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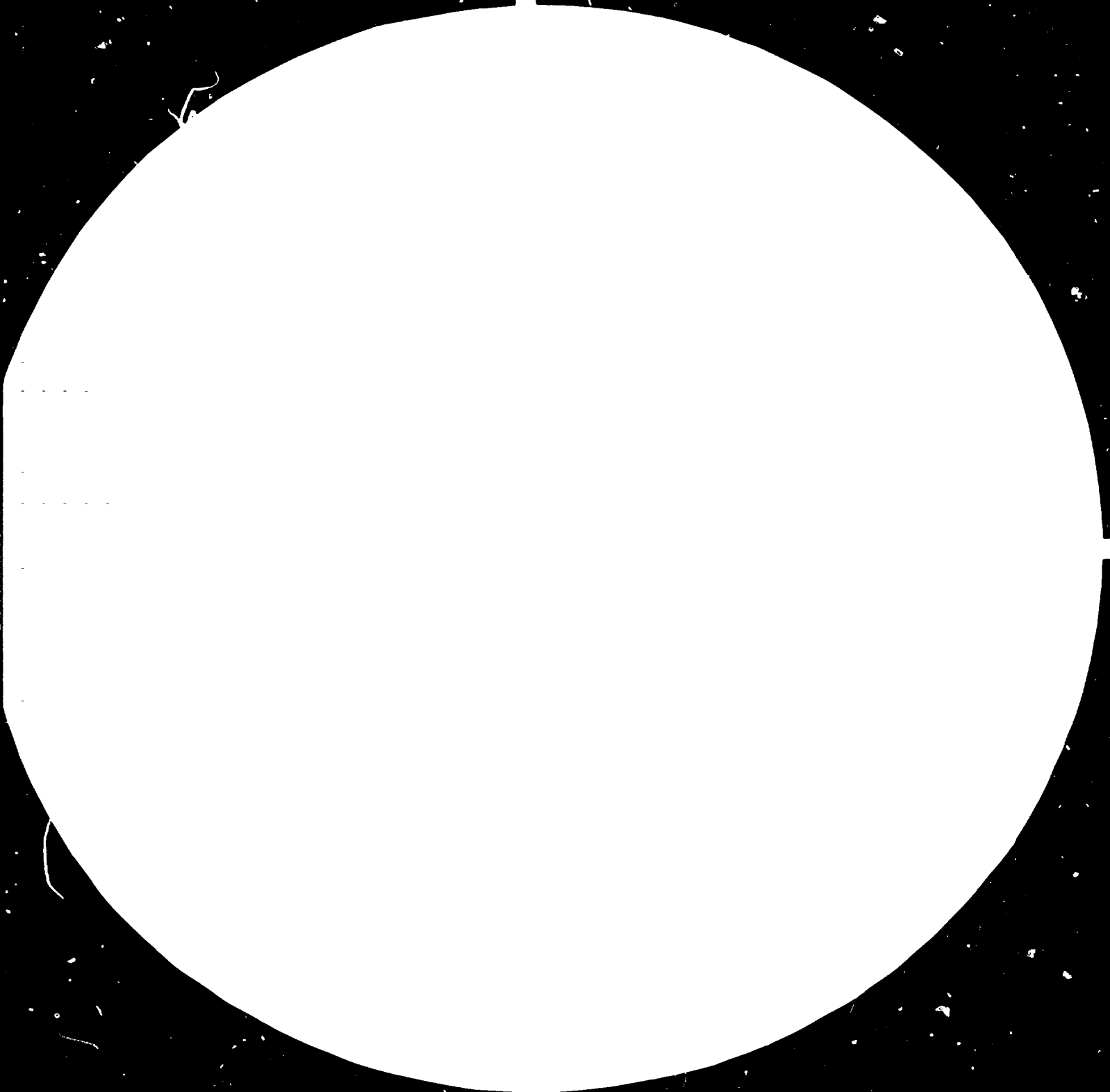
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COUNTRY INDUSTRIAL DEVELOPMENT PROFILE

OF THE

REPUBLIC OF MOZAMBIQUE<sup>\*/</sup>

Prepared by the

International Centre for Industrial Studies

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## PREFACE

The International Centre for Industrial Studies, Regional and Country Studies Section, has undertaken, under its work programme, the preparation of a series of Country Industrial Development Profiles. These profiles are desk studies, providing statistical and economic analyses of the industry sector, its growth, present status and future prospects. It is hoped that the profiles will provide analyses of use to programming technical assistance, industrial redeployment and investment co-operation activities.

The profile on Mozambique is based on documents, reports and studies available at UNIDO Headquarters. No field survey has been undertaken and some of the data on industry are not up to date.

The views and comments contained in this document do not reflect those of the Republic of Mozambique nor do they officially commit the United Nations Industrial Development Organization to any particular course of action.

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SUMMARY AND CONCLUSIONS

Mozambique has suffered serious development constraints since its independence in 1975. The widespread lack of skilled manpower caused by the large-scale repatriation of Portuguese nationals has resulted in an extensive backlog of repairs and maintenance of economic infrastructure, as well as drastic decline in industrial production to far below pre-independence levels. Destruction and abandonment resulting from the war for independence and later by insurgency from the Southern Rhodesian border, the increased influx of refugees from Southern Rhodesia, and natural disasters, all exacerbated Mozambique's economic difficulties, as observed in the alarming levels of the Government budget and international payment deficits.

However, with peace hopefully being established in the region, Mozambique's hope for economic recovery and growth is increasing. The country's strategic geographic location, serving as a traffic media between the mineral-rich, land-locked countries in its hinterland and the Indian Ocean, and its own endowment of hydro-energy and mineral resources could be utilized as the basis for establishing heavy and chemical industries. Furthermore, agricultural development could bring about increased self-reliance in food supplies and agro-industry production, thus contributing and ameliorating the balance of payments problem.

For achieving effective industrial development, co-operation with foreign countries is apparently essential. The Government realizes this need and is prepared to accept foreign aid regardless of the social system of the donor country, provided it will be to a mutual advantage.

Chapter I

BASIC COUNTRY DATA

After ten years of war against Portuguese colonial rule, Mozambique became independent on 25 June 1975.

As of 1980 the population is estimated at 10.5 million and the total labour force 3.6 million. In 1970 (with a total labour force of 3.2 million) 12.7 per cent of the labour was active in industry.<sup>1/</sup> The annual growth rate of the population is 2.5 per cent. The country will undertake its first demographic and economic census in August 1980. The land area is 784,961 square kilometres.

Table 1. Area and population density

<u>Province</u>	<u>Area in square kilometres</u>	<u>Density of population per square kilometre</u>
Maputo	16,184	49.4
Gaza	83,133	9.1
Inhambane	68,470	10.9
Manica	54,807	6.7
Sofala	75,047	9.6
Tete	100,714	4.9
Zambézia	202,380	17.1
Nampula	78,265	22.2
Cabo Delgado	78,374	7.2
Niassa	127,087	2.4
Total	784,981	15.29

Source: Mozambique Information Agency, "A Economia de Mozambique em Números, 1973"; "Anuário do Estado de Moçambique, 1974-1975".

1/ ILO, 1950-2000 Labour Force -- Estimates 1950-1970, Projections 1975-2000, Volume II, Africa. Second edition 1977.



The capital city is Maputo, with a population in the metropolitan region estimated at 800,000. The second largest city is Beira, with a population of 150,000. Thus, in the above two cities, close to 8 per cent of the total population is located. Both are sea ports. Approximately 90 per cent of the population lives in rural areas.

About 70 per cent of Mozambique's population lives in the coastal area which stretches 2,740 kilometres along the Indian Ocean. Population in the inland area is very small. The density of population in Niassa, Cabo Delgado and Tete provinces is about four persons per square kilometre.

Of the 70 per cent of the population which live in the coastal area in 1970, 42 per cent lived in Zambézia and Nampula provinces. In this region, inhabitants are almost wholly self-sufficient and live on the rich agricultural land between Zambézi and Lurio Rivers. The other region in the coastal area, consisting of the three southern provinces (Maputo, Gaza and Inhambane), contained 28 per cent of the nation's population in 1970 and has rich agricultural land a reasonable income, mainly in the valleys of Limpopo and Incomati rivers.

In the inland areas, low and unreliable rainfall permits only a precarious form of agriculture and income is generally low.

Mozambique has an illiteracy rate of about 90 per cent. The official language is Portuguese.

The national currency is the Mozambique escudo. It is not linked with the Portuguese escudo, the official exchange rate in 15 May 1980 being 66.43 Mozambique escudos against 100 Portuguese escudos, 74,629 Mozambique escudos against one pound Sterling, and 32,65 Mozambique escudos against US \$1.00.

Chapter II

THE ECONOMY

The general situation of the economy

Since independence Mozambique's economy has suffered a considerable slump in production and the deficit in the balance of payments has reached an alarming level. The following factors accelerated Mozambique's economic difficulties to an unusual degree:

1. Abandonment of essential economic posts as the consequence of the large-scale repatriation of the Portuguese professionals and technical manpower,<sup>2/</sup> while the economy of Mozambique is still heavily dependent on foreign expertise;
2. Application of sanctions against Southern Rhodesia, which has drastically reduced Mozambique's income from its international traffic services;<sup>3/</sup>
3. Destruction of bridges, railroads, communication towers, warehouses, cereal processing factories, etc., by the Rhodesian insurgents;
4. Increased influx of Zimbabwe refugee population. It is estimated that the total immigration of population from Zimbabwe-Rhodesia to Mozambican territory grew from 5,200 in July 1975 to approximately 150,000 in July 1977;
5. Very high illiteracy rate;
6. Acute lack of competent manpower, both in the public and in the private sectors;
7. Insufficient implementation by the newly-established centrally-planned economic administration;
8. Devastating floods.

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<sup>2/</sup> It is estimated that there has been an exodus of some 350,000 Portuguese people since independence.

