

Mozambique Diagnostic Trade Integration Study
Summary of National Validation Workshop
September 23, 2004
Maputo, Mozambique

Overview

The Government of Mozambique convened a National Validation Workshop on September 23, 2004 to highlight the importance of trade as an engine of economic growth and poverty reduction in Mozambique, discuss barriers to expansion of trade, and discuss key actions to be taken by the Government of Mozambique – with technical assistance as appropriate – to address obstacles to trade-led poverty reduction. More specifically, the workshop focused on the recommendations contained in the Diagnostic Trade and Integration Study (DTIS) for Mozambique prepared under the auspices of the Integrated Framework (IF) for Trade-related Technical Assistance to Least Developed Countries (LDCs).

Participants

Mozambican Minister of Industry and Trade (MIC), Carlos Morgado chaired the workshop, which was attended by over 200 people. There was very high-level representation by the public and private sectors, diplomatic and donor community, and other stakeholders, including:

- ***Government Institutions:*** Ministry of Industry and Trade, Ministry of Planning and Finance, Customs (DGA), Ministry of Foreign Affairs and Cooperation, Ministry of Agriculture and Rural Development, Ministry for Coordination of Environmental Affairs, National Institute of Statistics, National Standards Institute (INNOQ), Ministry of Transport and Communications, Ministry of Public Work and Housing, Ministry of Tourism, Ministry of Justice, Institute for the Promotion of Exports (IPEX) and Ministry of Culture.
- ***Associations, Universities and Media:*** Confederation of Business Associations (CTA), Commercial Association of Beira, UMOKAZI, Commercial Association of Mozambique (ACM), University of Eduardo Mondlane (various faculties) and other academic institutions (ISRI, ISPU), Coligação para a Justiça Económica (CJE), KULIMA, Journal ‘O País’.
- ***Diplomatic Missions & Donors:*** Libya, Italy, Zambia, Portugal, Mauritius, South Africa, Malawi, USA, Germany, Angola, Democratic Republic of Congo, Holland, Brazil, Japan, Finland, China, Sweden, Switzerland, Egypt, Congo, France, European Commission, French Cooperation Agency, WTO, UNDP, World Bank, IMF, International Trade Centre, UNCTAD. Commission, Algeria, Norway, Italian Cooperation, USAID, Swiss Cooperation, UNESCO, World Food Program.

- ***Private Sector and Consultancy Firms:*** numerous representatives from the private sector, including Vodacom, Hortofrutícula, Rani International, Deloitte Touche, KPMG, Ernst and Young, Unilever, Austral Consultoria, Technoserve.

Plenary Sessions

The morning session opened at approximately 8:30 and featured four plenary sessions (agenda appended):

- 1) Introductory Remarks
 - Mozambican Representative to the WTO Ana Maria Alberto,
 - USAID Mission Director Jay Knott,
 - IFWG Representative Zainab Mchumo from the WTO
 - UNDP Representative Marylene Spezzati
 - MIC Minister Carlos Morgado
- 2) Economic Overview and Discussion of Trade-Poverty Links
- 3) Cross-cutting Themes (Business Enabling Environment; Trade Facilitation; Market Access; Trade Policies, Institutions, and Processes)
- 4) Implementing a National Trade Strategy

Mozambican representatives from the Government (Ministry of Industry and Trade, Ministry of Planning and Finance, and Customs) and from the private sector (the Director of the Mozambican Confederation of Business Associations and the Director of Enacamo, a private trading company) gave presentations in the plenary sessions, supplemented in several sessions by international technical experts. Although questions from the audience were solicited after each session, the audience posed few questions. More interactive dialogue took place in the working sessions (discussed below).

Break-out Groups

Working (“break-out”) sessions began before noon and continued until approximately 5:45 PM. The break-out sessions were organized around the following four topic areas:

- 1) Market Access; Trade Institutions, Policies, and Processes
- 2) Trade, Growth, and Poverty; Agriculture; Fisheries
- 3) Business Environment; Manufacturing
- 4) Trade Facilitation (Customs and Transport Infrastructure); Tourism

Before the break-out sessions began, Minister Carlos Morgado and the National Director for International Relations at MIC (and IF Focal Point) Mr. Luis Siteo jointly outlined the goals and objectives of the breakout groups. Each group was to review, discuss, and prioritize certain designated portions of the Action Matrix proposed by technical consultants. Each break-out group had a Mozambican Chairman, one or two technical experts, an interpreter, and a Mozambican rapporteur. Members of the Mozambican private sector and government officials also participated in each group, as did

representatives of the donor community, civil society and academia. Each break-out session was to present its conclusions when the groups reconvened in plenary session.

