

**MOZAMBIQUE – TRADE AND TRANSPORT  
FACILITATION AUDIT**

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## CONTENTS

<b>1</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>2</b>	<b>INTRODUCTION.....</b>	<b>7</b>
<b>3</b>	<b>OVERVIEW OF THE MOZAMBICAN ECONOMY .....</b>	<b>9</b>
<b>4</b>	<b>TRADE PATTERNS.....</b>	<b>15</b>
<b>5</b>	<b>INFRASTRUCTURE AND TRANSPORT POLICIES .....</b>	<b>23</b>
5.1	Transport infrastructure.....	23
5.2	Transport policy and the organization of the transport sector.....	35
5.3	Regulatory framework for the transport sector .....	37
<b>6</b>	<b>TRANSPORT AND LOGISTICS SERVICES.....</b>	<b>43</b>
<b>7</b>	<b>COSTS AND DELAYS OF TRANSPORT AND LOGISTICS .....</b>	<b>49</b>
<b>8</b>	<b>CUSTOMS AND TRADE ADMINISTRATIVE PROCEDURES .....</b>	<b>55</b>
8.1	Customs administration and Customs procedures.....	55
8.2	Trade regulations and trade procedures.....	59
<b>9</b>	<b>TRANSPORT AND DEVELOPMENT CORRIDORS.....</b>	<b>62</b>
9.1	The concept of development corridors in Mozambique.....	62
9.2	The Maputo Corridor .....	65
9.3	The Beira Corridor and the Sena Line.....	72
9.4	The Nacala Corridor.....	77
<b>10</b>	<b>CONCLUSIONS AND ACTION PLAN .....</b>	<b>81</b>
10.1	Main findings and identified problems .....	81
10.2	Implementation strategy .....	82
10.3	Action Plan.....	85
<b>ANNEX 1</b>	<b>REFERENCES AND INFORMATION SOURCES.....</b>	<b>91</b>



## 1 EXECUTIVE SUMMARY

Mozambique is a country situated in the south-eastern part of Africa on the Indian Ocean with an area of 799,380 km<sup>2</sup> and 2,515 km of coastline. It is the natural economic gateway for the north-eastern part of South Africa, Swaziland, Zimbabwe, Zambia and Malawi. The ports of Maputo, Beira and Nacala are used by its neighboring countries to export and import a substantial part of their commodities. As such, Mozambique is a transit country.

Since 1986 Mozambique has been undergoing radical changes. The centrally planned state-controlled economy is transforming into a market-oriented one maintaining its pro-poor budget policies. These changes are not gradual and uni-directional as they provoke social reactions leading to contradictory developments in the socio-economic sphere.

Mega projects involving investments of billions of US dollars are recently being implemented. Although they boost socio-economic development and already causing economic spread effects by attracting supporting industries, they are highly capital-intensive and form no permanent solution for the abundantly available labor force. Ports and railways are being privatized. Customs is partly managed by foreign agencies. However, the legal and regulatory framework, in particular labor law, commercial law and transport legislation, apparently remain behind still reflecting the old bureaucratic reality. This results in excessive paperwork, red tape and corruption regarding business development and trade.

There is also an enormous backlog of maintenance of transport infrastructure. The transport sector is constrained by high freight transport costs; unpredictability of railway operations; inability of public sector entities in the transport sector to generate enough surplus to keep their assets in a good condition; deteriorating condition of the rail and road infrastructure because of lack of maintenance.

All these factors make access to the international markets difficult for Mozambican producers and exporters as they are not competitive. Therefore, it is of utmost importance that the legal and regulatory framework will be urgently renewed to reflect this new economic reality and that mechanisms will be put in place to rehabilitate existing and to invest in new transport structure.

At the same time, conditions must be created to strengthen domestic production of agricultural and industrial commodities and investments in the internal transport infrastructure network and feeder roads.

A pro-active attitude from the Mozambican Government is needed to link the development of the transit potential through the transport corridors directly with the development of the home-based agricultural, industrial, mining and services sectors by removing the physical and non-physical barriers to trade and transport and stimulating competition.



## 2 INTRODUCTION

Mozambique is a country in development. Rapid changes are taking place in the socio-economic sector. Mega projects are being implemented successfully like the establishment of MOZAL nearby the capital Maputo with an installed capacity of producing 506,000 tons of primary aluminum; the major ports are being privatized; Mozambique Railways is still in the process of privatization; and Mozambique Customs is run by Crown Agents. Also important steps have been made to liberalize external trade. At the same time, however, the existing regulatory framework for business development and trade activities still facilitates excessive bureaucracy, red tape and corruption. This, together with a backlog in maintenance of transport infrastructure, makes it extremely hard for Mozambican producers to compete on international markets.

The objective of this Trade and Transport Facilitation Audit (TTFA) is to establish a diagnostic, as comprehensive as possible, on the situation in Mozambique in terms transport costs and efficiency related to external trade and international transportation services providing an integrated approach.

The area of focus includes:

- Foreign trade patterns.
- Organization and quality of transport and logistics services and infrastructure available to exporters and importers from Mozambique and its neighboring countries.
- Assessment of procedural and documentary requirements necessary to move goods through borders or in transit operations.

Ultimately the audit aims at providing a comprehensive understanding of supply chain management constraints in Mozambique irrespective of their cause: governance, regulation, private sector practices and organization.

The audit, therefore, focuses on:

- The nature of existing constraints in regulatory, documentary and procedural requirements related to international trade transactions and corresponding transport operations.
- The availability and the organization of transport services to trade in Mozambique and obstacles to their modernization and development.
- The transit issues and the potential of Mozambique as a transit country using the main transport corridors.

Based on the identification of the shortcomings, an action plan and an implementation strategy is proposed for the measures to be taken for the short and longer term.





### 3 OVERVIEW OF THE MOZAMBIKAN ECONOMY

Mozambique's economy is diversified in terms of shares of the different economic sectors in the Gross Domestic Product. The share of agriculture is about 20 percent of GDP. The main crops produced are maize, rice, cassava, groundnuts, beans, sweet potatoes and sugar cane. The most important exports are sugar, cotton, copra, cashew nuts, tea, and citrus fruit. The agricultural sector plays a crucial role in the development more than 78 percent of the Mozambican population is living on the countryside, where their main economic activity is agriculture. The share of industry in GDP is about 30 percent, mainly caused by the some recent investments in large industrial projects like the production of aluminum. The service sector contributes with 50 percent to GDP, of which 18 percent by trade.

In 2001 the Government of Mozambique adopted an Action Plan for the Reducing Absolute Poverty. This program targets a real GDP growth rate of 8 percent a year over 2001-2005. This has been achieved as Table 1 shows with real GDP growth estimated at 10 percent a year, on average, and in 2001-2002, and projected at 7 percent in 2003. The figure of 85,206 billions of MT GDP in 2002 in Table 1 may need to be adjusted to 82,747.4 billions of MT according to the National Institute of Statistics<sup>1</sup>. This growth in 2001-2002 is mainly caused by a rebound from the devastating effects of the floods in 2000 and is brought forward by the agricultural and construction sectors and by the positive impact of the implementation of mega projects like MOZAL.

Although in absolute terms the agricultural sector has increased since 1998 by more than 30 percent, its relative share in GDP fell back from 27.2 percent in 1998 to 19.5 percent in 2002. The industrial sector increased from 1998 to 2002 from 10,090 billions of MT to 26,096 billions of MT mainly caused by the construction boom in 2002. The relative share of the industry raised from 21.5 percent in 1998 to 30.6 percent in 2002. The starting of the mega projects affected also the transport and communications sector, which increased from 6,811 billions of MT in 2001 to 9,468 billions of MT in 2002 with a share in GDP of 11.1 percent.

The average annual inflation rate has varied from 2000 to 2003 from 7.5 percent to 16.6 percent.

Year	2000	2001	2002	2003
Annual average inflation rate (in percent)	12.7	9.1	16.6	7.5

Source: Ministry of Finance and Planning Mozambique; March 2003

The interest rates for lending, however, are increasing from 23 percent in 1999 towards 37 percent in 2002.