<sup>3/</sup> Mozambique's sea ports and transnational railroads used to handle large quantities to export-import cargoes of its land-locked neighbouring countries (Southern Rhodesia, Zambia, Malawi) before the embargo.

### National accounts

In 1976 gross domestic product was US \$1,470.6 million. Manufactured value added (MVA) was US \$113.5 million, or 7.93 per cent of GDP. In the same year, agricultural production was US \$752.2 million, or 52.58 per cent of GDP (see Tables 2 and 3).

During the years 1973-1976, GDP, MVA and agricultural production fell respectively 9.2, 29.3 and 4.8 per cent below the level for 1970-1973 (see Table 4).

The World Bank estimated GNP at market prices in 1978 at US \$1,360 million, giving GNP per head at US \$140; real GNP per capita declined at a rate of 4.3 per cent during the years 1970-1977.

### Government finance

As shown in Table 6, the regular Government budget included an accumulated deficit of US \$27.2 million at the end of 1976, and a record US \$126 million at the end of 1977. However, by the end of 1979, the deficit is hoped to have been reduced to US \$14.6 million, and the regular budget at equilibrium by the end of 1980, although this aim should be interpreted with much reservation.

However, the total public sector deficit is much larger than this when account is taken of the losses incurred by the public corporations. Including public corporations in transport and telecommunications, the accumulated public sector deficit amounted to US \$164.6 million in 1977, as shown in Table 7.

### Planning production

After a trial period of simple programming, which had been implemented up to July 1979, an elaborate Central State Plan for the biennium 1978/1980 was instituted in August 1979, by Law No. 10/79. The targets (expressed in Table 8 as index numbers) were set as minimum rates for industrial growth; further goals are shown in Table 9.

**Table 2. Value added by economic sector for Mozambique**  
(in million US dollars, at constant 1970 prices)

Year	Agriculture	Total industry <sup>a/</sup>	MVA <sup>b/</sup>	Construction	Wholesale and retail trade	Transport	Other	Statistical discrepancy	GDP
1960	615.7	96.2	86.5	4.8	152.3	16.0	235.9	2.8	1,118.1
1961	631.2	101.2	90.7	4.2	163.1	18.4	237.1	5.2	1,150.0
1962	659.2	118.5	107.8	12.6	170.1	20.2	252.7	4.9	1,228.4
1963	625.5	116.4	106.0	11.8	166.3	19.7	245.9	1.2	1,184.4
1964	632.2	125.5	114.0	12.8	189.3	21.0	253.5	- 1.3	1,235.7
1965	609.1	140.2	127.6	14.9	201.3	21.8	272.5	- 4.1	1,264.0
1966	611.1	158.4	143.8	16.7	206.4	23.4	281.4	- 6.9	1,304.4
1967	649.1	179.0	163.8	17.9	218.7	23.1	296.9	- 9.0	1,393.8
1968	712.8	204.7	186.6	21.2	238.3	23.8	322.2	- 27.6	1,550.7
1969	746.2	221.0	201.6	22.5	269.8	29.2	375.6	- 70.4	1,734.8
1970	797.8	257.8	236.6	27.9	301.6	34.4	408.0	0.1	1,827.4
1971	795.0	290.0	269.5	29.4	297.4	30.7	411.7	75.1	1,779.1
1972	812.8	301.1	279.2	33.0	279.9	29.1	450.7	69.5	1,837.1
1973	845.5	323.7	305.1	43.2	341.0	32.3	492.9	138.0	1,940.6
1974	824.9	305.0	283.7	31.5	326.9	25.7	397.2	180.6	1,730.6
1975	707.7	190.4	170.4	19.5	253.6	24.0	315.0	6.1	1,504.1
1976	752.2	130.5	113.5	17.6	193.4	24.0	312.8	- 40.0	1,470.6

Source: United Nations Statistical Office, National Accounts.

a/ Total industry includes mining, quarrying, MVA, electricity, gas and water.

b/ MVA: manufacturing value added.

Table 3. Shares of economic sector value added in GDP minus statistical discrepancy  
(Percentage)

Year	Agriculture	Total industry <sup>a/</sup>	MVA	Construction	Wholesale and retail trade	Transport	Other
1960	54.93	8.58	7.72	0.43	13.59	1.43	21.05
1961	54.64	8.76	7.85	0.36	14.12	1.59	20.52
1962	53.45	9.61	8.74	1.02	13.79	1.64	20.49
1963	52.76	9.82	8.94	1.00	14.03	1.66	20.74
1964	51.22	10.17	9.24	1.04	15.34	1.70	20.54
1965	48.35	11.13	10.13	1.18	15.98	1.73	21.63
1966	47.10	12.21	11.08	1.29	15.91	1.80	21.69
1967	46.88	12.93	11.83	1.29	15.79	1.67	21.44
1968	46.80	13.44	12.25	1.39	15.65	1.56	21.16
1969	44.84	13.28	12.11	1.35	16.21	1.75	22.57
1970	43.66	14.11	12.95	1.53	16.50	1.88	22.33
1971	42.88	15.64	14.53	1.59	16.04	1.66	22.20
1972	42.63	15.79	14.64	1.73	14.68	1.53	23.64
1973	40.68	15.57	14.68	2.08	16.41	1.55	23.71
1974	43.16	15.96	14.84	1.65	17.10	1.34	20.78
1975	46.86	12.61	11.28	1.29	16.79	1.59	20.86
1976	52.58	9.12	7.93	1.23	13.52	1.68	21.87

Source: United Nations Statistical Office, National Accounts

a/ Total industry includes mining, quarrying, MVA, electricity, gas and water.

Table 4. Growth rates of economic sectors and GDP  
(Percentage)

Years	Agriculture	Total industry <sup>a/</sup>	MVA	Construction	Wholesale and retail trade	Transport	Other	GDP
1960-1961	2.5	5.2	4.9	- 12.4	7.1	15.0	0.5	2.9
1961-1962	4.4	17.1	18.9	200.0	4.3	9.8	6.6	6.8
1962-1963	- 5.0	- 1.7	- 1.6	- 6.2	- 2.1	- 2.4	- 2.6	- 3.5
1963-1964	1.1	7.8	7.5	8.5	13.8	6.6	3.1	4.3
1964-1965	- 3.6	11.7	11.9	16.4	6.3	3.8	7.5	2.3
1965-1966	0.3	13.0	12.7	12.1	2.5	7.3	3.3	3.2
1966-1967	6.2	13.0	13.9	7.2	6.0	- 1.2	5.5	6.9
1967-1968	9.8	14.4	13.9	18.4	9.0	3.0	8.5	11.3
1968-1969	4.7	8.0	8.0	6.1	13.2	22.7	16.6	11.9
1969-1970	6.9	16.7	17.4	24.0	11.8	17.8	8.6	5.3
1970-1971	- 0.3	12.5	13.9	5.4	- 1.3	-10.7	0.9	- 2.5
1971-1972	2.2	3.8	3.6	12.2	- 5.8	- 5.1	9.5	3.3
1972-1973	4.0	7.5	9.3	30.9	21.8	11.0	9.4	5.6
1973-1974	- 2.3	- 5.7	- 6.9	-27.0	- 4.0	-20.3	-19.3	-10.7
1974-1975	-14.1	-37.5	-39.8	-38.0	-22.3	- 6.5	-20.6	-13.0
1975-1976	6.3	-31.4	-33.3	- 9.6	-23.6	0.0	- 0.6	- 2.1

For each period, the first line shows the compound interest rates, the second line, the trend growth rates.

1950-1976	1.3	1.9	1.7	8.5	1.5	2.6	1.8	1.7
1960-1976	1.9	6.2	6.2	10.4	4.1	3.1	3.7	3.0
1960-1965	- 0.1	7.8	8.1	25.4	5.7	6.4	2.9	2.5
1960-1965	- 0.2	7.4	7.8	29.1	5.3	5.6	2.6	2.3
1965-1970	5.5	13.0	13.1	13.4	8.4	9.6	8.4	7.7
1965-1970	6.0	12.7	12.9	12.7	8.7	8.9	8.8	8.3
1970-1973	2.0	7.9	8.8	15.7	4.2	- 2.0	6.5	2.0
1970-1973	2.0	7.5	8.3	15.3	3.1	- 2.3	6.8	2.1
1973-1976	- 3.7	-26.0	-28.0	-25.8	-17.1	- 9.3	-14.0	- 8.7
1973-1976	- 4.8	-27.3	-29.3	-27.1	-17.7	- 9.0	-14.7	- 9.2

Source: United Nations Statistical Office, National Accounts.

<sup>a/</sup> Total industry includes mining, quarrying, MVA, electricity, gas and water.

Table 5. Per capita income  
(in 1963 prices)

Year	Mozambique escudos	US dollars
1967	4,240	149
1968	4,668	163
1969	4,960	174
1970	5,504	193
1971	5,748	215

Source: Mozambique Information Agency, "A Economia de Moçambique em Números, 1973".

Table 6. Budget trend  
(Amount of accumulated deficit in million US dollars)

	Actual		Planned		
	1976	1977	1978	1979	1980
Direct tax	58.0	45.6	104.3	114.7	120.0
Indirect tax	107.0	122.4	177.5	221.6	240.0
Other taxes and fees	42.6	28.4	26.3	26.0	26.0
Total revenue	208.1	196.4	308.1	362.3	386.2
Total expenditure <sup>a/</sup>	235.3	323.0	353.8	376.9	386.0
Accumulated deficit	- 27.2	-126.0	- 45.7	- 14.6	0.0

Source: Bank of Mozambique, Indicator Económico de Moçambique.

a/ Including regular deficit carried over from the previous year.

By June 1980, the National Planning Commission will submit its "Perspective Plan" for the period up to 1990 which will then permit the establishment of the plan for the mid-term 1981-1985, and the establishment of the current yearly plan.

