeted interventions and policies.¹³¹

With the newly developing oil and gas sector in the north of the country, Mozambique has the opportunity to develop a coherent strategy in collaboration with the private sector to prepare and equip the local work force. The construction phase of the LNG will only start in a couple of years and private sector representatives need to work closer together, and with the state institutions to ensure the adequate training of the future work force.

The highest potential to create jobs and achieve spill-over effects is to facilitate the potential linkages and create jobs for Mozambican, with sub-sectors and suppliers. A higher number of potential jobs lie within the potential supplier companies/ SMEs (small scale) – including food processing, services, tourism, logistic, etc. Programs to identify high potential supplier SMEs, linking them to the value chains, partly exist (e.g. Vale, Anadarko, etc) but more effort is needed with more collaboration between the private sector as well as with the government is needed.

III. SKILLS FOR EMPLOYMENT

Skills and skills development are essential for generating more and better employment. Skills are a necessary ingredient but not a standalone activity of successful long-term job strategies. Skills are at the core of improving individuals’ employment outcomes and increasing countries’ productivity and growth.¹³² The following sector note will analyze the existing skills development in Mozambique and how good the education system prepares graduates for the needs of the labor market.

The note is part of the selected sector notes for the LWP Mozambique as a cross cutting area, touching all sectors within the economy. The chapter will start with a general overview of the skills situation in Mozambique, after analyzing in detail the technical vocational training system and the ongoing

¹³¹ World Bank (2012a). Project Information Document (PID) Concept Stage: Mining and Gas Technical Assistance Project (P129847). Mozambique

¹³² World Bank: STEPING UP SKILLS, For more jobs and higher productivity, 2010.

activities of key stakeholders in the sector, within the donor community, but also the role of the private sector. To visualize better the number of existing interventions, a table is attached at the end of the note. The role of higher education with the skills development will be illuminated before closing with a set of conclusions.

General overview

In 2012, a survey of manufacturing firms showed that around 23% of the surveyed firms complained that their workforce is not sufficiently skilled. In 2014/15 the World Economic Forum (WEF) report stats also that “ inadequately trained workforce” is listed as the 5th top constraint in Mozambique after finance, infrastructure, corruption and ineffective government.¹³³

On the labor supply side, more than 300,000 - 350,000 people enter the labor market each year and this number is poised to increase to about 500,000 - 700,000 by 2025. Preparing this wave of young people adequately for a productive life through education, including TVET and higher education options, is critical to job creation, productivity, competitiveness and poverty reduction. Rates of return to higher education have been increasing in Mozambique from a low of 6 percent in 2002 to 18 percent in 2008 (latest year available and comparable). This implies that a higher education degree increases wages by 148 percent compared to those with secondary education. In addition, workers with higher education in Mozambique face lower unemployment.¹³⁴

In the education sector there have been noticeable improvements, such as enrollment rates, but the overall quality of education remains a concern. In primary education, net enrollment rates have been consistently improving from 33 percent in 2002 to 82 percent in 2014, but completion rates have not kept pace. Recent data showed that only approximately 70 percent of all students who attended grade 1 in 2012 entered grade 3 in 2014, with 5 out of 10 children completing primary education. It is expected that primary completion rates will improve from 2016 onward, reflecting improvements to promotion rates since 2011. However, the completion rate is below regional peers (52 percent for Mozambique compared to the Sub-Saharan average of 72 percent). The same picture prevails in secondary education, where the gross enrollment rate to lower secondary has increased from 7 percent to 34 percent.¹³⁵ The base to develop skills, technical and soft, for the labor market starts in the early years of education. If primary education fails to deliver, technical vocational training can often not build on existing knowledge and skills.

¹³³ World Bank: Jobs diagnostic, Louise Fox, 2015

¹³⁴ World Bank: PAD Higher Education Science and Technology project, 2015

¹³⁵ World Bank: PAD Higher Education Science and Technology project, 2015

Countries, like Mozambique, experiencing natural resource booms tend to move towards imports to the detriment of domestic production and employment as a result of the appreciation of the domestic currency. Thus, the resource boom may lead to a collapse of employment in other sectors. This means that it is necessary to raise productivity in agriculture and other tradable goods to regain competitiveness against imports. This requires strategic investments in applied research. Consultations with companies led by the International Finance Corporation (IFC) have revealed an opportunity to increase competitiveness and productivity of local firms in order to be able to supply multinationals as part of the mega-projects. This requires improved engineering and technical skills, and a closer link between education and training institutions and the private sector. Applied research and skills will also be needed to move towards value addition in key growth sectors. These strategies are fundamental to guarantee that the economy becomes diversified and prepared for the period after the resource boom.¹³⁶

Technical Vocational Training

The massive increase in those completing primary education and increasing secondary education creates significant pressure to expand TVET and higher education opportunities due to both progress in education and high population growth rates, the number of upper secondary graduates has increased from less than 8,000 in 2004 to 41,500 in 2012. In 2016, the Government of Mozambique (GoM) estimates that the number of graduates of secondary education will be 148,000, doubling again to around 280,000 in 2020.¹³⁷

The new Professional Education Law approved in 2014 has a strong focus on the demand side on the training needs for the labor market, where training will be funded through a 1 percent levy of the salary by the private sector and the state of Mozambique. The law has a strong focus on the scope of apprenticeships.¹³⁸

The Government cites that the level of vocational and academic training in Mozambique remains low. Employer surveys and labor market studies in formal sector enterprises point to a mismatch between the labor supply and the evolving needs of labor market, which require more adequately skilled workers¹³⁹.

The majority of the population is unskilled and lacks both, technical and soft (cognitive) skills, required by the (formal) labor market. The education sector is weak and the technical vocational training system is not able to deliver the needs of the private sector.

¹³⁶ Ibid.

¹³⁷ Ibid.

¹³⁸ IGC, Pedro S. Martins

¹³⁹ World Bank: PAD Higher Education Science and Technology project, 2015

Women are disadvantaged and underrepresented in the TVET system. Between 2005 and 2009 - 171,283 students were enrolled in continuing education and professional development, and only 30 percent of which were women. In 2011 the female enrollment in secondary vocational training was 34 percent, representing a slight increase of female students.¹⁴⁰ Women remain an unexploited potential in the TVET system that could raise the economic productivity of Mozambique, but more additional effort is necessary to attract them to this education system.¹⁴¹

Overall, 95 per cent of technical and vocational education in Mozambique is provided by public institutions. Whereby the division of the formal and the informal training between two different ministries, the Ministry of Labor (MITRAB) and the Ministry of Education and Human Development (Ministerio de Educação e Desenvolvimento Humano MEC), a series of problems have arisen. The MEC is responsible, through the National Directorate for Vocational Training (Direcção Nacional de Educação Técnica DINET) for the formal vocational education and runs 108 vocational training schools in the country. These schools offer a vocational training at three different levels; Basic level (Nivel Básico), intermediate level (Nivel Medio) and higher level (Nivel Superior), with different courses and specializations in different schools (agriculture, tourism, metal- and electronic, etc.). It is foreseen to eliminate the Nivel Básico systematically and only focus on the two higher levels. The Ministry of Labor (MITRAB) through the INEFP, the National Institute for Professional Training, parallel to the Ministry of Education, is responsible for the management of the vocational training centers. These centers offer short-term training courses of 2 weeks to 6 months and fall under the non-formal vocational training. The institute runs currently 16 INEFP training centers in Mozambique. INEFP has acquired ISO 2012, 9000 (City and Guilds) standards through a thorough restructuring of curricula. Nevertheless, after obtaining the certificate, courses are not applying these standards.¹⁴²

The training of vocational teachers is only offered in two institutions, the Dom Bosco Teacher Training Institute (Teacher Training Institute) and by the Pedagogical University (Universidade Pedagógica) in Maputo. Both institutes cooperate with one another in the training of teachers. The formal responsibility for the teacher training in the technical education system lies within DINET. However DINET does not fulfill the role adequately due to the lack of capacity and financial resources, since primary education still plays a priority role in the distribution of government funds. Consequently, the problem of available financing for TVET persists. Additionally, the lack of recruitment of teachers is hampering the development and quality of the technical training since only a fraction of the required teachers was hired last year, although graduates are available (152 new vocational teachers hired in 2013). The MINED / DINET pointed out the lack of financial resources to

¹⁴⁰ RECP (Africa-EU Renewable Energy Cooperation Programm): COUNTRY MAPPING MOZAMBIQUE, http://www.euei-pdf.org/sites/default/files/files/field_pblctn_file/TVET%20Country%20Mapping%20-%20Mozambique.pdf

¹⁴¹ Nuffic: Alignment of higher professional education with the needs of the local labour market: The case of Mozambique.