<sup>1</sup> Statistical Yearbook 2002 Moçambique; p. 130; INE 2003  
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**Table 1** Mozambique: Composition of Gross Domestic Product, 1998-2002 (in billions of MT)

	1998	1999	2000	2001	2002
Agriculture	12,756	13,231	12,346	15,555	16,645
Fishing	1,418	1,310	1,378	1,601	1,366
Industry	10,090	11,534	13,623	17,742	26,096
Mining	143	73	206	254	227
Manufacturing	5,113	5,993	6,830	9,852	9,676
Electricity and water	938	1,447	1,281	1,466	2,640
Construction	3,896	4,021	5,307	6,170	13,553
Services	22,648	25,838	29,570	36,237	41,099
Commerce	10,078	10,997	11,859	14,960	15,304
Repair services	369	404	494	120	563
Restaurants and hotels	534	626	797	838	836
Transport and communication	4,299	4,924	5,297	6,811	9,468
Financial services	1,264	1,045	2,240	2,785	2,990
Real estate rentals	1,093	1,146	1,089	1,719	1,257
Corporate services	600	451	444	...	...
Government services	2,383	3,584	4,220	5,510	5,394
Other services	2,029	2,660	3,130	3,494	5,287
Gross domestic product	46,912	51,913	56,917	71,135	85,206
	(in percent of GDP)				
Agriculture	27.2	25.5	21.7	21.9	19.5
Fishing	3.0	2.5	2.4	2.3	1.6
Industry	21.5	22.2	23.9	24.9	30.6
Mining	0.3	0.1	0.4	0.4	0.3
Manufacturing	10.9	11.5	12.0	13.8	11.4
Electricity and water	2.0	2.8	2.2	2.1	3.1
Construction	8.3	7.7	9.3	8.7	15.9
Services	48.3	49.8	52.0	50.9	48.2
Commerce	21.5	21.2	20.8	21.0	18.0
Repair services	0.8	0.8	0.9	0.2	0.7
Restaurants and hotels	1.1	1.2	1.4	1.2	1.0
Transport and communication	9.2	9.5	9.3	9.6	11.1
Financial services	2.7	2.0	3.9	3.9	3.5
Real estate rentals	2.3	2.2	1.9	2.4	1.5
Corporate services	1.3	0.9	0.8	...	...
Government services	5.1	6.9	7.4	7.7	6.3
Other services	4.3	5.1	5.5	4.9	6.2
Gross domestic product	100.0	100.0	100.0	100.0	100.0

Source: IMF Country Report No.04/51

The Government of Mozambique is trying to persist in its efforts to maintain macro-economic balance. By controlling public expenditure and with persevering realistic fiscal, monetary and exchange rate policies.

The evolution of the current expenditures of the Government from 1998 to 2002 follows precisely the same pattern as the development of the total revenues for the Government as Table 2 shows. The revenues increased from 5,324 billions of meticaïs in 1998 to 12,057 billions of meticaïs in 2002; the current expenditures increased in the same time period from 5,268 billions of meticaïs to 13,469 billions of meticaïs.

The share of the government revenues in GDP increased from 11.3 percent in 1998 to 14.2 percent in 2002. Taxes on international trade formed 2.2 percent of GDP in 2002; V.A.T. 5.4 percent.

**Table 2** *Mozambique: Government Finances, 1998-2002 (in billions of meticaís)*

	1998	1999	2000	2001	2002
<b>Total revenue</b>	5,324	6,207	7,535	9,469	12,057
<b>Tax revenue</b>	4,932	5,733	6,862	8,400	10,629
Taxes on income and profits	963	867	1,034	1,519	2,116
Taxes on goods and services	2,882	3,638	4,329	5,169	6,404
Taxes on international trade	937	1,046	1,279	1,477	1,851
Other taxes	150	183	235	235	258
<b>Non-tax revenue</b>	392	474	672	1,070	1,428
<b>Total expenditure and net lending</b>	10,141	12,815	15,556	24,579	29,032
<b>Current expenditure</b>	5,268	6,332	7,685	10,345	13,469
Budget year	5,259	6,347	7,802	10,410	13,492
Compensation to employees	2,097	2,995	3,817	4,946	6,206
Wages and salaries	1,873	2,806	3,525	4,946	5,712
Other	224	189	292	0	494
Goods and services	1,544	1,646	2,052	2,429	2,776
Interest on public debt	463	324	109	477	1,274
Domestic	21	6	11	330	952
External	442	318	99	147	322
Transfer payments	874	1,085	1,677	2,208	2,826
Local and district governments	102	105	224	273	385
Political parties	57	66	71	75	137
Households	463	646	937	1,348	1,625
Pensions	390	559	748	1,020	1,327
Welfare payments	37	87	129	176	211
Other	36	0	61	153	87
Subsidies to enterprises	46	54	69	69	132
Abroad	206	214	376	443	547
Embassies	182	214	340	412	485
International organizations	24	0	36	32	62
Other	281	297	146	350	410
Net float 1/	9	-15	-117	-64	-23
<b>Current balance</b>	56	-125	-150	-876	-1,412
<b>Capital expenditure</b>	4,575	6,001	6,060	11,808	12,149
Budget year	4,843	5,734	7,195	11,901	12,684
External project grants	2,091	2,710	2,509	6,052	6,226
External project loans	1,673	1,306	2,418	2,160	2,635
Locally financed	1,079	1,717	2,268	3,091	3,359
Net float	-268	267	-1,136	-92	-535
<b>Net lending</b>	298	482	1,812	2,426	3,414
Of which: locally financed	-291	-6	1,812	2,426	1,970
<b>Unallocated revenue (+)/expenditure (-)</b>	-106	-220	42	-101	209

**Table 3** *Mozambique: Government Finance, 1998-2002 (concluded)*  
(in billions of meticaís)

	1998	1999	2000	2001	2002
Overall balance before grants	-4,923	-6,828	-7,980	-15,211	-16,766
Grants received	3,818	6,073	4,576	10,520	10,020
Project	1,894	2,787	2,112	7,044	6,728
Nonproject	1,924	3,287	2,464	3,475	3,292
Overall balance after grants	-1,105	-754	-3,403	-4,691	-6,745
Net external borrowing	2,172	910	1,983	2,797	5,401
Disbursements	2,671	1,394	2,268	3,108	5,886
Project	1,641	1,394	1,724	1,624	2,512
Nonproject	1,030	0	544	1,484	3,374
Cash amortization	-499	-483	-286	-311	-485
Domestic financing (net)	-1,067	-156	966	1,382	806
Banking system	-1,067	-156	221	682	-1,022
Bonds for bank restructuring	---	---	745	700	1,828
Other (including residual)	0	60	0	0	0
Memorandum items:					
Primary current balance 2/	519	199	-40	-399	-138
Domestic primary balance before grants 3/	-289	-1,780	-3,856	-6,065	-5,066

Sources: Mozambican authorities; and staff estimates.

1/ Budget procedures in Mozambique allow for a three-month complementary period, meaning that each year, from January to March, expenses can be incurred in executing the previous year's budget. The net float corresponds to the expenses incurred from January to March but which relate to the previous year budget, minus what is left in the budget at the end of the previous year to be paid during the next fiscal year.

2/ Current revenue minus noninterest current expenditure.

3/ Total revenue minus noninterest current expenditure minus locally financed capital expenditure and locally financed net lending of the budget year.

The trade balance shows an improvement since 1999, as Table 3 shows. The value of the imports has been stabilized between 1,200-1,300 million U.S. dollars per year, while the value of exports has increased from 283.7 million U.S. dollars in 1999 to 681.8 million U.S. dollars in 2002.

