



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

RESTRICTED

20153

DP/ID/SER.B/713
15 April 1993
ORIGINAL: ENGLISH

60 p.
-2004

INDUSTRIAL POLICY AND INSTITUTIONAL ADJUSTMENTS
IN MOZAMBIQUE
DP/MOZ/86/014

Terminal report*

Prepared for the Government of Mozambique
by the United Nations Industrial Development Organization,
acting as executing agency for the United Nations Development Programme

Based on the work of Paulo R. Hamester,
Chief Technical Advisor

Backstopping Officer: P. R. Scholtès
Industrial Strategies and Policies Branch

United Nations Industrial Development Organization
Vienna

* The views expressed in this document are those of the author and do not necessarily reflect the views of the Secretariat of UNIDO.

This document has not been edited.

V.93-84347

PREFACE

This document, entitled "Industrial Policy and Institutional Adjustment - Terminal Report", has been prepared by the project managers, consisting of National Project Director Ms. Mariamo Carimo of the Ministry of Industry and Energy, Government of Mozambique and Chief Technical Advisor Paulo R. Hamester on behalf of the United Nations Industrial Development Organization.

It must be acknowledged that the preparation of this document has greatly benefitted from the permanent support and supervision of Mr. Italo D.C. Fraquelli, former CTA of this project until 31 December 1991 and currently UNIDO Country Director in Mozambique.

INDUSTRIAL POLICY AND INSTITUTIONAL ADJUSTMENTS

PROJECT DP/MOZ/86/014

Terminal Report

TABLE OF CONTENTS

PREFACE

I.	Development problem	4
II.	Outputs produced and problems encountered	7
	1. Preparation and implementation of industrial policy	8
	2. Draft industrial development programme at medium/long-term	11
	3. Preparation and implementation of institutional adjustments.	13
III.	Achievements against immediate objectives	17
	1. Industrial policy	17
	1.1 The country's broad objectives in terms of industrialization	17
	1.2 Priorities	18
	1.3 An integrated set of measures	22
	2. Sub-sectoral studies	26
	3. Institutional adjustments	37
IV.	Findings and lessons learned	42
V.	Recommendations	45

ANNEXES

Annex A - Project revisions "A" to "L"	48
Annex B - Reports produced by the project's experts and consultants	49
Annex C - Reports produced by the Consulting Firms (Austral and Macol)	53
Annex D - Equipment List	56
Annex E - List of components of the Industrial Development Programme of the Republic of Mozambique	57

CHAPTER I

DEVELOPMENT PROBLEM

The independent state of Mozambique adopted at its inception on 25 June 1975 a centrally planned form of economy. The previous, colonial economy suffered from the abrupt transition because of a number of factors, both internal and exogenous, with the final result of a GNP decreasing in 1986 to a third of its 1973 value, although a number of improvements in the social sector deserve to be acknowledged. The economy has been managed since then by yearly economic plans with rigid allocation of resources.

According to the original Project Document, industrial activity in Mozambique during the late eighties had fallen to its lowest output level after a recovery from 1977 on, abruptly stopped in 1981. During that year a systematic economic decline process started, of which the main causes -internal and external - refer to depletion of foreign exchange reserves, general insecurity and attacks from armed bandits, natural disasters which led to destruction of crops, particularly cashew nuts for export, the exhaustion of the cattle strength and the steady decay of the economic infrastructure.

Within such a framework, the industrial park of Mozambique saw its capacity utilization decline to less than 25%, due to lack of raw materials, spare parts, capital equipment renewal and upkeep. The industrial sector which contributed 22.3% to GDP, saw its participation diminish to 12.8% in 1985.

The industrial sector was thoroughly described and analyzed in the UNIDO study produced in October 1987 under project DP/MOZ/85/014.

The first sustained effort to produce a restructuring of the economy was initiated in 1981 with the formulation of the 1981-1990 development plan. The goals pointed out in it showed high growth rate of GNP -- 17% annually --, and high increases in agricultural and industrial production. The plan did not reach its targets and shortly after its launching, its execution was hindered by serious deficit problems.

The huge fiscal deficits accumulated during the first five years of 1980 required radical adjustment measures to reorient the role of public finance: the issues have been mainly addressed through fiscal reform on the one hand and a more rigorous control of public expenditures on the other.

Followed a series of economic and financial measures to cope with the rapidly deteriorating situation. First, an Economic Action Plan (EAP) for 1984-1986 was drawn up in an attempt to stimulate private sector activities and to lift control of some prices.

In January 1987, a Programme of Economic Rehabilitation (PRE 1987-1990) was adopted, to which goals this project was expected to contribute. The PRE established a global economic policy comprising a series of measures (such as restraint in budget deficits, emission of money and award of credits; improvement of tax base and collection; prices reflecting actual costs; more freedom in setting wages; institutional reform) aimed at:

- . increasing the farm output with special priority to the family farming sector in order to satisfy basic demand, to promote agricultural exports and to assure supplies to the agro-industries;
- . rehabilitating the economic infrastructure (roads, rails and plants) with priority to the trade network, in order to restore productive activities;
- . mobilizing external resources channelled to the priority sectors.

The process of industrial recovery would have to start in the urban centres (where most industries are found), subsequently spreading to the rural areas. The industrial rehabilitation plan for 1987-1990, an integral part of PRE, aimed to return the manufacturing industry to its 1980 level of capacity utilization. This would require an annual rate of increase in industrial production of 13% and foreign exchange resources for the purchase of raw materials, spare parts and machinery, estimated by the Government at some US\$ 180 million per year, in average.

In order to facilitate the implementation of PRE, the Government took in early 1987 a number of measures with respect to wages (which were more than doubled), exchange rates (the metical was devalued), prices (the number of controlled prices was reduced, while the number of regulated prices was increased and guidelines were issued for price approval purposes), taxes (a tax reform was introduced which mainly affects consumers but also treats public and private sector enterprises alike for taxation purposes), tax incentives (for local and foreign investors), interest rates (interest rates on loans and deposits were increased to reflect, but not yet to fully compensate for, inflation) and special attention was paid to the private sector, that was to be strongly supported and encouraged - a policy in force since the IV Frelimo Congress (April 1983).

This recovery programme and the measures now put forward by the Government actually fall into three categories: i) macro-economic; ii) institutional and industrial policy changes; iii) a rehabilitation programme with a strong external funding component and supported by technical assistance.

The specific goals of PRE have not been reached yet, and it was deemed necessary to introduce some adjustments to urgently cater to the social needs seriously affected by the civil war. As a result of that reorientation, PRE was reformulated as the Economic and Social Rehabilitation Programme (PRES).

Within this context the first Triennial Investment Plan (PTIP) and the Triennial Financial Plan (PFT) were elaborated, initially for 1990-1992 but also as rolling plans. In mid-1991 the second PTIP and the PFT for the period 1991-1993 were formulated. Both plans constitute for the Government the main instrument of economic management.

This project was part and parcel of a series of pipeline projects geared to rehabilitating the industrial fabric and creating a national capacity to manage the industrial development process. Furthermore, a number of bilateral industrial programmes were initiated at the same time.

Despite the changes triggered in 1987 within the Programme of Economic Rehabilitation (PRE), the policy framework of the industry is still rigid and often inadequate. The lack of a detailed assessment of the most efficient industrial sub-sectors causes delays and bottlenecks in the implementation of rehabilitation and promotional programmes.

In this context, the situation can be characterized by the following statements:

- . the PRE initiated in January 1987 paves the way to an increasingly market-oriented economy, to which the industrial sector is ill-prepared due to its obsolete policy set-up;
- . only a preliminary knowledge exists of the most efficient industrial sub-sectors and related sets of enterprises to be rehabilitated, as well as of the medium and long-term goals for industry;
- . there still is a strong dependence on external policy advise;
- . no more than a preliminary analysis is presently available regarding an adequate institutional set-up for the industrial sector.

The above-mentioned constraints were clearly stated in the industrial sector survey carried out by UNIDO through project DP/MOZ/85/014. The Government contributed to the elaboration of the survey, and fully shares its conclusions.

CHAPTER II

OUTPUTS PRODUCED AND PROBLEMS ENCOUNTERED

The project was designed to identify and implement priority measures, to draft an industrial development programme at medium/long term (10/15 years) and to prepare and implement a number of institutional adjustments related to industrial development.

Upon the successful completion of the project, the following situation was expected to materialize:

- . a full-fledged national development programme will be made available, encompassing industrial policy measures and instruments for rehabilitation and promotion of efficient enterprises;
- . the most efficient industrial sub-sectors and segments thereof will be identified, allowing for a better allocation of financial and manpower resources;
- . medium- and long-term industrial development priorities and promotional programmes will be drawn up;
- . national capabilities will be created to plan, execute and monitor industrialization and rehabilitation programmes with much less external input than at present;
- . and finally, recommendations will be formulated towards a more efficient institutional framework for the industry.

The development objective of the project is to increase industrial capacity utilization and to delineate policies allowing for an efficient allocation of resources - financial and human - to the most deserving industrial sub-sectors.

The scope of the project can be sketched as follows, in terms of its immediate objectives, outputs and activities:

Immediate objectives	Outputs	Associated activities
1. Preparation and implementation of industrial policy	3	9
2. Draft industrial development programme at medium/long term (10/15 years)	3	8
3. Preparation and implementation of institutional adjustments	2	3
TOTAL	8	20

Eight outputs were included in the original project document:

- 1.1 - Industrial policy measures;
- 1.2 - Organization and reinforcement of the industrial information system at the Ministry of Industry and Energy;
- 1.3 - Guide for the investor in the Mozambican industry;
- 2.1 - Strategic analysis of priority industrial sub-sectors;
- 2.2 - Study of intra and inter-industrial relations;
- 2.3 - Draft of a strategic programme of industrial development at medium/long term;
- 3.1 - Reformulation of the role of the Government in direct support to industrial enterprises;
- 3.2 - Study of the institutions and related resources necessary for industrial support and extension services.

As of 31 December 92, the achievements under the three immediate objectives stated in the project document are the following:

1. PREPARATION AND IMPLEMENTATION OF INDUSTRIAL POLICY.

Output 1.1 - Industrial policy measures.

With reference to output 1.1, as recommended by the note included in the project document under this output, the Business Environment Study -BES, as well as other on-going World Bank activities related to the industrial development of the country (Pre-appraisal and Appraisal Missions on the Industrial Enterprise Development Project - IERP, and the Small and Medium-Scale Enterprise Development Project - SMEDP) were duly taken into account in our project. Also integrated into our work were the recommendations found in the Economic Policy Framework 1990-92, prepared by the Mozambican authorities in collaboration with the International Monetary Fund and the World Bank, as well as the final report of the UNIDO-executed project DP/MOZ/85/014 - Industrial Survey.

Priority sub-sectors were then selected, and the study proceeded with clearly delineating the type of strategic data to be collected for each specific sub-sectoral study on main plants, markets and other appropriate information.

During the very first year (June 1989 -May 1990) of its execution, the project management strived to establish strong

linkages with the highest authorities of the policy-making as well as of the business community. These channels of communications were steadily utilized throughout the project lifetime, and will presumably remain a legacy of the project. The project managers were proven right indeed when they argued from the start that preparing and implementing industrial policy measures calls for not only technical skills and technical suggestions and recommendations, but is also (and mainly) very much contingent upon political decisions. Thus the general guideline was adopted of strengthening linkages with all relevant decision-makers and, primarily, supporting the Ministry of Industry and Energy in all decisions related to the implementation of any specific measure.

Assets towards future policy formulation and implementation are (i) the work carried out by the project experts and consultants, (ii) the direct support given to MIE as mentioned before, and (iii) the linkages established with other branches of industry supervised by several Ministries and Secretaries of State. Furthermore (iv), the project staff has channelled the planning exercise this project represented into concrete actions, in order to simultaneously perform the functions foreseen for the future "Industrial Policy/Planning Cabinet" (successor of this Project) at the MIE, and to provide on-the-job training to the counterparts who would be called in due time to staff that Cabinet.

Most of the policy recommendations formulated under this output were prompted by the consultants responsible for the elaboration of the sub-sectoral studies. At the same time, it must be pointed out that the absence of a permanent Industrial Economist (initially foreseen under post 11.02) resulted in limiting the capacity of the project staff to systematically assist the Government in this specific endeavour, which is regarded as the basis of a permanent function to be fulfilled by the future Planning Cabinet at MIE.

As for the study and expected proposal of ways and means for property regularization, including privatization of a number of companies ("interventioned" and state owned), the project managers participated in the Enterprise Restructuring Committee of the MIE, from its creation in July 1989, until late 1990 when it was discontinued by the previous Minister of Industry and Energy in view of the central role played from then on by the Ministry of Finance (mainly through its Enterprise Restructuring Technical Unit - UTRE). In early 1991 the project was requested to assist the new Minister H.E.M. Octavio Mutemba, under the umbrella of this activity, in setting up the Industrial Enterprises Restructuring Cabinet - GREI, to be located within the MIE with resources from the World Bank's "PREI - Industrial Enterprises Rehabilitation Project". The terms-of-reference of the GREI were prepared by two national consultants, with the assistance of the project managers. The project had also the opportunity to contract in April 1991 a local lawyer to temporarily assist in tasks to be later on performed by GREI and to prepare a textual data base designed by the project to contain

all the country's business legal framework (based on UNESCO's ISIS package).

