

MOZAMBIQUE 2020/21

the business year



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THE BUSINESS YEAR: MOZAMBIQUE 2020/21

In 2020, *The Business Year* returned to cover the economy of Mozambique, in partnership with the Agency for Promotion of Investments and Exports (APIEX), after a four-year hiatus. Since 2016, the country has been coping with a series of difficulties, including a hidden debt scandal, local currency depreciation and an ensuing financial crisis, delays in gas projects, the beginning of an Islamist insurgency, and two destructive cyclones, all of which have kept Mozambique off the radar of international investors. While attention has temporarily worn off, all the conditions that made once Mozambique a “donor darling” and one of the most rapidly growing countries in the world are still present.

Encouraged by the favorable prospects of economic recovery, *The Business Year* decided to return to Mozambique in 2020 to cover the process of economic recovery and shed light on both opportunities and challenges. Through our fieldwork research, which comprised more than 130 in-depth interviews with key decision-makers across the economy, we were able to discover a young and dynamic business environment, highly adaptable and accustomed to the challenges it faces. We had the chance to dissect the great opportunities in the traditional pillars of the economy, from mining and gas to agriculture and tourism, and to unveil exciting new sectors with great potential: heavy mineral sands, renewable energies, industry, and high technologies. One sector that consistently attracted our attention was finance, which has held the economy together during multiple crises while pushing forward financial inclusion.

Of course, the context of research this year could not have been any more different than any previous edition of *The Business Year*, due entirely to the negative impact of COVID-19 on the global economy. *The Business Year* quickly adopted its own safety practices, conducting interviews online and hosting a series of digital roundtables. During our research, we found a country that was quick to learn and adapt to the “new normal.” Despite the massive economic disruptions and challenges brought about by COVID-19, Mozambican businesses remained resilient, and the country as a whole has maintained a strong record in fighting the virus. Through online interviews, we have been happy to contribute to the continuation of business-as-usual, while making sure to spread awareness about best practices across the market in managing the pandemic.

And as we print, financing for the Mozambique LNG project in Area 1 has been secured—it is the biggest project financing effort in the history of Africa—and the country gears up, yet again, with rosy expectations for the future. Only time will tell how rosy this future will be. Nevertheless, we were privileged to observe and experience a country that, despite the discouraging preconditions and the immense challenges lying ahead, is highly determined to work hard and remain optimistic, awaiting a brighter future that seems to be getting ever closer.

In partnership with APIEX, we are proud to present you *The Business Year: Mozambique 2020/21*, a comprehensive publication highlighting all the main economic trends, opportunities, and challenges in this diverse country. ✖

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the business year

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EXECUTIVE SUMMARY

Mozambique is no stranger to crises—COVID-19 is just the latest to threaten a delay to its budding gas industry.

DESPITE THE INITIAL POSITIVE expectations for economic recovery, 2020 has proven to be a hard year for Mozambique, where the global disruption caused by COVID-19 added to years of crises, including the 2016 hidden debt scandal and the ensuing financial crisis, the IMF's retreat, cyclones Idai and Kenneth in 2019, unrest in the center of the country, and the Islamist insurgency in Cabo Delgado.

The challenges are huge. The Southern African country ranks among the 10 poorest in the world for GDP per capita, and the Mozambican population is currently growing more rapidly than its GDP—it is expected to double in the next 20 to 30 years. Every year about half a million Mozambicans enter adulthood, but only 10% are absorbed into the formal economy. The scenario hardly seems encouraging, yet Mozambicans are confident about a rosier future awaiting their country.

Much of this confidence stems from the expectation of the double-digit GDP growth that will kick off once LNG production in Cabo Delgado starts. 2020 marks the 10th anniversary of the discovery of gas in the Rovuma Basin, which will make Mozambique one of the top-three exporters globally. Thus far, LNG developments have been characterized by negotiations, delays, and false expectations—the “bursting of the bubble,” as many refer to the post-2015 business

climate, which partly led to the financial crisis. The biggest risk factor, however, has been the ongoing Islamist insurgency that started in late 2017, triggered by a mix of religious and socio-economic concerns. Thus far, it has taken the lives of over 1,100 people and contributed to the displacement of an estimated 250,000 people. As the insurgency takes the shape of a civil war, many fear the impact on the development of the LNG industry and the stability of the region. Yet, despite the challenges, French oil giant Total has recently secured financing for the Mozambique LNG project, the biggest project financing ever in Africa's history, and Italian company Eni is on track to complete construction of the Coral South FLNG Project by 4Q2021. It is clear that the upcoming year will be crucial to determine how gas revenues will contribute to development in Mozambique.

While being a major catalyzer for development, many insist gas should not be viewed as the only hope for Mozambique. There is growing excitement in a number of areas, from mining to electricity and infrastructure. Coal currently represents Mozambique's biggest export, with Brazilian company Vale comprising the lion's share and the Indian market receiving the bulk of these exports. As the coal market crosses an uncertain phase globally, other minerals

are increasingly placing Mozambique on investors' maps. Mozambique has the biggest expected reserves of heavy mineral sands in the world, while the ruby deposits in Cabo Delgado are the most significant recent discovery. Graphite extraction in the same region is expected to boom, mirroring the growth of the electric vehicle market. Recent regulation has created a favorable environment for the access of foreign companies, which are now flocking to the country.

Opportunities also abound also in the logistics sector, where Mozambique has played a traditionally strong role thanks to its long coastline, which allows it to serve neighboring landlocked countries. The country is now seeking to better capitalize on the corridors of Nacala, Beira, and Maputo by expanding and improving the respective ports and building nationwide connecting infrastructure. Infrastructure creation—arguably Mozambique's biggest challenge—is one of the cornerstones of President Nyusi's strategy for industrialization, which seeks to leverage Mozambique's potential as an agro-producer and transform its economy from commodity exporter to value-added producer. There are huge challenges regarding infrastructure and transport, SADC and national regulation regarding exports and tariffs, the cost of energy, and more, but the willingness is there.

Besides infrastructure, two of the main projects for President Nyusi's second mandate (2020-2024) are laying the grounds for universal energy access and financial inclusion. Interestingly, Mozambique is the only country in the region producing a surplus of electricity, which represents its third-largest export. Yet, only one-third of the population is connected to the grid, leaving the majority in the dark. Through the ProEnergia program launched in 2018, the

country seeks to connect all Mozambican households by 2030. This will require a combined effort of expanding the grid, increasing generation, and developing off-grid solutions such as solar home systems and mini-grids.

Another key societal challenge is financial inclusion. According to the central bank, only 32% of Mozambicans have a bank account and only 7% has some type of insurance; this leaves the majority of the population outside of the formal economy, limiting the opportunities that people can access. Through our interviews, we have observed a highly dynamic space, with a range of innovative solutions to bridge the gap with the "unbanked." These include the agency banking model, the central bank's Sandbox Regulator, the creation of the first Private Credit Bureau, financial literacy initiatives, and the creation of the "Third Market" by the Mozambique Stock Exchange (BVM). No solution, however, is proving as disruptive as mobile wallets and mobile money, which in 2016 surpassed the number of bank accounts and are growing three times as fast, now reaching 50% of the population.

Finally, we cannot talk about 2020 without reflecting on COVID-19. At the time of writing, Mozambique was relatively spared by the pandemic in health terms, but it was deeply affected by the economic disruption. Sectors such as transport, tourism, real estate, and construction were hit the hardest, and the prevailing thought among businesses is to "wait until things get better." Yet, many interviewees have reiterated the same: Mozambique is no stranger to crises, and this specific one is hitting the world as a whole. Despite all the challenges, the increasingly closer prospects of gas revenues will eventually lead to the much-awaited economic recovery. ✖

GDP PER CAPITA (2019)

SOURCE: THE WORLD BANK

USD491.8

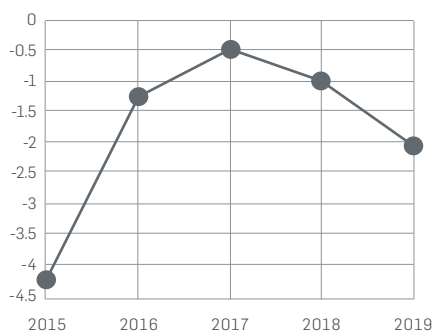
INFLATION (2019)

SOURCE: THE WORLD BANK

2.78%

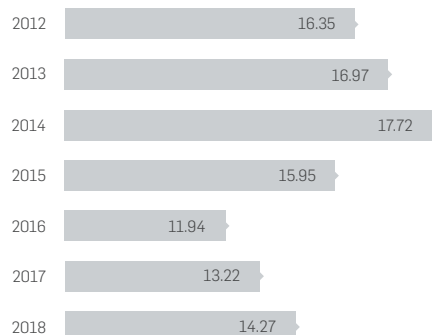
TRADE BALANCE (USD BLN)

SOURCE: FOCUS ECONOMICS



GDP (CURRENT PRICES, USD BLN)

SOURCE: THE WORLD BANK



AUGUST 1, 2019

Filipe Nyusi, president of the ruling FRELIMO coalition, and RENAMO opposition leader Ossufo Momade **sign a peace agreement** at RENAMO's remote military base in the Gorongosa mountains.



SEPTEMBER 4, 2019

Pope Francis arrives in Maputo for a three-day visit, the first papal visit since 1988. Nicknamed the "Pope of the Poor," the visit is seen as the highlight of an otherwise difficult year for Mozambique.

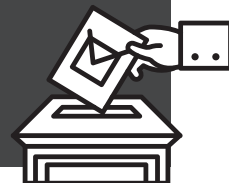


JANUARY 20, 2020

First-ever UK-Africa Summit held in London, attended by president Nyusi. Over GBP2 billion was committed to investments in Africa. Mozambique's LNG industry is increasingly in the crosshairs of British investors.

JANUARY 15, 2020

Inauguration ceremony for the second term of President Filipe Nyusi, attended by several African heads of State and the Portuguese president.



MARCH 22, 2020

The first imported case of COVID-19 is reported in Mozambique. A week later, the country imposes a level-3 state of emergency. Debate grows in the country about the applicability of a Western-style lockdown in a country where the population depends on day-to-day earnings.

APRIL 24, 2020

The IMF announces the approval of a USD309-million emergency financial assistance disbursement to Mozambique to assist the economy during COVID-19.

MAY 19, 2020

The Extraordinary Organ Troika plus the Republic of Mozambique Summit of Heads of State and Government of the Southern African Development Community (SADC) is held. Zimbabwean president Emmerson Mnangagwa said, "An attack on one is an attack on all." The Islamist insurgency in Cabo Delgado has resulted in 1,100 deaths.

