



Status Report COVID-19
Exchange Mozambique

February 2021

[Abstract](#)

Report on the effects of COVID-19 in Mozambique
Version 9
9th February 2021

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1. Executive Summary

This report builds upon the previous Country updates presented. It summarizes the status of COVID virus spread and the measures taken to prevent its dissemination in Mozambique. The document aims at providing an updated overview of the economic situation in Mozambique, with a focus on the impact of the measures and the pandemic on the economy, particularly on private sector activities. Data are sourced from official reports including those of the National Statistical Institute, the Confederation of Economic Activity of Mozambique, The World Bank Group.

The first chapter provides an overview of the disease spread, showing a growing trend in number of tested but also of the identified positive cases. The trends increased after the restrictions were lifted in August, and during the festive season which lead to a spike in infections and fatalities in January 2021. For that, restrictions were imposed again towards the end of January, to limit the impact of a severe second wave of infections. The second wave affecting Western partnering countries are expected to prolong the low international demand for goods, restrictions to international mobility, as well as foreign investment. To date, Mozambique is open to receive international visitors with negative Covid tests. However, particularly in Maputo, after the festive season, a growing number of infected people have been reported, leading to increased attention level. Mozambique should receive its first dosages of the vaccine in the first semester of 2021, which will need to be allocated to 20% of the population.

The document presents a general overview of the economy, as it was captured by official data, which are scarce, and few available recent press releases. All sectors were affected, firms of all sizes suffered, but small firms suffered more.

A focus is provided on the impact of the measure in the agriculture sector, with highlights to the reduction of input availability and the challenges faced by export oriented firms to place their products in the market. One of the largest processor of cashew, a key value chain involving over 1mn people in rural areas, just communicated that it will stop operating.

The extractives suffered the plummeting of international prices, suspended operations for several months and, therefore, decreased their incomes. Industry, transport and construction sector are shy to recover, and have been hit again by the new imposed restrictions.

Looking at the job market, the extent to which suspensions were temporary or permanent due to employers having entered bankruptcy or having stopped operations is not yet reflected by official data from the Ministry of Labour.

By February 2021 the suspension and postponement of fiscal charges will terminate and all firms will need to file their tax return for 2020. This is likely to provide a clearer indication of the actual effect of the crisis on private sector.

The Association of Banks of Mozambique will evaluate and assign a score to the insolvency rate of their clients in 2020 during an annual meeting held in February. From that, the Interbank interest rate maybe revised, with consequential fluctuation of the Prime lending rate from the Central Bank.



2. General overview and statistics

Mozambique

44,600 cases, 460 deaths

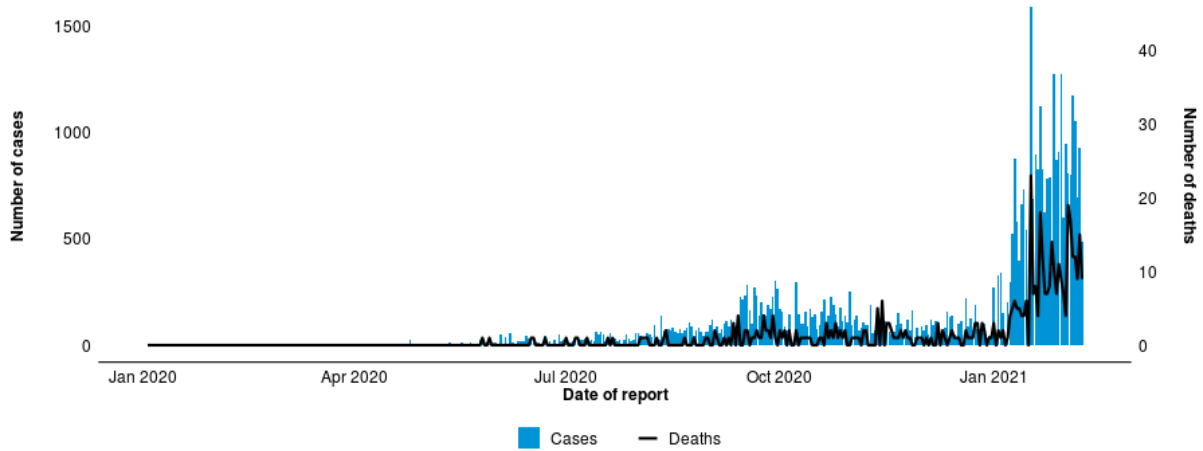


Figure 1: Evolution of COVID-19 cases and casualties in Mozambique (Source: WHO, February 2021)

At the time of writing, Mozambique reports 44,600 confirmed COVID-19 cases, of which 16,974 active cases and a total 460 deaths. To date, in the Country, 343,067 tests have been conducted since the beginning of the pandemic. Among the people infected, 60% are male and 40% are female. Almost all infected individuals are Mozambican, and 98% of transmissions also took place in the Country.