**Table 4** *Mozambique: Balance of Payments, 1998-2002(in millions of U.S. dollars)*

	1998	1999	2000	2001	2002
Trade balance	-572.7	-916.1	-799.0	-360.3	-581.1
Exports, f.o.b.	244.6	283.7	364.0	703.1	681.8
Imports, c.i.f.	-817.3	-1,199.8	-1,163.0	-1,063.4	-1,262.9
Services (net)	-176.3	-236.0	-243.3	-606.2	-259.4
Receipts	332.5	355.6	405.1	310.6	544.8
Expenditures	-508.8	-591.6	-648.4	-916.8	-804.2
Of which: interest on public debt 1/	-150.2	-161.6	-160.8	-145.9	-26.7
Current account, excluding grants	-749.0	-1,152.1	-1,042.3	-966.5	-840.6
Unrequited official transfers	313.2	434.1	563.9	469.3	420.0
Current account, including grants	-435.8	-718.0	-478.4	-497.1	-420.6

Source: IMF Country Report No.04/51

Mozambique's economic policy seems to be focused on mega projects in industry, mining, ports and transport infrastructure. This policy will certainly bring benefits to the country as it will not only attract other investments in new areas (tourism), but also for supporting economic activities of existing production facilities, what is already happening in Beluluane Free Industrial Zone nearby the aluminum plant of MOZAL.

Investments in rural infrastructure and agriculture should, however, not be neglected as the overwhelming majority of the Mozambican labor force is engaged in agricultural activities in the countryside. These agricultural activities may enable production of cash crops for export. To achieve this it will be necessary to ban bureaucratic procedures for establishing and running a business and facilitate trade.



#### **4 TRADE PATTERNS**

As Mozambique is a large country, divided essentially in 3 regions as far as logistics is concerned, it could be good to tell about the regions of production. The production of marketed crops increased substantially since 2000. The total volume of export crops was expected to raise from 473,200 tons to 1,491,600 tons in 2002/3. This increase is mainly caused by the sugar cane, which constitutes 90 percent of the total volume of marketed export crops in 2002/3. Table 5 also shows that production of marketed basic food crops remains stable and varies between 500,000 and 580,000 tons per year.

**Table 5** *Mozambique: Production of Major Marketed Crops, 1997/98-2002/03*

	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 Prel.
(In thousands of tons)						
Export crops	559.1	694.9	549.2	473.2	731.9	1,491.6
Cotton	91.0	106.7	32.3	9.8	19.7	23.0
Copra	36.0	44.4	44.0	43.6	63.4	45.4
Tea (leaf)	1.5	5.4	10.5	20.5	17.7	24.7
Sugarcane	368.7	469.5	397.2	336.0	571.6	1,342.1
Cashew nuts	51.7	58.7	51.9	45.9	47.4	44.4
Citrus	10.2	10.2	13.3	17.3	12.1	12.1
Basic food crops	504.4	576.5	494.5	429.0	492.1	572.1
Maize	270.2	304.1	248.8	203.5	235.2	254.5
Rice	26.7	28.9	23.5	19.1	22.6	22.8
Sorghum	4.1	5.7	4.4	3.4	4.3	4.3
Cassava	74.8	83.8	81.0	78.2	87.4	86.7
Peanuts	23.8	26.4	20.6	16.0	15.4	15.5
Beans	45.7	68.1	52.8	40.9	46.3	52.9
Vegetables	50.5	51.0	54.5	58.3	73.0	124.6
Onions	8.5	8.5	9.0	9.5	8.0	10.8
Industrial inputs	38.9	38.1	17.3	38.4	55.1	95.0
Sisal	24.0	24.0	...	...	...	...
Tobacco	0.7	0.7	4.2	25.4	43.8	68.7
Mafurra	1.5	0.7	0.3	0.1	0.1	0.3
Tomatoes	12.2	12.2	12.4	12.6	6.2	22.8
Sunflowers	0.5	0.6	0.4	0.2	5.0	3.2
Total production in thousands of tons (In billions of metric tons, unless otherwise indicated)						
Export crops	690.2	773.5	529.1	964.3	965.3	966.3
Cotton	308.5	341.9	118.3	40.9	90.6	121.0
Copra	69.5	75.6	85.6	96.8	169.2	138.3
Tea (leaf)	1.5	0.5	1.1	2.5	2.5	4.0
Sugarcane	55.3	69.1	61.2	54.2	102.3	274.0
Cashew nuts	227.6	258.6	224.0	194.1	196.5	210.2
Citrus	27.8	27.8	38.9	54.4	338.4	328.9
Basic food crops	931.1	1,143.9	1,037.9	989.2	1,295.7	1,020.1
Maize	354.1	456.6	356.3	278.0	444.5	452.1
Rice	105.2	72.3	61.6	52.5	68.2	67.5
Sorghum	8.8	12.3	10.0	8.1	11.3	10.7
Cassava	67.3	121.3	122.7	124.1	160.9	162.0
Peanuts	95.9	119.1	100.3	84.5	79.8	80.2
Beans	150.9	224.8	192.9	165.5	178.5	194.4
Vegetables	117.0	106.9	143.5	192.7	266.9	382.9
Onions	31.9	30.6	50.6	83.8	85.6	122.4
Industrial inputs	49.8	57.9	118.7	500.4	806.0	1,475.3
Sisal	1.1	1.1	...	...	...	...
Tobacco	9.6	9.2	63.3	435.4	763.4	1,407.4
Mafurra	0.7	0.3	0.1	0.1	0.0	0.1
Tomatoes	36.9	45.8	54.2	64.2	26.3	57.4
Sunflowers	1.5	1.5	1.1	0.8	16.2	10.4
Total production	1,671.0	1,975.3	1,685.8	2,453.8	3,066.9	3,461.6
Memorandum items:						
Total production (in millions of U.S. dollars) 1/	141.0	155.7	118.8	134.8	138.2	145.9

Sources: Mozambican authorities; and staff estimates.

1/ Market exchange rates used for all crop years.

The value of Mozambican exports (f.o.b.) increased from 248.2 millions of U.S. dollars in 1998 to 681.8 millions of U.S. dollars in 2002. The export of aluminum constitutes the major share of the exports on 2002 (52 percent). Also the exports of electricity increased from 36.2 millions of U.S. dollars in 1998 to 107.4 millions of U.S. dollars in 2002.



**Table 6** *Mozambique: Commodity Composition of Exports, 1998-2002 (value in millions of U.S. dollars; volumes in thousands of metric tons and unit values in US dollars per metric ton)*

	1998	1999	2000	2001	2002
Total exports, f.o.b.	248.2	268.9	364.0	703.1	681.8
Aluminum 2/	0.0	0.0	60.2	383.3	361.1
Prawns, value	72.6	65.5	91.5	92.4	63.9
Volume	9.8	8.6	...	...	4.4
Unit value	7,408.9	7,631.2	...	...	14472.6
Electricity	36.2	62.9	67.0	57.3	107.4
Cotton, value	22.3	19.9	25.5	18.3	20.7
Volume	18.7	20.5	...	...	50.4
Unit value	1,194.6	968.8	...	...	410.7
Manufacturing products	14.3	13.9	...	...	...
Timber	11.0	8.8	14.2	12.6	17.4
Processed cashew nuts, value	19.1	7.8	8.4	2.1	1.1
Volume	4.9	1.9	...	...	0.5
Unit value	3,894.2	4,175.8	...	...	2018.3
Unprocessed cashew nuts	21.6	25.1	11.9	10.9	16.2
Sugar, value	8.4	5.3	4.3	8.1	18.1
Volume	20.4	13.9	...	...	78.7
Unit value	413.3	395.9	...	...	230.2
Tires and tubes	3.4	1.0	3.6	4.2	0.8
Copra, value	5.0	3.5	2.1	1.1	1.0
Volume	18.2	16.6	...	...	...
Unit value	276.0	210.8	...	...	...
Citrus, value	0.4	5.8	0.8	...	...
Volume	3.6	57.8	...	...	...
Unit value	101.5	100.3	...	...	...
Fishery products 4/	5.6	8.9	...	...	...
Tea, value	0.5	0.2	1.0	...	...
Volume	0.4	0.2	...	...	...
Unit value	1,231.5	1,199.5	...	...	...
Petroleum, value 3/	1.3	4.4	9.0	23.3	18.2
Volume	0.0	7.4	...	...	...
Unit value	430.1	591.3	...	...	...
Coal, value	0.2	0.2	0.1	...	...
Volume	16.0	0.0	...	...	...
Unit value	14.0	14.2	...	...	...
Minerals 2/	3.4	3.6	6.9	...	...
Other	26.9	36.1	65.5	89.6	54.3

Sources: Mozambican authorities; and staff estimates.

1/ Official statistics for the years 2000 to 2001 do not provide information on export volumes and prices.

