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AN INVESTMENT GUIDE TO MOZAMBIQUE

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- *An Investment Guide to Ethiopia**
- *Guide d'investissement au Mali**
- *An Investment Guide to Bangladesh*
- *An Investment Guide to Uganda*
- *An Investment Guide to Mozambique*

*In cooperation with PricewaterhouseCoopers.

UNCTAD

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 as a permanent intergovernmental body. Its main goals are to maximize the trade, investment and development opportunities of developing countries, to help them face challenges arising from globalization, and to help them integrate into the world economy on an equitable basis. UNCTAD's membership currently includes 190 member States. Its secretariat is located in Geneva, Switzerland, and forms part of the United Nations Secretariat.

ICC

The International Chamber of Commerce (ICC) is the world business organization. It is the only body that speaks with authority on behalf of enterprises from all sectors in every part of the world, grouping thousands of members companies and associations from 130 countries. ICC promotes an open international trade and investment system and the market economy in the context of sustainable growth and development. It makes rules that govern the conduct of business across borders. Within a year of the creation of the United Nations it was granted consultative status at the highest level (category A) with the United Nations Economic and Social Council. This is now known as General Category consultative status.

Note

The term "country" as used in this study also refers, as appropriate, to territories or areas; the designations employed and the presentation of the material do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. In addition, the designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgement about the stage of development reached by a particular country or area in the development process.

Reference to "dollars" ($) means United States dollars, unless otherwise indicated.

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Preface

Foreign direct investment has come to be widely recognized over the past decade as a major potential contributor to growth and development. It can bring capital, technology, management know-how and access to new markets. In comparison with other forms of capital flows, it also tends to be more stable, with a longer-term commitment to the host economy.

The project of which this publication – *An Investment Guide to Mozambique* – is the fifth concrete product is a collaborative venture by the United Nations Conference on Trade and Development (UNCTAD) and the International Chamber of Commerce (ICC). Its objective is to bring together two parties with complementary interests: *firms* that seek new locations and *countries* that seek new investors. This is not always a straightforward exercise, for firms are driven by their global strategies as much as lured by specific opportunities, and countries have economic and social objectives that transcend investment attraction.

The UNCTAD-ICC investment guides are thus properly seen as parts of a process, a long-term process at the heart of which is an ongoing *dialogue* between investors and Governments. The guides themselves are the product of a dialogue, including that occurring among and between the representatives of business and Government during the workshops that precede the completion of the guides. It is our hope that the guides will in turn *contribute* to the dialogue, helping to strengthen and sustain it, for we are convinced that in the long run it is this alone that will create conditions increasingly conducive to greater flows of investment.

Rubens Ricupero
Secretary General
UNCTAD

Maria Livanos Cattaui
Secretary General
ICC

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A great many individuals and institutions have contributed to this project and to the production of this guide. Limited space precludes our mentioning all of them but we should at least like to recognize the following: the donors whose financial contributions made the project possible, specifically the Governments of China, Finland, France, India and Norway; the companies that helped us by participating in the consultations and answering our questions; public-sector officials who provided information and feedback; and Pires Daniel M. Sengo, who provided an initial draft for this guide. A special "thank you" goes to John E. Newstead of PricewaterhouseCoopers, Mozambique, whose assistance has been pivotal.

We also want to take the opportunity to thank those most directly involved in the process leading up to this publication. Without the co-operation of the Investment Promotion Centre of Mozambique and in particular its Director, M. Rafique Jusob, this project could not have been implemented. Our thanks are also owed to the Permanent Mission of Mozambique to the United Nations in Geneva, which played a facilitating role.

This guide was prepared, with the assistance of consultants and advisors both internal and external, by an UNCTAD-ICC project team whose leading members were Vishwas P. Govitrikar and Wilfried Engelke. A valuable contribution was made by Ludger Odenthal. Assistance or feedback was received from Christopher Corbet, Anne Miroux, Aleksandar Stojanoski and Chantal Rakotondrainibe. Overall guidance was provided by Karl P. Sauvant, Anh-Nga Tran-Nguyen and Martin Wassell.

Note to the Reader

This booklet is published as part of the UNCTAD-ICC series of investment guides. The publications in this series are intended for the use of foreign investors who are largely unfamiliar with the countries covered. They are thus designed to offer overviews of potential locations for investment, rather than constitute exhaustive works of reference or provide detailed practical instruction. They do, however, offer pointers to sources of further information, in the private as well as the public sector.

There are two further features of these publications that the reader will find worth noting. One is that they are third-party documents, intended to offer a balanced and objective account of investment conditions. Their principal advantage in drawing the attention of investors to the countries they cover is *credibility*. The other feature is that both their general structure and some of their specific content are the result of consultations with the private sector.

The Executive Summary is followed by a brief introductory chapter. Then come the three chapters that account for the bulk of the contents. "The Investor's Environment" describes the general conditions in which investors must operate: macro-economic conditions, infrastructure, human resources, etc. "Areas of Opportunity" offers a description of areas of potential interest to foreign investors. "The Regulatory Framework" focuses on regulations governing investment and *foreign direct investment* in particular. The fifth and final chapter provides a summary of the feedback received from the private sector during the process of preparing the guide.

The primary source of further information for an investor wishing to explore investing in Mozambique is the Mozambican Investment Promotion Centre (CPI). Contact details of other selected sources of information are provided in appendix 3. Appendix 2 provides a list, including contact details, of some 60 major foreign investors in Mozambique.

Executive summary

Mozambique's turnaround

Mozambique's independence on 25 June 1975 led to the adoption of a development strategy embedded in the Marxist-Leninist ideology – as then practiced in communist Eastern Europe and a number of developing countries. As a so-called "frontier state" in relation to South Africa, the country soon found itself embroiled in a complex military conflict of multiple origins: domestic, regional and international. Then, in the first half of the 1980s, the Government embarked on a reform process that began by focussing on economic liberalization and gradually moved on to encompass political reform.

The Government's drive for reform, assisted by the end of the military conflict and the sweeping political changes in neighbouring South Africa, had transformed Mozambique by the mid-1990s into a multiparty democracy with a market economy. In recent years, the economy has grown by up to 10 per cent per annum and is expected to maintain a high level of growth for the foreseeable future. The success of Mozambique's turnaround has been complemented and enhanced by increased external assistance from bilateral and multilateral donors, which has amounted to an annual average of $550 million since 1994.

Investment opportunities are numerous

With a mostly poor population of 17 million, the Mozambican market is small in itself. However, its integration into the Southern African Development Community (SADC) offers investors easier access to the main market in southern Africa: South Africa and the other 12 member countries. Agriculture (cashews, cotton, tobacco, sugar and other cash crops) and fishing and aqua-culture (prawns and shrimp) are the backbone of the Mozambican economy. Investment opportunities are also available in the related agro-processing industries, especially in the southern region. The liberal economic reforms pursued by the Government, the almost complete privatization of formerly state-owned enterprises, and a variety of generous incentive schemes have laid the ground for profitable investment in a number of areas: cash crops, manufacturing, financial services, export-processing (cashews, aluminium), etc. The traditional Mozambican role of providing its eastern and southern neighbours with access to sea-ports has given transport (rail, road, ports) and related services a central role in the economy, as illustrated by the Maputo, Beira and Nacala corridors. Their further development now depends heavily on private – and especially foreign – investment.

The country's location, its abundant endowment of renewable energy (e.g. the Cahora Bassa project), its still unexploited mineral wealth and, last but not least, its market-oriented policies have attracted a number of large-scale manufacturing and mineral-exploration projects to Mozambique in recent years. The most prominent of these is the Mozambique Aluminium smelter project (MOZAL), which has made an initial investment of $1.3 billion. More such "mega-projects" are about to materialize and most of them are expected to offer substantial opportunities to a variety of suppliers. An example is furnished by the activities based in the Belulane industrial park (an export-processing zone), located close to the MOZAL complex, south of Maputo.

Tourism, currently dominated by South African tour operators, is another sector with very considerable potential. Even with the existing infrastructure constraints (which investment could help remove), there are opportunities in such areas as game, adventure and coastal resorts.

Principal constraints facing investors

An investor in Mozambique is of course faced with many of the bureaucratic and infrastructural hurdles usually encountered in developing countries. One major bottleneck for many investors, especially the smaller ones, is the country's limited administrative capacity. Administrative handling of queries and requests often reveals the deep roots socialism has put down in public-sector culture. With external donor assistance, the Government has now undertaken various red-tape analyses to identify unnecessary administrative difficulties and the ways in which they might be solved.

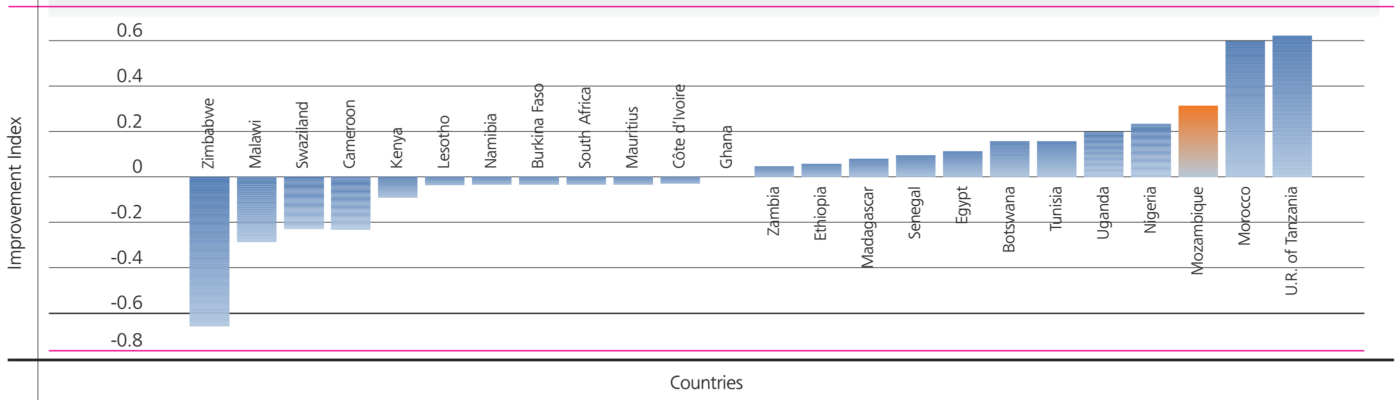
The labour law and the regulations concerning labour relations are an example of a major administrative hurdle for potential investors. Although labour relations are usually non-confrontational, the administrative cost for a company, for both domestically and internationally recruited employees, can be significant. The law on land tenure, which allows only a non-tradable lease for up to 50 years, is another example of how even a well-intended norm, adopted with the purpose of precluding speculation in land, creates a bottleneck (e.g., delays in land allocations), especially for smaller investors, when poorly implemented. In addition, the non-tradability of the title causes a problem for the financial sector as the title cannot be used as a credit collateral.

Furthermore, qualified human resources are scarce in Mozambique. There is an abundant supply of poorly educated and untrained labour, but finding and retaining qualified personnel is a constant challenge for investors, although it should be said that Mozambicans are generally very willing to learn.

General conclusions

Mozambique is a good example of a least developed country in which the basic constraints on development are being gradually removed by a decisive and reform-minded Government which commands popular support. The sustainability of these efforts depends to a large extent on the tangible results they produce in the main areas of the economy. The Government is aware of this and in general committed to continuing on its current path. It is also aware that private-sector participation and, in particular, foreign direct investment with its unique combination of tangible and intangible assets, is indispensable to economic growth. In sum, Mozambique is and will remain a prime investment location in Africa (figure 1)

To C(1996-1999) OF THE *AFRICA COMPETITIVENESS REPORT, 2000/2001*



Source: UNCTAD, based on WEF (2000).

Note: The improvement Index is constructed from the "direction of change" questions in the executive survey of the *Africa Competitiveness Report* by the World Economic Forum and Harvard University. It consists of ratings of factors affecting economic growth at various points in time. The Index reflects the comparisons of answers to the same question at different times.

While the investment scene is overshadowed by weaknesses in the business environment, the potential in Mozambique remains enormous and growth is likely to continue in the future. Appropriate policies to reduce bureaucracy and instability while providing support for the private sector can contribute enormously to the progress and success of Mozambique, in particular through business linkages. Mozambique must start looking inwards at its strengths and comparative advantages so that it can then look outwards and compete.

Alkis Macropulos, CEO, Protal

Source: Based on the map of Mozambique by the United Nation Cartographic Section, 1998.

Source: Based on the map of Africa by the United Nation Cartographic Section, 1998.

MOZAMBIQUE AT A GLANCE

Official Name	Republic of Mozambique
Political System	Directly elected President with executive authority; parliament elected on party basis, with legislative authority
Head of State	Joaquim Alberto Chissano
Prime Minister	Pascoal Manuel Mocumbi
Political Parties in Parliament	Frelimo 133 seats; Renamo and União Eleitoral 117 seats
Next Parliamentary Election	By December 2004
Surface Area	799,380 km^2 in South Eastern Africa
Population	17.3 million (in 2000)
Population Density	21 people per km^2
Official Language	Portuguese, but English is widely spoken in business, political and academic circles
Local Languages	Emakua, Changane, Bitanga, Xitsua, Chope, Ronga, Elomwe, Chuabo, Sena, Shona, Ndau, Nyandja, Kimwani and Chimakonde
Religion	Traditional African 50 per cent, Christians (majority Roman Catholic) 30 per cent, Muslims 20 per cent
Climate	Tropical and sub-tropical, with the following temp.: dry season (May to September); wet season (October to April); driest months: July and August; wettest month: January (130 mm rainfall)
Time Zone	GMT + 2 Hours
Main Towns	Maputo (capital): 1,018,938 inhabitants Beira: 493,947 inhabitants Nampula: 349,324 inhabitants Nacala: 204,764 inhabitants Quelimane: 211,345 inhabitants
Currency	Metical – MT (Meticais – plural)
Exchange Rates	(30 May 2001) 1 Dollar = 19,832 MT 1 Euro = 17,393 MT 100 Yen = 16,269 MT
GDP Per Capita	$230 in 1999

Sources: National Institute of Statistics, Mozambique; UNDP; World Bank; IMF and EIU.

History and Government

In 1498, the Portuguese explorer Vasco da Gama landed on the coastal shores of Mozambique on his way to India. The Portuguese soon established a station on the *Ilha de Moçambique* (Nampula). Initially, Portuguese colonial occupation was limited to the coastal areas of the country where it gradually replaced Arab influence. Portugal began the effective occupation of what is now Mozambican territory only in 1885.

In September 1964, the National Front for the Liberation of Mozambique (Frente de Libertação de Moçambique – FRELIMO) was established. It waged a liberation struggle against Portuguese rule which ended on 25 June 1975, with Samora Moises Machel, FRELIMO's president since 1969, becoming the first president of independent Mozambique.

The first national Government adopted a centrally planned economy with a socialist outlook and a one-party state. During the subsequent 17 years, until 1992, a civil war between the ruling FRELIMO and its opponent, the Mozambican National Resistance (Resistencia National de Moçambique – RENAMO), ravaged the country. Much of the physical infrastructure was destroyed and economic activity directly or indirectly damaged, leaving the country one of the poorest in the world.

In 1983, the Government embarked first on economic and later on political reforms, gradually abandoning its socialist and interventionist economic policies and opening the political system. The reforms received the support of the IMF and the World Bank as well as of bilateral donors, and were entrenched by the adoption of a new constitution in 1990 and the signing of the General Peace Agreement in 1992, which ended the civil war. The first general multi-party elections were held in 1994. The transition to majority rule in South Africa also contributed to the creation of an environment favourable to both political stability and economic growth in Mozambique.

The new constitution adopted in November 1990 brought about the separation of executive, legislative and judiciary powers and functions. It paved the way for a multiparty democracy based on the secret ballot, freedom of the press, freedom of economic activity, and freedom of movement for both people and goods. Executive powers lie with the President, currently Joaquim A. Chissano, who selects a Prime Minister and a cabinet.

The democratization process has proved remarkably successful. Political parties have adjusted their internal strategies to the limits of democratic contest. The press is becoming more independent of the political establishment and civil society more assertive. The judiciary, although still weak, is far more independent than it used to be in the 1980s.

In December 1999, the second general election took place. As in 1994, the voters returned FRELIMO and its presidential candidate, Joaquim A. Chissano, to power. RENAMO remains the main opposition force. While tension between the two parties persists, the Government's agenda continues to focus on the consolidation of peace by democratization, reconciliation and the furthering of stable economic development. It has already achieved considerable success and is very likely to continue to do so.

Market Size and Access

Mozambique has about 17 million people with limited but increasing purchasing power. The purchasing power of the small middle and upper class (2-3 per cent of the population) is comparable to that of the middle class in South Africa. The annual economic growth of more than 7 per cent that the country has been enjoying since 1995 is steadily increasing the purchasing power.

Economic development has been quite uneven in Mozambique, with the capital city of Maputo enjoying a GDP per capita that is about six times higher than the national average. Living standards in Maputo are comparable to the country averages of Botswana, Swaziland and Egypt. The northern part of the country (Niassa, Cabo Delgado and Nampula) is at the lower end of all major indicators (table 1).

TABLE 1. MOZAMBIQUE: INDICATORS OF HUMAN DEVELOPMENT, 1998

PROVINCE	HDI[a] Value	HDI[a] Rank	HPI[b] Value	HPI[b] Rank	GDP PER CAPITA (in $)	GDP PER CAPITA Rank
South	0.427	-	39.8	-	460	-
Maputo city	0.602	1	21.1	1	1,340	1
Maputo province	0.407	2	37.3	2	174	4
Inhambane	0.304	4	51.7	4	170	5
Gaza	0.301	6	49.8	3	147	8
Centre	0.266	-	60.0	-	185	-
Manica	0.337	3	57.5	6	184	3
Sofala	0.302	5	55.2	5	306	2
Tete	0.284	7	62.1	8	158	7
Zambezia	0.173	11	65.3	10	126	10
North	0.212	-	64.3	-	159	-
Niassa	0.225	8	61.6	7	120	11
Cabo Delgado	0.202	9	67.8	11	143	9
Nampula	0.198	10	63.6	9	166	6
National	***0.282***	**-**	***56.8***	**-**	***237***	**-**

Source: UNDP, Mozambique National Human Development Report 1999.
a Human development index (HDI).
b Human poverty index (HPI); 1997 data.

As a member of the Southern African Development Community (SADC)[1] and centrally located between Southern and Eastern Africa, Mozambique has access to a market of approximately 150 million people, albeit the purchasing power of this market is still fairly low and trade barriers still persist (table 2). Still, the end of apartheid in South Africa and South Africa's admission into SADC in 1994 have brought about a promising shift from SADC's original political outlook to a more business-friendly attitude. SADC's goals include promoting regional trade and integration, boosting the region's economic independence, and mobilizing support for national and regional projects.

In 1997, all SADC members agreed to ratify a trade protocol that provides for the phased reduction and ultimate elimination of tariffs on goods originating in member states. South Africa, which has by far the largest economy in the region, has agreed to eliminate its tariffs over an eight-year period; the other members have been given a ten-year period.

1 Other SADC member countries are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

EAST AND AFRICAN

COUNTRY	POPULATION	GDP [a]	GDP PER CAPITA	GDP PPP [b]	GDP PER CAPITA PPP
	Millions 1999	$ billions 1999	$ 1999	$ billions 1999	$ 1999
Kenya	29.4	10.6	361.7	30.1	1021.9
Malawi	10.8	1.8	167.8	6.3	586.2
	17.3		*230.0*		*861.4*
South Africa	42.1	131.1	3114.2	375.1	8908.2
Uganda	21.5	6.4	298.5	25.1	1167.1
United Republic of Tanzania	32.9	8.8	266.1	16.5	500.1
Zambia	9.9	3.1	318.8	7.5	756.2
Zimbabwe	11.9	5.6	471.1	34.2	2875.6
Total [c]	133.7	40.4	..	134.5	..

Source: UNCTAD, based on the World Bank, World Development Indicators, 2001.
a GDP at market prices (current United States $).
b GDP at Purchasing Power Parity (current international $).
c Total excludes South Africa.

Government Priorities

The Government's main priorities for the period 2000-2004 lie in three areas:

Economic development
- Developing the financial sector
- Strengthening the capacity of the private sector
  (in agro-industry, energy, mining, transport, transport corridors, communications and tourism)
- Reducing "red tape"
- Improving infrastructure
- Strengthening rural development and agriculture
- Improving the trade regime

Social development
- Improving education
- Improving health, in particular, preventing the spread of HIV/AIDS and Malaria
- Strengthening the rights of women

Organisation of the State

- Speeding up public-sector reform and capacity-building
- Improving governance generally
- Undertaking judicial and legal reforms
- Maintaining peace and security

With respect to macro-economic policies, the Government's strategy is to sustain stable and broad-based economic growth by relying on markets and the efforts of private entrepreneurs. This strategy has been endorsed by donors and is showing positive results.