The study and preparation of different legal documents aiming at the implementation of industrial policy measures (privatization, joint-ventures, etc.), was initiated with the technical support of the two Mozambican legal advisers during the first year of the project. This activity started with some preliminary studies needed to feed a textual data base and to adapt ISIS to the actual needs of the project. The original purpose was to store on a computer database the legal framework applicable to whatever corporate activity in Mozambique, while the creative work of developing, adapting, discussing and proposing new legal texts would be introduced in due course.

The textual data base is already built. It contains a sizable amount of references to various pieces of legislation, although its proper maintenance requires a periodical updating by experienced lawyers. In this respect, it is felt that the project would have benefitted from the external support of senior lawyers, be they national counterparts or international consultants. Unfortunately, they were not foreseen in the project document.

Output 1.2 - Organization and Reinforcement of the Industrial Information System at MIE.

The information system was built on three data bases: DIRECTORY, STATISTICS AND LEGIS, and the preparation of the necessary software for its later upgrading was carried out.

- DIRECTORY, a directory of industrial enterprises and industrial plants, is created under "Professional File" and contains data covering approximately 1,800 enterprises and plants;
- STATISTICS, a relational data base of industrial statistics, is built using "Paradox" and contains official data for industrial and agricultural production;
- LEGIS, a textual data base of relevant legislation, is based on "CDS/ISIS" and contains indexed records for about 900 summaries of legal texts.

The project furthermore submitted a proposal of an "Industrial Information System" for the Ministry of Industry and Energy, taking into account the reorganization of the Ministry. The possibility of drawing a list with characterization of national industrial products to allow for a documented intervention from the MIE to the customs authorities on tariff relief for raw materials and intermediate goods was seriously hampered by the limited human resources available and consequently, the lack of access to needed information.

Output 1.3 - Guide for the Investor in the Mozambican Industry.

The project collaborated with GPIE (Foreign Investment Promotion Cabinet) in preparing a revised and comprehensive second edition of the Guide for Investors in Mozambique, with special emphasis of course to the revision and clarification of the chapters devoted to the industry.

2. DRAFT INDUSTRIAL DEVELOPMENT PROGRAMME AT MEDIUM/LONG TERM

Output 2.1 - Strategic analysis of priority industrial sub-sectors.

For the preparation of a set of ten sub-sectoral studies, the project had prepared terms-of-reference which were approved by the Government, the UNDP, the World Bank/IDA and UNIDO. Four of those studies were financed through a Government cost-sharing (with resources obtained via an IDA loan), namely Edible Oils and Soaps, Textile and Clothing, Packaging and Metal-working. Each study includes two parts: first a diagnosis and second a development strategy. The first part was carried out exclusively by national consulting firms, while in the second they received the assistance of internationally recruited consultants. Six of these studies are now completed, namely:

- Food Processing and Agro-industries;
- Chemicals;
- Edible Oils and Soaps;
- Metallurgicals;
- Textile and Clothing; and
- Packaging.

The study on the Metal-working sub-sector, recently started (October 1992), is slated for completion by May 1993.

The last three studies (Building Materials, Forest Industries and Leather and Shoes) are to be started as soon as the Government succeeds in obtaining from a third party the necessary resources.

Some technical problems were encountered by the project managers in the course of the work, due mainly to the weakness of the draft final reports prepared by the local consulting firms. Although the data collection phase had been properly conducted, the local consultants showed later on some difficulty to process and analyze these data, and to prepare final draft reports according to the guidelines provided by the project.

This resulted in significant delays in the delivery schedule of this particular output, since the reports often had to undergo a substantial redrafting to ensure acceptable and sustained standards of quality.

Another reason for delaying this output lied in the lengthy negotiations around the Government cost-sharing, and involving

the World Bank, the Mozambican Government, UNDP and UNIDO. Started early July 1989, they ended locally with the submission to UNDP New-York of revision "E" in mid-February 1990. This revision after approval by UNDP/HQ was finally signed on 04 May 1990, including the cost-sharing agreement. Clearance of the bidding process, allowing for the concerned four studies to start, was only given by the World Bank in August 1991 (while approval for the Government to transfer the US\$ 300,000 cost-sharing to UNDP was given much later, with actual deposit done in February 1992).

Output 2.2 - Study of intra and inter-industrial relations.

Tied as it is to Output 2.1, the analysis of the most promising value chains ("filières de production") or industrial sub-systems could only proceed from the sub-sectoral studies, after the first six final reports were made available to the project staff. However preliminary discussions on the scope and methodology of the analysis were held since the early stages of the project, and the efforts focussed on a synthesis and on the consistency with the results obtained from Output 2.1. An input-output table had been considered unfeasible. The industrial specialization poles strategy was studied in-depth, and will be discussed herebelow as part of Output 3.2.

Output 2.3 - Draft of a strategic programme of industrial development at medium/long term.

This Output depended on the completion of the two previous outputs 2.1 and 2.2. Yet without waiting for the formal conclusion of these preliminary outputs, a first version of a Long Term Industrial Development Programme was prepared. That Programme however could only partly meet the expectations of the project document, since the project had received the draft final reports for only six of the ten sub-sectoral studies foreseen in Output 2.1. This first version of the Programme incorporated nevertheless most of the ideas developed in the six studies then available, as well as most of the work done within the framework of Immediate Objective 1, and all the conclusions formulated under Immediate Objective 3. It included furthermore all the ideas, suggestions and recommendations developed in the framework of the project pointing to a coherent set of policies, strategies, and institutions deemed essential for the country to see a long-term, self-sufficient industrial development process.

The first version of the Long Term Industrial Development Programme was presented to, and discussed with, the Government, the private sector and banks in July 1992 in an seminar coordinated by H.E. the Minister of Industry and Energy. In that event participated more than 130 persons. A similar presentation took place with representatives of the donor community in early August 1992, under the same chairmanship of H.E. the Minister of Industry and Energy. All the participants in both events received a copy of the set of slides (transparencies) used in

those presentations. Before these two presentations a private one was held at the attention of H.E. the Prime Minister, who requested H.E. the Minister of Industry and Energy and the project Managers to enlarge the number of participants in the discussions of all the new ideas brought by the Project. He stressed the need for involving in that process the Government, the private sector, the banking system and the donor community.

III. PREPARATION AND IMPLEMENTATION OF INSTITUTIONAL ADJUSTMENTS

Output 3.1 - Reformulation of the role of the Government in direct support to industrial enterprises.

In addition to the work done by two national lawyers in the first year of the project, particularly within the framework of Output 1.1, two UNIDO consultants produced detailed documents containing propositions on State-owned enterprises, their structures and management system, identification of their management problems and mapping their development needs. It has also been suggested a strategy for, and recommended an adequate management model to be adopted by, the State-owned enterprises of the Mozambican industrial sector.

It has been suggested the creation by the Government of the SPE's - Sociedades de Participações Empresariais do Estado, whose functions include: (a) in the long run, to hold, manage, plan and control the State financial participation in industrial enterprises; and, (b) in the short/medium term, to manage the industrial enterprises that are to be privatized, until the privatization process is fully completed.

Another proposal, within the framework of a market economy system, suggests that MIE should play a new role in what it refers to the industrial sector, with new functions and a new structure.

Output 3.2 - Study of the institutions and related resources necessary for industrial support and extension services.

Repair and Maintenance - The project has assisted a group of maintenance engineers from several industrial enterprises who built recently an Association of Repair and Maintenance Engineers. The person who led this process is Eng. Arlindo Moiane, one of the Mozambican counterparts of the project. At the request of the project managers, UNIDO HQs forwarded some studies and reports edited by UNIDO on this subject, as well as the bibliography of documents on that topic, available at the UNIDO library at Headquarters, in Vienna. The project has been aware of the intention to have established in Maputo a Mozambican-Swedish joint-venture for the purpose of assisting industrial enterprises in their Repair and Maintenance needs. In addition to those two initiatives, the project had foreseen

to bring an international consultant to assist in assessing the real needs of the industrial sector for repair and maintenance, as well as to devise a strategy for the development of this specialty. After several negotiations with the UNDP, it was decided due to financial constraints to cancel this mission, and to include the corresponding tasks in the Job Description of the international consultant to be fielded for the Metal Working sub-sectoral study.

Management Development - The project conceived an "Industrial Management Development Programme", to be implemented and managed jointly by the private sector, the Government and the University. This Programme envisages to train 6,400 managers along the next 10 years. The training opportunities to be offered range from short courses to graduate studies in the various areas of management.

Quality control - In this area the project assisted in the conception of the national Bureau of Standards, "Instituto Nacional de Metrologia, Normalização, Gerência e Certificação da Qualidade - INNOQ" and in building the strategy for its implementation along the first five years. A draft Decree was prepared and discussed with MIE, who approved it and sent it to the Council of Ministers for its formal endorsement. Upon its creation, INNOQ will need from the donor community an amount of approximately US\$ 6,100,000 to meet its initial investment and operating costs over a five-year period.

Local Consultancy - The project managers understood that the best way to assist the building of local consulting capacities should be through strengthening the few existing national consulting firms. As a first step, it was decided to involve local consulting firms in the preparation of diagnoses for the sub-sectoral studies. The assumption was that by allowing some local consulting firms to grow, the conditions would become more favourable to retain in the country the best trained human resources.

In addition to the four areas explicitly mentioned in the original project Document, which were understood as examples of the needed institutions, Revision "I" came to include the following issues for the project to deal with:

Industrial property - The project assisted in the discussions leading to the establishment of the future "Instituto Nacional de Propriedade Industrial", jointly with staff members from the World Intellectual Property Organization. The project provided full local support and assisted in the organization in 1991 of a seminar on Industrial Property with the participation of two WIPO staff members. WIPO sent to the Government a copy of a standard national law on Industrial Property and a document for a national body to be built. The project then allocated appropriate resources from its budget, at Government's request, to field a consultant to assist the Government in revising and adapting those two WIPO proposals to the Mozambican environment. Unfortunately, due to UNDP financial constraints along 1992, that

specific budget line was later deleted. UNDP suggested however, as a replacement, to request a TSS1 mission in 1994 to consider the subject, but this TSS1 proposal had not been approved until the date of this terminal report.

Financial support - It was initially intended to field in a consultant whose Job Description aims at suggesting the Government ideas on the strategy to establish a strong financial institution (a development bank?) to back a long-term and self-sufficient industrial development process. Such an institution should possibly include as well a venture capital component. The consultant would also help design a single and strong financial institution geared to the development of micro- and small-scale enterprises. Yet due again to financial constraints, this post was canceled in budget revision 'M' worked out in December 1992. The project however has already raised, in several seminars with the private sector and the Government, the issue of either building one or two completely new financial institutions or to adapt/transform/divide the "BPD - Development Popular Bank" to better perform those functions, in addition to its traditional "savings bank" function.

Industrial Specialization Poles - The project prepared an Industrial Location policy. The policy features an "Industrial Spatial De-concentration Programme", including the first ideas for implementing the future Export Processing Zones, in the Ports of Maputo, Beira and Nacala. It introduces furthermore the new concept of transforming the "transport corridors" of Limpopo (in the South), Beira (in the Centre) and Nacala (in the North) into "development corridors". It suggest finally the opportunity of using "pole-projects" (agro-industrial and mining-industrial complexes) to de-concentrate industry and to assist in the longitudinal North-South national integration.

Industrial Pollution Control - The project had aimed to field a consultant that should assist the Government, jointly with UNEP, in building the basic national legislation to ensure that the long-term industrial development process, to be started as soon as peace was achieved in the country, would pay due attention to the risk of environment deterioration raised by growing industrial activity. Resources were duly allocated in the budget for that purpose, but unfortunately, due to UNDP financial constraints along 1992, this item was cut. UNDP suggested instead to have a TSS1 mission in 1994 to consider the subject, which mission had not been approved by UNDP Hqs by the time of preparing this terminal report.

Deregulation and Privatization - The project had resources to field a consultant for two months, to assist the Government in these two areas. Given the fact that the project had already assisted the Government in building GREI (with the main function of coping with Privatization issues within MIE), it was decided along 1992, to cut one man/month and to still field a consultant for one month to assist in the area of Deregulation only. Yet due to the financial constraints UNDP faced in 1992, this mission also was suppressed. In view however of the importance of

building an enabling environment for a market economy to actually take place and for investments to flow into the country, and given the importance the Government attaches to this particular mission, commensurate funds were included in the US\$ 163,064 the Government is now trying to secure from a third party.

Assistance to AIMO - Mozambique Industrial Association - This component had not been originally included as part of this Output in the project document. It was introduced through a revision done in mid-1990, after a UNDP proposal to the project managers to include in the project activities, given the importance of strengthening the private sector in order to build an enabling environment for the market economy. AIMO was created in November 1989, and required (and actually still needs) some assistance to formulate its long-term strategy. The project managers always thought that for the consultant to be fielded for this specific component, it was important to have previously defined all the guidelines of the future Programme of Industrial Development. This mission was also cut, however, due to the financial constraints UNDP was facing in 1992. Considering the Government interest in having this component accomplished, it has also been included in the US\$ 163,064 package the Government has submitted for third-party financing.

Training of MIE's Human Resources - In addition to the on-the-job training tailored to the foreseen responsibilities and activities of the forthcoming Planning and Development Cabinet of the Ministry of Industry within a market economy environment, the project financed the overseas training of four lawyers from different branches of the Government in the area of Privatization and related topics. The project also supported the participation of the National Project Director in a training course on Project Elaboration, Evaluation, Financing and Management, offered by UNIDO at Turin (Italy).