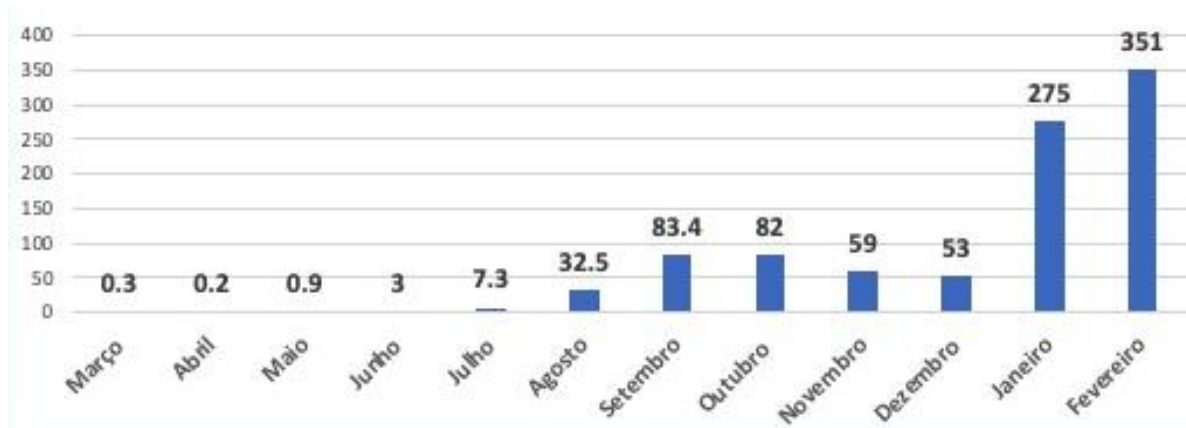


Figure 2: Average number of new cases daily per month (Source: Miguel de Brito)

COVID-19 spread the most in Maputo Province, where 62% of whole cases are reported, with almost 50% of national cases having been reported in Maputo City. These data may reflect the higher density of population in suburban areas, as well as the mobility of workers, but also the availability of health facilities and equipment for testing.

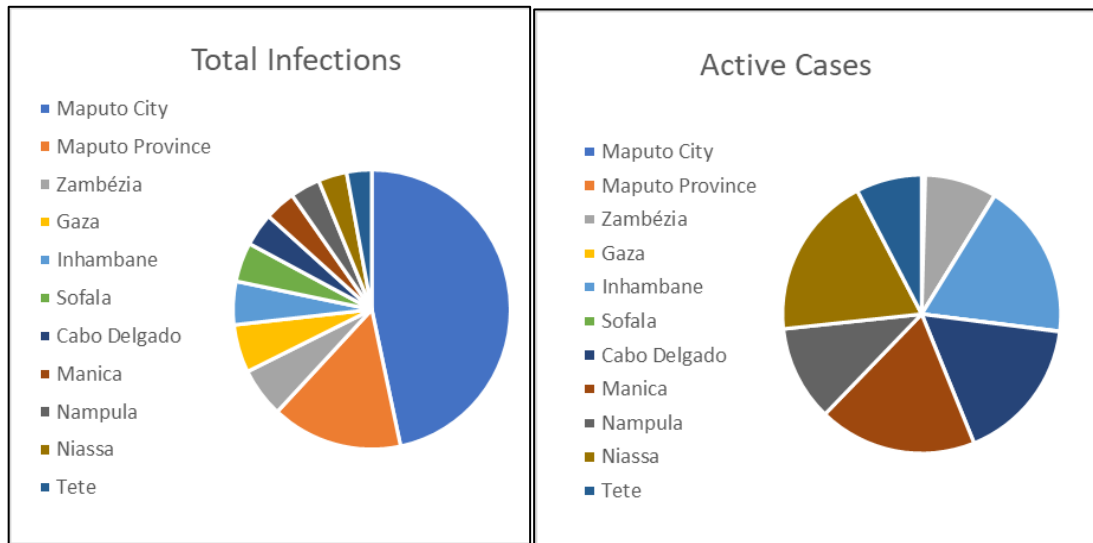


Figure 3: Geographical distribution of COVID Cases in Mozambique

The Country is facing a much tougher second wave of Covid-19, which can only be reversed through tighter restrictions. The second wave is due to the failure to take preventive measures during the festive season, combined with the arrival of the new South Africa variant of Covid-19 at the same time. Economist Roberto Tibana in his analysis¹ suggested that the political decision to relax restrictions and allow cross-border movements from South Africa (where the second wave was already happening, aggravated by the new variant of the virus) should have taken into account the recommendations of the Scientific Commission, whose data already shown a growing trend of cases. Further, it was recommended that the the advice of the Scientific Commission be made public, for increased transparency and ownership of responsibility over public health and economic decisions.

Table 1: COVID-19 Statistics for Mozambique, 8th February 2021 (Source: MISAU)

TOTAL CONFIRMED CASES	44,600
TOTAL ACTIVE CASES	16,974
TOTAL RECOVERED	27,162
TOTAL TESTED	363,047
TOTAL DEATHS	460

Most infected people have between 20 and 29 years of age (26%), followed by individuals between 30 and 39 years (24%) and 40 to 49 years (12%).²

More than half off all total Covid-19 cases and deaths occurred in January, showing the extent of the Covid-19 explosion. In January Covid-19 caused 201 deaths, which is more than half (55%) of the 367 that the country has officially recorded since the beginning of the pandemic in March. There were 20,012 Covid-19 cases in January, which is 52% of the accumulated total of 38,654 cases. Hospitalisations due to Covid-19 rose sharply, causing increased pressure on health services. In

¹ OMR, 2021 “A dinamica da Pandemia da COVID19 em Moçambique” <https://omrmz.org/>

² <https://covidmoz.netlify.app/>



January, there were 887 hospitalisations, while in the whole of 2020 there had been 801. The mortality rate has now risen to 1% - 1 in each 100 diagnosed cases dies.³

Figure 4 represent the trend of positive cases recorded per thousand of inhabitants in Mozambique for the past months.

