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**Trade Policy Review Body**

# TRADE POLICY REVIEW

## REPORT BY THE SECRETARIAT

## MOZAMBIQUE

This report, prepared for the third Trade Policy Review of Mozambique, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Mozambique on its trade policies and practices.

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Document WT/TPR/G/354 contains the policy statement submitted by Mozambique.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on Mozambique. This report was drafted in English.

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## SUMMARY

1. Mozambique shares many of the problems of resource-rich countries, with a fragile development model excessively focused on extractives and major projects. It has undoubted potential but faces considerable challenges: a lack of qualified workers; a limited internal market; infrastructure insufficiencies; a costly business environment; limited economic diversification; a high dependency on imports; increasing debt levels; a narrow tax base; and limited capacity for domestic resource mobilization.

2. Mozambique's economy has grown rapidly since the end of the civil war in 1992. Real annual GDP growth averaged around 8% over the past two decades and around 7% during the current review period. Robust growth was made possible by sound macroeconomic management, a number of large-scale foreign investment projects, relative political stability and significant donor support.

3. For most of the review period, Mozambique appeared to be enjoying a natural gas-fuelled boom until the disclosure in April 2016 of secret loans to the Government, which resulted in the IMF and other donors suspending financial support. The Mozambican authorities are currently engaged in discussions to resume financial support.

4. Strong growth has been supported by FDI inflows in extractive industries. Major discoveries of coal and gas may transform Mozambique into a significant player in global energy markets and the country's medium-term reform agenda emphasizes the need to focus on strengthening capacity to better manage the country's extractive industries.

5. There has been relatively limited structural transformation: the share of manufacturing, which grew from 13% in the early 1990s to 16% in the early 2000s, had fallen to 10% in 2010-15. The share of the agricultural sector, which initially fell from 35% before the end of the war to 24% in the early 2000s, has averaged around 26% since 2010. Extractive industries represented over 5% of GDP in 2015 with most investment still geared towards exploration. Tertiary activities accounted for 54% of GDP; in addition to expanding financial services, the tertiary sector has a growing number of micro-scale retail businesses with tiny profit margins and few opportunities for saving and investing.

6. Mozambique's traditionally small current account deficits widened during the review period as the value of imports significantly exceeded the value of exports. Large-scale megaproject-related imports have driven this trend, starting with investments in aluminium production and followed by the expansion of the mining and gas sectors financed by FDI. The current account deficit (CAD) has widened from an average of around 11% of GDP from 2004 to 2010 to around 40% from 2012 to 2015.

7. FDI reached between US$5 billion and 6 billion in 2012 and 2013 and was estimated at US$4.9 billion in 2014, or around one third of GDP, and financed 85% of the current account deficit. This trend compares favourably to most of the last decade, when FDI financed 35% of the deficit.

8. Trade in goods and services (exports + imports) accounted for over 100% of GDP in 2015, up from 68% in 2008. The pick-up in investment and FDI inflows since 2008 has been linked to strong import growth particularly in consumption and capital goods imports.

9. Mozambique's export basket is rather limited, reflecting the narrow scope of the economy: in 2015, four items (aluminium, coal, gas and electricity) accounted for almost 63% of exports. Coal exports rose from zero in 2010 to over US$520 million in 2013, ranking second only to aluminium exports. Mozambique's main imports are manufactured goods (67% of imports, especially machinery and equipment for use as megaproject inputs), foodstuffs and other agricultural products (13%), and fuel and mining products.

10. Services imports are roughly the same size as Mozambique's total merchandise exports. The strong growth in services imports was partly counteracted by improvements in the services balance in 2015 which noted a reduction in construction and professional services, a side effect of lower investment that year.

11. Over the review period various development strategy documents were released. Although they differ in focus, a common thrust is the priority attached to changing the structure of the economy through industrialization with a view to ensuring economic growth, reduced unemployment and improved living standards. The promotion of economic zones and development corridors, and the upgrading of transport, energy, water and communications infrastructure, is seen as being central to achieving this vision. It is against this background that various legislative and regulatory changes have been made, *inter alia*, in the areas of rules on public–private partnerships as well as incentives.

12. Mozambique's stated trade policy objective is to create an environment conducive to promoting the competitiveness of Mozambican products in international markets, especially those of the developed economies of Europe, America and Asia, without prejudice to regional trade. While external commentators have suggested that Mozambique could do more to encourage public–private sector dialogue on trade policy issues and be more transparent in the way that laws and regulations are developed, the recent institutionalization of a formal mechanism for public–private dialogue on economic and business issues is a positive step.

13. Mozambique is a founding Member of the WTO and grants MFN treatment to all of its trading partners. In January 2016, Mozambique ratified the Trade Facilitation Agreement. It has never been engaged in any dispute settlement activity. Over the review period, Mozambique has taken steps to improve its record on making notifications to the WTO, which was the subject of concern during its previous TPR. However, notifications still remain outstanding in various areas and this is an area where Mozambique has signalled that it needs technical assistance.

14. Mozambique has regional trade agreements in force with its South African Development Community (SADC) partners, as well as with Malawi and Zimbabwe (who are also SADC members). With respect to SADC, a key development was the completion of the transition period for full implementation of the free trade area in 2015; 99.6% of duties on goods imported into Mozambique from SADC members are now at zero. Mozambique ratified the SADC Protocol on Trade in Services in 2012 and approved the SADC Protocol on Employment and Labour in 2014. Negotiations to establish a customs union are ongoing, as are broader regional integration efforts. An EU–SADC EPA was signed in June 2016, but has not yet been ratified by Mozambique; this provides for asymmetric liberalization of goods and leaves the door open to enter into future negotiations in a variety of areas including services, investment, intellectual property rights, competition policy, and public procurement. Mozambique is eligible to benefit from unilateral preferences offered by various WTO Members.

15. Guarantees and incentives for investment are set out in the 1993 Investment Code and its 2009 implementing regulations, as well as the 2009 Code of Fiscal Benefits. Foreign investment must be of a certain value in order for investors to be able to remit profits outside the country and re-export domestic capital; otherwise foreign investors must meet targets related to annual sales volumes, exports or direct employment of a certain number of Mozambican citizens. There are few foreign investment restrictions in the areas covered by this report, namely with respect to the profession of customs brokers and the export of cashew nuts.

16. Over the review period various steps have been taken to facilitate trade, these include the launch of a single window system for customs clearance and other functions; the launch of an authorized economic operator scheme; liberalized transit regulations; and the creation of a one-stop border post with South Africa.

17. Mozambique continues to require the use of customs brokers for all commercial imports, exports and goods in transit; this profession is reserved for qualified Mozambicans and, recently, for citizens of SADC member States under certain conditions. However the authorities have noted that this requirement will be removed upon Mozambique's implementation of the WTO's Trade Facilitation Agreement. Pre-shipment requirements also remain in place, albeit on a reduced list of goods; since 2011, exporters of used vehicles have been required to pay a PSI inspection fee.

18. There have been no changes to Mozambique's rules on customs valuation over the review period. Reference prices are applied to sugar, various horticultural products and certain products supplied by grocery stores.

19. Mozambique's applied MFN tariff has remained largely unchanged over the review period. Mozambique's simple average tariff rate is 10%, with a higher simple average tariff on agricultural products (WTO definition, 13.4%) than on non-agricultural products (9.5%). International tariff peaks affect one third of Mozambique's tariff schedule. Mozambique does not apply tariff quotas. Mozambique has only bound 686 tariff lines out of its schedule of 5,063 tariff lines (just over 13%). 19 tariff lines at the 8-digit HS level are bound for non-agricultural products; and for three of these lines, applied rates exceed their respective bound rates. Mozambique's tariff shows mixed escalation overall: it is negative from raw materials to semi-processed products and then positive from semi-processed to finished products. Such a tariff structure tends to discourage investment in processing industries because the heavy taxation of imported inputs adds to production costs or reduces the competitiveness of products manufactured in Mozambique. Thus the tariff structure may not be conducive to diversification of economic activity through manufacturing. It also contributes to investors' arguments in favour of duty and tax concessions, including under the Industrial Free Zone (IFZ) and Special Economic Zone (SEZ) regimes.

20. Import surtaxes continue to affect ten tariff lines and are applied to sugar, cement, and certain iron and non-alloy steel items. Raw and processed sugar are subject to variable surtaxes which depend on the differences between the Mozambican reference prices and world market prices. Over the review period reference prices were significantly increased in order to protect the domestic industry from cheap imports, such that surtax rates have occasionally exceeded 100%, which is Mozambique's bound rate for "other taxes and charges". Surtaxes on cement and iron/steel items are *ad valorem* (ranging from 10.5 to 20%) and remain unchanged since Mozambique's previous review.

21. Other taxes and charges affecting both imports and domestic production are VAT (levied at a general rate of 17%) and excise taxes on certain goods such as alcohol, tobacco and luxury goods. Various exemptions apply to provide incentives to particular activities. A special inspection regime applies to alcoholic beverages and processed tobacco whereby a seal provides proof of the tax payment, with associated fees being applied at a higher rate to imports than domestic production.

22. A chicken import quota mechanism, introduced in 2009, protects the national poultry industry from cheap imports of chicken. There is no legal basis for this mechanism; rather it is based on an agreement between the Government, the Association of Poultry Farmers (AMA) and importers. Quotas are set annually by a working group, and are allocated to a group of large importers based on historical performance and distribution capacity criteria.

23. Mozambique has no legislation in place relating to safeguard, anti-dumping and countervailing measures.

24. Over the review period, various new laws have been enacted with respect to technical barriers to trade and sanitary and phytosanitary measures, *inter alia* to ensure Mozambique's conformity with treaty obligations and to update its regulations according to the authorities. These include laws relating to: metrology; standardization and conformity assessment; animal health; plant health; GMOs; seeds; pesticides; and, food of aquatic origin. Mozambique's SPS measures are based on international standards drawn up by the OIE, IPPC and Codex Alimentarius; it has no purely national SPS measures *per se*. The importation of animals fed with hormones (or their products) is not permitted.

25. As at the time of its previous review, Mozambique continues to impose an export tax of 18% of the f.o.b. customs value on raw or unprocessed cashews, which was in place to encourage domestic processing of cashew nuts and promote employment. New export taxes have been introduced on raw and processed timber. The Government does not provide any export finance, insurance or guarantee services. The objective of these measures is to encourage domestic processing and promote employment, and in the case of timber, to protect the environment.

26. In 2009, the Government introduced a new Code of Fiscal Benefits which moves away from a one-size-fits-all approach to providing benefits to a more tailor-made approach, with different incentive packages designed for different sectors. Fiscal incentives include customs duty and VAT exemptions, corporate income tax exemptions, reductions and deductions; investment tax credits; accelerated depreciation and reintegration; and personal income tax deductions. The new Code eliminates the possibility of exceptional authorization of fiscal benefits; grants more incentives for

tourism promotion; and extends the corporate income tax exemption period for Industrial Free Trade Zones (IFZs) to 10 years.

27. Mozambique continues to operate an IFZ regime; under which incentives are offered to all industrial activities with a few exceptions. IFZs are closed physical areas which must have security systems in place. Seventy per cent (previously 85%) of annual production must be exported. In 2007, Mozambique introduced a new type of zone, the Special Economic Zone (SEZ); SEZs are a geographic area of economic activity, rather than a physically-closed space, and SEZ fiscal and other incentives are available to all types of legal economic activity. Under both IFZ and SEZ regimes, if manufactured goods produced therein are sold to the domestic market, they are considered as an export to the domestic market and subject to the applicable duties. The encouragement of SEZs and IFZs are considered to be central to the Government's industrialization strategy.

28. In 2013, Mozambique promulgated its first historic Competition Law (Law No. 20/2013 of 20 March 2013). This law was the first step in Mozambique's efforts to establish a modern legal framework on competition. A Competition Regulatory Authority (ARC), once operational, will have authority to supervise, regulate, investigate and sanction, and will also be required to coordinate its activities with other regulatory authorities in the application of the law. The Competition Law applies to all economic activities undertaken in Mozambique or having an effect on it by private and public enterprises, with a few exceptions. Under the Law, prohibited anti-competitive practices include: horizontal agreements between competitors which aim to, or have the effect of, impeding, distorting or restricting competition; vertical agreements between companies and their customers and suppliers; and the abuse of dominant position by a dominant enterprise.

29. The National Sugar Distributor (DNA) has exclusive rights to export sugar. With respect to state-owned enterprises, the State has continued to gradually divest itself of various assets. By 2016, there were 122 enterprises in which the Government has either a full or partial share. A comprehensive privatization strategy is being implemented with consideration being given to further privatizing non-strategic companies.

30. The Government of Mozambique has continued to reform its procurement regime with new Procurement Regulations being introduced in 2010 and in 2016. While new legislation has not changed the overall institutional structure for government procurement, it has introduced changes in order to, *inter alia*, increase transparency in procurement processes; reduce the use of direct procurement; introduce a new contracting modality; increase business opportunities for foreign competitors; remove barriers to complaints by competitors; increase the thresholds for the application of certain tendering modalities; and strengthen the intervention powers of the supervisory agency. Preferences given to national competitors remain in place.

31. In the area of intellectual property rights, a new Industrial Property Code entered into force in 2016; legislative amendments are designed to promote competitiveness, industrialization and modernization of the economy and to increase exports. Parallel imports of various forms of industrial property are prohibited under the new Code. Provisions allowing compulsory licensing under certain conditions are in place; these have been invoked once, but not yet used. In 2013, Mozambique acceded to the Berne Convention for the Protection of Literary and Artistic Works and in the same year it signed the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled.

32. Agriculture accounts for a quarter of GDP and is a driver of Mozambique's robust growth. It remains the core economic activity for most Mozambicans, with an estimated 86% of the people depending on agriculture as their primary means of subsistence. However, the sector is dominated by low-productivity subsistence farming which is in need of new technology and investment. The country still imports a significant share of its food, mainly rice to supply urban centres.

33. Agricultural exports have grown steadily, encouraged by a liberalized trade regime. Although cash crops, including sugar cane, tobacco, cotton and cashew, account for a small proportion of total area cultivated, they represent the majority of agricultural exports. Government intervention in these subsectors remains significant. Agriculture remains the most protected sector with an average tariff of 12.4%. The highest average tariffs are applied to basic food products such as meat, fish, fruits and vegetables.

34. Despite being a growing activity, extractive industries represented only 3.9% of GDP in 2014 with most investment still geared towards exploration. Mining in Mozambique plays a significant role in the world's production of coal, gold, graphite and limonite, with massive coal reserves in Tete Province. Large reserves of natural gas were discovered in the Rovuma Basin in 2012. Currently, most of Mozambique's mining and mineral processing operations are privately owned, including cement plants, aluminium smelters and gas processing plants.

35. Coal mining began in 2011 and is becoming a major export, although infrastructure constraints and declining coal prices may affect development prospects. Ultimately, natural gas is projected to dominate the export mix toward the end of the current decade.

36. During the review period, Mozambique's mining sector has attracted significant attention from international mining companies. Recognizing this potential, the Mozambique Parliament approved a new Mining Law (Law No. 20/2014 of 18 August) repealing the previous Mining Law (Law No. 14/2002).

37. Manufacturing, which accounts for 10% of GDP, is dominated by the Mozal aluminium smelting plant, while the rest of the sector has significantly under-performed over the last decade. Mozal contributed 48% of Mozambique's industrial output and further represents 75% of manufacturing exports.

38. Mozambique is characterized by a weak fixed telecoms network and a relatively strong mobile network. The fixed network, with 81,000 subscribers or just 0.3 fixed-telephone subscribers per 100 inhabitants, has been unable to compete against mobile providers, struggling with poor infrastructure due to a prolonged period of under-maintenance and insufficient investment. The mobile segment has been more successful, expanding from 436,000 subscribers in 2003 to an estimated 18 million subscribers in 2015. The new Telecommunications Law (Law No. 4/2016), which entered into force in June 2016, addresses some of the sector's challenges and technological changes, including: unified licensing, enhancing competition, assuring network interoperability and interconnection, promoting infrastructure investment and sharing, and quality and affordability of service. The aim of this law is to stimulate competition in the telecommunications market, improve its functioning and ensure the protection of basic rights of consumers.

39. There has been a significant level of liberalization in the Mozambican banking services market, but this has not translated into increased affordability and availability of banking products. Access to finance remains an obstacle to improving Mozambique's investment climate. Cross-border lending by banks and acceptance of deposits is allowed, but lending is subject to restrictions on the period, size, and interest rate of the loan. Financial services are both a key sector in services trade and a necessary prerequisite for foreign direct investment in other goods and services sectors. The Financial Sector Development Strategy 2013-2022 aims to maintain financial stability, improve financial access and support inclusive growth, and increase the supply of long-term private capital to support development.

40. Mozambique has poor quality transport infrastructure compared to other countries in the world: in 2013 it was ranked 124$^{th}$ out of 144 countries by the World Economic Forum (WEF) in the "quality of transport infrastructure" index. The country fares even worse when it comes to the quality of roads, where it ranked 135$^{th}$ out of 144 countries. Transport by road accounts for nearly all of passenger traffic in Mozambique and over half of freight traffic. The condition of the road network is poor, in particular in rural areas. The quality of its railroads is deemed more adequate, with a ranking of 89$^{th}$. Air transport services constrain the growth of the tourism industry as only the Portuguese carrier TAP operates an intercontinental direct flight to Mozambique and all other long-haul flights to Maputo are routed through Johannesburg.

41. Mozambique accounts for 70% of SADC's transit traffic, with logistics corridors linking the deep water coastal ports with neighbouring countries. It therefore plays a major role in regional trade as it provides important transportation corridors for cross-border businesses as well as exporters and importers of goods.

42. Mozambique has significant potential in tourism based on its range of beach holiday products, ecotourism, cultural diversity, and extensive coastline. The Government has made tourism a development priority since 2000. The relevance of tourism to economic growth and poverty reduction is also acknowledged by the Strategic Plan for the Tourism Sector, 2004-2014.

# 1 ECONOMIC ENVIRONMENT

## 1.1 Main Features of the Economy

1.1. The Republic of Mozambique is categorized as a low-income country and in 2014 its per capita income was US$586, about one third of the sub-Saharan Africa average. It is estimated that more than 50% of the population still live on less than US$1 a day. In addition to pervasive poverty, it faces significant challenges in improving social indicators, ranking 180th out of 188 countries in the 2015 UNDP Human Development Index.[1] The adult literacy rate is 56% and average life expectancy at birth is just 50 years. Malnutrition significantly worsened between the mid-1990s and 2003 and it took almost a decade for malnutrition to return to the mid-1990s levels. Malaria remains the most common cause of death, responsible for 35% of child mortality. Limited progress has been achieved in improving water and sanitation. Mozambique is also prone to natural disasters and ranks third amongst African countries most affected by weather-related hazards.[2]

1.2. The Government acknowledges that the welfare of Mozambique's population, economic growth and the achievement of development and poverty-reduction goals depend on the sustainable use of natural resources and environmental protection. More than 82% of jobs nationwide depend on natural resources. The country is richly endowed with a large variety of mineral resources. Inclusive, sustainable and transparent management of natural resources is one of the most critical challenges facing Mozambique.

1.3. Mozambique's economy has grown rapidly since the end of the civil war in 1992. Real annual GDP growth averaged around 8% over the past two decades and around 7% during the current review period (Table 1.1). To a considerable extent, and until very recently, robust growth was made possible by sound macroeconomic management, a number of large-scale foreign investment projects, relative political stability and significant donor support.

### Table 1.1 Selected macroeconomic indicators, 2008-2015

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| GDP at market prices (Mt million) | 279,330.6 | 300,269.9 | 344,839.4 | 381,691.5 | 433,122.2 | 482,233.4 | 531,777.1 | 592,023.9 |
| GDP at market prices (US$ million) | 11,494.8 | 10,911.6 | 10,154.3 | 13,131.2 | 15,265.3 | 16,018.9 | 16,961.1 | 14,807.1 |
| Population ('000) | 21,207.9 | 21,802.9 | 22,416.9 | 23,049.6 | 23,700.7 | 24,366.1 | 25,041.9 | 25,727.9 |
| Per capita GDP at current prices | 542.0 | 500.5 | 453.0 | 569.7 | 644.1 | 657.4 | 677.3 | 575.5 |
| Unemployment, total (% of total labour force) | 22.6 | 22.6 | 22.6 | 22.6 | 22.6 | 22.5 | 22.6 | **[..]** |
| Inflation (CPI, % change) | 10.3 | 3.3 | 12.7 | 10.4 | 2.7 | 4.3 | 2.6 | 3.6 |
| **GDP by type of expenditure at constant 2009 prices (%age change)** | | | | | | | | |
| GDP | 6.9 | 6.4 | 6.7 | 7.1 | 7.2 | 7.1 | 7.4 | 6.6 |
| Final consumption | 5.8 | 6.3 | 5.2 | 6.8 | 9.7 | 7.8 | 4.6 | 6.0 |
| Households | 5.5 | 6.2 | 3.6 | 4.9 | 8.2 | 5.9 | 4.7 | 4.1 |
| General government | 7.3 | 7.1 | 11.9 | 14.3 | 15.3 | 14.4 | 4.2 | 11.8 |
| Gross domestic fixed capital formation | 56.0 | 7.2 | 17.6 | 17.1 | 73.8 | 53.2 | 24.0 | -24.9 |
| Exports of goods & services | 7.0 | 15.5 | 1.5 | 17.2 | 13.3 | 2.2 | 15.7 | -4.9 |
| Goods | -0.1 | 13.2 | 0.9 | 10.2 | 16.7 | 4.0 | 16.4 | -3.1 |
| Services | 47.4 | 24.5 | 3.7 | 40.9 | 4.3 | -3.5 | 13.5 | -10.8 |
| Imports of goods & services | 15.4 | 13.2 | 1.6 | 25.6 | 62.4 | 28.8 | 14.6 | -11.8 |
| Goods | 10.2 | 16.8 | -0.3 | 17.3 | 49.8 | 37.6 | -2.0 | 1.0 |
| Services | 33.8 | 2.8 | 8.2 | 51.0 | 92.5 | 12.7 | 51.9 | -30.6 |
| **GDP by economic activity at current basic prices (% of GDP)** | | | | | | | | |
| Agriculture including livestock, hunting, forestry and fisheries | 29.1 | 30.1 | 29.5 | 28.6 | 27.6 | 26.6 | 25.1 | 25.2 |
| Mining and quarrying | 1.5 | 1.6 | 1.7 | 2.4 | 3.3 | 3.5 | 4.9 | 5.6 |

[1] Mozambique 2016, p.4. Viewed at: www.africaneconomicoutlook.org

[2] Data contained in World Bank: Republic of Mozambique – 11th Poverty Reduction Support Development Policy Financing Report No. 100315–MZ, 23 November 2015, pp. 2-5.

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Manufacturing | 13.4 | 11.9 | 11.3 | 11.2 | 10.0 | 9.5 | 9.9 | 10.0 |
| Electricity and gas | 2.7 | 3.4 | 3.6 | 3.3 | 3.3 | 3.5 | 3.4 | 3.2 |
| Water (collection, treatment and distribution) | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Construction | 1.7 | 2.0 | 2.1 | 2.3 | 2.3 | 2.0 | 2.3 | 2.5 |
| Commerce and vehicle repair | 11.1 | 10.0 | 10.9 | 11.1 | 12.0 | 12.9 | 12.7 | 11.9 |
| Transport, storage and communication | 9.8 | 10.0 | 10.0 | 8.6 | 9.0 | 9.9 | 8.2 | 8.1 |
| Hotels and restaurants | 2.5 | 2.6 | 2.8 | 3.1 | 2.4 | 2.3 | 2.3 | 2.4 |
| Information and communication | 4.1 | 4.1 | 3.9 | 3.9 | 3.9 | 3.8 | 3.7 | 3.5 |
| Financial activities | 3.6 | 3.3 | 3.8 | 5.2 | 5.0 | 5.1 | 5.1 | 5.1 |
| Real estate and location services | 7.9 | 7.8 | 7.5 | 7.4 | 7.2 | 7.2 | 6.4 | 6.3 |
| Public administration, defence, and obligatory social insurance | 4.3 | 4.9 | 5.2 | 5.5 | 5.5 | 5.8 | 6.5 | 6.9 |
| Education | 7.1 | 7.2 | 7.0 | 7.3 | 7.9 | 7.8 | 8.8 | 8.7 |
| Health and social work | 1.6 | 1.7 | 1.6 | 1.7 | 1.9 | 1.8 | 2.2 | 2.1 |
| Other collective service activities | 1.0 | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 | 0.7 | 0.7 |
| Financial intermediation services indirectly measured | -1.7 | -1.6 | -2.1 | -2.7 | -2.5 | -2.6 | -2.3 | -2.6 |
| **Government budget (% of GDP)**[a] | | | | | | | | |
| Total revenue[b] | 16.0 | 17.6 | 19.6 | 20.8 | 21.9 | 26.3 | 27.3 | **[..]** |
| Tax revenue | 14.2 | 15.6 | 17.0 | 18.1 | 18.7 | 22.3 | 23.4 | **[..]** |
| Non-tax revenue | 1.8 | 2.0 | 2.5 | 2.6 | 3.2 | 3.9 | 4.0 | **[..]** |
| Total expenditure and net lending | 27.9 | 32.6 | 32.9 | 33.7 | 30.7 | 34.0 | 42.2 | **[..]** |
| Current expenditure | 15.7 | 18.0 | 18.4 | 18.8 | 18.1 | 19.2 | 23.8 | **[..]** |
| Capital expenditure | 11.6 | 12.9 | 13.9 | 13.9 | 11.6 | 12.8 | 15.0 | **[..]** |
| Net lending | 0.6 | 1.7 | 1.0 | 1.0 | 1.0 | 2.1 | 3.0 | **[..]** |
| Overall balance, before grants | -11.8 | -15.0 | -13.2 | -13.1 | -8.9 | -7.9 | -14.8 | **[..]** |
| Grants received | 9.4 | 9.5 | 9.0 | 7.8 | 5.1 | 5.2 | 4.2 | **[..]** |
| Overall balance, after grants | -2.3 | -5.5 | -4.3 | -5.3 | -3.9 | -2.7 | -10.6 | **[..]** |
| Total nominal public debt | 41.6 | 40.5 | 46.1 | 39.6 | 39.9 | 50.9 | 56.6 | 73.4 |
| of which: external | **[..]** | 37.3 | 40.2 | 32.9 | 34.5 | 42.4 | 48.1 | **[..]** |
| domestic | **[..]** | 3.2 | 6.0 | 6.7 | 5.4 | 8.6 | 8.5 | **[..]** |
| **External sector** | | | | | | | | |
| Mt/US$ (period average) | 24.3 | 27.5 | 34.0 | 29.1 | 28.4 | 30.1 | 31.4 | 40.0 |
| Mt/US$ (end of period) | 25.5 | 29.2 | 32.6 | 27.3 | 29.8 | 30.1 | 33.6 | 45.9 |
| Nominal effective exchange rate (annual average: index, 2000=100)[c] | 51.7 | 48.0 | 37.3 | 41.9 | 45.1 | 44.3 | 44.5 | **[..]** |
| Real effective exchange rate (annual average: index, 2000=100)[c] | 90.6 | 84.7 | 71.9 | 86.3 | 92.4 | 91.3 | 90.0 | **[..]** |
| Current account (US$ million) | -1,147.2 | -1,226.2 | -1,679.4 | -3,328.7 | -6,790.0 | -6,253.4 | -5,797.1 | -6,155.4 |
| % of GDP | -10.0 | -11.2 | -16.5 | -25.3 | -44.5 | -39.0 | -34.2 | -41.6 |
| Trade balance (% of GDP) | -12.2 | -15.6 | -21.2 | -31.5 | -50.8 | -47.5 | -41.1 | -45.8 |
| Goods (% of GDP) | -8.6 | -11.7 | -11.6 | -17.1 | -26.5 | -27.2 | -23.8 | -28.1 |
| Exports | 23.1 | 19.7 | 23.0 | 23.7 | 25.3 | 25.7 | 23.1 | 23.1 |
| Imports | 31.7 | 31.4 | 34.6 | 40.9 | 51.8 | 52.9 | 46.9 | 51.2 |
| Services (% of GDP) | -3.6 | -4.0 | -9.5 | -14.4 | -24.3 | -20.3 | -17.3 | -17.7 |
| Exports | 4.8 | 5.6 | 2.4 | 2.8 | 5.2 | 4.0 | 4.3 | 4.9 |
| Imports | 8.4 | 9.6 | 12.0 | 17.1 | 29.5 | 24.4 | 21.6 | 22.6 |
| Trade on BoP basis (% of GDP) | 68.0 | 66.2 | 71.9 | 84.6 | 111.7 | 107.1 | 95.8 | 101.7 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Total reserves (includes gold, in US$ billion) | 1.7 | 2.2 | 2.3 | 2.6 | 3.0 | 3.4 | 3.2 | 2.6 |
| in months of imports | 3.7 | 5.3 | 5.2 | 3.9 | 2.8 | 3.2 | 3.2 | 2.8 |
| FDI inflows (US$ million) | 591.6 | 898.3 | 1,017.9 | 3,558.5 | 5,629.4 | 6,175.1 | 4,901.8 | 3,710.8 |
| % of GDP | 5.1 | 8.2 | 10.0 | 27.1 | 36.9 | 38.5 | 28.9 | 25.1 |
| FDI stock (US$ million) | 3,748.2 | 3,874.6 | 4,688.2 | 8,263.6 | 13,907.3 | 20,604.8 | 25,238.2 | 28,950.5 |
| % of GDP | 32.6 | 35.5 | 46.2 | 62.9 | 91.1 | 128.6 | 148.8 | 195.5 |

[..] Not available.

a Information on Government budget extracted from various IMF Country Reports on Mozambique.
b VAT presentation was changed to a net basis (collection minus requested VAT refunds) for 2010-2014.
c An increase indicates appreciation.

Source: Information provided by the authorities of Mozambique; Instituto National de Estatistica. Viewed in September 2016 at: http://www.ine.gov.mz/; Banco de Mozambique. Viewed in September 2016 at: http://www.bancomoc.mz/Noticias.aspx. IMF (2010), Country Report No. 10/174, June; IMF (2012), Country Report No. 12/148, June; IMF (2013), Country Report No. 13/200, July; IMF (2014), Country Report No. 14/148, May; IMF (2016), Country Report No. 16/9, January; IMF online information, 'International Financial Statistics'. Viewed in September 2016 at: http://elibrary-data.imf.org/DataExplorer.aspx; IMF World Economic and Financial Surveys Regional Economic Outlook Sub-Saharan Africa, October 2014 and October 2015; and World Bank's World Development Indicator database. Viewed in September 2016 at: http://databank.worldbank.org/data/views/variableselection/selectvariables.aspx?source=world-development-indicators.

1.4. There has been relatively limited structural transformation in the economy. The share of manufacturing, which grew from 13% in the early 1990s to 16% in the early 2000s, had fallen to 10% in 2010-15. Manufacturing is dominated by the Mozal aluminium smelting plant, while the rest of the sector has significantly under-performed over the last decade. The share of the agricultural sector, which initially fell from 35% before the end of the war to 24% in the early 2000s, has averaged around 26% since 2010. Extractive industries represented over 5% of GDP in 2015 with most investment still geared towards exploration. Tertiary activities accounted for 54% of GDP; in addition to expanding financial services, the tertiary sector has a growing number of micro-scale retail businesses with tiny profit margins and few opportunities for saving and investing.

1.5. In recent years, strong growth has been supported by Foreign Direct Investment (FDI) inflows in extractive industries. Major discoveries of coal and gas may transform Mozambique into a significant player in global energy markets and the country's medium-term reform agenda emphasizes the need to focus on strengthening capacity to better manage the country's extractive industries.

## 1.2 Economic Developments

1.6. After several consecutive years of robust growth, Mozambique's economic performance decelerated in 2015 to its slowest pace since 2009. A continued decline in global commodity prices, weak growth among trading partners, and the effects of regional drought contributed to a decline in GDP growth from 7.4% to 6.6% in 2015. The initial growth projection of 7.5% for 2015 was revised downward as a result of the floods that affected the centre and north of the country in early 2015 and a weak external environment.

1.7. Extractive industries have been the most dynamic sector in the economy for the past few years but the contribution to growth remains limited given its relatively small share in the economy. Growth in extractive industries has decelerated compared to previous years, given low commodity prices and infrastructure constraints. Mozambique has not secured the energy industry investment that it expected, as the conclusion of natural gas exploration was not followed by sufficient project development. Final investment decisions have been delayed and this has led to the slimming down or departure of many companies that set up business in Mozambique hoping to benefit from liquefied natural gas (LNG) deals. With the coal sector also hampered by low prices and export logistics difficulties, FDI declined to pre-2012 levels in 2015.

1.8. Inflation rates have been relatively low and stable during the latter half of the review period. It was lower than projected in 2014, at 1.1% (year-on-year) in December. The yearly average in

2014 was down to 2.6%, well below the Central Bank's target of 5-6%. Low inflation had reflected the strength of the metical against the South African rand and a decline in commodity prices in international markets. However, although inflation was still low at 3.6% on average in 2015, it has been accelerating and was expected to overshoot the Central Bank target of 5% to 6% in 2016 as depreciation of the metical progressively trickles through to domestic prices.

1.9. Monetary and exchange rate policies have been geared towards achieving price stability and smoothing exchange rate volatility. However, balance-of-payments pressures have led to major depreciation of the metical. Over the year 2015, the currency depreciated by 64.5% against the U.S. dollar and 28% against the South African rand. The Bank of Mozambique used international reserves on the open market to contain the depreciation of its currency.

1.10. The fall in FDI and official development assistance compounded the hard currency shortage. Reserves fell from US$2.89 billion, or nearly three months of imports, at the beginning of 2015 to roughly US$1.9 billion, or about two months of imports, by end-December; international reserves fell further in the early months of 2016. The depreciation cycle was only halted with an 18-month US$282.9 million IMF standby credit facility agreement reached in December 2015.

1.11. Fiscal policy has been expansionary over the past few years, with public expenditure expanding from 33% of GDP in 2010 to an estimated 42% in 2014. This has been partly facilitated by rapid growth in tax revenues, which have risen from 17% of GDP in 2012 to over 23% in 2014, reflecting efforts to improve tax administration and raise capital gains taxes from the extractive industries. This increase in revenue compensated for a decline in aid flows. Mozambique's fiscal position deteriorated from 2012 through 2014 with an escalation in expenditure. Generous inflows of windfall capital gains tax from gas consortiums and the steady support of official development assistance grants helped to contain the deficits. The Government is committed to a prudent fiscal stance as reflected in the 2015 budget.

1.12. As noted above, depressed international commodity prices caused a decrease in the value of exports in 2015, with natural gas and coal registering the biggest drops. Official development assistance also fell as some partners reduced support. Aid is important for education, health, and infrastructure development. It fell by US$200 million to around US$1.2 billion, 9% of GDP in 2015. The balance of payments suffered from a squeeze in hard-currency liquidity caused by the foreign investment slump, lower exports and reduced development assistance.

1.13. Mozambique's traditionally small current account deficits have widened during the review period. Large-scale megaproject-related imports have driven this trend, starting with investments in aluminium production and followed by the expansion of the mining and gas sectors financed by FDI. As a result, the current account deficit has widened from an average of around 11% of GDP from 2004 to 2010 to around 40% from 2012 to 2015.

1.14. In particular, the trade deficit, fueled by increased consumption, has been expanding since 2013 and surpassed US$4.1 billion in 2015. Going forward, lower public spending and the depressed value of the metical could help curb imports. An expected increase in imports for major LNG projects, financed by foreign investment, may contribute to the current account deficit to a projected 46.1% of GDP in 2016 and 47.9% in 2017 as the gas fields in the Rovuma basin are developed.

1.15. For most of the review period, Mozambique appeared to be enjoying a natural gas-fuelled boom until the disclosure in April 2016 of secret loans to the Government, which resulted in the IMF and other donors suspending financial support. The Mozambique authorities have since been engaged in discussions to resume financial support subject, *inter alia,* to implementation of sound macroeconomic policies and an effective initiation of an audit process (of the companies EMATUM, Proindicus and MAM), with the objective of strengthening transparency, governance, and accountability to avoid recurrence of past debt problems).[3]

## 1.3 Trends in trade and foreign direct investment

### 1.3.1 Trade in goods and services

1.16. Trade in goods and services accounted for over 100% of GDP in 2015, up from 68% in 2008. The pick-up in investment and FDI inflows since 2008 has been linked to strong import growth particularly in consumption and capital goods.

1.17. In recent decades, the export base has moved away from traditional exports such as prawns, cotton, timber, cashew nuts and sugar, which dominated in the first post-war decade, to mining-related exports from megaprojects. Thus, Mozambique's export basket is rather limited, reflecting the narrow scope of the economy: in 2015, four items (aluminium, coal, gas and electricity) accounted for almost 63% of exports (Chart 1.1 and Appendix tables A1.1 and A1.2). Total exports grew at an average annual rate of 10% from 2007 to 2014, driven by megaprojects in aluminium, coal and natural gas industries. Coal mining began in mid-2011 and is expected to become a major export, although infrastructure constraints and declining coal prices may affect development prospects. Coal exports rose from zero in 2010 to over US$520 million in 2013, ranking second only to aluminium exports.

1.18. Aluminium and aluminium alloys (processed from alumina imported from Australia) continue to be Mozambique's main export, resulting from the expansion of the smelting capacity of the Mozal megaproject. The European Union is the main market for Mozambique's aluminium, where it benefits from preferential access (Chart 1.2 and Appendix Tables A1.1 and A1.2). Mozambique continues to export nearly half of its merchandise goods to the European Union and especially the Netherlands. Other important export categories include energy (electricity and natural gas), making South Africa a leading export destination in Africa. Looking further ahead, natural gas is projected to dominate the export mix toward the end of the decade. Principal exports to India include nuts, vegetables, pigeon peas, ores and wood.

[3] "Mozambique is facing a challenging economic environment. Growth has been on a declining path and is currently expected to be 3.7% in 2016 (down from 6.6% in 2015), which is significantly below levels observed in recent years. Inflation has risen sharply, reaching 21% on a year-on-year basis in August, fuelled by a significant depreciation of the metical (about 40% since the start of the year). At the same time, a significant decline in imports has been more than offset by a weakening of exports, FDI, and donor financing. This has maintained pressure on international reserves, which have continued to decline. The discovery in April 2016 of previously undisclosed debt worth US$1.4 billion (10.7% of GDP), combined with the impact of the exchange rate depreciation, has led to a substantial increase in debt ratios and the debt service burden.

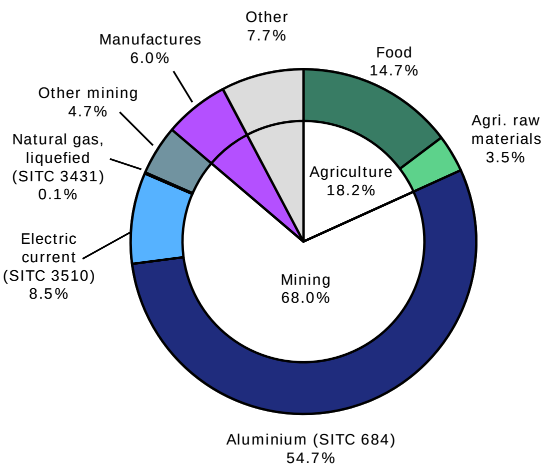
A revised 2016 budget was approved by Parliament in July including measures to contain non-essential spending. On the monetary front, the Central Bank raised reserve requirements and its benchmark interest rate by 300 basis points to reduce excess liquidity. In addition, it has appropriately allowed the exchange rate to fluctuate to help restore balance between supply and demand for foreign exchange and support the needed ongoing balance of payments' adjustment, while limiting the loss of international reserves.

Nonetheless, with inflation still rising and the metical depreciating, further policy tightening is needed to safeguard macroeconomic stability. Notably, the 2017 draft budget is set to further consolidate the state of public finances while preserving critical social programmes. On the monetary side, the Central Bank intends to continue adjusting its monetary stance to help reduce inflationary pressures." Source: Press release 29 September 2016: IMF Staff Conclude Visit to Mozambique; viewed on 4 October 2016 at: http://www.imf.org/en/News/Articles/2016/09/29/PR16436-Mozambique-IMF-Staff-Concludes-Visit

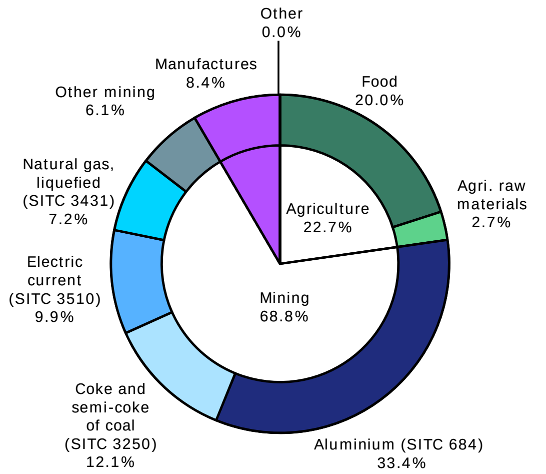
## Chart 1.1 Product composition of merchandise trade

**2008** | **2015**

### (a) Exports (f.o.b.)

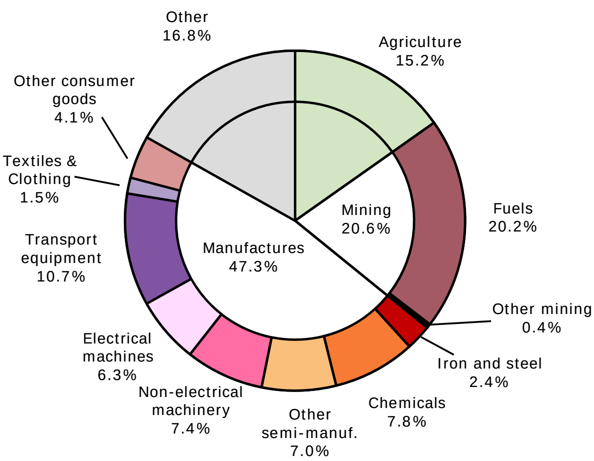



**Total: US$2.7 billion**

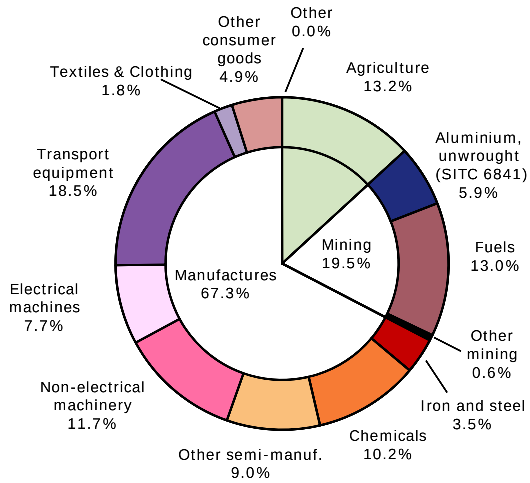



**Total: US$3.2 billion**

### (b) Imports (c.i.f.)




**Total: US$4.0 billion**



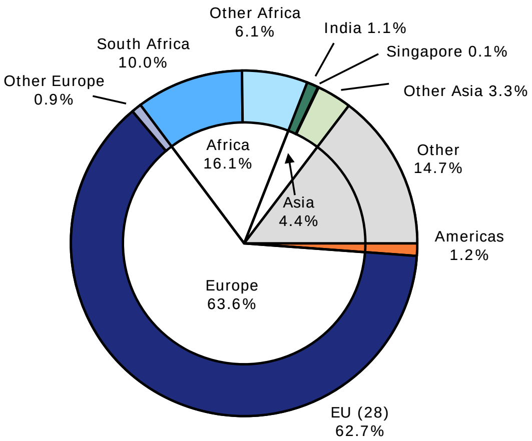

**Total: US$7.9 billion**

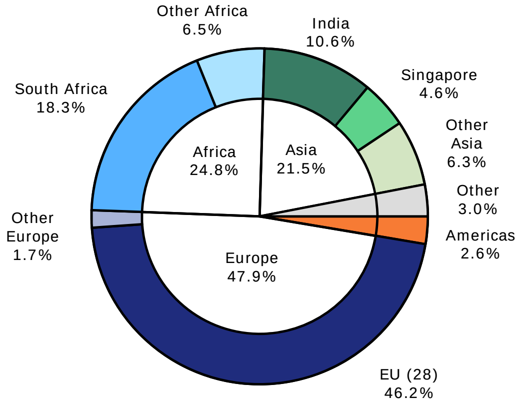
Source: UNSD, Comtrade database (SITC Rev.3).

## Chart 1.2 Direction of merchandise trade, 2008 and 2015

**2008** | **2015**

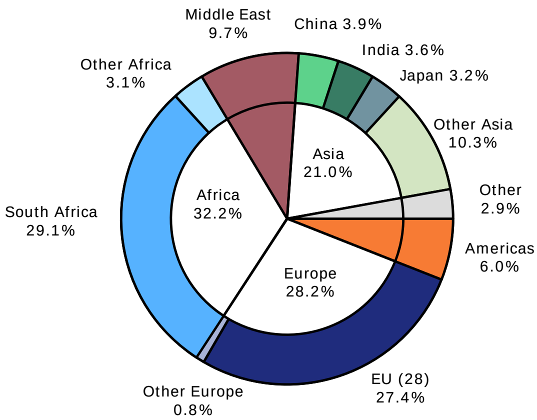
**(a) Exports (f.o.b.)**

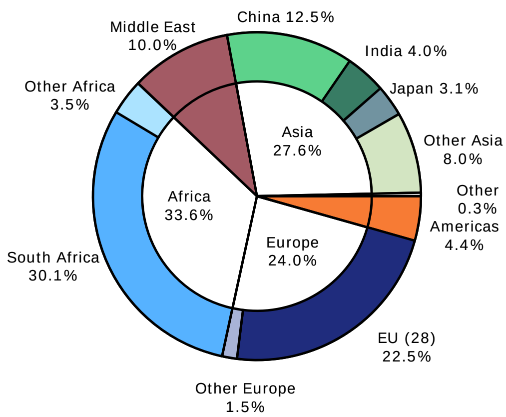



**Total: US$2.7 billion** | **Total: US$3.2 billion**

**(b) Imports (c.i.f.)**




**Total: US$4.0 billion** | **Total: US$7.9 billion**

Source: UNSD, Comtrade database.