Mtinkheni Gondwe, 2011

¹⁴² Brigida Singo and Daniel Da Costa: An Analysis of Instructors' Perceptions of Technical-Vocational Training Pedagogy Education in Mozambique.

employ new teachers, especially with higher degrees, since the salary increases with the level of education.

The range and quality of skills provided by the public sector is inadequate to meet the demands of the private sector while private provision of technical training and skills development is in its infancy. In order to improve the vocational training system, the Government has adopted a reform strategy (REP Reforma de Educação Profissional) in 2006. The reform is a fifteen-year program, which is to optimize the quality and responsiveness of the TVET system in order to better respond to the needs of the labor market. To implement the strategy PIREP (Programa Integral de Reforma da Educacao Profissional) was created. PIREP is the implementation program of the REP, to transform the existing vocational training system into a demand-driven education system. The program is financed by a multi-donor trust fund (World Bank being the main donor). The implementation of the reform has, however, suffered heavy delays and faced strong challenges. In particular, the lack of competent teachers and trainers, lack of capacity of school management and the low institutional capacity to implement the reform as well as the lack of political will to support the reform.¹⁴³

In summary, it can be said that the vocational training system in Mozambique is characterized by a high degree of fragmentation, a lack of institutional framework, lack of coherent political leadership and a lack of quality assurance and labor market relevance.

Overview of ongoing activities within the Training Sector (TVET and non-formal)

For a long time the activities within the vocational training of the donor community in Mozambique were focused on the support of the implementation of PIREP, the technical vocational training reform (REP/PIREP). Nevertheless, the rapidly growing economy during the recent years and the stagnation of poverty reduction combined with a lack of spillover effects towards job creation, especially of the extractive industries, forced the government and the donor community to increase their attention and activities also towards non-governmental and informal technical training.

The donor community has organized itself in donor groups, to ensure better coordination. A training working group meets at a regular base to ensure the exchange and coordination of activities and programs. Not all organizations, especially some large non-governmental organization (NGOs), are represented in this group (e.g. Aga Khan, ADPP, etc.). A tabular overview of ongoing and planned activities of donors in the field of vocational training is presented in Chapter V.

The role of the private sector in the professional training sector in Mozambique

¹⁴³ www.adeanet.org

The Mozambican government has explicitly expressed the desire to actively involve the private sector in the design and implementation of technical training¹⁴⁴. The Deputy Minister of Education and the Director General of INEFP publicly declared the desire for more non-state provision of technical education, including PPPs. The establishment of a levy tax has been developed, to build a vocational training fund, financing the technical training. Nevertheless, a coherent strategy on how the private sector can be better integrated in the vocational training, has not yet been designed.

The lack of published, comprehensive labor market analysis, displaying exact numbers of workers and skills needed, as well as a medium to long-term projection of the development of this demand, hampers the development of a demand driven TVET system. The Ministry of Labor has conducted a labor market needs analysis in 2014, but it is not yet published. Many international companies (Sasol, Anadarko, Rio Tinto, etc.) have also conducted internal surveys and large-scale needs assessments, but they are also not available for the public. According to the private sector an accurate calculation of the required skills and numbers can only be developed through the inclusion of the suppliers, which have often not yet been contracted. All this makes it difficult to define the exact demand of the Mozambican labor market and the needed cooperation with the vocational training system.

In parallel to the government activities, a number of private companies have flooded the market, especially in recent years, offering in the different regions of the country, at different levels and in different educational backgrounds, technical courses. Although INEFP has a list of 150 registered, private providers, the list is neither exhaustive nor publicly available. There is no detailed list of the courses offered and the quality of the courses. The fragmentation and lack of coordination of the courses, hampers a good planning and strategy development.¹⁴⁵

The quality of training in private institutions often does not differ from the quality in state institutions. Both institutions have often the same teachers (rotation). Even though, private institutions have the advantage of being able to offer better facilities. However, a new trend is emerging in the newly established training centers by companies like Capital Outsourcing Group, to bring over own teachers, leading to the very high (60 US dollars per pupil per day) cost of these courses that only large enterprises can effort (SMEs do not have the financial capacity).¹⁴⁶

The technical vocational training system in Mozambique has also a fairly bad image, where the majority of the students are aiming to use the system to enter into universities. A higher degree

¹⁴⁴ Also visible in the new TVET law

¹⁴⁵ Carlos Nuno Castel-Branco: *Economia Extractiva e Desafios de Industrialização em Moçambique*, IESE, Maputo, 2010.

¹⁴⁶ Interview with school director Capital Outsourcing group

means a higher status and a higher salary. The VET system often only serves as gateway to the university and not as a career choice.¹⁴⁷

Policies and strategies to promote the rapid requalification of staff need to be planned. It seems that in the short-term a large number of semi-skilled workers will be needed, but also a lower number of higher educated workers. The semi-skilled workforce should be trained continuously in order to prepare for evolving employment and thus to guarantee continuous employment opportunities (transfer of knowledge). In addition to the need for technical manpower, many retirements within the levels of management will take place in the next few years, with the need to be replaced by new, local, well-educated workforce. This makes it clear that workers are required at all levels and in all sectors.

The private sector is still holding back sufficient investment in the public vocational training sector. The medium-sized private sector (SMEs), which represents 90 percent of all companies, have no financial capacity to invest in vocational training. The rest of the private sector (large companies) is often only willing to invest in the technical training of workers if a guarantee of success is given or only for their own use. The government is trying to transfer more general, transferable skills, whereas most companies only want to train specific skills, needed for their operations.

Higher Education

The rapid expansion of higher education has not yet impacted negatively on the employability of graduates. Rapid economic growth seems to have increased demand for graduates even further than supply, especially for graduates within applied sciences and engineering, and skilled technicians. Rates of return and employment of graduates therefore remain high as mentioned above.

But quality and relevance have reportedly declined. The doubling of institutions and the faculty body has led to lowering of faculty qualifications. Only 7 percent have a doctorate degree and 24 percent a master's degree. Around two-thirds of teachers in higher education are bachelor's degree (*licenciatura*) holders. Expansion has also led to overcrowding in classrooms and a lack of learning resources, most importantly access to laboratories, modern technological tools, and computers. Also, the competences of the admitted students have deteriorated, especially in math and science subjects, due to the expansion and decrease in the quality of secondary education. Further, curricula are infrequently reviewed and teaching methods focus too much on memorizing theoretical learning. This explains partially the frequent complaint from employers of the lack of concrete hands-on technical competencies, which especially affects the quality of Science, Technology, Engineering and Math (STEM) students. **The way forward is to support institutions and faculty to reform curricula in**

collaboration with employers and introduce more experimental and student focused teaching-learning in combination with investments in modern learning equipment.¹⁴⁸

Linking higher education with TVET is a priority for equity and quality of TVET. The GoM has established four polytechnic colleges in under-represented regions in the country. These polytechnics produce tertiary graduates combining high level theoretical knowledge with practical and entrepreneurial skills and competencies, making them particularly well-equipped to work within key economic sectors (agriculture, mining and energy). As this type of tertiary education is promising due to its potential impact on equity (region and income-wise) and its economic relevance, the Government is seeking to add seven new polytechnics. Two critical challenges remain: (i) the connection between secondary education TVET institutions and the polytechnics (higher education institutions) to allow graduates of TVET institutions to procure higher education diplomas, which increases both the incentives for TVET education and improves access to higher education for middle and low income youth; and (ii) a shortfall in qualified TVET teachers due to the expansion of the sub-sector. **The linkages between the two levels of education will help build job-relevant technical skills and will also streamline the access from technical secondary education into higher education.**¹⁴⁹

Conclusion

Given Mozambique's high level of inequality and, in particular inequality in access to post-basic education, promoting more equitable access for the bottom 40 percent of the population is critical to raise their income and hence promote shared prosperity. Improved access to TVET and higher education, in particular short term professional-oriented higher education, therefore promotes both shared prosperity and overall economic growth.¹⁵⁰

To improve private sector involvement in the general and technical training, stronger incentives must be created. Due to the increasing pressure the companies face from the Government to hire local workers, more and more companies will be open to invest in technical training. The implementation of policies to guarantee the absorption of the labor force, including vulnerable groups, is needed, as well as the promotion of private training centers with higher quality and labor market demand driven courses. Quality assurance of the offered courses needs to be in place as well as the possibility to compare existing offers. Through the increase of the employability of the population and an improvement of the business environment, jobs creation could grow.

