Final Report

For the Swiss Development Cooperation, SDC

"Support to Building Capacity in Investment and Development Strategy and Articulation in the Province of Nampula"

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Table of Contents

List of Tables

List of Figures

Executive Summary

1. Introduction

The evaluation of phase 6 of the economic management support programme (MOZ 28) recommended that SDC undertakes a rapid assessment of the feasibility of implementing a programme of capacity building in investment and development strategy and policy in Nampula. This assessment was expected to provide crucial inputs for the formulation of phase 7 of MOZ 28 in Nampula and link capacity building in economic management with crucial development needs. The study was undertaken between March and May 2003, and involved three stages: desk work, field research and the writing of the final report. The consultant also attended the Nacala Corridor Investor´s Conference, which took place in 27 and 28 of February 2003.

The independent researcher was assisted by Dimka Stantchev, SDC programme officer for MOZ 28 in Nampula, in the all stages of the study. However, this report results from independent research work and may not agree with, or represent, SDC´s or other official views. The independent researcher bears full responsibility for shortcomings that have remained in the report.

2. Identifying institutional capacity needs – meaning of demand driven needs

We cannot identify institutional capacity building needs ***directly*** from the interviews and field work, because there are several and significantly different definitions and perceptions of what institutions, capacities and processes of institutional capacity building are.

From the analysis of information gathered, institutional capacity is defined by different agents as a function of problems that they are trying to address at a particular moment and in relation to some other specific agents. Even if we consider that none of the individual definitions of institutional capacity is the most adequate, it is still important to understand that definitions of institutional capacity (and of processes of building it) only make sense when they are integrated within the context of economic and (related) institutional dynamics that local agents face. Therefore, our study undertook an analysis of economic growth and investment dynamics and of the related institutional processes, in order to identify particular areas of institutional capacity that are at least problematic and need improving.

3. Economic and institutional context of capacity building

The study identified the need for the economy of Nampula to grow significantly faster and in a more sustainable way in the long run. This requires that economic growth and development patterns are broad-based, diversified, incorporate and add value to more local resources, create new capacities, ease the pressure on scarce resources and are very significantly improved in terms of quality and factor productivity.

Further, an analysis of private investment trends shows that FDI is highly correlated with mega projects; the weight of DDI in total investment is twice as high as the national average (even higher, when mega projects are excluded); overall investment is concentrated in a few sub-sectors and firms; and the pattern of investment is not easing pressures on scarce resources, particularly those associated with foreign currency. As would be expected, DDI is less concentrated than overall investment. Thus, there is room for strategies that diversify FDI and mobilise DDI, and the analyses shows that these two goals can and must be achieved together. Additionally, there is a role for strategy to direct investment into activities that save foreign currency by efficiently substituting imports, and generate foreign currency by aggressively penetrating into profitable export markets.

The analysis of investment has shown how information, intra- and inter-sectoral coordination and institutional development can help to reduce transaction costs;

maximise innovation, economies of scale and scope and economic diversification and linkages; and minimise inefficiencies associated with oligopolistic power, high costs linked with unnecessary internalisation of transactions and processes that are better dealt with through coordination and contracts between firms and sectors of the economy.

The analysis of institutions showed that, despite remarkable progress (ex., the formulation of the PEP 2003-2007, establishment of UCODIN, introduction of decentralised district planning and finance), there is a need for very significant improvement in terms of the institutional basis for economic analysis, coordination and implementation.

Provision of inter-sectoral goals (through definition of inter-sectoral development poles, or pegs); organization of systems of information; development of business support services and economic and technical analysis of investment; improvement of mechanisms of intra-government coordination; systematic analysis and generalisation of best practices; support to developing business networks, partnerships, associations and other institutions that support production, establishment and enforcing of quality standards, technology acquisition and mastering, investment and trade; development of workers and peasants organizations that will become more relevant as economic growth accelerates; these are all part of institutional development needs to provide strategic frameworks to improve the quality and direction of investment and achieve broad-based, fast economic growth.

4. Main areas of institutional capacity building

4.1. General considerations

On the basis of such an analysis, it is clear that there are many potential areas of institutional capacity building, which would have an impact on the ability to coordinate, successfully, investment and development strategies. In our report, we identified three of such areas.

The criteria for selection of these three areas are: (i) relevance according to the analysis made of the situation in the province of Nampula; (ii) multiplier impact; (iii) existence of experiences and practices that could be improved; (iv) possibility of synergies within SDC and different potential partners; (v) links with overall policy goals of the country, as well as links with long term goals of previous stages of macroeconomic and policy management support programmes developed by SDC; and (vi) possibility of being implemented, or partly implemented, over the course of the next stage of MOZ 28.

The main argument of this report is that institutional capacity building in Nampula, with respect to investment and economic development, should be focused on development of inter-sectoral economic goals (poles or pegs for economic growth) that would articulate public intervention as well as would provide the main framework for private sector activity. Thus, all areas of capacity building should be thought of as means to increasing capacities to developing, articulating and successfully implementing such investment and growth, inter-sectoral economic pegs.

4.2. Areas of capacity building and required pre-conditions

A. Main assumptions

The two main assumptions that guide the main proposals, or plan A, that follow are that the provincial government: (i) is committed to adopting inter-sectoral, strategic development goals (formulated around inter-sectoral development pegs, and detailed around economic and social chains of production and value); and (ii) is willing to develop an inter-sectoral coordinating organization that will identify, develop and enforce implementation of such development goals. This organization could be developed around UCODIN, or any other form of organization that the government perceives as most adequate. For simplicity, in what follows we refer to this organization as UCODIN, but this can also mean, and apply to, any other institutional equivalent to UCODIN.

In order for the two assumptions, above, to be met, the government has to solve the so-called "mission crisis of the state", identify its own strategic role beyond fashionable and often meaningless concepts like "facilitation" and "mobilisation", and be committed to investing resources (human and financial) in the development of the adequate institutional framework for inter-sectoral coordination.

Practical indicators of government's commitment to developing inter-sectoral coordination would be the institutionalisation of UCODIN and of its role as a powerful, strategic inter-sectoral coordinating organization, as well as staffing UCODIN with a few experienced and well trained technicians. It would also be important that the relationship between UCODIN and the sectors is clarified and institutionalised (around the identification and implementation of inter-sectoral development goals), and that the division of work between DPPF, particularly DPO, and UCODIN be clearly established.

Obviously, the government of Nampula may well need support to carry on the tasks mentioned above. In this case, capacity building should be developed around a fall back programme, or plan B, which would support the government to create the necessary pre-conditions to formulate and manage inter-sectoral investment and development strategies. Fall back activities are, in what follows, presented after the main proposals.

B. Main areas of capacity building and fall back alternatives

On the assumptions made above, and considering that we aim at having a holistic approach to strategic capacity building, the following three areas of institutional capacity building are recommended. First, support should be given to the development of integrated institutions and mechanisms for inter-sectoral development strategy and inter-sectoral coordination of government, private sector and civil society at large. This would require four lines of action, namely:

(i) provision of material and technical support to the development of UCODIN for the purpose of effectively and efficiently articulating investment and development strategies in the province;

(ii) support the development of the ability of UCODIN to identify information required to, and formulate investment and development strategies of inter-sectoral content, which identify investment and development poles (or pegs), and eventually organise interventions around social and economic chains of production and value, and that articulate relevant sectors of government (including districts), private sector and civil society at large;

(iii) continue to support the development of strategic provincial and district planning, focusing more on improving the economic content of such plans, defining better the areas of intervention of different levels of decision-making and how they articulate, and integrating all levels of strategic planning within a common framework and strategic direction;

(iv) through UCODIN, support the development of strategic planning and information capacities in different departments of the provincial government, with priority focused on DPIC, DPTUR, DPREME, and CPI. It should be noted that support to individual government departments in the context of strategic planning and articulation, only makes sense if it strengthens the overall ability and mechanism of inter-sectoral articulation. Thus, departments here singled out are considered priorities because of the relevance of their portfolio and because they do not have specific and significant support mechanisms already in place.

Second, support should be given to development of a common and universal system of social and economic information that is easy to access and update, quick and cheap, and that is relevant for inter-sectoral strategic coordination, intra-government articulation, private sector decision-making and civil society participation. This system should also articulate or provide a common platform for information and statistics systems already in place, and should be developed within UCODIN in order to respond to and support strategic planning and articulation of investment and development.

Within this area of institutional capacity building, it would be important to support the organization and implementation of regular surveys about crucial issues for strategic policy making and management, namely about: off-budget expenditure; best practices in areas of private sector institutional development, promotion of new economic activities, establishment of inter-sectoral links, materialization of potential synergies between projects and firms, etc.; financial institutions and financial markets, formal and informal; the situation of agro-industrialisation; and others deemed necessary.

Third, support should be given to the development of business related services, which cut red-tape and time waste; simplify and shorten stages of decision-making; consolidate information about procedures, legislation, incentives, markets, technology, potential for partnerships and linkages, and investments taking place; provide advise with respect to investment decisions, business plans, business choices, production and managerial organization; and provide basic and intermediate industrial and professional, technical and managerial training. In this connection, institutional support could also be provided to business initiatives related to development of specific industrial associations, networks and partnerships that could strengthen strategic articulation and competitiveness of particular industries.

As mentioned before, these three areas are conceptualised on the assumption that inter-sectoral goals are defined and UCODIN is developed as the coordinating inter-sectoral organization. However, we have pointed out that these are not simple tasks, and that the government of Nampula may well need support to formulate and implement such tasks. In this case, an interim phase and programme of capacity building (what was, earlier, called plan B or fall back programme) should be adopted. This means that even if not everything mentioned above can be implemented and achieved, some steps can be taken in the direction of creating strategic capacities.

Of course, interim programmes depend on what the different partners are willing to, and capable of, doing at particular moments. Therefore, different interim areas of capacity building are recommended but the decision about which ones should be undertaken depends on the specific steps that at each particular moment can be taken.

One area of interim support could be the establishment of two task forces, one to devise how the economy and economic agents in Nampula can take advantage of the potential productive linkages with the mega project of mineral sands in Moma; the other to formulate strategies for the development of inter-sectoral production chains for industrialisation of cashew nuts and oil seeds. Such task forces could be supported, occasionally and for specific activities, by short-term consultancies or technical assistance.

Another area of interim support could be related to the development of institutional mechanisms of dialogue and joint evaluation of socio-economic development, involving the state, private sector and civil society. In particular, support could be given to maintain annual or bi-annual meetings between the government and the private sector. This activity should include, also, support to specific research and production of relevant, thematic research papers that can be presented and discussed at such meetings, and that can constitute part of the information sets required to develop adequate inter-sectoral strategies.

Still related to this area, support could also be given to the establishment of some institutional form of periodical evaluation of socio-economic performance of the province, which would also feed into strategic monitoring and planning mechanisms.

A third area of interim support could be related to improving the economic content of district strategic development planning and management, and identification of possible sources of finance alternative to international aid (such as public-private partnerships, local sources of revenue, and others).

A fourth area of interim support is related to information. In this case, support should be given to performing specific tasks, namely: (i) establishing an electronic data base, for easy and universal access to relevant investment and development information by all agents concerned; (ii) performing regular financial surveys, including off-budget expenditure, formal and informal money markets and institutions, the actual implementation status of investment projects approved, and other micro and small investment projects that are taking place but need not to be approved; (iii) performing regular surveys about potential economic linkages arising from existing investment and other economic activities, whether such linkages are being implemented and what the impediments might be, and making such information available to all relevant agents; and (iv) establishing an electronic data base about all firms that exist in Nampula, location, contacts, main activities and other relevant, non-confidential information.

A fifth area of interim support, related to business services, could involve support to three main activities, namely: (i) support to the definition and implementation of a business centre, which on the one hand works as an effective one-stop-shop, and on the other hand consolidates investment, markets and other relevant economic information and advise to investors; (ii) support the development of industrial associations as professional organisations and institutions that perform activities perceived by their associate industries and firms as crucial, such as branding, quality control, negotiation of finance, training, and also provision of a fora for inter and intra-industry negotiation and for dialogue between the private sector and the state; (iii) support CPI in implementing awareness campaigns about investment legislation, and in developing a universal, electronic data base about investment in the province and in the region (inside and outside the country) that might be relevant for the province.

Capacity building in all of these areas can be supported in different ways: short term consultancies and technical assistance aimed at producing information and also capacitating local institutions and staff; facilitation of analysis and replication of best practices in different areas; material support based on concrete plans of action, etc.

However, it should be clear from the start that a capacity building programme should only be developed in areas and activities in which the government is strongly interested in, and to which is strongly committed.

Additionally, each programme of capacity building must identify a couple of very specific targets of sustainability of capacities created, agreed with the government. Once such targets have been met, the programme can move to other linked areas or activities because capacities created become pre-conditions to further capacity building in subsequent areas or activities.

From our analysis, we perceive that plans A or B are feasible and could be implemented, even combined in some ways, as long as relevant organizations, particularly the provincial government, agree with them and are willing to face and solve the challenges that are posed. However, if all assumptions and pre-conditions already mention fail to materialise (we repeat, from our analysis there is no clear reason why this should be the case), then capacity building could still be developed, but not along holistic approaches.

In the worse case scenario, capacity building for strategic development could be developed around specific and not necessarily articulated issues that our analysis has shown to be problematic. This could be, for example, supporting the government: to improve revenue collection; to put together a simple electronic data base with basic economic data and lists of firms; and to help improving the economic content of district strategic development plans.

4.3. Potential partners of capacity building

In providing capacity building support, in the areas identified above, the provincial government and SDC may have many different partners, which have been identified in the different parts of the report. Some of these will be partners in the provision of support to capacity building; others will be beneficiaries of the capacity building programme; and a few will be simultaneously partners in provision of support and beneficiaries of capacity building. Of course, the selection of partners and their role will depend on the specific programme of capacity building that at the end is agreed between the provincial government and SDC.

Given the holistic and strategic approach to capacity building recommended in the report, it seems that, for plan A, the main government partner of SDC is UCODIN, around which capacity building is going to be developed in all three areas mentioned.

Along with UCODIN, there are other specific provincial directorates and existing programmes and projects with which partnerships should be developed. The choice of these partners should consider three elements: the specific programme that is implemented; the relevance of specific organisations in the programme; and whether such organisations are already beneficiaries of capacity building support. In this connection, the main partners would be:

- DPPF, particularly in two areas: DPO, mostly because of the link between strategic and annual planning, and also between sectoral and territorial planning; and the programme on district decentralisation, particularly because of the content of district strategic and operation planning.
- DPIC, DPREME, DPTUR, DPADR, Fisheries, and the road commission (DPOPH), because of formulation and articulation of inter-sectoral development goals (or pegs), as well as informational needs and capacities that should be developed. DPIC is also important because of its role as a focal point in the relationship between the government and the private sector. DPADR could also be important from the point of view of improving SIMA as a more regular, integrated and effective system of information; and, together with DPOPH, because of the importance of PAMA as an example of an inter-sectoral programme, and the need to systematically analyse and replicate the best experiences associated with it.
- CPI and IPEX, because of the crucial role that they can play in developing and supporting investment strategies, and gathering investment and export related information. CPI, together with relevant sectoral provincial directorates, is also important because of the crucial role it can play in the development of the business centre defined along the lines discussed earlier.
- INE, because it can help developing information data bases, and would also benefit from a closer and more helpful relationship with government departments with respect to their informational needs.

Private sector partners should be chosen according to relevance and capability to developing business services and articulating business interests and production and value chains. Thus, main partners might be ACIANA, Technoserve, PoDE and GAPI. With respect to these organizations, capacity building should be focused in getting them involved in strategic planning, development of business services and of economic data bases relevant for businesses, and systematic analysis and replication of best practices with respect to their specific activities. ACIANA would also benefit from support to developing a strategic approach to business organization and networks, that could be based on the emergence of professional, industry specific associations to perform industry related tasks like branding, quality control, training and others (as discussed earlier).

NGOs, particularly CARE, CLUSA and AMODER, could be important partners in two areas: systematic analysis of best practices with respect to promotion of new products, extension, associativism and promotion of links between agricultural producers, industries and other markets; and also from the point of view of helping to develop product and value chains in selected areas (such as industrialisation of cashew nuts and of oil seeds). CARE and AMODER are also important because of their experience with rural credit and savings.

Civil society organizations could become important partners as long as they emerge, as a result of the activity of their associates, with a relevant role and basic capacity upon which to build new capabilities to intervene in socio-economic analysis and strategic decision-making processes. Trade Unions, UNAC and the Mozambican Debt Group could become the most important partners as long as they acquire basic capacities to develop a strategic role and to participate in strategic action. It should be made very clear that capacity building programmes should not be directed at “keeping organisations alive”, because this would create dependency and rent-seeking, instead of strategic developmental institutional capacity.

The final group of partners are academic and research organisation, which can provide the capabilities for short-term consultancies, technical assistance and research that might be required in the capacity building programme. These organisations can also support training programmes, and would benefit from a closer interaction with real socio-economic processes. In this category, the main partners would be the University Eduardo Mondlane (Faculty of Economics, UFICS, and different engineering departments), the Catholic University (Economics department, CEPKA), Mussa-bin-Bick University (Business department), and specific departments of other private universities (ex., business and information technology from ISPU and ISCTEC).

1. Introduction

The evaluation of phase 6 of the economic management support programme (MOZ 28) recommended that SDC undertakes a rapid assessment of the feasibility of implementing a programme of capacity building in investment and development strategy and policy in Nampula. This assessment was expected to provide crucial inputs for the formulation of phase 7 of MOZ 28 in Nampula and link capacity building in economic management with crucial development needs.[1] The study was undertaken between March and May 2003, and involved three stages: desk work, field research and the writing of the final report. The consultant also attended the Nacala Corridor Investor´s Conference.

In order to address the main goals of the study, the report is structured into four main sections. Following the introduction, the next section presents the goals of the study and the work that was undertaken by the consultant. The third section presents the main analysis of economic and institutional conditions that capacity building in investment and development strategy has to address. The fourth section presents conclusions and recommendations about preconditions and areas of capacity building.

The independent researcher was assisted by Dimka Stantchev, SDC programme officer for MOZ 28 in Nampula, in the all stages of the study. However, this report results from independent research evaluation and may not agree with, or represent, SDC´s or other official views. The independent researcher bears full responsibility for shortcomings that have remained in the report.

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[1] For a more detailed explanation regarding the assessment and its aims, see the Terms of Reference for the study, annex 1, as well as the Final Report of the external evaluation of the economic management support programme (MOZ 28), phase 6 (December 2002).

2. Goals of the study and work undertaken

2.1. Goals of the rapid assessment study

The proposed rapid assessment study aimed at identifying the feasibility of implementing an institutional capacity building programme in Nampula, in order to create and diversify competences and capacities to formulate and articulate investment and economic development strategies in the province.

Decentralisation, global provincial and district planning, private sector support programmes, trade promotion and the strengthening of positive and dynamic linkages between different projects, programmes and levels of decision-making need, and benefit from, strategic articulation of investment and economic development. However, such strategies and articulation cannot be imposed from the outside. Therefore, the first goal of the rapid assessment study was to identify local demand for investment and economic strategy capacity development, by government organizations, civil society and the private sector. This analysis needs to be done within the framework and challenges posed by the provincial strategic development plan (PEP) 2003-2007, including the exercise on district strategic development planning.

Second, the rapid assessment study had to make a preliminary evaluation of the investment climate and dynamism in Nampula. In addition to systematic collection and analysis of data regarding investment, growth, finance and institutional conditions for economic development, it was also of key importance to follow the Nacala Corridor investors' conference because of its relevance for the investment climate in Nampula and the possibility to talk to and discuss with main agents involved.

Third, it was necessary to identify potential partners of such a capacity building programme and what they have been doing and intend to do. In addition to provincial and district based partners, it was also important to consider other partners at national level because of the links between central and local sector planning, of the impact of national policies and legislation on local activities, and of the potential synergies of similar programs that may be happening elsewhere in the country.

Such set of partners would include government departments and public institutions that play a key role in industrial strategies and policies, such as those related to investment incentives, standards and quality, licensing, patenting, export promotion, providers of industrial and management training, providers of research capacities, consultancy and advisory services, organizations related to agro and rural industrialization and the Nacala corridor, etc. Partners may also be found amongst firms and business networks and associations, financial institutions, other bilateral and multilateral donors and development agencies, trade unions, academic institutions and organizations of independent research, consultancy and engineering companies, environment lobby groups and other groups of the civil society. It was, thus, of crucial importance to develop a preliminary mapping of potential partners and how they link with each other in the proposed programme.

Fourth, the study had to identify capacity building needs and potential in terms of technical assistance, training, acquisition of competences and institutional routines associated with strategic action, and also related to facilitation of coordination and articulation between potential partners, and acceleration of learning processes through exchange of information, experiences and knowledge. This would provide the core inputs for decisions regarding the nature and feasibility of the programme.

Finally, the rapid assessment study was expected to make recommendations with respect to the development of the capacity building programme. It should indicate what to do next, what the crucial areas of capacity building should be, and the role of SDC in the whole process.

2.2. *Activities performed and brief comments*

2.2.1. Collection of data, documents and lists of firms

The first three weeks of the study involved the collection of data, documents and lists of organization and firms, according to the list attached (annex 2). The collection of data and documents in Maputo was time consuming but straightforward. SDC/Deno already had a good list of NGO´s and development agencies involved in Nampula, and an identification of their main activities, which was based on the mapping finalised in 2002. However, the collection of lists of firms and other economic groups and organizations in Nampula was a much more difficult task.

The list of firms had to be obtained from many different sources: provincial directorates, tax services, business associations, PODE,[2] FFPI,[3] GAPI,[4] and informal sources. At the end, we managed to get a relatively good list of firms, but no one in Nampula had a consolidated list of firms and economic groups in the province. We had some difficulties to receiving updated lists of firms from DPOPH[5], DPADR,[6] DPIC[7] and the tax services. PODE, FFPI and GAPI only have lists of their customers. ACIANA[8] has a list of their members but with outdated information.

We also attempted to check the lists of potential investors and investment projects, provided by CPI,[9] with lists of actual investors and investment projects known by provincial directorates, as this could provide information on existing firms,

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[2] World Bank financed programme for private enterprise development.

[3] Small industry promotion fund, a parastatal organization once linked with the institute for development of small scale industry (IDIL). FFPI has financial and administrative autonomy from the state, and has mainly been working as an agency for donor funding of specific projects.

[4] A private organization that has evolved to become a finance provider, at market conditions, to small and medium projects.

[5] Provincial Directorate of Public Works and Housing.

[6] Provincial Directorate of Agriculture and Rural Development.

[7] Provincial Directorate of Trade and Industry.

[8] Trade, industry and agricultural association of Nampula, main business association in the province.

[9] Investment Promotion Centre.

economically active firms (firms making new investment) and potential firms.[10] This exercise was useful, but not entirely satisfactory because: the provincial delegation of CPI did not have the updated lists of investment projects in Nampula;[11] adjusted lists of projects from DPOPH and DPADR were submitted after the field work had finished; DPIC did not know all manufacturing investment projects that are taking place the province, so that some of the projects checked as non-existing are in place.

The telephone directory is outdated with respect to information about firms – some of the firms no longer exist, relatively new firms (even as large as some of the cotton companies) are not listed, and contacts have changed. Additionally, the specification and organization of business information in the telephone directory is not satisfactory – for example, to contact a specific area of activity of JFS[12] in order to organise an appointment to discuss their involvement in agro trade and processing, we had to try a very long list of possible telephone numbers, most of which had been disconnected, some of which were numbers of houses that belong to the group but are rented to citizens who have nothing to do with the group. It took us more than one hour, and more than twenty phone calls, to get to the right person and the desired information.

The provincial delegation of the National Statistics Institute (INE) did not provide the list of firms they have been using for regular data collection, or the updated list of firms that resulted from the recent enterprise census, CEMPRE, because, according to INE, the results of the recent census had not yet been published at

[10] CPI's data base on investment is about intentions of investment rather than actual investment. The data base includes some information about the implementation status of investment projects, but this information is not entirely reliable and updated, and the definitions used are not always clear. For example, when a project is said to be in implementation, it is not clear whether the investment has been made or that the investors are in the process of mobilising finance for investment. Thus, it is important that CPI lists are confirmed against provincial information about what is actually being done.