Table 7. Trend of public sector deficit  
(in thousand US dollars)

	Accumulated deficit	
	1976	1977
Government	27,200	126,000
Public corporations: Ports and railroads	39,720	35,760
Telecommunications	4,500	2,850
Total	71,400	164,164

Source: Bank of Mozambique; Indicador Económico de Moçambique.

Table 8. Sectoral minimum growth targets  
(Percentage)

	1978	1980
Agricultural production	100	135
Cattle production	100	150
Industrial production	100	130
Investments and construction	100	130
Supplies to the people	100	110

Table 9. Social development goals

Sectors	Goal for 1980
Education: Literacy campaign	200,000 persons
Training of professors	2,500 persons
Training of business managers	100 persons
Public health: Vaccination programme	6,512,000 vaccine doses



National investment programme

The financial resources for the national investment programme are kept separate from the Government's regular budget. In the case of the 1978/1979 programme, about 70 per cent is supposed to have been financed by the Government's special investment budget and the balance by borrowing from the Bank of Mozambique and foreign sources.<sup>4/</sup> Of the total budget, only 10 per cent has been allocated to industry and energy, while economic infrastructure and agriculture receive priority (Table 10).

Table 10. National investment programme, 1978/1979  
(in million US dollars)

	Total investment	Government share
Public works	242.5	207.9
Industry and energy	46.0	39.6
Transport and communications	110.6	19.8
Agriculture	38.9	33.0
Other	<u>24.0</u>	<u>20.0</u>
Total	462.0	320.4

Source: United Nations document A/33/173.

The main development projects currently being undertaken in the country are summarized in Table 11.

Balance of payments

Mozambique's balance of payments has been consistently in the negative (see Table 12). This has been attributed to the following factors:

<sup>1/</sup> The relatively minor dependence on foreign borrowing sources as indicated in the programme should be interpreted with reservation.

1. Decline in agriculture, forestry and fishery exports, which accounts for 90 per cent of Mozambique's merchandise exports, due to large-scale exodus of Portuguese technical experts;
2. Mozambique must depend upon large quantities of imported food, while considerable amounts of industrial raw materials and equipment must be imported to revitalize the manufacturing industries;
3. Decline of invisible trade surplus,<sup>5/</sup> which used to compensate the trade deficit;<sup>6/</sup>
4. Exodus of Portuguese capital since the country's independence;
5. Mozambique, being thus far a non-oil producing country, has been burdened with increased oil bills.

Mozambique's payment deficits in the past few years have increased alarmingly as is shown in Table 12, but the lowest level may have been reached in 1977.

### Trade

#### Commodity exports in 1977

As compared to pre-independence years, commodity exports are now at much lower levels, with the exception of prawns and lobsters (Table 14). Especially the performance of two major manufactured export commodities, sugar and processed cashew nuts, was respectively 80,000 tons against a peak record of 200,000 tons, and 33,000 tons against the peak record of 140,000 tons in the past. Manufactured export other than sugar and cashew nuts, which together accounts for about 33 per cent of the main merchandise exports, is negligible. Coal and other mineral exports is the second largest export item next to agriculture, forestry and fishery export. Export of cement is merely a temporary phenomena. The country's building industry has been stagnant, leaving the three cement plants with a temporary export surplus, until the building industry will have revived.

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<sup>5/</sup> Mainly port and railway charges on international traffic (see Table 13).

<sup>6/</sup> For the past three decades, Mozambique's exports have usually been half of its imports.

Table 11. Main development projects  
(in million US dollars)

Sector	Item	Amount of investment
Agriculture	Rationalization of the distribution system	2.50
	Planning fees for irrigation and by hydroelectric power generation along the Limpopo, Incomati and Zambézi Rivers	0.70
	Total agriculture	3.20
Mining	Promotion of mining and export of coal (still in the planning stage)	1.70
Transportation	Repair of the highway between Maputo and Beira (damaged by floods)	
	Repair and pavement of roads in the Angonia area	12.80
	Training of port and railway experts	0.50
	Road construction and maintenance	3.00
	Total transportation	16.30
Communication	Development of aviation and communication industries	0.98
Energy	Building and equipment for training experts in the field of energy	1.78
Total		23.96

Source: Bank of Mozambique, Indicador Económico de Moçambique.

Commodity imports in 1977

Mozambique imported large quantities of grains to feed the nation. This amounted to about 15 per cent of the merchandise imports. Mozambique's industrial capacity is presently utilized at a very low level; however, over 45 per cent of its merchandise imports were capital goods and crude oil (see Table 16).

Trading partners

The prominent position of Portugal, which accounted for 19 per cent and 36 per cent, respectively, of Mozambique's imports and exports in 1974 has signifi-

Table 12. Balance of payment  
(in million US dollars)

	1973	1974	1975	1976	1977	1978	1981 <sup>a/</sup>
<b>Visible trade</b>							
Import	261	323	295	396	489	479 to 506	615
Export	175	200	169	147	154	185.5	351 to 468
Balance	- 86	-123	-126	-249	-335	-293.5 to -320.5	-264 to -147
<b>Invisible trade</b>							
Payments	71	80	92	96	87	80	69
Receipts	163	200	255	243	193	200	246
Balance	+ 92	+120	+163	+147	+106	+120	+177
<b>Capital accounts</b>							
Payments	43	68	65	52	55	40	31
Receipts	31	49	3	-	5	55	22
Balance	- 12	- 19	- 62	- 52	- 50	+ 15	- 9
<b>Overall balance</b>	- 6	- 22	- 25	-154	-279	-158.5 to -185.5	- 96 to + 21

Source: Bank of Mozambique, Indicator Económico de Moçambique.

<sup>a/</sup> Estimates.

cantly declined (see Table 15) and has been replaced largely by the United States, Western and Eastern European countries and China.

Table 13. Invisible receipts  
(in million US dollars)

Item	Amount
Port <sup>a/</sup> and railroads	93
Remittance from expatriate mine workers	60
Tourism, etc.	<u>40</u>
Total	193 <sup>b/</sup>

Source: Bank of Mozambique, Indicator Económico de Moçambique.

a/ Port charge revenue in 1976 was only 70 per cent from 1974. This reflects the decreased traffic through Maputo to and from South Africa, as well as the suspension of traffic through Maputo and Beira to and from Rhodesia and Zambia.

b/ After payment of US \$87 million, there was a surplus of US \$106,000,000.

Table 14. Main commodities of export in 1977  
(in million US dollars)

Commodity	Amount
Sugar	18
Raw cotton	10
Processed cashew nuts	33
Prawns and lobsters	16
Tea	13
Coal	9
Other (cement, fuel oil, diesel oil, copra oil, almond oil, sisal, lumber, minerals, etc.)	<u>55</u>
Total	154

Source: Bank of Mozambique, Indicator Económico de Moçambique.

Table 15. Trade of Mozambique with major trading partners<sup>a/</sup>  
(monthly average in million US dollars)

	1975	1976	1977	1978
<b>Imports from Mozambique. c.i.f.</b>				
Japan	5.3	3.0	3.1	3.6
United States	3.0	3.4	5.4	3.2
Portugal	4.8	4.2	1.8	1.7
United Kingdom	1.9	3.4	6.1	1.7
Federal Republic of Germany	3.7	1.5	1.2	1.1
Italy	1.5	0.8	0.7	0.9
France	0.8	1.1	0.7	0.8
The Netherlands	2.4	1.6	1.4	0.6
Belgium/Luxemburg	2.7	0.9	0.6	0.5
Sweden	0.4	0.3	0.3	0.5
Spain	0.7	0.5	0.3	0.3
Switzerland	0.4	0.1	0.3	0.3
<b>Exports to Mozambique, f.o.b.</b>				
Portugal	4.1	2.3	3.0	2.9
United Kingdom	3.2	2.6	2.6	2.8
France	1.7	1.3	1.8	2.7
Federal Republic of Germany	1.3	3.9	3.8	2.6
Japan	2.0	1.1	1.4	2.6
Switzerland	0.7	0.7	0.7	2.1
United States	1.5	1.1	1.1	1.7
Sweden	0.3	0.6	1.0	1.0
Belgium/Luxemburg	0.6	0.3	0.3	1.0
Italy	0.8	0.3	1.5	0.7
The Netherlands	0.5	0.5	0.5	0.6
Spain	0.2	0.2	0.2	0.1

Source: Bank of Mozambique, Indicator Económico de Moçambique.

<sup>a/</sup> Figures from partners' trade accounts.

Table 16. Main commodities of import in 1977  
(in million US dollars)

Commodity	Amount
Foodstuffs	74
Medical equipment	13
Railroad and aircraft equipment	15
Agricultural machinery <sup>a/</sup>	58
Construction machinery	13
Other machinery, equipment and spare parts	8
Consumer goods <sup>b/</sup>	79
Industrial raw materials and crude oil	223
Other <sup>c/</sup>	6
Total	<u>489</u>

Source: Bank of Mozambique, Indicator Económico de Moçambique.

a/ E.g., tractors.

b/ E.g., tyres.

c/ E.g., chemical fertilizer.

#### Foreign exchange reserve

The country's foreign exchange reserve is alarmingly low; at the end of June 1977, exchange reserves amounted to only US \$100 million, or the equivalent of three months' worth of import bills. It has, however, prevented moratorium as Sweden and OAU/Arab Loan Fund have extended long-term commercial credits to relieve its financial difficulties.

#### Commodity price

While the Government has successfully curbed increases in domestic commodity prices by its centrally-controlled administrative power, it could not prevent considerable inflation (Tables 17 and 18) caused by the steeply rising international commodity prices for the goods the country imported.<sup>1/</sup>

<sup>1/</sup> Excepting food aid provided as part of grants pledged by the international community, and farming tractors imported under preferential long-term deferred payment provided by bilateral aid.

Table 17. Wholesale price index in the city of Maputo

<u>Year</u>	<u>Price index</u>
1968	100.0
1973	124.1
1974	152.3
1975	161.1

Source: "Annual Report of Mozambique", Mozambique Information Agency.

