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Mozambique

2017

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Doing Business in Mozambique

Market Overview

The Mozambique Country Commercial Guide (CCG) presents a comprehensive look at Mozambique's commercial environment using economic, political and market analysis.

Though one of Africa's poorest nations, Mozambique's annual growth rate averaged 7% over the past decade. In 2015, real GDP slowed to 6.2% due to a fall in commodity prices as well as floods in the north of the country and droughts in the south. GDP fell to 3.8% in 2016, due to the disclosure of USD2 billion in government-guaranteed debts. Economic growth is projected to be below 5% in 2017 but gradually rise to 8% over the next decade. GDP growth has traditionally been driven by the agriculture, construction, and financial sectors while growth in the next decade is expected to be driven by the oil and gas industry due to the discovery of vast natural gas deposits.

Basic Economic Statistics:

- Total Population in 2015: 28 million
- Real GDP Growth in 2016: 3.8%
- Nominal GDP in 2015: USD14.80 billion
- GDP per capita in 2015: USD585.6
- Total Exports in 2014: USD4.73 billion
- Total Imports in 2014: USD8.74 billion
- Total Imports from U.S. in 2016: USD147 million
- Exchange rate (June 2017): 59 MZN equal USD1
- Average Inflation Rate (February 2017): 20.88%
- Central Bank Base Lending Rate (May 2017): 22.75%

During the second half of 2016 the metical depreciated sharply causing the Central Bank to gradually raise the standard lending facility by 1350 base points, from 9.25% to 22.75%. The devaluation of the metical caused higher than expected inflation and forced the Mozambican Central Bank to impose harsh foreign currency control measures. Borrowers in local currency face interest rates of up to 30%, which hinders entrepreneurship and business development. To cover the government account deficit, the Mozambican Government requested a USD283 million

loan from the IMF. But this loan was put on hold due to the government's lack of transparency in its public debt portfolio.

The Mozambican Government encourages foreign direct investment (FDI). Currently, FDI is largely in infrastructure and the extraction of minerals, including graphite, coal, and gemstones. FDI investment slowed dramatically since 2015, largely due to the economic crisis, a drop in commodity prices, especially coal and aluminium, and slow negotiations in the development of hydrocarbon projects. In 2017 the economy is forecasted to start recovering due to a rebound in commodity prices and exports.

South Africa and Portugal are Mozambique's largest trading partners. Brazil, China, India and Japan have established projects and are increasing their investments. The largest bilateral donor of development assistance is the United States, which until recently was not a major trade partner. But the involvement of the U.S. in the oil and gas sector is set to create significant demand for U.S. exports in that sector as well as others and the U.S. is likely to become the largest investor in Mozambique in the next decade.

Several megaprojects will be the key drivers of the Mozambican economy in the next five years and will provide both direct and indirect opportunities. The largest is the construction of Anadarko's onshore Liquefied Natural Gas (LNG) plant valued at USD25-30 billion. Exploration activities by ExxonMobil, ENI, Statoil, Sasol, and others will provide further opportunities in the oil and gas sector. The development of the Nacala Logistics Corridor, comprising multiple industry projects valued in the billions of dollars, will serve as the logistics backbone for the north of the country where most of the hydrocarbon deposits are located, as well as the agricultural and mining sectors which are located inland.

Similar to other emerging markets, Mozambique has a very weak power infrastructure that is concentrated in urban locations but sparse throughout rural areas. It is common for industry and business to rely on backup generators for long periods of intermittent power supply. One of the most successful infrastructure projects in Mozambique, the Cahora Bassa hydroelectric dam with a 2075MW capacity, is located in the Tete Province on the Zambezi River. This dam supplies power to Mozambique, Zimbabwe and South Africa. Mozambique has strong potential for hydroelectric and thermal power generation and for solar and wind farms along its lengthy

coastline. However, the underdeveloped power grid and bureaucratic inertia make the development of power projects difficult and time consuming.

The transportation sector is expanding, driven by major investments in ports and road infrastructure. There are three major ports in the country: Maputo for the southern part of the country, Beira for the center, and Nacala for the north. The far northern ports of Pemba and Palma require substantial upgrades in order to provide logistics support for the oil and gas projects. Infrastructure and construction remains strong in Mozambique despite the general economic slowdown.

In 2015, Mozambique substantially improved its ranking in the World Bank's "Doing Business" report, rising from 142 in 2014, to 127 out of the total 189 countries. This rise in ranking was due to improvements in insolvency legislation and streamlining procedures for registering property, paying taxes, and obtaining construction permits. However, registration of businesses, labor laws, and access to land and infrastructure continue to restrict economic opportunities. A myriad of bureaucratic and infrastructure challenges, such as getting access to electricity and water, are often cited as barriers to doing business. Because of issues related to the non-disclosed government loans, Mozambique dropped five places in 2016 in the "Doing Business" report.

Market Challenges

Despite Mozambique's investment potential, the business climate poses distinct challenges. Generally good, stable macroeconomic policies and high-level political commitment to attracting large scale investments mask a bureaucracy that remains largely unresponsive to the needs of the private sector, especially small-to-medium-sized enterprises. Most companies cite the slow pace of conducting business as one of the main challenges in Mozambique, mainly due to the lack of human capacity in areas necessary for business. In addition, the top-down, hierarchical decision-making process can hinder market efficiency. Recently the government's lack of transparency in foreign loan acquisitions has been a major issue, causing rating agencies to downgrade Mozambique and some development institutions to question the government's trustworthiness.

According to the World Bank, the labor force is growing at a rate of 2.3% annually. But the labor market is rigid, and highly trained personnel are scarce. In 2009, the Ministry of Labor began

enforcing quotas to limit the hiring of foreign employees, though larger investors and those operating in free trade zones have some flexibility.

The 1997 Land Law grants a land use right roughly comparable to a lease. Though land can be leased for renewable 50-year periods, it cannot be used as collateral for financing. The bureaucratic process of acquiring rights to use land, as well as construction permits, can be lengthy and complicated. Companies are advised to approach the leasing of land with great caution and to consult legal services providers to ensure sellers are legitimate and transactions are legal.

Though large improvements are being made, Mozambique has poor basic infrastructures, from dirt roads to a lack of reliable power supply and inefficient communications networks. Road infrastructure is generally poor, except for large stretches of the main north-south highway, the east-west Beira corridor, and the toll highway connecting Maputo with the South African border. Seasonal flooding sometimes paralyzes these routes. Cellular telephone coverage is concentrated in urban areas but is unreliable and sometimes unavailable in rural areas.

Commercial banks charge high interest rates, regardless of the Central Bank's standing lending facility, making it difficult for SMEs to find affordable financing. Payments for imported goods can be difficult as foreign currency payments outside the country have to be approved by the Central Bank. Questionable loan guarantees made by the government have damaged its credit rating and a sharp depreciation of the local currency (metical) forced the Central Bank to limit outflow of capital, further reducing the ability of businesses to import goods and services.

A lack of transparency in government procurement and delays in bureaucratic decision making can delay projects and even make them unsustainable. Mozambican law requires public tenders for any government project valued at more than USD10 million but tenders are often not issued and some that have been issued have been known to be unfair.

Market Opportunities

Investment and export opportunities exist in:

- Agriculture equipment
- Construction (roads, railway, general infrastructure)
- Energy (coal, hydropower, gas, solar, wind, biomass)

- Fishing (prawns, hake, lobster)
- ICT
- Mining (coal, graphite, rare earths, precious metals)
- Oil & Gas (exploration, distribution, infrastructure)
- Tourism (hotels, resort, sports, leisure)
- Transportation (ports, airports, logistics, freight)

Market Entry Strategy

Creating local partnerships can be a useful way to help navigate the not so obvious business market. Investors and exporters should make frequent visits to Mozambique to establish new contacts and maintain current ones. Most companies find it advantageous to establish a local office in Mozambique to deal with officials and clients and to obtain information on potential business opportunities. Having a local office can also be advantageous when bidding for public tenders.

The Mozambican Government created the Center for Investment Promotion (CPI) to serve as a one-stop shop for potential investors in Mozambique. Prospective investors are encouraged to consult CPI for assistance in obtaining licenses and permits and also seek local legal counsel. CPI can also assist in providing tax incentives to companies that have strong local content and social responsibility policies.

Corruption and bureaucratic obstacles can be addressed and minimized by working with local lawyers and by insisting that contracts and offers be made in writing.

The government agency for special economic zones, Gabinete das Zonas Económicas de Desenvolvimento Acelerado - GAZEDA, (Office for Economic Areas with Accelerated Development), is also a useful agency to explore. GAZEDA controls a number of industrial zones that have major tax incentives. These zones are mostly industry specific and intended for manufacturing and export businesses.

Companies interested in establishing local entities or finding local distribution partners may contact the U.S. Commercial Service in Maputo for counseling on how to enter the market.

Political Environment

This section describes the background information on the [political and economic environment of Mozambique](#).

Selling U.S. Products & Services

Using an Agent to Sell US Products and Services

In Mozambique, foreign companies commonly work with local agents or distributors initially to gain market share. Local agents provide support in overcoming regulatory requirements and initial market barriers. Some U.S. firms supply Mozambique indirectly through regional distribution agents in South Africa. The number of agents that have access to distribution channels across the country is limited due to the small market size as well as poor infrastructure. Note that it is very common for politically exposed people to be involved in business transactions. U.S. companies should conduct due diligence on local partners prior to entering into reseller agreements.

To find an agent, U.S. firms may approach the U.S. Commercial Services, the National Business Confederation (CTA), Mozambican-U.S. Chamber of Commerce (CCMUSA), or the Commerce, Industry and Service Association (ACIS).

Establishing an Office

There are multiple company structures to choose from when establishing a legal entity in Mozambique and it can be complicated. The most common legal structure used is the Limited Liability Quota Company structure (*Sociedades por Quotas de Responsabilidade Limitada*), which requires at least two shareholders. This structure is similar to a U.S. LLC.

Local legal services providers should be consulted on a myriad of issues when determining the best structure. Bureaucratic regulatory requirements include registering a company name, publishing statutory documents in the official government gazette (*Boletins da República*), and applying for an operational license, called the *Alvará*. Basic information on how to establish a company in Mozambique can be found on the [World Bank's Doing Business website](#).

U.S. companies are strongly encouraged to consult the Mozambique Investment Promotion Center (CPI) or a local consultancy firm that can provide general start-up information and assist with registration procedures and permits.

Franchising

Though franchising is limited in Mozambique, the emergence of a middle class with disposable income in urban areas such as Maputo, Beira, and Tete is driving interest in goods and services provided by foreign franchising companies. The restaurant and retail sectors are generating interest from local franchisees. YUM! Brand's KFC gained significant market share with its seven stores throughout the country in a period of five years and Pizza Hut opened its first storefront in 2016. Hertz and Avis rental cars have local franchise partners and the Dutch retailer Spar has several franchise agreements with supermarket operators. Local businesses are interested in franchises in order to access well-known brands and partner with companies that bring with them established business models. However, the concept of franchising is relatively new. There is no franchise association or formal authority responsible for franchising activity in Mozambique and legal protection of brands is weak. U.S. firms interested in learning more about the legal requirements of franchising are advised to contact a local legal services provider.

The current law defines franchising as commercial contracts through which the franchiser or licensor supplies and allows, wholly or in part, the use of certain know-how, trademarks, emblems or commercial symbols to another person, with exclusivity and with or without guarantees of technical assistance and marketing services, the franchisee or licensee being obliged to make the necessary investments and agreed periodic payments and to accept control by the franchiser over the commercial activity undertaken.

Franchise fees and royalty transfers may be difficult to remit due to bureaucratic processes for sending funds outside the country

Direct Marketing

Direct Marketing is a growing business trend driven by the growth of smart phones and exposure to social media. Numerous companies directly target clients through email campaigns, websites and online ads. The most successful companies involved in direct marketing are those selling clothing, beauty care products, and autos to Millennials, who make up the largest portion of smart phone users.

The majority of the population does not have access to the internet and is unfamiliar with direct marketing. Mobile applications and SMS messaging are also common ways of marketing directly to the client, especially those in remote areas. Door-to-door sales are rare.

Joint Ventures/Licensing

With the goal of developing entrepreneurship, joint ventures with Mozambican companies are encouraged by the government. Though there is no legal requirement to partner with a local entity in order to establish a company, the government often requires partnerships with parastatals when a company bids for national projects or concessions. Having a partner can help U.S. companies comply with local content law and gain favor when bidding for government projects.