Privatization is central to realizing the vision of the private sector as the engine of growth. Since the early 1990s, the objectives of the public-enterprise reform and divestiture programme have been to reduce the role of the public sector and to promote the development of an efficient private sector. Over 1,400 public enterprises have been divested so far. The sale of state-owned enterprises had yielded a total of $144 million in local and foreign currencies by 1999. This figure underlines Mozambique's position as one of the front-runners in privatization in Africa, as few other countries have raised more foreign exchange through their privatization programmes. Only a few public enterprises remain to be privatized, such as Telecomunicacaões de Moçambique (TDM), Electricidade de Moçambique (EDM), Empresa Nacional de Hidrocarbonetes (ENH) and others. At present, they are all going through a phase of corporatization to attract private investment and develop their infrastructures (a list of public enterprises not yet privatized can be found in Appendix 5).

The privatization programme has helped eliminate many barriers to private investment in a range of industries previously reserved for (or dominated by) the state. In the process, the Investment Promotion Centre has been transformed from a regulatory to a promotion agency, and helped to reduce administrative red tape further for investors. Its central co-ordination task for attracting foreign direct investment ranks high on the Government's agenda. It has successfully attracted foreign investors in agriculture and fishing, minerals exploitation, transport, manufacturing, energy generation, construction, banking and other areas.

Box 1 – Of Risks and Returns: Investing in LDCs

"Why would anyone invest in a least developed country (LDC)?" a presumably hard-headed entrepreneur might ask. "Aren't the risks sky-high and the profits precarious?"

This rather casual dismissal of a quarter of the world's countries as locations for investment might be widespread but, like much conventional wisdom, it might also be unwise. True, investing in an LDC can be a complicated business, with many bottlenecks and much frustration, but an LDC is not always riskier than other locations and is frequently more profitable.

One problem with the association of high risk with LDCs is that it treats 49 countries as though they were all clones of a single national type. In truth, there is much variation. Some LDCs are riven by civil war and some destabilized by coups and counter-coups. There are others, however, that have established a track record of political stability and sustained growth (Uganda and Mozambique) or shown great resilience in the face of natural calamities (Bangladesh). When it comes to conventional risk-ratings, LDCs tend to suffer from image problems and a simple lack of information, unlike the industrialized countries in which risk-ratings can be founded on a much broader and more reliable information base. "... [T]he methodology of rating depends too much on subjective perception and outdated data", says a recent study. "Together with their limited country coverage, these factors automatically bias against most African (and other low-income) countries."[a] A better way to assess risk and to get a feel for the *direction* of change in a country is to talk to investors already on the ground. The UNCTAD-ICC guides contain summaries of business perceptions and lists of current investors precisely to facilitate this.

When it comes to profits, the evidence is that rates of return on foreign direct investment in LDCs are much higher than on investment in developed, or even other developing, countries. Between 1995 and 1998, United States companies registered returns of almost 23 per cent on their investment in African LDCs, while for LDCs in Asia and Oceania the figure was 13 per cent.[b] Similar findings for Japanese affiliates abroad confirm that Africa, with 33 LDCs in it, is a *very* profitable location indeed.

Is there a moral here? Yes, one that can be summed up in a single maxim: *Differentiate*. Investors need to differentiate among the 49 LDCs. Some will confirm their prejudices; yet others will shake them.

Source: UNCTAD.

a Bhinda, et al., *Private Capital Flows to Africa: Perception and Reality* (FONDAD, London, 1999), p. 104.
b UNCTAD, *The Least Developed Countries Report 2000* (United Nations, Geneva and New York, 2000), p. 84.

My view of doing business in Mozambique is that it is like most things – it has its pros and cons. The biggest negative feature is the complex bureaucracy. On the positive side, our view is that the growth potential of the country is high and that this far outweighs the difficulties.

Mark Hayworth, Country Chairman, Shell Mozambique

Economic Environment

Mozambique is essentially an agriculture-based economy and the contribution of agriculture, at almost 28 per cent of GDP in 1999 (table 3), is believed to be substantially underestimated in official statistics. More than 75 per cent of the population is employed in the agricultural sector. The main crops are maize, rice, beans, vegetables, cassava and sisal. The main export products are prawns and shrimp, cashew nuts, cotton, copra and sugar. Agriculture has benefited from the combination of an improved economic environment, good rains in recent years and the considerable increase in output resulting from the large-scale return of refugees to the countryside since the mid-1990s. Since 1996, Mozambique has achieved virtual self-sufficiency in grains and, at present, cereal and cassava production exceeds national needs. Still, agricultural productivity remains well below the African and regional average, and the sector has considerable unexploited potential for further growth. Increases in output have also been encouraged by the rehabilitation of infrastructure, including roads, and the gradual restoration of rural trading networks, in particular after the floods

GINS OF GD NT YEARS

INDUSTRY	1996	1997	1998	1999[a]
Agriculture	30.5	30.2	27.8	27.5
Fishing	4.0	3.9	3.3	2.9
Mining	0.2	0.3	0.3	2.9
Manufacturing	8.7	9.6	10.2	9.7
Electricity and water	0.5	0.8	1.9	2.8
Construction	6.6	6.7	8.7	8.6
Commerce and services	23.8	23.2	22.8	22.1
Restaurants and hotels	0.8	1.2	1.2	1.2
Transport and communications	8.6	8.9	7.5	7.4
Financial services	3.7	3.2	2.8	3.7
Real estate rental and services	3.9	3.7	3.7	2.1
Public administration and defence	2.6	2.5	2.8	0.8
Education	1.4	1.5	1.9	4.4
Health	0.4	0.4	0.5	1.8
Other services	4.3	4.2	4.3	3.9

Source: UNCTAD, based on the National Institute of Statistics, Mozambique.

a Preliminary data.

Box 2 – The 2000 Floods

In February 2000 Mozambique experienced a major natural disaster caused by the worst flooding for 50 years, as heavy rains in both Mozambique and South Africa caused the major rivers to overflow. The floods were shortly followed by a tropical storm, Cyclone Eline. An estimated 800,000 people were displaced in the southern and central provinces of Maputo, Gaza, Inhambane and Sofala. The floods and the cyclone, in which homes, factories and critical infrastructure such as roads and bridges were damaged or destroyed, was a major setback for the country. International assistance was soon forthcoming for rehabilitating infrastructure and resettling and reintegrating displaced people. A conference of donors took place in Rome in April 2000 and some $450 million were pledged to help mitigate the consequences of the floods. It appears that the impact of the floods has not materially altered the overall positive economic outlook for the country.

The floods in early 2001 were less severe than the 2000 floods affecting mainly southern provinces. The waters receded fairly quickly, allowing for early resettlement. The main impact was on some roads, bridges and crops. Emergency aid in the form of seeds and tools was distributed in May and June.

Source: UNCTAD and World Bank.

in 2000 (box 2). Road transport remains generally poor, however, and the more fertile northern regions remain isolated and often impenetrable.

The geographic position of the country in relation to neighbouring landlocked countries and regions has historically made transport services – roads, railways, ports, shipment and transhipment – a central element of the economy and a significant foreign-exchange earner. Commerce and services as a whole account for about 40 per cent of GDP in official statistics.

The Cahora Bassa hydroelectric dam, which has a capacity of 2,075 MW a year, is servicing a current annual national consumption of around 200 MW. Once the newly constructed aluminium smelter in Maputo (MOZAL) is fully on stream it will consume another 450 MW. Electricity is also exported to Zimbabwe, Malawi, Swaziland and to South Africa.

The industrial sector is poised for substantial expansion following the inception of production at the $1.3 billion MOZAL project outside Maputo in September 2000. The project will foster important linkages with the rest of the industrial and manufacturing sector. The nearby Beluluane Industrial Park, an export-processing zone (EPZ), is the main vehicle for attracting such investments. A number of other so-called megaprojects are currently in the pipeline. Growth in the industrial and manufacturing sector is playing an important role in the local manufacture of consumer products, which is now the fastest growing economic sub-sector.

Macroeconomic Conditions

Mozambique has emerged as a rapid reformer in recent years as the Government has accelerated the implementation of market-based economic policies, including far-reaching structural reforms under which the state has retreated as a direct actor from the economy in favour of private activity.

Since the early 1990s, macroeconomic policy objectives have been geared to achieving low inflation and exchange-rate stability, while promoting economic growth (table 4), exports and consolidating fiscal receipts, as a way to stabilize the economy and overcome domestic and balance-of-payments difficulties. One of the Government's overall macroeconomic targets is the accumulation of gross international reserves. It has been remarkably successful so far, primarily because of an investment-friendly environment attracting considerable amounts of FDI, complemented by debt relief and international aid flows.

International aid plays a pivotal role in Mozambique's economy and in the balancing of its external accounts. During the last 14 years, Mozambique has received about $8 billion in foreign aid, almost $600 million per year (currently circa 17 per cent of GDP). Up to 2001, similar levels of aid are promised. To such flows, about $4 billion in debt relief needs to be added (box 3).

RATES

COUNTRY	GDP ANNUAL GROWTH RATES (PERCENTAGES)				
	1996	1997	1998	1999	1990-98 (annual average)
Kenya	4.1	2.0	1.8	1.3	2.2
Malawi	8.9	4.9	3.0	4.5	3.8
		11.3		*9.0*	
South Africa	4.2	2.5	0.6	1.2	..
Uganda	9.0	4.7	5.6	7.4	7.3
United Republic of Tanzania	4.3	4.0	3.5	4.7	3.0
Zambia	6.5	3.4	-2.0	2.4	1.0
Zimbabwe	8.7	3.7	2.4	0.0	2.3
Sub-Saharan Africa Average [a]	4.7	3.2	2.0	2.0	2.3

Source: UNCTAD, based on the World Bank, World Development Indicators, 2001.

a Sub-Saharan Africa Average also includes Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Guinea, Guinea-Bissau, Lesotho, Madagascar, Mali, Mauritania, Mauritius, Mayotte, Namibia, Niger, Nigeria, Rwanda, Sao Tomé and Principe, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland and Togo.

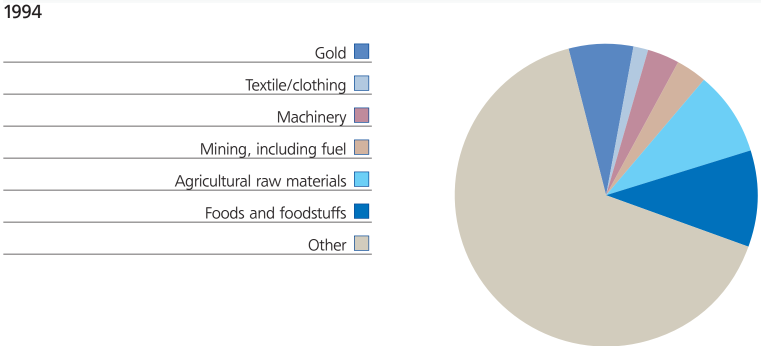
Trade and Investment

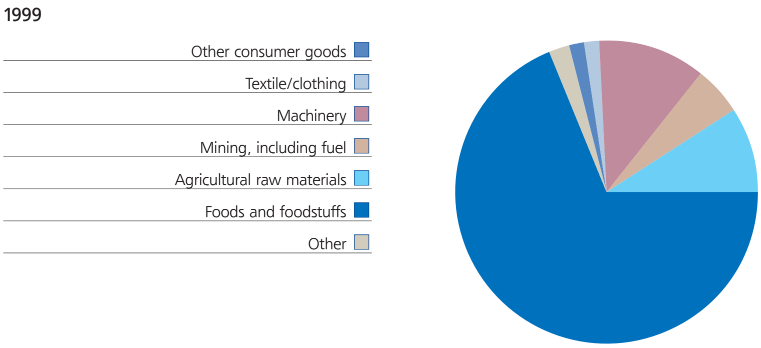
Trade

Exports are dominated by primary commodities, with fisheries (prawns and shrimp) the largest category (figure 2). The export sector has performed badly since the late 1970s due to poor supply conditions caused by the effects of the civil war and interventionist Government policies.

Although exports have gradually recovered since the mid-1990s, they have underperformed, particularly relative to the country's high GDP growth, despite the boost from electricity exports which amounted to $34 million in 1998. Declines led by the crucial prawn-shrimp sector, because of unfavourable climatic conditions and poor international prices, account for the shortfall. The export volumes of cashew nuts and cotton have held up but export receipts have declined due to a fall in

FIGURE 2: EXPORTS BY MAJOR COMMODITY GROUPS, 1994 AND 1999





Source: UNCTAD, data provided by the Mozambique authorities, and WTO Secretariat estimates.

Box 3 – Debt Relief

A central burden on the balance of payments has been the high level of accumulated external debt. The Government's successful pursuit of economic policies as certified by the IMF and the World Bank made it eligible for the Heavily Indebted Poor Countries (HIPC) debt relief initiative, under which bilateral and multilateral creditors agreed to a more than 90 per cent reduction in debt at net present value (NPV). In consequence, Mozambique has received close to $4.0 billion in debt relief, the largest reduction yet granted under the HIPC programme, cutting total external debt to around $l billion in NPV terms. Mozambique's total external debt-service obligations are thus due to fall to an annual average of $55 million in 2000-05 from an average of $169 million that would have been due in the absence of HIPC relief. By 2001, debt service is to fall to 10 per cent of Government revenue and to around 4 per cent of exports.

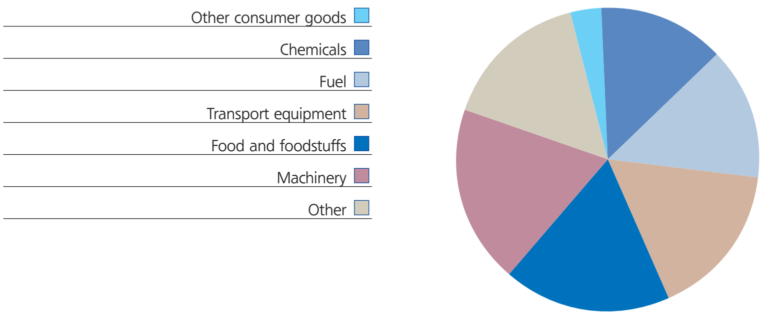
Source: UNCTAD, based on World Bank/IMF.

world prices, particularly in India where the nuts are processed. The quality of exported cashew nuts has suffered in recent years compared with the main competitors in Asia.

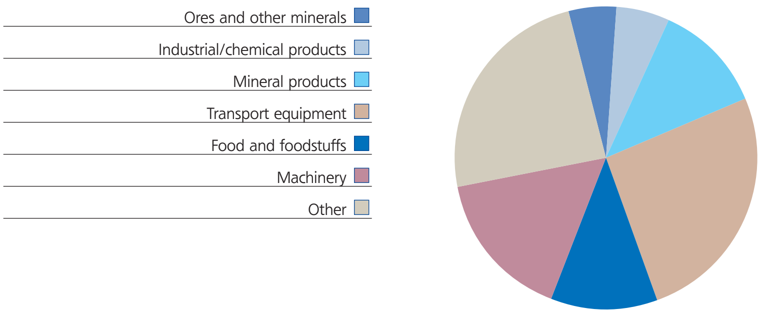
Agricultural exports are constrained by the weaknesses of the rural sector, including poor infrastructure and underdeveloped trading network. Aside from cashew nuts and cotton, other sub-sectors that could make a significant contribution to exports, such as citrus, tea, copra and tobacco are still stagnant. Sugar is still a great potential area, although rapid production growth will initially be directed to the domestic market and Mozambique will not become a net exporter before 2002. In the meantime, sugar exporters will continue to benefit from United States quota allocations and also from the thorough liberalization of the European Union's trade regime applicable to LDCs. Exports of manufactured goods, which account for more than 10 per cent of the total, have performed satisfactorily. They are driven by textiles, tyres and processed raw materials. With MOZAL on stream and other mega-projects likely to materialize, the World Bank estimates that exports could reach $1.3 billion in 2003. Although the export volume will increase substantially, it might not reach such a level in such a short period, given the setbacks caused by the unusual floods in 2000 and 2001. The political tensions in neighbouring Zimbabwe, with their negative repercussions for the whole region, could also reduce growth potential.

FIGURE 3: IMPORTS BY MAJOR COMMODITY GROUPS, 1994 AND 1999

1994



1999*



Source: UNCTAD, data provided by the Mozambique authorities, and WTO Secretariat estimates.

* Imports do not include MOZAL related imports and are based on 1st half of 1999

Imports (figure 3) were boosted by mega-projects like MOZAL (see box 4 below) and rose rapidly in 1999 to reach an estimated $1.4 billion. Meanwhile, exports rose only slightly, to $266 million. Consequently, the trade deficit rose from $717 million in 1998 to an estimated $1.15 billion in 1999.

Economic recovery and increasing foreign investment will further accelerate import growth, although some import substitution has taken place in recent years with the increased production of raw and processed agricultural and consumer goods.

Mozambique's principal trading partners are South Africa and the OECD countries (table 5). After independence there was some diversification of trading partners, with centrally planned economies accounting for 16.7 per cent of exports and supplying 26.4 per cent of imports in 1984. This trend was reversed in the late 1980s with the collapse of the former communist bloc. Trade with other African countries has also increased in recent years. South Africa and Zimbabwe are again significant markets for Mozambican exports. Spain is the second largest export market, with the exports dominated by seafood products, and South Africa has emerged in recent years as the dominant foreign supplier of imports.

Whereas merchandise exports have traditionally been weak, services, including port and railway services and remittances from Mozambican miners working in South Africa, have in the past brought in substantial receipts. Although the services balance is still negative because of debt-servicing outflows, the deficit has narrowed since the late 1980s. Imminent privatization and investment in the port and rail corridors is expected to re-establish the prominence of the transhipment sector's contribution to foreign-exchange earnings. In 1998, the earnings from transport services amounted to $58 million.

IN TRADIN … S (IN MILLIONS OF

EXPORTS TO:	1995	1996	1997	1998	1999
Spain	35	46	43	33	34
South Africa	40	42	40	44	72
Portugal	14	17	21	19	24
United States	9	24	27	14	13
Japan	24	17	19	12	12
IMPORTS FROM:	**1995**	**1996**	**1997**	**1998**	**1999**
South Africa	183	252	311	323	686
Zimbabwe	31	31	17	19	6
Portugal	65	49	46	65	67
United States	50	33	40	43	80
Japan	37	31	34	32	47

Source: UNCTAD, based on IMF, Directorate of Trade Statistics Yearbook.

INFLOWS* TO MOZAM … D SOUTHEAST AFRICA

COUNTRY	1986-1990 (annual average)		1991-1995 (annual average)		1996		1997	
	$ millions	per $ 1,000 GDP	$ millions	per $ 1,000 GDP	$ millions	per $ 1,000 GDP	$ millions	per $ 1,000 GDP
Kenya	38.4	4.7	12.6	1.5	12.7	1.4	40.0	3.9
Malawi	9.4	5.9	13.0	7.9	43.6	19.2	22.1	8.8
	5.0	*2.5*			*72.5*	*25.2*		
Uganda	-0.6	-0.3	53.6	12.3	121.0	21.7	175.0	29.3
United Republic of Tanzania	0.3	0.1	46.4	10.2	148.5	23.0	157.8	20.7
Zambia	112.5	36.2	53.7	16.0	117.1	35.5	207.0	52.6
Zimbabwe	-12.7	-1.7	43.7	6.3	80.9	9.5	135.1	16.1
Africa	2908.3	9.0	4204.7	13.1	5622.4	14.6	7153.5	18.0
Africa including South Africa	2835.7	6.9	4581.2	10.3	6440.0	12.6	10970.1	20.8

Source: UNCTAD, FDI/TNC database.
*Actual flows.

Foreign Direct Investment

Mozambique has established itself in recent years as one of the leading FDI recipient countries in Southern and Eastern Africa (table 6). Foreign direct investment (FDI) in Mozambique – on an approval basis – reached a cumulative total of $1.6 billion between 1985 and 2000. The main sources of FDI were the Republic of South Africa with 28 per cent of the total volume (table 7). The United Kingdom with 22 per cent and Portugal with 19 per cent. Other leading investor countries were Japan, Mauritius and the United States. It is worth noting that investors from non-traditional source economies like Japan, France, Hong Kong (China), United States, Malaysia and Mauritius have participated in key areas like banking, textiles, steel and sugar over the past five years.

South African investments in Mozambique are fairly diversified with the greater influx being directed to partnerships in major projects, but there are also investments in small and medium-scale projects, especially in industry and tourism. The United Kingdom has now moved to the second position as a source of FDI on account of Billiton's participation in MOZAL (box 4).

Portuguese investment is mostly in the service sector: banking, insurance, consulting. Over recent years there has been a shift towards light industry and small-scale agriculture. The majority of Portuguese projects registered over recent years are related to the privatization process, such as the acquisition by Portuguese firms of parastatals like Banco Comercial de Moçambique, Cimentos de Moçambique, and Metecna.

INVESTMEN … N APPROV

(number of projects and millions of dollars)

POSITION	SOURCE	NUMBER OF CURRENT PROJECTS	APPROVED INVESTMENT (CUMULATIVE FROM 1985 TO 2000)
1	South Africa	278	447
2	United Kingdom	85	352
3	Portugal	364	305
4	Japan	2	130
5	Mauritius	21	80
6	United States	19	40
7	Australia	15	34
8	Netherlands	12	26
9	Hong Kong, China	3	26
10	France	14	19
Sub-Total		813	1,459
Others		270	136
Total		1,083	1,595

Source: UNCTAD, based on information provided by the Investment Promotion Centre of Mozambique.