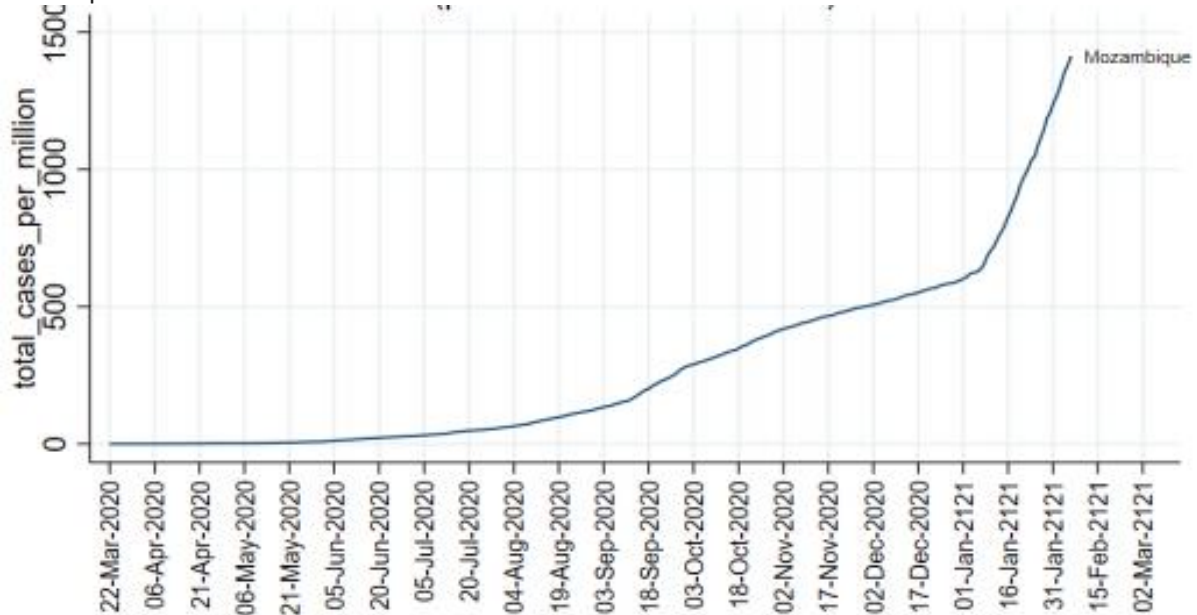


Figure 4: Total number of positive cases per thousand inhabitants (Source: Our World in Data, 7th Feb 2021)

In the first four days of February deaths rose to 15 per day and new cases to 950 per day. It is still largely a southern disease, but spreading. Of active cases, 53% are in Maputo city, 14% in Maputo province (mainly Matola), 7% in Gaza, 5% in Inhambane, and 6% in Sofala.

Figure 5 represents the total number of COVID deaths per thousand habitants.

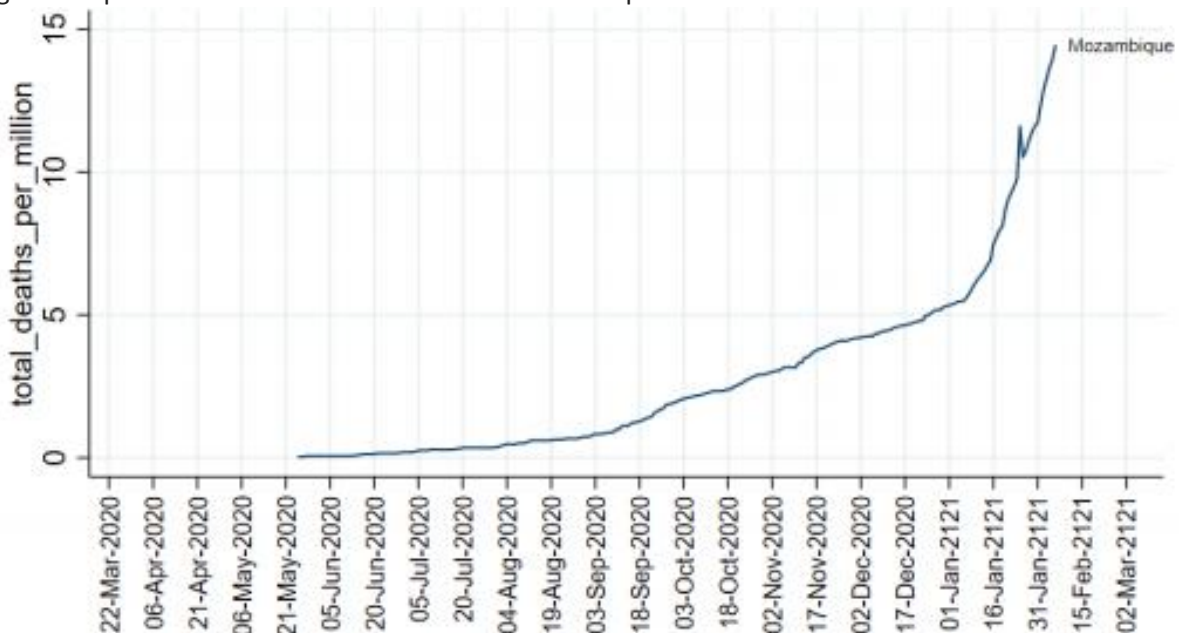


Figure 5: Total number of COVID-19 deaths (per thousand people) (Source: Our World in Data)