JULY 17, 2020

French oil major Total announces a USD14.9-billion senior debt financing agreement for the Mozambique LNG project in Cabo Delgado, with eight export credit agencies, a total of 19 commercial banks, and the African Development Bank.



JUNE 25, 2020

Mozambique celebrates 45 years of independence. One week earlier, the local currency—the metical—turned 40. This year alone, due to COVID-19, the metical depreciated from 61 to the dollar in January to 70 in July, leading many to worry about the future of the economy.

NET OFFICIAL DEVELOPMENT ASSISTANCE AND OFFICIAL AID RECEIVED (CONSTANT 2015 USD BLN)

SOURCE: THE WORLD BANK

2010	1.85
2011	1.87
2012	1.93
2013	2.15
2014	1.93
2015	1.85
2016	1.56
2017	1.81
2018	1.76

POPULATION (MLN)

SOURCE: STATISTA

2014	27.22
2015	27.98
2016	28.75
2017	29.54
2018	30.34
2019	31.16
2020e	31.99
2021e	32.85
2022e	33.72
2023e	34.62
2024e	35.53

DIPLOMATIC MISSIONS TO MOZAMBIQUE

SOURCE: STATISTA



- 52% Embassies/High commissions
- 46% Non-resident embassies/High commissions
- 2% Consulates



President Nyusi and Portugal's President Marcelo Rebelo de Sousa greet each other in Lisbon in July 2019

Image: Reuters



Diplomacy

NAVIGATING CHOPPY WATERS

Mozambique kicked off the new decade with the inauguration ceremony of President Filipe Nyusi for his second term in power. The ceremony was attended by a number of African heads of state and Portuguese President Marcelo Rebelo de Sousa—2020 marked the 45th anniversary of independence from Portugal for Mozambique and most other African Lusophone countries. In an exclusive interview with TBY, the Portuguese President expressed the importance of the close ties that still link the two countries and the growing commitment of Portugal to support Mozambique in its quest for development.

Despite the obvious continuity that a second term in power denotes, President Nyusi's second mandate will inevitably be characterized by the need to face a rapidly changing reality. Just two months after the inauguration, the world was hit by COVID-19. Coming out of the recent experience of dealing with cyclones Idai and Kenneth in 2019, Mozambique was quick to implement all the necessary pre-emptive measures and a partial nationwide lockdown, which have helped to keep the transmission rate relatively low. Diplomatic ties ensured that supply flows could continue during the lockdown, and support from the US, Brazil, EU member states, Cuba, and China have helped Mozambique's healthcare personnel to manage the pandemic. However, as the situation in neighbouring South Africa gets more dramatic, fears are that Mozambique is still to experience the worse.

Unfortunately, COVID-19 is only one part of the triple threat that fills President Nyusi's agenda. The Islamist insurgency in Cabo Delgado province, which started in 2017, is growing in proportions, putting the stability of the region on the line and risking the future of gas investments in the north. With over 1,100 reported deaths, official rhetoric and the media landscape refer to the situation as "civil war" and "terrorism." Little is known of the

situation on the ground, but President Nyusi's response is often viewed as lacking the decisiveness that his words would suggest. While generally unwilling to involve international players in Mozambique's internal affairs, the president called an extraordinary SADC summit in Harare in June 2020 to discuss peace and security, and Zimbabwean President Emmerson Mnangagwa warned that "any attack on Mozambique is an act of aggression against the entire southern African region." The details of SADC involvement, if any, are still to be defined though. The last threat Nyusi is facing is the internal conflict with armed groups linked to opposition party Renamo. In 2019, Frelimo and Renamo signed a historic agreement ceasing hostilities and mapping out the disarmament, demobilization, and reintegration (DDR) process. However, ongoing episodes of unrest still leave some space for uncertainty in the center of the country.

Looking on the bright side, the country seems well placed to engage international players and investors based on the wealth that the gas industry could potentially bring. The resumption of relations with the IMF—crowned by the disbursement of USD309 million in emergency assistance to Mozambique in the midst of COVID-19—has led many to hope that Mozambique is leaving the hidden debt crisis behind and turning the page, committing to more transparent governance.

Mozambique is attracting increasing attention in the international arena, from France and the UK to Japan and China. The UK in particular is interested in growing its presence in Africa in the aftermath of Brexit; less than a week after his inauguration, President Nyusi attended the first-ever UK-Africa Summit in London, laying the groundwork for a strategic partnership. New partnerships are also on the horizon, with Gulf countries Qatar and UAE leading the way. ✕



Filipe Jacinto Nyusi
PRESIDENT,
REPUBLIC OF MOZAMBIQUE

the greater GOOD

The presidency is focused on investing more in the development of Mozambicans across the country and promoting the creation of new employment opportunities on all levels.

Extract from President Nyusi's Discourse for the Presidential Inauguration, on January 15, 2020, opening his second mandate (2020-2024).

WE START TODAY an important step on our historical path as a people and as a nation, which will elevate Mozambique to a new height of harmony and development. It is with great honor and humility that I assume the highest office of the state and the nation, as the fourth president of the Republic of Mozambique. This is the mandate that millions of Mozambicans have conferred to me, in yet another process of democratic elections, to lead this great nation for the next five years.

I represent a new generation that has inherited enormous successes and stimulating challenges. We have all inherited the responsibility to preserve the conquests achieved by our people during a path led by visionary leaders who have fought for the freedom and wellbeing of all Mozambicans. The wealth of our inheritance is anchored on three main conquests: independence as the starting point for our nation; national unity as a precondition to building a democratic, united, and prosperous Mozambique; and peace as a precondition for economic and social development. These are solid conquests for all Mozambicans, though none can be considered definitive without further consolidation. We need to make sure that never again will Mozambicans live under the threat of fear and weapons. We are all called upon to participate in the educational life of our nation to promote peace, harmony, and social solidarity as a collective culture in our everyday lives.

I am aware of the necessity to reinforce the requirements of our judicial institutions to preserve law and order for our hardworking and peaceful people. As head of state, I will prioritize openness and constructive dialogue with all political forces and civil organizations to promote harmony. Rest assured I will do everything in my power to prevent that. Never again will brothers turn against

"My government wants to become a strategic partner in the affirmation of a robust entrepreneurial class of Mozambicans."

their brothers in Mozambique. I will vigorously defend human rights, in particular the right to life and the fundamental liberties of every citizen. The challenges that lie ahead of us will certainly require new collective and individual attitudes. This entails the courage to make changes, but these changes must be made in the most democratic, institutional, and responsible way.

I assume the command of the state and government, inheriting a country experiencing great socioeconomic growth, resulting from the efforts of previous administrations. Mozambique is blessed with natural resources, especially arable lands, forests, mineral resources, and fisheries. The recent important discoveries of coal, gas, and heavy minerals place Mozambique on the global radar as a preferred destination for investments.

Through this government, I will guarantee that all actions of research, production, distribution, and industrialization will be made in a transparent and responsible way, contributing to the expansion, transformation, and modernization of the economy. I will fight to ensure a growing integration of Mozambicans in all investment projects, especially in natural resources. My government wants to become a strategic partner in the affirmation of a robust entrepreneurial class of Mozambicans. I want our state and our people to be the real owners of the wealth

and potential of our country.

We already know the importance of solidarity from countries around the world, and we want to recognize more and more the contribution of all who will be interested in investing, working, and living in our country, respecting Mozambican laws. My government will promote a balanced and sustainable macroeconomic environment to ensure a secure climate, investor confidence, and return on investment.

We want to build a nation that bets on human capital formation and development as its active principle. We intend to invest more in the development of Mozambicans across the country and promote the creation of new employment opportunities on all levels. In the middle-to-long term, we seek to visibly increase public revenue, national average income, and per-capita income. We will continue investing in traditional sectors such as agriculture, fisheries, agro-industry, transport and services, and tourism, all of which hold great potential to create employment.

We want Mozambique to continue to be referred to as one of the countries with the highest growth rates in the world. However, the wellbeing of the average citizen is not measured solely through macroeconomic indicators. Vast segments among our rural, peripheral, and urban populations live in poverty. This is exacerbated by the fact that we are a prevalently young nation with high demographic growth. The forecasts are clear: by 2025, we will be 33 million. We need to lay today the fundamentals for this not-so-distant future. We need actions, not words.

I intend to create and lead a pragmatic government, simplifying its structure and focusing on concrete problem resolution on the basis of justice and social equality. This government will strive to reduce costs, fight excessive expenditure,

and apply responsible management. The epicenters of my government will be job creation, infrastructure construction, and rural development. I will not stop until the whole country is paved with roads that are accessible all-year round, enabling the free circulation of people and goods. We want to promote the necessary investments to improve our road network, railways and port system, and air and sea transport to ensure all citizens can travel safely within the country. We want to implement strategies to improve living conditions for rural and urban families. We will increase support to SMEs to generate more employment, prioritizing the participation of young people and women in the country's social and economic development. We will further pursue the process of decentralization and de-concentration of competences and resources to boost rapid development across all territorial units. We want to implement development programs and strategies for the districts, where people co-exist with real problems. Finally, I want Mozambicans to live in a country with electricity, a diversified energy matrix, greater access to potable water, health structures, and universal access to information technologies and communications.

Agriculture is the fundamental basis of our development, as defined in our constitution. Thus, we want to dedicate special attention to the promotion of public and private investments in agriculture, farming, and fishing; provide support to rural families and incentives to farmers; industrialize agriculture; and focus on food production and food security as a basic human right.

I know this commitment that I am taking in front of the nation and the world requires great responsibility, sacrifice, and hard work. Let us join hands and walk together as brothers to build a better Mozambique. ✖

BIO

Filipe Jacinto Nyusi is the ruling president of Mozambique. He successfully completed his first term in power (2015-2019) and was reconfirmed president for a second term (2020-2024). Native to Cabo Delgado, President Nyusi is the fourth president of Mozambique and the first from the north of the country. Prior to assuming office, Nyusi served as minister of defense from 2008 to 2014 in the cabinet of President Armando Guebuza. Previously, Nyusi worked for the state-owned Mozambique Ports and Railways authority (CFM). He became executive director of CFM-Norte, the northern division of the company in 1995 and joined the company's board of directors in 2007. He is also a lecturer at the Nampula campus of Universidade Pedagógica, a fellow of the Africa Leadership Initiative, and a member of the National Committee of Fighters of the National Liberation Struggle. Nyusi holds a mechanical engineering degree from Antonín Zápotocký Military Academy in Brno, former Czechoslovakia, and a master's degree from the Victoria University of Manchester in the UK.



common HISTORY

Portugal has supported many projects and initiatives in close cooperation with the Mozambican authorities and other partners to further Mozambique's economic growth.