¹⁴⁸ World Bank: PAD Higher Education Science and Technology project, 2015

¹⁴⁹ Ibid.

¹⁵⁰ World Bank: PAD Higher Education Science and Technology project, 2015

IV. WOMEN IN THE MOZAMBIKAN LABOR MARKET

Introduction

Empowering women is smart economics and is essential for the socio-economic development of a country, reducing existing inequalities. Increased integration of women into the labor market and providing safe and good working environments, reduces the existing inequalities and empowers women socially and economically. In the majority of the countries in the world, women are not equally treated in the labor market and still represent a tremendous untapped potential for development. Evidences show that the empowerment of women leads to greater social development, since women tend to invest their resources in their children and family (education, nutrition, health, etc.) This chapter will analyze the situation of women within the labor market in Mozambique to identify the existing constraints and barriers, supporting the LWP to better design needed interventions and give recommendations to partners and stakeholders. The note is based on a desk review of a number of papers, including the World Development Report 2012, the CMI Report on "Gender and Poverty in Northern Mozambique", the Mozambique Labor Market Profile 2014 from Ulandssekretariatet, and "An overview of women's work and employment in Mozambique" (2009) from Maarten van Klaveren at all, amongst other sources.

General structure

In the case of Mozambique, the country is poorly ranked in the Gender Equality Index (123 out of 130), with women facing serious constraints, disadvantages and discrimination in all spheres of their daily lives.¹⁵¹ The female labor force participation is high with 79 percent¹⁵², but also unemployment and youth unemployment¹⁵³ is higher than for men. Women's participation in the labor force is slightly higher than men¹⁵⁴ especially when they are younger (group 15-24 years), showing that female work is fundamental to the Mozambican labor force. This is especially true in rural areas, where both men and women report high labor force participation (97 percent and 94 percent respectively) during prime working age (25+).¹⁵⁵

Figure 9: Employment rate by gender

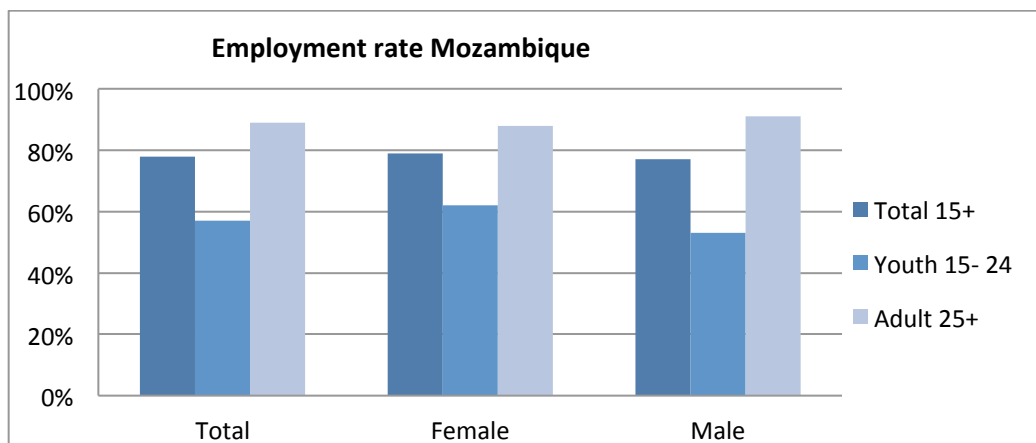
¹⁵¹ Friedrich Ebert Stiftung: Female political participation and their influence towards greater empowerment of women in Mozambique, 2015

¹⁵² Data from 2012

¹⁵³ Existing information is outdated from the labor force survey of 2004/05

¹⁵⁴ For population between ages 15-64

¹⁵⁵ Ulandssekretariatet, 2015: Mozambique Labour Market Profile 2014



Source : Ulandssekretariatet, 2015 : Mozambique Labour Market Profile 2014

Mozambique is suffering from a feminization of poverty. Women's income is on average lower than that of their male counterparts across all economic sectors. 96 percent of all working women in Mozambique are unskilled laborers working in the informal sector and only 4 percent of working women are formally employed by the government or private sector.¹⁵⁶

This is largely based on the poor education, where women obtain a lower number of average schooling years. Even though the enrolment rates of girls in the first level of primary schools (EP1) in urban areas is close to 100%, the drop-out rate is still higher and the transition to the second level of primary schools (EP2) is lower for girls than for boys. As visible in table 4 below, the labor force participation especially among urban youth is reduced, partly explained by the higher enrollment rate into secondary and higher education in urban areas, whereas rural children and especially rural girls leave school earlier. The main reasons for the unequal access to formal education are the socio-cultural and traditional factors. Families, especially in rural areas still prioritize the education of boys. Evidence shows that the main reasons for girls to drop-out are: pregnancy, early marriage, sexual harassment and other behavior towards girls by teachers, elevated costs¹⁵⁷ and insecure transport. Similar gender-related barriers are also observed in the completion of technical and vocational training (TVET)¹⁵⁸, where girls are disadvantaged in terms of access. Combined, these factors limit women's access to formal employment and, many times, it forces them to accept lower secondary jobs, with lower wages and career paths.¹⁵⁹

Table 4: Labor Force Participation Rates by Age, Gender, Rural, Urban

¹⁵⁶ World Bank: World Development Report, 2012

¹⁵⁷ Annual expenditure in ES1 and ES2 in urban areas is almost double that in rural areas.

¹⁵⁸ CMI Report, 2009

¹⁵⁹ Ulandssekretariatet, 2015: Mozambique Labour Market Profile 2014

	Age 15 -24				Age 25+			
	Urban		Rural		Urban		Rural	
	Male	Female	Male	Female	Male	Female	Male	Female
Labor Force	55.2	44.4	81.8	87.2	90.4	75.4	97.4	93.8

Source: World Bank: Jobs Diagnostic Mozambique, from INCAF 2012 data

Even though a number of national strategy papers include the dimension of gender, the majority is through a "gender mainstream" lens. The generally proclaimed 'gender mainstream' process in the country has weakened the responsibility within the GoM and donors to take actions. Unfortunately, till today, despite the existing knowledge of the need for more equality for women, few programs or projects from donors focus exclusively on women and gender, resulting in low or minimum results for greater women's empowerment. At the same time, the regional and moreover the local focus for interventions is still lacking.¹⁶⁰ Even though civil society focus on gender equality in the country is strong, their influence and power remains limited and needs more support.¹⁶¹

Geographical differences

As already mentioned, there are serious differences within the status and the position of women in the various regions of Mozambique. In the south and center a greater gender equality is visible, due to the forces of "modernization" and the high labor migration of men to South Africa, leaving women as the head of household and decision makers behind. In the north, however, the continuous influence of a very strong "tradition" which still defines gender roles and the superiority of the men.¹⁶²

Urban development is helping to redress inequalities. In the urban areas, a new structure of greater equal relationship between men and women is developing, compared to the traditionally entrenched gender roles in rural areas. More women are employed in wage jobs in urban areas, as well as in household enterprises, as shown in table 2 below.

Table 5: Structure of Employment in rural and urban area

	All Moz.	Urban			Rural		
		Male	Female	All	Male	Female	All

¹⁶⁰ World Bank: World Development Report, 2012

¹⁶¹ Tvedten et al, CMI Report: Gender and Poverty in Northern Mozambique, 2009

¹⁶² Tvedten et al, CMI Report: Gender and Poverty in Northern Mozambique, 2009

Agriculture	73.0	19.7	43.2	31.4	78.5	95.9	88.4
HE	14.0	28.5	35.0	31.8	13.5	2.8	7.4
Wage, public	4.2	15.0	7.3	11.2	2.8	0.7	1.6
Wage, private	8.9	36.7	14.5	25.7	5.2	0.7	2.6

Source: World Bank: Jobs Diagnostic, 2015 Mozambique, using INCAF data

The Mozambican labor market is highly structured by sector, where the majority of women work in (subsistence) agriculture (75.1 percent), with the only other alternative in (informal) commerce (11.6percent¹⁶³) and services (3.3 percent¹⁶⁴). Even in urban areas women are dominantly active in agriculture which negatively affects their productivity and empowerment as the men still hold the control over the cash.¹⁶⁵ The labor market for men is more diverse. This can be defined as a feminization of agriculture, while men move more and more out and into wage jobs as well as self-employment in the non-agriculture sectors Women stay within the agriculture to ensure the food security of the family. Nevertheless, even within the dominant position of women in the agriculture sector, women are less likely to produce profitable crops since they mainly grow products to feed their families. New trends are visible since the household survey in 2010 showed a decrease of women's participation in agriculture and an increase in the commercial sector (mainly market vending), indicating potential transformation for women.¹⁶⁶