[11] Their lists and reports covered the period until 2000, whereas ours went up to the end of February 2003 (from 01 January 1990).

[12] Joao Ferreira dos Santos. This is a large business group, horizontally diversified, whose businesses range from supermarkets to cotton concessions, from general rural trade to agro processing and real estate. This group is established at national level.

national level. However, this explanation may not be entirely satisfactory because they did not even disclose the list of firms they had been using prior to CEMPRE for simple statistical purposes and, at national level, it is possible to obtain the list of firms obtained from CEMPRE, even if the whole set of data collected about such firms is not yet available.

The difficulty in finding updated, consolidated and reliable information about firms, their location, contacts and area of activity seems to reflect, or at least to be part of, the consistent lack of articulation between organizations and coordination of information, which had been identified as a major problem of economic management in the province, either in PEP or by interviewees. It also seems to be part of what one provincial director defined as "mission crisis of the state" – in a (theoretically) liberalised economy, what is the role of the state and, in particular, what is the relationship between the state and firms? It also seems that business information has not been systematically used for any sort of strategic analysis and decision making, and that businesses rely more on informal contacts, such that there is not enough pressure to improve organised information.

2.2.2. Regions visited and brief comments

On the basis of the lists of firms, characteristics of different districts, clusters of activity, as well as accessibility by road, we chose the districts and firms to visit. The districts covered three areas of the province: hinterland, agricultural (Ribáuè and Meconta); coastal, agricultural, tourism and fishing (Angoche and Mongincual); and coastal, tourism, trade/services/transports and industrial (Nacala Porto).

In addition, these districts also have important clusters of private firms. Ribáuè has small agro-industries and a mineral water processing plant in construction. Meconta is a cotton concession area with two cotton ginning factories in Namialo. Angoche has an integrated project to promote small scale fishing and related industries and services (Sofala basin project), some medium and large fishing companies, and agro-processing that includes the projected expansion of Miranda´s cashew processing business and the start of AGT involvement in cattle and sisal production.[13]

In Mongincual is located the growing cashew nut processing business based on labour intensive, manual shelling, which is developing around António Miranda´s factory in Namige. In addition to this factory, which is expanding, there are smaller cashew nut factories based on exactly the same technology as Miranda's but of much smaller scale, which are capable of processing the nut up to the peeling stage. There are, also, signs that medium and large cashew tree farms and plantations may develop in the region to ensure quantity and quality supply of raw materials.

Nacala Porto is developed around the international harbour, which is the starting point (Km 0) of the international Nacala Corridor that involves Mozambique, Malawi and Zambia, and integrates an area of approximately 500,000 squared kilometres. Nacala Porto also has the largest and more diversified industrial structure in the province of Nampula, including cereal mills, food oil processing, cement plants, salt, and many others. Service industries are relatively more developed than in other parts of the province, and there are plans to develop tourism, an international airport, a free industrial zone and fish processing industries.

Travelling to these districts gave us a good idea about how bad the state of roads, bridges and infrastructures in general is. On the whole, we travelled more than 1,200 Km in the Province of Nampula, through primary, secondary and tertiary roads. Many bridges are unsafe, and some are very dangerous indeed. With the exception of the Nampula-Nacala road, which is generally in good condition, the others are

[13] António Miranda, a local businessman, has started the Namige (Mongincual) medium cashew nut processing business based on labour intensive, manual shelling techniques. He is doubling the capacity of the existing factory in Namige, as well as planning to start a new factory in, and transfer the headquarters of the group to, Angoche. AGT, also informally known as group Gani, has acquired the facilities of CCA (Companhia de Culturas de Angoche), which include the old (now closed) cashew processing plant and more than 20,000 ha of land. They plan to start sisal and cattle businesses.

poor and many are in a very bad state of transitability. In some of the roads, such as Nampula-Ribáuè via national road no. 8, the average speed at which we travelled was approximately 20-25 Km/hour, and it took us more than 6 hours to cover the distance. In general, although the rate of road transitability is 83% in 2002 (a remarkable recovery, despite the 2002-2003 floods, from 16% in 1994), only one third of such roads are considered in good state of transibility, and another third is considered in bad state of transitability.[14]

Access to the network of telecommunications is uneven, limited and poor, although some progress has been made – for example, telephone connections, and even access to the internet, have recently been installed in Mongincual; in Angoche there is an internet centre; in Ribáuè there is access to satellite TV; and the mobile phone network has recently been extended to Namialo. However, the access of the population of the districts, including businesses, to these facilities is extremely limited, and half way between cities and main villages there is no communication. Fast expansion of such facilities might be expensive and irrational for private firms because effective demand is still limited as a result of low income and level of economic activity, as well as high fixed costs of the infrastructure. However, the telecommunications sector is still, largely, a monopoly of a public company, TDM, which has been investing in expansion of land network to the extent that in 2002 the number of fixed phone lines increased by one third.[15]

Electricity supply is poor and unstable, which constrains business development – it has an inflation impact on costs, increases risks, reduces opportunities for investment, and also constraints the possibility of using means of telecommunication. Private participation in rural electrification has been very limited and mostly unsuccessful. Given low incomes and limited economic activity at district level, the private sector is generally not willing to finance high costs of operating generators and maintaining and expanding the network because local

[14] Government of Nampula. 2003b. Relatório do cumprimento do PES 2002. Nampula.
[15] Ibid.

effective demand is very limited. As a result, in 2002 consumption of energy produced in the province and the number of customers declined by about 12% relative to the previous year, and 50% of the generators are considered obsolete.[16]

These are clear cases in which coordination between infra-structure development and productive investment has to be ensured before infra-structure develops, and in which the state has to play the role of first mover.

Water supply for human and industrial use is another problem because infra-structures are weakly developed and maintenance of existing ones in not always guaranteed. For example, in three distinct areas (Ribáuè, Angoche and Nacala Porto), running water is not properly treated such that it is common belief that this water may not be as good as water from more traditional sources, like wells. In Ribáuè and Angoche, we were informed that people prefer to consume water from wells rather than running water, because the maintenance of the piping system is so bad that running water is often contaminated with worms and insects.

Another interesting aspect of travelling in the province was the opportunity to observe the dynamics of local villages and local markets alongside the roads were local produces and basic manufactured consumer goods are traded. These markets and villages are strongly influenced by the dynamics of main sources of income from high value cash crops (tobacco, cashew nuts and cotton), fishing, wage work or others.

Recently, a new source of local jobs and income has emerged: road maintenance. Financed by public or donor funds allocated to districts, road maintenance schemes are in place during the raining season (which covers more than half of the year), and peasants that live along the road are paid to do the job. They can earn per month, with this job, as much as they would earn in an average agricultural season. We are

[16] Ibid.

not aware of any formal impact analysis of these and other non-traditional forms of wage income, but it must we expect it to be localised, have some significance in income generation and specialisation of labour allocation within the family, and some associated gender implications.

2.2.3. Meetings with public institutions, NGOs and the private sector

Meetings were held with the directors of the following provincial directorates: Industry and Trade, Transports and Communications, Public Works and Housing, Agriculture and Rural Development, Mineral Resources and Energy, and Tourism. It was not possible to meet with the provincial director of Labour Issues because she was not available. We had meetings with the deputy provincial directors of Industry and Trade, and Planning and Finance.

Meetings were also held with the provincial and/or regional delegates of CPI, Fisheries, IDPPE[17], INCAJU[18] and FFPI, and with top officials of UCODIN.[19]

At district and municipality levels, we met the Administrator of Ribáuè, the deputy Administrator of Angoche, and the Vereador for Industry and Trade of the Municipality of Nacala Porto. In Ribáuè, we also met the district planning technical team. In Angoche, we met the Regional Advisor for District Planning in the MAMM[20] region, as well as the new technical team for district planning.

The meetings with public organizations, at provincial and local levels, allowed us to discuss their views about the role of the state and the practices of different organizations with respect to what they actually do; to assess the problems of

[17] Institute for Development of Small Scale Fishing.

[18] National Cashew Institute, a parastatal in charge of promoting production, trade and industrialization of the cashew nut, which is mainly financed with the earnings from the duty on exports of raw cashew.

[19] Unit for Coordination of Integrated Development of Nampula.

[20] Moma, Angoche, Mongincual and Mossuril area.

articulation, coordination and information in horizontal (intra and inter sectoral) and vertical (between levels of decision making) dimensions; as well as to understand their views of the dynamics of private investment and activity, the relationship between private and public agents, and the types of intervention that are required.

We had meetings with NGO´s, namely SNV,[21] CARE,[22] CLUSA.[23] A meeting organized with the provincial secretary of the main Trade Union, OTM-Central Sindical, did not take place because he did not turn up.

These NGOs were selected on the basis of the relevance of the work they are doing to the analysis of investment dynamics in Nampula and the identification of capacity needs. Although there are other NGOs working in relevant economic aspects in Nampula, we chose these because they seemed to us to have more weight with respect to investment dynamics and relationships with the state, as well as being very influential on what other NGOs do.

The meetings with NGOs allowed us to discuss what they are doing in terms of capacity building for development and investment management, the capacity gaps they have identified, and their view of the role of the state and of the dynamics of investment; as well as to identify issues of strategic articulation, complementary and conflict between NGOs, the state and other economic agents at different levels.

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[21] A Dutch NGO that provides different sorts of technical assistance to decentralised planning and finance and to development of the private sector. Our work with SNV was mostly related to the project CASCA, which is aimed at supporting the renovation of cashew trees and production of cashew nuts and, generalising the utilisation of manual techniques, at family level, to shell cashew nuts.

[22] This NGO is supported financially by the United States Aid Agency (USAID). It works in a variety of agricultural and agro-processing programmes, namely diversification of cash crops and food crops production in cotton dominated areas, provision of a variety of extension services to small agro producers and rural traders, promotion of organic production of oil seeds, as well as local extraction of oil in small scale processing units, promotion of associations, promotion of small saving schemes.

[23] This organization, financially supported by USAID, specialises in supporting the development of rural service, peasant associations.

We had meetings with, and visited, the following entrepreneurs, private firms and economic groups: Cimentos de Moçambique, Mr. Neves (owner of Salina Neves), Grupo ARJ (Rassul) - Cimentos de Nacala, Mr. Mendonça (director of Maiaia Hotel and of the INTUR, and president of association of hotel and tourism industry), and Mr. Eduardo Abacar (ABC consultancies), all in Nacala Porto; Pesca Norte and fishing floating harbour (in Angoche); António Miranda, owner of Miranda Cashew (Namige, Mongincual); Quinta Mquasse – small oil seed processing factory (Ribáuè); JFS - cotton and diversification of cash and food crop production (Namialo, Meconta); Tecnometal (metal engineering), Ronil (trade in cars and parts), Grupo Gulamo (seven companies in trade, transports, and food processing), Grupo AGT - Gani (several companies in trade, agro-business and food processing), and Coca-Cola, all in the city of Nampula. We also had contacts with Eng. José Alves, director of Agro-Alfa (Maputo, which provides rural extension and equipment), and V&M and Export Marketing (both operate as large scale brokers-exporters in rural trade in Nampula). We held meetings with two independent businessmen: one who is also a representative of the Mozambique-US Chamber of Commerce; and the other who is more involved in business training.

Additionally, we also had meetings with the regional delegates of PODE and GAPI, and with Technoserve,[24] which are service providers – training, technical assistance and finance – to the private sector.

Private firms, economic groups and service providers were chosen on the basis of several criteria: their relevance to understanding investment dynamics in the province; their weight in specific areas; presence in districts visited; coverage of

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24 It is a business support, non-profit organization, which is financed by USAID. In Nampula, Technoserve is focused on providing technical and, indirectly, financial support to emerging businesses, such as the new cashew industry, oil seed processing and others. The inclusion of "finance" as part of the services provided by Technoserve is due to the fact that the technical services they provide, including the access to equipment that is required to start the business, is highly subsidised. A subsidy on vital services is crucial for the ability of businesses to start, not to speak of becoming successful, and obviously may reduce very significantly the financial costs of starting and developing businesses. It is in this sense that we argue that Technoserve also provides (indirect) financial support.

main areas of industrial economic activity in Nampula; and availability to be interviewed. Interviews with private firms were based on a common questionnaire, which was adjusted to different circumstances (see annex 3).

The meetings with the private sector were aimed at understanding investment dynamics in the province from the point of view of firms and investors; understanding policy and strategy challenges and capacity gaps; and understanding how the private sector perceives the role and actual action of the state and other organizations (such as NGOs, development agencies and other civil society organizations). These meetings also allowed us to understand possible growth and development linkages between industries and sectors that could be promoted through strategy and institutional capacity improvement at different levels (private sector, public organizations, etc.)

3. Economic and institutional analysis

3.1. Human development and economic growth

3.1.1. Human development[25]

Data from 2000 show that Nampula is the third worse province of the country with respect to Human Development Index (HDI) (0.212), Human Poverty Index (HPI) (60.6), and life expectancy at birth (41.3 years), ahead only of the provinces of Cabo Delgado and Zambézia. Nampula is the fifth worse province with respect to poverty incidence (69% of the population), and children vulnerability. More than 92% of the population does not have access to electricity, 78% are deprived of access to radio and clean water, and 75% has no access to health assistance.

Nampula is the third province with respect to adult illiteracy rate (70% in 2000), and is the province with the lowest gross and net rates of enrolment amongst the population in schooling age, both in the primary and secondary levels. In the primary school, for each teacher there are, on average, 61 students. The province has only four schools for technical and professional training, three of each are basic, and none is well equipped to provide solid practical training. These schools are attended by only 1,510 students. Education, particularly technical-professional and adult literacy, will have to be addressed seriously in any medium term growth strategy in the province.

There are 46 medical doctors in the province, of which 28 are based in Nampula city. The average number of people per doctor is 72,413, but this figure is misleading because of the concentration of doctors in the capital city of the province. If the city of Nampula is excluded from the calculations, the number of people per doctor increases to 165,000.

[25] Data in this section is based on UNDP. 2001. Mozambique: National Human Development Report. Maputo; Government of Nampula. 2003a. Plano Estratégico Provincial (PEP) 2003/2007. Nampula; and Government of Nampula. 2003b. Relatório do cumprimento do PES 2002. Nampula.

Estimates from the Ministry of Health indicate that the rate of prevalence of HIV/AIDS in Nampula is 14%, which is similar to the national average. It is estimated that the impact of this, and other endemic illnesses such as malaria, have a very significant negative impact on the ability of the families, particularly of the poorer and more vulnerable, to engage in income generation, poverty reduction activities. For example, it is known that the incidence of malaria is higher and more devastating during the sowing (raining and hot) season, when peasants also are less well fed and need more energy for the heavy work ahead. It is expected that HIV/AIDS will have a very significant demographic impact, with all its subsequent economic and social consequences. Thus, the issue of endemic illnesses has to be addressed from different dimensions, including changes in technology and social organization of production.

The majority of the active population is in one way or another linked with land and related activities, in particular smallholding agrarian activities. This is often misleadingly understood as meaning that these people are agricultural producers. In fact, many, if not the majority, seek in agriculture another source of income and are involved in a diversified, often not specialised, range of low income activities. Thus, for many, wage work is a better alternative than supply of agricultural inputs and extension services.

Data on employment are scarce, not accurate and not representative of the real situation. This is so partly because of the tendency to massively underestimate the role of wage income for rural households. However, existing figures can give an idea of the dynamics of the labour market, even if it is a pale image of the reality.

Between 1997 and 2002, recorded unemployment more than doubled, increasing by 20% in the last year alone. Almost 45% of the recorded unemployed are looking for a new job which means that they have been in the labour market for sometime and have lost previous jobs. This may be an indicator of job instability associated with economic stagnation and/or inadequacy of the labour force available for the jobs in offer. During the same period, the annual number of recorded new candidates for jobs almost doubled, whereas recorded annual job offers fell by 70%. Thus, the rate of absorption of new candidates by the labour market fell from 18% in 1997 to 2% in 2002. These data do not capture the complete dynamics of the labour market, particularly in the rural areas.

3.1.2. Economic growth

Between 1996 and 2001, annual growth rates of real GDP and real per capita GDP in Nampula were 5% and 3% respectively (table 1). These figures are strongly influenced by the abnormally high growth rates recorded in 1997. In the last three years of the series, Nampula's GDP has stagnated and Nampula's GDP per capita has fallen.

In comparison, the average annual rate of growth of Nampula's real GDP and real per capita GDP (5% and 3% respectively) has been clearly below national averages (8% and 6% respectively). If these differences between Nampula and national average rates of growth are maintained, Nampula's share of national GDP (13% in 2001) will continue to fall, and the population of the province (21% of national population) will continue to be entrapped in vicious circles of poverty and impoverishment.

Two questions, then, are posed: how fast the economy of Nampula ***has*** to grow, and how fast it ***can*** grow in order to achieve a fairer share of national GDP, which is at least equivalent to Nampula's share of national population? In other words, assuming that population growth rates and national GDP growth rates are not changed, how fast, and for how long, should the economy of Nampula grow, and what can make it to grow at the desirable rate?

Table 1: Economic growth in Nampula and comparison with national averages

	1996	1997	1998	1999	2000	2001
Nampula's growth data: GDP, population and per capita GDP						
GDP (million contos, previous year constant prices)	4,639	5,499	5,919	6,034	6,064	6,125
GDP annual growth rate (%)		19	8	2	0	1
Population (thousand people)	3,010	3,063	3,129	3,196	3,266	3,331
Population annual growth rate (%)		2	2	2	2	2
Annual GDP per capita (thousand meticais)	1,541	1,795	1,892	1,889	1,857	1,839
GDP per capita annual growth rate (5)		16	5	-1	-2	-1
Comparison between Nampula and national average annual growth rates: GDP and per capita GDP (in %)						
Nampula GDP average annual growth rate						5
National GDP average annual growth rate						8
Nampula per capita GDP average annual growth rate						3
National per capita GDP average annual growth rate						6

Sources: Estimated from INE. Statistics yearbooks (various); UNDP. 2001. National Human Development Report. Maputo.

Notes: 1 conto = 1,000.00 Meticais. 1 Metical = US$0,0417. Average annual growth rates for the period are geometric means of changes during the period.[26]

If the average annual rate of growth of Nampula's economy increases to 10% (two percentage points above the minimum target set in PARPA[27] for the national economy), it will take 26 years for Nampula's real GDP to equal 21% of real national

[26] The compound interest formula was used as follows to find the average annual growth rate for the entire period:

$$A_t = A_0\left(1+r\right)^n$$

$$r = \sqrt[n]{\frac{A_t}{A_0}} - 1$$

$A_t =$ Value in final year

$A_0 =$ Value in initial year

$n =$ Number of years

$r =$ Growth rate

[27] Government of Mozambique. 2001. Plano de Acção para Redução da Pobreza Absoluta (PARPA) 2001-2005. Maputo.

GDP. It should be noted that, in the last 6 years, Nampula's GDP growth rate was only once above two digit level (1997). Furthermore, to achieve an annual average of 10%, the rate of growth of Nampula's economy would have to accelerate ten fold relative to the average growth rate of the last three years.

Even with 10% real GDP annual growth rates, employment and real wages in Nampula would only increase by 2.5% per year if the rate of economic growth was to be maintained, which means that unemployment and impoverishment could only be marginally tackled. Thus, achieving 10% annual growth rate for a quarter of a century not only would require an enormous economic effort, but it would yield only minimal results with respect to poverty reduction.

If the average annual rate of growth of Nampula's economy increases to 12%, it would take 14 years for Nampula's real GDP to equal 21% of real national GDP, and employment and real wages could increase at 3.5% annual average. This would make a much firmer impact on poverty reduction, would require significantly more economic effort and would accelerate the process of catching up.

This exercise shows that the economy of Nampula has to grow at annual rates of at least 10%-12%, if the province is ever going to gain a fairer share of national GDP and wide spread poverty is ever going to be seriously confronted and eliminated. The question, now, is to what extent can the economy of Nampula grow at such average annual rates? To answer this question, it will be necessary to understand what the dynamics of growth in Nampula is and can be. Table 2 shows the contribution of various sectors to GDP growth in Nampula, which obviously depends on the sectoral share of GDP and rate of growth in any particular year.

GDP in Nampula is highly sensitive to changes in agricultural value added because the agriculture share of GDP is very high. However, for at least four reasons it would be misleading to conclude, directly from these figures, that the best growth strategy for Nampula is to invest in agricultural output growth. First, table 2 also shows that agriculture is, somehow, stagnant; over the last three years, its contribution to GDP growth adds to 0. Second, fast and sustained growth of agriculture output in Nampula is only possible through intensification strategies, which would only make sense if goods, financial and input markets are developed, agro-industries and support services created, education intensified, etc. In any case, agriculture share of GDP would fall and growth of the province's economy would become more sensitive to the dynamics of other sectors. Besides, in all known cases of successful and sustainable economic development, the agriculture share of GDP and employment, and the self-employment share of labour allocation, fell very significantly as the economy grew and became more complex, competitive and dynamic.

Third, the dynamics of growth, shown in table 2, and of investment, discussed in the next section, call attention to growth potential of other sectors. This may become clearer if, and when, mega projects come into operation. Fourth, to create a new growth momentum, achieve rates of growth that by far exceed population growth, maintain such rates sustainable for a long period of time, create more jobs and increase people's incomes, it is necessary to increase the productivity of the factors of production and of the economy as a whole. This requires that the structure of the economy changes and the share of industry, trade, finance and transports in GDP increases, such that each sector becomes more productive and resources are reallocated to sectors of higher productivity.

Table 2: Sectoral contribution to GDP growth in Nampula (in %)

Sector	1997	1998	1999	2000	2001
GDP growth rate	**19**	**8**	**2**	**0**	**1**
Agriculture, Forestry and Livestock					
Share of GDP	60	61	59	58	57
Sectoral growth rate	21	9	2	-1	0
Contribution to GDP growth	13	5	1	-1	0
Manufacturing Industry					
Share of GDP	6	7	7	6	7
Sectoral growth rate	38	15	-13	17	11
Contribution to GDP growth	2	1	-1	1	1
Fisheries					
Share of GDP	4	4	4	3	3
Sectoral growth rate	18	8	-24	1	3
Contribution to GDP growth	1	0	-1	0	0
Transports & Communications					
Share of GDP	5	5	5	6	6
Sectoral growth rate	19	9	21	1	8
Contribution to GDP growth	1	0	1	0	0
Trade					
Share of GDP	14	13	13	14	15
Sectoral growth rate	10	8	10	8	10
Contribution to GDP growth	1	1	1	1	1
Other Industries (a)					
Share of GDP	1	1	1	2	2
Sectoral growth rate	19	7	105	0	3
Contribution to GDP growth	0	0	2	0	0
Other Services (b)					
Share of GDP	10	10	11	11	11
Sectoral growth rate	19	18	2	0	4
Contribution to GDP growth	2	2	0	0	0
Adjustments (due to rounding figures)	-1	-1	-1	-1	-1

Sources: Estimated from INE. Statistics Yearbooks (various) and UNDP. 2001. National Human Development Report. Maputo.

Notes: (a) includes mining, construction electricity, water, restaurants and hotels; (b) includes civil service, defence services, financial services, real estate, education, health and other services.

Mega projects, such as those associated with Nacala corridor, heavy sands in Moma, phosphates, and others, may accelerate growth very significantly in relatively short periods of time, but their main contribution depends on the development of linkages with the other sectors of the economy. Agro-industrialisation and fishing industries may add to the growth momentum, maintain it in the long run, improve its quality and widen the social and economic benefits of growth. Thus, there is some potential to accelerate growth, although little is said about precise quantitative rates of growth that can be achieved.

In brief, economic growth in Nampula will have to be very significantly accelerated, and this will require a change in economic structure that creates the ability to take advantage of the potential that is dormant in the province's economy. The development strategy that creates broad based, articulated, fast growth inter-sectoral development poles, or pegs, is, thus, necessary.