Marcelo Nuno Duarte Rebelo de Sousa
**PRESIDENT,
PORTUGAL**

What was the outcome of your recent visit to Mozambique?

My official visit to Mozambique at the beginning of 2020 had a very positive outcome and was a success. It was an honor to be present at President Filipe Nyusi's oath of office for his second mandate, as it was an honor to have him in Lisbon when I took mine in 2016. Given the common history between Portugal and Mozambique and the existing friendship between our two countries, there is always room to open up further possibilities of cooperation and investment, and this trip was no exception.

What are the key areas in the bilateral relations between Portugal and Mozambique?

Our common historic ties have granted both our countries with the opportunity to develop a multitude of areas of close partnership. Besides our shared language, which in itself constitutes a whole universe of possibilities to explore, I would definitely underline the importance of the Portuguese community in Mozambique and of the Mozambican one living in Portugal. Of course, we then have all the traditional areas of a friendly and flourishing bilateral relationship, namely robust political and institutional cooperation, in particular between our two governments, a dynamic cultural collaboration, and a strong economic and commercial partnership to which the private sector has been key. We have also been working hard in order to advance and expand on the education and academia fields, as children and youngsters will constitute the base of our common future. Furthermore, I would have to highlight the importance of all the projects and initiatives Portugal has supported, in close cooperation with Mozambican authorities and other partners, for the development of Mozambique and the furthering of its economy and growth. It has been a central element of Portuguese foreign policy to fund and support initiatives in the most diverse areas with historical partner countries such as Mozambique. No less important, I consider it elementary to accentuate Portugal's long-lasting and unbreakable commitment to support, in any ways deemed useful by our Mozambican counterparts, the complete stabilization of the peace process in the whole country. Finally, I would also mention our bilateral cooperation within the international

arena, more broadly at the UN, where we, Portuguese-speaking countries, have created a curious web of mutual understanding and support, and on a more specific note, at the CPLP, a community that embodies not only a shared language, but also an increasingly common way to relate and cooperate.

In what ways has Portugal rendered assistance to Mozambique in the aftermath of 2019's catastrophic cyclones Idai and Kenneth?

Idai and Kenneth cyclones were major catastrophes for Mozambique, and Portugal has been deeply committed to the recovery plans of Mozambique's most affected areas since the first moment. In this sense, our financial support to the recovery and reconstruction efforts underway has been considerable (a total amount of EUR70 million until July 2019) and directed mainly to Portuguese and Mozambican companies operating in the most affected provinces; hence, helping them not only to reconstruct economically in the short term, but also to create jobs and improve the living conditions of Mozambicans which will, in the long term, be most beneficial.

Europe had to deal with the COVID-19 pandemic a few weeks before Africa. What lessons can Portugal teach Mozambique in terms of managing the impact?

The COVID-19 pandemic is certainly the most demanding challenge we have faced globally in the 21st century. This is a threat that knows no borders, economic or social inequalities, religions, or cultural differences. This is a threat that calls for a common response and for the solidarity between all international players. There is still a long way to go, and now, more than ever, we need to be resilient and thorough, to trust the opinions and guidelines of the scientific community, which also integrate the recommendations of the World Health Organization. ✖

“Our common historic ties have granted both our countries with the opportunity to develop a multitude of areas of close partnership.”

BIO

Marcelo Nuno Duarte Rebelo de Sousa is the President of the Republic of Portugal. He previously served as secretary of state of the presidency of the Council of Ministers and as minister of parliamentary affairs and member of the State Council of Portugal (2000-2001 and 2006-16). He is the co-founder of the Social-Democratic Party in Portugal, which he led from 1996 to 1999. He also served as vice-president of the European People's Party, in which he integrated the PSD. He has been decorated with the Comenda da Ordem de Santiago da Espada and the Grã-Cruz da Ordem do Infante D. Henrique. He holds a law degree from Universidade de Lisboa and a doctorate in legal-political sciences and has taught at a number of universities.

Francisco Ribeiro Telles
EXECUTIVE SECRETARY,
COMMUNITY OF PORTUGUESE
LANGUAGE COUNTRIES (CPLP)

remaining RELEVANT

CPLP has played a significant role in promoting the Portuguese language, political and diplomatic consultation, and cooperation in all domains.

2020 marks the 45th anniversary of the independence of most former Portuguese colonies in Africa, including Mozambique. How have relations between Portuguese-speaking countries evolved over the years?

The creation of CPLP in 1996 is evidence of how relations have developed between CPLP member states. After the 1974 revolution in Portugal and the following independence of Portuguese-speaking African countries, there was an initial period of mutual adjustment, but since then all the countries have strengthened historic, cultural, and political ties and increased cooperation based on the guiding principles of sovereign equality between states, non-interference in internal affairs, respect for national identity, reciprocity of treatment, and the promotion of peace, democracy, the rule of law, good governance, human rights, and social justice. Although CPLP is still a young organization, its performance in terms of the promotion and diffusion of the Portuguese language, political and diplomatic consultation, and cooperation in all domains, including education, health, youth and sport, defense, justice, food and nutrition security, and digital governance, among others, is significant. As a result, CPLP has been gaining international recognition, which can be measured by the growing number of countries that have expressed their interest in becoming associated observers. From only three observers in 2014, CPLP now has 19, and this figure is set to pass 30 by the next CPLP Summit in 2021.

How does the CPLP seek to remain relevant today?

As with all international organizations, CPLP's challenge is to respond adequately to the needs and demands posed by its member states and their citizens. I will give two very concrete examples. Firstly, CPLP is currently developing a domain that was not originally among its central objectives: economic and business cooperation. Over the years, this domain has been recognized as crucial for deepening the relationships between CPLP member states, as it contributes to job creation, advancement of technology, economic progress, and the well-being of citizens. My second example is the issue of mobility. Since 2002, with the Brasilia Agreements,



we defined the goal of facilitating the movement of citizens across CPLP member states. The current Cape Verdean presidency of CPLP has made significant progress in negotiating a draft mobility agreement, which we expect to conclude and approve at the forthcoming Summit of Heads of State and Government in July 2021. The completion of this agreement will contribute to the public recognition of CPLP's added value and of its constant capacity to adapt and evolve in accordance with the wishes and needs of its member states and citizens. Finally, in the current context of the COVID-19 pandemic, CPLP was forced to redefine priorities and either postpone or hold several events and meetings virtually. We are determined to continue to be relevant and active, using the mechanisms and networks of cooperation and information sharing that we have in place to redefine our own priorities.

How does CPLP support Mozambique?

Mozambique is a founding member of CPLP and remains extremely committed to all the organization's activities and initiatives. It has presided over the organization twice, from 2000 to 2002 and from 2012 to 2014. CPLP has been following the evolution of the Mozambican democratic process, namely by sending electoral observation missions to monitor electoral processes in the country. In March 2019, in the face of the devastation caused by cyclones Idai and Kenneth, CPLP made the unprecedented decision to create an emergency fund, quickly mobilizing around EUR1.5 million in contributions from member states, CPLP associated observers, civil society entities, and individuals. It was an exceptional demonstration of solidarity, empathy, and community. CPLP fully respects and promotes the priorities set by the national authorities, thus promoting aspects such as national appropriation and capacity building. From its outset, the CPLP Strategy of Food and Nutrition Security benefited from the strong impetus of the Mozambican rotating presidency of CPLP in 2012-2014. This strategy is currently recognized internationally as an example of good practices in the field of capacity building and ownership by its beneficiaries. ✖

BIO

Francisco Ribeiro Telles was appointed Executive Secretary of CPLP in 2018. He started his career at the Ministry of Foreign Affairs of Portugal in 1983 and served in a number of positions, including the Office of the Prime Minister and the Permanent Mission of Portugal to the UN in New York. He was twice the consultant/adviser for international relations at the Civil House of the President of the Portuguese Republic. Between 2002 and 2018, he was Portugal's ambassador to Cape Verde, Angola, Brazil, and Italy. Distinguished with the Portuguese Orders of the Grand Cross of the Order of Merit, Knight of the Order of Infante D. Henrique and Grand Officer of the Order of Merit, and several foreign orders, Telles holds a degree in history from the Classic University of Lisbon.



Carlos Alfonso Iglesias Puente
AMBASSADOR OF THE FEDERAL
REPUBLIC OF BRAZIL TO
MOZAMBIQUE



NneNne Iwuji-Eme
HIGH COMMISSIONER OF
THE UK TO MOZAMBIQUE

DIPLOMATIC TIES

With Brazil and the UK both having a close and mutually productive relationship with Mozambique, there are many opportunities to further pursue.

How would you describe the affinity between Brazil and Mozambique?

CARLOS ALFONSO IGLESIAS PUENTE Africa stands at the roots of Brazil's identity, whether one looks at culture, ethnicity, music, and so on. The affinity is all the stronger with Mozambique and the rest of Lusophone Africa. Mozambique has done a great deal to inspire Brazil, and the influence of Brazilian culture in Mozambique is extremely strong in artistic production, music, dance, and TV shows. I would like to see a greater appreciation for Mozambican culture in Brazil than the limited presence we see now. We have the active Cultural Centre Brazil-Mozambique, which stands as a cultural landmark in the heart of Maputo. Brazil is also increasingly becoming a preferred destination for Mozambican tourists and students, replacing traditional European destinations. Among the scholarships granted from the Post-Graduation Convention Student Program (PEC-PG), 60% of the scholarships outside of Brazil went to Mozambicans. As Brazilian higher education becomes more attractive, it is clear that the cultural ties between the two countries are solid.

What are the UK's expectations for President Nyusi's second mandate?

NNENNE IWUJI-EME We would like to commend President Nyusi for his strong leadership during COVID-19, which kicked in just two months after his re-election. From a bilateral perspective, our relationship has traditionally been tilted toward development; however, we have been increasingly focusing on building a true partnership based on strong commercial and cultural ties. Our aim is to unlock mutually beneficial economic opportunities and sustainable jobs for Mozambique's talented youth. From a political perspective, we have closely followed the whole peace process. It was a privilege to witness the signing of the cessation of hostilities between FRELIMO and RENAMO in Gorongosa and to see both parties present and publicly reiterating their commitment to peace when the Pope visited in September 2019. We hope the second mandate is an opportunity to cement and complete the whole disarmament, demobilization, and reintegration process, putting an end to the attacks in the center of the country and leaving this chapter behind once and for all.

