SUMMARY

1. Mozambique, a least developed country (LDC) with a growing population, has significant potential for steady economic expansion, underpinned by its good transport links to international markets and its vast and diverse natural resources. However, Mozambique is both highly exposed and vulnerable to weather-related hazards that tend to cause significant economic damage. Mozambique's competitiveness is also undermined by infrastructure bottlenecks, a sizeable informal sector, and an underdeveloped financial system, despite the recent steps taken to address these constraints.

2. During the review period (2017-23), the Mozambican economy weathered a series of shocks and generally kept expanding, although the outbreak of the COVID-19 pandemic caused a contraction in 2020. Mozambique's economic performance was also curtailed by a fragile security situation in the north of the country, a series of natural disasters, fluctuations in international commodity prices, and uncertainties regarding budget support by donors. Consequently, Mozambique made modest progress in improving living standards and achieved mixed outcomes in human development indicators.

3. Despite the series of adverse shocks experienced during the review period, Mozambique maintained macroeconomic stability and reform momentum. The authorities launched a process of administrative decentralization and adopted an Economic Acceleration Package (PAE) comprising wide-ranging reforms. In addition to implementing various measures aimed at improving revenue collection and management, they switched to interest rates as the main monetary policy signalling tool, updated the legal frameworks for foreign exchange and investment, and reduced the footprint of the Bank of Mozambique (BM) on the interbank forex market. Nevertheless, Mozambican residents' earnings from exports of goods and services, and overseas investments remain subject to foreign exchange repatriation and partial (30%) surrender requirements.

4. During 2017-23, Mozambique continued to depend heavily on imported food, agricultural inputs, and refined petroleum products, whereas its export basket was dominated by coal, aluminium, and natural gas. Mozambique remained a net importer of services throughout that period. Aggregate two-way trade flows ranged between 92.8% and 137.7% of GDP, partly on account of Mozambique's position as a regional gateway to international markets. Mozambique also continued to attract significant foreign direct investment (FDI) inflows, which were mostly driven by large extractive industry projects (natural gas, coal, and minerals).

5. Mozambique continues to support a rules-based multilateral trading system that is predictable and transparent and contributes to inclusive and sustainable development. It upholds the principles of decision-making by consensus and policy space for developing and least developed countries. Restoring a functioning Appellate Body and achieving concrete results on food security are matters of particular importance for Mozambique. Compliance with WTO notification obligations remains a challenge for the Mozambican authorities; they would welcome additional technical assistance in that area.

6. During 2017-23, Mozambique began implementing the EU-SADC Economic Partnership Agreement (EPA) and a separate EPA negotiated jointly with the Southern African Customs Union and the United Kingdom. In addition, a bilateral preferential trade agreement entered into force for Indonesia in June 2022, whereas implementation by Mozambique was expected to begin in April 2024. Mozambique also ratified the Agreement Establishing the African Continental Free Trade Area (AfCFTA) and plans to deposit its tariff offer with the AfCFTA Secretariat in 2024 for technical verification, consideration, and adoption.

7. Mozambique adopted a new Private Investment Law in 2023, rationalizing the approval of investment projects and strengthening various provisions, including on property rights, expropriation, investor obligations, and dispute resolution. An Industrial Free Zone (IFZ) regime has been in place since 1993, while a Special Economic Zone (SEZ) regime dates from 2007. As of February 2024, there were 7 SEZs, 4 IFZs, and 20 companies operating as isolated IFZs in Mozambique. The authorities indicate that Mozambique did not conclude any bilateral investment treaties (BITs) during 2017-23.

8. During the review period, Mozambique revised its tariff and customs clearance legislation and continued to develop its Electronic Single Window (JUE) for foreign trade. The authorities also eliminated the compulsory use of customs brokers and discontinued preshipment inspection, albeit without formally revoking the legal basis for the latter. Notwithstanding the significant improvements made to import, export, and transit formalities, further trade facilitation efforts could focus on increasing transparency and making all trade-related registration, licensing, and authorization procedures executable electronically.

9. Mozambique's 2023 applied MFN tariff was entirely *ad valorem*. The simple average applied rate was roughly the same as the average bound tariff rate, barring some noise due to nomenclature differences. The applied rates on three tariff lines exceeded the corresponding bound rates. The agriculture sector continued to receive the strongest protection from import competition. At 13.9%, the average import tariff on agricultural products (WTO definition) was 4.2 percentage points higher than the average tariff on non-agricultural goods. In addition, Mozambique applies product-specific surcharges (often linked to reference prices), controls, and restrictions on imports and/or exports of certain agricultural products, including raw and refined sugar cotton, oilseeds, and timber. The surcharge rates on raw and refined sugar fluctuated considerably during 2017-23 and exceeded Mozambique's bound level (100%) for other duties and charges on several occasions. Surcharges are also levied on imports of cement, plates of iron or steel, and certain types of wires.

