

Inter-Agency Working Group

MOZAMBIQUE
SECTOR-SPECIFIC INVESTMENT STRATEGY AND ACTION PLAN

*G20 Indicators for Measuring and Maximizing Economic Value Added and Job Creation from
Private Investment in Specific Value Chains*

Pilot Study Results

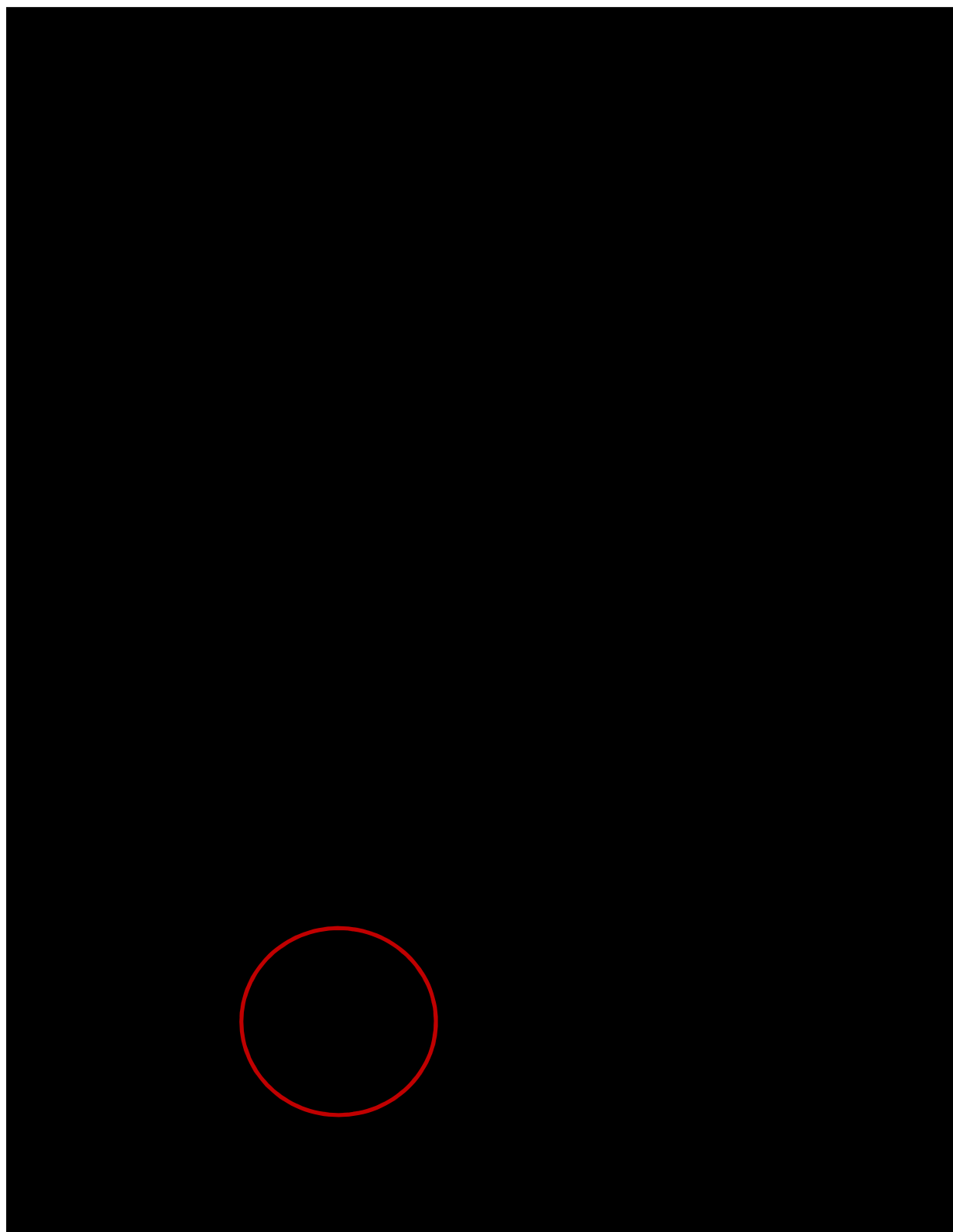
UNCTAD

May 2013

This Report forms part of the work undertaken by the Inter-Agency Working Group for the Private Investment and Job Creation Pillar of the G20 Multi-Year Action Plan on Development

Inter-Agency Working Group

Map of Mozambique



Inter-Agency Working Group

I. INTRODUCTION

This report is part of a series of six country pilot studies, carried out by UNCTAD in collaboration with other agencies of the inter-agency working group (IAWG) as phase two of the programme of work on “Indicators for measuring and maximizing economic value added and job creation from private investment in specific value chains.”¹

The objectives of this report are:

1. To provide value-added recommendations to policymakers in Mozambique on attracting and benefiting from private investment in the transport and logistics sector ("logistics value chain"), more specifically the Maputo Development Corridor (MDC).² These recommendations must be seen against the backdrop of recommendations on the overall policy framework for investment in the country.³
2. To provide guidance for the meaningful use of the MDC as a development corridor by the private sector and the government.

Inter-Agency Working Group

Development Community (SADC) in attracting private investment and supporting development.⁴ The main immediate objectives of the project were to improve existing infrastructure and make it more efficient in the interest of attracting investment, contributing to regional integration, improving international competitiveness and broadening the ownership base of the local economies served by corridor, including in Mozambique and Maputo province itself (Campbell et al. 2012). The rest of this report examines whether the MDC, as a logistics value chain (figure I.1), has lived up to these objectives and how this

Inter-Agency Working Group

This report is primarily based on dedicated desk research carried out by UNCTAD, other studies undertaken by UNCTAD, including a recent Investment Policy Review (IPR) involving fieldwork, and analytical work and reports by other organisations. In addition, given the data limitations detected at the beginning of the study, an attempt was made to obtain company information through a survey. However, and despite the support received by the MCLI secretariat, data collection proved difficult due to a low response rate. Inasmuch as the company responses were insufficient, and are not a representative sample, the survey results are not used in this report. However, such surveys are essential to gather information on company, industry and value chain developments and the key lesson is to adopt a more robust methodological approach in the future, building rapport with company respondents, within a systematic long-term national statistical plan.