What are the biggest investment and trade opportunities in Mozambique for companies in your country?

CAIP Unlike culture and cooperation, Brazil falls rather short in the domain of economic and commercial ties with Mozambique. A notable exception is Vale's coal operations in the country, one of the biggest drivers of development in terms of FDI and job creation as well as its involvement in developing the Nacala logistics corridor. Brazil is also the second market of destination for the coal extracted in Mozambique, after India. Mozambique's future is bright, and it offers great opportunities to Brazilian companies, starting from the oil and gas field, where Brazil has already accumulated extensive experience. We have been actively promoting investment and work opportunities in Mozambique's nascent LNG industry, through high-level bilateral visits, seminars, and events, and we will continue to do so. As more Brazilians come to work in Mozambique, we also foresee an increase in the amount of Brazilian exports to Mozambique. The Mozambican government also has to do its part to better promote the country as a touristic destination for Brazilians, because there is huge potential here.

NI-E While gas will play a pivotal role in Mozambique's future, we want to unlock potential in other sectors to push for sustainable growth. In this regard, we have identified interesting opportunities in sectors such as agri-business, renewable energy, and SME development. We are excited for the future of the gas sector and for the opportunities it will offer to UK companies. There are already a number of UK companies involved in other sectors, from agriculture to renewables to manufacture, and so on. We have seen our total trade in goods and services between the UK and Mozambique increase by over 45% in the last quarter to 2019. An important sector where we want to increase our investments is technology: the digital economy and fintech are in their infancy in Mozambique, with great room to expand. People in Africa are quick to embrace technology, creating an amazing potential for technology leapfrogging. The UK has also committed to scale up female economic empowerment programs such as Mover to ensure that young women partake in the gas sector's eventual success. ✖

A UNITED FRONT

The government must bring better economic development to Cabo Delgado, empower local communities, and partner with Tanzania to address northern insurgents.

MOZAMBIQUE, LIKE MANY OF ITS AFRICAN NEIGHBORS, has seen its fair share of violent history. When the 1994 elections came, however, many saw democracy as the cure to the political and social wounds left from its decades-long civil war. And while Mozambique has steadily advanced on its democratic path, political and economic troubles have become minor roadblocks. The latest Cabo Delgado insurgency, which staged its first coordinated attack in October 2017, is yet another roadblock that could bring about wider, regional setbacks.

The insurgency is being waged by an Islamist militant group known by several names, depending on the language used, Portuguese, Swahili, or the local language of the region, Kimwane, thus, showing the regional characteristics of the insurgency itself. Ansaar al-Sunna, also known locally as al-Shabaab (not related to the Somali militant group) and Ahlu Sunnah Wa-Jamo, has been around Cabo Delgado since 2015 and has increased its followers in tandem with the growth of Salafi mosques in eastern Africa. However, it was only more recently that the group began to change its social welfare tactics to convert followers to violent ideals, with a growing emphasis on establishing “liberated” areas.

The group’s strength in the area is directly reliant on exploiting the deep distrust that many locals in the area feel for the centralized Mozambique government and for foreign firms looking to harness the area’s natural resources. Indeed, while corruption is an issue endemic to the country, from a local level all the way to the national level, the inhabitants of Cabo Delgado have felt increasingly disadvantaged, even with the discovery of a large ruby deposit in 2009 and the world’s fifth-largest natural gas field in the area. Thus, the solution is to change the narrative from one of neglect to one of empowerment, especially through local actors and leaders. In a TBV interview, NneNne Iwugi-Eme, the UK High Commissioner to Mozambique, stated, “From a more long-term perspective, it is key

to address the socio-economic inequalities in the north to mitigate tensions and limit the spread of the insurgency.”

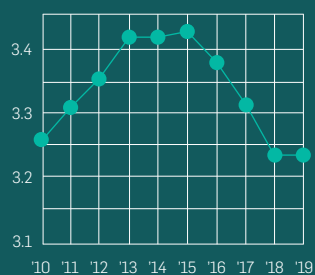
It is precisely for this reason the government established the Integrated Development Agency of the North (ADIN) just as the group launched its most coordinated attack to date. By ensuring sustainable management of the area’s natural resources and harnessing their power to provide jobs and drive local economies, the government stands a much better chance of minimizing the group’s appeal to locals. The agency’s presence might also ensure a much more coordinated CSR approach coming from firms looking to invest in the infrastructure needed to exploit the resources present. With a strategic plan, the government can focus efforts on improving the area’s agriculture and agri-business economies, a sector specifically highlighted by Iwugi-Eme.

At the same time, while coordinating a national effort, the government plan must also involve local players, both in civil society organizations already working on the ground and with local religious leaders. This is not only important for fighting the narrative of revenge used by the group, but also as a way to limit the destruction the insurgency can wreak on the area itself, which has witnessed growing internal displacement of peoples. Not to mention, the violence has forced international companies to put their major investments in the area on hold, further endangering the area’s economic future.

While the insurgency could have a large impact on the country and the region itself, it also serves as a threat to the region’s general stability by serving as a gathering point for extremists from neighboring countries like Tanzania and Zimbabwe. Accordingly, the government response to the insurgency should involve international players, such as the African Union and SDAC. Tanzania, in particular, would make an excellent regional partner given that the group’s violence has been concentrated in areas bordering the country. ✖

UNEMPLOYMENT (%)

SOURCE: THE WORLD BANK



DISTRIBUTION OF GDP ACROSS ECONOMIC SECTORS, 2019 (%)

SOURCE: STATISTA



43.17	Services
23.59	Industry
24.04	Agriculture

IMPORT OF GOODS (USD BLN)

SOURCE: STATISTA

2009	3.76
2010	4.6
2011	6.31
2012	8.69
2013	10.1
2014	8.75
2015	8.33
2016	5.21
2017	5.75
2018	6.94
2019	7.65





Economy

STAY POSITIVE

Mozambique started off 2020 with very positive expectations for economic recovery after a string of difficult years following the hidden debt crisis in 2016 and the ensuing financial crisis, as well as cyclones Idai and Kenneth in 2019. With the re-election of president Nyusi, the resumption of IMF support, and the prospects of final investment decisions for the gas megaprojects in Cabo Delgado, 2020 promised to be a good year for Mozambique. However, in just a few months, COVID-19 changed the economic outlook of the whole world. Mozambique is now set to face a huge economic setback: the initial forecast for 2020 GDP growth (5.8% according to the African Development Bank) has now been revised to 1-2%. Sectors such as tourism, transport, and services have been the hardest hit, while the whole workforce and student population had to quickly adapt to the new reality of working and studying from home, often coping with the challenges of inadequate internet connections.

Economic disruption took its toll on the metical, which turned 40 this year. After three years of little fluctuation, 2020 saw the metical depreciate from 61 to the dollar in January to over 70 in July, awaking in many the fears of what Mozambique experienced in 2015-16. Combined with high interest rates, the environment is currently not favorable to business, local investments, or credit. Some say the conditions might encourage foreign investors, although investment remains tricky due to COVID-19 restrictions.

Despite this rather grim picture, field research revealed an underlying spirit of cautious optimism. The impact of COVID-19 on the Mozambican economy has not been as strong as elsewhere. According to Mark Lundell, Country Director of the World Bank, “domestically, the economic impact of COVID-19 has been weaker

in rural areas, which are less integrated into the national export system; on the contrary, Mozambique has witnessed a stable crop year. The worst impact will be felt in the urban areas, especially by SMEs and the service sector.” The banking sector has shown resiliency and commitment to assist the country during the crisis, while the only partial lockdown has enabled industry and agriculture to keep operating, though with some disruption.

Mozambique is no stranger to crises—to the contrary, it is somewhat of a deft hand at navigating challenging circumstances. Indeed, all preconditions for growth are still on the table, once the crisis is over. The resumption of IMF support in 2020 is likely to signal a return of donor money, and the prospect of gas revenues approaching has assumed somewhat of a redemptive, symbolic value for Mozambique’s business elite. International observers warn, however, that the country must now put in place all the measures it needs to ensure that imminent GDP growth truly nurtures development.

According to Pietro Toigo, Country Manager for the African Development Bank (AfDB), the top priorities for Mozambique are to create local content legislation with provisions for the involvement of local industry and the local workforce in upcoming megaprojects, including formation and training, improve debt management and sustainability, transparent governance, and higher institutional efficiency; and set up the right enabling environment for SMEs and entrepreneurs. While Mozambique has hardly made any improvement in the ease of doing business index over the last decade, this is an area where Mozambique’s businesses are increasingly active, with entities such as FAN and IPME and programs such as Pronacer leading the way. ✖



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Lourenço Sambo
DIRECTOR GENERAL,
AGENCY FOR THE PROMOTION
OF INVESTMENTS AND EXPORTS
(APIEX)

APIEX is formulating different strategies to target and attract new investors into the country, support existing ones, and help achieve reforms to improve the business environment in the country.

BIO

Lourenço Sambo has an educational background in economics and agricultural business management and has been the Director General of APIEX since 2010. He was previously the economic adviser to the Minister of Planning and Development. He also taught mathematics at Maxaquene Secondary School, politics, economics, mathematics, and statistics at the Maputo Commercial School from 1979 to 1984 and public finance at the School of the National Planning Commission. In 1996, he was the financial manager of the Maputo Corridor, a World Bank-funded project for the restructuring of CFM-Mozambique Ports and Railway Company.

What impact do you expect COVID-19 to have on the process of economic recovery in 2020?

The COVID-19 pandemic has had negative health and economic impacts on the Mozambican economy. Mozambique was on the path of economic recovery from the devastating effects of different events, including cyclones Idai and Kenneth in 2019. COVID-19 has further hindered the country's short-term growth prospects for 2020 and is expected to have a negative impact on economic activity, due to travel restrictions that affect demand for exports of national products. Additionally, the reduced demand and decline in commodity prices negatively affect investments in the extractive industry sector, including gas and coal, which are two of the country's major industries.

Are you optimistic about the future of FDI after COVID-19?