The existing legal framework of the labor market for women is quite good. Mozambique has ratified all eight core ILO Labor conventions¹⁶⁷, including the convention against discrimination within employment and occupation. In addition, the country has approved a new national Labor Law to enforce equal rights for men and women, as well as to condemn any kind of discrimination based on sex, race, religion, etc.¹⁶⁸ The women have the right to 60 days maternity leave, 1 hour breastfeeding during the maximum of one year, and the right to stay away from work for maximum 30 days in one year for caring a sick child. Yet, women still earn less than men for the same work and studies have found that even women who have reached higher education and training, are still facing persisting

¹⁶³ Data from the 2010 household survey/ World Bank: World Development Report, 2012

¹⁶⁴ Data from 2007/ World Bank 2007

¹⁶⁵ van Klaveren et al.: An overview of women's work and employment in Mozambique, 2009

¹⁶⁶ World Bank: World Development Report, 2012

¹⁶⁷ The eight core conventions of the ILO are: Convention No. 87, on Freedom of

Association and Protection of the Right to organize, and Convention No. 98 on the Right to Organize and Collective Bargaining, Convention No. 100 on Equal Remuneration and ILO Convention No. 111 on Discrimination (Employment and Occupation), Convention No. 138 on the Minimum Age and Convention No. 182 on the Worst Forms of Child Labour, Convention No. 29 on Forced Labour in 2003, and Convention No. 105 on the Abolition of Forced Labour in 1977

¹⁶⁸ van Klaveren et al.: An overview of women's work and employment in Mozambique, 2009

differences within their career opportunities compared to their male colleagues. It has also been reported that employers use unethical behavior if women seek professional advancement, often violating their rights and dignity.¹⁶⁹

Challenges and Barriers

But despite the legal achievements, laws and regulations on gender equality¹⁷⁰, the labor market in Mozambique still confronts women with many challenges and disadvantages. Although gender parity employment policies are in place, inequality between men and women is still wide spread. Women are even under-represented in traditional more female jobs such as primary school teachers.¹⁷¹

Formal jobs for unskilled workers tend to be poorly paid - the sector where most women are represented. Living costs, especially in urban areas tend to be quite high, once basic expenditures on food, transport, service infrastructure and social services are taken into account. Many private sector employers, particularly in the poorly regulated domestic work, where women are dominantly represented, pay considerably less than the minimum legal wage. In addition, constrained by cultural and social norms and behavior, women often lack confidence to see themselves able to entre e.g. into higher positions at work, open their own business (grow the business), etc.¹⁷²

There are a number of remaining legal issues, that hinder the parity of men and women in the labor market in Mozambique: i) non-pregnant and non-nursing women cannot do the same jobs as men; ii) the law does not mandate paid or unpaid parental leave; iii) the law does not mandate equal remuneration for men and women for work of equal value; iv) the laws does not mandate a non-discrimination based on gender in hiring; v) it is not illegal for an employer to ask about family status during a job interview; vi) employers are not required by law to give employees an equivalent position when they return from maternity leave; vii) employees with minor children do not have rights to a flexible/part-time schedule; viii) payments for childcare are not tax deductible; x) no governmental office is tasked with addressing sexual harassment; xi) no legislation on sexual harassment in education, public spaces, service provision; and xii) no criminal sanctions for sexual harassment in employment.¹⁷³

At the same time, barriers to increase the labor market participation of adolescent girls and women are strongly related to the issue of reproductive health. The fertility rate in Mozambique is

¹⁶⁹ <http://noticias.sapo.mz/aim/artigo/7946919092013150745.html>

¹⁷⁰ Main policy instruments in Mozambique are: Labor law (lei do trabalho) of 2007, Employment and Vocational Training Strategy (2006-2015) and the new TVET law, 2014, Government's 5 year plan (PQG, 2015-2019, no specific section women), and the Strategic Program for the Reduction of Poverty.

¹⁷¹ Friedrich Ebert Stiftung: Female political participation and their influence towards greater empowerment of women in Mozambique, 2015

¹⁷² Ulandssekretariatet: Mozambique Labour Market Profile 2014, 2015.

¹⁷³ <http://wbl.worldbank.org/reports>

very high. Although contraceptives are legal, there is a prevalence rate of only 16.5%. Since there are virtually no structured childcare services and women are responsible for care for the elderly, they often struggle to be able to do full-time/regular work, combined with these informal duties with full-time regular working hours.¹⁷⁴ The lack of public services such as water supply, as well as low incomes that cannot pay for partially processed food, mean that women in rural areas spend a lot of time on household chores, and choosing to work in agriculture because they need the flexibility to work fewer hours.¹⁷⁵ Table 6 below demonstrates the potential reasons for women to be less able to carry out full time work compared to men.

Table 6: Reason for not working full time (adults 21+)

Reason	Urban			Rural		
	Male	Female	Total	Male	Female	Total
<i>Sick</i>	7.0	7.8	7.5	13.1	16.6	15.5
Attended school or training	5.5	1.7	2.9	1.5	0.4	0.7
Did not want to work more hours	7.3	3.9	5.0	12.8	3.8	6.7
<i>Domestic works</i>	7.4	35.5	26.4	14.4	48.7	37.4
<i>Could not find more work</i>	18.6	6.6	10.5	13.8	4.2	7.4
Unavailability of agricultural land plots	1.7	4.9	3.9	7.9	7.1	7.3
Lack of materials, tools, and financial resources	3.5	2.4	2.8	1.1	0.3	0.6
Malfunctioning machines or electric tools	0.6	0.0	0.2	0.1	0.00	0.0
Natural disasters	0.2	0.0	0.1	0.1	0.3	0.2
<i>Normal duration of work</i>	45.0	33.4	37.1	33.4	17.1	22.5
Other	3.1	3.8	3.6	1.9	1.4	1.6
Total	100	100	100	100	100	100

Source: WB jobs diagnostic using INCAF 2012 data

Even though women are legally entitled to work, and own their businesses and land, a limited amount of business laws and policies include targeted measures to help support women who are already in a vulnerable position in the labor market. Women generally lack the necessary resources for starting and developing their own businesses due to a number of barriers. Mozambique has recently passed a new law on Small and Medium Enterprise (SME) development to support the growth and development where the majority of the women entrepreneurs are situated but the law does

¹⁷⁴ <http://siteresources.worldbank.org/INTPRH/Resources/376374-1303736328719/Mozambique42211web.pdf>

¹⁷⁵ World Bank: Jobs diagnostic Mozambique, Louise Fox, 2015/ Fox et al, 2008

not include targeted interventions for female entrepreneurs where the majority of the women entrepreneurs are situated and in need of specific regulations.¹⁷⁶

There is limited data on women in the labor market, especially in the formal sector and not much has been done on workplace empowerment for women and entrepreneurs. The most popular approaches to promote female employment are programs within vocational training and support for the girls during the school-to-work-transition phase.

Opportunities

Besides the existing challenges, there are a number of opportunities to help women to be better empowered within the labor market. The potential impact of economically empowered women is high. Women and female-headed households have a stronger sense of responsibility to allocate resources to health, food, education and other basic necessities than men and male-headed households. There are strong results about the successful performance of Mozambican divorced and separated women in educating their children, and in narrowing the gaps between the education of their daughters and sons, female-headed households tend to give higher priority to children's education and show greater care-seeking behavior than male-headed households. Additionally women have a stronger sense of social responsibility than men in Mozambique. This shows that targeting social policies and interventions towards women makes sense from a development (economic) as well as from a gender perspective.¹⁷⁷

The current economic situation can be an opportunity to foster women's economic empowerment. The existing FDI inflows and the mega-projects accelerate and support the development and creation of supplier companies. If well-managed and appropriately leveraged, this can support the diversification of Mozambique's sources of growth with the potential of creating an elevated number of jobs for women and reduce poverty. The structural changes of urbanization have opened up new spaces to work and generate income, for men and women, especially in the informal sector. The urban space tends to have a heavy concentration on retail sales of beverages, foodstuffs and cheap imported commodities, particularly among women, with the (usually more lucrative) informal service and production sectors, still being dominated by men. This could be a chance for women to engage more in informal service sector.¹⁷⁸

Urbanization presents a strong opportunity to create a space for equality and women's empowerment, since the strongest signs of change in gender relations in Mozambique have been in

¹⁷⁶ Brown, Evie, 2013: Women access to finance in Mozambique.