CHAPTER III**ACHIEVEMENTS AGAINST IMMEDIATE OBJECTIVES****I. INDUSTRIAL POLICY****1.1 - The country's broad objectives in terms of industrialization**

The Directives for the Industrial Policy emanate from the national Constitution (30 November 1990) expressing the People's aims in terms of the desirable guidelines for the country's development:

- agriculture is the basis for national development (Art. 39);
- industry is the "pushing factor" for the national economy (Art. 40).

Once defined the role the industrial sector is expected to play, it is needed to orient the Industrial Policy so that it may concur to the objectives in creating the conditions for the sector to reach its targets.

The role assigned to the industrial sector in the development process is too ambitious and complex. It is too ambitious because if the industry is to become the engine of growth, this means to locate every point of resistance (and resistance points affecting the industry actually extend far beyond the sector itself to spread over the entire economy) and to act on it, not only by neutralizing it but preferably by inducing its conversion into a pushing factor towards a common objective. It is complex because, despite the need to neutralize any inertia or resistance at any point of the system, often the appropriate administrative skills are not available in due time.

Industry is expected to push the economy. Consequently, the purpose of a sound industrial policy must be to set up an enabling environment for the industry to meet its expectations.

From the General Directive emphasizing the role of both the Agricultural and the Industrial sectors (section 1.1 below), the project proceeded with delineating priorities to guide the industrialization process (section 1.2), before formulating an integrated package of concrete measures (section 1.3) to be undertaken in the short-to-medium term to ensure the most effective contribution of the industrial sector to the development endeavours of the country.

1.2 - Priorities

Important note: an effective cease-fire is an essential prerequisite insofar as it is difficult to foresee the actual impact of industrial incentives in a war economy. Since the signature on 04 October 1992 of the Peace Agreement featuring a complete cease-fire by 15 October 1992, one may reasonably consider that this basic assumption has been met.

Therefore in such a context, the project suggested to the Government the following priorities for industrial development:

Agro-industries - The rehabilitation and development of agro-based industries remains the cornerstone of the Industrial Policy due to historical factors, natural resources endowments, the need to provide increased food supply to the population. This issue was duly emphasized in the Constitution guidelines.

Historical factors gave to the agro-industries a clear prominence in the industrial fabric, consequently generating a sort of cultural familiarity with the activities specifically linked to this sub-sector, such as the upstream activities it relies on for raw materials, or the downstream activities it generates in the form of related services. Although in many instances, the main agro-industrial activities did not extend far beyond the mere storage of agricultural products with a view to extending their consumption timing -- with therefore little value-added in the process --, these industries share the feature of possessing a considerable motive power. They improve agriculture, as they provide raw materials for its products -- thus promoting industries that supply agricultural machinery and fertilizers -- and they activate the whole service infrastructure. Besides, as they use (most of the time) a little-sophisticated technology, they absorb a great deal of labour, thus becoming a type of industry that allows for the progressive adaptation (in a smooth way) of the -- mainly unskilled -- labour force to the more demanding requirements of industrial activities.

After measuring the availability and diversity of resources from the agriculture (tea, cotton, sugar cane, cashew nut, sisal, copra and some cereals), it is easy to understand the importance of the agro-industries in Mozambique. Incentives for the production of several cultures mostly stem from the existence of agro-industries by which they can be transformed, preventing losses through deterioration and injecting value-added.

An adequate food supply to the Mozambican population must be an immediate priority. Despite a significant discrepancy between the population needs and its actual purchasing power, the food supply system must be decisively equilibrated.

The Mozambican New Supply System covered only 31% of energetic needs in 1990 and guaranteed 688 Kcal/day, but the cost of its acquisition represented 102.3% of the minimum salary (Reference: Industrial Policy & Institutional Adjustments,

project report on Edible Oils and Soaps Sub-Sector, Vol.I page 43, citing "Studies of the Nutrition Sector", Mozambique Ministry of Health).

With the war coming to an end and the ensuing return of agricultural activities to a more systematic way, there is hope for an immediate increase of incomes from estates and services. Consequently, the population's average purchasing power is also expected to increase.

Presently, agro-industrial production can be encouraged, by means of stimulating the supply of raw materials, and by sustaining the demand for the products of the sub-sector. Given the Constitutional provision bestowing on the industrial sector the role of an engine of growth, the encouragement of activities with trickle-down effects (typical case of agro-industries) must be pursued to the largest possible extent.

Inputs for agriculture - The first Constitutional guideline, that places the agricultural sector at the basis of development, automatically promotes as a priority issue the industrial sector, at the same time supplying inputs to, and consuming outputs from, the agriculture.

For the agriculture to be able to expand, it needs tools, equipments, fertilizers, fungicides, etc. Thus, the inputs required feature a considerable "pushing effect". Indeed, it is not only a matter of producing these goods to be utilized as inputs in the agriculture, but also of providing a whole range of connected services such as transport, distribution, storage, and commercialization altogether. One must furthermore emphasize the fact that, owing to the very heterogeneity of the products to be utilized as agricultural inputs, the upstream effects are very far-reaching and clearly affect the whole of the industrial sector: the tools, equipments and machinery are going to activate the metallurgy and metal-working production, while the demand for fertilizers will stimulate the chemical industry.

This way, accelerating the demand for agricultural inputs will trigger a series of other activities in the industry and connected services, with considerable multiplier effects.

Pole projects - These are projects that, due to the kind of activities they try to develop, or even owing to the place where such activities must be implemented, are able to accelerate economic development, and to multiply its benefits in the surrounding region.

The proposal for implementing Pole projects links its concept to the use of potentialities already detected, that can increase their capability of providing dynamic effects on industrial growth by means of appropriate incentives.

More precisely, the proposals formulated by the project in

this respect include:

- . promoting and assisting the conversion of the so far simply transportation corridors (Nacala, Beira and Maputo) into full-fledged development corridors, an important role to be played by industry;
- . activating the rehabilitation or the establishment of agro-industries in the areas confining with the transportation corridors, as well as their rural linkages;
- . accelerating the localization of new industries of varied characteristics in the urban centers that currently are the terminals of the transportation corridors;
- . activating primary activities, able to offer inputs to the agro-industries, in the vicinity of the transportation corridors, thus enhancing their contribution to agro-industrial development;
- . endowing the country with a proper transportation and communication network, aimed in the long-run at covering the whole surface of the national territory;

Export processing zones - "Activating the economy and creating perspectives for a gradually increased absorption of technologies more advanced than those available in the country" has been, as a rule, the main reason for the establishment of Export Processing Zones in many countries of the World.

As far as Mozambique is concerned, both motivations are attractive enough, as the country needs to utilize all available resources for reactivating its economy, and also requires to, gradually, start with industrial activities relying on more advanced technologies. One must not however lose sight of the cost-benefit balance between the actual requirements for the implementation of the Export Processing Zones (EPZs), and the expected benefits the country will ultimately derive from it. The conciliation of these two aspects is sometimes a hard task.

On the one hand it is necessary to take into consideration the keen competition observed in other parts of the world towards attracting foreign investment and therefore, the localization advantages offered by Mozambique must be at least equal and never lower than those given by the competitors.

On the other hand, it is essential to seek the strongest possible insertion of the new enterprise to be established under that scheme, into the economic system as a whole. For this reason, preference must be given to enterprises which incorporate natural resources in their products and/or some raw materials produced in the country, and which rely on a technology that can be progressively absorbed by the local workforce.

The aspects related to the demand on the regional market must also be duly taken into consideration while assessing the feasibility and overall profitability of EPZs.

The advantages for the Mozambican economy that may stem from EPZs, will depend on the attention paid to the above aspects. Mozambique, as a country emerging from a war and having evolved through various political regimes within a short period of time, may well find in these Zones the initial impetus that is actually needed to trigger accelerated industrialization.

It is of paramount importance to repeat, as a conclusion, that the possibility of offering competitive conditions to attract foreign investments is a basic prerequisite for the EPZs projects to come true and successfully meet their targets.

Industries geared to earning or saving foreign exchange - Due to the country's Balance-of-Payment deficit and, at the same time, the requirements entailed in the reactivation of the economy in terms of equipments, machinery as well as raw materials, the development of industrial activities aimed at earning hard currency takes on a special importance.

Prominent among foreign currency generating activities are industries that rely on internal resources (natural as well as human) and export most of their output to foreign markets. In this respect, the presently huge quantity of goods exported without any value-added, calls for an urgent analysis to assess prospects for local transformation. The Industrial Policy must warrant that there be a smaller advantage for the export of "in natura", or poorly processed, products than for the export of manufactures. Differential taxation, by applying different levies to different types of goods, can prove an effective instrument for re-orienting foreign trade.

Industries saving foreign currency are those that supply goods aimed at the satisfaction of the basic needs of the population, thus limiting imports and avoiding the proceeds of this trade to leave the country and benefit foreign producers.

In general, agro-industries behave satisfactorily in this respect, essentially in their capacity of foreign exchange saving (through locally produced agricultural inputs and supplies to the local market of final goods). To build the necessary conditions for these industries to expand, conquer ever larger market shares, reduce their reliance on imported inputs, and possibly export in the future a greater proportion of their output, is fully in line with the role the country assigns to the Industrial Sector (Article 40 of the Constitution).

1.3 - An integrated set of measures to be implemented

Within the broad directives set in the Constitution, and in accordance with the priorities delineated for industrial development, a consistent package of measures must be worked out and implemented in order to attain the desired situation.

There is a series of urgent measures to be adopted with a view to eliminating the constraints identified in the sector. The sector is currently crippled by serious restrictions relating to the obsolescence and depreciation of buildings and equipments, that must be the target of a whole set of measures:

- . rehabilitation of industrial park, establishing incentives for re-investing profits into the sector;
- . modalities for the importation of spare-parts and substitution of those equipments for which rehabilitation does not seem feasible;
- . arrangements for the establishment of a permanent maintenance and repair system for the equipments;
- . training in the operation, maintenance and repair of equipments.

Production gaps were detected in the sub-sectoral analyses. They were so far filled by imports, but could for most of them, be met in the future by new enterprises, provided adequate incentives are offered to steer new investments in this direction.

In this context, a full identification of the production gaps is essential, as are the evaluation of the establishment and future operating costs of the concerned enterprises, their market size (both domestic and foreign), and the type and magnitude of advantages to be offered to the investors.

The comprehensive array of incentives to set forth in order to promote these industries calls for close consultations between the Ministry of Industry and Energy and other Ministries, as the measures to be adopted clearly extend beyond the industrial sector. The demonstration of the advantages resulting from the establishment of these new enterprises, however, may provide convincing arguments to that effect.

Concerning still the MIE, the regularization of the legal situation of intervened industrial enterprises should be swiftly completed, allowing for their full privatization in the best delays. The implementation of such measure (besides collecting revenues for the Treasury), will save the MIE the financial resources directed to-date to the maintenance of such enterprises which, in more cases than not, display negative balance sheets.

The following industrial policy measures were suggested by the project to deserve direct and decisive support from the MIE:

- . the full exploitation of the major comparative advantages of the Republic of Mozambique in the sub-region, such as the transportation corridors, the hydro-electric power plant of Cahora Bassa and the mineral districts;
- . the exploitation of new opportunities that are likely to stem from the industrialization of the Corridors, and the establishment of export processing zones aimed at attracting foreign investment, spreading development and setting the first steps in the process of regional economic integration;
- . the promotion of steel milling/metallurgical poles, given the excess electric supply and natural endowments found in the mineral districts;
- . comprehensive incentives to the industrialization, both to attract new industrial enterprises and to rehabilitate existing plants. The Government must give priority attention to deregulating the economy, increasing the supply of industrial credit in general, easing the access to credit for micro-enterprises and establishing tax incentives;
- . the regularization of the legal status of intervened industrial enterprises for immediate privatization;
- . the attraction of foreign capital, via a legislation competitive with that of other countries, mainly through temporary taxes reduction/exemption, profits remittance and authorized depreciation schedule;
- . the protection of infant industries, through temporary duty alleviations, tied to minimum standards of quality of the concerned manufactures;
- . the establishment of an Industrial Information System, the existence of which is a necessary condition, although not a sufficient one, for getting the expected transparency in the sector;
- . the elaboration of a special edition of an Investor's Guide in Industry, that could provide potential investors with the information necessary to his/her decision-making process. This Guide must include:
 - the long-term industrial programme, which will provide an overview of investment prospects. Through this Programme, enterprises will be able to identify the advantages offered, depending on the type of activity and in accordance with preference localizations;
 - the basic economic and investment legislation applicable to industrial projects, which will enable investors to know their rights and duties, existing opportunities in the Mozambican territory, growth

prospects, as well as the limitations to be imposed. With the above legal information, potential investors will be able to assess alternatives or revise initial goals. It is of fundamental importance that the basic economic and investment legislation be very carefully analyzed before its promulgation, so that it can be maintained along a period long enough to guarantee stability and security, and bring therefore future investors to trust Mozambican institutions;

- sound investment opportunities in the industry, through a list of priority sub-sectors, observed production gaps, market prospects and availability of raw materials and skills commensurate to the particular requirements of specific industrial activities. The sub-sectoral studies developed by the project provide adequate information on investment opportunities.

Equally important for the industrial sector to assume a growing role in the development process is the need for an enabling institutional environment.

Yet for these recommended measures to be effectively implemented and overcome the existing obstacles to sustainable industrialization, it certainly takes more than the hard work of the MIE. The Ministry may identify constraints and opportunities, and even map out strategic guidelines, but it is clear that the implementation of a comprehensive action programme goes well beyond its normal decision-making capacity, especially in a market economy.

The need for an inter-sectoral platform to create an enabling environment for the industry to flourish is at the core of the institutional adjustments suggested by the project, and deserves therefore a very careful treatment.