³ Joseph Hanlon, Feb 2021. Mozambique News Reports and Clippings



Due to the Covid-19 crisis, the health budget in 2020 was increased from 26.7 billion meticaais to 35.4 billion meticaais - \$ 380 m to \$505 mn, partly funded by \$80 mn in extra aid. The allocation for health for 2021 is 37.4 bn meticaais (\$497 mn) with the decrease due to the fall in rate of exchange (MT 70 = \$1 mid year 2020, MT 75.2 = \$1 now).⁴

According to The Citizen's Health Observatory, despite the extra money there is a serious shortage of personal protection equipment, and over 1,500 health professionals have been infected, 375 of whom at Maputo Central Hospital (HCM).

Already in the middle of January, the National Director of Medical Care, Ussene Isse, said that private clinics that treat Covid-19 patients as well as Maputo Central Hospital had already run out of beds and the public sector had already started opening its doors to receive patients from the private sector. He stressed that the Health Ministry was doing its utmost to avoid “disaster medicine”, in which doctors must decide which patients will live and which will die. However, as of February 9th, patients arriving at hospital are being separated out at “triage” those who are unlikely to survive.

Table 2: COVID-19 reported cases in Mozambique Neighbouring countries (Source: WHO, 2021)

Country	Confirmed cases	Deaths
South Africa	1,476,135	46,290
Zimbabwe	34,552	1,326
Zambia	62,633	853
Malawi	27,195	856
Eswatini (Swaziland)	11,614	604
Tanzania*	509	21

3. Current Measures

The Figure below represents the Government Response Stringency Index, developed by the university of Oxford.⁵ The graph compares the stringency of the measures adopted to the response in South Africa, where, as reported in Table 3, the number of reported cases has been exponentially higher.⁶ Mozambique adopted measures quite early in the pandemic, but when they have been released, the number of cases began increasing. In response, on September 7, Mozambique transitioned from a State of Emergency (SOE) to a State of Public Calamity (SOPC). The SOPC continues indefinitely at the red alert level while the risk of spreading COVID-19 exists in Mozambique and preserves many of the SOE COVID-19 prevention measures with gradual resumption of social and economic activities in coordination with health authorities.

Nevertheless, controls and individual attention to preventive measures decreased during the festive season, in December 2020. In this period, thousands of people gathered on the pristine beaches of Mozambique to relax and celebrate. Among them, South African Tourists who are used to spend their holidays in Mozambique. As a result, by the first week of January, the number of positive COVID cases went out of control. Large crowds of people lined up at Ressano Garcia Borders to cross to South Africa

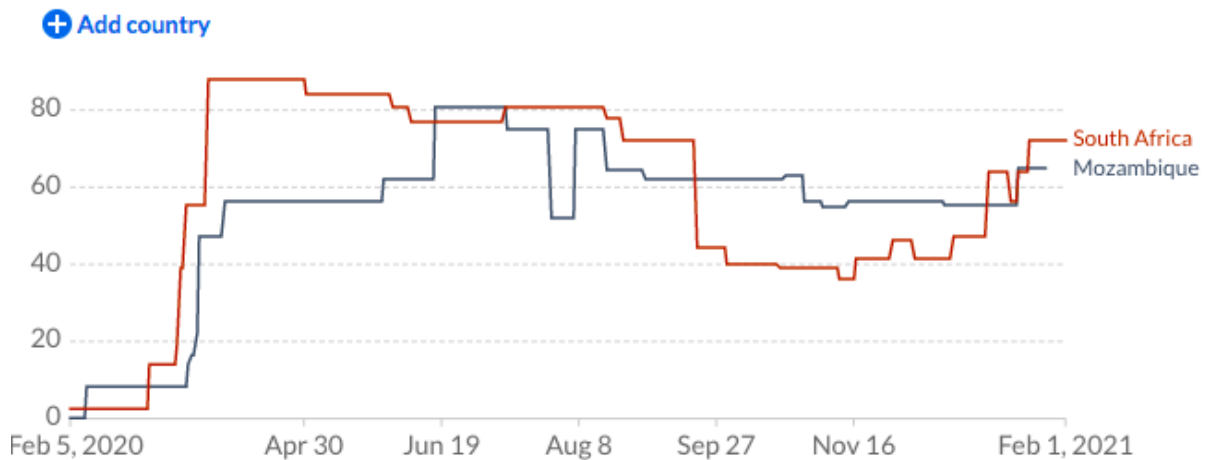
⁴ Carta de Moçambique, 26th January 2021, Ilodio Bata

⁵ <https://ourworldindata.org/grapher/covid-stringency-index?tab=chart&time=2020-02-05..2020-10-09&country=ZAF~MOZ®ion=Africa>

⁶ Maputo has 37 cases each 100,000 habitants. By comparison,



or to return to their homes or to go to work. Borders were not prepared to test all the people, and a 15km long queue blocked transit for some days before the situation normalized.