The question of accelerated, broad-based and articulated growth in Nampula is crucial also for the Mozambican economy as a whole. This is so because this province can become the engine for diversified, fast and sustainable growth for the entire economy due to its potential with respect to agro-industrialization, fishing industries, tourism and mega projects. Besides, the province is well located to create an alternative growth dynamics that enables inter-regional differences across Mozambique to be reduced in the foreseeable future. Thus, the success of Nampula's growth strategy may be closely related to the possibility of successful fast economic development to occur in Mozambique.

The next section, which looks at current investment dynamics, discusses whether the provincial economy is moving in this direction or not.

3.2. *Investment dynamics in Nampula*

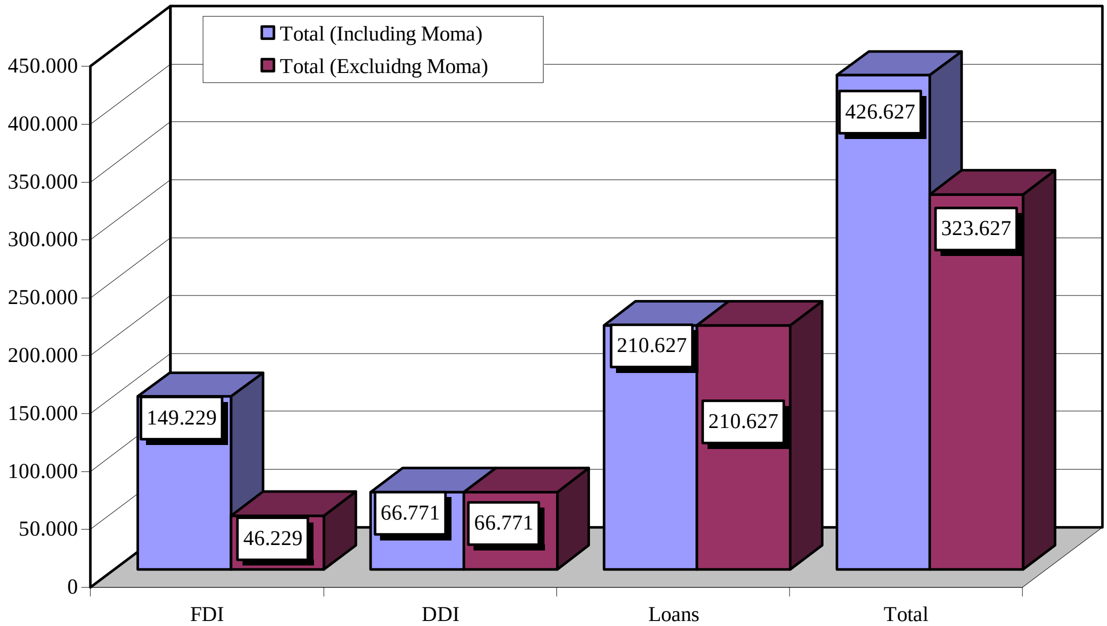
3.2.1. Private investment

Between 1990 and early 2003, approximately 120 private investment projects were approved for the province of Nampula, potentially creating about 19,000 jobs. The total value of these projects is US$ 426,627,000, of which 35% is foreign direct investment (FDI), 16% is domestic direct investment (DDI), and 49% are loans from domestic and foreign banks, and other non-banking financing of private investment.[28] When the heavy sands mega project located in the district of Moma is excluded from the list of projects, total value of investment falls to US$ 322,627,000, of which 14% is FDI, 21% is DDI and 65% are loans (figures 1, 2, 4 and 5).

Manufacturing, including agro-industry (46% of total provincial private investment), mineral resources (24%) and transports and communications (17%) are the sectors where more investment has been made. Agriculture, excluding agro-industry, has received only 7% of total private investment in the province, which is below the national average for the sector (10%), and also below private investment made in cement (11%), and rehabilitation of the Nacala corridor (15%). Manufacturing (76% of DDI) and agriculture (11%) lead the provincial share of DDI; whereas mineral resources (69% of FDI) and manufacturing (25%) lead the provincial share of FDI. (figure 3). It is interesting to compare these figures with national averages, where manufacturing leads the share of FDI (54%) and DDI (30%). Another aspect that should be mentioned is that tourism has been completely marginal with respect to investment, although this might change when, and if, Nacala corridor related tourist investment projects take place.

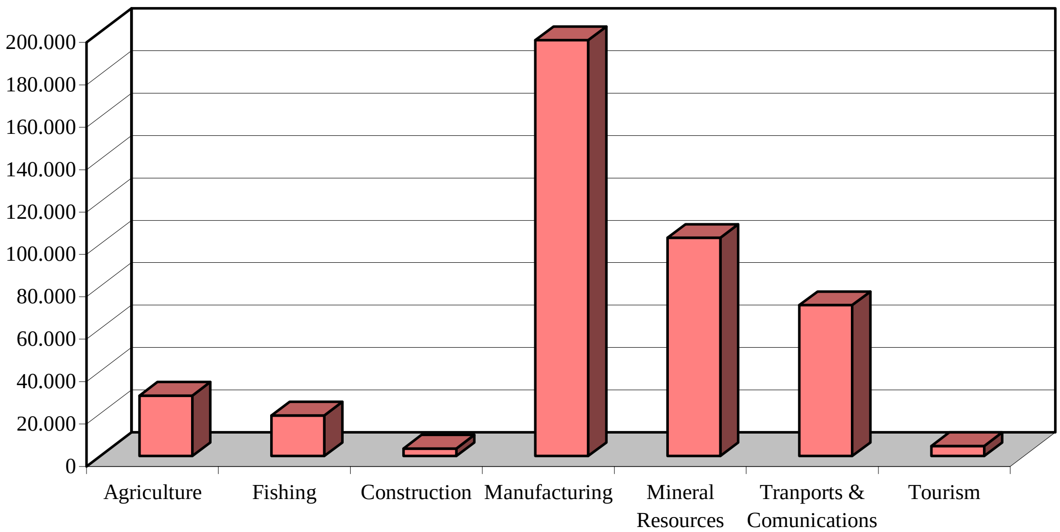
[28] Most data about private investment has been estimated for this report on the basis of a list of 1,719 private investment projects approved by CPI. This list does not include, of course, private investment projects that have not applied for investment incentives through CPI. Therefore, the list is expected to be biased against micro and small investment projects. However, what the list does not capture in terms of number of projects, it captures in terms of value of investment. It is estimated that in terms of value, projects approved by CPI represent well over 90% of total private investment in Nampula. Another short-coming of the list is that it is about intentions of investment, rather than actual investment already made. However, we checked the list of intentions with provincial directorates to identify which projects are being implemented and which have been cancelled. Despite the difficulties in getting a completely accurate list of projects in implementation or implemented, discussed elsewhere in this report, we have significantly improved the accuracy of the original list by making such checks.

Figure 1: Nampula - Total Private Investment by Source (Including and Excluding Moma Heavy Sands, 1990-2003, in US$ 000')



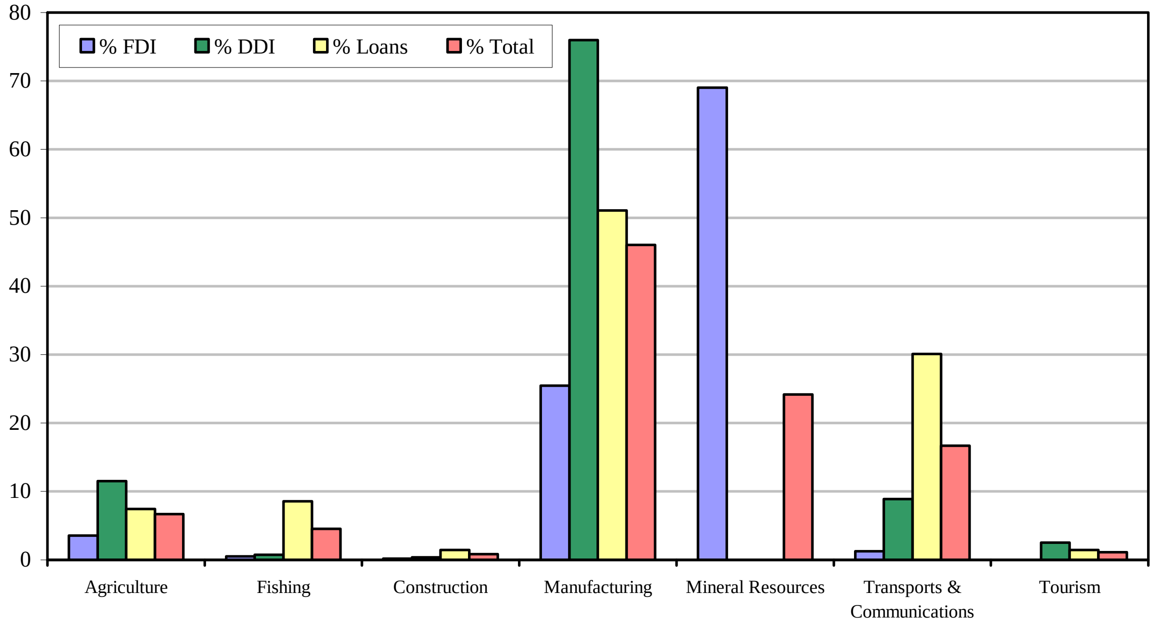
Source: Estimated from a list of 1,719 investment projects approved by CPI.

Figure 2: Nampula - Allocation of Private Investment by Sector (1990-2003, in US$ 000')



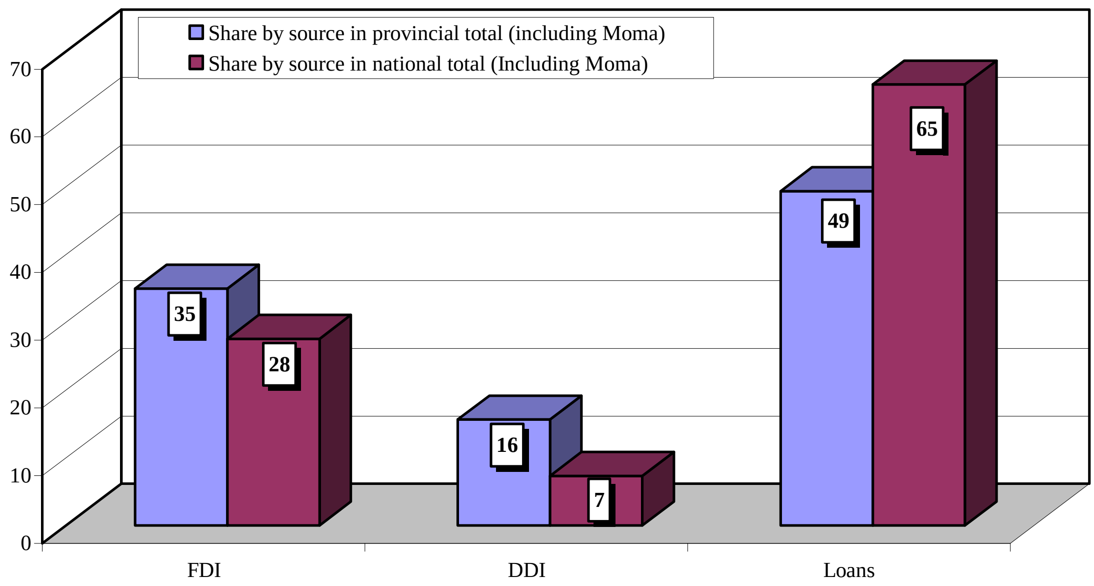
Source: Estimated from a list of 1,719 investment projects approved by CPI.

Figure 3: Nampula - Share of Provincial Private Investment by Source and Sector (1990-2003, in %)



Source: Estimated from a list of 1,719 investment projects approved by CPI.

Figure 4: Nampula - Comparing Shares, by Source, of Provincial and National Investment (1990-2003, in %)



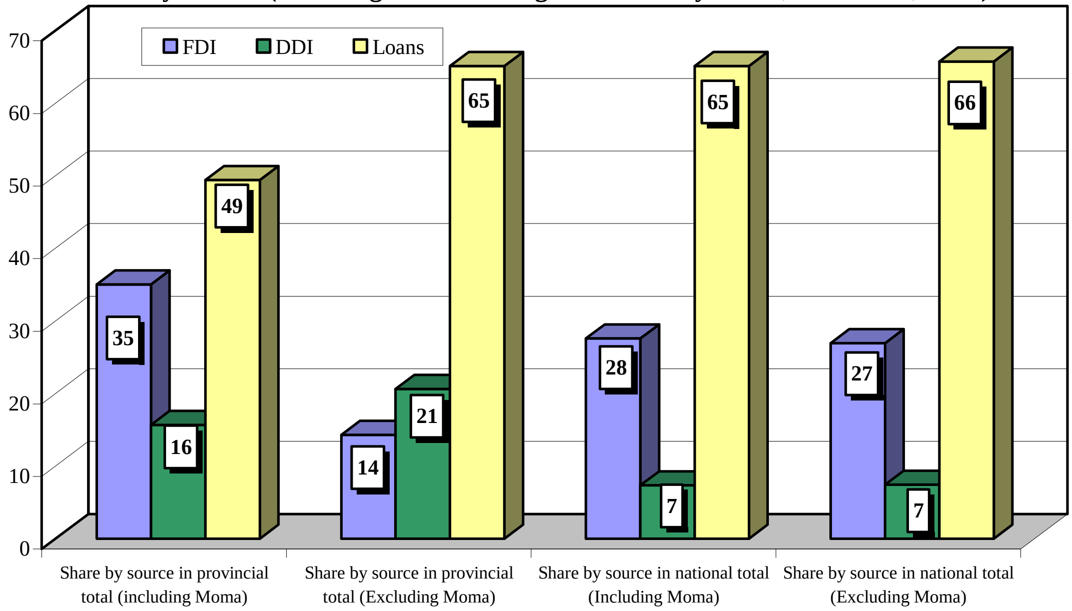
Source: Estimated from a list of 1,719 investment projects approved by CPI.

An analysis of the sources of private investment shows that the DDI share of total private investment is more than twice as high in Nampula (16%) than at national level (7%). Furthermore, the relative importance of different sources of private investment in Nampula is very sensitive to the inclusion or exclusion of the heavy sand mega project located in Moma. When this project is excluded, the weight of FDI in total private investment falls from 35% to 14%, DDI increases from 16% to 21%, and loans rises from 49% to 65% (figures 4 and 5).

The two patterns mentioned above (relatively high weight of DDI and sensitivity of the relative shares to Moma heavy sands) are confirmed by figure 6, which shows that Nampula's share of national DDI is twice as high as Nampula's share of national total investment; and that the province's share of national FDI falls by 60% if Moma's mega project is excluded from the analysis. Generally, this pattern follows national trends (the same exercise, with similar results, has been done for the national level with the inclusion and exclusion of Mozal).[29]

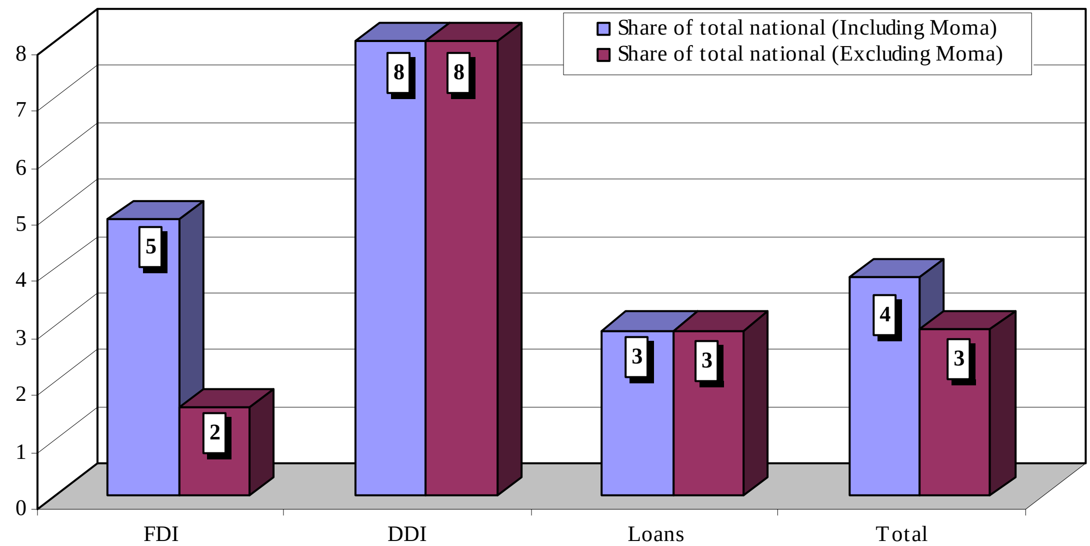
[29] See, for example, Castel-Branco, C.N. 2003a. A situação económica em Moçambique: reavaliação da evidência com foco na dinâmica da produção industrial. Paper presented in the VII Annual Conference of the Private Sector. Maputo; and Castel-Branco, C.N. 2003b. Indústria e industrialização em Moçambique: análise da situação actual e linhas estratégicas de desenvolvimento. Discussion paper prepared for the Agenda 2025. Maputo.

Figure 5: Nampula - Comparing Shares of Total Provincial and National Investment, by Source (including and excluding Moma Heavy Sands, 1990-2003, in %)



Source: Estimated from a list of 1,719 investment projects approved by CPI.

Figure 6: Nampula - Provincial Share of Total National Investment by Source (Including and Excluding Moma Heavy Sands, 1990-2003, in %)



Source: Estimated from a list of 1,719 investment projects approved by CPI.

The relatively high share of DDI, which increases significantly if the heavy sands project is excluded, may indicate an opportunity for investment strategy that mobilises domestic savings, particularly those in the hands of traders, financial institutions and other profitable firms, to finance diversified productive investment in the province. Furthermore, FDI in Nampula is highly concentrated in one mineral-based project. Thus, the investment strategy in the province should pay more attention to the domestic investment-profit *nexus,* by which private investment and profits are dynamically related, as well as to trying to diversify sources and allocation of FDI.

Mobilizing private domestic savings and diversifying FDI could be part of the same dynamics and strategy. This requires that priorities are clearly defined and articulated around investment and development pegs (ex., agro-industrialization); which could be based upon inter-sectoral, vertical production and value chains (ex., the entire cashew or vegetable oil industry); which also have an horizontal component (ex., relationship with metal-engineering firms, or export promotion services); and which target clear and precise objectives (ex., exports of high quality, diversified agro-industrial products, competitive import substitution).

One example of an agro-industry in Nampula may help to understand the role that pegs and chains of production and values may play in investment strategy. The old, large cashew processing factories were all closed in the late 1990s as a direct result of the liberalisation of exports of raw cashew and their own industrial inefficiencies. It is often argued that these firms were technological and scale inefficient, such that they spent more on seeking rents through protection against exports of raw cashew, than on trying to acquire industrial competitiveness. Liberalisation of exports of unprocessed nuts is supposed to have eliminated the climate for rent seeking and to have opened the doors for smaller firms, scale and technologically more efficient, to emerge.

One such smaller firm, which benefited from significant business support provided by Technoserve, was successfully implemented in Namige. This firm processes less than 4% of locally available cashew nuts and thus has the possibility of selecting high quality raw materials. António Miranda, owner of the firm, argues that exports of raw cashew are good for his business because it ensures that bad quality nuts are exported, leaving a higher share of the good quality ones in Mozambique. Hence, in the short run he needs not seeking protection against exports of unprocessed nuts.

Because of its success, the capacity of the existing plant has been doubled, and Miranda intends to open a new plant in Angoche. Initial investment is cheap because of the labour intensity of the project, and also because of highly subsidised business support that is given – hence, local business people are starting to invest in this processing industry, and about five new factories are being developed. Additionally, there are many smaller factories that are being built.

The success of all of them depends, amongst other factors such as technology and management, on the possibility to select and buy raw cashew nuts of high quality. Thus, supply of good quality raw material is crucial for the success of the processing plants. Cashew nuts have been collected mostly by smallholders, and there is no systematic policy to change this. The government and NGOs see support to smallholders as a way to address rural poverty and a series of other development goals, but there is no evidence that smallholders can supply enough quantities of quality raw materials to the factories in the foreseeable future, and that they are better off by holding a few cashew trees. In fact, INCAJU in Nampula has reported that peasants are not particularly committed to acquiring new cashew tree plants, and has identified this as a major impediment to the implementation of the cashew nut programme in the province.[30]

[30] Government of Nampula. 2003b. Relatório do cumprimento do PES 2002. Nampula.

The processing capacity that is being installed will absorb more than one third of current supply of cashew nuts, which will create extreme pressures on the availability of quality raw materials. Given that the vast majority of cashew trees in the province are too old and attacked by diseases, if supply conditions of raw materials do not change quickly the processing industry will fail and rent-seeking may be brought back in different forms (protection, oligolistic industrial organizations, etc.). One very likely form of market rents that may be created is that entry and exit may be controlled to allow incumbent processing firms to have easy access to quality raw materials at the price and quantities required.

Some industrialists have anticipated the growing problem of easy acquisition of quality raw materials and are investing heavily on plantations of cashew trees. Thus, they will reduce and eventually break the links with local suppliers, and avoid the uncertainty of competition for raw materials, mostly of bad quality. Miranda, for example, has already planted eight thousand cashew trees and is planning to increase this number by at least three times in the foreseeable future. However, only some investors will be able to follow this road, and they will tend to grow, dominate the industry, and establish oligopolistic industrial institutions that will control entry, such as, for example, and industrial association that, amongst other things, exercises the role of branding and quality control.

Very small processing plants will function as satellites of the new larger ones through subcontracting, will not be able to compete in the raw material market with the larger ones, and will be confined to buying cashew nuts from smallholders. Thus, micro and small firms will bear the cost of having to deal with large amounts of low quality nuts and having to compete in the smallholder market with large traders. Firms like Miranda's will acquire rents through vertical integration of the industry, and also through subcontracting micro and small processing plants.

This example shows six important points. First, a clear strategy to support vertical integration and successful entrepreneurs in the industry in exchange for aggressive and successful penetration of external markets, may accelerate rehabilitation and expansion of cashew tree plantations, generate new dynamics of employment creation and export growth, help to build industrial efficiency and minimise rent-seeking. Without a market for rents there is no rent-seeking.

Second, industrial growth often involves some sort of *fallacy of composition*: what is true for one small/medium firm my not be true to many small/medium firms. Thus, if the integration and scale of industrial operations does not increase – either through internal vertical integration or some other form of industrial association, network of partnership – industrial inefficiencies will develop and, with it, unproductive rent-seeking may increase. In this case, the supply of quality raw materials in sufficient quantity and low costs (including low transaction costs) is crucial for the successful expansion of the industry.

Alternatively, an olipolistic industry will develop. If this is the case, then it would be better for the economy if such an olipolistic industry is developed around public industrial policy rather than only around private interests and "trade wars".

Third, the industry has to be seen as a whole, and poverty reduction has to become part of an economic growth and expansion strategy, that involves increasing the share of wage work and cooperatives in employment and income. Cashew nut production projects should not be used as social security nets that are in conflict with growth and keep smallholders, and the whole economy, trapped in low income gear. Instead, it would be more interesting to link promotion of cashew nut production with the needs of successful expansion of processing, either through vertical integration internalised by processing firms, private ownership of specialised cashew tree plantations, or through medium and large scale peasant associations and cooperatives that could simultaneously generate economies of scale and benefit from broad based and more equitable development.

Wage work has to become a central part of linking poverty reduction and economic growth. For example, whereas an average worker at Miranda's factory earns the equivalent to US$40.00 and US$50.00 *per month* (depending of productivity and quality, some may earn significantly more than that), the average smallholder, peasant family earns between US$50.00 and US$100.00 *per agricultural season* with the selling of agricultural surplus. This means that the wage of the factory worker is at least 4 times higher than what would be the most likely level of revenue this worker would get if he/she was trying to survive only on trading agricultural surpluses.