¹⁷⁷ Tvedten et al, CMI Report: Gender and Poverty in Northern Mozambique, 2009

¹⁷⁸ World Bank: World Development Report, 2012

urban areas. One underlying reason could be that women in male-headed households in cities and towns have a stronger influence on decisions than their rural counterparts. However, it is still necessary for the large majority of women, both in rural and urban areas, to consult the male heads of the families before decisions are taken, e.g. education, health, and food.¹⁷⁹

Recommendations

Having in mind the analyzed challenges and opportunities, the following set of recommendations can strengthen women's position within the labor market and reach greater equality.

To overcome the existing obstacles, positive discrimination towards women is needed. This could include quotas for women in the formal sector on different career levels, as well as increasing female teachers within the education system., Mechanisms to disseminate women's rights and the obligation of employees would help strengthen the position of women within wage jobs.

Existing regulations for entrepreneurs need to be more gender sensitive and adapt to the different needs of women and men. These regulations could help women businesses to develop and overcome existing barriers. **At the same time, informal economic activities should be protected – rather than regulated** as regulation would reduce the flexibility vital for women involved in multiple income earning and domestic tasks. The design of interventions for social protection is crucial to increase the well-being of women/ female-headed households.

As mentioned, the civil society in the area of gender equality represents a strong instrument to change existing gender barriers. Nevertheless, stronger support from donors and the Government is needed to enforce their work especially at the regional and local levels.

V. STOCK-TAKE OF THE DONOR ACTIVITIES WITHIN THE JOB CREATION AGENDA IN MOZAMBIQUE

Introduction

The objective of this chapter is to give an overview and analysis of the existing donor initiatives in Mozambique on job creation and improvement. The report is part of the Let's Work Program (LWP) which analyzes the current operational work of job-related projects in Mozambique to identify high potential project for further collaboration.

¹⁷⁹ World Bank: World Development Report, 2012

The chapter starts with a short overview of the donor community in Mozambique and the Government strategies supporting the cooperation development. This is followed by an analysis of the programs and projects within the job creation agenda with high potential complementarity to work with the LWP. Three tables are presented covering: i) World Bank Group projects considered to be relevant/complementary to the LW; ii) donor projects within the job creation agenda; and current and planned donor interventions associated with skills development. Based on the number of projects and donors, not all existing projects are listed in the table, but rather those considered to be the most important and relevant for the LWP.

The analysis of the projects was based on interviews with a number of donors and key ministries, as well as through participation in the different working groups where the majority of the donors are represented.

Characteristics

The total contribution of Official Development Aid (ODA) is over 20 percent of the GDP, leaving Mozambique still highly dependent on donor assistance. Nevertheless, grants from development partners are declining in recent years as a share of GDP, reducing the growth of Mozambique's fiscal envelope. Reasons are, amongst others, the increases of corruption within all levels in the country, as well as the increasing growth of FDI (Foreign Direct Investment) mainly through the extractive industry.

A main outcome from the analysis of the activities within the donor community is the challenge and lack of coordination and communication within all donors and towards the GoM to ensure the use of synergies and avoid overlapping, as well as an overload of coordination and consultation work for the GoM.

Insufficient Coordination

The number of donors and the steady development, and introduction of new projects make it difficult for all stakeholders, especially the GoM, to be on top of all interventions. To coordinate better the ongoing activities within the donors and to have one voice and communication channel towards the GoM, thematic working groups were established, including sub-sectors. There are huge differences between the efficiency of the different donor groups with the Education Working Group (with the sub-group Technical Vocational Training) and the Private Sector Working Group (PSWG) being quite active and well-coordinated.

Analyzing the activities of donors, it was found that only a very small amount of projects focus explicitly on job creation. The majority of the projects tackle this issue either indirectly or through a

sub-component. The number of projects within sectors like agri-business development and skills development, has been increasing during the last years focusing on linkage programs of SMEs and mega-projects, as well as skills development for the extractive industries, amongst others. Nevertheless, many development efforts are believed to fail because they are not designed as integrated solutions throughout value chain.

For the private sector, the existing and ongoing donor activities have a low visibility and are often not aware of potential cooperation programs. The private sector is not fully aware of what donor groups are doing and often finds donor processes slow and inflexible, hindering their willingness to cooperate. Particularly, in the sector of job creation the coordination and collaboration with the private sector is essential to ensure the needs of the demand side are covered and match with the project activities and objectives. The inclusion of the private sector not only increases the success of the project and the matching of the needs, but can rather support to finance greater activities and guarantee the sustainability of the projects.

Table 7: World Bank Group High Potential Projects

Area	Name	Status	Objective
Agriculture	AGRICULTURE AND NATURAL RESOURCE MANAGEMENT LANDSCAPE PROJECT (P149620)	Pipeline - CN approved	<p>The proposed project development objective is to increase rural communities' incomes (including farmers); to boost the agribusiness and natural resources sectors' performance and contribution to the economy in terms of value addition; employment creation and export revenues; and to reduce net deforestation in project areas.</p> <p>Beneficiaries: The beneficiaries of this operation are the rural communities in the target regions (Northern provinces, plus other areas, e.g. Manica who manage agricultural and forestry landscapes for their livelihoods. Smallholder farmers, including women, will gain access to new skills, technologies, and markets. Small, medium and larger enterprises will gain from clearer policies and regulatory processes, more productive landscapes, and improved management practices among their suppliers, and quality and quantity of product supplied. The project would enhance employment and value adding opportunities at both farm group and agro-industry levels. MITADER and MASA, charged with management and sustainable use of forests, protected areas, agriculture and landscapes, will also benefit from improved policies, capacity development programs, and outreach and communication programs. Other stakeholders, including the</p>

			private sector and civil society, will benefit from improved economic opportunities. Staff of the Implementing Agencies and extension agents will benefit from capacity building activities under the project. The project will also have benefits at the global level through the contribution to sustainable landscape management
Agriculture/Forestry (IFC)	Support of the Implementation Portucel Community Development Plan	Active	Ensure the development of the plan and the inclusion of the communities in the forestry sector, through capacity building of the community and community land use planning. Portucel will be active in Manica and Zambezia.
Agriculture (IFC)	Global Agriculture and Food Security Program	Pipeline	Support of high potential, selected value chains.
Mining	Moz Mining and Gas TA project (P129847)	Active	The proposed project objectives are to (i) improve fiscal and economic benefits of extractive industries sector; (ii) set policy frameworks for participatory economic, environmental and social sustainability of the extractive industries; and (iii) improve transparency and accountability of extractive industries sector through strengthened demand for good governance. The proposed project will support reforms, initiatives, and capacity building to enhance the efficiency and accountability of institutions involved in the management and planning of the mining and hydrocarbon sectors. The project will also assist in the development of a framework that promotes regional and local development of mining and gas producing areas and strengthens demand for good governance. Implementation period is expected to be about 5 years, with effectiveness by the end of calendar