The structure of this report is as follows:

- Section II will provide a brief overview of the current profile of investments in Mozambique and in the logistics value chain in particular;
- Section III will look at the impact of investments in the target sectors through the lens of the indicator framework, adapted to the logistics value chain;
- Sections IV will develop the key findings based on the indicator approach; and
- Section V will draw final conclusions and formulate recommendations.

II. INVESTMENT PROFILE

Despite the adverse global economic environment, Mozambique has succeeded in sustaining a long-period of high economic growth. With a 7% average annual real GDP growth rate over the last seven years, it remains one of the fastest growing economies among Least Developed Countries (LDCs). In 2011 nominal GDP stood at US\$12.6 billion and GDP per capita at US\$571, up from US\$4.1 billion and US\$236 respectively in 2000. Agriculture, mining and, increasingly, the oil & gas industry are the mainstays of the economy, between them accounting for over 50% of the country's GDP. Much of this is exported; hence the significance of the transportation and communications sector (11.7%), as well as trade related services (around 18%) (figure II.1).

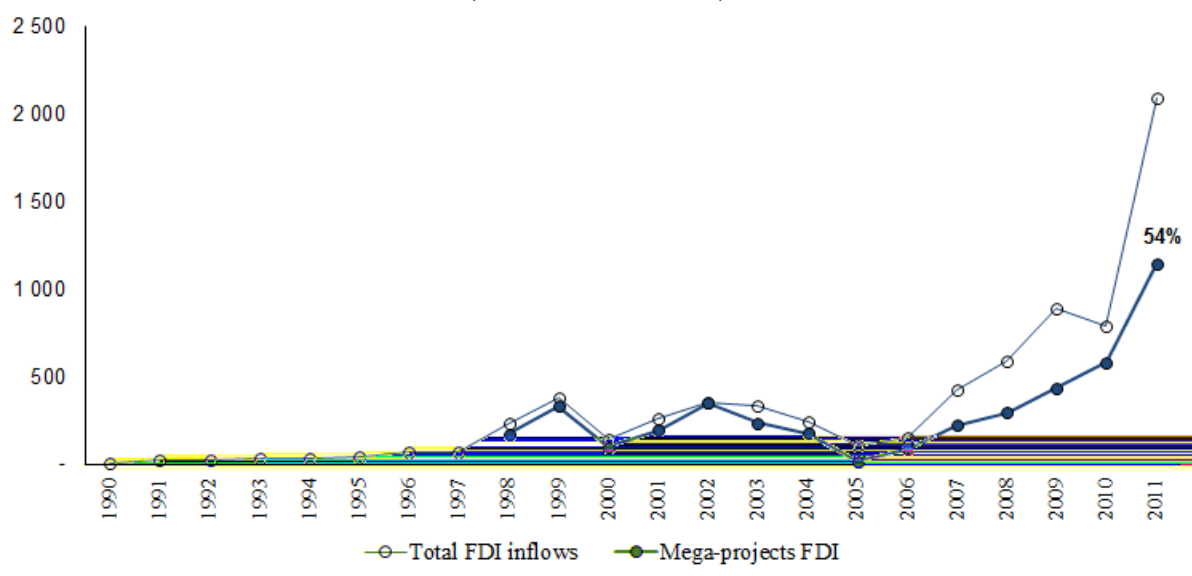
Figure II.1: Contribution of selected sectors to Mozambique's GDP, 2011

Source: Bank of Mozambique

Inter-Agency Working Group

and initiated the first mega-project. Most of their US\$2 billion investments (on an approval basis until 2009) were in 2 mega-projects: the Mozal aluminium smelter plant and the Sasol natural gas extraction and pipeline project (UNCTAD, 2012). Tourism and other niche markets have also benefited from smaller South African investments.

Figure II.2: FDI inflows to Mozambique, 1990-2011
(Millions of dollars)



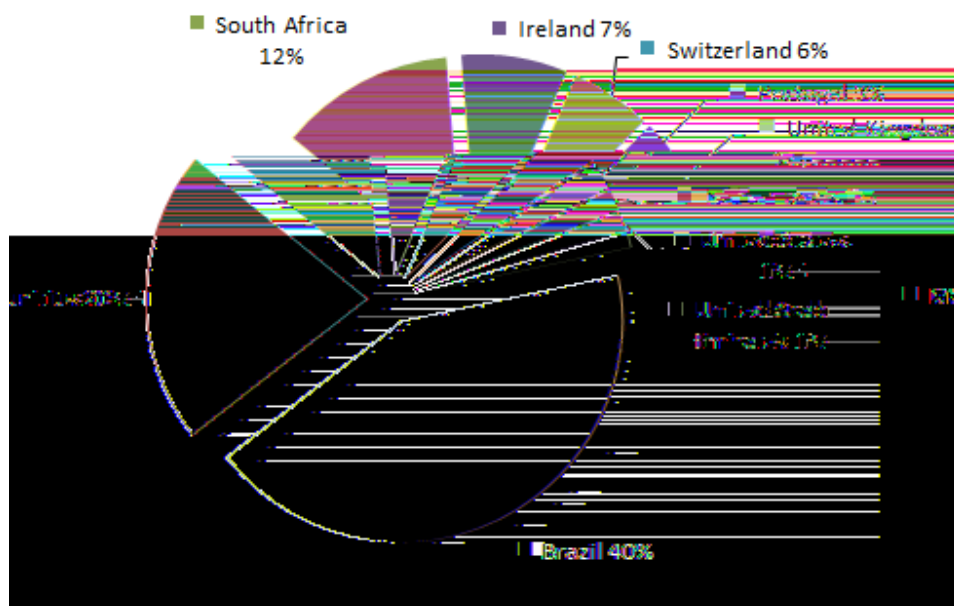
Source: UNCTAD FDI/TNC database and Bank of Mozambique

Apart from Irish and Swiss companies, those from the UAE are also significant new investors. In 2012 they received approval for 20 new projects, with a total value of US\$309 million, spread across the industrial, tourism, transport and communications, and construction and services sectors. The CLIN-Linhas Ferroviárias project attracted the largest share of these investments – US\$196.5 million – for the construction of a railway between Moatize and the port of Nacala.