However, wage work can be a path to poverty reduction and economic growth only if factor productivity and industrial relations improve very significantly. This would require better and more effective industrial and employee organizations, training for workers and managers, and a profound change in the relations between labour and management, which could help productivity increase and improvement in working conditions. We are not arguing for rigid wage structures. In fact, flexible wage dynamics, related to transparent productivity and quality standards controlled by management and employee organizations could work far better at linking productivity, wage and working conditions at large. However, it is quite clear that the state should pay significantly more attention to working conditions and labour interests, particularly if the intention of policy is to link economic growth and poverty reduction in a dynamic and practical form.

Fourth, business support has to be directed at growth of firms and industrial operations as a whole, as well as at continuous industrial development (including the development of networks, regulation of subcontracts and promotion of vertical integration), or most firms will not survive and industrial restructuring will yield a high social cost through bankruptcies, unemployment and unregulated oligopolies.

Fifth, it is important that growth strategies help to diversify industrial and investment opportunities, rather than packing one single growing industry to the point of collective failure.

Sixth, diversification within the industry, including new products derived from higher levels of processing, may widen the range of opportunities and benefits, develop dynamics of innovation, and strengthen sustainability associated with growth of any particular industry. Thus, industrial strategies should also tackle the issue of intra-industry diversification.

As it was already mentioned, the investment structure in Nampula is narrowly specialised and highly concentrated.[31] Figures 7 and 8 show the weight of 10 sub-sectors in total investment in the province, and figure 9 shows the share of 7 sub-sectors in total investment in manufacturing. Table 3 consolidates information about the level of concentration of investment across sectors.

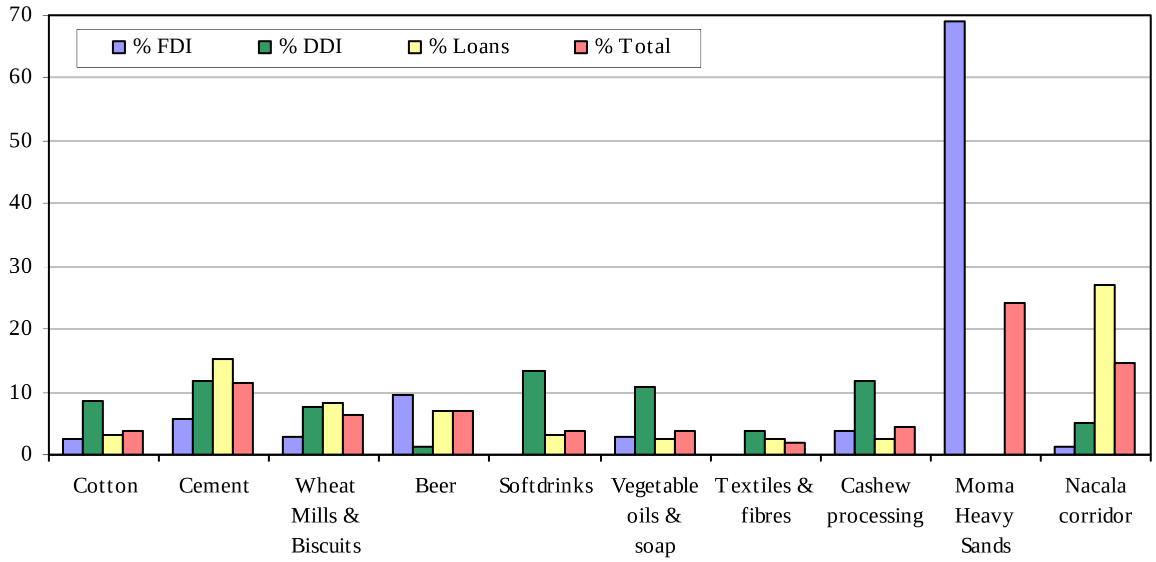
As it would be expected, private investment in agriculture is concentrated around activities developed within the institutional framework of medium and large companies, such as, for example cotton concessions.[32] Outside this institutional framework, investment in agriculture is mostly financed through NGO direct intervention.

[31] In terms of value, there is not any doubt that investment is highly concentrated. Even if we could incorporate all micro and small investment projects that are not captured by the data base we used, this would not make a significant difference in terms of value of investment. However, micro and small investment may make a significant difference in terms of employment creation as well as the range of activities and capacities that have been developed. An analysis of such, not captured, investment projects would provide more and better information of existing investment dynamics and opportunities for diversification.

[32] Data from the report of implementation of PES 2002 show that growth in agriculture, which is the slowest growing sector in the economy of Nampula, has been determined by what happens with private enterprises and, particularly, cotton.

In manufacturing, 4 of the 7 sub-sectors mentioned in figure 9 and table 3, namely cement, wheat mills and biscuits, beer and softdrinks, import all of their most important raw materials and other intermediate goods, and do not export. These sub-sectors, whose activity puts significant pressures on the balance of payments, absorb 70% of FDI, 43% of DDI, 67% of loans and 62% of total investment in manufacturing.[33]

Figure 7: Nampula - Selected Sub-Sectors' Share of Total Private Investment by Source (1990-2003, in %)



Source: Estimated from a list of 1,719 investment projects approved by CPI.

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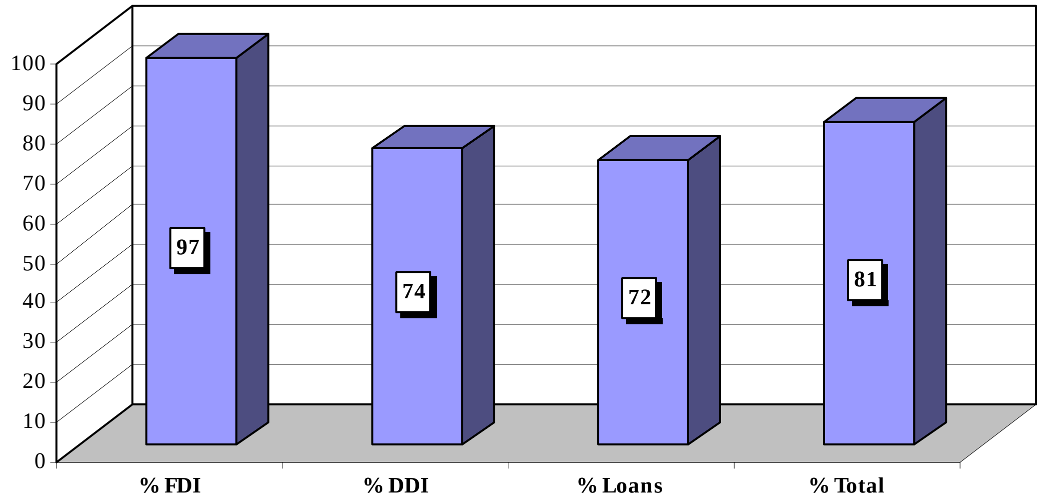
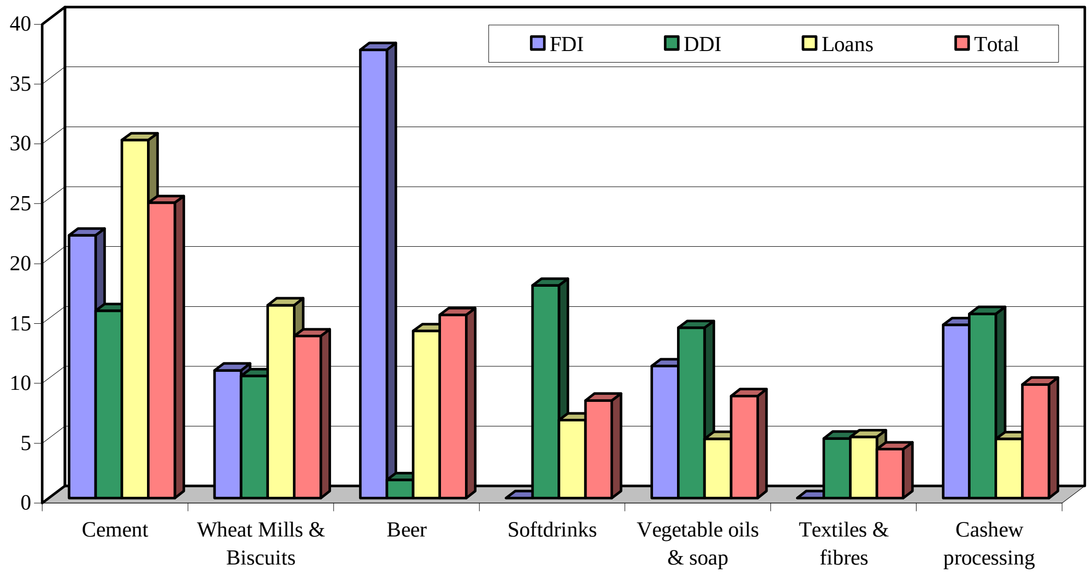
[33] Data from the implementation report of PES 2002 show that two thirds of manufacturing output in 2002 was due to wheat mills, cassava mills, softdrinks and biscuits. Of these industries, cassava mills recorded a significant decline, whereas the other three recorded a significant increase.

Figure 8: Nampula - Share of 10 Projects in Total Private Investment by Source (1990-2003, in %)



Source: Estimated from a list of 1,719 investment projects approved by CPI.

Figure 9: Nampula - Share of 7 Sub-Sectors in Total Private Investment in Manufacturing, by Source (1990-2003, in %)



Source: Estimated from a list of 1,719 investment projects approved by CPI.

Table 3: Consolidation of information regarding the level of concentration of investment

	No. of firms	FDI (%)	DDI (%)	Loans (%)	Total (%)
10 sub-sectors in the economy (fig. 7)	± 22	97	74	72	81
7 sub-sectors in manufacturing (fig. 9)	14	95	80	81	84
Cotton share of investment in agriculture	4	75	76	43	58
Rehabilitation of Nacala corridor share of investment in transports & communications	na	96	59	89	87

Sources: Estimated from a list of 1,719 investment projects approved by CPI.

Textiles (based on natural fibres, cotton and sisal) and vegetable oils and soaps (based on local oil seeds), do not export but use local raw materials intensively and may substitute imports. Cashew processing is the only sub-sector (of the 7) that is simultaneously intensive in local resource use and an intensive exporter. These three sub-sectors absorb 25% of FDI, 34% of DDI, 15% of loans and 22% of total investment in manufacturing. Thus, manufacturing investment in Nampula is not only narrowly based, but is very likely to be creating significant balance of payment pressures, which puts its sustainability at risk.

Almost all investment in mineral resources is associated with the heavy sands mega project located in Moma (1 firm), which, alone, accounts for 69% of total FDI, and 24% of total investment, in the province of Nampula.

Thus, the investment strategy in Nampula has to address, simultaneously, two problems: diversification and promotion of economic sustainability.

Economic sustainability of investment strategies means that investment can reproduce itself and expand withy minimal risk of collapse and without impeding further investment from taking place. If a significant share of investment depends on scarce resources, such as foreign currency, without creating or saving them, such as through efficient exports or import substitution, then the chances that such investment collapses and increases resource constraints to further investment are very high. Thus, an investment strategy in Nampula has to take into account the crucial need of promoting efficient and sustainable exports and effective import substitution. This requires not only a choice of products, such as those that can be exported, but rigorous economic analysis of their actual worth (for example, adequate market and cost analysis), as well as the development of necessary supporting institutional conditions related to quality control, information about markets and technology, training and other business services.

Market analysis may well identify opportunities for linkages to develop, for example around higher levels of processing along a chain of production and value. This may strengthen economic structures, generate more employment, improve market conditions faced by firms and expand the benefits, at large, from growth of any particular investment and industry.

Diversification is important for several reasons. First, it enables the creation of capacities, experiences and linkages over a larger range of activities, thus increasing the chances that the economy can take advantage of market opportunities, respond to market challenges and become less vulnerable to economic shocks. Second, it increases the opportunities and capacities to take advantage of economic linkages and synergies, thus enabling substitution of imports and incorporation of more resources into chains of production and value, adding more value to economic activities, and generating more employment. Third, it widens the scope for innovation, technological development and positive synergies between different fields of science and chains of production and value. Fourth, it improves the chances that diversified and economically solid and sound firms will develop, and investment will flow from existing to new and emerging activities. Finally, it may also reduce regional asymmetries and diversify political and institutional organization and power, thus reducing the chances of oligopolistic political economy.

However, diversification of investment, particularly if involving mobilisation of domestic private savings, requires strong strategic frameworks for information and articulation around development pegs and production and value chains, as well as investment and business services that help to develop firms and competencies, and also provide sound economic advice to investors about investment choices. Two examples may clarify this point.

On the one hand, four of the seven sub-sectors mentioned in figure 9 (namely cashew processing, vegetable oils and soaps, beer and textiles and fibres) have almost collapsed after investment was made. With respect to manufacturing in Nampula, these sectors represent 45% of total investment, 60% of FDI, 35% of DDI and 28% of loans. The lack of success of these sectors was due to inadequate strategic frameworks, as well as information failures and strategic errors at firm level.

Cashew processing, vegetable oils and soaps, and textiles lacked a vision of the industry as a whole, as well as a strategy to link supply of raw materials in quantity and quality to processing plants, and a link between processing strategy and markets. In these three industries, the actions of different agents are not articulated, reflecting both a conflict of interest between them and the difficulties of organising industrial collective action in absence of strategic state intervention. In the specific case of cashew, information failure about the strategies of other agents also played an important role in the collapse of the old industry: liberalisation of exports of unprocessed cashew nuts was decided, under economic pressure, soon after privatisation of cashew processing plants took place, thus changing the information sets available to all agents and rendering most of productive investment made in the industry worthless.

Furthermore, in all cases firm strategies either overvalued market conditions (capacity to have access to raw materials of quality, and to expand market access for the finished product); and/or were part of very wide horizontal diversification of economic groups, which were more committed to risk saving strategies than to any one particular branch of business. For example, and not surprisingly, when most of the large cashew processing plants started to face difficulties to acquire raw materials, many of the investors in processing become exporters of unprocessed nuts.

On the other hand, at least two of Nampula's larger trading groups are investing into agriculture and agro-industry, and planning to put considerable financial resources simultaneously in cotton and sisal, two of the most price-volatile commodities. Their decision has been based upon incomplete information about short term price increases in both crops, without due consideration for their long term downward price trends and high price-volatility. Additionally, they have not considered information about higher value and more dynamic markets for manufactured products based on cotton and sisal, and they are not planning to add significant value to their exports. Finally, both groups lack a professional and more modern business structure that go beyond tight links between family ownership, management and control. Thus, they may be running into troubled investment decisions without having the managerial capabilities to adjust and change business strategy if deemed necessary.

Some may argue that these investments are private resources, such that the public should not be too concerned with their failure. This argument is inadequate for three reasons. First, economic failure leads to unemployment and regional stagnation. For example, the closure of the old cashew industry and of the cotton and oil plants in Monapo have unemployed more than 10,000 workers (which have not found yet their way back into the job market), and has stopped economic and social dynamics in the potentially rich district of Monapo. Second, resources wasted through failure could have been better used doing something else, or in the same industry if the adequate strategic and business framework had been developed. Third, large business failure reduces development opportunities and economic confidence, and increases costs for the economy as a whole.

Thus, there are significant social costs associated with the failure of private businesses, such that reducing the chances for such failure should be one central goal in public policy. One way of reducing the risk of failure is by coordinating investment strategies around strategic pegs, adjusted to regional differences, and taking into consideration the social and economic chains of production and value.

3.2.2. Public investment

Over the last five years, the provincial government revenue continued to depend, heavily, on remittances from the central government (95%). Total expenditure continued to be dominated by current expenditure (76%). Salaries, alone, represented 47% of total expenditure, and 61% of current expenditure. Budgeted public investment (24% of total expenditure) is a very marginal component (less than 3%) of total investment in the province. Two thirds of public expenditure is allocated to priority sectors defined by PARPA, namely: education, health, roads, access to clean water, and agriculture and rural development. The provincial government runs a continuous budget deficit that, in 2002, accounted for 5% of the provincial GDP.[34]

In addition to budgeted expenditure, there are several organizations (NGOs and development agencies) that are financing projects, at district level, that are directly related to public activities. For example, UNCDF support to development of infra-structures at district level is equivalent to about 10% of total government expenditure, almost 50% of total budgeted public investment, and at least twice as much as budgeted subsidies to districts. Many other organizations work in extension

[34] Data from PEP 2003-2007.

services, road rehabilitation and maintenance, construction and rehabilitation of schools and health centres, etc.

There is no systematic information regarding these *off-budget* expenditures and projects. Collecting and analysing it on a regular basis seems to be a crucial role for government departments. This information would be useful for coordination and optimisation of linkages between the government, private and civil society organizations and capacities. On the other hand, such *off-budget* expenditures have significant impact on macroeconomic sustainability, in particular through impact they have on future current expenditure.[35]

Expenditure financed directly through the central budget exceeds the provincial government's expenditure. Therefore, public current and capital expenditure in Nampula is much higher than what is recorded in the provincial budget.

The opportunity for significant increases in public money available depends on two major variables: public savings and revenue, and the mid-term macroeconomic and fiscal framework established by the central government.

Therefore, it seems that, with respect to public investment, the capacities of the provincial government have to be developed in the following main areas. First, the local revenue has to increase, such that more resources are available to finance investment, independently of the availability and allocation of central resources. Second, systematic collection of information about and management of the pressures and opportunities created by *off-budget* expenditure are central components in the effort to coordinate and promote investment. Third, because of the weight of centrally financed public projects, the provincial government needs to develop negotiation capacities to influence the level and allocation of flows of central resources, and needs to improve linkages and synergies between locally and

[35] See detailed discussion of these issues with respect to state planning and budgeting, in this report.

centrally financed public projects. Finally, public expenditure, in particular its investment component, needs to become more articulated with private and other sources of investment, such that the multiplier impact of all investment is increased.

3.2.3. Financing and financial institutions

A. Overview

Financial institutions in Nampula are regulated by national legislation, and the main provincial institutions in charge of enforcing such regulations are the local branch of the central bank, Banco de Moçambique, and DPPF.[36]

There are six commercial banks represented in the province, namely: Banco Internacional de Moçambique (BIM), Banco Austral, Banco Standard Totta de Moçambique (BSTM), Banco Comercial e de Investimentos (BCI), Banco do Fomento, and Novo Banco (which belongs to the BIM group and is the only micro-credit commercial bank in the province). There are no exchange shops.

Since 1997, the number of bank counters declined by 30%, from 28 to 20, approximately 10% of the number of bank counters at national level. The average number of people served by each counter rose from 114,000 to 181,000, and the average area covered by each counter increased from 3,000 Km^2 to 4,000 Km^2. However, the counters are concentrated in the main cities, namely Nampula and Nacala, such that half of the districts and municipalities of the province do not have one single bank counter in their territory.[37]

The closure of bank counters is mostly associated with the privatisation and dismantling of the People's Development Bank (BPD) – now, Banco Austral – which had fixed and mobile counters in all districts, villages and cities of the country. As a

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[36] Provincial Directorate of Planning and Finance.
[37] Updated from the data sets presented in PEP 2003-2007.

result of the decline of the development bank and rising of the group BIM, the later now holds about 50% of all bank counters in the province.

Privatisation and liberalisation of the banking system allowed modernisation of operations and the introduction of new financial services and products (ex., introduction of electronic cash machines and credit and payment card systems, development of investment banking linked with the stock exchange). However, it has also consolidated oligopolistic market power, which has an impact on the services that are provided and on the size of the spreads that push interest rates up. Additionally, the concentration of banking services in main cities or areas of high value production consolidates existing patterns of economic concentration and narrow specialisation, prevents the mobilisation of rural savings and creates serious obstacles for broad-based finance of economic growth to take place.

There are a few public and private, non-banking credit organizations that operate in specialised business areas. FFPI is the main public fund for development, but more than 80% of its operations are linked with donor driven programmes, particularly those directed at integrated, small scale fishing projects. What goes into small industry is too small to have an impact. Thus, FFPI has informally become an agency for implementing financial support to donor projects. GAPI is the main private sector fund, which lends at market rates and provides, with the lending, business support services (ex., formulation and control of business plans).

There are a number of non-banking, organizations and initiatives linked to micro-credit, usually financed by foreign NGOs and/or development cooperation agencies. These organizations rarely provide finance that helps to build solid productive capacities; their main clients are micro income generating activities associated with small trade and services but little ability to sustain economic growth. However, this network is relatively well spread, if not well coordinated and well known, and therefore is an important part of financial structure of the province.

There are only a handful of local savings organizations, because micro-financial institutions are too small and are not allowed to collect savings. Obviously, if the financial system does not collect savings, it is unlikely to be able to expand on a sustainable way.

Credit links are commonly developed between economic agents: credit provision of raw materials, other inputs and merchandise, advance payment of orders, limited marketing funds, and so on. Typical examples are the provision of pesticides and cotton seeds to peasants by cotton ginning factories operating under concessions; marketing funds or credit merchandise provided by large traders to retails traders involved in the purchase of unprocessed cashew nuts; provision of credit seeds to smallholders by NGOs involved in promotion of cash and food crop diversification; advance payment to builders by the local organs of the state for the building of schools and health centres, and rehabilitation of roads, and so forth. These forms of credit are not used for investment, but only for working capital and financing of operations. These credit links are not systematically studied, are not quantified and their social and economic impact is not rigorously known.

B. Challenges[38]

Between 2000 and 2002, total credit to the economy, financed through domestic banks, exceeded twelve billion contos, whereas total sum of deposits was less than ten billion contos. Of these deposits, the domestic currency share declined from 68% to 58%. If the public deficit is added to these figures, the province has a financial deficit of about seven hundred million contos per year. This excludes off-budget operations which, in the absence of aid, would have to be financed through some form of deficit. Rough estimates from one year of data collection show that off-budget expenditure can amount to as much as 150-200 million contos per year. Thus,

[38] Most data presented in this section has been updated from PEP 2003-2007.

the *de facto* financial gap of the province should be around 850-900 million contos per year.

Private enterprises, mostly in trade and other services, absorbed two thirds of the credit to the economy, generally to be applied in working capital and financing of other current operations instead of investment. This tendency not to invest with bank loans is explained by a combination of factors: high interest and collateral costs and short periods of maturation of credit; type of business, mostly trade, for which credit is obtained; firms' strategies based on risk spreading and reduction, and on extracting what is possible out of the set of current economic opportunities, rather than creating new capacities and opportunities; negative economic environment for long term investment, which forces firms into short term, high return and low risk strategies.

There is no expectation that public investment will increase significantly in real terms in the foreseeable future, or that banks will ease credit conditions to the economy in any substantive way. This is because the mid-term macroeconomic and fiscal framework continues to be focused on economic stabilisation through tight control of monetary variables, and the overall economic philosophy continues to be based on minimising the role of the state in economic activity. Additionally, public and private savings are often negative.

Thus, the first challenge seems to be, very clearly, how to increase and mobilise domestic savings. This cannot be done by increasing interest rates, as these are already very high. Increasing bank, or other saving mechanisms, coverage of rural areas seems to be a more likely to succeed and more sustainable strategy. The problem is how to take the banks to, and develop credible saving institutions in, the rural areas, and what the role of the state and private agents could be in this process.

The second challenge is how to mobilise private capital, domestic and foreign, to create new capacities and opportunities; how to maximise synergies between private and public resources and capacities; and how to direct the bulk of investment to priority areas that may have higher linkage potential and multiplier impact.

In this connection, the third challenge is how to significantly improve micro-financing initiatives, and increase their potential, through rationalisation, generalisation of best practices, getting them involved in saving collection and in more substantive types of productive investment.

It seems that the definition of inter-sectoral growth and development objectives, like agro-industrialisation, organised around social and economic chains of production and value, may at least provide a starting point to establish articulated, credible and bankable strategies. This would also improve the chances that the linkage potential is expanded and materialised, and that investment would yield higher economic returns. This would also be a learning opportunity for the public and private sectors alike, in terms of: making linkages happen; selecting, gathering and using economic information about production, technology, finance and markets for their best advantage; articulating capacities and partnerships in useful ways; and learning how to create advantages through a more holistic approach to economic and business development.