Recommendations for adequate institutional adjustments must be closely related to more general industrial policy aspects. The overall target is to increase industrial performances. This calls for specific measures to be worked out and implemented, which in turn requires an appropriate institutional set-up.

To warrant better prospects to industrial growth it is essential to offer, first and foremost, attractive credit conditions tailored to the targeted objectives. In Mozambique, the credit system has no interference with MIE, and belongs rather to a network directly co-ordinated by the Central Bank and linked to the Ministry of Finance. A close co-operation between MIE and Ministry of Finance is necessary to formulate and implement the appropriate credit reforms.

In nearly all countries, such inter-sectoral relations remain cordial, until they step on specific sectoral interests. If there is a compromise to be found between different sectors' interests, negotiations become somehow complex due to possibly

diverging interests. While industrial sector authorities are preoccupied with obtaining the conditions deemed conducive to industrial development, financial sector decision-makers, for ones, worry about the impact the application of these measures will bring about in terms of foregone taxes or outright expenditures for the Government, in terms of foreign exchange balance, etc.

The solution to this dilemma is mostly to be found through the clear and undisputed definition, by the highest levels of the policy-making, of the country's development objectives and priorities and the allocation of resources supporting this choice.

As for Mozambique, where the Constitution determines that the industrial sector plays the role of a pushing factor for the national economy, industrial sector authorities must press on this basis for passing the reforms needed for an enabling environment, conducive to industrial growth.

Sure enough, the actual needs are too many and resources too scarce, therefore a strict selection of priorities must be carried out in the first place. Only once the priorities are set by the MIE jointly with the business community, once the necessary resources are duly estimated and fully documented and, on the other hand, the impact of the requested reforms is assessed by the relevant financial sector authorities, only then can the new measures come into force.

In many countries, the solution of problems raised by the inter-penetration of power spheres, especially between the finance sector and the productive economy has been facilitated by the creation of development banks. This is particularly valid for countries where industry is earmarked as a priority sector.

In these countries' National Budget, and in line with their priorities, the amount of resources available to those Banks is stated, and is to be used according to the established priorities. The subsequent definition of modalities and final beneficiaries, in terms of specific resources available to specific activities, will be worked out by the sectors themselves, and incorporated in their own sectoral policy. The sectoral policy will traditionally also features measures relating to fiscal incentives, tax alleviation or temporary exemption, profit balance, amortization and depreciation schedule, temporary customs protection, etc.

On the basis of a documented description of the particular measure -or package of measures- to be implemented towards sectoral growth, it is up to the MIE to initiate negotiations with the Ministry of Finance, seeking the latter's endorsement and its formal decision to apply the requested reforms.

We must point out that, although the negotiations to be engaged at ministerial level by the MIE are mostly with the Ministry of Finance, they will also involve other Ministries.

Interactions with the Ministries of Agriculture, Construction and Water, Transports, Labour and Education must be intensified.

Among the priorities already identified in targeted sub-sectors, it is worth stressing that food, clothing and health are particularly relevant. Activities in these areas, especially those having a direct or indirect beneficial impact on the trade balance, deserve special treatment. On the other hand, objectives such as inner development and regional economic integration also draw emphasis on yet another class of enterprises.

The following institutions and services are now being established in order to strengthen the local capacities towards development goals:

- . the Industrial Information System, where four data bases are being set-up along with a management and maintenance system:
 - an industrial roster, composed of information on Mozambican industrial enterprises and concerning localization, society type, production, number of employees, operational situation, etc.;
 - industrial statistics, comprising information related to production patterns, raw material imports, value added, etc.;
 - a classification of industrial products;
 - the legal framework.

The Programme of industrial development aims also at identifying the most effective channels to be relied upon, so that the Industrial Sector can achieve its objectives.

Along the path from the current situation to the target, as sketched out in the Programme, the basic economic legislation applicable to industrial investment must be given attention. This legislation, in turn, must be conducive to industrial development opportunities.

The basis of the industrial development Programme is built upon the analysis of industrial sub-sectors, the institutional framework and the policy environment. The most appropriate trajectory to reach to objectives is called a strategy.

2 - SUB-SECTORAL STUDIES

The second immediate objective of this project aimed to "prepare a medium/long term (10/15 years) industrial development programme". Its first output was to prepare a set of ten in-depth sub-sectoral studies. Based on the general situation of the Mozambican economy and especially on that of the industrial

sector, ten sub-sectors had been selected to become the hard core of the future industrial policy.

Among the pre-selected sub-sectors, the following were completed, and their findings and recommendations were fed into the overall industrial strategy:

- . food processing and agro-industry;
- . chemicals;
- . edible oils and soaps;
- . metallurgical industry;
- . textile and clothing; and
- . packaging,

The study on metal working industry started in October 92, while it was agreed for different reasons that the remaining studies, namely those on building materials, forest industry and leather and shoes would be temporarily suspended.

The studies were carried out in two steps: (i) a diagnosis elaborated by national consultants with the assistance of the project technical staff and (ii) a short-, medium- and long-term development strategy, jointly elaborated by national and international consultants.

The diagnoses feature a number of similarities across the various sub-sectors, that together hint at a set of major bottlenecks affecting the industry in Mozambique:

- . low utilization of the installed capacity, the most undesirable impact of which is the increase in production costs, with the consequent loss of competitiveness against similar imported products;
- . technological obsolescence conditions, with adverse effects on production costs and product quality as well;
- . difficult access to new equipments, spare parts and raw materials, reflecting the low utilization of equipments, with the negative impact already mentioned; and
- . low qualification of the human resources, with effect on the maintenance of equipments, on productivity, on production costs, and on the loss of competitiveness altogether.

Such bottlenecks must be eliminated, otherwise the industrial sector will not be able to fulfill the role assigned by the Constitution.

The implementation of the industrial policy must give priority to the initiating a momentum, and deploy the appropriate instruments such as. It is essential in particular to:

- . stimulate an increase of installed capacity utilization by:

- reducing taxes on production volumes above the usual output figures of the firm;
- offering salary increases to the employees to reward productivity improvements;
- giving priority in the allocation of hard currencies, for the purpose of importing capital goods, or granting preferential certificates in order to accelerate customs procedures;
- . encourage the upgrading of the production capacities by:
 - a tax-exemption on the import of equipments aimed at replacing obsolete ones;
 - encouraging further the substitution of obsolete equipments in offering opportunities to learn about and possibly experience, new technologies;
 - offering temporary assistance for a periodical maintenance of the new equipments;
- . clear up obstacles to import of spare parts and raw materials by:
 - accelerating customs and port procedures for the import of this type of goods;
 - facilitating credit lines and allocating hard currency, when they aim at covering the import of spares, equipments and raw materials;
- . upgrade the human resources at every level by:
 - promoting management seminars, in-service training and short/medium duration courses.

The above must be considered as significant steps at the initial stage towards the target situation.

On a methodological viewpoint, it is worth emphasizing that these studies are based on information collected in approximately 350 enterprises. The accumulated experience in obtaining and processing the enterprise-level data gave the basis for the future development of a systematic activity in the field of industrial statistics.

Indications were given for the studies content and layout to be presented along a common structure, in order to make easier their subsequent integration into a coherent package. Obviously, some recommendations are of a general character, given that they may have an impact on the whole of the industrial sector.

These recommendations were organized following this structure:

1. organization (devoted to internal measures aimed at a better utilization of the existing sub-sectorial resources);
2. inter-relations (devoted to the consistency across the various sub-sectors);
3. rehabilitation (showing priority actions to be implemented in the short run);
4. new investments (identifying actions needed in the short- and in the medium-term);
5. investment opportunities (analyzing several alternatives for the development of the sub-sector in the long-run);
6. human resources development;
7. incentives (showing several measures to stimulate industrial production); and
8. other aspects (devoted to general issues relating to industrial development).

Efforts were made with respect to the recommendations on rehabilitation, new investments, investment opportunities and human resources development, to strengthen those by specifying, whenever possible:

- . the segment more directly involved;
- . the period along which implementation was recommended (short term 0-5 years, medium term 5-10 years, long term 10-15 years);
- . the implementation costs;
- . follow-up actions (additional studies, negotiations with investors, etc.).

For several reasons, mainly related to the specific experience of the involved consultants and to the intrinsic difficulty of the issues, it has not been possible to achieve all these objectives in some of the studies. Besides, the documents still deserve some editing prior to the final process of joint revision and overall consistency checks.

Below is an executive summary of the type and scope of the recommendations contained in the studies that are by now completed:

Food processing and agro-industry

This has been an extremely complex study due to the great number of segments (branches) involved and the need to go deep into the primary production (agriculture, cattle breeding and fisheries). Most of the recommendations are concentrated in the primary sector, from the understanding that formulating specific

recommendations on the manufacturing industry should be the aim of future specialized studies. Nevertheless, in synthesis, some recommendations were made for each segment (branch) regarding its industrial development prospects.

The study suggests that the rehabilitation of the segments of the food-processing and agro-industry must be selective, given the great scarcity of resources. The selection criteria should reflect the potential contribution of each segment toward solving the main macroeconomic unbalance of the country - the scarcity of hard currency - and toward economic development, which is reckoned to rest essentially on a dynamic articulation between industry and the primary sector. It emphasizes that this articulation will be strengthened only in a context of peace.

Given current conditions of food supply (a very limited share of the basic needs of the population is actually met), of foreign debt and unemployment, the following criteria were deemed important for assessing priorities:

- . the motive effect provoked by upstream and downstream industries, because in a context where reactivation of the economy is imperative, the capacity of induction of other activities which precede it, such as raw materials and equipments production, or which come upon it, such as transports, storage, communications, trading, etc., shows itself relevant. It is common in cases where the type of industry has a strong motive effect or a high dragging capacity, so the number of indirect working places resulting from its activities is two or three times larger than the number of direct working places generated;
- . the prospective exporter, in accordance with the needs of generating hard currency that may support the development process;
- . the potential of imports substitution, as the hard currency saved can be oriented for industrial expansion while, at the same time, economy becomes more independent from the markets supplying essential commodities;
- . the satisfaction of the basic needs of the population;
- . the capacity of generating jobs, a priority for an economy emerging from a war and with a needy population who knows acute shortages of means for self-support. In what concerns agro-industry where, as a rule, the technology is not very sophisticated, the absorption of whatever labour force available will require less resources in terms of training;
- . the extent to which production processes could be upgraded, and a larger share of value-added brought into the manufacture.

On the basis of these underlying criteria, the priority segments have been selected as follows:

- . high priority: salt, sugar, copra, cotton, processed fish, processed fruits and cashew nuts;
- . medium priority: milling, tea, sisal, bakery, pastas, processed meat, tobacco, animal feed, dairy products and liquors;
- . low priority: beer, soft drinks, wine, chocolates and candies.

Within the elaboration of the overall industrial policy, these conclusions represent the major items with respect to the whole food-processing and agro-industry sub-sector.

Chemical industry

The study recommends the rehabilitation of all the enterprises covered by the sample. It covers also several alternatives for making an economic use of the country's natural resources, by suggesting investment opportunities. The following is a list of the development prospects of this sub-sector:

- . short-term (0-5 years) investment opportunities:
 - methanol production: international tender for the exploitation of the gas fields;
 - lemon grass, citronella and mint distillation and citral production;
 - eucalyptus and vetiver distillation experiments;
 - red seaweed exports and cultivation;
 - cochineal and carmine production;
 - marigold flour and xanthophyllin production;
 - medicinal plants processing;
 - cashew-nut shell liquid processing;
 - chemically refined salt for margarine, and rehydration salts;
 - aluminum sulfate production;
 - hydrochloric acid production from salt and sulfuric acid;
 - copper oxychloride production at Chimoio;
 - ferric chloride production;
- . medium-term (5-10 years) investment opportunities:
 - electrolytic ammonia and ammonium nitrate in Tete;
 - hydrogen peroxide in Tete;
 - hydrofluoric acid, alkaline fluorides and sodium metal for tantalum-columbite processing in Tete;
 - calcium carbide in Tete;
 - calcium cyanamide for hydrogen cyanamide and calcium cyanide in Tete;
 - thermal phosphorus and pure phosphoric acid;

- magnesium phosphate;
 - sodium chlorate;
 - monazite beneficiation;
- . long-term (10-15 years) investment opportunities:
- caustic soda, chlorine and downstream products;
 - sodium hypochlorite;
 - high-test calcium hypochlorite;
 - calcium diphosphate;
 - carboxymethylcellulose;
 - bitters processing for potassium and magnesium salts at Maputo and Nacala (other saltworks when salt production becomes large enough);
 - purified carrageenan from seaweeds of the *Eucheuma* species;
 - agar from other species of red seaweeds.

Textile and clothing industry

The strategy of textile and clothing industry drew from a market analysis, the existing productive capacity of the industry, and the raw materials required for the production process. The market study worked out estimates of the local consumption of textile and clothing consumed, while other parameters such as productive capacity, availability of raw materials and quality of the products were based on demand forecasts over the next years. Projections show the national production of textile and clothing, accounting in 1992 for 10.4% of the domestic consumption, eventually reaching 13.9% in 2005, while the imports are also expected to increase significantly from 41.8% of the local consumption, to 59% in ten years from now (the balance being met with donations). These figures were based on demand estimates, in terms of kg/habitant.year. In 1992 the quantity consumed in Mozambique is estimated at 2.49 kg/habitant, while the strategy maps out for 1995 a consumption of 4.39 kg, and a consumption of 6.05 kg/habitant for the year 2005.