Selling to the government

The Public Procurement Regulations governing the public tender process apply to all municipalities and (majority) state-owned companies. Public tenders are required for all government procurements over USD10 million. The regulations cover products, services, and concessions in general and are subject to some industry-specific regulations, such as mineral resources, public private partnerships and large scale projects, for example. The Unit for the Supervision of Acquisitions (UFSA) within the Ministry of Economy and Finance's National Directorate of State Assets (DNPE) is responsible for applying and overseeing the Public Procurement Regulations.

Purchases may also be subject to the terms defined by a particular international donor or investment agency financing a project. In order to be eligible, the general bid standards stipulate that all individual or legal persons from Mozambique or abroad must demonstrate to the government that the company is legal, financially and technically qualified, and has a taxation record.

U.S. companies interested in competing in a Mozambican Government tender should contact the U.S. Commercial Service for further information on the tender process and how to apply for official U.S. Government Advocacy.

Distribution & Sales Channels

Maputo is the capital city and the primary point of entry for imported products. Most goods are imported by road from South Africa or shipped to the three main ports: Maputo Port, Beira Port and Nacala Port. Due to the lack of large established distributor networks some distributors act as their own wholesalers and retailers. Most established distributors are based in the south of the country, but new large distributors are expected to develop in the north, where the oil and gas projects are located.

It is common for goods to be sold in the informal market/grey economy.

Express Delivery

There is no reliable local post or express delivery company in Mozambique. However, Fedex, UPS and DHL have operations in country, and the broader region, and can deliver to most major cities throughout the country. In some cases they can assist with customs and duties.

Selling Factors & Techniques

Mozambique is a Portuguese-speaking country but English is commonly spoken by the business community. Though the ability to speak the language is not required for success, it is a major advantage. Most business people respond better to Portuguese promotional materials and sometimes require that contracts be done in Portuguese. The government requires labeling in Portuguese for specific consumer products such as medicine and child formulas.

Access to credit is often difficult and expensive in Mozambique and affects the ability of resellers to stock inventories or to make purchases. Letters of Credit (L/C), export credit financing, or other financing solutions are quite common.

U.S. firms are advised to network with industry stakeholders to learn about the market and engage with decision makers. Private entities as well as government agencies typically take long periods to make decisions. It is important that U.S. firms follow-up and remain persistent in order to obtain results. Networking opportunities include local and regional trade fairs and exhibitions organized by trade organizations. Industry-specific conferences are also hosted by government ministries or municipalities with the goal of highlighting business opportunities and seeking investment.

eCommerce

Overview

According to the World Bank, 9% of the Mozambican population had access to the internet in 2015. Though the number is small in comparison to other countries, it is growing due to the growth of low-cost smart phones. The Electronic Transactions Law approved in January 2017 provides the legal framework for developing ecommerce.

Current Market Trends

Ecommerce is just developing, and Mozambicans are still very skeptical about uploading personal information to make transactions online. Many Mozambicans do not have access to credit or debit cards and therefore cannot shop online. Ecommerce is also hampered by the lack of shipping to locations outside of the major cities.

Domestic eCommerce (B2C)

Domestic online sales transactions are currently insignificant but expected to grow with the emergence of an urban middle class.

Cross-Border eCommerce

International online trade is a growing trend for local companies who purchase products from China. However, due to delivery delays and products that do not function as expected, many are skeptical of online purchases from foreign companies.

Popular eCommerce Sites

Some pioneering enterprises are changing consumer habits and making sales online. The recently launched online grocery [Izyshop](#) is gaining market share. Other examples include [Compras](#) and [Xava](#), which offer electronics. Online sales are expected to grow along with the emerging middle class.

Online Payment

Few local sales transactions are done online as consumers are afraid of using credit/debit cards online. However, the limited choice of goods available from local stores is driving affluent consumers to international online stores, such as Amazon or European online stores despite the importation costs

Mobile eCommerce

Mobile applications such as Mcel's mKesh and Vodacom's M-Pesa are used to facilitate the transfer of money and payment of services. Such platforms are commonly used in remote areas where users have limited access to banks and financial institutions.

Digital Marketing

Very few local companies advertise online. The bulk of the advertising that is done online consists of banners on websites and Facebook pages. Some companies have started using YouTube as a platform to reach customers.

Major Buying Holidays

There are no major buying holidays in Mozambique apart from Family Day (December 25th). The Muslim holidays Eid al-Fitr and Eid al-Adha are celebrated by a fifth of the Mozambique Population, it is common practice to exchange gifts during these periods.

Social Media

Social media is commonly used by the informal sector/grey market to showcase products. Small enterprises commonly use platforms such as Facebook to reach targeted groups or individuals.

Trade Promotion & Advertising

The most commonly used advertising media are television, print and radio. Due to low literacy rates (59%), visual and audio advertising are the most effective for consumer products. Billboards and television are the most common media used to target buyers in urban cities. Mass marketers rely on radio to reach target groups located in remote areas. Print media - newspapers and magazines - can be effective in marketing to literate market niches. Web advertising is the least expensive and is growing, fueled by the growing number of internet users. U.S. companies interested in building a brand presence in Mozambique should work with advertising agencies to identify the most appropriate solutions.

Pricing

Prices are generally determined by market forces except those for petroleum and certain agricultural products, which are fixed by the government. Variable costs such as import duties and transportation play a key role in defining prices. Import duties on goods range from zero

to 20%. But products imported from within the Southern Africa Development Community (SADC) may be exempt. For more in-depth information on import duties, contact the U.S. Commercial Service in Maputo.

Mozambique operates under the value added tax system (VAT); a 17% rate is attributed to the product at the point of sale.

In 2016, the local currency, the metical, sharply devalued causing the Central Bank to increase interest rates. Local firms found it more difficult to purchase imported goods as the cost of international products and services escalated. The metical stabilized in early 2017, but should be monitored by U.S. exporters.

Before doing business in Mozambique, it is advisable that U.S. companies consult with local tax consultants and customs agents on how custom duties and VAT will impact the cost of goods.

Sales Service/Customer Support

Though customer support has not been a priority for many local companies, increased competition is creating demand for better service. Foreign companies are increasingly making inventory and technicians available to service their sales in Mozambique. Such services can be a competitive advantage and help build a good reputation with both resellers and consumers.

Protecting Intellectual Property

The weak Mozambican judicial system can make protection of property rights problematic. Despite the government's firm public stand against piracy, pirated copies of audio, videotapes, DVDs, as well as counterfeit goods are commonly sold in Mozambique, although not produced in any significant volume. Enforcement is rare and highly selective. Firms entering the Mozambican market with their own intellectual property (IP) should consult local legal services providers on how to safeguard their IP.

In any foreign market companies should consider several general principles for effective management of their intellectual property. For background on these principles please link to our article on [Protecting Intellectual Property](#) and also [Corruption](#).

Due Diligence

It is essential that U.S. companies investigate the credibility and reputation of a business prior to signing a contract or entering into an agreement. Due to limited access to information, companies might struggle to verify the legitimacy of the local entity.

There is no central repository of information or credit agency that publicizes financial information of Mozambican companies. The U.S. Commercial Service provides an International Company Profile (ICP) which can be used to obtain information on a potential business partner.

Local Professional Services

For information on local providers of consulting, marketing, event management, legal, tax and financial services, consult the U.S. Commercial Service, the Mozambique-U.S. Chamber of Commerce (CCMUSA), or the Confederation of Business Associations (CTA).

Principle Business Associations

The three major business associations that are relevant to U.S. companies are The Confederation of Business Associations (CTA), The U.S. Mozambique Chamber of Commerce (CCMUSA), and The Mozambican Business and Industry Association (ACIS). CTA is the largest and most influential of these.

It is important to note that local business and associations leaders may be closely linked to the political elite and thus have conflicts of interest with certain business sectors. U.S. companies are advised to conduct due diligence before committing to a partnership.

Web Resources

[Mozambique Export Promotion Institute \(IPEX\)](#)

[Mozambique Investment Promotion Center \(CPI\)](#)

[Mozambique Central Bank](#)

[Confederation of Business Associations \(CTA\)](#)

[Association of Commerce, Industry, and Services \(ACIS\)](#)

[Mozambique-U.S. Chamber of Commerce \(CCMUSA\)](#)

[Customs Authority](#)

Leading Sectors for U.S. Exports & Investments

Agriculture Sector

For more information read the USDA - Foreign Agricultural Service report on [Mozambique Agricultural Economic fact](#)

Energy Sector

Overview

	2016e	2017f	2018f	2019f	2020f
Total Generation TWh	16.61	16.06	16.55	17.15	17.44
Total Consumption TWh	14.3	15.2	17.5	18.5	19.6
Total Capacity MW	4185.2	4185.9	4530.9	6036.4	-
Total Exports MW	338.7	-	-	-	-
Total Imports MW	223.5	-	-	-	-

Source: BMI and Mozambique National Institute of Statistics

Mozambique has the largest power generation potential of all Southern African Countries; it could generate 187 gigawatts of power from its coal, hydro, gas and wind and resources. Almost 100% of power currently generated is from hydroelectric projects. However, coal, gas and renewable energy sources are changing the power sector and are expected to play a significant role in the future, with natural gas power plants expected to provide 44% of total energy generation.

Despite Mozambique's huge potential for generation capacity, only 34% of the population has access to electricity. This is due to an underdeveloped power distribution network and the bureaucracy involved in developing new power projects. Energy demand will be driven by industry and business, as the majority of the population cannot afford current tariffs despite the fact they are highly subsidized. To mitigate the cost of expanding the grid to rural areas the Mozambican government has made rural electrification development a priority led by the Mozambique Energy Fund Institute (FUNAE), which will focus on smaller off-grid projects of less than 10MW.

Electricidade de Moçambique (EDM) is the sole utility and regulator in the country. Despite two tariff increases in the last two years, EDM is still selling power at a loss and hopes to have a cost reflective tariff by the end of 2017. At present, EDM is forced to subsidize tariffs to poor residential consumers, a strategy that is largely argued to be

unsustainable. According to national statistics a third of EDM's customers are concentrated in the city of Maputo and the surrounding province and generate 65% of EDM's revenue. EDM is making major structural and operational changes in order to finance its own generation projects. This transformation could bring major opportunities for U.S. companies that provide automation technologies.

The first Independent Power Projects (IPPs) in Mozambique came online in 2015. These projects have paved the way for future IPP negotiations and more recently, the standardization of tendering documents. Given EDM's weak financial capabilities, IPPs will likely rely on development banks for financing.

The largest power generation plant in the country is the Cahora Bassa hydro dam, operated by the government-owned Hidroelectrica de Cahora Bassa (HCB). This is the second largest dam in Africa with a capacity of 2,075 MW. HCB sells 65% of its existing generation to South Africa and the remaining 35% is sold to the northern regions of Mozambique and to Zimbabwe. HCB's operations are located on the Zambezi River in Tete Province.

Mozambique recently commissioned several gas thermal plants, the latest of which is the Gigawatt 120MW plant commissioned in 2015 under a Power Purchase Agreement (PPA) with EDM. According to BMI Research, gas based generation is expected to increase by 18.1% annually through 2025.

Mozambique's first utility-scale solar power plant, a photovoltaic plant with a capacity of 40MW, was commissioned in Zambezia Province in 2016. There are numerous greenfield opportunities for both solar and wind projects

Due to ongoing power shortages, EDM has had to resort to expensive emergency power solutions, setting up temporary diesel power plants in the north and center of the country.

Power Africa

Launched in 2013, Power Africa is a market-driven, U.S. Government-led public-private partnership to double access to electricity in sub-Saharan Africa. It also serves as a one-stop shop for private sector entities seeking tools and resources to facilitate doing

business in Africa's power sector. In 2016, the Electrify Africa Act unanimously passed both houses of Congress and was signed into law, institutionalizing Power Africa and establishing two goals; to add 20,000 MW of generation capacity and expand electricity access to 50 million people in sub-Saharan Africa by 2020. In bringing together more than 140 of the world's top companies, development institutions, and financial entities, Power Africa employs a transaction-centered approach to directly address key constraints to project development and investment in the power sector. These interventions aim to de-risk investments and accelerate financial close -- from facilitating project bankability with financing and risk mitigation, to providing technical and transaction support, to engaging with host-government counterparts. Learn more about the full Power Africa toolbox at <https://www.usaid.gov/powerafrica/toolbox> or other opportunities offered by Power Africa at <https://www.usaid.gov/powerafrica>.