As mentioned earlier, the main element of Mozambique's success in attracting FDI has been in the form of large-scale capital-intensive investments. Between 2001 and 2011 FDI was highly concentrated in one sector - the extractive industry - which attracted more than 63% of total FDI, followed by processing industries and the transports and communication sectors which received about 6% of FDI (figure 4).⁵ Among mega-projects, one of the largest foreign investments in transportation was the CCFB Railway, which arose from the sale of lease by the Mozambique Ports and Railways (CFM) to the Indian company Rites. Excluding mega-projects, during the period 1992-2010 Mozambique approved 139 foreign projects on transportation and communications worth US\$ 294.4 million; that is 7.3% of total FDI in non-mega-projects.

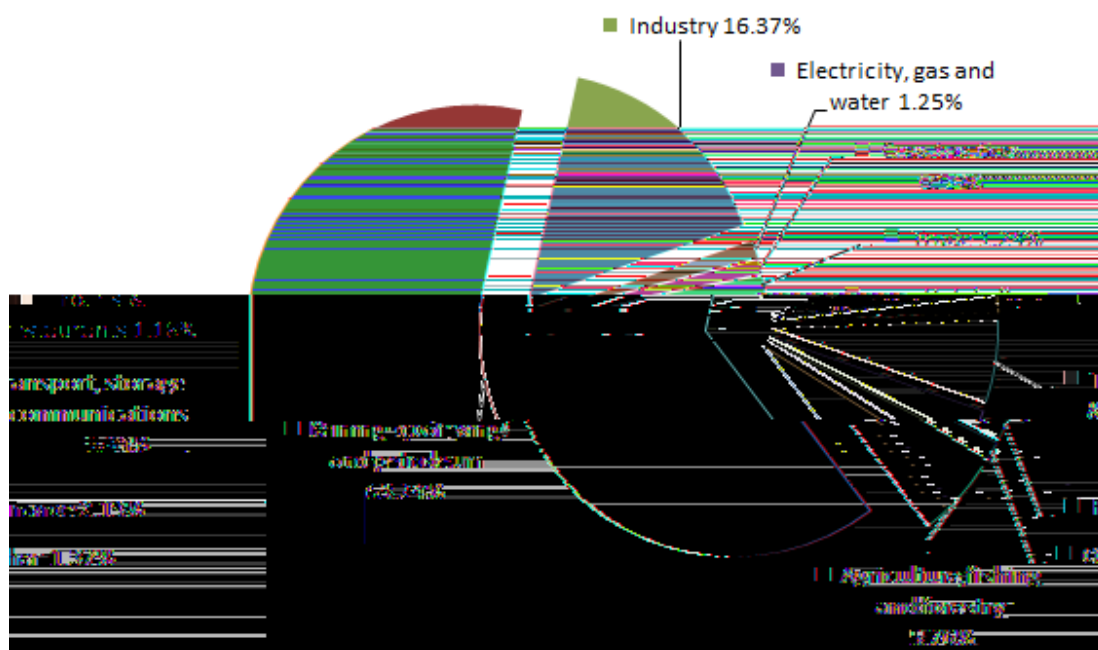
⁵ Between 1997 and 2009, 4 of the 11 mega-projects registered by the Investment Promotion Centre (CPI)⁵ were in mining for a total value of \$US 5753.6 million, which represents 68% of the total amount of approved investment in mega-projects during that period.

**Figure II.3: FDI flows by country of origin, cumulative 2004- 2011
(Percentage of total inflows for the period)**



Source: UNCTAD FDI/TNC database

**Figure II.4: FDI flows by sector, cumulative 2001- 2011
(percentage of total inflows for the period)**



Source: UNCTAD FDI/TNC database

Inter-Agency Working Group

Investment in the logistics value chain

The limited amount of FDI in the transport and logistics sector in Mozambique as a whole, and in the MDC in particular, is because private investment in infrastructure has occurred mainly in the form of concessions under public-private partnerships. These are not recorded as FDI flows. From 1993 until 2011, 16 private infrastructure projects amounting to a total investment of US\$ 2.9 billion were registered in Mozambique. Of the 16, 9 projects were in the logistics value chain (WB PPI database).

Attracting private investment for the rehabilitation and expansion of infrastructure has been one of the key priorities of the Mozambican government since the end of the civil war. However, the

Table II.1: Main actors operating the Maputo Corridor infrastructure

Infrastructure	Facility	Operator	Type of ownership and nationality of investor(s)	Status of operation
PORT	Deepwater port and terminals	Maputo Port Development Company	Private-Public partnership between the Mozambican Railway Company (CFM), Grindrod (South Africa) and DP World (UAE). The Government retains 49% share	PPP/concession
	<u>1. Maputo terminals</u>			
	(a) Container terminal	DP World Maputo	Private - UAE	Subconcession
	(b) Bulk liquids/Tank Storage	Maputo Liquids Storage Company, Lda	Subsidiary of Equatorial Trading Limited of Malaysia, part of Wilmar International Limited of Singapore.	Subconcession
	(c) Car terminal	Grindod / Höegh Autoliners	Private- South Africa (70%) and Germany (30%)	Subconcession
	(d) Bulk sugar terminal	Sociedade Terminal de Açúcar de Maputo Lda (STAM)	Private. Managed by Manica (Namibia)	Subconcession
	(e) Bagged sugar terminal	ED&F Man Mocambique Lda	Private - U.K.	Subconcession
	(f) Molasses terminal	Agrimol (Pty) Ltd	Private - South Africa	Subconcession