1998		1999		2000	
$ millions	per $ 1,000 GDP	$ millions	per $ 1,000 GDP	$ millions	per $ 1,000 GDP
42.0	4.1	42.0	4.0	60.0	-
70.2	41.6	60.0	33.0	50.8	-
212.7	*55.7*			*139.2*	-
210.0	34.7	222.1	35.0	254.4	-
172.2	21.3	183.4	20.9	192.8	-
198.0	59.1	162.8	49.0	200.0	-
444.3	78.4	59.0	10.3	30.0	-
7713.1	19.3	8971.4	21.2	8198.0	-
8274.5	16.0	10473.8	18.9	9074.5	-

French investment has recorded considerable growth following projects like the Laurentina Cervejas (brewery) and MOZAL. German FDI is most noticable in the telecommunication sector, where Deutsche Telekom is a leading partner of the Mozambican mobile phone company MCel and where it has a managing contract for the fixed-line service of TDM, the Mozambican national telecommunication company. About 7 per cent of FDI originates from Swaziland, China, Italy, Zimbabwe and Australia, among other countries.
1997 was a crucial year in the flow of mega projects to Mozambique, with the approval and the beginning of implementation of the MOZAL project. This project has helped attract many other projects to Mozambique, including those involving foreign small and medium-sized enterprises. MOZAL has helped improve the perception of Mozambique in international markets, which in turn has positively influenced the trend of international investment flows to Mozambique specifically and to Southern Africa generally.

Industry, agriculture and tourism were the sectors that attracted the major (approved) investments between 1985 and 2000. About $1 billion of foreign direct investment was approved since 1997. Manufacturing registered about $662 million in approved investment since 1997, agriculture and financial services came in second and third place with approvals of $125 million and $102 million, respectively (table 8).

The majority of investments undertaken in the industrial sector were directed at the local market, mainly in food and beverages (e.g., Coca Cola,

FLOWS (ON ... AL BASIS)
INTO MOZAMBIQUE, BY SECTOR

September 1997 to December 2000 (number of projects and millions of dollars)

SECTOR	NUMBER OF PROJECTS	APPROVED INVESTMENT
Manufacturing	225	622
Agriculture, forestry and fishing	193	125
Financial Services	21	102
Other business services	146	65
Tourism	78	43
Transport, communication	73	24
Construction	67	17
Mineral Resources	2	0.1
Total	805	998

Source: UNCTAD, based on information provided by the Investment Promotion Centre of Mozambique

Laurentina Beer Company, Cervejas de Moçambique, and dairy companies like Parmalaat and Lacticinios de Umbeluzi) and construction. A smaller number of projects, in the fields of steel foundry and metallurgy, aim at exports. Investments in the tourism sector are mainly directed at high-income foreign tourists (eco-tourist resorts, lodges, 3- and 4-star hotels, casinos).

Although stocks of FDI in the construction, housing and real estate sectors are relatively low (a total of $312 million in 15 years), there has been an unprecedented leap in FDI throughout the country in the last few years.

In terms of the number and accumulated value of the investment projects approved in the whole country in 2000, the Maputo province comes first, with 889 projects and an anticipated FDI volume of about $1 billion. The majority of investment continues to go into the southern region of Mozambique, mainly Maputo City and the Maputo Province, which results in a considerable migration of the active population from other provinces to Maputo in search of work and better living standards.

As for the outlook for the period between 2000-2004, one must stress that, despite the relative growth in FDI registered thus far, Mozambique has yet other unexploited business opportunities in areas such as food and beverages, tourism, telecommunications, energy, textiles, garments and leather. The country is poised to identify foreign partners with financial and technological capacity, business experience and quality assurance.

BOX 4 – MOZAL and Other Mega Projects

The Council of Ministers approved the project on 23 December 1997 and issued the Investment Project Authorisation (IPA). A decree was also passed to give legal effect to the conditions contained in the IPA. The Government of Mozambique has granted the smelter Industrial Free Zone (IFZ) status during its construction and operation phases.

MOZAL's production capacity amounts to 250,000 tons per annum of primary aluminium. The first aluminium was produced in June 2000, and full capacity was reached in December 2000, about 6 months ahead of earlier plans. The total costs were about $100 million less than the expected $1.4 billion. In June 2000, the owner consortium decided to commission a feasibility study for an expansion of the production capacity by 100 per cent. The increased capacity could be available by 2003.

The main shareholders are Billiton Plc, the Industrial Development Corporation (IDC) of South Africa, Mitsubishi and the Mozambican Government. The Beluluane Industrial Park (an EPZ) has been established next to MOZAL to build up an industrial supplier base for the project.

Both projects also brought completely new water, electricity and other infrastructure investments in the vicinities of Maputo, including the new port *Matola*. Construction of a $300 million 440-kilomter N4 toll road linking South Africa's industrial heartland with Maputo has been completed. The consortium which built and operates the road includes Bouygues of France, and Basil Read and Stock & Stocks from South Africa. The MOZAL project required the construction of two 400 KV transmission lines from South Africa to Maputo. Investment cost were about $120 million. The consortium which has built and owns it comprises ESKOM from South Africa, the Swazi Electricity Board and EDM. MOTRACO is the name of the joint operating company.

Other Mega Projects

Another $7 billion in FDI is planned to be realized over the next ten years. These projects include the $900 million expansion of MOZAL, the $1 billion Temane and Pande Natural Gas Project, which will feed the energy needs of the $2 billion Maputo Iron and Steel Project and at a later stage also the $620 Beira Iron Ore Project (BIP) to be developed by JCI from South Africa, the $1 billion Corridor sands projects, and the $2 billion Medanda Uncua Dam over the Zambezi River. A massive reserve of coal in the Tete province has caught the interest of Austral Coal (Australia) and JCI, and planning for the Moatize Coal mine is well advanced. Each of the companies has submitted development plans, and is negotiating a joint development programme. Current plans include the production and export of around 7 million tons of coal. Initial investment costs for the coal project will be around $500 million, while the overall projected investment might reach $1,300 million.

Source: UNCTAD.

Infrastructure and Utilities

Road Transport

The poor state of the domestic road network is an obstacle to many investors, especially those engaged in the agricultural sector. The northern part of the country is particularly affected, while the west-east connections are generally better than the north-south connections.

Rehabilitation of the internal transport system has been targeted as a priority for the transport sector through the roads and coastal shipping (ROCS) programme led by the World Bank (table 9). The costs of the required investments are estimated to amount to $406m for the road programme over 1999-2001. The Government is planning to undertake periodic and routine maintenance of up to 28,000 km of roads through to 2003 and to rehabilitate a further 2,300 km of roads per year.

Coastal Shipping

Coastal shipping has picked up after the collapse during the mid-1990s when the state shipping company, Navinter, all but ceased operations. The sector was opened to private operators in 1996 and four foreign-owned companies, including the privatized Navinter, provide container services between Nacala, Quelimane, Beira, Pemba and Maputo, and on to Durban. Strong growth in coastal traffic, particularly to the smaller northern ports of Quelimane, Nacala and Pemba, is an indication of increasing commercial activity in the northern provinces. In 1998, southbound coastal traffic increased by 67 per cent; traditionally, traffic has been predominantly northbound, carrying supplies from Maputo with ships returning south largely empty. Traffic at Beira, however, fell considerably owing to management problems. New management of the port in 1999 by Cornelder de Moçambique saw an upward turn in container traffic in particular.

Ports and Railways

Mozambique is strategically located in the region and has a long tradition in rendering transport and logistical services to the business community not only in Mozambique but also in the northern and eastern regions of South Africa, Zimbabwe, Swaziland, Zambia and Botswana. Its rail and road networks were established to move bulk exports and imports of essential goods not locally available for the development and exploitation of the resources of these countries.

D REHABIL ND MAINTE 99-2003 (IN K

	1999	2000	2001	2002	2003	TOTAL
Rehabilitation of major roads	260	260	780	780	520	2,600
Feeder road rehabilitation	600	600	1,800	1,800	1,800	6,600
Periodic maintenance	900	900	2,700	2,700	1,800	9,000
Routine maintenance	20,000	21,000	22,000	24,000	26,000	113,000
Construction of permanent bridges	1	1	1	1	1	5

Source: UNCTAD, based on information provided by the Ministry of Public Works, Government of Mozambique.

The connection to the neighbouring countries was always accorded priority, to the detriment of internal links, especially in the rural areas. However, over $1.0 billion are being spent to rehabilitate and maintain primary and secondary roads and to improve the management capacity of the road-sector institutions.

Mozambique's three main ports, at Maputo, Beira and Nacala, form the hubs of the transport system (table 10). The port of Maputo serves South Africa, Swaziland and Zimbabwe, while the ports of Beira and Nacala handle cargo from Zimbabwe, Zambia, Malawi and occasionally from Botswana and the Democratic Republic of Congo. Current political tension in neighbouring Zimbabwe, whose markets generated a large part of port traffic, adversely affected the handling volume of the port in Beira. All of the ports have container facilities and are trying to gain back business after years of war and mismanagement. Since the late 1980s, rehabilitation programmes have attracted sizeable contributions from the donor community. The first phase of the modernization of the Beira port was finished in 1992, with the opening of a $100 million container terminal. The port is now able to handle some 7.5 million tons of cargo per year and vessels weighing up to 50,000 tons can enter it. The port of Maputo has reorganized its management, turning several of its terminals – container, citrus, coal and sugar – over to private companies. Rail traffic is concentrated in the southern region around Maputo (table 11).

The Government is in the process of attracting private-sector participation in the massive ports and railways company, Portos a Caminhos de Ferro de Moçambique, EP (CFM), Mozambique's largest public-sector employer and the last redoubt of state ownership in the economy. Rather than selling outright what is considered a prized national asset, the Government is to hand over CFM management of the individual port and rail lines as long-term lease concessions to private companies. CFM is expected to withdraw completely from a direct management role and to assume more the functions of a holding company, overseeing management contracts and assets.

RT TRAFFIC

	1995	1996	1997	1998
Maputo	2,625	3,180	3,417	3,469
Beira	4,160	4,591	4,708	3,216
Nacala	492	423	479	503
Quelimane	160	158	257	300
Pemba	71	53	103	119
Total	7,508	8,405	8,864	7,607

Source: UNCTAD, based on data from Portos e Caminhos de Ferro de Moçambique, (CFM).

(IN 1,000 METRIC

	1973	1985	1996	1997	1998
South region (Maputo)	14,129	1,826	2,666	2,607	3,081
Central region (Beira)	5,933	1,063	1,174	987	765
North region (Nacala)	531	215	270	237	250
Total	20,593	3,104	4,110	3,831	4,096

Source: UNCTAD, based on dated provided by Portos e Caminhos de Ferro de Moçambique, (CFM).

Air Transport

Scheduled services on main routes[2] are provided by the state airline Linhas Aérias de Moçambique (LAM). Scheduled services to internal destinations not served by LAM are provided by several private charter airlines. The former state-owned charter company, Empresa Nacional de Transporte e Trabalho Aéreo (TTA), which was broken up and units sold to various bidders in 1996-97, is lobbying for permission to begin additional scheduled services. Domestic air traffic has shrunk considerably since the end of the war, as surface transport has become safer, although distances and the state of the infrastructure make air services indispensable.

2 All major towns (Beira, Chimoio, Lichinga, Nampula, Penda, Tete, Quelimane) are serviced by scheduled flights.

International services are provided from Maputo to Lisbon, Mauritius, Addis Ababa, Johannesburg, Durban, Richard's Bay, Harare, Manzini (Swaziland) and Blantyre, by various airlines. International flights from Beira go to Johannesburg, Harare and Blantyre. A large share of intercontinental travel to and from Mozambique is directed through the far better serviced and more competitive Johannesburg hub, owing to its proximity and daily flights to Maputo.

Energy

Despite significant coal deposits, hydroelectric capacity and natural gas reserves, domestic energy generation has in the past barely been exploited. The anchor of present energy generation is the Cahora Bassa hydroelectric dam (Tete province), which was inaugurated in 1974. It has an annual capacity of 2,075 MW. Mozambique's total electricity consumption is currently measured at 200 mw/year (table 12). It is expected to rise by 200 to 300 per cent with the completion of the planned mega-projects. A number of remote rural locations and regions, especially in the north of the country, are not yet connected to the electricity grid, although the rehabilitation of pre-war lines was completed in December 1997.

The power lines from Cahora Bassa to South Africa bypass Maputo but a part of the output is now transferred back to Mozambique along a new Maputo-South Africa link. Another 400-kv transmission line is to be built by MOTRACO, a joint venture set up by the South African electricity utility Eskom, Electricidade de Mocambique (EDM) and the Swaziland Electricity Board. Most of the power it provides will be used by the MOZAL aluminium smelter in Maputo. A reserve thermal electricity plant also exists in Maputo. EDM is currently exploring options for attracting additional private investment.

The extension of the distribution network to the southern provinces of Maputo, Gaza and Inhambane is scheduled for completion by early 2002. The floods which ravaged the country in February 2000 have caused considerable delays. The northern cities of Nampula and Quelimane are connected to the Cahora Bassa dam and the central city of Beira is served by two small, privately owned hydroelectric plants situated in Manica province. The improvement of the northern lines to Niassa, Nampula and Zambezia is also in progress.

COUNTRY	CONSUMPTION PER CAPITA (KWH)		TRANSMISSION AND DISTRIBUTION LOSSES (PERCENTAGES OF OUTPUT)	
	1980	1998	1980	1998
Kenya	92	129	16	25
Malawi	..	..	..	
Mozambique	34	54	39	10
South Africa	3213	3832	8	
Uganda	..	..	..	
United Republic of Tanzania	37	53	14	22
Zambia	1,016	539	7	11
Zimbabwe	990	896	9	17
Sub-Saharan Africa Average[a]	434	454	9	10

Source: UNCTAD, based on the World Bank, World Development Indicators, 2001.
a Sub-Saharan Africa Average: see table 4, footnote a, for list of countries.

Telecommunications

Telecommunications of Mozambique (TDM) remains 100 per cent Government-owned but much has been done to corporatize it. For example, cellular service was introduced in 1997 (MCel) through a joint venture with Deutsche Telekom. TDM management has worked hard to improve the quality of its workforce and to introduce new technology. TDM served a total of 75,354 telephone subscribers at the end of 1998, which excluded the 12,243 mobile phone subscribers to MCel in 1999. The total exchange capacity was 105,612. More than 99 per cent of the subscribers are connected to digital exchanges and the remainder to analogue exchanges, which are gradually being replaced. More than 100 towns and large villages in the country now have access to the telecommunications network. Over 97 per cent of the customers are connected to the national automatic service.

The unsatisfied demand for telephone services (table 13) could be reduced substantially. The mobile telephone network coverage has now been extended to cover all the major centres. Increased competition will be introduced with the forthcoming issue of a second licence for mobile phone operators.

TDM is updating its National Backbone Transmission Network (wet and dry network) with the help of Alcatel. It will allow TDM to link some of the main towns located along the coast, thereby extending its network regionally and internationally. The network should be installed by the end of 2001.

As a parastatal, TDM used to play the roles of both regulator and service provider. As part of the ongoing economic and social reforms, the Government has established the National Telecommunication Institute to restructure the industry, which is now mandated to formulate policy and supervise implementation of laws and regulations.

ICATION

	TELEPHONE MAINLINES				COST OF TELEPHONE CALLS	
	PER 1,000 PEOPLE	IN LARGEST CITY PER 1,000 PEOPLE	WAITING LIST THOUSANDS	WAITING TIME YEARS	COST OF LOCAL CALL $ PER 3 MIN.	COST OF CALL TO UNITED STATES $ PER 3 MIN.
COUNTRY	1999	1999	1998	1999	1999	1999
Kenya	10	71	121	10	0.05	11
Malawi	4	62	32	10	0.03	12
		24		7		6
South Africa	125	415	116	0	0.08	
Uganda	3	37	9	3	0.15	9
United Republic of Tanzania	5	28	30	2	0.08	13
Zambia	9	23	12	7	0.05	3
Zimbabwe	21[b]	75	109	5	0.03	3
Sub-Saharan Africa average [a]	14 [b]	30	..	6	0.07	

Source: UNCTAD, based on the World Bank, World Development Indicators, 2001.
a Sub-Saharan Africa Average: see table 4, footnote a, for list of countries.
b data for 1998.
c cost for local calls are covered by the flat monthly connection fee of $20.

The Financial Sector

In 1978 all private banks operating in Mozambique were nationalised and merged into two state institutions, the Banco de Moçambique (the central bank) and the Banco Popular de Desenvolvimento (BPD). During the 1980s and early 1990s the banking system operated virtually as an arm of the state budget, most credit being directed to assist troubled state enterprises.

After 1992, the Government's economic reform programme covered also the financial sector. Foreign banks were now allowed to invest in Mozambique, interest rates deregulated, and the regulatory and commercial activities of the central bank separated. The central bank function was assumed by the Banco de Moçambique. The commercial banking function was assumed by the newly created Banco Comercial de Moçambique (BCM). In 1996 the BCM was sold, in 1997 the BPD. A 51 per cent share of the joint stock of the BCM was sold to a group of foreign investors, including the Banco Mello, the União dos Bancos Portugueses, the National Merchant Bank of Zimbabwe and Impar, a Mozambican insurance company. BPD was acquired by a consortium of Malaysian and local investors on privatization and changed its name to Banco Austral.

Liberalization has quickly attracted new entrants into the banking sector. Until 1992, the Banco Standard Totta de Moçambique (BSTM) was the only private bank operating in the country. Since then, it has been joined by the Banco de Fomento a Exterior (BFE) and the Banco Intemacional de Moçambique (BIM), whose main shareholder is the Banco Comercial Português. Banco Comercial de Investimentos BCI, a joint venture involving the Caixa Geral de Depósitos, a bank wholly owned by the Portuguese state, the Banco Ultramarino, and Mozambican investors including the former finance minister, Magid Osman, opened in mid-1997. Other international banking groups are also considering opening subsidiaries in Mozambique.

Consolidation in the Portuguese banking sector in early 2000 has brought BIM and BCM, respectively the largest and third largest Mozambican banks, under the ownership of one company. If the two banks were merged, they would account for over 50 per cent of the Mozambican market, although no announcement has yet been made of any merger plan. The transformation of the banking sector has been rapid, and the branch network has expanded beyond the capital into the northern and central regions. Several of the banks are indicating that diversification of products and services will be required as competition in the market increases.

The Commonwealth Development Corporation (CDC), together with a group of development finance institutions, has established Mozambique's first venture capital fund, the Mozambique Investment Company. In addition, the CDC has made a number of important investments, including one in the country's first leasing firm, the United Leasing Company (ULC).

Borrowing rates in the domestic banking sector remain high and lag behind the sharp fall in inflation over the past three years. Real interest rates rose to 32 per cent in 1996, although they have since fallen to around 18 per cent, an indication of increased competition in the financial sector. High, if declining, interest rates have been maintained by structural constraints to financial intermediation, including credit ceilings imposed by the central bank, the limited number of clients with proper accounting and other requirements of normal business loan practices, deficiencies in the judicial system, and the limited availability of loan collateral, partly due to the constitutional prohibition on the ownership of land. These still prevailing structural deficiencies are also the most important factors behind the recent retreat of the Malysian owner of the Austral Bank (mentioned above). Faced with the need to increase the investment, the investor opted for retreat.

In October 1999, a stockmarket was inaugurated in Maputo – Bolsa de Valores de Moçambique (BVM). Its activity is mainly confined to secondary trading in treasury bills. Equity listings are planned but no date for a listing is yet known. Candidates for listing include the Government's remaining holdings in various privatized industries such as the main brewery, Cervejas de Moçambique, a cement factory and a Coca-Cola bottling company, as well as local banks and insurance companies. BVM will help to deepen financial intermediation in Mozambique, although as a source of local finance its role is still fairly limited.

The insurance market is still immature. The legal framework needs to be reformed and enhanced with a view to setting up an adequate supervisory and regulatory framework protecting the interests of both insurers and clients. A commission for the inspection of the insurance activity, involving all the existing insurance companies, has been set up at the Ministry of Planning and Finance and tasked with drawing up proposals for specific regulations to create an enabling environment for the growth of the industry.

Human Resources

Labour Laws and Industrial Relations

The labour law of 20 July 1998 applies to all employers in Mozambique, regardless of type of company, origin of capital and nationality of shareholders. It applies to all employees, both national and foreign, in all fields of activity who carry out their work in Mozambique in the public or private sector. It provides for individual and collective labour relations and may not be derogated or modified by collective labour regulation instruments or individual employment contracts, except where these establish regimes more favourable to employees. If the employment contracts are not formally written, the employer bears the necessary liabilities.

The employer must send a list of all employees to the Ministry of Labour each year and it should also be displayed on his premises. An employment contract must be entered into with each and every employee. If the working period exceeds 48 hours a week, the employee is entitled to time off. In any case, the official working hours must be registered with the Ministry of Labour and displayed on the premises. The working period consists of five days a week of eight hours per day, from Monday to Friday. Overtime must be appropriately remunerated. Workers are entitled to 30 days of annual leave, except for the first year, in which they are entitled to 21 days. The minimum wage has been adjusted recently to about $30 a month for the agricultural sector and about $35 for the industrial sector.