Leading Sub-Sectors

Energy sector infrastructure and development services. Supply of equipment and services:

- Turbines, engines
- Generators
- Cables and electrical components
- Substation components
- Power converters
- Transmission line components
- EPC services
- Financing and insurance services
- Solar panels and wind turbines
- Grid management software

Opportunities

Mozambique domestic energy demand is increasing steadily and is expected to continue rising as the country industrializes. The Southern African Development Community (SADC) member countries have a present deficit of 9,000MW that could be met with Mozambican power exports.

Transmission:

- The CESUL Back Bone is a priority transmission project that would run from the center to the south of the country and then into South Africa. The project will consist of two high voltage lines, one 400KV AC line and a 550 KV DC line, at an estimated cost of USD2.1 billion. Because of delays due to problems with their shareholders and financing, EDM hopes to build the project in phases.
- The Mozambique-Zambia Interconnector will link the Mozambican and Zambian grids with two 400KV HVAC lines at an approximate cost of USD313 million.

Hydro:

- HCB (Hydroelectric Cahora Bassa) North will expand the existing dam for an additional capacity of 1,250MW.
- Mphanda Nkuwa Dam will be located downstream from Cahora Bassa in the Zambezi River and have a capacity of 1,500MW. This project is dependent upon the success of the CESUL Transmission Project.
- Lupata Dam, also located on the Zambezi River, will have a capacity of 416MW. This project is also dependent upon the success of the CESUL Transmission Project.

Thermal coal:

- Ncodenzi: Phase 1 will have a capacity of 300MW, Phase 2 could increase output to 1,800MW.
- Moatize: Planned capacity of 1,800MW.
- Benga: Planned capacity of 1,500MW.

Thermal Gas:

- Somitomo/IHI plant will have a capacity of 110MW plant and is expected to come into operation in 2018.
- Kuaninga Plant will have a capacity of 40MW and it is expected to come into operation in 2018.
- Temane Plant will have a capacity of 400MW, tender documents

Web Resources

[Electricidade de Moçambique \(EDM - Mozambican utility\)](#)

[Government Portal](#)

[Ministry of Mineral Resources & Energy](#)

[Mozambique Investment Promotion Center](#)

[FUNAE - Mozambique National Energy Fund](#)

Construction Sector

Overview

The lack of available statistics for this sector make it difficult to quantify the scale of growth. In 2016, the Mozambican construction industry grew at a slower pace due to lower GDP growth and an economic crisis. Many projects, including priority projects (roads, bridges, ports, power plants, railroads and oil and gas infrastructure), are on hold as the government tries to restore confidence in the economy. Once the large natural gas projects are approved for the north of the country, the infrastructure sector is expected to dominate economic growth in the medium term.

Another part of this sector is the residential and commercial construction boom in Maputo, Matola, Nacala, and Pemba. Since 2010 Maputo's skyline has been changing, with new towers and commercial complexes being announced regularly. Though this segment has stagnated since the economic crisis of 2016, it is expected to pick up from 2018 as the economy improves. These projects are developed and financed by the local private sector as well as foreign real estate investors.

The infrastructure sector is dominated by Portuguese, Brazilian, Chinese, and South African construction firms, with Turkish, Japanese, and Italian companies recently entering the market. U.S. engineering/procurement/construction (EPC) contractors have also started to enter the market with CB&I's participation in the joint venture that won the EPC contract to build Anadarko's onshore LNG park. The other partners in this joint venture include Saipem (Italy) and Chiyoda (Japan). Valued at USD25-30 billion, this project will be the largest U.S. infrastructure project in Africa.

The established machinery suppliers in the market are Caterpillar and Komatsu. Some Indian and Chinese brands are also present in the market. Local banks are prepared to finance infrastructure equipment imports.

Major issues that affect the construction sector are the lack of skilled labor, government bureaucracy, slow tendering processes, and access to credit.

Leading Sub-Sectors

Best prospects for new and used construction equipment:

- Cranes
- Earth moving equipment
- Trucks and Machinery
- Pipes, wires and cables
- Safety and security equipment
- General construction material
- Pumps
- Electrical equipment
- Fuels and Lubricants
- Power tools
- Generators
- Hand tools
- Iron and steel products

Best prospects for services:

- Architecture & design
- Engineering
- Insurance and financing
- Environmental compliance consultancy
- Standards compliance training
- Inspection services
- Lab analysis

Opportunities

Major infrastructure projects will focus on power generation, mining, oil and gas, and port and rail expansions. Some projects that are approved or under construction were delayed as the government of Mozambique develops a plan to renew confidence in the economy after disclosing hidden loans totaling almost USD2 billion. U.S. Companies will likely find medium to long term prospects rather than short term opportunities.

Web Resources

[Government Portal](#)

Oil and Gas Sector

Overview

Mozambique's current natural gas production is operated by Sasol (South Africa) in the Inhambane Province, which holds proven reserves of 2.6 trillion cubic feet (tcf). The natural gas is produced and processed at a central facility in Temane and then transported via an 865 km pipeline to South Africa, with a link to southern Mozambique for domestic use.

In May 2016, Sasol initiated drilling of the first well for its Production Sharing Agreement (PSA) license. The PSA development is an integrated oil, liquefied petroleum gas project adjacent to Sasol's existing petroleum facility. The first phase of the project includes 13 wells and an LPG production facility for an estimated cost of USD1.4 billion.

Due to the discovery of over 180 tcf of natural gas reserves in the Rovuma basin by Texas-based Anadarko and ENI (Italy), Mozambique is expected to become a major exporter in 2023. Anadarko will build an LNG plant to process the gas they discovered in Area 1, off the northern coast of Mozambique near the border with Tanzania. They selected a joint venture of developers including Chicago Bridge & Iron (CB&I), Saipem (Italy) and Chiyoda (Japan) to construct the Afungi LNG Park valued at USD25-30 billion. In January 2017, Anadarko submitted the LNG Plan of Development (POD) to the government of Mozambique and it hopes to make a Final Investment Decision (FID) this year.

ENI has commissioned a floating LNG (FLNG) facility for its Coral South Project, due for completing in 2022. The Engineering Procurement and Construction (EPC) contract was officially awarded to a consortium composed of Technip, JGC and Samsung Heavy Industries. Additionally, ExxonMobil agreed to acquire from ENI a 25% indirect interest in the Area 4 block. ENI leads the Coral South FLNG project and all upstream operations, and ExxonMobil will lead the construction and operation of liquefaction facilities onshore. TOTAL (France) concluded its PSA and is expected to initiate exploration activities in the second half of 2017 in Areas 3 and 6.

In 2015, ExxonMobil was awarded a concession for exploration and production of four offshore blocks in the Angoche and Zambezi areas along with Sasol, ENI and Delonex

(U.K.). However, none of the operators have started exploration or production activities as negotiation agreements with the government are not finalized, although ExxonMobil will likely begin exploration in 2017.

Empresa Nacional de Hidrocarbonetos (ENH), the state-owned hydrocarbon company, represents the Mozambican Government in petroleum operations. It is stipulated by law that ENH participates as a stakeholder in petroleum operations and production as well as exploration projects.

ENH is also engaged with other national flagship projects such as the port expansion of the oil and gas terminal in the Port of Pemba, and the General Urbanization Plan for the district of Palma, where the natural gas business activities will be concentrated. In partnership with the Korean gas company Kogas, ENH is also operating a gas distribution network to provide households and industry with piped gas in the south of Mozambique.

The government of Mozambique determined that a portion of the gas should be used locally to address the domestic market and the Ministry of Mineral Resources and Energy launched a tender to identify companies interested in developing industrial projects to use the gas. Norway's Yara International was granted an allocation of 80-90 mcf/d of gas to produce 1.2-1.3m t/yr of fertilizers. Additionally, Royal Dutch Shell's Gas to Liquid (GTL) project will produce 38m b/d of liquid fuels such as diesel, naphtha, and kerosene.

Leading Sub-Sectors

- Engineering and steel structure fabrication services
- Oil & Gas machinery and services
- Oil & Gas drilling machinery and equipment
- Maritime security equipment and services
- Safety and security equipment and services

Opportunities

For the next five years, opportunities for U.S. equipment suppliers will be driven by the construction of Anadarko's LNG plant and ENI's LNG plant and FLNG facility. The LNG development plan includes two 180,000 cubic meter LNG storage tanks, condensate storage, a multi-berth marine jetty, and associated utilities and infrastructure. ENI's

development plan foresees the drilling and completion of six subsea wells in addition to the construction and installation of a advanced technology FLNG with a future onshore liquefaction facility.

Web Resources

[National Institute of Petroleum \(INP\)](#)

[Government Portal](#)

[National Directorate of Geology](#)

[National Hydrocarbons Company\(ENH\)](#)

[Ministry of Mineral Resources & Energy](#)

[Mozambique LNG \(Anadarko's LNG Project\)](#)

[ENI Mozambique](#)

[Delonex](#)

[TOTAL Mozambique](#)

Mining and Minerals Sector

Overview

Mozambique has commercially important deposits of coal (high quality coking coal and thermal coal), graphite, iron ore, titanium, apatite, marble, bentonite, bauxite, kaolin, copper, gold, and tantalum.

Mozambique holds some of the world's largest untapped coal deposits. Vale of Brazil has made major investments in their coking coal mine. Their first coking coal shipments were in 2011, followed by Anglo-Australian Rio Tinto in 2012. After further studies on their coal reserves, Rio Tinto found most of its concession consisted of thermal coal rather than metallurgic coal and has since sold their coal assets at a considerable loss and left Mozambique. Vale, through its participation in the Northern Corridor Development (CDN) consortium has refurbished the Nacala rail line, which runs through parts of Malawi to the deep water Port of Nacala. Opportunities for the provision of coal mining equipment and railway logistics and equipment exist. Given expectation for mining costs in South Africa to rise considerably over the coming years, Mozambique could gain a regional competitive advantage.

Two other large investment projects are in mining and processing ventures of heavy sands deposits. The Moma Heavy Sands (Kenmare Resources) and Corridor Sands (BHP Billiton) projects together will require more than USD1 billion in investment.

Mozambique's mineral potential is largely untapped. Gold deposits in Niassa, Tete, and Manica Provinces have attracted domestic and international investor interest in recent years. Gold mining has been slow to develop as most of its activities are done by informal artisanal miners. However, increasing regulation of gold mining will support long-term production, as the government encourages miners to adopt legal status. Xtract Resources recently acquired a gold mining concession with estimated reserves of 2.97mnoz. Gold industry production is forecasted to grow 1.1% annually from 2016 to 2020.

Other major mining discoveries in Mozambique include graphite, discovered by Syrah Resources (Australia). Syrah Resources is expected to make their first shipment in the

second half of 2017. They aim to have 40% market share of the worldwide graphite with production capacity of 350000tons mostly targeted to the Chinese and U.S. markets. Moreover, Baobab Resources (Australia) is developing a pig iron project in Tete Province to supply iron and steel for regional infrastructure projects.

Leading Sub-Sectors

Mining and refinery equipment, maintenance services and machinery, automation equipment and other efficiency improving services will be needed to improve profitability of mining projects.

Opportunities

Until international commodity prices recover Mozambique's mining sector will stagnate except for maintenance of existing equipment. New opportunities could be found in graphite mining and iron ore/steel projects. Smaller coal miners may also require equipment and services.

Web Resources

[National Directorate of Mines](#)

[Ministry of Mineral Resources & Energy](#)

[Government Portal](#)

[National Directorate of Geology](#)

Transportations Sector

Overview

The development of oil and gas projects and the economic growth of neighboring countries will drive the transportation sector in Mozambique. All major ports need to be expanded or upgraded, new roads and rail lines are required, the local airline needs to expand its fleet, and new airline operators are expected to enter the market in the next few years.

Mozambique is divided into three development corridors that link ports to inland countries: Maputo Corridor (south), Beira Corridor (center), and Nacala Corridor (north). These corridors include multiple transport logistics subsector and industrial developments.