Inter-Agency Working Group

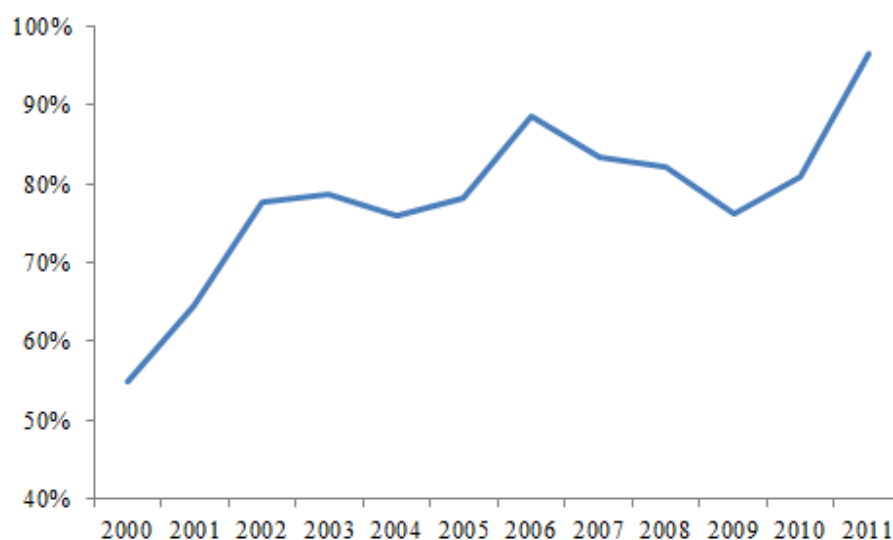
	(g) Coastal terminal	Terminal de Cabotagem De Maputo Sarl - Grupo E.T.E	Private- Public. Main shareholder is Navique (Empresa Moçambicana de Navegação, privatised in 1997, shareholders include Transinsular - Portugal (49%), State of Mozambique (20%) and Focus 21, Lda. (31%).) and CFM	Subconcession
	<u>2. Matola terminals</u>			
	(a) Aluminium terminal	Mozal import/export	Private - Public joint venture between BHP Billiton (47.1%), Mitsubishi Corporation (25%), Industrial Development Corporation of South Africa Limited (24 %), and the Government of Mozambique (3.9%).	Subconcession
	(b) Coal terminal	Grindod/Vitol	Private. South African (65%) and Dutch (35%)	Subconcession
	(c) Grain terminal	STEMA – Matola Silos and Grain Terminal, SA	Private - Mozambique	Subconcession
ROAD	Mozambique N4 Toll Road	Trans African Concessions (TRAC)	Private-Public South African/Mozambique bilateral partnership	PPP

III. INVESTMENT IMPACT

Economic Value Added

Trade generation. Since 2000, the country's trade as a ratio of GDP has risen from a little over 50% to approaching a 100% (figure III.1). This indicator directly reflects the principle goal of the logistics value chain, that is to generate business activity and trade in the country, region and beyond. Such a high ratio also arises from MDCs goal of linking the African hinterland to international markets. The massive increase in trade volume following the establishment of the MDC and rising investment since the 2000s can also be seen in the 260% increase in cargo tonnage at the port between 2003 and 2010 (table III.1).

Figure III.1: Mozambique's trade (exports and imports) as a share of GDP.



Source: UNCTAD and IMF.

Table III.1: Maputo Port: Volume growth in cargo tonnages, 2003, 2010-2013.

Year	2003	2010	2011	2012	2013 ^e
Mil. Tonnes	5	10	12	15	17

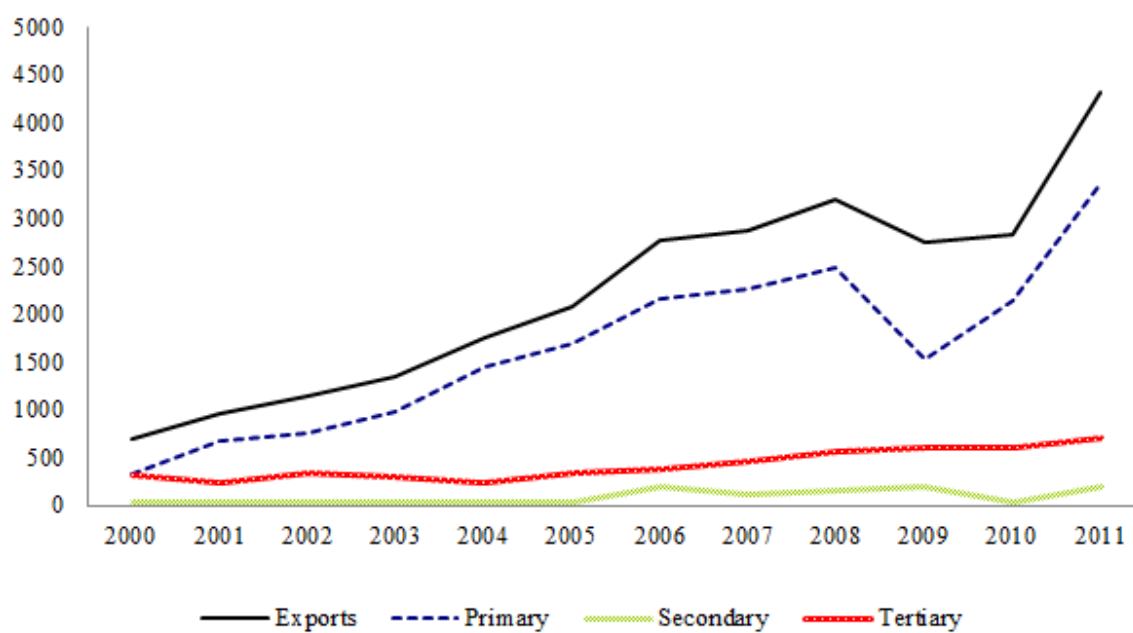
Compounded average growth of 21% between 2003-2013 or a 260% growth in 2003-2012.