1.19. Taking out exports associated with megaprojects, exports have remained steady at around US$1 billion per year since 2011. The only other significant export expansion during the review period was in the sugar sector, resulting from new investment to rehabilitate the industry. Depressed demand for commodity exports, as well as delays in ramping up coal export infrastructure, resulted in a significant fall in the value of exports from US$4.7 billion in 2014 to US$3.2 billion in 2015, with decreases registered across the board.

1.20. Mozambique's main traditional imports are manufactured goods (67% of imports, especially machinery and equipment for use as megaproject inputs), foodstuffs and other agricultural products (13%) and fuel and mining products (19.5%). Imports boomed during the review period, virtually doubling from US$4 billion in 2008 to US$7.9billion in 2015, after reaching US$10 billion in 2013. Later in the review period, merchandise imports dropped in 2014 and 2015 as a result, *inter alia*, of cheaper oil and lower FDI. Petroleum product and megaproject imports declined significantly and were the main drivers of the decrease in imports. Also, slowing growth and the depreciation of the metical affected consumption-related imports such as motor vehicles.

1.21. Imports are now dominated by bauxite, fuel, other extractive-industry-related imports and food. In addition to machinery (for megaprojects), key imports include automobiles, electricity, sugar and medicine. South Africa is the top exporter to Mozambique, followed by the European Union, China and the United Arab Emirates. Imports of manufactured goods still originate primarily from developed countries, especially the European Union, but they are facing serious competition from products originating from developing Asian economies. Manufactured imports from China have increased significantly during the review period.

1.22. At around US$3.3 billion, services imports are roughly the same size as Mozambique's total merchandise exports. Throughout the review period, Mozambique has remained a large net importer of services, in particular of freight transport services, construction, and consulting, professional and trade-related services (Table1.2). The strong growth in services imports was partly counteracted by improvements in the services balance in 2015 which noted a reduction in construction and professional services, a side effect of lower investment. Tourism is a significant services export for Mozambique, albeit at a modest level.

### Table 1.2 Trade in services, 2008-2015

(US$ million and %)

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **Exports (US$ million)** | **555.3** | **611.7** | **244.9** | **366.0** | **792.1** | **645.5** | **724.9** | **722.6** |
| | (% of total) | | | | | | | |
| Transport | 28.5 | 25.2 | 34.6 | 46.6 | 41.3 | 57.7 | 59.7 | 60.4 |
| of which: freight | 7.2 | 7.4 | 6.4 | 15.2 | 10.6 | 12.1 | 13.1 | 17.7 |
| Travel | 34.2 | 32.0 | 44.1 | 37.8 | 23.9 | 30.8 | 28.5 | 26.7 |
| Construction | 3.3 | 2.5 | 0 | 0 | 0 | 0 | 0 | 0 |
| Insurance and pension services | 0.3 | 0.4 | 0 | 0 | 0 | 0 | 0 | 6.7 |
| Financial services | 0.6 | 0.7 | 1.6 | 1.3 | 0.4 | 0.1 | 0.0 | 0.0 |
| Telecommunication, computer, and information services | 6.0 | 5.7 | 15.6 | 9.7 | 4.0 | 4.4 | 3.6 | 2.3 |
| Research and development | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Consulting and professional management | 0 | 0 | 0 | 0.1 | 0.3 | 0.2 | 0.2 | 0.6 |
| Technical assistance and other trade-related services | 15.0 | 22.5 | 4.1 | 4.4 | 30.1 | 6.7 | 8.0 | 3.4 |
| Personal, cultural, and recreational services | 0.1 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Government goods and services n.i.e. | 12.0 | 11.1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other services | 0.0 | 0.0 | 0 | 0.1 | 0.0 | 0 | 0 | 0 |
| **Imports (US$ million)** | **965.3** | **1,044.3** | **1,213.7** | **2,250.6** | **4,497.8** | **3,904.3** | **3,657.1** | **3,344.7** |
| | (% of total) | | | | | | | |
| Transport | 39.1 | 34.8 | 31.2 | 25.2 | 22.6 | 26.3 | 22.3 | 26.0 |
| of which: freight | 34.0 | 29.5 | 26.1 | 21.8 | 16.0 | 18.8 | 19.6 | 20.4 |
| Travel | 21.6 | 20.3 | 17.8 | 10.2 | 4.1 | 6.2 | 6.9 | 6.7 |
| Construction | 3.5 | 10.2 | 10.1 | 27.0 | 43.9 | 21.3 | 6.3 | 3.0 |
| Insurance and pension services | 0.4 | 0.7 | 2.9 | 2.4 | 1.8 | 3.2 | 3.0 | 4.2 |
| Financial services | 1.0 | 1.2 | 1.4 | 0.6 | 0.2 | 0.2 | 0.3 | 0.5 |
| Telecommunication, computer, and information services | 3.5 | 3.6 | 5.6 | 3.2 | 1.5 | 4.4 | 2.2 | 2.1 |
| Research and development | 0 | 0 | 0 | 0.0 | 0.1 | 0.1 | 0.1 | 0 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Consulting and professional management | 0.1 | 0 | 0.7 | 0.5 | 0.7 | 0.4 | 16.3 | 5.3 |
| Technical assistance and other trade related services | 25.6 | 23.2 | 26.8 | 28.7 | 23.8 | 36.1 | 41.1 | 50.4 |
| Personal, cultural, and recreational services | 0.1 | 0.2 | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.1 |
| Government goods and services n.i.e. | 4.9 | 5.5 | 3.1 | 1.9 | 1.1 | 1.2 | 0.9 | 1.2 |
| Other services | 0.2 | 0.3 | 0.3 | 0.2 | 0.2 | 0.6 | 0.5 | 0.6 |

Note: 0.0 refers to >0 and <0.05.

Source: Banco de Mozambique. Viewed in September 2016 at: http://www.bancomoc.mz/Noticias.aspx

### 1.3.2 Foreign direct investment (FDI)

1.23. FDI inflows to Mozambique were strongly influenced in the early 2000s by two megaprojects: the Mozal project for aluminium and the Sasol project in the gas sector. These projects set the trend for subsequent FDI inflows which have been mostly export-oriented and concentrated in mining and in oil and gas. During the review period, extractive industries have accounted for well over half of FDI inflows (Table 1.3 and Appendix table 1.5). Construction and manufacturing have also attracted FDI but remain dependent on the extractive sectors, as much activity in manufacturing results from inflows linked to the Mozal aluminium smelter.

#### Table 1.3 FDI inflows, by sector

(US$ million and %)

| | (US$ million) | | | | | | | | (% of total) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2008 | 2015 |
| Total | 591.6 | 898.3 | 1,017.9 | 3,558.5 | 5,629.4 | 6,175.1 | 4,901.8 | 3,710.8 | 100.0 | 100.0 |
| *of which: Megaprojects* | *213.2* | *467.7* | *675.7* | *2,193.0* | *4,076.9* | *4,703.3* | *2,595.4* | *2,593.9* | *36.0* | *69.9* |
| By sector | | | | | | | | | | |
| Agriculture, livestock, hunting and forestry | 98.0 | 152.2 | 1.0 | 9.1 | 153.9 | 115.0 | 118.6 | 51.9 | 16.6 | 1.4 |
| Fishery | -0.6 | -4.3 | -3.1 | -3.1 | 15.9 | 1.0 | 15.9 | -1.3 | -0.1 | 0.0 |
| Extractive industries (coal, oil, gas and minerals) | 225.0 | 500.7 | 938.3 | 2,126.2 | 4,374.2 | 5,469.8 | 3,060.8 | 1,856.7 | 38.0 | 50.0 |
| Manufacturing industries (food, beverages, tobacco, textiles, etc.) | 184.0 | 60.9 | 1.1 | 317.1 | 391.6 | -143.7 | 48.2 | 149.2 | 31.1 | 4.0 |
| Electricity, gas and water | 1.3 | 0.0 | 0.4 | 8.6 | -31.6 | 72.0 | 33.8 | 0.4 | 0.2 | 0.0 |
| Construction | 6.9 | -2.0 | 8.0 | 15.0 | 28.7 | 63.2 | 121.5 | 105.2 | 1.2 | 2.8 |
| Wholesale and retail trade and repair | 33.8 | 26.4 | 0.0 | 5.5 | 71.0 | 48.1 | 132.4 | 53.6 | 5.7 | 1.4 |
| Hotels and restaurants | 6.2 | 23.6 | 4.3 | 15.9 | 26.5 | 39.5 | 127.4 | 53.0 | 1.0 | 1.4 |
| Transport, storage and communications | 35.4 | 128.5 | 24.2 | 87.5 | 98.7 | 271.7 | 742.6 | 899.3 | 6.0 | 24.2 |
| Financial activities | 17.0 | 9.5 | 34.9 | 42.9 | 43.4 | 107.5 | 35.9 | 188.8 | 2.9 | 5.1 |
| Real estate activities, renting and business services | -17.2 | -1.9 | 0.8 | 14.3 | 40.6 | 137.4 | 454.9 | 373.5 | -2.9 | 10.1 |
| Others | 1.9 | 4.6 | 7.9 | 919.7 | 416.5 | -6.3 | 53.0 | -19.7 | 0.3 | -0.5 |

Source: Banco de Mozambique. Viewed in September 2016 at: http://www.bancomoc.mz/Noticias.aspx; and statistical information provided by Mozambican authorities.

1.24. FDI reached between US$5 and 6 billion in 2012 and 2013 and was estimated at US$4.9 billion in 2014, or around one third of GDP, and financed 85% of the current account deficit. This trend compares favorably to most of the last decade, when FDI financed 35% of the deficit. Rising aluminium prices were the reason for the considerable expansion in FDI since 2009, and the opening of multiple new coal and aluminium mining concessions triggered a doubling of FDI inflows after 2011. Most of the FDI originated from Brazil, Mauritius and South Africa, including investments in agriculture and agro-industry. Meanwhile, agriculture, although the primary contributor to GDP composition and employment creation, absorbs only a very small proportion of private investment. By 2015, Mozambique had not secured the energy industry investment it expected and, with the coal sector struggling with low prices and export logistics difficulties, FDI inflows contracted by 25% in 2015, sinking to pre-2012 levels.

# 2 TRADE AND INVESTMENT REGIMES

## 2.1 General Framework

2.1. There have been no amendments to the Constitution of Mozambique since 2004[1]; hence the structure and responsibilities of the executive and legislative branches of government, the legislative process and the judicial system remain unchanged. These are described in Mozambique's previous Review (and summarized in Table A2.1).

2.2. Under the Constitution, the hierarchy of legal instruments is: (i) laws, decree-laws, ratified international treaties and agreements; (ii) decrees; (iii) Assembly resolutions and Council of Ministers' resolutions; and (iv) ministerial diplomas. Legal acts of the Assembly, President and Council of Ministers must be published in the Government Gazette (Boletim da República). The Gazette is available online but the website is not up-to-date; the most recent editions posted online are from 2009.[2]

2.3. Over the review period there have been changes to several of the main trade-related laws and regulations of Mozambique, namely in the areas of: tariffs, customs procedures, taxation, investment, mining, petroleum, incentives, intellectual property rights, competition policy, government procurement, fisheries, electricity, civil aviation, foreign exchange, insurance, megaprojects, and state-owned companies. Mozambique's Commercial Code and Labour Law have also been amended (Table 2.1).

### Table 2.1 Mozambique's principal trade-related laws and regulations, April 2016

| Sector | Law / Instrument |
|---|---|
| Investment (except for mining and petroleum) | Law No. 3/1993 of 24 June 1993 *(Investment Code)* and Decree Law No. 43/2009 of 21 August 2009 *(Investment Law Regulation)* |
| Public–private partnerships | Law No. 15/2011 of 10 August 2011 *(Law on Public–Private Partnerships, Large-Scale Projects and Company Concessions)*; and it's implementing regulations (Decree No. 16/2012 of 4 of July 2012 and Decree No. 69/2013 of 20 December 2013) |
| Commercial Code | Decree No. 2/2005 of 27 December 2005 as amended by Law No. 3/2009 of 12 January 2009 *(Commercial Code)* |
| Labour Law | Law No. 23/2007 of 1 August *(Labour Law)* |
| Land legislation | Law No. 19/1997 of 1 October 1997 *(Land Law)* |
| Customs tariff | Law No. 6/2009 of 10 March 2009 *(Customs Tariff Schedule)* |
| Customs valuation | Decree No. 38/2002 of 11 December 2002 *(Rules for Determining the Customs Value of Imported Goods)* |
| Customs procedures | Decree No. 34/2009 of 6 July 2009 *(General Rules for Customs Clearance of Goods)*<br>Ministerial Diploma No. 16/2012 of 1 February 2012 *(General Rules for Customs Clearance of Commodities Regulation)*<br>Ministerial Diploma No. 314/2012 of 23 November 2012 *(Authorized Economic Operator Regulation)*<br>Decree No. 18/2011 *(Customs Clearing Agents' Regulation)* |
| Customs transit | Ministerial Diploma No. 116/2013 of 8 August 2009 *(Customs Transit Regulations)* |
| Value Added Tax | Law No. 32/2007 of 31 December 2007 *(VAT Code)* as amended by Law No. 3/2012 of 23 January 2012<br>Decree No. 7/2008 of 16 April 2008 *(VAT Regulations)* |
| Excise taxes | Law No. 17/2009 of 10 September 2009 *(Specific Consumption Tax Code)* as amended by Law No. 5/2012 of 23 January 2012 and Law No. 2/2013 of 7 January 2013 |
| Import licences and prohibitions | Decree No. 34/2009 of 6 of July 2009 *(General Rules for Customs Clearance of Goods)* |
| Pre-shipment inspection | Ministerial Diploma 19/2003 *(Regulation on Pre-Shipment Inspection)* as amended Ministerial Diploma No. 244/2011 of 18 October 2011 |

[1] Constitution of the Republic of Mozambique. Viewed at: http://confinder.richmond.edu/admin/docs/Constitution_(in_force_21_01_05)(English)-Mozlegal.pdf.
[2] National Press of Mozambique. Viewed at: http://www.imprensanac.gov.mz.

| Sector | Law / Instrument |
|---|---|
| Technical standards and regulations | Decree Law No. 2/2010 of 31 December 2010 *(Metrology Regulations)*<br>Decree No. 59/2009 and Decree No. 19/2010 *(Standardization and Conformity Assessment Regulation)*<br>Resolution No. 51/2003 of 30 November 2003 *(Quality Policy and Implementation Strategy)* |
| Sanitary and phytosanitary measures | Decree No. 26/2009 of 17 August of 2009 *(Animal Health Regulations)*<br>Decree No. 5/2009 of 01 June of 2009 *(Regulation of Phytosanitary Inspection and Vegetal Quarantine)*<br>Decree No. 6/2009 of 31 March 2009 *(Pesticide Management Regulation)*<br>Decree No. 11/2013 of 10 April 2013 *(Regulation on Fertilizer Management)*<br>Decree No. 12/2013 of 10 April 2013 *(Seed Regulation)*<br>Decree No. 15/2006 of 22 June of 2006 *(Regulations on Hygienic-Sanitary Requirements of Production, Transport, Trade, Inspection and Surveillance of Food)* |
| Export prohibitions and restrictions | Decree No. 34/2009 of 6 July 2009 *(General Rules for Customs Clearance of Goods)* |
| Incentives (including Special Economic Zones and Industrial Free Zones) | Law No. 4/2009 of 12 January 2009 *(Code of Fiscal Benefits)*; Decree Law No. 43/2009 of 21 August 2009 *(Investment Law Regulation)* |
| Competition policy | Law No. 20/2013 of 20 March 2013 as amended by Decree No. 97/2014 of 31 December 2014 *(Competition Law)* |
| Government procurement | Decree No. 5/2016 of 8 March 2016 *(Public Procurement Regulations)* |
| Intellectual property protection | Decree No. 47/2015 of 31 December 2015 *(Industrial Property Code)*; Law No. 4/2001 of 27 February 2001 *(Copyright Law)* |
| Fisheries | Fisheries Law No. 22/2013 of 1 November 2013 |
| Aquaculture | Decree No. 35/2001 of 11 November 2001 |
| Mining Law | Law No. 20/2014 of 18 August 2014 *(Mining Law)* |
| Petroleum Law – oil and gas | Law No. 21/2014 of 18 August 2014 *(Petroleum Law)* |
| Electricity | Law No. 21/1997 of 1 October 1997 as amended by Law No. 15/2011 of 10 August 2011 *(Electricity Law)* |
| Banking services (credit and finance institutions) | Law No. 9/2004 of 21 July 2004 *(Credit Institutions and Financial Societies Law)* |
| Insurance | Law No. 3/2003 of 21 January 2003 *(Insurance Law)* as amended by Decree Law of 01/2010 of 31 December 2010 |
| Telecommunications | Law No. 4/2016 of 3 June 2016*(Telecommunications Law)* |
| Maritime transport | Law No. 4/1996 of 4 January 1996 *(Maritime Law)* |
| Civil aviation | Law No. 5/2016 of 14 June 2016 *(Civil Aviation Law)* |
| Tourism | Law No. 4/2004 of 17 June 2004 *(Tourism Law); Resolution No. 14/2003 of 4 April 2003 Approving the Implementation of the Tourism Policy and Strategy; and Resolution No. 47/2008 of 14 October 2008 Establishing Brand Mozambique.* In addition there are various laws and regulations relating to tourist activities; tourist enterprises, food and beverages and dance halls; gambling; and areas of tourist interest. |

Source: WTO Secretariat document WT/TPR/S/209/Rev.1, 30 June 2009; Mozambique Community Network SA (MCNET) online information. Viewed at: https://mcnet.co.mz; and other government sources.

2.4. The Ministry of Industry and Commerce (MIC) remains responsible for implementing trade and industrial policy. It is in charge of WTO-related matters and negotiating trade and investment agreements. Various government bodies have investment-promotion-related responsibilities (see below). Other ministries involved in trade-related matters include the Ministry of Economy and Finance, which is in charge of the tariff, customs, taxation and government procurement[3], as well as those responsible for sectoral matters (see Section 4).

2.5. In the context of a recent Diagnostic Trade Integration Study for Mozambique, it was suggested that formal mechanisms should be established to coordinate trade policy among government agencies, since there are a multiplicity of bodies responsible for trade, with overlapping mandates. Additionally it has been recommended that a mechanism for public-private-sector dialogue on the development and execution of trade policy also be established.[4] The

[3] The Ministry of Planning and Development and the Ministry of Finance were merged in 2015.

[4] The Diagnostic Trade Integration Study for Mozambique recommended that formal mechanisms be established to promote greater dialogue between the public and private sectors in the development and execution of trade policy, and that consultations (which are largely non-existent) be undertaken with the private sector at the provincial level. USAID Speed Program, *Revised Diagnostic Trade Integration Study for*

authorities indicated that they are aware of these recommendations and are working to improve consultation mechanisms. They also noted that a representative responsible for trade issues from the Confederation of Economic Associations of Mozambique (CTA) is routinely consulted by the MIC on trade policy issues and participates in trade negotiation consultations.

2.6. The recent creation of a formal framework for dialogue between the Government and private sector on economic policy-making more generally may indirectly help to encourage stakeholder inputs on trade policy issues. This so-called "Public–Private Dialogue Model" was set up in April 2015. The Business Environment Monitoring Council holds three meetings each year. The Council comprises all government ministers and the private sector, as represented by the CTA (the CTA's representation comprises three CTA members from each province). The Council is headed by the Prime Minister of Mozambique and assisted by the Minister of Commerce. The purpose of the Council's first meeting of the year is to decide on a new reform action matrix for the year ahead; its second meeting is used to monitor progress in implementing these reforms; and its third meeting is used to evaluate reforms undertaken and consider the next set of reforms for the following year. There is also a private sector conference headed by the President of Mozambique which takes place once a year, to which the reforms undertaken by the Business Environment Monitoring Council are presented.

2.7. The World Bank has suggested that in order to engage the public in the development of regulations, government officials should publish proposed regulations in a federal journal and distribute drafts directly to specific stakeholders.[5]

## 2.2 Trade Policy Objectives

2.8. Mozambique's stated trade objective is to create an environment conducive to promoting the competitiveness of Mozambican products in international markets, especially those of the developed economies of Europe, America and Asia, without prejudice to the promotion of intra-African trade, which is considered to be an important part of Mozambique's trade policy. As explained by the authorities, trade policies are formulated with a view to aiding Mozambique's industrialization process by creating linkages with international value chains and by reducing the barriers to imports of key inputs.[6] As reported by the authorities, the Government is preparing a new Policy and Commercial Strategy due to be issued at the end of 2017; this will replace the 1998 strategy, which is now out of date.[7]

2.9. Trade and investment-related policy objectives are also contained in the Government's Five-Year Plans.[8] The current Plan is for the period 2015-2019 and it is the Government's framework document for galvanizing donor support for its development priorities. Previously, the Government had also simultaneously issued Action Plans for the Reduction of Poverty (PARP), the latest being PARP 2011-2014.[9] However, these PARPs have been discontinued in an effort to streamline planning. The objectives of the Five-Year Government Programme for 2015-2019 are to: increase employment, productivity and competitiveness in Mozambique; improve the living conditions of Mozambicans in rural and urban areas; and promote peace and democracy.[10] Among the many specific trade and investment-related measures listed to achieve these objectives are efforts to:

*Mozambique*. Viewed at: http://www.speed-program.com/wp-content/uploads/2016/02/Mozambique-Diagnostic-Study-on-Trade-Integration-in-National-Development-Policies-August-2015-EN.pdf.

[5] World Bank Doing Business in 2016. Viewed at: http://www.doingbusiness.org/reports/global-reports/doing-business-2016.

[6] WTO document WT/TPR/G/209, 18 March 2009.

[7] The 1998 Policy and Commercial Strategy was approved through Resolution No. 25/98 of 1 July 1998 and came into force in 1999.

[8] Five-Year Government Programme 2015-2019. Viewed at: http://www.portaldogoverno.gov.mz/por/Governo/Documentos/Planos-e-Programas-de-Governacao/Plano-Quinquenal.

[9] The PARP III (2011-2014, extended to 2015) was built on the objectives and strategies set out in PARPA II (2005-2009), which was described in Mozambique’s previous TPR. Its overarching goal was to reduce the incidence of food poverty from 54.7% of the population to 42% by 2014. Its general objectives were to: (i) increase output and productivity in the agriculture and fisheries sectors; (ii) promote employment; (iii) foster human and social development while simultaneously focusing on governance (see below) and (iv) manage fiscal and macroeconomic affairs.

[10] The five specific priorities of the plan are: (i) consolidation of national unity, peace and sovereignty; (ii) development of human and social capital; (iii) promotion of employment, productivity and competitiveness; (iv) development of economic and social infrastructure; and (v) sustainable management of natural resources and the environment.

strengthen international cooperation at bilateral, multilateral and regional levels; diversify export products and destinations; promote export-orientated industrialization; improve standardization and certification systems; maximize local content and value-added in the processing of Mozambique's natural resources; promote infrastructure development (including through public–private partnerships); put in place measures to protect domestic industries; establish export processing and special economic zones; and improve the business environment.

2.10. Other broad policy strategies containing economic elements that are currently being implemented are: Agenda 2025 which was issued in 2003; the National Development Strategy (2015-2035), issued in 2014 (Section 4.4); and the Industrial Policy and Strategy (2016-2025), issued in 2016.

2.11. Agenda 2025 serves as a broad guide for the development of Mozambique until 2025, formulated by a Committee of Counsellors comprised of Mozambicans from different segments of Mozambican society. Among the themes considered by the Council are: economy and development; rural development; infrastructure; and challenges to development.

2.12. The Industrial Policy and Strategy 2016-2025 (Resolution No. 23/2016) replaces the Government's Industrial Policy and Strategy of 2007 (Resolution No. 38/2007). Its overall objective is to make industry the main vehicle for economic growth, increased employment, improved living standards, and development of the country's natural resources. It sets out eight pillars for industry development: (1) infrastructure for economic development; (2) development of human capital; (3) business training and protection of the domestic industry; (4) access to adequate funding; (5) promotion of business links; (6) incentives for investment in the industrial sector; (7) innovation, access to technology and research and development; and (8) the definition of an institutional model suitable for industrial development promotion. It also sets out various priority industries, namely: the food and agro-industry; clothing, textiles and footwear; non-metallic minerals; metallurgy and the manufacture of fabricated metal products; wood processing and furniture; chemicals, rubber and plastics; and paper and printing. Furthermore, it proposes various stimulus measures to generate quick impact gains; these include: infrastructure investments through public–private partnerships; promotion of access to financing; a review of the current package of investment incentives; and customs and tax incentives to protect domestic industry. The Strategy proposes that, over the period 2016-2019, activities should be developed that can be tied in to the Government's above-mentioned Five-Year Programme and that, over the second period (2020-2025), a mid-term evaluation be made.[11]

## 2.3 Trade Agreements and Arrangements

### 2.3.1 WTO

2.13. Mozambique became a WTO Member on 26 August 1995.[12] It grants at least most-favoured-nation (MFN) treatment to all its trading partners. It is not a party to any of the plurilateral agreements or to the protocols and agreements concluded under WTO auspices. It has never been engaged in any WTO dispute settlement activity as a complainant, respondent or third party. On 6 January 2017, Mozambique ratified the WTO Trade Facilitation Agreement.[13] In the context of this Review, Mozambique highlighted that its main priority at the WTO is to ensure continued preferential market access to the global market so it can use trade as an instrument of development. It wants to see the Doha Development Agenda round of trade negotiations concluded with results that can allow Mozambique to pursue its development policies in a more certain environment.

2.14. As at the time of Mozambique's previous Review, Mozambique's notifications to the WTO are outstanding in several areas, including agriculture (export subsidies); TRIMS; import licensing; procedures for quantitative restrictions; customs valuation; rules of origin; its tariff; import data;

[11] Ministry of Industry and Commerce Industrial Policy and Strategy 2016-2025 (May 2016). Not available online.

[12] Resolution of the Council of Ministers No. 31/94 of 20 September 1994.

[13] WTO, "Mozambique ratifies the Trade Facilitation Agreement", 6 January 2017. Viewed at: https://www.wto.org/english/news_e/news17_e/fac_06jan17_e.htm.

and safeguards.[14] Additionally, it has not notified to the WTO Secretariat its RTAs with Zimbabwe and Malawi. This notwithstanding, Mozambique has made an effort to improve its notification record. Mozambique has made 14 notifications since 2009 (Table 2.2), whereas it had only made two notifications over the period between its accession to the WTO until the end of the previous review period.[15] The authorities indicated that meeting notification obligations is quite burdensome and is an area where Mozambique will continue to need technical assistance.

### Table 2.2 Notifications under WTO Agreements, 1 January 2009 to 1 November 2016

| Legal provision | Description of requirement | Frequency | WTO document |
|---|---|---|---|
| **Agreement on the Implementation of Article VI of the GATT 1994** | | | |
| Article 16.4 | Anti-dumping actions taken over the past six months | Biannual | G/ADP/N/193/MOZ, 1 July 2010 |
| Article 16.5 | Investigating authority | Once, then changes | G/ADP/N/193/MOZ, 1 July 2010 |
| **Agreement on Technical Barriers to Trade** | | | |
| Articles 2,3,5 and 7 | Proposed and adopted technical regulations | Before or immediately after the measure is taken | G/TBT/N/MOZ/9, 28 February 2014<br>G/TBT/N/MOZ/8, 30 August 2014<br>G/TBT/N/MOZ/7, 29 May 2013<br>G/TBT/N/MOZ/6, 29 May 2013<br>G/TBT/N/MOZ/5, 19 October 2012<br>G/TBT/N/MOZ/4, 19 October 2012<br>G/TBT/N/MOZ/3, 19 October 2012<br>G/TBT/N/MOZ/2, 30 April 2012<br>G/TBT/N/MOZ/1, 23 April 2012 |
| **Understanding on the Interpretation of Article XVII of the GATT 1994 (state trading)** | | | |
| Article XVII:4(a) | State-trading activities | Annual | G/STR/N/12/MOZ, 4 August 2009 |
| **Agreement on Subsidies and Countervailing Measures** | | | |
| Article 25.11 | Countervailing duties applied over the past six months | Biannual | G/SCM/N/202/MOZ, 23 April 2010 |
| Article 25.12 | Investigating authority, domestic investigation procedures | Once | G/SCM/N/202/MOZ, 23 April 2010 |
| **Agreement on the Application of Sanitary and Phytosanitary Measures** | | | |
| Article 7 and Annex B | Proposed SPS regulations (including proposed or emergency measures) | Ad hoc | G/SPS/N/MOZ/2, 30 April 2012<br>G/SPS/N/MOZ/1, 12 April 2012 |

Source: WTO Secretariat Documents Online. Viewed at: https://www.wto.org/english/res_e/res_e.htm.hjk.

#### 2.3.1.1 Enhanced Integrated Framework (EIF) and Aid for Trade

2.15. Mozambique is a beneficiary of trade-related technical assistance provided under the EIF. According to the authorities, Mozambique has made notable progress in the following areas since 2012: (a) completing and validating the Diagnostic Trade Integration Study Update in December 2014; (b) defining the corresponding action matrix containing 16 priority areas, sub-divided into five strategic objectives to be implemented over the short, medium and long term; and (c) establishing a National Implementation Unit (NIU) to provide support to the MIC and key trade policy stakeholders on (i) policy and project design and implementation and (ii) aid for trade issues; and (d) engagement with development partners and agencies at the national and international levels.

2.16. In April 2015, the EIF's National Steering Committee identified five priority areas in which Mozambique should seek support from development partners and fully commit its human, technical and financial resources, at least in the medium term: (i) identifying and reducing non-tariff barriers; (ii) updating, validating and implementing the National Export Strategy to contribute to the integration of Mozambique in global value chains; (iii) preparing and negotiating market access offers and requests on strategic service sectors within the context of Mozambique's RTAs; (iv) assessing the impact of the WTO Trade Facilitation Agreement and elaborating a roadmap for its implementation; and (v) promoting linkages between local firms and the extractive industry.

[14] WTO Secretariat information obtained from the Central Registry of Notifications (reminder of notification obligations as at 31 December 2015).

[15] Over the period 1995 to end-2008, the only notifications that Mozambique had made were: (1) Notification under Article 22 of the Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994 (customs valuation), WTO document G/VAL/N/1/MOZ/1, 4 July 2005; and (2) Notification under Paragraph C of the WTO TBT Code of Good Practice – Notification of Acceptance, WTO document G/TBT/CS/N/69, 8 July 1997.

2.17. Under the EIF, Mozambique has also benefited from trade-related capacity building and technical support activities and has used the EIF to secure additional funding (outside of the EIF Global Trust Fund) to revise its 1998 trade policy and strategy (see Section 2.2).

2.18. In the context of this Review, Mozambique indicated that it still regards Aid for Trade as essential to achieving the high standards of productivity, quality and reliability required to become competitive in regional and international markets. It is also key to helping Mozambique diversify its exports and recalibrate its economy away from dependence on commodities, as well as to identify and integrate into global value chains.

### 2.3.2 Regional trade agreements (RTAs)

2.19. Mozambique has regional trade agreements (i.e. those involving reciprocal exchange of preferential access) in force with its South African Development Community (SADC) partners, as well as bilaterally with Malawi and Zimbabwe (who are also SADC members). These RTAs were described in detail in Mozambique's previous Review and their key features are summarized in Table 2.3. The authorities indicated that while Mozambique is a signatory to the Global System of Trade Preferences among Developing Countries (GSTP), it has not participated in any trade liberalization in this forum.

2.20. On 15 July 2014, the European Union finalized negotiations on an Economic Partnership Agreement (EPA) with six SADC members: South Africa, Botswana, Lesotho, Namibia, Mozambique and Swaziland.[16] Meanwhile Mozambique continues to enjoy duty-free quota-free market access to the EU market under the EU's "Everything But Arms" preferential scheme (see below). The EPA was signed on 10 June 2016 and, as at November 2016, the ratification process was under way. It will enter into force 30 days following the deposit of the last instrument of ratification/approval, with provisional application possible in the meantime. EPAs with other SADC economies are being negotiated with other regional partners. The EPA provides for an asymmetric exchange of concessions with the European Union providing duty-free, quota-free market access to Mozambique (and the other parties except for South Africa). Mozambique's schedule of tariff concessions is contained in Annex III to the Agreement. There is a transition period of 10 years for full implementation of the tariff reductions contained therein. As reported by the European Union, at the end of this period, 74% of customs duties (in volume terms) will have been eliminated on EU goods imported into Mozambique.[17]

2.21. The EPA, *inter alia*, contains articles on cooperation and/or exchange of information in the areas of: customs and administration; sustainable development, including labour and environmental protection; standard setting; intellectual property rights; competition policy; and public procurement. It also leaves open the possibility of entering into future negotiations in the areas of: services; investment in economic areas other than services; IPRs; competition; and public procurement. The introduction of new export taxes is prohibited, unless in temporary, exceptional and specific circumstances and following a consultation process. Fees and charges imposed by Governments in connection with imports and exports, other than import and export duties, must not exceed the cost of the service rendered. There are provisions on the application of bilateral safeguards; agricultural safeguards (for certain products imported into SADC from the European Union); food security safeguards; and infant industry protection safeguards. Export subsidies in agriculture are prohibited.[18]

2.22. Within SADC, a key development over the review period was the completion of the transition period for full implementation of the Free Trade Area; Mozambique's tariff reductions were completed with all SADC countries (except South Africa) in 2012 and with South Africa in 2015. The SADC Investment Protocol entered into force in 2010. The SADC Protocol on Trade in Services was approved by SADC Heads of State and Government in August 2012[19] and ratified by

[16] European Commission online information. Viewed at: http://ec.europa.eu/trade/policy/countries-and-regions/regions/sadc. This Agreement replaces a 2009 interim EPA (which was signed but never ratified). An early announcement notification has been made to the WTO Secretariat to this effect.

[17] European Commission online information. Viewed at: http://trade.ec.europa.eu/doclib/docs/2014/october/tradoc_152818.pdf.

[18] The text of the EU-SADC EPA was viewed at: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153915.pdf.

[19] SADC online information. Viewed at: http://www.sadc.int/documents-publications/show/1933.

Mozambique in September 2014. The SADC Protocol on Employment and Labour was approved by SADC Heads of State and Government in 2014.[20] The Services Protocol seeks progressive liberalization of trade in services with a view to ultimately creating a single market for trade in services. Promoting sustainable economic growth and enhancing the capacity and competitiveness of services sectors are among its objectives. A first round of negotiations to liberalize services in six priority areas commenced in April 2012 with the development of a roadmap for negotiations. The priority areas are: communication services, construction services, energy-related services, financial services, tourism services and transport services.[21] Mozambique has submitted requests and offers on: tourism services; financial services; transport services; and communications services. As noted by the authorities, Members agreed a new deadline to conclude the current round by September 2016, but they are facing challenges in scheduling their offers.

2.23. Other developments at the SADC level have included: the development of a SADC Investment Portal, which is intended to provide information on the SADC investment climate and opportunities[22] and the development of a SADC Regional Infrastructure Development Master Plan.[23] Negotiations to establish a customs union are ongoing. Work is also ongoing to harmonize customs rules and procedures, and sanitary and phytosanitary measures and to eliminate non-tariff barriers (see Section 3).

2.24. The authorities indicated that Mozambique is not currently negotiating any other reciprocal trade agreements.

### Table 2.3 RTAs in force, 2016

| **Southern African Development Community (SADC)** | |
|---|---|
| Parties | Angola, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe |
| Date of signature/entry into force | SADC Trade Protocol: 1996/2000. The Protocol set an 8-year transition period after entry into force for completion of the free trade area (by 2008), with substantially all trade liberalized. |
| End of transition period for Mozambique (goods) | 2012 for merchandise imports from all SADC members except South Africa. At the end of the transition period 99.5% of total tariff lines were duty free.<br>2015 for merchandise imports from South Africa. At the end of the transition period 99.6% of total tariff lines were duty free. |
| Selected features | Protection of infant industries; cross border investment; competition policy; trade facilitation. Trade in services protocol adopted in 2012; negotiations to liberalize trade in services ongoing. |
| WTO consideration status | Factual presentation distributed. Consideration in CRTA on 14 May 2007 |
| Mozambique's merchandise trade with SADC partners (2016) | 33.4% of total imports; 24.5% of total exports (of which South Africa accounts for 30.1% of total imports; 18.3% of total exports) |
| WTO document series | WT/REG176 |

| **Preferential Trade Agreement between the Government of the Republic of Malawi and the Government of the Republic of Mozambique** | |
|---|---|
| Parties | Mozambique and Malawi |
| Date of signature/entry into force | 28.12.2005/20.09.2006 |
| End of transition period for Mozambique (goods) | No transition period – liberalization took effect upon entry into force of agreement. Elimination of tariffs on all items except for: sugar; beer; Coca Cola and Schweppes branded soft drinks; refined edible oil; dressed chickens; table eggs; un-manufactured tobacco; stationary (excluding exercise books); petroleum products; firearms and ammunition; and explosives. |
| Services covered | No |
| WTO consideration status | None |
| Mozambique's merchandise trade with Malawi (2016) | 0.2% of total imports; 0.4% of total exports |
| WTO document series | Not notified to WTO |

[20] SADC online information. Viewed at: http://www.sadc.int/documents-publications/protocols/.
[21] SADC online information. Viewed at: http://www.tis.sadc.int.
[22] The portal may be viewed at: http://www.extranet.sadc.int/english/investment.
[23] SADC Annual Report 2011-2012. Viewed at: http://www.sadc.int/files/1613/7243/4333/SADC_ES_Report_2011-2012_web.pdf.

| Preferential Trade Agreement between the Government of the Republic of Mozambique and the Government of the Republic of Zimbabwe | |
|---|---|
| Parties | Mozambique and Zimbabwe |
| Date of signature/entry into force | 09.01.2004/01.03.2004 |
| End of transition period for Mozambique (goods) | No transition period – liberalization took effect upon entry into force of agreement. Elimination of tariffs on all items except for sugar; Coca Cola and Schweppes branded soft drinks; firearms and ammunition; and explosives; motor vehicles; beer; manufactured tobacco. |
| Services covered | No |
| WTO consideration status | None |
| Mozambique's merchandise trade with Zimbabwe (2016) | 1.2% of total imports; 2.5% of total exports |
| WTO document series | Not notified to WTO |

Source: WTO online information. Viewed at: http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx; and UN UNSD Comtrade.

### 2.3.3 Preferential trade agreements

2.25. Mozambique is eligible to benefit from unilateral preferences offered by various WTO Members under GSP and/or LDC-specific schemes, namely: Australia; Canada; Chile; China; the European Union; Iceland; India; Japan; the Republic of Korea; the Kyrgyz Republic; Morocco; New Zealand; Norway; Belarus, Kazakhstan and the Russian Federation; Switzerland; Chinese Taipei; Tajikistan; Thailand; Turkey and the United States. Of these, new PTAs under which Mozambique is entitled to benefit were introduced over the review period by Belarus, Kazakhstan and the Russian Federation (in 2010); Chile (2014); China (2010); and Thailand (2015).[24] Official data from Mozambique was not available on its use of preferential schemes.

### 2.3.4 Other agreements and arrangements

#### 2.3.4.1 African Union (AU)

2.26. Mozambique is a founding member of the AU, the successor to the Organization of African Unity (OAU). Its aim is to form an economic and monetary union. Under the auspices of the OAU (and now AU), the 1991 Treaty of Abuja established the African Economic Community (AEC) and set out a six-stage, 34-year, process to establish an African common market based on the coordination and harmonization of tariff and non-tariff measures between various trade and sub-regional groups (or regional economic communities). In 2008, negotiations were launched to establish an enlarged tripartite free trade area encompassing the members of the Common Market for Eastern and Southern Africa (COMESA), SADC, and the East African Community (EAC) by around 2015/2016. Mozambique did not join the Agreement launching the FTA signed in June 2015 by some of the tripartite member States, pending the completion of a study to identify the possible economic impact for Mozambique of entering into the Agreement; the final results are expected by the end of 2016.

2.27. A further target to establish a Continental Free Trade Agreement (CFTA) by 2017 was endorsed by AU Heads of State at their summit in 2012. According to the authorities, these negotiations are at an early stage; there have been two trade fora in which the technical working groups developed terms of reference, had a general debate on modalities for the negotiations and adopted the work plan and calendar of negotiations for trade in goods and services.

#### 2.3.4.2 Accelerated Program for Economic Integration Initiative (APEI)

2.28. As part of the regional economic integration process and based on the principles of variable speed and geometry, Mozambique joined the APEI together with Malawi, Mauritius, the Seychelles and Zambia. Together they agreed to accelerate reforms aimed at reducing barriers to trade and investment.

2.29. The APEI was created as a response to a call for more rapid reforms and economic integration by the Council of Ministers of Finance and by Central Bank Governors of COMESA and

[24] WTO Database on Preferential Trade Agreements. Viewed at: http://www.ptadb.wto.org; UNCTAD GSP List of Beneficiaries. Viewed at: http://unctad.org/en/PublicationsLibrary/itcdtsbmisc62rev6_en.pdf.

SADC in 2011. It has the support of the World Bank which has recently approved financing of US$29.9 million for Mauritius, Mozambique and the Seychelles to support efforts to improve the trading and investment environment.

2.30. The programme covers four pillars, namely the removal of barriers to trade in goods, the promotion of trade in services, the enhancement of measures to facilitate trade, and the improvement of the business environment. An MOU to facilitate the movement of business persons and professionals amongst the five countries is being negotiated.

#### 2.3.4.3 Relations with the United States

2.31. The Governments of the United States and Mozambique entered into a Memorandum of Understanding on a Trade Africa Partnership in 2015 where they jointly identified some areas for cooperation and technical assistance, namely: trade facilitation; sanitary and phytosanitary measures (SPS); technical barriers to trade (TBT); and policies to promote regional trade and attract investment. The MOU serves as the basis for the provision of technical assistance and capacity building.

## 2.4 Investment Regime

### 2.4.1 Legal and regulatory framework for investment

2.32. Investment in Mozambique (excluding the petroleum, natural gas and mining sectors) remains largely governed by the Investment Code, Law No. 3/1993.[25] While compliance with the Investment Code is not obligatory in order to set up and run a business in Mozambique, only those companies (national or foreign) granted investment licences under the Code may enjoy the benefits contained therein. These include: protection of property rights, and compensation for expropriation; the remittance abroad of funds earned from investment activities; access to fiscal incentives under the Code of Fiscal Benefits (see Section 3.3.1); and dispute settlement.

2.33. New implementing regulations to the Investment Code were introduced in 2009 through Decree No. 43/2009.[26] As stipulated in the Regulations, the Minister charged with Economy and Financial Affairs is mandated to coordinate the investment process. Up until 2016, the Investment Promotion Agency (CPI) and the Office for Accelerated Economic Development Zones (GAZEDA) were responsible for investment promotion activities, assisting investors to implement their projects and monitoring compliance; these agencies have since been merged under the Investment and Trade Agency (see Section 3.2.4). In order for foreign investors to remit profits outside of the country and re-export invested capital, a minimum value of foreign direct investment (FDI) of Mt2.5 million is required. Otherwise foreign investors must meet one of the following three requirements: (a) generate an annual sales volume of not less than three times Mt2.5 million as from the third year of operations; (b) register annual exports of goods and services with a value equivalent to Mt1.5 million; or (c) create and maintain from the second year of operation direct employment for at least 25 Mozambican nationals who are registered with the social security system. The Regulations set out the procedures for submitting an investment proposal and set a seven-day time frame for the authorities to undertake the necessary inter-institutional consultations. Competence for approving investment projects rests with different entities depending on the value of the project and other criteria; approvals must be made between three and 30 days depending on the size of the project, and the authorities must notify investors within 48 hours of the decision being taken. The Regulations also set out the criteria for investment in special economic zones, integrated tourism establishment zones and industrial free zones (see Section 3.3.1). As noted by the OECD, it is through these economic zones that the

[25] The Investment Law Regulations were viewed at: https://www.mcnet.co.mz/leis/outra-legislacao/legislacao-sobre-investimentos.aspx (and in English at: http://www.acismoz.com/lib/services/translations/Regulation%20on%20Investment%20Law.pdf).

[26] Decree No. 43/2009 replaces Decree No. 14/1993. The Decree was viewed at: https://www.mcnet.co.mz/leis/outra-legislacao/legislacao-sobre-investimentos.aspx. The authorities indicated that key reasons for changing the regulations were to: (a) take into account liberalization initiatives; (b) make changes to minimum investment requirements for foreigners and Mozambicans in order to obtain benefits under the Code; (c) formally create the CPI and GAZEDA as the responsible processing agencies; (d) devolve certain decision-making power to local authorities; (e) formalize certain procedures; (f) reflect the creation of Special Economic Zones (SEZs) (and SEZs focused on tourism); and, (g) reduce the employment and export requirements for Industrial Free Zones (IFZs).

Government hopes to create more linkages between megaprojects in the extractive industries (i.e. aluminium, gas, coal and oil) and other economic sectors with the expectation of reducing poverty and generating employment.[27]

2.34. The Government's public infrastructure investment priorities are set out in its Integrated Investment Programme (IIP) for 2014-17. The IIP was developed in response to the urgent need for improved infrastructure to support new projects in the mining sector as well as new opportunities in the areas of mining, energy and agriculture. Its fundamental objectives are to: improve the economic integration of the country; increase agricultural productivity; reduce logistics costs and market access; and increase the value-added and diversification of the national economy. Priority areas for investment are: transport, irrigation and energy.[28]

2.35. Table 2.4 provides an overview of Mozambique's investment-related legislation and other agreements. Over the review period, key changes to Mozambique's investment framework have included the above-mentioned new implementing regulations to the Investment Code, and revisions to legislation on petroleum, natural gas and mining. New bilateral investment treaties (BITs) have entered into force with the Belgium-Luxembourg Economic Union; India; and Japan.[29] Mozambique also signed a Cooperation and Investment Facilitation Agreement (CIFA) with Brazil in 2015, which has not yet entered into force.[30] Since 2009, Mozambique has been involved as the respondent in one ICSID case falling under the Mozambique-South Africa BIT, which relates to claims arising from the alleged expropriation of prawn-fishing quotas concerning a joint fishing operation in which the claimant had allegedly invested. The outcome of the case remains pending (at November 2016).[31] New double taxation agreements have entered into force with Botswana; Viet Nam and India.