Growth scenarios of demand for textile and clothing, national output and the situation of industrial equipments and productive capacity, yield the following estimates concerning the determination of investments needed for the rehabilitation and expansion of textile and clothing industries:

- rehabilitation of factories of cotton materials (spinning, weaving, dying and completion)..... US\$ 65.3 million
- factory of polyester/cotton materials..... US\$ 64.9 million
- factory of towels..... US\$ 10.1 million
- factory for spinning mesh..... US\$ 35.4 million
- completion of thread and materials..... US\$ 39.9 million
- factory of Denim - material for Jeans..... US\$ 26.3 million
- spinning of Jeans materials..... US\$ 12.0 million

The study emphasizes the effects of the textile industry development on agriculture, mainly in the cotton plantation. The

consumption of cotton, which was estimated at 5,000 tons in 1992, has been projected to reach 20,000 tons in 1995, and 42,000 tons by the year 2005.

Edible oils and soaps

The study provided a set of detailed recommendations for each segment within the sub-sector, including estimates for all suggested investment opportunities.

The edible oils and soaps industry is basically geared to import-substitution. Therefore this study estimates that, provided certain pre-requisites are set up in due time, a positive impact on the trade balance over the period 1995-2005 could reach approximately US\$ 558 million, under the assumption that domestic demand is matched by national production in the following orders of magnitude: 95% for edible oils, soaps and margarines, and 53% for detergents (in average).

The main recommendations for the restructuring of the sub-sector are:

1. the launching, by the Ministry of Agriculture, of an oilseeds production programme to steadily supply the industry in sufficient quantities;
2. to adjust the prices of the oilseeds delivered to the industrial sector, as well as the quality to reflect prevailing standards in the international markets, and to reinstate the practice of paying the oleaginous seeds according to their quality;
3. in the case of edible oil imports, to impose that such supplies be provided in the form of crude oils or in grains, for local processing;
4. to study with the country's port authorities (Maputo, Beira and Nacala) the possibility of installing of tanks terminals for storing the raw materials in bulk, instead of the current practice of supplying in drums;
5. to close Chimoio's oil mill.

The rehabilitation of the industrial park involves practically all the companies. The rehabilitation programme aims to increase the production, the productivity and the quality required in order to reach the following targets: pressing of oleaginous seeds: 114,000 t/year; refining of oils: 49,200 t/year; packaging of oils: 12,000 t/year; production of washing soaps and toilet soaps: 44,780 t/year; production of margarines and shortenings: 13,200 t/year; production of solid detergents: 1,050 t/year; and production of liquid detergents: 1,640 t/year.

The cost estimates of this rehabilitation package over the next five years is of US\$ 12.2 million, distributed as follows: oils 55%, soaps 43%, and detergents 2%.

As for the longer run, i.e. for a ten-year period starting in 1994 a total of US\$ 20,7 million is estimated and distributed as follows: oils 47%, soaps 33% and margarines 20%.

It is finally recommended that the possibility be explored of sub-contracting "à façon" for companies installed in the Republic of South Africa and in Swaziland, taking advantage of the excess capacity prevailing in Mozambique.

Metallurgical industry

The recommendations include detailed briefs with respect to the rehabilitation, new investments, investment opportunities and development of human resources required, and also provides the cost estimates.

A summary of top priority actions and respective costs in relation to the rehabilitation is:

1. repair and spare parts for the rolling of reinforced rods and light profiles of CIFEL (US\$ 200,000);
2. repair and spare parts for the rolling of thin rod of CIFEL (US\$ 200,000);
3. rehabilitation of the casting operation of CIFEL (US\$ 250,000);
4. feasibility study of the casting and forging operation of the CPM (US\$ 30,000).

In terms of new investments, it is recommended to give priority to:

1. mini steel plant for CIFEL/CSM, for which the study presents the first draft of a preliminary project, leading to a fixed investment estimated at US\$ 3.2m, land and building excluded;
2. rolling at Beira, with a fixed investment of about US\$ 2.6m, aiming at the production of bars and light profiles (angle bars). One estimates a cost of US\$ 326.90 per ton of rolled product which could be produced there, against the prices of US\$ 600 to US\$ 800 per ton, presently paid in the middle and in the north of the country.

As for the investment opportunities, the assessment of existing or potential resources hints at several interesting possibilities for the development of the sub-sector in the medium- and long-term:

1. factory of direct steel reduction, using the gas from Pande. An investment of about US\$ 220m, would allow for a yearly production of 300,000 tons, both for the

domestic market and for exports;

2. production of ferro-alloys such as ferro-chrome, ferro-vanadium and ferro-molybdenum, considering the availability of electrical power;
3. aluminium casting, the perspectives of which are considered outstanding, thanks to the electrical supply from Cahora-Bassa;
4. titanium mining and processing;
5. coking coal from Moatize mining and export;
6. cobalt mining;
7. tantalum mining, considering that Mozambique owns the largest tantalum bed in the world.

Packaging industry

The methodology of the study was based on the political proposition of a scenario envisaging what would be, in a ten- to fifteen-year horizon, the production system, the adequate packages and cargo units, and the volumes of their production.

The basic parameters of the scenario were: the assumption of a minimum level of food (8kJ/person.day, 900g/person.day) with a studied, balanced diet; a development of the traditional exports reaching the best historical levels; a consumption of cement, fertilizers, and other packaged products (to which statistical data were available) compared with the present consumption of neighbouring countries; a good social distribution of consumption; the restriction of imports by using nationally available packaging materials (wooden boxes, not plastic ones; glass bottles, not plastic or cans); the consideration of environmental impact, with reforestation and recycling.

The total imports and processing of packaging materials were also estimated.

The need of new industries or equipment to be installed, including packaging production equipment in user industries, was outlined. More than rehabilitation of existing units, the study indicates the necessity of new equipment. A rehabilitation of a corrugated board manufacturer in Beira is a possibility. The agricultural production of natural fibers - cotton, jute, sisal - must be stimulated, as well as the creation of textile industries for bags.

The creation of a Central Packaging Laboratory at the Mozambique Engineering Laboratories (LEM) is proposed, with two engineers and two technicians, using clerical work, library, other co-operating laboratories and workshop of LEM, with the purpose of performing research necessary for standardization,

development and certification of quality of packaging, and diffusion of technology.

The implementation of a National Institute for Standardization and Quality is further emphasized, with the creation of committees on packaging and on pallets.

Metal-working industry

In the preliminary study of the metal-working sub-sector developed during the month of November 1992 and expected to be completed in early 1993, a series of considerations has been pointed out and some conclusions and recommendations are anticipated, while waiting for the final conclusions of the study.

One may reasonably consider that there is ample scope for a remarkable increase of productivity and competitiveness in relation to the present levels:

- . in a first phase, such increase could be reached with a low commitment of new resources and along with steady increases in demand, obstacles will fade and allow for revamping the production capacity and the necessary conditions for the expansion programme;
- . the second phase would require investments in equipment to overcome the obsolescence and to expand the productive capacity.

In spite of the present situation, partly structural and partly conjunctural, it would be appropriate to consider metal-working activities as one of the vital industries of the economy because it provides to the agriculture as well as to the other industrial sub-sectors a considerable part of the utilities and equipments that they need. It saves foreign exchange and absorbs a great deal of relatively low-qualified labour. It constitutes furthermore a vital base for the development of the activities of service, repair and maintenance in the country.

The second phase of the study on the metal-working industry is expected to focus on such issues as the definition of the objectives for accelerated growth, the evaluation of conditioning factors such as technical culture, the lack of capital and technological capabilities, the inadequate commercialization mechanisms including sales and distribution, the qualitative and quantitative shortages of technical staff and of skilled workers. From the constraints and objectives, the study will draw a comprehensive outline of policies, measures and actions required to foster the development of this sub-sector.

3. INSTITUTIONAL ADJUSTMENTS

The sub-sectoral studies identified the constraints hindering industrial branches and suggested a coherent set of remedial measures to be promoted at various levels, including the institutional set-up. Further investigations on the institutional framework through observations and interviews, completed the analysis and prompted an integrated package of concrete recommendations towards strengthening institutional capacities.

The effective support the Government must offer to the industrialization process of the country needs to be thoroughly revised in line with the recent macro-economic changes in Mozambique. After gaining independence from a colonial regime, Mozambique first opted for a centralized form of economy, and only recently took a U-turn towards market economics.

Thus easing this transition process must be the prime objective behind institutional adjustments. If the State is no longer to remain the largest industrial investor in the country, it does however take on new importance to support the industrialization process.

The State must establish an attractive business environment, conducive to sustainable private initiative in the industry. It must facilitate the difficult transition process towards a market economy. Experience in other African countries shows a painful time-lag following the implementation of liberalization policies: the negative effects on the domestic absorption are felt nearly instantaneously, while the supply response of the productive sectors is much slower to appear, resulting in devastating stresses in the economy, especially in the industrial sector.

Market failures of various kinds bring about a significant discrepancy between market and social costs of resources. In other words, market forces alone may lead to a distribution, through the society, of scarce resources that may not be desirable from a collective viewpoint. It is therefore of the Government's responsibility, even in a market economy, to compensate market deficiencies by comprehensive and targeted intervention in the economic sector.

Particularly relevant in Mozambique today is the urgent need to reinsert into civilian life former armed bands and to generate employment and income in order to stabilize the populations and sustain the on-going democratization process. Industrial activities concurring to these objectives must therefore be granted special attention, including in the form of specific Government support.

Yet it must be borne in mind that there is often a trade-off between short-term social concerns such as employment generation or poverty alleviation, and longer-term objectives of economic efficiency and growth. This dilemma must be objectively and, if possible, quantitatively substantiated to guide public decision-

making in this area.

Privatization of industrial enterprises is one of the earliest measures to be adopted. The State may retain stakes in industrial enterprises, provided however it maintains a balanced behaviour towards free initiative. During the transition period, some institutions will assist the process, before disappearing later on. In this situation, UTRE (Enterprise Restructuring Technical Unit), GREI (Industrial Enterprises Restructuring Cabinet) and CAA (National Committee of Evaluation and Assessment) must be mentioned.

With the support of the above institutions along a period of three to five years, the participation structure in the local industry will have to be inverted, with a significant increase in representatives of private enterprises.

Effective economic liberalization and increased emphasis on the private initiative can benefit from the support of the following measures:

- . the creation of SPE's - "Sociedades de Participacoes Empresariais do Estado" (Management of State Participations), that must play the permanent role of managing State participations in industrial enterprises, and the temporary role of managing enterprises that are slated for privatization;
- . further elaboration of the preliminary propositions in favour of an industrial location policy, allowing for:
 - the conversion of the three transportation corridors into multi-purpose development corridors;
 - incentives for effective industrial de-concentration through agro-industries and pole-projects, strengthening linkages between agriculture and industry, articulated with the corridors and integrating the national territory along its North-South axis;
 - the promotion of industrial development through establishing appropriate financial facilities to increase credit supply to industrial enterprises. Credit should be supplied either in the form of loans, or as venture capital. A strong financial institution is needed also to finance micro- and small-enterprises, and enlarge access to credit;
 - an adequate quality control system, through the relevant institution INNOQ - "Instituto Nacional de Metrologia, Normalizacao, Gestao e Certificacao da Qualidade";
 - appropriate industrial property conditions with the enforcement of a legislation on Trademarks and

Patents, to guarantee Intellectual Property. The establishment of the National Institute of Industrial Property in the country was indeed recommended by WIPO, the World Intellectual Property Organization;

- the implementation of the industrial management development programme to upgrade Mozambican managers in the medium term.

Parallel to these adjustments, the MIE must urgently initiate negotiations with other relevant ministries, especially the Ministry of Finance, so that the necessary adjustments that extend beyond MIE's influence may be implemented in due time. In this respect, a wide array of targeted incentives are called for, in different areas:

Customs policy - Taxation is relatively mild at present in Mozambique, as compared to other countries at a broadly similar development stage: in 1988, the average tax-rate in Mozambique was at 17.7%, while it stood at around 40% in most African countries during the eighties. However, specific amendments to the current tax structure can help foster the industrial development process:

- . waiver of duties normally levied on raw materials that can be transformed locally at internationally comparable quality standards, or that are locally processed for exports;
- . temporary tax exemption on capital goods aimed at industrial rehabilitation if it is proven impossible to produce those in the country;
- . heavier tax rates for luxury items, even if their domestic production is beyond reach.

Customs duties instruments must be handled with great care, to avoid raising undue protections and sheltering the local industry from the stimulating benefits of imported competitive pressures. Enforcement of customs legislation must be fair and sustained.

Fiscal policy - Indirect taxes, especially those applied in cascade, result in discouraging local production based on imported inputs to the benefit of imported final products.

The regime of indirect taxes on the basis of value-added could lead to fairer and more efficient taxation. In the short-term, difficulties would probably appear for the implementation of such a Policy that, however, must be considered in the medium- to long-term. A 50% tax-on-profits is clearly a burden to industrial recovery. A decrease for instance to 40% could be compensated by heavier income-tax, with a stimulating effect on investment, lower tax-evasion, and a better fiscal return.

The relevant legislation applied between 1984 and 1988 did already feature a regime of incentives consisting of tax-on-profits exemption from two to ten years in accordance with the amortization schedule, as well as accelerated amortization facilities. Additional incentives could also be thought of to support for instance employment generating projects on the basis of their employment-investment ratio, by offering fiscal advantages tied to the number of jobs created.

