

INVESTMENT PROFILE:

Agro-Processing and Light Manufacturing

MOZAMBIQUE



AN OVERVIEW

The Republic of Mozambique is located on the east coast of southern Africa, between the United Republic of Tanzania and the Republic of South Africa, and also shares borders with the Republic of Malawi, the Republic of Zambia, the Republic of Zimbabwe and the Kingdom of Swaziland. In 2011, large gas discoveries created the prospect of an economic boom. Mozambique is a gateway for sea travel to the Indian Ocean, including to the Middle East and Asia, and for rail travel to southern Africa.

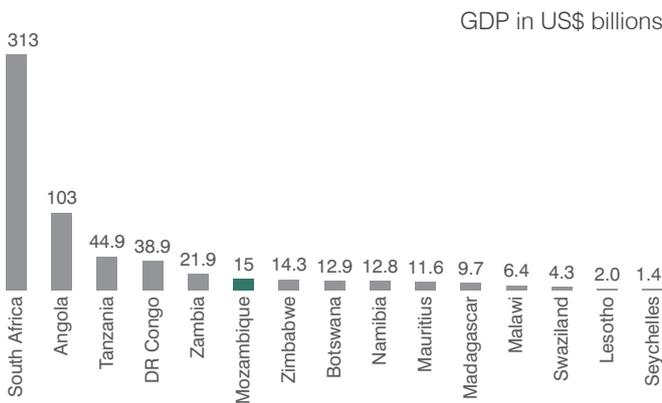
Mozambique has a population of approximately 25.93 million in 2016, out of which an estimated 13.5 million lies in the working age group of 15–64. Some 80% of its workforce is in the agricultural sector.

Mozambique's banking sector comprises 18 banks. Its largest three banks control 85% of the assets in the sector.

Key facts	
Capital:	Maputo
Area:	799,380 km ²
Population:	25.93 mm (2016)
Labour force (over 15 years):	13.5 mm (2016)
Literacy rate (over 15 years):	47.5%
	<i>Female:</i> 52.5%
Youth literacy rate (15–24 years):	
	<i>Male:</i> 73.3% (2015)
	<i>Female:</i> 45.4% (2015)
GDP (nominal):	US\$ 14.97 bn (2015)
GDP (growth):	6.3% (2015)
FDI inflow:	US\$ 3.71 bn (2015)
Exports:	22.8% of GDP (2015)
Imports:	50.6% of GDP (2015)
Govt. expenditure:	US\$ 5.26 bn (2015 est.)
Govt. revenue:	US\$ 4.38 bn (2015 est.)
Currency:	Mozambican metical (MZN)
Language:	Portuguese

*Source: World Bank, 2015; UN, 2013; CIA, 2016

Mozambique is the sixth largest economy of the 15-member Southern African Development Community



*Source: CIA, 2015

ECONOMY OVERVIEW

AGRO-PROCESSING AND LIGHT MANUFACTURING

Mozambique's economy is expected to receive a significant boost over the next decade, following the 2011 discovery of extensive natural gas reserves that could place it as the fourth world producer of liquefied natural gas. Mozambique has also recently invested to access its coal reserves and expects to become the world's largest coal exporter. Its largest export is currently aluminium.

A large part of Mozambique's economy is centred on agriculture, which has a large growth potential. Some 85% of arable land remains unutilized for agriculture (30.6 million ha of 36 million ha). The country's extensive waterways also provide great irrigation potential and the tropical climate allows for year-round production. While agriculture contributes to 25% of GDP, 80% of the workforce is employed in that sector. Agriculture has grown steadily at 7.64% per year from 2005 to 2015, while the economy grew 7.23% per year over the same period.

- Opportunities in agriculture and agro-processing include rice, cassava, soya beans, poultry, horticulture and fruits, maize, sesame and cotton.
- Opportunities in light manufacturing include fertilizer, animal feeds and limited agro-processing: production of concentrates from pineapples, oranges and mangoes.

WHY MOZAMBIQUE?