We remain optimistic about the future. To mitigate the impact of the pandemic and preserve macroeconomic stability, the government has devised several strategies to improve the business environment through the support of micro, small, and medium-sized enterprises, prioritizing the adoption of ICT and facilitating business in productive sectors in Mozambique; it has also increased spending in the health sector and improved social protection to the most vulnerable. Various measures have been put in place to promote production of essential goods, facilitate the import of raw materials, and simplify procedures through the authorization of advance clearance and exemption from payment of VAT from basic products. Identified strategies aim to boost production and competitiveness at the national level, leveraging the use of internal national resources that can boost value chains and encourage modernization and diversification of the economy. Specific credit lines have been created to support national companies in priority sectors of activity—agriculture and agro-industry, trade, and manufacturing—with the goal mainly to preserve productive capacity and promote job retention.

What sectors of Mozambique's economy are most in need of FDI?

Currently, the sectors with great growth potential and good investment opportunities that continue to grow and are proving essential to guaranteeing the production,

conservation, and supply of products necessary in the country include industries essential to health services such as chemical, pharmaceutical, and cleaning products; food industry such as agriculture and agro-industry; financial services including fintech; and logistics. We also continue to encourage investments in priority sectors previously identified in the country, namely agriculture and agro-industry, tourism, oil and gas, infrastructure, energy, and manufacturing.

CPI recently rebranded as APIEX. What is the rationale behind the transition, and what are the new added competences of APIEX?

The Mozambican government created APIEX from the merger of three institutions promoting trade and exports, namely the Investment Promotion Centre (CPI), the Office for Economic Accelerated Development Zones (GAZEDA), and the Export Promotion Institute (IPEX), which were subsequently dissolved. The creation of the new entity is mainly intended to boost the business environment, optimize resources, and create greater synergies in the areas that impact the country's economy.

In what ways does APIEX seek to boost FDI and exports in Mozambique?

APIEX has been devising different strategies to target and attract new investors into the country, support existing ones, and work with other stakeholders (public and private sectors, donors, and so on) to achieve reforms to improve the business environment in the country. As such, we are developing a 10-year Investment and Export Promotion Strategic Plan (PEPIE). We have also been working with different development partners including JICA and the International Trade Centre's (ITC) Partnership for Investment and Growth in Africa (PIGA) to streamline the processes and develop different tools to support investors, such as sector-specific investment promotion strategies to attract FDI into the country. As such, through the PIGA project, a new investment and trade promotion portal was developed to attract more FDI and boost exports from Mozambique, providing all the required information to potential foreign investors and foster exports from Mozambique, and providing international buyers with an export directory and supporting Mozambican SMEs to export. ✖

TBY ANALYTICS MOZAMBIQUE 2020/21: ECONOMY

124 interviews were conducted for *The Business Year: Mozambique 2020/21* Analytics.

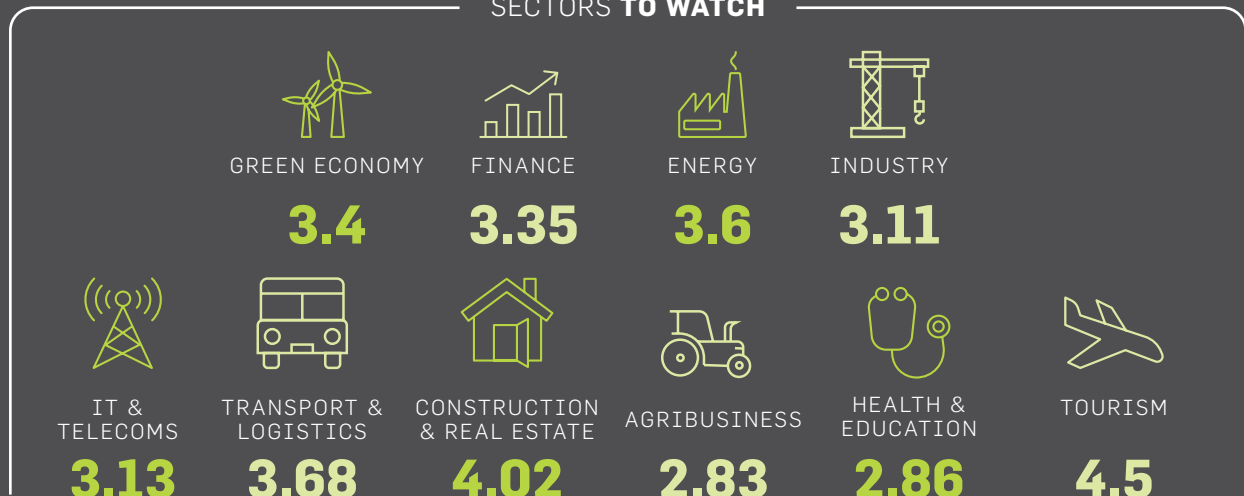
BUSINESS CONFIDENCE INDEX

How confident are you about the outlook for business in Mozambique this year (1-5)?

3.36

AVERAGE
RATING

SECTORS TO WATCH



ADVANTAGES AND CHALLENGES

What are the most commonly mentioned advantages and challenges of doing business in Mozambique?

ADVANTAGES

- Abundant natural resources
- Young demographic
- Tourism master plan
- Consumer market growth potential
- Opportunity for agricultural exports in region
- Domestic impact of COVID-19 weaker in rural areas
- Clear momentum to promote business development
- Maputo Corridor project
- FDI Law
- Great potential to develop energy infrastructure and transmission
- Strategic geographic position to serve neighboring landlocked countries

CHALLENGES

- Lack of sufficient infrastructure
- Lack of local opportunities
- Complicated bureaucracy
- Securing financial resources
- Lack of incentives in place (i.e. lower VAT or customs fees)
- Risk of "resource curse"
- Poor natural disaster preparedness
- Expensive internet
- Lack of liquidity in the market
- Growing insecurity in the north
- High interest rates



Mark Lundell
FORMER COUNTRY DIRECTOR,
WORLD BANK



Pietro Toigo
COUNTRY MANAGER,
AFRICAN DEVELOPMENT BANK
(AfDB)

INTERNATIONAL INSTITUTIONS

The World Bank and the African Development Bank stand ready to strengthen the capabilities of Mozambican institutions and plan for economic development.

What lessons can you infer from the World Bank's long history in the country?

MARK LUNDELL Over the course of our presence in Mozambique, we have learned the importance of institutional capacity, which will be key in the preparation of the public machinery as the country gets closer to the period when revenues will increase substantially from the natural gas sector. Although we do not directly support the state budget, we have had productive dialogues with the government on issues such as public financial management, public investment management, debt management, and the regulation of state-owned enterprises. Moreover, we have been increasing our engagement with public institutions that have shown the ability and willingness to be more dynamic and improve efficiency, guided by the overall goal of maximizing institutional impact. We are committed to supporting such institutions and helping them maximize their capacity at planning and executing. We provide financing on a two-year basis, based on demonstrated results; this has proven a great incentive to boost the capacity building of Mozambican institutions, bringing young fresh result-oriented professionals. It is a significant change to reform the whole

system, but we are on the right trajectory through these incentives.

How does the AfDB articulate its mandate in Mozambique?

PIETRO TOIGO The AfDB focuses on five priorities at the continental level: Feed Africa, which involves turning Africa into a net exporter of processed agriculture commodities; Light up Africa, or achieving universal energy access; increasing industrial GDP; integrating Africa, namely interconnecting African economies and standardizing regulatory frameworks; and improving the quality of life for the people of Africa, creating jobs, and developing skills for the youth. Our focus is to support the government in developing a sufficiently diversified economic base to generate inclusive growth and avoid the resource curse scenario. One of the main pillars of our strategy is agricultural transformation. A key concern for the transformation of agriculture is climate resilience, which was made obvious by Cyclone Idai and the major floods in 2019. These include investments in water harvesting and technologies for basin and reservoir water collection and the distribution of solar-powered irrigation kits. Most of these projects are directed at small-scale

farmers and farmers' associations. Looking forward, we want to move one notch up the value chain to have full-fledged agro-industrial parks. To support agricultural transformation, our second pillar of investment focuses on enabling infrastructures, notably transport, to connect producers to markets, and energy, to support processing.

What have been the highlights of the World Bank's commitment to Mozambique?

ML The focus of our presence in Mozambique is to reduce poverty and increase the incomes of the bottom 40% of the population. Thus, we have been redirecting increased lending into human capital development; primary, secondary, and vocational education; and the health sector. As part of our response to catastrophes, we have set up an apparatus for quick payments to people who need to get back on their feet. In a more long-term perspective, we have pursued a central focus on energy access, whereby we are participating alongside other donors in financing the extension of the national grid by a 2% annual rate. As part of our inclusive growth agenda, we are focusing on sub-national economy growth, in areas such as forestry, fisheries, and agriculture as well as road infrastructure to boost rural connectivity. Finally, we have an upcoming USD117-million municipal project to see the public sector match private-sector investments in growth goals across the country.

Can you explore in detail one of the projects you support?

PT We invested USD300 million of our own resources in the USD5-billion Nacala Corridor Railway, which connects Moatize Mines to Nacala Port through Malawi. The railway enables the transportation of coking coal, used for steel production, from the mines to the port for export. Crucially, while the capacity of the railway is 18 million tons of coal per year, it also has a capacity of 6 million tons of general cargo per year. This is a private-sector investment, done entirely on a banking basis without any government money or public guarantee; revenues from the coal mine will finance the railway, a public service. The idea is to fundamentally create a logistics corridor to ship commodities out of Malawi, Zambia, and Mozambique; there is great potential for resource interconnection between these countries. We need to create direct linkages. ✖

FOCUS

Mozambique versus COVID-19

BETWEEN A ROCK AND A HARD PLACE

Mozambique is paying a heavy economic price for the stringent lockdown measures the country has enacted to slow down its COVID-19 infection rates.

WHEN THE NOVEL CORONAVIRUS FIRST APPEARED ON THE WORLD STAGE, many thought the economic impact would be limited to China's supply and demand, with a ripple effect to be felt by all of China's trading partners. But what has become increasingly obvious with time is that COVID-19's economic impact will devastate the developing world much more than its developed counterpart. A significant reason is because of the fall in FDI flows that developing countries, especially Mozambique, rely on to bring investment and liquidity to their markets. Further exacerbating the economic fallout of low liquidity is lockdown measures, which limited the ability of workers, especially those in the informal market, to work and limited consumer access, thus impacting bottom lines. Mozambique is especially at risk from protracted economic hardship, with its already weakened economic system and small—but growing—insurgency in the country's north. And as the country's cases hit 3,440 toward the end of August 2020, it has many wondering about the necessity of additional heavy lockdown measures imposed by the government in the face of the economic downturn.