Credit policy - Fiscal incentives are, no doubt, powerful instruments provided nevertheless the enterprises have their own capital to invest or enjoy easy borrowing facilities. In the absence of an attractive credit scheme, as is the case in Mozambique, fiscal incentives are obviously not sufficient to trigger a significant investment flow.

In this context, an appropriate credit policy is essential. The establishment of credit ceilings, the current bias towards short-term financing and the heavy tax-on-profits due to a restrictive monetary policy as well as the necessity to restore profitability in the banking system, actually inhibit industrialization attempts.

Foreign exchange allocation policy - A realistic exchange rate is essential to spur domestic supply, either for the internal market or for exports; it monitors imports and narrows the gap between domestic and international prices.

Besides relative prices adjustments, the very access to hard currency is similarly important for improving the situation of equipments, spare parts, raw materials and intermediate products imports, which are not locally available.

Access to foreign exchange is presently made available through five channels:

- . programmes of donations and international credits for the rehabilitation of industrial enterprises;
- . donations for specific enterprises and projects;
- . funds assigned for some enterprises belonging to export-oriented branches (cashew nuts, prawns, cotton, sisal, copra, oil, tea, etc.);
- . special funds for enterprises geared to foreign trade, and a fund directed to the small and medium enterprises;
- . access system (not regulated) to foreign currency.

The donation and international credits for the rehabilitation of enterprises, as well as donations for specific enterprises and projects represent 80% of foreign exchange supply, while assigned funds, for some export-oriented

enterprises and special funds for enterprises geared to foreign trade and to SMEs account for 10% of these resources. The unregulated system of access to foreign currency, applicable to imports of spares parts, transportation equipment, certain raw materials and clothes and footwear covers only 3% of total imports.

Because of their special characteristics, "donations for specific enterprises and projects", as well as "funds assigned for export enterprises" have got a little more autonomy, while enterprises directed to domestic market are strongly dependent on donations and international credit programmes.

Funds assigned to exports have been used as a guarantee for the import of inputs for export-oriented domestic manufacturing. However as they are nominated in Meticaís, they suffer exchange risks resulting from possible depreciations between the credit date and the date the importation effectively takes place. The risk could be minimized with the denomination, in foreign currency, at the exchange rate prevailing on the effective importation date.

This mechanism must continue in the short- and medium- term, although it is understandably biased in favour of the export-oriented enterprises, at the expenses of inward-bound firms that may be deprived of imported equipments and spare parts. Yet it is expected in the long run that the share of un-regulated foreign exchange will raise significantly, and will eventually be made available also to those firms supplying the internal market.

As for export-oriented enterprises, allocation of foreign exchange for import purposes could be tied to the firm's manufacturing and exports performances, as well as its concurrence to the overall objectives of industrial development.

To conclude this section devoted to institutional adjustments, it is worth mentioning a consensus around the need to create a National Council of Industrial Policy and Development, a National Council of Scientific and Technological Policy, a National Programme of Vocational Training, as well as the need to revise the strategies of the three institutes: PRODIL - Prototipos para o Desenvolvimento da Industria Local (Prototypes for the Local Industry Development), IDIL - Instituto Nacional de Desenvolvimento da Industria Local (National Institute of Local Industry Development) and CFI - Centro de Formacao Industrial.

CHAPTER IV

FINDINGS AND LESSONS LEARNED

The above survey of the project achievements underlines the latter's impact on industrial strategies and policies in Mozambique. Its contribution to sub-sectoral strategies and in the area of institutional adjustments was particularly well-timed and adequate in view of the recent changes in the Government's economic policy, from centralized planning to a market economy.

The project implementation proved long and complex: the project was ambitious at the start, with a wide scope and far-reaching targets. It went through substantial extensions during its lifetime, and its proceeding was often hindered by somewhat difficult local conditions: the war that prevented access to most of the hinterland and altogether, the dramatic shift of Government policy towards market economics initiated in 1986 and decisively pursued ever since, that put great challenges and expectations on the project.

In the final analysis, the project turned out to be highly successful judging from the set of industrial policy measures it has suggested, the set of support institutions to a long-term industrial development process it has studied and the set of investment opportunities it has detected.

The close co-operation developed with the private sector as well as other Government departments was also a very encouraging experience of participative planning.

If it is to fulfill the dynamic function it has been assigned in the field of economic and social progress, the industrial sector must now proceed with implementing the comprehensive and integrated set of recommendations generated by the project.

The national medium/long-term objectives spanning over the entire spectrum of the industrial policy are:

- . valorization of natural resources through increased transformation or refining;
- . expansion of intermediate technology activities, i.e. characterized by a technology locally mastered or at least of easy access, in order to increase the production of final consumer goods;
- . the densification of the industrial base by strengthening intra-sectoral linkages, thus consolidating the industrial sector and reducing the degree of external dependency;
- . research and development of innovative technologies aimed at adapting the productive processes to the mozambican necessities, and at effectively absorbing the new knowledge and experiences that the technological

transfers will bring about.

However sensible and appropriate these posted objectives may be, they do face strong conjunctural constraints in today's Mozambique.

The legacy of ten years of centralized planning, which deeply affected the behaviour of the Mozambican citizens, constitutes today a heavy burden for the current leaders.

In a society which for long years pursued equity targets, even at the cost of economic stagnation if not recession, the new political options are likely to be most unpopular as formerly granted privileges are now to be hard won through bold initiatives, productivity gains and efficiency improvements.

The lack of managerial experience and of a strong relationship between suppliers and consumers, the poor creativity and exposure to initiative and decision-making, and the sudden withdrawal of the State insofar as investment and operation responsibilities are concerned, concur to making the transition period all the more difficult.

The economic authorities will have to cope with new situations and deploy intervention instruments that they are not familiar with.

The substitution of the top-down decision-making by the bargaining table, the negotiated and consensual arrangements versus formerly coerced ones and the new role and responsibilities of the State, call for a long and difficult learning process.

Major constraints also occur at institutional level.

Several measures were recently introduced to ease foreign trade and stimulate domestic performances by removing import barriers, thus providing the local business community with an undistorted reference to world prices;

As for the fiscal policy and the system of prices and distribution, the reduction of public intervention in price and distribution controls along with an alleviation of the fiscal pressure are expected to spur private initiative and lead to a much stronger contribution of the private sector to the national product.

The Government intends to restructure the financial sector, by giving priority to credit aimed at productive activities and attempting to capture domestic savings by guaranteeing positive real interest rates on medium- to long-term deposits.

The State will transfer to the private sector its participation in small companies and will open the capital of the large companies to public subscription. Only a few strategic public services will remain exclusively public.

The restructuring of the industrial sector in Mozambique will undergo, in principle, successive rehabilitation and modernization phases until it becomes competitive, and fully exploits its comparative advantages to the benefit of the country.

Alongside the first privatization initiatives, the first phase of the restructuring process focusses on repairing the existing capacities to put them back to work, on the reconstitution of the workforce, on revamping the manufacturing and administrative structures of the newly recovered companies, and on instilling exposure to production management and marketing.

Existing production capacities targeted in this first phase date back to the fifties even though they were, for most of them, installed during the next decade. Their recovery at a limited cost should bring the industry back into operation, be it only for a transitory period until their lifetime expires. Yet in the meantime, it will offer empirical grounds to assess the economic relevance of certain manufacturing lines and provide valuable guidance as to subsequent investments.

In a second phase, worn-out equipments will be replaced for those production lines that proved economically viable, while seeking to maintain investments low and to identify the most appropriate technologies.

This second phase of the industrial recovery programme would take place within the next five to six years and would represent a technological rejuvenation of about 20 years, assuming that fifties-types of machines will be replaced by seventies upgrades.

The third phase of the process would take another five to six years, when the equipments acquired during the second phase fall in turn into obsolescence. By that time, the companies will have reached a maturity stage, and it will be possible to make economic forecasts with limited risk and rigorous investment analysis. A second, 20-year technological jump may then be implemented by the most successful firms, offering sound growth prospects.

In order to accomplish, within a dozen years, a technological update of 40 years, an enormous effort in human resources development will be essential.

In particular, the penalizing scarcity of qualified staff in the Ministry of Industry and Energy must be addressed by urgent recruitment and a comprehensive remuneration-cum-benefits package to attract and retain top professionals. A general system of incentives rewarding those who show dedication, responsibility and sustained levels of productivity must be established and its financing secured on the basis of cost-benefit arguments.

CHAPTER V

RECOMMENDATIONS

Project DP/MOZ/86/014 will finish, as agreed upon, on 31 December 1992, while a skeleton staff will remain to finalize pending activities for another three to five months.

During that period, the following positions will be partly occupied:

- . 11-03/B - industrial engineer (until 17/01/93);
- . 11-01/B - macro-economist (until 15/02/93);
- . 11-55 - consultant in metal-working industry (February-March 93) for a second, one-month mission to conclude the strategies for the development of the metal-working sub-sector;
- . 11-04 - information system expert, extended by three to five months as acting CTA to wrap up the last activities and finalize the technical report.

Afterwards, as suggested at the final tripartite review meeting held on 12 November 1992, a 6-month bridging project should keep the momentum towards the effective implementation of the project's recommendations. Its budget should include funds for 2 international experts, 2 national experts, 1 secretary, 1 driver, training and miscellaneous at a total estimated cost of about US\$ 250,000.

The bridging project should have the following objectives:

- . bringing to an end all on-going activities of MOZ/86/014;
- . extending direct support to the MIE on policy issues;
- . assisting the Government in mobilizing resources for the implementation of MOZ/86/014 recommendations, once endorsed by the Government;
- . preparing a project document with a foreseen duration of 3 to 5 years to start at the end of the bridging project. Such a project should have a light structure and should aim at assisting the Government on policy issues and implementation of all approved recommendations of MOZ/86/014.

It is further recommended that the last few months of project MOZ/86/014 be devoted to finalizing an executive summary of the project's recommendations, which could tentatively be organized along the following guidelines:

SCOPE OF TECHNICAL REPORT

Presentation, summary, etc.;

- A. GENERAL ANTECEDENTS
 1. Economic aspects
 2. Social aspects
 3. Political and institutional aspects
 4. Availability of resources
 5. National objectives

- B. SITUATION OF THE INDUSTRIAL SECTOR
 1. Food Processing and Agro-industry
 2. Chemical Industries
 3. Edible Oils and Soaps Industry
 4. Metallurgical Industry
 5. Textile and Clothing Industry
 6. Packaging Industry
 7. Metal Working Industry

- C. DESIRABLE SCENARIO
 1. Description
 2. Assumptions
 3. Priorities

- D. STRATEGY FOR THE INDUSTRIAL SECTOR DEVELOPMENT
 1. Legal situation of the companies
 2. Rehabilitation
 3. New investments
 4. Study of possibilities for the long term
 5. Development of human resources
 6. Incentives
 7. Spatial dimension of development
 8. Support
 9. Organization

- E. PROGRAMME
 1. General-range measures for the industrial sector
 2. Measures at sub-sector level
 3. Implementation follow-up.

The 29 items appearing in the annex "E" of this report are the result of the work developed during the DP/MOZ/86/014, with a significant contribution from the UNIDO Country Director in Mozambique.

For each programme component, a statement of reference shall be developed, in Portuguese and in English, containing:

- . basic data;
- . justification;
- . project objectives;
- . beneficiaries;
- . execution modalities;
- . expected results - evaluation;
- . other impacts of the project;
- . inputs requirements.

**INDUSTRIAL POLICY AND INSTITUTIONAL ADJUSTMENTS
DP/MOZ/86/014**

ANNEXES

INDUSTRIAL POLICY AND INSTITUTIONAL ADJUSTMENTS

DP/MOZ/86/014

ANNEX "A"

Project Revisions "A" to "L"

Revision Code	Date Signed	Amount (US\$ 1.00)
A	09.Dec.1988	611,050
B	28.Aug.1989	675,205
C	29.Nov.1989	675,205
D	11.Jan.1990	696,205
E	30.Apr.1990	1,188,000
F	30.Jun.1990	1,188,000
G	25.Jul.1990	1,188,000
H	30.Nov.1990	1,373,500
I	31.Dec.1990	1,919,743
J	06.Jan.1992	1,919,743
K	05.Jul.1992	2,155,549
L	16.Sep.1992	2,366,713

Reports produced by the Project's Experts and Consultants.