2/ The data for aluminum exports in 2001 are preliminary and underestimate actual aluminum exports; according to the authorities, a large part of aluminum exports are included under the item "Other" for the year 2001. Also refer to footnote 1 of Table 26.

3/ Petroleum products, including bunkers.

4/ Excludes prawns.

Table 7 shows the exports from 1998 to 2002 by country of destination. The major export partner is the European Union to where MOZAL is exporting its aluminum. The export of aluminum is contained in the 64.6 percent of the category 'Other' under 'Other countries' in 2001 and in the 41.8 percent in the category 'Other' under OECD countries. South Africa remains a stable partner for the export of Mozambican products with 17.7 percent in 2002.

Remarkable is the decline of the export to Zimbabwe since 2000 from 17.7 percent in 2000 to 5.8 percent in 2002.

**Table 7** *Mozambique: Exports by Country of Destination 1998-2002 (in percent of total exports unless otherwise indicated)*

	1998	1999	2000	2001	2002
OECD countries	37.8	37.3	39.6	14.8	51.6
Japan	4.8	4.3	4.3	4.2	0.7
Netherlands	2.3	1.7	1.0	1.0	0.3
Portugal	7.6	9.0	11.6	4.0	4.4
Spain	13.0	12.7	10.7	3.8	2.8
United Kingdom	1.4	1.0	0.9	0.0	0.1
United States	5.7	4.7	4.7	0.9	1.6
Other	3.0	3.9	6.4	0.8	41.8
Other countries	62.2	62.7	60.4	85.2	48.4
South Africa	17.6	26.2	14.6	15.3	17.7
Zimbabwe	19.5	14.9	17.7	5.3	5.8
Other 1/	25.1	21.7	28.1	64.6	24.9
Total	100.0	100.0	100.0	100.0	100.0
Memorandum item:					
Total exports (millions of U.S. dollars)	244.6	283.7	364.0	703.1	681.8

Sources: Mozambican authorities; and IMF, *Direction of Trade Statistics*.

1/ Data for 2001 include exports from Mozambique Aluminum (MOZAL) to the European Union (EU), almost 85 percent of the total; the statistics do not provide for a disaggregate view per EU member country.

Mozambique's imports are quite diversified regarding the type of commodity, which is being imported. Agriculture and fishing counts for 10 percent of the import and consists of mainly rice and wheat. From 2000 to 2002 there was a large increase of the import of metals from 10.6 millions of U.S. dollars to 415.2 millions of dollars. This was mainly raw material for the MOZAL aluminum plant. Machinery and equipment dropped from 188.9 millions of U.S. dollars in 2000 to 136.1 millions of U.S. dollars in 2002.

**Table 8** *Mozambique: Commodity Composition of Imports, 2000-2002 (in million U.S. dollars)*

<b>Product Group</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>
<b>Total</b>	<b>1162.3</b>	<b>1063.4</b>	<b>1262.9</b>
Agriculture and fishing	165.5	151.4	139.6
Minerals and fuels	190.2	183.6	160.5
Other chemical products	59.9	78.3	87.2
Textiles and clothing	41.5	26.2	19.7
Iron and steel	68.9	39.7	50.6
Other metals	10.6	234.7	415.2
Machinery	188.9	131.7	136.1
Transportation equipment	174.8	80.5	135.5
Other products	262.0	137.3	118.5

*Source: INE and several other sources.*

Table 9 shows the imports by country of origin from 1998 to 2002. Remarkable is the increasing share of the European Union as country of origin for Mozambican imports. Also under the heading 'Other' under 'Other countries' 50 percent is originating from the EU without further country specification. The share of South Africa dropped from 57.2 percent in 1999 to 30.3 percent in 2002.

**Table 9** *Mozambique: Imports by Country of Origin 1998-2002 (in percent of total imports unless otherwise indicated)*

	1998	1999	2000	2001	2002
OECD countries	31.9	27.2	28.6	20.9	22.2
France	2.1	0.9	2.2	1.1	1.7
Japan	3.9	3.9	4.6	0.6	3.4
Netherlands	0.8	0.7	0.5	0.9	0.5
Portugal	7.9	5.6	7.6	8.4	6.2
United Kingdom	2.0	0.9	1.6	1.1	1.0
United States	5.3	6.7	3.5	1.8	4.4
Other	9.9	8.5	8.6	7.9	5.0
Other countries	68.1	72.8	71.4	79.1	77.8
South Africa	39.5	57.2	49.8	40.7	30.3
Zimbabwe	2.3	0.5	0.6	0.8	0.8
Other 1/	26.3	15.1	21.0	37.6	46.7
Total	100.0	100.0	100.0	100.0	100.0
Memorandum item:					
Total imports (millions of U.S. dollars)	-817.3	-1,199.8	-1,163.0	-1,063.4	-1,262.9

Sources: Mozambican authorities; and IMF, *Direction of Trade Statistics*.

1/ About half of the import data for 2001 originate in the European Union. The statistics do not allow for country-specific disaggregation.

*Matola Cargo Terminal na Frigo in Matola; July 2004*



## 5 INFRASTRUCTURE AND TRANSPORT POLICIES

### 5.1 Transport infrastructure

The pattern of the transport infrastructure in Mozambique reflects the main characteristics of the Mozambican economy in the past. Before 1975 most of the transport infrastructure in Mozambique was directed towards its neighboring landlocked countries and South Africa. Mozambique has always played an important role as a transit country for South-african, Swazi, Zimanwean, Malawian and Zambian import and export through its ports of Maputo, Beira and Nacala. The main railway infrastructure network was east-west directed: Maputo-Swaziland; Maputo-South-Africa, Maputo-Zimbabwe; Beira-Zimbabwe; Beira-Malawi; Nacala-Malawi. There is no north-south railway connection, as the figure on the transport infrastructure network in the SADC region shows:

*Figure 5.1 Transport Infrastructure Network in the SADC Region*



The same applies to some extent for the road infrastructure, although there is a north-west connection by road. However, this connection has been out of function for many years during the civil war and is only in use since a few number of years. Therefore, the transport infrastructure network inherited from the past has a strong regional dimension. This also means that less investments had been made in linking the different regions in the country to one infrastructure network. As the economic interests were foreign-based, there had not been much interest in integrating Mozambique's rural economy to the main transport infrastructure network, making the commercialization of the agricultural produce an economically difficult and expensive task.

Mozambique has more than 25,000 km of classified road, of which 22 percent is surfaced. About 4,300 km are classified as primary roads. More than 50 percent of the classified roads are tertiary roads.

**Table 10** *Classified Road Network in Mozambique (in km)*

	1996	1997	1998	1999	2000	2001	2002
Total	29190	28463	29951	31955	28463	28463	28463
Classified roads	26194	25467	26955	28959	28463	28463	28463
Main roads	4310	4370	4345	4310	4275	4275	4275
Secondary roads	8126	7846	8325	8126	7880	7880	7880
Tertiary roads	13758	13251	14285	16523	13184	13184	13184
Non-classified roads	2996	2996	2996	2996	3124	3124	3124

Source: Ministry of Public Works; INE

**Table 11** *Type of surface for classified roads in Mozambique (in km)*

	1996	1997	1998	1999	2000	2001	2002
Total	29190	28463	29951	31955	28463	28463	28463
Classified roads	26194	25467	26955	28959	28463	28463	28463
Paved	5338	5285	5536	5266	5269	5269	5269
Gravel	6935	8154	7751	6879	7561	7561	7561
Dirt	13876	12672	13407	16814	15633	15633	15633
Other	45	644	261	0	0	0	0

Source: Ministry of Public Works; INE

The quality of the road network has considerably improved during the last ten years. The share of good and fair roads increased from 25 percent in 1996 to 56 percent in 2002.