Source: Hale, Webster, Petherick, Phillips, and Kira (2020). Oxford COVID-19 Government Response Tracker – Last updated 9 February, 07:00 (London time)

Figure 6: Government Response Stringency Index (Oxford, COVID-19 Government Response Tracker, 2020)

Due to the continue increase of cases, on February 4, 2021 President Nyusi announced new mitigation measures to combat COVID-19, effective February 5 for 30 days. Among them, a curfew has been imposed in the cities of Maputo, Matola, Marracuene and Boane from 21h to 4h am.

Un-changed limitations
Face-Masks, Hand-sanitizing and social distancing recommendations
Quarantine, Self-isolation, and hospitalization policies defined under the SOE. All persons displaying respiratory symptoms or fever must stay home.
Closure of clubs, bars, and informal stalls which sell alcoholic beverages
The sale of alcoholic beverages by bottle stores, greengrocers or supermarkets is only allowed between 8 a.m. and 1 p.m. from Monday to Saturday.
Suspension of team sport activities
Suspension of cultural and recreational activities in cinemas, theatres, museums, galleries, cultural centers and catering establishments
Markets operating hours reduction
Limitation of Passenger for buses, vans, and other public transport vehicles
All incoming travellers must present a negative test for COVID-19.
Closure of the beaches for purposes of physical and leisure activities. This restriction does not apply to sidewalks, pedestrian zones and boardwalks adjacent to beaches.
Expired official documents will remain valid until May 30, 2021.
Teleworking is recommended, in particular for people at higher risk.

Additional Measures introduced
In the Greater Maputo area (Maputo, Matola, Marracuene, and Boane) there is a curfew in place from 9 p.m. – 4 a.m. every night.
Face-to-face classes at all educational institutions are closed with the exception of exams in progress until 31 st March 2021.
Commercial establishments will be open from 9 a.m. – 7 p.m. Monday – Saturday, and 9 a.m. – 4 p.m. on Sunday. Restaurants may remain open until 8 p.m. every day.
Places of worship are closed, and no religious celebrations or conferences are permitted.
Government events must not exceed 50 participants.
Private events are limited to a maximum of 20 people.

The sale of alcoholic beverages from stalls is prohibited.
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Public and private sector establishments will be held responsible for non-compliance with safety measures. Additional safety measures are to be immediately implemented in all public establishments.

3.1 Entry and Exit Requirements

The Ministry of Health (MISAU) continues screening at airports and other points of entry scanning the temperatures of all travellers. Travellers are required to provide proof of negative Polymerase Chain Reaction (PCR)-based COVID-19 test results administered in their country of origin within 72 hours of departure. Only negative passengers are allowed on the plane and, thereafter, in the Country, releasing the need for Quarantine period.

3.1.1 Entry procedures (residence permit holders)

Non-Mozambican citizens that have a valid DIRE (residence permit) are now able to enter Mozambique, subject to the COVID-19 testing requirement (presented above), without seeking specific authorization from the Ministry of Interior.

3.1.2 Entry procedures (Non-permit holders)

Non-Mozambican citizens who do not have a valid DIRE or visa(s) must obtain authorization to enter Mozambique at the Ministry of Interior via a letter addressed to “Sua Excelencia Secretário Permanente do Ministério do Interior”. The letter should include the following information:

- Traveler name and passport details
- Date and time of arrival
- Flight Information/Travel itinerary
- Purpose of travel to Mozambique

The letter should be submitted at the Secretaria Geral do Ministério do Interior located at av. Olof Palme 46/48, Maputo, Mozambique. The request maybe dispatch in 7 days. Once the request has been approved by the Ministry of Interior, the traveller is instructed to apply for a visa at the nearest Mozambican embassy or consulate. Travelers must complete a negative PCR-based COVID-19 test within 72-hours of travel. Issuance of airport / border visas has been suspended.

Travelers arriving in Mozambique will be required to provide proof of negative Polymerase Chain Reaction (PCR)-based COVID-19 test results administered in their country of origin within 72 hours of departure. Children up to age 11 are exempt from this requirement.

For purposes of land border crossings, COVID-19 tests remain valid for 14 days for those requiring multiple entries over a short period of time or leaving Mozambique for a short duration.

3.1.3 Extension of Visas

For foreigners already present in Mozambique whose visas were automatically extended through September 30, 2020, visa extension process can be done online at: <http://sigav.senami.gov.mz/>

3.1.4 Exit Procedures

No specific authorization is required to exit Mozambique. Per a communication from the Ministry of Interior on August 20, 2020, previous requirements that travellers seeking to exit Mozambique must obtain authorization have been lifted.

The Government of Mozambique does not require a COVID-19 test to exit the country. However, acting as agents for the airlines, officials at the airport will request a negative COVID-19 PCR test before permitting you through immigration.



The Ministry of Health (MISAU) continues screening at airports and other points of entry scanning the temperatures of all travelers.