With macroeconomic headwinds reaching gale speeds, FDI flows around the world have rapidly dried up, as multinationals reassess their investment plans. In March 2020, Investment Trend Monitor estimated that global FDI flows would contract 30-40% in 2020-2021, in accordance with the revision of annual projections by multinational enterprises. Indeed, according to the report, the top 5,000 of multinationals that account for a significant amount of the world's FDI have revised their 2020 earnings by 30%. The sectors that have been most affected have been energy and basic material industries for energies, as oil prices have dropped, airlines have lost billions in revenue, and automotive industries have experienced a loss of demand.

Unfortunately for Mozambique, the gas industry was slated to be the country's saving grace, pre-COVID-19, due to the discovery of the fifth-largest natural gas field found off the coast of Cabo Delgado. With ExxonMobile has recently announcing it will postpone its FID

USD30-billion exploration project with Eni, the country's chances for turning the black stuff into greenbacks has slimmed greatly. However, as of June 2020, Total secured USD15 billion for its planned LNG export facility from a bank consortium, and Eni plans to move ahead with investments for its Coral South floating LNG offshore project. Of course, this does not mean either company should cut back on its safety measures, as the *Financial Times* reported a few dozen confirmed infections linked to an outbreak at Total's LNG facility. To keep its workers safe, the company has cut personnel and scaled down its activities even further.

Of course, while cutting workers may keep infections down, it certainly depresses economic recovery in the country. Indeed, according to SDAC's June 2020 report, lockdowns have debilitated the livelihoods of workers in the region, as reduced movement has led to job loss especially in the informal sector, poor sales, and bankruptcy. With nine out of 10 people working in the informal sector in Mozambique, strict lockdown measures immediately affected many in the country, especially as prices for basic items started to increase throughout the SADC region due to the closing of borders and market pressures. It isn't only the informal sector at risk: around 6,400 workers have had their jobs suspended at over 217 companies, as the country's transportation and tourism sectors have been especially hard hit by the visa suspensions.

That isn't to say Mozambique is entirely without a lifeline: The World Bank and IMF have allocated USD313.4 million to Mozambique's state budget, or around 6% of its planned expenditures. However, with citizens' increased need for state social and health protection, this is only a drop in the ocean. Already, the government has reduced its 2020 health and social budgets by 14% and 6%, respectively, in a country that, at last count, had 24 ventilators in total. For the time being, SDAC has advised its member states, including Mozambique, to channel "scarce resources to identified economic sectors to resuscitate their economies, strengthen resilience, and improve competitiveness." ✖

MOZAMBIQUE AND SOME OF ITS NEIGHBORS HAVE FARED RELATIVELY WELL SO FAR, MANAGING TO KEEP COVID-19 CASES LOW; HOWEVER, IT MUST REMAIN VIGILANT IF IT WANTS TO KEEP THINGS THAT WAY.



MOZAMBIQUE

Number of confirmed cases as of Nov. 5, 2020: **13,202**

Number of deaths as of Nov. 5, 2020: **95**

Number of recoveries: **10,983**

Highest daily recorded new cases: **305 on Sept. 29, 2020**

First confirmed case: **March 22, 2020**

Source of first case: **Citizen returning from the UK**



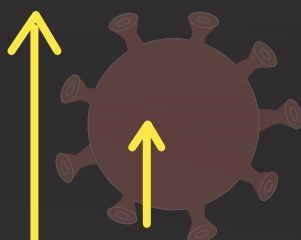
SOUTH AFRICA

Number of confirmed cases as of Nov. 5, 2020: **728,836**

Number of deaths as of Nov. 5, 2020: **19,539**

Number of recoveries: **660,185**

First confirmed case: **March 5, 2020**



TANZANIA

Number of confirmed cases as of Nov. 5, 2020: **509**

Number of deaths as of Nov. 5, 2020: **21**

Number of recoveries: **183**

First confirmed case: **March 16, 2020**



ZIMBABWE

Number of confirmed cases as of Nov. 5, 2020: **8,410**

Number of deaths as of Nov. 5, 2020: **246**

Number of recoveries: **7,967**

First confirmed case: **March 15, 2020**



MALAWI

Number of confirmed cases as of Nov. 5, 2020: **5,934**

Number of deaths as of Nov. 5, 2020: **184**

Number of recoveries: **5,336**

First confirmed case: **April 2, 2020**



ZAMBIA

Number of confirmed cases as of Nov. 5, 2020: **16,661**

Number of deaths as of Nov. 5, 2020: **349**

Number of recoveries: **15,817**

First confirmed case: **March 18, 2020**

SOURCE: WHO

INTERVIEW

the long HAUL



Employing over 1,600 Mozambicans, MHL is a key player in pushing the economy forward.

José Parayanken
PRESIDENT,
MOZAMBIQUE HOLDINGS LIMITED
(MHL)

Employing over

1,600

Mozambicans

In Mozambique for

30

years

President Nyusi has called on the private sector to join forces with the government to improve the investment environment in the country. As one of the largest private sector groups in Mozambique, how does MHL contribute to this goal?

When we talk about business environment and wealth creation in the Mozambican context, there are two dimensions to it. On one side, the creation of economic infrastructure, banking, insurance, roads, bridges, transport, energy and transmission, basic healthcare, and so on, which have little short-term return, have to be state sponsored, and be part of the development plan of the government. On the other, business ventures in the agricultural, industrial, and services sector led by the private or entrepreneurial sector feature adequate returns to be economically viable in the short term. The creation of adequate infrastructure and business environment are essential to support corporate and entrepreneurial investment in market-based business activities. Within the constraints related to infrastructure, we have been successfully setting up and managing production facilities in agriculture, water resources development, pharma, healthcare, and others, employing over 1,600 Mozambicans and aligning ourselves with state development plans in priority sectors. Agriculture, energy, and industrialization are some of the pillars of the National Development Strategy 2015-2035, which aims to foster the transformation of the country into a middle-income nation. MHL is present in all of those, generating jobs and pushing the economy forward.

What recent investments has the company committed to these sectors?

We have introduced rubber production as a pilot project in Lugela, Zambezia, initially for 2,000ha, with 1,000ha already planted. We have 14 drilling teams engaged in water resources development in Sofala, Manica, Zambezia, Nampula, and Cabo Delgado, initially in potable water in rural and semi urban areas and subsequently in irrigation. We have set up the largest generic pharma production facility in Africa with compliance approvals from the WHO and Mozambique Regulatory Authority and have been in production for the last two years. We have created hydropower production at Pequenos Libombos dam. We have great potential for growth in our current areas of operations and where we have developed skills. Hence, our short-

“We have been in Mozambique for 30 years, and this country has sustained and nourished us through this long haul.”

and medium-term focus is to complete the rubber cultivation as per plan and commence production and add on a second crop like cashew that does not require as much intensive monitoring; use our experience and expertise in water drilling to create irrigation facilities for small and medium-scale farms; and expand manufacturing of generic pharma products by setting up IV fluid and injectable factories to comprehensively address the national pharma requirement at international-quality standards and at prices accessible to most Mozambicans.

What are the expected impacts of the upcoming investments in oil and gas, and how will MHL capitalize on these investments?

Other than job creation and ancillary entrepreneurial opportunities, which are localized, the greater impact of oil and gas is in the income accruals to the government exchequer, which will enable the government to implement the infrastructure development plan. This will have a multiplier effect by fast tracking corporate and entrepreneurial investments in wealth creation, making it easier for MHL to progress with its rural and semi-urban agenda by increasing people's purchasing power and market expansion for local products.

You have spent a big portion of your career in Mozambique. How would you define your relationship with the country and its people?

We have been in Mozambique for 30 years, and this country has sustained and nourished us through this long haul. This assistance was essential in the initial difficult phases. Now, in gratitude, we reciprocate. Mozambique's ethos and cultural psyche evolved around its ethnic and cultural diversity. This welcomed Arab, Portuguese, Indian, and African settlers and transformed the country in a peaceful and positive way. We have evolved our own Mozambican persona in harmony with this ethnic and cultural diversity. ✕

BIO

José Parayanken studied biochemistry at Delhi University before acquiring his MBA. He career began at Exim Bank of India where he was in charge of its African operations from 1984 to 1989. In 1990, he founded Mozambique Holding Group of Companies, which currently has a capital base of USD100 million.

INTERNATIONAL TRADE

Foreign trade organizations in Mozambique focus on promoting mutually advantageous economic, social, and commercial relations to benefit everyone involved.



Yota Orii
PRESIDENT,
CHAMBER OF COMMERCE AND
INDUSTRY MOZAMBIQUE-JAPAN
(CCIMJ)

CCIMJ WAS FOUNDED in 2019, guided by the mission to create business opportunities for Japanese companies and organizations currently investing in Mozambique, improve market access for incoming Japanese companies, and facilitate communication between both countries. The underlying vision is to facilitate the transfer of knowledge and experience between Japan and Mozambique in a way that benefits all actors involved. With Japanese interests in Mozambique growing over time, there was also an increase in interest to organize the voices of Japanese companies and organizations under one umbrella. To date, 15 companies have become members of the CCIMJ: 13 of the most-prominent Japanese companies in the country, including three SMEs, and three honorary members, namely the Japanese ambassador to Mozambique, Japan External Trade Organization (JETRO), and Japan International Cooperation Agency (JICA). In the near future, we expect to grow in size and reach 20-30 members. We also want to deal with the government on behalf of the companies, acting as a mediator for matters relating to trade and investment. This is something we look forward to working on alongside other chambers of commerce of countries.

Atsushi Matsunaga
DIRECTOR,
JAPAN EXTERNAL TRADE
ORGANIZATION (JETRO)

JETRO is a government-related organization under the supervision of Japan's Ministry of Economy and Industry that promotes investment and trade activity between Japan and the rest of the world. JETRO Maputo was established in 2017 as one of eight JETRO offices in Africa, reflecting the potential of Mozambique as an important destination for Japanese investment in light of the country's predicted economic growth. Every year, JETRO conducts a survey among all Japanese companies to evaluate the most interesting markets in Africa for Japanese investors. According to the results of the 2019 survey, Mozambique ranks fifth in Africa. There are countless opportunities in Mozambique for foreign investors in sectors such as gas, agriculture, power, renewable energy, telecommunication, and logistics. One of the biggest challenges is to find capable local partners. In Mozambique, it is essential to find a local company that not only has experience and knowledge, but also the ability to guide a foreign investor. At present, most Mozambican companies face difficulties when it comes to securing financial resources and technical issues for a project.



