



## **TIPS FORUM 2024**

### **SMALL BUSINESS, INCLUSIVE GROWTH AND INDUSTRIAL POLICY IN SOUTH AFRICA**

#### **INCLUSIVE DEVELOPMENT OF MICRO, SMALL & MEDIUM ENTERPRISES AROUND SEZS IN SADC: NACALA SPECIAL ECONOMIC ZONE CASE STUDY, MOZAMBIQUE**

**Amélia Machava/Samuel Quive**

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## Abstract

Over the past five years, interest has grown in how Special Economic Zones policy can strengthen Micro, Small and Medium Enterprises to promote inclusive development. Meanwhile, MSMEs face challenges in establishing links with Special Economic Zones. This study aims to describe the challenges faced by MSMEs in the Nacala SEZ and analyses the strategies to adopt and implement to promote connections between MSMEs and the Nacala SEZ. The empirical basis of this study is reported by testimonies from entrepreneurs about the link between the MSME and the Nacala SEZ. The mixed approach in data collection and analysis reveal that the complexity of contracting procedures and the limited production capacity at the specific scale of the main challenges faced by MSMEs in the Nacala SEZ, especially for entrepreneurs with a low level of education. Given this scenario, on the one hand, there is a need to design policies, laws and programs that strengthen the link between the MSME and the NSEZ; and on the other hand, implementing strategies that promote business meetings, sharing experiences, as well as training partnerships in different areas of knowledge.

**Key Words:** Nacala Special Economic Zone; Micro, Small and Medium Enterprises; complexity of contracting procedure; support strategy and Development Unit.

## About the authors

**Amélia Machava** is a university assistant and PhD student in Development and Society at Eduardo Mondlane University (UEM), Email: [ameliamachava26@gmail.com](mailto:ameliamachava26@gmail.com)

**Samuel Quive** is a associate professor at Eduardo Mondlane University (UEM) and Professor PhD from Frei Universitat Berlin, Germany, Email: [squive2002@yahoo.com.br](mailto:squive2002@yahoo.com.br)

# 1. Introduction

Special Economic Zones (ZEE's) are geographically delimited areas within the national borders of a country. International experience shows that ZEEs can be established for different purposes. As an instrument of industrial policy, economic policy and as a development policy. With the implementation of SEZs, around a delimited area, national Micro, Small and Medium Enterprises (MSMEs) have emerged.

MSMEs are recognized as a development driver through the growth of national income in various ways. MSMEs have become the dominant economic players to reach members of society, including disadvantaged, marginalized or vulnerable groups. It is therefore essential that MSMEs grow sustainably to achieve inclusive development and understand them better, in order to improve the efficiency and effectiveness of industrial policy.

In Mozambique, SEZs are considered a catalytic instrument for promoting economic and social development and structural change in economically backward regions. In 2007, the country created the first SEZ known as the Nacala SEZ with the objective of expanding and improving national productive capacity or to providing services to support productive activity; contributing to the training, multiplication and development of business people and local business partners; and promoting technological development and increasing business productivity and efficiency.

In view of the above, this study describes the challenges faced by the MSMEs of the NSEZ and analyzes the strategies to adopt and implement to promote links between the MSMEs and the Nacala's SEZs. The empirical basis of this study is made reported by testimonies from entrepreneurs and investors about the links between MSMEs and the Nacala's SEZ. To carry out this study, a mixed approach was used in data collection and analysis.

Structurally speaking, this study is subdivided into four sections. Following the first section in which the introduction is presented, the research is contextualized; the second section is the literature review, which presents the objectives of SEZs establishment, the concepts that guide the study and the link between MSMEs and the SEZs. The third section deals with the research methodology used. Also in this session, the location of the study is presented. The fourth section refers to the presentation, analysis and discussion of the research results. The fifth and final section presents the study conclusions and recommendations.

## 2. Review of related literature

The following section analyzes the literature review regarding the objectives of SEZs establishment and the main concepts that guide the work, namely: Special Economic Zones, Micro, Small and Medium Enterprise and provides an approach to the link of Micro, Small, and Medium Enterprise with Special Economic Zones.

### 2.1 Special economic zones and purpose they creation

Special Economic Zones (ZEE's) are geographically delimited areas within the national borders of a country. Generally, these areas have differentiated and more liberal rules than the rest of the territory (Farole and Moberg, 2014) and are supported by infrastructures (Draper and Herce, 1994). Currently,

and according to a United Nations Report (2019), almost everywhere in the world, there are approximately 5,400 ZEEs established in 147 countries.

International experience shows that ZEEs can be established for different purposes. As an instrument of industrial policy, economic policy and as a development policy. From the industrial policy point of view, ZEEs have been taken as platforms to increase the level of exports. For example, in East Asia, countries such as China, North Korea, Japan and Taiwan have used their special economic zones to increase export levels. In Latin America, countries such as the Dominican Republic, El Salvador and Honduras also used the ZEEs to take advantage of preferential access to the United States market. These zones, on a large scale, generated manufacturing sectors in economies that, prior to their establishment, were dependent on agricultural commodities (Rodriguez-Clare, 2007).

From an economic policy point of view, the ZEEs have played an important role in economic diversification, attracting foreign exchange and stimulating strategic sectors. For example, the EEZs in the Middle East and North Africa, in countries such as Egypt, Morocco, the United Arab Emirates and Tunisia (Farole, 2011).