**Table 2.4 Investment framework, 2016**

| **Investment-related legislation and agreements** |
|---|
| **Domestic legislation** |
| The Investment Code, Law No. 3/1993; Investment Regulations, Decree No. 43/2009; Law of Arbitration, Conciliation and Mediation No. 11/1999; Mining Law No. 20/2014; and Petroleum Law No. 21/2014 |
| **International arbitral institutions** |
| The International Centre for Settlement of Investment Disputes (ICSID); the ICSID Additional Facility; and the International Chamber of Commerce |
| **Free-trade agreements containing investment provisions** |
| EU-SADC EPA (not yet entered into force); SADC Investment Protocol (entered into force in 2010) |
| **Bilateral investment treaties (date of entry into force)** |
| Algeria (2000); Belgium-Luxembourg Economic Union (2009); China (2002); Cuba (2002); Denmark (2002); Finland (2005); France (2006); Germany (2007); India (2009); Indonesia (2000); Italy (2003); Japan (2014); Mauritius (2003); Netherlands (2004); Portugal (1998); South Africa (1998); Sweden (2007); Switzerland (2004); United Kingdom (2004); United States of America (2005); and Viet Nam (2007) |

[27] OECD Investment Policy Reviews Mozambique – 2013. Viewed at: http://www.oecd.org/daf/inv/investment-policy/IPR-Mozambique-Oct2013-summary.pdf.

[28] Integrated Investment Programme, Priority Infrastructure for 2014-2017. Not available online. As noted in the IIP, the year 2012 was an important turning point for the country in that major investment projects in the mining sector started to export coal. In parallel, there was the discovery of major natural gas reserves. However, infrastructure limitations were preventing Mozambique from taking maximum benefit from these opportunities.

[29] The following BITs have been signed but have not entered into force: Egypt (signed in 1998); Singapore (2016); Spain (2010); the United Arab Emirates (2003); and Zimbabwe (1990).

[30] The CIFA seeks to encourage reciprocal investment through intergovernmental dialogue. The CIFA will involve wider publication of business opportunities, exchange of information on regulatory frameworks, and will provide for a mechanism to prevent and resolve disputes. Government of Brazil online information. Viewed at: http://www.itamaraty.gov.br/en/press-releases/12538-brazil-mozambique-cooperation-and-investment-facilitation-agreement-cifa.

[31] UNCTAD online information. Viewed at: http://investmentpolicyhub.unctad.org/ISDS/Details/606.

| Investment-related legislation and agreements |
|---|
| **Other** |
| Trade and Investment Framework Agreement (TIFA) with the United States (2005); Cooperation and Facilitation Investment Agreement between Brazil and Mozambique (signed in 2015); membership of Multilateral Investment Guarantee Agency (MIGA) |
| **Double taxation agreements (date of entry into force)** |
| South Africa (2008); Macao, China (2008); Botswana (2011); Viet Nam (2011) and India (2011) |

Source: WTO document WT/TPR/S/209/Rev.1, 30 June 2009; UNCTAD online information. Viewed at: http://investmentpolicyhub.unctad.org/IIA/CountryBits/143#iiaInnerMenu; PLMJ International Legal Network online information. Viewed at: http://www.plmj.com/xms/files/newsletters/2014/Outubro/Arbitration_in_Mozambique_in_the_oil_and_mines_sectors.pdf; and information provided by the authorities.

2.36. Mozambique does not maintain a negative list of foreign investment restrictions. In the context of this review, the only explicit FDI restrictions which were found were with respect to the profession of customs brokers and the export of cashew nuts.

### 2.4.2 Investment promotion

2.37. Various different government bodies have responsibility for investment-related activities. A newly created Investment Council (Conselho de Investimento) is charged with developing investment strategies and policies for consideration by the Council of Ministers.[32] Agencies with investment promotion responsibilities are the Investment and Trade Agency (see Section 3.2.4), the Agriculture Promotion Centre (CEPAGRI), the Mozambique Tourism Authority (INATUR), and the Institute for the Promotion of Small and Medium Enterprises (IPEME).

2.38. Mozambique's investment promotion strategy for the period 2014-2016 is built on five strategic pillars: improvement of the business environment; promotion of capacity building and institutional development; improvement and diversification of investment opportunities; definition of the target for investment promotion; and promotion and development of national entrepreneurship. Its intention is to operationalize the goals articulated in other broader strategy documents, including Agenda 2025 and the Government's five-year plans.[33]

## 2.5 Framework for Business

2.39. The Commercial Code governs the establishment of companies in Mozambique and sets out corporate governance rules. Under the Code, companies may take one of two forms: LDA (Sociedade por Quotas) and SARL (Sociedade Anonima). As noted in Mozambique's previous Review, a company may start operating once its Articles of Association have been published in the Government Gazette (Boletim da República), it has been registered in the Commercial Register and with the local tax authorities, and it has been issued with an operating licence. In 2009, the Code was amended to, *inter alia*: remove the minimum statutory capital requirement applied to incorporated companies; introduce new rules on shareholder's loans and accessory contributions; revise the framework applicable to shares in joint-stock corporations and introduce new rules for share register books and share transfers; and allow companies to adopt a business year other than the calendar year as the annual period chosen for tax purposes.[34]

2.40. All companies or persons wishing to undertake an industrial or commercial activity require a licence from the Ministry of Commerce.[35] Sector-specific licences are required in other areas, such as: hospitality; fisheries; municipal services; forestry; hunting; mining; telecommunications and

[32] The Investment Council was established through Decree No. 44/2009. It is a ministerial body which meets twice per year. A technical investment committee assists the Investment Council; it meets four times per year and has been run by the CPI (which is now part of the Investment and Trade Agency (see Section 3.2.4)). It comprises directors from all ministries.
[33] Ministry of Planning and Development, Investment Promotion Strategy in Mozambique 2014-2016. Not available online.
[34] Decree Law No. 2/2009 of 24 April 2009. Miranda Law Firm online information. Viewed at: http://www.mirandalawfirm.com/uploadedfiles/39/15/0001539.pdf.
[35] Decree No. 39/2003 of 26 November 2003.

commercial maritime transport.[36] Various efforts have been made to simplify Mozambique's business licensing regime through the issuance of new regulations in 2012 and 2013.[37]

2.41. In 2011, a new Law on Public–Private Partnerships (PPPs), Large-Scale Projects and Company Concessions (Law No. 15/2011 of 10 August 2011) entered into force.[38] Its implementing regulations entered into force in 2012 and 2013 (see Table 2.1).[39] The Law provides the standardized framework and guidelines for contracting, implementing and monitoring PPPs, large-scale projects and company concessions. As noted by an external source, the new law is intended to instigate a raft of new projects, with investment largely being sought by the Government for projects outside Maputo (such as Tete and Nampula) where capital stock, infrastructural endowments and standards of living are low.[40] Since this Law was enacted, several concessions have been granted in the areas of transport and communications; mining; and energy.

2.42. In 2016, Mozambique ranked in 133rd place out of 189 economies in the World Bank's Doing Business Report[41] and in 133rd place out of 140 economies in the World Economic Forum's 2015-2016 Global Competitiveness Report[42], indicating that while improvements have been made, there is significant scope to improve the business environment. The World Bank's reports over the review period have seen Mozambique improve its rankings (from 135th place out of 183 economies in 2010) and have highlighted various reforms undertaken, including: (a) facilitating the payment of taxes and reducing the associated costs by implementing an online system for filing social security contributions and by increasing the depreciating rate for copying machines; (b) adopting a new legal framework for insolvency[43]; (c) undertaking property registration reforms[44]; (d) making it easier to obtain electricity by reducing the financial burden of security deposits for new connections; (e) introducing a single window for customs transactions (see Section 3); (f) making it easier to obtain construction permits by improving internal processes at the Department of Construction and Urbanization (although fees were increased); (g) updating company laws following global good practice; (h) simplifying the licensing process for starting up a business; and (i) abolishing the minimum capital requirement for setting up a company. Mozambique has been ranked relatively well for dealing with construction permits (31st place in 2016) and resolving insolvency (66th place), but poorly for getting electricity (164th place) and enforcing contracts (184th place). Mozambique has been identified as one of the countries in which there are the highest number of procedures required to obtain electricity and it has been reported that the cost of enforcing contracts through the Mozambican court system can exceed the value of the dispute by around 142.5%.[45]

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[36] Government of Mozambique online information. Viewed at: http://www.portaldogoverno.gov.mz/por/Empresas/Licenciamentos.

[37] Decree Law No. 5/2012of 7 March 2012 (replacing Decree No. 2/2008 of 12 March 2008) harmonizes procedures, applicable fees, competences, rights and obligations under the simplified licence. A new Regulation on Commercial Licensing Activity was also introduced in 2013 (Decree No. 34/2013 of 2 August 2013), replacing Decree No. 49 of 17 November 2004.

[38] Law No. 15/2011 of 10 August. Viewed at: http://www.ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/documents/lei15-2011.pdf.

[39] Decree No. 16/2012 of 4 July 2012 and Decree No. 69/2013 of 20 December 2013.

[40] Commonwealth Governance online information. Viewed at: http://www.commonwealthgovernance.org/countries/Africa/Mozambique/public-private-partnerships.

[41] World Bank (2016), *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Viewed at: http://www.doingbusiness.org/reports/global-reports/doing-business-2016.

[42] WEF Global Competitiveness Report: http://www3.weforum.org/docs/gcr/2015-2016/Global_Competitiveness_Report_2015-2016.pdf.

[43] The World Bank's Doing Business Report for 2015 notes that this legal framework introduced a reorganization procedure for commercial entities, granted creditors better access to information during insolvency proceedings and provided for more active participation by creditors in the proceedings. The report also contains a table (Table 4.3, page 41) comparing the previous and new legal frameworks. World Bank (2015). Viewed at: http://doingbusiness.org/reports/global-reports/doing-business-2015.

[44] Reforms noted in the World Bank's 2015 Doing Business report relate to strengthening and streamlining registration procedures at the land registry and municipalities and, in its 2011 Report, relate to lowering transfer taxes and government fees by 7.5% of the property's value.

[45] World Bank (2013), *Doing Business 2013: Smarter Regulations for Small and Medium-Size Enterprises*. Viewed at: http://doingbusiness.org/reports/global-reports/doing-business-2013. The World Bank Doing Business report for 2012 noted that enforcing contracts had been made easier as judgements were made publicly available and that obtaining electricity had become more difficult by requiring the authorization of a connection project by the Ministry of Energy and by adding an inspection of the completed external works.

2.43. The World Economic Forum has identified the most problematic factors for doing business in Mozambique as being: access to financing; an inefficient government bureaucracy; and corruption. The OECD has highlighted major infrastructure gaps across all sectors[46]; and the IMF has recommended that Mozambique's reform agenda should focus on enhancing public financial management, developing the institutional framework to prepare for the management of natural resource wealth, reforming the energy sector, improving access to financial services and strengthening the business environment.[47] Many of these impediments have been highlighted in the Government's Industrial Policy and Strategy for 2016-2025 (see above), which also sees key barriers to the development of industrial activities as including a lack of qualifications among the local workforce; supply deficiencies for water and electricity and their comparatively high cost; an unattractive tax system; and delays in customs clearance.[48]

2.44. The Government is engaging in greater coordination with the private sector to identify needed reforms (see above). The Government's Five-Year Plan (2015-2019) (see above) has pinpointed various priority measures to be undertaken. These are: simplification of procedures, improvement of competitiveness and elimination of barriers to new entrants to the market in order to attract investment; speedier procedures relating to land use; the creation of a one-stop shop platform for businesses[49]; and strengthened mechanisms for dialogue and coordination between the Government and the private sector, prioritizing the empowerment of the Mozambican private sector. Additionally, as part of a 2013-2017 Strategy to Improve the Business Environment, an Inter-Ministerial Group for Removal of Barriers to Investments has been set up to assess, implement and monitor the implementation of the action matrix contained therein on a quarterly basis.

As noted in the World Bank's 2011 report, obtaining electricity involves seven procedures, takes 87 days and costs 2,523% of income per capita.

[46] OECD online information. Viewed at: http://www.oecd.org/daf/inv/investment-policy/IPR-Mozambique-Oct2013-summary.pdf.

[47] IMF Staff Report for the 2015 Article IV Consultation of Mozambique. Viewed at: http://www.imf.org/external/pubs/ft/scr/2016/cr1609.pdf.

[48] Ministry of Industry and Commerce, Republic of Mozambique, Industrial Policy and Strategy 2016-2025 (May 2016). Not available online. Other impediments highlighted are inadequate infrastructure and high transport costs; and difficulties obtaining credit.

[49] The one-stop shop (e-BAÚ) platform has been established in the offices of the Ministry of Industry and Commerce and offers various services, including: licensing (and supplementary) services; registration and notary services; migration services; tax and fee collection services; and, civil identification registry services.

# 3 TRADE POLICIES AND PRACTICES BY MEASURE

## 3.1 Measures Directly Affecting Imports

### 3.1.1 Customs procedures and requirements

3.1. Importers (and exporters) in Mozambique must be licensed by the MIC.[1] As noted in Mozambique's previous Review, foreign persons with the appropriate visa or residency permit and foreign businesses established in Mozambique (as a branch, subsidiary or agency) may also become traders. A numbered "foreign trade operator's identification card" is issued, specifying whether the activity is that of an importer or exporter; this costs Mt 819.50.[2] Additional registration requirements apply to importers of pesticides, seeds and medicinal products.[3]

3.2. Customs operations fall under the remit of the Mozambique Revenue Authority and its customs and internal tax services.[4] Mozambique's customs regimes include: import and export; temporary importation (and exportation); re-importation (and exportation); customs transit (see below); domestic transfer; storage; industrial free zones and special economic zones (see below); duty-free shops; and customs warehousing.

3.3. Use of a customs broker (clearing agent) continues to be required for all commercial imports, exports and goods in transit. The rules governing customs brokers are set out in Decree No. 18/2011 and in Article 82 of the Chamber of Customs Brokers Statute.[5] A new Law (No. 4/2011) created a specialized body, the Chamber of Customs Brokers of Mozambique, which regulates the exercise of the profession.[6] Customs brokers must be qualified Mozambican persons.[7] As a result of changes introduced by Decree No. 18/2011, citizens of SADC member States are now also eligible to be customs brokers if there is a reciprocity agreement in place between Mozambique and their respective State. They must have a residence permit in Mozambique and comply with Mozambican legal and tax obligations. The candidate must also undertake an examination, complete a three-month internship and be licensed by Customs. As at November 2016, no SADC nationals had been certified as customs clearing agents in Mozambique.

3.4. Customs documentation requirements remain unchanged. These are: a customs declaration (*Documento Unico*), also available in abbreviated or simplified forms; the original invoice; transport documents; insurance certificate; phytosanitary certificate for products of plant origin; sanitary certificate for products of animal origin; certificate of origin in case of access to a preferential regime; or any other documents required to support a request for exemption from customs duties or taxes.[8] Simplified customs procedures are available for (a) goods not subject to pre-shipment inspection (see below) nor requiring a sanitary or phytosanitary certificate and whose f.o.b. value is at or below Mt 37,000; and (b) visitors and returning residents with consignments whose f.o.b. value is at or below Mt 12,000. Customs does not provide advance rulings on classification or valuation of goods to be imported.

3.5. Tax exempt transactions (e.g. for approved investment projects) are subject to a specific fee of Mt 2,500 for customs services rendered. Mozambique also levies fees and charges for: import

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[1] Decree No. 49/2004 of 17 November 2004 and Customs Authority online information. Viewed at: http://www.at.gov.mz/eng/Tabelas-de-Requisitos/Importador-Exportador.

[2] Ministry of Industry and Commerce Circular No. 001/MIC/GM/111/2016.

[3] Medicinal products may only be imported by registered importers and an import authorization is required for each consignment; these are subject to a 0.15% tax on the f.o.b. customs value. For authorization to be granted, the products must, in principle, figure in Mozambique's Registry of Medicines (some flexibility applies). Likewise, pesticides can only be imported by registered importers. Imports of pesticides are subject to a 0.15% tax on the f.o.b. customs value and the pesticides imported must be listed in Mozambique's Registry of Pesticides.

[4] The website for the Mozambique Revenue Authority is: http://www.at.gov.mz.

[5] Customs Clearing Agents' Regulation. Viewed at: https://www.mcnet.co.mz/Files/Legislacao/Decretos/Decreto_18_2011.aspx; and Chamber of Customs Brokers Statute. Viewed at: http://acismoz.com/mailit2/attachments/20090130091418/2009%20despachante%20reg.doc.

[6] Law No. 4/2011. Viewed at: https://www.mcnet.co.mz/Files/Legislacao/Leis/Lei_4_2011.aspx.

[7] In order to be qualified, Mozambican citizens must possess a minimum academic qualification corresponding to a clearing agent technical course or university degree. Clearing agent assistants who have practiced this function for more than five years and possess a high school qualification are also eligible.

[8] The CPI approves investment projects and issues documentation for the application of duty exemptions (Chapter 2).

(and export) licences (see below); transit fees (Mt 50 per declaration); making corrections to customs declarations (Mt 500); customs declaration cancellations (Mt 500); delays to payments of duties (Mt 2,500)[9]; and charges for scanning.[10] Some concerns have been expressed about the overuse of scanning, and its associated costs to importers.[11]

3.6. A major and positive development over the review period was the launch in 2011 of a single electronic window (SEW) system for customs processing and clearance operations. The SEW is used for both import and export operations and its use is mandatory. Apparently the SEW is modelled on those in operation in Ghana and Singapore and complies with international best practice. It has two main pillars; the Customs Management System (CMS) and TradeNet. The CMS supports customs-related transactions and enables data mining and the generation of statistics.[12] TradeNet is a platform for electronic data interchange between various parties (border control agencies, port authorities, freight forwarders, customs brokers, container terminal operators, shipping agents/lines, and commercial banks). The SEW is managed by the Mozambique Community Network (MCNet), a public–private partnership in which the Government has a 20% share.[13] Apparently the SEW cost around US$15 million to establish[14]; its ongoing costs are financed through a network charge levied on the customs declarations it processes (Table 3.1). Risk profiling is built into the SEW, which largely determines through which customs clearance channel goods pass. There are four channels: green (whereby goods are immediately cleared); blue (for use by authorized economic operators (see below)); yellow (involving document verification and/or scanning); and red (full documentary and physical inspection).

3.7. In 2016, a total of 261,196 customs declarations were processed. Twenty-five per cent were cleared through the green channel, 3% through the blue channel, 0.5% through the yellow channel and 72% through the red channel. Data for the period 2011 to 2016 is listed in Table 3.1.

**Table 3.1 Total customs declarations processed per channel**

| Year | Green | Blue | Yellow | Red | Total |
|---|---|---|---|---|---|
| 2011 | 36 | | 1 | 30 | 67 |
| 2012 | 9,827 | | 2,551 | 55,459 | 67,837 |
| 2013 | 47,532 | | 7,070 | 196,707 | 251,309 |
| 2014 | 62,222 | 67 | 2,152 | 246,662 | 311,103 |
| 2015 | 56,296 | 5,983 | 1,427 | 238,339 | 302,045 |
| 2016 | 64,509 | 7,146 | 1,180 | 188,361 | 261,196 |

Source: Information provided by the authorities.

3.8. According to external sources, the SEW system has the capacity to handle 1,500 customs declarations per day. The authorities indicated that implementation of the SEW is at around 96% in terms of geographical coverage and some functions still need to be added to the system relating to post-clearances, warehouses, auctions and links to other government agencies. Official information was not available regarding changes to average clearance times as a result of the implementation of the SEW. However, there has been a marked increase in Mozambique's rankings under the "trading across borders" pillar of the World Bank's Doing Business reports; at the time of

[9] Duties must be paid within 10 days of issuance of the note of payment.

[10] Information was not available on scanning fees.

[11] USAID Speed Program, *Revised Diagnostic Trade Integration Study for Mozambique* (August 2015). Viewed at: http://www.speed-program.com/wp-content/uploads/2016/02/Mozambique-Diagnostic-Study-on-Trade-Integration-in-National-Development-Policies-August-2015-EN.pdf.

[12] Customs-related transactions include: customs declarations, transit management, guarantees, customs valuations, collection of duties and fees, risk management, temporary imports/exports of vehicles, customs release, warehouse management, offence management, auction management, permit/licence issuance, and port and freight terminal management. UNECE online information. Viewed at: http://tfig.unece.org/cases/Mozambique.pdf.

[13] Shareholders are: consortium of Escopil Internacional and SGS Moçambique (60% share); Government (20%) and Confederation of Trade Association (20%). USAID Speed Program, *Revised Diagnostic Trade Integration Study for Mozambique* (August 2015). Viewed at: http://www.speed-program.com/wp-content/uploads/2016/02/Mozambique-Diagnostic-Study-on-Trade-Integration-in-National-Development-Policies-August-2015-EN.pdf.

[14] UNECE online information. Viewed at: http://tfig.unece.org/cases/Mozambique.pdf.

Mozambique's last Review it was ranked 140th out of 178 economies. In the World Bank's 2015 report, it was ranked 129th out of 189 economies.[15]

### Table 3.2 SEW user fees, 2016

| Regime | F.o.b. value under US$ 500 | F.o.b. value of US$ 500 to US$ 10,000 | F.o.b. value of US$ 10,000 to US$ 50,000 | F.o.b. value above US$ 50,000 |
|---|---|---|---|---|
| Imports | US$ 5 | US$ 24 | US$ 64 | 0.85% |
| Exports | US$ 24 | | | US$ 64 |
| Goods in transit and other customs regimes | US$ 24 | | | |

Source: Ministerial Diploma No. 25/2012 of 12 March 2012.

3.9. An Authorized Economic Operator (AEO) scheme for importers and exporters was implemented in 2013. As set out in Ministerial Diploma No. 314/2012, there are three types of AEO certificate: AEO-E for exporters; AEO-I for importers; and AEO-EI for importers and exporters. Certificates are valid for three years, renewable. In order to be certified as an AEO, operators must fulfil certain criteria, namely: have already been a licensed external trade operator accredited by the MIC for at least three years; have a satisfactory customs compliance record (including tax compliance); have a satisfactory system for the management of commercial records, which allows for fiscal and customs control; and be financially solvent. Before being granted AEO status, operators' premises are also subject to a physical inspection by customs.[16] The benefits conferred on AEOs are: physical and document-based controls only when strictly necessary (otherwise imports are cleared through the SEW's blue channel); physical controls at locations chosen by the operator; priority treatment of consignments if selected for customs control (again this is a feature built into the SEW); and advance notification of physical verification if imported goods are considered risky or will be subject to post-clearance control or audit (in which case 15 days advance notification is given). As at October 2016, there were nine approved AEOs; imports from these AEOs represented around 3% of Mozambique's total import value. Mozambique has not yet signed any AEO-related mutual recognition agreements (MRAs) with other trading partners.

3.10. Mozambique is a transit country to Swaziland, South Africa, Zimbabwe, Zambia and Malawi. Mozambique's transit regime is currently governed by Ministerial Diploma No. 116/2013 (replacing legislation from 2012 (Ministerial Diploma No. 307/2012, which in turn replaced legislation from 2002)).[17] The regime applies to forwarding agents, transporters and, since 2013, customs transit warehouse operators. All must be licensed by the Ministry of Transport and Communications and, additionally, forwarding agents must be registered with the Director-General of Customs. The Diploma sets out, *inter alia*, customs control procedures and guarantee requirements. With respect to the latter, guarantees may be either global (covering various transit operations over a period of three months to one year) or isolated (when they cover only one transit operation). Global guarantees payable are 35% of the total value of customs duties and other charges. Isolated guarantees payable amount to 100% of customs duties and other charges. Prior to 2012, both the isolated and global guarantees were 100% of the customs value. The Diploma requires guarantees to be refunded within ten working days of confirmation of conclusion of the transit operation. In order to facilitate trade, reduce costs and respond to business concerns, 114 tariff lines (at the HS 4-digit level) have been exempted from the requirement to lodge a guarantee (previously, 30

[15] The World Bank reported the following data on trading across borders for Mozambique in 2015: number of documents to export – 7; time to export – 21 days; cost to export – US$1,100 per container; documents to import – 9; time to import – 25 days; cost to import – US$1,600 per container. World Bank (2015), *Doing Business 2015: Going Beyond Efficiency*. Viewed at: http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Annual-Reports/English/DB15-Full-Report.pdf.

[16] Ministerial Diploma No. 314/2012 of 23 November 2012. Viewed at: https://www.mcnet.co.mz/leis/legislacao-aduaneira.aspx. As noted in an external source, the satisfactory security and safety systems that need to be in place in order to be granted AEO status are the following: self-assessment carried out by the economic operator; identification and elimination of risks and threats; standards for buildings, storage areas and cargo units; clear identification of business partners; participation of staff in safety etc. training. USAID Speed Program online information. Viewed at http://www.speed-program.com/wp-content/uploads/2015/11/2015-SPEED-Presentation-031-Authorised-Economic-Operators-EN.pdf.

[17] Customs Transit Regulations. Ministerial Diploma No. 116/2013. Viewed at: http://www.fcfasa.org/sites/default/files/Diploma_Ministerial_116_2013_Eng.pdf. This replaces Ministerial Diploma No. 307/2012. Viewed at: https://www.mcnet.co.mz/leis/legislacao-aduaneira.aspx.

tariff lines were exempt under the 2012 regulation).[18] A transit duty of Mt 50 (around US$0.90) per shipment is levied. The Customs Authority is obliged to give priority to transit operations of certain goods, namely: live animals; newspapers and magazines; medicine; certain hazardous materials; and perishable goods. The Diploma also sets out maximum periods of stay of goods in transit customs ports (60 days, extendable to 90 in exceptional and authorized circumstances).[19]

3.11. Mozambique is a member of the World Customs Organization and it ratified and acceded to the WCO's amended International Convention on the Simplification and Harmonization of Customs Procedures (the Kyoto Convention) on 11 July 2012.[20] Provisions on customs cooperation are contained in both the EU-SADC EPA[21] and the SADC Trade Protocol[22] and apparently the Tripartite FTA negotiations also include draft articles on aligning regional customs procedures. As indicated by the authorities, Mozambique has signed memoranda of understanding (MOUs) with neighbouring countries to facilitate the exchange of information and provide for mutual assistance on customs control issues, particularly in relation to: the use of uniform documents; advance information for customs release; and system interconnectivity. Mozambique has also implemented a "one-stop border post" with South Africa; this involves the sharing of border point infrastructure so that the South African and Mozambican administrations can make joint controls, verifications and inspections. Benefits include time and cost savings for both the authorities and travellers/economic operators. Other similar agreements are being negotiated with Malawi, Swaziland, Zambia and Zimbabwe.[23]

#### 3.1.1.1 Pre-shipment inspection

3.12. Certain goods, listed in a table annexed to Ministerial Decree Law No. 19/2003 of 19 February 2003, are subject to pre-shipment inspection (PSI); this list was most recently updated in 2016 (Table 3.3).[24] All goods on the list are subject to PSI regardless of their country of origin. Since Mozambique's previous Review, PSI requirements have been significantly reduced, with the removal of the following items: sugar; matches and lighters; soaps; used clothing; air conditioning units; and fridges and freezers. Additionally, the quantity of cooking oil exempt from PSI requirements has been increased from 10 litres to 20 litres. According to the authorities, this is because these items are no longer considered to be risky.

**Table 3.3 Imported goods subject to PSI, 2016**

| Item | Tariff heading | Exclusions |
|---|---|---|
| Frozen meat and edible parts of poultry of position 01.05 | *Chapter 2*<br>02.07.12; 02.07.14; 02.07.25; 02.07.27; 02.07.33; 02.07.36 | Quantities up to 10 units |
| Flour | *Chapter 11*<br>11.02 | Quantities up to 20 kg |
| Cooking oil | *Chapter 15*<br>15.07; 15.08; 15.11; 15.12; 15.13; 15.15 | Quantities up to 20 litres |
| Cement | *Chapter 25*<br>25.23 | Quantities up to 100 kg |
| Chemical products | *Chapter 28* | None |

[18] The Federation of Clearing and Forwarding Associations of Southern Africa. Viewed at: http://www.fcfasa.org/resources/mozambique-customs-transit-regulations-procedures. As noted by the authorities, the items exempt from the requirement to lodge a guarantee were chosen based on there being a low risk of these goods ending up in Mozambique.

[19] This time limit was not stipulated in previous legislation.

[20] WCO online information. Viewed at: http://www.wcoomd.org/en/about-us/legal-instruments/~/media/B14C72DBCEFF4BDD94BEC5F8B4B3B7DF.ashx; and Resolution No. 31/2008 of 30 December 2008.

[21] Customs Cooperation provisions are mainly set out in Chapter IV to the EPA. European Commission online information. Viewed at: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153915.pdf.

[22] The SADC Trade Protocol contains provisions on cooperation in customs matters, trade facilitation and transit trade (Articles 13-15) and annexes on customs cooperation and simplification; harmonization of trade documentation and procedures; and transit trade and transit facilities (Annexes II-IV). SADC online information. Viewed at: http://www.sadc.int/documents-publications/protocols/.

[23] USAID Speed Program, *Revised Diagnostic Trade Integration Study for Mozambique* (August 2015). Viewed at: http://www.speed-program.com/wp-content/uploads/2016/02/Mozambique-Diagnostic-Study-on-Trade-Integration-in-National-Development-Policies-August-2015-EN.pdf.

[24] PSI requirements were first introduced in 1998. The governing legislation is Ministerial Diploma No. 19/2003 of 19 February 2003, as amended by Ministerial Diploma No. 244/2011 of 18 October 2011. These were viewed at: https://www.mcnet.co.mz/leis/legislacao-aduaneira.aspx. The list of items subject to PSI was updated in 2016 by OS No. 05/DGA/2016 of 27 April 2016.

| Item | Tariff heading | Exclusions |
|---|---|---|
| Chemical products | *Chapter 29* | None |
| Pharmaceutical products | *Chapter 30*<br>30.01-30.06 | Quantities for personal use |
| Cosmetics | *Chapter 33*<br>33.03; 33.04; 33.05; 33.07 | Quantities for personal use |
| New rubber tyres | *Chapter 40*<br>40.11 | Quantities up to 5 tyres |
| Used or retreaded rubber tyres | *Chapter 40*<br>40.12 | None |
| Silk fabrics | *Chapter 50*<br>50.07 | Quantities up to 10 metres |
| Cotton fabrics | *Chapter 52*<br>52.08; 52.09; 52.10; 52.11; 52.12 | Quantities up to 10 metres |
| Synthetic fabrics | *Chapter 54*<br>54.07 (except 5407.42.10 (mosquito nets)); 54.08 | Quantities up to 10 metres |
| Fabrics of synthetic staple fibres | *Chapter 55*<br>55.12-55.16 | Quantities up to 10 metres |
| Dry batteries | *Chapter 85*<br>85.06 | Quantities up to 10 units |
| Vehicles | *Chapter 87*<br>8701-8705; 8711 | New vehicles which have never been registered in the country of manufacture |

Source: OS No. 05/DGA/2016 of 27 April 2016.

3.13. As at the time of Mozambique's previous Review, PSI is undertaken on behalf of the Government by Intertek Testing Services (ITS), a private company. Exporters of products subject to PSI must complete a Pre-Advice Form (PAF) with shipment details and send it to Intertek together with a pro forma invoice and a Model I2 (duty and/or tax reduction/exemption) document, if applicable. Upon receipt of the PAF, Intertek organizes inspection in the country of supply. The inspection includes verification of the quantity and quality of the declared goods; tariff classification; customs value; and the issuance of a single certificate (DUC) with all the relevant information, including a calculation of the taxes to be paid. The authorities indicated that Mozambique is considering phasing out PSI and is working with Intertek to help Mozambican officials take over their work.

3.14. It is the responsibility of the importer to inform the exporter of PSI requirements. If such imports have not been subject to PSI, they may not be cleared through customs. However, the importer may request customs to undertake a post-landing inspection, subject to a fine of 10% of the customs value of the merchandise imported.[25]

3.15. The Government covers the costs of PSI for all products with the exception of used vehicles. Since 2011, exporters of used vehicles have had to pay $265 + VAT/Sales Tax (or equivalent) towards inspection costs.[26]

### 3.1.2 Customs valuation and classification

3.16. There have been no changes to Mozambique's rules on customs valuation, which are contained in Decree No. 38/2002 of 11 December 2002.[27] This Decree was notified to the WTO in 2005.[28] At the time of Mozambique's previous Review, questions were posed about Intertek's referral to prices in the country of supply for the customs valuation of items subject to PSI (see above), and the consistency of this practice with the Customs Valuation Agreement (CVA). The authorities responded that the CVA provides for the right of the customs administration to reassure itself of the truthfulness or accuracy of any statement, document or declaration.[29]

[25] Government of Mozambique online information. Viewed at: http://www.portaldogoverno.gov.mz/por/Empresas/Comercio-Externo/Regime-Aduaneiro/Descricao-Geral.

[26] Requirement as set out in Ministerial Diploma No. 244/2011. Intertek online information. Viewed at: http://www.intertek.com/government/pre-shipment-inspection/exports/mozambique and MCNet online information. Viewed at: https://www.mcnet.co.mz/leis/legislacao-aduaneira.aspx.

[27] Decree No. 38/2002 of 11 December 2002 was viewed at: https://www.mcnet.co.mz/leis/legislacao-aduaneira.aspx.

[28] WTO document G/VAL/N/1/MOZ/1 of 4 July 2005.

[29] WTO document WT/TPR/M209/Add.1, 8 July 2009.

3.17. Imports of horticultural products are subject to reference prices. During the harvest season, these reference prices are maintained at a high level for duty purposes. Outside this period, reference prices may be lowered in order to encourage importers to meet the supply deficit. According to the authorities, the Customs Authority sets the reference price in cooperation with the Ministry of Agriculture and Food Safety, the MIC and stakeholders. Information was not available on the evolution of the reference price over the review period. Reference prices are also set for a variety of items sold by small grocery stores.

3.18. Complaints regarding the tariff classification of goods are initially handled by the local manager of the customs office where the problem is raised. If no agreement is reached, then the complaint is submitted to the Director-General of Customs. Appeals can first be made to the President of the Revenue Authority and, thereafter, the Customs Tribunal. The highest and last level of appeal is to the Administrative Tribunal, which has a section that deals with these matters. Data was not available on complaints over the review period.

### 3.1.3 Rules of origin

3.19. Mozambique does not use national rules of origin for non-preferential purposes. However, it does use rules of origin to establish originating status for imports under preferential trade agreements (Table 3.4). Under SADC, a review of textiles and clothing rules of origin is ongoing in order to simplify these rules.

**Table 3.4 Preferential rules of origin, 2016**

| Legal basis | Requirements |
|---|---|
| SADC Protocol on Rules of Origin | - Requirements for a good to have originating status:<br>(a) be "wholly produced or obtained" within the member States; or<br>(b) non-originating materials must have undergone sufficient working or processing in one or more member States (regional value content (RCV) test applies[a]); or<br>(c) there has been a change in tariff heading as a result of processing of non-originating materials (exclusions apply).<br>- *De minimis*/value tolerance provisions apply: the value of all non-originating materials must not exceed 10% of the ex-works price of the good (this is not applicable to HS headings 50-63, 87 and 98). |
| Mozambique–Malawi RTA | - Requirements for a good to have originating status:<br>(a) be "wholly obtained" in one of the parties; or<br>(b) value-added resulting from the production process must be at least 25% of the ex-factory cost of the goods. |
| Mozambique–Zimbabwe RTA | - Requirements for a good to have originating status:<br>(a) be "wholly obtained" in one of the parties; or<br>(b) value-added resulting from the production process must be at least 25% of the ex-factory cost of the goods. |

| Legal basis | Requirements |
|---|---|
| EU–SADC EPA[b] | - Requirements for a good to have originating status:<br>(a) be "wholly obtained" in one of the parties; or<br>(b) non-originating materials must have undergone sufficient working or processing where the total value of the non-originating material used does not exceed 15% of the ex-works price of the product.<br>- Contains provisions on bilateral cumulation between parties to the EPA; EU overseas countries and territories (OCTs)[c] and ACP countries[d]; cumulation with respect to materials which are subject to MFN duty-free treatment in the EU; and cumulation with respect to materials originating in other countries benefiting from preferential duty-free quota-free access to the EU. |

a The RCV test requires that the value of non-originating materials of a finished product does not exceed the stipulated percentage or that the value addition in the country of manufacture/cumulatively in SADC member States is not below the prescribed percentage for goods to be considered as originating.
b At the time of writing (June 2016), this agreement had not yet entered into force.
c There are 25 EU OCTs, which are countries with special links with either: Denmark, France, the Netherlands or the United Kingdom.
d OCT and ACP cumulation applies if agreements of administrative cooperation have been signed between the respective countries involved.

Sources: WTO document WT/TPR/S/209/Rev.1, 30 June 2009; WTO document WT/REG176/4, 12 March 2007; SADC Protocol on Rules of Origin. Viewed at: http://www.tralac.org/files/2011/11/SADC-Trade-protocol-Annex-1.pdf; SADC Rules of Origin Exporters Guide. Viewed at: http://www.sadc.int/files/9613/5413/6410/3._Rules_of_Origin__Exporters_Guide_Manual.pdf; EU-SADC EPA (Protocol 1). Viewed at: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153915.pdf.

### 3.1.4 Tariffs and other charges affecting imports

3.20. In addition to customs duties, Mozambique levies a surtax on certain imported products (Section 3.1.4.2) and a fee for use of the SEW system (Table 3.1). Mozambique also levies various other taxes on imports as well as domestic production. These include a value-added tax, an excise tax and fees for export and import licences. Tax revenue from excise and VAT grew steadily over the period under review. With respect to VAT, revenue obtained from imports largely outstripped revenue from domestic production, whereas the reverse is the case for excise taxes (Table 3.5).

**Table 3.5 Taxes on goods and services, 2009-2015**

(Mt million)

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|
| Customs duties | 4,133 | 5,254 | 6,419 | 7,531 | 9,744 | 11,959 | 11,187 |
| Tax-exempt transaction fee (TSA)[a] | 15 | 23 | 63 | 183 | 213 | 222 | 109 |
| VAT (Total) | 16,975 | 24,169 | 29,519 | 32,075 | 53,730 | 48,194 | 50,441 |
| *- On imports* | *9,918* | *14,366* | *16,183* | *17,784* | *21,502* | *27,111* | *28,766* |
| *- On national production* | *7,057* | *9,798* | *13,336* | *14,291* | *32,228* | *21,083* | *21,665* |
| Excise tax (Total) | 2,767 | 3,459 | 4,241 | 4,843 | 6,164 | 7,690 | 15,024 |
| *- On imports* | *973* | *1,241* | *1,325* | *1,799* | *2,712* | *3,719* | *11,259* |
| *- On national production* | *1,794* | *2,218* | *2,916* | *3,044* | *3,452* | *3,971* | *3,765* |
| Other[b] | 138 | 148 | 878 | 551 | 678 | 1,029 | 1,240 |

a This fee applies to goods exempt from customs duties and charges.
b This heading comprises: vehicle tax, maritime service tax, miscellaneous service fees, and export taxes on cashew nuts and wood.

Source: Direcção Nacional da Planificação e Orçamento, Contas Gerais do Estado (CGE). Viewed at: http://www.dno.gov.mz.

#### 3.1.4.1 Applied MFN tariff

3.21. Mozambique's 2016 applied MFN tariff comprises 5,199 eight-digit lines based on the 2007 Harmonized System (HS). The authorities indicated that work is being undertaken to introduce the HS2017 to the tariff book, as of January 2017. All rates are *ad valorem* and Mozambique does not apply tariff quotas. The taxable base for the tariff is the c.i.f. customs value. There were very few changes to Mozambique's tariff profile over the review period. Mozambique's simple average tariff rate is 10% (compared to 10.1% in 2008) with a higher simple average tariff on agricultural products (of 13.4%) than on non-agricultural products (of 9.5%, WTO definition). International tariff peaks affect a substantial (one-third) portion of Mozambique's tariff schedule (Table 3.6). There are three tariff lines (at the HS eight-digit level) where applied rates exceed the bound rate; these relate to certain non-agricultural products (Table 3.7). Mozambique has only bound 19 tariff lines at the eight-digit HS level for non-agricultural products (see below).

### Table 3.6 Structure of MFN tariffs in Mozambique, 2016

| | MFN applied | | Final Bound[a] |
|---|---|---|---|
| | 2008 | 2016 | |
| Bound tariff lines (% of all tariff lines) | n.a. | n.a. | 13.6 |
| Simple average tariff rate | 10.1 | 10.0 | 97.4 |
| Agricultural products (WTO definition) | 13.5 | 13.4 | 100.0 |
| Non-agricultural products (WTO definition) | 9.5 | 9.5 | 26.0 |
| Agriculture, hunting, forestry and fishing (ISIC 1) | 12.4 | 12.4 | 100.0 |
| Mining and quarrying (ISIC 2) | 3.7 | 3.7 | n.a. |
| Manufacturing (ISIC 3) | 10.0 | 10.0 | 96.2 |
| Duty-free tariff lines (% of all tariff lines) | 2.9 | 3.6 | 0.0 |
| Simple average rate of dutiable lines only | 10.4 | 10.4 | 97.4 |
| Tariff quotas (% of all tariff lines) | 0.0 | 0.0 | 0.0 |
| Non-*ad valorem* tariffs (% of all tariff lines) | 0.0 | 0.0 | 0.0 |
| Domestic tariff peaks (% of all tariff lines)[b] | 0.0 | 0.0 | 0.0 |
| International tariff peaks (% of all tariff lines)[c] | 33.4 | 33.4 | 13.2 |
| Overall standard deviation of applied rates | 7.3 | 7.3 | 15.3 |
| Nuisance applied rates (% of all tariff lines)[d] | 0.0 | 0.0 | 0.0 |

n.a. Not applicable.
a The final bound schedule is based on HS07 nomenclature (WTO CTS database) and consists of 5,063 tariff lines, of which 686 are bound tariff lines and 1 is a partially bound line (at the 8-digit tariff line level.
b Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.
c International tariff peaks are defined as those exceeding 15%.
d Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2008 tariff schedule is based on HS07 nomenclature consisting of 5,203 tariff lines (at the 8-digit tariff line level). The 2016 tariff schedule is based on HS12 nomenclature consisting of 5,199 tariff lines (at the 8-digit tariff line level).

Source: WTO Secretariat calculations, based on data provided by the authorities of Mozambique; and WTO CTS database.

### Table 3.7 Tariff lines where applied tariff rates exceed bound tariff rates, 2016

| HS code | Product description | 2016 applied tariff | Bound tariff |
|---|---|---|---|
| 84091000 | Parts suitable for use solely or principally with internal combustion piston engine for aircraft engines | 7.5 | 5 |
| 84149000 | Air or vacuum pumps, air or other gas compressors and fans; parts | 7.5 | 5 or unbound[a] |
| 84189900 | Refrigerators, freezers and other refrigerating or freezing equipment, electric or other; parts | 7.5 | 5 |

a The bound tariff line consists of two sub-lines (84149010, which is unbound, and 84149090, which is bound at 5%). Hence the applied rate of 7.5% is higher than the bound rate of 5%.

Source: WTO calculations, based on data provided by the Mozambican authorities; and WTO CTS database.

3.22. As at the time of Mozambique's previous Review, highest average tariffs by HS chapter continue to be applied on basic food products such as meat, fish, fruits, vegetables (and products thereof), beverages, and clothing. Certain products (cane sugar; cement; and iron or non-alloy steel, and iron or non-alloy steel tubes) are subject to surtaxes (see below) which are not taken into account in the figures reported in this section. The coefficient of variation of 0.7 indicates some dispersion of tariff rates and hence different levels of protection in the economy. Using ISIC (Rev.2), agriculture remains the most heavily protected sector (average tariff of 12.4%), followed by manufacturing (10%) and mining (3.7%) (Table 3.8).