Each break-out session was attended by between 30 and 50 people. The sessions enabled participants to review closely, debate, and discuss individual items listed in the DTIS Action Matrix. There was continued dialogue on each objective and related recommendations for Mozambican action and somewhat less discussion on technical assistance needs for the different recommended actions. Additional objectives and/or actions were suggested, alternative phrasings were proposed, and some actions proposed by the technical consultants were discarded. The discussions were fruitful and resulted in useful suggestions to ensure that the matrix represents Mozambican views. Some groups also determined timeframes for implementing the recommended actions (short, medium or long term), though they did not manage to rank the objectives in terms of priority. Prioritisation and streamlining of the recommended actions would have been desirable.

Although invited, the lack of participation from a few specialized ministries was felt in several of the break-out sessions. Group 2 noted that they did not have full discussion of the objectives and actions needed to improve fisheries exports, due to lack of participation by the Ministry of Fisheries. Group 4 did not have representation from the Ministry of Transport and felt that discussion of the transport recommendations was not as fulsome as it could have been.

In several of the sessions, donor representatives suggested ways in which their agencies might be able to address technical assistance needs, either through existing programs or perhaps with new programs.

Following the in-depth discussions within the individual topic areas, the Chairman (or appointed rapporteur) for each session presented the conclusions of the deliberations at the plenary session. In most cases, the Chairman or appointed rapporteur went through each specific objective and each recommendation and either agreed with it or disagreed and suggested alternative recommendations or phrasing. Minister Morgado provided closing remarks, and emphasized the importance of establishing a National Steering Committee for the IF at the earliest. Minister Morgado called the workshop to a close at 7:15 PM, and a reception for participants followed.

Key Findings

The break-out sessions were able to review every objective and related recommendation presented in the Action Matrix. Although it was clear that Mozambique has been making important progress towards improving its trade and business environments, there remain areas in need of attention and action on the part of the Government, with donor support as appropriate.

The central tenet of the DTIS report, that international trade must be an integral part of Mozambique's strategy to sustain rapid growth and reduce poverty, was broadly accepted. To lift its citizens from poverty, Mozambique must continue to grow rapidly

over the next decade; such growth will necessarily depend on export growth, because the internal market is too small to support rapid growth, and export opportunities provide a powerful lever for efficiency and innovation.

Participants agreed on the importance of a National Trade Strategy that was fully integrated into the Poverty Reduction Strategy Paper. They also agreed that there should be a mechanism for coordination among ministries and other institutions on economic policy matters with implications for Mozambican trade.

The workshop validated the report's contention that the greatest constraint to export growth is the business environment. Mozambique must attract outward-looking investment, especially in labor-intensive production or in operations with strong linkages to labor-intensive sectors of the economy. Despite progress in recent years, Mozambique remains one of the world's most difficult places to do business. Starting a new business is particularly difficult, even in comparison to other heavily regulated sub-Saharan African countries. To facilitate economic growth, barriers to entry must be simplified or reduced, and attendant changes must be made to other aspects of the business environment, including land and labor policy, contract enforcement, tax administration, and financial sector reform. The agenda for reform of the business-enabling environment is a broad one, and is consistent with that long urged by the Mozambican Confederation of Business Associations (CTA). It will be discussed again at the upcoming Private Sector Conference (October 26-28), energized by the high-profile discussion of the topic at the DTIS workshop.

Trade facilitation (Customs, border procedures, and transport) was found to be another priority constraint to Mozambican exports. Despite improvements in laws, institutions, personnel, and infrastructure in recent years, delays, administrative burdens, and corruption continue to elevate traders' transactions costs. Workshop participants agreed that more can be done to improve the management of trade institutions, integrate border institutions, improve risk management, streamline Customs clearance processes, address Customs' infrastructure needs, improve technology utilization, and curb corruption. It was felt that improved understanding by Customs' personnel of 1) the importance of exports to the country as a whole, and 2) the importance of the agency in facilitating the movement of goods and people was critical. Support for the effort to create a "dry port" at Ressano Garcia was deemed critical to facilitating trade and reducing transaction costs. Improved technology was deemed to be an important part of the solution to improving risk management, expediting release times, reducing corruption, and improving the availability and timeliness of trade data.