e. estimate

Source: Maputo Port Authority

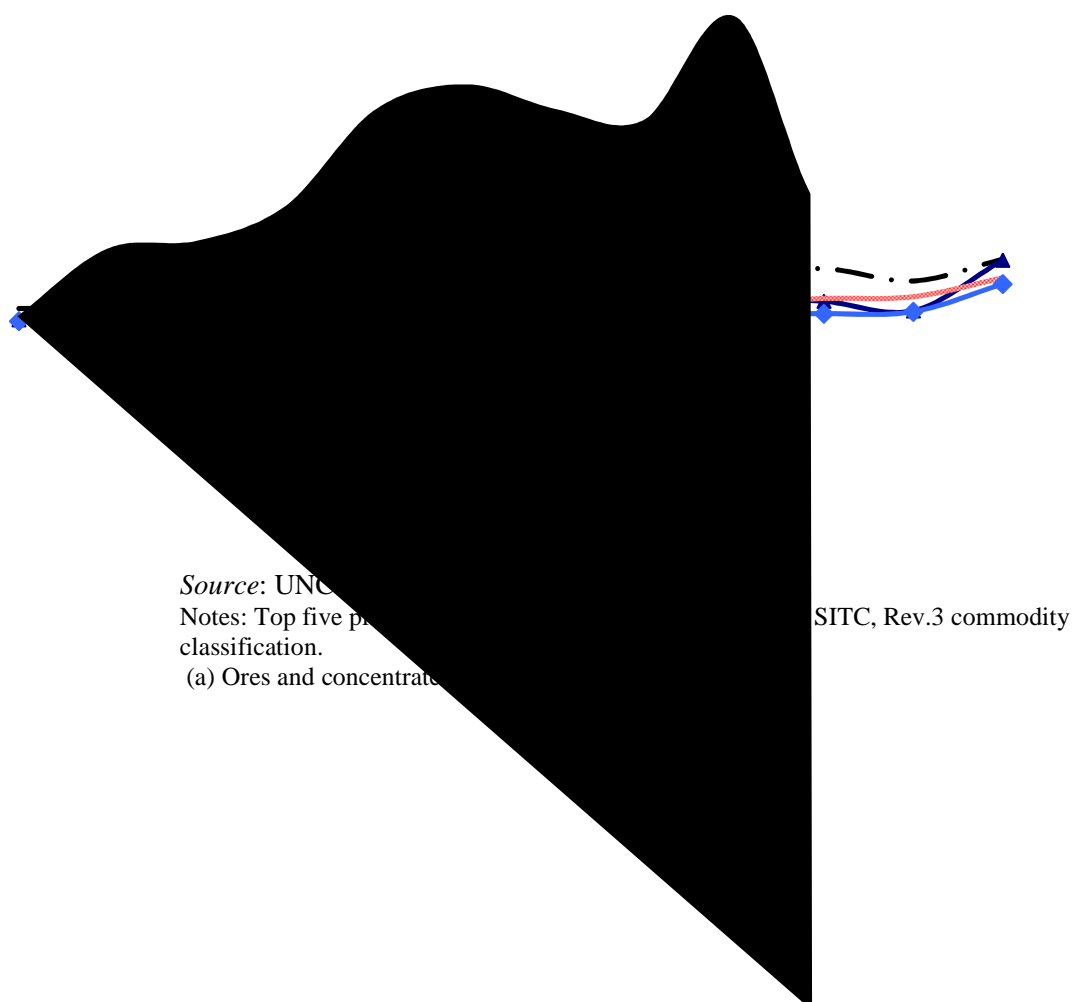
In line with the types of additional investments generated by the MDC, most of the exports from the country are in the primary sector associated products, and more specifically in aluminum, base metals and power (figures III.2 and III.3). The exports of base metals are mostly to international markets, but electricity exports and much of the aluminum output goes to regional markets, especially to South Africa, Inasmuch as MDC represents a west-east corridor with major terminuses in Johannesburg and Maputo, investment in logistics has served a primary function of boosting intra-regional activity.

Figure III.2: Mozambique exports, 2000-2011 (US\$ million)



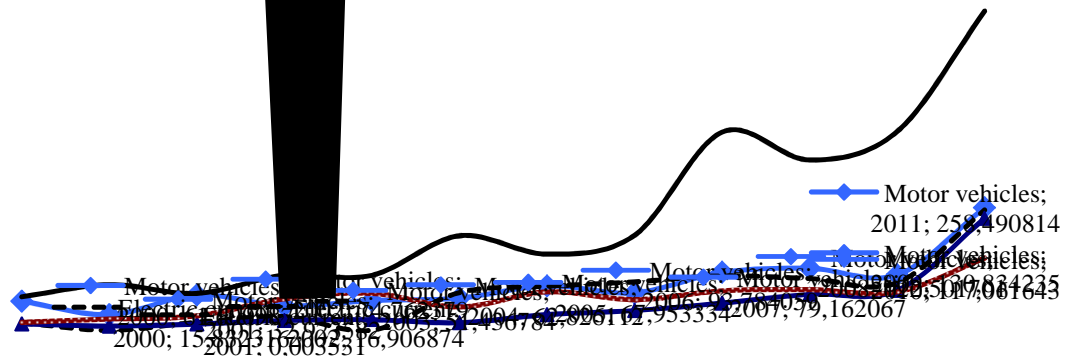
Source: UNCTAD

Figure III.3: Mozambique, main export products, 2000-2011 (US\$ million)



The rapid rise of imports into Mozambique also reflects investment associated with the MDC (figure III.4). Motor vehicles are a significant import, hence the car terminal at Maputo port, both for Mozambique and the region. More interestingly, the port area is essential for the import of engineering equipment required for mega-projects in the country.

Figure III.4: Mozambique's main import products, 2000-2011 (US\$ million)



Source: UNCTAD

Notes: Top five product categories based on three digit level SITC, Rev.3 commodity classification.

(a) Civil engineering & contractors' plant & equipment

Investment generation. Since 2000 there has been a marked increase in investment in Maputo province (map III.1). The regions covered by the MDC in the Mozambique side of its international borders, that is Maputo itself and the main spurs to South Africa and Swaziland, have received the largest value of investments, with significantly lesser amounts in contiguous regions. In other words, better connections to the port, railroad and roads encourage investment. These regions are also where nearly all investments in industry (aluminium) and minerals are based, i.e. most of the mega-projects. Other regions within Maputo province have tended to receive investment in tourism and agriculture, which may be less reliant on the type of infrastructure being provided in MDC (as well as reflecting the location of the types of resources needed to attract such investment and activity).

The issue of how well the logistics value chain connects regions, communities and activities is important. The preponderance of mega-projects in the mix of inward investment in Mozambique implies that some regions and many communities are not well-served. One of the reasons for this is the MDC's cross-regional mandate in Southern Africa. This also affects larger-scale projects too. For instance, Vale (Brazil) and Rio Tinto (Australia) have significant coal mining operations in the country, but the lack of infrastructure capacity to cope with the expansion of coal mining operations has hampered transport of coal from pit to port. Investors complain of inadequate

infrastructure support to the transport of coal from remote mines in Tete to the port of Beira.⁶ To overcome logistical problems, investors such as Vale and Rio Tinto have announced plans to expand their production capacities at the mines, as well as investment to expand railway linkages to the port. Although this example is for Beira port, the same challenges apply to MDC and the logistic value chain as it is currently conceived in the country more generally.

