

Mozambique Growth Forum 2012

Event Report

The Mozambique Growth Forum 2012 took place in the capital city of Mozambique, Maputo, on March 09, 2012. Organized by the International Growth Centre and attended by over a hundred participants, this one-day event brought together policymakers, donors, the private sector, civil society and academic researchers to discuss current issues facing the fast-growing Mozambican economy.

The opening ceremony was led by Mozambican Vice-Minister of Finance, Dr Pedro Couto, on behalf of the Mozambican government. Having started by appreciating the IGC initiative to organize the event, Dr Couto provided an overview of Mozambique's growth achievements and challenges over the past decades and called for a proactive discussion and dialogue among the participants in the Forum.

Following Mozambique's Vice-Minister of Finance, IGC country director Claudio Frischtak made a presentation on "Global Economy Dynamics and Challenges for Mozambique", the main presentation in the morning session. Dr Frischtak discussed the extent to which the 2008/09 global financial crisis and the 2011/12 euro debt crisis constitute a challenge to the small, but fast growing, Mozambican economy. He emphasized potential opportunities for developing countries that could emerge from high liquidity availability and low interest rates in the world markets.

While implicitly acknowledging potential negative shocks to developing countries emerging from low export demand in euro markets, Dr Frischtak stressed the positive outlook for Mozambican economy, with forecasted GDP growth rate averaging 8% per year in the medium term. Mozambican economic growth in the next decade, he explained, will build on mineral resources, energy and agriculture sectors, along with the country's strategic geographical position that enables it to actively participate in the global trade.

Dr Frischtak concluded his presentation by asserting that, while medium term growth outlook is optimistic for Mozambique, a key challenge will be to ensure that growth is broad based, inequality is not allowed to grow further and poverty is reduced, particularly in rural areas. Government, civil society, the private sector and donors, Dr Frischtak concluded, should work to identify not only obstacles to the reduction of poverty and inequality, but also propose feasible and efficient solutions.

Four other interventions followed Dr Frischtak's, in the morning session. The first was by former Mozambican Prime Minister, Dr Luisa Diogo. Building on her own experience in policy making, she highlighted the need to translate high growth into shared growth. Her intervention would later be reported in the daily newspaper "O País" and in the TV channel

“STV” under the headline “There are problems with the distribution of national wealth”. Dr Luisa Diogo also stressed the need for a change in the public servants mind-set towards an attitude supportive of private business development.

The second intervention was by economist Ragendra de Sousa, affiliated to the University A Politécnica. Among many other issues, he commented on the natural resources comparative advantage of Mozambique, as previously discussed by IGC country director Claudio Frischtak, and raised the need for a sound mineral resources planning by Mozambican authorities. He also challenged the change in the mind-set not only among public servants, but also at the level of policy makers and politicians.

The third intervention was by a private sector representative, Dr Hipólito Hamela. Dr Hamela brought his long experience on Mozambican private sector issues, with much of his intervention focusing on the need for a sound partnership between the public and private sectors. He explained that high growth in Mozambique will not happen with government-led effort only and, hence, the private sector needs to be brought into the equation. Accepting the notion that Mozambique growth will partially rely on agriculture as discussed in Dr Frischtak’s presentation, he emphasized with a few examples (VAT policy) how Mozambican government can help the private sector develop a stronger agricultural sector.

Dr Hamela also challenged the IGC Mozambique Programme to organize, in addition to Mozambique Growth Forum, another forum with a focus on agriculture. He offered, on behalf of the Confederation of Mozambican Private Associations (CTA), to partner with the IGC towards the organization of such forum. His offer was readily accepted by IGC country director Claudio Frischtak, who committed, on behalf of the IGC, to co-organize with CTA a forum on agriculture in the near future, and in close cooperation with and under the leadership of the Ministry of Agriculture.

The fourth set of interventions featured comments and questions from the audience that comprised donors, researchers, academics, private sector and civil society. The issues raised by the audience were as diverse as the issues discussed by the speakers. The morning session also benefited from comments by Mozambican Central Bank Governor, Dr Ernesto Gove, who shared with the audience his views on how Mozambique is performing economically and what are the challenges for the future.

The afternoon session was opened by the Mozambican Minister of Trade and Industry, Dr Armando Inroga. As the afternoon session focus was on “industrialization and growth”, Dr Inroga first provided an overview of the government’s plans and policies on industrialization over the last decade. He then drew attention, among other issues, to existing opportunities for business development in Mozambique that the private sector fails to exploit, and how the government is working towards building an industry friendly environment.

Dr Inroga's intervention was followed by a presentation by IGC research network director, Dr Adnan Khan, on Entrepreneurship Development in South Asia. Dr Khan's presentation aimed at sharing with the audience some entrepreneurship success elements from the South Asia experience. Dr Khan's presentation was followed by internationally known industrial economist, Dr John Page. Dr Page's was the main presentation for the afternoon session and it addressed the question "Can Mozambique Industrialise?". Dr Page argued that industrialization in Mozambique will depend not only on conventional wisdom of fixing the investment climate as implied by *Doing Business* reports, but most importantly on strategic public intervention towards the exports push and helping firms learn to compete, the creation and attraction of capabilities, and support of agglomerations and cluster activities.

Three other interventions followed Dr Page's. The first was by the General Director of the Mozambican Centre for Investment Promotion, Dr Lourenço Sambo, who built on his work experience to reinforce the point that industrialization in Mozambique will require not only *Doing Business*-implied reforms, but also heavy and focused government intervention to generate the right capabilities to compete globally.

The second intervention was by preeminent Mozambican agricultural and natural resources economist, Dr Firmino Mucavele, who raised the need for an integrated approach to industrialization in Mozambique. Much of Dr Mucavele's intervention focused on identifying the sources of inefficiencies in the Mozambican industry value chain and potential policies to remove them. The third set of interventions came from the audience, featuring comments and questions to the speakers.

Following the discussions in the afternoon session, IGC country director, Dr Claudio Frischtak, summarized the main issues raised both in the morning and afternoon sessions, and restated the IGC commitment to remain an important participant in the policy debate process in Mozambique, as well as to partner with the Mozambican private sector (CTA) in organizing another forum with a focus on agriculture, which is among the thematic areas for the IGC Mozambique programme.

The closure of the Forum was carried out by the Mozambican Vice-Minister of Finance, Dr Pedro Couto, on behalf of the Government of Mozambique. In closing the event, Dr Couto restated the government's commitment to pro-poor growth and appreciated the IGC contribution in stimulating informed debate on growth enhancing policies.

Mozambique Growth Forum 2012 was reported in the main local newspapers and TV channels. The local TV channel "STV" reported the event on the night of March 09, putting emphasis on the issue of pro-poor growth raised by the discussants in the Forum. The daily newspaper "O País" reported the event in the following day and its report included a quote of the words by former Mozambican Primer Minister, Dr Luisa Diogo: "The big serious challenge for Mozambique in the coming years is no longer greater production in the

natural resources sector, but a growth that is broad based and inclusive”. The biggest and oldest TV channel “TVM” and the newspaper “Notícias” also reported the event.

A full programme of the Mozambique Growth Forum 2012, along with presentations, list of participants and some photos, is attached to this report.