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Investment Policy Review of Mozambique

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Honourable Deputy Minister Nakhare,
Excellencies,
Ladies and gentlemen,

It is an honour to welcome you to Geneva. Our purpose today is to discuss the main findings and recommendations of the Investment Policy Review (IPR) of Mozambique. This is also an opportunity for the Government to share with member States, representatives of the private sector and international partners the key features of Mozambique's investment policy and its plans for implementing the IPR's recommendations.

Deputy Minister Nakhare, your presence here today is a clear sign of the importance and commitment you and your Government attach to UNCTAD's investment policy review process, which we jointly initiated in 2011. For this, let me thank you again personally.

UNCTAD's investment policy review programme is a key technical assistance package for developing countries and economies in transition. The evaluation of the policy, regulatory and institutional environment for investment provides a basis for concrete and policy-oriented recommendations. As such, IPRs are greatly appreciated by our member States, for their contribution to making investment work for development.

Distinguished participants
Ladies and gentlemen,

Mozambique has been one of the fastest-growing least developed countries over the past two decades. Structural reforms, sound macroeconomic policies and increasing openness to the world economy have resulted in significant progress towards achieving the Millennium Development Goals. Consequently, Mozambique features high up on the watch list of investors. Foreign direct investment has already played a significant role in the economy, particularly since the establishment of a large-scale aluminium smelter in the mid-1990s, which sent a strong message to the international investment community that the country was open for business following 15 years of civil war. Indeed, I should highlight that UNCTAD presented Mozambique as a case study in its publication on best practices to attract and benefit from FDI in post-conflict countries.¹

The lion's share of foreign investment to Mozambique, to date, has gone to mega-projects that have generated significant export and fiscal revenues for the country. Yet, despite great efforts on the part of government and the local business community, these projects have often struggled to make an impact on local industrial development, employment, and ultimately on poverty reduction.

¹ UNCTAD (2009). How post-conflict countries can attract and benefit from FDI: Lessons from Croatia and Mozambique. Investment Advisory Series, B, number 3. Geneva.

Mozambique is not alone in this respect: All countries are trying to maximise development benefits from FDI. That is the reason why UNCTAD works in this area and supports our member States through such programmes as the IPR process. We believe that FDI can contribute more to the country's development, and our report stresses that Mozambique has the economic potential to continue on its growth and development trajectory.

One conclusion of the Report is that the country can try to diversify its overall investment portfolio, attracting smaller investments in addition to mega projects. Despite their size, these types of investments can contribute to economic diversification, job creation and can have a large developmental impact, in terms of generating inclusive and broad-based growth. In this regard, much of Mozambique's FDI potential remains untapped.

The IPR of Mozambique therefore proposes a strategy that seeks the diversification of the sources of FDI, and the levelling of the playing field for all investors regardless of their size. This strategy, which encompasses concrete recommendations on the regulatory framework, sectoral policies and investment promotion institutions, outlines four key orientations:

First, we identified a need to streamline business regulations and reduce bureaucratic constraints, particularly for small and medium-sized enterprises (SMEs). This includes improving licensing, access to land and skills, as well as competition policy. I would like to acknowledge that the Government of Mozambique has, in March 2013, promulgated a new law regulating competition. This is an important step, and we would encourage the Government of Mozambique to go further by establishing an independent competition authority to ensure the effective implementation of the law.

Second, investment needs to be targeted and supported in areas where opportunities can best contribute to development outcomes. For this purpose, we recommend the promotion of labour-intensive manufacturing and other industries that generate jobs: Mozambique should therefore define industrial development and investment promotion strategies in key sectors, including agriculture and agro-processing; tourism; small-scale manufacturing and services, as well as infrastructure and logistics.

Third, the development impact of investment in mega-projects, such as mining and infrastructure, needs to be maximized, taking advantage of public-private partnerships, where suitable. For instance, policy and promotional efforts should be undertaken to better integrate existing and future large-scale investments into the local economy.

Finally, we believe Mozambique has to improve the effectiveness of its investment promotion efforts, given today's increasingly competitive environment for investment attraction. The IPR addresses this issue in detail, and will be further elaborated in the presentation of the main findings and

recommendations of the review by my colleague, Joerg Weber, Head of the Investment Policies Branch.

Much of the value of this Review lies in the implementation of its recommendations. They have all been conceived with the purpose of "making FDI work for development", and UNCTAD stands ready to provide the Government of Mozambique with the required technical assistance to implement the IPR recommendations. We can offer the Government assistance in a number of areas, including: international investment policy-making; investment promotion and facilitation; and the collection and analysis of FDI statistics with a view to strengthening future evidence-based policymaking in the country. I hope that the IPR will therefore contribute to strengthening the country's overall investment framework, attract high-quality FDI, and continue to move the country forward on the path toward sustainable development.

Deputy Minister Nakhare,
Ladies and gentlemen,

In closing, I would like to thank very warmly the Government of Mozambique for requesting UNCTAD to undertake this Review. In particular, I wish to thank the Office of His Excellency the President for its support during the whole IPR process. I would also like to extend our gratitude to the Permanent Mission of Mozambique to the United Nations in Geneva, the Ministry of Planning and Development, and the Investment Promotion Centre of Mozambique, for their precious assistance. Your commitment and dedicated work made it possible for us to complete this report and to be here today. I would also like to thank the Governments of France, Ireland, Norway, Sweden and Switzerland for the financial support to the IPR programme.

I look forward to an open and frank exchange of views, experiences and best practices, and wish you a fruitful discussion.

Thank you very much.