It is mandatory to enroll in the social security system, which covers all employees and provides for illness, disability, old age pension and assistance to beneficiaries after the death of the insured. The retirement age is 60 years for men and 55 years for women.

The system is financed by monthly contributions paid by enrolled employers and employees by the 10th of every month, as well as fines and interest. It is the employer's responsibility to remit 7 per cent of salaries to the National Institute of Social Security (INSS) for social security contributions, of which 3 per cent comes from the employee's salary and 4 per cent from the employer. Foreign nationals are only exempted if they prove participation in an alternative pension or retirement scheme.

The law accords generous rights to employees. The dismissal of employees without just cause is only possible after the payment of substantial indemnity costs.

Industrial relations are managed by a tripartite negotiating forum involving the Government, employers and trade unions. Harmonious industrial relations generally prevail between unions and employers. The incidence of industrial action is low and strikes are not a common feature of union activity in Mozambique. Employers and employees are allowed freedom of association. Employees are free to join the unions of their choice for collective bargaining with the employer. Trade unions are structured in a hierarchy from the workplace (*comité sindical*) to the general confederation of unions, a national association. Independent employee associations include unions, federations and confederations. These ensure a more co-ordinated approach to collective bargaining and the negotiation of regulatory instruments for industrial relations.

Decree No. 25/99 of 24 May 1999 defines the legal framework for the employment of foreign workers. The provisions of this law do not affect the general rules on entry or residence of foreign nationals. In terms of remuneration and fringe benefits, employers are to accord equal treatment and opportunity to all employees (national and foreign). The foreign worker in Mozambique enjoys equal rights and guarantees, excluding civil rights (e.g., voting rights) that are clearly reserved for nationals.

The issuing of the residence permit is subject to the approval of the Ministry of Labour. This document is initially valid for one year. After the 10th renewal, it is replaced by a permanent residence permit. The business or tourist visa is initially valid for thirty days and can be renewed for up to ninety days. Visas may be obtained at Mozambican diplomatic missions abroad or upon arrival at Maputo airport.[3]

3 Decree no. 28/2000 regulates this possibility. Visa fees are approximately $20.

Regardless of rank and academic and professional qualifications, an expatriate may be hired when there is a shortage of suitable local candidates with similar qualifications. A special justification is normally required on the form provided by the Ministry of Labour and a copy of the draft contract must be submitted to the relevant authorities supervising the employer's area of activity for their consent. Thereafter, the Minister of Labour may approve the contract and the National Directorate of Migration issue the residence permit (DIRE). The employer cannot apply for the DIRE on behalf of the employee.

This regime distinguishes work permissions for employees and work authorizations for members of statutory boards, shareholders and other duly authorised representatives of companies. The difference between the two lies in the fact that the Ministry of Labour only certifies the Mandate issued to the legal representative or member of the statutory board by means of issuing a work permission. In terms of work permit, the Ministry of Labour approves or authorizes the employment of an expatriate, based on an employment contract, through the concession of a work permit.

Both the work permission and work permit issued by the Ministry of Labour are required to enable the foreign citizen to apply for a residence permit (DIRE) at the National Migration Department.

Foreign investors consider the labour law problematic in practice, since it often delays the hiring of a needed expatriate. The estimated time to obtain a work permit and the residence permit is variable but, in practice, takes 4-6 weeks.

Quality of Labour Force

Mozambique's labour force is generally perceived to be friendly, enthusiastic, trainable, hardworking and relatively low-cost. Although the total labour force is sizeable and average wages, above the age of 15, are low, the low level of literacy (just over 40 per cent of adults), education and vocational training makes it difficult to attract the right quantity and quality of labour. Given the recent high economic growth rates, the demand on the labour market is substantial and local firms often complain about their difficulties in attracting and retaining appropriately trained and qualified staff.

In urban centres, the proliferation of training facilities open during evening hours is helping to meet the increasing demand. Mozambican staff is usually eager and willing to learn but the shortage of trained and professional staff is such that premiums and fringe benefits have often to be added to the normal salary.

Health

As in many other developing countries, the main factors influencing the health of the population are the shortage of safe drinking water, nutritional deficiencies[4], illiteracy, and inadequate hygiene, added to a deplorable environmental situation, especially in the poorer areas of the cities. The main illnesses are malaria, diarrhoea and cholera, with children being the most affected group.

4 55 per cent of the children are stunted and 27 per cent suffer from malnutrition according to a recent UNICEF survey.

Hospitals are found in all the provincial capitals. The largest hospital is located in Maputo. Private health clinics also exist in the major cities. The country's health policy is based on primary care, aimed at controlling the main diseases in the community through promotional, preventive, curative and rehabilitative measures. The objective is to achieve 211 health centres, 745 health units, and 450 health posts. Although much progress has been made so far, the lack of trained human resources has delayed rehabilitation plans.

It is estimated that nearly a million inhabitants of Mozambique are HIV-positive, one out of seven adults according to the World Bank, 50 per cent of whom will develop AIDS in 3-8 years. More will become infected in the coming years. Projections by the Ministry of Health indicate that AIDS could cause life expectancy to drop to 32 years by the year 2010 (medium-case projection) from 45 today. To prevent this, a national strategy against AIDS was approved in 1999, focussing on education and awareness-raising

Education

The education system is divided into primary education (1st-7th grade), secondary education (8th-12th grade, including technical and vocational education) and higher education (generally five years for common degree fields and seven years for medical sciences) (table 14).

As for higher education, apart from the Eduardo Mondlane University, Paedagogical University (Universidade Pedagógica, mainly for teacher training) and the Higher Institute for International Relations, all of them public institutions, Mozambique now has several private institutions like the Universidade Católica, based in Beira, the Instituto Superior Politécnico e Universitário, in Maputo and Zambezia, and the Instituto Superior de Ciência e Tecnologia de Moçambique. A number of others are planned for the near future.

The Government's decision to allow private investment in primary, secondary and higher education has led to a proliferation of private schools in the main cities (mainly Maputo and Beira). Quality has also improved because of competition. There are now a number of international schools (English, Portuguese, Swedish, Italian, and French) in Maputo and Beira.

Vocational and technical training facilities are still poorly developed, although the Government has recognised the importance of such facilities.

Taxation

The tax system is structured in a straightforward way and is based on usual standards. The tax administration remains the most persistant problem.[5]

The Value Added Tax (VAT) Code, approved by decree no. 51/98 of 29 September 1998, was successfully introduced in Mozambique on 1 June 1999. It is applied on the sale of goods and services within the national territory, as well as on imports of goods to the country. The rate is 17 per cent.

The Specific Goods Consumption Tax is payable (in addition to the VAT) on the import and production of specific luxury goods. These include luxury vehicles, tobacco and alcoholic beverages. Rates vary between 20 per cent and 75 per cent.

5 The Mozambican fiscal system was put in place by law no. 3/87 and is regulated by decree no. 3/87, both dating from January 1987. Alterations to the indirect taxation and local taxation systems were brought about by law no. 3/98 of 8 January 1998. The fiscal benefit code was approved by decree no. 12/93 of 21 July 1993 and revised by decree no. 37/95 of 8 August 1995 and decree no. 45/96 of 22 October 1996.

UCATION

	NET ENROLMENT RATIO [a]			ADULT LITERACY RATE	
	PRIMARY TOTAL IN PERCENTAGES OF RELEVANT AGE GROUP	FEMALE IN PERCENTAGE OF RELEVANT AGE GROUP	SECONDARY TOTAL IN PERCENTAGE OF RELEVANT AGE GROUP	FEMALE IN PERCENTAGE OF RELEVANT AGE GROUP	IN PERCENTAGE OF PEOPLE 15 AND ABOVE
COUNTRY	1997	1997	1997	1997	1998
Kenya	65.0	84.0	61.1	57.4	80.5
Malawi	98.5	99.7	72.6	53.9	58.2
Mozambique	39.6	34.3	22.4	17.1	42.3
Uganda	93.1	..	59.2	..	65.0
United Republic of Tanzania	47.4	48.0	..	..	73.6
Zambia	72.4	71.7	42.2	34.9	76.3
Zimbabwe	93.1	92.2	59.2	56.3	87.2
Sub-Saharan Africa Average [b]	59.6	51.8	75.8	35.8	58.5

Source: UNCTAD, based on UNDP, Human Development Report 2000.

a Net enrolment ratio is the number of children of official school age enrolled in school as a percentage of the number of children of official school age in the population.
b Sub-Saharan Africa Average: see table 4, footnote a, for list of countries.

Corporate Tax

Firms are subject to the following tax rates:

CORPORATE TAX	
CORPORATE RATE	IN PER CENT
Corporate Income Tax Rate	35
Capital Gains Tax Rate	18
Branch Tax Rate	35
Withholding Tax	15
Dividends	18
Interests	18
Royalties	15
Branch Remittance Tax	0
VAT	17
NET OPERATING LOSSES	YEARS
Carryback	0
Carryforward	3

The corporate tax rate for the agricultural sector is 10 per cent until 2007. Thereafter it will be 35 per cent. Non-resident companies without a permanent establishment in Mozambique are subject to a 15 per cent withholding tax on gross income derived from activity carried out in Mozambique and related to (i) intellectual or industry property, (ii) industrial, commercial or scientific know-how, (iii) technical assistance and (iv) the use of agricultural, industrial, commercial or scientific equipment.

Resident companies (companies with their head office or effective management and control in Mozambique) carrying out industrial, commercial or agricultural activities in Mozambique are subject to corporate tax on profits derived from Mozambique and on one-third of their profits before taxes earned abroad. The tax rate on Mozambican-source revenues varies but is generally 15 per cent.

Tax Reductions

Investments in new projects (greenfield investments) or in existing but inactive projects benefit from a 50 per cent reduction in the corporate tax rate during the period necessary for recovering the investment, up to a maximum of ten years. For investments in the provinces of Niassa, Cabo Delgado and Tete, the reduction is 80 per cent of the normal rates.

After the end of the period to which the tax reductions described above apply, additional benefits, which vary according to the location of the project, are granted. Investments located in the provinces of Cabo Delgado, Niassa and Tete benefit from a 50 per cent reduction in the corporate tax rate for a period of six years. A 40 per cent reduction in the corporate tax rates for a period of three years is granted to investments located outside the provincial capitals in the provinces of Manica, Nampula, Sofala, and Zambezia. Investments in the other provinces, *outside* the provincial capitals, benefit from a 25 per cent reduction in the corporate tax rate for a period of three years.

Special tax benefits are granted to investments for the rehabilitation or expansion of existing firms or projects. For a five-year period, an immediate 100 per cent write-off is allowed for investments in new equipment and in the construction of civil installations and agricultural infrastructure.

Capital Gains

Capital gains derived from the sale of fixed assets are included in ordinary income and are subject to tax at the regular rate. The gains are the difference between the sale price and the acquisition cost, adjusted for depreciation and (by an official coefficient) currency devaluation.

Capital gains on the sale of shares are liable to a Capital Gain Tax (CGT) at a flat rate of 18 per cent. The capital gains should also be disclosed for corporate tax purposes but a tax credit mechanism avoids double taxation.

Fiscal Administration

The fiscal year coincides with the calendar year. Companies are required to pay provisional corporate tax in advance in eight equal monthly instalments from May to December of the current tax year. The total amount due is determined by applying the corporate tax rate to 75 per cent of the estimated profits for the tax year. Companies must file financial forecasts of estimated profits by March 31 of the tax year. Tax returns must be filed by May 31 of the year following the tax year, and final assessments are issued by August 15. The balance of any tax due is paid or a refund is made in October. Failing to file returns in time entitles the authorities to assess tax on the grounds of presumed income.

Dividends

Dividends are subject to a final 18 per cent withholding tax.

Foreign Tax Relief

The only form of foreign tax relief provided to resident companies is the provision that only one-third of foreign-source profits before taxes are subject to corporate tax.

Taxable Income

In general, professional income tax is levied on employment income paid in cash or in kind. However, subsidies for meals and entertainment and travelling allowances up to certain amounts are not taxable.

Income Tax Applicable to Employees

The income tax rates applicable to resident individual employees, whether national or foreigners, is the following:

	NET AGGREGATED INCOME (IN MT)	TAX RATES (IN PER CENT)	DEDUCTION (IN MT)
Up to	700,000	-	-
From	700,001 to 2 800,000	10	70,000
From	2,800,001 to 11,200,000	15	210,000
Over	11,200,000	20	770,000

Freelancers, self-employed individuals, shareholders and members of statutory boards are liable to the following progressive rates:

	NET AGGREGATED INCOME	TAX RATES
Up to	9,000,000	15
Over	9,000,000	20

When dealing with non-resident employees, a withholding tax of 20 per cent is payable.

Personal Tax

Tax on remuneration is called professional income tax (IRT). Residents are subject to professional tax only on employment income earned in Mozambique and on work performed abroad which is paid for by a Mozambique company. Non-residents are subject to professional tax on Mozambique-source income. Residents are defined as persons who reside permanently in Mozambique; who have resided in Mozambique for more than 180 days in a tax year; or those who have resided in Mozambique for 180 days or less, but on December 31 (the last day of tax year), have a residence under circumstances indicating an intent to continue occupancy on a regular basis.

The Private Sector in Mozambique

The private sector in Mozambique evolved gradually since the early 1990s in conjunction with the privatization of major state-owned enterprises which has been central in the Government's economic reform programme since the early 1990s. At the end of the 1990s the result is the largely successful transformation of a state-dominated economy into one that is predominantly private-sector-led.

Co-ordination with the private sector has been enhanced with a lively dialogue between business and Government taking place since the mid-1990s under the auspices of a number of donors, including the World Bank.

The Confederation of Business Associations of Mozambique (CTA) is the main private-sector organization, and is receiving foreign assistance to improve its capability to articulate private-sector opinions on policy issues. Other associations include the Industrial Association of Mozambique, the Commercial Association of Mozambique, the Mozambican Chamber of Commerce, and the Association of Construction Companies, to name a few. A more complete list of business associations can be found in appendix 3.

Investment Climate: Key Factors for Foreign Investors

Strengths

- One of the fastest growing economies in sub-Saharan Africa with a high average growth (up to 10 per cent) over the last 5 years;
- Political stability;
- Government commitment to a business-friendly economic environment; and
- Access to a potentially significant regional market.

Opportunities

- Commercial agriculture, aqua-culture and agri-processing;
- Infrastructure development, including power generation, water development management, rail and air transport, and telecommunication;*
- A variety of unexploited mineral deposits including petroleum; and
- Tourism.

Weaknesses

- Poor physical infrastructure, especially in the south-north direction;
- A lack of skilled and technically trained labour; and
- Weak and non-transparent administration, especially as regards land rights.

Threats

- Tensions between the two main political parties, deriving from their history of civil war; and
- HIV/AIDS epidemic and its impact on the availability and productivity of labour.

Source: UNCTAD/ICC

* Multilateral and bilateral official development assistance may be available.

Pick a market – production, services, tourism, finance – there are a lot of opportunities in Mozambique.

Joe Sandercock, Director General, British Petroleum Mozambique.

Areas of Opportunity

III

Main Areas

This chapter emphasizes promising areas of investment opportunity in which an investor can expect a strong development interest on the part of the Government. These areas are agriculture, where aqua-culture, cashew nuts and cotton are of prime importance; the development of mineral resources, including gas and oil; light industry, especially where linked to agriculture; services related to the country's traditionally important transport system, which links it to six neighbouring countries in southern Africa; and tourism, an area with great potential. At the end, the chapter describes special economic zones, which are intended by the Government to promote exports and support specific regions or sectors.

Agriculture

The Government has long defined agriculture as the basis of the countrýs economic development. This sector accounts for about 35 per cent of gross domestic product, 40 per cent of exports and 75 per cent of the work force in Mozambique. It is divided into two sub-sectors: the "family" sector and the "commercial" sector. The family sector covers about 3 million families and each household cultivates about one hectare using low-level technology and family labour. This sub-sector is totally dependent on rainfall. For agricultural growth, both domestic and foreign investments must stimulate extension of arable land, research and human resource development. Private marketing and improved productivity are also a priority.

Mozambique has immense agricultural potential, with an estimated 36 million hectares of arable land, of which only 10 per cent is currently in productive use. The wide diversity of soil types and the diverse climatic conditions in the country are suitable for a large variety of crops. Most of the agriculture practised in Mozambique is non-irrigated. However, Mozambique's network of more than 60 rivers has allowed the construction of irrigation schemes. Total potential irrigated area is estimated at 3.3 million hectares.

Post-independence policies adhered to the principle of large-scale state farming and the collectivisation of peasant agriculture. The economic result was that the marketed agricultural output halved between 1981 and 1986. Alternative policies were implemented with the new economic reforms and a new emphasis on market incentives and the primacy of smallholder agriculture now prevails.

N OF AGRI EXPORTS

	1995	1996	1997	1998	1999
Prawns and shrimp	73.1	70.3	85.1	72.6	65.5
Cashew nuts (processed)	6.9	17.2	14.2	19.1	7.8
Cashew nuts (raw)	5.6	29.3	15.1	21.6	23.1
Cotton	19.8	26.8	25.2	22.3	19.9
Timber	9.6	9.8	13.8	11.0	8.8
Sugar	7.3	12.8	12.8	8.4	5.5
Copra	6.1	3.7	4.6	5.0	3.5
Citrus fruit	1.3	1.0	0.8	0.4	5.8
Tea	0.0	0.0	0.6	0.5	0.2
Total exports	167.6	218.6	230.6	249.9	268.9

Sources: UNCTAD, based on data provided by Banco de Moçambique; Ministry of Industry, Trade and Tourism, and the IMF.

Some larger export-crop farms have been revived through foreign direct investment and joint-venture companies, such as the cotton and citrus producer Lonrho Mozambique Agriculture Company (LOMACO), which operates in several regions of Mozambique. These companies have already done much in trying to revive export-crop production (table 15).

Domestic production and marketing in the agricultural sector are constrained by infrastructure impediments, particularly the poor condition of the road network. Weak agricultural marketing restricts the profitable sale of surpluses from one province to another.

Government-imposed minimum producer prices for food and cash crops were abandoned in 1997, as it was felt that the imposition of uniform producer prices was discouraging agricultural marketing in large areas of the country. Administratively set minimum prices for food crops were replaced by reference prices for most cash crops in 1999. These are no longer enforced.

The advent of peace, a generally improved policy environment and favourable climatic conditions have resulted in significantly better harvests in recent years. As a result, Mozambique has returned to self-sufficiency in maize, the staple crop. Small quantities of maize were exported from the northern provinces in 1996. The exported quantities doubled in 1997.

Rehabilitation of the existing agriculture-related infrastructure, including roads, railway lines, ports, irrigation systems, and water and power supply, is a priority of the Government and of the international aid agencies assisting the Mozambican agricultural sector. Development of commercial agriculture in suitable areas with existing water resources and irrigation networks, such as Chokwe, Massingir, and Corrumana (located in the Gaza province), is another priority of the Government.

Cash Crops

Cotton and cashew nuts are still the dominant crops and, although far from reaching their full potential, they have done reasonably well in recent years. Other subsectors with export potential, such as citrus, tea, copra, tobacco, mafurra, sunflower and soya, have remained stagnant.

Mozambique used to be the world's leading producer of cashews in the early 1970s. The sector is currently the subject of a controversy involving the Government and the private sector. The staged liberalization of raw cashew-nut prices has been bitterly opposed by the local processing industry.

Further export-price liberalization was halted following a World-Bank-funded sectoral study on the impact of the policy change, which recommended a higher level of protection for local industry. Under a bill passed by parliament in September 1999, the export tariff has been lifted from 14 per cent to between 18 per cent and 22 per cent. The exact level is decided each year and depends on market conditions.

The liberalization policy was found to have increased competition in agricultural marketing and returns to small farmers. Improved rural trading conditions and the liberalization of prices and of the trade in unprocessed kernels led to a 50 per cent increase in cashew nut production in 1996. However, its critics believe it might have contributed to the closure of a number of cashew-processing plants. While cashew-nut exports from Mozambique have declined from the high levels of the 1970s, other producers such as India and several countries in East Asia have successfully entered the market.

In 1996 the Government of Mozambique launched an ambitious joint venture between South African farmers and Mozambique (MOZAGRIUS, co-ordinated by the Ministry of Agriculture and Rural Development), a broadly successful scheme to attract farmers from South Africa to the large and fertile northern province of Niassa. Farmers participating in the scheme have already settled in Niassa. There is also an influx of farmers from Zimbabwe who have already started settling in the Manica province, following the recent developments on the land issue in Zimbabwe.

Sugar

The Government has defined sugar as a priority agricultural commodity, along with cashews, citrus, cotton, tea, tobacco, timber and copra. There has been a serious effort to create helpful economic conditions for the industry but the potential of the industry is still far from being fully utilized.

The sugar industry in Mozambique currently comprises six different companies with their own factories and cane plantations. Açucareira de Maragra and Açucareira de Xinavane are located in the south of the country, 70 Km and 110 Km from Maputo respectively. Companhia do Búzi and Açucareira de Moçambique (Mafambisse) are in the Sofala province, not far from Beira. Açucareira de Marromeu (Sofala province) and Açucareira do Luabo (Zambeze province) are on both sides of the Zambezi river. The total plantation area of about 52,800 hectares is equipped with suitable irrigation systems.