3.3. Meaning of institutional capacity building

In meetings with public and private/civil society organizations, the need for increasing institutional capacity was almost always mentioned. However, the meaning of institutional capacity varies significantly. For many private organizations, capacity building means training or technical assistance, or even change of public servants mentality, discipline and routines, simplification of administrative processes, transparency and fight against corruption. For many public organizations, capacity building means acquisition of equipment and provision of means (computers, cars, etc) for work, as well as change in mentality/discipline, clarification of the mission of public organization, technical assistance and training, institutionalisation of best practices and routines, articulation and coordination. Agents also tend to think of capacity building as mainly a public sector issue.

Thus, it seems that there is some local consensus about three points: (i) capacity building is necessary; (ii) it means an action to be taken exogenously by someone more capable or with more means; (iii) in order to improve the operation of the public sector. However, there is no common definition about the type of action, and what should be improved about the public sector; nor about the goals that the public sector has to achieve through capacity improving – simplification of procedures? Facilitation (of what and how)? Strategic leadership through coordination of complementary and competitive investment? Gathering of strategic information (which one and for what)?

Only less than 10% of interviewees thought that capacity building is an endogenous process, which covers systems, routines and relationships between different institutions and agents, so that it is not confined to the public sector nor to external provision of capacity.

What institutions are, what capacity means, whose capacity, and how it can be built, are issues that are not clearly and uniformly understood, such that it is not easy to understand what are the institutional capacity demands perceived by local organizations.

From the analysis of information gathered, it seems that institutional capacity is defined by different agents as a function of problems that they are trying to address at a particular moment and in relation to some other specific agents. Even if we consider that none of the above mentioned definitions of institutional capacity is adequate, it is important to understand that definitions of institutional capacity (and of processes of building it) only make sense when they are integrated within the context of economic and (related) institutional dynamics that local agents face. Thus, whereas the previous section discussed economic growth and investment, the next will discuss (economic related) institutional dynamics in Nampula and, in the process of doing so, will try to identify particular areas of institutional capacity that are at least problematic and need improving.

We should acknowledge that this process of identifying possible areas of institutional capacity building is still demand driven. The report takes from the interviews the idea that capacity needs depend on the problems to be addressed, which in turn depend on the real economic and institutional dynamics. Then, the report tries to identify demand for capacity from the analysis of investment and institutional dynamics in Nampula. Therefore, even if the report does not respond ***perfectly*** and ***directly*** to capacity needs identified by local agents, partly because of difficulties to finding a common and coherent definition of capacity needs amongst them, the report bases its conclusions on the analysis of local experiences and dynamics.

3.4. Institutional capacities and economic dynamics: the public sector

3.4.1. Role of the state and the context of capacity building

A. Facilitation

The role of the state, and the state interaction with the private sector and civil society at large, were particularly important aspects of the discussion about capacity building. All provincial directorates and other public organizations that were interviewed defined their role primarily as "facilitation" of processes that are taking place. The term "facilitation" was vaguely defined, and its meaning ranged from "not interfering with" to "helping" – in turn, the meaning of "helping" ranged from "simplifying" or "deciding quickly", to "doing something complementary" that would "facilitate", such as organising a business centre, selecting project sites according to some idea of balanced and fair regional distribution of investment, or providing facilities.

An "unspoken" and "informal" definition of "facilitation" is the role of state as an implementing agency of private sector/donor interests and projects – "mobilisation and organization" of the population (usually meaning organization of access to labour); management and implementation of donor-funded projects; financing of private sector activities through, for example, outsourcing of infrastructural rehabilitation or maintenance; facilitation of access to raw materials at some given price (for example, through concessions of by organising associations of small producers); etc.[39]

The definition of the primary role of the state in these terms has serious implications for strategy and capacity building, as "facilitation" (in its many different variations) basically means that the state "helps" processes that are happening, rather than creating new dynamics and changing existing dynamics. The implication of this model of the state for capacity building is that the state needs to be a "helping hand" – which does not disturb or impede, but rather lets things happen and makes the process smoother. This requires a state that responds to market failure in the sense of doing the activities (providing services, etc.) that the private sector is not capable of or interested in, and doing it in a way that brings the private sector into such activities, so that the state can withdraw from it. This is not a state with a sense of strategy, but rather one that responds to pressures from specific interest groups previously defined, and that establishes general rules. In this case, capacity building means increasing the sensitivity of the state to pressure, improving the legal/normative capabilities of the state, and making sure that some fundamental

[39] In many public organizations and state driven projects, only the donor funded component works, or at least has enough funds to work. On the one hand, it reflects the dependency of the state budget, decentralised district planning and private investment on inflows of foreign capital. On the other hand, it reveals the relevance of off budget expenditure. Finally, it indicates the extent to which donors can determine the direction of state activity.

market failure (particularly related to information failure) can be addressed in general terms.

In the interviews with the provincial directorates, other definitions of the role of the state, complementary to "facilitation", were identified, namely: education and/or mobilisation, regulation and control, and coordination and promotion.

B. Education/mobilization

Education/mobilization is usually related to explaining, or making people aware of, rules, problems, programs, etc., and mobilizing people to participate. There are many instances in which education/mobilization is the main form of state intervention. For some public organizations, education/mobilization is the main form of action, either because they believe it to be the right action to undertake; because they do not have a clear idea of what else to do; or because they do not have the means to undertake other actions. In other cases, this is the only action left to be undertaken – for example, the implementation of large projects, decided at national level with little or no participation of the sectoral provincial directorate, often requires only few interventions from provincial directorates in the form of "mobilization of the population", "mobilization of local entrepreneurs", etc.. Another common case in which education/mobilization becomes the central action of the state at local level is when a NGO, a development agency or a private entrepreneur intends to implement a project and local public organizations are asked to "mobilize" the population to provide labour, food, materials, to participate in the discussion of the location of the project site, to be aware of the project, etc.

Education/mobilization usually means passing on information/messages about a project or activity, and calling upon the interested and/or focal groups to participate in the action or to understand and implement the message. Hence, education and mobilization are not necessarily actions of a proactive state, and can be a signal of a reactive state. Of course, it all depends on the message, the context of the action and its purpose. However, education/mobilization comes to the fore more often as a result of the crisis of mission of the state (not being clear of what else to do or having no means, responsibilities and articulation required to do other things); or as a reaction to projects and interests of influential agents other than the state itself (and such agents rarely respond to state strategies). Thus, education/mobilization is not necessarily a response to, or part of, strategic state intervention.

There is, of course, an important role for information gathering and sharing, and awareness creation, in development strategy, and these activities can become strategic interventions. For example, the experience of district strategic development planning and the process of formulation of the provincial strategic planning were preceded by sharing of information, mobilization and awareness creation, so that people, organizations and communities could understand the purpose, relevance and rules of such exercises, and participate in them full hearted. In another example, the regional delegation of CPI is planning a campaign for making businesses and business people (existing and potential) aware of the investment legislation and incentives available and how to make use of them – such a campaign could play a crucial role in a strategy for attracting investment into the province.

Even in such examples, awareness creation and sharing of information could become meaningless activities if they are not part of a more general strategy that addresses issues related to the actual use made of the information shared and implementation of specific action programmes; if there is no strategic framework for investment, linkages and capabilities to develop; if investment related services are poor; if district planning does not mobilise resources and actually does not changes people´s lives. More generally, education/mobilization, sharing of information and awareness creation, by themselves, are not necessarily strategic or reactive activities – it all depends on whether they form part of a strategic or a reactive environment.

C. *Regulation*

Regulation is another common definition of the role of the state. This concept usually means the establishment of rules that should be followed and the control, by the state, that such rules are applied. The more common cases in which the concept of regulation is used are: bidding contracts and general rules (related to the environment, licensing, and others). There is no reference to regulation of competition.

There are a few fundamental problems with the concept of regulation. First, most of the important rules are decided centrally; the provincial responsibility is control of implementation rather than defining rules that apply to local conditions. Second, even when the rules are clear and adapted to local conditions, capacity to control implementation is often in short supply. Third, not uncommonly, the institutional setting of the legislation does not help to enforce compliance with the rules. Fourth, the systematic violation of some rules by some interest groups reveals political economy issues that go far beyond the institutional, administrative ability to control. Finally, the precedence given to liberalisation or, at least, to no state intervention in business decisions, creates difficulties for regulation and control of implementation.

Business licensing provides a good example for these problems. On the one hand, most new projects and businesses to be licensed fall within the responsibilities of central government and ministries, because of the nature of the law and of the investment dynamics in the province. Apart from micro and small projects, most of which require no license, very few licensing requirements fall within the province portfolio. For example, DPIC informed that less than a total of 25 new licenses for industrial activity were issued at provincial level over the last five years. Thus, the definition of rules and most of the licensing fall outside the responsibilities of the provincial government. As a result, contracts and the mechanisms of incentives, compliance and control have little to do with the provincial government. At the best, the provincial government is consulted/heard about the projects, but has no power for direct intervention to make significant changes. Activities that are licensed locally have very few rules to comply with.

On the other hand, contractual conditionalities attached to licenses reflect national, sectoral policies and strategies, as well as mechanisms of resource allocation, which have some, but limited, inputs from the provinces. More importantly, such conditionalities reflect negotiations that take place between different agents and central ministries (or the central government as a whole). These negotiations often reflect political economy conditions associated with the influence that specific agents hold on the state, and that cannot be changed at provincial level. These are the cases of, for example, the allocation of quotas and licenses for industrial fishing and logging. Conditionalities attached to such licenses (respectively, development of inland processing and freezing capacities for fishing; and establishment of sawmills and sustainable (reforestation) management plans for logging) have not been complied with, despite complaints by provincial directorates; and there is no evidence that central government departments are in control of the situation.[40] The same applies to cotton concessions (often accused of not fulfilling the terms of their contracts) and other individual cases (for example, the establishment of a new cotton ginning factory of high capacity within a few kilometres of an existing one that operates at below installed capacity, without much concern for the potentially high economic inefficiency of such a decision).

In brief, there are not many instances in which the provincial government regulates the economic life, and its role in controlling implementation of centrally established rules and contracts is marginal.

[40] About these two areas, fishing and logging, there is anecdotal evidence of further violation of contracts and rules. According to information provided by the respective provincial directorates, at least one large fishing enterprise is profiting from renting its prawn quota to foreign fishing companies, and has not shown any interest in developing inland processing and freezing facilities. At least one very large exporter of unprocessed timber is taking advantage of the artisanal woodcutter license by employing many small woodcutters to extract enough timber for exporting, instead of acquiring an industrial license that would require a sawmill and a reforestation plan.

There are, however, three possible entry points for the regulatory role of the provincial government to be developed, namely: (i) contributing to formulation and negotiation of sectoral policy and strategies, and resulting contracts and rules; (ii) reinforcing the negotiation capacity with central government with respect to policy formulation and implementation; and (iii) assuming more responsibility for the performance of centrally approved and managed projects. Provincial pressure and determination can force changes in national policy, as was demonstrated by the decision of the Sofala government to ban exports of unprocessed, non-precious timber.[41] In addition to that, as local activities develop at provincial level, regulatory demands on the state will tend to increase, mostly with respect to regulating competition, promoting externalities and linkages (positive and negative), enforcing contracts, regulating and enforcing industrial relations, and so on.

D. Coordination and promotion

Coordination and promotion are the most critical and the most difficult roles to be performed by the state, because they require strategic vision and direction, technical and administrative capacity, ability to challenge and articulate different interests and interest groups in a coherent way, and willingness to relax and discard unproven assumptions about market superiority vis-à-vis the state. Each of these requirements is difficult to address.

Proactive, strategic coordination and promotion of economic activity is not entirely coherent with the definition of "facilitation" as the primary role of the state in economic development. "Facilitation" fundamentally means "helping" or "not impeding" existing dynamics and pressures to take place (or, in other words, making, or at least not impeding, the market to work in a smoother way). In mainstream economic jargon, facilitation is a market-conforming intervention.

[41] Of course, banning exports of unprocessed timber is not the solution, but only a partial and short term measure to change relative conditions in favour of processing. However, it is necessary that the conditions exist for enough, competitive investment in processing to be made, or banning would soon be reversed before processing capacity is developed, thus rendering the entire exercise worthless and damaging for the economy and for government reputation.

On the other hand, strategic coordination and promotion of economic development may also involve facilitation (as defined above), but are not confined to it. Coordination of complementary[42] and competitive investment[43] may be market conforming, in the sense that they help markets, agents and decisions to become more efficient economically. However, these two types of coordination may not use mainstream market mechanisms,[44] may actually violate the basic assumptions of perfectly competitive, flexible and efficient markets, may change market signals and achieve outcomes that differ substantially from what markets alone, without deliberate coordination, would be able to achieve.

Of course, these types of coordination can be performed by firms, without public intervention, under two conditions: (i) that firms have the ability to organize collective action (partnerships, industrial associations, business networks, etc); and (ii) that firms are capable of internalising different activities, such that vertical and/or horizontal integration would occur and coordination of the chain of activities would be done by the firm. However, in either case firms acquire or consolidate market power, and coordinate strategies and decisions, thus violating all assumptions of perfectly competitive markets. Furthermore, coordination achieved

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42 Investment is complementary when it occurs in areas that link with, complement, increase or realise the potential and improve efficiency and efficacy of an existing investment project. For example, investment in oil seed production, or marketing facilities for oil seeds, may be complementary to a vegetable food oil factory. Investment in a road may be complementary to investment in a port. Coordination of complementary investment aims at making, or at least helping, potential and efficiency improving linkages to occur; and/or at providing strong signals towards priority directions for private sector investment. This might be achieved either through public investment and/or through institutional arrangements by which public and private investors deliberately share and coordinate their information and strategies. This would, of course, violate the basic assumptions of perfectly competitive markets.

43 Competitive investment usually refers to similar types of investment that compete for the same resources or markets. A good example would be the two cotton ginning factories in Namialo, which are located only a few kilometres from one another, and whose joint capacity exceeds two or three times the current production of cotton in the region. There are other forms of potential competitive investment, such as: investment that competes for access to the same and limited financial resources; investment that competes for access to the same and limited supply of raw materials or markets for finished products. Coordination of competing investment usually requires the introduction of barriers to market entry (and sometimes to market exit as well), which would violate a fundamental assumption about market flexibility and efficiency.

44 Refers to the mechanism of relative prices in resource allocation.

through oligopolistic organization of industry (along vertical and horizontal chains of production and value) may be efficiency and efficacy improving for the firms involved, but it is not capable of coherently articulate competing interests.

Thus, in orthodox economic jargon, public and private coordination of investment, alike, involve market power and market distortions relative to what a perfectly competitive market would be like. Neither public nor private coordination is market conforming, and both can be superior to competitive markets by avoiding resource and time waste and actually making things happen. Therefore, the three main issues at stake are: (i) whether these types of coordination are efficiency and efficacy improving; (ii) whether the agents have the informational, technical, political and strategic capacity to perform and enforce coordination, as well as the ability and willingness to acquire such capacities; and (iii) whether competing, social and economic interests are coherently articulated in a way that improves the net social benefit of coordination of investment and economic development at large. Furthermore, it is necessary to assess which form of coordination is available and possible in each case, and which one is economically more efficient.

There are several levels of coordination to be addressed, namely: vertical coordination (between different levels of decision making) within the government; horizontal coordination (between different departments of the government at the same level of decision making); coordination with NGOs and other organizations providing a multitude of services; and coordination of private investment (complementary and competitive).

As discussed earlier, horizontal and vertical, intra-government coordination is often sub-optimal. This is why the main theme of the Strategic Provincial Plan (PEP) 2003-2007 is the development of articulation, particularly at horizontal level. Whereas the PEP identifies the institutional setting necessary for such articulation to take place, mainly by putting to work the different formal and informal means of articulation already existent, it does not say much about the capacities that have to be created to implement it.[45]

Strategic vertical coordination has been a focus of discussion in different ways. There have been references to "decentralisation within sectoral planning"; and to the link between vertical (different levels and/or intra-sectoral) and horizontal (same level, and/or inter-sectoral) coordination. The recently approved bill of local organs of the state emphasises the role of horizontal coordination at provincial and local levels, but does not exactly address the issue of how central policies, strategies and decision making processes articulate with the activity of local organs of the state.

As mentioned in this report, the plans of action of many provincial directorates include little more than the list of projects approved by, and whose implementation is responsibility of, central ministries. When asked about their role in such projects, provincial directors mention mobilization, awareness creation, being part of the process, etc, without convincingly demonstrating that they have a crucial role to play, and that such projects would not be developed and implemented in their current form if provincial directorates had not "participated in the process". Not one example was mentioned, in such interviews with provincial directors, of a project that had been changed or improved in any significant way through dialogue with provincial directorates.[46] There was not one provincial director that had a clear idea of the detailed tasks and responsibilities of his provincial directorate with respect to central projects. One of the provincial directors emphasised that, in his view, ministries are policy makers and provincial directorates implement such policies, but

[45] Elsewhere in the report, there is a more detailed discussion of planning as a mechanism of coordination of government activity.

[46] Of course, this could be used as proof of many different things: (i) that projects are designed from the beginning with full participation of provincial directorates, such that no changes are required; (ii) that project planners are full aware of the details and problems faced by the province, and are always capable of taking this information into account without major constraints; or (iii) that provincial directorates have a very little role to play in such projects. Looking at the evidence presented in this and other sections, it seems that the first two hypotheses are unlikely.

he could not say how implementation would be done at local level if they have no control over decisions, negotiations, strategic management and resources.[47]

Coordination with, and of, the multitude of service providers (Mozambican civil society, foreign NGOs and development agencies) is mainly reactive. It has to be acknowledged that the complexity of formal and informal linkages, agendas and methods makes coordination extremely difficult. However, it seems that the main reason why coordination is mainly reactive is linked with three other issues, namely: the mission crisis of the state (discussed elsewhere); the disarticulation of strategies and policies between levels of decision making; and the ambiguity in terms of policy direction. In other words, it is difficult to engage in strategic coordination if one does not know (or is not sure about) whether this should be done; and if one is not clear about the direction to follow. In face of these two types of uncertainty, one of the rational strategies of the state is to let actions to take place, as long as they somehow conform to very broadly and vaguely defined objectives and rules.

Two typical examples of reactive coordination may help to clarify the point. On the one hand, the government at all levels reacts to private investors´ interests and proposals – selects sites, discusses incentives and decides whether the state gets itself to participate or not in projects, and how. However, there is no clear set of strategies, priorities and mechanisms that would attract and link specific types of investors and investment in an articulated manner. On the other hand, there are many different experiences of institutional development, provision of extension and other services, organization of links between different types of private agents, operation of concessions with different results, etc., but there is no systematic assessment and

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[47] Some provincial directors emphasised that all policies, strategies and plans formulated at central level but with implementation in Nampula are based on priorities defined locally. But not one of them could give one concrete example in which this had happened or was going to happen. Thus, it seems that there is a general, but not institutionalised, rule defining that sectoral planning at central level should take into consideration territorial priorities; whether this happens in practice, and how, is a different matter. The problem for analysis also lies on the fact that whereas some provincial directors felt comfortable discussing critically their own experiences, others only talked about the rules, not about the experience.

learning mechanism that would enable the identification, understanding and generalization of best practices.

There are several dangers with the lack of coordination at this level, namely: decision making power shifts to other organizations and the state becomes an implementing agency; synergies between different experiences and processes are not maximised or, even, do not take place; economic inefficiencies emerge and the state is forced into short term, unsustainable, remedial policy measures; and the mechanism of negotiating policy and priorities between different agents develops around more influential organizations (typically, one foreign NGO or development agency, well funded from elsewhere and implementing a large programme that involves sub-contracting of other organizations), and the state becomes either an observer, or simply another agent trying to negotiate around someone else's agenda.[48]

Coordination of investment, complementary and competitive, is a very critical issue that requires purpose and direction, in addition to technical, administrative and political capacity. The PEP 2003-2007 has not and will not address this issue to its full extent for two reasons. First, it does not have enough detail about how different sectors and investment decisions should be articulated. Second, the project portfolio (attached to PEP) is a simple sum of the projects that each sector had already identified prior to the formulation of PEP, many of which are centrally defined projects that required little participation from the provincial government in the process of decision making. This "sum of projects" does not necessarily form an articulated strategy.

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[48] The regional delegate of one of the parastatals mentioned that two of the various criteria utilised to assess development cooperation programmes are: whether the experts are based in the field; and whether the programmes also support state organization by providing material (on or off budget) support (such as computers, consumables, fuel, cars, etc.). There was no mention of the direction or strategy of the programmes as part of the assessment criteria, apart from a vague reference to poverty alleviation.

With respect to investment, coordination failure[49] can be shown through several examples, namely: (i) failure to establish systematic links between producers of oil seeds and the oil seed industry; (ii) failure to start addressing the issue of quantity and quality supply of cashew nuts to the processing industry; (iii) failure to coordinate competitive investment in the cotton ginning industry; (iv) failure to advise new investors in productive activities about priorities and best/worse sectors, and to provide information; (v) failure to internalise activities (as current expenditure) that have been started/financed by other agents (ex., maintenance of local infrastructures); (vi) failure to link engineering capacities with capital investment projects in different areas (ex., the information about the projected expansion of labour intensive, small and medium cashew processing factories had not reached metal-engineering factories); (vii) need for projects to internalise costs within the context of inefficient risk and uncertainty reducing strategies, that could have been avoided with better institutional coordination (ex., IDPPE getting involved in building schools and rehabilitating roads that may not be sustained when the project finishes; government demand that Coca-Cola rehabilitates a road, whereas it would be more adequate to demand that the company helps to build an industrial waste treatment site).

More important is the failure to identify few and well focused development poles within the province, not entirely dependent on external forces and wishes (like the Nacala corridor, the international airport, and the Moma heavy sand project are), but that take advantage of, and articulate, internal dynamics of capital accumulation and mobilisation, and the productive activity and potential of different regions in the province. Examples of such poles could be the development of agro-industries around oil seeds, cashew nuts and maize and/or cassava processing, and/or around vegetable and fruit drying; and the development of the fishing industry (canning tuna, drying fish). To take advantage of such opportunities, different task forces could be created to enable and ensure intra- and inter-sectoral coordination required

[49] In the context of coordination failure, we are referring to institutional failure to coordinate, not to government failure as such.

for each package. This could provide different regions of the province with development opportunities that could attract private investors, including banks, and make them apply productively what they have earned through trade, financial dealings or other means.

The logical question here is: can't the private sector coordinate without the need for state intervention? There are many instances in which the private sector cannot coordinate, or cannot coordinate better than the state, given the costs of coordination and of organizing collective action; and also because interests of different agents may differ. Additionally, vertical integration, the preferred form of private sector coordination, is not always feasible at least in the short term and in the beginning of creation of industries.[50] State driven coordination could save economic costs and accelerate industrial efficiency to develop, at the same time that the state could provide the "first mover" advantage not only to one agent but to an entire process.

In addition to provision of information, the government in Nampula could use UCODIN as the basis for definition and coordination of development poles, therefore adding value to the standard coordination mechanisms that are already in place.

3.4.2. Information and data bases

Despite emphasising the role of information sharing, and notwithstanding the obvious problems of incomplete information (and other forms of information failure) – of which the inability to providing consolidated and updated lists of firms is only one, amongst many, examples – there is little ***systematic*** concern about the role of the state in data gathering and analysis, and in providing a universal platform for easy, cheap, quick and massive access to information. There is little, if any,

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[50] Please, refer to an earlier discussion, in this section, of the coordination problem involving firms and the state.

systematic analysis of the information gathered, what to do with it, how to make it accessible, for whom and for what purposes.

One example of this is the data collected in the preparation of PEP 2003-2007 and district strategic plans. Planners identified a large amount of data to be collected in each district, and with significant effort and commitment it was possible to collect a very significant proportion of such data. However, there was no clear structure and specific purpose in the designing of the survey, such that a share of the data collected had little relevance for planning purposes, and some important aspects (ex., off budget current and investment expenditure, private investment and informal financing) were not adequately covered. Additionally, data has been used more as a means to illustration than a means to understanding situations and articulating processes.

Furthermore, there is no systematic analysis, for policy proposals, of data collected on a day to day basis. For example, state budget data or production data have been utilised to show movements in trends, namely what has fallen or increased, but have not been analysed on a systematic basis to understand dynamic trends and processes, and illuminate policy decisions.