Title of report, paper, etc.	Remarks
1. "Algumas linhas gerais da reestruturação orgânica do MIE", by Marco A. d'Oliveira under personal request of the Minister of Industry and Energy	Technical Report, in Portuguese, draft completed copies given to the Minister, Vice-Ministers and to the Department Chiefs of the MIE.
2. Doc. de Campo nº 1 - "Ambiente básico de processamento e transferência de dados", by Fernando Garagorry - Cassales, Feb.1990.	Technical report, in Portuguese, final version, copies given to all project staff members, as a part of in-house training material.
3. Doc. de Campo nº 2 - "Proposta de base de dados relacional para estatísticas industriais", by Fernando Garagorry-Cassales - Mar.1990.	Technical report, in Portuguese, final version of a proposal for the project relational data base.
4. "Relatório Final", by Fernando Garagorry-Cassales Mar.1990.	Terminal report, in Portuguese, final version, with copy sent to the BSO, UNIDO, Vienna.
5. Doc. de Campo nº 3 - "Uma contribuição para as medidas de política industrial", by Marco A. D'Oliveira. Mar.1990.	Terminal report, in Portuguese, first draft of a report of his second mission to the Project.
6. "Relatório de Visita", by O. Maizza Neto - Apr. 1990	Terminal report, in Portuguese, final version.
7. Doc. de Campo nº 4 - "Preparação e implementação da política industrial - I. A dependência de factores productivos importados e a regionalização", by Marco A.M. D'Oliveira, Dec.1990.	Field Document, in Portuguese, report of his third mission to the Project.
8. Doc. de Campo nº 5 - "Preparação e implementação da política industrial - II. Sub-sector das oleaginosas e sabões", by Marco A.M. D'Oliveira, Dec.1990.	Field Document, in Portuguese, report of his third mission to the Project.
9. Doc. de Campo nº 6 - "Preparação e implementação da política industrial - III. Industrias têxteis e de vestuário", by Marco A.M. D'Oliveira, Dec.1990.	Field Document, in Portuguese, report of his third mission to the Project.
10. "Relatório Técnico - Primeira missão", by Vladimiro Libeskind, Feb.1991.	Technical report, in Portuguese, final version of his first mission to the Project, copies given to the Minister of the MIE and sent to the BSO, UNIDO, Vienna.
11. Doc. de Campo nº 7 - "Programa trienal de investimentos públicos 1990-92", by Marco A.M. D'Oliveira, Mar.1991.	Field Document, in Portuguese, report of his fourth mission to the Project.
12. Doc. de Campo nº 8 - "Sistema de afectação de divisas" by Marco A.M.D'Oliveira, Mar.1991.	Field Document, in Portuguese, report of his fourth mission to the Project.
13. Doc. de Campo nº 9 - "As zonas francas como instrumentos de política industrial", by Marco A.M. D'Oliveira, Mar.1991.	Field Document, in Portuguese, report of his fourth mission to the Project.

Title of report, paper, etc.	Remarks
14. "Relatório de visita", by Octávio Maizza-Meto, May.1991.	Terminal report, in Portuguese, final version.
15. Doc. de Campo nº 10 - "Macro-planificação tentativa como instrumento de apoio na planificação da indústria em Moçambique para o ano 2000", by Paulo Lisker, Jun.1991.	Field Document, in Portuguese, with copies given to the Minister and Vice-Minister of the MIE, and sent to the BSO, UNIDO, Vienna.
16. Doc. de Campo nº 11 - "Considerações sobre planificação do Sector Nº (Indústria) com ênfase na agro-indústria para o ano 2000", by Paulo Lisker, Jun.1991.	Field Document, in Portuguese, with copies given to the Minister and Vice-Minister of the MIE, and sent to the BSO, UNIDO, Vienna.
17. Doc. de Campo nº 12 - "Considerações sobre planificação do Sector Primário até o ano 2000", by Paulo Lisker, Jun.1991.	Field Document, in Portuguese, with copies given to the Minister and Vice-Minister of the MIE, and sent to the BSO, UNIDO, Vienna.
18. "Technical Report: Mission of the Expert on Agro-Industries Policies in Medium and Long Term", by Paulo Lisker, Jul.1991.	Technical report, in Portuguese, final version of his mission as Consultant for Food Processing and Agroindustry.
19. Doc. de Campo nº 13 - "Plano de Trabalho do Consultor" by Carlos de Mathias Martins, May.1991.	Field Document, in Portuguese, workplan of his mission as Consultant in Quality Control.
20. Doc. de Campo nº 14 - "Documento Base de Discussão - Desenvolvimento de um marco organizativo para a actividade do Ministério de Indústria e Energia", by Frederick Donald Bennetts, May.1991.	Field Document, in Portuguese, report of his first mission to the Project, copies given to the Minister and to the Department Chiefs of the MIE.
21. Doc. de Campo nº 15 - "Desenvolvimento de um modelo de gestão para as actividades do MIE", by Frederick Donald Bennetts, Jul.1991.	Field Document, in Portuguese, final version, copies given to the Minister of the MIE and sent to the BSO, UNIDO, Vienna.
22. "Technical Report: Mission of the Expert on Quality Management", by Carlos de Mathias Martins, Jul.1991.	Final version, in Portuguese, copies given to the Minister of the MIE and sent to the BSO, UNIDO, Vienna.
23. "Project Formulation Framework: Support to the establishment of the national standards body", by Carlos Mathias de Martins, Jul.1991.	Final version, in English, copies given to the Minister of MIE and Local UNDP, and sent to the BSO, UNIDO, Vienna.
24. Doc. de Campo nº 16 - "Desenvolvimento de um modelo de gestão para as actividades empresariais vinculadas ao MIE - I. Aspectos básicos", by Francisco Mornos-Galván, Aug.1991.	Field Document, in Portuguese, report of his first mission to the Project.
25. "Technical Report: Chemical industries sub-sector", by Patrício Castro-Boisier, Aug.1991.	Final version, in English, report of his mission as Consultant for Chemical Industries.
26. "Technical Report: Rehabilitation of metallurgical industries in Mozambique", by Ponthenkandath Mukundan Menon, Sep.1991.	Final version, in English, report of his mission as Consultant for Metallurgical Industry.
27. Doc. de Campo nº 17 - "Desenvolvimento de um modelo de gestão para as actividades empresariais vinculadas ao MIE - II. Considerações específicas", by Francisco Mornos-Galván, Oct.1991.	Field Document, in Portuguese, final version of his second mission to the Project as Consultant in State Participations.

Title of report, paper, etc.	Remarks
28. "Estrutura para elaboração dos relatórios dos estudos sub-sectoriais", by Paulo Rudolfo Namester and Fernando L. Garagorry-Cassales, Oct.1991.	Scope for the structure for the Final Report of the Subsectoral Studies, sent and approved by the BSO, UNIDO, Vienna.
29. "Technical Report: Establishment of a strategic development program for executives of Mozambique", by António Carlos Santos Rosa, Mar.1992.	Final version, in Portuguese, report of his mission as Consultant for Industrial Management Development.
30. Doc. de Campo nº 18 - "Necessidades de reabilitação de instalações industriais", by Vladimiro Libeskind, Mar.1992.	Field Document, in Portuguese, final version of his second mission to the Project.
31. "Technical Report: Sub-sector de óleos comestíveis e sabões - Relatório de desenvolvimento", by Vitor Bizarro, Mar.1992.	Terminal report, in Portuguese, of his mission Consultant for Edible Oils and Soaps Industry.
32. Doc. de Campo nº 19 - "Considerações sobre a II IDOA, a integração de Moçambique e o Projecto de Política Industrial e Ajustamentos Institucionais", by Maria Elena Kruppeln de Almeida, Apr.1992.	Field Document, in Portuguese, part of his report of his first mission to the Project.
33. Relatório Técnico: "Subsídios para a elaboração de uma estratégia de política industrial para Moçambique" by Maria Elena Kruppeln de Almeida, May.1992.	Terminal report, in Portuguese, final version of his first mission to the Project.
34. Doc. de Campo nº 20: "Experiências no desenvolvimento de bases de dados no Ministério de Indústria e Energia e Energia", by Fernando Garagorry-Cassales, May.1992.	Field Document, in Portuguese, copies given to the Minister of the MIE and sent to the BSO, UNIDO, Vienna.
35. Doc. de Campo nº 21 - "Política de localização industrial em apoio ao desenvolvimento regional de Moçambique", by Sérgio Soza, May.1992.	Field Document, in Spanish and Portuguese, final version of his mission as Consultant in Industrial Specialization Poles.
36. Relatório Técnico: "Desenvolvimento da produção de embalagens", by Ernesto Pichler, Instituto de Pesquisas Tecnológicas do Estado de São Paulo - IPT - Brasil, Aug.1992.	Technical report, in Portuguese, final version of his mission as Consultant for Packaging Industry.
37. Doc. de Campo nº 22 - "Contribuições para a análise do Projecto de Regulamento sobre Zonas Francas Industriais em Moçambique", by Clóé Ribes, Sep.1992.	Field Document, in Portuguese, with copy given to the Minister of the MIE.
38. Doc. de Campo nº 23 - "Proposta para a criação de um centro de informações industrial no Ministério de Indústria e Energia", by Fernando Garagorry-Cassales, Oct.1992.	Field Document, in Portuguese, with copies given to the Minister and Vice-Minister of the MIE and sent to the BSO, UNIDO, Vienna.
39. Doc. de Campo nº 24 - Alguns antecedentes sobre o sub-sector metalomecânico", by Jorge Amarel and Fernando L. Garagorry-Cassales, Nov.1992.	Field Document, in Portuguese, with copies given to the Minister of the MIE and sent to the BSO, UNIDO, Vienna.

Title of report, paper, etc.	Remarks
40. Relatório Técnico: "Estudio preliminar del sector metalmeccánico y datos para la preparación de un programa de desarrollo industrial en Moçambique", by Miguel Aldo Solodkowsky, Nov.1992.	Technical Report, in Spanish, of his first mission to the Project as Consultant for Metal Working Industrial Sub-Sector.
41. Doc. de Campo nº 25 - "Legis: Base de dados de legislação industrial", by Ângelo Sitole and Fernando L. Garagorry-Cassales, Dec.1992.	Field Document, in Portuguese, with copies given to MIE and sent to the BSO and IPTC/TP/INF, UNIDO, Vienna.
42. Doc. de Campo nº 26 - "Conclusões preliminares do projecto DP/MOZ/86/014", by Maria Elene Kruppeln de Almeida, Sep.1992.	Field Document, in Portuguese, part of his report of his second mission to the Project.
43. Doc. de Campo nº 27 - "Recomendações para uma estratégia da indústria alimentar e agro-industrial", by Maria Elena Kruppeln de Almeida, Dec.1992.	Field Document, in Portuguese, part of his report of his second mission to the Project.

Reports produced by the National Consultancy Firms (Austral and Macol)

Title of report, paper, etc.	Remarks
A. STUDY ON FOOD PROCESSING AND AGRO-INDUSTRIAL SUB-SECTOR (Austral).	
- "Estudo compreensivo do sub-sector da indústria alimentar e agro-industrial, Balanço das actividades desenvolvidas de 05.Nov.1990 a 05.Fev.1991", Primeiro relatório, Feb.1991.	Comprehensive Study of the Food Processing and Agro-Industrial Sub-Sector. First interim Report, in Portuguese, Feb. 1991.
- "Estudo compreensivo do sub-sector da indústria alimentar e agro-industrial - Diagnóstico do Sub-sector - Second Interim Report, Apr.1991.	Same, first version of the Second Interim Report, in Portuguese, Apr. 1991.
- "Estudo compreensivo do sub-sector da indústria alimentar e agro-industrial - Diagnóstico do Sub-sector - Second Interim Report, Aug.1991.	Same, second version of the Second Interim Report, copy sent to the BSO, UNIDO, Vienna. In Portuguese, Aug. 1991.
- "Estudo compreensivo do sub-sector da indústria alimentar e agro-industrial - Plano de Desenvolvimento- Draft Final Report", Sep. 1991.	Same, Development Plan, Draft Final Report, in Portuguese, Sep. 1991.
B. STUDY ON METALLURGICAL INDUSTRY SUB-SECTOR (Austral)	
- "Estudo compreensivo do sub-sector da indústria metalúrgica, Diagnóstico do Sub-sector, Sumário Executivo (Slides)", Jul.1991.	Comprehensive Study on the Metallurgical Industry, Sub-Sector Diagnosis (transparence films), in Portuguese, Jul. 1991.
- "Estudo compreensivo do sub-sector da indústria metalúrgica, Diagnóstico do Sub-sector", Jul.1991.	Same, Sub-Sector Diagnosis, in Portuguese, Jul. 1991.
- "Estudo compreensivo do sub-sector da indústria metalúrgica, Plano de Desenvolvimento do Sub-Sector", Nov.1991.	Same, Sub-Sector Development Plan, in Portuguese, Nov. 1991.
C. STUDY ON EDIBLE OILS AND SOAPS INDUSTRIES (Austral).	
- "Estudo compreensivo do sub-sector dos óleos comestíveis e sabões, Diagnóstico do Sub-sector, Sumário Executivo (Slides)", Feb.1992.	Comprehensive Study on the Edible Oils and Soaps Sub-Sector Study, Sub-Sector Diagnosis (transparence films), in Portuguese, Feb. 1992.
- "Estudo compreensivo do sub-sector dos óleos comestíveis e sabões, Parte I, Minuta do Diagnóstico do Sub-sector", Feb.1992.	Same, Part one, Draft of the Sub-Sector Diagnosis in Portuguese, Feb. 1992.
- "Estudo compreensivo do sub-sector dos óleos comestíveis e sabões, Relatório Final (Draft) - Parte I- Diagnóstico do Sub-sector (Volume I), Parte II- Desenvolvimento do Sub-sector (Volume II), Parte III- Anexos (Volume III)", May.1992.	Same, Draft Final Report, three volumes. In portuguese, May 1992.