In 1972, the country reached a record production figure of 325,051 tons, 60 per cent of which was destined for export. Sugar was in the early seventies the country's third major export commodity and one of the main employment generators with 45,000 workers. It currently employs 17,000 seasonal and permanent workers. In 1999, the sugar yield reached 50,745 tons, the maximum since independence.

The redevelopment of the sugar industry was launched at the end of 1999, with a special incentives scheme for the sector. The special scheme will run for five years (until 12 Oct 2004). Exemption from customs duties has been granted for class K, M and I goods.[6] Class C goods are also included up to the value of 1 per cent of the total investment value of the project. Sugar mill rehabilitation is in progress at two sites with investment funding from Tongaat Hulett Inc., the Arab Bank for Economic Development in Africa (BADEA), the OPEC fund and the Credit Guarantee Insurance Corporation from South Africa.

The recent initiative by the European Union to liberalize all trade with LDCs includes sugar. Although the European Union sugar import regime's complete liberalization will not occur until 2008, the initiative could potentially have a very beneficial impact on the sector.

6 There are essentially four relevant categories of import goods: C: Consumable goods, I: Intermediary goods for further processing, K: Capital goods, and M: Raw materials.

Livestock

Mozambique has excellent climatic and land conditions for the development of livestock. Livestock population throughout Mozambique declined sharply in the 1980s because of the civil war and collectivization policies.

The rearing of cattle, pigs, goats, rabbits and poultry has great potential as the existing supply does not meet domestic demand, with significant volumes of meat, poultry and dairy products currently being imported, mainly from South Africa and Europe. Local production covers only a small fraction of the existing market demand.

The Government has given priority to the introduction of animal stock extension and rearing programs. Of particular needs in the immediate short term are investments in poultry and pig production and in the supply of feedstock to these industries.

Forestry

Mozambique has an estimated 19 million hectares of productive woodland. Tropical hardwoods are the most valuable products, although pine and eucalyptus plantations also exist. Forestry exports have increased since the end of the war and amounted to the equivalent of $10.9 million in 1998, although this figure is believed to underrate actual exports. Unregulated cutting of tropical hardwoods has greatly increased in recent years, and the Government is now attempting to bring greater control to the sector. Large South African companies have also begun to take an interest in Mozambique's timber potential. Mondi Forests of South Africa, which is part of the giant Anglo-American Group, had proposed an $80 million eucalyptus plantation in Sofala province but abandoned the scheme in 1998, despite successful field trials. The Mozambican state forestry company, Ifloma, which has large eucalyptus plantations in Manica province, is to be privatized.

Fisheries

The fishing industry is the largest primary resource sector, and its products accounted for 25 per cent of merchandise exports in 1998. Prawns and shrimp account for 90 per cent of the value of fishery exports, at 14,000 tons a year. The annual quota was reduced in 1997 and 1998 to cut production to a sustainable level. Stocks of other species, including mackerel, bream, grouper, snapper, anchovy, sardine, tuna, marlin, as well as lobster, oyster, mussels and clams, are abundant and substantially under-exploited.

The Mozambican fishing fleet is limited, although there are a number of joint venture companies and direct licensing schemes with Japanese, Spanish, Portuguese and South African fishing firms. The present number of fishermen is about 80,000, one-third of whom are subsistence fishermen. The prawns and shrimp are harvested mainly by industrial companies and by a number of joint ventures between parastatals and Japanese, Spanish and South African companies. The Government announced several measures in 1999 to stimulate local processing and the development of a semi-industrial sector in which Mozambican capital is predominant.

Aqua-culture in Mozambique is in its infancy and its future development is a top priority for the Government, especially of shrimp aqua-culture. The first major foreign investment came from the French firm Aquapesca LDA, which is currently managing a prawns and shrimp farming operation at Quelimane, Zambezi province. Opportunities also exist for the culture of oysters, mussels, algae and pearls.

Mozambique currently exports primarily raw fish. The Government strategy is to promote the value added in this sector and it thus welcomes foreign investors who can provide semi-industrial shrimp vessels as well as installations of processing plants. Furthermore, Mozambique needs to improve its services to the fishing industry. Opportunities exist for the manufacture of rope, steel cable, marine engineering consultancy and marine electronics.

Mineral resources: Mining and Processing

Mozambique is known to have large mineral deposits – specifically of coal, natural gas, rare earth minerals, gold, titanium and non-metallic minerals. There is also a great potential for oil and diamonds. Exploration work carried out over the last 20 years has led to the discovery of important deposits of heavy mineral beach sands, coal, gold, tantalum-niobium and other rare metals, graphite, black granite, gemstones and other dimension stones. The result of this increased geological knowledge has been an increase in investment by leading international and regional mining companies, particularly in mining for gold, diamonds, gemstones and titanium.

However, a combination of factors, including poor infrastructure and other legacies of the late civil war, has constrained the mining sector's contribution to the economy to less than two per cent of GDP so far. Total mineral exports were worth approximately $7 million in 1998, although this figure will rise substantially in the medium term if several larger exploration properties come to production. According to World Bank estimates, mineral exports could reach as much as $200 million by 2005.

Although only one exploration licence was issued by the Government in 1990, more than 150 were granted between 1992 and 1998. Exploration activity in the mining sector is rising, driven by a growing foreign presence. First-rung international mining companies, including Anglo-American, Gencor, Johannesburg Consolidated Investments, Ashanti Goldfields, Edlow Resources, Companhia do Vale do Rio Doce and Kenmare, have become active in exploration programmes in Mozambique. Junior mining companies from Canada, Australia and South Africa have also become involved in the sector. Minerals currently being mined commercially include graphite, marble, bentonite, coal, gold, bauxite, granite and gemstones (table 16). There are also known deposits of pegmatite, platinoids, tantalite, iron, cobalt, chromium, nickel, copper, granite, fluorite, diatomite, emeralds, tourmaline, apatite and limestone. Although much of the interest has been in gold and gemstones, mining analysts point out that Mozambique's greatest potential is in base and industrial minerals.

Larger projects include a large mineral sands project backed by Kenmare Resources (UK), the proposed development of coal reserves in Tete province and various bentonite and granite mining projects backed by Anglo-American. The Australian mining company WMC has just obtained the right to carry out a due diligence study of the proposed Corridor Sands project in Mozambique – the world's largest known economically viable source of titanium sands. Demand for titanium dioxide pigment (used in the manufacture of paints) has approximately doubled in the past 20 years, and the resources represent an opportunity to develop a world-scale, long-life and low-cost operation to produce and market high-quality feedstock for the titanium dioxide pigment industry. In addition, WMC hopes to set up a plant to produce high-purity pig iron as a by-product of smelting ilmenite to produce titanium oxide. The plan is to build, by 2002, a mine and a smelting plant to produce 375,000 tons a year, the capacity to be doubled in due course.

While officially recorded mineral production remains insubstantial, illegal exports from artisan production are estimated at a remarkable $40-50 million, including $I0 million in gold and $30-40 million in precious and semi-precious stones – the equivalent of one-fifth of Mozambique's official exports.

Overall regulatory responsibility for mining rests with the Ministry of Mineral Resources and Energy. There are five types of licenses, differentiated by type of activity. Licensing is processed and administered by the National Directorate of Mines. Mozambique's new mining taxation regime, enacted in 1994, is considered competitive by international standards and compensates for the high costs imposed by the country's poor infrastructure.

INERAL PR

	1996	1997	1998
Graphite (tons)	3,283	5,125	7,000
Bauxite (tons)	11,460	8,218	9,000
Bentonite (tons)	11,847	13,782	5,000
Marble Blocks (cu m)	744	251	250
Slabs (sq m)	9,889	13,820	15,000
Gold (kg)	50	6	30

Source: UNCTAD, based on data provided by the National Institute of Statistics, Mozambique.

Energy

In July 1997, the Mozambican parliament passed a law liberalizing the electricity market, which is now open to private-sector generators. The country has enormous resources for the production of energy: large hydro resources, coal, natural gas, biomass and high levels of solar radiation. Despite this potential, Mozambique uses the least energy in the region, and 80 per cent of the energy used comes from biomass. Less than 3 per cent of the population has access to electricity.

Hydropower sources are the most easily available today. The second largest hydroelectric dam in Africa is situated on the Zambezi river in Mozambique, Cahora Bassa. The dam company, Hidroeléctrica de Cahora Bassa (HCB), is 82 per cent owned by the Portuguese Government and 18 per cent owned by Mozambique. The dam is linked by a 1,400-km direct current line to South Africa. The net hydropower potential for electricity production is estimated at 14,000 MW of which only 2,075 MW is exploited today. Of this figure, 92 per cent is produced at the Cahora Bassa. Three additional dams on the Zambezi river, namely the Northern Cahora Bassa dam, the M'panda Uncua dam and the Alto Malema dam, are planned. The state-owned electricity parastatal EDM is considering ways of attracting private investment to improve its operation and coverage. It has recently sought tenders from consulting firms to suggest a strategy.

Investment opportunities include the construction of power transmission lines to the provincial capitals and districts; rural and urban electrification of 50,000 new houses; rehabilitation of the transmission lines from Cahora Bassa to South Africa; alternative energy systems, especially for the development of rural areas; and the construction of various small electricity generation plants.

Mineral coal is another source of electricity production which is available in large quantities. At least 6 billion tons of coal reserves are known to lie in Tete province. Output during and since the war has been minimal, however, largely owing to infrastructure constraints in the area. Foreign companies that have expressed an interest in Mozambican coal include Brazil's Companhia do Vale do Rio Doce and South Africa's Johannesburg Consolidated Investments, which have been conducting joint preparatory studies for resuming mining. The largest single cost of the project will be that of restoring the 550-km Sena railway line from Moatize to the port of Beira, which has been closed since the early 1980s.

Mozambique also has a great potential in natural gas, which has never been exploited. The Government succeeded in late 2000 in attracting the South African oil group SASOL to link up with Mozambique's state-owned oil and gas company, Empresa Nacional de Hidrocarbonetos (ENH), to build a 590-km pipeline to Maputo ($1 billion) for the transport of gas from the Pande and Temane gasfields (with natural gas reserves of more than 70 billion of cubic meters). The proposed "anchor customer" for the gas is a $2.5 billion iron and steel project in Maputo (see box 4 on MOZAL and other mega projects), which will take most of the field's output for 25 years. An extension of the pipeline to South Africa is being considered.

The gas supply is bound to attract further investments, among them the construction of a $2 billion petrochemical complex in which SASOL is also interested. There are also proposals to use gas in industrial projects in the Beira area. A consortium involving Atlantic Richfield (ARCO) of the United States and SASOL is also involved in developing the Sofala Bay field and the 50 called M-10 blocks in Sofala province, as part of a scheme to export gas to South Africa. The companies are investigating whether there are sufficient reserves to justify proceeding with a pipeline to South Africa.

Manufacturing

By the time of independence, Mozambique's industrial base was well-developed by Sub-Saharan standards, thanks to a boom in investment in the late 1960s and early 1970s. Indeed, in 1973, value added in manufacturing was the sixth highest in Sub-Saharan Africa. However, further industrialisation was stopped by the hasty exodus of 90 per cent of Portuguese settlers, which left the country virtually without skilled manpower. The situation was exacerbated by the civil war during the following 16 years.

Since 1995, production in manufacturing has increased sharply (table 17), induced by a massive as well as successful privatization of industries. Manufacturing output increased by an annual average of 10.6 per cent over 1995-2000, rising by 46 per cent in 1999, following data provided by the CPI. The most dynamic sub-sectors have been construction materials, agricultural processing, beverages, tobacco and consumer goods.

Industry has benefited from the stabilization of the macroeconomic situation, changes to the import tariff structure that have lowered the costs of intermediate and capital goods, and the rapid increase in demand resulting from massive foreign investment and high economic growth. It continues to suffer, however, from a shortage of capital and the fairly high cost of borrowing.

Structurally, industrial output has not changed much since the 1970s. Food-processing accounts for roughly one-third of total industrial production. Light manufactures, such as beverages, textiles and wood-processing, are also important. One-quarter of heavy industrial production is in metal-based products, chemicals, rubber and plastics.

Tourism

Tourism could become a significant earner of foreign exchange for Mozambique. In the colonial period, the southern and central parts of the country were well-developed tourist destinations. Like the rest of the economy, however, tourism collapsed after independence and the onset of civil war. Since the end of hostilities and the 1994 democratic elections, the number of visitors has picked up, particularly those from South Africa, Zimbabwe and, more recently, Portugal.

The objective of the Government's National Tourism Strategy is to promote high-value, low-volume tourism. Demand for quality accommodation is strong and investment is addressing this. In 1998 two new business-class hotels opened in Maputo, the 220-room Rovuma-Carlton Hotel, which is owned by a Portuguese hotel group, Pestana, and the Hotel Avenida, owned by Grupo Texeira Duarte, also of Portugal. Two new hotel projects were announced in 1999. The Holiday Inn Hotel opened at the end of 2000 with 179 rooms. The number of business-class hotels in Maputo has increased from virtually nil in 1993 to eight by the end of 2000.

NUFACTURI T

(VOLUME GROWTH IN PER CENT)

	1995	1996	1997	1998
Food processing	11.8	-4.4	37.8	-2.4
Beverages	93.1	44.0	45.0	46.0
Tobacco	14.0	60.7	61.7	62.7
Textiles	-16.7	-0.8	0.2	1.2
Wood & cork	10.5	3.9	24.9	5.9
Paper	-10.6	25.4	15.8	27.4
Chemical products	6.8	6.7	-2.5	8.7
Oil refineries	6.6	7.1	23.7	9.1
Non-metallic mineral products	114.6	24.1	13.4	26.1
Transport machinery	119.5	52.8	-48.8	54.8
Others	178.9	5.1	18.4	7.1
Total manufacturing	..	..	37.8	32.2

Source: UNCTAD, based on data provided by the National Institute of Statistics, Mozambique, and the IMF.

With 2500 kms of Indian Ocean coast dotted with sandy beaches and clear water, magnificent colonial hotels (in need of rehabilitation), an abundance of some of the world's most exquisite seafood, and an interior with fantastic scenery and wildlife, Mozambique can become one of the most attractive tourist destinations in Southern Africa. Beach tourism has expanded along the southern coast, including the islands of the environmentally unique Bazaruto archipelago in Inhambane province. In 1996, Vilanculos airport, the jumping-off point for the Bazaruto islands, was upgraded to international status. Three new luxury beach lodges were established in the area by South African investors in 1998, and the area is receiving continuing investment and expansion. Important tourism nodes have developed elsewhere on the south coast at Inhambane, Xai-Xai, Inhaca Island and Ponta do Ouro.

South African holiday tour companies are increasingly choosing Mozambique as a destination, although they generally travel overland and bring most of their provisions with them, making only a minimal contribution to the economy. Tourists are increasingly flying into the country to stay at luxury lodges. Rehabilitation of several of the country's game parks with World Bank and European Union funding is under way including an initiative to establish cross-border parks connecting the Krueger Park in South Africa with the Banhine reserve in Mozambique and the Gonarezhou Park in Zimbabwe (Transfrontier Park).

10 per cent of Mozambique's total land area is allocated for wildlife management, including national parks, game reserves and hunting areas. Private-sector involvement in the wildlife sector is promoted in tourism development and marketing outside of the core conservation areas. Certain activities within the main conservation areas may also be contracted out to the private sector. Eight of the 68 tourism projects involving FDI were registered for the development of wildlife-based activities. There are, as of yet, no privately owned game parks operating in Mozambique. However, a number of private investors have opened hunting and nature reserves in several of the more remote areas of the centre and the north, including the large Niassa reserve in Niassa province.

Transport

Ports and Railroads

In this sector CFM, the Mozambique Ports and Railways Public Company, has always enjoyed a dominant position, as alternative modes of transport are less viable. As such, it has been the mainstay of the national economy for more than a hundred years and has triggered the development of most of the other services and industries throughout the country. Another $1 billion has already been spent for rehabilitation projects, mainly in the Beira, Nacala and Limpopo corridors. More investments from the private sector are anticipated.

Under private management, the ports have the potential to become highly profitable, as they were in the colonial period when they played a prominent role in providing transit traffic to South Africa and Zimbabwe. This should also prove lucrative for the state, which will receive a dual income stream from leasing fees and profits from participation in joint ventures with the foreign companies managing CFM's assets. The first stages of the much-delayed privatization of the port of Maputo were completed in September 2000 with the signing of the concession. Control over the operations was transferred from the local parastatal CFM to the new Maputo Port Development (MPD) consortium. The MPD consortium (comprising Mersey Docks and Harbours from the United Kingdom, the terminal operator Tertir from Portugal, Sweden's Skanska and local investor Mozambique Gestores) has a target date of 1 September 2001 for assuming full operational responsibility. CFM retains a 33 per cent share.

Public transport services, specially urban and intercity road services, are provided mainly by private operators. The state-owned enterprises are facing serious fleet shortages due to both mismanagement and poor maintenance practices.

Transport Corridors

The Maputo transport and development corridor project was conceived by the Governments of Mozambique and South Africa as a private-sector-led initiative to improve transport and infrastructure and to generate "development spin-offs" along road and rail routes shared by the two countries. Once completed, an improved railway line and a new toll road will link South Africa's Gauteng and Mpumalanga provinces with the port of Maputo. In mid-1996 the two Governments agreed to put up 10 per cent of the funding for the corridor, with the rest to be provided by private investors who will invest in and operate the road, rail and port infrastructure. Trans-African Concessions (TRAC), a French-led international consortium, won the contract for the Maputo-Gauteng toll road, and will build and operate the road for a 30-year period before handing it over to the state. The toll road opened for traffic in 2000. The last toll plaza opened in January 2001.

Several other potential transport and development corridors are envisaged, including the expansion of the Beira and Nacala corridors and a Maputaland tourism corridor running due south from Maputo to Ponta do Ouro and northern KwaZulu-Natal in South Africa.

The commercialization process for the concessioning of the Maputo, Nacala and Beira corridors has been characterized by delays, with the negotiations dragging on since the early 1990s. Nevertheless, the Government is expected to grant a concession for the Nacala corridor, consisting of the Nacala Port and the 800-Km railway line to Malawi, to a consortium involving foreign investors RDI Logistics, Edlow Resources Ltd., Rennies and Tertir as well as domestic investors Gestra, Sociedade de Technologias Portuárias, Gedena and Sociedade de Cabo Delgado and Sociedade de Niassa. Contracts for the management of the rail lines to South Africa, Zimbabwe and Swaziland are expected to be agreed upon by early 2002.

Air Transport

Linhas Aéreas de Moçambique (LAM) fell into financial difficulties during the early 1990s and returned to profitability in 1996, mainly on account of its domestic monopoly and consequent ability to charge high prices. An attempt in 1997 to privatize the airline did not succeed when the privatization agency Unidade Técnica para a Reestruturação de Empresas (UTRE) was not satisfied with any of the three bids involving foreign and local aviation companies. The Government subsequently announced that it would explore other options for restructuring LAM, including its conversion into a limited liability company in preparation for a flotation on the stock market. The Government seems to prefer a more gradual liberalization of the air market and LAM is to retain its monopoly on the main domestic routes until 2003.

Telecommunication

Technological change has transformed the industry over the last decade. The exchange of information in digital form is breaking down barriers that have traditionally existed between the telecommunication industry and other related industries. The development of the public telecommunication network in Mozambique is driven by complex relationships between external environmental forces and developing technologies. Two major contributions to the success of Telecommunications of Mozambique (TDM) are its establishing of relationships with the international community and its concentration on the use of technology to enhance its core business.

The challenge now is for TDM to attract the appropriate strategic alliances with which it can successfully deal with the technological challenges of the future. This creates opportunities for international telecommunication firms. At present, Deutsche Telekom has a managing contract for the fixed-line business and majority ownership of the fairly successful mobile phone business MCel. A tender for a second licence has been called for in the first quarter of 2001 and several major mobile telecommunication companies have shown an interest.

Special Economic Zones

Industrial Free Zones

The 1993 Investment Law provides for the establishment of Industrial Free Zones (IFZ) in Mozambique. The regulations regarding the development and operation of IFZs came into effect on 1 January 1994. The IFZs in Mozambique are to be developed by the private sector to promote export-processing activities. Investors can choose to develop and/or administer IFZ areas or operate within them as certificate holders (e.g., MOZAL).

An IFZ is defined by law as "… [an] area or unit of industrial activity geographically demarcated … [and] specially designated, by the competent authority, for the establishment, development and operation of an industrial park or unit, where investors holding IFZ certificates or licenses may carry out production or industrial processing of articles essentially destined for export …". The IFZ regulations further define an IFZ company as a legal entity with an IFZ certificate, whose main activity is production for export.

A maximum of 15 per cent of the production is allowed for sale to the domestic market. If products from an IFZ are actually sold on the domestic market they are subject to the usually applicable import duties. Development licenses for those who wish to develop and/or administer IFZ areas require a minimum investment of $5 million.

An interested party intending to establish and operate an IFZ must submit a proposal to the Executive of the IFZ Council, which covers the following requirements:

- an architectural and urban planning proposal;
- an environmental impact study;
- the establishment of green zones and leisure areas;
- the establishment of water supply systems, rain and residual water drainage systems, and waste removal and industrial waste treatment systems;
- the installation of an electricity distribution grid and a telecommunication system and the provision of facilities for emergency care; and
- the provision of security and telecommunication systems at the main entry gate of the IFZ.