Aviation

Mozambique has one national airline, Linhas Aéreas de Moçambique (LAM), which has held a monopoly on domestic flights for decades. Though new airline operators were expected to enter the market in 2016, these will most likely be postponed for several years due to a slowdown in investment. This sector could hold large growth potential as Mozambique attracts foreign investors and strives to become a tourist destination. International airlines that have regular flights to Maputo are: South African Airways, Kenyan Airways, Turkish Airlines, Qatar Airways, TAP (Portugal) and TAAG (Angola). The oil and gas and mining sectors are expected to require charter airline services, creating potential for air transport related goods and services for both cargo and passengers segments.

Marine

The major commercial ports are located in Maputo/Matola, Beira, Nacala, and Pemba. Port operators can be allocated long-term operating concessions by the state. Portos e Caminhos de Ferro de Moçambique (CFM), the state-owned port and rail company, has a stake in all port concessions. Major local ports are connected by rail and road to inland countries and mining regions. Malawi, South Africa, Zambia, and Zimbabwe all use Mozambican ports for part of their exports and imports.

The largest and most developed port is the Port of Maputo, conceded to the Maputo Port Development Company (MPDC), a consortium led by South African logistics firm Grindrod and Dubai-based port operator DP World. MPDC announced plans to invest USD750 million to boost handling capacity to an annual 48 million tons a year by 2033. Most of the cargo that passes through the Ports of Maputo and Matola is coal, iron-chromium, containerized cargo, vehicles, sugar, and fruit. A major dredging operation was completed in January 2017, deepening the port channel to allow ships with a draft of 14.2 meters to pass.

The second largest port, Beira, completed significant upgrades over the past decade and is Zimbabwe's main port of entry to the world market. Cornelder de Moçambique is the port operator.

The third largest port is Nacala, conceded to Portos do Norte (PN). It has recently been renovated and due to expand its operations to accommodate more containers and refrigerated cargo. Nacala Port could also become a logistics port to the oil and gas industry. The adjacent Nacala A Velha Port is a large coal terminal operated by Vale Moçambique. Nacala Port also services Zambia's and Malawi's exports and imports.

The ports of Pemba and Palma are expected to become the servicing and logistics ports for the oil and industry.

Rail

The rail network in Mozambique covers east to west routes from South Africa to Maputo Port, Zimbabwe to Beira Port and from Zambia/Malawi to Nacala Port. There are no north to south routes. There have been major rehabilitations done to the Sena line from the coal area of Moatize to Beira. A line from Tete Province to Nacala was recently built to handle coal exports.

New investment in rail lines will be directly linked to the price of coal or other major export commodities. CFM is under pressure to modernize rail lines to improve safety and cargo capacity but is struggling to meet this demand due to a lack of financing capacity and technological know-how. CFM could welcome private rail operators to jointly develop rail projects.

Road Freight

Road freight is the main form of domestic transportation but the road infrastructure is very poor and fragmented. There is one major road, the EN1, linking the north and south of the country. Other primary routes are along transport corridors. There are no trucking companies that cover the entire country. The largest company, Transportes Lalgyl, covers the south and center of the country with links to South Africa and Zimbabwe.

Leading Sub-Sectors

Aviation

- Airplane parts and maintenance services
- Airline management software
- Ground support equipment
- Passenger transport vehicles
- Cargo handling and logistic equipment
- Aircraft technician training systems
- Pilot and crew training systems
- Airport security systems
- Radio communication systems
- Program based air transport services

Ports

- Port automation equipment
- Port related machinery
- Port servicing vessels - cabotage vessels and tugboat
- Port security and safety equipment and training
- Port infrastructure

Rail

- Rail maintenance equipment
- Trains and cargo wagons
- Rail related machinery
- Rail security and safety equipment and training

Road Freight

- Road infrastructure equipment and machinery
- Trucks and spare parts
- Road freight services

The best prospects in this sector are for equipment and services related to port remodeling and maintenance. New coal terminals will be built at the Beira or Nacala ports. As port traffic increases there will be demand for new cranes, lifts, trucks, and rolling stock. Railway construction, locomotives, and related services are also needed.

Opportunities

Newly built Nacala and Pemba airports are attracting airlines to use their facilities. A new airport has been announced for the city of Xai-Xai.

Given that new marine ports are being built and existing port are expanding, there are opportunities for port related exports. The Ministry of Transport and Communications has called on the private sector to invest in cabotage services and equipment.

Web Resources

[Government Portal](#)

[Ministry of Transport and Communications](#)

[Airports of Mozambique](#)

[Portos e Caminhos de Ferro de Moçambique \(CFM\)](#)

[Port of Maputo](#)

[Port of Beira](#)

[Port of Nacala](#)

[Ports of Pemba and Palma](#)

Customs, Regulations & Standards

Trade Barriers

Mozambique does not apply import quotas. The often time consuming and bureaucratic customs clearance procedures are considered by many to be a significant non-tariff barrier. The 2017 Doing Business Report ranks Mozambique 106th in trading across borders, up from 129th in 2016. However, it should be noted that cost and time to export and import are all well under the Sub-Saharan Africa averages within this indicator.

For more information and help with trade barriers please contact:

[International Trade Administration](#)
[Enforcement and Compliance](#)
(202) 482-0063
ECCoMmunications@trade.gov

Import Tariff

According to the Heritage Foundation's 2016 Index of Economic Freedom, Mozambique's trade weighted average tariff is 4.2%, and slow customs procedures interfere with the free flow of trade. Mozambique is ranked 37th out of 48 countries in the Sub-Saharan Africa region, and its overall score is below the world average. Duties on imported goods range from 0 to 20%. A duty of 20% is levied on consumer goods and a valueadded tax of 17% is also assessed at the time of importation.

Import Requirements & Documentation

Import Taxes and License Requirements

No import taxes, aside from tariffs and VAT, are imposed, except on sugar and some luxury items. All importers must be licensed by the National Directorate of Trade, which is part of the Ministry of Industry and Commerce. Registration is straightforward and has not been used as a non-tariff barrier.

Special Import/Export Requirements and Certifications

All importers and exporters must be licensed by the Ministry of Industry and Commerce. Pre-shipment inspections are currently mandatory for all imports. The importation of live animals

(other than domestic pets) requires veterinary certificates. Sanitary and phytosanitary requirements exist in legislation for the importation of foodstuffs and plant materials, but are rarely enforced in practice. Special import permits and licenses are necessary for pharmaceuticals, firearms, munitions, and explosives. Due to concerns regarding Avian Influenza, there are restrictions on the importation of live chickens originating from countries where there have been Avian Influenza outbreaks. All products must bear a health certificate from the country of origin, certifying they are free of disease, or importers may face sanctions.

Warranty and Non-Warranty Repairs

Spare parts imported for repair purposes are subject to normal tariffs. Goods are not normally shipped to Mozambique for temporary repair.

Industrial Free Zones/Warehouses

GAZEDA (Gabinete das Zonas Económicas de Desenvolvimento Acelerado, Office for Economic Areas with Accelerated Development) is the agency responsible for developing and managing Special Economic Zones (SEZ) and Industrial Economic Zones (IEZ) that offer financial incentives and specialized services for investors. SEZs are intended for the production or transformation of goods to be sold into Mozambique while IEZs focus on manufacturing of goods for export.

To learn more about [GAZEDA](#) and the benefits e-mail gazeda@gazeda.gov.

Labeling/Marking Requirements

Labeling requirements for foodstuffs and pharmaceuticals is developed by INNOQ (National Institute for Normalization and Standards). There are specific norms for each product, but the regulations and enforcement are under the responsibility of the Ministry of Health. Labeling for all pharmaceuticals and some consumer products must be in Portuguese.

U.S. Export Controls

There are currently no U.S. government export controls specifically related to Mozambique.

Temporary Entry

Temporary entry is permitted for goods that are going to be used temporarily in Mozambique and then removed. In addition, goods in transit are exempt from customs duties. Such procedures work reasonably well at the ports of Beira and Nacala for shipments destined to

Malawi, Zambia, and Zimbabwe. As the procedures are not frequently used for goods entering through Maputo Port, gaining the exemption can be complicated and time consuming.

Prohibited & Restricted Imports

Mozambique prohibits the importation of pornographic materials and certain controlled substances, and carefully regulates the importation of pharmaceuticals, firearms, and explosives. Left-hand drive vehicles intended for commercial use are banned. In 2017, a ban on the import of chicken meat was adopted in order to protect local producers.

Customs Regulations

Further information on Mozambican customs regulations and guidelines can be obtained from the [Customs Authority](#) or from the U.S. Commercial Service.

Standards for Trade

Overview

INNOQ (National Institute for Normalization and Standards), in cooperation with the Ministry of Health and the Ministry of Industry and Commerce, is the entity responsible for overall standards issues in the country. Due to a lack of laboratory and certification facilities, products are often sent to South African or Portuguese private facilities for certification.

Standards

[NIST- Notify U.S. Service](#)

Mozambique is a member of the World Trade Organization (WTO) and is required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S., operated by the U.S. Commerce Department's National Institute for Standards and Technology, is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed technical regulations of WTO members that can affect your access to international markets.

Testing, inspection and certification

INNOQ is a member of the International Standards Organization (ISO) and is able to issue ISO 9001 certificates. INNOQ will accept foreign laboratory tests as long as they comply with Mozambican standards. They are the inspection body in charge of ensuring proper conduct from the private sector.

Contact Information

INNOQ
Bairro Zimpeto
Maputo - Moçambique
Fixed line: +25821344600
Fax: +25821344610
Mobile: +258 82 4756985
Email: info@innoq.gov

Trade Agreements

The [Southern African Development Community \(SADC\)](#) is currently implementing the organization's trade protocol. SADC member states have agreements to eliminate trade tariffs on certain goods. If fully implemented among all 15 member states, the protocol will give Mozambican products reciprocal duty free access to a market of over 253 million people with a GDP of USD563 billion. Member states had until 2015 to implement new tariff agreements, this dead line has not been met by all members.

AGOA/GSP - Under the African Growth and Opportunity Act (AGOA) and the Generalized System of Preferences (GSP), a wide range of Mozambican products receives duty-free entry to the United States. A key provision of AGOA is the duty-free entry of apparel manufactured in Mozambique, including apparel manufactured with third-country fabric. The preferential arrangements contain no reciprocal treatment for U.S. products entering Mozambique.

EU - Under the terms of the Cotonou Agreement, certain Mozambican products currently enjoy reduced tariffs or duty free entry into European Union (EU) member nations under an Everything but Arms (EBA) arrangement. Mozambique is currently negotiating an economic partnership agreement with the EU as a member of the SADC block of countries.

Other Bilateral Trade Agreements - Mozambique entered into a preferential trade agreement with Malawi in December 2005. This agreement was an update of a similar agreement signed

by the Portuguese colonial authorities with Malawi prior to Mozambican independence. It allows for free trade of goods originating in the two countries, excluding beer, certain soft drinks, tobacco, sugar, vegetable oil, chickens and eggs, office equipment, petroleum products, weapons, ammunition, and explosives. The Mozambique-Malawi agreement has simpler rules of origin than those outlined in the SADC Trade Protocol. Mozambique is still finalizing a preferential trade agreement with Zambia.

Mozambique is a member of the World Trade Organization.

Web Resources

[National Institute for Normalization and Standard - INNOQ](#)

[SADC Trade Protocol](#)

[AGOA/GSP](#)

[Ministry of Health](#)

[Ministry of Industry and Commerce](#)

[GAZEDA \(Office for Economic Areas with Accelerated Development\) Free Trade Zones](#)

[U.S. Commercial Service Office Maputo](#)

Investment Climate Statement

Executive Summary

The once-promising Mozambican economy, which had seen steady 8% growth for many years and seemed to be a Foreign Direct Investment magnet for the foreseeable future, skidded into economic crisis after the April 2016 discovery of \$1.4 billion in government-backed loans made to two state-owned defense and security companies without parliamentary approval or national budget inclusion. Following the revelation of this massive hidden debt, which surfaced only after an investigation into a similarly questionable \$800 million government-backed loan to a state-owned fishing company in 2013 that turned out to have a large undisclosed military component, donors froze over \$250 million in direct budget support and the IMF cancelled a second tranche of its stand-by credit facility (SCF). Economic indicators worsened throughout the year, with growth rates falling to 3.5%, the metical devaluing over 40% against the U.S. dollar, and inflation rates climbing well above 20%. Meanwhile the Government of Mozambique's (GRM) debt to GDP ratio reached nearly 130% of GDP by the end of 2016.