**Table 12** *Quality of the Road Network in Mozambique (in km)*

	1996	1997	1998	1999	2000	2001	2002
Total	29190	28463	29951	31955	28463	28463	28463
Good	3529	4731	6441	8068	7003	7363	7429
Fair	3823	5907	11464	10290	7422	8275	8454
Weak	6017	2874	...	2610	5332	5649	5977
Bad	8277	9524	9178	8418	5424	4390	4241
Impassable	4548	2430	2868	2540	3282	2786	2362

Source: Ministry of Public Works

The costs of road works in Mozambique are very high. Table 12 shows the difference between the cost planned in the appraisal stage of the formulation of a roads project funded by the World Bank and the actual costs at the implementation stage:

**Table 13** *Costs of Road Works in U.S. dollars per kilometer*

	appraisal	actual	% increase
Backlogged/emergency works	6000	23500	292
Rehabilitation	150000	286740	91
Feeder roads	17000	61000	259
Periodic maintenance	4500	12093	169
Routine maintenance	250	765	206

Source: Implementation Completion Report Second Roads and Coastal Shipping Project Mozambique; World Bank; December 2003.

Although the cost estimates at the start of the project were much too low, the results of the project were good: 78 percent of the paved roads were classified as good/fair after the completion of the project and travel time had declined by more than 50 percent.

The main aim of the Mozambican Government in the area of roads is the increase the coverage of access roads, with priority for those which:

1. allow that poor regions, isolated but with agricultural potential, have access to national markets;
2. help in the expansion of markets;
3. produce impact in the reduction of transport costs; and
4. promote the development of the main corridors.<sup>2</sup>

<sup>2</sup> Review of 2003 Economic and Social Plan; Republic of Mozambique; March 2004; p. 85.



**Table 14** *Rehabilitation and Maintenance of Roads (in km and percentage of accomplishment relative to the Sectoral Plan)*

	2001		2002		2003		
	Completed (Km)	% Accomplishment	Completed (Km)	% Accomplishment	Planned (Km)	Completed (Km)	% Accomplishment
Rehabilitation of Primary Roads	237.0	68.1	131.8	40.9	275.0	63.7	23.2
Rehabilitation of Secondary Roads	239.0	98.4	206.0	115.7	306.0	171.4	56.1
Rehabilitation of Tertiary Roads	620.0	94.2	375.9	75.2	510.9	592.3	115.9
<b>Total Rehab of Roads</b>	<b>1096.0</b>	<b>87.8</b>	<b>713.7</b>	<b>71.3</b>	<b>1092.0</b>	<b>827.4</b>	<b>75.8</b>
Periodic Maintenance	190.0	83.7	843.8	55.9	1941.0	396.4	20.4
Routine Maintenance	12,313.0	82.1	11,612.5	90.4	13,335.0	10,591.6	79.4
Reconstruction and Installation of Bridges	4	66.7	9	69.2	15	15	100.0

Source: Review of 2003 Economic and Social Plan; Government of Mozambique; March 2004.

As can be deduced from Table 14, Mozambique has considerable difficulties in realizing its targets, in particular after 2001 when the Second Roads and Coastal Shipping project was completed. In 2003 serious problems were faced with the rehabilitation of primary roads (accomplishment rate of 23.2 percent) and periodic maintenance (accomplishment rate of 20.4 percent).

At the institutional side, an autonomous Road Agency has been established (ANE) out of the National Directorate for Roads and Bridges (DNEP) to make the road sector more efficient and effective. A Road Fund exists and was initially under ANE, but has become independent with its own separate board. In theory, a direct transfer mechanism of road fund revenue has been agreed. However, in practice it is still not functioning properly. The main problem is the timely transfer of resources to the road fund.

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#### ***N4 Toll Road Witbank – Maputo***

Mozambique has one toll road linking Witwatersrand in South Africa with Maputo. In 1997 the concession contract was signed between the Republic of Mozambique, the Republic of South Africa, the South-African Roads Board and TRAC Trans African Concessions (Pty) Ltd. For design, construction, rehabilitation, financing, operation, financing, maintenance and future expansion of the National Route 4 between Witbank in South Africa and Maputo in Mozambique over a distance of 503 km. The investment is R 3 billion (1996) and the concession period for 30 years. R 1.5 billion has been spent during the first 3.5 years.

The road is fully operational and the concession last until 2028 under Build-Operate-Transfer regime. There are five toll plazas in Maputo and Moamba in Mozambique, and in Nkomazi, Machado and Middelburg in South Africa. TRAC, in conjunction with Vodacom's 147 Emergency Service and operated by International SOS Assistance, have positioned SOS call boxes at 4 km intervals along the entire toll route on both sides of the road. The SOS emergency communication system is a link with ambulance and emergency services, the South African Police Service, traffic authorities, the fire brigade, tow and rescue services.

The toll fees in 2003 were as follows:

Plaza	Class1	Class 2	Class 3	Class 4
Middelburg	R27	R58	R87	R115
Machado	R40	R110	R160	R229
Nkomazi	R30	R61	R88	R127
Moamba	Mmt55000/R19.64	Mmt135000/R48.20	Mmt260000/R96.41	Mmt400000/R144.61
Maputo	Mmt9500/R3.40	Mmt33000/R11.87	Mmt65000/R23.75	Mmt100000/R35.62

Class 1: Light Vehicles

Class 2: Medium Heavy Vehicles with one heavy axle

Class 3: Large Heavy Vehicles with three or four axles where at least one of the axles is a heavy one

Class 4: Extra Large Heavy Vehicles with five or more axles where at least one axle is classified as heavy

In 2004 the toll fees were raised in South African territory between 1.64 percent and 3.33 percent. The toll fee varied from R0.24/km for light vehicles to R1.29/km for extra large heavy vehicles.

*Hannes van Wyk from Trans African Concessions at a seminar in Maputo; July 2004*

The advantage for trucks are multiple:

- No more border tax for vehicles crossing into Mozambique at Ressano Garcia
- No need to change load configuration when crossing into Mozambique (TRAC has negotiated that, provided vehicles remain on the N4, the load configuration does not change between Mozambique and South Africa)
- Improved road conditions and continual road maintenance
- 24-hour road side assistance through TRAC patrols
- SOS telephones at regular intervals along the toll route.

The concession contract did not contain details on law enforcement, and more in particular on load control. During the few years of operation Trans African Concessions faced already R 200 million on damage on the road mainly cause by the overloading of the trucks. Discussion with the South African authorities about possible claims resulted in a strategy that TRAC would assist the authorities of South Africa to enforce road and road transport legislation. An agreement was reached between the Provincial Traffic Department of Mpumalanga, the South African Roads Agency and TRAC in this respect. The South African authorities provided 80 traffic officers and TRAC assigned 60 employees to deal with load control. Weighbridges were procured for the road network, including for possible escape routes. The results are that percentage of overloaded vehicles reduced from 23 percent in the period immediately after the opening of the road to 9 percent in 2004. As the South African legislation prescribes a maximum of nine tons per axle with a margin of 5 percent, the percentage of illegally overloaded vehicles is nowadays less than 1 percent. Four companies are still on the black list of frequent violators of the law. Also the practice of illegally obtained permits for abnormal loads should be combated. TRAC is in negotiation with the Mozambican Government to tackle the problem of overloading on the Mozambican part of toll road, where in two years a damage was caused of R 18 million because of overloading.

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The railway infrastructure network comprises 3,048 km of railroad and is subdivided into four geographical areas: CFM-South; CFM-Center; CFM-North; and CFM-Zambezia.

CFM-South is considered to be the most important of Mozambique and consists of the railway line Maputo-Ressano Garcia (88 km) linking with South Africa with a capacity of 15 million tons per year; Maputo-Goba (74 km) linking with Swaziland with a capacity of 7.2 million tons per year; Maputo-Chicualacuala (520 km) linking with Zimbabwe with a capacity of 5.7 million tons per year. CFM-South also includes an industrial link to mines for construction materials in Salamanga. CFM-South also integrates other lines which are presently not operational because of a large degree of degradation: Moamba-Ungubane-Xinavane (93 km); Xai-Xai- Chicomo (90 km); Inhambane-Inharrime (90 km); Manjacaze-Marão (50 km).

CFM-Center includes the railway lines Beira-Machipanda (318 km) linking with Zimbabwe and the Sena line (Dondo-Dona Ana 298 km; Dona Ana-Moatize 240 km; Dona Ana-Vila Nova 43 km; Inhamitanga-Marromeu 88 km).

CFM-North consists of the railway line Nacala-Cuamba-Entre Lagos (610 km) and Cuamba-Lichinga (262 km).