**Table 3.8 Mozambique's applied MFN tariff summary, 2016**

| | Number of lines | Simple average (%) | Tariff range (%) | CV[a] | Share of duty-free lines (%)[b] |
|---|---|---|---|---|---|
| **Total** | 5,199 | 10.0 | 0-20 | 0.7 | 3.6 |
| **HS 01-24** | 783 | 15.2 | 0-20 | 0.5 | 0.8 |
| **HS 25-97** | 4,416 | 9.1 | 0-20 | 0.8 | 4.1 |
| **By WTO category** | | | | | |
| **WTO agricultural products** | 721 | 13.4 | 0-20 | 0.6 | 1.0 |
| Animals and products thereof | 98 | 17.6 | 0-20 | 0.3 | 1.0 |
| Dairy products | 27 | 15.2 | 0-20 | 0.5 | 7.4 |
| Fruit, vegetables and plants | 193 | 16.6 | 2.5-20 | 0.4 | 0.0 |
| Coffee, tea, and cocoa and cocoa preparations | 24 | 17.2 | 2.5-20 | 0.3 | 0.0 |
| Cereals and preparations | 86 | 12.6 | 0-20 | 0.6 | 1.2 |
| Oil seeds, fats, oil and their products | 81 | 9.2 | 2.5-20 | 0.8 | 0.0 |
| Sugars and confectionary | 16 | 9.1 | 7.5-20 | 0.5 | 0.0 |
| Beverages, spirits and tobacco | 56 | 17.5 | 2.5-20 | 0.3 | 0.0 |
| Cotton | 5 | 2.5 | 2.5-2.5 | 0.0 | 0.0 |
| Other agricultural products, n.e.s. | 135 | 7.2 | 0-20 | 1.0 | 2.2 |
| **WTO non-agricultural products** | 4,478 | 9.5 | 0-20 | 0.7 | 4.0 |
| Fish and fishery products | 129 | 19.4 | 0-20 | 0.2 | 0.8 |
| Minerals and metals | 915 | 7.2 | 0-20 | 0.7 | 0.3 |
| Chemicals and photographic supplies | 865 | 5.1 | 0-20 | 1.1 | 10.9 |
| Wood, pulp, paper and furniture | 259 | 9.9 | 0-20 | 0.7 | 2.3 |
| Textiles | 595 | 14.5 | 0-20 | 0.5 | 6.1 |
| Clothing | 219 | 20.0 | 20-20 | 0.0 | 0.0 |
| Leather, rubber, footwear and travel goods | 167 | 11.3 | 0-20 | 0.6 | 1.8 |
| Non-electric machinery | 523 | 6.0 | 0-20 | 0.6 | 3.4 |
| Electric machinery | 253 | 9.0 | 2.5-20 | 0.6 | 0.0 |
| Transport equipment | 139 | 7.7 | 0-20 | 0.8 | 7.2 |
| Non-agricultural products, n.e.s. | 391 | 12.7 | 0-20 | 0.5 | 2.0 |
| Petroleum | 23 | 6.0 | 2.5-7.5 | 0.2 | 0.0 |
| **By ISIC sector[c]** | | | | | |
| ISIC 1 – Agriculture, hunting and fishing | 317 | 12.4 | 0-20 | 0.7 | 0.3 |
| ISIC 2 – Mining and quarrying | 97 | 3.7 | 2.5-20 | 0.9 | 0.0 |
| ISIC 3 – Manufacturing | 4,784 | 10.0 | 0-20 | 0.7 | 3.8 |
| **By stage of processing** | | | | | |
| First stage of processing | 658 | 10.1 | 0-20 | 0.8 | 0.5 |
| Semi-processed products | 1,705 | 7.5 | 0-20 | 0.9 | 3.1 |
| Fully processed products | 2,836 | 11.6 | 0-20 | 0.6 | 4.6 |

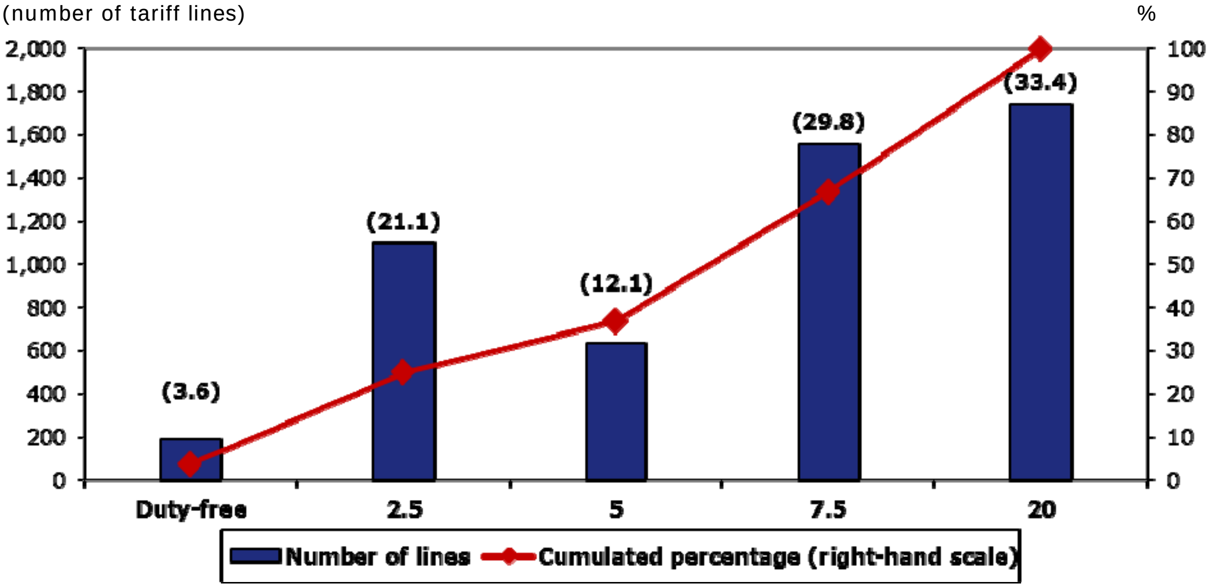
a Coefficient of variation.
b Share of duty-free in the total number of tariff lines of the product group.
c International Standard Industrial Classification (Rev.2). Electricity, gas and water are excluded (1 tariff line).

Note: The 2015 tariff schedule is based on HS12 nomenclature consisting of 5,199 tariff lines (at the 8-digit tariff line level).

Source: WTO Secretariat calculations, based on data provided by the authorities of Mozambique.

3.23. The 2016 tariff continues to comprise five rates: zero, 2.5%, 5%, 7.5% and 20%; two thirds of lines are assessed at 7.5% or less, and one third at 20% (Chart 3.1).

**Chart 3.1 Breakdown of applied MFN tariffs, 2016**



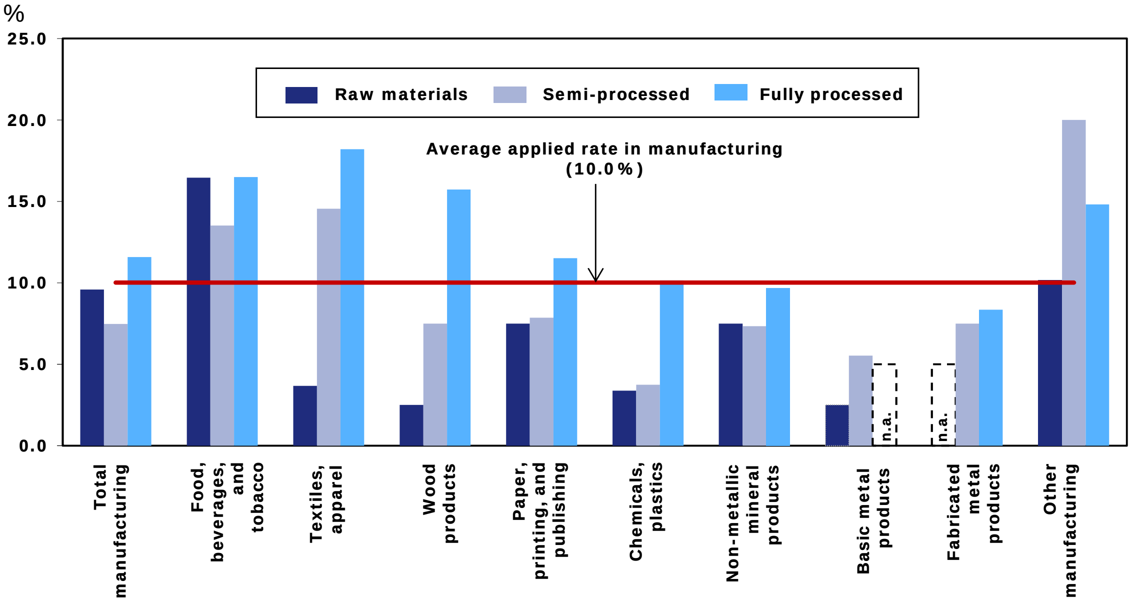

Note: Figures in parentheses denote the share of total lines.

Source: WTO Secretariat calculations, based on data provided by the authorities of Mozambique.

3.24. As at the time of Mozambique's previous Review, the tariff shows mixed escalation overall: it is negative from raw materials to semi-processed products (average protection of 10.1% and 7.5%, respectively), and then positive from semi-processed to finished products (with an average level of protection of 11.6%) (Table 3.8). A more detailed breakdown by activity reveals that positive escalation is evident in various industries including textiles and clothing; wood products; paper, printing and publishing; chemicals and plastics; and metal products. Mixed escalation is evident for food, beverages and tobacco; non-metallic mineral products; and other manufacturing (Chart 3.2). As pointed out in Mozambique's previous Review, such a tariff structure tends to discourage investment in processing industries because the heavy taxation of imported inputs adds to production costs or reduces the competitiveness of products manufactured in Mozambique. Thus the tariff structure may not be conducive to diversification of economic activity through manufacturing. It also contributes to investors' arguments in favour of duty and tax concessions, including under the Industrial Free Zone (IFZ) and Special Economic Zone (SEZ) regimes.[30]

[30] WTO document WT/TPR/S/209/Rev.1, 30 June 2009.

**Chart 3.2 Tariff escalation by manufacturing sector (ISIC 2-digit level), 2016**




n.a. Not applicable.

Source: WTO Secretariat estimates, based on data provided by the authorities of Mozambique.

#### 3.1.4.2 Import surtaxes

3.25. Import surtaxes continue to be levied on cane sugar; cement; and iron or non-alloy steel, and iron or non-alloy steel tubes. They affect 10 tariff lines at the HS eight-digit level. Surtaxes are imposed by the respective responsible ministries, and rates may be reviewed by these ministries and modified through the issuance of a ministerial diploma. No new products were subject to import surtaxes over the review period.

##### 3.1.4.2.1 Sugar

3.26. Raw and refined sugar are subject to variable import surtaxes in addition to a basic MFN applied duty of 7.5%. The two surtaxes are calculated as the difference between the respective sugar reference price and world market prices expressed in c.i.f. value, and are stated as a percentage.[31] The surcharge computation is based on the average spot prices of the preceding delivery contract month as published in the respective sugar futures exchanges. The surcharge is published monthly. Sugar reference prices remained unchanged for a long period between 2001 and 2015. In November 2015, the reference prices for both types of sugar were raised in order to shelter the domestic industry from low value world market imports. For raw sugar, the reference price is now US$806/tonne (up from US$385/tonne), and for refined sugar, the reference price is now US$932/tonne (up from US$450/tonne). While for most of the review period the respective surtaxes were levied at 0%, they have increased dramatically since 2015, firstly due to a decrease in world prices for sugar and thereafter due to the increase in the Mozambican reference prices. During 2016, the adjusted surtaxes for raw and processed sugar exceeded 100% (Mozambique's bound rate for other duties and charges (see Section 3.1.4.3)) for a period of time where world market prices were particularly low (Tables 3.9 and 3.10). Since 2016, a reduced reference price of US$100/tonne has been applied to imports of sugar for industrial use (Ministerial Diploma No. 75/2016 of 1 November 2016). Previously sugar imported by domestic industries did not pay the surtax.

[31] Ministerial Diploma No. 56/2001 of 30 March 2001 sets out the mechanism.

**Table 3.9 Applied surtax for raw sugar (HS 17.01.11; 17.01.12), July 2015-November 2016**

| Date | (1) World raw sugar price (f.o.b.) US$/tonne | (2) Transport (freight) and insurance margin US$/tonne | (3) c.i.f. [(1)+(2)] US$/tonne | (4) Gross surtax [Ref. price -(3)/(3)] | (5) Adjusted surtax [(4) x 0.93] |
|---|---|---|---|---|---|
| November 2016 | 492.20 | 25.80 | 518.00 | 55.60% | 51.71% |
| October 2016 | 451.96 | 25.80 | 477.76 | 68.70% | 63.89% |
| September 2016 | 434.61 | 25.80 | 460.41 | 75.06% | 69.81% |
| August 2016 | 436.02 | 25.80 | 461.82 | 74.53% | 69.31% |
| July 2016 | 410.54 | 25.80 | 436.34 | 84.72% | 78.79% |
| June 2016 | 359.91 | 25.80 | 385.71 | 108.97% | 101.34% |
| May 2016 | 335.57 | 25.80 | 361.37 | 123.04% | 114.43% |
| April 2016 | 322.91 | 25.80 | 348.71 | 131.14% | 121.96% |
| March 2016 | ... | ... | ... | ... | ... |
| February 2016 | 326.99 | 25.80 | 352.79 | 128.46% | 119.47% |
| January 2016 | 325.49 | 27.97 | 353.46 | 128.03% | 119.07% |
| December 2015 | 317.74 | 30.99 | 348.73 | 131.12% | 121.95% |
| November 2015 | 285.46 | 30.99 | 316.45 | 154.70% | 143.87% |
| October 2015 | ... | ... | ... | ... | ... |
| September 2015 | ... | ... | ... | ... | ... |
| August 2015 | 261.25 | 31.29 | 292.54 | 31.61% | 29.39% |
| July 2015 | 267.08 | 31.10 | 298.18 | 29.12% | 27.08% |

... Data not provided.

Source: Autoridade Tributária de Moçambique. Viewed at: http://www.at.gov.mz; and information provided by the authorities.

**Table 3.10 Applied surtax for processed sugar (HS 17.01.91; 17.01.99), July 2015-November 2016**

| Date | (1) World other sugar price (f.o.b.) US$/tonne | (2) Transport (freight) and insurance margin US$/tonne | (3) c.i.f. [(1)+(2)] US$/tonne | (4) Gross surtax [Ref. price -(3)/(3)] | (5) Adjusted surtax [(4) x 0.93] |
|---|---|---|---|---|---|
| November 2016 | 594.97 | 27.04 | 622.01 | 49.84% | 46.35% |
| October 2016 | 546.35 | 27.04 | 573.39 | 62.54% | 58.16% |
| September 2016 | 532.35 | 27.04 | 559.39 | 66.61% | 61.95% |
| August 2016 | 506.75 | 27.04 | 533.79 | 74.60% | 69.38% |
| July 2016 | 506.75 | 27.04 | 533.79 | 74.60% | 69.38% |
| June 2016 | 466.58 | 27.04 | 493.62 | 88.81% | 82.59% |
| May 2016 | 430.69 | 27.04 | 457.73 | 103.61% | 96.36% |
| April 2016 | 408.28 | 27.04 | 435.32 | 114.10% | 106.11% |
| March 2016 | ... | ... | ... | ... | ... |
| February 2016 | 430.69 | 27.04 | 457.73 | 103.61% | 96.36% |
| January 2016 | 403.86 | 28.90 | 432.76 | 115.36% | 107.29% |
| December 2015 | 392.88 | 32.21 | 425.09 | 119.25% | 110.90% |
| November 2015 | 341.77 | 32.21 | 373.98 | 149.21% | 138.77% |
| October 2015 | ... | ... | ... | ... | ... |
| September 2015 | ... | ... | ... | ... | ... |
| August 2015 | 342.65 | 32.34 | 374.99 | 20.00% | 18.60% |
| July 2015 | 340.90 | 32.22 | 373.12 | 20.60% | 19.16% |

... Data not provided.

Source: Autoridade Tributária de Moçambique. Viewed at: http://www.at.gov.mz.

#### 3.1.4.2.2 Cement

3.27. A surtax on imported cement has been in place since 1997 at a rate of 10.5%. Since 2009, this has been periodically suspended according to the prevailing market situation.[32] As at November 2016 it was being applied.

[32] For example, a temporary suspension of the surtax occurred in 2009 when there was a severe cement shortage due to a surge in construction activity, and consequent soaring prices. Cemnet online information. Viewed at: http://www.cemnet.com/News/story/133331/mozambique-shortage-brings-building-work-to-

### 3.1.4.2.3 Iron or non-alloy steel and iron or non-alloy steel tubes

3.28. The Mozambican Government continues to impose a surtax on imports of certain iron or non-alloy steel products, in place since 1997. As noted in Mozambique's previous Review, this measure was adopted following complaints that these products, imported from Zimbabwe and South Africa, were being dumped on the Mozambican market. The surtax is applied to the c.i.f. value of imports. In 2016, the surtaxes on iron or non-alloy steel (HS 7210.41.00) and on iron or non-alloy steel tubes (HS 7306.30.00; HS 7306.61.00; and HS 7306.69.00) were respectively 20% and 10.5%. The surtax is applied to imports from all origins.

### 3.1.4.3 Bound tariff and other duties and charges

3.29. Mozambique's Uruguay Round concessions on goods are contained in Schedule CXIX. Under its Uruguay Round commitments, Mozambique bound tariffs on all agricultural products at a ceiling rate of 100%. Bindings on non-agricultural products are very limited; only 19 lines at the eight-digit level (HS 1996 nomenclature) were bound, at either 5% or 15%.[33] In total, only 14.2% of Mozambique's tariff lines are bound. "Other duties and charges" on all bound items are bound at 100%.[34]

### 3.1.4.4 Preferential tariffs

3.30. Preferential tariffs are in place for SADC members; the transition period for tariff liberalization was completed, as scheduled, for all SADC members (except South Africa) by 2012 and for South Africa by 2015. 99.6% of duties on goods originating from SADC members are now at zero. The remaining 0.4% of dutiable lines (22 tariff lines at the HS eight-digit level) have been exempt from tariff reductions; these relate to arms and ammunition (and parts and accessories thereof) and ivory, tortoise-shell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks (Table 3.11). Tariff liberalization under the SADC–EU EPA will be implemented upon entry into force of the agreement (see Section 2).[35]

**Table 3.11 Mozambique's applied MFN and preferential tariff summary, 2016**

| | Applied MFN | | SADC | |
|---|---|---|---|---|
| | Simple average (%) | Share of duty-free lines (%) | Simple average (%) | Share of duty-free lines (%) |
| **Total** | **10.0** | **3.6** | **0.1** | **99.6** |
| HS 01-24 | 15.2 | 0.8 | 0.1 | 99.7 |
| HS 25-97 | 9.1 | 4.1 | 0.1 | 99.5 |
| **By WTO category** | | | | |
| **WTO agriculture** | **13.4** | **1.0** | **0.1** | **99.7** |
| Animals and products thereof | 17.6 | 1.0 | 0 | 100.0 |
| Dairy products | 15.2 | 7.4 | 0 | 100.0 |
| Fruit, vegetables and plants | 16.6 | 0 | 0 | 100.0 |
| Coffee, tea, and cocoa and cocoa preparations | 17.2 | 0 | 0 | 100.0 |
| Cereals and preparations | 12.6 | 1.2 | 0 | 100.0 |
| Oil seeds, fats, oil and their products | 9.2 | 0 | 0 | 100.0 |
| Sugars and confectionary | 9.1 | 0 | 0 | 100.0 |
| Beverages, spirits and tobacco | 17.5 | 0 | 0 | 100.0 |
| Cotton | 2.5 | 0 | 0 | 100.0 |
| Other agricultural products, n.e.s. | 7.2 | 2.2 | 0.3 | 98.5 |
| **WTO non-agricultural products** | **9.5** | **4.0** | **0.1** | **99.6** |
| Fish and fishery products | 19.4 | 0.8 | 0 | 100.0 |
| Minerals and metals | 7.2 | 0.3 | 0 | 100.0 |

halt.html and Poptel online information. Viewed at http://www.poptel.org.uk/mozambique-news/newsletter/aim370.html#story8.

[33] The 19 lines cover parts of nuclear reactors, boilers, machinery, and mechanical appliances, and are all included in HS Chapter 84.

[34] WTO document WT/TPR/S/209/Rev.1, 30 June 2009.

[35] The interim EU–SADC EPA signed in June 2009 was never ratified; hence, there was no liberalization by Mozambique under the interim EPA.

| | Applied MFN | | SADC | |
|---|---|---|---|---|
| | Simple average (%) | Share of duty-free lines (%) | Simple average (%) | Share of duty-free lines (%) |
| Chemicals and photographic supplies | 5.1 | 10.9 | 0 | 100.0 |
| Wood, pulp, paper and furniture | 9.9 | 2.3 | 0 | 100.0 |
| Textiles | 14.5 | 6.1 | 0 | 100.0 |
| Clothing | 20.0 | 0 | 0 | 100.0 |
| Leather, rubber, footwear and travel goods | 11.3 | 1.8 | 0 | 100.0 |
| Non-electric machinery | 6.0 | 3.4 | 0 | 100.0 |
| Electric machinery | 9.0 | 0 | 0 | 100.0 |
| Transport equipment | 7.7 | 7.2 | 0 | 100.0 |
| Non-agricultural products, n.e.s. | 12.8 | 2.0 | 1.0 | 94.9 |
| Petroleum | 6.0 | 0 | 0 | 100.0 |

Note: The 2015 tariff schedule is based on HS12 nomenclature consisting of 5,199 tariff lines (at the 8-digit tariff line level).

Source: WTO Secretariat calculations, based on data provided by the Mozambican authorities.

#### 3.1.4.5 Customs duty exemptions

3.31. Customs duty exemptions or reductions (excluding reductions under preferential regimes) are contained in Table V of the General Rules for Customs Clearance of Goods (Decree No. 34/2009) (Table 3.12). These rules replace those in effect since 2002; however, there have only been a few changes, affecting imports destined for specific industrial uses and foreign bills and coins.[36] There have no changes to the rules since 2009.

**Table 3.12 Goods benefiting from exemption or reduction of customs duties under the General Rules for Customs Clearance of Goods**

| Item |
|---|
| 1. Commodities for the official use of diplomatic missions, consulates, international organizations and their agencies accredited in Mozambique, under the specific legislation on the subject |
| 2. Articles intended for diplomatic or consular officials and international officials, in terms of specific legislation on the subject |
| 3. Samples, individually or in collections, properly labelled, that have the characteristics peculiar thereto, without commercial value |
| 4. Awards won in tenders or sport competitions |
| 5. Baggage, as defined in Decree No. 34/2009 of 6 July 2009 |
| 6. Articles of estates that may be imported under the baggage regime, as well as coffins, funeral wreaths and emblems that accompany them |
| 7. Items for public museum showcases |
| 8. Objects considered as works of art or with historical value by the Ministry which oversees the area of culture |
| 9. Gifts to war prisoners, under Article 3 of the Geneva Convention, signed on 22 July 1929, concerning the treatment of war prisoners |
| 10. Educational or scientific movies, intended for ministries and recognized institutions |
| 11. War and quartering material, and uniforms, for the official use of the defence and security forces |
| 12. Commodities for which exemptions are provided for in the treaties and agreements signed or accepted by the Government of the Republic of Mozambique |
| 13. Products brought in small quantities from neighbouring countries by the border population, for personal or family use |
| 14. Scientific and educational material or laboratory material for educational and scientific-technical research, as confirmed by the relevant sector |
| 15. Foreign notes and coins, when imported by banking institutions duly authorized for that purpose |
| 16. Notes and coins in use in the country, when imported by the Bank of Mozambique |
| 17. Traffic documents imported by airlines, railways, shipping lines, such as the waybill, shipping documents, tickets, and baggage tags |

[36] An exemption for goods destined for specific industrial uses as regulated by separate legislation has been removed. A new exemption was introduced for foreign bills and coins when imported by previously authorized bank institutions. Additionally, an exemption for scientific and educational films, which was previously destined just for interested ministries, has also been extended to recognized institutions.

| Item |
| --- |
| 18. Working papers, reports, bids, plans, and designs |
| 19. Catalogues on paper or on a magnetic media |
| 20. Foreign notes and coins when imported by banking institutions duly authorized for that purpose |

Note: The authorities competent to grant this regime are: Minister of Finance (numbers 8, 9, 11, 14, 15 and 16); Tax Authority Chairman (numbers 2, 4, 12, 14 and 20); General Director of Customs (numbers 1 and 7); Regional Directors (numbers 3 and 10) and heads of customs offices (numbers 5, 13, 17, 18 and 19).

Source: Decree No. 34/2009 of 6 July 2009. Viewed at: http://www.at.gov.mz/por/Media/Files/Decreto-n1-34-2009-de-6-de-Julho.

3.32. Customs duty exemptions and reductions are also available under the 2009 Code of Fiscal Benefits. Incentives are either of a generally applicable or industry-specific nature; they are only granted when the imported goods are not produced in Mozambique or if the domestically-produced goods are not adequate for the investment project.[37] (Table 3.13 and Section 3.3.1).

3.33. A customs service fee of MT 2,500 per importation is charged on all imports that are exempt from customs duties.[38]

### Table 3.13 Customs duty exemptions contained in the Code of Fiscal Benefits, 2016

| Activity | Items subject to customs duty exemptions |
| --- | --- |
| **General** | |
| General | Goods classified as "class K" (capital goods) in Mozambique's tariff schedule as well as their spare and accessory parts. |
| **Specific** | |
| Creation of basic infrastructure | Goods classified as "class K" in Mozambique's tariff schedule as well as their spare and accessory parts. |
| Rural commerce and industry | Goods classified as "class K" in Mozambique's tariff schedule as well as their spare and accessory parts. Additionally: freezers; scales; weights; cash registers; oil and fuel meters; and counters. |
| Manufacturing and assembly | Manufacturing industries: exemption for import of raw materials to be used in industrial manufacturing processes.<br>Assembly industries: exemption for import of materials to be used in the production process. |
| Hostelry and tourism | Goods classified as "class K" in Mozambique's tariff schedule as well as their spare and accessory parts. Additionally, goods for construction and outfitting, namely: construction materials excluding cement, blocks; tiles, paint and varnish; rugs and carpets; sanitary equipment; furniture; textiles; elevators; air conditioners; kitchen equipment; refrigeration equipment; tableware and restaurant and bar articles; communication equipment; safes; computer and sound equipment; televisions; recreational watercraft; yachts and related equipment; water sports security equipment; aircraft; aeroplanes; helicopters; hand-gliders; gliders; flight simulators and related equipment; and tourist activity security equipment. |
| Science and technology parks | Scientific, teaching and laboratory material and equipment. |
| Large dimension projects | Construction materials, machinery and equipment and accompanying spare and accessory parts as well as other goods used in the carrying out of the activity. |
| Rapid Development Zones | Goods classified as "class K" in Mozambique's tariff schedule as well as their spare and accessory parts. |
| Industrial Free Zones (IFZs) | For operators of IFZs: construction materials, machinery, equipment, accompanying spare and accessory parts and other goods used in the carrying out of the IFZ activity.<br>For IFZ enterprises: goods and merchandise to be used in the implementation of authorized projects. |
| Special Economic Zones (SEZs) | For SEZ developers and enterprises: construction materials, machinery, equipment, accompanying spare and accessory parts and other goods used in carrying out the licensed activity. |

Source: Law No. 4/2009 of 12 January 2009, Code of Fiscal Benefits. Viewed at: http://www.tipmoz.com/library/resources/documents/codeoffiscalbenefits.pdf.

### 3.1.4.6 Value Added Tax (VAT)

3.34. The VAT Code (Código do Imposto sobre o Valor Acrescentado (Law No. 32/2007 of 31 December 2007)) and VAT regulations (Decree No. 7/2008 of 16 April 2008) provide the legislative and regulatory framework for the imposition of VAT. The VAT Code was amended in 2012 (by Law No. 3/2012 of 23 January 2012).[39] The changes introduced were to exempt from

[37] Law No. 4/2009 of 12 January 2009 (The Code of Fiscal Benefits), Article 6.
[38] Law No. 6/2009 of 10 March 2009 and Decree No. 34/2009 (Article 11).
[39] Law No. 3/2012 altered the following articles of Law No. 32/2007: 9; 12; 14; 15; 18; 19; 21; and 25.

VAT: insecticides; raw materials for animal feed production (including corn and soybeans)[40]; and the acquisition of goods and services for the drilling, survey and construction of infrastructure for mining and oil activities at the prospecting and exploration phase. Additionally, changes were made to the time frame within which VAT can be deducted.

3.35. VAT continues to be levied at a rate of 17% on the supply of goods and services and on the c.i.f. value of imported goods plus applicable customs duties. Exemptions and zero-rating apply to certain items (Table 3.14). In a few cases (certain public works, power and air transport services), VAT is not charged on the full price of the good or service, thus leading to a lower effective rate.[41]

3.36. As part of Mozambique's fiscal incentives regime under the 2009 Code of Fiscal Benefits, various imported goods are VAT-exempt. These are largely the items that are also subject to customs duty exemptions (see Section 3.1.4.5 and Section 3.3.1). Sugar is VAT-exempt throughout its value chain. There was a proposal in 2015 to extend a VAT exemption for oil and soap industries until 31 December 2019[42]; however, information was not available as to whether this was approved.

**Table 3.14 VAT rates, 2016**

| | Rate | Items |
|---|---|---|
| General rate | 17% | All items/goods with the exception of those below |
| Zero rate | 0% | (a) The final importation of goods that would qualify for an objective exemption, or would benefit from the exemption of customs duties (i.e. goods listed in Annex I of the VAT Code); |
| | | (b) the importation of goods in transit and the temporary importation or drawback of goods that are exempt from custom import duties; |
| | | (c) exports; |
| | | (d) provision of services that are directly related to the transit, export, or import of goods exempt from tax under the temporary import, drawback or transit regimes. |
| Exemption | n.a. | (a) Certain goods and services listed in the VAT Code: bicycles, bread, condoms, corn, corn flour, fresh and refrigerated tomatoes, garlic, jet fuel, lamp oil, onions, powdered milk for children, rice, flour, salt, smoked fish and wheat; |
| | | (b) supply of goods and services in the areas of health; education; and in the agricultural, forestry, livestock and fishing industries (as stipulated); |
| | | (c) supply of goods and services related to social assistance undertaken by public or non-profit bodies, whose objectives are of a social, cultural or artistic nature; |
| | | (d) supply of goods and services for the collective interest of members of non-profit bodies, the purposes of which are of a social, political, associative, religious, philanthropic, recreational, sporting, cultural or civic nature (instead, a fixed fee is levied, as set out in the respective statutes); |
| | | (e) banking and financial transactions; |
| | | (f) leasing of property for trade and manufacturing purposes and leasing of office premises; |
| | | (g) insurance and reinsurance transactions as well as related services performed by insurance brokers and other insurance agents; |
| | | (h) transactions subject to Sisa (property transfer taxes). |

Source: USA International Business Publications, "Mozambique Taxation Laws and Regulations Handbook, Volume 1 Strategic Information and Basic Laws". Viewed at: https://books.google.ch/books?id=YeV8AwAAQBAJ&printsec=frontcover#v=onepage&q&f=false.

[40] As noted by an external source, the VAT exemption for imports of raw materials for animal feed production is aimed at reducing living costs by reducing the price of chicken (by lowering the costs of chicken production). However, there could be negative consequences for efficiency in national production. USAID Speed Program, "VAT in the Agricultural Sector". Viewed at: http://www.speed-program.com/wp-content/uploads/2012/09/SPEED-Reports-2012-002IVAnoSectordaAgricultura-Dec2011_FinalReport.pdf.

[41] As noted by Price Waterhouse Coopers, these effective rates are as follows: 40% of the taxable basis for public works for the construction or rehabilitation of roads, bridges and water or power infrastructures for supplies to rural areas; 62% of the taxable basis for power (where the price is established by the authorities); and 85% of the taxable basis for services whose price is determined based on aeronautic excises. PWC (2014), *Overview of VAT in Africa* – 2014. Viewed at: http://www.pwc.co.za/en/assets/pdf/overview-of-vat-in-africa-2014.pdf

[42] Government of Mozambique online information. Viewed at: http://www.portaldogoverno.gov.mz/por/content/download/5168/37074/version/3/file/COMUNICADO+DA+41%C2%AASOCM-2015.pdf.

3.37. The IMF has recommended that Mozambique review and rationalize its extensive list of exempt and zero-rated items, since these have an unclear impact on the poor and have the effect of shrinking the tax base. Moreover, it notes that VAT efficiency is well below the SADC average.[43]

### 3.1.4.7 Excise taxes

3.38. Mozambique continues to levy excise taxes on a range of products. The governing legislation is Law No. 17/2009, as amended by Law No. 05/2012 of 23 January 2012 and Law No. 2/2013 of 7 January 2013. The 2012 Act extends the list of excise tax exemptions to include raw materials and goods (either imported or locally produced) which are intended for use by domestic industries or are incorporated into goods produced by them. It also establishes an excise tax rate of 10% for beers of roots and tubers. The 2013 Act adjusted VAT rates on wine, cigarettes and spirits.

3.39. Excise tax rates range from 5% to 75% (Table 3.15). Excise taxes are levied on the c.i.f. value of the good, plus applicable customs duties (but not including VAT). A special inspection regime, as set out in Ministerial Diploma No. 59/2016 of 14 September 2016, applies to alcoholic beverages and processed tobacco, whereby a seal provides proof of the tax payment. The measure was introduced to address contraband concerns. Associated fees (per 1,000 seals) are higher for imported than domestically produced goods. The rates are: tobacco (domestic production: €7.54 and imports: €17.22); Cigars (domestic production: no fee and imports: €23.13); wine (domestic production: €12.25 and imports: €27.07); spirits (domestic production: €15.30 and imports: €29.68); and beer and ready-to-drink drinks (RTDs).

3.40. Excise tax exemptions apply to small quantities of imported tobacco products and alcoholic beverages; manufactured tobacco intended for export; and, as above-mentioned, imported raw materials and goods for use by domestic industries. Chibuku brand beer made of sorghum and corn (HS 2206.00.10) is exempt from the 40% excise tax while other beer (HS 2206.00.90) is not; at the time of the last Review, it was explained that the reason that the exemption applies is because Chibuku is considered to be an energy drink and has a lower alcoholic content than other beer.[44]

**Table 3.15 Excise tax rates, 2016**

| Heading No. *(Number of tariff lines at HS 6- and/or 8-digit level)* | Description of the goods | Duty rate (%) |
|---|---|---|
| 22.03 *(1)* | Beer made from malt | 40 |
| 22.04 *(3)* | Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09 | 55 |
| 22.05 *(2)* | Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances | 55 |
| 22.06 *(1)* | Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included | 40 |
| 22.07 *(3)* | Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher; ethyl alcohol and other spirits, denatured, of any strength | 40-65 |
| 22.08 *(9)* | Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol.; spirits, liqueurs and other spirituous beverages | 55-75 |
| 23.09 *(1)* | Preparations of a kind used in animal feeding | 30 |
| 24.02 *(6)* | Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes | 75 |
| 24.03 *(3)* | Other manufactured tobacco and manufactured tobacco substitutes; "homogenized" or "reconstituted" tobacco; tobacco extracts and essences | 75 |
| 3303 *(1)* | Perfumes | 30 |
| 33.04 *(5)* | Beauty or make-up preparations and preparations for the care of the skin (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations | 30 |
| 33.05 *(4)* | Preparations for use on the hair | 30 |

[43] IMF Country Report No. 16/10 (2016). Viewed at: https://www.imf.org/external/pubs/ft/scr/2016/cr1610.pdf.
[44] WTO Secretariat, WT/TPR/S/209/Rev.1, 30 June 2009.

| Heading No. *(Number of tariff lines at HS 6- and/or 8-digit level)* | Description of the goods | Duty rate (%) |
|---|---|---|
| 33.07 *(4)* | Pre-shave, shaving or after-shave preparations, personal deodorants, bath preparations, depilatories and other perfumery, cosmetic or toilet preparations, not elsewhere specified or included | 30 |
| 43.03 *(3)* | Articles of apparel, clothing accessories and other articles of furskin | 30 |
| 71.01 *(3)* | Pearls, natural or cultured, whether or not worked or graded but not strung, mounted or set; pearls, natural or cultured, temporarily strung for convenience of transport | 50 |
| 71.02 *(3)* | Diamonds, worked or not, not mounted or set | 50 |
| 71.04 *(2)* | Synthetic or reconstructed precious or semi-precious stones, whether or not worked or graded but not strung, mounted or set; ungraded synthetic or reconstructed precious or semi-precious stones, temporarily strung for convenience of transport | 50 |
| 71.08 *(4)* | Gold (including gold plated with platinum) unwrought or in semi-manufactured forms, or in powder form | 50 |
| 71.10 *(9)* | Platinum, unwrought or in semi-manufactured forms, or in powder form | 50 |
| 71.13 *(3)* | Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal | 50 |
| 71.14 *(3)* | Articles of goldsmiths' or silversmiths' wares and parts thereof, of precious metal or of metal clad with precious metal | 50 |
| 71.15 *(1)* | Other articles of precious metal or of metal clad with precious metal | 50 |
| 71.16 *(2)* | Articles of natural or cultured pearls, precious or semi-precious stones (natural, synthetic or reconstructed) | 50 |
| 71.17 *(3)* | Imitation jewellery | 15 |
| 71.18 *(1)* | Coins | 15 |
| 87.02 *(3)* | Motor vehicles for the transport of 10 or more persons, including the driver | 35 |
| 87.03 *(12)* | Motor cars and other motor vehicles principally designed for the transport of persons (other than those of heading 87.02), including station wagons and racing cars | 5-40 |
| 87.04 *(5)* | Motor vehicles for the transport of goods | 30 |
| 87.11 *(4)* | Motorcycles (including mopeds) and cycles fitted with an auxiliary motor, with or without side-cars; side-cars | 15-35 |
| 87.16 *(1)* | Trailers and semi-trailers; other vehicles, not mechanically propelled; parts thereof | 15 |
| 88.01 *(4)* | Balloons and dirigibles; gliders, hang gliders and other non-powered aircraft | 35 |
| 89.03 *(3)* | Cruise ships, excursion boats, ferry-boats, cargo ships, barges and similar vessels for the transport of persons or goods | 35 |
| 93.03 *(5)* | Other firearms and similar devices which operate by the firing of an explosive charge | 30 |
| 97.01 *(5)* | Paintings, drawings and pastels, executed entirely by hand, other than drawings of heading 49.06 and other than hand-painted or hand-decorated manufactured articles; collages and similar decorative plaques | 30 |

Source: Law No. 17/2009 of 10 September 2009, amended by Law No. 02/2013 of 7 January 2013. Viewed at: http://www.at.gov.mz/por/Media/Files/Lei-n1-17-2009-de-10-de Setembro2 and http://www.at.gov.mz/por/Media/Files/Lei-n1-2-2013-de-7-de-Janeiro2 respectively.

### 3.1.5 Import prohibitions, quantitative restrictions on imports, and other import restrictions

#### 3.1.5.1 Import prohibitions

3.41. Import prohibitions are largely listed in Table I of the 2009 General Rules for Customs Clearance of Goods, Decree No. 34/2009 of 6 July 2009. This list is replicated in Table 3.16 below. The 2009 rules replace those previously in effect since 2002.[45] However, there have been no substantial changes to the items subject to prohibition.

[45] The 2002 General Rules for Customs Clearance are contained in Decree No. 30, 2002.

### Table 3.16 Import prohibitions, 2016

| Prohibited goods |
|---|
| Merchandise with fabrication labels of false commerce or origin, books and works of art when they are counterfeit editions[a] |
| Objects, photographs, albums, recordings of sound or images and film of a pornographic nature or other materials that were judged offensive to public morals and dignity |
| Imitations of forms of postage used in the country |
| Medication and food products harmful to public health |
| Food products that are harmful to public health that cannot be used for other purposes |
| Distilled alcoholic drinks that contain essences or chemical products recognized as harmful |
| Hallucinatory and psychotropic substances except when imported for hospital use |
| Other merchandise whose prohibition of importation is established by special legislation |

a As clarified by Mozambique's previous Review, Mozambique prohibits goods bearing false indications of origin because this would undermine its RTAs (it does not relate to origin in the customs sense and has no bearing on the goods' tariff treatment) (WTO document WT/TPR/M/209/Add.1, 8 July 2009).

Source: Decree No. 34/2009 of 6 July 2009. Viewed at: https://www.mcnet.co.mz/Files/Legislacao/Decretos/Decreto_34_2009.aspx.

3.42. Left-hand drive vehicles used for commercial purposes are banned.[46] Animals and their by-products, remains and fodder listed on the OIE diseases list up to six months after the latest outbreak are banned under the Animal Health Regulations (Decree No. 26/2009). Import prohibitions relating to vegetables and vegetable products are contained in Annex 1 of Decree No. 5/2009. Mozambique also applies import prohibitions under the multilateral environmental agreements (MEAs) to which it is a party.

#### 3.1.5.2 Quantitative restrictions on imports

3.43. A chicken import quota mechanism was introduced in 2009 in order to protect the national poultry industry from cheap imports. There is no legal basis for this mechanism. According to the authorities, the quota is set annually in March during a working group meeting comprising representatives from the Government, the Association of Poultry Farmers (AMA) and importers. The quota is based on the deficit between domestic production and demand. A second meeting of the working group is held in August to determine whether there is a need to adjust the quota. The Ministry of Industry and Commerce (MIC) allocates the quota each semester to a group of large importers (currently 16 companies) based on their historical performance and distribution capacity. The MIC informs the Ministry of Agriculture and Food Safety on quotas allocated, with the latter providing import licences. There is coordination with Customs to ensure that import quotas are not exceeded. Quota fill rates have ranged from nearly 45% to 100% over the period 2012-2016.

### Table 3.17 Chicken import quota volumes and fill rates

| Year | Quota (tonnes) | Imports (tonnes) | Fill rate (%) |
|---|---|---|---|
| 2012 | 5,222 | 5,222 | 100 |
| 2013 | 9,141 | 9,141 | 100 |
| 2014 | 9,000 | 9,000 | 100 |
| 2015 | 7,000 | 3,138 | 44.8 |
| 2016 | 5,000 | 3,043 | 60.9 |

Source: Information provided by the authorities.

#### 3.1.5.3 Other import restrictions and licensing requirements

3.44. Other import restrictions, including licensing requirements, are largely listed in Table III to the 2009 General Rules for Customs Clearance of Goods (Table 3.18). Mozambique has not notified its licensing regime to the WTO.[47]

[46] Intertek online information. Viewed at: http://www.intertek.com/uploadedFiles/Intertek/Divisions/Oil_Chemical_and_Agri/Media/pdfs/Mozambique%20Importer%20Guidelines.pdf.

[47] At the time of Mozambique's last Review, it was explained that Mozambique had prepared a draft notification in 2003, but it was sent back for further translation and clarification. The process was not taken

### Table 3.18 Import restrictions, 2016

| Goods | Restrictions |
|---|---|
| Animals, spoils and animal products | Authorization of the veterinary services |
| Plants, roots, tubers, bulbs, stems, branches, buds, eyes on seed tubers, sprouts, fruits and seeds, honey and other agricultural products, as well as their respective packaging | Phytosanitary inspection prior to customs clearance |
| Playing cards | Must be sealed in accordance with the legislation in force |
| Drugs, except those carried in luggage for personal use | Authorization of health or veterinary services, as appropriate |
| Firearms, explosives and fireworks, physical or chemical gunpowder | Authorization by the Ministry of Interior |
| Goods whose import is conditioned by this or other legislation (i.e. goods which are not specifically listed in Table III) | Subject to authorization according to the law |
| Goods which are subject to tax exemptions or where special tax treatment is conditional upon their use and that may have other applications, according to the terms of legislation in force | Authorization of the competent institution |
| Goods imported from countries with which there are trade agreements or treaties that provide for special taxation | Authorization of the competent institution |
| Seals and revenue or postal stamps, in use in the country | May only be imported by the State |
| Poisonous or toxic substances and narcotic drugs, or their preparations | Authorization from health or veterinary services |
| Second-hand clothes | Imports must be accompanied by a fumigation certificate |
| Gold, silver and platinum, in coins, bars or ingots | May only be imported by the Central Bank of Mozambique, in accordance with the legislation in force |
| Foreign currency notes and coins | May only be imported by authorized banking institutions |
| National currency notes and coins in use in the country | May only be imported by the Central Bank of Mozambique |
| Goods that will undergo any beneficiation, upgrading or repair in the country, and intended for re-exportation | Authorization of the Director-General of Customs |
| Used pneumatic tires, carcasses for retreading and other retreaded or used pneumatic tires, in tariff headings 401210, 40121100, 40121200, 401220, 40121300, 40121900, 40122010, 40122090, 40129010 and 40129090 | Authorization by the Ministry of Transport and Communications |

Source: Decree No. 34/2009 of 6 July 2009. Viewed at: https://www.mcnet.co.mz/Files/Legislacao/Decretos/Decreto_34_2009.aspx.

3.45. At the time of Mozambique's previous Review, prior approval was required for imports of products containing GMOs.[48] New legislation on GMOs entered into force in 2014 (Section 3.1.8), however, information was not available on its implications for trade in these products. Import authorizations are required for each consignment of medicinal products and pesticides (see Section 3.1.1) and the import of live animals for aquaculture is subject to the approval of the Ministry of Fisheries.[49] Raw tobacco may only be imported by producers of tobacco products.

### 3.1.6 Contingency measures

3.46. Mozambique has no legislation in place relating to anti-dumping, countervailing and safeguard measures. It notified the WTO in 2010 that it has not established an authority competent to initiate and conduct anti-dumping and subsidies investigations and that it does not anticipate taking any anti-dumping or countervailing actions in the foreseeable future.[50]

3.47. Safeguard provisions are contained in the SADC Trade Protocol to protect infant industries (Article 21)[51] and also in the EU–SADC Economic Partnership Agreement (Articles 34 to 38).[52]

further due to lack of capacity. At this time, it was also reported that a questionnaire on Import Licensing Procedures had been completed and responses would be circulated shortly. WTO document WT/TPR/M/209/Add.1, 8 July 2009.

[48] Decree No. 6/2007 of 25 April 2007.

[49] Decree No. 25/2001.

[50] WTO documents G/SCM/N/202/MOZ, 23 April 2010 and G/ADP/N/193/MOZ, 1 July 2010.

[51] The SADC Protocol on Trade was viewed at: http://www.sadc.int/files/4613/5292/8370/Protocol_on_Trade1996.pdf.

[52] The EU-SADC Economic Partnership Agreement was viewed at: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153915.pdf.

### 3.1.7 Standards and other technical requirements

3.48. The Instituto Nacional de Normalização e Qualidade (INNOQ) remains the administrative authority charged with standard setting, metrology and conformity assessment. The legislation governing its establishment and operation is Decree No. 2/1993 of 24 March 1993, as amended by Decree No. 74/2013 of 31 December 2013.[53] The INNOQ falls under the supervision of the MIC and it is the WTO enquiry point for TBT-related issues. No specific trade concerns have been raised about Mozambique's TBT measures in the WTO TBT Committee. The INNOQ notified the ISO/IEC Secretariat of its acceptance of the Code of Good Practice annexed to the WTO TBT Agreement.[54]

3.49. Provisions on regional cooperation in the area of standards and technical regulations are contained in Article 17 of the SADC Trade Protocol and the Trade Protocol's 2008 Annex on Technical Barriers to Trade.[55] Under Article 17 of the Trade Protocol, SADC member States agreed to use relevant international standards as a basis for standards-related measures, except where they are inappropriate. They also agreed, to the greatest possible extent, to make their standards-related measures compatible, so as to facilitate the trade of goods and services within the Community.[56] The objective of the Annex on Technical Barriers to Trade is to establish a common technical regulation framework supported by regional TBT cooperation structures, so as to identify, prevent and eliminate unnecessary TBTs amongst member States and their other trading partners. This is to be achieved through harmonized standards, technical regulations and conformity assessment procedures. The Annex contains various provisions on requirements member States must follow in developing and implementing national standards, technical regulations and conformity assessment procedures. It also establishes seven regional TBT cooperation structures to further the objectives of the Annex.[57] Of these, the SADC Technical Regulation Liaison Committee, *inter alia*, provides a forum for identifying common technical regulations to be implemented in the region. The authorities reported that, as at November 2016, no technical regulations had been harmonized at the SADC level. The SADC Cooperation in Standardization promotes the coordination of standardization activities with a view to harmonizing standards in the region. Up-to-date information was not available regarding the number of standards that have been harmonized at the regional level.[58]

3.50. Over the review period, a Metrology Decree Law (Decree Law No. 2/2010) and a Standardization and Conformity Assessment Regulation (Decree No. 59/2009, as amended by Decree No. 19/2010) entered into force. These have both been notified to the WTO.[59] The Standardization and Conformity Assessment Regulation sets out the legal framework for technical regulations as well as standardization and conformity assessment in Mozambique.

3.51. In the context of this Review, the authorities indicated that Mozambique has not entered into any mutual recognition agreements with trading partners relating to technical regulations and conformity assessment procedures. However, protocols or MoUs have been signed between the INNOQ and ASTM International (which allows the INNOQ to receive their standards free of charge), the Angolan Institute of Standardization and Quality (IANORQ), and the Portuguese Quality Institute (IPQ) respectively. Protocols/MOUs with IANORQ and IPQ cover cooperation in various areas.