Table 18. Consumer price index in the city of Maputo

<u>Period of time</u>	<u>Price index</u>
October 1956 to September 1957	100.0
1973	190.0
1974	221.0
1975	215.0

Source: "Monthly Statistics of Mozambique", Mozambique Information Agency.

In 1976 and 1977, an alarming supply shortage and a low level of foreign exchange reserves were noticed. Therefore, the Government enforced rationing of daily necessities such as sugar, fish, milk, meat, clothing, footwear, etc. In the meantime, the commodity prices have risen considerably.

#### Newly established enterprises

Identical with the recent downward trend in the economy, the number and amount of capital investment of newly established enterprises have registered a declining trend in recent years as is shown in Table 19.



Table 19. Newly established enterprises

(in thousand Mozambique escudos)

	1974		1975		1976		January-September 1977	
	Number	Capital	Number	Capital	Number	Capital	Number	Capital
Manufacture	63	214,035	31	160,300	17	84,200	14	24,906
Electric power	-	-	2 <sup>a/</sup>	10,600,000	-	-	-	-
Processed agricultural goods	22	217,500	11	19,210	9	199,300	4	4,340
Fishery	14	35,850	3	30,000	4	1,800	6	116,000 <sup>b/</sup>
Mining	1	10,000	-	-	-	-	1	800
Commerce	100	96,295	103	80,640	138	88,032	148	64,395
Others	40	50,136	22	57,250	8	5,061	13	172,741 <sup>c/</sup>

Source: Annual Report of Mozambique, Mozambique Information Agency.

a/ Cabora Bassa and Test Africa.

b/ Including PESCO (the state fishery corporation).

c/ Including Mozambiquana Mining Corporation (parastatal for exploration of mineral ore deposits) and EMCSE (The Office of Standardization for Electric and Electronic Machinery).

Chapter III

ECONOMIC INFRASTRUCTURE

Electric power

Mozambique is endowed with ample hydroelectric resources; the Zambézi River and its branches are estimated to be potentially capable of producing 12,000 MW of power by dam construction. The Cabora Bassa Dam on the Zambézi River is by far the most important single hydroelectric project. By the end of 1979, the Cabora Bassa project will complete its third phase of construction with a capacity of 2,000 MW. When the whole project is completed, the Cabora Bassa plant will have a power generating capacity of 4 million kilowatts, whereby it will be the fourth largest power plant in the world after Kransnoyarsh of the USSR, Gury in Genezuela and Churchill Falls in Canada.

In 1976, the country produced 1,915 MWH of electric power (1,510 MWH and 405 MWH,<sup>8/</sup> respectively, from hydroelectric and thermal sources), as against a consumption of approximately 500 MWH (see Table 20).

Together with the expanding hydroelectric power generation capacity, power transmitting networks will be strengthened nationwide, as power consumption is expected to increase parallel to industrial progress in Mozambique in various parts of the country. Even if domestic power consumption does expand, Mozambique will maintain sizeable export surplus of electricity per annum to South Africa.

Transport and communication

Roads

Roads totalled 25,000 kilometres, of which only 3,500 kilometres are paved. Travel on the unpaved 21,500 kilometres is difficult during the rainy season.

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<sup>8/</sup> Thermal power in general will be reduced and replaced gradually by hydroelectric power.

Table 20. Power production and consumption

	1970	1973	1974	1975	1967
Installed capacity (in megawatts)	355	383	393	793	793
Thermal	241	269	279	279	279
Hydro	114	114	114	514	514
Production (in million kWh)	683	641	747	658	1,915
Thermal	410	416	451	391	405
Hydro	273	195	296	267	1,510
Imports	2	...	...	...	...
Consumption	493	...	...	...	...
Exports	128	...	...	...	...

Source: Mozambique Information Agency, A Economia de Moçambique em Números, 1973;  
Boletim Mensal de Estatística.

Since independence, new paved roads have been constructed connecting the 1,100 kilometres between the sea ports of Maputo and Beira, the 600 kilometres between Beira and Tete (which lies in the hinterland and is the mining centre of the country), and the 300 kilometres between the sea ports of Pemba and Mocimboa. The new roads play a vital role in the economic development of the country.

As trucks are the most important means of transportation and distribution in this country, the Government places priority on expanding paved roads, particularly connecting the central (Maputo) and the northeastern regions, and the transnational road connecting Mozambique and Tanzania.

### Railroads<sup>2/</sup>

Railroads total 3,200 kilometres. In the South, there are four railroads totalling 340 kilometres, centered around Maputo, which accounts for most of the traffic (Table 21). In the central region, there are three trunk lines, the Beira Line, the Zambézia Line,<sup>10/</sup> and the Tete Line,<sup>11/</sup> totalling 996 kilometres.

<sup>2/</sup> See "Caminhos de Ferros de Moçambique", Mozambique Information Agency.

<sup>10/</sup> Used to transport colombo-tantalite, etc., mined in the Zambézia province.

<sup>11/</sup> Used to transport coal and limestone, etc., mined in the province of Tete.

Table 21. Traffic on main railroad systems  
(in million tons)

	1973	1978 <sup>a/</sup>
Maputo	14.10	5.00
Beira	3.50	1.23
Quelimane	0.09	0.63 <sup>b/</sup>
<b>Total</b>	<b>17.69</b>	<b>6.86</b>

Source: Mozambique Information Agency,  
"Caminhos de Ferros de Moçambique".

a/ January-September 1978.

b/ Includes Nacala system.

#### Sea ports

Maputo is the second largest sea port in Africa, being surpassed only by Durban. Between the Persian Gulf and Europe, Maputo is presently the only sea port capable of accomodating super-tankers. However, its earning which come mainly from port services to the neighbouring land-locked countries, declined drastically since March 1976, when Mozambique imposed sanctions against Rhodesia, whereby no Rhodesian traffic has been permitted. South Africa's policy to increase useage of its own sea ports and curtail its traffic through Maputo has contributed to the port's declining income. Nevertheless, Maputo is regarded as a major port in Mozambique as it still handles the majority of Swaziland's exports and some 20 per cent of Swaziland's imports. It also serves as the main importing port and distribution centre for consumer goods imports.

The port of Beira has been more seriously affected than the port of Maputo by the Rhodesian embargo in 1976 and also by the closure of the Rhodesian-Zambian border in 1973, since which time Mozambique has refused to handle Zambian traffic passing through Rhodesia. It now merely functions as an outlet for the country's agricultural region and for the coal fields in its hinterland.

After 18 April 1980, date of Zimbabwe independence, both the Maputo and the Beira ports have gradually increased their activities. At the summit of the Ninth Front Line countries which took place in Lusaka in early 1980, it was been decided that the Commission for the Development of Transport in the region would have its Headquarters in Maputo.

Nacala could become a major route for Zambian traffic in place of Beira when the planned expansion of port facilities and the extension of the transnational railway line through the Zambian copper belt via Malawi will have been completed.

#### Air service

There are two airports (Maputo and Beira), nine air terminals and 81 airstrips in Mozambique. The Nationally-owned airline, LAM, (Mozambican Air Lines, formerly LETA), provides most of the internal and international air services reaching main African, European and North American cities, by leasing its aircraft or chartering planes from foreign airlines.

#### Communications

There were only 56,000 telephones and 225,000 radios in 1976. There are telex centres in Maputo and Beira and a few private telex stations, but these are not even sufficient to communicate with the local provinces and the neighbouring countries, let alone with the world's economic centres.

As of April 1980, there are telephonic communication with DDD (direct dial at distance) between Maputo and Beira and between Maputo and Mbabane (Swaziland).

Chapter IV

THE MANUFACTURING INDUSTRIES

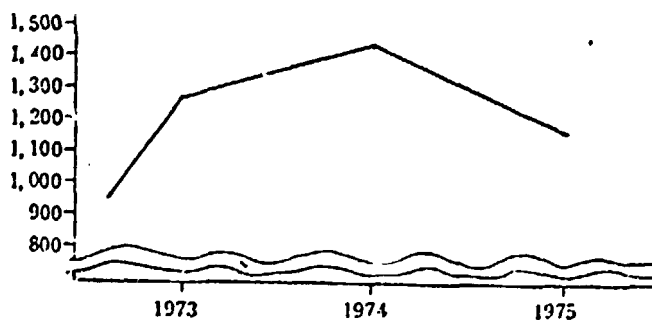
Production

Table 22 shows the structure of manufacturing industries in 1973. In terms of value, manufacturing production fell in 1975 to 80 per cent of the pre-independence level in 1974, and there has been no indication of appreciable recovery in recent years. However, two export-oriented industries, oil refining and cement, are running near their previous levels.

Two facts are cited for the sluggish state of manufacturing:

1. The state of vacuum and social disorder which existed during the slowly progressing transit period from the old to the new order;
2. The low productivity of the agricultural sector which supplies raw materials<sup>12/</sup> to Mozambique's existing main manufacturing industries, namely processed foods and edible oils, soap, textiles and wearing apparel, and shoes.

Diagram I. Trend of manufacturing production  
(in ten million Mozambique escudcs)



<sup>12/</sup> Cashew nuts, sisal, cotton, sugar cane, tea leaves and rice grains.