CFM-Zambezia consists of the railway line Quelimane-Mocuba (145 km).

The railway gauge in the South and the Sena Line is 1,067 mm; the gauge of the other lines is 1,060 mm.

The rolling stock has decreased considerable during the last ten years. The number of locomotives was reduced from 87 in 1994 to 51 in 2001. The number of wagons for cargo decreased from 5126 in 1994 to 2330 in 2001.

*Railway Station in Maputo; July 2004*

**Table 15** *Mozambique: Railway equipment 1994-2001*

	1994	1995	1996	1997	1998	1999	2000	2001
Locomotives	87	83	82	85	62	62	50	51
Passenger wagons	155	158	135	110	111	96	92	93
Cargo wagons	5126	3797	3170	5419	2388	2329	2280	2330

Source: INE, 2001

Mozambique has three primary ports: Maputo, Beira and Nacala. The Port of Maputo had an installed capacity of 12,010,000 tons per year, but is presently 9,255,500 tons per year. The total length of the berths is 3,876 metres and include dedicated terminals for fish, coastal shipping, general cargo, coal, fruits/citrus, sugar, melasse, containers and steel. The Port of Matola, nearby the Port of Maputo, has an installed capacity of 4,750,000 tons per year with a total berth length of 865 metres including dedicated terminals for coal, petrol, cereals and aluminium. The Port of Beira had an installed capacity of 7,470,000 tons per year, but presently only 4,950,000 tons per year may be used. The multi-purpose container terminal has a berth length of 645 metres with an installed capacity of 100,000 TEU per year. There are also dedicated terminals for general cargo with a berth length of 670 metres and an installed capacity of 2,300,000 tons per year and for fuels with a capacity of 3,000,000 tons per year. The Port of Nacala had a capacity of 2,600,000 tons per year, but presently only 1,600,000 tons per year may be realized. The general cargo terminal has an installed capacity of 2,000,000 tons per year and the container terminal with a berth length of 327 metres a capacity of 30,000 TEU per year. The Port of Nacala also has a liquid bulk terminal. The two secondary ports of Quelimane and Pemba have an installed capacity of 650,000 tons per year and 633,960 tons per year, respectively.

The handling equipment in the ports has been reduced from 1994 to 2001. The number of electric cranes went down from 52 in 1994 to 34 in 2001. Also the number of empilhadores do cais decreased from 69 in 1994 to 15 in 2001.

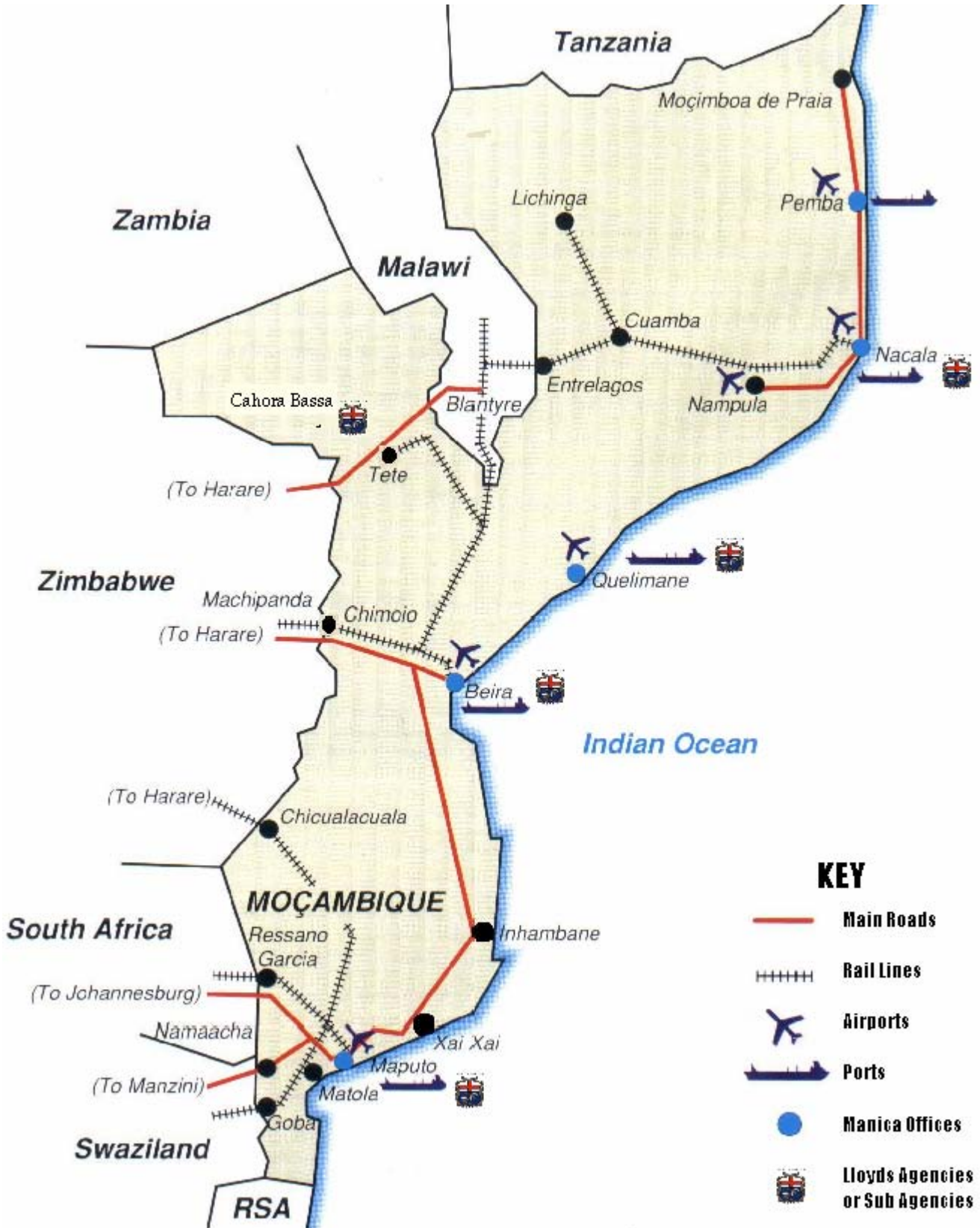
**Table 16** *Mozambique: Ports handling equipment 1994-2001*

	1994	1995	1996	1997	1998	1999	2000	2001
Electric cranes	52	53	51	51	48	45	43	34
Empilhadores cais	69	67	47	22	17	11	13	15

Source: INE, 2001

*Entrance at the Port of Maputo; July 2004*

Map produced by Manica Freight Services Mozambique





**Table 17** *Mozambique: Airport Infrastructure*

<i>Town</i>	<i>Airport name</i>	<i>ICAO</i>	<i>IATA</i>	<i>Usage</i>	<i>Customs</i>	<i>Runway</i>	<i>IFR</i>	<i>Rwy length</i>
Angoche	Angoche	FQAG	ANO	Civ.	No	Unpaved	No	3600 ft
Beira	Beira	FQBR	BEW	Civ.	Yes	Paved	Yes	7800 ft
Bilene	Bilene	FQBI		Civ.	No	Paved	No	2200 ft
Chimoio	Chimoio	FQCH	VPY	Civ.	No	Paved	No	7800 ft
Cuamba	Cuamba	FQCB	FXO	Civ.	No	Paved	No	8200 ft
Inhaca	Inhaca	FQIA		Civ.	No	Paved	No	2100 ft
Inhambane	Inhambane	FQIN	INH	Civ.	No	Paved	Yes	4900 ft
Lichinga	Lichinga	FQLC	VXC	Civ.	No	Paved	Yes	8300 ft
Lumbo	Lumbo	FQLU		Civ.	No	Paved	No	4900 ft
Maputo	Maputo	FQMA	MPM	Civ.	Yes	Paved	Yes	12000 ft
Marrupa	Marrupa	FQMR		Civ.	No	Paved	No	5600 ft
Mocimboa Da Praia	Mocimboa Da Praia	FQMP	MZB	Civ.	No	Paved	No	6500 ft
Nacala	Nacala	FQNC	MNC	Mil.	No	Paved	No	8200 ft
Nampula	Nampula	FQNP	APL	Civ.	Yes	Paved	Yes	6500 ft
Pemba	Pemba	FQPB	POL	Civ.	Yes	Paved	No	5900 ft
Ponta De Ouro	Ponta De Ouro	FQPO		Priv.	No	Paved	No	2400 ft
Quelimane	Quelimane	FQQL	UEL	Civ.	No	Paved	Yes	5900 ft
Songo	Songo	FQSG		Civ.	No	Paved	No	2900 ft
Tete	Chingozi	FQTT	TET	Civ.	No	Paved	Yes	8200 ft
Ulongwe	Ulongwe	FQUG		Civ.	No	Paved	No	5900 ft
Vilankulu	Vilankulu	FQVL	VNX	Civ.	Yes	Paved	Yes	4800 ft