In an attempt to restore confidence in the Mozambican economy, the newly appointed Central Bank Governor took decisive action to right the banking sector, taking administrative control over one bank and liquidating another. He also steeply raised interest rates and reserve requirements in an attempt to safeguard the banking sector and stop the fall of the local currency, the metical. In December 2016, a special Parliamentary Inquiry Commission investigating the GRM's role in signing off on the \$2 billion in state-backed loans found that the provision of state guarantees without authorization by the National Assembly broke the budget law and violated Mozambique's constitution. As a confidence building measure, the GRM agreed to have an independent, international forensic audit into the debts.

Though undoubtedly experiencing a downturn, Mozambique remains a country full of potential. Despite Mozambique's economic malaise, companies are moving closer to Final Investment Decisions (FID) for the development of substantial natural gas deposits in the Rovuma Basin, off Mozambique's northern shores. Texas-based Anadarko Petroleum, the largest U.S. investor in Mozambique, is leading an international consortium to invest \$25-30 billion in a liquefied natural gas (LNG) development in the far north of the country. This will be the largest single

infrastructure project in Africa to date. And, in March 2017, ExxonMobil signed an agreement to purchase a 25% stake in Italian-company Eni's LNG concession for \$2.8 billion.

Mozambique offers the experienced investor the potential for high returns, but remains a challenging place to do business. Investors must factor in corruption, an underdeveloped financial system, poor infrastructure, and high on-the-ground costs. Transportation inside the country is slow and expensive, while bureaucracy, port inefficiencies, and corruption complicate imports. Political conflict in much of 2016 along the single north-south road hampered intra-country trade and tourism and complicated companies' ability to import and export products. For the moment, however, this situation appears to have been resolved. Local labor laws remain an impediment to hiring foreign workers, even when domestic labor lacks the requisite skills. The financial crisis also impacted the GRM's ability to secure financing for even the most critical infrastructure projects. And local Mozambican partners selling imported products in the local currency had trouble making payments in U.S. dollars to suppliers.

Table 1

Measure	Year	Index/Rank
TI Corruption Perceptions Index	2016	142 of 176
World Bank's Doing Business Report "Ease of Doing Business"	2017	137 of 190
Global Innovation Index	2016	84 of 128
U.S. FDI in partner country (\$M USD, stock positions)	2016	4,127.4
World Bank GNI per capita (\$, Atlas Method)	2015	590

Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

The Government of Mozambique is open to foreign investment, which it views as a means to drive economic growth and promote job creation. Fundamentally, all business sectors are open to foreign investors. The GRM reviews and approves each foreign and domestic investment; however, there are almost no restrictions on the form or extent of foreign investment. The government's Investment Promotion Center (CPI) has been investors' primary contact with the government; however, CPI will merge in 2017 with two export and investment-related agencies.

Contact information for CPI is:**[Investment Promotion Center \(CPI\)](#)**

Rua da Imprensa, 332 (ground floor)

Caixa Postal 4635, Maputo

Tel: (258) (21) 313310/75 or (21) 313295/99

Fax: (258) (21) 313325

E-mail: cpi@cpi.co.mz

Mozambique's Law on Investment, No. 3/93, dated June 24, 1993, and its related regulations, govern national and foreign investment. Earlier amendments, from 1993 and 1995, were replaced by Decree No. 43/2009 in August 2009, which provided new regulations to the Investment Law.

In November 1, 2016, the Council of Ministers merged CPI, the Office of Economic Zones for Accelerated Development (GAZEDA-Portuguese acronym), and the Institute for the Promotion of Exports (IPEX- Portuguese acronym), creating the Agency for Investment Promotion and Exports (APIEX in its Portuguese acronym). The Decree will come into effect in April 2017, but the agencies will continue to have separate roles until May 2017.

CPI assists both local and foreign investors in obtaining licenses and permits. However, in general, large investors receive much more support from the government in the business registration process than small and medium-sized investors. Government authorities must approve all foreign and domestic investments that require guarantees or receive incentives under the Investment Law.

The GRM maintains an ongoing dialogue with the Confederation of the Economic Business Associations (CTA- Portuguese acronym). CTA is represented throughout the country and has 132 associations as members. CTA organizes several provincial meetings and a national event every year to provide feedback to the government on the business environment. CTA holds an annual Private Sector Conference (CASP -Portuguese acronym) with the president and quarterly Doing Business Monitoring Council (CMAM - Portuguese acronym) with the prime minister.

Despite generally conducive laws, investors in Mozambique find that public institutions have differing levels of knowledge, enforcement, and capacity to implement legislation. Courts and magistrates are overtasked and investors complain of meddling from influential local interests.

Limits on Foreign Control and Right to Private Ownership and Establishment

Mozambique's Investment Law and regulations generally do not make distinctions based upon investor origin, nor do they limit foreign ownership or control of companies. With the exception of investments related to Security & Safety, Media & Entertainment, and certain game-hunting concessions, there have been no legal requirements that Mozambican citizens own shares of foreign investments since 2011.

Lengthy registration procedures can be problematic for any investor -- national or foreign -- but those unfamiliar with Mozambique and the Portuguese language face greater challenges. Some foreign investors find it beneficial to work with a local equity partner who is familiar with the bureaucracy at the national, provincial, and district levels.

CPI assists investors in finding land for development and obtaining appropriate documentation, including appropriate agricultural land. The GRM advises companies on relocating individuals currently occupying land designated for development; however, companies are ultimately responsible for planning and executing resettlement programs.

Law No. 15/2011 passed in August 2011, often referred to as the "Mega-Projects Law" that governs public-private partnerships, large-scale ventures, and business concessions, states that Mozambican persons should participate in the share capital of all such undertakings in a percentage ranging from 5% to 20% of the equity capital of the project company. Regulations of this law were approved by the Council of Ministers in June 2012.

The GRM is developing a "Local Content" law defining the legal regime that would require inclusion of local goods and services by businesses operating in Mozambique. Other legal obligations being considered would give exclusivity to Mozambican legal and natural persons to import and supply final goods and services within the country. For

the oil and gas sector, concessionaires would need to procure insurance with certified Mozambican companies, provided that such insurance is generally applicability and not specific to petroleum operations, construction, or to facilities. The concessionaries shall give preference to Mozambican insurers, when the locally available insurance is comparable to international standards and the prices do not exceed the price of comparable insurance coverage by more than 10 percent from international markets, inclusive of taxes and related fees.

The government recognizes and enforces the protection of private property and provides a mechanism that protects and facilitates acquisition and disposition. The government owns all land, but there is a lease system in place. Developers are entitled to 50-years leases that can be renewable for an equal period of time. Infrastructure built on leased land is owned by the license holder who can rent it or sell it to others without restrictions.

Provincial governors can approve domestic investment projects with an investment value of less than 1.5 billion meticaïs (approximately \$55 million). Approval of the Director General of CPI is required for foreign and/or national investment projects with an investment value of less than 2.5 billion meticaïs (approximately \$92 million). The Minister of Economy and Finances must approve foreign and/or national investment projects with an investment value of less than 13.5 billion meticaïs (approximately \$500 million). The Council of Ministers must approve investment projects with an investment value greater than 13.5 billion meticaïs, including projects that require a land area greater than 10,000 hectares to be used for any purpose. Any other projects with political, social, economic, financial or environment impacts should be approved by the Council of Ministers, as proposed by the Minister of Economy and Finances.

[Other Investment Policy Reviews](#)

Mozambique has undergone investment policy reviews by both the United Nations Committee on Trade and Development (UNCTAD) and the Organization for Economic Cooperation and Development.

[OECD Investment Policy Review \(2013\)](#)

[UNCTAD Investment Policy Review \(2012\)](#)

Business Facilitation

CPI and GAZEDA are responsible for promoting and facilitating investment in Mozambique. They provide the following services to all investors: incorporation, business licensing, Entrance Visa, work permits, residence permits, identification and licensing of land, identification of business partners, troubleshooting, project monitoring, and implementation follow-up.

All information regarding registration of business and administrative practices are available [here](#).

Investors have to pay close attention to documents and procedures requested in order to establish a business locally or to request fiscal and customs incentives if investing in an “industrial free zone.” Detailed information on the required documents and the corresponding agencies is available [here](#).

In 2016, Mozambique ranked 137 among 190 countries in the World Bank Doing Business report. The report highlights that it takes 24 days to start a business, one day to receive construction permits, and 32 days to get electricity. The World Bank reports that Mozambique requires 34 days and 12 procedures to establish a foreign-owned limited liability company (LLC), which puts Mozambique at slightly better than the regional average for Sub-Saharan Africa.

Outward Investment

The GRM does not promote or incentivize outward investment. It also does not restrict domestic investors from investing abroad. The law does request that domestic investors remit investment income from overseas, except for amounts required to pay debts, taxes, or other expenses abroad.

Bilateral Investment Agreements and Taxation Treaties

In December 1998, Mozambique negotiated a Bilateral Trade Agreement (BIT) with the United States. The U.S. Senate ratified the treaty in November 2000, followed by the Mozambican Council of Ministers in December 2004. The U.S.-Mozambique BIT came into effect on March 3, 2005. In June 2005, the United States and Mozambique signed a Trade and Investment Framework Agreement (TIFA) that established a Trade and Investment Council to discuss

bilateral and multilateral trade and investment issues. The Council held its first meeting in October of 2006.

In 2016, the United States and the GRM held the fourth round of TIFA talks, continuing the collaborative work on Trade Africa and TIFA objectives, including addressing trade constraints, improving Mozambique's business and investment environment, and expanding and diversifying trade between the United States and Mozambique. The talks also discussed how the U.S. Government could work with the GRM to meet its World Trade Organization (WTO) obligations, and develop and advance trade facilitating activities relating to sanitary and phytosanitary (SPS) measures and technical barriers to trade (TBT).

Mozambique has also signed bilateral investment agreements with: Algeria, Belgium, China, Cuba, Denmark, Egypt, Finland, France, Germany, Indonesia, Italy, Mauritius, The Netherlands, Portugal, South Africa, Sweden, Switzerland, the United Kingdom, and Zimbabwe.

Mozambique does not have a bilateral taxation treaty with the U.S. Government, but has double taxation treaties with Portugal, Mauritius, Italy, South Africa, Botswana, India, Vietnam, Macau, Oman, and the UAE. Double taxation treaties with Qatar and Uruguay are under negotiation.

Legal Regime

Transparency of the Regulatory System

Investors face myriad requirements for permits, approvals, and clearances that take substantial time and effort to obtain. The difficulty of navigating the system provides opportunities for corruption and bribery when officials facilitate routine transactions.

Regulations in the areas of labor, health and safety, and the environment often go unenforced, or are selectively enforced. In addition, civil servants have threatened to enforce antiquated regulations that remain on the books to obtain favors or bribes. The government is aware of the problems and in recent years has launched a donor-funded effort to streamline procedures.

Draft bills are usually made available for public comments through the business associations or relevant sectors. Changes to laws and regulations are published in the National Gazette. Public comments are usually limited to input from a few private sector organizations, such as CTA. However, there have been complaints of short comment

periods and that comments not being properly reflected in the National Gazette. The Association of Commerce and Industry, or ACIS, based in Beira, is a Mozambican non-profit business organization that represents the interests of over 300 companies, both national and international, including major U.S. companies. The GRM is considering a law that would make public consultation on future legislation mandatory.

International Regulatory Considerations

Mozambique is a member of SADC (Southern Africa Development Community). In June 2016, the GRM signed an Economic Partnership Agreement (EPA) with SADC. Besides Mozambique, the other signatory countries are Botswana, Lesotho, Namibia, South Africa, and Swaziland. Mozambique exports aluminum under the EPA agreement.

The GRM ratified the Trade Facilitation Agreement (TFA) in July 2016 and notified the WTO in January 2017. A National Trade Facilitation Committee was established to coordinate the implementation of the TFA. The U.S. Government serves as donor facilitator for this committee.

Legal System and Judicial Independence

Mozambique's legal system is based on Portuguese civil law and customary law. In December 2005, the Parliament approved major revisions to the Commercial Code - the result of a collaborative effort starting in 1998 between the Mozambican government, the private sector, and donors. The previous Commercial Code was from the colonial period, with clauses dating back to the 19th century, and it did not provide an effective basis for modern commerce or resolution of commercial disputes. The revised code went into effect July 1, 2006, and is generally viewed as a positive development.