[53] Decree No. 2/93 of 24 March 1993.

[54] Notified to the WTO by the ISO Secretariat in WTO document G/TBT/CS/N/69 of 8 July 1997.

[55] SADC Protocol on Trade. Viewed at: http://www.sadc.int/files/4613/5292/8370/Protocol_on_Trade1996.pdf and TBT Annex to the SADC Protocol on Trade. Viewed at: http://www.sadc.int/files/3013/5817/6379/SADC_Technical_Barriers_to_Trade__-_ANNEX.pdf.

[56] Article 17 also has provisions on accepting other member States' technical regulations as equivalent and promotion of inter-state compatibility of specific standards and conformity assessment procedures.

[57] These are the: (a) SADC Technical Regulations Liaison Committee (SADCTRLC); (b) SADC TBT Stakeholders Committee (SADCTBTSC); (c) SADC Cooperation in Accreditation (SADCA); (d) SADC Cooperation in Legal Metrology (SADCMEL); (e) SADC Cooperation in Measurement Traceability (SADCMET); (f) SADC Cooperation in Standardization (SADCSTAN); and (g) SADC SQAM Expert Group (SQAMEG).

[58] As reported in SADC's Annual Report (2011-12), 94 standards had been harmonized at the regional level. Viewed at: sadc.int/files/1613/7243/4333/SADC_ES_Report_2011-2012_web.pdf.

[59] WTO documents G/TBT/N/MOZ/4, 19 October 2012, and G/TBT/N/MOZ/5, 19 October 2012.

#### 3.1.7.1 Standards

3.52. As noted in Mozambique's previous Review, demands for voluntary standards typically originate in the private sector, via the Confederation of Economic Associations (Confederação das Associações Económicas, CTA), and are communicated to the INNOQ. The INNOQ has a three-year strategic plan for standard setting, which it develops in consultation with stakeholders. Proposed standards are considered by one of the INNOQ's five sectoral technical committees.[60] According to the authorities, most Mozambican standards are based on international standards (ISO, IEC and Codex Alimentarius). They are developed in accordance with international norms described in INNOQ's Directive 1 of 1998. The Directive recommends 60 days for public comments on the draft standard before its approval as a Mozambican standard. Regional standards from the SADC, the ARSO, the EAC and the EU may also constitute a source for the development of Mozambican standards. After approval as voluntary standards, the INNOQ gazettes them annually or whenever necessary. As at 2015, there were 915 approved Mozambican standards.

#### 3.1.7.2 Technical regulations

3.53. As set out in Chapter IV of Decree No. 57/2009, the development of technical regulations is the responsibility of the competent authorities (ministries or state institutions) in areas where the product or service process may pose risks to the health and safety of the consumer or the environment. Technical regulations should be based on national standards. The Decree specifically requires all technical regulations to be transmitted to the INNOQ, so as to be notified to the WTO prior to their approval, with a period of 60 days for comments from interested parties. As indicated by the authorities, the development and approval of standards follows a seven-step process: (1) technical regulations are proposed; (2) the technical board reviews the proposal; (3) the proposal is submitted to stakeholders (ministries, private sector and WTO Members through the WTO Secretariat) for public consultation with a 60-day period for responses; (4) harmonization of comments from stakeholders; (5) the technical board approves the proposal; (6) the proposal is approved at the levels of the advisory council and then the Council of Ministers; and (7) publication in the Government Gazette (Boletim da República). The authorities indicated that technical regulations no longer in use are eliminated by the replacement with new ones. The new regulation states which regulation it replaces or, if applicable, the specific chapter/clause that is no longer valid. At least 11 technical regulations have been replaced since 2009.

3.54. Information was not available regarding the number of technical regulations in force. Mozambique has notified five technical regulations to the WTO Secretariat (Table 3.19). It has also notified its 2003 Quality Policy and Implementation Strategy and its 2003 Industrial Licensing Regulation.[61]

**Table 3.19 Technical regulations notified to the WTO, 2009-2016**

| Product | Area | WTO document reference | Document distribution date | Final date for comments | Proposed date of entry into force |
|---|---|---|---|---|---|
| Pre-packaged products | Labelling; metrology | G/TBT/N/MOZ/1 | 23.04.2012 | 18.06.2012 | 07.2012 |
| Pre-packaged products | Labelling | G/TBT/N/MOZ/6 | 29.05.2013 | None | 27.06.2013 |
| Cement | Safety | G/TBT/N/MOZ/7 | 29.05.2013 | None | None |
| Weights | Metrology | G/TBT/N/MOZ/8 | 30.08.2013 | None | 23.09.2013 |
| Non-automatic weighing instruments | Metrology | G/TBT/N/MOZ/9 | 28.02.2013 | 15.03.2014 | 15.04.2014 |

Source: WTO Documents Online facility.

[60] These committees are: CTNS *aap* (food, health, agro-industry, fisheries, chemical products and environment); CTNS *eec* (electrotechnical engineering, electronics and communication); CTNS *gaq* (quality management, environmental management, safety and basic standards); CTNS *cdm* (civil engineering, technical design, wood and forests); and CTNS *mct* (mechanical engineering, fuel, boilers and pressurised containers and transport).

[61] WTO documents G/TBT/N/MOZ/2, 19 October 2012 and G/TBT/N/MOZ/3, 19 October 2012, respectively.

#### 3.1.7.3 Conformity assessment, testing and inspection

3.55. Conformity assessment procedures and principles are set out in Chapter V of Decree No. 57/2009. This specifies that conformity assessment activities should be non-discriminatory, transparent, not constitute unnecessary barriers to trade and be based on technical standards and regulations. Conformity assessment activities may be carried out by suppliers, the buyer or consumer, or a third party. Conformity assessment procedures should be established according to the characteristics of the product, process or service to be evaluated. They may include: the supplier's declaration of conformity, certification, inspection, labelling and testing. Conformity assessment procedures for technical regulations should be established by the competent regulatory entity in partnership with the INNOQ, in order to be granted the right to use the national conformity mark. These procedures, when voluntary, are established by the INNOQ. The management of the national conformity mark is the INNOQ's responsibility. As indicated by the authorities, testing is conducted by both public and private testing laboratories. For imported products that have been tested and certified by an accredited body abroad, no additional certification or testing is carried out within Mozambique. Inspection and market surveillance is undertaken by the National Inspection for Economic Activities Authority (INAE). If products are found not to comply with relevant regulations either a fine may be issued or the commercialization of the product may be prohibited. The INAE may request Customs to prevent the entry of banned products.

#### 3.1.7.4 Labelling requirements

3.56. Under the Pesticides Management Regulation, all pesticide packages must have a label approved by the Registrar of the Agrochemicals Registration and Control Department (Repartição de Registro e Controlo de Agroquímicos (RRCA)). This label must identify the product, the holder of the registration, preventative measures, warnings and precautions, directions for use and first-aid procedures. Labels must be expressed in the metric system. Specifications about active substances should be the same as those contained in the pesticide and should meet international standards. Information must be in Portuguese and may also simultaneously be provided in other languages. Imported pesticides need to carry the approved label before entering the Mozambican territory, except in exceptional and approved circumstances.[62]

3.57. As mentioned above, pre-packed products are also subject to labelling requirements. A new regulation has also entered into force on the labelling and advertising of aquatic food products (Ministerial Order No. 247/2011); the various requirements (which, *inter alia,* relate to labelling of ingredients, quantities, conditions of use, and place of origin, etc.) apply to both domestically produced and imported products.[63] As noted in Mozambique's previous Review, the requirement to display origin on the label is for consumer protection purposes, not for determining origin in the customs sense (it has no bearing on the goods' tariff treatment).[64]

### 3.1.8 Sanitary and phytosanitary requirements

3.58. Responsibility for developing and implementing sanitary and phytosanitary measures rests with the Ministry of Agriculture and Food Safety for measures relating to animal and plant health, animal medicine, seeds and pesticides, and the Ministry of Health for measures relating to food safety and pharmaceutical products.[65] The National Phytosanitary Authority is responsible for undertaking inspections and the testing of vegetables and vegetable products, for import, export and other purposes.[66] The National Veterinary Authority undertakes inspections and testing relating to animals and their products. The Institute of Fish Inspection carries out inspections related to fisheries products. The owners of these commodities are responsible for bearing the inspection costs.

[62] In emergency cases, pesticides can be imported with non-approved labels if authorized by the Registrar. Labelling within the country may be approved by the Registrar if a justification is provided by the importer (Article 12).

[63] Ministerial Order No. 247/2011 of 2 November 2011 establishing a specific legal labelling regime for aquatic food products. Viewed at: http://faolex.fao.org/docs/pdf/moz119825.pdf.

[64] WTO document WT/TPR/M/209/Add.1, 8 July 2009.

[65] Over the review period, there have been some institutional changes; the Ministry of Agriculture and Fisheries has been split into the Ministry of Agriculture and Food Security and the Ministry of the Sea, Inland Waters and Fisheries.

[66] Its governing legislation is Decree No. 5/2009 of 1 June 2009.

3.59. Mozambique is a member of the Codex Alimentarius Commission, the World Organization for Animal Health (OIE) and the International Plant Protection Convention (IPPC).

3.60. In 2008, the SADC Trade Protocol was amended to include an annex dedicated to SPS measures. The objectives of the annex are, *inter alia*, to improve member States' implementation of the WTO Agreement on the Application of SPS Measures, to enhance their technical capacity to monitor SPS measures and to provide a forum for addressing SPS-related matters including disputes.[67] SPS provisions are also contained in Articles 60-67 of the EU-SADC Economic Partnership Agreement (EPA) (see Section 2).[68] This article, *inter alia*, contains provisions on cooperation to address problems arising from SPS measures, particularly on listed priority products and sectors[69]; capacity building; and exchange of information. The authorities confirmed that Mozambique has not entered into any agreements relating to the equivalence of SPS measures, inspection, or certification systems with third countries.

3.61. For WTO purposes, Mozambique's national notification authority is the National Directorate of Livestock, and its national enquiry point is the Plant Health Department; both fall under the responsibility of the Ministry of Agriculture and Food Safety. Mozambique has made two SPS notifications to the WTO, both in 2012. One notification informed Members of the entry into force of a regulation on phytosanitary inspection and plant quarantine in 2009 (see below).[70] The other is a notification by the National Plant Protection Organization of Mozambique of phytosanitary requirements to import certain commodities into Mozambique.[71] No specific trade concerns have been raised by WTO Members about Mozambique's SPS measures in the WTO's SPS Committee.[72]

3.62. In the context of this Review, the authorities indicated that all SPS measures are based on international standards.

3.63. Over the review period, there have been several changes to SPS-related laws and regulations, namely in the areas of: animal health; plant health; GMOs; seeds; pesticides; and food of aquatic origin.

3.64. Animal health regulations are set out in Decree No. 26/2009 of 17 August 2009, which revokes Decree No. 08/2004 of 1 January 2004.[73] The authorities indicated that changes were introduced in order to update Mozambique's regulatory framework to reflect new SPS realities, and that they are now working on a further update. The animal health regulations, *inter alia,* prescribe the procedures for controlling animal diseases within the country, and contain rules and conditions for importing and transporting livestock and derived products. They set out certification and licensing requirements and procedures; animal health measures; and penalties for non-conformity.[74] Each import consignment of animals and their products (as well as their by-products, fodder and organic products) must be accompanied by an international health certificate from the official veterinarian of the exporting country and an import licence (valid for 60 days) obtained from the Mozambique Veterinary Authority. A transit licence, also obtained from the Mozambique Veterinary Authority, is required for such goods in transit. The entry, exit and transit of goods covered by the regulations must be in sealed vehicles or containers. All goods are inspected at the border and all health-related charges relating to imports, exports and transit of these goods are borne by the carrier; these are set out in Ministerial Diploma No. 9/2007 of

[67] SPS annex. Viewed at: http://www.sadc.int/files/7413/5817/6371/SADC_Sanitary_and_Phyto_Sanitary_ANNEX.pdf.

[68] EU SADC EPA. Viewed at: http://trade.ec.europa.eu/doclib/docs/2015/october/tradoc_153915.pdf.

[69] These products and sectors are listed in Annex VI to the EPA. For harmonization within the SADC EPA States', they are: fish, fishery products, aquaculture products (fresh or processed); cattle, sheep and poultry; fresh meat; processed meat products; cereals; vegetables and spices; oilseeds; coconut; copra; cotton seeds; groundnut; cassava; beer; juices; and dried and canned fruits. For export from the SADC EPA States to the European Union, they are: fish, fishery products and aquaculture products (fresh or processed); beef and beef products; other meat products; fruit and nuts; vegetables; cut flowers; coffee; and sugar.

[70] WTO Document G/SPS/N/MOZ/1, 12 April 2011.

[71] This list of phytosanitary requirements for certain commodities may be viewed at: https://members.wto.org/crnattachments/2012/sps/MOZ/12_1490_00_e.pdf.

[72] WTO SPS Information Management System. Viewed at: http://spsims.wto.org.

[73] Animal Health Regulations, Decree No. 26/2009 of 17 August 2009. Viewed at: http://faolex.fao.org/docs/pdf/moz111915.pdf.

[74] Faolex. Viewed at: http://faolex.fao.org/cgi-bin/faolex.exe ?rec_id=111915&database=faolex&search_type=link&table=result&lang=eng&format_name=@ERALL.

31 January 2007.[75] The authorities indicated that certain products must pass through specific border posts. Under the animal health regulations, the Veterinary Authority is charged with proposing to the Government restrictions on imports of goods of vegetable origin which it suspects are the cause of animal disease. The importation of animals fed with hormones (or their products) is not permitted.

3.65. Decree No. 5/2009 of 1 June 2009 on the Regulation of Phytosanitary Inspection and Plant Quarantine aims to prevent and control pest propagation in the country.[76] In particular, its objectives are to prevent the introduction and spread of harmful organisms; to control and eradicate such pests; and to secure the necessary means to undertake phytosanitary inspection and certification of imports and exports.[77] The 2009 Regulations replace Diploma No. 134/2002, with changes designed to strengthen Mozambique's capacity to comply with international quality and phytosanitary standards to support its exports, and ensure Mozambique's compliance with IPPC international phytosanitary standards and IPPC guidelines (Mozambique joined the IPPC in 2008).[78] The National Phytosanitary Authority is charged with implementing the provisions of the Decree, including determining plant quarantine measures. Requirements and restrictions for plants are contained, on a product-by-product basis, in Annex I to the Decree; if a product is not on this list then it is subject to pest risk analysis. Imported goods falling under the scope of this regulation may be imported through any official border point. In the context of this Review, the authorities indicated that national infrastructural weaknesses and a shortage of expertise made it challenging to do their job properly; they often collaborate with regional institutions, particularly with respect to detection of new pests. They also noted that an update to the Regulations is currently being undertaken in order to respond to changes to the national phytosanitary situation and to facilitate market access for Mozambican exports.

3.66. The regulation of seeds is governed by the Seeds Regulation Decree No. 12/2013 of 10 April 2013, which revokes an earlier decree dating back to 1994 and its implementing regulations.[79] The new Decree consolidates various seed-related regulations into one; it introduces a system for plant variety registration at the SADC level and standards for the certification of seeds; and it removes a prohibition on GMO seed (which now comes under Decree No. 17/2014). The Decree introduces procedures for the certification, import and export of vegetable materials. Importers must be registered with the National Seed Authority, which falls under the Ministry of Agriculture and Food Safety. For imports of seeds which are listed on a national official list, permission per shipment is required from the National Seed Authority and SPS requirements must be followed. Seeds not contained on this list may only be imported for personal use or for research purposes and, in these cases, permission is required from the Ministry of Agriculture and Food Safety. Quality certificates are required, either from the OIE or from the competent authority in the country of origin. All imports of seeds accompanied by an OIE or a SADC seed harmonization system certificate are not tested in Mozambique; in all other cases, testing takes place.

3.67. A new decree on GMOs entered into force in 2014 (Decree No. 17/2014). However, a copy of this legislation was not made available and its implications for the production and trade of products containing GMOs could not be ascertained.

[75] Transit licences for living animals range from Mt 0.5 to Mt 50 per unit; transit licences for products and sub-products of animal origin range from Mt 0.1-0.5 per kg; slaughtering permits range from Mt 0.25 to 15.00Mt/unit; import licences for living animals range from Mt 150 to Mt 500/licence; import licences for products and sub-products of animal origin range from Mt 150 to Mt 200/licence; sanitary certificates for export of living animals range from Mt 150 to Mt 500/certificate; sanitary certificates for export of products and sub-products of animal origin range from Mt 100 to Mt 200/certificate; and quarantine prescriptions are Mt 200/term of quarantine. Inspection fees range from Mt 0.1-Mt 1/kg for most products and sub-products of animal origin (the exception of milk and its derivatives (Mt 0.15/litre)); eggs (Mt 0.15/dozen) and trophies (Mt 200/unit).

[76] Decree No. 5/2009 of 1 June 2009 on the Regulation of Phytosanitary Inspection and Plant Quarantine. Viewed at: http://faolex.fao.org/docs/pdf/moz112020.pdf.

[77] Article 3.

[78] WTO Document G/SPS/N/MOZ/1 of 12 April 2011 and Decree No. 5/2009 of 1 July 2009.

[79] Decree No. 12/2013. Viewed at: http://masa.gov.mz/images/stories/pdf_files/legislacao/Sementes/regulamento%20de%20semente%20122013.pdf. This revokes Decree No. 41/1994 of 20 September 1994 and the following Ministerial Diplomas: No. 95/1991; No. 6/1998; No. 67/2001; No. 171/2001 and No. 184/2001.

3.68. The Pesticide Management Regulation entered into force in 2009 (Decree No. 6/2009)[80]; it aims to ensure all processes involving working with or handling pesticides (*inter alia*, including imports and exports) are executed without prejudice to public, animal and environmental health. Under the regulations, companies importing registered pesticides must obtain a Pesticide Importer Registration Certificate from the National Directorate of Agricultural Services (Direcção Nacional dos Serviços Agrários, DNSA).[81] In assessing the request, the Registrar of the DNSA may visit the applicant's premises to ensure certain conditions are in place (i.e. storage, capacity, handling conditions, and qualifications of personnel). Certificates are valid for one year (renewable for one year). Import permits are required for each shipment of pesticides; these are issued by the Registrar of the DNSA, are valid for three months (extendable for a further three months) and are subject to a fee. Importers must provide import information to the DNSA within 15 days of importation. Large quantities of imports must be accompanied by an analysis certificate. Imported pesticides must be valid (i.e. be useable) for at least a year and a half.

3.69. A regulation on the hygiene and sanitary controls for aquatic food products entered into force in 2010 (Decree No. 76/2009 of 15 December 2009).[82] Its objectives are to implement new rules to fulfil export market requirements, provide better consumer protection, and verify compliance. The Regulation charges the competent authority, the National Institute of Fish Inspection, with issuing rules on official controls of imported products and on the import process itself. These rules are set out in Ministerial Order No. 135/2011 of 27 May 2011, which stipulates that imports of food products of aquatic origin (weighing over 10 kg) and of feed for aquatic animals (regardless of the amounts) must be accompanied by a sanitary import licence issued by the competent authority.[83] Imported food products and feed must: comply with the hygiene and health requirements contained in Ministerial Decree No. 154/2010 of 24 August 2010 on hygiene and health requirements for the production of aquatic origin food; be accompanied by a heath certificate from the country of origin; be transported in a means of transport so as to prevent contamination; comply with official rules relating to food of aquatic origin; and come from a place declared free from aquatic animal diseases. Importers must request the inspection of batches of food products of aquatic origin at least five days before they are imported and, once landed, the goods must be stored in a facility licensed by the competent authority.

3.70. Other SPS-related laws in force which remained unchanged over the review period are: Decree No. 15/2006 of 22 June 2006, which approves the regulations on hygienic-sanitary requirements of production, transport, trade, inspection and surveillance of food[84]; and the regulation on imported food (Ministerial Diploma No. 80/87 of 1 June 1987).[85]

## 3.2 Measures Directly Affecting Exports

### 3.2.1 Export procedures and requirements

3.71. Registration and licensing requirements for exporters remain unchanged since Mozambique's previous Review. All exporters in Mozambique must be licensed by and registered with the MIC; licensing is done at the single service counters in all provinces.[86] Certificates of origin are issued by the Directorate-General of Customs; there are no fees to pay nor are there charges for registration. Exports of animals (and their products and by-products) require the permission of the Veterinary Authority, which must issue a veterinary certificate in accordance with

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[80] Decree No. 6/2009. Viewed at: http://www.ilo.org/dyn/legosh/fr/f?p=LEGPOL:503:4008046117167:::503:P503_REFERENCE_ID:167708.

[81] All pesticides must be registered with the DNSA; this is done through submission of an application to the National Director of Agricultural Services, together with a photocopy of the licence/permit of the company or institution. The registration of pesticides is subject to a fee which varies according to the toxicity of the pesticide, and the process may take up to 120 days. Registered pesticides are published by the DNSA.

[82] Decree No. 76/2009 of 15 December 2009. Viewed at: http://faolex.fao.org/docs/pdf/moz111913.pdf.

[83] In order to facilitate trade, a provisional import health licence is issued which gives the importer permission to import, and once imports are verified, prior to sale, a final import licence is granted.

[84] Decree No. 15/2006. Viewed at: http://embalagens.gov.mz/docs/ind/embalagens/empresas/fotos/Regulamento%20sobre%20requisitos%20Higiénico-sanitários%20de%20produção.pdf

[85] Viewed at: http://embalagens.gov.mz/docs/ind/embalagens/empresas/fotos/Regulamento%20sobre%20alimentos%20importados.pdf.

[86] Regulations of Commercial Activity Licensing (Decree No. 34/2013 of 2 August 2013).

the import permit requirements of the veterinary authority in the country of import.[87] Operators must submit their declarations electronically through the single electronic window (SEW) system.[88]

3.72. Over the review period, there appears to have been a significant reduction in the time taken to export. As noted in Mozambique's previous Review, the time taken to export was 26 days (according to the World Bank); by 2015, export times were around 6 days.[89] According to the authorities, the required steps in the clearance process have been reduced from 32 to 7 as a result of the introduction of the SEW system.

3.73. Exporters of pesticides must be registered by the DNSA; export permits are also required for each shipment.[90] Only national persons (including companies majority held by nationals) may export raw cashew nuts.[91]

3.74. The export of foreign currency is registered for the purpose of gathering balance-of-payments statistics.

### 3.2.2 Export taxes, charges and levies

3.75. Mozambique imposes an export tax of 18% of the f.o.b. customs value on raw or unprocessed cashews. The objective of the measure is to encourage domestic processing of cashew nuts and promote employment.[92] There is no export tax levied on processed cashews.

3.76. Since 2011, Mozambique has levied fees on the export of all raw and processed timber under the Regulations on the Timber Overvaluation Rate (Decree No. 21/2011).[93] The fee rate varies according to the level of processing, from Mt 3,750/$m^3$ to Mt 19,500/$m^3$.[94] As set out in the Regulations, timber producing species are classified according to their commercial value, rarity, usefulness, resistance and quality, into classes of precious wood (with classes ranging from 1 to 4). Exports of timber in class 1 may only be exported after being processed. Exports of timber under classes 2-4 may be exported under licence or under a forest concession scheme. As indicated by the authorities, these fees were introduced so that forest use is sustainable through revenue collection in order to protect the environment, and to promote secondary processing so as to create jobs.

3.77. As noted in Mozambique's previous Review, certain items which are almost entirely exported are subject to charges, such as: cotton (Cotton Development Tax of 3.5-5%); fisheries products (fisheries licence fees); and mining products (production taxes) (see Section 4).

### 3.2.3 Export prohibitions and restrictions

3.78. Mozambique's export prohibitions and restrictions are largely set out in Decree No. 34/2009 of 6 July 2009, General Rules for Customs Clearance of Goods, replicated in Tables 3.20 and 3.21.

[87] Order of Service No. 21/DGA/2016. Viewed at: https://www.mcnet.co.mz/Files/Legislacao/Ordens/Ordem_de_servico_21_2016.aspx.

[88] Bank of Mozambique Notice No. 01/GBM/13 of 8 March 2013.

[89] The comparisons made are based upon data contained in the World Bank's Doing Business reports for 2009 and 2016. However, the data collected is not identical. In the World Bank's 2009 report, it was estimated that the time taken to export was 26 days and the cost to export was US$1,200 per container. In the World Bank's 2016 report, more detailed data is gathered. It estimates that the time taken to export is: 70 hours for documentary compliance; 78 hours for border compliance; and 4 hours for domestic transportation. The costs of exporting are broken down into three categories: documentary compliance (US$435); border compliance (US$602); and domestic transport (US$300). The Doing Business reports were viewed at: http://www.doingbusiness.org.

[90] Pesticides Management Regulation (Decree No. 6/2009 of 31 March 2009), Article 25.

[91] Decree No. 33/2003 of 19 August 2003.

[92] The governing legislation is Decree No. 22/2003 of 19 August 2003. The rate may be between 18% and 22% depending on domestic market demand. So far, the rate has always been 18%.

[93] The governing legislation for these fees are Law No. 7/2010 of 13 August 2010 and its implementing regulation (Decree No. 21/2011). Viewed at: http://www.speed-program.com/wp-content/uploads/2016/06/Decree-21-2011-Timber-Overvaluation-Rate-EN.pdf (English translation) or https://www.mcnet.co.mz/Files/Legislacao/Decretos/Decreto_21_2011.aspx (original in Portuguese).

[94] The latest rates are set out in Service Order No. 26/DGA/2016. This is not available online.

### Table 3.20 Export prohibitions, 2016

| Export prohibitions |
|---|
| Food products not meeting the conditions set out in the legislation in force, or in a poor state of conservation |
| Commodities with fake batch numbers, trademarks or provenance, in contravention of the laws and treaties in force |
| Ivory and ivory works, except when the export is specifically authorized by special arrangement |
| Bills and coins in use in the country, beyond the limits set by the Bank of Mozambique |
| Collections and works of art which are national artistic or cultural heritage, except as provided for in Article 47 of Decree No. 34/2009 |
| Other commodities whose export is prohibited by specific legislation |

Source: Decree No. 34/2009 of 6 July 2009, General Rules for Customs Clearance of Goods. Viewed at: https://www.mcnet.co.mz/Leis.aspx.

### Table 3.21 Export restrictions, 2016

| Product | Restriction |
|---|---|
| Animals, animal remains and products | Authorization from the Veterinary Services |
| Manuscripts, stamps, coins, weapons and other objects of historic or archaeological value | Authorization from the Minister of Culture and Tourism |
| Gold and silver, in powder or bar, platinum | Authorization from the Bank of Mozambique, granted based upon fulfilment of tax obligations |
| Poisonous or toxic substances or drugs and their preparations | Permission from the minister responsible for health |
| Precious timbers, precious or semi-precious stones | Authorization from the competent authorities (the Ministry of Land, Environment and Rural Development for timber and the Ministry of Mineral Resources and Energy for precious and semi-precious stones) |
| Commodities subject to export surcharges | For each product, specific legislation exists indicating the nature of the restrictions |
| Ores | Restrictions related to the agreements signed by the Government and legislation in force |
| Other commodities whose special export regime is determined by special legislation | Not applicable |

Source: Decree No. 34/2009 of 6 July 2009, General Rules for Customs Clearance of Goods. Viewed at: https://www.mcnet.co.mz/Leis.aspx.

### 3.2.4 Export promotion

3.79. Export promotion activities continued to be undertaken by the Instituto para a Promoção de Exportações (IPEX) until November 2016, when its functions (together with those of the CPI and GAZEDA) were subsumed under a new Investment and Trade Agency (Agência de Comércio e Investimentos). IPEX's main activities were to: influence policy on foreign trade; promote, develop and facilitate exports, in coordination with the private sector; collect, process and disseminate commercial information; and organize and facilitate national participation in fairs and trade missions abroad.[95] It had a budget of Mt 21,756,000 in 2016 and did not charge exporters for its services. IPEX had suffered from various weaknesses which undermined its effectiveness[96], but received external assistance from various sources to improve its services.[97]

[95] IPEX online information. Viewed at: http://www.ipex.gov.mz.

[96] UNIDO (2014,) *Final Evaluation of Business Environment Support and Trade Facilitation Project in Mozambique*. Viewed at: https://www.unido.org/fileadmin/user_media_upgrade/Resources/Evaluation/EEMOZ08001_FinalEvalRep_incl_Annexes_E.pdf. As noted in this report, weaknesses identified included: a lack of trade information and commercial intelligence; a slow internet broadband connection, which had not allowed IPEX to design a centralized information system linking it to its regional offices; institutional and technical capacity limitations; and a lack of updated information on its website and in its publications.

[97] This included support to draft a National Export Strategy (although this was not approved) and capacity building assistance for export development and promotion activities *vis-à-vis* the European Union. Apparently the latter assisted IPEX in identifying and improving some exportable products; increased value-added in Mozambican exports; improved information flows among export stakeholders; helped Mozambican companies understand EU market demands and requirements, leading to product and production improvements; and provided policy-makers with information on bottlenecks and gaps. As a result of the programme, IPEX reported that its staff had been equipped to undertake export audits both at the product and market levels, that stakeholders had been significantly empowered to contribute to export development activities, and that the public-private dialogue on export development had been strengthened.

### 3.2.5 Export finance, insurance, guarantees

3.80. As indicated by the authorities, the Government does not provide any finance, insurance or guarantee services.

## 3.3 Measures Affecting Production and Trade

### 3.3.1 Incentives

3.81. Fiscal incentives offered by the Government of Mozambique are set out in the 2009 Code of Fiscal Benefits (Law No. 4/2009 of 12 January 2009). This Code replaces previous legislation from 2002, with key changes being: a movement away from a one-size-fits-all approach to providing benefits, to a more tailor-made approach with different incentive packages for different sectors; removal of the possibility for exceptional authorization of fiscal benefits; more incentives for tourism promotion; and the extension of the corporate income tax exemptions period for IFZs to 10 years.[98] Fiscal benefits to the mining and petroleum industries are no longer offered under the 2009 Code; instead these industries receive benefits under separate legislation (see Section 4).

3.82. Investments eligible for benefits under the Code fall into four categories: (a) investments carried out under the scope of the Investment Law (see Section 2); (b) investments carried out outside the scope of the Investment Law in commercial and industrial activities in rural areas; (c) investment in new infrastructures built for retail and wholesale commerce; and (d) investments in manufacturing and assembly industries. Certain activities are subject to specific benefits under the Code; in such cases the fiscal benefits offered may not be aggregated with other specific or general benefits (Table 3.22).

3.83. Investment incentives take various forms. Customs duty and VAT exemptions are generally limited to imports of capital goods and their spare and accessory parts (classified as "class K" in Mozambique's tariff schedule) as well as their spare and accessory parts.[99] Corporate income tax exemptions or reductions granted are phased-out over a fixed time period.[100] Personal income tax incentives are also provided if certain services are made publicly available. Investment tax credits for investments in new tangible fixed assets comprise a time-limited deduction from corporate income tax, with the value of the deduction depending on the geographical area in which the investment is carried out. Accelerated depreciation and reintegration amounts considered to be deductible costs for determining taxable income (corporate and personal) can be increased by 50% in various cases. For certain activities, corporate and personal income tax deductions can be made for a time-limited period for purchases of specialized equipment using new technology for the conduct of investment project operations. Corporate and personal income tax deductions may be enjoyed for investments in professional training of Mozambican employees. Certain other costs related to the construction and rehabilitation of public infrastructure and the ownership of art and other objects representative of Mozambican culture may also be deducted from corporate and personal income tax.

**Table 3.22 Tax incentives offered under the 2009 Fiscal Benefits Code**

| | Customs duties | VAT | Corporate income tax | Personal income tax | Invest. tax credit | Accelerated depreciation and reintegration | Modernization, introduction of new technology | Professional training | Other |
|---|---|---|---|---|---|---|---|---|---|
| **General** | X | X | | | X | X | X | X | X |
| **Specific** | | | | | | | | | |
| Creation of basic public infrastructure | X | X | X | X | | | | | |

[98] WT/TPR/M/209/Add.1, 8 July 2009.

[99] For investments in rural commerce, there are additional exemptions for the following items: freezers, scales, weights, cash registers, oil and fuel meters, and counters.

[100] For investments in creating basic public infrastructure, there are staged reductions from 80% to 25% over a 15-year period. Agriculture and fisheries industries were able to benefit from corporate income tax reductions of 80% (until 31 December 2015) and then from a 50% reduction from 2016 to 2025.

| | Customs duties | VAT | Corporate income tax | Personal income tax | Invest. tax credit | Accelerated depreciation and reintegration | Modernization, introduction of new technology | Professional training | Other |
|---|---|---|---|---|---|---|---|---|---|
| Rural commerce and industry | X | X | | | | | | | |
| Manufacturing and assembly[a] | X | | | | | | | | |
| Agriculture and fisheries | X | X | X | X | | | | X | X |
| Hostelry and tourism | X | X | | | X | X | X | X | X |
| Science and technology parks | | | X | X | | | | | |
| Large dimension projects | X | X | | | X | X | X | X | X |
| Rapid Development Zones[b] | X | X | X | X | | | | X | X |
| Industrial Free Zones | X | X | X | X | | | | | |
| Special Economic Zones | X | X | X | X | | | | | |

a To be eligible for customs duty exemptions, projects must have an annual invoicing of not less than Mt 3 million and a final product value-added of at least 20%.

b Rapid Development Zones are geographic zones with natural resource potential but lacking in infrastructure and having a weak level of economic activity. Incentives are offered to specified activities.

Source: Law No. 4/2009 of 12 January 2009, Code of Fiscal Benefits. Viewed at: http://www.tipmoz.com/library/resources/documents/codeoffiscalbenefits.pdf.

#### 3.3.1.1 Special Economic Zone (SEZ) and Industrial Free Trade Zone (IFZ) regimes

3.84. Mozambique's IFZ regime has been in place since 1993[101], and its SEZ regime since 2007. Chapters VII and VIII of the Investment Law Regulations (Decree No. 43/2009) set out the eligibility and procedural requirements for SEZs and IFZs.[102] Fiscal benefits available to companies managing and operating within these regimes are set out in the Fiscal Benefits Code (see above). Fiscal and customs procedures and other operational conditions for IFZs and SEZs are set out in Ministerial Diploma No. 202/2010 of 24 November 2010.[103]

3.85. The Council of Ministers has authority to create SEZs and IFZs, based on a recommendation from the Investment Council (see Section 2). The Investment and Trade Agency (previously the Special Economic Zones Office (GAZEDA)), promotes and coordinates activities related to the establishment, development and management of SEZs and IFZs. Its responsibilities include: coordination and development of initiatives to promote domestic and foreign investment; receiving, checking and registering investment proposals to be operationalized in the zones; approval of investment projects; and the issuing of certificates and licences.[104]

3.86. SEZs are geographic areas of economic activity; there is no requirement for the SEZ to be a physically closed space. SEZ benefits are available to all types of legal economic activity as well as to companies constructing basic SEZ infrastructure. Benefits include a corporate income tax exemption (for the first three fiscal years) and reductions thereafter up until the 15th fiscal year, as well as exemptions from the payment of import taxes (including VAT) on construction materials, equipment, accessories, parts and other goods in pursuit of their licensed activities. Companies operating within SEZs are able to sell all manufactured goods to the local market but must pay

[101] As noted by the authorities, Law No. 3/1993 (Investment Code) anticipated the creation of IFZs; and, in 1997, the first company (Mozal) was approved under this regime.

[102] Decree No. 43/2009. Viewed at: http://www.acismoz.com/lib/services/translations/Regulation%20on%20Investment%20Law.pdf. This replaces the previous Investment Law Regulations (Decree 14/93), with the exception of Article 4 which relates to the establishment of the Investment Promotion Centre (CPI).

[103] Ministerial Diploma No. 202/2010 of 24 November 2010. Viewed at: http://www.gazeda.gov.mz/m/files/legislacao/fromBRsCartaServico/8+DiplomaMinisterial202+de24+Novembro.pdf.

[104] GAZEDA online information. Viewed at: http://suedafrika.ahk.de/fileadmin/ahk_suedafrika/SADC_Info/Maputo_documents/Gazeda_free_zones_German_Business_Mission.pdf.

customs duties, VAT and, where applicable, excise duties on the value of imported goods.[105] The sale of goods and services into a SEZ by local domestic suppliers is considered to be an export. SEZs have a more liberal quota for employment of foreigners (15% rather than 10% under the general regime). Integrated Tourism Establishment Zones are also considered to be SEZs and they are subject to the same conditions and benefits, plus they are not required to pay customs duties, VAT and excise taxes when they sell to the domestic market.

3.87. IFZs are closed physical areas which must have security systems in place. All industrial activities are permitted, except for exploration for, and extraction of, natural resources and the manufacture of arms and explosives. The processing of prawns, fish and cashew nuts, which was not previously accepted as an IFZ activity is now permitted under Decree No. 43/2009. Seventy per cent of annual production must be exported, unless flexibility is granted by the Minister of Planning and Development (previously 85% of annual production had to be exported).[106] A corporate income tax exemption is offered for the first ten fiscal years with reductions thereafter for the project life cycle. Benefits also include exemption from the payment of import taxes (including VAT) on construction materials, equipment, accessories, parts and other goods in pursuit of the SEZ's licensed activities (previously there was an income tax reduction of 60% for 10 years). Companies building the basic IFZ infrastructure are eligible for the same benefits as IFZ companies. Companies wishing to establish outside of an IFZ but enjoy the benefits of the IFZ regime must either: make an initial investment of Mt 25 million or more within the first two years of activity; or have a current or planned installed power capacity of 500 kVA or more. MFN customs duties, VAT and excise taxes (if applicable) must be paid on sales by IFZ companies to the domestic market. The sale of goods and services to an IFZ by local domestic suppliers is considered to be an export. IFZs have a more liberal quota for employment of foreigners (15% rather than 10% under the general regime).

3.88. As at November 2016, there were approved projects in three SEZs and two IFZs (Table 3.23). In addition, there were 13 companies operating under Isolated Industrial Free Zone Regimes around the country. The Government is seeking to attract investors to exploit potential opportunities, particularly in the areas of: agriculture and agri-processing; light manufacturing; wood and mineral processing; aquaculture; services; technology parks; and tourism.[107]

**Table 3.23 SEZs and IFZs, 2016**

| Regime | Type | Governing legislation | Management | Commercial activities within SEZ/IFZ (domestic/foreign equity) |
|---|---|---|---|---|
| Zona Económica Especial de Nacala | SEZ | Decree No. 76/2007 of 18 December 2007 | Public | 159 approved projects in the areas of commerce, hotels and tourism, industry, construction, agriculture and health |
| Zona Económica Especial de Manga Mundassa | SEZ | Decree No. 22/2012 of 6 July 2012 | Private | 2 approved projects in the area of industry |
| Zona Económica Especial de Mocuba | SEZ | Decree No. 28/2014 of 6 June 2014 | Public | 7 approved projects in industry, hotels and tourism, agri-business and services |
| Integrated Tourism Resort Area of Crusse and Jamali | SEZ | Decree No. 47/2013 of 30 August 2013 | Private | No projects approved yet |
| Zona Franca Industrial de Beluluane | IFZ | Internal Resolution No. 15/99 of 12 October 1999 | Private | 24 approved projects |
| Zona Franca Industrial de Locone | IFZ | Decree No. 50/2011 of 10 October 2011 | Private | 1 approved project |

[105] Ibid.
[106] Corporate income tax reductions are 50% for the 11th to the 15th fiscal year; and 25% during the project life cycle.
[107] GAZEDA online information. Viewed at: http://www.gazeda.gov.mz/folhetosZonas/mocuba.pdf and http://www.gazeda.gov.mz/folhetosZonas/mangamungassa.pdf.

| Regime | Type | Governing legislation | Management | Commercial activities within SEZ/IFZ (domestic/foreign equity) |
|---|---|---|---|---|
| Zona Franca Industrial de Minheuene | IFZ | Decree No. 51/2011 of 10 October 2011 | Private | No projects approved yet |
| Zona Franca Industrial de Mocuba | IFZ | Decree No. 29/2014 of 6 June 2014 | Private | No projects approved yet |

Source: Information provided by the authorities and GAZEDA online information. Viewed at: http://www.gazeda.gov.mz.

### 3.3.2 Competition policy

3.89. Mozambique promulgated its first historic Competition Law (Law No. 10/2013 of 11 April 2013) in 2013, and its implementing regulations in 2014 (Decree No. 97/2014 of 31 January 2014). This Law was the first step in Mozambique's efforts to establish a modern regime on competition as envisaged in Resolution No. 37/2007 of 12 November 2007, described in Mozambique's previous Review.[108]

3.90. Decree No. 37/2014 of 1 August 2014 approved the Organic Statute of the Competition Regulatory Authority (ARC) to enforce the provisions of the Competition Law. The ARC, once operational, will have authority to supervise, regulate, investigate and sanction, and will also be required to coordinate its activities with other regulatory authorities in the application of the Law (currently the Bank of Mozambique, the Communications Institute of Mozambique, the National Petroleum Institute, the Water Regulation Council, the National Institute of Civil Aviation, the National Institute of Insurance Supervision, the National Institute of Land Transport, the National Naval Institute, and the Institute of Information and Communications Technologies).[109] It must submit annual reports on its activities and financial accounts to the Government (which are then published in the Government Gazette – Boletim da República) as well as publish its priorities on an annual basis.[110] The Law also provides for Parliamentary scrutiny of the ARC's activities. The ARC's managing board is responsible for decision-making; it is to comprise five members, to be appointed by the Government for a five-year term (renewable for five additional years). It will be supported by a Chairperson who will undertake investigations as well as consider merger activities.[111]

3.91. The Competition Law applies to all economic activities undertaken in Mozambique or having an effect on it by private and public enterprises, with a few exceptions.[112] The Law, which was apparently based upon competition regimes in the EU, notably Portugal, has two pillars: anti-competitive practices and merger control.

#### 3.3.2.1.1 Anti-competitive practices

3.92. Under the Law, prohibited anti-competitive practices include: horizontal agreements between competitors which aim to, or have the effect of, impeding, distorting or restricting competition; vertical agreements between companies and their customers and suppliers; and the abuse of dominant position by a dominant enterprise. Specific examples of prohibited types of conduct under each of these titles are contained in the Law and reproduced in Table 3.24. However, these practices may be allowed if their purpose is to: contribute to improving the production or distribution of goods and services; reduce consumer prices; accelerate economic development; stimulate the technological development and innovation of national enterprises; lead to a better allocation of resources; promote national products and services; promote exports;

[108] WTO document WT/TPR/S/209/Rev.1, 30 June 2009 (Chapter 4(ii)).

[109] Articles 7 and 11 of the Law provide for collaboration agreements to be reached between the CRA and sectoral regulatory authorities to regulate procedures and information exchange mechanisms.

[110] Competition Law, Articles 12 and 14.

[111] U.S. Department of State (2015), *Mozambique Investment Climate Statement 2015*. Viewed at: http://www.state.gov/documents/organization/241884.pdf.

[112] The Law does not apply to: (a) collective agreements established or to be established with workers' organizations under the terms of the Labour Law; (b) practices with a non-commercial objective; (c) agreements resulting from international agreements which do not prejudice the national economy; and (d) cases calling for the specific protection of a sector of the economy, benefiting the national interest or the consumer.

promote the competitiveness of small and medium-sized enterprises; contribute to the consolidation of national entrepreneurship; or protect intellectual property. To be so exempt, a request must be made to the ARC by the interested parties; the ARC will make an assessment and determine the conditions and validity period of the exemption.[113]

### Table 3.24 Prohibited anti-competitive practices under the Competition Law

| Prohibited practice | Examples |
|---|---|
| Horizontal agreements | Adoption of uniform/agreed commercial conduct; fixing prices; provoking price oscillations; fixing of other conditions of transactions realized in the same or different stages of the economic process; controlling and limiting the production of goods/provision of services; partitioning of markets/supply sources; developing other practices agreed upon to obtain advantages and interfering with/influencing the results of public tenders for the supply of goods or services; and limiting/ impeding new enterprises' access to the market. |
| Vertical agreements | Discrimination regarding prices/equivalent services; refusal to purchase/sell goods or provide services without just cause; agreements subject to acceptance of supplementary obligations that are not related to the subject of the contract; making the sale of goods/provision of services subject to the acceptance of payment conditions that differ from/are contrary to normal commercial usage; making commercial relations subject to acceptance of unjustifiable or anti-competitive clauses and commercial conditions; imposing on distributors conditions *vis-à-vis* third parties such as resale prices, discounts etc.; discrimination against suppliers or consumers through differentiated setting of prices or operational conditions; making the sale of goods/provision of a service subject to the purchase of another good/use of another service; and imposing excessive prices or increasing prices without just cause. |
| Abuse of dominant position | Horizontal and vertical agreements; refusing to facilitate access, against adequate remuneration, to network/other crucial infrastructure; breaking commercial relations without justification; obliging/inducing a supplier or consumer not to establish commercial activities with a competitor; unjustifiably selling merchandise below cost price; importing merchandise below the costs employed in the exporting country; and price discrimination under certain circumstances. |

Source: Competition Law. Viewed at: http://www.osall.org.za/docs/2011/03/Mozambique-Competition-Law-10-of-2013-Eng-Unofficial-version-as-at-2-July-2013.pdf.

3.93. The ARC may open an enquiry when it becomes aware of strong indications of anti-competitive practices by either public or private enterprises; this may be based upon, *inter alia*, a complaint by an interested party. The ARC must notify the enterprise in question of the purpose and duration of the investigation and the enterprise has 30 days to express their opinion in writing regarding the allegations. If the ARC finds that there are facts which fall within the domain of a sectoral regulatory authority during the course of its investigation, then it must provide that authority the opportunity to express an opinion. The final inquiry report, together with its recommendations, must be submitted to the ARC's executive body within five days of its completion. The executive body may then make a decision as to whether to initiate disciplinary action. These decisions must be published in the Government Gazette (Boletim da República). The Competition Law also contains provisions for immediate suspension of a practice, on a temporary basis, if, during the course of the investigation, the ARC considers that the practice is causing serious or irreparable damage.

#### 3.3.2.1.2 Merger control

3.94. The ARC controls mergers that consist, in particular, of the acquisition of: all or part of the enterprises' capital stock; the ownership or the right to use all or part of an enterprise's assets; or rights/agreements that grant a dominant influence on the deliberation of an enterprise's bodies. A notification must be made to the ARC if the merging parties: (a) create or reach a market share of 50% or more; (b) create or reach a market share of 30% or more but below 50% when, in the last financial year, the turnover in Mozambique of the smallest of the merging companies was over Mt 100 million; or (c) have a combined turnover of over Mt 900 million net.[114] Mergers of other enterprises are only subject to notification at the explicit request of the ARC.