Lucas Chachine
CHAIRMAN,
CHAMBER OF COMMERCE AND
INDUSTRY MOZAMBIQUE -
SOUTH AFRICA (CCIMOSA)

THE PURPOSE OF CCIMOSA is to promote the development of mutually advantageous economic, social, and commercial relations between the business communities of Mozambique and South Africa on the basis of friendship and voluntary adhesion. To achieve its corporate purpose and the pursuit of associative goals, the chamber may establish and develop cooperative relations with international trade organizations and institutions, chambers of commerce and any other relevant entities, at home and abroad. We present and defend to the competent state bodies and administrative authorities the views and general interests of CCIMOSA's members. Trade relations between Mozambique and South Africa have a solid and long history. There is great interdependence between both countries, the Port of Maputo naturally serves South African imports and exports to and from the provinces of Gauteng, North West, and Mpumalanga, and South African tourists are the main visitors to resorts in southern Mozambique. In addition, Mozambique is a major importer of manufactured and agri-livestock products from South Africa. There is no doubt that, despite the current challenges, the future of bilateral relations will be strong.

ENTREPRENEUR LANDSCAPE

Given the resilient nature of Mozambican entrepreneurs, organizations that seek to support SMEs are becoming invaluable in the country.



Nuno Remane
EXECUTIVE DIRECTOR,
FOUNDATION FOR THE
IMPROVEMENT OF BUSINESS
ENVIRONMENT (FAN)



Claire Mateus Zimba
GENERAL DIRECTOR,
INSTITUTE FOR THE PROMOTION
OF SMALL AND MEDIUM
ENTERPRISES (IPEME)



Luís Magaço Junior
MANAGING DIRECTOR,
COWI MOZAMBIQUE

FAN is a non-profit Mozambican institution receiving support from the Danish government. FAN started as a Danish-led project, but eventually evolved into a fully Mozambican foundation. FAN is now looking to establish new partnerships with potential donors, supported by the results that it has achieved so far. Its mandate is to develop a sustainable, inclusive, and transparent business environment in Mozambique, working with associations from the private sector and all other institutions involved in the environment. The four pillars of our mandate are to improve the internal capacity of associations, advocate for better services for its members, establish an effective public-private dialogue, and encourage international partnerships between national and international entities. We develop our mandate implementation strategy while keeping an eye on the importance of the decentralization of business opportunities in all provinces, so that people are not forced anymore to relocate to Maputo for jobs. As the global economy is gradually shifting to decentralization, we intend to encourage the same in Mozambique. For this reason, we benefit from partnership with 14 key offices throughout the country, ensuring a footprint in all provinces.

IPEME has just come out of its five-year cycle, from 2014 to 2019. In this period, we have supported around 20,260 micro, small, and medium enterprises (MSMEs), our biggest focus being youth entrepreneurship. We facilitated access to credit for about 3,189 SMEs and access to capital markets for 520 SMEs. We helped close new businesses for 1,070 enterprises and helped 185 SMEs to export. We initiated the first quality certification program for SMEs in the gas sector, reaching about 40 SMEs from Cabo Delgado and the southern region. We have also organized events with LNG megaprojects to involve SMEs in the value chain. In 2019, IPEME revised its operational model, whereby we elected four main areas of intervention, including promoting the professionalization and modernization of entrepreneurs in MSMEs; supporting the creation of new businesses; enabling access to information and new technologies; and implement private-sector mechanisms to facilitate SME creation and sustainability. An ever-present challenge for companies here is the limits in capacity and internal structure, which can be improved only through the formation of human capital and the development of partnerships.

COWI was established in Denmark 90 years ago as an engineering consulting company. Over the years, it has expanded to cover over 40 countries and employ around 8,000 people. COWI entered the Mozambican market in 2003 and in 2007 it bought the local socioeconomic management consulting company Austral. Following the acquisition, COWI decided to not alter the core business of Austral, but rather to gradually integrate its own line of businesses into Austral's already established set of services. For this reason, COWI's predominant focus in Mozambique has been socioeconomic consulting. We have a strong team of anthropologists, social scientists, and economists who perform studies and undertake action plans and impact assessments. Other branches include the environmental services, dedicated to environmental auditing and environmental impact assessments; an event planning team, undertaking studies in the water sector; and a program management team, which manages funds and implements programs for other institutions. One of the main factors of our success is the possibility of leveraging on the company's well-established network and set of resources to provide top-quality services and tools.



José Ribeiro Rodrigues
GENERAL MANAGER,
SDO MOZAMBIQUE

SDO MOZAMBIQUE started out as a branch of SDO Portugal, but in 2015 it became an independent entity, joining forces with two local partners. Human capital is our leading area, where we design, develop, and manage integrated systems in all HR components. In 2019, on our 10th anniversary we won the award for the Best Human Capital Organization in Mozambique. In the last few years, we have also branched out in other directions: strategic management, business models design, training and development, and recruitment and selection, which is now the second-largest area. We organize intra-trainings sections designed exclusively for each our client-organization. Most of our recruitment processes are for medium and high-level positions, and we have created a reputation for ourselves in this segment. Quality is our biggest trademark and distinguishes us from our competitors. Future prospects for growth and foreign investment in Mozambique are positive, so we are placing ourselves to grasp these opportunities. We are already working with two or three of the biggest companies in the country, so the prospects of work are developing as they hire and transform.



Sara Fakir
CO-FOUNDER & EXECUTIVE
CATALYST,
IDEIALAB

IDEIALAB was established in 2010, when entrepreneurship was not a common word among Mozambicans. I had the opportunity to study abroad and develop as an entrepreneur and decided to return to Mozambique and see the opportunities on offer. I came to understand that there are opportunities, but people do not see them due to a lack of knowledge and experience. This was the inception of the idea behind ideiaLab. I united my background in economy and business with my business partner's background in human resources to give birth to this project. It took us some time to find a business model to make the business sustainable. At present, we support the whole entrepreneurial journey, starting from stimulating and inspiring young people and then supporting them in activating their ideas and scaling up from micro-level to SME. 70% of our beneficiaries are under 35; our target is not the bottom of the pyramid—a space that NGOs and international organizations cover extensively—but rather educated young people with a vision. This is, I believe, the point to kickstart development for our country.

FOR THE *common good*

AdZ's initiatives particularly target small farmers in order to promote economic and social inclusion in the Zambezi River Valley.

Roberto Albino
GENERAL DIRECTOR,
AGÊNCIA DE DESENVOLVIMENTO
DO VALE DO ZAMBEZE (ADZ)

What are the best opportunities for economic development in the province where AdZ has its mandate?

AdZ is responsible for the rapid development zone in the central region of Mozambique—the Zambezi River Valley. The region accounts for 27% of national GDP and about 25% of Mozambique's national population. This region is a huge area, and its main asset is its natural resources. Rice is one of the main crops we produce for local needs and export. In addition, poultry, livestock, and a wide range of seeds can all be produced in huge quantities in the region. AdZ is working to ensure all these crops are produced and distributed locally and abroad. Zambezi River Valley is also where we have a reputation for producing energy. Plus, we have another five big energy projects. The Zambezi River Valley is the country's best region for energy production. Another of the region's main opportunities is tourism. In terms of natural resources, we also have iron deposits in the province. These are not yet under exploration, but all the preparation work has been done by a UK investor.

Would you tell us about one or two key projects happening now?

AdZ's mandate is to promote the Zambezi River Valley itself and also to assist technically and financially with investment projects here. The main sector we have been engaged in so far is agriculture, where we support local producers to ensure they can enhance their capac-

ity to explore the investment potential that exists here. We are heavily focused on rice production. Our main emphasis is first to make the region self-sufficient and then to supply other regions of the country and perhaps later to export rice. For this, we have been investing heavily in research and improving productivity by providing tractors, harvesting equipment, and supporting the industrial sector with manufacturing equipment to ensure we can also produce processed rice locally. This is one of our big goals in terms of agriculture. The second one is in horticulture. We are supporting local horticultural producers with irrigation schemes, improving seed yields, and aggregating the value of what we produce and supply to our main markets. AdZ's main outreach is smaller farmers to engage them in production and linking them to markets.

What are AdZ's plans to increase agribusiness, and to what extent is the agency involved in supporting rural energy and financial inclusion in your region?

Our approach is always to target the small farmers, as this is how we can promote economic and social inclusion of people in this region. We are engaged with more than 50,000 growers through our programs in different production chains. We provide them with services such as access to mechanization, markets, and technology. We are promoting growth for farmers in their particular areas of production, for example by im-

“Our main emphasis is first to make the region self-sufficient and then to supply other regions of the country and perhaps later to export rice.”

proving their yields and helping them to get more income out of their crops. We are doing studies into facilitating energy access. In some cases where we cannot provide conventional powerlines, we are providing solar energy. In Tete, we have a flagship irrigation project of more than 1,500ha of production using 100% solar energy. We are busy promoting solar power as an energy source for our small-hold farmers. In terms of access to finance, over the past three or four years we have been able to bring the state-owned National Investment Bank (BNI), which is headquartered in Maputo, to the region. Because we need BNI here, we have supported the bank in establishing a branch and operations in Zambezi River Valley. Today, the local BNI branch is fully operational providing access to finance through our projects in the region. We have also been engaging with the African Development Bank to operate a specific line of credit for rice production. These two development banks are our main intermediaries in terms of providing access to finance for our growers, industries, and traders. ✖



Image: Sopotnicki

LOOKING AHEAD

After doing a great job in limiting the spread of the pandemic to date, the next priority for Mozambique is growth, specifically of the kind that provides equitable opportunities for all.

Blessed with natural resources such as arable land, forests, fisheries, coal, gas, and heavy minerals, in recent years Mozambique has become preferred destination for investments. Sectors such as pharmaceutical and cleaning products, food industry, financial services, and logistics continue to offer high growth potential and excellent opportunities, even in a dampened investment environment. At the same time, the government is also doing its part to attract more FDI and encourage growth by focusing on job creation, infrastructure construction, and rural development. Focusing on inclusive growth for all, Mozambique seeks to increase support to SMEs to generate more employment and prioritize the participation of youths and women in the country's social and economic development. Meanwhile, local and global institutions continue to offer their support, working with stakeholders to improve the business environment in the country and advise government institutions on economic planning and execution. COVID-19 notwithstanding, Mozambique has much to be optimistic about.