3.2 COVID 19 Testing facilities

Hospital Privado	MEDI-EVAC Medical Assistance	Clinicare
Rua do Rio Inhamiara, Maputo	Contact Number: 86 655 5911	Rua Angelo Azarias Chichava CP 1676, Maputo
Contact Number: 21 488 600	Medical staff will come to your residence to take the sample.	Contact Number: 84 311 4444
No appointment necessary	Price: 7000 MZN	No appointment necessary
Price: 3800 MZN	Hours: 09:00 – 11:00 Monday – Friday	Price: 5500 MZN
Hours: 7:30 to 16:00	Time for Results: 24 hours	Hours: Monday to Friday, 7:30 to 16:00
Time for Results: 48 hours		Time for Results: 24 hours if test taken before 11:00, otherwise 48 hours. Friday results are available the following Monday.
Oceanpath	Aeromed (at-home testing)	Medivac (Anka's ambulance service, provides at-home testing)
Rua Kibiriti Diwane nr 106, Sommerschield, Maputo	Contact Number: 84 555 5911	Contact Number: 86 655 5911
Contact Number: 21 494 248	Price: 7600 MZN	Price: 7000 MZN
Price: 5000 MZN	Turnaround: 24 hours	Turnaround: 24 hours
Time for Results: 24 Hours		

3.3 COVID-19 Vaccine Information:

The government of Mozambique has **NOT** yet approved a COVID-19 vaccine for use.

As a low income country, Mozambique qualifies for subsidised vaccines under the COVAX facility, which aims to make available 2 billion doses of safe and effective COVID-19 vaccines by the end of 2021. Mozambique has applied to access COVID-19 vaccines through the global vaccine distribution scheme co-led by the World Health Organization, giving it the option to buy doses for at least 20% of its population. According to the declarations of Health minister Armindo Tiago, the Country expects to receive around 6 million doses and plans to start vaccinations from the end of June or in July.⁷

4. Impact of COVID-19 on the economy

At the end of January the Monetary Policy Committee of the Central Bank increased the base interest rate by 300 base points to 13.25%. The decision came as consequence to the increased inflation rate, which reached 3,52% in December 2020, after 4 consecutive months of continuous growth, that was caused primarily by the continuous depreciation of the Metical against the Euro. As a matter of fact, the inflation rate calculated excluding protected goods, went up to 5.10% and is expected to further deteriorate in the current quarter. As it was anticipated in the previous monthly update, the forecast increase of prices of goods represents a risk that the average medium to low income family household will move into conditions of poverty and be exposed to food insecurity.

Furthermore, the risk profile of the Country kept deteriorating in light of the armed attacks in the North of the Country, the spread of COVID and the natural calamity.

⁷ <https://www.reuters.com/article/us-health-coronavirus-mozambique-idUSKBN29I2TR>



The Central Bank lowered its forecast for 2021 economic recovery, expecting increasing pressure on public finances, as well as continuous pressure on demand for foreign currency.

4.1 Impact in Companies

Since the outbreak of COVID-19, all sectors recorded loss of economic activity. The private sector started a shy recovery in the last quarter of 2020, with positive expectations for the festive seasons and the gradual reopening of the economy.⁸ The hospitality industry expects to slowly start the recovery in 2021, after recording cumulative losses of US\$ 340m in 2020.

90.4% of all formal firms, irrespectively of size, reported to have been affected by the pandemic in terms of reduced business volumes or changes to work regime. These companies employ 89% of the workforce formally employed.⁹ In the hospitality industry almost all firms were affected, suffering from the mass cancellation of international trips, limitation of mobility and restrictions on public gatherings. The construction industry was affected by increased prices of imported materials and lack of liquidity of both businesses and individual clients who paused on-going projects. Financial services providers reduced their business volumes due to a strong reduction of transactions, which represent the largest revenue stream of the business.

Measures introduced by the Government to support private sector firms surviving the crisis came to an end. Prime Rate has been increased; inter-bank deposit ratio has been increased by 300 base points again; the discounted credit line for SMEs in financial distress due to COVID-19 received requests up by 589% to its availability of funds (and only started disbursing in the second half of November); postponement of tax payments and dues to National Security are now expired and firms will need to pay all their arrears. The Government does not have additional resources to allocate to support private sector with discounts or further postponement of tax payments.

By the end of the first quarter of 2021, the Association of Bank will release their rating over their loan portfolio, uncovering their sustainability after renegotiating with their clients to support them steer through the crisis.

Most of the firms in the Country have been impacted. The higher concentration of firms in Maputo reflects on 45% of all firms impacted being in the Province. The Southern provinces recorded over 90% of their firms affected by the crisis, 85% in the Central Region and 84% in the Northern Region. Arguably, the two cyclones that catastrophically affected Cabo Delgado, Sofala, Manica Province in 2019 may have already taken out of business most of the most fragile firms. It should be further investigated how resilient are of those firms that survived or quickly recovered after those calamities stay afloat throughout the COVID-19 crisis too.

4.2 Sector Specific Impact

4.2.1 Agriculture

Official data on the results of the 2019-2020 agriculture campaign are not yet public. Undoubtedly, COVID unleashed opportunities for local food producers to access larger national markets, thank to movement restrictions. The time has come to seriously invest on supply chain development, to facilitate agriculture production and commercialization as a Whole, in the best interest of small holder

⁸ <http://www.ine.gov.mz/estatisticas/estatisticas-economicas/icce/notas-de-imprensa-icce/c-transfer-nota-de-imprensa-icce.pdf>

⁹ INE, 2020 “Resultados do inquérito sobre impacto da COVID-19 nas empresas”



farmers and the Country, in the first place. However, shortage of imported inputs (particularly quality improved seeds and fertilizer) severely affected small holder farmers producing in rural areas.