3.95. Enterprises engaging in a merger must notify the ARC within seven days of entering into the agreement. The ARC must then publish the essential elements of the agreement in two newspapers with national circulation, giving interested parties a maximum of 15 days to comment.

[113] Section V of the Competition Law sets out the procedures for the submission and consideration of exemption requests.

[114] TTA Advogados online information. Viewed at http://www.plmj.com/xms/files/newsletters/2015/Novembro/The_Regulation_of_the_Mozambican_Competition_Law.pdf.

Following this comment period, the ARC has 30 days to complete its investigation and provide the deliberative body with a report. The deliberative body then has a 30-day period to decide whether to allow the merger to go ahead, to forbid the merger, or to start an in-depth investigation (which must be completed within a 60-day period).[115]

#### 3.3.2.1.3 Sanctions

3.96. A violation of the prohibitions under the Competition Law may result in fines of up to 5% of the previous year's annual turnover. Failure to notify mergers and to cooperate with the ARC may result in fines of up to 1% of annual turnover. Fines also apply for the failure of experts/ representatives to appear as witnesses. Sanctions may be applied for a maximum period of five years. Additional sanctions include, *inter alia*, excluding the offender from participating in public tenders for a five-year period.

### 3.3.3 Price controls

3.97. Mozambique generally allows prices to be set by the market, with the exception of sugar. There are also minimum purchase prices for growers of tobacco and cotton to ensure equitable gains (Section 4). According to the authorities, the Government is studying ways to establish a reference price for growers of cashews. Fuel prices are regulated, with an adjustment mechanism for movements in world market prices applied on a monthly basis. Mark-ups on imported medicinal prices are also regulated.

3.98. Mozambique also recently started to regulate profit margins for 12 staple commodities under Decree No. 56/2011 of 4 November 2011 (Regulation Fixing the Maximum Profit Margins in the Marketing of Commodities).[116] This was in response to high domestic prices for these items, due largely to high retail and wholesale mark-ups. As noted by an external source, even though profit margins for these goods are regulated, it would appear that high mark-ups still persist, particularly where there is no domestic competition, suggesting a lack of enforcement of the Decree. According to this source, interviews with the MIC confirmed that there is a lack of capacity to effectively enforce the Decree and penalize non-compliant retailers.[117]

3.99. Reference prices are applied to imports of sugar (Section 3.1.4.2.1); horticultural products; and certain items sold by small grocery stores (Section 3.1.2).

### 3.3.4 State trading, state-owned enterprises and privatization

3.100. In 2009, Mozambique notified to the WTO that it does not have any state trading enterprises with exclusive privileges within the meaning of Article XVII of the GATT.[118] In the context of this Review, it was indicated that the sugar central selling desk (the National Sugar Distributor (DNA)) has exclusive rights to export sugar (Section 4.2.3.1).

3.101. As noted by an external source, Mozambique's state-owned enterprises can be classified into two main categories. Firstly, there are "public enterprises", which are 100% state-owned, operate in the public utility sector and have autonomy in the management of their assets. These enterprises are regulated by the Law of Public Enterprises (Law No. 6/2012 of 8 May 2012), they report to their respective line ministries and are supervised by the National Directorate of Treasury, under the Ministry of Economy and Finance. Secondly, there are "state-participated enterprises", regulated by the Commercial Code, whereby the State, through the State Shares Management Agency (IGEPE), is a full or partial shareholder. As at September 2016, there were 14 public enterprises (Table 3.25) and 108 publicly owned and state shareholding enterprises (Table A3.1).

[115] If no decision is taken then it is considered that the CRA does not oppose the merger.
[116] A complete list of these commodities was not made available.
[117] USAID Speed Program (March 2015), *Price Variations in Mozambique – Final Report*. Viewed at: http://www.speed-program.com/wp-content/uploads/2015/02/2015-SPEED-Report-009-Price-Variations-Across-Borders-EN.pdf.
[118] WTO document WT/STR/N/12/MOZ, 4 August 2009.

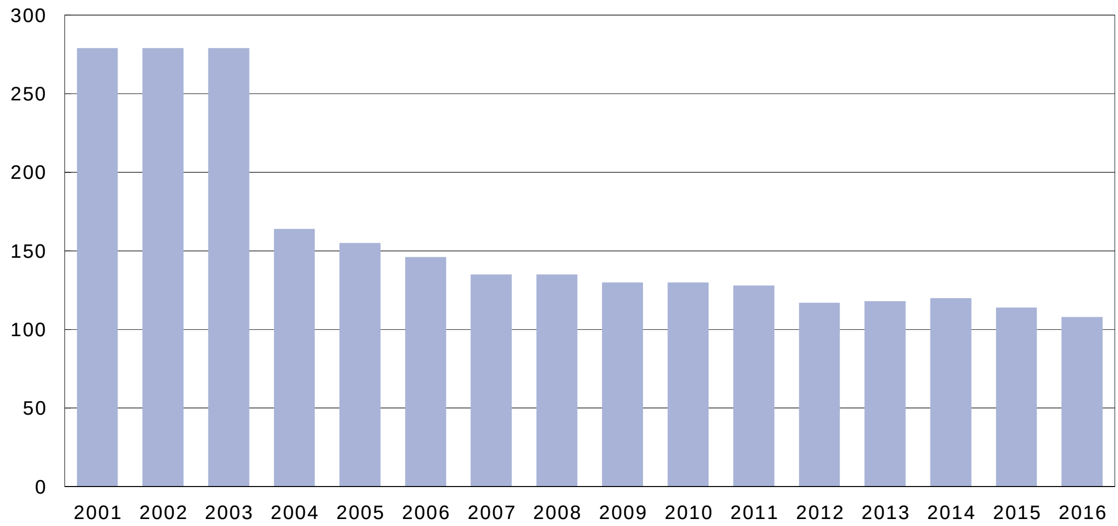
**Table 3.25 Public enterprises, 2016**

| Enterprise | Activity |
|---|---|
| ADM - AEROPORTOS DE MOÇAMBIQUE, E.P | Airport |
| C.F.M - CAMINHOS DE FERRO DE MOÇAMBIQUE, E.P | Rail service |
| CORREIOS DE MOÇAMBIQUE, E.P | Post office |
| EDM - ELECTRICIDADE DE MOÇAMBIQUE, E.P | Energy company |
| EMODRAGA - EMPRESA MOÇAMBICANA DE DRAGAGENS, E.P | Dredging company |
| EMPRESA DE DESENVOLVIMENTO MAPUTO SUL - MAPUTO SUL, E.P | Regional development |
| ENH - EMPRESA NACIONAL DE HIDROCARBONETOS, E.P | Hydrocarbon company |
| HICEP - HIDRÁULICA DE CHÒkWE, E.P | Food production |
| IMPRENSA NACIONAL DE MOÇAMBIQUE, E.P | National press |
| PARQUE DE CIÊNCIA E TECNOLOGIA EM MALUANA, E.P | Information technology and services |
| REGADIO DE BAIXO LIMPOPO - RBL, E.P | Irrigation scheme public enterprise |
| RM - RÁDIO MOÇAMBIQUE, E.P | Radio |
| TPB - TRANSPORTES PÚBLICOS DA BEIRA, E.P | Public transportation |
| TVM - TELEVISÃO DE MOÇAMBIQUE, E.P | Television channel |

Source: IGEPE.

3.102. Following a major wave of liberalization in 2003, the State has continued to gradually divest itself of various assets (Chart 3.3). Over the review period, it liquidated 22 companies and sold an additional 20 to the private sector. Since December 2015, the IGEPE has been assessing the State's portfolio, aiming to resize businesses, reduce operating costs, and seek strategic partners to enhance the profitability of its public enterprises and state-participated companies. In this regard, consideration is being given, *inter alia*, to company performance and profitability; growth prospects; socio-economic and environmental impact issues; and their observance of corporate governance standards. During 2016, 45 state-participated companies and 15 public enterprises companies were evaluated as part of this process, with 27 being elected for restructuring. At the same time, 40 non-strategic companies have been earmarked for liquidation.

**Chart 3.3 Number of state-owned enterprises, 2001-2016**




Note: The number of SOEs may vary slightly according to the month of the year in which the data was collected.

Source: IGEPE.

### 3.3.5 Government procurement

3.103. In 2014, the estimated total value of government procurement at central and provincial government levels was Mt 47.9 billion (21.6 billion for goods; 16.1 billion for services and 10.2 billion for works).

3.104. Over the review period, the Government of Mozambique has continued to reform its procurement regime; a new procurement Decree was introduced in 2010, replacing legislation dating back to 2006 (Decree No. 15/2010 of 24 May 2010). The 2010 Decree was then replaced by new Public Procurement Regulations which entered into force on 6 June 2016 (Decree No. 05/2016 of 8 March 2016). The objectives of legislative reform were to: increase transparency; reduce the use of direct procurement; include a flexible new contracting modality (call for quotes); increase business opportunities for foreign competitors; introduce a chapter on public works contracts; remove barriers to the submission of complaints by competitors; increase the thresholds for the application of limited tenders, small-size tenders and other forms of consultancy services; require the publication of award documents, including those of direct procurement; and organize the regulation in such a manner as to help technicians understand the requirements contained therein.

3.105. Other laws and regulations relevant to public procurement in Mozambique are: the rules governing the procedures of the Public Administration (Decree No. 30/2011 of 19 October 2011); the commercial and tax codes (see Section 2); the Anti-Corruption Law (Law No. 6/2004 of 17 June 2004), the PPP Law (see Section 2); the Supervision Law of the Administrative Court; the Civil Code; and the Public Financial Management System (SISTAFE) Law (Law No. 9/2002 of 12 February 2002).

3.106. As before, the 2016 Public Procurement Regulations cover procurement of public works, and the purchase of goods and services by the State, including rental, consultancy and concession agreements. The Regulations must be implemented by all state bodies and institutions, including bodies which represent the State abroad, local authorities and other public authorities. The authorities confirmed that the regulations are being fully implemented. There are an estimated total of 1,635 of these so-called "contracting entities", 194 at the central government level and 1,441 at local and provincial levels. As a result of changes introduced in 2016, procurement regulations no longer apply to public enterprises or to enterprises in which the State has an equity share (Section 3.3.4): these will be governed by specific separate legislation, which is being developed.

3.107. The overall institutional structure for government procurement has not changed since 2006. Each contracting entity must have a competent authority with overall responsibility for procurement contracts (for example, within central government ministries this is usually at permanent secretary level or above). The competent authority is, *inter alia*, charged with determining the conditions and budget of the contract; approving tender documentation; and awarding contracts. Each competent authority is assisted in its work by a procurement department which has responsibility for, *inter alia*, collecting procurement needs from departments to be included in the entity's annual procurement plan; developing procurement plans; preparing bidding documents; assisting tender committees; and liaising with the Functional Unit of Supervision of Acquisition (see below) on various matters. A tender committee is established by the competent authority for each tender issued; it comprises a minimum of three officers, including a representative from the procurement department and an officer with an understanding of the object to be procured. The Tender Committee prepares and submits an evaluation report to the competent authority containing factual and legal reasons for recommending an award.

3.108. Implementation of the Procurement Regulations by Contracting Entities continues to be overseen by the Functional Unit of Supervision of Acquisition (Unidade Funcional de Supervisão das Aquisições (UFSA)), which falls under the Ministry of Finance. UFSA's responsibilities are set out in the 2016 Regulations (previously they were dispersed among other Diplomas) and its main role is to propose norms, and undertake supervision and training. The 2016 Regulations gave the UFSA new prerogatives to intervene actively in procurement procedures at any point and suspend tenders if there are irregularities. Contracting entities are required to inform the UFSA when tenders are launched.

3.109. As under previous procurement rules, all procurement procedures must fulfil various criteria, including: legality, public interest, transparency, openness, information, equality, competitiveness, impartiality, and good financial management. Various conditions must be met in the contracting process, including ensuring adequate advertising of the intention to contract; reasonable time periods set for interested bidders to prepare their proposals; fair competition; and the establishment of award criteria in advance.[119] There remain three types of procurement regime: general; special; and exceptional (Table 3.26).

[119] The general procurement rules are set out in Article 11 of Decree No. 05/2016.

**Table 3.26 Procurement regimes, 2016**

| Type | Use |
|---|---|
| General | Public tender |
| Special | Used for contracts arising from: treaties; international agreements; donor schemes by foreign official or financial institutions |
| Exceptional | Used when considered appropriate in the public interest. Various modalities as below |
| *- Direct procurement* | Can be used: when no other method of procurement is feasible; if procurement can only be undertaken by a single building contractor or supplier of goods and services; to maintain a uniform standard through the use of a previously contracted entity; in an emergency situation; in times of war or serious public disorder; if there had been no competitors in an earlier contest and to repeat the contest would prejudice the public interest; for procurements related to national security and defence; for contracts for the supply of ships, vessels, military air units and troops (and their movement), under certain circumstances; for procurements by the State Security Information Services; and for lease contracts |
| *- Tender with prior qualification* | Can be used when qualification requirements are complex and preparation of documents is burdensome. Only pre-qualified suppliers may participate |
| *- Low value procurement* | Used for natural persons, micro and small enterprises where the value of the contract is equal to 15% of the limited tender |
| *- Two-stage bidding* | Used when the contracting entity is unable to establish precisely the technical specifications of the good or service to be acquired |
| *- Limited competition* | Can be used when the estimated value of the contract does not exceed Mt 5 million (previously Mt 3.5 million) for public works contracts and Mt 3.5 million for the supply of goods and provision of services (previously Mt 1.75 million) |
| *- Call for quotes* | Can be used when (a) the estimated value of the procurement is equal to or less than 10% of the limit established for limited competition tenders (i.e. Mt 500,000 for public works contracts and Mt 350,000 for the supply of goods and provision of services); (b) if a previous tender contest resulted in the disqualification of all competitors and cannot be repeated without prejudice to the public interest; or (c) in the case of contracts made by consular and diplomatic missions |

Source: Decree No. 05/2016 of 8 March 2016. Viewed at www.ufsa.gov.mz.

3.110. In 2015, nearly 50% of the total value of government procurement (at both central and provincial levels) was undertaken through competitive modalities; this largely reflects the situation in 2014 (Tables 3.27 and 3.28).

**Table 3.27 Use of procurement modalities, 2015**

| Level | Regime | Modality | Value of goods (Mt '000,000) | Value of services (Mt '000,000) | Value of works (Mt '000,000) | Total value (Mt '000,000) | Total value (%) |
|---|---|---|---|---|---|---|---|
| **Central** | General | Public tender | 5,800 | 3,176 | 2,807 | 11,783 | 26 |
| | | Consulting service | - | 340 | - | 399 | 0.9 |
| | Exceptional | Direct | 5,872 | 8,259 | 2,148 | 16,278 | 36 |
| | | Prior qualification | 806 | 278 | 354 | 1,438 | 3 |
| | | Low value | 49 | 120 | 1 | 170 | 0.4 |
| | | Two-stage | 135 | 69 | 35 | 239 | 0.5 |
| | | Limited | 339 | 585 | 166 | 1,090 | 2 |
| | | Call for quotes | 17 | 16 | 0.4 | 34 | 0.08 |
| | | Consulting service | - | 252 | - | 252 | 0.6 |
| | Special | | 48 | 204 | 24 | 276 | 0.6 |
| | n.a. | | - | 2,296 | - | 2,296 | 5 |
| | | | | | | | 24 |
| **Provincial** | General | Public tender | 1,750 | 478 | 670 | 2,928 | 6 |
| | | Consulting service | - | 120 | - | 120 | 0.3 |
| | | Direct | 2,126 | 2,360 | 611 | 5,097 | 11 |
| | | Prior qualification | 115 | 62 | 35 | 212 | 0.5 |
| | | Low value | 189 | 135 | 2 | 327 | 0.7 |
| | | Two-stage | 49 | 7 | 23 | 79 | 0.2 |
| | | Limited | 960 | 313 | 337 | 1,609 | 3.6 |
| | | Call for quotes | 14 | 0.6 | 0.1 | 14 | 0.03 |
| | | Consulting service | - | 54 | - | 54 | 0.1 |
| | Special | | 87 | 34 | 12 | 134 | 0.3 |
| | n.a. | | - | 360 | - | 360 | 0.8 |

n.a. Not applicable.

Source: Information provided by the UFSA.

**Table 3.28 Use of procurement modalities, 2014**

| Level | Regime | Modality | Value of goods (Mt '000,000) | Value of services (Mt '000,000) | Value of works (Mt '000,000) | Total value (Mt '000,000) | Total value (%) |
|---|---|---|---|---|---|---|---|
| **Central** | General | Public tender | 6,890 | 2,979 | 5,138 | 15,007 | 31 |
| | | Consulting service | - | 424 | - | 424 | 0.9 |
| | Exceptional | Direct | 8,955 | 7,480 | 2,750 | 19,186 | 40 |
| | | Prior qualification | 340 | 227 | 168 | 735 | 2 |
| | | Low value | 74 | 107 | 9 | 190 | 0.4 |
| | | Two-stage | 72 | 10 | 0.06 | 82 | 0.2 |
| | | Limited | 327 | 535 | 176 | 1,037 | 2 |
| | | Call for quotes | 64 | 44 | 12 | 121 | 0.3 |
| | | Consulting service | - | 132 | - | 132 | 0.3 |
| | Special | | 7 | 115 | 18 | 141 | 0.3 |
| | n.a. | | - | - | - | - | - |
| **Provincial** | General | Public tender | 1,707 | 578 | 855 | 3,140 | 7 |
| | | Consulting service | - | 88 | - | 88 | 0.2 |
| | | Direct | 2,009 | 2,321 | 740 | 5,070 | 11 |
| | | Prior qualification | 87 | 53 | 28 | 168 | 0.4 |
| | | Low value | 171 | 108 | 17 | 296 | 0.6 |
| | | Two-stage | 5 | 10 | 3 | 18 | 0.04 |
| | | Limited | 730 | 480 | 230 | 1,440 | 3 |
| | | Call for quotes | 46 | 12 | 5 | 63 | 0.1 |
| | | Consulting service | - | 32 | - | 32 | 0.07 |
| | Special | | 98 | 46 | 19 | 162 | 0.3 |
| | n.a. | | - | 322 | - | 322 | 0.7 |

n.a. Not applicable. Procurement under Article 2.3, including water, electricity, telecommunications, among others.

Note: Numbers have been rounded up/down.

Source: Information provided by the UFSA.

3.111. Foreign persons must have a representative in Mozambique to be eligible to tender. Contracting authorities must grant national suppliers a preference of 10% of the contract value for both public works contracts and the provision of services, and a preference of 15% of the contract value for goods. With respect to goods, 20% of the ex-factory price of inputs must be sourced domestically; this threshold may be adjusted by the Minister of Finance, but information was not available regarding the conditions under which this discretion may be used. New procurement regulations have introduced a less restrictive definition of national suppliers; it now includes individuals or companies registered in Mozambique for more than five years with majority foreign capital. However, the authorities indicated that priority is still to be given to companies constituted mainly by national capital; and, thereafter, to national suppliers with mostly foreign capital. Local content requirements for the procurement of goods and services are contained in the new Mining Law (Section 4.3.2.1) and the new Petroleum Law (Section 4.3.2).

3.112. Appeal procedures have been improved; the requirement to provide collateral for the purpose of filing an appeal has been withdrawn, and deadlines for making an appeal have been extended from three to five days.

### 3.3.6 Intellectual property rights

3.113. In Mozambique, intellectual property (IP) is regarded as an instrument for stimulating and protecting creativity and innovation; and for promoting the country's economic, scientific, technological and cultural development. The IP Strategy 2008-2018 contains the specific areas and respective actions to be undertaken to mainstream IP into the economy.[120] The authorities indicated that they had implemented around 50% of this Strategy, which has involved awareness-raising campaigns to encourage registration of trademarks and patents; efforts to

[120] Mozambique IP Strategy 2008-2018. Viewed at: http://www.wipo.int/wipolex/en/text.jsp?file_id=202233.

identify innovators in provinces and universities and help them draft patent applications; training activities; and reviewing laws and fees for the registration of IP rights.

3.114. The administration of the IP system is divided between industrial property and copyright and related rights. Mozambique also has legislation in force to protect plant varieties. Industrial property includes: inventions (patents); trademarks, trade names, logos, names and insignia of establishment; utility models; industrial designs; appellations of origin; and geographical indications. Copyright includes literary and artistic works such as drawings, paintings, photographs and sculptures, and architectural designs. Rights related to copyright include those of performing artists in their performances, producers of phonograms in their recordings, and broadcasters in their radio and television programmes.

3.115. Mozambique has been a member of the World Intellectual Property Organization (WIPO) since December 1996. On 22 November 2013, Mozambique acceded to the Berne Convention for the Protection of Literary and Artistic Works. Mozambique is also a Contracting Party to the Paris Convention for the Protection of Industrial Property (accession in 1998), the Madrid Agreement (International Registration of Marks) (1998); the Madrid Protocol (1998); the Patent Cooperation Treaty (PCT) (2000); and the Nice Agreement (Classification of Goods and Services) (2002).[121] Mozambique signed the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled (WIPO VIP Treaty), in August 2013. The ratification process is ongoing. The authorities indicated that the Government is discussing whether to accede to the Hague Protocol.

3.116. Mozambique has been a member of the African Regional Intellectual Property Organization (ARIPO) since May 2000.[122] The Harare Protocol of the Lusaka Agreement provides for regional filing of patent applications through the ARIPO.

3.117. Provisions on cooperation in the area of IPRs and possible future negotiations on IP protection are contained in the EU-SADC EPA (Article 16). Under the SADC Trade Protocol, members are to adopt policies and implement measures within the Community to protect IPRs in accordance with the WTO TRIPS Agreement.[123]

#### 3.3.6.1 Industrial property

3.118. The Ministry of Science and Technology is responsible for policy formulation in the area of industrial property, and the Instituto da Propriedade Industrial (Industrial Property Institute, IPI) is responsible for administration of its various segments. The IPI is a self-financed autonomous agency falling under the technical responsibility of the MIC. Enforcement of industrial property rights is the responsibility of the National Inspectorate of Economic Activities (INEA) in consultation with the IPI (see below). The INEA was established in 2010 (see Section 2) and took over the responsibilities that previously fell under the MIC in the IPR domain.

3.119. In 2015, Mozambique approved a new Industrial Property Code (Decree No. 47/2015), which entered into force on 31 March 2016.[124] This revokes previous laws and regulations.[125] As noted by the authorities, legislative amendments are designed to promote competitiveness, industrialization and modernization of the economy and to increase exports. As noted by an external source, the main changes largely relate to new deadlines, administrative and formatting issues and the clarification of certain sections (Box 3.1).[126] Parallel imports of various forms of industrial property are prohibited under the new Code. The new Code has not been notified to the WTO.

[121] WIPO online information. Viewed at: http://www.wipo.int/wipolex/en/profile.

[122] Resolution of the Council of Ministers No. 34/1999. The ARIPO website was viewed at: http://www.aripo.org.

[123] SADC Trade Protocol (Article 24). Viewed at: http://www.sadc.int/files/4613/5292/8370/Protocol_on_Trade1996.pdf.

[124] Industrial Property Code. Decree No. 47/2015 of 31 December 2015. Viewed at: http://www.wipo.int/edocs/lexdocs/laws/pt/mz/mz025pt.pdf.

[125] Previous laws and regulations were: the Industrial Property Code (Decree No. 4/2006 of 12 April 2006); a decree amending the Code in 2009 (Decree No. 20/2009 of 3 June 2009); and a 2009 regulation on appellations of origin and geographical indications (Decree No. 21/2009 of 3 June 2009).

[126] Clarke, Modet and Co. online information. Viewed at: http://www.clarkemodet.com/blog/2016/03/new-industrial-property-code-in-mozambique.html#.V2Du46GxW70.

**Box 3.1 Key changes introduced by the 2015 Industrial Property Code**

- Improvements and simplification of the organizing and filing of applications for the registration of IPRs
- Introduction of the regional trademark registration system
- Harmonization of the regime of contested appeals (requirements, deadlines and effects) with Law 7/2014
- Consecration of the tutelary recourse
- Incorporation of the protection regime for denominations of origin and geographical indications into the Code
- Introduction of the "names of establishment" protection regime as a new category of industrial property law
- Reduction of deadlines for the filing of oppositions against applications for registration of industrial property rights (from 60 to 30 days)
- Establishment of extrajudicial mechanisms for resolving conflicts between private individuals in matters of industrial property
- Increase in the periodicity of the Industrial Property Bulletin (from bi-monthly to monthly)
- Introduction of the substantive examination of patents and industrial designs
- Elimination of the substantive examination of utility models
- Elimination of the non-infringement of the exclusive right of the utility model
- Introduction of fees for payment of substantive patent examinations

Source: Information provided by the authorities.

3.120. Terms of protection for the various forms of industrial property remain unchanged, namely: patents, 20 years; utility models, 15 years; industrial designs, 5 years (renewable for up to 25 years); marks, trade names, logos and names and insignia of establishments, 10 years (renewable indefinitely for 10-year periods); and appellations of origin and geographical indications (indefinite protection). Computer programs are protected as literary works under copyright legislation (see below).

3.121. The Code (Article 92) still contains a provision for a compulsory licence to be granted by the Minister of Industry and Commerce "without the consent of the proprietor of the patent, for reasons of public interest", but with "adequate remuneration". As reported in its previous Review, in 2004, Mozambique issued its first compulsory licence for the manufacture of antiretrovirals (ARVs), with annual royalties to the proprietor not to exceed 2% of sales.[127] The authorities confirmed that, as at November 2016, these medicines were not being produced in the country and that no other compulsory licences have been granted.

3.122. The IPI's online portal contains the information needed to file an application for a grant or renewal, including laws and regulations, forms, procedures, and fees.[128] As noted by the authorities, the fee structure, which dates back to 2006, is being reviewed.[129]

3.123. The authorities indicated that there are 224 recognized patent and trademark agents in Mozambique. Upon receipt of an application, the IPI initiates the procedure for examination and eventual registration; unsuccessful applicants may appeal to the IPI. Industrial property titles are published in the Industrial Property Bulletin (not available online). The IPI is the receiving office for patent applications filed under the PCT and through ARIPO as well as for applications for the international registration of marks under the Madrid Agreement (see above). Figures on IPR registrations filed and granted over the review period are set out in Tables 3.29 to 3.31.

[127] As reported in Mozambique's previous Review, the licence (Compulsory Licence No. 01/MIC/04) notes that Mozambique is among the countries in Africa that have been worst hit by the HIV/AIDS pandemic. In 2006, the Government estimated that there are about 1.6 million HIV-positive Mozambicans, of which around 15% should be taking ARVs. However, only about one quarter of this population were receiving them. The licence was granted to Pharco Moçambique for patent rights to lamivudine, stavudine and nevirapine, as a fixed-dose combination. The text of the licence may be viewed at: http://www.cptech.org/ip/health/c/Mozambique/moz-cl-en.pdf.

[128] The portal may be viewed at: http://www.ipi.gov.mz/spip.php?rubrique39.

[129] The fee structure currently in place is set out in Ministerial Diploma No. 188/2006 of 13 December 2006.

### Table 3.29 Patent applications filed and granted, 2009-2015

| Year | National patent | | | | Foreign patent | | | |
|---|---|---|---|---|---|---|---|---|
| Via | Resident | | Non-resident | | PCT | | Harare | |
| Status | Filed | Granted | Filed | Granted | Filed | Granted | Filed | Granted |
| 2009 | 7 | 7 | 11 | 11 | 6 | 6 | 276 | 107 |
| 2010 | 15 | 15 | 6 | 6 | 19 | 19 | 314 | 75 |
| 2011 | 8 | 8 | 1 | 1 | 14 | 14 | 418 | 119 |
| 2012 | 14 | 14 | 3 | 3 | 23 | 23 | 481 | 149 |
| 2013 | 13 | 13 | 1 | 1 | 27 | 27 | 544 | 213 |
| 2014 | 14 | 14 | 0 | 0 | 46 | 46 | 581 | 187 |
| 2015 | 24 | 24 | 51 | 51 | 27 | 27 | 561 | 335 |

Source: Information provided by the authorities.

### Table 3.30 Trademark applications filed and granted, 2009-2015

| Year | National trademark | | | | Foreign trademark | |
|---|---|---|---|---|---|---|
| Via | Resident | | Non-resident | | Madrid System | |
| Status | Filed | Registered | Filed | Registered | Filed | Registered |
| 2009 | 1,209 | 746 | 655 | 798 | 866 | n.a. |
| 2010 | 1,066 | 587 | 1,007 | 1,304 | 889 | n.a. |
| 2011 | 955 | 526 | 1,115 | 1,228 | 1,032 | n.a. |
| 2012 | 1,388 | 582 | 1,092 | 1,148 | 1,078 | n.a. |
| 2013 | 1,112 | 626 | 1,129 | 1,120 | 1,161 | n.a. |
| 2014 | 1,274 | 724 | 1,329 | 1,464 | 1,151 | n.a. |
| 2015 | 1,157 | 974 | 1,543 | 1,371 | 864 | n.a. |

n.a. Not available.

Source: Information provided by the authorities.

### Table 3.31 Industrial design applications filed and granted, 2009-2015

| Year | National industrial design | | | | | |
|---|---|---|---|---|---|---|
| Via | Resident | | Non-resident | | ARIPO | |
| Status | Filed | Granted | Filed | Granted | Filed | Granted |
| 2009 | 40 | 40 | 2 | 2 | 26 | 31 |
| 2010 | 30 | 30 | 0 | 0 | 20 | 22 |
| 2011 | 15 | 15 | 2 | 2 | 32 | 22 |
| 2012 | 10 | 10 | 2 | 2 | 120 | 24 |
| 2013 | 26 | 25 | 5 | 5 | 190 | 101 |
| 2014 | 22 | 22 | 1 | 1 | 123 | 207 |
| 2015 | 30 | 30 | 5 | 5 | 83 | 86 |

Source: Information provided by the authorities.

3.124. The investigation of industrial property offences may be triggered at the initiative of the INEA, the IPI or by stakeholders. To investigate infringements, a brigade is formed jointly by representatives from the IPI and the INEA; once the investigation is completed, the brigade submits a report to the IPI and the INEA. The INEA is responsible for applying sanctions[130]; it may order the seizure of infringing products or merchandise upon import or export, or may refer the matter to the Common Court. Over the review period, there have been 39 cases of seizures of IP-infringing goods; detailed information on the value of these seizures was not available.[131] The authorities reported that counterfeiting of marks is the leading cause of infringement of IPRs in Mozambique, concerning notably toothpaste, soap, cooking oil and biscuits.

3.125. The new Industrial Property Code has made no changes to the fines applied for industrial property-related violations (Table 3.32). No fines are applied for infringements relating to utility models. No data was available on the value of fines applied.

[130] Industrial Property Code, Article 223.

[131] On an annual basis, these were: 1 (in 2009); 4 (2010); 22 (2011); 12 (2012); 1 (2013); 4 (2014); 1 (2015); and 5 (2016).

**Table 3.32 IPR fines**

| Infringement | Fine |
|---|---|
| Exclusive rights in a patent | Fine of 89 times the minimum wage if the offender is a person and 200 times the minimum wage if the offender is an enterprise |
| Industrial designs | Fine of 33 times the minimum wage if the offender is a person and 120 times the minimum wage if the offender is an enterprise |
| Counterfeiting, imitation, illegal and illicit use of marks | Fine of 120 times the minimum wage if the offender is a person and 240 times the minimum wage if the offender is an enterprise |
| Geographical indications | Fine of 112 times the minimum wage if the offender is a person and 224 times the minimum wage if the offender is an enterprise |

Source: Industrial Property Code.

### 3.3.6.2 Copyright and related rights

3.126. Copyright and neighbouring rights are the responsibility of the Ministry of Culture and Tourism. The National Institute of Books and Records (INLD) is responsible for copyright issues as they relate to music, books and crafts. The INLD is a division of the Ministry of Culture and Tourism. Its mission includes helping authors to reduce the high level of piracy for music, promoting protection for crafts, advising on copyright policy and improving the legal framework, as needed. Implementation of the rights of authors is mainly carried out by the Assoçiacão Moçambicana de Autores (SOMAS).

3.127. There have been no changes to the copyright legislation since its adoption in 2001.[132] As noted in Mozambique's previous Review, it covers literary, artistic and scientific works; computer programs are explicitly identified as literary works. Copyright protection covers the life of the author plus 70 years (in the event of joint ownership, the term is 70 years after the death of the last surviving author). A term of 50 years applies for performers' rights and sound recordings, and 25 years for broadcast programmes. The onus is on the injured party or his legal representative to institute legal proceedings in defence of infringed rights. Information was not available on the enforcement of copyright protection and penalties for copyright infringement.

### 3.3.6.3 Plant varieties

3.128. As reported in Mozambique's previous Review, a protocol on plant variety protection has been approved at the regional level and a regional catalogue of new plant varieties has been developed, with the aim of facilitating the movement of new varieties of plants in the region. According to the authorities, these are based on UPOV standards.[133] In 2014, the Council of Ministers approved a regulation on plant variety protection (Decree No. 26/2014 of 28 May 2014).[134] This establishes rules and requirements to be met for all species of plants, and specifies that the protection of plant breeders' rights is valid in the country and in all countries with which Mozambique has established bilateral and multilateral agreements on the subject. In addition, it defines the composition, duties and powers of the Registration Authority which is, *inter alia,* responsible for registering plant breeders, granting and cancelling rights; levying inspection fees; issuing penalties for illegal activities; and hearing appeals.

### 3.3.6.4 Traditional medicine

3.129. As reported by the authorities, close to 20 million Mozambicans (almost 75% of the population) use traditional medicine, particularly in rural areas where there are few health facilities. The authorities indicated that, since the 1970s, more attention has been given by the Government to undertaking research in the area of traditional medicine; a medical research office was established within the Ministry of Health to collect plant specimens used by traditional medicine practitioners, the pathologies treated by practitioners using these plants, and the

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[132] The Copyright Law (Law No. 4/2001 of 27 February 2001) was viewed at: http://www.wipo.int/wipolex/en/details.jsp?id=3145.

[133] WTO document WT/TPR/M/209/Add.1, 8 July 2009; and IP watch online information. Viewed at: http://www.ip-watch.org/2014/04/15/upov-approves-aripo-draft-legislation-spreading-plant-variety-protection-to-africa.

[134] At the same time, the previous regulation (Decree No. 158/2006 of 26 December 2006) was revoked.

methodologies used. However, little progress was made due to resource constraints. In 1990, the Association of Traditional Medics of Mozambique (AMETRAMO) was established which, according to the authorities, has an important role to play in promoting the proper use of traditional medicine. The Government also adopted a resolution on traditional medicine policy in 2004 and incorporated recommendations into its 2000-2004 Five-Year Plan to continue research into traditional medicine with a view to its safer use by citizens.[135]

[135] Traditional Medicine Policy, Resolution of the Council of Ministers No. 11/2004.

# 4 TRADE POLICIES AND PRACTICES BY SECTOR

## 4.1 Introduction

4.1. In 2014, tertiary activities contributed to 54% of GDP, the secondary sector (manufacturing, utilities, and construction) 16%, and the primary sector (agriculture, fishing, mining and quarrying) 29% (Table 4.1).

**Table 4.1 GDP by economic activity at current basic prices (% of GDP), 2009 and 2014**

| | 2009 | 2014 |
|---|---|---|
| Agriculture including livestock, hunting, forestry and fisheries | 30.1 | 25.5 |
| Mining and quarrying | 1.6 | 3.9 |
| Manufacturing | 11.9 | 10.0 |
| Electricity, gas and water | 3.5 | 3.9 |
| Construction | 2.0 | 2.3 |
| Commerce and vehicle repair | 10.0 | 12.3 |
| Transport, storage and communication | 10.0 | 9.7 |
| Hotels and restaurants | 2.6 | 2.3 |
| Information and communication | 4.1 | 3.6 |
| Financial activities | 3.3 | 5.0 |
| Real estate and location services | 7.8 | 6.5 |
| Public administration, defence, and obligatory social insurance | 4.9 | 6.1 |
| Education | 7.2 | 8.4 |
| Health and social work | 1.7 | 2.1 |
| Other collective service activities | 1.0 | 0.8 |
| Financial intermediation services indirectly measured | -1.6 | -2.3 |

Source: Information provided by the authorities of Mozambique; and Instituto Nacional de Estatistica.

4.2. Agriculture accounts for a quarter of GDP and is a driver of Mozambique's robust growth. However, the sector is dominated by low-productivity subsistence farming which is in need of new technology and investment. The country still imports a significant share of its food, mainly rice to supply urban centres. Agricultural export trade has grown steadily, encouraged by a liberalized trade regime. Although cash crops, including sugar cane, tobacco, cotton and cashew, account for a small proportion of total area cultivated, they represent the majority of agricultural exports. Government intervention in these subsectors remains significant.

4.3. Despite growing activity, extractive industries represented only 3.9% of GDP in 2014, with most investment still geared towards exploration. Mining in Mozambique plays a significant role in the world's production of coal, gold, graphite and limonite, with massive coal reserves in Tete Province. Large reserves of natural gas were discovered in the Rovuma Basin in 2012. Currently, most of Mozambique's mining and mineral processing operations are privately owned, including cement plants, aluminium smelters and gas processing plants. Mining and the gas/oil industry are at an early stage of development, but based on known gas and mining resources, the extractives sector should play a significant role in the national economy for years to come.

4.4. Manufacturing, which accounts for 10% of GDP, is dominated by the Mozal aluminium smelting plant, while the rest of the sector has significantly under-performed over the last decade. Mozal contributed 48% of Mozambique's industrial output and further represents 75% of manufacturing exports, 60% of all exports and 42% of the country's export revenue.

4.5. In addition to expanding financial services, the tertiary sector has a growing number of micro-scale retail businesses with small profit margins and few opportunities for saving and investing. The significant importation of business services is suggestive of deficiencies in the local market for these skills. Such imports are necessary for a country to be a competitive exporter of goods.

4.6. Mozambique has significant potential in tourism based on its range of beach holiday products, ecotourism, cultural diversity, and extensive coastline. The Government has made tourism a development priority since 2000. The relevance of tourism to economic growth and poverty reduction is also acknowledged by the Strategic Plan for the Tourism Sector, 2004-2014.

4.7. There has been a significant level of liberalization in the Mozambican banking services market, but this level of openness has not translated into increased affordability and availability of banking products. Access to finance remains an obstacle to improving Mozambique's investment climate. Cross-border acceptance of deposits and lending by banks are allowed, but lending is subject to restrictions on the period, size, and interest rate of the loan. Financial services is both a key sector in services trade and a necessary prerequisite for foreign direct investment in other goods and services sectors. Countries in which the financial sector is not well regulated or rather small – including Mozambique – operate at a disadvantage in attracting foreign economic partners.

4.8. Despite sustained public investments, infrastructure continues to be deficient in meeting basic needs such as access to networked electricity, roads, sanitation, and telecommunication and Internet services. The telecommunications sector represents a bottleneck to productive activities, hindering private sector development due to the high price of access to international bandwidth; disagreements on interconnection fees and facilities sharing; a cumbersome and unwieldy licensing regime; and the low quality of service in some subsectors. These restrictions explain in large part the regulatory reform proposed by the Government in its 2013-2017 telecommunications strategy and the new legal framework.

## 4.2 Agriculture and Fisheries

4.9. Agriculture remains the core economic activity for most Mozambicans, with an estimated 86% of people depending on agriculture as their primary means of subsistence. The Government views agriculture as the main vehicle to combat poverty. The contribution of agriculture to GDP was an estimated 25.5% in 2015 and the contribution of agro-commodities to overall exports was 22.7% in the same year. The largest employers are the sugar estates and commercial farms.

4.10. The Strategic Plan for Agricultural Development (PEDSA – *Plano Estratégico para o Desenvolvimento do Sector da Agricultura*) is a long-term (2010-2019) plan developed to harmonize strategies across different agricultural subsectors, including land, forests and wildlife, livestock, research, extension, the Green Revolution, and irrigation. The plan recognizes that the country's export potential remains largely untapped, and that there is a need to position Mozambique in the agro-commodities export business.

4.11. Mozambique aims to commercialize agriculture, shifting production away from mainly subsistence activities and promoting access to international markets. Raising productivity is among the key policy objectives in this sector, as this would contribute to poverty reduction and to the attainment of food security. Government policies in this regard include expanding the provision of extension services, and supplying kits (seed, fertilizer, and equipment) on credit to cereal and groundnut farmers in high-potential growth areas of the country, as well as the establishment of service centres with mechanization services.

### 4.2.1 Agricultural production

4.12. Of Mozambique's total land area, 62% (or 49 million hectares) is suitable for agriculture, but only 16% of the 36 million hectares of arable land is estimated to be cultivated and only 3% is estimated to be irrigated. Production of food staples is dominated by smallholders, with an average of 1.2 hectares of cultivated land. The use of credit and inputs is still low, leading to relatively low yields by regional standards.

4.13. The main food crops grown by small farmers, mainly for household consumption, are: maize, sorghum, rice, common beans, groundnuts, cowpeas and pigeon peas. The main cash crops produced in the country are cashews, cotton, sugar, tea, vegetables and fruits, and tobacco (Table 4.2). These cash crops, along with oilseeds, tea, citrus, and horticultural crops (particularly tomatoes), offer alternative sources of income to the small farmers in inland districts. Government intervention remains in place in the main subsectors: cashews, cotton and sugar.[1]

[1] African Development Bank Group (2011), *Republic of Mozambique Country Strategy Paper 2011–2015*, p.6. Viewed at: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Mozambique%20-%202011-15%20CSP.pdf.

**Table 4.2 Agricultural production, 2010-2014**

(thousands of tons)

| Cultures | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Raw cotton | 41 | 71 | 184 | 67 | 97 |
| Cashew nuts | 97 | 113 | 65 | 83 | 63 |
| Sugar cane | 2,729 | 3,396 | 3,394 | 3,166 | 3,620 |
| Tea (green leaf) | 29 | 27 | 22 | 25 | 29 |
| Citrus | 32 | 36 | 49 | 52 | 53 |
| Coconut | 34 | 36 | 33 | 36 | 19 |
| Tobacco | 67 | 72 | 54 | 76 | 91 |
| Sunflower | 14 | 20 | 7 | 7 | 8 |

Source: Ministry of Agriculture and Food Security, *Economics Directorate Statistical Yearbook 2014 – Mozambique*, p. 55.

4.14. Food habits have changed in Mozambique. As the country develops, demand is increasing for cereals (rice and wheat) and milk products, which are mainly imported. Spending on food accounts for a substantial share of low-income household expenditures, hence any increase in the price of food has a substantial impact on levels of poverty.

### 4.2.2 Institutional framework

4.15. The institutions in charge of agricultural activities are: the Ministry of Agriculture and Food Security; the Cotton Institute of Mozambique (IAM); the National Cashew Institute (INCAJU); the National Institute for Agrarian Research (IIAM); and the Centre for the Promotion of Agriculture (CEPAGRI), which promotes investment in export-oriented agri-business. The IAM and the Ministry of Agriculture and Food Security regulate minimum purchasing prices for growers of cotton and tobacco, respectively, while the Centre for the Promotion of Agriculture (CEPAGRI) sets a monthly minimum domestic price for sugar, and INCAJU sets an "indicative" export price for raw cashew nuts.

### 4.2.3 Agricultural trade policy

4.16. Agriculture remains the most protected sector, with an average tariff of 12.4%. The highest average tariffs are applied to basic food products such as meat, fish, fruits and vegetables. Several products have a maximum import duty of 20% (including piri-piri, cashew nuts, ground nuts, pineapple, goat meat, oranges and tomatoes), are generally subject to VAT of 17%, and, under the SADC regional trade regime, face zero import duty.

4.17. Imports into Mozambique are subject to sanitary and phytosanitary controls at the border, which the authorities claim are in accordance with international recommendations. Additional registration requirements apply to importers of pesticides, medicinal products and seeds. According to the Phytosanitary Inspection and Plant Quarantine Regulation (Decree No. 5/2009), all plants and plant products imported should be authorized by the Mozambique Phytosanitary Authority and must be accompanied by a phytosanitary import permit and a phytosanitary certificate.

4.18. The export of seed cotton is prohibited in principle. Cotton fuzzy seeds are sold to domestic oil expelling industries. However, when the domestic market is not buying all cotton seed, the surplus can exceptionally be exported after being authorized by the IAM. Mozambique imposes an export tax of 18% of the f.o.b. customs value on raw cashews (Section 3.2.2).

#### 4.2.3.1 Sugar

4.19. Sugar is the second-largest agricultural import item, after cereals. The Government has undertaken significant efforts to revitalize the production of raw sugar, including the extension of import protection via tariffs. The initial aim of the Government in rehabilitating the sector was to create rural employment and revitalize industry. In order to achieve this, it provided a number of concessions including a VAT exemption, and subsequently established a reference price, which is continually revised (see Section 3.1.4.2.1).

4.20. The Mozambican sugar industry operates a central selling desk. The aim of the operation is: to optimize the costs of moving sugar to both the domestic and export markets; to remove the excessive surplus efficiently; to provide finance to sugar producers at economical levels; and to offer the consumers the benefit of universal pricing irrespective of their physical distance from the mills. As Mozambique does not have sufficient processing capacity, sugar companies export raw sugar to South Africa and import the processed sugar, paying the surtax on the value of the processed imports net of the value of raw sugar exports. Such imports are exempt from VAT.

### 4.2.4 Fisheries

4.21. Mozambique has significant potential in fisheries products, but the sector also faces challenges. The emphasis of the Government's fisheries policy has shifted from exports to production for the domestic market through promotion of artisanal fisheries and aquaculture, while also taking measures to contain overexploitation. There are major challenges to the building or re-building of fisheries infrastructures, namely ports, landing sites, markets, and centres for experimentation and education dedicated to aquaculture. In addition, the integration of offshore tuna fishing into the national economy continues to be a major challenge in the sector.

4.22. Mozambique has considerable potential for fisheries and aquaculture, due to its 2,750 km of coastline, and its Exclusive Economic Zone (EEZ), 200 miles off the coast, covering 586,000 $km^2$ of ocean water masses. On the other hand, Mozambique has 120,000 hectares reserved for the practice of marine aquaculture, and about 16 million hectares have been identified as potential areas for the development of aquaculture in inland water. Mozambique classifies its fishery activities as industrial, semi-industrial (vessels under 20 metres in length), and artisanal. Artisanal fishing accounted for 90% of total fish production in 2015 (Table 4.3). Shrimp accounts for a substantial portion of export revenues earned from fishery products; certain Mozambican vessels and establishments meet the sanitary requirements of the European Union, their main destination market.