		<p>year 2012. The proposed project will be supported by an IDA Credit of \$50 million through a Technical Assistance Project.</p> <p>The project follows the Value Chain for Extractive Industries methodology and includes three main components and a project management and monitoring overhead:</p> <p>Component A. Building Core Capacities and Functions of Ministry of Mineral Resource and Related Government Agencies to Improve Extractive Industries Sector Management.</p> <p>Component B. Revenue Management and Transparency</p> <p>Component C. Facilitate Cross-Sectoral Platform and Integrate Mining, Oil and Gas Projects into Local and Regional Development. With component C being the most relevant cross-cutting area for the LWP:</p> <p>C1. Cross-Sectoral Platform for Minerals and Gas (in collaboration with Spatial Development Project and SDI). The project will work with other projects to contribute towards strengthening the existing cross-sectoral ministerial platform to ensure its full effectiveness in regards to cross-sectoral contribution to mining, gas and related infrastructure contracts.</p> <p>C2. The project will support the establishment of institutions (e.g. gas mid/downstream regulator) or special purpose vehicles (e.g. gas transport company) necessary to implement the government's vision plan, and will support the development/ modernization of gas mid/downstream policies (e.g. pricing) and legislation.</p>
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			<p><i>C3. Economic Linkages of Mines and Gas Production. The project will assess and implement models targeted to integrate regional and ancillary infrastructure and regional development objectives into the mining and gas development agreements and assist with designing and implementation of such programs on the ground. This will include assessment and structuring of potential PPPs or similar arrangements driven by mining and gas development. As a learning/testing tool, the project will provide transaction advice for a few (tbd) top priority projects as per the plan that will be developed.</i> The project will carry out studies and assessments to pinpoint the potential for local procurement and services to supply and service mines and gas projects, and will develop an agreeable to the industry, the government and the local population targets for implementation to maximize local procurement and local employment opportunities in a sustainable manner. The project will specifically support preparation of bankable business opportunities related to development of the domestic gas sector. To support local employment opportunities, the project shall provide support to Vocational Training Institutes, Technical Colleges and Universities to develop educational programs on a sustainable basis that meets skills and capacity needs of the public and private extractive industries sector over time to maximize local employment and procurement going forward; both central and regional programs are envisaged that will focus on developing staff, curricula and laboratory equipment only at existing educational institutions.</p> <p>C4. Improvement of livelihoods in artisanal and small scale mining areas, including assessing and developing value addition opportunities in gemstone, dimension stone and construction minerals sub-sectors in ASM areas; and supporting business opportunities for women in mining and value-addition activities</p> <p>C5. Pilot Programs: Support 3-4 pilots (pilot selection criteria, desirable pilots size and scope</p>
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			<p>TBD during project preparation) to test the approaches to: (i) community development and participatory budgeting in affecting areas around large-scale operations; (ii) structuring/ transaction advice for an infrastructure PPP for downstream gas sector; (iii) community planning and management in mining areas.</p> <p>Component D. Project Management and M&E. Incremental operating costs and implementation support; develop M&E framework for sector performance (including its direct and indirect benefits and contributions)</p>
T&C	Integrated Growth Poles Project (P127303)	Active	<p>USD\$100 million lending project, to improve the performance of enterprises and smallholders in the Zambezi Valley and Nacala Corridor, focusing on identified high growth potential zones (growth poles). Performance is defined as increases in wage employment (primarily for the Nacala SEZ) and increases in agricultural output sales, through commercial partnerships established either formally or informally under the Project.</p> <p>The Project will benefit smallholder farmers (the majority of whom are women), MSMEs, unemployed and underemployed Mozambicans, commercial enterprises, the population of selected districts and municipalities with improved access to infrastructure and through a demand driven <i>Innovation and Demonstration Catalytic Fund (IDCF)</i>.</p> <p>The objective of the Innovation and Demonstration Catalytic Fund (IDCF) is to improve the ability of smallholders/MSMEs to access markets through market-oriented private and complementary public investments. The IDCF investments will have a catalytic role, demonstrating the incremental returns that can be achieved through access to technology and</p>

			markets. The IDCF will therefore support linkages between medium and large firms and smallholders/ MSMEs through targeted investments in public goods and services that will be executed by the private sector or the public sector in partnership with the private sector.
Education	Additional Financing Higher Education Sector (HEST)	Pipeline	<p>Background HEST: The proposed additional grant will enhance the impact of the original HEST and scale-up HEST related activities under the TVET Project, while introducing innovating elements aimed at strengthening the collaboration between the public and private sectors in skills development in Mozambique</p> <p>Raising the impact of TVET through stronger collaboration with companies (PPPs) in education and research, and through improved project monitoring and evaluation.</p> <p>Linkage potential with LWP:</p> <p>Activities in Components 2 and 3 will be implemented in association with the implementation of the Mozambique Let's Work pilot. Mozambique was chosen to be one of the pilot countries of the Let's Work Partnership. A program is being prepared by the WBG Let's Work team at the CCSA Jobs. This program aims at increasing the number of jobs in 3 to 4 priority sector value chains in Mozambique, and skills development will be a key component, within a framework of public-private partnerships. The proposed AF will contribute to the supply of skills for the priority sector value chains targeted by Let's Work.</p> <p>Sub-Component B2: Improving Quality of TVET Institutions through Competitive Funds (US\$1 million equivalent)</p>

Table 8: Donor projects within the job creation agenda in Mozambique

#	Stakeholder	Project Title	Others	Status	Sector	Region	Area	job aspect	Objective
1	GIZ	Skills for Oil and Gas	Dfid	Active	TVET	Cabo Delgado	Skills development	Direct	Study on vocational training ("formacao profissional") in Mozambique - both public and private provisions, including their areas of greater potential and bottlenecks
2	GIZ	Pro-econ		Active	SME Development	Sofala, Inhambane, Manica	Capacity Building	Direct	Capacity building for SMEs in the selected area (Inhambane, Manica, Sofale).
3	GIZ	Pro-Educação		Active	TVET	Sofala, Inhambane, Manica	Skills development	Direct	Improving technical vocational training for electrics and mechanics
4	AfdB	Skills and Enterprise Development Project		Pipeline	Human Development	Countrywide	Employment	direct	Strengthen the capacities of business associations and business development service providers to better support and serve SMEs in Mozambique. The existing BDSPs would

								<p>include largely private sector entities engaged in providing a range of BDS to their clients, which may or may not include SMEs among their target groups. The intervention will also target the most meaningful Associations, including associations of women entrepreneurs and to ensure reach, the intervention will seek to ensure that the associations have sectoral and geographic reach. b) Assistance to Growth Oriented SMEs assistance will be geared to build their capacity to better manage their growth, increase their productivity and profitability and effectively engage financial support to facilitate their growth. For sustainability and long term growth of the SMEs beyond the training the project will entail provision of advisory services and on-the-job tutoring. Business Development service providers will provide support and training to SMEs including put into place bankable business plans for credit access the under the credit guarantee facility in addition to the business management skills. c)Strengthen the</p>
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									capacities of Selected GoM institutions: the project will targeted TA resources to GoM to support enhanced policy environment
5	AfdB	Agriculture Fast Track Fund		Active	Agri-business	Countrywide	Food Security	indirect	Mozambique is one of the six first pilot countries (along with Côte d'Ivoire, Ghana, Burkina Faso, Tanzania and Ethiopia) to experiment the support of the AFT. The country is part of the New Alliance For Food Security and Nutrition in Africa, a coalition of Africans states committed to a Cooperation Framework for Food Security on the continent.
5	ILO	Decent Work for Food Security and Nutrition in Mozambique	FAO	Pipeline	Agriculture	Countrywide	Linkage SME development	direct	Promote both food and nutrition security and increased agricultural productivity through decent work improvements along selected agro-food value chains.
6	ILO	Promotion of Youth Employment through Human Capital Development	UNDP, UNIDO	Pipeline	Skills Development	North	Skills development	direct	Outcome 1: A collective mindset of stakeholders across system levels that is more supportive of fully unlocking the local economic development and job creation opportunities linked to mega-scale mineral resource extraction projects (meta-level) Outcome 2: A more conducive policy, legal

		in the Extractive Industries in Mozambique							and regulatory framework to maximize the youth employment creation potential in the local feeder economy to mega-scale mining projects (macro-level) Outcome 3: Strengthened local institutional capacity to supply sector-specific employability skills training and small business development support services tailored to young people based in local mining communities (micro-level) Outcome 4: Synergies and scale effects through better coordination among stakeholders in the local economy, and the development partners supporting them (cross-cutting).
7	USAID	Feed the Future		Pipeline	Agriculture	North and Centre (Manica, Sofala, Zambezia and Tete)	Linkage SME development	indirect	USD\$85 million new project within the area of Manica, Sofala, Zambezia and Tete. Improving the food security by adopting more productive agriculture technologies, improving nutrition and health, and connecting farmers to markets. USAID is also developing and strengthening farmer associations and agribusinesses to improve business practices and increase sales.
8	Swiss Cooperation	Horti Sempre		Active	Agriculture			indirect	Aims to support actors along the horticulture value chain to capitalize on existing and

									growing demand for fruits and vegetables in the rapidly developing Nacala Corridor of northern Mozambique. The project strategy is based on the Making Markets Work for the Poor (M4P) approach.
9	Swiss Cooperation	Inovagro	Technoserve	Active	Agriculture	North		indirect	Reducing poverty in northern Mozambique by promoting the principles of the market development approach, also known as Making Markets Work for the Poor (M4P).
10	Italian Cooperation	PRETEP		Active			Skills Development	direct	Technical Vocational Training
11	Norwegian Embassy	Oil for Development		Active	Oil and Gas	North	Skills development	direct	The objective of the project is to support the Government of Mozambique to develop “Local-Content” measures through technical and vocational education
12	Norwegian Embassy	Fishery Program		Active	Fishery		Skills development	indirect	A new fisheries program for the period 2013–2017 was drawn up and an agreement signed and implemented in 2013. Central to the new program are surveillance and control of Mozambican waters, the development of fish-farming and building the capacity of the Ministry of Fisheries and underlying agencies
	Norwegian/	Agriculture		Active	Agriculture		Business	Indirect	Financial support/ equity for Matanuska.