Upon receipt and review of the proposal, the IFZ Council prepares and recommends it to the cabinet, which must approve it so that the IFZ Council can issue a development certificate.

IFZ certificate holders are exempted from custom duties on the import of construction materials, machinery, equipment, accessories, spare parts and goods required for their main IFZ activity. Exemption is also granted from the Value Added Tax (VAT) and from the Tax on Specific Consumption, even for goods purchased locally, excluding foodstuff, alcoholic beverages, tobacco, clothing and other personal effects.

A licensed IFZ company also enjoys full exemption from the corporate tax (contribuição industrial) applicable to its profits; and exemption from the Real Property Tax and the Real Property Transfer Tax.

Land concessions must be requested via normal Government channels, through the Provincial Department of Agriculture and Rural Affairs, at the Serviço Provincial de Geografia e Cadastro. Developers must pay a royalty fee of 1 per cent of their gross turnover from the 7th year of operation, based on invoiced gross quarterly revenue.

IFZ developers are allowed to open, maintain and use foreign exchange accounts in Mozambique and abroad. They may source funding externally, provided that it does not require guarantees from the Government or the Banco de Moçambique. A copy of the agreement must be submitted to the central bank for registration.

The first IFZ project which has been approved is the Beluluane Industrial Park, located in Beluluane, next to the MOZAL aluminium smelter, in the Maputo province, which enjoys excellent access to the industrial port of Matola and the road and rail networks extending to Swaziland and South Africa. A second project, the Beira Industrial Free Zone (Savane) in Sofala province has also been approved, although no investment has been announced so far. More projects are planned elsewhere in the country.

Special Economic Zone Regime

A special economic zone is an "... area of general economic activity, geographically defined, which is subject to a special customs regime under which all goods entering, located, circulating, manufactured or transformed therein or exported therefrom are totally exempt from any custom duties and fiscal charges."

Appropriate fiscal, labour and immigration arrangements have been put in place to facilitate movement to and from the zone and the efficient functioning of enterprises and investors wishing to operate in the zone. The incentives are provided to enable those operating within the zone to fulfil their commercial and financial obligations abroad. The country expects the following gains from the SEZ regime among others:

- the promotion of regional development and the generation of economic benefits including, in particular, the expansion of productive and commercial capacity and of the tax base;
- the creation of jobs within the economic zone; and
- the generation of foreign exchange earnings.

These special economic zones are created for the development of specific areas in the country. Incentives granted to undertakings participating in the zones will vary from zone to zone.

The only special economic zone approved to date is the "special fiscal and customs regime for the Zambezi valley" through decree no. 16/98 of 16 April 1998. The Zambezi Valley economic zone covers all the districts in the Tete province, the north of the Sofala and Manica provinces; and the centre and south of the Zambezia province. This special regime will remain in force until the year 2025. However, undertakings established under the regime will benefit from this regime for a period of not less than 10 years.

Exemptions from custom duties, consumption tax and the value added tax are available for equipment and intermediary goods in class K and I of the tariff list, when these are imported for new undertakings and for the rehabilitation, expansion and re-organization of existing undertakings.

Projects are exempt from corporate tax during the first 5 fiscal years of their existence and receive an 80 per cent reduction in the tax rate from the 6th year onwards. Undertakings in agriculture, livestock, forestry and aqua-culture are entitled to a full exemption from corporate tax for as long as the regime is in force. Income generated from projects in the Zambezi Valley is exempt from the complementary tax. Companies contracted or subcontracted to render services to companies eligible to the benefits provided by the Zambezi Valley regulations are also exempt from the withholding tax. This special regime is limited to certain specific activities described in the law: agriculture, silviculture, cattle breeding, forest exploration, water supply, and the production, transmission and distribution of electrical energy. The regime also applies to other investment if it includes the development of new infrastructure.

Industry-specific Regimes

There are special regimes created by law for specific activities and industries. The terms and conditions of each of these regimes are specific to each industry or activity, e.g., mining, oil and gas, fisheries, car rental, hydro-electric power dams, and mega projects, like MOZAL and the Maputo Iron & Steel Plant (MISP).

Our aim is to produce bananas for the local market at a price affordable by the local population. We are extremely satisfied with the progress we have made over the last two years and find Mozambique to have an excellent climate and soil conditions for the production of fruit. Our next aim is to go into organic farming for the export market in Europe. The investor incentive scheme available through the Centre for the Promotion of Investment (CPI) makes Mozambique extremely attractive to any prospective agricultural investor.

Peter Gouws, Managing Director, Freitas Lebambos.

Institutional Framework

The deep economic reforms implemented since 1987 have been translated into attractive legislation for both domestic and foreign direct investment. The legal framework for domestic and foreign direct investment in Mozambique is defined by investment law no. 3/93 of 24 June 1993, specifying the kinds of investment eligible to receive the guarantees and incentives provided by the law. The law offers non-discriminatory treatment to all investment, except when the nature or size of an investment project qualifies it to receive special treatment and support. Protection against expropriation is provided and the repatriation of capital and profits is guaranteed.

Regulations for this law are defined by decree no. 14/93 of 21 July 1993, which was amended by decree no. 36/95 of 8 August 1995. The fiscal benefits code is established by decree no. 12/93 of 21 July 1993, successively amended by the above-mentioned decree no. 39/95 and decree no. 45/96 of 22 October 1996.

Other important legislation on investment includes the industrial free zone (IFZ) decree no. 18/93 of 14 September 1993, altered by decree no. 38/95 of 8 August 1995. Recently, the Mozambican Government approved new regulation for IFZs, namely decree no. 62/99 of 21 September 1999, which establishes the legal framework for IFZs and revokes decrees 18/93 and 38/95; the MOZAL (Mozambique Aluminium Smelter) IFZ decree no. 45/97 of 23 December 1997; and decree no. 16/98 of 16 April 1998 establishing the fiscal and customs regime for the Zambezi Valley.

Irrespective of the form they take, investments covered by this law must contribute to the sustainable economic and social development of Mozambique, and be in line with the principles and objectives of the national economic policy and the legislation for investment. Foreign direct investment may involve any of the following: foreign currency; infrastructure, equipment, materials and other goods; and the cession of technology patents and trademarks. There is no limit on the amount of the investment.

Mozambique is a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA). Mozambique offers recourse to arbitration through the International Convention and Centre for Settlement of Investment Disputes (ICSID) and the Paris-based International Chamber of Commerce. Foreign investors are therefore relatively well protected against political risks such as expropriation.

Disputes between foreign investors and the Government that cannot be resolved by national courts may thus be referred to:

- the rules of arbitration of the Paris-based International Chamber of Commerce;
- the rules of the Washington Convention of 15 March 1965 on dispute resolutions involving disputes between states and nationals of others states; and
- the World Bank's International Centre for Settlement of Investment Disputes.

Mozambique is a member of the World Intellectual Property Organization's permanent committee on development co-operation related to industrial property. The country has also entered into a number of bilateral agreements to promote investment and avoid double taxation (table 18).

Further information on the regulatory framework can be obtained from the Investment Promotion Centre (CPI).

(BITS) AND DOUBLE TAXATION TREATIES (DTTS)

AS OF DECEMBER 2000

BITS	DTTS
Algeria	Mauritius
Egypt	Portugal
Indonesia	
Mauritius	
Portugal	
South Africa	
United States	

Source: UNCTAD.

Privatization, Limitation, Exclusion

The economic reform programme provided for the sale of state-owned enterprises through decree no. 21/89 of 1989. The main privatization law, no. 15/91, establishes the rules of the restructuring process, including the transformation and downsizing of public-sector businesses as well as their privatisation. Transfer of state-owned companies to the private sector has occurred through the following modalities:

- sale by public tender
- public offer of shares
- private negotiation or restricted tender, preceded by pre-qualification of potential suitable buyers
- joint ventures through an injection of private capital
- transfer or sale of shares to managers and employees
- granting of management contracts or lease concessions

By law, managers and workers have the option of acquiring up to 20 per cent of the shares in companies being privatized. State ownership in strategic sectors – ports and railways, commercial banking, telecommunication, electricity generation and distribution – which was first open only to joint ventures is now reverting entirely to the private sector.

Co-ordination of the Privatization Process

The privatization process is conducted through three different organizations.

- The co-ordinating body for the restructuring of large and strategic enterprises is UTRE (Technical Unit for Enterprise Restructuring) in the Ministry of Planning and Finance.
- The restructuring of small and medium-sized industrial enterprises, including the tourism sector, is organized through GREICT (Office for the Restructuring of Industrial Enterprises, Commerce & Tourism).
- The privatization of agricultural companies is managed by GREAP (Unit for the Restructuring of Agricultural Enterprises).

The sectors represented by the large enterprises privatized in 1997/98 include: sea freight, consumer goods, breweries, sugar production, tea and copra plantations, irrigation systems, precious gemstones and insurance companies.

All areas are open to private foreign direct investment, as long as the necessary approval is granted by the Government. There are no areas reserved for public investment.

The acquisition of local enterprises is open to any foreign investor. Investment is welcome either independently or through joint ventures between foreign and local entities. BOT – Build, Operate and Transfer – schemes are also common in Mozambique, the most recent example being the Maputo-Witbank road (Maputo Corridor), concessioned to a foreign consortium (TRAC).

Performance Requirements

Local Content Requirements

The investment law and the industrial strategy policy do not specify any local content requirements for foreign direct investments in Mozambique. Although investments are generally expected to reduce the levels of imports and substitute local raw materials for them, this is not mandatory and would be hard to enforce if it were.

Technology-transfer Requirements

There is no explicit demand on the foreign direct investor to transfer technology. However, one of the investment objectives set forth by the investment law is clearly the transfer of technology and technological development through foreign direct investment. This is also considered an important aim by the industrial strategy policy.

No other formal requirements are known. However, investors should reconfirm the situation in their specific cases.

Box 5 – The Investment Promotion Centre (CPI)

A national investment promotion agency was inaugurated in 1984 to advise the Minister of Planning and Finance on promoting foreign and domestic investment. In its present form, the Investment Promotion Centre (CPI), currently headed by Mohamed Rafique Jusob as Director, has only been in existence since the new law on investment was passed in 1993. The CPI provides the following services:

- promotion, reception and assessment (for approval) of direct investments
- offering advice and support to investors
- helping investors secure fiscal and customs incentives
- identification of potential partners for joint ventures
- identification and dissemination of investment opportunities and
- assisting investors in implementing their projects, including assistance in registering new companies related to the projects

The CPI aspires to a "one-stop" approach in dealing with foreign investors. It has made inroads in this regard but it cannot substitute for the investor's own dealings with appropriate Government agencies and/or other consultancy services. Foreign investors generally appreciate the CPI's business-minded approach. The MOZAL project helped transform the CPI into a clearly client-oriented institution.

The CPI has published its own promotion materials. Its contact details can be found in appendix 3.

Source: UNCTAD, based on information provided by the CPI.

Entry and Exit

Foreign investors are allowed to repatriate the balance after closure of the company, when all debts have been settled. The fiscal and investment legislation provides for a mandatory closure process for an investment project. The cancellation of an investment project should be done by the authority which approved the project, when one of the following conditions is met:

- liquidation of the company following a decision from the company's shareholders' general assembly meeting in accordance with the Mozambican commercial law. (A special closing request needs to be filed with the fiscal authorities and the closure has to be publicized through the official Government gazette, the Bolletim da República, and liabilities paid off by the company. Should the company fail to meet the requirement, the court may also sentence closure.)
- expiration of the project
- refusal of the investors to give information regarding the project
- suspension of the implementation of the project for a continuous period of three months without special reasons or the necessary authorisation
- non-fulfilment of the mandatory obligations described in the investment legislation

Ownership, Property and Management Control

There are no restrictions on equity participation or on the acquisition of privatized companies, and no impediments to management control by the foreign investor. Although there are several cases of foreign shareholding participation reaching 100 per cent, many investors, especially newly arriving ones, prefer to engage with local partners given the associated benefits. Shares may be traded freely to local or foreign nationals, in accordance with the statutes of the company and the current commercial legislation.

However, there are a few sectors of activity in which the legislation imposes some conditions for a company to be considered Mozambican (which carries tax advantages with it). Thus, construction companies need to be majority-owned by domestic firms or individuals if they are to be considered Mozambican.

The labour law and its practice impose limitations (quotas) on the number of foreign members of statutory boards (e.g., supervisory and/or management boards) as follows:

- 60 per cent for the first two years
- 40 per cent for the third to fifth years
- 20 per cent for the sixth to tenth year
- 10 per cent from the eleventh year

The Government encourages the promotion of Mozambican nationals and the employment of foreign nationals is subject to clearance by the Minister of Labour. There is no Government intervention in board appointments and management decisions.

The concession for land use (box 6) can be obtained from the Department of Agriculture's Geographical & Land Affairs Services, the Serviços Provinciais de Geografia e Cadastro. No value can be placed on barren land, which is why it is offered by the Government for an insignificant fee. It only acquires value as it is developed and the investor may then acquire or dispose of the infrastructure and superstructure placed on it. Government-owned houses are sold only to local citizens who currently reside in them, but investors are free to acquire private estates as long as they are properly registered in Mozambique and can present an investment project to use the land.

Box 6 – Private Land Tenure

According to *article 46* of the country's constitution, "ownership of land is vested in the state ... and may not be sold, mortgaged or otherwise encumbered or alienated. As a universal means for the creation of wealth and social well-being, the use and enjoyment of land shall be the right of all Mozambican people". Domestic as well as foreign investors may lease land, initially for a period of up to 50 years. The lease may be renewed once, for up to another 50 years, and may not be sold or sublet. The lease price for land is relatively low and amounts essentially to an administrative fee. The limited ownership rights of land are not perceived, in general, as an obstacle by large foreign investors. However, both foreign and domestic investors are subject to a cumbersome administrative process until the lease is granted. In addition, the limited proprietary rights granted by the land law create a problem for the financial sector in that it lacks an important collateral to secure credit. A more flexible land law and land administration would be beneficial for domestic as well as foreign investment.

Source: UNCTAD.

Exchanging and Remitting Funds

The flow of foreign exchange is regulated by Exchange Law 3/96 of 4 January 1996, which applies to residents and non-residents alike.

The entry of foreign currency is free. Remittance of funds overseas is restricted and depends on approval from the central bank and the availability of foreign currency. The Investment law guarantees foreign investors the right to remit loan repayments, dividends, profits and invested capital abroad. The remittance of amounts above $5,000 requires previous registration with the CPI and the registration of the invested funds with the Central Bank, along with other procedures including the presentation of audited accounts. In practice, the investor applies for the remittance of funds at his commercial bank which assists in complying with the procedures of the Central Bank to obtain clearance. Once cleared, the Central Bank will issue a repatriation certificate.

A large number of currencies[7] are freely traded among economic agents either through banks or exchange houses and others legally authorised. International credit transfers are made via the S.W.I.F.T. network using correspondents, while transfers within the city of Maputo are made via an inter-bank exchange of payment orders. Each credit and financial institution is free to affiliate with and access the system.

For the most part, credit transfers are used for payments made by corporate customers and individuals. The international transfers system currently used has proved efficient and funds are received by the beneficiary within two days. The same time frame applies to local credit transfers.

Generally, foreign investors are more or less satisfied with the existing financial regulations and facilities. One concern is the limited competition among banks in Mozambique, caused mainly by the consolidation of the banking sector in Portugal, which led in turn to the consolidation of three Portuguese-owned banks in Mozambique.

7 United States Dollar, South Africa Rand, German Mark, Austrian Schilling, Belgian Franc, Canadian Dollar, Danish Krona, Spanish Peseta, Finnish Mark, French Franc, Dutch Guilder, British Pound Sterling, Italian Lira, Japanese Yen, Malawi Kwacha, Norwegian Krona, Portuguese Escudo, Swedish Krona, Swiss Franc, Zambian Kwacha, Zimbabwe Dollar, Chinese Renminbi, Tanzanian Shilling, Russian Rouble, European Union Euro, Bulgarian Leva, Indian Rupee, Iraq Dinar, Kuwait Dinar and Australian Dollar.

Intellectual Property Rights

The industrial property code was approved by decree no. 18/99 of 4 May 1999, which repealed the 1940 code. The purpose of the new code is to create conditions favourable to technological development and the acquisition of new industrial, commercial and service-related techniques, and to stimulate domestic and foreign investment by protecting industrial property. The main role of industrial property rights is believed to be that of enabling the transfer of knowledge and new technology. This code establishes the special regime for industrial property rights and obligations on the basis of the concession of patents for inventions and utility models (industrial process innovations), the registration of trade marks, designs, industrial models and business names, and the forbidding of the infringement of industrial property rights. It follows the standards promoted by the World Intellectual Property Organisation (WIPO).

The code is applicable to individual and corporate persons from countries signatory to the International Union for the Protection of Industrial Property, under the terms of the Paris Convention of March 20th 1883 and in full compliance with the Agreement on Trade-related Aspects of Intellectual Property (TRIPs) of the World Trade Organization. Nationals of countries that are not signatories of the TRIPS agreement or members of the WTO but who operate their businesses in Mozambique are treated as nationals of member countries.

A copyright law does not yet exist but one has been drafted and has entered the legislative process.

Competition and Price Policies

Apart from petroleum products, where the Government still fixes prices and margins for retail outlets, prices have generally been set by the market since 1997. The "informal trade" fuelled mainly by smuggling has led to unfair competition with firms operating within the law. Nevertheless, this has led local companies to improve their benchmarking techniques and become more competitive in both quality and price.

Guarantees

The Government offers foreign direct investors the following guarantees:

1. freedom to import equity capital or arrange loans to make investment, legal protection of property and other rights associated with the investment made;

2. remittance of funds abroad in connection with:
   - repatriation of profit,
   - payment of royalties and other charges abroad,
   - loan repayments and interest charges due abroad and
   - any amounts paid as just and equitable compensation, and

3. repatriation of capital invested upon exiting from or the liquidation or sale of the investment undertaking, either total or partial.

Guarantees granted to foreign investors can only be secured if investors are authorised by the Government of Mozambique and register the investment with the Mozambican Central Bank, within the terms established on the authorization of the investment.

The existing commercial code is outdated and is currently under revision. The aim of the revised code is to improve the orderly resolution of disputes in accordance with internationally accepted procedures. For disputes between international and domestic companies the law follows the model of the United Nations Commission on International Trade Law (UNCITRAL).

Basic Investment Approval Procedures

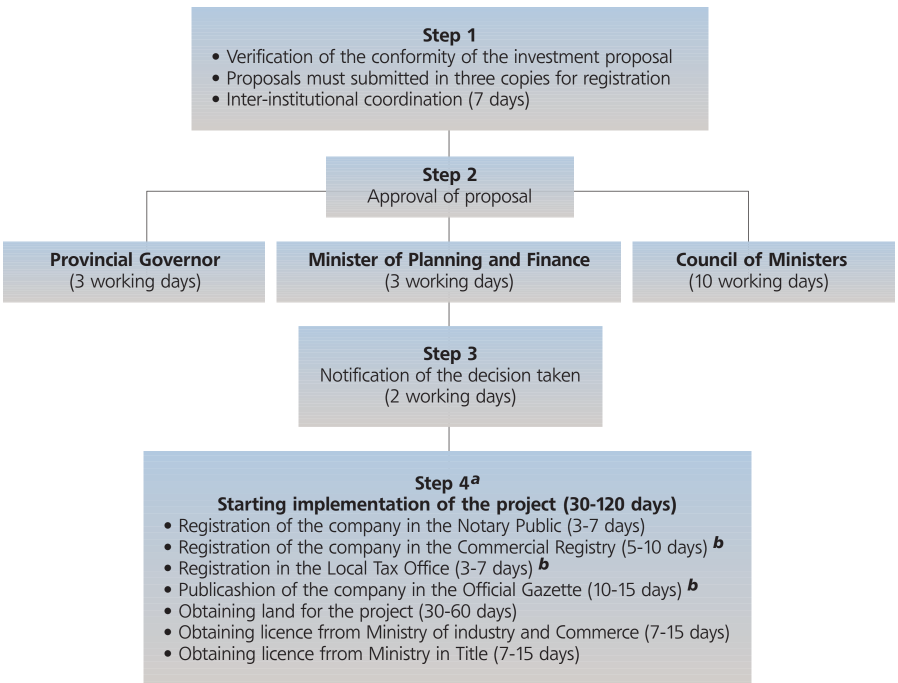
Procedures in the investment process include (see also figure 4):

- Preparation of a project proposal (on special forms available at the CPI) and submission to CPI for fiscal and customs incentives
- Incorporation of the company at the public notary's office and publication in the Official Gazette
- Registration of company at the commercial registry and at the tax authority
- Arrangements for land or facilities, if necessary
- If applicable, completion of land concession process (securing of title) and submission of technical designs and environmental impact study for approval by relevant land authorities
- Obtaining of the relevant business licences, after technical inspection of the facilities
- Start of operations

The proposal must contain a specific request by the investor for authorization; particulars including biographical data on all investors or, when the investor is a company, the profile and relevant financial statements; description of technical, commercial and financial feasibility; details of management, human resource structure, implementation schedule and operating methods of the implementing company; and the company's articles of association.