Laws and Regulations on Foreign Direct Investment

On February 21, 2017, the GRM approved a new regulation to facilitate visas for foreign nationals intending to invest in projects in Mozambique. The measure reduced the minimum investment amount required from \$50 million to \$500,000 for an investment visa. Under the new visa regulations, citizens of nations that have Mozambican embassies or consulates may now also request visas upon entry, although implementation of this law is unproven. The new border visa is valid for 30 days and allows two entries.

Decree 37/2016 of August 31 approved the regulation of Mechanisms and Procedures for Contracting Foreign Citizens. The regulation unequivocally clarifies that private employment agencies can contract foreign citizens only for their function and cannot contract for job placement. However, an exception is made for managing partners and representatives, but the foreign employee must have the required academic/professional qualifications and the contract must occur only if nationals do not have the required qualifications.

Competition and Anti-Trust Laws

Law 10/2013 of April 11, 2013, (the Competition Law), established a modern legal framework for competition in Mozambique and created the Competition Regulatory Authority (the Authority). Although the Competition Law lacks several provisions, an August 2014 statute expanded the law. The framework is inspired by the Portuguese competition enforcement system. Violating the prohibitions contained in the Competition Law (either entering into an illegal agreement or practice or implementing a concentration subject to mandatory filing) can result in a fine of up to 5% of the turnover of the company in the previous year.

Competition Regulatory Authority decisions may be appealed in court, namely to the Judicial Court in Maputo, in the case of procedures leading to the application of fines and other sanctions, and to the Administrative Court, with regard to merger control procedures and requests for exemptions relating to restrictive agreements. Companies with a presence in Mozambique are advised to carefully consider the impact of the law on their activities.

Expropriation and Compensation

While there have been no significant cases of nationalization since the adoption of the 1990 Constitution, Mozambican law holds that "when deemed absolutely necessary for weighty reasons of national interest or public health and order, the nationalization or expropriation of goods and rights shall (result in the owner being) entitled to just and equitable compensation." The GRM has bought back land and property along the new circular road completed around the capital city of Maputo and in Catembe. No American

companies have been subject to expropriation issues in Mozambique since the adoption of the 1990 Constitution.

Dispute Settlement

Mozambique acceded in mid-1998 to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. For disputes between U.S. and Mozambican companies where BIT violation is alleged, recourse via the international Alternative Dispute Resolution may also be available. No investment disputes in the past ten years have involved U.S. investors. Investors who feel they have a dispute covered under the BIT should contact the U.S. Embassy. In 1999, the Parliament passed Law no. 11/99 of July 8 (Law on Arbitration), which allows access to modern commercial arbitration for foreign investors. The Center for Commercial Arbitration, Conciliation, and Mediation (CACM) offers commercial arbitration with offices in Maputo and Beira.

Bankruptcy Regulations

In June 2014, the GRM passed a comprehensive legal regime for bankruptcy, streamlining the bankruptcy process and setting the rules for business recovery. Globally, Mozambique stands at 65 in the ranking of 190 economies on the ease of resolving insolvency according to the 2017 Doing Business Report.

Industrial Policies

Investment Incentives

The Code of Fiscal Benefits contains specific incentives granted to entities that intend to invest in certain geographical areas within Mozambique that have natural resource potential, but which lack infrastructure and have low levels of economic activity. Rapid Development Zones (RDZ) were also created to facilitate investment. Investments in these zones are exempt from import duties on certain goods and are granted an investment tax credit equal to 20% of the total investment (with a right to carry credit forward for five years). Additional modest incentives are available for professional training and in the construction and rehabilitation of public infrastructure, including but not limited to roads, railways, water supply, schools, and hospitals.

The Code of Fiscal Benefits, Law No. 4/2009, passed in January 2009, can be found [here](#). The Regulations of the Code of Fiscal Benefits are set forth in Decree No. 56/2009 approved in October 2009.

Foreign Trade Zones/Free Ports/Trade Facilitation

The government established export processing zones called Industrial Free Zones in 1999. The decree set up an Industrial Free Zone Council, which approves companies as Industrial Free Zone enterprises, providing customs and tax exemptions and other benefits, including profit repatriation. A special labor and immigration tax scheme is available for industrial free zones.

Industrial Free Zone developers enjoy an exemption from customs duties, VAT, and tax on the importation of construction materials, machinery, equipment, accessories, accompanying spare parts and other goods destined for the establishment and operation of the Industrial Free Zone.

There are three essential requirements for Industrial Free Zone status: job creation for Mozambicans, the exportation of at least 85% of annual production, and a minimum investment of \$50,000. Almost all industries, with the exception of prospecting and exploration of natural resources and processing of raw cashew nuts and seafood (including prawns), can participate. Free Zone concessions are granted for a renewable period of 50 years.

Special Economic Zones can be established on a case-by-case basis with the objective of developing specific geographical areas that benefit from exemption from custom duties and taxes, a free "off-shore" type foreign exchange regime, and special labor and immigration regimes. For example, a special tax and custom regime has been created for the Zambeze Valley until 2025.

Performance and Data Localization Requirements

Foreign workers may only be contracted where there are no Mozambicans with such qualifications or their number is insufficient. The Ministry of Labor enforces quotas for foreign workers as a percentage of the workforce within individual private companies.

All investments must specify the number and category of Mozambican and foreign workers to be employed.

Specific performance requirements are built into mining concessions and management contracts, and sometimes into the sale contracts of private entities. Investments involving partnerships with the government usually include milestones that must be reached for projects to continue.

The government generally does not require investors to purchase from local sources, nor does it require technology or proprietary business information to be transferred to a local company; however, the proposed “Local Content” law could create additional requirements in this realm.

Regulations for new mining and petroleum laws might oblige investors to give preference in purchasing from local sources available in Mozambique, which are of an internationally comparable quality and that are offered at competitive prices, in terms of delivery. The government of Mozambique intends to codify local content requirements.

The government agency responsible for enforcing IT policy and rules is:

[UTICT - Unidade Técnica de Implementação da Política de Informática](#)

Technical Implementation Unit for IT Policy

Tel: (258) 21 309 398; 21 302 241

Mobile (258) 305 3450

Email: cpinfo@infopol.gov.mz

Protection of Property Rights

Real Property

The legal system recognizes and protects property rights for buildings and movable property. Private ownership of land is not allowed in Mozambique, as land is owned by the State. The government grants land-use concessions for periods of up to 50 years with options to renew, called DUATs (Direitos de Uso e Aproveitamento de Terra, or a land-use title). Land-use concessions serve as proxies for land titles, but cannot be used as

collateral. Although the overall land-related policy and legal framework is sound, there are some gaps in implementation of relevant laws and regulations, including a lack of clarity, limited capacity, unclear institutional arrangements, and low land tax and associated distortive incentives for land access.

There is not a robust market for land use rights, making land use titles difficult to transfer. The process to award land concessions is also not transparent. The government at times has granted overlapping land concessions. Since the 1999 regulations to the 1997 Land Law were adopted, the land registration agency has accelerated the bureaucratic process of granting concessions and has reduced the period for issuance of land titles to an average of 90 days for most of the concessions. However, a small percentage of land concessions continue to take much longer, due to disputes and the complexity of the procedures. Land surveys are being conducted throughout the country to enable individuals to register their land concessions, although the process is moving slowly. Investors should be aware of the requirement to obtain endorsement of their projects in terms of land use and allocation at a local level from the affected communities.

Intellectual Property Rights

The Parliament passed a copyright and related rights bill in 2000. This bill, combined with the 1999 Industrial Property Act, brought Mozambique into compliance with the WTO agreement on the Trade Related Aspects of Intellectual Property Rights (TRIPS). The law provides for the security and legal protection of industrial property rights, copyrights, and other related rights. In addition, Mozambique is a signatory to the Bern Convention, as well as the New York and Paris Conventions.

Despite enforceable laws and regulations protecting intellectual property (IPR) and providing recourse to criminal or administrative courts for IPR violations, it remains difficult for investors to enforce their IPR. The registration process is relatively simple and private sector organizations have been working with various government entities on an IPR taskforce to combat IPR infringement and related public safety issues.

Intellectual property rights enforcement in Mozambique remains sporadic and inconsistent. Raids and prosecutions are extremely rare. Occasionally, media reports

describe large-scale raids on pirated items, but threats of prosecution seem to have had little effect. Pirated copies of audio, videotapes, DVDs and other goods are commonly sold in Mozambique.

For additional information about treaty obligations and points of contact at local IP offices, please see [WIPO's country profiles](#).

Financial Sector

Capital Markets and Portfolio Investment

The Mozambique Stock Exchange (BVM - Portuguese acronym) is a public institution under the guardianship of the Minister of Economy and Finance. Corporate and government bonds are traded on the Stock Exchange and there is only one dealer that operates in the country, with all other brokers incorporated into commercial banks, which act as the primary dealers for treasury bills. The secondary market in Mozambique remains underdeveloped.

Credit is allocated on market terms but eligibility requirements exclude much of the population from obtaining credit. Banks request collateral, but since land cannot be used as collateral, the majority of individuals don't qualify for loans. Foreign investor export activities in critical areas related to food, fuel and health markets have access to credit in foreign and local currencies. All other sectors have access to credit only in the local currency. Available credit instruments include medium and short term loans, syndicated loans, foreign exchange derivatives, and trade finance instruments, such as letters of credit and credit guarantees.

The Government of Mozambique notified the International Monetary Fund (IMF) that it has accepted the obligations of Article VIII sections 2, 3, and 4 of the IMF Articles of Agreement, effective May 20, 2011.

Money and Banking System

Since 2015, the banking sector in Mozambique has seen several actions from the Central Bank (Bank of Mozambique), tightening the monetary position due to low foreign exchange reserves, inflationary pressures, currency devaluation, and weak banking institutions. Presently, the local banking sector is stable, after the Central Bank took

administrative control over Moza Banco, Mozambique's fourth largest commercial bank, dissolving its board and replacing it with a provisional board. Moza Banco's shareholders failed to recapitalize the bank in March 2017, effectively putting the bank up for sale, which looks likely, as there are already numerous credible offers to purchase the bank. The Central Bank also revoked the license of Nosso Banco due to severe liquidity and management problems, the first and only bank to be liquidated in Mozambique. The Central Bank increased interest rates and the amount that commercial banks must hold in reserves with the Central Bank. As of April 2017, the Central Bank implemented a new monetary policy intervention rate.

There are 17 commercial banks operating in this market. In 1992, the GRM approved Law 1/92 that made preservation of the local currency the main objective of the Central Bank. The Central Bank also manages monetary policy and supervises local financial institutions. Mozambique allows foreign banks to establish operations in the country.

Foreign Exchange and Remittances

Foreign Exchange

The currency is freely convertible at banks and exchange houses for recurring transactions, while capital transactions have to be approved by the Central Bank. Guidelines for capital transactions with the Central Bank are normally outlined in the investment approval documents and can only be performed through a local bank. Foreign Direct Investment (FDI) into Mozambique must be registered with the Central Bank within 90 days to allow for the monitoring of foreign exchange. Private individuals are limited to a maximum of \$5,000 per foreign exchange transaction and larger transactions must receive the approval of the Central Bank. The administrative procedures required for the repatriation of capital, profits and dividends, all of which are foreign exchange transactions, can take a significant amount of time and require coordination with the Ministry of Economy and Finance to obtain tax clearance. Investors should raise any foreign exchange concerns early in the negotiation process with the GRM and ensure that profit, dividends and other repatriation of foreign currency is included in their investment approval documents to avoid future issues. In early 2016, the Central Bank encouraged commercial banks to limit the sale of foreign exchange, making it difficult to obtain foreign currency in some instances.

Mozambique has officially had a free-floating exchange rate since 1992. The exchange rate remained stable until the middle of 2015, when declining reserves prevented the Central Bank from artificially supporting the metical. The metical lost significant value starting in the final quarter of 2015 and continuing through 2016. In December 2015, the Central Bank required that external payments made with a credit and/or debit card could not exceed \$14,000 per year. However, the Central Bank will end this measure by April 2017.

Transfers of currency are protected by Article VII of the [International Monetary Fund \(IMF\) Articles of Agreement](#).

Remittance Policies

The Foreign Exchange Law (Law no. 11/2009 of 11 March) and its subordinate regulation (Decree no. 83/2010 of 31 December) require companies to remit their export earnings to Mozambique and convert 50% to local currency, commonly referred to as an “export surrender” requirement.