**Table 4.3 Fish and aquaculture, 2010-2015**

| Description | Fish and aquaculture production (in %) | | | | | |
|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Artisanal fishing** | **86.4** | **85.6** | **87.1** | **87.9** | **89.9** | **90.1** |
| Salt water fish | 53.1 | 51.1 | 55.1 | 49.7 | 56.2 | 56.3 |
| Sweet water fish | 20.3 | 28.3 | 25.5 | 30.6 | 27.5 | 26.5 |
| Shrimp | 2.6 | 0.9 | 1.6 | 1.3 | 1.2 | 1.8 |
| Others | 10.2 | 5.0 | 6.7 | 6.3 | 3.8 | 5.3 |
| **Commercial fishing** | **13.0** | **13.9** | **10.6** | **11.6** | **9.5** | **9.4** |
| Gambas (sort of shrimp) | 0.7 | 0.6 | 0.9 | 0.8 | 0.6 | 0.5 |
| Fish | 0.9 | 0.6 | 0.7 | 0.7 | 0.5 | 0.7 |
| Shrimp | 3.4 | 2.3 | 1.2 | 1.1 | 1.5 | 1.1 |
| Kapenta | 7.0 | 9.4 | 6.5 | 7.4 | 5.3 | 5.7 |
| Others | 0.8 | 0.6 | 1.1 | 1.4 | 1.2 | 1.1 |
| **Aquaculture** | **0.5** | **0.3** | **0.2** | **0.3** | **0.4** | **0.3** |
| Total in tons (100%) | 163,399 | 194,352 | 208,977 | 222,822 | 254,345 | 287,720 |

Source: *Boletim Estatistico das Pescas 2006-2014*; and *Balanco do Plano Economico e Social 2015*.

4.23. The output of Mozambique's fisheries increased from 34,390 tonnes in 2000 to almost 288,000 tonnes in 2015. This occurred despite falling demand for fisheries products in the EU market. By contrast, commercial production and exports have not grown since the turn of the century.

4.24. The Ministry of Sea, Inland Waters and Fisheries has been responsible for the Government's policy on fisheries and aquaculture since 2000 (Law No. 22/2013). A licensing and fishery management framework was adopted in 2003, requiring fishermen obtain a fishing licence. As noted, commercial aquaculture is a nascent activity. The 2001 regulatory framework for aquaculture defines norms and requirements for aquaculture farms; establishes procedures for their licensing; establishes restrictions on the importation of live animals to be used in aquaculture; and addresses environmental issues such as the conversion of mangrove into aquaculture ponds.

4.25. The current institutional arrangement of the Ministry consists of two national directorates: the National Directorate of Economics and Fisheries Policies and the National Directorate of Surveillance. The Ministry operates with limited qualified personnel and financial capacity, and upgrading is needed to monitor and control fisheries and aquaculture.

4.26. Foreign vessels may fish in Mozambique's EEZ only under bilateral agreements. The EC and Mozambique first concluded an agreement for shrimp and tuna fishing in 1998; this lapsed and was renewed in 2004, with a new five-year fisheries partnership agreement (FPA) taking effect in 2007. Foreign vessels fishing under bilateral agreements in Mozambican waters also provide compensation to Mozambique.

4.27. On the import side, using the ISIC definition, the fisheries subsector enjoys relatively high tariff protection of 18.5%. Regarding exports, the country enjoys a considerable market resulting from free access of fisheries products to the EU market under the Everything-but-Arms Agreement, and the Generalized System of Preferences (GSP) scheme, as well as to the SADC market under the free trade area protocol. Fisheries products are also exported to Asia.

4.28. There are no tariff barriers in the international market for fisheries exports, but meeting sanitary requirements can be a technical challenge. Since the current laboratories are designed to certify only a limited number of products, Mozambique cannot diversify its fisheries products.

## 4.3 Mining and Energy

4.29. Vast coal reserves and significant potential for additional mineral deposits will make the country one of the most important growth areas in the global mining sector in the coming years. Coking coal output, currently at around 4.7 million tonnes per annum, is forecast to increase strongly, driven by Brazil's Vale and Rio Tinto (Table 4.4.). Coal mining began in 2011 and is becoming a major export, although infrastructure constraints and declining coal prices may affect development prospects. Ultimately, natural gas is projected to dominate the export mix toward the end of the current decade.

### Table 4.4 Annual production of minerals (2010-2015)

| Products | UM | Reserve | Annual production | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Metallic minerals** | | | | | | | | |
| Gold | Kg | | 106 | 111 | 177 | 90 | 197 | 241 |
| Tantalite | Ton | | 55,054 | 139,144 | 407,734 | 77,945 | 111,767 | 62,606 |
| Ilmenite | Ton | | 678,358 | 636,794 | 574,398 | 832,213 | 940,261 | 828,893 |
| Zircon | Ton | | 37,038 | 37,151 | 46,880 | 37,382 | 55,851 | 57,858 |
| Rutile | Ton | | 201 | 6,455 | 3,713 | 7,845 | 14,828 | 5,981 |
| **Non-metallic minerals** | | | | | | | | |
| Beryl | Ton | | 56 | 57 | 531 | 103 | 3 | 312 |
| Graphite | Ton | | 0 | 0 | 0 | 0 | 0 | |
| Quartz miscellaneous | Kg | | 707,411 | 838,683 | 51,749 | 110,721 | 98 | 580 |
| Bentonite gross | Ton | | 6,994 | 0 | 24,000 | 73 | 26,660 | 69,823 |
| Bentonite processed | Ton | | 458 | 493 | 846 | 92 | 739 | 349 |
| Bentonite screened | Ton | | 4,423 | 423 | 613 | 0 | 4,067 | 744 |
| Diatomite | Ton | | 123 | 48 | 541 | 375 | 77 | 160 |
| Limestone (chalk) | Ton | | 263,907 | 947,122 | 1,322,423 | 522,609 | 900,787 | 844,110 |
| Sands for construction | $M^3$ | | 1,150,051 | 1,678,736 | 2,137,612 | 960,239 | 762,644 | 1,943,556 |
| Argil (clay) | Ton | | 43,143 | 253,745 | 46,690 | 938,698 | 1,116,131 | 41,136 |
| Bauxite | Ton | | 8,556 | 10,351 | 8,632 | 6,190 | 3,324 | 4,984 |
| Rhyolite | $M^3$ | | 38,705 | 71,881 | 293,184 | 72,746 | 29,925 | 783 |
| Granite | $M^3$ | | 0 | 17,539 | 79 | 0 | 0 | 0 |
| Gravel | $M^3$ | | 785,611 | 861,648 | 1,007,801 | 1,290,446 | 1,700,311 | 2,854,365 |
| **Ornamental rocks** | | | | | | | | |
| Dumortierite | Ton | | 27 | 58 | 58 | 17,000 | 1,067 | 98 |
| Marble slabs | $M^2$ | | 0 | 0 | 0 | 0 | 0 | 0 |
| Marble in blocks | $M^3$ | | 0 | 0 | 0 | 0 | 0 | 0 |
| **Precious rocks and semi-precious rocks** | | | | | | | | |
| Tourmalines | Kg | | 2,402 | 50 | 486,468 | 128,352 | 131,340 | 144 |
| Tourmaline scraps | Kg | | 12,266 | 26,228 | 27,186 | 21,309 | 44,890 | 20,024 |
| Grenade | Kg | | 3,571 | 24,653 | 170,979 | 1,551 | 10,233 | 33,804 |
| Grenade scraps | Kg | | 12,783 | 150,274 | 0 | 0 | 352,529 | 350,158 |
| Marine waters | Kg | | 140 | 0 | 2 | 0 | 0 | 0 |
| Marine waters scraps | Kg | | 1,438 | 60 | 586 | 0 | 0 | 0 |
| Ruby | Kg | | 0 | 0 | 0 | 0 | 0 | 2,018 |
| **Minerals fuels** | | | | | | | | |
| Coal (coking) | Ton | 2 | | | | | 3,784,602 | 4,786,611 |
| Coal (thermal) | Ton | B Ton | 38,260 | 648,220 | 1,962,200 | 2,312,972 | 2,546,585 | 1,813,717 |

| Products | UM | Reserve | Annual production | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Hydrocarbon** | | | | | | | | |
| Natural gas | GJ | 277 | 124,783,152 | 131,555,851 | 146,793,243 | 163,739,583 | 161,551,762 | 154,897,752 |
| Condensed gas | Bbl | TCF | 328,171 | 396,240 | 408,342 | 416,501 | 298,321 | 457,596 |
| **Oil** | | 200 Mbbl | | | | | | |

Note: UM – unit of measurement
GJ – giga joules
Bbl – barrels
TCF – trillion cubic feet

Source: Mozambican authorities.

4.30. Mozambique currently plays an important role in the world's supply of heavy mineral sands (HMS), aluminium, tantalum and rubies (Table 4.5). Most of the country's mining and mineral processing operations are privately owned, with the Government holding varying interests in these. Excluding industrial minerals and gemstones, there are roughly eight producing modern mines in Mozambique (five coal, one HMS, one tantalum and one graphite), at least 20 advanced exploration projects, some of which are nearing development, and numerous artisanal mining communities. In addition, the development of the natural gas sector has the potential to transform the Mozambican energy sector and stimulate further economic growth and development.

## Table 4.5 Annual exports of mineral products

| Products | U.M. | Annual exports | | | | | |
|---|---|---|---|---|---|---|---|
| | | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| **Mineral resources** | | | | | | | |
| Gold | Kg | 5 | 1 | 0 | 0 | 0 | 0 |
| Tantalite | Kg | 23,535 | 48,120 | 223,987 | 11,290 | 516 | 49,106 |
| Ilmenite | Kg | 648,307 | 438,903 | 522,947 | 498,038 | 514,697 | 588,308 |
| Zircon | Ton | 60,763 | 23,796 | 44,069 | 24,532 | 23,771 | 47,515 |
| Rutile | Ton | 3,800 | 0 | 0 | 3,347 | 1,396 | 4,970 |
| Beryl | Ton | 11 | 0 | 0 | 0 | 0 | 35,360 |
| Graphite | Ton | 0 | 0 | 0 | 0 | 0 | 0 |
| Quartz miscellaneous | Ton | 662,302 | 171,783 | 0 | 81,100 | 0 | 0 |
| Bentonite processed | $M^2$ | 174 | 295 | 210 | 47 | 40 | 40 |
| Bentonite screened | Ton | 3,868 | 0 | 0 | 80 | 0 | 0 |
| Diatomite | Ton | 80 | 50 | 0 | 0 | 0 | 0 |
| Bauxite | Ton | 5,265 | 2,582 | 4,656 | 0 | 3,122 | 2,960 |
| Dumortierite | Kg | 0 | 33 | 22 | 0 | 120 | 50 |
| Marble slabs | $M^2$ | 0 | 225,144 | 0 | 0 | 0 | 0 |
| Tourmalines | Kg | 149 | 750 | 0 | 14,000 | 20 | 0 |
| Grenade | Kg | 295 | 440 | 0 | 0 | 0 | 0 |
| Grenade scraps | Ton | 61,482 | 182 | 5 | 0 | 0 | 0 |
| Marine waters | Ton | 37 | 0 | 0 | 0 | 0 | 0 |
| Ruby | Kg | 0 | 0 | 0 | 0 | 0 | 181 |
| Coal (coking) | Ton | 8,120 | 0 | 2,383,446 | 3,500,262 | 3,633,078 | 4,059,877 |
| Coal (thermal) | Ton | | 161,843 | 125,019 | 364,259 | 1,045,727 | 748,669 |
| Natural gas | GJ | 87,185,626 | 93,832,068 | 140,016,172 | 143,000,000 | 152,250,801 | 154,897,752 |
| Condensed gas | Bbl | 304,352 | 307,502 | 407,053 | 415,658 | 298,321 | 457,596 |

Note: UM - unit of measurement
GJ – giga joules
Bbl – barrels
TCF – trillion cubic feet

Source: Mozambican authorities.

4.31. The Government recognizes the need to ensure sustainable and transparent management of the environment and natural resources. The authorities subscribed to the Extractive Industries Transparency Initiative (EITI) on 19 May 2009 and are strengthening the legal framework for the natural resources sector.[2] For example, all major mining and gas contracts have been made public in Mozambique, and disclosure requirements are being reinforced by the new mining and petroleum laws recently approved by the National Assembly.

[2] African Development Bank Group (2011), *Republic of Mozambique Country Strategy Paper 2011-2015*, pp. 4 and 6. Viewed at: http://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Mozambique%20-%202011-15%20CSP.pdf.

### 4.3.1 Mining

4.32. Mozambique has commercially important deposits of coal (high quality coking coal and thermal coal), iron ore, titanium ore, apatite, graphite, marble, bentonite, bauxite, kaolin, copper, gold, and tantalite. The country's mineral potential is largely untapped. Gold deposits have attracted domestic and international investor interest in recent years. Artisan gold mining began centuries ago and continues to attract small prospectors (many of them Tanzanian). Extensive exploration will be necessary to uncover the country's full resource potential. Other key commodities such as ilmenite, rutile, zirconium and beryllium are also mined in the country. Production and export data are summarized in Tables 4.4 and 4.5.

#### 4.3.1.1 Mining: legal and institutional framework

4.33. During the review period, Mozambique's mining sector, in particular its substantial unexploited coal deposits in the central province of Tete, has attracted significant attention from international mining companies. Recognizing this potential, the Mozambique Parliament approved a new Mining Law (Law No. 20/2014 of 18 August 2014), repealing the previous Mining Law (Law No. 14/2002).

4.34. The new Mining Law[3] appears to follow the trend set by other recent Mozambican legislation (such as the Mega Projects Law and the new Petroleum Law) pursuant to which the Government is seeking to make the terms under which mining activities are conducted on a more beneficial basis for Mozambique and its people. The new Mining Law focuses on reforming the way in which mining operators conduct their activities. For example, it sets out local content requirements for the procurement of relevant goods and services designed to promote the development of local businesses and know-how. There is also the requirement that all holders of mining concessions be listed on the Mozambican Stock Exchange and, if economically viable, that any processing activities related to mineral produced in Mozambique must be undertaken in Mozambique.

4.35. In October 2015, the Government approved the implementing regulations, which *inter alia,* expand on types of licences (exploration, processing, construction, reserved area, etc.), specifying terms and conditions for each type. Certain matters still require clarification, such as the institutional set up, function and authority of inspectors, and definition of local content.

4.36. The new Law does not affect the tax and fiscal incentives regime applicable to mining operations, which has been reformed separately pursuant to a new Mining Tax Law (Law No. 28/2015 of 28 December 2015) which entered into force in 2015. The new Law is applicable to all companies conducting mining activities within the territory of Mozambique. It provides for a number of taxes, including a new tax on resource rent, a surface tax and a mining production tax. Liability for the latter tax arises when the mineral is extracted. The applicable rates are: 8% for diamonds, 6% for precious and semi-precious stones or metals and heavy sands, 3% for base metals, coal and ornamental rocks, and 1.5% for sand and rock; a tax reduction of 50% is allowed when the production of minerals is to be used by local industry.

4.37. Several key bodies are currently responsible for regulating mining activities, namely:

- The Council of Ministers, the highest government body in Mozambique, is responsible for creating primary legislation and for granting concessions and mining licences.

- The Ministry of Mineral Resources and Energy (*Ministério dos Recursos Minerais e Energia – MIREME)* governs the sector and develops and implements policies relating to the exploration and production of mineral resources including minerals and metals. It also oversees the National Directorate of Geology and Mines (*Direcção Nacional de Geologia Minas - NDGM*), which was established to manage and oversee the mining sector, and is responsible, *inter alia,* for developing public policy and regulating new mining projects.

- The National Institute of Mines (*Instituto Nacional de Minas – INM)* is the new regulatory body established by the new Mining Law to regulate mining activities, and its primary

[3] The text of the new Mining Law can be viewed at: http://www.eisourcebook.org/cms/February%202016/Mozambique%20Mining%20Law%202014.pdf.

responsibilities include: reviewing, analysing and approving mining projects, including carrying out technical and economic studies for the opening of new mines, in addition to decommissioning and/or closing mines; minimizing the social and environmental impacts of mining projects; publishing guidelines on public and private sector participation in the mining sector; and proposing new policies to the MIREME regarding the development of the mining sector.

- The Mineral Resources General Inspection Body is responsible for overseeing compliance with the new Mining Law and any other legislation, regulations and national standards governing mining activities.

- In addition, the new Mining Law provides that a new authority, the High Authority for the Extractive Industry (*Alta Autoridade da Indústria Extractiva*), is to be created to oversee the extractive industry, although the new Mining Law is silent as to the powers and role of this High Authority. In particular, it is uncertain as to whether the new Authority will be regulatory in nature or will take the role of ombudsman and/or whether its role will conflict or overlap with the NDGM and/or the Mineral Resources General Inspection Body.

#### 4.3.1.2 Incentives

4.38. The Government provides incentives for investments in the mining sector. The following are the various specific incentives which can be provided to mining companies by request: (i) the importation of certain equipment related to prospecting, research and mining exploration is exempt from customs duties over the first five years; (ii) this exemption is extended to VAT (including VAT of internal acquisitions) and to specific consumption tax; and (iii) the acquisition of services by the mining sector relating to drilling, exploration and construction of infrastructures – during the exploration and development phases – is now exempt from VAT.

### 4.3.2 Energy sector

4.39. Mozambique has high coal, gas and hydropower potential but lacks the capacity to fully exploit these resources and provide the population with reliable electricity. Some progress has been made with electricity access; the electrification rate has increased from approximately 7% of the population in 2005 to about 26% in 2014; around 2 million Mozambicans are being supplied through photovoltaic systems. On average, new connections per year have exceeded 140,000 in the last three years, mainly driven by World Bank funding and other donor support. However, the majority of the Mozambican population (about 65%) still lacks access to electricity, and biomass continues to be the mainstay of household energy use primarily for cooking. Mozambique exports 35% of its total power production, mostly to South Africa and Zimbabwe. The Mozal aluminium smelter plant accounts for 60% of the current consumption and 100% of imports.

4.40. Mozambique has considerable hydropower potential. Currently, 85% of the electricity produced in the country comes from hydropower sources followed by thermal sources (15%), including natural gas power plants and diesel. The company *Hidroelectrica de Cahora Bassa* (HCB) operates the Cahora Bassa Dam, the second largest dam in Africa, sells 75% of its existing generation to South Africa, and uses South African transmission lines to re-import.

4.41. Coal production and exports have already begun and are expected to increase from 5 million tonnes in 2012 to 22 million tonnes by 2017 as necessary infrastructure projects (including the construction and rehabilitation of a second rail line through Malawi by Vale) are completed. The value-added share of the coal and LNG sectors is projected to reach about 20% of GDP by 2023, far exceeding the share of existing megaprojects (5%). Over the next 10 years, coal and LNG are likely to contribute 2 percentage points per year to the expected 8% GDP growth. Although government revenue from megaprojects will be small over the medium term, it is projected to reach about 25% of total fiscal revenue in the longer term, largely from the LNG sector. Following the publication of Mozambique's Master Gas Plan in late 2012, the Mozambican Government has been actively seeking investors to use natural gas for domestic use, including in industries such as fertilizer and gas-to-liquid products, power production, and household use.

4.42. Regarding the legislative and institutional framework, the Government approved a new Petroleum Law (Law No. 21/2014 of 18 August 2014), which seeks to guarantee that the proceeds from operating the newly discovered natural gas reserves will benefit the local economy and population. The new Law includes, *inter alia*, the following regulations: any oil and gas consortium will require the participation of the Hydrocarbon National Company (ENH), which is the exclusive representative of the State in the oil and gas business; national companies in the sector must be registered on the Mozambican Stock Exchange and are obligated to hold public auctions for contracts on goods and services and give preference to local companies under certain conditions while a percentage of their royalties is required to be channelled towards the improvement of the community in which the project is developed; and that 25% of all LNG production must be directed towards the domestic market.

4.43. The Ministry of Mineral Resources and Energy and its independent regulatory agency, the National Petroleum Institute (INP), manage the considerable upstream oil and gas exploration and production activities in Mozambique, both onshore and offshore. The INP, as a regulatory entity, is, *inter alia,* responsible for: the administration and promotion of oil operations; the setting of guidelines for public and private sector participation; the regulation and supervision of research, production and transportation of petroleum; and also for mediation, conciliation and arbitration in accordance with the agreement of the parties and the legislation in force. The Government conducted a bidding round in July 2005 for the exploration of several offshore blocks in an area known geologically as the Rovuma Basin, named after the Rovuma River that forms Mozambique's northern boundary with Tanzania.

4.44. Specific performance requirements are built into mining concessions and management contracts, and sometimes into the sale contracts of privatized entities. Investments involving partnerships with the Government usually include milestones that must be met for the investor's project to continue. The Government generally does not require investors to purchase from local sources nor does it require that technology or proprietary business information be transferred to a local company. However, the draft regulations for new mining and petroleum laws might oblige investors to give preference to purchasing from local sources available in Mozambique which are of an internationally comparable quality and which are offered at competitive prices in terms of delivery. The Government of Mozambique intends to codify local content requirements.

## 4.4 Manufacturing Sector

4.45. The Government considers the industry to be one of the determining factors in its efforts to attain poverty reduction and economic development. The main strategic objectives for the development of the sector are increasing production and productivity, promoting industrialization oriented towards modernizing the economy and increasing exports, the promotion of employment, value chain promotion of national primary products, ensuring incorporation of local content, and improving the business environment.

4.46. The Government's Industrial Policy and Strategy (approved by Resolution No. 23/2016) sets the broad guidelines of industrial development in the country, defining the food industry, furniture, building materials and tools, collection and recycling of industrial waste, engineering and electronics as priority sectors (Section 2.2).[4]

4.47. Furthermore, the National Development Strategy (2015-2035) seeks to promote industrialization, based on four pillars: (a) development of human capital; (b) development of infrastructure to support the industry; (c) research, innovation and technical development; and (d) institutional articulation and coordination. This document defines strategies for the development of priority areas, including the revitalization and expansion of the manufacturing sector and development of value chains in the mining industry. The development of value chains in the extractive industry, in view of export diversification and recalibrating the economy away from its dependence on commodity trade, constitutes a major challenge for Mozambique, particularly in coal, gas, iron and heavy mineral sands.

### 4.4.1 Incentives

4.48. The Government provides tax benefits to industries located and operating in the country. The tax benefits are regulated by Law No. 4/2009 relating to the Code of Fiscal Benefits (see

[4] See Section 2 of this report, para. 2.13.

paragraphs 3.79-3.81) and by the Ministerial Decree No. 99/2003 of the Customs Regime Regulation for Manufacturing.

4.49. Ministerial Decree No. 99/2003 grants the manufacturing industry exemption from customs duties on the import of materials used in the industrial production process. This benefit is provided to companies that demonstrate and commit to maintaining an annual turnover of not less than Mt 3 million in the agro-industry, food industry, textile, clothing and footwear, metal-mechanical industry, graphic industry, chemical industry, and plastic and rubber industry. Tax benefits will be granted to companies whose added value to the final product corresponds to a minimum of 20%.

4.50. The Government considers the use of tariffs as one of the means to generate tax revenue, as well as to develop industrial policies when deemed necessary, and for job creation. Generally, tariff protection in the manufacturing sector has not changed significantly from 2010 to 2016. It ranges from 0% to 20%, depending on the activity. Apart from customs duties, imported manufactured goods which compete with products manufactured locally are subject to surcharges, as in the case of sugar, cement, and certain galvanized steel products. The protective tariffs and surcharges are regulated by Law No. 6/2009.

4.51. Mozambique's large export-oriented investment projects of recent years operate as Industrial Free Zones.[5] Mozal, a joint venture of several international companies, is the second-largest aluminium producer in Africa and operates as a free-trade zone. Aluminium production is one of the most important revenue generators for Mozambique. The Mozal aluminium smelter, operated by BHP Billiton, is one of the largest in Africa. In 2012, Mozambique produced 550 metric tonnes (MT) of aluminium.

4.52. Other relatively successful industries produced food and beverages for the domestic market, and tobacco and sugar, mainly for the export market. Besides these commodities, industrial policies have generally failed to promote manufacturing expansion as a proportion of the GDP.

## 4.5 Services Sector

4.53. The services sector is generally smaller in developing countries (and especially LDCs) than it is in more developed countries, but it is no less important for their development. The production and export of almost all types of goods depend critically on access to services at world-class levels of price and quality. While Mozambique has some capacity to provide such services domestically, this is an area where the interests of the economy as a whole may be best served if, while the country is still developing its capacities in this area, the market were more welcoming to foreign providers.

4.54. Mozambique is characterized by a limited fixed telecoms network and a relatively strong mobile network. The fixed network, with 81,000 subscribers or just 0.3 fixed-telephone subscribers per 100 inhabitants, has been unable to compete against mobile providers, struggling with poor infrastructure due to a prolonged period of under-maintenance and insufficient investment. The mobile segment has been more successful, expanding from 436,000 subscribers in 2003 to an estimated 18 million subscribers in 2015.

4.55. The telecommunications sector continues to be a bottleneck to the productive activities of both domestic businesses and foreign investors. It can hinder private sector development due to the high price of access to international bandwidth; disagreements on interconnection fees and facilities sharing; a cumbersome and unwieldy licensing regime; and the low quality of service in some subsectors. These restrictions explain in large part the regulatory reform proposed by the Government in its 2013-2017 telecommunications strategy and the proposal for a revised legal framework. The strategy lays out the vision for the telecommunications sector and sets strategic goals and a number of areas for priority action. These include the simplification of the licensing regime, the liberalization of services and networks, the reorganization of the state-owned telecommunications enterprises, and the improvement of the legal framework.

4.56. Replacing the old telecommunications law of 2004, the new Telecommunications Law (Law No. 4/2016), which entered into force in June 2016, addresses some of the sector's challenges and

[5] See Section 3.3.1.1 on SEZ and IFZ regions.

technological changes, including: unified licensing, enhancing competition, assuring network interoperability and interconnection, and promoting infrastructure investment and sharing, quality and affordability of service. The aim of this Law is to stimulate competition in the telecommunications market, improve its functioning, and ensure the protection of basic rights of consumers.

4.57. During the review period, several regulations were also approved in order to encourage and promote more investment and to ensure the highest standards and the required efficiency for better provision of services, namely: Regulation on Equipment and Radio Telecommunications (Decree No. 37/2009); Regulation on Sharing Infrastructure (Decree No. 62/2010); Regulation on Quality of Service (Decree No. 6/2011); Regulation on Traffic Control (Decree No. 75/2014); Regulation on SIM Card Mobile Phone Registration (Decree No. 18/2015).

4.58. Mozambique's telecommunications market is segmented into the fixed-line and mobile telephony services markets. The mobile market has been liberalized since 2001, while the fixed market was liberalized in 2007. The *de facto* monopoly operator in the fixed-line segment is the state-owned company *Telecomunicaçoes De Moçambique* (TDM), while three companies (Mozambique Cellular or Mcel, Vodacom Mozambique (part of South African cellular provider Vodacom) and Movitel (backed by Viettel Group, Vietnam's largest mobile network operator)) dispute the mobile market.

4.59. In addition, there are 18 data transmission and Internet operators, and 10 Internet service providers (ISPs) that resell TDM's Internet access products. There are also an estimated 29 internet service providers[6] as well as two international undersea cable operators. The Internet is available in cities and is largely unregulated, with ISP providers able to bring in their own bandwidth. There is significant room for growth in this sector; the ITU estimated that in 2011 there were only 0.07 fixed Internet subscribers for every 100 Mozambicans.

4.60. Mozambique's Telecommunications Law and regulations reflect the principles contained in the WTO's Reference Paper on Basic Telecommunications. For example, Decree No. 34/2001 explicitly recognizes and adopts the principles in the Reference Paper in relation to interconnection; and the Telecommunications Law of 2016 prohibits anti-competitive behaviour and establishes that the National Communications Institute of Mozambique (*Instituto Nacional das Comunicações de Moçambique* (INCM)), the regulatory authority, is autonomous legally, financially, and administratively. The INCM's main responsibilities are: licensing, spectrum management, numbering, and the regulation of tariffs and quality. It is an autonomous entity under the administrative supervision of the Ministry of Transportation and Communications.

4.61. Although fixed-line telephony was liberalized from 2007, the market for the provision of these services is closed as a result of an exclusive licence granted to the TDM monopoly (which is 80% state-owned) until 2028. In addition, the market is reserved for public investment. TDM's exclusivity relates to the provision of fixed-line telecommunications network services (telephone lines), customer premises equipment, and local and long-distance (national and international) calls. There is clearly a correlation between the market structure and the slow growth rates being experienced in these services. The fixed operator has struggled to compete against the mobile operators, whose growing competitiveness has induced people and companies to give up their fixed telecoms services.

4.62. Liberalization efforts appear to have been focused on encouraging service provision through the establishment of commercial presence. While the current Telecommunications Law aims to create a framework for the liberalization of the industry and provide a transitory regime for the elimination of the TDM monopoly, the company's current licence seems to preserve its privileged position until 2028.

4.63. The mobile market is the most successful segment in Mozambique, fuelled by the limited fixed infrastructure and the lower investment needed to expand its coverage and deploy new

[6] However, not all licensed ISP operators are currently active and it is unclear how many of them are. Of the active ISPs, the majority are based in Maputo and their services are mainly directed towards the corporate segment. The country's limited fixed infrastructure creates favourable conditions for ISPs. Through the use of wireless technologies, these providers act as substitutes for the fixed network in areas outside its coverage.

services. It is composed of three operators: Mcel, founded in 1997, Vodacom, which started operating in 2003, and Movitel in 2012.

4.64. With respect to Mozambique's mobile telecommunications subsector, for entry into the market through the acquisition of an existing firm, the foreign ownership limit is decided by the Ministry of Finance on a case-by-case basis. In addition, the number of licences may be limited since the regulatory authority decides when to issue a licence. Other limitations include the requirement of authorization from the Ministry of Labour and a labour market test before foreign employees can be hired, and the requirement of approval of the Investment Promotion Centre and registration with the Central Bank for the repatriation of earnings.

### 4.5.1 Financial services

4.65. Financial access has increased significantly over the last decade. The number of bank branches rose from 228 in 2005 to 572 in 2014 and the credit-to-GDP ratio rose from 13.2% to 30% (Table 4.6). The share of the adult population that has a bank account increased to 20% in 2014 and the share of adults financially excluded dropped to 60% in the same year.

4.66. However, restricted financial access still limits the sector's ability to mobilize resources. The financial sector is underdeveloped and still bank-dominated. Capital and financial markets are weak and mostly concentrated in Maputo.

4.67. The banking sector[7] remains concentrated, uncompetitive and highly focused on upper levels of the market, although there is an increasing geographic coverage. By end-2014, the sector consisted of 18 banks, 18 microbanks and credit unions, 17 insurance companies, 285 microfinance operators, and 11 social security and pension funds.

**Table 4.6 Overview of the financial sector, 2005, 2012 and 2014**

| | 2005 | 2012 | 2014 |
|---|---|---|---|
| Commercial banks | 13 | 18 | 18 |
| Microbanks & credit cooperatives | 5 | 15 | 18 |
| Microfinance operators | 19 | 202 | 285 |
| E-Money institutions | n.a. | 2 | 2 |
| Insurance companies | 6 | 13 | 17 |
| Social security & pension funds | n.a. | 5 | 11 |
| Intermediary access points | | | |
| Bank agencies | 228 | 529 | 572 |
| ATMs | 453 (2008) | 934 | 1,302 |
| POS | n.a. | 8,499 | 14,461 |
| Districts with at least one bank agency out of 158 | 27 | 62 | 69 |
| Financial access (use of services) | | | |
| Adults with at least one bank account (%/total) | 6 | 20 | 24 |
| Adults formally banked (%/total) | 13 (2010) | n.a. | 20 |
| Adults financially excluded (%/total) | 78 (2009) | n.a. | 60 |
| Credit to economy (%/GDP) | 13.2 | n.a. | 30 |

n.a. Not available.

Sources: Bank of Mozambique; FinScope Survey 2009 and 2014.

4.68. The registered banks are dominated by foreign-owned institutions, representing 95% of total financial system assets. The sector has attracted foreign investors with NedBank, EcoBank, Credit Suisse, and Banco BIG entering the market in 2015. The five largest banks, all foreign-owned, hold more than 80% of the system's assets. Almost 80% of bank agencies and ATMs are located in urban areas, around half in Maputo.

4.69. Mozambique scored low marks on the WEF Global Competitiveness Index 2015-2016[8] for financial market development because of the low availability of financial services, affordability of financial services, local equity financing and availability of venture capital. Just four companies are listed on the stock market. Overall listed securities represented just 7.2% of GDP in 2014.

[7] IMF (2016), *Country Report No. 16/10: Republic of Mozambique Selected Issues*, p.10. Viewed at: https://www.imf.org/external/pubs/ft/scr/2016/cr1610.pdf.

[8] Viewed at: http://reports.weforum.org/global-competitiveness-report-2015-2016/.

4.70. In March 2013, the authorities adopted a Financial Sector Development Strategy 2013-22, aimed at deepening financial inclusion, which includes measures to enhance competition, consumer protection and financial literacy.

4.71. Commercial banks are best suited for providing short-term loans, trade-related finance and fee-based services. Medium-term loans are available but stiff collateral requirements and high interest rates deter borrowing in the commercial sector. Domestic customers' deposits constitute the main funding source for the commercial banks. Incentives for banks to use the Central Bank's lending facility, the interbank market or foreign credit lines for liquidity appear to be limited. The deposit base is rather narrow and tends to be concentrated among a few large institutional clients, including public companies and non-bank financial institutions comprising pension funds and insurance companies.

4.72. In 2014, net bank assets reached 54.5% of GDP. The combined net assets of the six largest banks operating in Mozambique increased 22% year-on-year. Average return on equity was 20%, although this was higher for the three main banks. Non-performing loans rose by 75% from 2013, increasing from 2.19% to 3.03%. Local currency denominated loans increased, accounting for 75% of the total loan portfolio in the period, against 73% in 2013.

4.73. The debt market is dominated by sovereign issues. Corporate bond issues are small scale and mostly limited to financial institutions and telecommunication firms. The investor base for both government and non-government securities is largely dominated by commercial banks, though a few insurance companies and investment management institutions are also active. The financial non-banking sector comprises two leasing companies, and one for debt factoring.

#### 4.5.1.2 Sector regulation

4.74. The relevant legislation, including regulations, comprise: the Central Bank Law (Law No. 1/92); the Law of Credit Institutions and Financial Companies; the Banking Act (BA – Law No. 15/99), with amendments introduced by Law No. 9/2004; Decree No. 56/2004 approving the regulation of the Law of Credit Institutions and Financial Companies; Decree No. 57/2004 approving the regulation of microfinance; Law No. 14/2013 (Law on AML/CFT); Law No. 6/2015 (Law on the Credit Information Bureau); and Decree No. 6/2015 (Regulation of the Credit Information Bureau Law).

4.75. Apart from these regulatory documents, legislation also includes the following elements: requirements on capital adequacy, in accordance with Basel II, including a minimum capital adequacy ratio (CAR) of 8%. Since January 2014, the Central Bank has introduced: the Basel II framework (most of the regulatory documents have been approved or updates); guidelines on risk management; requirements on internal controls; restrictions on connected lending; limits on foreign exchange exposures and on fixed assets; minimum levels of provisions; large exposures and concentration limits; limits on foreign exchange exposures and on fixed assets; accounting and reporting; and due diligence standards.

4.76. There has been a significant level of liberalization in the Mozambican banking services market. For example, foreign investors may either operate their business concerns as a branch or incorporate domestically, and national treatment type restrictions are not maintained in the banking subsector. Unfortunately, this level of openness has not translated to increased affordability and availability of banking products, as access to finance remains an obstacle to improving Mozambique's investment climate.

4.77. Cross-border acceptance of deposits and lending by banks are allowed, but lending is subject to restrictions on the period, size, and interest rate of the loan. For the provision of these services through the establishment of a commercial presence, the incorporation of a company requires authorization, which is granted on a case-by-case basis by the Central Bank. In addition, the repatriation of earnings requires the approval of the Investment Promotion Centre and registration with the Central Bank. Furthermore, the sale of a branch of a foreign insurer requires prior authorization by the Minister of Finance; the establishment of branches of foreign insurers seems to be subject to an economic needs test; insurance mediation is reserved for Mozambican residents and companies with headquarters in Mozambique; and the majority of the members of the board of joint stock insurance companies must be resident in Mozambique. In addition, there is a prohibition on non-resident insurance companies from covering risks in Mozambique unless the companies established in Mozambique deem that the risk is too high.

4.78. Further, the provision of life and non-life insurance is separated (i.e. an insurance company may only provide one type of insurance). Restrictions are lower in the insurance subsector than in the banking sector, but the most restrictive practices are applied to the cross-border supply of insurance services. While the cross-border provision of automobile and life insurance and re-insurance is allowed, the provision of the former two services is subject to the demonstration of the local/domestic unavailability of the services provided. In addition, there are limitations on the value of the insurance policy and the final sector receiving the service. The only restrictions on the provision of these services through the establishment of a commercial presence are the requirements to secure the approval of the Investment Promotion Centre and to register with the Central Bank.

4.79. The Financial Sector Development Strategy 2013-2022 provides the Government's framework for sector growth. It aims to maintain financial stability, improve financial access and support inclusive growth, and increase the supply of long-term private capital to support development. Strategies, policies and programmes to enhance financial sector deepening are being established within the framework of the FSDS.

4.80. A key recent such initiative is the Financial Inclusion Strategy 2016–2022[9], which focuses on three areas, as follows:

- access to and use of financial services, which includes actions to expand and diversify the network of financial service access points, improve the legal and regulatory framework for the expansion of financial products and services, develop a range of products for MSMEs, the low income population and farmers, and increase the level of information on financial inclusion;
- strengthening financial infrastructure, which entails actions to improve the infrastructure for the National Payment System and the expansion of credit;
- consumer protection and financial literacy, which covers the legal, regulatory and supervision framework for financial consumer protection, public information dissemination and financial knowledge of the population.

### 4.5.2 Transport and logistics

4.81. Mozambique has poor quality infrastructure. Much of the country's transport networks were damaged or destroyed during the civil war. Although notable improvements have been made, the country still compares unfavourably to other countries in the world, and in 2013 was ranked 124$^{th}$ out of 144 countries by the World Economic Forum (WEF)[10] in the "quality of transport infrastructure" index. The country fares even worse when it comes to the quality of roads, where it ranked 135$^{th}$ out of 144 countries. The quality of its railroads is deemed more adequate, with a ranking of 89$^{th}$. Mozambique was ranked 116$^{th}$ for the quality of its port infrastructure by the WEF.

4.82. Despite the poor state of the current transport infrastructure, the Mozambican economy is expected to continue expanding at robust levels, ensuring that the demand for transport services will gradually increase, in addition to providing the necessary incentive for the refurbishment and construction of transport networks.

4.83. Due to its geographical location, Mozambique is a useful transit route for the international trade of landlocked countries like Zambia, Zimbabwe, Swaziland, Malawi, the Democratic Republic of the Congo and the northwest region of the Republic of South Africa. Mozambique is responsible for 70% of SADC's transit traffic, with logistics corridors linking the deep water coastal ports with neighbouring countries. It therefore plays a major role in regional trade, as it provides important transportation corridors for cross-border businesses as well as exporters and importers of goods.

[9] Bank of Mozambique 2015. See http://www.afi-global.org/news/2016/4/07/mozambique-approves-national-financial-inclusion-strategy-2016-2022.

[10] Viewed at: http://reports.weforum.org/global-competitiveness-report-2015-2016/economies/#economy=MOZ.

#### 4.5.2.1 Development corridors

4.84. The corridors seek to promote trade and investment-led growth, focusing on large anchor projects, normally mineral-based, and optimizing investments in infrastructure, encouraging value-added activities and enhancing the competitiveness of regional economies. The three major growth corridors in Mozambique are the Maputo Corridor to the South African border; the Nacala Corridor linking the central and northern provinces of Mozambique and Tanzania, Zambia, and Malawi to the Nacala deep water port; and the Beira Corridor linking Mozambique's central provinces and neighbouring Zimbabwe with the Beira port.

4.85. Mozambique has seven main seaports, of which Maputo, Beira and Nacala are the most important. These three ports have functioning rail and road links, linking them to the hinterland and neighbouring countries. Maputo is the busiest port, and a primary hub for different kinds of cargo, and Nacala is most suited for the handling of coal and heavy-bulk goods. Beira, however, has limitations that make it inefficient for exporting coal.

4.86. Mozambique continues to make a significant contribution to regional integration, as the three regional transport corridors – Beira, Nacala and Maputo – play a strategic role in freight handling to and from the land-locked neighbouring countries of Zimbabwe, Zambia, Malawi, and Botswana, as well as South Africa, and will therefore facilitate the movement and connection of cross-border transport to the rest of the SADC freight market. Truck processing times at Maputo, Beira and Nacala compare favourably with other Southern African ports.

4.87. The Maputo Development Corridor (MDC) is the most important of Mozambique's three corridors, given the close economic ties between Mozambique and South Africa. It is the largest and most successful development corridor initiative thus far in the SADC. It was created in 1996 with the aim of upgrading the port of Maputo and improving the rail and road links between Maputo and South Africa, in order to attract more South African traffic to the port. Important drivers have been the availability of electricity in the centre of Mozambique for the Mozal aluminium smelter near Maputo and the availability of gas from the south for the Sasol petrochemical complex in South Africa.

4.88. The Nacala Corridor stretches from Lusaka in Zambia, through Malawi, to the port of Nacala in Mozambique. It is envisaged that the Nacala Corridor will be one of the most cost-effective routes to the sea for imports and exports from Malawi, Zambia and western Mozambique. Thus, this Corridor will create an alternative for transport operators, with a view to reducing transit time and costs. Such savings can then be optimized towards greater productivity by individual transport operators through more trips and reduced operating costs per trip.

4.89. The Beira Corridor is a vital access link between the port of Beira and Mozambique's interior, as well as to its neighbouring, landlocked countries of the Democratic Republic of the Congo, Zimbabwe, Zambia and Malawi. It involves the rehabilitation of the transport infrastructure of the Beira Corridor in Mozambique, including the rehabilitation of the Sena railway line and the restoration of the Beira port access channel to its original specification.

#### 4.5.2.2 Institutional framework

4.90. The current transport and logistics system in Mozambique is designed to link neighbouring countries to Mozambique's ports and, domestically, to link mines and industry to the ports. Transport administration in Mozambique is managed by a combination of national, provincial and private authorities. The Ministry of Transport and Communications sets policy and regulations for rail, air and ports.

4.91. The road sector comes under the Ministry of Public Works, Housing and Water Resources, which integrates the National Road Administration (ANE), responsible for the implementation of the road programme and the Road Fund (FE), responsible for financing through a combination of fuel charges, bridge tolls and transit charges.

4.92. The Mozambique Ports and Railways Company (CFM) is a state-owned enterprise comprised of four branches: CFM North, CFM Central, CFM South and CFM Zambezia. It operates the railway lines in these geographic areas and is also responsible for port infrastructure and services.

4.93. The sector regulator, the National Institute of Surface Transport (*Instituto Nacional dos Transportes Terrestres,* or INATTER) was created in 2011 to regulate, monitor and supervise activities involved in land transport, with respect to the transport needs of people and goods, and the promotion of the security, quality and rights of the users of road and rail transport. The practical implications of this mandate are not yet clear, given the recent establishment of the Institute.

#### 4.5.2.3 Road transport

4.94. Transport by road accounts for nearly all of passenger traffic in Mozambique and over half of freight traffic. Of Mozambique's network of 30,000 km of roads, only around 6,500 km are paved. The condition of the road network is poor, in particular in rural areas. Secondary roads and all-season rural roads are scarce. The authorities acknowledge that there is scope to increase domestic transport systems, especially secondary roads, which can, in turn, facilitate trade, agricultural development and other economic and human activities. While the Government has acknowledged the importance of developing rural roads, progress has been limited. However, without a rail network that covers the country, and with limited shipping between cities, the road network is the only transport option for the majority of the population.

4.95. Road transport in Mozambique is regulated by the Road Decree (Law No. 1/2011). The provisions of this Decree are applicable to transport on roads that are owned by the State and on roads that are privately owned, when these are opened for public transport.

4.96. Mozambique is a signatory to the SADC Protocol on Transport, Communications and Meteorology (PTCM). The SADC PTCM provided the framework for the bilateral agreements signed between Mozambique and some countries in the region, namely: South Africa, Malawi, Swaziland, Zimbabwe and Zambia.

4.97. The private sector is currently estimated to control over 90% of the passenger and freight transport market. The fixing of passenger services fares and route allocation in passenger transport falls under government responsibility, while pricing for freight transport is determined by market forces. Competition is relatively strong in the Mozambican trucking industry on the main transport corridors. Nevertheless, truck use is not optimal because of low freight volumes, cumbersome procedures, and bad roads on some corridors.

#### 4.5.2.4 Ports and railways

4.98. Mozambique has three major ports at Beira, Maputo and Nacala, which act as important conduits for trade in the neighbourhood, especially for landlocked countries. It has about 13 other small ports located along the coastline. Beira port will have to be dredged and modernized and new terminals built to accommodate the growing amount of coal that is expected to pass through it in the years to come. Nacala port, Mozambique's third largest port, is another important point for moving coal to markets. CDN, a Mozambican private company, currently holds the concession for managing Nacala port together with the Government. However, according to the authorities, Nacala port faces a number of challenges: the cost of terminal handling charges (e.g. for weighing, container storage, and wharfage); productivity of container operations; the need for port equipment such as shore cranes to load and unload cargo; and the periods during which containers remain at the terminal.

4.99. Rail transportation in Mozambique is divided into three more or less independent networks in the south, centre and north of the country, connecting neighbouring countries with the three main ports in Mozambique

#### 4.5.2.5 Air transportation services

4.100. Mozambique has 25 airports, including an international airport in the capital city, Maputo. There are also international airports at Vilanculos, Tete, Beira, Nampula and Pemba. However, there is a lack of competitiveness, as the flag carrier, LAM, and South African Airways (SAA) dominate the airline sector.