Article 26 of the investment code establishes that foreign direct investors must prepare and submit an environmental impact assessment outlining potential problems resulting from the activity, including potential damage to forest, geological and hydrological resources, both within and around the concession area.

Foreign direct investors are expected to take appropriate measures to prevent and minimize environmental problems, specially those projects identified as leading to a considerable level of pollution and contamination susceptible of negatively affecting the environment and public health, in accordance with the country's environmental legislation. Clearance for the environmental assessment is obtained from the Ministry for the Co-ordination of Environmental Action.



Source: UNCTAD, based on information provided by the Investment Promotion Centre of Mozambique.
a Step 4 can be taken in parallel with or before the submission of the project to the CPI.
b Can be done at the same time.

Incorporation and Related Requirements

A foreign investor may choose between two main business structures: it may operate as a Mozambican registered company, incorporated locally, or as a branch of a foreign company. Incorporation starts with the notarization of the articles of association or statutes, publication in the official Government gazette (Boletim da República), and registration with the commercial registrar, as provided for by the country's commercial legislation. The incorporated company may take the form of a private limited liability company (LDA), which may be formed by at least two members, or a public limited liability company (SARL), which requires at least 10 members, unless the state is a partner - in which case only two would be required. The SARL has more legal requirements to meet.

Before starting activities, companies should be duly registered for tax, labour and social security purposes and the necessary operating license should be secured.

Building and Related Permits

The Serviços National de Geografia e Cadastro in every provincial department of Agriculture are the sole entities entrusted with the provision of plots for agricultural, commercial and industrial projects in areas outside the industrial free zones. Within an industrial free zone there is normally an entity with delegated authority to issue such concessions for a fee, after the legal and procedural requirements have been met by the applicant. In cities, concessions for plots are given by the Direcção de Construção e Urbanização which acts as the town-planning and infrastructure development department of every City Council. These councils are run as local authorities following the 1998 local elections and the administrative decentralization process under way. An important feature of these local authorities is that they do not manage any utility services like water and electricity. Autonomous public companies have been set up specifically for these services, which are also being privatized.

To conform with building standards, any company wishing to construct its own facilities has to submit its designs to the provincial or city development entities, which are under the surveillance of the Ministry of Public Works. The FDI project proposal must also be submitted to the Ministry of Environmental Affairs, which is responsible for ensuring that the project is viable given its probable ecological impact, and that measures have been considered to mitigate a possibly negative impact.

Fiscal and Customs Incentives

Fiscal incentives are available to qualifying investments under the normal regime. The law distinguishes between new (greenfield) and existing (brownfield) investment. New undertakings involve the incorporation of a new company to implement a new project or rehabilitate a paralysed project, such as the erection of new buildings and new infrastructure. An existing undertaking involves investment in an on-going economic concern. For new undertakings, tax incentives are offered for the period in which investment expenditure is expected to be recovered through a reduction of the applicable corporate tax, depending on the location of the project.

For projects located in the Niassa, Tete and Cabo Delgado provinces there is a reduction of 80 per cent in corporate and complementary tax; for projects in other provinces, but outside provincial capitals, it is 65 per cent; and for projects in other provinces, located within provincial capitals, it is 50 per cent.

Additional incentives, like an extension of the period in which the company benefits from reduced tax rates (only for corporate tax), are provided for projects located in the less developed provinces. Projects in the Niassa, Tete and Cabo Delgado provinces are offered a 50 per cent reduction rate for 6 more years; projects in Sofala, Manica, Zambezia and Nampula (excluding the respective provincial capitals) are offered 40 per cent for 3 more years; and those in Inhambane, Gaza and Maputo (excluding their capitals) are offered 25 per cent for 3 more years. The period allowed for the reduced rates is contingent upon the period in which the investment is expected to be recovered (up to a maximum of 10 years).

For investment in existing projects there is a reduction from taxable income for a period of up to 5 fiscal years, covering up to 100 per cent of new equipment for the operation of the project and up to 100 per cent of costs for plant construction and physical infrastructure for the project.

The Government is empowered by law to grant exceptional incentives to investments in manufacturing and construction projects for public utilities exceeding $500 million (e.g., MOZAL). This requires a cabinet decision.

For both new and existing undertakings, the following expenditures are treated as losses for tax purposes:

- the construction and rehabilitation of public infrastructure (up to 120 per cent)
- the purchase of works of art for private ownership, which contribute to the development of Mozambican culture (up to 100 per cent)
- the training of Mozambican personnel (up to 5 per cent of total taxable income)

No taxes are payable on equity capital, loans and accrued interest used on an approved investment.

Under the general regime, approved projects are exempted from customs duties in respect of class "K" imports, if used exclusively for feasibility studies and/or the implementation of investment projects. This class represents capital goods, mostly equipment and machinery. Exemptions provided cover building materials for the construction and installation of new undertakings, with the incorporation of a new company. This excludes investments in existing undertakings as well as investments in their expansion, rehabilitation and reorganisation.

Special Regime for the Hotel and Tourism Industry

A special decree issued in 1999 grants special fiscal and customs incentives for the hotel and tourism sector, available only to investors with projects duly approved by the Mozambican Government through the CPI. The following activities are entitled to these benefits:

- the rehabilitation, construction, expansion or modernization of hotel units and related facilities for the provision of tourism services
- the development of national reserves and parks

The investor has to submit a list of the goods to be imported or procured, together with the investment proposal, to the Minister of Planning and Finance. The fiscal and customs benefit consists of a deferral of the payment of customs duties and Value Added Tax relating to goods imported for the authorized project. The customs duties and VAT remain suspended during the implementation period of the project, up to a maximum of 24 months.

The benefit becomes effective following an inspection of the project by the National Directorate for Customs and Excise, which must certify that the imported items have been used appropriately. The investor has to give a guarantee of 15 per cent of the total duties and VAT payable on the imported goods, before they are imported. This guarantee is only released after the National Directorate of Customs and Excise is satisfied that the goods have been utilised in the authorized projects.

Special Regime for the Sugar Industry

Another decree issued at the end of 1999 grants special incentives to the sugar industry in order to promote the creation of employment and the development of the sugar industry in Mozambique. This regime, which also covers the rehabilitation of sugar factories, took effect in October 1999 and will initially apply for a period of 5 years.

The incentives provided include exemptions from import duties on capital goods in class "K" and raw materials in class "M" and intermediary goods in class "I" of the customs classification list. Consumer goods listed under class "C" are also covered, provided that the value of such goods does not exceed 1 per cent of the total investment value of the project.

The incentives mentioned above only apply to rehabilitation projects in the sugar sector and related agricultural industries. To benefit from them, investors need to submit a list of goods to be imported for the rehabilitation work.

Other Relevant Issues

In addition to the points already mentioned, the National Assembly's legislative reform agenda for 2001 covers many areas which could positively affect the business community: in particular, legislation to support commercial code reform, reform of the direct tax system, refinement of import procedures, formulating a strategic plan to strengthen the justice system, and the implementation of the SADC Trade Protocol.

In May 2000, the US Congress passed into law the Africa Growth and Opportunity Act (AGOA), as part of the Trade and Development Act of 2000. This law creates a number of new opportunities for labour-intensive manufacturers, especially in textiles, garments and footwear. There will be a price advantage of around 20 per cent as compared to exports from competing countries that do not enjoy this preferential status. As a result, garments from Mozambique will have the same advantage in the US as the European Union is offering under the Lomé agreement.

For other products like cotton, groundnuts, sugar and tobacco there is no change in the US export regime. Similarly, cut flowers, a significant potential export, will also not have duty-free access, as they are an "import sensitive" product.

The European Union adopted a proposal on 26 February 2001 to eliminate quotas and duties on all products other than arms exported to the European Union market from the world's 48 LDCs. Duty and quota elimination for most products will take effect on 5 March 2001 but the full liberalization of sugar, rice and bananas will be phased in over a transition period.

Duties on fresh bananas will be reduced by 20 per cent annually starting on 1 January 2002 and eliminated at the latest on 1 January 2006. Duties on rice will be reduced by 20 per cent on 1 September 2006, by 50 per cent on 1 September 2007, by 80 per cent on 1 September 2008 and eliminated at the latest by 1 September 2009. Duties on sugar will be reduced by 20 per cent on 1 July 2006, by 50 per cent on 1 July 2007, by 80 per cent on 1 July 2008 and eliminated at the latest by 1 July 2009. To compensate for the delay in the liberalization of these categories, the European Union will offer immediate and real market access to the 48 LDCs through the creation of duty-free quotas for sugar and rice, based initially on the best figures for LDC exports during the 1990s, plus 15 per cent. These will increase by 15 per cent each year during the interim period.

The Government’s sensible economic policies are combined with a good political climate.

David Cotty, CEO, Mozambique International Port Services (MIPS)

Private-sector Perceptions

V

This chapter summarizes consultations with the private sector in Mozambique (both foreign and domestic) on investor perceptions of the business climate. The summary presented below is based on informal interviews and discussions. It should be regarded as no more than suggestive of private-sector opinion in the country.

Preliminary Observations

The year 2000 was a difficult one for Mozambique. The combination of the devastating floods in February, the reluctance of the opposition to accept the December 1999 election results and the replacement of most ministers affected the pace of reform. The physical damage and political atmosphere created hesitancy amongst would-be investors and slowed down expansion plans. Matters were exacerbated by the further, though less severe, flooding in the early part of 2001 that had largely receded by April.

The *Africa Competitiveness Report 2000/2001* ranked Mozambique 18th overall out of the 24 countries it surveyed; nonetheless, it also ranked the country 3rd among the 24 on the "optimism and improvement" indexes. These rankings reflect, on the one hand, the commitment of the Government to addressing critical issues and, on the other, the slow pace of reform, forced by limited administrative capacity and endemic corruption.

Business representatives believe that the capability of domestic entrepreneurs remains weak because of the low level of private-sector development. Many local business people felt that they were not in a position to compete in the international market and would prefer Government protection to a fully opened market.

General Points

When asked to name the most attractive features of Mozambique as an investment location, the following were mentioned most frequently: enhanced political stability, the Government's commitment to a business-friendly environment, and highly motivated and friendly people. Recent improvements in telecommunications and utilities also received a mention.

When asked to name the items that most needed the Government's attention, the following were mentioned most often: infrastructure (in particular transport), security of person and property, and administrative efficiency. Corruption and poor access to capital were also frequently mentioned. Banking services were perceived to be better than in many other comparable countries but too concentrated in the capital.

Despite these and other difficulties, some of which are described in greater detail below, investors felt that the country was generally on the right track.

Specific Points

Political and Economic Climate

Many foreign firms felt that Mozambique offered an environment that they could do business in. The Government was strongly committed to helping investors, both domestic and foreign, and the lines of communication were open. Notwithstanding persistent difficulties in important areas (e.g., land legislation and administration), things were moving in the right direction. The liberal exchange regime was seen as important evidence of the Government's liberal economic policy. Democratic processes appeared to have taken hold in the political culture.

Most investors were pleased with the dynamism of the economy. Some pointed out, however, that strong rates of GDP growth did not directly translate into a growing demand for their products. The market remained small and would remain so unless the pace of regional integration picked up and investors could access neighbouring markets.

Taxation

Taxes and tax rates were not perceived to be a problem. Most investors considered the tax system reasonable and generally comparable to what could be found in developed countries. However, tax administration practices tended to undermine an otherwise reasonable system. The larger tax-payers in particular often found themselves confronted with unfair treatment. Nonetheless, it was noted that the Government was aware of the problem and had taken steps to improve matters.

Workforce

The Mozambican workforce was seen as trainable and motivated. There was a widespread opinion that the shortage of skilled employees was a serious problem. Technical and managerial posts were especially hard to fill. In general, the workforce was seen as consisting of two groups: a small and relatively highly educated group and a large but barely trained one. Wage levels were competitive and industrial relations were smooth. Salaries for skilled employees were seen as a bit too high; retaining skilled employees required premiums. Skill shortages had been further exacerbated by the difficulty in gaining permission for expatriates with the necessary skills to work in Mozambique, except on very short-term contracts. The process was slow, cumbersome and unpredictable. Many companies interviewed understood the Government's need to support the local workforce but pointed out that the quickest and most efficient way to train local staff was through the hiring of expatriates. The overly protective policy hampered companies' ability to upgrade themselves. The companies also stressed the fact that expatriate labour was very expensive and would not be chosen unless necessary.

Finance

High interest rates and inadequate access to working capital were seen as major obstacles, in particular for local businesses. Only a minority of companies found that there had recently been an improvement in this area. Some participants also noted that the financial sector was much too focused on the capital (Maputo) with only two banks offering nationwide service. Following the state resumption of control over Banco Austral in May 2001 and the consequent closure of many branches, the national network has been further diminished. Another, less frequently mentioned, aspect of what was seen as an underdeveloped capital market was the lack of such financial instruments as bank guarantees.

Infrastructure and Utilities

There was an agreement that Mozambique had made improvements in recent years in the areas of telecommunication and power generation and distribution. In telecommunications, the establishment of a mobile phone system was a major improvement, especially for the Maputo area. In electricity, improvements were thus far confined to the southern region of the country. The central and northern regions were lagging behind. Transport was a matter of major concern. Rail transport links with neighbouring South Africa, Zimbabwe and Malawi were seen as slow and unreliable. It was expected that the licensing of private companies in these service areas would gradually improve the situation. Companies in the agricultural sector identified feeder roads in rural areas as major bottlenecks, although road rehabilitation was making progress.

Land

Human and technical resource constraints in the land registry service (DINAGECA – Direcçao Nacional de Geograpfia e Cadastro) at national and provincial levels have seriously undermined investor confidence. Processing delays and assigning the same land to more than one entity was reported as being common. But there were indications of change. The Government has been active in pursuing capacity-building and institutional strengthening. Using donor funding, training and modern mapping techniques have been introduced to improve the land registration system. Land surveying by foreign companies is now possible, provided they are sub-contracted by local surveyors for specific technical purposes. However, the system for applying for land concessions still lacks transparency and provides opportunities for petty corruption.

Red Tape and Corruption

Corruption was perceived to be a widespread problem. The complaints covered all administrative levels, including customs authorities and the judicial system, which was described as cumbersome and slow. Investors noted, however, that Mozambique compares well with neighbouring countries (with the exception of South Africa) in this regard. It was recognized that efforts were being made to improve the situation.

Other

Most investors seemed to appreciate the assistance provided by the Investment Promotion Centre (CPI). A number of companies noted, however, that the services of the CPI needed to be extended to secure improved coverage of regions beyond the capital. For that purpose, an office has now been established in Beira. Some companies mentioned illegal imports as a serious problem, which led to unfair competition for local producers. The discussion of intellectual property rights revealed that both investors and policy-makers shared the view that existing legislation was not satisfactory and did not provide adequate protection for new products.

Appendix 1

Investment Priorities

FDI is particularly welcomed and promoted by the Government of Mozambique in the following industries :

- Manufacturing
- Mineral Exploration
- Tourism
- Fishing and Aqua-culture
- Construction
- Forestry

Appendix 2

Major Foreign Investors [1]

	Name of Company	Ownership	Business	Address
1.	ABB Tecnel Lda. Mr. Johan Akeeon, Managing Director	Sweden/ Switzerland	Electrical engineering	Av. das Indústrias, 760 Maputo, Mozambique Tel: 258-1-751031/2 & 750918 Fax: 258-1-750850
2.	Anglo American Corporation Mr. Mohamed Anifa Mohamed, Managing Director	South Africa/ United Kingdom	Mining and services	Av. 25 de Setembro, 1230 Maputo, Mozambique Tel: 258-1-427 581
3.	Aquapesca Rafael Massinga, General Director	France	Fishing and processing	Av. Paulo Samuel Kankhomba 83 r/c Tel: 258-1-214 534 Telex: 6648 MO
4.	BCI – Banco Comercial e de Investimentos Magid Osman, Managing Director	Portugal	Banking	1462 Pr. John Orr's, Av. 25 de Setembro Maputo, Mozambique Tel:258 1 307777/7148 Fax. 258 1 307262
5.	BCM – Banco Comercial de Moçambique Mr. Mario G. Machunga, Chairman	Portugal	Banking	Av. 25 de Setembro C.P. 865 Maputo, Mozambique Tel:258 1 307481/94 Fax:258 1 307545/54/56
6.	BFE – Banco de Fomento e Exterior Mr. Joaquim de Carvalho, CEO	Portugal	Banking	Av. 25 de Setembro1230 Predio 33 Andares – 6th Floor C.P. 4233 Maputo, Mozambique Tel: 258 1 422823/423753/4 Fax: 258 1 421992
7.	BIM – Banco Internacional de Moçambique Mr. Mario G. Machunga, Chairman	Portugal	Banking	Avenida Samora Machel, 247 Maputo, Mozambique Tel: 258 1 429390/2/423208 Fax: 258 1 429426/9389
8.	Banco Standard Totta de Moçambique Mr. Filipe Maia, Managing Director	Portugal	Banking	Praça 25 de Junho, 2086-1,C.P. 1119 Maputo, Mozambique Tel:258 1 424597/8107/3047/420719 Fax:258 1 426967/3029/430886
9.	Basil Read Ltd	South Africa	Construction/ Civil engineering	Private Bag X170, Bedfordview 2008 South Africa STel: 27-11-620-7000 Fax: 27-11-620-7041
10.	Bata	Canada	Distribution	Rua Pedro A. Cabral Beira, Mozambique Tel: 258-3-328812

1 This list has been compiled by UNCTAD on the basis of information provided by the CPI, Pricewaterhouse Coopers Mozambique, et al. and is not intended to be exhaustive.

11.	Bayer Mr. Klaus G. Duecjnabb, Managing Director	Germany	Pharmaceuti-cals, Chemicals	Av. 24 Julho no. 2761, 4° andar Maputo, Mozambique Tel: 258-1-423244, 426662/3 Fax: 258-1-425387 Email: sogrep@sortomoz.com
12.	Bouygues S.A.	France	Construction and services	Av. Eugène Freyssinet 18061 St-Quentin-Yvelines Cedex Tél: 33-1-30 60 23 11
13.	BNP Nedbank Mr. Nico Germishuyse Commercial Manager Lionel Martin Managing Director	France	Banking	Av. 25 de Setembro 1230 Predio 33 Andares – 1st Floor Maputo, Mozambique Tel: 258-1-306700 Fax: 258-1-306305 Email: bnpnedbank@bnpnedbank.co.mz
14.	Bradford and Conning International Mr. Piet Meyer Managing Director	South Africa	Construction	Av. Kim Il Sung, 41/3 Maputo, Mozambique Tel: 258-1-497163 Fax: 258-1-497163 Email: bcpnsp@global.co.za
15.	British Petroleum (BP) Mr. Josephus Scherenber Managing Director	United Kingdom	Petroleum/ Gas exploration	Av. Martires de Inhaminga, 170 Maputo, Mozambique Tel: 258-1-425021 Fax: 258-1-426042
16.	Cervejas de Moçambique Mr. Mike Muller, General Manager	South Africa	Beverages	Rua do Jardim 1329 Maputo, Mozambique Tel: 258-1-475180 Fax: 258-1-471994 Email: vcman@cdmmap.com
17.	Coca-Cola Mr. José Neves, Managing Director	United States	Beverages	Av. de OUA, 46 Maputo, Mozambique Tel: 25 1 400190 Fax: 25 1 400375 Email: ccsmpm1@vircom.com
18.	Colgate-Palmolive Mr. António Ferreira, Director General	United States	Cosmetics	Rua de Coimbra, Parcela 43, CP9 Maputo, Mozambique Tel: 258-780491/2 Fax: 258-1-780306 Email: colgate@mail.tropical.co.mz
19.	Companhia Vale do Rio Doce (CVRD)	Brazil	Mining	Av. Graça Aranha 26 20.005-900 Rio de Janeiro RJ Brasil Tel: 55 (21) 3814-4477 Fax: 55 (21) 3814-4040 Internet: www.cvrd.com.br
20.	Edlow International	United States	Transport services	Suite 201 1666 Connecticut Avenue NW Washington D.C., 20009 United States Tel: 1-202-483 4859 Fax: 1-202-483 4840
21.	EFRIPEL Mr. Masaky Miyajima Managing Director	Mozambique/ Japan	Fishing and processing	Rua Joao Nogueira 35 Maputo, Mozambique Tel: 258-1-415500 Fax: 258-1-415631
22.	Enron Southern Africa Development, Ltd. Arthur Gobe Managing Director	South Africa	Petroleum/ gas exploration	Av. Francisco Orlando Magumbwe 977, 3rd Floor Maputo, Mozambique Tel: 258-1-491199/3 Fax: 258-1-491184 Email: agobe@enron.com