Table 22. Structure of manufacturing industries in 1973

ISIC	Industry	Number of establishments	Average number of workers (in thousands)	Gross output (thousand escudos)	Value added (thousand escudos)	Gross fixed capital formation (thousand escudos)
311	Food products	772	41.64	5,569,000	1,520,000	220,000
313	Beverages	18	3.10	843,000	453,000	32,000
314	Tobacco	6	1.02	439,000	279,000	1,000
321	Textiles	54	11.27	2,055,000	569,000	385,000
322	Wearing apparel	28	4.21	447,000	156,000	5,000
323	Leather and leather products	26	0.38	62,000	20,000	0
324	Footwear	23	0.64	95,000	32,000	5,000
331	Wood products	132	10.31	574,000	224,000	19,000
332	Furniture and fixtures	41	1.83	133,000	65,000	7,000
341	Paper and paper products	9	0.52	204,000	54,000	5,000
342	Printing and publishing	45	3.29	383,000	200,000	14,000
351	Industrial chemicals	7	0.61	239,000	56,000	3,000
352	Other chemical products	31	1.52	604,000	218,000	33,000
353	Petroleum refineries	1	0.37	802,000	53,000	10,000
355	Rubber products	16	1.00	212,000	78,000	30,000
356	Plastic products	12	0.74	144,000	54,000	13,000
361	Pottery, china, etc.	4	0.08	2,000	1,000	0
362	Glass and glass products	8	0.79	121,000	60,000	33,000
369	Non-metal products	50	3.82	724,000	299,000	447,000
371	Iron and steel	3	1.13	367,000	60,000	20,000
381	Metal products	102	6.12	852,000	341,000	87,000
382	Machinery	9	0.65	102,000	43,000	31,000
383	Electrical machinery	16	0.94	240,000	77,000	13,000
384	Transport equipment	16	2.73	387,000	180,000	73,000
390	Other industries	9	0.63	69,000	27,000	6,000

Source: United Nations Yearbook of Industrial Statistics.

1/ Note that statistics prior to 1975 concerning manufacturing are of rather limited value in reflecting the present situation.

Table 23. Manufactured production

<u>Year</u>	<u>Million Mozambique escudos</u>
1973	12.723
1974	14.379
1975	11.810

Source: Associação Industrial de Mozambique, Estatísticas Industriais.

Although no statistical data are available for the years after 1975, production in 1976 and 1977 is estimated to have declined 30 and 40 per cent, respectively, from the previous year. The structure and order of importance of the manufacturing industries, however, did not change. Neither the number of factories operating in each category of manufacturing activities changed.<sup>13/</sup>

The main manufactured goods are refined sugar, cashew nuts and cotton products. Mozambique's manufacturing activity is divided into three categories: (i) processed agricultural crops for export; (ii) consumer goods for the domestic market; and (iii) oil refining.

Processed agricultural crops for export

The main processed crops are refined sugar, cashew nuts and tea, which are processed to increase the value of the crude crops and then exported; however, the value added in this way is small. The next most important items processed for export are lumber and edible vegetable oil.

Statistical data on recent manufactured production has been available on refined sugar, cashew nuts and edible vegetable oil; this data is given in Tables 24, 25 and 26.



Table 24. Production of refined sugar

Year	Amount (in million Mozambique escudos)	Quantity (in tons)
1973	1.184	292,769
1974	1.998	279,494
1975	1.361	223,700
1976	1.560	215,434
1977 <sup>a/</sup>	-	-

Source: Associação Industrial de Moçambique, Estatísticas Industriais.

a/ Production up to September 1977 was 124,444 tons, whereby it is presumed that production in 1977 would be approximately 220,000 tons. The amount produced in 1977 was 16.8 per cent less than in 1966 and 28 per cent short of the 1977 target. The drastic decline was due to the drought in the central region and the flood in the southern region which disrupted the transport of sugar cane to the sugar refineries.

Table 25. Production of cashew nuts

Year	Amount (in million Mozambique escudos)	Quantity (in tons)
1973 <sup>a/</sup>	881	29,655
1974	n.a.	n.a.
1975 <sup>a/</sup>	649	17,199
1976 <sup>a/</sup>	549	16,457

Source: Associação Industrial de Moçambique, Estatísticas Industriais.

a/ Compared to 1973, tonnages in 1975 and 1976 were respectively 42 and 44 per cent lower.

Table 26. Production of edible vegetable oil

Year	Amount (in million Mozambique escudos)	Quantity (in tons)
1973	571	57,941
1974	726	46,985
1975	633	36,351
1976	n.a.	20,000 <sup>a/</sup>

Source: Associação Industrial de Moçambique, Estatísticas Industriais.

a/ Estimate.

Consumer goods

The main consumer goods produced in Mozambique are cigarettes, beer, dairy products, cotton textiles and clothing, shoes and cement. These are oriented towards the domestic market. The only data available for this Profile was for cement, which is summarized in Table 27 below.

Table 27. Production of cement  
(in tons)

Period of time	Amount
1974	465,994
1975	281,276
1976	215,633
1976 (January to September only)	145,851
1977 (January to September only)	235,783

Source: Associação Industrial de Moçambique, Estatísticas Industriais.

Signs of recovery were observed in the cement industry in 1977 as the world market price rose in June of that year, while the volume of public construction works increased. Some quantities were even exported to neighbouring countries as shown in Table 28 below.

Table 28. Export of cement and clinker  
(in tons)

	1976	1977	1978
Cement	27,000	60,000	192,000
Clinker	24,000	23,000	20,000

Source: Bank of Mozambique, Noticias.

Although no statistical data were available, production in the metal machinery manufacturing industry has reportedly fallen considerably, and in 1976 capacity utilization was only 30 per cent. Production of clothing and wearing apparel has reportedly recovered from the rock bottom level of 1976 and in 1977 production increased considerably. Production of textiles has reportedly also recovered but not to the extent of self-sufficiency. Production of shoes remained apparently unchanged during 1976, but it reportedly increased appreciably in 1977. Large amounts of household furniture have been manufactured recently; but since the prices were too high, the average income group could not afford to buy them. However, they may find buyers in developed countries.

Import substitution and production of consumer goods in Mozambique have been a significant industrial activity in Mozambique. According to the Associação Industrial de Moçambique, in 1970 about 6.3 billion Mozambique escudos were invested in consumer goods industries, which represented 49 per cent of industrial investment. They employed 43,500 people and production totalled 6.16 billion Mozambique escudos. Although statistical data for recent years were not available, a similar pattern of investment, production and employment is thought to prevail in Mozambique at present.

Oil refining

The oil refinery output during the period 1974-1977 is given in Table 29 below.

Table 29. Production of oil refineries  
(in tons)

Period of time	Amount
1974	518,718
1975	429,385
1976	374,165
1976 (January to September)	241,765
1977 (January to September)	401,315

Source: Associação Industrial de Moçambique, Estatísticas Industriais.

The oil refining industry was nationalized in May 1977. It is now being operated by a public corporation called PETROMOR, assisted by Rumanian technicians. An oil refinery adjacent to the crude oil storage tanks located at the port terminal of Maputo has been operating since 1961.

Geographic location of manufacturing industries

About 47 per cent of Mozambique's manufacturing industries are located in Maputo. Although some factories for processing agricultural crops for export and those producing consumer goods for domestic consumption are located in the same area where raw materials such as tobacco, leather, and cotton are produced, a considerable number of them are located in Maputo because of its high purchasing power derived from port services, miners' remittance, etc. Maputo has several agricultural extracting industries using supplies from

North Mozambique. The output is exported. Consumer goods manufacturing industries tend to favour location in Maputo; some industries tend to favour a port side location, i.e. an oil refinery (imports crude oil), a sulphuric acid plant (imports sulphur) and a fertilizer complex (imports phosphates). The Government is seeking to decentralize the high industrial concentration in Maputo and is encouraging new industries to locate in the northern towns such as Pemba, Nampula and Mocuba.

Electric power consumption

As shown in Table 30, electric power consumption by manufacturing industries in Maputo, which is Mozambique's industrial centre, seems to have increased in 1977, corresponding to the recovery of manufacturing production in the same year.

Table 30. Power consumption by manufacturing industries in Maputo  
(in thousand kilowatts)

<u>Period of time</u>	<u>Amount</u>
1974	349,827
1975	311,929
1976	302,223
1976 (January to September)	223,358
1977 (January to September)	237,945

Source: Mozambique Information Agency, "Annual Report of Mozambique".

Chapter V

POTENTIALS OF INDUSTRIAL DEVELOPMENT

Mozambique's outstanding asset is its strategic coastal location and its rich natural resource endowment, which, when properly utilized, will help to develop it into a prosperous economy based on heavy and chemical industries.

Sea ports

Maputo, Beira, Nacala and the other sea ports will not only serve Mozambique's own external trade, but also its mineral-rich hinterland, (Zimbabwe, Zambia, Malawi, Botswana and Southern Zaire), now that sanctions on Rhodesia have been lifted with Zimbabwe's independence. This will improve Mozambique's balance of payments considerably,

Hydro resources

Mozambique has many large rivers such as the Zambézi, Limpopo, Save and Incomati. When the construction of multi-purpose dams has been completed along these rivers, ample hydroelectric power will be available with an export surplus as well as irrigation facilities to modernize the agricultural sector.

Mineral resources and natural gas

The main mineral resource supplies are found in the Tete Province. Those minerals presently being produced in Mozambique are listed in Table 31.

Table 31. Production of minerals  
(in tons)

	1970	1973	1974	1975
Bauxite	7,146	5,184	2,405	...
Bentonite	6,483	3,844	1,793	...
Beryl	33	1	8	...
Coal	315,016	394,195	425,841	600,000 <sup>a/</sup>
Columbo-tantalite	97	29	40	...
Copper	602	1,753	2,937	...
Granite	404,030	963,092	963,092	...
Kaolin	1,477	175	...	...
Limestone	6,180	1,058,643	682,190	...
Microlite	64	56	53	...
Sea salt	...	27,680	41,825	...
Semi-precious stones	...	6	3	...

Source: Mozambique Information Agency, Anuário do Estado de Moçambique, 1974-1975; Boletim Mensal de Estatística.

a/ Estimate.

There are several important investment plans<sup>13/</sup> sponsored by the Government which are expected to accelerate industrial development in Mozambique.

### Coal

The Moatize Mine in the province of Tete is the main source of the coal supply. Coal mining operations were nationalized in May 1978.

