



Trip Report: Mozambique Textile and Garment Assessment

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**Submitted by:
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Purpose

The request for the Assessment derived from meetings in Maputo, between the Head of USAID's Private Sector Enabling Environment Office and RAPIDs' Hub Manager, during a visit by the latter, 22 through 24 October 2003. The latter was then invited to second the Hubs' ST Textiles/Trade Advisor to draw up an SOW for this particular study and this was subsequently accepted, with only marginal modification. That same Advisor was subsequently requested to conduct the study, along with some participation from Nathan Associates, Virginia, USA, currently deeply involved in Trade and Industry issues at the Mozambique Ministry of Industry and Trade (MIT).

The reason for the Assessment is expressed in the Hub Managers' Trip Report, which stated: "The Mission and the Government are (also) highly interested in promoting the textile and/or garment industry, particularly to enhance employment and develop a stronger workforce. However there is a need to assess the pros and cons of either promoting development of an integrated textile sector vs. a strategy to promote garment manufacture. The Mission requests the Hub to assist in analysing this issue. There is also possible interest in developing an investment strategy for promoting the rebuilding of the garment industry".

Highlights

- Keen interest accorded by Heads of USAID's Private Sector Enabling Environment Office, Maputo and MIT's Industrial Policy Division.
- All significant textile mill and garment factory sites in Mozambique were visited. The majority of these are in the middle and North of the country. A light aircraft was utilised to visit these over a period of four days. Co-travellers are indicated thus*, in the attached List of Persons.
- Co-operation with Nathan Associates' Consultants.

Issues

- Re-development of fabric and yarn production mills, if deemed feasible vs. concentration upon garment manufacture (i.e. Swaziland); or both?
- If both, could additional potential national sector integration occur from up-stream linkages with cotton producers/ginners; and would this then merit movement towards a 3-component national strategy for the textile sector?
- Can Mozambique understand the reasons for the demise of its mills and garment factories; and what remedial/resuscitation actions can now be taken?
- Can Foreign or Domestic investment be quickly procured to begin re-vitalisation of an integrated sector, with huge potentials from AGOA and for employment?

Recommendations

In accordance with the SOW, *USAID* actions should be designed to prompt and assist *Government* with respect to recommendations such as the following:

- That Government takes a decision to promote the wider, inclusive sector. This is justified from the technology basis existing across the country.
- That Government has to urgently endeavour to release such unused capacities for production, through the medium of its shareholdings in the moribund companies and its influence with the banks.
- That Government takes all possible steps to improve investment packages and procedures and to remove perceived constraints for example, 1-stop Registration is being introduced; flexibility with labour law of 1991 must be accorded; export incentives must be improved, etc.
- That the international community, possibly under the leadership of USAID, assists Government in resolution of the current impasse, possibly by debt write-off from companies and forms of financial assistance, possibly through guarantees to Government, that can in turn guarantee the banks.
- Such measures will be exercised by the EU in Egypt, including funds for rehabilitation of machinery and spare parts, plus TA. This will occur in the wake of a sector analysis similar to that now beginning in Mozambique. Specific donors should be targeted to ascertain levels and nature of assistance possible.
- Government must do all in its power to keep existing garment and new garment companies comfortable with its environment. Continuous contact must be maintained to deal with contentious issues as they arise, i.e., customs clearance procedures and times; condition of the ports; labour issues, etc.
- Government could do well to consider the above carefully in the wider macro-economic interests. Although it may be less glamorous than say, a mega-Aluminium smelting project, collectively a re-integrated sector could feed over 2.5 million people, or 15% of the population.
- With assistance from USAID (and other donors) Government could quite quickly effect import substitution to the equivalent of two-thirds of annual re-payments under HIPC re-scheduling arrangements, whilst the then more likely inward investment could give production equating to all of that annual re-payments. A qualitatively improving base would then move additionally into export mode in all three sub-sections of the Sector. As an indication of scope, the Dominican Republic alone exported garments in excess of \$2.0 billion to the US in 2002, under CBI preferences, similar to those accorded by AGOA.

Several more **Highlights, Issues** and **Recommendations** exist and only a representative selection is included here. Additional information will be included in a separate technical report on the textile and garment sector in Mozambique.

LIST OF PERSONS SEEN

Ms. Nilsa Miquidale*, Head, Department of Industrial Policy, MIT, Maputo
Mr. Tim Born*, Team Leader, Private Sector Enabling Environment Office, USAID, Maputo
Mr. Alihai Dassat*, Chairman of several garment companies, Maputo/Mozambique.
Mr. Ashok*, Nathan Associates, Currently Senior Trade Policy Advisor at MIT
Dr. Joao Ribas, Administrador of the Grupo Joao Ferreira dos Santos and Chairman of the National Cotton Growing Association
Mr. Hmad, Proprietor of MICA, Maputo and his colleague,
Mr. Addas A. Ezzeddine of the Mozambique International Trading Company, Lda.
Mr. Yves Robert Lamusse, Director, the Palmar Group, Mauritius and his colleague,
Mr. Joao T. Nogueira, Director General and Country Manager, Belita, Beira
Dr. Paulo Dias Sandramo, Administrador, Texafrica, Chimoio
Dr. Carlos Ribeiro, Pres. Cons. Administracao, Riopole and member of the Grupo de Empresas Pfaff, Portugal
Mr. Mussa Usman, Director-Adjunto, Centro de Promocao de Investimentos (CPI), Maputo
Mr. Kenneth Gunn, Team Leader, Firm Competitiveness Office, Projecto par Desenvolvimento Empresarial (PODE), Maputo
Mr. Steven Dils, Industrial Development Assistant, United Nations Industrial Development Organisation (UNIDO)
Dr. Robert Kirk, Vice-President, The Services Group (TSG) Arlington, Virginia, engaged in trade- related issues for MIT
Mr. H. Pateguana, Senior Civil Servant concerned with the Sector in MIT
Mr. Joao Viseau, Aga Khan Foundation
Ms. Elizabeth Jaffie, US Embassy in Maputo
Mr. Fergio Chitara*, Director of the Confederation of Trade Associations
Mr. Helder Salomao Magaia*, Junior Economist in the Technical Unit for Regional

* Denotes co-member of party for extensive field-trip

LIST OF SITES VISITED

Texafrica, Chimoio
Emma, Chimoio
Belita, Beira
Textil de Mocuba, Mocuba
Texmoque, Nampula
Texmanta, Pemba
Riopole, Marracuene, nr. Maputo
Retail Shops, Maputo: Several for textile fabric and ready-made clothing sales
Street Markets, Maputo: Several for second-hand clothing sales