Concerns raised when OLAM, the global commodities company that is the largest processor of cashew in Mozambique, announced on 4th February that it is closing its cashew factory and stopping its producer support programmes. The factory alone employs about 3000 people at the seasonal peak. This come as consequence to a global collapse of prices and markets. In 2019 the crop was overproduced, and many traders carried over stocks. Then Covid-19 pushed down consumption of many nuts. China and some other countries have cut imports. But Olam also cited "difficulties in obtaining raw material in the quality and volumes needed". Peasants have been growing more cashew each year, but not of high quality.

4.2.2 Industry

The extractives sector reported significant drops in activity, volumes and employment. Extractive industries recorded losses in the order of 64% y-o-y of revenues in Q2, with most of their operations forced to stop on account of COVID-19. Vale, the largest coal producer in Mozambique, reduced its production by 32.6% in the first nine months of the year, compared to 2019 and their volumes further reduced yb 10% y-o-y Q3.¹⁰ Syrah Resources producing graphite in Cabo Delgado, has not yet restarted operations since March 2020, waiting for better conditions on the international market.¹¹ This contraction of activities affected also all the SMEs involved along the supply chain of the megaprojects and the extractives, spanning from catering services or maintenance. Companies responded to the contraction by reducing jobs in the order of 42% in the mining sector and 29% in the oil and gas, with a compound 36% of workers left unemployed. 85 of the 500 registered SMEs providing services to the value chain of mining companies have been forced to close. 160 of the active SMEs recorded a significant loss of income and reduction of activity, for an estimate income loss of US\$ 12.6mn.¹² In response, concessionaries reduced staff by 74%, suppliers cut jobs by 65% and sub-contracted companies by 15%.

4.3 Impact on Employment

The National Security Institute and the National Institute of Statistics did not release any updated information on the labor market. Based on the data from the previous quarter, it is known that companies of any size responded to the drastic reduction of business volumes and revenues by reducing their labor costs.¹³ However, there are no updated official estimates on the number of workers who have been only temporarily suspended, forlough or definitely laid off.

Among the workers affected, more women (7%) were impacted than men (5.5%). Women affected were primarily working in entertainment and recreational activities, hospitality industry and services. Men were mostly affected by job cuts in the extractives, construction, hospitality and entertainment. Additionally, 56% of firms adopted rotation of workers, but only 19% followed the bi-weekly rotation schedule, as recommended by the Ministry of Health, therefore raising the question on the effectiveness of the rotation from a health prevention perspective. The aggregate drop in hours worked in the quarter corresponds to 17.6% of hours worked per person.

¹⁰ Diario Economico, 21st October 2020, retrieved on <https://diarioeconomico.co.mz>

¹¹ Diario Economico, 21st October 2020, retrieved on <https://diarioeconomico.co.mz>

¹² O Pais Economico, 30th May 2020 release, as retrieved on <http://digital.opais.co.mz/o-pais-economico>

¹³ INE, 2020 "Resultados do inquérito sobre impacto da COVID-19 nas empresas"

Table 3: Firms and people affected, according to the measures adopted (INE, 2020)

Measure adopted	% firms	Workers affected	(% of total)
Closed company	2.9%	43,578	1.3%
Contract termination	4.5%	77,489	2.3%
Temporary interruption of activity to survive the crisis			
Suspension of activity	3.9%	49,612	1.5%
Suspension of contract	7.6%	62,700	1.9%
Collective holidays	2.6%	65,512	2%
Measures to mitigate impact of crisis on company and workforce whilst continuing activity			
Rotation of workforce	56%	1,275,413	38.5%
Reduction of working hours	20.7%	400,785	12.1
Requested authorization to work with more than 1/3 of workforce	1.4%	53,832	1.6%
Change of activity, product or service	3.8%	N/A	N/A
Other measures			
Remote working	14.3%	210,893	6.4%
Other	20.3%	412,926	12.5%

Some firms took more proactive measures, such as finding alternatives routes to market and capitalizing digital channels. This mostly meant utilizing social media, namely Facebook, Whatsapp and increasingly Instagram, for product positioning. This is particularly valid for retail and service industry. Lack of trust is a major barrier to online transactions within middle class customers. To confirm this, even the most developed digital platforms offering delivery services, targeting primarily the professional and expat community in Maputo city offers customers the opportunity to pay upon receipt of goods. An interesting initiative that rose during the crisis is Welela, a digital platform offering spaces to SMEs to digitalize their commercial presence. In December 2020, Welela started a national physical and virtual training program funded by the UKAid to improve digital skills of MSMEs owners and, hopefully, equip them to digitalize their business to increase their reach.