As transport infrastructure is also key to trade facilitation, the report proposed and the workshop validated the need for improvements to key roads, rail lines, and ports, especially as these would enable farmers to reach global markets with fresher, higher-quality produce. That reductions in high internal and international transport costs will improve the competitiveness of Mozambican products was non-controversial. But while the importance of improved transport infrastructure was acknowledged, it was also noted that integrated modal connections and multimodal transport are in the early stages of

development in Mozambique; it will take resources and time for Mozambique to have a fully operational logistics corridor concept integrating ports, maritime and coastal shipping, railways, road transport, terminals, and warehouses and distribution centers.

Weaknesses in trade and investment policies, institutions, personnel, and processes – were noted and actions to address them were agreed; while important, these were deemed to be a lower priority than improvements to the business-enabling environment and to trade facilitation. Mozambique faces an ambitious negotiating agenda – globally, regionally, and bilaterally with a number of partners. Improved access to trade partners within the region is a priority that Mozambique can and should pursue within SADC, but opportunities to accelerate the liberalization of trade within the region should be seized. Limited staff and the need to improve their technical skills in trade policy, analysis, and negotiations were noted, and priorities identified in Mozambique’s submission to the Joint Integrated Technical Assistance Programme (JITAP) were validated. Participants suggested a number of means to improve Mozambican capacity to analyze trade data and identify market opportunities and/or negotiating priorities. In addition, they agreed that Mozambique would benefit from establishing a mechanism for making government-wide trade policy decisions. Finally, measures to encourage that investment promotion efforts and trade promotion efforts be more closely aligned were also proposed; in particular, measures to strengthen the Investment Promotion Center to enable it to assist investors to obtain business licenses, land rights, tax registrations, and other paperwork needed to commence operations.

Sectoral discussions underscored the importance of improvements in the business-enabling environment and trade facilitation, as well as the need for producers to have better access to information on global demand and market requirements. Most Mozambican producers have limited awareness of trade negotiations that could open up new export opportunities, standards requirements in foreign markets, consumer tastes and preferences, or the terms of preferential access arrangements like the African Growth and Opportunity Act. It was felt that export gains required a focus on “supply-side” constraints – factors affecting producers’ ability to produce cost-competitive, quality products that meet the test of the global marketplace. Emphasis was put on the fact that any efforts to bolster exports in the agricultural sector (crucial for the poverty alleviation efforts of the Government of Mozambique) will necessarily require improving the public institutions involved in certification and compliance with SPS measures as well as assistance to the private sector to comply with SPS and other quality and private standards enforced in foreign markets. Technical assistance is urgently needed in this area.

Next Steps

1. ***Revisions to Action Matrix and Executive Summary.*** Chairmen of the break-out sessions have amended the portions of the Action Matrix over which they have jurisdiction, with additional technical input from consultants as required. The Validated Action Matrix and Executive Summary will fully reflect the workshop deliberations. The Ministry of Industry and Trade will have to engage in the

streamlining and prioritizing exercise of objectives and recommendations that was not accomplished during the validation workshop, allowing for the views and emphasis expressed during the workshop by the participants (as reflected in this summary). The revised matrix will also reflect alignment, to the extent possible, with the Performance Assessment Framework (PAF) for Mozambique's Poverty Reduction Strategy Paper (PARPA) for the 2006-2010 period. It will be important to ensure that as many of the recommendations as possible are incorporated into the PARPA.

2. ***Submission to Council of Economic Ministers.*** Minister Morgado will submit the Validated Action Matrix and Executive Summary to the Council of Economic Ministers. The revised matrix will also reflect alignment, to the extent possible, with the Performance Assessment Framework (PAF) for Mozambique's Poverty Reduction Strategy Paper (PARPA) for the 2006-2010 period. It will be important to ensure that key recommendations from the DTIS are incorporated into the PARPA.
3. ***Submission of Validated DTIS Report to Integrated Framework Working Group.*** Once approved by the Council of Economic Ministers, the final DTIS will be sent to the Integrated Framework Working Group (IFWG) in Geneva for approval.
4. ***Establishment of a National Steering Committee for Trade.*** As the DTIS report is being submitted to the IFWG, Mozambique will establish a National Steering Committee for Trade. Efforts to establish the steering committee have begun already and should be expedited as such a committee is a prerequisite to receiving technical assistance through the IF. The National Steering Committee will work with donors and other Government Ministries to address the obstacles and recommendations presented in the Validated Action Matrix.