	Norfund¹⁸⁰				re		development		Matanuska is a banana plantation in northern Mozambique, established in cooperation with East African farmers. The plantation employs about 2,600 people and is expected to increase to 3,000 people over time. The project operates in its first phase, which consists of planting and putting 3,000 hectares into production. When the plantation operates at capacity, more than 150 containers will be exported weekly to Middle East, Asia and Europe and bring valuable export revenues to Mozambique. ¹⁸¹
13	PYXERA	Supplier Development Program	Anadarko	Active	Extractives		Skills Development	direct	Gap analysis: 2012- a. Assessment of demand for good services (start with demand side, they started with Anadarko with a procurement expert, ask them what does it take to build a plant, eliminate products where company has global sourcing arrangements, then take left over products and services and categorize them into low, medium, and high risk, which then becomes

¹⁸⁰ Norfund – the Norwegian Investment Fund for Developing Countries – invests in the establishment and development of profitable and sustainable enterprises in developing countries.

¹⁸¹ <http://www.norfund.no/southern-africa/matanuska-article351-364.html>

									<p>pool for potential local content and procurement. They identified 7 service areas- construction, architectural, civil engineering, fabrication, steel construction, truck rental, electric equipment,</p> <p>b. Then assess supplier capability and capacity – survey in 6 cities, 62 suppliers, in 7 service areas</p> <p>2. Creation of data base of suppliers- after due diligence to check if applying SME really capable, not hoax.</p> <p>3. Conduct supplier development/outreach events; invite banks which also want to source business, banks had their own booths, guidance booklets for SMEs-facilitate a2f,</p> <p>4. Creation of scorecard for SMEs- track 1 (already trained), track 2 9technically trained but needs further customized training) and track 3 (needs training).</p> <p>5. Based on scorecard providing business enhancement services to SMEs.</p> <p>6. Early pep due diligence work /screening for Anadarko and then lets A decide.</p>
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14	Dfid	S4E (Skills for Employment)		Pipeline	TVET		Skills Development	direct	1. Innovative, competitive „Employment Fund“ (80% of the total volume); 2. Setting up a network of non-government TVET-providers (10% of the total volume); 3. Technical assistance to the Government of Mozambique (10% of the total volume);
15	Dfid	Ligada		Active			Women's empowerment	direct	Ligada will link women to the labor market in selected urban areas, through innovative solutions to a particularly at-risk and poorly served group: young vulnerable women living in the four largest cities in Mozambique, where the supply of jobs and services is generally available but to which they have little access due to particular barriers.
16	Dfid	Skills for Oil and Gas	GIZ	Active	Extractives		Skills Development	direct	Study on vocational training ("formacao profissional") in Mozambique - both public and private provisions, including their areas of greater potential and bottlenecks
17	AgDevCo	BAGC	Norway, Netherlands	Active	Agriculture		Linkage SME development	direct	The Beira Agricultural Growth Corridor (BAGC) initiative is a partnership between the Government of Mozambique, private investors, farmer organizations and international agencies.

18	Young Africa	Skills Training		Active		Dondo	Skills development	direct	Development of a sustainable business model (school fees) through income generating measures.
19	KfW	Support of private and public technical vocational training institute's		Pipeline	TVET		Skills development	direct	Support technical vocational training institutes.
20	EU	Rural Development and Agricultural Program		Pipeline	Agri-business	Zambezia/ Nampula	Value Chain program	indirect	The main objective of EDF support to rural development and agriculture is to contribute to poverty alleviation by enhancing food security, and to promote income generation in rural areas by improving local economic development. The specific purpose will be to improve the capacity of local authorities to promote small, micro and medium-sized enterprises (SMMs), including the smallholding sector in agriculture. Expected results from the new agricultural programme include improvements in the local business environment, enhanced capacity delivery of business service providers,

									increased access and availability of rural finance services, promotion of market links and SMMEs participation in the value chain with good potential, improvement of SMMEs' technical and management skills, better planning and public administration skills for direct financing of economic activities, and finally increased public investment for local infrastructure related to economic activities.
	EU	Value chain development Local Economic Development Programme – ProDEL	Partnership between the EU, the Ministry of State Administration (MAE) and the Local Authorities	Active	Agriculture	Gaza, Inhambane and Sofala	VC approach	direct	Promoting value chains that foster Micro, Small and medium size enterprises to contribute to poverty reduction through income generation and employment opportunities in the rural areas of Mozambique. Objectives- Integration of smallholders in value chains and market access- Agri-business development and strengthening
21	SIDA	Jobs Gaps Assessment		Pipeline					Study
23	AfD/ French Cooperation	Technical Vocational		Pipeline	TVET		Skills development	direct	Fostering inclusive growth through vocational and technical training

		Training Project							
24	Canadian High Commission with ACCC (Association of Canadian Community Colleges)	Skills Training for Employment in Mozambique		Active	Extractives	Tete and Cabo Delgado	Skills development	direct	<p>1. Development of competency based training (CBT) in Tete (Instituto Industrial de Matundo and Instituto Medio de Geologia e Minas) and two other institutes in Cabo Delgado;</p> <p>2. Development and implementation of a teacher training methodology on how to teach the new curriculum and CBT approach;</p> <p>3. Improving management capabilities at the partner institutes at school management level and creation of student service centers;</p> <p>4. Procurement of industrial training equipment for the sponsored institutes.</p>
25	Netherlands	NICHE program	NUFFIC	Active	Extractives		Skills development	direct	Building a core of sustainable and institutionalized capacity development in the energy sector with particular focus on the gas subsector.
	Netherlands	Sustainable Clusters in Agribusiness through Learning in Entrepreneurs	IFDC, the International Centre for development oriented Research in	Active	Agriculture		Entrepreneurship	indirect	The project focuses on the development of competitive rural agricultural systems, viable agro-enterprises and the use of public-private partnerships (PPPs).

		hip (2SCALE)	Agriculture (ICRA) and Base of the Pyramid Innovation Center (BoP Inc.)						2SCALE targets eight countries with which the Netherlands has multi-year bilateral development relationships – Benin, Äthiopier, Ghana, Kenya, Mali, Mozambique, South Sudan and Uganda. 2SCALE also targets Nigeria because of its importance to the West African economy and to the development of Benin’s agro-food sector and because of the potential to implement successful PPPs with private sector partners. In addition, ongoing agribusiness cluster activities will continue for approximately two years in Burkina Faso, Niger and Togo.
26	AusAid	Teacher Training Centre of Excellence	GIZ	Active	Extractiv es		Skills development	direct	The Teacher Training Centre of Excellence is planned as a joint venture between DINET, INEFP, PIREP and the industry

Table 9: Overview of current and planned donor activities relating to skills development in Mozambique

Organisation	Short description	„PPP“ Model if applicable	Sector	Region
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Bi- and multilateral donors				
GIZ/ German Cooperation	Support to the implementation of the public TVET strategy:		Electrical engineering and mechanics	Maputo, Nampula, Beira and Inhambane
	<ul style="list-style-type: none"> - Provision of Equipment to 6 institutes - Technical support through long- and short-term experts for the <i>Istituto Industrial de Maputo</i> and <i>Instituto de Belulane</i>. There are plans to support the institute <i>IIC Beira</i> in the future. 			
	Cooperation with AusAid on building of Centres of Excellence in Pemba (Oil and Gas)		Oil and Gas	Pemba/ Cabo Delgado
	TVET for Oil and Gas – Collaboration with Dfid			
	Exploratory initiative, to study vocational training ("formacao profissional") in Mozambique - both public and private provisions, including their areas of greater potential and bottlenecks. Another goal is to prepare and evaluate a pilot study together with the MZ authorities			Inhambane
	Pro-Educacao: PPP with INEFP in Inhambane (with RioTinto)			

		Strategic alliance with Rio Tinto in the province of Inhambane. PPP with INEFP institute. Additional PPPs are possible, in particular to support IIC Beira.		
KfW/ German Investment Bank	<p>Available fund of 15.7€ - for TVET schools – open in terms of sectors</p> <p>The Project will support both public and private TVET institutions in the introduction/implementation of the competency-based curricula developed by PIREP. “Private” refers exclusively to non-commercial, so called semi-private TVET providers.</p> <p>Additional funds could be provided by the German Government to improve school management of beneficiary TVET institutions and the quality of training provided by these institutions.</p> <p>The start of Project implementation is scheduled for September 2016.</p>		Open	Maputo, Inhambane, Manica Sofala
Norwegian Embassy	Since 2014 Norway is donor in the TVET sector with the pilot project “Technical Vocational Education and Training for the Petroleum Related Development in Cabo Delgado”.	Development of an innovative institutional framework with the	Oil and gas	Cabo Delgado: Macomia Professional