From a development policy point of view, the ZEEs have been considered a catalytic instrument, as they allow generating structural changes of an economic, technological, political, social, cultural and institutional nature. These changes are aimed at creating wealth and well-being for populations. For example, the ZEEs created in countries such as China, the United States, Singapore, South Africa, Kenya (Farole, 2011).

In Mozambique, the SEZs are considered a catalytic instrument for promoting economic and social development and structural change in regions considered economically backward. Specifically, these zones have, among several objectives, (1) the expansion and improvement of national production capacity or of capacity to render services with support productive activities; (2) contributing towards training, expansion, and development of national entrepreneurs and Mozambique business partners; (3) the creation of jobs for nationals workers and the raising of professional skill levels of the Mozambican labour force; (4) the promotion of technological development and the improvement of entrepreneurial productivity and efficiency; (5) the increase and diversification of exports; and (6) and the reduction and substitution of imports.

The implementation of the Nacala Special Economic Zone created enormous expectations among the local business community, who saw the project as an opportunity to sell goods and provide services to operating companies, as well as the possibility of benefiting from training/empowerment initiatives promoted by operators.

## **2.2 Micro, small and medium enterprises (MSMEs)**

Worldwide, Micro, Small and Medium enterprises are recognized as a driver of development through the growth of national income, the increase in exports, the distribution of income and the dissemination of technology and innovation. Additionally, through job creation, including low-skilled employees who tend to benefit, through skills development, companies with contributions to total employment ranging between 30% and 95% (IFC, 2010). Just to name a few examples, Fox and Sohnesen (2013) revealed that many new jobs emerged from Micro, Small and Medium start-up companies, and not from hiring from large companies; the OECD (2017) states that MSMEs

predominantly represent around 99% of all companies, representing approximately 70% of jobs, generating between 50% and 60% of value addition.

In developing countries, MSMEs are the dominant players in creating employment for women, which therefore enhances the achievement of equity and gender objectives. MSMEs have become the dominant economic players to accommodate all members of the society, including disadvantaged, marginalized or vulnerable groups. It is therefore essential that MSMEs grow in a sustainable way so as to achieve inclusive development and understand them better in order to improve the efficiency and effectiveness of industrial policy.

With regard to the criteria for classifying MSMEs, the literature does not show a regional or indeed global consensus on the definition of Micro, Small and Medium enterprises (MSMEs), leaving it to the discretion of each country.

From the perspective of the World Bank (UNCTAD, 2023), the definition of MSMEs, in addition to the number of employees and annual business volume, includes the criteria of total assets and MSME Loan size proxy. For the UNCTAD (2023) however, companies need to comply with the criteria for the number of employees and annual turnover to be classified as MSME. This shows that the criteria of number of employees and annual turnover are the main ones, with the others being necessary to understand the concept.

According to the National Small Business (NSB), the definition of Micro, Small and Medium Enterprises (SMMEs) Act of South Africa include the following parameters:

- a) Very small Enterprise- the number of employees is fewer than 10 a 20, depending on industry, and the annual turnover is less than R200,000 to R500,000m, depending on industry;
- b) Small Enterprise – the number of employee is fewer than 50, depending on industry, and the annual turnover is less than R2m to R25m, depending on industry; and
- c) Medium Enterprise - the number of employees is fewer than 100 a 200, depending on industry and the annual turnover is less than R4 million to R50m, depending on industry.

According to Moujaes (2020), the definition of MSME, includes a wide range of enterprises, such as established traditional family businesses employing over a hundred people, much smaller enterprises in terms of size and even informal micro-enterprises. The sector is concentrated at the lower end, where survivalist enterprises are found (Berry, 2002). Examples include street trading enterprises, backyard manufacturing and services, and occasional home-based jobs. However, the local government recognizes the challenges faced by MSMEs.

In Mozambique, according to Law No. 7/2024 of 6 June, recently approved, in its Article 1, Number 1 of paragraphs a), b) and c) the parameters used for the classification of Micro, Small and Medium-sized enterprises (MSME) are based on the number of employees and annual turnover, as shown in Table 1 below:

**Table 1: Classification criteria for micro, small and medium-sized enterprises in Mozambique**

Indicator/size of the enterprise	Micro Enterprise	Small Enterprise	Medium Enterprise
Number of Employees	1 – 10	5 < 30	31-100
Turnover in MZN currency	< 3.000.000,00	3.000.000,00 ≤ 30.000.000,00	30.000.000,00 ≤ 160.000.000,00

*Source: (Law 07/2024, June 6)*

Also in accordance with this Law No. 7/2024 of June the 6th in its Article 19 on numbers 1 and 2, MSMEs enjoy the following benefits: reduction by half of the fees applicable to obtain the “Made in Mozambique” seal; for the registration of Intellectual Property Rights and for quality certification and participation in fairs organized by the State. Additionally, MSMEs enjoy a reduction in the fee for their establishment in Special Economic Zones managed by the State by 25% in the first three years of their economic activity.

Scientific research shows that the ZEEs operates as experimentation sites that evaluate the effectiveness of MSME development programs, however they face challenges in establishing links with enterprises in the ZEEs, Andriessa (2022), Moujaes (2020).

### **2.3 Link between the special economic zones and micro, small and medium enterprises**

Over the last five years, interest has grown in knowing how the Special Economic Zones (SEZ) policy can promote the inclusive development of Micro, Small and Medium Enterprises (MSME) around these zones. According to Navickas & Malakauskaite (2008), MSMEs around SEZs have access to new markets and growth opportunities, facilitated by the ability to satisfy the needs of their various customers operating in close geographical proximity.