As a result of decentralised planning and the data collection exercise related to PEP 2003-2007, data available to district administrations has increased and so has their knowledge about what exists in the district that might be of relevance for socio-economic development. Related to this, awareness regarding the relevance of data has increased significantly. However, in the office of the two district planning technical teams we visited, data shown on the panels were 3-4 years dated, and had been collected in the last data collection exercise when district planning was being initiated. Additionally, apart from identifying where infrastructures are located and where new infrastructures should be built, not very much is done with the data.[51] Even the decisions about where to locate infrastructure is done primarily on the basis some idea about fair regional distribution of resources before considerations regarding strategic economic development issues.

Government organizations do not know well what is going on with respect to production, investment, social and economic trends; private sector activity, central government activity, dynamics at district level; programmes and projects undertaken by other government organizations; firms that exist, what they do and what their characteristics are. Private companies have little access of information about markets, prices, technology, standards, competitive market conditions (local, regional and international); economic trends and dynamics at provincial, regional and international level; investment, complementary business opportunities and competitive treats; availability and performance of business support services and programmes, changes that occur in the legislation that are relevant for economic and business activities, firms that are born or close down, assets that can be acquired and for what purposes.[52]

Usually, information that businesses have and use comes from networking with other businesses or through parent firms. By definition, this information is limited and determined by the degree of vertical integration of business, and often fails when it comes to coordination outside the partnership already established. The economic relevance of this is that complementary and competitive investment is not coordinated outside specific business networks; and the information thus gathered rarely helps to diversify, in a strategic manner, away from the existing mainstream business activity and established social patterns of growth and development. Hence,

[51] This is the result not only of a technical problem associated with the ability to analyse data and extract relevant information out of it. This also results from the fact that district administrations only have very limited power (and capacities) in term of economic management. Please, refer to more detailed discussion elsewhere.

[52] SIMA (agricultural markets' information system), is one of the few public structured programmes that is trying to address, on a systematic way, the information problem for local agricultural markets and entrepreneurs.

either businesses do not diversify and/or expand; or they do so at high risk and cost and with little information and analytical power to base strategic decisions upon; or they depend on a parent firm to take strategic decisions.

Even when the data is available, the problem is how to extract analytical information out of data sets – this requires that organizations know what they want to know and develop the capacity and routines to base their decisions on sound data analysis, and that they are capable of thinking about the data they need, how to collect and analyse it. People working on the data need to have some basically sound training in the subject that they are analysing (agriculture, industry, finance, etc.), and some good knowledge of real processes and problems, so that they can think about what they want to get out of the data, how to do it, and what is the data telling them.

There is no systematic collection of, and access to,[53] reports and studies written or done by government organizations, private companies, NGOs, development agencies, local governments, research groups, academics, civil society groups. As a result, not only reports and studies are duplicated, but also synergies between them are not developed properly, and analytical confrontation and implementation of conclusions reached in the different studies are poor.

One amongst many examples of systematic institutional failure with respect to information is that provincial directorates only have access to statistics yearbooks published by INE if they buy it, which many do not do because the data published is poor and the majority of public organizations are short of funding. Additionally, statistics yearbooks are often published with 18-24 months delay relative to the

[53] Of course, access to reports and other forms of data collection and analysis is a sensitive issue, which require careful consideration about problems like classified data and others. There are, however, technical and institutional solutions that can be adopted. What matters is that problems of this sort do not prevent action from being taken in order to build an information basis and platforms for accessing such information.

period of analysis, which makes them less relevant for investment and policy decisions.[54]

Thus, it seems that gathering, processing, and sharing of information on a systematic, quick, cheap and easy manner is a crucial role that can be played by the state. The state can even make use of modern information technology and develop common platforms, with some degree of limited access to very sensitive information, which could improve very significantly the coordination, articulation, efficiency and efficacy of government, civil society and businesses. However, this area of work is very seriously neglected, despite the fact that it is frequently mentioned in meetings and interviews. Together with the information system, training and other support services, including facilities and awareness campaigns, would have to be put in place.

Capacity building with respect to information has to take into account that the information problem is related to a series of crucial issues (not only lack of information or inadequate dissemination mechanisms), namely the ability to define: which data is necessary and for what purposes; which purposes should data collection be able to serve; how to collect the data; how to use the data and the process of data collection for analysis and decision making; which system/mechanism should be developed (and how to develop it) to evaluate policy proposals and other decisions also on the basis of the use made of the data; which data is necessary for investment and private sector decisions (including, for example, non confidential data about firms, investment and partnership opportunities, and what is produced and what is in demand); how to disseminate the data in ways that make it useful for articulation, coordination and decision making.

[54] At the time when this report is being written, the 2002 statistics yearbook has not yet been published, and the 2001 has just been published.

Apart from data, it is also necessary to consolidate studies and reports that have been done or written and are relevant for the policy making and implementation process in Nampula. This would require the ability to identify such studies, organise them and make them widely available, but also protect the confidentiality when it is strictly necessary. A virtual library, supported by a traditional (hard copy) library, could be one way of doing this. This system could be organised in stages. The first stage could be the establishment of a recording system for everything that exists, and that is flexible enough to be updated immediately as new materials are produced. This stage could also include collection of the existing material; and establishment of an electronic index system. The second stage could involve making the actual reports available in electronic form.

3.4.3. The state and strategic development planning

A. The PEP 2003-2007

In February 2003, the provincial government approved the 5 year provincial strategic development plan (PEP) 2003-2007. The PEP is the result of a remarkable effort that started almost 10 months before, and involved the government, district and municipality administrations, organizations of the civil society and academics. The PEP defines, on the basis of, and around, growth scenarios, the general components of a development strategy. Attached to the PEP, there are two other documents, namely: the collection of district strategic development plans; and the project portfolio.

District plans were formulated and approved, by district consultative councils, before the PEP, such that in the majority of the districts, 5 year strategic plans run from 2001 to 2005. There are not many instances in which the PEP and district plans are out of line with each other, mainly because development strategies are very generally defined around a few common themes, namely infrastructures, human capital (education and health) and increasing the production of smallholder agriculture.

The project portfolio is a compilation of two sets of data, namely: lists of activities and projects that provincial directorates had already prepared for implementation, independently of the process of formulating the PEP; and the CPI list of private investment projects approved to take place in Nampula. None of these lists was particularly influenced by the process of formulating the PEP. On the contrary, the PEP was formulated in a way as not to be in conflict with district and provincial directorate plans, or with private investment decisions.

One of the main themes of the PEP is institutional coordination, particularly horizontal coordination between state organizations, but also between the state and the society at large. The PEP calls upon the utilisation of the mainstream mechanisms of coordination already existent, and also discusses the institutionalisation of UCODIN and other local experiences of coordination.

Before moving into the mechanisms of coordination, it is important to discuss one issue already mentioned. The fact that the PEP was formulated not to be in conflict with district and provincial directorate plans, or with private investment decisions, rather than a guiding strategy, prevents it from performing a coordinating role. The PEP puts the different programmes together in one document, and then calls for inter sectoral articulation without providing an inter-sectoral strategic direction and practical means for strategic coordination.

When asked about how the PEP influences their work, provincial directors often mentioned that the importance of the PEP arises from the fact that the projects they had planned to undertake are listed in the project portfolio. Thus, they do not look, in the PEP, for strategic direction and coordination, but they use the PEP to legitimise the programmes they had already planned (or that had already been decided at central level). This has prevented inter-sectoral synergies to be developed, and linkages between provincial and central plans to occur.

To ensure inter-sectoral articulation, which the PEP rightly identifies as a major issue, it would be necessary to work in more detail into three areas.

One, and the most important, is the concrete inter-sectoral theme around which all the sectors would organise their activities. This is what is often called the development pole, or peg. In the case of Nampula, there is the possibility of 3-4 of such poles in the short run, namely, by decreasing order of potential multiplier effects: agro-industrialization, fishing, tourism and mega projects. The first covers the entire province and stimulates inter sectoral coordination around social and economic production and value chains. It also brings together all sectors, from infrastructures to education, training and adult literacy; from agriculture to trade and industry, firm management services and quality standards; from small firms to industrial associations; from the village to the province. The second, fishing, has similar characteristics to the first, but is more limited in scale. The third, tourism, has some of the characteristics of the previous two, but is limited in scope.

The last, mega projects, have not yet happened, are difficult to link with without developing economic capabilities around it, and are the least likely to sustain a broad and articulated basis for development. Additionally, the potential for dynamic and continuous linkages arising from a mega project also depends on technical and productive characteristics of the project. For example, a large automobile assembly plant as the potential to develop several times more linkages and on a more continuous pattern than a large mineral sand extracting project.

Identification of coordinating development themes also helps to ensure that everybody and each sector sees the whole of the PEP and the development theme(s) selected as his/her own, which is not exactly the case now.[55] By not providing

[55] Provincial directorates tend to look at the PEP only from the point of view of their specific sector. Quite apart from any discussion about culture and routines of departmentalism, looking at other

development pegs, the PEP could not provide a useful mechanism that would not only encourage, but force, inter sectoral articulation to take place and linkages to materialise.

Another area that is crucial to ensuring coordination would be the design and selection of specific projects and development of work routines, in line with coordinating development themes – this involves the identification of what to do, how to do it and what the responsibility of each organization, at each level, is.

The third and final area would be the provision of specific tools – formal and informal mechanisms – to operationalise coordination. This is the only of the three areas that PEP develops – although not to its full extent – but it is not very useful because the other two, particularly the first, are missing.

The mechanisms of coordination mentioned in PEP are of four types. On the one hand, there are planning, budgeting and reporting mechanism that have been embodied and developed within the mainstream organs and functioning of the state. On the other hand, there are new mechanisms developed around specific themes, as is the case of the inter-sectoral road commission. Additionally, there is UCODIN, a hybrid institution which is supposed to articulate plans, reporting and strategic thinking; to link the other institutions; to advise the governor; to integrate the civil society. Finally, there are mechanisms that involve the civil society in some way, through municipal assemblies, district consultative councils and other non-institutionalised fora (ex., the joint government & private sector meetings).[56]

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sectors in the PEP does not add a lot of value to anyone's work because the projects and ideas of each sector are not organically articulated with other sectors.

[56] Please, refer to, in this report, to a more detailed discussion of the relationship between the public and the private sector.

B. Coordination at provincial level

The main, current instruments of coordination within the state are the provincial annual ***social and economic plan (PES) and budget***, which are approved by the provincial government. From 2003, the PES is supposed to operationalize the implementation of the PEP. The annual budget is supposed to be the financial side of the PES. The formulation, implementation and assessment of results of the PES and the budget are supposed to bring the sectors together by defining priorities, finding potential synergies between them and making the links between different activities.

Given the above, DPPF is the mainstream, government department in charge of day to day coordination of social and economic policy formulation and implementation.

An analysis of the PES from 1998 to 2002 and of the respective implementation reports, as well as interviews with provincial directors and UCODIN staff, showed that the PES and respective implementation reports are not inter-sectoral, articulated processes. They are a sum of individual, sectoral parts which are not articulated in any specific way. There is no single peg, or set of pegs, that provide inter-sectoral goals and targets around which government plans and activities are articulated. Thus, sectors do not have strategic arguments for articulation.[57]

In many of the interviews mentioned, people referred to the culture and routine of departmentalism and pressures associated with sectoral, vertical planning as the main causes of disarticulation. However, even if these issues were solved, strategic articulation would be made very difficult, if possible at all, without strategic, inter

[57] This is not an argument against sectoral plans. On the one hand, sectoral plans are necessary for each sector. One the other, the planning system in Mozambique is currently organised around sectoral plans. The issue at stake is different: if there are inter-sectoral pegs or goals (such as, for example, agro-industrialization) formulated with enough detail, then sectoral plans could be developed within, and in response to, a strategic framework that would integrate all of them in an articulated manner and around common objectives. Then, government departments and civil servants would have to coordinate with each other.

sectoral pegs that would provide inter-sectoral goals and objectives.[58] If the objectives and targets of economic and social plans are uncoordinated in nature, one cannot expect that coordination is going to rank high in anyone's agenda.

Moreover, the sectoral reports about implementation of the PES often have little to do with the sectoral plans. This might result from the fact that sectoral plans are based upon activities and targets that are outside the control and direct action of the provincial directorates – for example, production targets for private firms or projects that are centrally designed and decided; and targeted growth of output for individual industries. The inconsistency between plan and report may also result from implementation problems, which might be associated with short term pressures overwhelming the capacity of provincial directorates; or the dynamics of the private sector and international organizations dictating the direction of implementation of activities. This inconsistency might be associated with the fact that provincial directorates and district administration, being not very clear about their mission, do not know what to report about in relation to the PES. Whatever the reason(s) might be, there is a clear break between planning, implementation and reporting that has to be addressed.

On the other hand, the PES does not articulate territorial development. This is, the province, as a whole territory, and the districts, as specific components of such a territory, are not taken as vertically articulated units of planning and budgeting. Thus, it is not clear how exactly the provincial plan works as guide for district planning, and how district plans form part of provincial planning.

Of course, when asked about the relationship between provincial and district planning, most provincial directors interviewed state that they are well integrated, and usually mentioned PEP as the example of coordination. Quite apart from the fact

[58] One example of such pegs could be agro-industrialization, organised around social and economic production and value chains. Agro-industrialization is, per excellence, an inter-sectoral objective.

that PEP actually illustrates better that such an articulation (between provincial and district planning) is at least mostly absent, no one of the directors interviewed could say how in practice the planning process works.

In a way, it seems that decentralisation of district planning means that districts are mostly independent units of economic and social activity, not well articulated with others and within a strategic framework for the province. This problem may arise fundamentally from three levels of institutional conflict: sectoral planning at national and provincial level versus territorial planning at district level; strategic guidance at provincial level versus democratic planning at district level; and role given to district planning against discretionary power given to districts with respect to economic and social development. These conflicts may be solved through better division of work and responsibilities between the levels of decision-making, but such a definition obviously depends on a more clear approach to articulation between sectoral and territorial planning.

In order to coordinate government activities, a few inter-sectoral organizations, formal and informal, have been created.

One of such organizations is the ***inter-sectoral roads commission***, which has been officially created by the central government and replicated at provincial level. At provincial level, this commission integrates several members of the government and representatives of the private sector, because the idea is that planning, implementation and control of the roads programme must involve all the main stakeholders. There are mixed reports about the working of this commission in Nampula. We spoke to five of its members, all of them members of the provincial government. Two said that the commission works well; one said that the commission had not met for evaluation of 2002 and planning 2003 road programmes because of the work load pressures associated with the organization of the Nacala investor's conference (27 and 28 of February 2003); and two said that in more than one year (since 2001) the commission had not met as they had never been invited to a meeting.

Quite apart from the disagreement about whether the commission works or not, many provincial directorates and private enterprises have complained about the general state of road rehabilitation and maintenance, as well as about the not so good articulation between the priorities of the road programme and other development initiatives. Given the very poor state of the roads (referred to elsewhere in this report), despite all the remarkable efforts to rehabilitate them and increase the rate and quality of transitability, it is difficult to disentangle how much of the dissatisfaction refers to poor road quality from how much is due to a legitimate critique of articulation.

Three pieces of circumstantial evidence my help to clarify the matter a little more. First, the road programme does not follow any inter-sectoral strategic development peg, and it is decided on the basis of what is called the basic road network. Second, in the case of Nampula the priorities of the basic road network are to link all district capitals with the provincial capital; and administrative posts with the respective district capitals. Irrespectively of the merits of these priorities,[59] they do not necessarily coincide with other important economic development projects that do not directly fall within the basic road network. Third, despite being well funded, at least in comparison with other programmes in the province, the road programme does not have unlimited funds. Finance is allocated first to the basic road network; road work is very expensive; hence, usually there are no funds available, at provincial level, to do anything else beyond the basic road network. Finance may be made available to rehabilitate or open new roads, but current road maintenance is financed by the state budget. Thus, rehabilitation programmes have to be consistent with fiscal sustainability, or risk to put to waste investment in road rehabilitation (or new roads) through lack of subsequent maintenance.

[59] We heard from nobody that these priorities are not right.

Individual development projects have tried to solve their road problems by also investing in road rehabilitation (ex., the case of the integrated fishing project of the Sofala basin). These initiatives, as important as they might be for the project concerned, often are limited in scale (short distances of immediate concern for the project), and not sustainable. As the maintenance is transferred into public domain, fiscal and organizational constraints may impede it to take place on a systematic manner. Sometimes, roads come and go with projects.

The problems mentioned so far[60] show that inter-sectoral coordination is not a simple task to perform, as it involves vertical and horizontal coordination (national and provincial objectives, global and specific objectives), as well as coordination of finance and financial pressures that arise from each development initiative such that financial programming has to be part of the issue of coordination. These problems, however, do not dilute the case for coordination as far as roads is concerned. On the contrary, they strengthen the case for coordination because they show how necessary it is to have a good look at the road programme and how to coordinate it in the province. Additionally, it is less difficult to find answers if the questions are clear and focused – thus, strategic inter-sectoral development pegs formulated with enough detail may help to coordinate the priorities of the basic road network with those of specific economic development poles.[61] Finally, coordinated road strategy can also be seen as a tool to mobilising more financial resources to sustain an expanding road programme. A balance between toll roads and other (public) roads, and a link between roads and major and more dynamic sources of economic accumulation and growth would, certainly, increase financial resources available.

[60] At this point, we should mention that we do not intend to evaluate the road programme in Nampula, per se, as it was never our objective and we do not have the competence to do so. The question we wish to discuss is coordination of state action in development processes, and roads, and the road commission, are only examples.

[61] For example, pegs would allow to identify, precisely, what are the provincial road priorities outside the basic road network; what exactly falls outside the basic road network; how far; and how costly it would be to integrate such "other" priorities. In the worst case scenario, pegs would allow to re-evaluate the meaning and definition of the basic road network.

Such a strategy could, also, mobilise partnerships with private companies to increase the road fund, which would be easier to do if roads and other private investments are better coordinated.[62]

Another inter-sectoral organization created to improve coordination is ***UCODIN***. This organization is chaired by the governor, coordinated by two provincial directors, and has a deputy provincial director in charge of the technical work. It has a deliberative body comprising several provincial directors, and an executive one, which compiles information and produces documents, and is mainly integrated by top technical staff from provincial directorates, and led by a deputy provincial director. UCODIN was created as part of the process of PEP 2003-2007, and was in charge of organizing and leading the technical work. The provincial government is trying to come to a decision about a permanent role and structure for UCODIN, which partly reflects local commitment to solving the inter-sectoral articulation problem.

To perform its role and tasks, UCODIN faces four major problems. First, despite the role that has been allocated to it in the planning and coordination process, UCODIN is seriously understaffed: it has only one permanent technician, with university education, who depends on interactions with technical staff of provincial directorates to be able to respond to work pressure and demands. Second, some provincial directors are not always available to perform their leading role in UCODIN. When asked about coordination matters, in the interviews, some of them emphasised the need to create and develop an engine of coordination outside the ordinary meetings of the provincial government, but never mentioned UCODIN, or its role.

Third, UCODIN is not formally institutionalised and the nature of its role, work, operation and organization is not well defined. This raises two additional problems.

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[62] What was here discussed about the economics of roads applies, also, to other basic infrastructures.

On the one hand, at operational level, the division of work between UCODIN and DPPF, particularly with respect to DPO,[63] is not clear. For example, at the time of our field work, UCODIN was producing the report about the implementation of PES 2002 and respective budget, supported by technical staff from the various provincial directorates. This task normally fall within the domain of DPO, and it is not clear why UCODIN was working so hard on it. Was it because of institutional inefficiencies? If it was, should UCODIN get involved in plastering over such inefficiencies or should it be focused on strategy?

On the other hand, it is not clear yet what UCODIN should be or become. One of the possible models being discussed, at the time of our field work, was that UCODIN should incorporate representatives of the government, private sector and civil society at large; be supported by a technical, professional secretariat; and be focused on medium term, strategic planning. It seems that one of the problems contributing to the impasse about what UCODIN should be is related to the general problems of organization of the state at the provincial level in Mozambique. On the one hand, the provincial government represents the central government, not the province; on the other hand, the political intention is to get the civil society and the private sector more involved in governance at provincial level. Finally, the provincial government needs a professional, technical organization that is free from day-to-day pressure and can focus on strategy. Hence, UCODIN is a hybrid organization attempting to respond to all of these pressures.

The fourth problem faced by UCODIN is the inexistence of a model, or strategic framework, based on which medium term strategy can be developed. In fact, UCODIN could add significantly more value to the process of planning and development management by focusing on definition of strategic development pegs, organizing inter sectoral coordination around them, experimenting and learning with the model and then helping to generalise the best practices to district level.

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[63] Planning and budgeting department, the central department DPPF.

3.4.4. District planning

Decentralised district planning and finance is a project that has been in place in Nampula since 1998. Due to its relative success, this project has been extended to all districts in the province and, therefore, in each of them there is a technical team in charge of planning. Each district has a medium term District Development Plan (PDD) for five years, as well as an annual PES that is based on the PDD. The PDD is formulated after a participatory diagnostic of the district conditions and poverty profile is undertaken. Districts are at different stages of implementation of strategic planning, but they are all moving in the same direction.

This decentralised planning exercise at district level has been considered relatively successful with respect to the participation of the local communities in the diagnostic and decision making process. Progress has been registered with respect to handling of basic data about the district. The ability of the local administrations to identify and mobilise local human resources to build the technical teams has been developed. For example, all technical teams we contacted integrated local teachers and other qualified and semi-qualified workers from different organizations, in addition to civil servants of the district administration.

However, the real social and economic content of the planning exercise is far from satisfactory. First, a rapid evaluation of the PDDs attached to the PEP 2003-2007 shows that in almost all districts the relationship between the diagnostic of the district, the poverty profile and the strategy defined is very weak, if it exists at all.

Second, district diagnostics consist fundamentally of description of geographical conditions, and lists of infra-structures, organizations and natural and human resources. There is no inter-temporal analysis of the situation, which might be explained by the fact that this is the first time that such an exercise is attempted in the province. There is no dynamic analysis of how activities take place, infrastructures and human resources are utilised, the standards of education and health services, etc. The diagnostic is only a list of assets or characteristics. Third, poverty profiles are very weak. They identify what is considered missing in the district (roads, schools, health centres, water, etc.) but have no analysis of poverty as a socio-economic process related to specific dynamics in the district or elsewhere. They have no indication of the human dimension of poverty. Thus, the district diagnostics and the poverty profiles are a very weak basis for planning. This might be a strong reason why planning and diagnostic and poverty profiles are unrelated.

Fourth, irrespectively of the diagnostics and poverty profiles of any particular district, the strategies are almost invariably the same, based on a few major issues (education, health and promotion of smallholder agricultural production) and with residual differences. Almost invariably, the district plans take no advantage of the specific characteristics of each district – whether or not the district has potential for agriculture, tourism, mineral resources, manufacturing industry, services, they are all focused on the same major issues. In the PDDs, there is no discussion about why they only consider smallholder production as a route to poverty reduction and not, for example, wage work in larger farms or agro-industries. Only one of the 21 districts mentions the Nacala corridor as an influence in its development plan, an even this one does so very vaguely. None of the anchor and other mega or relatively large projects that are so often mentioned in national and provincial plans for Nampula, are referred to in the PDDs.

Fifth, as discussed in the previous section, district planning is not well articulated with the provincial planning exercise, which reduces the possibility of taking advantages of potential synergies and linkages that may arise from inter-sectoral articulation and from the specificities of different territorial conditions. This problem of articulation partly explains why all districts focus on the same strategies, irrespectively of the differences between their development conditions.

Financing of development programmes in the districts is a complex issue. Own tax and non-tax revenue is so small that it is only used to pay for some of the costs of running the district administration: bills and non-permanent workers.

Recurrent expenditure, such as current maintenance of infrastructures, is financed by the allocation of funds to district development by the provincial state budget or by the action of specific projects operating in the district that may have an interest in the maintenance of the some infrastructures (such as, for example, the participation of IDPPE in the maintenance of a road in Angoche that is important to link fishing communities). The district recurrent budget always depends on the provincial budget, which, in turn, depends, in 95%, on financing from the central state budget. Thus, the districts can decide which roads are going to be maintained given the funds available, but they cannot guarantee that their plans are going to be fully implemented. Project/partner related funding is short-lived, because it finishes with the project.