23.	Equator Bank (HSBC Group)	Hong Kong SAR of China/ United Kingdom	Banking	Rua da Imprensa no. 256 Predio 33 Andares – 5th Floor Maputo, Mozambique Tel: 258 1 431919 Fax: 258 1 431918
24.	Eskom	South Africa	Electricity generation and distribution	Megawatt Park, P.O. Box 1091 Johannesburg, South Africa Tel: 27-11-8005728 Fax: 27-11-8005146
25.	Frutas Lebombos LDA. Mr. Peter Gouws, Managing Director	South Africa	Fruit production	North East of Maputo South Africa Cellular: 0027 / 83 627 4618 Fax: 0027 / 13 744 0389
26.	Hotel Polana Mr. David Ankers, General Manager	United Kingdom/ Mozambique	Hotel services	Av. Julius Nyerere 130 Maputo, Mozambique Tel: 258-1-491001/7 490021/3 Fax: 258-1-491480 Email: gen@polana.hotel.com
27.	Kenmare Resources Mr. Michael Carvill, Managing Director	Ireland	Mining	Chatham House, Chatham Street Dublin 2, Ireland Tel: 353-1-6710411 Fax: 353-1-6710810 E-mail: info@kenmareresources.com
28.	Kuehne & Nagel Mr. Carlos Pino, Managing Director	Switzerland	Logistics	Av. Albert Lithuli 59, 1st Floor Maputo, Mozambique Tel: 258-1-402013/102 Fax: 258-1-402028 Email: kuehne&nagel.moç@emilmoz.co
29.	Lacticionios de Umbeluzi	France	Agricultural processing	Av. Namaacha Km-27 Bloco 2 Boane, Mozambique Tel:258-770015/7
30.	Laurentina Brewery	France	Brewery/ Distribution	Av. Guerra Popular, 241 4th Floor Maputo, Mozambique Tel: 258-1-428081 Fax: 258-1-426618
31.	Lomaco Mozambican Agriculture Company (Lonhro) Mr. Carlos Henriques, Managing Director	United Kingdom	Agro-industry	Av. 25 Setembro 1509 C.P. 1760 Maputo, Mozambique Tel: 258-1- 422126/9 & 429123 Fax: 258-1- 422634
32.	Maputo Port Development Company Mr. Tim Hansford, Chief Executive	United Kingdom/ Portugal	Transport/ Logistics	Rua Joao de Barros 127 Maputo, Mozambique Tel: 258-1-305251 Fax: 258-1-305 251 Email: Mpdc@cfmnet.co.mz
33.	Maputo Iron & Steel Project (ENRON) Mr. Artur Gobe, Manager	United States	Manufacturing	Rua Francisco Orlando Magumbwe, No. 977, 3rd Floor Maputo, Mozambique Tel: 258-1491-193/199 Fax: 258-1-491-184 Email: agobe@enron.com
34.	Mcel Mr. Gerhard May, Managing Director	Germany	Telecommunication	Prédio John Orr's Av. 25 de Setembro 1485 C.P. 1483 Maputo, Mozambique Tel: 258-1-307871 Fax: 258-1-307878 Email: gmay@mcel.co.mz

35.	Mersey Docks and Habours	United Kingdom	Transport/Port services	Maritime Centre Port of Liverpool, L21 1LA United Kingdom Tel : 44-151-9496000 Fax : 44-151-9496300
36.	MHP Geomatics Mr. Peter Newmarch, Country Representative	South Africa	Land Surveyors	Rua General Pereira d'Eça 78 Maputo, Mozambique Tel: 258-1-496906 Fax: 258-1496802
37.	MOTRACO Mr. Adérito Sousa, Chief Executive Officer	South Africa/ Mozambique/ Swaziland	Utility (Electricity)	Av. de Zimbabwe 1571 Maputo, Mozambique Tel : 258-1-498820 Fax : 258-1-499134 Email: asimao@motraco.edm.co.mz
38.	MOZAL Mr. Mike Oberholzer, Project Director	United Kingdom/ South Africa/ Australia/ Mozambique	Manufacturing	CMC Complex, office No. 80 Av. de Namaacha, Matola, Code 09 25 1 Maputo, Mozambique Tel : 258-1-780 255/615/077 Fax : 258-1-780 614 Email: mike.oberholzer@mozal.com
39.	Navique Mr. Pedro Virtuoso, Managing Director	Portugal	Transport & Shipping	Rua de Bagamoio 366 Maputo, Mozambique Tel: 258-1-423004/5 & 423068 Fax: 258-1-426310/425634
40.	Nissan Mr. James Duncan, Managing Director	Japan	Automotive	Av. 24 de Julho Maputo, Mozambique Tel: 258-1-401400 & 401498/9 Fax: 258-1-402766 Email: acentra@teledata.mz
41.	Parmalaat	Italy	Agricultural processing	Av. Namaacha Km 5.5 Matola, Mozambique Tel: 258- 720162/5
42.	NOVARTIS Mr. Paul Henquinz, Managing Director	Switzerland	Pharmaceuticals	Av. Patrice Lumumba 339 Maputo, Mozambique Tel: 258-1-301364 Fax: 258-1-301364 Email: paul.hqz@tropical.co.mz
43.	PESCAMAR Mr. David Troncoso, Managing Director	Mozambique/ Spain	Fishing	Rua Joaquim Lapa 192 3° andar Maputo, Mozambique Tel: 258-1-424528/425314 Fax: 258-1-306801
44.	Protal Mr. Alkis Macropulos, Managing Director	Greece	Food-processing and distribution	Av. de Moçambique, 2270 Maputo, Mozambique Tel: 258-1-475235/475306 Fax: 258-1-475218
45.	RDI Logistics Managing Director	United States	Logistical services	3809, Stony Point Rd. P.O. Box 4799 Santa Rosa, CA, 96402 United States Tel: 1-800-7200 Fax: 1-707-584 3962
46.	Rennies Resources Ltd.	United Kingdom	Transport services	Av. Martires Inhaminga, 270 r/c Maputo, Mozambique Tel: 258-1-423408
47.	Royal Dutch Shell Mr. Mark Hayworth, Country Chairman	United Kingdom/ The Netherlands	Petroleum/ Gas exploration	Av. Martires de Inhaminga, 170, 5th Floor C.P. 1997 Maputo, Mozambique Tel: 258-1-42 3560 Fax: 258-1-42 6510

48.	SASOL-Temane Mr. Charles Stain, Managing Director	South Africa	Petroleum/ Gas exploration	Av. Marginal 237 Maputo, Mozambique Tel: 258-1-497705/6 Fax: 258-1-497707 Email: ester.paco@sasol.co.mz
49.	Saur	France	Infrastructure services	1, av. Eugène Freyssinet 78064 St-Quentin-Yvelines Cedex Tél. : 01 30 60 22 60
50.	Siemens Mr. Alipio Gonçalves Managing Director	Germany	Electrical engineering	Av. 24 de Julho, 652 Maputo, Mozambique Tel: 258-1-310416 Fax: 258-1-310424
51.	Skanska	Sweden	Transport services	S-18225 Danderyd Sweden Tel: 46-8-753 8657 Fax: 46-8-753 8922
52.	Sociedada Geral de Superintendência (SGS) Mr. Jasper Brand, Managing Director	Switzerland	Security/ Inspection services	Rua de Bagamoio, 322, 1st Floor Maputo, Mozambique tel; 258-1-427758 & 4223227 Fax: 258-1-426408 Email: sgs_maputo@sgsgroup.com
53.	Tata de Moçambique Mr. Sumi Kapoor, Managing Director	India	Manufacturing	Av. Milagre Mabote 9 Maputo, Mozambique Tel: 258-1-416924 Fax: 258-1-415854 Email: tatamoz@zebra.uem.mz
54.	Tertir	Portugal	Transport/ Port services	Terminal do Freixiero-EN 107, Apartado 5144 Glenashley 4022 4456-901 Perafita Portugal Tel: 351-22-9992200 Fax: 351-22-9958926
55.	Tongaat Hulett	South Africa	Sugar production and refinery	Private Bag 3 Glenashley 4022 South Africa Tel: 27-31-5601400 Fax: 27-31-5661621
56.	TotalFinaElf Mr. Thierry Gagne, Director General	France	Petroleum/ Gas exploration	Av. Julius Nyere 3393 Maputo, Mozambique Tel: 258 1 492683 Fax: 258 1 492079 Email: totalmpm@vircom.com
57.	Toyota S.A.R.L.	Japan	Automobile import/ distribution, services	Rua do Largo Amaramba, 141, C.P. 1757 Maputo, Mozambique Tel: 258 1 401493 Fax: 258 1 400471 Email: parts@toyotavircom.com
58.	Translândia Comercial Mr. Carlos Paulo, Managing Director	South Africa	Agro-industry/ Tobacco	Av. Mao Tse Tung 580 Maputo, Mozambique Tel: 258-1-499583 & 428254 Fax: 258-1-499583
59.	TV CABO Mr. Carlos Vale, Managing Director	Portugal/ Mozambique	Telecommunication	Av. dos Presidentes 68 Maputo, Mozambique Tel: 258-1-499020 & 499340 Fax: 258-1-499015 Email: tvcabo@teledata.mz
60.	ULC (United Leasing Company) Mr.Victor Viseu, Managing Director	South Africa	Financial services	Rua da Imprensa No. 256, 7th Floor Maputo, Mozambique Tel : 258 1 431130,431196/7/9 Fax. 258 1 431290 Email: ulcmoz@mail.tropical.co.mz

Appendix 3

Sources of Further Information

CPI - Investment Promotion Centre
Rua da Imprensa, 332r/c Bloco
P.O. Box 4635
Maputo, Mozambique
Tel: 258-1-422456/7, 422525/422530
Fax: 258-1-422459
E-mail: cpi@teledata.mz
Web: http://www.mozbusiness.gov.mz/

Public Sector

Ministry of Agriculture and Fishery
National Directorate of Agriculture
Praça dos Heróis Moçambicanos
Maputo, Mozambique
Tel: 258-1-460019/50/80/
Fax: 258-1-460360

Ministry of Agriculture and Fishery
National Directorate of Fisheries
Rua Consiglieri Pedroso, 347
Maputo, Mozambique
Tel: 258-1-427443 & 424363
Fax: 258-1-425087

Ministry of Industry, Commerce and Tourism
Praça 25 Junho
Maputo, Mozambique
Tel: 258-1-426091/93/94/95/97
Fax: 258-1-30290

Ministry of Labour
Department of Foreign Workers
Av. 24 de Julho 2351
Maputo, Mozambique
Tel: 258-1-427248/420815/423133
Fax: 258-1-428645

Ministry of Mineral Resources and Energy
National Directorate of Mines
Praça 25 Junho
Maputo, Mozambique
Tel: 258-1-420797 & 420024
Fax: 258-1-429216 & 427121

Ministry of Mineral Resources and Energy
National Directorate of Hydrocarbonates
Predio 31 de Janeiro
Maputo, Mozambique
Tel: 258-1-430849
Fax: 258-1-430859

Ministry of Planning and Finance
National Directorate of Taxation and Auditing
1008 Av. 25 de Setembro
Maputo, Mozambique
Tel: 258 1 421027 & 303153
Fax: 258 1 300711

Ministry of Transport and Communication
Directorate of Finance and Investment
Av. Mártires Inhaminga, 336
Maputo, Mozambique
Tel: 258-1-430151/5 & Tel/Fax: 421199

Conservatory of the Commercial Registry
of Maputo
Ed. Fonto Azul 11-2°
Av. Samora Machel
Maputo, Mozambique
Tel: 258-1-426632/5

Direccão do Registos e Notariado
(Directory of the Registries)
Geral 11-2 Av. Samora Machel
Maputo, Mozambique
Tel: 258-1-424951/428420

Direccão Nacional de Migração
Av. Ho Chi Minh, 316 Samora Machel
Maputo, Mozambique
Tel: 258-1-420472/7
Fax: 258-1-421075

Other Public Institutions

Banco Central de Moçambique
Av. 25 de Setembro, 1679
Maputo, Mozambique
Tel: 258-1-428150/9
Fax: 258-1-421912/15 or 426732

CFM Gabinete de Projecto de Revitalização
do Corredor de Maputo e Investimento
Portos e Caminhos de Ferro
C.P. 2158
Maputo, Mozambique
Tel: 258 1 300359/300360
Fax: 258 1 301508

GREAP – Gabinete de Reestruturação
das Empresas Agriculas e da Pesca
Avenida 25 de Setembro, 1509
6th Floor – porta 10
Maputo, Mozambique
Tel/Fax: 258 1 426012

GREICT – Gabinete de Reestruturação de
Empresas da Indústria, Comércio e Turismo
Avenida 25 de Setembro, 1179
3rd Floor
Maputo, Mozambique
Tel: 258 1 424523/423884
Fax: 258 1 428580

IPEX - Mozambique Institute of Export Promotion
1008, Av. 25 de Setembro, 3rd Floor
P.O. Box 4487
Maputo, Mozambique
Tel: 258 1 307257/8
Fax. 258 1 307256

UTRE – Unida de Técnica de Reabilitação
de Empresas
(Technical Unit for Enterprise Restructuring)
Rua da Imprensa 256
Predio 33 andres, suites 704-708
C.P. 4350
Maputo, Mozambique
Tel: 258-1-426514/5/6
Fax: 258-1-421541
Email: juma@utre.uem.mz

For information regarding the privatisation
of larger enterprises under the domain
of the Interministerial Committee
for Enterprise Restructuring (CIRE),
Avenida 25 de Setembro, 1236
C.P. 4350
Maputo, Mozambique
Tel: 258-1-426514/6
Fax: 258-1-421541

Private Sector

ACM – Associação Comercial de Moçambique
Facim, 30
Maputo, Mozambique
Tel: 258 1 424387/88
Fax: 258 1 424388

AEPRIMO – Associação dos Empresários Privados
de Moçambique
Maputo, Mozambique
C.P. 1212
Tel: 258 1 424002
Fax: 258 1 424006

Agrarios Associação de Agricultores
Av. 25 de Setembro nº 1509 6a floor
Maputo, Mozambique
Tel: 258 1 427880 or 428489
Fax: 258 1 421857

Comissão de Trabalho das Associações
Económicas de Moçambique (CTA)
Av. 24 de Julho, 2021
Maputo, Mozambique
Tel/Fax: 258 1 305302

Hotel and Tourism Associação Comercial
c/o Sheik Restaurant
Av. Aramando Tivane, 57
Maputo, Mozambique
Tel: 258 1 425562 or 490197
Fax: 258 1 491738

Mozambique / South Africa Chamber
of Commerce and Industry
Av. 10 Novembro, FACIM
Maputo, Mozambique
Tel: 258 1 431621 or 421892
Fax: 258 1 431621 or 421899

Mozambique Chamber of Commerce
Rua Mateus S. Muthemba, 452
C.P. 1836 - Maputo
Maputo, Mozambique
Tel: 258 1 491970/2687
Fax: 258 1 492211

Portugal / Mozambique Chamber of Commerce
Rua Mateus S. Muthemba, 452
Maputo, Mozambique
Tel: 258 1 496227
Fax: 258 1 496361

USA / Mozambique Chamber of Commerce
Rua Mateus S. Muthemba, 452
Maputo, Mozambique
Tel: 258 1 492904
Fax: 258 1 492779

American Chamber of Commerce
in Southern Africa
Johannesburg, South Africa
Tel: 27-11-8801630/1
Fax: 27-11-8801632

US – Africa Chamber of Commerce
Washington D.C., United States
Tel: 1-202-3317053
Fax: 1-202-3311809

Other

African Development Bank
Ms Thenjiwe Sibanda, Senior Investment Officer
01 BP 1387 Abidjan 01
Côte d'Ivoire
Tel: 225 20 20.44.44/204963
Fax: 225 20 20.40.06/204964

Caisse Française de Developpement
Av. Ho Chi Min, 1135
Maputo, Mozambique
Tel: 258 1 420956/58 or 421455
Fax: 258 1 421395

CDC (Commonwealth Development Corporation)
Rua da Imprensa, 256
Predio 33 floors, 6th floor
C.P. 1657
Maputo, Mozambique
Tel: 258 1 421325/420256
Fax: 258 1 422150
Email: mozambique@mail.mozambique.cdc.co.uk

Delegation of the European Community
Av. do Zimbabwe, 1241
C.P. 1306
Maputo, Mozambique
Tel: 258 1 490266/71
Fax: 258 1 491866

ICEP – Serviços Comerciais e de Turismo
Av. Julyus Nyerere, 720
C.P. 48
Maputo, Mozambique
Tel: 258 1 490523/0319
Fax: 258 1 490203

IFC – International Finance Corporation
Av. Kenneth Kaunda nº 1224
Maputo, Mozambique
Tel: 258 1 492841/51/71
Fax: 258 1 492893

United Nations Development Programme (UNDP)
Avenida Kenneth Kaunda, 921/31
C.P. 4595
Maputo, Mozambique
Tel: 258 1 490334/37/38
Fax: 258 1 491691

Relevant Websites concerning Mozambique

For a selective overview on standard factor costs in Mozambique please refer to the following web-page: www.mozbusiness.gov.mz/costindx.htm

The Official Mozambique Home Page, a wealth of information about Mozambique: www.mozambique.mz

An annotated guide to internet resources on Mozambique for students, faculty, librarians, teachers, journalists, business people and others: www-sul.stanford.edu/depts/ssrg/africa/moz.html

Mozambique News, Daily news summary from AIM: www.sortmoz.com/aimnews

Yellow Pages of Mozambique: www.paginasamarelas.co.mz

Bank of Mozambique: www.bancomoc.mz

Electricidade de Moçambique, EP: www.mozambique/electricity/index.htm

Telecomunicações de Moçambique: www.tdm.mz

National Institute of Statistics: www.ine.gov.mz

Mozal: www.mozal.com

Community of Portuguese-Speaking Countries (CPLP): www.cplp.org

Eduardo Mondlane University: www.uem.mz

Travel/Tourism

A complete and comprehensive guide to Mozambique, detailing accommodation, safaris, visitor travel information and more: http://www.africaguide.com/country/mozamb/books.htm

Appendix 4

Public Holidays and Related Information

Public Holidays	Date	Business hours
New Year's Day	1 January	Monday to Friday:
Heroes' Day	3 February	generally 07.30 a.m. - 12.30 p.m.;
Women's Day,	7 April	02.00 p.m. - 05.30 p.m.
Labour Day	1 May	
Independence Day	25 June	Most banks are open from 8.30 a.m. to 3.30 p.m.
Victory Day	7 September	
Armed Forces Day	25 September	Shops are open up to 6.30 p.m. from Monday
Maputo City Day (Maputo only)	10 November	to Saturday, with some supermarkets also
Family Day	25 December	being open on Sundays and public holidays.

Source: UNCTAD, based on information provided by the CPI et al.

Appendix 5

Public Enterprises Not Yet Privatized (as of January 2001)

Name of company	sector/product of service
1. Telecommunicações de Moçambique (TDM)	Telecommunication
2. Electricidade de Moçambique (EDM)	Electricity generation and utility services
3. Empresa Nacional de Hidrocarbonetos (ENH)	Oil Company
4. Caminho de Ferro de Moçambique (CFM)	Railway transport
5. Rádio Moçambique (RM)	Media services
6. Aeroportos de Moçambique (ADM)	Transportation
7. Correios de Moçambique (CP)	Mailing services
8. Emodraga – Empresa Moçambicana de Dragagens	Civil engineering
9. Hidrailica de Chokwe	Utility services
10. Transportes Públicos de Maputo (TPM)	Transportation
11. Televisão de Moçambique (TVM)	Media

Source: UNCTAD, based on information provided by the CPI.

Appendix 6

UNCTAD-ICC Project on
Investment Guides and Capacity-building for Least Developed Countries

Project Champions

The following twenty-eight companies have agreed to serve as "project champions". Their role includes participation in the substantive aspects of the project (assessments, workshops), facilitating the work of the project team in individual countries in which they have a presence, and supporting the project more generally with donors, et al.

Agip
Akzo Nobel
Anglogold
Banque Nationale de Paris (BNP)
BATBataBayer British Petroleum (BP)
Cargill
Coca-Cola
Commonwealth Development Corporation (CDC)
DaimlerChrysler
Eskom
Hilton Hotels International
Marubeni Corporation
Moving Water Industries (MWI)
Myungsung International Development
Nestlé SA
Novartis
Rio Tinto
Shell
Sheraton Hotels International
Siemens
Société Générale de Surveillance (SGS)
South African Breweries
Standard Chartered Bank
Unilever
Vodafone

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_________ (2000). *World Development Indicators 2000* (Washington D.C.: the World Bank).

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While every reasonable effort has been made to ensure that the information provided in this publication is accurate, no business or other decision should be made by the reader on the basis of this information *alone*, without a further independent check. Neither UNCTAD nor ICC accepts any responsibility for any such decision or its consequences.

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Division on Investment, Technology and Enterprise Development
United Nations Conference on Trade and Development
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1211 Geneva 10, Switzerland

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Your company: ____________________

Nature of your business: ____________________

Address: ____________________

____

Tel: __________ Fax: __________ Email: __________

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Will the guide prompt you to make further enquiries regarding Mozambique?

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UNCTAD ☐ ICC ☐ Another source ☐ (please specify)

____

____

Which other countries would you like to see covered by these guides?

____

____

____

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Please tell us about your reaction to this guide

Substance

Structure

Relevance

Presentation

Other

What could we do (in substance, presentation or other respects) to make these guides more useful?

Do you have any other comments or suggestions?

Thank you for taking the time to complete and return this form. It is only through such responses as yours that the usefulness of these guides can be judged and enhanced.