Title of report, paper, etc.	Remarks
<p>- "Estudo compreensivo do sub-sector dos óleos comestíveis e sabões, Relatório Final - Parte I- Diagnóstico do Sub-sector (Volume I), Parte II- Desenvolvimento do Sub-sector (Volume II), Parte III- Anexos (Volume III)", Sep.1992.</p>	<p>Same, Final Report, four volumes. In portuguese, executive summary in English, Sep. 1992.</p>
<p>D. STUDY ON TEXTILE AND CLOTHING INDUSTRY SUB-SECTOR (Austral).</p>	
<p>- "Estudo compreensivo do sub-sector da indústria têxtil e do vestuário, Diagnóstico do Sub-sector, Sumário executivo (Slides)", Apr.1992.</p>	<p>Comprehensive Study on the Textile and Clothing Industry Sub-Sector, Sub-Sector Diagnosis (transparence films), in Portuguese, Apr. 1992.</p>
<p>- "Estudo compreensivo do sub-sector da indústria têxtil e do vestuário, Diagnóstico do Sub-sector, Parte I", Apr.1992.</p>	<p>Same, Sub-Sector Diagnosis, Part I, in Portuguese Apr. 1992.</p>
<p>- "Estudo compreensivo do sub-sector da indústria têxtil e do vestuário, Relatório Final (Draft), Parte I- Diagnóstico do Sub-Sector, Parte II- Desenvolvimento do Sub-Sector", Jun.1992.</p>	<p>Same, Draft Final Report, two volumes, in Portuguese, executive summary in English, Jun. 1992.</p>
<p>- "Estudo compreensivo do sub-sector da indústria têxtil e do vestuário, Relatório Final, Parte I - Diagnóstico do Sub-Sector, Parte II - Desenvolvimento do Sub-Sector", Sep.1992.</p>	<p>Same, Final Report, two volumes, in Portuguese, executive summary in English, Sep.1992.</p>
<p>E. STUDY ON PACKAGING INDUSTRY SUB-SECTOR (Austral).</p>	
<p>- "Estudo compreensivo do sub-sector da indústria de embalagens, Diagnóstico do Sub-sector, Parte I- Análise do Sub-sector, Parte II- Análise dos Ramos", May.1992.</p>	<p>Comprehensive Study on the Packging Industry Sub-Sector, Sub-Sector Diagnosis, two volumes, in Portuguese, May 1992.</p>
<p>- "Estudo compreensivo do sub-sector da indústria de embalagens, Relatório Final (Draft), Parte I - Diagnóstico do Sub-sector, Parte II - Desenvolvimento do Sub-sector", Nov.1992.</p>	<p>Same, Draft Final Report, two volumes, in Portuguese, executive summary in English, Nov. 1992.</p>
<p>F. STUDY ON CHEMICAL INDUSTRIES SUB-SECTOR (Macol).</p>	
<p>- "Estudo compreensivo do sub-sector das indústrias químicas, Relatório de Progresso", Jul.1991.</p>	<p>Comprehensive Study on the Chemical Industries, Progress Report, in Portuguese, Jul. 1991.</p>
<p>- "Estudo compreensivo do sub-sector das indústrias químicas, Diagnóstico do Sub-Sector, Sumário Executivo (Slides)", Jun.1991.</p>	<p>Same, Sub-Sector Diagnosis (transparence films), in Portuguese, Jun. 1991.</p>

Title of report, paper, etc.	Remarks
- "Estudo compreensivo do sub-sector das indústrias químicas, Relatório preliminar, 1ª Parte - Análise do sub-sector, 2ª Parte - Análise dos Ramos, 3ª Parte - Análise das Empresas (Tomos 1 e 2)", Jul.1991,	Same, Interim Report, four volumes, in Portuguese Jul. 1991.
- "Estudo compreensivo do sub-sector das indústrias químicas, Minuta do Relatório Final, Volume I - Análise do Sub-sector (Nov.1991), Volume II - Análise dos Ramos (Out.1991), Volume III - Análise das Empresas (Sep.1991), Volume IV - Anexos (Maio.1992).	Same, Draft Final Report, four volumes, in Portuguese, executive summary in English, May 1992.

56
Equipment List

Equipment items (Give country of origin, if already known)	Cost		Delivery date		Remarks (include order date)
	Budget	Actual	Scheduled	Actual (est)	
1. Car Toyota Corolla 1.3 L (Swaziland), plates MLS-91-94.	US 12,000	E 21,388	JUN.89	14.JUN.89	Order date 11.MAY.89
2. Photocopying Machine, Xerox 1025 Zoom, (Swaziland).	US 5,000	E 12,000	SEP.89	12.SEP.89	Order date 25.AUG.89
3. Two typewriters, Xerox 6001 (Swaziland).	US 3,000	E 3,800	SEP.89	12.SEP.89	Order date 25.AUG.89
4. Car Toyota Corolla 1.6 GL (Swaziland), plates MLN-08-70.	US 12,000	E 31,235	NOV.89	30.NOV.89	Order date 04.NOV.89
5. IBM PS/2 Mod. 8555-X61, Colour Display Mod. 8513, Keyboard, cables, Est. FDD 1.2Mb 5.25", DOS 3.3, OS/2 1.1, HP Laserjet III w/cable & toner, and HP Plotter Color-Pro w/HP Graphics extens. kit, manual, cover & cable (Austria).	US 6,000	AS 140,128	JAN.90	MAY.90	Proj. Req. 04.OCT.89 Vendor Offer 0254-89CR 14.NOV.89. Purchase Order 15-9-1888M 08.DEC.89.
6. Toshiba T3100SX, 40Mb HDD, with rechargeable batteries, modem & parts.	US 9,000	US 8,716	FEB.91	MAR.91	Field Purchase Order 1/DP/MOZ/86/014-91 Order Date 31.JAN.91 MOD 19-1-08616.
7. Telephone Switch Board, Electrical Power Station and Telefax.	US 12,700	DM 16,840 (US 9,623)	JUL.91	JUL.91	FPO 2/91-DP/MOZ/86/014 Order Date 14/03/91 MOD 19-1-08666.
8. Two (2) Printer Table 60x70; One (1) Table 60x70; Two (2) Computer Table 150x70; One (1) Drawer; Two (2) Chair Typist; One (1) Chair Draughtsman; One (1) Mouse, IBM, for PS/2; One (1) UPS SENDON, 350 VA; Two (2) UPS SENDON, 1 KVA	US 6,000	US 5,384	FEB.91	MAR.91	FPO 3/MOZ/86/014/90. Order Date 28.DEC.90 MOD 19-0-09341.
9. IBM PS/2 Display Adapter Card	US 750	US 750	JUL.91	JUL.91	MOD 19-1-08751

INDUSTRIAL POLICY AND INSTITUTIONAL ADJUSTMENTS

DP/MOZ/86/014

ANNEX "E"

REPUBLIC OF MOZAMBIQUE

INDUSTRIAL DEVELOPMENT PROGRAMME

LIST OF COMPONENTS¹

01. Design and execute a BRIDGE-PROJECT (6 months) to maintain direct assistance to the Government, specially to the Ministry of Industry and Energy, on industrial policy issues, while linking Project "Industrial Policy and Institutional Adjustments - DP/MOZ/86/014", which is coming to an end by May 1993, and the beginning of a new Project "Industrial Policy - Phase II".
02. Design and execute a Project "INDUSTRIAL POLICY - PHASE II" (3 - 5 years) to maintain direct assistance to the Government, specially to the Ministry of Industry and Energy, on industrial policy issues and on implementing all the recommendations of Project "Industrial Policy and Institutional Adjustments" which were transformed into Government decisions/policies.
03. Assist the Government to design, organize and implement the INDUSTRIAL DEVELOPMENT POLICY NATIONAL COUNCIL (Conselho Nacional de Política de Desenvolvimento Industrial), its Secretariat and its linkages at national level.
04. Assist the Government to design, organize and implement the SCIENTIFIC AND TECHNOLOGICAL POLICY NATIONAL COUNCIL (Conselho Nacional de Política Científica e Tecnológica), its Secretariat and its linkages at national and international levels.
05. Assist the Government to design, organize and implement the MANAGEMENT DEVELOPMENT NATIONAL PROGRAMME (Programa Nacional de Desenvolvimento de Gestores), its National Board, its Secretariat and its linkages at national and international levels.
06. Assist the Government to design, organize and implement the INDUSTRIAL VOCATIONAL NATIONAL PROGRAMME (Programa Nacional de

¹ list updated in Maputo, March 1993

Formação de Mao-de-Obra Industrial), its National Board, its Secretariat and its linkages at national and international levels.

07. Assist the Government to implement the INDUSTRIAL INFORMATION CENTRE (Centro de Informacoes Industriais) as a component of the new structure of the Ministry of Industry and Energy, as designed by Project "Industrial Policy and Institutional Adjustments".

08. Assist the Government to design, organize and implement the MAPUTO CORRIDOR DEVELOPMENT AUTHORITY, the BEIRA CORRIDOR DEVELOPMENT AUTHORITY, the NACALA CORRIDOR DEVELOPMENT AUTHORITY and the ZAMBEZI RIVER BASIN DEVELOPMENT AUTHORITY.

09. Assist the Government to design, organize and execute an Action Plan for the implementation of the EXPORT PROCESSING ZONES PROGRAMME for the ports of Maputo, Beira and Nacala.

10. Assist the Government to revise the whole set of investment opportunities identified by the Sub-Sectoral Studies executed under Project "Industrial Policy and Institutional Adjustments" and to prepare from them a Set of INDUSTRIAL INVESTMENT PROJECT PROFILES.

11. Assist the Government to prepare a special edition of the INVESTORS GUIDE.

12. Assist the Government to design, organize and implement an INVESTMENT PROMOTION SEMINAR (or FORUM), to be promoted by UNIDO in Paris, by mid-1994.

13. Assist the Government to design, organize and implement an INDUSTRIAL DEVELOPMENT FINANCIAL INSTITUTION aimed to supply industrial credit as well as venture capital all along a long-term industrial development process.

14. Assist the Government to design, organize and implement a SMALL BUSINESS DEVELOPMENT FINANCIAL INSTITUTION aimed to support a broad process of generation of micro and small-scale enterprises all over the Country and to facilitate their access to credit.

15. Assist the Government to implement the NATIONAL INSTITUTE OF METROLOGY, STANDARDIZATION, QUALITY CERTIFICATION AND MANAGEMENT (INNOQ - Instituto Nacional de Metrologia, Normalização, Certificação e Gestão da Qualidade), as designed by Project "Industrial Policy and Institutional Adjustments", comprehending its National Board, its Secretariat, its laboratories and its documentation centre.

16. Assist the Government to design, organize and implement the NATIONAL INSTITUTE FOR THE DEVELOPMENT OF PROTOTYPES FOR LOCAL INDUSTRY (PRODIL - Instituto Nacional de Desenvolvimento de Protótipos para a Indústria Local), as a centre of adaptation, research and development of industrial technology, as an official

laboratory for industry and as a training centre for industrial extensionists.

17. Assist the Government to discuss and adapt the Basic Law on Industrial Property as well as to design, organize and implement the NATIONAL INSTITUTE FOR INDUSTRIAL PROPERTY (INPI - Instituto Nacional de Propriedade Industrial), its National Board, its Secretariat and its documentation centre.

18. Assist the Government on the institutional remodelling of the NATIONAL INSTITUTE FOR THE DEVELOPMENT OF LOCAL INDUSTRY (IDIL - Instituto Nacional de Desenvolvimento da Indústria Local), which will aim to redefine its functions as the responsible for the promotion and assistance to micro- and small-scale industries, by promoting its decentralization to the provinces and by looking for its self-sustainability (both at central and provincial levels).

19. Assist the Government to design and to implement a self-sustainable model of institutional development for the INDUSTRIAL TRAINING CENTRE (CFI - Centro de Formação Industrial), as a Centre devoted to the development of human resources in management.

20. Assist the Government to design and to implement a set of policy measures aiming at the DEREGULATION OF THE ECONOMY with the objective to create an enabling environment for the consolidation and expansion of the private sector.

21. Assist the Government to design, organize and implement the ENVIRONMENTALLY SUSTAINABLE INDUSTRIAL DEVELOPMENT component of the national environmental policy, both at the level of designing, adapting and discussing adequate environment legislation as well as at the level of institutional building approach to the National Environment Commission in its linkages to the Ministry of Industry and Energy and to other branches of Government responsible for some other segments of industry.

22. Assist the INDUSTRIAL ASSOCIATION OF MOZAMBIQUE (AIMO - Associação Industrial de Moçambique) to design, organize and implement an institutional building strategy, so as to behave as the authentic representative of the industrial enterprises and of the industrial entrepreneurs established in Mozambique, in its interrelations with governmental institutions and other segments of society, such as, banks, labour unions and international organizations.

23. Assist the Government to structure and implement the NATIONAL INDUSTRIAL LOCATION POLICY (Política Nacional de Localização Industrial), as conceived by Project "Industrial Policy and Institutional Adjustments".

24. Assist the Government to structure and to implement the STATE HOLDING COMPANIES (SPE - Sociedades de Participações Empresariais do Estado), as conceived by Project "Industrial Policy and Institutional Adjustments".

25. Assist the Government to implement the new structure of the MINISTRY OF INDUSTRY AND ENERGY, as conceived with the assistance of Project "Industrial Policy and Institutional Adjustments", mainly in training Mozambican professionals for the newly needed functions and activities to be performed.
26. Assist the Government to design, discuss and implement the INDUSTRIAL INVESTMENT INCENTIVES NATIONAL POLICY. Such a policy should comprehend the reduction and exemption of taxes, the repatriation of profits and the depreciation rates.
27. Assist the Government to design, discuss and implement an INFANT INDUSTRIES PROTECTION POLICY. Such a policy should offer a series of fiscal, customs and credit incentives, for newly established enterprises, under the condition that end-products meet minimal quality standards, as defined by INNOQ, to be allowed into the domestic market.
28. Assist both Governments to design, structure and implement the international component of an ECDC - Economic Cooperation among Developing Countries process, compatible with and in the light of the Industrial Cooperation Programme to be signed by BRAZIL and MOZAMBIQUE.
29. Assist both Governments to design, structure and implement the international component of an Industrial Cooperation Programme to be signed by PORTUGAL and MOZAMBIQUE.
30. Assist the Government, jointly with FAO, to design, structure and implement a Programme on AGRO-INDUSTRIAL Development.