MOZAMBIQUE'S GLOBAL AND REGIONAL MARKET ACCESS

Market access under:	Markets
African Growth and Opportunity Act (AGOA)	The United States of America
Duty-Free Quota-Free (DFQF)	The People's Republic of China
Economic Partnership Agreement (EPA)	Europe
Southern African Development Community (SADC)	The Republic of Angola, the Republic of Botswana, the Democratic Republic of the Congo, the Kingdom of Lesotho, the Republic of Mauritius, the Republic of Madagascar, Malawi, Mozambique, the Republic of Namibia, the Republic of Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe

MOZAMBIQUE TRADE SCENARIO

- Overall exports from Mozambique have decreased to US\$ 3.2 billion in 2015, down by 11% from 2011 and by 32% from 2014, in part due to a drop in aluminium prices.
- Exports from Mozambique in 2015 were aluminium (33.6%), oil and gas (30.4%), tobacco (9.2%), ores (4.6%), sugar (3.9%), gems (3.6%), wood (1.9%), fruits and nuts (1.4%), machines (1.2%) and cotton (1.2%).

BUSINESS ENVIRONMENT

LEGAL AND REGULATORY FRAMEWORK

- The key corporate and investment laws applicable in Mozambique are the Commercial Code, 2005 and the Investment Act, 1993.
- Mozambique has signed 26 investment promotion and protection treaties, 21 of which are in force, including with China.

MANPOWER SCENARIO

- There is abundant availability of a relatively well-educated population.
- Wage rates: Unskilled worker – US\$ 45/Skilled worker – US\$ 118.

POWER SCENARIO

- Mozambique has a well-established power sector, with a total installed capacity of 2,200 MW.
- Mozambique's main power source is hydroelectricity.
- The average power cost in Mozambique varies between US\$ 0.03/kWh and US\$ 0.06/kWh.



GOVERNMENT SUPPORT FOR AGRO-PROCESSING AND LIGHT MANUFACTURING SECTORS

- The Government of Mozambique has created a number of special economic zones and industrial free zones in Maputo and Nacala.
- For agro-processing investments, the following incentives are available:
 - Exemptions on equipment import duties
 - 10% reduction of diesel tax
 - 10% reduction of electricity cost
 - Reduction of corporate income tax to an effective rate of 5% until 2025
 - Low cost of land
 - Potential VAT reduction.
- The Investment Promotion Centre facilitates investments and implementation of new investment projects, and provides aftercare services for new and existing investments.
- Incentives are provided to investors under export processing zones (EPZs), including tax incentives and holidays, VAT exemption, business allowance and investment deductions.

ADVANTAGE MOZAMBIQUE

Agro-processing and light manufacturing sector investors in Mozambique can benefit from the following:

- Potential to become a transport hub for Southern Africa with the Middle East and Asia, with large international ports.
- Expected economic boom, with development of liquefied natural gas in the next decade.
- Increased market demand in agro-processed and other products in the next decade due to expected economic boom.

SUCCESS STORIES

- **Wanbao Grains & Oil Co., Ltd:** In 2011, this Chinese private company committed to make a US\$ 250 million investment in relation to a 300 ha rice-producing farm. Some parts of the farm are subcontracted to Chinese state-owned companies, while others are exploited by Mozambican farmers who are trained for free by Wanbao on production methods.
- **First National Choice:** In 2013, this South African company built a pineapple-processing factory in Muxungue in the Sofala Province for export to the German and larger European market. The company invested US\$ 6 million and the factory can process 40 tons of pineapple into 17,000 litres of juice per day.





INVESTMENT OPPORTUNITIES

CASSAVA PRODUCTION

- This presents significant investment opportunities. Between 2012 and 2014, Mozambique's production increased by 66% due to the jump in worldwide wheat prices and the fact that beer maker SAB Miller started using local cassava production instead of malt barley for its low-cost beer brand, Impala. Other opportunities for cassava processing include flour, animal feeds and industrial raw materials.

POULTRY

- This sector constitutes a significant opportunity, as demand has grown significantly across Africa and consumption in Mozambique is expected to triple in the next decade.

FERTILIZERS

- This sector is an important investment opportunity if Mozambique is to succeed as a serious commercial agriculture player. The use of fertilizers in Mozambique is currently 40% lower than in the rest of Africa and 90% of fertilizers used in the country are for tobacco and sugar cane. Almost all fertilizers used in Mozambique are imported.

ANIMAL FEEDS

- This sector represents an important investment opportunity, with the possibility of an increase in poultry consumption over the next decade. Local feeds production is very limited and expensive. With an anticipated increase in cotton and soya bean production, there should be an important release of feeds ingredients in the local market.

LEATHER AND TEXTILE

- Mozambique does not have a leather or textile industry. With significant investments, it may experience a revival. Demand in the EU is large and growing and the tariffs are significantly lower than those applied to China. The South African market provides another opportunity where Mozambican goods may have a comparative advantage.

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