**Map III.1. Maputo Province CPI- authorized investment
by district and sector, 2005–2009**

Source: World Bank, 2011

The rapid rise of investment into Mozambique, very closely associated with the public-private sector development of the logistics value chain can be seen in the jump of FDI flows to

**Table III.2: FDI Flows to Mozambique and comparator countries:
performance, selected years (millions of US\$ and percent)**

	FDI flows				as a percentage of gross fixed capital formation			
	Annual average				Annual average			
	2005-2007	2009	2010	2011	2005-2007	2009	2010	2011
Mozambique	230	893	989	2093	18.2	44.1	36.8	67.4
Madagascar	385	1 066	860	907	25.4	51.7	56.2	35.8
South Africa	3938	5365	1228	5807	8.0	8.4	1.5	7.5
Tanzania	640	953	1 023	1 095	15.3	15.3	15.5	15.0
Southern Africa					8.7	13.2	2.3	5.7

	FDI stock				as a percentage of gross domestic product			
	1995	2000	2010	2011	1995	2000	2010	2011
Mozambique	356	1249	5311	7404	15.6	46.7	55.7	55.8
Madagascar	172	141	4 452	5 359	5.5	46.2	50.9	53.6
South Africa	15005	43451	153133	129890	9.9	41.5	42.1	31.8
Tanzania	620	2 781	7 089	7 825	10.2	30.2	30.6	32.8
Southern Africa					14.1	37.2	37.2	28.3

Source: WIR 2012, Country fact sheet: Mozambique (www.unctad.org/fdistatistics)

Induced impact on the economy

Number of business entities. The MDC as a whole has created only a limited number of entities within the logistics value chain, partly reflecting the nature of the value chain, but also the focus on mega-projects in the country and the structure of regional trade. As a whole, the MCLI - which includes all the significant private sector logistics firms in the MDC (and a few public sector companies and associations) currently has 117 members, with the membership swelling three-fold since 2004 (figure III.5). Though separate data are not available, from the foregoing analysis it is clear that as a whole these companies constitute (or play a major role in) a large share of Maputo and Mozambique's economy, trade and employment. As well as an induced impact on the economy through efficiency gains associated with logistics (below), they are also responsible for indirect effects such as linkages with suppliers and multiplier effects associated with their workforce.

Figure III.5: Membership of the MCLI

MCLI currently has 117 members operating in the following areas:

Cargo Owners	Port Agents
Clearing & Forwarding Agents	Press and other
Developers	Rail Operators
Financial Institutions	Road Operators
General Interested Parties	Road Transport Operators
Inter-Modal Operators	Shipping Brokers
Logistics Companies	Shipping Lines
Multi-Purpose Agents	Security Services
Ports	Terminal Operators

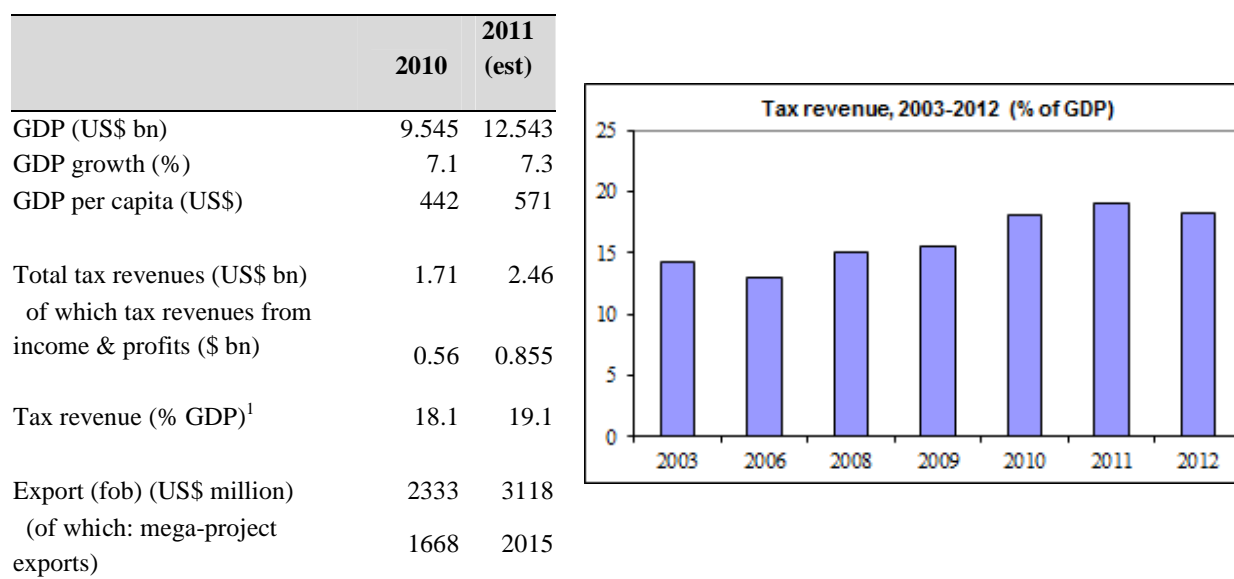
Source: MCLI and Campbel et al. (2011)

Economic indicators associated with major non-logistics companies in Maputo/Mozambique.

Business activities in and around Maputo have grown in line with the development of the logistics value chain in the city and province, and play an important role in contributing to the economic growth, employment, export and revenues of the country (KPMG 2012). For instance, in 2011, the top 100 companies in Mozambique, most of which are headquartered in Maputo, generated a combined revenue of \$8.04 billion or 64% of the country's GDP (figure III.6).

These companies are also responsible for some 35% of the country's tax revenues from income and profits and directly employed over 62,000 people, which represented about 0.55% of the country's working population. If indirect employments were added, these 100 companies would contribute more significantly to the country's employment generation (exceeding 1%). Companies operating in services and transport and storage, i.e. within the logistics value chain, contributed 48% of the total employment generated by these 100 companies.