The investment plan envisages expansion of Mozambique's coal production up to 2,500,000 tons per year by 1980. By the same year, export of coal is expected to earn 3,000,000 Mozambique Contos<sup>14/</sup> per year. The expansion may be achieved by investing 4,500,000 Mozambique Contos for expanding the railroad and storage capacities between Moatize and Beira. The Moatize coal is bituminous and of a high quality. Japan, Romania and the Republic of Korea are the chief buyers of Mozambique's coal.

<sup>13/</sup> Including plans under consideration.

<sup>14/</sup> One thousand escudos.

Table 32. Coal production of the Moatize Mine  
(in tons)

<u>Year</u>	<u>Amount</u>
1973	394,000
1975	585,000
1976	553,000

Source: Anuário do Estado de Moçambique, 1974-1975; Boletim Mensal de Estatística; Mozambique Information Agency.

#### Natural gas

The gas deposits located in the Pande-Temane-Buzè field are estimated at 40,011 billion cubic feet.<sup>15/</sup> This makes Mozambique the ninth largest holder of gas deposits in the world. An investment plan in the amount of 2,900,000 Mozambique Contos has been considered in order to erect a 2,000 ton-per-day urea plant next to the gas field. If this plan materializes, an income of US \$90,000,000 may be earned per year from the export of urea.

#### Iron ore

The iron ore deposits at the Ondi Mine in the province of Tete was estimated at 100,000,000 tons by a preliminary survey conducted in 1977. After having explored this ore deposit, a plan to erect a small steel mill with a yearly capacity in the first phase of 100,000 tons has been taken into consideration. The steel mill could be expanded to a very large scale since there are located in the same province the Cabora Bassa Electric Plant, which could supply ample electricity, and the Moatize Mine, which could supply the high-quality coal.

#### Aluminium

Bauxite with alumina content as high as 3 per cent<sup>16/</sup> is reportedly available in very large quantities in Sunuta, Marizo and the Moronde Mountains located in

<sup>16/</sup> Exact figures are not yet known.



the province of Tete.<sup>17/</sup> Ample sea salt and fluor-spar are also known to be available. The availability of high-quality raw materials in addition to ample and cheap power from the Cabora Bassa Electric Plant are all encouraging factors for the establishment of aluminium smelting industries in Mozambique.

#### Wood and fibre

There is a project under consideration to plant, in addition to the existing 15,000 hectares of forest in the province of Manica, 131,000 hectares of pine trees and 1,700 hectares of eucalyptus trees. This project will involve 24,000,000 Mozambique Contos of investment, 2,500 workers and technicians and will take fifteen years to complete. When the forestation has been completed, the trees in these 163,000 hectares of forest will be utilized as follows:

Table 33. Wood and fibre projects

Item	Annual capacity	Manufactured product
Improved existing saw mills	9,000 square metres	Lumber
New saw mills	27,000 square metres	Lumber
Plywood factory	40,000 cubic metres	Plywood
Pulp and paper mill	100,000 cubic metres	Paper and cardboard
Pulp factory	260,000 cubic metres	Pulp

Source: Ministry of Forestry.

<sup>17/</sup> Exact figures are not yet known.

Chapter VI

CONSTRAINTS ON INDUSTRIAL DEVELOPMENT

Manpower

There is a tremendous lack of manpower in all vital branches of the economic activities, ranging from economists and technocrats in the central planning organ, to repair and maintenance personnel for infrastructure (transportation and communication), entrepreneurial and managerial staff, and professional and technical manpower in general.

Ninty per cent of the population is illiterate and lives mainly in rural areas; however, the population density in the hinterland is extremely low. In some parts of the mineral-rich Tete province, for example, the density is only four persons per square kilometre. The nation-wide density is only 10.2 persons per square kilometre. These are discouraging economic factors since industries for processing mineral ores, metals and agricultural crops should locate adjacent to where the raw materials are produced, namely in the rural areas.

Infrastructure

There is a tremendous backlog in the repair and maintenance of transportation and communication facilities; these must be extensively improved and expanded to meet the growing demands for industrialization.

Foreign assistance

Excluding food aid and technical assistance, loan and grant announcements during 1978 totalled some US 1170,000,000, part of which will have been spread

over 1979. This does not necessarily compare favourably with the inflow of at least US \$500,000,000 to the neighbouring Tanzania, even when comparing the population of the two countries, i.e. approximately 10,000,000 as against 17,000,000 in Tanzania.

Chapter VII

ECONOMIC POLICIES AND POLICY MEASURES

Economic policies and targets

The economic targets for 1980-1981 are the following:

- To bring industrial production back to the pre-independence (1973) level;
- To achieve equilibrium in the regular budget;
- To decrease the balance-of-payment deficit to a reasonable level.

Economic development policies and strategy

The Third General Assembly of the Front for the Liberation of Mozambique (hereafter referred to as the "Frelimo") adopted in 1976 an economic development model based on the following economic policies and strategy in order to achieve the above-mentioned targets:

1. The National Plan is an instrument of the scientific organization for conquering underdevelopment.
2. Agriculture is the strategic base for economic development and growth. The communal villages will pursue the planned production goals by mechanization of their farming activities which will convert 180,000 hectares of cultivable land into ploughed and cultivated land. The surplus of agricultural development will create immensely important sources of foreign exchange which can be used to finance further development.
3. The manufacturing industries are the dynamic and decisive element in the economic development of Mozambique. A chemical industrial complex will be established in the Tete and Niassa provinces as the core of Mozambique's industrialization programme, utilizing the potentially

available national raw materials. The chemical fertilizer industry will be developed using the known reserves of carbochemicals and petrochemicals and deposits of guano to meet the growing demands of the on-going agricultural projects. A steel mill and the development of the metal-mechanical industries, based on the available deposits of coal, hydrocarbon, iron and bauxite ores, and hydro-electric power supplies will constitute another exigency for the economic development of Mozambique.

Priority is given to the manufacturing industries with considerable inter-industry linkage so as to accelerate output in other industrial sectors and branches. These are primarily the metallurgic and electro-mechanics for the manufacture of equipment for agriculture, fishery, transport, construction, textiles, clothing, footwear, wood industries, furniture, chemical industry and food industry. The existing light manufacturing industries will give particular attention to utilizing national raw materials and labour resources and to local manufacture of spare parts and equipment in order to reduce imports.

4. The State will take the initiative in establishing an appropriate economic order, priority and structure as well as in establishing the economic development and management as a centrally-planned economy. Industries shall be relocated away from the over-crowded urban areas to sites where production and distribution will benefit from the best available economic efficiency. Various technical and economic development constraints now existing in the country will be solved with administrative guidance.
5. Nationalized industries will receive top priorities in all national benefits, and will be the core of Mozambique's industrial development, acting as the leader and decision-maker of the industrial sector.
6. The Frelimo is dedicated to creating a centrally-controlled economy with State control of essential production and distribution. Semi-official enterprises or joint ventures between public and private sectors are desirable, as the private sector may provide the technical and financial resources which the public sector lacks. As long as private foreign investment does not interfere with the national economic

development strategy, but rather assists the strategic national productive activities, it will be welcome for it may provide access to foreign markets and earn foreign exchange as well as bring valuable technological inputs to Mozambique's industries and manpower.

7. Co-operatives are the essential form of organization for collective production and consumption, especially with small- and medium-sized industries, handicraft industries, and retail stores and distributors.
8. Export-oriented industries producing and exporting cashew nuts, sugar, cotton, tea, lumber, vegetable cooking oils, lobsters, coal, cement, etc., shall be promoted, while import substitution of rice grain, potatoes, peanuts, meat, fish, textiles, etc., shall be expedited.
9. Concessional credit and loans shall be granted to public sector enterprises and co-operatives engaged in agricultural and manufacturing production. The order of priority for financing specific areas of production shall be designated by the Government.  
The Bank of Mozambique shall be the central controlling organ for all aspects of external trade.
10. Income tax is imposed progressively so as to assure the social equity provided for in Article 13 of the National Constitution. A uniform tax ("imposto único") is levied on the working class; a corporate tax of 20 per cent is levied on public and private enterprises in addition to the global tax ("imposto global") which is levied at different levels of production and distribution. Co-operatives are protected by fiscal concessions as well as being permitted to pay tax with their products instead of with currency. An indirect tax is levied on goods at different rates according to their essentialness to the society.

Chapter VIII

INSTITUTIONAL INFRASTRUCTURE

The ruling political party, the Frelimo, and the administration are organized as follows:

Table 34. Institutional set-up of the Government

<u>Frelimo</u>		<u>Government</u>
Party General Assembly		
Central Committee		People's Assembly
Military and Political Committee	<u>President</u>	Standing Committee
Executive Committee		Ministerial Council
Provincial Council	<u>Governor</u>	Provincial Assembly
Standing Council	<u>of</u>	
Provincial Committee	<u>Province</u>	Provincial Government
District Council	<u>District</u>	District Assembly
District Committee	<u>Governor</u>	District Bureau
Locality Council	<u>Locality</u>	Locality Assembly
Locality Committee	<u>Governor</u>	Locality Bureau
Circle Committee	<u>Circle</u>	Circle Bureau
Cell Congress	<u>Cell</u>	Cell Bureau

Ministry of Economic Planning and Development

This Ministry is attached directly to the Office of the President, which controls all aspects of the country's economic activities. Its jurisdiction covers:

- Co-ordination among the various ministries which deal with national economic development programmes, and financial, monetary and budgetary policy-making;
- Co-ordination with the Central Bank;
- Negotiation for, and receiving of, external economic aid;
- Presiding over ministerial-level economic affairs meetings;
- Preparation of the national economic development plans.

#### Offices of the Secretary of State

Three Offices of the Secretary of State, attached directly to the Office of the President, were established in September 1979, to supervise the following priority sectors:

- Coal and hydrocarbons;
- Cashew nuts for the integral utilization of the fruit and seed;
- Cotton.