10. As part of the PAE, Mozambique reduced its VAT rate by one percentage point (to 16%) and revised certain VAT exemptions in 2022. In addition to VAT, various imports are subject to excise taxes, levied mostly at *ad valorem* rates ranging from 5% to 75%. Several excise tax exemptions also remain in place.

11. Mozambique has maintained a quota mechanism for chicken imports since 2009. The authorities indicate that quota fill rates ranged between 50% and 85% during the review period. The National Sugar Distributor (DNA) continues to have exclusive export rights for sugar.

12. During the review period, Mozambique established the National System for Quality (SINAQ), comprising standardization, metrology, conformity assessment, accreditation, technical regulation, sanitary and phytosanitary measures, and environmental quality assessment. The authorities also adopted a new Standardization and Conformity Assessment Regulation; the compulsory conformity assessment of imported goods (1,370 8-digit tariff lines), prescribed therein, was outsourced to a private company in November 2023.

13. Mozambique's Competition Regulatory Authority (Autoridade Reguladora da Concorrência) became operational in August 2021. Its responsibilities include investigating and sanctioning violations of the Competition Law, as well as the *ex-ante* control of economic concentrations. The provision of public aid or any preferential tax treatment by central and subcentral authorities remains outside its scope.

14. Mozambique maintains a decentralized public procurement system that does not include state-owned enterprises. Reportedly, the use of open tendering procedures for awarding procurement contracts remains rather limited. Contracting authorities must grant national suppliers a preference (15% of the contract value for services and public works and 20% of the contract value for goods). In addition, in contracts for the procurement of goods, 20% of the ex-factory price of inputs must be sourced domestically.

15. Agriculture (crop production, animal husbandry, forestry, and fisheries) remains the backbone of the Mozambican economy, providing livelihood to approximately 80% of Mozambicans. Crop production is estimated to account for the bulk of the sector's output. Smallholders engaged in subsistence farming and artisanal fishing remain predominant, but there are also large commercial producers, notably of sugar, tobacco, cotton, cashew nuts, and timber.

16. Mozambique has not submitted to the WTO any notifications on domestic support in agriculture. Reportedly, the sector has been receiving relatively limited public funding. During the review period, publicly funded support measures included the provision of extension services, the provision of seeds and fertilizers to farmers, and the establishment of service centres offering mechanization services. The authorities also continued to promote the development of key agricultural value chains through a mix of tax concessions, regulated prices, and marketing interventions.

17. Mozambique is endowed with vast and diverse subsoil resources, including commercially important deposits of coal, East Africa's largest reserves of natural gas, and various minerals deemed crucial for the global transition to clean energy. Besides accounting for the bulk of FDI inflows during the review period, the extractive industry was also a significant earner of export revenue. Mozambique participates in the Extractive Industries Transparency Initiative (EITI) and has been harmonizing its legal framework with EITI standards. The authorities are establishing a sovereign wealth fund to manage the significant revenues expected from hydrocarbon production. In general, large-scale extractive operations in Mozambique are privately owned, with state entities holding varying equity and/or production-sharing interests in many of them.

18. Biofuels continue to dominate Mozambique's energy matrix, accounting for more than two thirds of total primary energy supply. Mozambique has considerable untapped potential for energy generation and is a net exporter of coal, natural gas, and electricity. In contrast, it remains totally reliant on imports of refined petroleum products. During most of the review period, the BM provided USD liquidity for Mozambique's fuel imports, a practice that translated into a *de facto* fixed MZN-USD exchange rate. Notable recent developments in the sector include the establishment of a regulator for the electricity and downstream gas and petroleum markets, as well as the introduction of a tendering system for the allocation of renewable energy generation capacity.

19. The Mozambican financial system is dominated by banks, whereas non-bank segments remain underdeveloped. The capital market remains embryonic, with treasury bonds being the main securities traded. Market access conditions for banking and insurance were not altered during the review period. There are no statutory restrictions on foreign ownership and the respective licensing and prudential requirements are applied uniformly to all regulated entities.

20. Mozambique's telecommunications services sector is dominated by mobile communications. During the review period, the authorities made various changes to the legal and institutional framework, simplified the licensing regime, and carried out Mozambique's first frequency spectrum auction. To date, Mozambique has not implemented regulatory mechanisms for number portability and secondary spectrum trading.

21. Mozambique has three transport corridors that are essential for domestic cargo traffic and for the international trade of neighbouring countries. During the review period, Mozambique established a regulator for maritime and inland water transport and a regulator for railway systems and ports. A special registration regime designed to attract investments in maritime cabotage was also tested. In addition, the authorities have adopted a more liberal negotiating stance with regard to bilateral air transport agreements.