4.101. The Civil Aviation Law No. 21/2009[11] liberalized domestic air services, while the provision of international air transport services is in accordance with Mozambique's bilateral air services agreements (BASAs). The more recent agreements provide for the first four freedoms of the air; prohibit cabotage; designate a single carrier per country to service the route; require that tariffs be approved; and that capacity be determined by the carriers.

4.102. Law No. 21/2009 reserves the provision of air services between two points in Mozambique for national carriers, even when the flight originates or makes a stop in a foreign country. Further, to be designated as a national carrier, the airline must be domestically incorporated and Mozambique must be the airline's principal place of business. Further incentives are reserved for national carriers servicing low-traffic domestic destinations.

4.103. By means of the recently published Resolutions Nos. 56/2015, 57/2015, 58/2015, 59/2015, 60/2015 and 61/2015, all of 31 December 2015, the Council of Ministers approved the adherence of Mozambique to several civil aviation international instruments, specifically (i) the International Air Services Transit Agreement, signed at Chicago, on 7 December 1944; (ii) the Supplementary Protocol, signed at Beijing, on 10 September 2010, to the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at the Hague, on 16 December 1970; (iii) Convention on the Suppression of Unlawful Acts Relating to International Aviation, signed at Beijing, on 10 September 2010; (iv) the Protocol on Offences and Certain Other Acts Committed on Board Aircraft, signed at Montreal, on 4 April 2014; and (v) the Convention on Compensation for Damage to Third Parties, Resulting from Acts of Unlawful Interference Involving Aircraft, signed at Montreal, on 2 May 2009.

### 4.5.3 Tourism

4.104. The country offers a range of beach holiday products, ecotourism, cultural diversity, and a coastline of 2,700 km along the Indian Ocean. The coast is particularly attractive with distinct marine species including dolphins, whales, sharks and turtles.

4.105. The southern region of Mozambique dominates the industry, accounting for nearly 50% of total earnings generated, thanks to the relatively high quality of infrastructure and considerable investments in the region. The northern region is perhaps the most attractive touristic region and enjoys international visibility. The region features historic places such as Ibo island, the internationally acclaimed archipelago of Quirimbas, the Niassa Reserve and the bio-diversity of Lake Niassa.

4.106. Since 2000, tourism is a development priority. Presidential Decree No. 9/2000 established the Ministry of Tourism (MITUR) in clear recognition of the potential of the industry to generate employment, promote infrastructure development and local economies, and generate resources to improve the country's balance of payments. The relevance of tourism to economic growth and poverty reduction is also acknowledged by the Strategic Plan for the Tourism Sector, 2004-2014. This plan was phased out in 2014 and a new one was developed and recently approved.[12] Furthermore, measures that seek to stimulate more effective competition in the air transport sector, constrained by relatively high costs, are likely to yield significant benefits to the wider economy in general and to the tourism industry in particular.

4.107. The broad mandate of the MITUR is to plan and implement policies within the domains of tourism activities, touristic lodging, restauration and night clubs, casinos, and conservation areas. The Ministry is made up of the General Inspection of Tourism (IGT), which is tasked primarily with enforcing laws, regulations and policies within the sector; the National Directorate of Tourism (DNATUR), whose role is to guide, discipline and support touristic activities, touristic lodging, restauration, and beverage and night club enterprises; and the National Directorate of Games of Fortune (DNJFA), which plays the role of instructing the process of licensing exploration of

[11] Superseded by the new Civil Aviation Law (No. 4/2016) of 14 June 2016. Viewed at: http://www.iacm.gov.mz/index.php?option=com_content&view=article&id=65%3Alegislacao-do-sector&catid=41%3Alegislacao-regulamentacao&Itemid=107&showall=1.

[12] UNWTO, "New Strategic Tourism Development Plan (STDP) for Mozambique Approved", 14 January 2016. Viewed at: http://cooperation.unwto.org/news/2016-01-14/new-strategic-tourism-development-plan-stdp-mozambique-approved.

gambling. The National Directorate of Planning and Cooperation (DPC) is the technical unit of the Ministry, with the role of carrying out analysis and planning within the sector.

4.108. Other subordinate institutions include: the National Institute of Tourism (INATUR), established by Decree No. 36/2008, with the role, *inter alia*, of promoting development of the tourism sector, classification of tourism enterprises, and development of areas of touristic interest; the unit for Coordination of Trans-Boundary Conservation Areas (ACTF), which is tasked with promoting connectivity and the effectiveness of biodiversity conservation while enhancing community benefits through the promotion of environmentally sustainable tourism; and the National Agency for Conservation Areas (ANAC), whose mission is to ensure the conservation of biodiversity, the administration and promotion of sustainable use of conservation areas, as well as establishing partnerships for the development of conservation areas.

4.109. New Regulations on travel and tourism agencies and tourist information professionals, approved by Decree No. 53/2015 (of 31 December 2015), repealed the previous regime established by Decree No. 41/2005, and now govern the licensing and operation of travel and tourism agencies and the activities carried on by tourist information professionals. The new regime has been in force since 30 January 2016.

4.110. According to the authorities, tourism earnings consistently increased from 2009 to 2012; during 2009-2013, an average of 1.9 million persons per year arrived in the country.

## 5 APPENDIX TABLES

### Table A1.1 Merchandise exports by product group, 2008-2015

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Total (US$ million) | 2,653 | 2,147 | 2,243 | 3,604 | 3,470 | 4,024 | 4,725 | 3,196 |
| (Per cent of total) | | | | | | | | |
| Total primary products | 86.2 | 47.7 | 93.0 | 92.6 | 87.8 | 84.9 | 83.7 | 91.6 |
| Agriculture | 18.2 | 26.3 | 19.8 | 25.7 | 21.0 | 20.4 | 19.2 | 22.7 |
| Food | 14.7 | 23.2 | 15.5 | 20.5 | 16.5 | 16.7 | 15.0 | 20.0 |
| 1212 - Tobacco, wholly or partly stemmed/stripped | 6.2 | 7.2 | 5.9 | 4.8 | 6.3 | 6.2 | 5.3 | 8.9 |
| 0611 - Sugars, beet or cane, raw, in solid form | 0.0 | 2.7 | 0.2 | 2.4 | 4.2 | 4.6 | 1.7 | 3.7 |
| 0573 - Bananas (including plantains), fresh or dried | 0.2 | 0.2 | 0.6 | 4.7 | 0.7 | 0.6 | 0.9 | 1.0 |
| 0361 - Crustaceans, frozen | 2.5 | 2.8 | 2.3 | 1.2 | 0.6 | 0.9 | 1.0 | 0.8 |
| 1121 - Wine of fresh grapes (including fortified wine) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.6 |
| 2225 - Sesame (*Sesamum*) seeds | 1.2 | 1.8 | 0.8 | 0.5 | 0.5 | 0.7 | 0.9 | 0.6 |
| 0542 - Leguminous vegetables, dried, shelled, whether or not skinned or split | 0.3 | 1.8 | 1.0 | 0.7 | 0.5 | 0.5 | 0.9 | 0.6 |
| 4215 - Sunflower seed or safflower oil and fractions thereof | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.3 | 0.6 | 0.5 |
| 0577 - Edible nuts (excluding nuts chiefly used for the extraction of oil), fresh or dried | 1.2 | 1.6 | 1.3 | 2.4 | 0.7 | 0.8 | 0.8 | 0.4 |
| Agricultural raw material | 3.5 | 3.1 | 4.3 | 5.2 | 4.5 | 3.7 | 4.2 | 2.7 |
| 2631 - Cotton (other than linters), not carded or combed | 1.9 | 1.2 | 0.0 | 0.6 | 0.3 | 2.0 | 1.0 | 0.9 |
| 2484 - Wood of non-coniferous species, sawn or chipped lengthwise, sliced or peeled | 0.8 | 1.2 | 1.8 | 3.4 | 1.0 | 0.7 | 1.5 | 0.6 |
| Mining | 68.0 | 21.3 | 73.3 | 66.9 | 66.8 | 64.5 | 64.5 | 68.8 |
| Ores and other minerals | 2.4 | 3.6 | 1.5 | 5.5 | 7.5 | 4.5 | 4.4 | 5.0 |
| 2878 - Ores and concentrates of molybdenum, niobium, tantalum, titanium, vanadium and zirconium | 1.4 | 2.6 | 0.9 | 4.8 | 6.9 | 3.8 | 3.9 | 4.5 |
| Non-ferrous metals | 54.8 | 0.3 | 51.8 | 45.1 | 31.4 | 26.5 | 30.0 | 33.4 |
| 684 - Aluminium | 54.7 | 0.0 | 51.7 | 45.1 | 31.4 | 26.4 | 29.9 | 33.4 |
| Fuels | 10.8 | 17.4 | 19.9 | 16.3 | 27.8 | 33.5 | 30.0 | 30.4 |
| 3250 - Coke and semi-coke (including char) of coal, of lignite or of peat | 0.0 | 0.0 | 0.0 | 0.6 | 12.5 | 13.1 | 10.2 | 12.1 |
| 3510 - Electric current | 8.5 | 12.8 | 12.3 | 8.2 | 6.7 | 6.8 | 6.4 | 9.9 |
| 3431 - Natural gas, liquefied | 0.1 | 3.6 | 6.0 | 4.5 | 5.0 | 4.1 | 6.3 | 7.2 |
| Manufactures | 6.0 | 11.6 | 3.2 | 7.4 | 12.2 | 15.0 | 16.3 | 8.4 |
| Iron and steel | 0.5 | 0.3 | 0.1 | 0.1 | 0.2 | 0.9 | 0.6 | 0.2 |
| Chemicals | 0.2 | 0.3 | 0.1 | 0.3 | 3.6 | 1.7 | 10.1 | 0.5 |
| Other semi-manufactures | 0.5 | 0.7 | 0.3 | 0.4 | 0.2 | 0.6 | 2.2 | 3.6 |
| 6673 - Precious stones (other than diamonds) and semi-precious stones | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.7 | 3.1 |
| Machinery and transport equipment | 3.8 | 8.1 | 1.7 | 5.7 | 4.6 | 9.6 | 2.2 | 2.7 |
| Power generating machines | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Other non-electrical machinery | 1.9 | 3.9 | 0.9 | 1.3 | 1.7 | 2.2 | 0.8 | 1.1 |
| Agricultural machinery and tractors | 0.1 | 0.5 | 0.0 | 0.1 | 0.6 | 0.0 | 0.0 | 0.0 |
| Office machines and telecommunication equipment | 0.1 | 0.2 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Other electrical machines | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.2 | 0.1 | 0.1 |
| Automotive products | 0.5 | 0.7 | 0.1 | 0.2 | 0.5 | 0.6 | 0.1 | 0.1 |
| Other transport equipment | 1.0 | 2.9 | 0.5 | 4.0 | 2.5 | 6.4 | 1.1 | 1.2 |
| Textiles | 0.1 | 0.1 | 0.1 | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 |
| Clothing | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other consumer goods | 1.0 | 2.3 | 0.9 | 0.7 | 3.5 | 2.1 | 1.0 | 1.2 |
| Other | 7.7 | 40.7 | 3.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Source: UNSD Comtrade database, SITC Rev.3.

## Table A1.2 Merchandise exports by destination, 2008-2015

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Total (US$ million) | 2,653 | 2,147 | 2,243 | 3,604 | 3,470 | 4,024 | 4,725 | 3,196 |
| | (Per cent of total) | | | | | | | |
| Americas | 1.2 | 2.9 | 1.3 | 3.6 | 2.6 | 4.2 | 2.4 | 2.6 |
| United States | 0.7 | 1.9 | 0.7 | 0.7 | 1.8 | 3.6 | 1.1 | 1.8 |
| Other Americas | 0.5 | 0.9 | 0.6 | 2.9 | 0.8 | 0.6 | 1.3 | 0.8 |
| Europe | 63.6 | 52.2 | 62.1 | 55.9 | 44.7 | 40.7 | 40.7 | 47.9 |
| EU-28 | 62.7 | 51.1 | 61.4 | 52.9 | 40.5 | 38.2 | 38.1 | 46.2 |
| Netherlands | 55.6 | 41.6 | 52.7 | 38.9 | 26.6 | 28.6 | 23.5 | 29.8 |
| Italy | 0.3 | 0.7 | 0.0 | 1.4 | 3.1 | 0.9 | 1.6 | 3.1 |
| Belgium | 0.9 | 0.7 | 0.4 | 0.5 | 1.0 | 1.2 | 1.3 | 2.8 |
| United Kingdom | 0.4 | 1.3 | 0.1 | 5.5 | 5.1 | 1.2 | 4.4 | 2.5 |
| Luxembourg | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 | 1.5 |
| Romania | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 1.0 |
| France | 0.5 | 0.3 | 0.1 | 0.2 | 0.1 | 0.8 | 1.1 | 1.0 |
| Portugal | 1.0 | 1.5 | 4.8 | 1.2 | 0.5 | 2.6 | 1.1 | 0.9 |
| Spain | 1.9 | 1.5 | 1.4 | 2.3 | 1.5 | 1.8 | 1.2 | 0.8 |
| Germany | 0.9 | 1.2 | 0.9 | 2.1 | 0.5 | 0.3 | 1.3 | 0.7 |
| EFTA | 0.8 | 0.5 | 0.3 | 2.8 | 3.6 | 2.1 | 1.9 | 0.7 |
| Other Europe | 0.2 | 0.6 | 0.4 | 0.2 | 0.5 | 0.5 | 0.6 | 1.0 |
| Turkey | 0.2 | 0.6 | 0.4 | 0.2 | 0.5 | 0.4 | 0.6 | 0.7 |
| Commonwealth of Independent States (CIS) | 1.7 | 1.6 | 0.8 | 0.7 | 2.1 | 0.4 | 0.7 | 1.3 |
| Russian Federation | 0.9 | 1.4 | 0.6 | 0.7 | 0.5 | 0.2 | 0.4 | 0.8 |
| Africa | 16.1 | 29.3 | 26.0 | 23.0 | 24.4 | 28.9 | 25.6 | 24.8 |
| South Africa | 10.0 | 21.4 | 20.8 | 16.2 | 19.2 | 22.4 | 20.1 | 18.3 |
| Zimbabwe | 3.1 | 3.4 | 3.2 | 3.5 | 2.4 | 1.9 | 2.3 | 2.5 |
| Namibia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 2.2 |
| Middle East | 0.9 | 0.7 | 0.9 | 4.6 | 0.6 | 1.7 | 3.4 | 1.7 |
| United Arab Emirates | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 1.0 | 2.5 | 1.1 |
| Asia | 4.4 | 9.2 | 8.0 | 12.2 | 25.7 | 24.0 | 27.1 | 21.5 |
| China | 1.9 | 3.5 | 3.5 | 4.7 | 18.4 | 2.6 | 4.3 | 2.7 |
| Japan | 0.5 | 0.2 | 0.2 | 0.0 | 0.3 | 0.5 | 1.1 | 0.6 |
| Other Asia | 1.9 | 5.6 | 4.3 | 7.5 | 7.0 | 20.9 | 21.8 | 18.1 |
| India | 1.1 | 2.6 | 1.4 | 2.4 | 4.5 | 16.9 | 8.2 | 10.6 |
| Singapore | 0.1 | 1.3 | 0.5 | 0.3 | 0.8 | 0.9 | 10.0 | 4.6 |
| Hong Kong, China | 0.0 | 0.3 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.9 |
| Korea, Republic of | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 | 0.0 | 0.2 | 0.7 |
| Other | 12.1 | 4.1 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | |
| Memo: | | | | | | | | |
| SADC | 15.9 | 27.9 | 25.8 | 22.0 | 24.1 | 28.0 | 24.8 | 24.5 |

Source: UNSD Comtrade database.

**Table A1.3 Merchandise imports by product group, 2008-2015**

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Total (US$ million) | 4,008 | 3,764 | 3,564 | 6,306 | 6,177 | 10,099 | 8,743 | 7,908 |
| | (Per cent of total) | | | | | | | |
| Total primary products | 35.9 | 32.5 | 33.0 | 47.9 | 47.1 | 46.2 | 40.0 | 32.6 |
| Agriculture | 15.2 | 16.6 | 12.6 | 13.2 | 13.9 | 11.6 | 13.8 | 13.2 |
| Food | 14.2 | 15.4 | 11.6 | 12.3 | 13.0 | 10.7 | 12.5 | 11.9 |
| 0423 - Rice, semi-milled or wholly milled | 2.9 | 4.0 | 2.1 | 2.1 | 1.5 | 2.5 | 2.1 | 1.9 |
| 0412 - Other wheat (including spelt) and meslin, unmilled | 2.5 | 2.4 | 1.8 | 2.1 | 1.7 | 1.4 | 1.7 | 1.8 |
| 0342 - Fish, frozen (excluding fillets and minced fish) | 0.9 | 1.0 | 0.9 | 0.9 | 0.7 | 0.9 | 1.0 | 1.0 |
| Agricultural raw material | 1.0 | 1.2 | 1.0 | 0.8 | 0.9 | 0.9 | 1.3 | 1.3 |
| 2690 - Worn clothing and other worn textile articles; rags | 0.4 | 0.7 | 0.6 | 0.4 | 0.6 | 0.7 | 0.8 | 0.8 |
| Mining | 20.6 | 15.9 | 20.4 | 34.7 | 33.2 | 34.7 | 26.2 | 19.5 |
| Ores and other minerals | 0.3 | 0.3 | 0.4 | 0.2 | 0.2 | 0.3 | 0.4 | 0.3 |
| Non-ferrous metals | 0.1 | 0.1 | 0.1 | 10.9 | 9.2 | 5.0 | 6.3 | 6.2 |
| 6841 - Aluminium and aluminium alloys, unwrought | 0.0 | 0.0 | 0.0 | 9.5 | 4.8 | 4.8 | 6.1 | 5.9 |
| Fuels | 20.2 | 15.4 | 19.9 | 23.6 | 23.8 | 29.4 | 19.5 | 13.0 |
| 3510 - Electric current | 3.0 | 3.4 | 4.4 | 5.0 | 5.0 | 2.9 | 3.1 | 3.1 |
| Manufactures | 47.3 | 55.0 | 49.6 | 52.1 | 52.9 | 53.7 | 60.0 | 67.3 |
| Iron and steel | 2.4 | 3.3 | 2.9 | 2.5 | 3.0 | 2.7 | 4.2 | 3.5 |
| Chemicals | 7.8 | 7.2 | 6.8 | 7.7 | 6.5 | 6.1 | 8.2 | 10.2 |
| 5429 - Medicaments, n.e.s. | 1.2 | 0.9 | 0.9 | 1.7 | 0.7 | 1.2 | 1.5 | 3.4 |
| 5231 - Fluorides; fluorosilicates, fluoroaluminates and other complex fluorine salts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.6 | 1.1 |
| Other semi-manufactures | 7.0 | 8.7 | 8.7 | 7.9 | 6.4 | 6.8 | 8.8 | 9.0 |
| 6911 - Structures (excluding prefabricated buildings of group 811) and parts of structures | 0.9 | 0.9 | 1.3 | 2.1 | 0.9 | 0.9 | 1.6 | 1.8 |
| 6612 - Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements | 1.3 | 2.0 | 1.5 | 1.2 | 0.5 | 1.2 | 1.0 | 1.2 |
| Machinery and transport equipment | 24.4 | 28.8 | 26.0 | 29.3 | 30.6 | 23.3 | 32.1 | 38.0 |
| Power generating machines | 0.5 | 0.6 | 0.8 | 0.6 | 0.5 | 0.7 | 1.0 | 1.3 |
| Other non-electrical machinery | 6.9 | 9.4 | 8.4 | 12.6 | 16.2 | 7.8 | 11.3 | 10.4 |
| 7232 - Mechanical shovels, excavators and shovel-loaders, self-propelled | 0.4 | 0.5 | 0.6 | 2.8 | 1.0 | 0.9 | 1.5 | 0.9 |
| 7239 - Parts, n.e.s., of the machinery of group 723 (excluding heading 723.48) and of subgroup 744.3 | 0.4 | 0.6 | 0.8 | 2.3 | 1.8 | 0.7 | 0.7 | 0.9 |
| 7283 - Machinery for sorting, screening, separating, washing, crushing, grinding, in solid form | 0.2 | 0.5 | 0.4 | 0.8 | 2.0 | 0.5 | 1.2 | 0.8 |
| Agricultural machinery and tractors | 0.8 | 0.9 | 0.7 | 0.7 | 0.4 | 0.4 | 0.5 | 0.5 |
| Office machines and telecommunication equipment | 3.3 | 2.9 | 1.9 | 1.5 | 2.3 | 3.0 | 4.1 | 3.3 |
| Other electrical machines | 3.0 | 3.2 | 3.7 | 3.0 | 3.1 | 2.7 | 4.5 | 4.4 |
| 7731 - Insulated wire, cable and other insulated electric conductors | 1.0 | 0.7 | 0.7 | 0.6 | 0.7 | 0.6 | 1.0 | 0.8 |
| Automotive products | 8.7 | 10.4 | 9.1 | 8.9 | 7.1 | 7.3 | 8.7 | 8.4 |
| 7821 - Motor vehicles for the transport of goods | 4.2 | 4.8 | 4.1 | 4.3 | 3.9 | 3.3 | 4.0 | 4.1 |
| 7812 - Motor vehicles for the transport of persons, n.e.s. | 2.4 | 2.7 | 2.2 | 2.0 | 1.4 | 1.8 | 2.1 | 2.0 |
| 7843 - Other parts and accessories of the motor vehicles of groups 722, 781, 782 and 783 | 0.5 | 0.6 | 0.6 | 0.5 | 0.7 | 0.7 | 0.8 | 0.7 |

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Other transport equipment | 2.0 | 2.4 | 2.0 | 2.6 | 1.3 | 1.8 | 2.5 | 10.1 |
| 7932 - Ships, boats and other vessels | 0.2 | 0.2 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 6.7 |
| 7912 - Other rail locomotives; locomotive tenders | 0.0 | 0.2 | 0.0 | 0.3 | 0.2 | 0.2 | 0.5 | 0.8 |
| Textiles | 1.1 | 1.4 | 0.8 | 0.9 | 0.9 | 0.8 | 1.2 | 1.1 |
| Clothing | 0.5 | 0.5 | 0.5 | 0.5 | 1.7 | 0.5 | 0.7 | 0.7 |
| Other consumer goods | 4.1 | 5.0 | 3.9 | 3.4 | 3.9 | 13.7 | 4.8 | 4.9 |
| Other | 16.8 | 12.4 | 17.3 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 |

Source: UNSD Comtrade database, SITC Rev.3.

## Table A1.4 Merchandise imports by origin, 2008-2015

| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| Total (US$ million) | 4,008 | 3,764 | 3,564 | 6,306 | 6,177 | 10,099 | 8,743 | 7,908 |
| | (Per cent of total) | | | | | | | |
| Americas | 6.0 | 5.5 | 3.3 | 6.7 | 9.8 | 5.9 | 4.2 | 4.4 |
| United States | 4.0 | 3.6 | 2.1 | 4.6 | 4.1 | 2.0 | 1.8 | 2.5 |
| Other Americas | 2.0 | 2.0 | 1.2 | 2.1 | 5.6 | 3.9 | 2.4 | 1.9 |
| Brazil | 0.7 | 0.9 | 0.7 | 0.7 | 4.6 | 0.8 | 1.0 | 0.6 |
| Europe | 28.2 | 25.0 | 31.2 | 22.1 | 24.1 | 16.0 | 20.4 | 24.0 |
| EU-28 | 27.4 | 24.2 | 30.6 | 21.6 | 22.9 | 15.2 | 19.4 | 22.5 |
| Netherlands | 17.4 | 13.0 | 18.0 | 10.7 | 9.3 | 4.3 | 6.9 | 7.3 |
| Portugal | 2.9 | 3.8 | 4.3 | 3.6 | 4.9 | 4.8 | 5.2 | 5.8 |
| France | 0.6 | 0.8 | 0.6 | 1.2 | 0.4 | 0.7 | 0.8 | 3.4 |
| United Kingdom | 1.3 | 0.8 | 1.6 | 3.5 | 6.0 | 2.4 | 1.4 | 1.2 |
| Germany | 1.6 | 1.8 | 2.2 | 0.5 | 0.7 | 1.0 | 1.4 | 1.2 |
| Italy | 0.8 | 1.5 | 2.1 | 0.7 | 0.3 | 0.6 | 1.1 | 0.8 |
| Spain | 1.1 | 0.7 | 0.3 | 0.4 | 0.3 | 0.4 | 0.6 | 0.7 |
| EFTA | 0.5 | 0.4 | 0.3 | 0.3 | 0.6 | 0.5 | 0.6 | 0.5 |
| Other Europe | 0.3 | 0.3 | 0.3 | 0.2 | 0.6 | 0.4 | 0.5 | 0.9 |
| Commonwealth of Independent States (CIS) | 0.3 | 0.1 | 0.4 | 0.3 | 0.3 | 0.1 | 0.7 | 0.3 |
| Africa | 32.2 | 38.7 | 39.7 | 36.8 | 34.0 | 35.3 | 35.7 | 33.6 |
| South Africa | 29.1 | 35.4 | 34.4 | 33.6 | 31.4 | 32.7 | 33.1 | 30.1 |
| Zimbabwe | 0.4 | 0.2 | 0.1 | 0.3 | 0.2 | 0.5 | 0.3 | 1.2 |
| Swaziland | 0.4 | 0.5 | 0.5 | 0.3 | 0.4 | 0.4 | 0.5 | 0.6 |
| Namibia | 0.4 | 0.3 | 0.5 | 0.5 | 0.5 | 0.7 | 0.6 | 0.6 |
| Middle East | 9.7 | 4.4 | 5.7 | 11.4 | 14.7 | 17.6 | 15.4 | 10.0 |
| Bahrain, Kingdom of | 6.7 | 0.4 | 2.7 | 1.7 | 6.3 | 5.6 | 9.3 | 5.2 |
| United Arab Emirates | 2.6 | 2.0 | 1.3 | 6.4 | 7.4 | 8.5 | 5.5 | 4.3 |
| Asia | 21.0 | 26.2 | 19.0 | 22.7 | 17.1 | 25.0 | 23.4 | 27.6 |
| China | 3.9 | 4.6 | 3.6 | 5.9 | 5.7 | 6.4 | 8.0 | 12.5 |
| Japan | 3.2 | 3.8 | 3.5 | 2.9 | 2.4 | 2.4 | 3.1 | 3.1 |
| Other Asia | 13.9 | 17.9 | 11.8 | 13.8 | 9.1 | 16.2 | 12.2 | 12.0 |
| India | 3.6 | 6.5 | 5.7 | 4.8 | 3.3 | 3.3 | 3.8 | 4.0 |
| Singapore | 0.3 | 1.8 | 0.2 | 0.6 | 0.7 | 6.2 | 1.3 | 1.9 |
| Thailand | 2.2 | 3.4 | 1.5 | 1.9 | 1.3 | 1.5 | 1.6 | 1.6 |
| Viet Nam | 0.6 | 0.9 | 0.3 | 0.9 | 0.9 | 1.2 | 1.4 | 1.0 |
| Pakistan | 0.9 | 1.5 | 1.4 | 1.0 | 0.4 | 0.8 | 0.8 | 0.8 |
| Indonesia | 1.0 | 0.4 | 0.4 | 0.7 | 0.6 | 0.7 | 0.6 | 0.8 |
| Other | 2.6 | 0.0 | 0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | | | | | | | | |
| Memo: | | | | | | | | |
| SADC | 31.6 | 38.1 | 37.9 | 36.4 | 33.8 | 35.1 | 35.6 | 33.4 |

Source: UNSD Comtrade database.

## Table A1.5 FDI inflows by origin

| | (US$ million) | | | | | | | | (% of total) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2008 | 2015 |
| **World** | **591.6** | **898.3** | **1,017.9** | **3,558.5** | **5,629.4** | **6,175.1** | **4,901.8** | **3,710.8** | 100.0 | 100.0 |
| United Arab Emirates | 0.4 | 6.2 | 6.7 | 1,390.7 | 217.0 | 1,651.9 | 1,505.4 | 1,473.6 | 0.1 | 39.7 |
| US | 3.0 | 4.0 | 1.3 | 35.5 | 914.8 | 1,207.1 | 1,749.8 | 740.5 | 0.5 | 20.0 |
| Mauritius | 71.1 | 197.5 | 234.4 | 460.9 | 472.8 | 145.5 | 500.1 | 440.3 | 12.0 | 11.9 |
| EU | 100.8 | 205.4 | -11.8 | 405.6 | 840.5 | 820.8 | 652.2 | 241.8 | 17.0 | 6.5 |
| South Africa | 160.4 | 41.4 | 129.3 | 97.0 | -47.7 | -281.4 | 115.2 | 236.0 | 27.1 | 6.4 |
| India | 14.9 | 2.2 | -1.7 | 9.6 | 409.4 | 898.5 | 4.3 | 149.4 | 2.5 | 4.0 |
| Australia | 2.2 | 1.0 | 1.7 | -44.8 | 635.9 | 333.0 | 218.9 | 102.0 | 0.4 | 2.7 |
| Bahamas | 0.1 | 0.2 | 0.0 | 0.0 | 0.0 | 8.7 | 30.6 | 86.2 | 0.0 | 2.3 |
| British Virgin Islands | 4.1 | 4.1 | 9.3 | 7.0 | 21.2 | 0.8 | 43.2 | 66.9 | 0.7 | 1.8 |
| China | 0.0 | 0.1 | 0.3 | 4.0 | 124.1 | 35.5 | 44.8 | 52.3 | 0.0 | 1.4 |
| Switzerland | 107.4 | 43.2 | -29.0 | 135.3 | 3.2 | -5.0 | 3.1 | 32.2 | 18.2 | 0.9 |
| Botswana | 0.0 | 0.0 | 3.0 | 14.8 | 0.7 | 0.1 | 7.1 | 18.8 | 0.0 | 0.5 |
| Brazil | 101.2 | 374.6 | 608.3 | 907.9 | 1,299.6 | 24.3 | 20.2 | 15.5 | 17.1 | 0.4 |
| Japan | 0.0 | 0.0 | 0.1 | -21.9 | 35.9 | -70.3 | -10.3 | 12.9 | 0.0 | 0.3 |
| Kuwait | 3.0 | 8.2 | -1.2 | 0.0 | 0.0 | 0.9 | 1.3 | 7.6 | 0.5 | 0.2 |
| Norway | 0.1 | 0.0 | 2.3 | 2.6 | 84.6 | 382.5 | 19.9 | 7.0 | 0.0 | 0.2 |
| Hong Kong | 0.0 | 0.0 | 0.0 | 4.0 | 0.0 | 4.9 | 9.0 | 6.5 | 0.0 | 0.2 |
| Lebanon | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 6.3 | 0.0 | 0.2 |
| Singapore | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 | 0.1 | 6.0 | 0.0 | 0.2 |
| Angola | 0.1 | 0.0 | 0.8 | 1.2 | 0.0 | 0.0 | 2.4 | 4.1 | 0.0 | 0.1 |
| Other | 22.7 | 10.2 | 64.3 | 149.2 | 617.4 | 1,016.9 | -15.6 | 5.0 | 3.8 | 0.1 |

Source: Banco de Mozambique. Viewed in September 2016 at: http://www.bancomoc.mz/Noticias.aspx.

### Table A2.1 Legislative and judicial framework, 2016

| Legislative and judicial framework, 2016 | |
|---|---|
| Constitution | 1990 Constitution of Mozambique, last amended in 2004. |
| Executive | The President is elected by direct universal suffrage for a term of five years and can be (consecutively) re-elected once only. General elections were last held in Mozambique in 2014. The new president is Filipe Nyusi from the FRELIMO party. The President is the Head of State and presides over the Council of Ministers, composed of the Prime Minister (appointed by the President) and Ministers. The Council of Ministers formulates and implements government policies. |
| Legislature | The unicameral Assembly of the Republic comprises 250 deputies elected for a five-year term (renewable). Legislative and presidential elections are held on the same cycle. |
| Judiciary | Judicial authority is vested in the Supreme Court, the Administrative Court and the courts of justice. The court structure has four layers: a Supreme Court in Maputo; high courts of appeal; provincial courts; and district courts. The Administrative Court is the highest body in the hierarchy of administrative, fiscal, customs and fiscal courts. The courts of justice are empowered to deal with commercial disputes, and various mechanisms are provided for the settlement of disputes between foreign investors and the State. Judges are appointed by the President upon the recommendation of the Superior Council of the Judiciary, and the Assembly approves nominations. The Constitutional Council rules on the constitutionality of treaties, laws, and decree-laws, as well as conflicts of jurisdiction, and makes prior evaluations of referenda. |
| Legislative process | Legislation may be initiated, *inter alia*, by the deputies, the President, and the Council of Ministers. The Assembly adopts draft laws by majority vote of those present (provided that at least half of the deputies are present). The President must promulgate laws within 30 days following their reception. Prior to this deadline, the President can submit a request to Parliament to reconsider the law. However, if it is upheld by a two-thirds majority vote by Parliament, then the President is required to promulgate it. The Council of Ministers may ratify agreements, including on trade and investment, by ministerial resolution, while the Assembly ratifies agreements and treaties by the adoption of laws. |
| Hierarchy of legal instruments | Hierarchy: (i) laws, decree-laws, ratified international treaties and agreements; (ii) decrees; (iii) Assembly resolutions and Council of Ministers' resolutions; and (iv) ministerial diplomas. A decree-law is a law adopted by the Council of Ministers and promulgated by the President. It is deemed automatically ratified unless its ratification is demanded by a minimum of 15 deputies during the session of the Assembly held immediately after its publication. Legal acts of the Assembly, President and Council of Ministers are published in the Government Gazette (*Boletim da República*). |

Source: WTO document WT/TPR/S/209/Rev.1, 30 June 2009.

**Table A3.1 State-participated enterprises managed by the IGEPE, 2015**

| Enterprises | Sector | Share of the State (%) | Share of the IGEPE (%) |
|---|---|---|---|
| ABERFOYLE TEA STATES MOÇAMBIQUE (EMOCHÁ-MILANGE ), S.A | Tea plantation/industry | 20 | - |
| ABC - ALC LEASING, S.A | Financial leasing company | 5 | - |
| AÇUCAREIRA DE MOÇAMBIQUE, S.A | Sugar estate/cane plantation | 15 | - |
| AÇUCAREIRA DE XINAVANE, S.A | Sugar estate/cane plantation | 12 | - |
| AGRO-ALFA - FUNDIÇÃO, S.A | Fabrication of steel structures, components and industrial systems | 20 | - |
| AUTOVISA - SERVIÇOS AUTO, S.A. (EX-EMOCAT,E.E-U I) | | 20 | - |
| AUTO - GÁS, S.A | Natural gas company | - | 22 |
| BANCO NACIONAL DE INVESTIMENTOS - BNI, S.A | Investment bank | 100 | - |
| CAIC - COMPLEXO AGRO-INDUSTRIAL DE CHOCKWE, SA | Agricultural production (rice processing and product storage) | 20 | 70 |
| CARTEIRA MÓVEL, S.A | Mobile financial institution | - | 30 |
| CDM - COMPANHIA DE DESENVOLVIMENTO MINEIRO, S.A | Mining (precious and semi-precious stone) | 82.50 | - |
| CEGRAF - SOCIEDADE GRÁFICA, S.A | Printing and graphic services | 8.48 | - |
| CELMOQUE - CABOS DE ENERGIA E TELECOMUNICAÇOES DE MOÇ., S.A | Telecommunications | 14.81 | - |
| CEPAM-CENTRO DE PRODUÇÃO APÍCOLA DE MOÇAMBIQUE, S.A | Apiculture - honey production | 20 | - |
| CERVEJAS DE MOÇAMBIQUE (EX-MAC-MAHON), S.A | Brewery - produces, distributes, and sells alcoholic beverages | - | 1.78 |
| CHÁ NAMAE, LDA. | Tea plantation | 20 | - |
| CIM - COMPANHIA INDUSTRIAL DA MATOLA, S.A | Food producing company | 4.76 | 2.52 |
| CIMENTOS DE MOÇAMBIQUE, S.A | Cement | 11.89 | - |
| COCA - COLA SABCO (MOÇAMBIQUE ), S.A | Manufacturer and distributor of non-alcoholic beverages | - | 28.78 |
| COMPANHIA ALGODOEIRA DE NAMPULA-CANAM, S.A | Cotton company | 24.28 | - |
| COMPANHIA DE SENA, S.A | Sugar estate/cane plantation | 4.98 | - |
| COMPANHIA MOÇAMBICANA DE GASODUTO-CMG, S.A | Natural gas company | 20 | - |
| COMPANHIA MOÇAMBICANA DE HIDROCARBONETOS-CMH, S.A | Hydrocarbons company | 20 | - |
| COMPANHIA PIPELINE MOÇ./ZIMBA., LDA. | Natural gas company | 50 | - |
| DIÁRIO DE MOÇAMBIQUE, S.A | Newspaper company | 40 | - |
| DOMUS - SOCIEDADE DE GESTÃO IMOBILIÁRIA, S.A | Real estate agency | 14 | 80 |
| EMATUM - EMPRESA MOCAMBICANA DE ATUM, SA | Fisheries company - tuna | 66 | 34 |
| EMEM – EMPRESA MOÇAMBICANA DE EXPLORAÇÃO MINEIRA, S.A | Mining and energy company | 50 | 35 |
| EMOSE - EMPRESA MOÇAMBICANA DE SEGUROS, S.A | Insurance company | 49 | 31 |
| EMOPESCA, S.A | Fisheries company | 80 | - |
| EMPR. DE CONSTR. E MANUT. DE ESTRADAS E PONTES - CENTRO, S.A | Infrastructure - road/bridge construction | 100 | - |
| EMPR. DE CONSTR. E MANUT. DE ESTRADAS E PONTES - NORTE, S.A | Infrastructure - road/bridge construction | 100 | - |
| EMPR. DE CONSTR. E MANUT. DE ESTRADAS E PONTES - SUL, S.A | Infrastructure - road/bridge construction | 100 | - |
| EMPRESA DE ALUGUER DE EQUIPAMENTO - CENTRO, S.A | Equipment rental company | 100 | - |
| EMPRESA DE ALUGUER DE EQUIPAMENTO - NORTE, S.A | Equipment rental company | 100 | - |
| EMPRESA DE ALUGUER DE EQUIPAMENTO - SUL, S.A | Equipment rental company | 100 | - |
| ENCATEX, S.A (EX-ENCATEX, E.E. SEDE E DELEG. REG. CENTRO) | Textile company | 20 | - |
| ENIEL - EMP. NAC. INSTALAÇÕES ELÉCTRICAS - MAPUTO, S.A | Electrical installations company | 20 | - |
| FUNDAÇÃO MALONDA | Non-profit organization | - | - |
| GAPI - SOC. PARA APOIO A PEQUENOS PROJ.DE INVESTIMENTO, S.A | Support of small investment projects | - | 30 |
| GEOMOC, S.A | Water supply company | 20 | - |
| GERALCO, S.A | Agriculture industry - crude coconut oil and cashew nut shell liquid | 20 | - |

| Enterprises | Sector | Share of the State (%) | Share of the IGEPE (%) |
|---|---|---|---|
| GRAPHIC - COMÉRCIO E INDÚSTRIA, LDA. | | 6.81 | - |
| GRUPO MADAL, S.A | Exporter (coconut oil, tropical fruit juices)/trading company (corn flour) | 5 | - |
| HCB - HIDROELÉCTRICA DE CAHORA BASSA, S.A | Hydroelectric company | 85 | - |
| HIDROMOC - BEIRA, S.A (EX-HIDROMOC, E.E.DELG. R. CENTRO) | Hydraulic equipment company | 20 | - |
| HOTEL CARDOSO, S.A | Hotel | 25.76 | - |
| HOTEL INHASSORO, S.A (EX-ORGANIZAÇÕES JOAQUIM ALVES) | Hotel | 45.45 | - |
| IBC - INDÚSTRIA DE BORRACHA E CALÇADO, S.A | Rubber and footwear industry | 20 | - |
| IFLOMA - INDÚSTRIAS FLORESTAIS DE MANICA, S.A | Tree plantations company | 20 | - |
| IMA - INDÚSTRIA MOÇAMBICANA DE AÇO, S.A | Steel industry | 20 | - |
| LAM - LINHAS AÉREAS DE MOÇAMBIQUE, S.A | Airline company | 91.15 | - |
| LOUMAR, LDA. | Fruit juice company | 43.11 | |
| MABOR DE MOÇAMBIQUE, S.A | Manufacture and distributor of rubber | 92.80 | - |
| MÁRMORES DE MONTEPUEZ - MARMONTE, S.A | Marble mining company | 20 | - |
| MALER, LDA. | Industrialization, import and export of ornamental stones | 20 | - |
| mCEL - MOÇAMBIQUE CELULAR, S.A | Mobile phone company | 26 | - |
| MEDIMOC, S.A | Pharmaceutical importer and distributor | 64.72 | - |
| METRO, LDA. | Import and wholesale marketing of food and non-food products | 40 | - |
| MEXTUR, LDA. | Travel agency | 25 | |
| MILLENNIUM BIM , S.A | Mozambique International Bank (Millenium BIM) | 17.12 | - |
| MIL-METALÚRGICA INDUSTRIAL, LDA. (EX-COMEC, E.E.) | Metallurgical company | 20 | - |
| MIRCO HOLDINGS, S.A | Holding company | - | 45 |
| MOAGENS DE MOÇAMBIQUE, S.A | Milling company (food industry) | 34.39 | - |
| MOBEIRA - MOAGEM DA BEIRA, S.A | Milling company (food industry) | 10 | - |
| MOCAJÚ - CAJÚ DE MOÇAMBIQUE, S.A (Ex-CAJÚ DE MOÇ., E.E.-MACHAVA) | Cashew nuts company | 15 | - |
| MOÇAMBIQUE, PREVIDENTE - SOCIEDADE GESTORA DE FUNDO DE PENSÕES, S.A | Management of pension funds | 20 | - |
| MOGAS, SOCIEDADE MOCAMBICANA DE GASES COMPRIMIDOS, SA | Industrial and medical gases | 33.75 | - |
| MONTE BINGA, S.A | Mineral resources exploitation | 100 | - |
| MOZAÍCO DO ÍNDICO, S.A | Development of the tourism industry in Mozambique | - | 49 |
| MOZAL, S.A. | Aluminium smelting | 3.85 | - |
| MOZAUTO, S.A | Auto repairs and maintenance company | 20 | - |
| MOZRE - MOÇAMBIQUE RESSEGUROS, S.A (EX ZIMRE, S.A) | Reinsurance company | - | 20 |
| NAMI - NAMPULA METALO-MECA E INV, S.A (EX-MET. AGUSTINHO DOS SANTOS) | Manufacture and repair of metal utensils | 20 | - |
| NORSAD, SA | Financial services | 3 | - |
| PADARIA BENFICA, LDA. | Bakery | 20 | - |
| PATRIMÓNIO INTERNACIONAL, S.A | Cultural heritage-related activities | 80 | - |
| PESCOM INTERNACIONAL - MAPUTO/I´BANE, S.A | Fishing company | 20 | - |
| PETROMOC, S.A | Distributor of petroleum products | 60 | 20 |
| PINTEX - FÁBRICA DE TINTAS DE ULTRAMAR - MAPUTO, S.A | Paint factory | 20 | - |
| PINTEX - FÁBRICA DE TINTAS DE ULTRAMAR - BEIRA, S.A | Paint factory | 40 | - |
| PLASMEX, LDA. | Plastic industry | 20 | - |
| PROCAJÚ - INHAMBANE, S.A (EX-CAJÚ DE MOÇ.-I-BANE) | Cashew company | 20 | - |
| PROCAJÚ - MANJACAZE, S.A | Cashew company | 20 | - |
| PROJECTO INHASSUNE RAMALHUSCA, S.A | | 20 | - |
| REGADIOS E CONSTRUÇÕES, S.A (EX- SRBL) | Irrigation and construction company | 49 | - |
| SABA TRADING, LDA. (DELG. NACALA -EX-ENCATEX, E.E.) | Timber harvesting company | 20 | - |
| SAMOFOR - SOC.ARGELINA MOÇAM.DE EXPL. FLORESTAL, S.A | Timber harvesting company | 41 | - |
| SAMO - SOCIEDADE ALGODOEIRA DE MONAPO, S.A | Cotton company | 45.63 | - |
| SEMOC, S.A | Seed company | 100 | - |
| SMM - SOCIEDADE MOÇAMBICANA DE MEDICAMENTOS, S.A | Pharmaceutical industry | 100 | - |

| Enterprises | Sector | Share of the State (%) | Share of the IGEPE (%) |
|---|---|---|---|
| SOCIEDADE MALONDA, S.A (EX. SOC. DE DESENVOLVIMENTO MOSÁGRIUS) | Promotion and provision of services in the agro-industrial, industry and ecotourism areas | 3 | - |
| SOCIEDADE NOTÍCIAS, S.A | News industry | 35.07 | - |
| SOCIEDADE PARA GESTÃO E DESENV. DA RESERV. DO NIASSA, S.A | Management of the Niassa National Reserve | 51 | - |
| SOGERE - FÁBRICA DE REFRIGERANTES DE GAZA, (INAR) S.A | Soft drinks company | 20 | - |
| SOGIR - SOCIEDADE DE GESTÃO INTEGRADA DE RECURSOS, S.A | Society for management of resources | - | 100 |
| SOMEC - SOC. MINEIRA DE CUAMBA, S.A | Mining | 20 | - |
| SOTIL, LDA. | Tourism society | 98.50 | - |
| STEIA 2000 - SOC.TÉCNICA DE EQUIP.IND.E AGRÍCOLA, S.A | Agro-industrial equipment society | 20 | - |
| STEMA - SILOS E TERMINAL GRANELEIRO DA MATOLA, S.A | Silos and grain terminal company | 44 | 56 |
| TECNAUTO - EMPRESA DE ASSISTÊNCIA TÉCNICA AUTO, LDA | Car dealing company | 47.50 | - |
| TECNOMECÂNICA, LDA | Agricultural and metallurgical hydraulics | 20 | - |
| TDM - TELECOMUNICAÇÕES DE MOÇAMBIQUE, S.A | Telecommunications and internet service provider | 90 | - |
| TEXLOM, S.A | Clothing manufacturer | 100 | - |
| TEXTÁFRICA, S.A | Textile factory | 22.70 | - |
| TÊXTIL DE MOCUBA, S.A | Textile company | 100 | - |
| TIPOGRAFIA CLÁSSICA COMERCIAL DA BEIRA, LDA. | Typography shop | 20 | - |
| TRANSMARÍTIMA, S.A | Maritime transport | 100 | - |

Source: IGEPE.

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