Although their role is recognized, scientific research carried out by organizations such as UNCTAD (2023) and authors such as Andriessa (2022) and Moujaes (2020), just to name a few examples, has demonstrated mainly in the Sub-Saharan Africa region that the majority of MSME faces enormous challenges in linking with companies around the SEZs.

Inadequate management training, lack of knowledge of the business market, slow adoption of technologies and low innovation capacity are some of the challenges in connecting MSMEs with SEZ companies identified by UNCTAD (2023). From the perspective of Andriessa (2022), producing and marketing superior products, lack of certainty incentives and insufficient coordination and cooperation between agencies are the reasons for the weak connection between MSMEs and companies in the Indonesian SEZ. Moujaes (2020), in turn, states that access and financing opportunities, access to markets, lack of business management skills, lack of experience and technical

knowledge, the limited ability of MSMEs to compete in tender opportunities with larger companies constitute obstacles to the connection between MSMEs and SEZs.

In Mozambique, the challenges of the connection between MSMEs and the SEZs, portrayed in Decree 44/2011 of September the 21st, recently repealed by Law no. 7/2024 of June the 6th, led the government to establish the Institute for the Promotion of Small and Medium Companies (IPEME). The main mission of this institute is to encourage the implementation, consolidation and development of MSMEs, stimulate entrepreneurship and preliminary training in business management and development of micro and SMEs through the establishment of business incubators.

Although the Decree has recently been updated in terms of company classification parameters and incentives have been given to MSMEs established in Special Economic Zones, it fails to include the obligation for companies in the SEZs to hire MSMEs in their tenders. Likewise, it fails to encourage the SEZs companies to define strategies to promote links between MSMEs and the SEZs, particularly for marginalized or vulnerable social actors. This is a serious gap in the Mozambican Law, as it is a country that considers itself committed to promoting industrialization and meeting industrialization objectives defined in the Strategy and Roadmap to accelerate SADC Industrialization from 2015-2063.

Various programs and projects and various strategies are launched and implemented in different countries according to the challenges faced by MSMEs. As an example, the Republic of Singapore launched the Local Industry Modernization Program with the aim of training and transferring knowledge to local companies in terms of business management.

Over the years, the Republic of Malaysia has been promoting the development of supply links between foreign companies and local MSMEs. With the implementation of the Industrial Linkage Program, the government granted Pioneer Status to local companies involved in the program, which gave them the right to 100% income tax exemption for 5 years. Similarly, foreign companies have deducted expenses for training suppliers and auditing local supplier factories to create incentives for them to engage in the modernization of supplier locations (UNCTAD, 2023).

The Republic of Poland has established free training in the SEZs and facilitated contacts and cooperation between companies and school professionals with the aim of creating professional training classes and adapting the school curriculum to the requirements and expectations of future entrepreneurs.

Since 2016, South Africa, through the Coega Industrial Zone, has implemented a link program between SMMEs and the SEZs with the aim of creating an environment conducive to the development and participation of MSMEs to ensure their sustainability. Coega IDZ has an explicit target to supply 40% of its purchases through local MSMEs.

In areas of expertise such as procurement, MSMEs can implement the Supply-Chain Management (SCM) strategy with the aim of improving the network of all parties involved in the business supply chain, including the manufacturer, supplier, customer and the retailer. The approach emphasizes the management of a company's entire business process, including demand, supply, procurement, production and logistics provision. This is done by facilitating the distribution of products, finances, information, and encouraging collaborations with channel partners. Implemented in SMMEs, SCM practices can help affect their organizational and operational performances. The process increases a company's competitive advantage through efficient use of its resources and faster response rates from

its suppliers and customers. SCM practices increase a company's flexibility, reduce its delivery time and inventory levels, and improve its resource planning and forecasting.

Clearly, the link between MSMEs and the SEZs does not happen automatically, requiring the adoption and implementation of programs, projects and holistic approaches tailored to each obstacle in their insertion into business opportunities in the SEZ companies.

### 3. Methodological background to the study

The study target population are the MSMEs owners. With the aim of comparing and validating the responses of MSME owners, managers of companies in the Nacala SEZ were also interviewed; and to complete the research data, it was necessary to interview the managers of APIEX and IPEME.

According to the nature of the problem and the research objectives, the study adopted a mixed approach, with a view to describing the challenges faced by NSEZ MSMEs and analyzing the strategies to adopt and implement to promote connections between MSMEs and Nacala SEZ. The questionnaire and in-depth interview were the techniques used to collect research data.

The sample size of this study followed the statistical parameters in accordance with the National Statistical System (SEN), taking into account the recommendations of the sampling manual for the study of developing countries, which is the case of Mozambique.

Taking into account the INE data, and according to INE's Census of Companies (CEMPRE), the districts of Nacala Porto and Nacala-à-Velha registered a total of 125 MSMEs that operated in the period 2009-2022 in various sectors of activity. The sample size of the MSME study was dimensioned taking into account scientifically valid statistical parameters, with a 95% Confidence Interval (CI) =1.95 and a margin of error set at 0.05 in each domain to balance the reality of research with costs and accuracy of estimates.