*Explanation:*

*ICAO-code*

*International Civil Aviation Organization (ICAO), a 4-letter airport location indicator. The field above is left blank if no ICAO location indicator is available for the selected airport.*

*IATA-code*

*International Air Transport Association (IATA), a 3-letter identifier for the relevant airport. The field above is left blank if no IATA code is available for the selected airport.*

*Usage*

*Airports are classified in three categories: civil airports open for public use, military airports and private airports not open to the public. Airports that are joint use, both civil and military, are shown as civil airports.*

<i>Civ.</i>	<i>Civil airport, open for public use (including joint use).</i>
<i>Mil.</i>	<i>Military airport, not open for public use.</i>
<i>Priv.</i>	<i>Private airport, not open for public use.</i>

*Customs*

<i>Yes</i>	<i>Customs service available during airport operating hours.</i>
<i>No</i>	<i>Customs service not available.</i>
<i>O/R</i>	<i>Airport has customs service, prior notification is required.</i>
<i>Pto.</i>	<i>Airport has part-time customs service available, not necessarily identical to the airport hours.</i>
<i>ADCUS</i>	<i>An airport within the USA for which the FAA 'ADCUS' method of prior notification may be used.</i>
<i>ADCUS O/R</i>	<i>An airport within the USA for which the FAA 'ADCUS' method of prior notification may be used but where restrictions apply.</i>

*Runway*

*Identification of the surface of the longest runway available:*

<i>Paved</i>	<i>Paved (hard surface) runway</i>
<i>Unpaved</i>	<i>Unpaved (soft surface) runway (Only lighter aircraft)</i>
<i>Water</i>	<i>Water (for float planes)</i>

*IFR*

*This field indicates if the airport has any officially published instrument approach procedure.*

<i>Yes</i>	<i>Instrument approach procedure is published.</i>
<i>No</i>	<i>Instrument approach procedure is not published. (Airport not suitable for traffic during bad weather or darkness.)</i>

*Runway Length*

*Shows the length in feet of the longest runway available at the selected airport, rounded down to the next full hundred feet. If the airport has both hard (paved) and soft (unpaved) runways, the length of the longest hard surface runway is shown. If the longest runway is both, hard and soft surface, the length of the hard surface portion is shown.*

## 5.2 Transport policy and the organization of the transport sector

The Mozambican transport policy can be characterized as progressive in promoting the liberalization of transport sector, the introduction of concession regimes for management of basic transport infrastructure and in creating favorable conditions for public-private partnerships in investments in transport infrastructure. The recent achievements in Mozambique in this respect are quite impressive:

- The major road connection between Maputo and Witwatersrand in South Africa, the N4, has been concessioned to Trans African Concessions Inc. And is now functioning as a toll road.
- The Port of Maputo has been privatized and given into concession to Maputo Port Development Company, which started operating in 2003.
- The Ports of Beira and Quelimane have been privatized and given into concession to Cornelder Mozambique, which already started its operations in Beira and will start the operations in Quelimane shortly as the concession just had been granted in July 2004.
- The Port of Nacala had been given in concession to an international consortium. However, there are still serious problems among the main shareholders and operations have not started yet.
- Mozambique Railways CFM is in the stage of concession granting and privatization. The Ressaio Garcia and Limpopo Line in the south and the Beira-Machipanda and the Sena Line in the centre of the country have already been given in concession.

There are also concrete plans to privatize the main airports and LAM Mozambican Airlines.

However, these trends of concessioning the main transport infrastructure network and privatizing transport services and operations are still being hampered by outdated legislation and regulations. Another important constraint is lack of capacity building and experience among the main stakeholders in transport infrastructure and transport services and operations, which impedes efficient and effective operations within this new framework, resulting in excessive bureaucracy, red tape and corruption. There are also counter forces operating, which are trying to keep control over the main assets in the field of transport infrastructure and transport services. An example is the way how Mozambique Railways is trying to remain involved in most investment and operational projects in the sector by negotiating shares in the new consortia.

Table 18 below shows in which Mozambique Railways has shares.

**Table 18** Companies in which CFM has shares

Companies in which CFM has shares	Capital Social (%)
Airplus, SARL	18,4
Bukusha Holliday Resort, LDA	49
BIM-Leasing	5
Cornelder de Moçambique, SARL	30
Cimentos de Moçambique, SARL	4
Central East African Railways	49
Corredor de Desenvolvimento do Norte	40
Ressano Garcia Railway	49
Linha férrea do Limpopo, Goba	49
MIPS-Mozambique International Port Services, SARL	33
ProBrita	40
Sociedade de Desenvolvimento do Porto de Maputo	49
Sociedade de Desenvolvimento do Corredor de Maputo	25
Sociedade de Terminais de Moçambique	50
INTUR Sociedade de turismo	35
Transcarga, LDA	17
Transmarítima, LDA	10
Terminal de Cabotagem do Porto de Maputo	49
Terminal de Citrinos do Porto da Beira	34

Source: CFM 2004

This may turn-out to become one of the major bottlenecks for a successful development of the transport and logistics in Mozambique.

The road transport sector is largely liberalized, although there still exist some legal and institutional constraints for access to the national and international road transport market. Efforts have been made to create an enabling environment to attract private investment in the sector. However, the level of such an investment is still inadequate to meet and sustain the demand for both goods and services. In particular, the rural areas face problems in the commercialization of their products and in access to the main road network.

A Mozambican Federation of Road Transport Associations FEMATRO exists integrating the provincial associations. In the Maputo region the interests of the road hauliers are represented

by ASTROCAMA, the Association of Road Freight Transport Companies of Maputo. ASTROCAMA has 72 members.

Although the international road transport market still is dominated by foreign registered companies and trucks (in particular, South African companies in South Mozambique and Zimbabwean companies in Central Mozambique), the share of Mozambican companies is increasing. The road transport market is dominated by a few larger and relatively many medium sized companies, which are making use of the very small companies (driver-owner) on sub-contracting basis. The fleet of vehicles for international transport is relatively new.

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FEMATRO/ASTROCAMA identify the following obstacles for the development of the road transport sector in Mozambique:

- Opening hours at border crossings should be open until 21.00 h. in the evening. This should be harmonized with the neighboring countries. It would make a return trip Maputo-Witbank the same day possible resulting in considerable savings for the road transport companies. A 24-hour opening is not really necessary as it would make the costs higher. The application of information technology at border crossings should be further developed.
- The system of permits is still managed by the Ministry of Transport and Communications and fees are collected by ANFRENA. The Federation believes that the road transport industry itself should be involved in this process.
- Cabotage by South African road transport companies is increasing, causing damage to the local road transport industry. This argument is understandable from the operator's point of view. It is, however, questionable if this will help the Mozambican road transport industry to develop further.
- Traffic police is invisible and not enforcing legislation making the creation of a level playing field more difficult.
- Road traffic legislation is not designed to handle serious traffic violations by drivers and road transport companies.
- The importation of tires is still in the 25 percent category. This was done to protect the national tire industry (Mabor). Now Mozambique is not producing tires anymore for this purpose, this old legislation is still been applied.
- Spare parts are very expensive. Scania, Volvo and Mercedes-Benz have stopped their operations in Mozambique. Spares should fall in the lowest category for import duties.

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### 5.3 Regulatory framework for the transport sector

Mozambique is signatory of several international agreements in the transport sector. The most important multilateral agreement is the SADC Protocol on Transport, Communications and Meteorology. Mozambique has been member of COMESA, but abandoned the Commonwealth

in 1999. It is considering to become member again. Mozambique has also signed bilateral agreements facilitating international transportation.

