

Mozambique plans economic revolution

Mozambique is entering an era of unprecedented economic growth spurred on by natural resources development and increased infrastructure delivery



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After decades of promise, Mozambique is finally entering an era of unprecedented economic growth, spurred on by natural resource development and increased infrastructure delivery. Mozambique achieved its independence from Portugal in 1975. After a long period of civil war, peace came in 1992. Since then, the country has held four peaceful elections. It still faces many challenges to achieve faster economic growth that will improve the living conditions of its people and lift its just over 24 million citizens out of poverty.

Even though its GDP per capita remains very low (2013e: \$640), Mozambique has consistently experienced economic growth in excess of seven percent per annum over the last decade. Even through the global recession of 2008, this growth path was maintained (see Fig. 1) – definitely a sign of good things to come. Mozambique is likely to see strong growth across various sectors of its economy over the next decade, with a strong emphasis on resources, energy, agriculture, telecoms, construction, transport and, to a lesser extent, tourism.

As with other African countries, poor or non-existent infrastructure in Mozambique is widely perceived as one of the greatest obstacles to economic development. The World Economic Forum ranks Mozambique 130th (out of 148 economies) for the quality of its infrastructure (see Fig. 2).

The country currently has three major ports (Maputo, Beira and Nacala), five international airports (including Maputo, Beira and Nampula) and two main railway lines (Maputo and Sena). Mozambique's international airports can accommodate 900,000 passengers per annum and the railways handle over 12 million tons of cargo each

year. Mozambique's location makes it a natural gateway to South Africa, Swaziland, Zimbabwe, Botswana and Malawi, increasing demand for its infrastructure. The ports of Maputo, Beira and Nacala are key to the development of the region's hinterlands.

Vast resources

Mozambique is blessed with vast natural resources, including coal, aluminium, titanium, natural gas, hydropower, tantalum and graphite. The coal, gas and hydro could be exploited for energy generation. Mozambique, with over 160Tcf, has the fourth largest gas reserves globally, and its prospects for coal-fired power are also strong, with three large coal deposits at Moatize-Minjova, Senangoe and Mucanha-Vuzi in the Tete province. Total coal reserves are estimated to be approximately three billion tonnes.

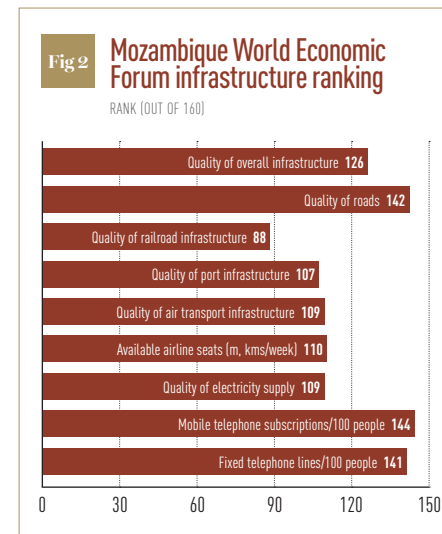
Needless to say, the development of the natural resources and infrastructure go hand in hand to foster economic growth. Even though it has taken some time, it looks like the Mozambican



The Beira railway station. The rail corridor is a crucial piece of infrastructure for several multinational coal mining projects that have begun exploration in Mozambique

Government is starting to embrace this truth and is creating policy frameworks that encourage private sector participation across both disciplines. What is also very positive is the government's resolve to see local beneficiation of its resources to create jobs, stimulate economic growth and deliver tangible benefits to the country's citizens. This contributes to creating a positive investment climate that is bound to attract capital from international sources.

I have had various discussion with African-focused foreign investors and funds, all of whom



130th
Mozambique's WEF ranking for quality of infrastructure (out of 148)

have Mozambique as a high-priority country and are looking for investment opportunities to deploy capital. The same applies to the development finance institutions, South African financial institutions, Chinese conglomerates, and Brazilian investors all hungry for opportunities in Mozambique. This availability of investment capital per se is a vote of confidence in Mozambique, and reflects the positive investor sentiment and the strong belief in the long-term growth potential that Mozambique has to offer.

It is now critical for Mozambique to accelerate the development of investment opportunities to take advantage of positive investor sentiment. It is not to throw all caution to the wind, but neither is now the time to have the development of feasible infrastructure and resource opportunities hampered by red tape. Being a darling of the investment community only lasts a season: the only questions that should be relevant are how long we have and how much can be done.

Opportunities for investment

Infrastructure investment and development is critical if Mozambique is to achieve its economic potential and monetise its vast natural resources – so one would expect the country to not be short of investment opportunities, especially in the resources, energy and infrastructure sectors.

Analysis shows opportunities abound in both green- and brownfield across all the infrastructure sectors. This includes over \$20bn of possible port, pipeline and rail projects in the medium

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AIR PASSENGERS PER ANNUM
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term. There are also in excess of \$12bn-worth of projects being developed in the energy sector: generation capacity could reach 16GW over the next decade. Delivering on just a fraction of these opportunities in the short term will be a great success story for Mozambique.

In Mozambique, it takes on average 13 days to register a business, compared to an average of 45.2 days in Sub-Saharan Africa.

The Government of Mozambique considers infrastructure improvement one of the pillars of its development strategy. As such, it has created development teams prioritising all new projects. This enables pro-active dialogues between the private and public sectors to facilitate the delivery of projects and minimise meaningless development expenditure and time (an issue rife throughout Africa).

The Mozambican Government is promoting the participation of the private sector to carry out investment opportunities to increase the development of general infrastructure, focusing on the logistics of import-export as well as general transportation. There is also a focus on creating an attractive business climate with various tax and trade incentives for qualifying projects.

Mozambique boasts an established stock exchange that has been in operation since 1999. Even though the exchange is small in global terms, there is an established capital market system that will mature as the economy develops and international capital flows into the country increase.

Challenges ahead

Access to financial services, funding and the sovereign credit capacity remain limited: this is one of the obstacles to accelerating project development and sustainable economic growth. There is also the matter of exchange controls and the administrative process relating to these regulations that impact on foreign direct investments and investor confidence.

The shortage of liquidity in the domestic banking system and sovereign credit risk create the need for bilateral agencies or multilateral development banks to fill the gap and try to facilitate increased liquidity in the local market. There is an increased focus on Mozambique by these agencies, but what is also needed is some out-of-the-box thinking to deliver products that will develop the local financial system and capital markets so they can create tangible and sustainable financial capacity for Mozambique in the long term.

Skills development and human resource capacity building will be needed to keep the Mozambican economy on a high growth trajectory. It will require a continued investment in the development of its people, in conjunction with creating feasible long-term job opportunities to give the youth of the country a hope and a future.

Despite the challenges, the Mozambican economy is headed in the right direction. One should be optimistic about the country's long term intentions to implement an economic revolution that will empower its people. ■