The average MSME sample size was allocated with Probability Proportional to Size to the strata. In this study, each size of the company is considered a stratum, therefore a stratified sample provided the most accurate estimates compared to a simple random sample. To this end, the stratified sample of MSME owners is constituted, as illustrated in the table below:

**Table 2: MSME sample size distribution by stratum**

<b>MSMEs of NSEZ</b>	<b>Number of MSME (2009-2022)</b>	<b>Size of Sample MSME</b>	<b>Activity Sector</b>
Micro Enterprise	65	45	Commercial, services
Small Enterprise	22	26	Commercial, services and construction
Medium Enterprise	38	15	Commercial, services and construction
<b>Total</b>	<b>125</b>	<b>86</b>	

*Source: Survey data (2023)*



The selection of sampling units for this study was done in two stages, where: in the first stage, the Primary Sampling Units (UPAs) were selected within each stratum, according to the distribution made with Probability Proportional to Size (PPT). At this stage, the probabilities of selecting each company to compose the sample for this study are known and different from zero. To this end, SPSS was used to select the companies. In the second stage, each of the UPAs selected in the first stage, that is, in each of the selected companies, the owner was interviewed.

To reach the MSMEs owners, a list of companies was requested from the Institute for the Promotion of Small and Medium Enterprises (IPEME) located in Nacala-Porto and Nacala-à-Velha in operation between 2009-2022; and for managers of companies in the SEZ of Nacala, a list of companies under the SEZ regime that operate in Nacala and MSMEs was also requested, as shown in Table 3 below:

**Table 3: Number of individuals to be interviewed in the company**

<b>MSMEs of NSEZ</b>	<b>Size of Sample MSME</b>	<b>Number of individuals to be interviewed in the company</b>	<b>Activity Sector</b>
Micro Enterprise	45	1	Commercial, services
Small Enterprise	26	1	Commercial, services and construction
Medium Enterprise	15	1	Commercial, services and construction
<b>Total</b>	<b>86</b>	<b>1</b>	

*Source: Survey data (2023)*

On average, interviews lasted one (1) hour for each interviewee. Bivariate analysis was the technique used for data analysis, using the statistical package called Statistics Package for the Social Science (SPSS) with the help of the Excel program.

The main obstacle identified in the data collection phase was talking to interviewees since they thought it was an electoral campaign for the local elections, claiming lack of time. To overcome this obstacle, individuals who had already been interviewed were asked to confirm that the conversation was not about the campaign being, but an academic interview.

To safeguard ethical issues, all measures approved on December 1, 2021, in the research protocol by the Institutional Health Bioethics Committee of the Faculty of Medicine/ Maputo Central Hospital were implemented – amendment 2 of July 28, 2014, whose protocol is registered with reference CIBS FM&HCM/046/2021.

### 3.1 Study of location

This study was carried out in the Nacala Special Economic Zone, which comprises the Districts of Nacala-Porto and Nacala-a-Velha. The Nacala SEZ is located on the East Coast of Africa, more precisely in the north of Mozambique, in Nampula Province, at a distance of around 200 km from the city that is the capital of Nampula Province. It is also located, to the North, 500 km, in a straight line from the border with Tanzania; to the South, 1800 km from the border with South Africa; to the West, approximately 620 km from the border with Malawi; and to the East, there is the Indian Ocean. The NSEZ is adjacent to the port of Nacala, forming a corridor with other provinces and other countries.

Approved by Decree No. 76, of December 18, 2007, but with implementation beginning in 2009, the Nacala ZEE occupies a territorial extension of approximately 1,539 km<sup>2</sup> covering the Districts of Nacala Porto and Nacala-a-Velha, in Nampula Province, north of Mozambique (see Figure 1 below). It is a special open and publicly managed economic zone, as it is in urban proximity. The textile and clothing industry, leather and tanning, construction, production of construction materials, cement and iron, ceramics industry, assembly of machines and production lines and service provision are the activities carried out in the Nacala ZEE.

**Figure 2 - Geographic location of the Nacala SEZ**



Source: INE (2022)

According to the Investment and Export Promotion Agency-APIEX (2022), the Nacala ZEE has land for real estate investments and other recently built economic and social infrastructure. Additionally, the ZEE has an abundance of young, adaptable and economically active labor. However, with a low level of education and weak or scarce technical-professional qualifications. NSEZ is supported amenities by hotels, banks and support facilities services as transports.

According to the 2017 Census, the districts covered by the Nacala ZEE, have a population density of around 409,262 inhabitants, of which 197,533 are male and 211,729 are female. Residents of the Nacala EEZ include individuals from districts outside the Nacala EEZ and foreigners (Mozambique, 2022). The ZEE's population's main economic activities are family farming, artisanal fishing and informal trade.

According to APIEX (2023), from 2009-2022 ZEE approved a total of 203 companies, the majority of which are foreign-owned. It is noteworthy that three of these companies with foreign capital revoked the ZEE title, three more changed the initial project, and only 72 companies are operational.

The Nacala ZEE is the first to be created in the country and among several objectives it aims to increase productive capacity through increasing and diversifying exports, improving the trade balance and expanding the tax base through tax collection. Additionally, create jobs, raise the professional qualifications of the national workforce, in order to create skills for greater employability of the local community in Nacala, improve the supply of the internal market, satisfy the priority needs of the population (item Z, of the article 1 and paragraphs (a), (d) and (i) of Article 7 of Law No. 3, of June 24, 1993).

## 4. Presentation, analyses and results discussion

This section presents the main results obtained throughout the fieldwork. These results are intended to illustrate the evidence in tables and graphs. In the tables and contingency graphs generated by SPSS with the help of Excel, the absolute values and percentages of the variables are analysed using descriptive statistics and bivariate analysis.