Capital investment in infrastructures is financed through FDDs (district development funds) financed through the UNCDF[64] project, which allocates between 2 and 3 million US$ per year for the entire province. FDDs can only be used for capital investment in infrastructure, not for financing recurrent costs. Thus, although FDDs have allowed districts to develop economic and social infrastructures (electrification, roads, water supply, health centres, schools, etc.), it has also created more financial pressures and dependence upon foreign flows of capital. Each and every new infrastructural investment implies future recurrent costs: hospitals and schools need doctors, nurses, medicines, teachers, books, chairs, desks, beds, different equipment. Roads and water pumps need maintenance. Given budget constraints for recurrent costs (explained earlier), district planners face a dilemma: they either cut investment expenditure, or cannot meet the required recurrent expenditure. There is significant evidence of both practices. For example: the

[64] United Nations Capital Development Fund.

provincial directorate of health has forbidden the construction of new health centres; in some cases, local roads have been rehabilitated and are not maintained; water supply systems have been built or rehabilitated but are not maintained to the extent that people prefer water from wells.

Public-private partnerships do not necessarily solve the problem. Apart from the fact that project based partnerships are short-lived, private partners are more willing to invest if some returns are possible. For example, privatisation of management of energy supply at district level has generally failed (with rare exceptions) because consumption is low due to low incomes and lack of dynamic economic activity that requires electricity, and costs of running generators are high. Despite all the financial difficulties, most district administrators prefer to manage the supply of energy instead of insisting with privatisation.

Thus, not only the quality of district plans is low, but the financing mechanism constrains the implementation even of such plans and creates further financial pressures and dependence.

Apart from lack of experience and technical capacity, and shortage of finance, there might be other reasons why the content of district plans is poor. First, districts have very little control over the resources and activities that take place in the district. Second, the participatory decision making process might reduce the ability to being rigorous in planning processes. Third, interest groups reflected through representative community participation may influence planning decisions more than any diagnostic or profile of the district. Fourth, there is the influence of mainstream pro-poor ideology according to which poverty is better dealt with through provision of education and health and basic infrastructures, and organization of agricultural production around smallholders. It is as if increasing the value of human and personal capital (through education and health) would allow individuals to maximise their market private returns on themselves and reduce poverty. This ideology dominates the content of PARPA (central government's poverty reduction action plan), the approach in PEP 2003-2007, and would be surprising if it would not have strong influence in the PDDs. Finally, the practice of decentralised planning and finance has not been institutionalised yet.

On a different issue, district planning has little or no impact on private investment. With rare exceptions, private firms, NGO´s and development agencies did not mention district planning as a relevant tool that helps their decision making and implementation capacity. District administrations legitimise projects, help with the selection of location and guarantee access of investors and other organizations to the local population. In the most advanced districts, infrastructural work helps the activities of private agents. However, district administrations have no strategies to attract private investors, have no production priorities, and the infrastructural work, even when well managed, is not geared towards specific economic goals. Most of the infrastructural work that is directly linked with investment and development projects is built or rehabilitated by the implementing organizations and/or investors.

3.5. *Institutional capacities and economic dynamics: private sector, civil society and the international community*

3.5.1. Private sector

A. Overview

Institutionally speaking, there are six main dynamics associated with the private sector: (i) the emergence of economic groups that are usually based around large trading capital and that are used to support horizontal diversification (such as the Gulamo, AGT (Gani) and ARJ (Rassul) groups); (ii) the emergence of medium entrepreneurs that are linked with NGOs and subsidised systems of service support (such as the new cashew and oil seed factories); (iii) the consolidation of strong economic relationships between relatively large and very small economic agents, usually engaged in the flexible exploitation of short term opportunities without investing in the development of productive capacities (such as the timber exporters from Moma, exporters or raw agro products all over the province, cotton concession); (iv) the consolidation of economic groups that take advantage of licensing mechanism to acquire rents – for example, by renting fishing licenses or abusing of artisanal logging licenses; (v) the emergence of medium and large foreign capital (such as Pesca Norte, Coca-Cola and Moma Heavy Sands), that respond to corporate strategies and incentives defined elsewhere; (vi) the expansion of the associative movement of small and medium producers, such as peasant associations, small producers of sunflower oil, and ACIANA, the main business association of Nampula.

All these institutional dynamics are influential, if not directly in the policy formulation process, at least in the implementation process.

With the exception of the foreign capital based institutional dynamics, the others have yet little sustainability, at least in terms of replicability. Economic groups are spreading into productive investment fast, despite the fact that they have no experience as producers and some of their investment decisions are not wise (as discussed earlier with respect to sisal and cotton investments).

Although some medium entrepreneurs, such as Miranda cashew, may have become sustainable on their own right, replicability is questionable. First, finance and technical support on an almost grant base are limited. Second, fast multiplication of productive capacity of small and medium cashew processing factories is bound to create significant pressures upon the supply of cashew nuts of high quality and at the right price to the factories, if no urgent measures are taken to increase cashew nut production possibly in medium and large scale instead of small household production. The same applies to all small and medium scale agro-industries.

Groups that are exploiting rents and short term opportunities may be short lived, because their tactics will eventually undermine the basis of their capital accumulation.

Associations are a complex issue. Many NGOs and international agencies are promoting different types of associations, from local producer associations to business associations at provincial level. The experiences of local producer associations are mixed: some work relatively well, some work badly or do not work at all. Those which work are almost invariably associated with larger companies, namely concessions and others that are suppliers or receivers of services (but many that do not work well are also associated with such companies). The majority of associations we heard of are involved in trade and service provision to their members, but have no impact on the organization of production. Thus, although trade, supply of inputs and product quality may improve, production scale and technology and the level of income are not changing quick enough to be able to create sustainable processes of change and accumulation. Thus, the experience of associations has not been fully absorbed by the communities that are supposed to benefit from it.

Business associations also have mixed results. Those that have very specific membership and that deal with very specific issues related to their members tend to be stronger than the more general associations. It seems that as far as business associations is concerned, institutional development started from the roof, rather than from the foundations.

Development of different industries will require that industry specific associations are developed to provide essential business services to their members: quality control, establishment of brand name and reputation, organization of finance, training, etc. As these associations are developed, the more general ones, like

ACIANA, may become stronger (if they find a role that adds value to the network of business associations) or weaker (if they do not).

B. Business networks and strategies

There are marked differences between business networks, which are linked with the internal organization and capabilities of the firms and, also, with the institutional settings and information capacities of the businesses. For example, large traders have developed links with Indian, other South Asian and middle-Eastern corporations and business networks, and have access to markets, finance, technical assistance and business information through such networks. However, their activity is often limited to trading and unprocessed exports of high value crops, such as cashew nuts. NGOs and other new businesses have developed networks in niche markets for exports of non traditional high value cash crops, such oil seeds and paprika. Outside their specific areas of activity, they have little information and maybe they have little objective interest in doing business while the current setting is still profitable.

Some of these businesses, such as the large traditional traders, have started to diversify horizontally into agriculture production and agro-industry (ex., Gulamo groups investment in tea and cereal mills; and AGT investment in cattle, sisal and cotton); as well as into other industries (ex., ARJ cement factory in Nacala). However, some of these new activities lack strategic direction and focus, systematic information and any sort of sound economic and technical analysis. For example, some businesses are moving full stream into cotton and sisal, simultaneously, because the current international price is slightly better than last year´s. However, it is well know that the markets for these crops are not dynamic, world prices have been following downward trends for decades, and price volatility is very high. Thus, investing a few million US$ to start agri-businesses in both crops simultaneously seems to be, at best, a very risky business decision.

Additionally, these businesses generally do not have a management structure to deal with the complexity of expanding and diversifying business dynamics – management is excessively centralised and personalised, based on tight personal control rather than incentives, motivation and structured delegation; developed around family links rather than merit, capabilities and a dynamic structure of management; and have some difficulties to understand and adopt innovation. In a way, with some qualification, it is possible to argue that the combination between ownership and management, within this specific setting, is limiting for business development. Thus, although it might be very important to attract these businesses into diversified productive dynamics, because they have often been the only centres of capital accumulation through trade and services of different sorts, it is also important to acknowledge that they are not prepared to make business decisions of high calibre outside their traditional areas and institutional basis. This means that strong business support services including, amongst others, management training and restructuring, information services and investment advising centres, should be developed to help productive diversification.

New brokers, such as export marketing and V&M, have a much more flexible business organization, small and not based around heavy marketing infra-structure. Their business is developed around information and the ability to move quickly around to collect surplus and export it. They hire transports, pay for information, have agents moving around and take advantage of networking with NGOs and development agencies involved in rural development. They react to market signals much more quickly than producers can ever do, because they only have to change what they buy and at a given price, rather than having to change productive structures and skills. Thus, they do not offer stable solutions to marketing of surplus output, and they are not directly involved in promotion of productive capacities, developing of the institutional conditions for a wide growth basis, and so on. Their goal is simply and clear – get there first and export it, "it" being whatever external markets, to their knowledge, is importing that is worth buying in Nampula.

NGOs, development agencies, public organizations and firms involved in extension, and promotion of productive and institutional capacities complain that brokers undermine the system by undercutting the link between promotion, production and trade, and by weakening the institutional organization and bargaining power of peasants. However, some of such organizations, particularly NGOs and development agencies that are trying to link production and external markets through the NGO network, also rely on brokers to be able to buy and sell.

Thus, brokers play a role that is important, but such a role is definitely not being explored effectively and efficiently from the economy point of view. This happens for different reasons. One the one hand, there is the ideological belief in market superiority and in the inability and inappropriateness of attempting to coordinate business dynamics. On the other hand, there is not enough information about, and not enough effort to understand the business context, which is partly due to limited institutional capacity, including serious information weaknesses, and partly due to policy and ideology about institutions, development and priorities – such that, such capacity gaps are not dealt with because it is not thought to be important to do so (and some may even believe that it would be inadequate, or not market conforming, to attempt to do so).

Moreover, uncoordinated organizations operate at different levels of activity chains, focusing on different groups of agents and trying to change their business behaviour irrespectively of the understanding of the economics of such agents, the social and economic relationships between different agents, and the social and economic conditions and pressures under which they operate, and how they influence and are influenced by such conditions and pressures.

Synergies between production, different supply and demand services, trade, different agents and wide based development that tackles poverty and crucial economic weaknesses can only develop effective and efficiently through some mechanism of coordination with clear purposes – markets may generate opportunities and dynamics, but do not necessarily generate information sets, institutional arrangements and development goals that unify the energy of the economy to take advantage of growth and development linkages for some desirable social and economic pattern of development to be achieved. Strategic pegs might be a way of providing motivation and focus for, and means of, coordination.

C. Relationship between the public and the private sectors

The relationship between public and private entities has developed significantly over the past years. Community participation, outsourcing, public-private partnerships, etc., have got the public and private sectors working much more closely.

DPIC is the focal point for the interaction between the state and the private sector. The main form of organized interaction between the private sector and the state is the government/private sector provincial conference, which in principle should happen twice per year. The last, and first, conference took place more than one and a half years ago. According to the plan, DPIC should be preparing the fourth conference; instead, they are preparing the second. DPIC has two arguments to explain why these conferences do not take place according to the plan. First, the government has no funds to finance the meetings, and the private sector is not willing to finance the costs of such meetings. Second, it is necessary to prepare the conferences carefully, which requires time.

In April, DPIC was starting to prepare the second conference with the private sector. The preparation engaged the government, represented by DPIC, and different industrial associations. Trade Unions were not participating in such preparation.[65]

[65] There is no obvious mechanism of articulation between the government and trade unions in Nampula. This might be associated with the fact that trade unions seem to be very weak in the province; but it is clear the government is much more committed to promoting the private sector than in getting trade unions involved in the process of economic decision making.

The preparation involved, amongst other activities, a review of the conclusions of the debate that took place in the previous conference, an evaluation of the progress made in the implementation of its recommendations, as well as the identification of new issues to be discussed.

The main recommendations of the first conference refer to the establishment of a one-stop-shop business centre, investment incentives (fiscal and customs), access to finance and removal of administrative and inefficiency barriers to business. There is little, if anything, discussed with respect to industrial organization, investment strategies and priorities, development of enterprise and management services, industrial training, etc.

Some progress has been registered with respect to reduction of inefficiency related barriers, but procedures and rules are defined centrally and the provincial government has only very limited impact on streamlining them. There is no progress with respect to access of finance, which was to be expected; and CPI is being redeveloped to support private investors.

The business centre has not yet been implemented, and it is not clear why not. Apparently, there is an ongoing debate, still, about what the business centre should be. According to DPIC, the business centre should eliminate unnecessary steps, rather than adding an extra one. Hence, the business centre should have the competences, skills, be equipped for, and have the power to take all the necessary decisions about new investments, new firms, etc, that can be taken at provincial level, and be linked directly with the office of the governor. There are, off course, legal implications of such a view, which the province has no power to address; and also some resistance of government departments to a reform that significantly reduces their power in the decision making about new investments and firms. If sectoral departments concentrate on strategic work, the idea of the business centre with such powers would be welcome. However, because those departments concentrate most of their time on daily issues and negotiation with individual firms and investors, then such a business centre could be a threat. While these issues are discussed, there is no business centre.

Due to liberalization and privatisation, the government now has very few instruments to influence investment decisions, and most of the available instruments are not very relevant or are not sufficiently explored. For example, licensing has not been used to guide investment in the wood/timber and fishing industry, such that forest have been devastated, wood is exported unprocessed, and land facilities have not been developed to support small scale commercial fishing. The lack of simple, accessible and efficient financial mechanisms that are of use for capital investment and working capital makes it more difficult to develop and generalise new ideas and projects.

The government has not been able to intervene and help the development of a new class of productive entrepreneurs that result from horizontal diversification of trading groups. Some of them are wasting considerable amounts of money in projects that may not yield private and social returns, such as the cases of the construction of a new large scale cotton ginning factory in Namialo, near to two existing factories; concentration of investment in cotton and sisal because of short term international price improvement in volatile areas; horizontal diversification without any obvious strategy beyond getting access to resources like land; etc. The capital that is moving from trade to production can play an important role, if it is possible to guide it to better development projects.

The need of a strategy for development of rural production, agro-processing and promotion of capital accumulation has not been addressed. The government is either watching the private sector making their own way, whether by following obviously wrong paths or not, or concentrating in poverty mitigation through usually inefficient support to micro and smallholders that have little economic basis to develop independently.

The government has not explored its comparative advantage with respect to information to influence investment and private sector behaviour, and to articulate public interventions at different levels and between and within sectors.

The government has not developed a labour and industrial relations strategy, which takes into consideration the developments that are taking place, how to protect labour, promote businesses and ensure that training, improving working conditions and productivity increases are at the top of the agenda for businesses and trade unions.

3.5.2. NGOs and international agencies

There are many NGOs and international agencies operating in the field in similar areas. They have significant influence in areas like extension services (more than half of extensionists in the province), provision of inputs and direct technical support, trading or facilitation of access to markets for new cash crops, provision of micro finance, introduction of new methods of conservation of agro products (for example, sun drying), etc. They also provide support to local public services and organizations and finance infrastructural projects that are relevant for their projects. Thus, these organizations are influential at the levels of policy making and policy implementation.

The network of organizations is a complex one: they involve national and international NGOs, as well as international government agencies. There are agencies that define strategies and policies and finance them, and other that implement programmes. A number of NGOs articulate their interventions by supporting different levels of activity in the chain of production, commercialisation and transformation of rural product by adopting the form of a consortium with other

NGOs. The main NGOs involved in this type of arrangement are: CARE (providing extension services, diversification of production, financial services), OLIPA (promoting associations and commercialisation), CLUSA (promoting associations, marketing and certification), AMODER[66] (providing credit lines for commercialisation of agricultural surpluses), Technoserve (providing assistance for identification of agro-industry projects, identification of technology, plant design, formulation and implementation of business plans, mobilization of finance) and the metal engineering company AGRO ALFA (providing technology and inputs for animal traction and agro-processing).[67]

Different complementarities in activities can also be found in districts where there is no formal consortium between NGOs, but in which NGOs intervene in a concerted way such as to support various levels of activities. Although these NGOs do not work under any binding agreement between them, they enable the realisation of the majority of micro and small scale agro-industrial investment projects in the province.

This network of organizations is not well coordinated by the government or local administrators. Although many of such organizations argue that they follow the government poverty reduction strategy, it is now difficult to distinguish when the government strategy has been influenced by this network of organizations, or the strategies of these agencies have been influenced by the government. Additionally, they follow different methods and establish different institutional frameworks in their areas of influence, such that there is some degree of proliferation of institutions and methods of doing things, but without the organization of a formal and systematic process of learning from them and selecting the best practices for replication.

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[66] Associação Moçambicana para o Desenvolvimento Rural.

[67] Existing projects embedding this type of synergies between NGOs are, amongst others: PASAN, Programa de *Agricultura Sustentável para as Associações em Nampula* (in the districts of Lalaua, Malema and Ribaue); IDEMO, *Iniciativas para o Desenvolvimento de Murrupula* (district of Murrupula); Project of diversification of food and cash crops in cotton zones in partnership with SODAN (*Sociedade Algodoeira de Nampula*) (in Monapo district); Project supporting production and commercialisation of caju (OLIPA and KULIMA).

In general, the strategies pursued by such organizations are focused around smallholder economy – micro finance, micro savings, micro production of oil seeds and cashew nuts, etc. There is no evidence, so far, that this strategy is better than any other at reducing poverty and creating the basis for capital accumulation, and there are theoretical and empirical reasons to believe that a smallholder based strategy may not help poverty reduction in any significant and sustainable way and may be inadequate to accelerate economic growth.

The poverty issue cannot be dealt with properly on the basis of charity or mitigation of extreme poverty at household level. Only if the economy moves towards greater levels of capital accumulation, and business development and production systems change towards more complex cooperation (being this achieved through cooperatives or private investment and wage work), will the issue of poverty be given a chance of being addressed properly within the dynamics of economic growth and development, rather than mitigation, charity and aid.

3.6. Nacala Corridor investor's Conference

The Nacala Corridor investor's conference took place in the city of Nacala on the 27th and the 28th of February 2003. The conference was aimed at re-launching the Nacala Corridor project. The Presidents of Mozambique and Malawi, the Vice-President of Zambia, and the Minister of Industry and Trade of South Africa (on behalf of the South African President) led their respective country delegations. As a whole, more than 300 people attended the conference, many of whom were civil servants, and only a small number where investors and business people.

The conference heard and discussed papers prepared by the different delegations on issues such as: investment environment, specific investment and development projects, as well as general presentations about the Nacala corridor.

The general line about investment environment was related to increasing fiscal incentives, reducing red-tape, helping investors and liberalising the economy. Most of the projects presented were related to infrastructure and tourism.

The South African Minister of Trade and Industry mentioned, very clearly, that the corridor strategy is supported by his government because it is a way of linking, at reduced transaction costs, the industrial belts of South Africa with the sources of raw materials, particularly natural fibres, wood, and energy, in the remaining SADC countries. At the same time, it is a way of attracting the private sector into development of infrastructures, by making infrastructure projects profitable. This would be achieved by linking infrastructures with large investment projects associated with tourism, minerals and energy.

Thus, the conference showed that the corridor may not be the central engine for generating broad-based linkages and development dynamics in the province. On the contrary, it is what will happen in the rest of the provincial economy that will determine the role that the corridor will be able to play in the development of the province of Nampula.

4. Conclusions

4.1. Summary of main points

4.1.1. Demand driven capacity building

As mentioned earlier, we cannot identify institutional capacity building needs ***directly*** from the interviews and field work, because there are several and significantly different definitions and perceptions of what institutions, capacities and processes of institutional capacity building are.

From the analysis of information gathered, institutional capacity is defined by different agents as a function of problems that they are trying to address at a particular moment and in relation to some other specific agents. Even if we consider that none of the individual definitions of institutional capacity is the most adequate, it is still important to understand that definitions of institutional capacity (and of processes of building it) only make sense when they are integrated within the context of economic and (related) institutional dynamics that local agents face. Therefore, our study undertook an analysis of economic growth and investment dynamics, and of the related institutional processes, in order to identify particular areas of institutional capacity that are at least problematic and need improving.

We should acknowledge that this process of identifying possible areas of institutional capacity building is still demand driven. The report takes from the interviews the idea that capacity needs depend on the problems to be addressed, which in turn depend on the real economic and institutional dynamics. Then, the report tries to identify demand for capacity from the analysis of economic growth, investment and institutional dynamics in Nampula. Therefore, even if the report does not respond ***directly*** to demands and perceived needs of individual agents, partly because of difficulties to finding a common and coherent definition of capacity needs amongst them, the study bases its conclusions on the analysis of local experiences and dynamics.

4.1.2. Economic and institutional context

The study identified the need for the economy of Nampula to grow significantly faster and in a much more, long term, sustainable way. This requires, as argued, that economic growth and development patterns are broad-based, diversified, incorporate and add value to more local resources, create new capacities, ease the pressure on scarce resources and are very significantly improved in terms of quality and factor productivity.

Further, an analysis of private investment trends shows that FDI is highly correlated with mega projects; the weight of DDI in total investment is twice as high as the national average (even higher, when mega projects are excluded); overall investment is concentrated in a few sub-sectors and firms; and the pattern of investment is not easing pressures on scarce resources, particularly those associated with foreign currency. As would be expected, DDI is less concentrated than overall investment. Thus, there is room for strategies that diversify FDI and mobilise DDI, and the analyses shows that these two goals can and must be achieved together. Additionally, there is a role for strategy to direct investment into activities that save foreign currency by efficiently substituting imports, and generate foreign currency by aggressively penetrating into profitable export markets.

The analysis of investment has shown how information, intra- and inter-sectoral coordination and institutional development can help to reduce transaction costs; maximise innovation, economies of scale and scope and economic diversification and linkages; and minimise inefficiencies associated with oligopolistic power, high costs linked with unnecessary internalisation of transactions and processes that are better dealt with through coordination and contracts between firms and sectors of the economy.

The analysis of institutions showed that, despite remarkable progress (ex., PEP 2003-2007, UCODIN, decentralised district planning and finance), there is a need for very significant improvement in terms of the institutional basis for economic analysis, coordination and implementation.

Provision of inter-sectoral goals (through definition of inter-sectoral development poles, or pegs); organization of systems of information; development of business support services and economic and technical analysis if investment; improvement of mechanisms of intra-government coordination; systematic analysis and generalisation of best practices; support to developing business networks, partnerships, associations and other institutions that support production, establishment and enforcing of quality standards, technology acquisition and mastering, investment and trade; development of workers and peasants organizations that will become more relevant as economic growth accelerates; these are all part of institutional development needs to provide strategic frameworks to improve the quality and direction of investment and achieve broad-based, fast economic growth.

4.2. Main areas of institutional capacity building

4.2.1. General considerations

On the basis of such an analysis, it is clear that there are many potential areas of institutional capacity building, which would have an impact on the ability to coordinate, successfully, investment and development strategies. In our report, we identified three of such areas.

The criteria for selection of these three areas are: (i) relevance according to the analysis made of the situation in the province of Nampula; (ii) multiplier impact; (iii) existence of experiences and practices that could be improved; (iv) possibility of synergies within SDC and different potential partners; (v) links with overall policy goals of the country, as well as links with long term goals of previous stages of macroeconomic and policy management support programmes developed by SDC; and (vi) possibility of being implemented, or partly implemented, over the course of the next stage of MOZ 28.

Before, listing the areas for institutional capacity building, it would be useful to recall that the main argument of this report is that institutional capacity building in Nampula, with respect to investment and economic development, should be focused on development of inter-sectoral economic goals (poles or pegs for economic growth) that would articulate public intervention as well as would provide the main framework for private sector activity. This means that all areas of capacity building that are listed below should be thought of as means to increasing capacities to developing, articulating and successfully implementing such investment and growth, inter-sectoral economic pegs.