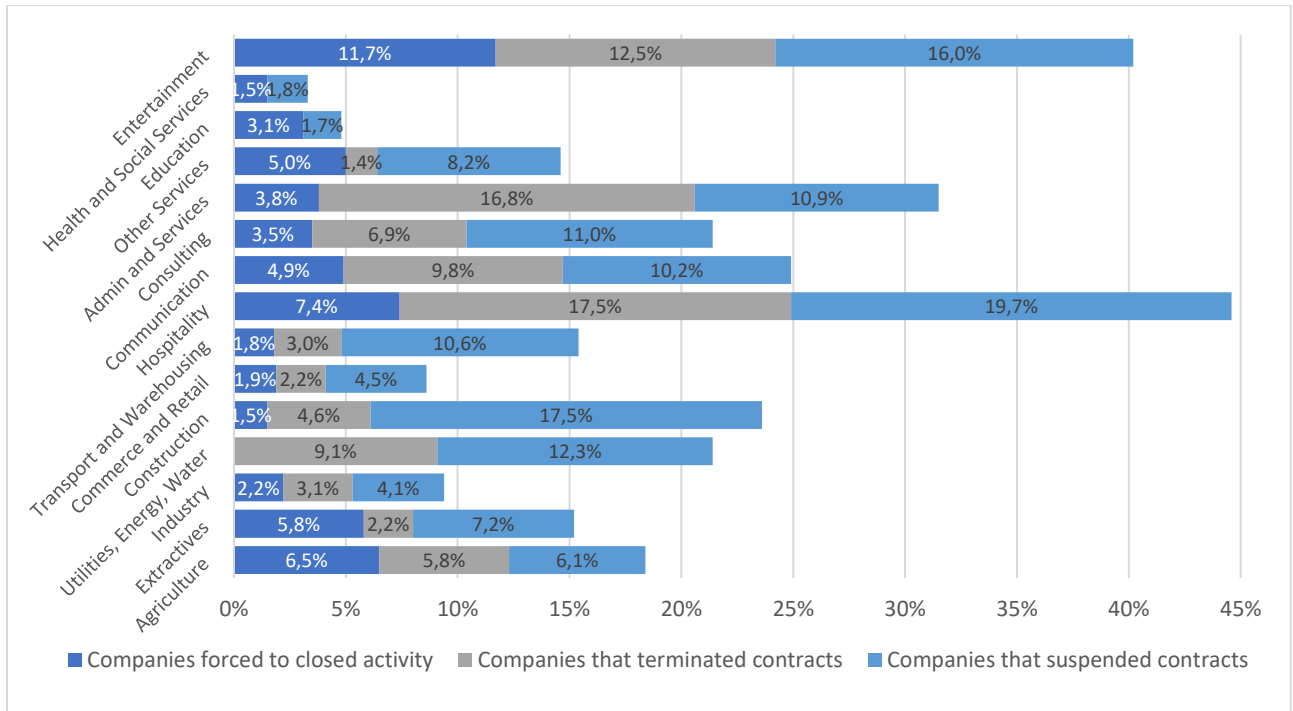


Figure 7: Impact on workforce by sector (INE, 2020)

Conclusions and recommendations:

Security concerns for the Continuous attacks to civilians in Cabo Delgado lead to over 500,000 displaced people. The attacks reached just site where the Oil and Gas investment projects set their Camp to build megaprojects. Total evacuated all his staff, who returned to the base just this week, after the company MD had a personal meeting with President Nyusi to agree on new terms to guarantee security of the camp. Insecurity will not contribute to improve the business environment, neither to facilitate the creation of market linkages between SMEs and megaprojects. Total continues committed to its local content plan, and multilateral organizations are ready to support establishment of successful linkages, backed by improved skills and standards.

As presented in the previous reports, the measures promoted by the Government to support private sector initiatives whilst good in their intention had limited impact on the economy. This is particularly linked to their limited scope. Nevertheless, these measures now expired and the private sector will be left to deal with the effect of the second wave of Covid and its consequences on its own, after having survived 2020.

The current crisis exacerbated the need for structural improvements to the private sector ecosystem. Until national and international demand are low and restrictions keep being imposed, private sector needs to be supported to stay afloat, avoiding the loss of further otherwise productive jobs and viable firms. Considering the limited fiscal space available to the Government, the measures should be targeted at firms that were viable before the crisis, and the credit line should be extended, in order to provide cash relief. Some of the measures to reduce input costs could be re-looked at and improved, in order to sustain the cost structure of industrial plants.



One of the main constraints claimed by SMEs as a major barrier to their growth is access to finance. This is limiting the SMEs capacity to access opportunities and hindering their potential to position themselves in the value chain of large contractors. In COVID crisis, access to funding is of essence to let small and large firms survive. A possible solution that authorities could look at Public Guarantee Fund, inspired by best practices of European countries, or even inspired by the business case adopted by South Africa, but tailored to the dynamics and the reality of local SMEs. For this fund to come to existence and be implemented, a collaborative effort should be made by international bilateral and multilateral partners to coordinate their resources, whilst transparency and governance are the fundamentals necessary for implementation. With these conditions in place, a Public Guarantee Fund would unlock capital “trapped” in the system which lenders would not be able to liquidate, to the benefit of a large number of suitable MSMEs.

The informal sector suffered and the majority of household enterprises lost income and business activities, resulting in increased multidimensional poverty and food insecurity. Informal firms should, however, be targeted through social assistance funding, as there is no legal setting that could encompass them among firms. The Government considered disbursing a cash grant to each informal firm in the Country. Such measure would be hardly effective due to the complexity of its timely implementation, in a country where only some public services are digitalized. Some cash grants have been disbursed to beneficiaries in areas at risk via mobile money.

When the normalization of economic activities will restart, policies should instead focus on productive, growth oriented firms. This is also aligned to the Strategies presented by the Government in its Plano Quinquenal do Governo, aiming at promoting job creation, particularly for youth. In order to achieve that, however, structural reforms are needed. Addressing the constraints in the financial sector, infrastructure gaps and skills development is paramount to create the necessary conditions to capitalize the opportunities arising in the value chain of the mega-projects, for Mozambican SMEs.