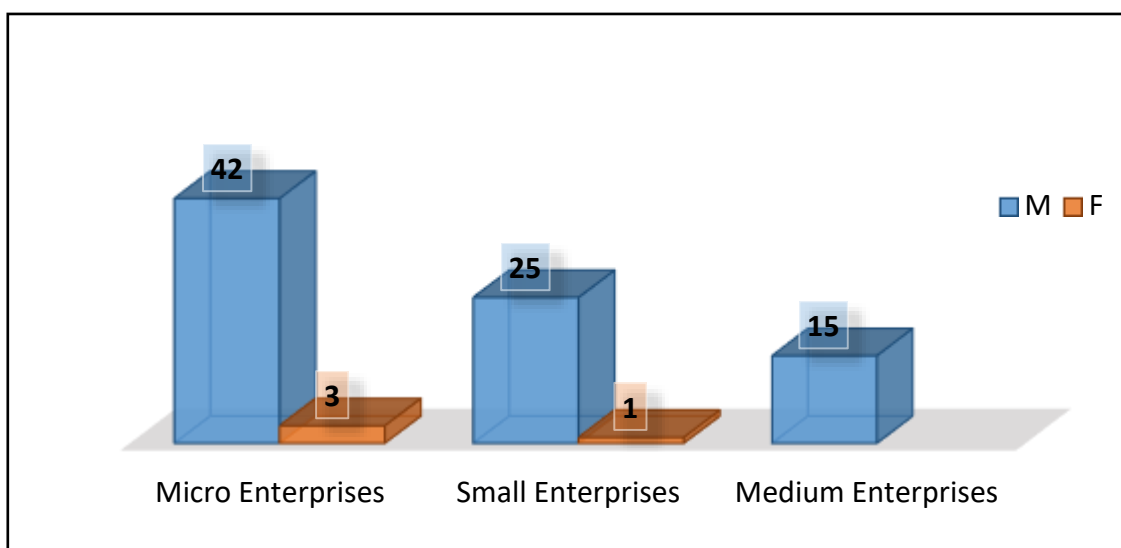
### 4.1 Sociodemographic profile of research subjects

The subjects of this research are MSMEs owners in the Nacala SEZ. To validate and compare the information collected from the owners, there is also an urgent need to interview the managers of the Nacala SEZ companies. The interviews were also extended to IPEM and APIEX managers to obtain more in-depth information.

The profile description of these research subjects states that the perception of individuals is not static, but rather a cognitive, subjective process that results from their reflections based on sex, age, level of education, their economic resources, their values and their beliefs, combined with the positions and roles they play.

For this study, the variables gender, age and level of education were selected for convenience, as they are considered to be a minimum to characterize the socio-demographic profile of the research subjects. Education level is the analysis variable.

**Chart 1: Sex of research subjects**



Source: Survey data (2023)

Regarding the gender variable, the Charts 1 shows that out of a total of 86 research subjects, the majority are male and only 4 are female, being from Micro Enterprises.

The expressed sex ratio difference is not consistent with data from the 2017 Population and Housing Census report for Nacala districts, which has a majority female population.

**Table 4 - Age by education level**

The level of education is considered by us to be a variable considered relevant, as education plays an important role in the development process when he states that education is the key to modernization and a catalyst for the socioeconomic development of a society. Thus, table 4 below illustrates the age by educational level of the research subjects.

<b>MSMEs of NSEZ</b>	<b>Age category</b>	<b>Primary Education</b>	<b>Secondary Education</b>	<b>Technical Education</b>	<b>Higher Education</b>	<b>Total</b>
Micro Enterprises	21-35	5	4	2	1	<b>12</b>
	36-50	9	5	1	1	<b>16</b>
	51-65	11	6			<b>17</b>
<b>Subtotal</b>		<b>25</b>	<b>15</b>	<b>3</b>	<b>2</b>	<b>45</b>
Small Enterprises	21-35	3	1	2	1	<b>7</b>
	36-50	4	4	1	1	<b>10</b>
	51-65	5	3	1		<b>9</b>
<b>Subtotal</b>		<b>12</b>	<b>8</b>	<b>4</b>	<b>2</b>	<b>26</b>
Medium Enterprises	21-35	2	2	1	1	<b>6</b>
	36-50	3	1			<b>4</b>
	51-65	3	2			<b>5</b>
<b>Subtotal</b>		<b>8</b>	<b>5</b>	<b>1</b>	<b>1</b>	<b>15</b>
<b>Total</b>		<b>45</b>	<b>28</b>	<b>8</b>	<b>5</b>	<b>86</b>

*Source: Survey data (2023)*

Table 4 shows that, most of the research subjects are from primary and higher education, in the age category between 36-50 years old and belonging to Microenterprises. The results also shows that technical and higher education levels have the lowest number of research subjects, in the age category of 51-65 years old and belonging to medium-sized companies.

It is worth mentioning that the majority of owners belonging to the 21-35 age category claim to have some additional knowledge in technologies, especially those from Higher Education, while those in the 51-65 age category have practical knowledge of business management, even if they have a degree of higher education.

## 4.2 Challenges of special economic zones and micro, small and medium enterprises

Over the past five years, interest has grown in how Special Economic Zones (SEZs) policy can strengthen Micro, Small and Medium Enterprises (MSME) to promote inclusive development. In this context, considering that NSEZ was implemented in an economically backward region, with weakened infrastructure, with a mostly illiterate population, with employees mostly from outside the area and companies that use high technology, it was sought to find out from the owners of MSMEs whether they sell or render services to the Nacala SEZ companies.