In other words, the report is not providing the pegs, or suggesting that SDC should do it. The report makes suggestions about which general pegs seem to be the most adequate on the basis of the analysis of economic and institutional dynamics in Nampula. Most important, however, the goal of the report is to make suggestions on how to develop institutional capacities that are needed for such development strategies to be formulated and implemented by the province.

Thus, this part of the report is focused on institutional capacity building, but it is crucial to bear in mind that the goals of the recommended capacity building areas is, primarily, to provide the capacity to respond to economic and investment development challenges in an articulated and strategic manner.

4.2.2. Areas of capacity building and required pre-conditions

A. Main assumptions

The two main assumptions that guide the main proposals, or plan A, that follow are that the provincial government: (i) is committed to adopting inter-sectoral, strategic development goals (formulated around inter-sectoral development pegs, and detailed around economic and social chains of production and value); and (ii) is willing to develop an inter-sectoral coordinating organization that will identify, develop and enforce implementation of such development goals. This organization could be developed around UCODIN, or any other form of organization that the government perceives as most adequate. For simplicity, in what follows we refer to this organization as UCODIN, but this can also mean, and apply to, any other institutional equivalent to UCODIN.

In order for the two assumptions, above, to be met, the government has to solve the so-called "mission crisis of the state",[68] identify its own strategic role beyond fashionable and often meaningless concepts like "facilitation" and "mobilisation", and be committed to investing resources (human and financial) in the development of the adequate institutional framework for inter-sectoral coordination.

Practical indicators of government's commitment to developing inter-sectoral coordination would be the institutionalisation of UCODIN and of its role as a powerful, strategic inter-sectoral coordinating organization, as well as staffing UCODIN with a few experienced and well trained technicians. It would also be important that the relationship between UCODIN and the sectors is clarified and institutionalised (around the identification and implementation of inter-sectoral development goals), and that the division of work between DPPF, particularly DPO, and UCODIN be clearly established.

Obviously, the government of Nampula may well need support to carry on the tasks mentioned above. In this case, capacity building should be developed around a fall back programme, or plan B, which would support the government to create the necessary pre-conditions to formulate and manage inter-sectoral investment and

[68] Please, refer to the section, in this report, that discusses the role of the state.

development strategies. Fall back activities are, in what follows, presented after the main proposals.

B. Main areas of capacity building and fall back alternatives

On the assumptions made above, and considering that we aim at having an holistic approach to strategic capacity building, the following three areas of institutional capacity building are recommended. First, support should be given to the development of integrated institutions and mechanisms for inter-sectoral strategy development and inter-sectoral coordination of government, private sector and civil society at large. This would require four lines of action, namely:

(v) provision of material and technical support to the development of UCODIN for the purpose of effectively and efficiently articulating investment and development strategies in the province;

(vi) support the development of the ability of UCODIN to identify information required to, and formulate investment and development strategies of inter-sectoral content, which identify investment and development poles (or pegs), and eventually organise interventions around social and economic chains of production and value, and that articulate relevant sectors of government (including districts), private sector and civil society at large;

(vii) continue to support the development of strategic provincial and district planning, focusing more on improving the economic content of such plans, defining better the areas of intervention of different levels of decision-making and how they articulate, and integrating all levels of strategic planning within a common framework and strategic direction;

(viii) through UCODIN, support the development of strategic planning and information capacities in different departments of the provincial government, with priority focused on DPIC, DPTUR,[69] DPREME,[70] and CPI. It should be noted that support to individual government departments in the context of strategic planning and articulation, only makes sense if it strengthens the overall ability and mechanism of inter-sectoral articulation. Thus, departments here singled out are considered priorities because of the relevance of their portfolio and because they do not have specific and significant support mechanisms already in place.[71]

Second, support should be given to development of a common and universal system of social and economic information that is easy to access and update, quick and cheap, and that is relevant for inter-sectoral strategic coordination, intra-government articulation, private sector decision-making and civil society participation. This system should also articulate or provide a common platform for information and statistics systems already in place, and should be developed within UCODIN in order to respond to and support strategic planning and articulation of investment and development.

Within this area of institutional capacity building, it would be important to support the organization and implementation of regular surveys about crucial issues for strategic policy making and management, namely about: off-budget expenditure; best practices in areas of private sector institutional development, promotion of new economic activities, establishment of inter-sectoral links, materialization of potential synergies between projects and firms, etc.; financial institutions and financial markets, formal and informal; the situation of agro-industrialisation; and others deemed necessary.

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[69] Provincial Directorate of Tourism.

[70] Provincial Directorate of Mineral Resources and Energy.

[71] DPADR, DPOPH and fisheries also are crucial departments, but they already benefit from support provided by different organizations.

Third, support should be given to the development of business related services, which cut red-tape and time waste; simplify and shorten stages of decision-making; consolidate information about procedures, legislation, incentives, markets, technology, potential for partnerships and linkages, and investments taking place; provide advise with respect to investment decisions, business plans, business choices, production and managerial organization; and provide basic and intermediate industrial and professional, technical and managerial training. In this connection, institutional support could also be provided to business initiatives related to development of specific industrial associations, networks and partnerships that could strengthen strategic articulation and competitiveness of particular industries.

As mentioned before, these three areas are conceptualised on the assumption that inter-sectoral goals are defined and UCODIN is developed as the coordinating inter-sectoral organization. However, we have pointed out that these are not simple tasks, and that the government of Nampula may well need support to formulate and implement such tasks. In this case, an interim phase and programme of capacity building (what was, earlier, called plan B or fall back programme) should be adopted. This means that even if not everything mentioned above can be implemented and achieved, some steps can be taken in the direction of creating strategic capacities.

Of course, interim programmes depend on what the different partners are willing to, and capable of, doing at particular moments. Therefore, different interim areas of capacity building are recommended but the decision about which ones should be undertaken depends on the specific steps that at each particular moment can be taken.

One area of interim support could be the establishment of two task forces, one to devise how the economy and economic agents in Nampula can take advantage of the potential productive linkages with the mega project of mineral sands in Moma; the other to formulate strategies for the development of inter-sectoral production chains for industrialisation of cashew nuts and oil seeds. Such task forces could be supported, occasionally and for specific activities, by short-term consultancies or technical assistance.

Another area of interim support could be related to the development of institutional mechanisms of dialogue and joint evaluation of socio-economic development, involving the state, private sector and civil society. In particular, support could be given to maintain annual or bi-annual meetings between the government and the private sector. This activity should include, also, support to specific research and production of relevant, thematic research papers that can be presented and discussed at such meetings, and that can constitute part of the information sets required to develop adequate inter-sectoral strategies.

Still related to this area, support could also be given to the establishment of some institutional form of periodical evaluation of socio-economic performance of the province, which would also feed into strategic monitoring and planning mechanisms.

A third area of interim support could be related to improving the economic content of district strategic development planning and management, and identification of possible sources of finance alternative to international aid (such as public-private partnerships, local sources of revenue, and others).

A fourth area of interim support is related to information. In this case, support should be given to performing specific tasks, namely: (i) establishing an electronic data base, for easy and universal access to relevant investment and development information by all agents concerned; (ii) performing regular financial surveys, including off-budget expenditure, formal and informal money markets and institutions, the actual implementation status of investment projects approved, and other micro and small investment projects that are taking place but need not to be approved; (iii) performing regular surveys about potential economic linkages arising from existing investment and other economic activities, whether such linkages are being implemented and what the impediments might be, and making such information available to all relevant agents; and (iv) establishing an electronic data base about all firms that exist in Nampula, location, contacts, main activities and other relevant, non-confidential information.

A fifth area of interim support, related to business services, could involve support to three main activities, namely: (i) support to the definition and implementation of a business centre, which on the one hand works as an effective one-stop-shop, and on the other hand consolidates investment, markets and other relevant economic information and advise to investors; (ii) support the development of industrial associations as professional organisations and institutions that perform activities perceived by their associate industries and firms as crucial, such as branding, quality control, negotiation of finance, training, and also provision of a fora for inter and intra-industry negotiation and for dialogue between the private sector and the state; (iii) support CPI in implementing awareness campaigns about investment legislation, and in developing a universal, electronic data base about investment in the province and in the region (inside and outside the country) that might be relevant for the province.

Capacity building in all of these areas can be supported in different ways: short term consultancies and technical assistance aimed at producing information and also capacitating local institutions and staff; facilitation of analysis and replication of best practices in different areas; material support based on concrete plans of action, etc.

However, it should be clear from the start that a capacity building programme should only be developed in areas and activities in which the government is strongly interested in, and to which is strongly committed.

Additionally, each programme of capacity building must identify a couple of very specific targets of sustainability of capacities created, agreed with the government. Once such targets have been met, the programme can move to other linked areas or activities because capacities created become pre-conditions to further capacity building in subsequent areas or activities.

From our analysis, we perceive that plans A or B are feasible and could be implemented, even combined in some ways, as long as relevant organizations, particularly the provincial government, agree with them and are willing to face and solve the challenges that are posed. However, if all assumptions and pre-conditions already mention fail to materialise (we repeat, from our analysis there is no clear reason why this should be the case), then capacity building could still be developed, but not along holistic approaches.

In the worse case scenario, capacity building for strategic development could be developed around specific and not necessarily articulated issues that our analysis has shown to be problematic. This could be, for example, supporting the government: to improve revenue collection; to put together a simple electronic data base with basic economic data and lists of firms; and to help improving the economic content of district strategic development plans.

4.3. Potential partners of capacity building

In providing capacity building support, in the areas identified above, the provincial government and SDC may have many different partners, which have been identified in the different parts of the report. Some of these will be partners in the provision of support to capacity building; others will be beneficiaries of the capacity building programme; and a few will be simultaneously partners in provision of support and beneficiaries of capacity building. Of course, the selection of partners and their role will depend on the specific programme of capacity building that at the end is agreed between the provincial government and SDC.

Given the holistic and strategic approach to capacity building recommended in the report, it seems that, for plan A, the main government partner of SDC is UCODIN, around which capacity building is going to be developed in all three areas mentioned.

Along with UCODIN, there are other specific provincial directorates and existing programmes and projects with which partnerships should be developed. The choice of these partners should consider three elements: the specific programme that is implemented; the relevance of specific organisations in the programme; and whether such organisations are already beneficiaries of capacity building support. In this connection, the main partners would be:

- DPPF, particularly in two areas: DPO, mostly because of the link between strategic and annual planning, and also between sectoral and territorial planning; and the programme on district decentralisation, particularly because of the content of district strategic and operation planning.
- DPIC, DPREME, DPTUR, DPADR, Fisheries, and the road commission (DPOPH), because of formulation and articulation of inter-sectoral development goals (or pegs), as well as informational needs and capacities that should be developed. DPIC is also important because of its role as a focal point in the relationship between the government and the private sector. DPADR could also be important from the point of view of improving SIMA as a more regular, integrated and effective system of information; and, together with DPOPH, because of the importance of PAMA[72] as an example

[72] Programme of support to development of agricultural markets.

of an inter-sectoral programme, and the need to systematically analyse and replicate the best experiences associated with it.

- CPI and IPEX[73], because of the crucial role that they can play in developing and supporting investment strategies, and gathering investment and export related information. CPI, together with relevant sectoral provincial directorates, is also important because of the crucial role it can play in the development of the business centre defined along the lines discussed earlier.
- INE, because it can help developing information data bases, and would also benefit from a closer and more helpful relationship with government departments with respect to their informational needs.

Private sector partners should be chosen according to relevance and capability to developing business services and articulating business interests and production and value chains. Thus, main partners might be ACIANA, Technoserve, PoDE and GAPI. With respect to these organizations, capacity building should be focused in getting them involved in strategic planning, development of business services and of economic data bases relevant for businesses, and systematic analysis and replication of best practices with respect to their specific activities. ACIANA would also benefit from support to developing a strategic approach to business organization and networks, that could be based on the mergence of professional, industry specific associations to perform industry related tasks like branding, quality control, training and others (as discussed earlier).

NGOs, particularly CARE, CLUSA and AMODER, could be important partners in two areas: systematic analysis of best practices with respect to promotion of new products, extension, associativism and promotion of links between agricultural producers, industries and other markets; and also from the point of view of helping to develop product and value chains in selected areas (such as industrialisation of

[73] Export Promotion Institute.

cashew nuts and of oil seeds). CARE and AMODER are also important because of their experience with rural credit and savings.

Civil society organizations could become important partners as long as they emerge, as a result of the activity of their associates, with a relevant role and basic capacity upon which to build new capabilities to intervene in socio-economic analysis and strategic decision-making processes. Trade Unions, UNAC[74] and the Mozambican Debt Group[75] could be the most important partners as long as they acquire basic capacities to develop a strategic role and to participate in strategic action. It should be made very clear that capacity building programmes should not be directed at "keeping organisations alive", because this would create dependency and rent-seeking, instead of strategic developmental institutional capacity.

The final group of partners are academic and research organisation, which can provide the capabilities for short-term consultancies, technical assistance and research that might be required in the capacity building programme. These organisations can also support training programmes, and would benefit from a closer interaction with real socio-economic processes. In this category, the main partners would be the University Eduardo Mondlane (Faculty of Economics, UFICS, and different engineering departments), the Catholic University (Economics department, CEPKA), Mussa-bin-Bick University (Business department), and specific departments of other private universities (ex., business and information technology from ISPU and ISCTEC).

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[74] National association of peasants. Its members are peasant organisations, namely cooperatives, associations and organisations of small and medium private farmers.

[75] The Mozambican Debt Group (GMD) is supposed to be a forum of NGOs and other organizations and individuals, which provides a platform for the civil society to participate in economic analysis and decision making. At the time of our research, the group had not been formally institutionalised yet. In Nampula, the provincial GMD is not yet, by any means, playing its defined role.

Annex 1

"Support to building capacity in investment and development policy, strategy and articulation in the province of Nampula"

DETAILED TASKS TO BE PERFORMED DURING PHASE 1 OF THE VIABILITY STUDY[76]

(07/03/2003)

1. Systematic collection of data regarding private sector investment, public investment, investment by multilateral and bilateral agencies, and macroeconomic performance of the province of Nampula over the period 1990-2002.
    a. Private sector investment (to collect in Nampula and Maputo):
        i. Data on investment projects approved between 01/01/1990-28/02/2003 for Nampula, discriminated by sector and source of finance, as well as by scale[77] (CPI in Nampula and Maputo, Nacala Corridor);
        ii. Identification of specific investors by project (beyond broad categories like FDI, DDI, etc (same organizations);

[76] Some of the activities detailed below will be continued and researched more in detail in phase 2 of the study (field work). All topics that are highlighted yellow must be finalised prior to the beginning of the field work, or the field work cannot start. For all the other topics, it would be desirable that they are finalised before the field work starts, but it is not absolutely necessary to do so.

[77] With respect to scale, the most relevant aspect is to distinguish between small/medium and large and mega projects. Usually, large and mega projects are clearly identifiable because of the large differences in investment costs, for example, or expected output. One particular area to search is the set of Nacala corridor related projects.

iii. Identification of other agencies involved in financing each project (government, development and multilateral agencies, etc.);
iv. Identification of the status of implementation of the projects and major problems faced by investors (CPI and respective sector departments of the government in Nampula and Maputo, as well as the Nacala Corridor);
v. Identification of the average time that takes between the formulation of the project and beginning of implementation, by stage of the project cycle (CPI, respective sector departments of the government in Nampula and Maputo, and investors);
vi. Identification of mechanism/process by which a project has o go through from design to implementation (CPI, respective sector departments of the government in Nampula and Maputo, and investors and Nacala Corridor);
vii. Identification of the contact person/institution to allow a visit to the project (CPI and respective sector departments of the government in Nampula and Maputo);
viii. Identification of investment projects that might be in pipeline for approval or early appraisal studies, but that my start implementation within the next 5 years (CPI and respective sector departments of the government in Nampula and Maputo);

b. Public investment (INE, MPF/DPPF and international agencies, in Nampula and Maputo)
    i. Identification of detailed data about public investment in Nampula over the period 1990-2002, budgeted in the provincial and in the central state budget, namely: values and its respective allocation, as well as the source of finance and the decision making process involved in the design and approval of such investment;

ii. Identification of *off-budget* public investment directly financed by development and multilateral agencies and other sources, between 1999-2002 in Nampula, namely: values, allocation, source of finance, decision making process, level at which decision ahs been taken and implementation and managed, how this investment is coordinated with budgeted public investment and other policies, reasons why this investment is *off-budget*;

iii. Identification of planned budgeted (central and provincial) and *off-budget* public investment (time depending on the periods covered by different plans and programs);

iv. Identification of the fiscal policies, planned and in place, aimed at increasing sustainability and ownership of public investment;

v. Identification of mechanisms and policies, planned and in place, of coordination of public investment at different levels of decision making, between different sectors of activity and different agents (public, private and international);

vi. Identification of mechanisms and polices, planned and in place, of coordination between investment and current public expenditure related to the long term sustainability of investment.

c. International (non-public and non-direct private) investment (in Nampula and Maputo):

i. Identification of whether there are international agencies (for example, IFC) making investment in the province that is not accommodated as public investment and/or as foreign direct investment. If there are some, collect the data as detailed above.

d. Macroeconomic performance of the province of Nampula (INE, MPF/DPPF, MIC/DPIC, M Trabalho/DPT, Customs, other sector departments that are necessary)[78]:

[78] Data should be collected for as long a series as possible. The target is a series that at least runs from 1990-2002. If this target is not achievable, then the longest possible series will have to do.

i. Performance of GDP, employment and prices;
ii. Performance of main poverty/development indicators in line with the UNDP national human development report;
iii. Performance of main sectors in the province (manufacturing industry, agriculture, services, other industries – fisheries, construction, mineral resources, energy);
iv. Evolution of sector composition of GDP;
v. Evolution of output composition in each sector;
vi. Evolution of employment per sector;
vii. Evolution of the balance of external trade of Nampula;
viii. Fiscal performance and scenarios within the mid-term macroeconomic framework;
ix. Gross fixed capital formation (total investment actually implemented per year)
x. Savings in the banking and non-banking system;
xi. Credit to the economy per sector, and specific projects (on a selected basis).

2. Identification of major actors for a (possible) future partnership in capacity building or investment strategy developing, as well as what they are currently doing or plan to do that is relevant in the context of this study[79]:
   a. Firms and business groups that are based in Nampula, their main activities and location of their HQ and activity sites;

[79] The need to include private, public and international organizations arises from the following: (i) SDC work will most likely be focused on government and "civil society" organizations. This requires a clear strategy and identification of potential, well selected partners, as well as their needs; (ii) there are significant synergies from this study to future SECO work with the private sector. The study may be able to provide a better understanding of private sector problems in Nampula; (iii) private sector and "civil society" organizations may be able to provide very significant information to assess capacity needs of the public sector and of the overall institutional framework of developing business in Nampula; (iv) need to know what is in place to improve strategic capacity; (v) need to know what is in place that needs strategic articulation.

b. Firms and business groups based elsewhere in the country but that also operate in Nampula, their main activities in general and in Nampula, and the location of their HQ and activity sites;
c. Foreign firms and business groups that operate in Nampula, their main activities, and location of their HQ and activity sites;
d. Business associations that are relevant for the study (for example, cotton and cashew producers´ associations, industrial association, builders´ association, commercial association, etc.);
e. Associations of cooperatives and/or micro and small producers (for example, UNAC, etc.);
f. Employee associations (trade unions and any other associations that might exist);
g. Financial organizations: banking and non-banking organizations that provide credit or other forms of finance to economic activities.
h. Government departments and parastatals that are relevant in investment strategy, particularly related to: (i) macroeconomic and fiscal (revenue and expenditure) policy and management; (ii) agro-industrialization; (iii) fishing industry; (iv) mineral resources; (v) articulation with mega projects; (vi) tourism; (vii) decentralization of development planning and strategy making. These would include not only departments that have direct tutelage over productive sectors (for example, agriculture, industry, fishing, mineral resources, tourism); but also those that are called upon providing services that are crucial for inter- and intra-sector articulation, such as: energy, roads, water, trade, coordination of investment incentives (CPI, for example), quality and standards (such as INNOQ), cross sector coordination institutions (GPSCA, INCAJU);
i. Development agencies, and other multilateral and bilateral international organizations that are, have been or intend to start, working in development strategy, whether they focus on capacity

building, financing of public expenditure and/or provide or finance investment strategies directly;

j. Existing private sector development programmes in Nampula;
k. Existing technical schools that may provide a basis for technical training, as well as technological adaptation and innovation;
l. Existing local capacities that may provide a basis for broad strategy and business training;
m. Existing local capacities that may provide a basis for decentralised capacity building in investment and development strategy.

3. Identification and collection of legislation and other official documents[80]:
   a. Legislation on issues related to investment and industrial policy and management; setting of businesses, quality standards and environmental legislation; industrial relations, labour and employment legislation; fiscal legislation; investment incentives legislation; customs legislation.
   b. Strategic plans and economic frameworks for the country (mid term macroeconomic and fiscal frameworks and reviews, PARPA, national policy documents – industrial, agricultural and rural development, tourism, mineral resources, energy, roads, transports, communications, as well as specific sector policies such as, for example, cashew, textiles and clothing, etc.);
   c. Provincial strategies at provincial, sector and district levels;
   d. Documents of existing or planned programs to support private sector development or development

[80] In collecting the information required, mentioned in the previous points, many documents will be collected (for example, strategy, planning and budget documents will be collected when information about the province´s macroeconomic performance is collected). However, this section of the detailed list of activities to perform consolidates the list of documents that may not necessarily be collected if not specifically looked for.

4. Based on information about actors/partners and their location (HQ and sites), as well as information about major investment projects, major sectors of the economy and major capacity building projects related to development strategy and development of the private sector, identify districts to visit. Unfortunately, given the effects of the recent floods and the cyclone Delphina on the road system, one also has to consider access to the area, in addition to its economic relevance. Another aspect to take into consideration is the regional conferences with districts that the provincial government had planned for after the Nacala Corridor Conference. It would be very important to participate in at least one of the regional conferences. In order to maximise the benefits of such participation, the regional conference to participate in should be selected also on the basis of the relevance for the other aspects of the study, namely the concentration of agents and actors that are relevant.

Annex 2

Perguntas para as empresas

1. Breve historial da empresa e por que é que se estabeleceu em Nampula.

2. Quando é que começou a funcionar.

3. Dificuldades e vantagens para se estabelecer em Nampula.

4. Processo de avaliação do projecto antes da aprovação e estabelecimento em Nampula (avaliação financeira, económica e social, meio ambiente, ligações, etc.).

5. Eficiência do processo e avaliação e aprovação (por exemplo, quanto tempo demora).

6. O que faz a empresa (engarrafamento, distribuição, etc.).

7. Investimento realizado. Impacto da localização em Nampula nos custos do investimento (por exemplo, necessidade de investimento adicional em infra-estruturas - energia, comunicações, etc.).

8. Incentivos recebidos e processo seguido para os receber. Relevância dos incentivos recebidos.

9. Desempenho comercial da empresa. Mercado alvo e suas características e condições.

10. Ligações com outras empresas. Pertence a um grupo económico?

11. Acesso a factores de produção: capital (investimento e meios circulantes), equipamento e maquinaria, peças sobressalentes, materiais auxiliares, matérias primas, etc.

12. Composição da força de trabalho: número; administrativos, técnicos, operários; qualificações; nacionalidade.

13. Dificuldades ou facilidades encontradas no recrutamento local da força de trabalho. Quantos trabalhadores foram recrutados localmente e de que tipo (qualificações).

14. Dificuldades ou facilidades de recrutamento de força de trabalho estrangeira.

15. Sistemas de formação/treino de força de trabalho.

16. Sistemas sociais que abrangem a força de trabalho (segurança social, refeitório, higiene e protecção no trabalho, etc.).

17. Problemas com a força de trabalho e legislação laboral.

18. Mecanismos e sistemas de pesquisa, inovação e adoptação tecnológica.

19. Problemas ambientais.

20. Se existem projectos sociais fora da empresa.

21. Relações com entidades públicas relevantes para a actividade da empresa.

22. Perspectivas.

23. Pontos críticos relacionados com o desenvolvimento na província de Nampula e possíveis soluções.