	<p>The objective of the project is to support the Government of Mozambique to develop “Local-Content” measures through technical and vocational education.</p> <p>The TVET-PRD project, with a total duration of 5, 5 years, is divided in two phases. Phase 1 would essentially perform the following activities (USD 1 Mio. 2013-2015):</p> <ol style="list-style-type: none"> 1. Founding a steering Committee with representatives of governments (PIREP, MINED, MITRAB) and the private sector (ENI, Anadarko); 2. Conception and development of the training contents and demand analysis by the <i>Executive Committee for the Reform of Professional Education – COREP</i>; 3. Development of a joint programme with DINET for the implementation of a first set of technical courses at the Professional School of Macomia, in close cooperation with the gas companies; 4. Establishment of a training program at INEFP’s Professional Training Centre in Pemba. 5. Preparation of a detailed program, schedule and investment budgets for phase 2, including the expansion to include the 	<p>participation of the private sector.</p>		<p>School (DINET), Pemba Professional Training Centre (INEFP)</p>
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	<p>Pemba Industrial and Commercial Institute and the eventual establishment of a new professional training institution in Palma.</p> <p>6. Conduct a survey, preferably on behalf of the gas companies, on the needs for skilled labor throughout the construction phase. The gas companies should produce a master plan for all major activities in the first 5 years after start of construction.</p> <p>Phase 1 is expected to produce a total of 272 trained workers.</p>			
<p>Canadian High Commission with ACCC (Association of Canadian Community Colleges)</p>	<p>Launch of the project „Skills Training for Employment in Mozambique“ (CAD 18 Mio.) in April 2014 which includes following components:</p> <ol style="list-style-type: none"> 1. Development of competency based training (CBT) in Tete (Instituto Industrial de Matundo and Instituto Medio de Geologia e Minas) and two other institutes in Cabo Delgado; 2. Development and implementation of a teacher training methodology on how to teach the new curriculum and CBT approach; 3. Improving management capabilities at the partner institutes at school management level and creation of student service centres; 4. Procurement of industrial training equipment for the sponsored 	<p>Integration of the private sector into the development of curricula for teacher training</p>	<p>Mining industry, gas, electrical engineering, etc.</p>	<p>Tete and Cabo Delgado</p>

	<p>institutes.</p> <p>Canada cooperates closely with Norway and AusAid in order to exploit possible synergy effects and to avoid overlaps and duplications.</p>			
UK Aid/ Dfid	<p>The project „<i>Skills for Employment</i>“ is in preparation with three components:</p> <ol style="list-style-type: none"> 1. Innovative, competitive „Employment Fund“ (80% of the total volume); 2. Setting up a network of non-government TVET-providers (10% of the total volume); 3. Technical assistance to the Government of Mozambique (10% of the total volume); <p>Assessment of Construction sector – building TVET school (collaboration with GIZ)</p> <p>Assessment of Forestry sector – training needs assessment in coordination with WB/ Let's Work</p>	Exclusive PPP projects with NGOs and private companies	No sectorial restrictions	Nationwide (minus Maputo)

Netherlands	The NICHE program, administered by NUFFIC, has taken up the challenge of building a core of sustainable and institutionalized capacity development in the energy sector with particular focus on the gas subsector. NICHE is a capacity development program for sustainable strengthening of higher education and technical vocational education. Mozambique is the first partner country for which NICHE is planning to implement a capacity building program on energy.		Extractives	North
The World Bank	<ol style="list-style-type: none"> 1. Biggest donor of the Programa Integrado da Reforma da Educacao Profissional (PIREP) which focuses on DINET colleges since 2006: aim to modernize every aspect of the Mozambican TVET system (teacher quality, curricula, equipment and materials) and to transition to competency-based training and assessment. Another objective is to better integrate the private sector into TVET through the creation of Sectoral Technical Advisory Councils (STACs) and through more internships/apprenticeships for student. 2. Program HEST „Higher Education/ Partnership in applied Science, Engineering and Technology“ (World Bank African Region Studies); 3. „Growth Poles - Catalytic Fund“ (incl. a financing window for PPPs vocational area) 4. Support Tourism School Inhambane/PACDE 5. Let's Work Prog. 	The „Catalytic Fund“ provides the opportunity to support PPPs in the TVET sector	No sectorial restrictions	Nationwide

Italian Cooperation	<p>Support to the implementation of the public TVET strategy: participation in and support of PIREP with a focus on agriculture and tourism.</p> <p>PRETEP+ - new pipeline project on TEVT with focus on Tourism and Agriculture</p>	Focus on public sector	Tourism and agriculture	Maputo/ national strategy
Spain / AECID	Support to the implementation of the public TVET strategy: support of the teacher training institute of Don Bosco (ISDB)	Focus on public sector	Teacher training	Maputo/ national strategy
Switzerland / SDC	US\$8 to 9 Million to invest in TVET in northern Mozambique: possible cooperation with DFID		No restrictions	Cabo Delgado and Tete
AusAid	1. Teacher Training Centre of Excellence: AusAid works with GIZ in Mozambique on a study designed to analyze the demand in the field of industrial maintenance. The Teacher Training Centre of Excellence is planned as a joint venture between DINET, INEFP, PIREP and the industry. The elaboration of the business plan will be carried out by AusAid and should be completed by the end of 2014 (so far, however, no funding for the construction and equipment of the center).		Extractive industries: mining (eventually gas)	Nationwide

	2. New engagement in the TVET sector: feasibility study planned for May 2014. Possible cooperation with DFID.			
AfD	Design of new project on skills and enterprise development project but not clear yet what this will cover.			
South Korea	Equipment for TVET school in Nampula			Nampula
USAID	Only activity in terms of training and capacity building within the health projects			
NGOs				
ACIS (Mozambican non-profit business association, representing over 300 companies throughout	<p>ACIS is planning a project in Mozambique (currently analysis of the supply and the demand situation of the Mozambican TVET sector).</p> <p>The implementation of the Project (training) is to be tendered to a private company. The financing source shall be a fund (funded partly out of a certain percentage by each member of the organization).</p>	Supported by over 300 members, including Vale and several extractive companies.	No restrictions	Active nationwide

Mozambique)				
Don Bosco (DB)	<p>The ISDB (Instituto Superior de Don Bosco) is the only functioning vocational teacher training institute in Mozambique (Maputo). Don Bosco offers a pre-service and on-the-job training for professional teachers. In addition to the teacher training institute DB manages a number of vocational schools in the country (e.g. Matundo in Tete, Moamba in Maputo province, etc.).</p> <p>ISDB is supported by AECID through PIREP. There is an active collaboration with the Universidad Pedagogica. The aim is to train a number of other vocational teachers with a master's degree. There are collaborations/ scholarships for a selected number of teachers at various foreign and national universities to achieve the masters-degree level.</p>	Support of the vocational schools Matundo/Tete through cooperation with Vale	Teacher training, agriculture, tourism, craft	Maputo/ Tete, Inhambane (nationwide)
Young Africa	<p>Support of vulnerable young adults between 15 and 25 years by "Skills Training".</p> <p>Young Africa is a potential user of the DFID Funds.</p>	Development of a sustainable business model (school fees) through income generating measures.	No restrictions	Dondo Beira/ Sofala
ESSOR (french NGO)	The project "Vocational training and access to employment" based on a partnership between various actors of civil society. The neighborhood associations (OCB) act as an intermediary between the		No restrictions	Outskirts of Maputo and Beira

	target groups, the INEFP centers, the private sector and the microfinance institutions. In each neighborhood association “vocational orientation” Agents are formed, which should accompany each beneficiary in access to employment.			
AgaKhan Foundation (AKF)	Agreement with the Mozambican Government: management of Agricultural School in Bilabiza (Cabo Delgado). Scholarships are offered for the best graduates. The teachers of the school are trained at the ISDB.		No restrictions	Cabo Delgado/ Pemba
ADPP (Development Aid from people to people: local NGO)	Since March 2013, establishment of vocational schools in Nacala (Nampula Province), Nhamatanda (Sofala province) and in Maputo (Maputo province), which offer technical short-term courses (13 weeks) for poor / disadvantaged youth.		Inter alia construction, agriculture, tourism	Maputo, Nampula, Manica, Sofala