Filipe Jacinto Nyusi
PRESIDENT,
REPUBLIC OF
MOZAMBIQUE

Carmelita Rita Namashulua
MINISTER OF
EDUCATION AND
HUMAN DEVELOPMENT

Janfar Abdulai
MINISTER OF
TRANSPORT AND
COMMUNICATIONS

Pietro Toigo
COUNTRY MANAGER,
AFRICAN DEVELOPMENT
BANK (AFDB)

Lourenço Sambo
GENERAL DIRECTOR,
AGENCY FOR THE
PROMOTION OF
INVESTMENTS AND
EXPORTS (APIEX)

Mark Lundell
FORMER COUNTRY DI-
RECTOR,
WORLD BANK

Carlos Zacarias
CHAIRMAN,
NATIONAL INSTITUTE
OF PETROLEUM (INP)



Filipe Jacinto Nyusi
PRESIDENT,
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TRANSPORT AND
COMMUNICATIONS



Pietro Toigo
COUNTRY MANAGER,
AFRICAN DEVELOPMENT
BANK (AFDB)

WE WANT TO BUILD a nation that bets on human capital formation and development as its active principle. We intend to invest more in the development of Mozambicans across the country and promote the creation of new employment opportunities on all levels. In the middle-to-long term, we seek to visibly increase public revenue, national average income, and per-capita income. We will continue investing in traditional sectors such as agriculture, fisheries, agro-industry, transport and services, and tourism, all of which hold great potential to create employment. We want Mozambique to continue to be referred to as one of the countries with the highest growth rates in the world; however, the wellbeing of the average citizen is not measured solely through macroeconomic indicators. Vast segments among our rural, peripheral, and urban populations live in poverty. This is exacerbated by the fact that we are a prevalently young nation with high demographic growth. The forecasts are clear: by 2025, we will be 33 million. We need to lay today the fundamentals for this not-so-distant future. We need actions, not words. I intend to create and lead a pragmatic government, simplifying its structure and focusing on concrete problem resolution on the basis of justice and social equality.

OUR ULTIMATE MISSION is to ensure that all children have access to quality education and the opportunity to conclude a cycle of education, acquiring at least the basic competences to ensure a better future for our youths. We are investing continuous efforts to ensure to improve the standards and levels of our education system, in all districts of the country. We will pay specific attention to the necessities of the most remote districts in the country, dispatching more professors to these areas, improving the quality of teaching, and involving parents and communities in the process of educating children, so to ensure that all children attend at least the compulsory education cycle (primary education). We also want to improve the quality of our secondary education to offer better and more equal opportunities to our young adults coming out of school, especially girls, so that they are ready to access the job market. Finally, an important goal is to improve transparency and governance in the management of schools at all levels. The challenges lying ahead of us are numerous, and we are determined to tackle all of these in the coming years—the implementation of the Law 18/2018 will be key to ensure this.

THE PROSPECT of mineral resources and gas extraction creates unprecedented momentum for the development of infrastructure, logistics, and transport, which will benefit the whole country. Driven by the necessity to link the Moatize coal mines to the ports, we are seeing the completion of the existing railway-port system in the center and north regions, with a focus on the corridors of Nacala, Beira, and Maputo. One of the goals of the government's five-year program is to enable our railway-port system to transport larger volumes of cargo. At Port of Beira, work is ongoing on a new coal and mining terminal with 20 million tons annual capacity and a multi-use dock to reduce congestion at the cargo terminal. In the north, we are seeing the implementation of phases I and II of the rehabilitation and modernization project of Nacala port to increase handling capacity. Finally, Pemba is seeing the construction of a bulk cargo terminal to serve the oil and gas industry. There are also plans for the expansion of Pemba's commercial port and the construction of a transit cargo terminal for the mines in Cabo Delgado. The implementation of all these projects is generating opportunities and capital for the development of logistical solutions across the country.

AFDB FOCUSES on five priorities at the continental level: Feed Africa, that is turning Africa into a net exporter of processed agriculture commodities; Light up Africa, achieving universal energy access; increasing industrial GDP; Integrating Africa, interconnecting African economies and standardizing regulatory frameworks; and Improving quality of life for the people of Africa, creating job and developing skills for the youth. Our focus in Mozambique is to support the government in developing a sufficiently diversified economic base to generate inclusive growth. One of the main pillars of our strategy is agricultural transformation: we want to link agriculture and agro-business to the global markets, strengthen the value chains. A key concern for the transformation of agriculture is climate resilience—an issue that was made all but obvious by Cyclone Idai and major floods. These include investments in water harvesting and technologies for basin and reservoir water collection and the distribution of solar-powered irrigation kits. Most of these projects are directed at small-scale farmers and farmers' associations. Looking forward, we want to move one notch up the value chain to have fully-fledged agro-industrial parks.



Lourenço Sambo
GENERAL DIRECTOR,
AGENCY FOR THE
PROMOTION OF
INVESTMENTS AND
EXPORTS (APIEX)

CURRENTLY, the sectors with great growth potential and good investment opportunities that continue to grow and are proving essential to guaranteeing the production, conservation, and supply of products necessary in the country include industries essential to health services such as chemical, pharmaceutical, and cleaning products; food industry such as agriculture and agro-industry; financial services including fintech; and logistics. We also continue to encourage investments in priority sectors previously identified in the country, namely agriculture and agro-industry, tourism, oil and gas, infrastructure, energy, and manufacturing. APIEX has been devising different strategies to target and attract new investors into the country, support existing ones, and work with other stakeholders to achieve reforms to improve the business environment in the country. We have also been working with different development partners including JICA and the International Trade Centre's (ITC) Partnership for Investment and Growth in Africa (PIGA) to streamline the processes and develop different tools to support investors.



Mark Lundell
FORMER COUNTRY DI-
RECTOR, WORLD BANK

THE ESSENTIAL CHALLENGE is to reignite growth after the COVID-19 pandemic is brought under full control. Possessing a great deal of experience in dealing with emergencies and natural disasters, the government has done a great job until now in limiting the spread of the pandemic. The key priority now is growth, and we specifically advocate for an inclusive growth that is broad-based and provides equitable opportunities for all, benefiting every section of society; one that can encompass private and public investment across all provinces, beyond the capital. Another priority is to strengthen government institutions and implementation capacity across all key sectors, especially economic planning, public investment management, and the execution capacity for these plans. Finally, we are keen to see continued and careful debt management, to return to debt sustainability in the medium to long term, while the country awaits the start of LNG production, which will reduce the current debt-to-GDP ratio. We expect a rather gradual recovery. There are a few positive indicators that make us hopeful.



Carlos Zacarias
CHAIRMAN,
NATIONAL INSTITUTE
OF PETROLEUM (INP)

AT FIRST, INP was a fairly small institution, primarily concerned with the management of the Pande and Temane gas fields in Inhambane province, where extraction activities started in 2004. We put in great effort to attract foreign investments and were able to launch a tender in 2005 for the licensing of the areas of the Rovuma Offshore Basin, attracting international oil companies. In 2010, Total (former Anadarko) made the first discovery of the Windjammer field, soon followed by the huge findings at Area 1 and Area 4 also by Eni of the Mamba and Coral fields. 2020 marks the 10th anniversary of the first findings, which marks an historical and scientific milestone in the development of Mozambique petroleum sector. There is a provision in the petroleum laws that defines a specific amount of petroleum or gas resources that needs to be used for the national market. The real value of the gas industry will come from generating employment, creating partnerships between local and foreign companies, and fostering the growth of the local economy. All companies operating in Mozambique must include a chapter in their development plan.

TOTAL PRIMARY ENERGY SOURCE BY SOURCE (MW)

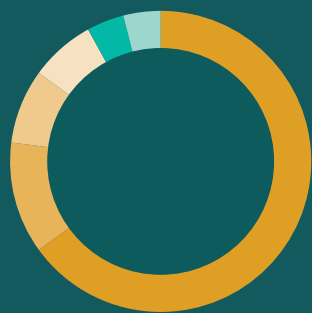
SOURCE: IEA



6,761	Biofuels and waste
2,016	Oil
610	Natural gas
10	Coal
1,342	Hydro

DEFORESTATION AND FOREST DEGRADATION BY CAUSE

SOURCE: THE WORLD BANK



65%	Slash-and-burn agriculture
12%	Urban expansion
8%	Timber
7%	Charcoal
4%	Commercial
4%	Other





Green Economy

TIME TO RENEW

Despite the delays brought about by COVID-19, 2020 is widely seen as the year of renewables for Mozambique. While the sector is still at a nascent stage, there is palpable excitement for its further regulation, structuring, and opening up to investors. The Business Year is thrilled to dedicate, for the first time in its coverage of Mozambique, a chapter to the green economy.

In 2018, the government launched the project Energia Para Todos (ProEnergia), which aims to extend universal energy access to the whole population by 2030. In early 2020, President Nyusi highlighted ProEnergia as one of the top priorities for his second term, and this has opened an enormous window of opportunity for private entities in the renewable energy sector. As the government and the public utility, Electricidade de Moçambique (EDM), pulled together to find new ways to fund this ambitious plan, the private sector mobilized to form the Mozambican Renewable Energy Association (AMER), with the mandate of engaging the government in a dialogue that could benefit all parties.

According to Emmet Costel, Secretary General of AMER, 2020 will be exciting for two main reasons. First, the public and private sectors are working hand-in-hand on the new Electricity Law to regulate the sector and liberalize the market, granting increased openness to private investments. Second, the sector has seen an unprecedented surge in attention from foreign donors, opening up funding for projects, es-

pecially in the on-grid and solar spaces. In this regard, in 2019 EDM launched the Promoção de Leilões para Energias Renováveis (PROLER) program, which will launch tenders for renewable energy projects. The off-grid space, including mini-grids and solar home systems, finds itself at a more nascent stage, but presents enormous potential.

In an interview with TBY, Antonio Saíde, Chairman of the National Energy Fund (FUNAE), the governmental body responsible for the implementation of the off-grid space, told us that 66% of Mozambicans do not have access to the grid, and solar home systems will play a key role in the ProEnergia plan. Despite the evident enthusiasm, one recurrent criticism that emerged was the opacity of relations between the public bodies EDM, the Ministry of Energy, and FUNAE, which in the past often stood in the way of progress. The private sector demands that transparency be a key priority in the upcoming regulations, a necessary precondition for opening to private investors.

Another key issue spearheaded by the private sector is the implementation of incentives and the abolition of tariffs for companies operating in the space. According to Luke Hodgkinson, Managing Director of Fenix International Mozambique, incentives are necessary to bring the price down for end-consumers and ensure that this industry can be truly inclusive. This is the only way the government can hope to achieve its ambitious plan for universal energy access. ✖



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