#### The National Plan Commission

This Commission, which was established in April 1978, is subordinate directly to the Council of Ministers and is to assist in the preparation of the national economic development plans and the national investment programmes.

#### National Statistics Centre

The on-going re-organization of the National Statistics Centre will facilitate the accurate estimate of the national accounts.



Ministry of Industry and Energy

The sectors falling within the auspices of this Ministry are those of geology, mines, fishing, energy, metallurgic and electro-mechanical industries,<sup>18/</sup> light industries,<sup>19/</sup> food and chemical industries,<sup>20/</sup> the National Sugar Institute, the Cashew Institute, and the Centre for Information and Tourism.

Ministry of Agriculture

Sectors covered by the Ministry of Agriculture are food products, dairy products, sausages, meat, cereals and cotton.

Ministry of Information

The sectors covered by this Ministry are the graphic industry, phonographs and the cinema.

Ministry of Public Works and Habitation

The sectors which fall within the scope of the Ministry of Public Works and Habitation are those of the building industry and construction materials.

Ministry of Health

The pharmaceutical industries are covered by the Ministry of Health.

- 
- <sup>13/</sup> Metallurgics, metal-mechanics, light and heavy electronics and electric industries.
  - <sup>19/</sup> Wood, textiles, clothing, tannery and footwear, plastics, etc., (brushes, brooms, mattress factory, suitcases, umbrellas).
  - <sup>20/</sup> Vegetable cooking oils, salt, soap, candles, flours, macaroni, biscuits, chocolates, soft drinks, rubber, glass, paper and pulp.

Public corporations in industrial sectors

The Economic Control Committee (ECC), which was established in February 1975, has either partly or wholly nationalized private enterprises, affecting 90 per cent of the country's economic activities. In particular, the following manufacturing industries and industrial services are presently owned and operated by public corporations:

- Electric power generation and distribution;
- Petroleum;
- Pharmaceuticals;
- Wearing apparel (larger portion of);
- Civil engineering and construction;<sup>21/</sup>
- Manufacture of electric power plant and equipment;
- Standardization;<sup>22/</sup>
- Technical consultants for public construction works;
- Steel and mining;
- Insurance.

Banking and insurance

The Bank of Mozambique is the central bank; it is the money-issuing and commercial bank as well as the State's treasurer.

In January 1978, the Government nationalized all but one of the remaining seven private commercial banks, including the Credit Institute of Mozambique which was the industrial bank. This bank operates under the control of the People's Bank for Development, which was newly established in January 1978. Insurance has also been nationalized.

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<sup>21/</sup> There is one public corporation in each province.

<sup>22/</sup> The Office of Standardization for Electric and Electronic Machinery controls the industrial standards for electric and electronic machinery, upon consultation with the ECC.

Trade

Trade in essential goods, such as import of textiles, construction materials, pharmaceuticals, paper, footwear, foodstuffs, etc., and export of tea, cashew nuts, etc., is directly controlled by the Government. Most other goods are traded through the National Directorate of Exterior Commercial Services (ENACOMA).

ADENA is a State-owned institution which handles customs brokerage. There are no private customs brokers.

Marketing and distribution are controlled by the central Government; only about 20 per cent of the wholesale and retail stores are privately owned. As of May 1980, the Ministry of Internal Trade has been receiving a large number of private sector proposals for the acquisition of commercial enterprises which (temporarily) are under the administration of the public sector due to managerial shortcomings.

Chapter IX

INDUSTRIAL CO-OPERATION

Principles

Mozambique is open to the development of economic and commercial relations with all countries independent of their social systems.<sup>23/</sup>

Bilateral co-operation

Bilateral co-operation with neighbouring countries receives priority as Mozambique lies in a strategic geographic location in relation to the prospectively vast market constituted by Southern, Eastern and Central Africa. Bilateral joint commissions with Tanzania, Zambia and Angola have been established. These commissions may be strengthened, expanded and broadened to a multilateral dimension.

Co-operation with the Republic of South Africa has been maintained since Mozambique's independence mainly in the power supply from the Cabora Bassa Electric Plant and in the port services at Maputo. Mozambique also has agreements with the USSR and with the People's Republic of Cuba. In addition, there is an agreement between Mozambique and Portugal in the fields of aviation and construction of the Cabora Bassa Electric Plant, and with Cape Verde in the fields of marine transportation, postal services and telecommunications.

Multilateral co-operation

Mozambique is a beneficiary of the General Scheme of Preferences<sup>24/</sup> provided by the EEC, the United States, Canada and Japan and other OECD countries.

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<sup>23/</sup> Taken from a recent statement of the President of the Frelimo and the President of the People's Republic of Mozambique.

<sup>24/</sup> Tariff preference for developing countries.

### Foreign aid

Sweden and Norway have been the principal sources of aid up to the present, having provided approximately US \$50,000 worth of aid during the year 1979. The United Kingdom has also been a relatively steady donor, having supplied a total of approximately US \$12,000,000 worth of aid (£3,300,000 in loans and £2,500,000 in grants) during 1979.

Trade with Brazil has developed rapidly since 1978 as a result of credit granted by the Bank of Brazil in early 1978 :amounted to US \$100 million. A delegation from Mozambique visited Brasilia, Rio de Janeiro and Salvador da Bahia in July 1979.

Significant levels of technical aid have been provided by the People's Republic of Bulgaria in the field of agriculture and by the Socialist Republic of Romania in the field of oil refining.

### Financial aid

#### Loans and credit

As of March 1978, the Government's foreign debt obligations amounted to US \$110,500,000.<sup>25/</sup> Foreign aid<sup>26/</sup> sources have been UNDP, FAO, OPEC, the OAU/ Arab Loan Fund for African Development, the Credit Fund for Africa and Arab Countries, the African Development Bank, the Nordics,<sup>27/</sup> the British Commonwealth, Brazil, the United Kingdom, The Netherlands, Portugal, the USSR, Zambia Ghana, Egypt, Ethiopia, Libya, Liberia, Nigeria, Guinea, Tanzania, the United States, Czechoslovakia, Bulgaria, Romania, the German Democratic Republic, Hungary, Cuba, China, the People's Republic of Korea, India, Pakistan. A credit agreement with France was announced in May 1980.

<sup>25/</sup> See The Economist Intelligence Unit, Ltd. The figure does not include foreign debt obligations of parastatals and other enterprises.

<sup>26/</sup> In the form of technical assistance, investment, credit and loans.

<sup>27/</sup> Sweden, Norway, Denmark, Finland and Iceland in collective action.

### Investment

The financial resources for the national investment programme are maintained separately from the Government's regular budget.

The National Investment Programme for the period 1976/1977 set an ambitious investment target of US \$261 million. Of this total investment, transportation was supposed to have received the largest portion, namely US \$30.7 million, followed by agriculture with US \$18.9 million, social infrastructure with US \$9.6 million, irrigation with US \$9.0 million, etc. However, in 1976 no investment project was actually implemented, with most projects scheduled for implementation in 1977, 1978 or even later.

The decree to implement the 1976/1977 National Investment Programme (Decree 4/77) was not issued until January 1977; however, the Government may have been able to finance only 30 per cent, or US \$80.6 million out of the total requirement of US \$261 million, through its special investment budget and by borrowing from the Bank of Mozambique. Government plans to procure the remaining 70 per cent of the targeted budget from foreign funds will fall short of that goal. The low level of planned foreign participation is more obvious in basic economic and social needs such as transportation (32 per cent), education (32 per cent), public health (32 per cent), and social infrastructure (22 per cent).

Foreign participation in the 1976/1977 National Investment Programme is shown in Table 35. Actual foreign commitments to the 1976/1977 National Investment Programme up to the 1978 are shown by project in Table 36.

The United Nations and the European Economic Community have recently been assisting in negotiations between the land-locked countries of Zambia and Malawi, and Mozambique to open a transnational railroad to reach the sea port of Macala, and a transnational road-rail link from Zambia to the sea port of Beira.

The various forms of foreign aid to Mozambique up to February 1977 are summarized in Table 37.

Table 35. Planned foreign participation in the 1976/1977  
National Investment Programme

Sector	Amount invested (million US \$)	Foreign participation (percentage)	Source of finance (percentage)	
Agriculture	49.8	68	FAO/Nordicos	45
			Sweden	10
			The Netherlands	7
			Norway	1
			UNDP	5
			Domestic <sup>a/</sup>	32
			Total	100
Regional development (multi-purpose dam)	23.6	56	The Netherlands	3
			Sweden	2
			CAU/Arab Loan Fund for African Development	51
			Domestic	44
			Total	100
Fishery	6.0	40	The Netherlands	33
			UNDP	7
			Domestic	60
			Total	100
Mining	3.9	91	USSR	42
			Sweden	49
			Domestic	9
			Total	100
Drinking water	2.6	37	The Netherlands	33
			UNDP	4
			Domestic	63
			Total	100
Energy	7.8	37	United Kingdom	37
			Domestic	63
			Total	100
Transportation <sup>b/</sup>	81.1	32	The Netherlands	12
			Sweden	11
			Zambia	7
			Norway	2
			Domestic	68
			Total	100
Education	16.0	32	The Netherlands	18
			Norway	3
			Sweden	6
			Denmark	5
			Domestic	68
			Total	100
Public health	8.8	32	The Netherlands	12
			Sweden	10
			Denmark	4
			Norway	6
			Domestic	68
			Total	100
Social infrastructure	25.1	13	The Netherlands	13
			Domestic	37
			Total	100
Other programmes	36.7	22	Sweden	19
			Denmark	2
			Finland	1
			Domestic	78
			Total	100
<b>Total</b>	<b>261.5</b>			

Source: Bank of Mozambique, Indicador Económico de Moçambique.

a/ This includes money that the host Government borrowed from foreign sources.

b/ Including feasibility study fees for modernization and expansion of the port of Beira.