Sovereign Wealth Funds

The GRM is exploring establishing a sovereign wealth fund for liquefied natural gas revenues expected in the next decade. Currently there is an off-budget account for capital gains revenues. Article 5 of the 2017 Budget Law authorizes the government to save or spend windfall revenues on investment projects, debt repayment, and emergency programs. However, there are limited details on how off-budget spending should be planned and approved.

State-Owned Enterprises

State-owned enterprises (SOEs) have their origin in the socialist period directly following Mozambique's independence in 1975. There are a variety of SOEs that compete with the private sector in the Mozambique economy. Government participation varies depending on the company and sector, and SOEs are managed by the Institute for the Management of State Participation (IGEPE-Portuguese acronym). Following past privatization and restructuring programs, IGEPE holds majority and minority interests in 128 firms, down from 156.

Some of the largest SOEs, such as Telecommunications of Mozambique (Information & Communication - landline telephones), Airports of Mozambique (ADM) and Airlines of Mozambique (Travel - airports and air transportation), and Electricity of Mozambique (Energy & Mining - electrical utility), have monopolies in their respective industries. In some cases, SOEs enter into joint ventures with private firms to deliver certain services. For example, Ports and Railways of Mozambique (CFM-Portuguese acronym) offers concessions for some of its ports and railways. Some of these SOEs benefit from state subsidies. In some instances, SOEs have benefited from non-competed contracts that by law should have been competitively tendered. SOE accounts are generally not transparent and are not audited by the Supreme Audit Institution. SOEs represent unknown, but potentially significant contingent liabilities for the GRM.

SOEs are listed [here](#).

Privatization Program

Mozambique's privatization program has been relatively transparent, with tendering procedures that are generally open and competitive. Most remaining parastatals operate as state-owned public utilities, with government oversight and control, making their privatization more politically sensitive. While the government has indicated an intention to include private partners in most of these utility industries, progress has been slow.

Responsible Business Conduct

Larger companies and foreign investors in Mozambique tend to follow their own responsible business conduct (RBC) standards. For some large investment projects, RBC-related issues are negotiated directly with the GRM. RBC is an increasingly high-profile issue in Mozambique, especially for large mining companies, which have had to relocate entire small communities to gain access to concession sites. Major LNG projects in the province of Cabo Delgado will also require resettlement of some communities. The Mozambican corporate social responsibility network (www.pactum.co.mz) was created to promote sound initiatives and provide technical assistance to companies wishing to invest in the communities where they operate.

Business integrity initiatives are mainly supported by business associations, civil society organizations, such as the League of Human Rights (LDH-Portuguese acronym), and some multinational companies. CTA is preparing a "Business Code of Conduct" which will include

monitoring, sanctions, and an enforcement mechanism. IoDmz promotes business integrity initiatives, including the adoption of a Business Code of Ethics and a Business Pact against Corruption (BIPAC) in procurement and political funding. ACIS (Commercial, Industrial and Services Association), with their Code of Business Principles, also promotes RBC. Mozambique is Extractive Industries Transparency Initiative (EITI) compliant.

Corruption

The National Assembly passed an anti-corruption bill in 2004. Mozambique established an Anti-Corruption Unit in the Office of the Attorney General (renamed Central Office for the Combat of Corruption in 2005) to investigate corruption-related crimes. In 2005, the government passed Decree 22/2005, which created provincial-level offices to combat corruption. The 2012 Law on Public Integrity banned government officials and parliamentarians from simultaneously holding positions in SOEs. This and other legislative reforms provide a sound basis for combating corruption, but implementation is often lacking. Mozambique passed a Right to Information law in 2014, which was publicly released in January 2016, although there have been cases of some journalists being denied requests for information.

Though Mozambique has made progress developing the legal framework to combat corruption, the policies and leadership necessary to ensure effective implementation have been insufficient.

Mozambique ranked 142th out of 176 countries on Transparency International's 2016 Corruption Perceptions Index. Corruption is a concern across the government, and senior officials often have conflicts of interest between their public roles and their private business interests. The problem of corruption and bribery also remain a major problem for Mozambican police forces.

A few civic organizations and journalists, with support from the U.S. Government, remain vocal on corruption-related issues. One NGO, the Center for Public Integrity (CIP), continues to be active in publicly pressuring the government to act against corrupt practices. In a 2016, CIP and Transparency International assessed integrity and transparency in Mozambique's business environment, giving it a zero out of 100 for enforcement of laws prohibiting bribery of public officials. The assessment further noted that since so many local businesses are closely linked to the government, they have little incentive to promote transparency. The assessment

concluded that despite strong rules prohibiting bribery of public officials, enforcement, and evidence of sanctions is poor.

Resources to Report Corruption

Contact at government agency or agencies are responsible for combating corruption:

Ana Maria Gemo

Central Anti-Corruption Office (Gabinete Central de Combate à Corrupção)

Avenida 10 de Novembro, 193

(258) 823034576

gabinetecorrupção@yahoo.com.br or

anagemo@teledata.mz

Political and Security Environment

Mozambique experienced waves of politically motivated violence between 2013 and 2016 as a result of the armed conflict between GRM forces and main opposition party Renamo. Following a short detente after a September 2014 peace agreement, the October 2014 national elections resulted in minor, targeted disruptions and isolated violence and demonstrations. Violence flared up again in 2015 when Renamo rejected the national elections results and demanded to govern six central and northern provinces. Renamo's leader was forced into hiding later that year after surviving two alleged convoy attacks and a forced entry into his home by GRM forces.

Tensions peaked in 2016, a year which saw GRM forces deploy armed convoys along the country's two main commercial highways in response to Renamo attacks against vehicles and administrative posts. Thousands of Mozambicans sought asylum in neighboring Malawi. International human rights organizations described alleged human rights violations against the refugees and their families carried out by GRM forces, as well as allegations of mass graves. There was also a shooting of an independent journalist and the political assassination of a prominent Renamo negotiating team member. However, a cessation of hostilities was declared in December 2016. Since then, there have been few reports of politically motivated violence and a new phase of peace negotiations has begun.

Both the general and economic environments have grown increasingly politicized over the last several years. This is due in part to the discovery of large natural gas deposits (currently

estimated to be 100 trillion cubic feet or more of gas) in the Rovuma Basin in northern Mozambique, with projected annual revenues potentially reaching beyond \$2.5 billion. With the anticipated resource economic windfall, there has been pressure from both ruling party Frelimo and Renamo to increase their political power and maximize opportunities for resource capture. In 2016, the political and economic situation was further stressed by the revelation of \$2 billion in GRM-backed debt to three private companies majority owned by government bodies that resulted in allegations of malfeasance carried out by the former administration. As a result, the IMF and donors suspended direct budget support and an independent, forensic audit into the debt is currently underway.

Though the recent cessation of hostilities has ameliorated the situation to some extent and relative calm has returned to the country, a lasting peace is far from secured. Two bipartisan commissions with additional independent experts are currently negotiating decentralization and military affairs ahead of the upcoming 2018 local and 2019 national elections, and a Contact Group comprised of seven accredited local ambassadors (of which the U.S. is co-chair) is providing technical support. Political and economic tensions will likely continue at low levels until a bipartisan agreement between Frelimo and Renamo is reached on the issue of decentralization and military participation. If that does not happen, Mozambique risks sliding back into conflict.

Labor Policies and Practices

The labor market is dominated by the informal economy. The vast majority of people (approximately 80%) work in agriculture, particularly in rural areas, while people in cities often work in informal trade.

There is an acute shortage of skilled labor in Mozambique. As a result, many employers import foreign employees to fill these skill gaps. The government passed a labor regulation in 2016 strengthening the requirement for employers of foreign nationals to devise a skills transfer program to train Mozambican nationals to eventually replace the foreign workers. The GRM maintains quotas that limit the number of foreign nationals a business can employ in relation to the number of Mozambican citizens it employs.

The constitution and law provide that workers, with limited exceptions, may form and join independent trade unions, conduct legal strikes, and bargain collectively. The law requires

government approval to establish a union. The government has 45 days to register an employers' or workers' organization, a delay the International Labor Organization (ILO) deemed excessive. Approximately three percent of the labor force is affiliated with trade unions. An employee fired with cause does not have a right to severance, while employees terminated without cause do. Unemployment insurance doesn't exist and other social safety net programs do not exist for workers laid off for economic reasons.

OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) is an independent U.S. government agency that can assist with project finance, through loans or loan guaranties, and political risk insurance in Mozambique, for projects with U.S. involvement ranging from \$500,000 to \$400 million.

OPIC signed an investment incentive agreement with Mozambique in 1999, which was ratified in 2000. In 2011, at least one company, led by an American, sought an OPIC loan to set up business operations in Mozambique. Following a 2012 visit to Mozambique by OPIC President and CEO Elizabeth Littlefield, at least three more companies expressed interest in future OPIC loans. Potential for OPIC investment is likely to increase in line with Mozambique's own expected economic growth due to commercialization of Mozambique's natural resources.

Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*		USG or International Statistical Source	
Economic Data	Year	Amount	Year	Amount
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	\$15,940	2015	\$14,810
Foreign Direct Investment	Host Country Statistical Source*		USG or International Statistical Source	
U.S. FDI in partner country (\$M USD, stock positions)	2015	\$4,831	2016	\$4,127*

	Host Country Statistical Source*		USG or International Statistical Source	
Host country's FDI in the United States (\$M USD, stock positions)	n/a			
Total inbound stock of FDI as % host GDP	n/a			

*National Statistics Institute (INE); Investment Promotion Center (CPI)

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data				
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)				
Inward Direct Investment			Outward Direct Investment	
Total Inward	28,924	100%	Total Outward	n/a
Country #1UAE	7,384	26%	Country #1Portugal	n/a
Country #2USA	5,572	19%	Country #2South Africa	n/a
Country #3South Africa	3,301	11%	Country #3Kenya	n/a

Contact for More Information

Name: Damon DuBord
 Title: Economic Officer
 Fixed line: +258 21 492797
 Email: DubordDA@STATE.GOV

Trade & Project Financing

Methods of Payment Banking System

To pay for imports, Mozambican firms need to justify their payment to the bank of Mozambique and obtain authorization to make foreign payments. This is a common practice, but can be lengthy and cause the importer to take more time to process payments.

Outflow of foreign currency is regulated by the central bank. Mozambique's financial system provides for the most common methods of payment, including open account, letter of credit, cash in advance, documentary collections, etc. Standard and Poor's and Fitch issue credit ratings for the Mozambican Government and have recently downgraded their ratings. There is an Information Credit Bureau at the Central Bank that provides information on collection agencies in the country. Law firms also perform collection functions for a fee.

Banking System

The banking system is largely dominated by foreign-owned financial institutions. There are 18 commercial banks out of a total 40 financial institutions. The largest banks are Millennium BIM (Portuguese and Mozambican shareholders), BCI (Portuguese and Mozambican shareholders), and Standard Bank (South African shareholders). These three banks hold over 70% of all financial assets including deposits and loans. They also cover all major cities and areas of economic growth. Local commercial banks provide most services expected from commercial banks, including some investment banking services. The largest banks have representation offices in Europe, the U.S., and China.

It is common for companies and individuals to hold multiple currency accounts. The U.S. dollar, euro, and South African rand are common commercial currencies to hold. Foreign currency payments are accepted in most formal commercial establishments, especially with the U.S. dollar.

Interest rates in Mozambique can be very high for loans in local currency (metical), usually between 11% and 31% for guaranteed loans. The use of credit cards is relatively new, making small payments inconvenient. This is changing rapidly as Mozambican businesses and consumers adopt formalized financial payment systems.

Foreign Exchange Controls Affecting Trade

Foreign exchange is available to importers and exporters to finance current account transactions. An application to purchase the necessary foreign currency must be approved by the Bank of Mozambique before an exporter or importer may purchase foreign currency from commercial banks or exchange houses. Such applications are routinely approved by the Bank within 15 days, upon presentation of documents relating to the goods in question. Applications can be approved prior to the arrival of goods in Mozambique. Commercial banks and exchange houses may apply for authorization on behalf of their clients. Applications must include proof of the importer's/exporter's ability to finance the transaction. For advance payments in excess of USD50,000, a performance guarantee from a banking institution may be required.

Loans in foreign currency are only available to exporters and some approved projects that benefit the country.