Figure III.6: Selected macroeconomic indicators, 2010-2011



Source: IMF (2013) and AfDB (2012)

**Table III.3: Revenues and taxes of top 100 companies
operating in and around Maputo, 2011**

	MT (mil)	US\$ (mil)
Revenues of the top 100 companies	233,874	8,037
Total employment	62197	..
Estimated taxes paid by the top 100 companies	8634	296.73
of which:		
Industry sector	4269	146.70
Commerce	869	29.86
Transport and storage	1095	37.63
Services	674	23.16
Financial activities and insurance	1689	58.04
Communications	-491	-16.87
Construction	458	15.74
Agriculture & fisheries	-4	-0.14
Accommodation, restaurants, etc.	76	2.61

Source: KPMG (2012)

The growth in private sector activities and investment in Mozambique contributed to the country's steady increase in tax revenue (as a percentage of GDP) (table III.3). In 2003 tax paid by the top companies was about 14.3% of GDP, but by 2011 this had risen to 19.1%; indeed in the latter year the top 100 contributed 35% of all taxes collected in the country. In general, the top Mozambican companies pay a significant rate of tax on their profits (23% in 2011), though this average is below the corporate tax rate (32%) (KPMG 2012). This is because a number of

companies, including foreign ones, benefit from incentives on a number of their investments. Overall, the tax yield achieved by the Mozambican government compares well with other developing countries and represents a sizeable amount for government services and capital expenditure.

Social impact

Poverty rate. Although rapid, continued growth in Mozambique has resulted in a significant rise in GDP per capita to US\$571 today, as well as a gradual decline in poverty, 54.7%⁷ of the population still lives on much less than \$1.25 a day. The economic and social benefits accruing from MDC investment, investments attracted by the development of the logistics value chain, and other induced business development has not spread widely. This is partly because a focus on the wider region has resulted in a neglect of local linkages (e.g. link roads and rail spurs to service domestic communities and business activity), which is then amplified by a lack of appropriate transport, logistics, and ancillary services. Another, related issue is that much of the FDI and other private sector investments attracted are mega-projects, which by their nature can take the form of enclaves with few linkages with local businesses and communities (or employment generated). The MDC, and perhaps Mozambique's development strategy more generally, has neglected local development in favour of regional development and concentrated areas of domestic development. The hinterland through which much of the MDC and other logistics value chains stretch remains neglected and unsupported; sustainable development necessitates a re-evaluation of this strategy in favour of ensuring that logistics value chains better serve the local economy and communities, as well as regional and international markets.

⁷ =, e 'igure corre&pon1& to 2008+(!&t Wor(1 : !nk e&

IV. THE LOGISTICS VALUE CHAIN: POLICY CHALLENGES AND OPPORTUNITIES

Opportunities

- With an extremely privileged and strategic location, Mozambique is a natural exit to most of its landlocked neighbours. In this context, the Maputo Corridor has enormous opportunities for further growth as a crucial logistics value chain encouraging regional integration, as well as development within the country. The lessons of the MDC can be applied to other logistics value chains in the country.
- Rising two-way trade with Asia represents an opportunity for Mozambique to boost its role as a logistics hub in the region, which would include not only warehousing and inventory management but also a range of packaging, dispatching and processing services and activities.
- Despite, MDCs successes as a regional logistics hub, and driver for FDI and non-equity operations by foreign companies in Mozambique, further facilitation of trade is crucial for the corridor to maintain its strategic role. The imminent implementation of the Tripartite Free Trade Area in 2014 and the intention of the Continental Free Trade Area to be operational by 2017, have huge implications for trade facilitation systems and facilities and legislative amendments, and represent an opportunity which can be used for good effect.

Challenges

- Turning these opportunities into actual businesses, jobs and value-addition requires further investment in infrastructure – transport and other – that cannot be fully met by the financing capacity of the Government. The sound business fundamentals of Mozambique as a logistics hub, however, mean that it is possible to attract private investment under various forms of PPPs, as well as FDI. In order for PPPs to take off, a sound regulatory framework is fundamental (UNCTAD, 2012).
- A logistics hub, which creates overall economic value added for the region and Mozambique is insufficient if there are inadequate linkages to the local economy to boost activity by SMEs and other entrepreneurial actors, as well wider social impacts leading to poverty reduction and the uplifting of communities and individuals. As the analysis in section III indicated, this is an issue for local communities (the poverty rate remains stubbornly over 50%), local businesses and even major foreign firms which find that they are not well connected to the MDC (or indeed other similar logistics value chains). This
- MDC faces a number of operational constraints, e.g.
 - (a) Complexity of aligning the legislation of the myriad of government agencies operating on both sides of the border, as each government has its particular approach to the process of trade facilitation and on security concerns (SAIIA, 2012);
 - (b) High prices set by Transnet Freight Rail (South Africa rail company) for transporting goods on the Maputo line is a barrier to the flow of goods and to the continued extension of the export terminal port in Maputo (SAIIA; 2012);

- (c) In terms of railway connections, there still are not enough railway linkages between South Africa and the port; the turnaround time of trains is very long, 20 to 40 days, there is no rail passenger service across the border, and there are few regularly operating trains. Maputo also suffers from a chronic shortage of water. (WB, 2011);
- (d) The Maputo port still does not have an advanced computerized information system and is inadequate to handle large vessels (WB, 2011). Such a system would help alleviate deficiencies in customs administration: clearance times remain long. While the customs modernization programmes implemented by the South African Revenue Service and the

V. CONCLUSIONS AND POLICY RECOMMENDATIONS

Attracting further private sector investment in the Maputo Corridor logistics value would have direct and induced positive impacts on the Mozambican economy, but appropriate policies are needed.

As shown in the impact section of the report, Mozambique has benefited from private investment in the Maputo Development Corridor, both directly and through induced effects arising from boosting transport and logistics in infrastructure and transportation. These benefits include overall economic value added, trade creation and regional integration, as well as fiscal revenues collected. In particular, the development of the private sector in the Corridor has contributed to increased levels of FDI, especially in mega-projects in mining and agriculture, as well as the expansion of related sectors such as business services, tourism, and financial institutions. Attracting additional FDI in the logistics value chain with the adequate expertise would further enhance these positive effects. However, positive economic and social impact on the wider community is minimal, primarily because the MDC has not placed any priority on linking the regional logistics chain with communities and businesses in Maputo province. Future policies and investments should directly address this issue.

The Maputo Corridor Development Initiative would benefit from private sector investment in several key areas of the logistics value chain.

There are a number of key operational concerns (section IV) which need to be addressed.

in certain cases levies seem to have increased. Although the legislation is still very recent, the effects of its implementation on transit trade need to be monitored and further assessed.