Table 36. Foreign commitments to the 1976/1977 National Investment Programme up to 1978

Project	Financial source
Dam on the Limpopo River	African Development Bank
Bridge over the Zambézi River	OPEC <sup>a/</sup>
Feasibility study for the Mabai Dam	Arab Loan Fund for African Development
Eighth land-fill dam in the Monte Feuz Region	FAO Investment Centre
Agricultural technical assistance	Nordicos <sup>b/</sup>
Restoration of banana plantation along the Incomati River	FAO Investment Centre
300 warehouses in a village community	Nordicos
Reforestation in the Sofala Prefecture	UNDP
130 kilometres of road between the central and northeastern regions of the country	Nordicos
Fishing port of Beira	British Commonwealth

a/ Loan in the amount of US \$6,550,000.

b/ Loan in the amount of Swedish krone 265,000,000, controlled by the Swedish Government and shared among the donor countries as follows:

Sweden	44.61 per cent
Norway	15.99 per cent
Denmark	23.40 per cent
Finland	15.24 per cent
Iceland	0.76 per cent
Total	100.00 per cent



Table 37. Foreign aid up to February 1977

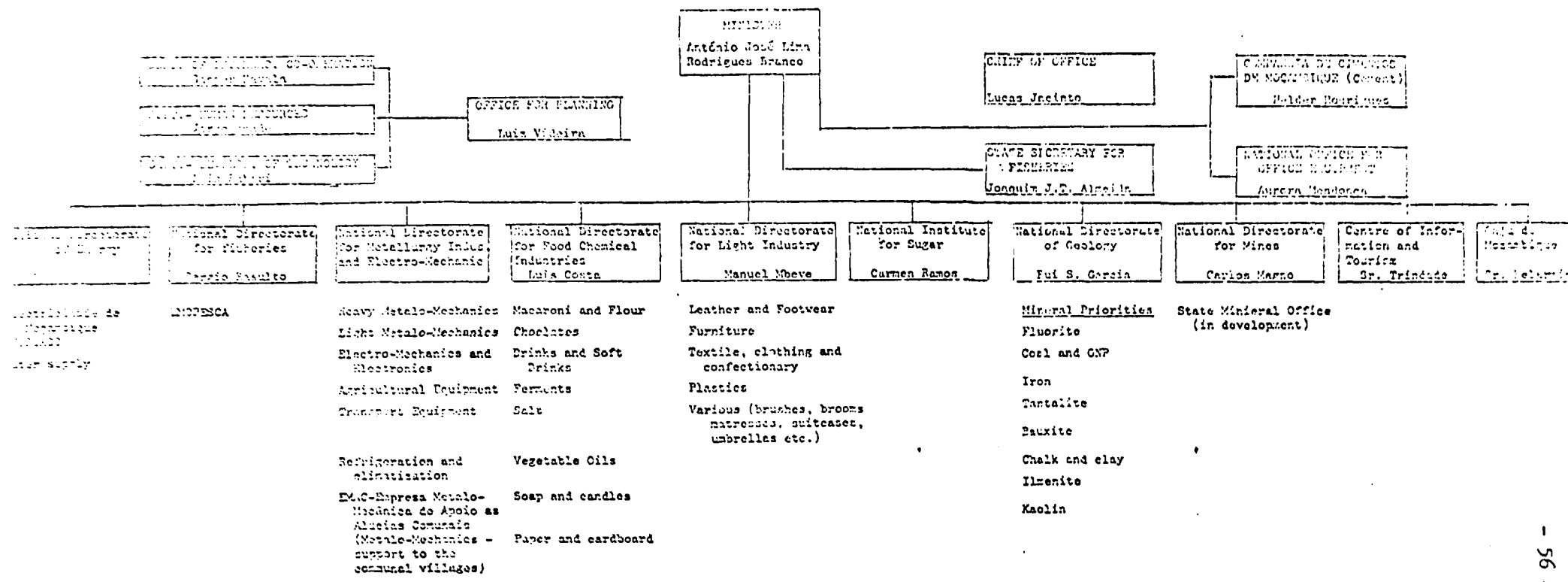
Type of aid	Country or institute	Commodity	Amount (in US dollars)
Financial aid	Egypt		100,000
	Ethiopia		48,309
	Libya		1,000,000
	Liberia		50,000
	Nigeria		1,600,000
	Sweden		3,500,000
	United States		10,000,000
	Subtotal		16,298,309
United Nations Special Accounts	Ghana		20,000
	Sierra Leone		27,000
	Syria		50,000
	Finland		26,000
	Norway		1,344,860
	Subtotal		1,467,860
Commodity aid	Canada	Wheat	2,666,000
	Denmark	Wheat	2,500,000
	Lesotho	Beans	17,460
	Swaziland	Maize	10,000
	Sweden	Wheat, preserved fish	6,000,000
	Zambia	Maize	1,666,670
	Norway	Sundries	1,500,000
	United States	Wheat	4,883,200
	Australia	Meat, wheat	1,240,000
	German Democratic Republic	Pharmaceuticals, medical equipment	330,000
	Iraq	Petroleum	1,000,000
	Kenya	Maize	325,000
	New Zealand	Dairy products	215,000
	Pakistan	Rice	110,000
	EEC	Wheat, dairy products, vegetable cooking oil	1,500,000
	Yugoslavia	Sundries	500,000
	India	Textiles	110,000
	Finland	Agricultural machinery	275,000
	Belgium	Wheat	750,000
	Japan	Rice	1,100,000
Trinidad and Tobago	Clothes	35,000	
	Subtotal		26,733,330
Technical aid	United Kingdom		170,000
	British Common- wealth Fund		1,556,000
	Ghana		50,000
	Subtotal		1,776,000
Long-term credit	Arab Loan Fund for African Development		26,000,000
	United Kingdom		25,500,000
	The Netherlands		4,000,000
	Subtotal		55,500,000
	Grand total		102,075,399

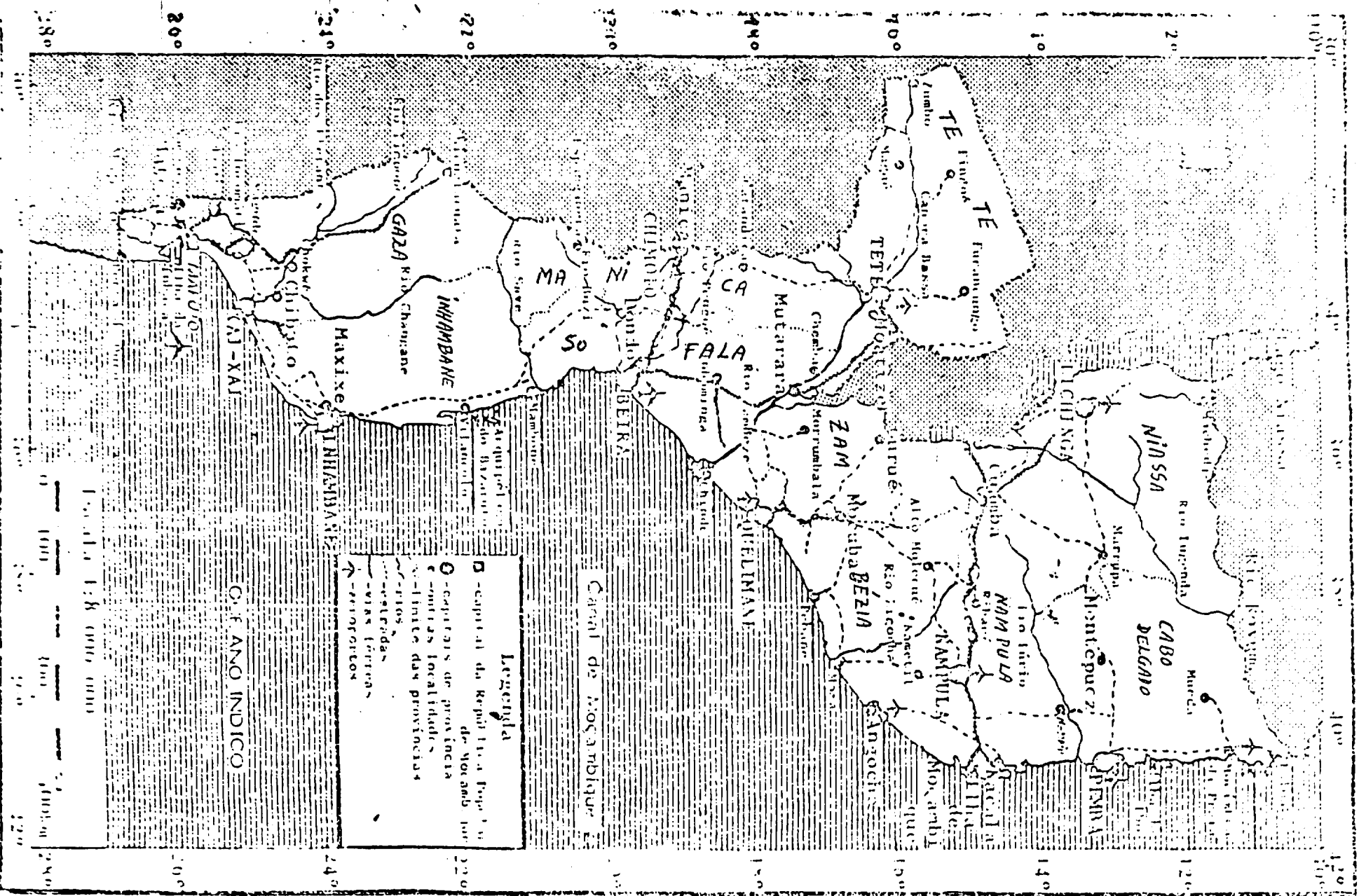
Source: Bank of Mozambique, Indicador Económico de Moçambique.

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REPUBLIC OF MOZAMBIQUE - MINISTRY OF INDUSTRY AND ENERGY





Carta de Moçambique

**Legenda**

- - capital da República Portuguesa
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