In response to the question posed, 19 research subjects stated that they had supplied some goods and/or services to companies in Nacala SEZ, the majority of which were medium-sized companies, as shown in Table 5 below:

**Table 5: MSMEs that sell or provide services to the Nacala SEZ**

<b>MSMEs of NSEZ</b>	<b>MSMEs that sell or provide services to the ZEEN Companies</b>	<b>MSMEs that do not sell or provide services to ZEEN Companies</b>	<b>Total of MSME</b>
Micro Enterprise	4	41	45
Small Enterprise	4	22	26
Medium Enterprise	11	4	15
<b>Total</b>	<b>19</b>	<b>67</b>	<b>86</b>

*Source: Survey data (2023)*

Looking at the chi-square statistics, it is observed that whether the entrepreneur's age is higher and the size of the enterprise is the higher too, it is the higher too the chances of the firm to supplying goods and providing services to Nacala SEZ, according the test of person chi-square test of person on table below:

Table 5: Pearson chi-square test

			Age	
<b>Between 2009-2022, did your firm supply goods or providede services for Nacala SEZ</b>	Provided services or supplied goods for Nacala SEZ	Small Enterprise	Chi-square	2.338461538
			gl	2
			Sig.	0.310605777
	Did not pprovide services or supplied goods for Nacala SEZ	Medium Enterprise	Chi-square	45.51214286
		gl	6	
		Sig.	3.70213E-08	

Source: Survey data (2023)

Additionally to variable age, the variable level of education of MSME owners also has significantly influences access to business opportunities at Nacala SEZ. Observing the chi-square statistics, the level of education and the size of the enterprise present a significant association. Therefore, the higher the level of education of the person responsible and the larger size of the for the enterprise, the greater the chances of the firm to supplying goods and providing services to Nacala SEZ, as illustrated by the chi-square test applied in the table below:

Table 6: Pearson chi-square test

			Level of education	
<b>Between 2009-2022, did your firm supplyd goods or providede services for Nacala SEZ</b>	Provided services or supplied goods for Nacala SEZ	Small Enterprise	Qui-quadrado	2.338
			gl	2
			Sig.	0.011
	Did not pprovide services or supplied goods for Nacala SEZ	Medium Enterprise	Qui-quadrado	45.512
		gl	6	
		Sig.	0.000	

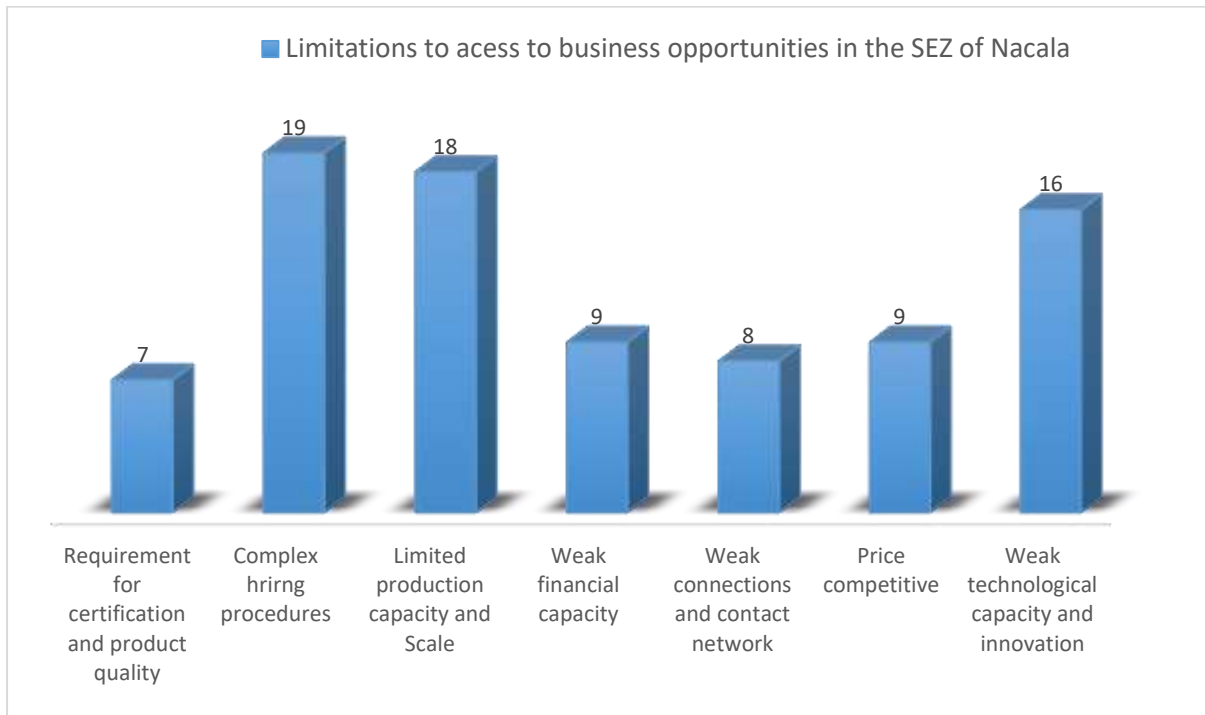
Source: Survey data (2023)

Therefore, the person Chi-square test applied to the association of the variables age and education level with the variable supplied goods and/or provided services for Nacala SEZ for each case, shows that there is a significant correlation.