Customs procedures - upgrading the computer information system and link with customs and border agencies; improving efficiency or streamlining scanning fee are areas for potential improvement (WB, 2011). The border post needs to extend its operating hours to bring in line with the Maputo port in order to minimize backlogs. The port requires sustained freight volumes to make it viable and users need a one-day turnaround time to make it worth the

Annex 1

List of contacts

Organization	Contact Person	Title
Maputo Corridor Logistics Initiative	Ms. Barbara Mommen	Chief Executive Officer
Investment Promotion Centre (CPI)	Mr. Lourenço Sambo	Director General
KPMG, SA - Mozambique	Mr. Paulo Mole	Director, International Development Advisory Services (IDAS)
	Mr. Binit Varajidas	Project Manager, International Development Advisory Services (IDAS)

Annex 2

FDI Policy and PPP legal framework in Mozambique

❖ *FDI Policy*

Mozambique adopted its first law on foreign direct investment in 1984. Recognizing the changes in the world economy and in the national policy context, Parliament passed a new Law on Investment (law 3/93) in 1993 in order to “favour greater participation, complementarity and equality of treatment of national and foreign investments”. The law established an open and welcoming stance towards foreign investors. At the same time, the approach adopted by Mozambique was somewhat unusual in that the Law on Investment does not apply universally to all types of investments.

The provisions of the law in terms of rights and obligations apply equally to national and foreign investments⁸ but only to the extent that investors actually seek to benefit from the guarantees and incentives established in the law. Foreign and national investors are not legally obliged to comply with the establishment procedures set by law 3/93, but the rights, protection and incentives defined therein are available only to those who do follow such procedures. In addition, the law specifically excludes investments in petroleum, natural gas and mining from its scope of application.

While the choice of being subject to law 3/93 or not is initially for the investors to make, the law also specifies eligibility conditions. Investments eligible to be approved under law 3/93 must, in principle, contribute to sustainable economic and social development, as defined by a set of 10 criteria that include: (1) development of infrastructure; (2) expansion of productive capacity; (3) job creation for nationals and skills transfers; (4) export creation; (5) import substitution; and (6) improving supply conditions on the local market. Until 2009, regulations required that 7 out of these 10 criteria be fulfilled for an investor to be eligible for an investment certificate. This requirement has now been eliminated.

In practice, the vast majority of foreign investors choose to follow the entry and establishment procedures set in law 3/93 because this is the only way for them to benefit from key provisions on treatment and protection as well as to access tax and other incentives.

Prior to establishing operations in Mozambique and complying with company start-up procedures (section C), investors that wish to benefit from the provisions of the Law on Investment must follow a formal registration and authorization procedure. This procedure is administered in the majority of cases by the CPI. Since 2007, the registration and authorization of investments in special economic zones (SEZs) and industrial free zones (IFZs) have been managed by the Special Economic Zones Office (GAZEDA).

Obtaining an investment certificate is not a legal obligation for foreign or national investors operating outside SEZs or IFZs. Yet, the certificate is required to benefit from the protection and benefits granted by the Law on Investment and to access the following benefits: (1) incentives on

⁸ With the exception of provisions on transfer rights and international investment dispute resolution

corporate income taxation; (2) duty-free import of certain goods; and (3) recruitment of expatriates beyond standard quotas.



- Exceptional profits resulting from favourable price and market conditions must be distributed “*equitably*” among all shareholders. What constitutes exceptional profits and an equitable distribution is not defined.
- A number of specific taxes apply on projects attributed through public tender. Non-mining concessions are subject to a fixed tax of 5 to 10 per cent of expected average profit throughout the life of the concession, in addition to a variable tax of 5 to 10 per cent of gross revenue.

The law also stipulates that concession contracts must explicitly specify the indirect benefits that should be derived from the project. An institutional mechanism is to be set up to ensure compliance with the generation of indirect benefits. The draft implementation decree also imposes that all projects put in place concrete programmes to train Mozambican workers and to generate transfers of technology and know-how.

Source: UNCTAD IPR of Mozambique

Selected References

AfDB (2012), *African Economic Outlook*, May

AICD (2011), *Mozambique's infrastructure: A Continental Perspective*, The International Bank for Reconstruction and Development / The World Bank, June.

Bank of Mozambique (2011), *Annual Report*, September.

Bosten, E. (2005), *Developing the Maputo Corridor Business Potential from a Cluster Perspective*, November.

Campbell, M.M and Hauptfleisch, A.C (2012), *The Impact of the Maputo Development Corridor on Wealth Creation within the Region It Serves* Journal of Civil Engineering and Architecture, Vol.6, No. 9, pp. 1184-1193, September.

Campbell, M.M, Hauptfleisch, A.C and Marx, HJ(2011), *Regional property development and socioeconomic impacts resulting from a development corridor*

EIU (2012), *Transport bottlenecks threaten coal-mining development*, September.

IMF (2011), *World Economic Outlook Database*, September.

IMF (2013), *IMF Country Report No. 13/1: Mozambique*, January

Japan International Cooperation Agency (2010), *Preparatory Survey for Southern Africa Integrated Regional Transport Program*, March

KPMG (2012), *The Top 100 Companies in Mozambique*, XIV Edition.

Maputo Corridor Logistics Initiative (MCLI), <http://www.mcli.co.za/>

Mommen, B. (2012), *The Maputo Corridor: Regional integration that works*. GREAT Insights, Volume 1, Issue 10. December.

Mpumalanga Province Freight Data Bank, <http://www.mpfdb.co.za/>

Port Maputo, <http://www.portmaputo.co.za/>

Reuters (2013), *Analysis – Poor railways, ports put brake on Mozambique's coal rushes*, 16 April.

South African Foreign Policy and African Drivers Programme -SAIIA (2012), *Implementing Development Corridors: Lessons from the Maputo Corridor*, Policy Briefing 54, August.

The Africa Report (2013), *Mozambique's poor infrastructure slows coal exports*, 18 March.

UNCTAD (2012), *Investment Policy Review Mozambique*, United Nations: New York, April.

UNCTAD (2012), WIR 2012: *Country fact sheet: Mozambique*, June

World Bank, *Private Participation in Infrastructure (PPI) Project Database*

World Bank (2011), *Prospects for Growth Poles in Mozambique*, Washington.

World Bank (2013), *World Development Report 2013*, Washington.