U.S. Banks & Local Correspondent Banks

Commercial Banks with correspondent U.S. banking relationships:

[Barclays](#)

[Banco Comercial e de Investimentos \(BCI\)](#)

[BancABC](#)

[Banco Moza](#)

[Banco Único](#)

[Millennium BIM](#)

[Standard Bank](#)

[Société Générale Moçambique](#)

Project Financing

General Availability of Financing - Trade financing is readily available from Mozambican commercial banks. Project financing is available from commercial banks and some specialized banks. Financing for large projects is commonly done with development banks willing to take on emerging market risks that private banks are not. Venture capital in Mozambique is a new concept and not readily available.

Availability of United States Department of Agriculture Export Credit Guarantee Program (GSM) - The USDA provides GSM credit guarantees to assist in financing exports of U.S. agricultural products overseas. While no Mozambican banks are currently eligible for the program, eligible banks elsewhere in the region may be able to cover exports to Mozambique. Interested exporters are advised to contact the United States Department of Agriculture.

U.S. Commercial Service Liaison Offices at the Multilateral Development Banks (African Development Bank, World Bank)

The Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the African Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing infrastructure development. The Commercial Liaison Offices help U.S. businesses learn how to get involved in bank-funded projects, and advocate on behalf of U.S. bidders. Learn more by contacting the [Commercial Liaison Offices to the African Development Bank](#) and [the World Bank](#).

Export-Import Bank -- The Export-Import Bank of the United States offers loan guarantees, insurance, and project financing to encourage the export of U.S. goods and is keenly interested in the Mozambican market. Mozambique is eligible for short, medium, and long-term loans, loan guarantees, and insurance to finance private sector purchases of U.S. goods. The Export-Import Bank has no pre-set financing limits.

OPIC -- The Overseas Private Investment Corporation is an independent U.S. government agency that can assist with project finance, through loans or loan guaranties, and political risk insurance in Mozambique. OPIC has also created venture capital funds based in Johannesburg including: The New Africa Growth and Opportunity Fund and the Modern Africa Growth and Investment Corporation.

MIGA -- Mozambique is a member of the Multilateral Investment Guarantee Agency (MIGA), part of The World Bank Group. MIGA offers investment guarantees for private sector projects.

IFC -- The International Finance Corporation (IFC) and the Commonwealth Development Corporation provide medium-term loans and equity finance in Mozambique from their South African offices.

Financing Web Resources

[Commercial Liaison Office to the African Development Bank](#)

[Commercial Liaison Office to the World Bank](#)

[Export-Import Bank of the United States](#)

[Country Limitation Schedule](#)

[OPIC](#)

[U.S. Trade and Development Agency](#)

[Small Business Administration Office of International Trade](#)

[USDA Commodity Credit Corporation](#)

[U.S. Agency for International Development](#)

[Bank of Mozambique](#)

Business Travel

Business Customs

Mozambicans consider personal relationships an essential part of doing business and whether their business is international or domestic, knowing their partners well is exceedingly important. Newcomers to the market should expect to discuss business face-to-face while drinking espresso in street cafes or while having dinner. Doing business by email or phone without first developing a business relationship is not common in Mozambique and can be challenging. Many Mozambicans engaged in international trade take advantage of personal ties to Portugal, South Africa, Zimbabwe, the Middle East, Brazil, or India for their commerce.

Because of historical ties to Portugal, Mozambicans have a Southern European business culture that is less punctual and quite social. Meetings, receptions, and even conferences commonly start late. Patience and flexibility are essential for success in Mozambique. Business cards are generally exchanged.

Maintaining a good reputation with government officials and local clients is important. The business community in Maputo is small and most know one another fairly well; competitors in one area may be partners in another. Many studied together at school or university. Furthermore, the concept of family extends to close friends, including business partners, resulting in quick dissemination of information and few secrets.

Potential investors should be cautious in selecting partners. Questionable business practices are common, such as tax evasion and corruption. Though accounting standards have recently been redefined to meet international standards, training remains weak and many businesses do not maintain accurate financial records, especially small and medium enterprises. The concepts of accounting, depreciation, and asset management are not yet widely understood beyond the largest companies.

Note that Mozambican drivers use the left side of the road and use right-hand drive vehicles.

Travel Advisory

Travel information from the Department of State is [available on the Internet](#).

Johannesburg, South Africa is the regional hub for air travel throughout Southern Africa. Both South African Airways (SAA) and Mozambique Airlines (Linhas Aereas de Moçambique, LAM) offer 45-minute flights between Johannesburg and Maputo several times a day. Delta Airlines flies daily between Atlanta and Johannesburg. SAA offers daily flights from Washington Dulles to Johannesburg under a United Airlines code share. SAA also flies direct from New York City to Johannesburg, though not on a code share basis. Daily flights between Europe and Johannesburg are available on major European carriers. Other international flights direct to Mozambique originate in Addis Ababa, Dar-Es-Salaam, Doha, Durban, Harare, Istanbul, Lisbon, Luanda, and Nairobi. Domestic air travel is available on LAM and prices are extremely high.

There is no direct commercial air service between the United States and Mozambique.

Visa Requirements

A visa is required for most foreign travelers to Mozambique. There are only a few exceptions, for citizens of several African nations. Under the new visa regulations, citizens of nations that have Mozambican embassies or consulates may now also request visas upon entry, although implementation of this law is inconsistent, and U.S. citizens are strongly advised to obtain a visa in advance of travel to Mozambique. The new border visa is valid for 30 days and allows two entries. Foreigners in Mozambique without a valid visa can expect to pay up to a USD100 fine for each day they are in Mozambique illegally. The fine can be assessed upon departure or while in Mozambique. The Government of Mozambique approved a new regulation to facilitate visas for foreign nationals intending to invest in projects in Mozambique. The measure reduced the minimum investment amount required from \$50 million to \$500,000 for an investment visa.

Travelers are advised to check both visa validity and length of stay permitted as they often differ. Travelers are generally only allowed to stay for 30 days at a time. Any visa overstay is subject to large fines. Visas can be obtained at Mozambican Embassies or Consulates and cost between USD100 and USD290 depending upon length of validity and single or multiple entry. For information on Mozambican visas issued in the U.S. visit [website](#).

Passports of all travelers who wish to enter Mozambique must be valid for six months upon arrival and must contain at least three clean (unstamped) visa pages each time entry is sought.

U.S. companies that require travel of foreign businesspersons to the United States will find relevant information from the [U.S. Department of State](#).

Currency

The metical is the local currency of Mozambique. The U.S. Dollar, EURO, and South African rand are commonly used for business transactions. VISA and Master Card are accepted in all POS and ATMs; American Express is not commonly accepted. ATMs and POS are widely available in urban areas but scarce in rural areas. It is recommended that U.S. travelers convert some foreign cash currency into the local metical.

Telecommunications/Electric

The Mozambican postal service is slow and unreliable. Federal Express, DHL, Skynet and UPS delivery services are available. Telephone and fax service are fairly reliable in major urban centers.

Mobile phone service (GSM standard) is available in all provincial capitals and many district capitals and all network operators offer 3G mobile internet services in urban areas. MCell and Vodacom have roaming agreements with most South African, European, and U.S. mobile operators.

Several hotels in Maputo, Beira, and Pemba offer internet access through their business centers, or wifi connections in their facilities. There are also internet cafes in provincial capitals and some secondary cities.

Transportation

Basic services necessary for the business traveler are available in Maputo, Beira, and to a lesser degree in other major cities. Outside these major urban centers, arranging for travel and accommodation is difficult. In Maputo, rental cars with drivers are available from Avis, Hertz, Imperial (South Africa), Car Premium, and Europcar (National Car Rental's international network).

Language

Portuguese is spoken in all urban areas and in many provincial capitals, though in many smaller villages only local languages are used. English is understood by some members of the business community, as well as many senior government officials but is not widely used.

Health

Medical facilities do not meet U.S. standards and most medical providers do not speak English. Medicines are not always available, and travelers who may be taking routine prescription medication should plan to bring a supply to cover the length of their visit. There are both public and private medical facilities in the city of Maputo. All health care institutions and providers require payment at the time of service, and may even require payment before service is given. While some private clinics accept credit cards, many medical facilities do not. Doctors and hospitals outside of Maputo generally expect immediate cash payment for health services. Outside of Maputo, available medical care ranges from very basic to non-existent.

Malaria is prevalent in Mozambique. Travelers to Mozambique should take malaria prophylaxis. *Plasmodium falciparum*, the serious and sometimes fatal strain in Mozambique, is resistant to the anti-malarial drug chloroquine. Because travelers to Mozambique are at high risk for contracting malaria, the Centers for Disease Control and Prevention (CDC) advises that travelers should take one of the following anti-malarial drugs: mefloquine (Lariam), doxycycline, or atovaquone/proguanil (Malarone), and each of these medications need to be started prior to arriving in Mozambique. The CDC has determined that a traveler who is on an appropriate anti-malarial drug has a greatly reduced chance of contracting the disease. In addition, other personal protective measures, such as the use of insect repellent, help reduce malaria risk. Travelers who become ill with a fever or flu-like illness while traveling in a malaria-risk area, and up to one year after returning home, should seek prompt medical attention and tell the physician their travel history and what anti-malarial(s) they have or had been taking.

Immunizations

All travelers should carry a World Health Organization (WHO) vaccination card with them while traveling in Africa to show proof of yellow fever vaccination. This yellow WHO vaccination card is required for entrance to most countries in Africa for any traveler over one year of age. While proof of yellow fever vaccination is not officially required by some African countries, the rules

are not uniformly enforced. To avoid any possibility of being refused entry due to a layover in a yellow fever country or an unplanned change of an itinerary by an airline, it is advised that all travelers over one year of age have a yellow WHO card documenting yellow fever vaccination, regardless of a country's published policy that may state otherwise. A record of all other vaccinations, either on the yellow card or a separate form, is recommended but is not an official document required for travel.

Other immunizations strongly recommended are 1) Hepatitis A 2) Typhoid Fever 3) Hepatitis B 4) Rabies; for prolonged stays, or those who anticipate any activity that might bring them in direct contact with wild animals; and 6) Influenza. Travelers should ensure that their routine immunizations including Tetanus/Diphtheria (Tdap or Td), Measles/Mumps/Rubella (MMR), Polio (IPV), and Varicella are current.

Illness Prior to Travel: If you are sick with symptoms of influenza-like illness, you should not travel. These symptoms include fever, cough, sore throat, runny or stuffy nose, body aches, headache, chills, and fatigue. Travel can resume after you are at least 24 hours free of fever (100F or 37.8C), or free of signs of a fever without the use of fever-reducing medications. Flights arriving in Maputo may be specifically targeted for screening.

Information on vaccinations and other health precautions, such as safe food and water precautions and insect bite protection, may be obtained from the CDC's hotline for international travelers at 1-877-FYI-TRIP (+1-877-394-8747) or via the [CDC's Internet site](#). For more information about outbreaks of infectious diseases abroad, consult the [World Health Organization's \(WHO\)](#) website. Further health information for travelers is available [here](#).

The Department of State strongly urges U.S. to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and whether it will cover emergency expenses such as medical evacuation. Please see the [Department of State's information on medical insurance overseas](#).

Local Time, Business Hours and Holidays

Local time is GMT +2.

Business hours are generally 8:00am to 5:00pm, while government offices function from 7:30am to 3:30pm.

2017 National Holidays in Mozambique:

January 2	New Year's Day
February 3	Mozambican Heroes Day
April 7	Mozambican Woman's Day
May 1	Worker's Day
June 26	Independence Day (actual holiday June 25)
September 7	Lusaka Agreement Day
September 25	Revolution Day
October 4	Peace and Reconciliation Day
November 10	Maputo Day
December 25	Family Day

Temporary Entry of Materials or Personal Belongings

Product samples that have no commercial value may be imported without paying duties and those with commercial value may be imported duty free for up to 12 months. Samples used at exhibitions may be imported on a temporary basis but cannot be sold or removed from the exhibition without customs authority. Furthermore, customs officials require a guarantee amounting to 10% of actual duty payable, and re-export of these goods must take place within 180 days after the closing of exhibitions; this period may be extended up to one year. If they are not re-exported within the specified periods, they will be imported for consumption, subject to normal customs formalities.

Travel Related Web Resources

[U.S. State Department Visa Website](#)

[U.S. Embassy, Maputo, Mozambique](#)

[U.S. Center for Disease Control Travel Site](#)

[Embassy of the Republic of Mozambique in Washington, DC](#)

Fixed and Mobile Network Operators

[Telecomunicações de Moçambique \(TDM\)](#)

[mCel](#)

[Vodacom](#)

[Movitel](#)