Additionally, the test result corroborates the thesis defended by. When noting that education plays an important role in the development process, as stated by Rizwana (2009) when he states that education is the key to modernization and a catalyst for the socioeconomic development of a society.

Having found that the majority of MSMEs did not supply goods and/or services to companies in the Nacala SEZ, we asked the owners the following question, what are the causes of poor supply of goods or provision of services to companies in the SEZ of Nacala. According to those interviewed, the complexity of contracting procedures, the limited production capacity and scale and the weak technological capacity and innovation are the main challenges faced by MSMEs in Nacala SEZ.

**Chart 2: Limitations to access to business opportunities in the Nacala SEZ**



Source: Survey data (2023)

It is worth mentioning that in the opinion of the interviewees, the challenges of limited access to business opportunities for companies in the SEZ of Nacala are due to the size of the company, age, level of education, as illustrated in the excerpts from the interview statements below:

(...) I gave up competing for companies in the SEZ of Nacala, as a lot of documentation is required and the hiring processes are complicated. In addition to company documents, accounting receipts are required. Some companies here do not have these documents (E14, Primary level, 49 years; Micro Enterprise).

(...) I have already tried to compete for several, but the hiring procedures were quite complex and the quantity of products to be supplied was greater than my company's capacity. Furthermore, delivery times were short. I had to order the goods from abroad (E14, Secondary Level; 52 years old, Small Enterprise).

Regarding the MSMEs that Purchase goods or provide services to ZEEN companies, the research found that the majority of MSMEs have their sales to the Nacala SEZ companies equal to or less than 40%. Furthermore, no MSME has its sales or provision of services to Nacala SEZ companies equal to or greater than 61%, as shown in table 5 below:

**Table 5: Percentage of sales volume to the ZEEN Companies**

MSMEs of NSEZ	0-20	21-40	41-60	61-80	81-100	Total
Micro Enterprise	2	2				4

<b>Small Enterprise</b>	1	2	1	<b>4</b>
<b>Medium Enterprise</b>	3	6	2	<b>11</b>
<b>Total</b>	<b>6</b>	<b>10</b>	<b>3</b>	<b>19</b>

*Source: Survey data (2023)*

The positioning of the research subjects corroborates the thesis defended by Moujaes (2020) that the connection between MPMs and SEZa is not something automatic in the establishment of the ZEEs. It is essential to implement the right policies that consider the local environment, strength and characteristics of MPMs and the SEZ sector. Supporting the thesis defended by Moujaes (2020), the United Nations study (2023) concludes that it is essential that specific measures are adapted to your MSM needs.

In order to compare and validate the responses collected from the MSME owners, 7 managers of the Nacala SEZ companies were also interviewed in different sectors of activity, as shown in the table below:

**Table 6: Managers of the Nacala SEZ companies**

<b>Business sector</b>	<b>Number of managers interviewed</b>
Agroprocessing	1
Construction and Public Works	1
Commerce and services	1
Hotels and tourism	1
Industry	1
Services	1
Transportation and logistics	1
<b>Total</b>	<b>1</b>

*Source: Survey data (2023)*

It was sought to find out about the percentage of purchase of goods and provision of services made in local MSMEs, these in turn stated that the local market is not yet capable of responding to the needs of ZEE companies. The following excerpts from the statements illustrate the reasons why companies in the SEZ of Nacala do not use the local market to purchase goods and provide services:

(...) a few years ago, I hired a team to build a fence and install paving stones. In the middle of the work, I had to cancel the contract, as it was not of minimum quality and the work was taking longer than agreed. To do this, I had to hire a company under the SEZ regime. The company carried out the work within the agreed deadlines and with the required quality... (E6, M, 54 years old, Company in the SEZ of Nacala, Industrial sector).



(...) the products supplied at this hotel establishment are from abroad, including vegetables. I hired a company to design and produce uniforms for children and employees. The company did not have the capacity to produce the uniforms in the requested quantity, in accordance with the technical specifications provided for and within the required deadlines. Worst of all, the stitching and finishing were not of the required quality (E14, M, 48 years old, Company Manager at SEZ of Nacala, Sector services).

### **4.3 Link between the micro, small and medium enterprises (MSMEs) and Nacala special economic zone**

Concerning adopting or implementing programs that promote the connection between MSMEs and companies in the Nacala SEZ, we were interested in finding out from the company managers in the Nacala SEZ, APIEX and IPEME if there are specific programs to be implemented with a view to promoting the connection between MSMEs and the Nacala SEZ companies. According to those interviewed at the SEZ level, there is still no specific program, as evidenced by the excerpts from the statement below:

(...) at this moment no connection program between MSMEs and the Nacala SEZ is being implemented. Based on the experience of the Bebeluane Industrial Zone, it is studying how to implement a similar model for the SEZ of Nacala (E2, M, 44 years old, APIEX).

(...) as far as I know, there is no strategy or link program between MSMEs and the SEZ of Nacala. Some experiences in other countries have implemented programs of this nature with a view to developing local entrepreneurship (E3, F, 46 years old, IPEME).

Interviewees were asked about the direct benefits from connecting MSMEs and SEZ companies. There is recognition of the direct benefits of MSME on the part of the research subjects, as in their opinion, local companies now have a wider market to sell their products and provide services. The excerpt below attests the statement that,

(...) Government intervention should not be limited to the collection of taxes from companies, but rather should focus heavily on the adoption and implementation of strategies to connect NSEZ MSMEs that allow for the inclusive development of their intervention in local economies and national. In fact, some countries even at SADC level, for example, Mauritius, South Africa, implement programs with a view to promoting links between MSMEs and large companies, outside or within ZEEs or other development policies, as is the case of mega projects. (E14, M, manager of the SEZ of Nacala, Sector activity: Industrial, Nacala-à-Velha).

