

# Unearthing Mozambique's potential

Mozambique is now the focus of increasingly sophisticated foreign investment as the country's economy continues to open up

An increased focus on private sector investment is being reflected in the growing internationalisation of the Mozambique economy and a rise in foreign direct investment, as well as a demand for more sophisticated legal advice, says João Vieira de Almeida, managing partner of Lisbon-based Vieira de Almeida & Associados (VdA).

"Mozambique is a politically stable and open country, with a legal system that works well, and which is helping to increase its attraction to multinational investors – including by Portuguese companies, as part of a general drive towards Portuguese-speaking Africa."

Evidence of this investor confidence came in March, when Brazilian mining giant Vale announced the launch of a \$1.3bn (€936m) project in northern Mozambique. The investment, aimed at producing 11 million tonnes of metallurgical coal each year for steel production, has the potential to make Mozambique Africa's second largest coal producer.

"It is a very significant investment which highlights Mozambique as a country with promising unexplored natural resources and an international attraction. Vale's expectations lead us to believe the expansion of the coal mining sector indeed seems a realistic proposition," says Vieira de Almeida.

But other industry sectors also present clear opportunities, he notes, including the energy, telecommunications, agribusiness, tourism, oil, logistics and transport and real estate sectors.

"The private sector is now viewed as an engine for growth across the African continent, and Mozambique is no exception. It sees private investment as a major aid to accelerating development and to alleviate poverty."

Banking and foreign exchange have already been liberalised and momentum looks likely to build as implementation leads to more tangible results, he says. In addition, the Government's privatisation programme is well advanced and has facilitated investments in port and railway infrastructure public-private partnerships.

"Mozambique continues to develop and is capitalising on several advantages including its natural resources and geographic location. Likewise, it will develop socially, transitioning from a largely agriculture-driven rural society to a more urban economy, with greater emphasis on the manufacturing and services sectors."

Vieira de Almeida notes however that constraints are still imposed on foreign businesses operating in Mozambique, including minimum capital requirements, labour market inflexibility, customs and in dealing with licences and enforcing contracts – which still involve lengthy procedures – while issues also surround corruption, governance and bureaucracy.

Nonetheless, the country has made considerable progress in removing administrative barriers to the establishment and operation of private enterprises, he says, with Government policy becoming focused towards providing incentives to promote investment, with the key laws and regulations already in place.

"It is important to have a good understanding of the country's context first, so that an effective business and legal strategy can be mapped. You can expect to find top class professionals in most sectors, but – although investment in education is a priority for the country – human resources remain the main area of difficulty for newcomers."

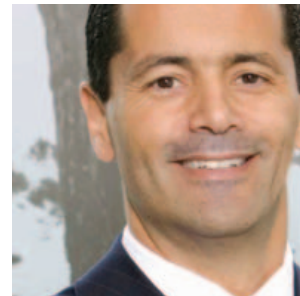
Until independence in 1975, Mozambique was governed by Portugal and Vieira de Almeida therefore also sees opportunities for VdA to contribute its own established know-how and experience, particularly in the areas of tax, banking and finance, public work and health.

The firm recently entered into a partnership with Maputo-based law firm Furtado Bihka Loforte Popat & Associados (FBLP) in response to the increasing demands and sophistication of the local market, and which in practice, he says, operate as a single unit.

"As a second generation firm, FBLP offers a unique opportunity to consolidate the competences of a young but seasoned group of professionals, with proven experience and who are eager to launch a top-tier, highly professional project."

His firm's investment strategy, he says, reflects the demands of its own clients already established in Mozambique, a desire to increase the depth and range of expertise available to FBLP, and an enhanced ability to win new mandates on the basis of combined firepower.

Vale's investment in the country is therefore indicative not only of the scale of opportunities now being presented, but also of the growing sophistication of the international players now operating in Mozambique, and inevitably of the legal services they demand, he says.



João Vieira de Almeida

El creciente interés en la inversión privada se está reflejando cada vez más en la internacionalización de economías como la de Mozambique, con un aumento de la inversión extranjera y una mayor demanda de servicios jurídicos sofisticados, dice João Vieira de Almeida, socio director del despacho en Lisboa, Vieira de Almeida & Associados