The challenges faced by the MSMEs in connecting with companies around the SEZs requires joint strategies for the implementation of effective linkage programs and/or projects, as business opportunities end up being aimed at companies in the SEZ and/or the MSMEs from other regions.

A similar experience is being implemented by the Coega Industrial Zone in South Africa. The results of implementing a linkage program between SMMEs and the SEZs have brought encouraging results, as

the MSMEs around this zone successfully participate in acquisition and provision of services. Coega IDZ has set a target of supplying 40% of its purchases to local MSMEs.

#### 4.4 Results discussion

The implementation of any development policy generates expectations among different social layers. The implementation of the Nacala SEZ generated enormous expectations for the local business class, who saw the project as an opportunity to purchase their goods and provide services to operating companies, as well as the possibility of benefiting from training/empowerment initiatives promoted by operators.

In this context, based on the assumption that NSEZ was implemented in an economically backward region, with weak infrastructure, with a majority illiterate population, and on the other hand, foreign companies generally use high technology, it was important that the Government has created conditions to train local business in order to minimize the challenges of connecting MSMEs with Nacala SEZ.

This position is corroborated with the thesis defended by Porter (1993) who states that the state must implement educational policies that respond to the need for MSMS, as they are the main drivers of economic investment in countries. Therefore, investing in human capital is a competitive and lasting advantage. Government incentives are not granted to investors, through tax reductions and/or tax exemptions, it is essential that countries demand in exchange training in specific areas for MSMEs so that they are competitive.

Since the majority of MSMEs owners belong from in the informal sector which is normally made up of individuals with a low level of education, it is necessary that policies, programs and linkage strategies between MSMEs and SEZs take into account to the profile of the owners, because the MSMEs is driving the development through the growth of national income, the increase in exports, the distribution of income and the dissemination of technology and innovation.

Additionally, through job creation, including low-skilled employees who tend to benefit, through skills development, companies with contributions to total employment ranging between 30% and 95% (IFC, 2010). Just to name a few examples, Fox and Sohnesen (2013) revealed that many new jobs emerged from Micro, Small and Medium start-up companies, and not from hiring from large companies; the OECD (2017) states that MSMEs predominantly represent around 99% of all companies, representing approximately 70% of jobs, generating between 50% and 60% of value addition.

In developing countries, MSMEs are the dominant players in creating employment for women, which therefore enhances the achievement of equity and gender objectives. MSMEs have become the dominant economic players to accommodate all members of the society, including disadvantaged, marginalized or vulnerable groups. It is therefore essential that MSMEs grow in a sustainable way so as to achieve inclusive development and understand them better in order to improve the efficiency and effectiveness of industrial policy.

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The approach to be adopted for the Nacala SEZ is not a suit case in Mozambique, which shares the Coega Industrial Zone in South Africa and the positions defended by authors such as Chin et al (2008), Koh et al. and (2007) The link program between MSMEs and SEZs, when implemented in a more comprehensive approach, known as supply-chain management (SCM), can develop companies' management skills and technological knowledge; increase a company's competitive advantage, make a company's administrative processes more flexible, reduce its delivery time and stock levels and improve its resource planning and forecasting (Li et al., 2006).

To this end, it is essential that the establishment of an MSME Development Unit (DU) be taken into account; government intervention in the approval of laws and regulations for contracting local companies around the NSEZ to supply products, provide services and undertake works; the promotion of commercial discussions between MSMEs and NSEZ, as a way of establishing effective communication between the parties, creating opportunities to exchange experiences and training partnerships and promoting business meetings between local investors.

## 5. Conclusion and recommendation

This study has raised the following questions: (1) what challenges do the NSEZ MSMEs face; (2) what linkage strategies can be adopted by MSMEs to promote inclusive development and sought to analyze the strategies to be adopted by NSEZ MSMEs to promote inclusive development. To answer the questions raised and achieve the study objectives, a mixed research was carried out.

Empirical evidence showed that the complexity of contracting procedures, the limited production capacity at scale and the weak technological capacity and invocation constitute the main challenges of MSME in the Nacala SEZ, especially for entrepreneurs with a low level of education. The study also revealed that there is a significant correlation between (1) the entrepreneur's technological and business management knowledge, (2) access to business opportunities with the development of MSMEs around SEZs, with a significance level.

As FAROLE, SHARP, 2017; SANTOS, 2013 point out, the ZEE companies use cutting-edge technologies that require specialized knowledge. Therefore, for MSMEs to provide services and supply goods to the SEZs, the MSMEs must have the necessary skills to meet the demands of large companies.

Although access to financing, weak connections and contact networks, competitive prices and the requirement for certification and product quality were ranked low out of ten, in the opinion of those interviewed, they constitute challenges to be considered, as they have a significant impact on access to business opportunities and, therefore, the development of MSME as it affects the criteria of a company's annual turnover, the number of workers, which are the relevant criteria in the ranking and evaluation of a company.

The inclusive development of MPMs is not an automatic result of the establishment of the ZEEs. On the one hand, it is important to implement the right policies that consider the local environment, the strength and features of MPMs and the ZEE sector (Moujaes, 2020), and on the other, it is essential

that specific measures are adapted to the needs, looking at the capacity of MSMEs, (United Nations, 2023).

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