The transport legislation in Mozambique is rather outdated and is not accompanying the rapid socio-economic developments and the radical changes in the management structures of larger transport infrastructure works and transport operations.

### Road Transport

Mozambique has signed the SADC Protocol on Transport, Communications and Meteorology, which prescribes that Member States shall progressively introduce measures to liberalize their market access policies in respect of cross-border carriage of goods.<sup>3</sup> The SADC Protocol stimulates its Member States to conclude appropriate bilateral agreements in this respect as a step towards implementation of a fully liberalized access to the regional road transport market. All the agreements should be based on non-discrimination, reciprocity and extra-territorial jurisdiction. Mozambique has also signed bilateral Road Transport Agreements with South Africa (1998), Malawi (1998), Swaziland (2002) and Zimbabwe (2003). These Road Transport Agreements are mainly dealing with the facilitation of international road transport between the respective countries. The agreements include the establishment of joint committees to monitor the implementation of the agreements and to solve disputes between the countries in this respect. Through these committees harmonization of cross border regulations is strived for and relevant information exchanged between the different parties. The joint committees are composed by representatives from the Ministry of Transport, Customs, Immigration, but also traffic police, road inspectors and the road transport industry may be part of the joint committee.

At national level road transport is regulated by Decree no. 24/89 Road Transport Regulations as approved by the Council of Ministers on August 8, 1989. This decree is amended by Decree no. 15/96. The regulations concern mainly the licensing system for road transport operations. The main problem is that the regulations mix passenger transport and freight transport. The licensing authority for national road freight transport is the Provincial Governor or to whom it delegates the authority to issue licenses. Licenses for international road transport are issued by the Minister of Transport and Communications or to whom he delegates this authority. In practice, three types of licenses are being issued: for provincial operations; for inter-provincial operations; and for international operations. The main issuing authority is the Provincial

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<sup>3</sup> The SADC Protocol on Transport, Communications and Trade states that this liberalization may go through three stages: “Member States shall introduce the following liberalization phases: Phase 1 Abolition of restrictions on carriers of two Member States to carry goods on a defined route between – (1) such States; or (2) in transit across the territory of another Member State en route to a third Member State or non-Member State: Provided that such transit traffic may only be undertaken if the carrier's vehicle traverses the territory of its home state. Phase 2: Abolition of restrictions on carriers of one Member State to carry goods on a defined route between another Member State and a third Member State or non-Member State, irrespective of whether the carrier's vehicle traverses the territory of its home state; and Phase 3: Abolition of restrictions on carriers of one Member State to carry goods between another Member State and a third Member State or a non-Member State.”

Direction of Transport and Communications. The registration costs are 86 USD (July 2004). The requirements are: a) registration as a commercial company; b) good repute (no criminal record); c) registration of residence; d) liability insurance; e) presentation of vehicle fleet and inspection vehicle. The license has a validity of 20 years and may be renewed afterwards. There are no requirements for financial standing or professional competence of the road transport operators. The costs of permits to operate road transport are the following: 14 days, 8 USD; 3 months, 47 USD; 6 months, 93 USD; 1 year, 187 USD. Between 1997 and 2001 1526 licenses had been issued for road passenger operators with a total fleet of 2077 vehicles and 450 licenses for road freight transport operators.

According to this legislation the maximum and minimum tariffs are prescribed by the National Commission of Salaries and Prices based on proposal from the Ministry of Transport and Communications.

Therefore, it is highly recommended:

- To draft new and separate legislation for road passenger transport and road freight transport.
- To introduce qualitative requirements as financial standing and professional competence for obtaining an operator's license.
- To reduce the validity of the license from 20 years to 5 years and establish a system to check compliance with the basic requirements for obtaining an operator's license.
- To liberalize tariffs and prices completely.
- To remove any quantitative restrictions to access the national and international road transport market and the issuance of operator's licenses and permits.

### Railway Transport

Management and operation of Mozambique Railways is gradually being handed over to the private sector by granting concessions to operate specific railway tracks. The principle, here for, was approved by Resolution on Transport Policy No. 5/96, which permits private capital to participate in the rehabilitation, operation and management of railway infrastructure and railway operations.

Decree No. 31/2002 grants the concession for exclusive use, operation and management of the railway track Maputo-Ressano Garcia to Ressano Garcia Railway, in which Spoornet has a large share, for a period of 15 years, renewable for five years or additional periods according to the concession contract. The decree mentions that 2 million US dollars has to be paid by the concession holder up to seven days before the start of the operations. The fixed annual amount to be paid is 1.7 millions US dollars. Also a variable amount of 7.5 percent of the gross revenues of the concession has to be paid yearly, as well as an additional 7.5 percent of the gross revenues if traffic during the previous year was more than 4 million tons. The service level of passenger transport has to be approved by the Minister of Transport and Communications.

A similar decree (No. 21/2000) had granted the concession for the exploitation of the railway network in the north – Nacala-Cuamba-Entre-Lagos/Lichinga – to the Corridor of the Development of the North. However, this concession has never been implemented yet because of uncertainties among the partners of the concession holders.

In 2004 the management and operation of the railway network in the centre, including the lines Beira-Machipanda and the Sena Line, has been concessioned to an Indian consortium RITES/IRCON.

The role of CFM after the concessioning of the main railway lines is not clear. CFM maintains shares in the consortia, which are concessioned the operations of the main railway lines. This presence includes the risk of false privatization and may impede efficient and effective railway operations. The Government of Mozambique is the owner of the railway infrastructure.

There is a need for a new comprehensive Railway Code to integrate the latest developments in the restructuring of the CFM; the concessions; and bilateral negotiations with railway companies of neighboring countries to strengthen co-operation and facilitate the operations of block trains and railway shuttles.

### Ports

Mozambican transport policy also envisages the concession and privatization of the port operations on broadly the same terms as the railway concessions. The ports of Maputo and Beira have been given into concession and are operating accordingly. The concession of the port of Nacala has not yet been formalized, as there are internal problems in the consortium which won the tender to operate the port and is the same consortium to which concession rights had been granted to operate the northern railway lines. Although the concession agreements for the port of Nacala and the northern railway lines are separate, both concessions were linked with each other. The internal problems are related with the fact that the Malawian partner in the consortium wants to increase its shares in the consortium. In July 2004 also the secondary port of Quelimane was given into concession to consortium led by Cornelder Mozambique, which is also the concession holder of the port of Beira.

The concession holder of the port of Maputo is the Maputo Port Development Company (MPDC), which consists of the British Mersey Docks and Harbour Company, the Swedish company Skanska BOT, the Portuguese company Liscont Container Operators holding 51 percent and Mozambique Railways South (CFM-Sul) and the Government of Mozambique with 33 and 16 percent, respectively. MPDC started its operations in 2003 and plans to invest 70 million US dollars between 2003-2006.

### Maritime and Coastal Shipping



In 2002 new regulations on maritime transport were approved. Decree No. 18/2000 regulates the licensing of maritime transport as far as coastal shipping is concerned. In principle, coastal shipping between Mozambican ports is only permitted for national vessels or vessels contracted by Mozambican persons or institutions. The Minister of Transport and Communications may, however, authorize a license to other companies with Mozambican agents if this is in the social or economic interest of the country. A license is valid for 10 years and may be subsequently renewed by ten years. The cost of a new license is about 1,500 USD; renewal costs 1,100 USD.

### Air Transport

The air transport is in stage of deregulation and liberalization. In 1999 Mozambican Airlines (LAM), which had just been privatized, obtained a five-year concession to operate flights between Maputo, Beira, Quelimane, Namula and Pemba. In 2004 new tenders will be launched for operating international and domestic flights in Mozambique.

Also the airports will be privatized. It is expected that this will take place in 2004-2005.

*Railway Station in Maputo; July 2004*

*Pamphlet at CFM in Mozambique; July 2004*

*Pamphlet at CFM in Mozambique; July 2004*

*Pamphlet at CFM in Mozambique; July 2004*

## 6 TRANSPORT AND LOGISTICS SERVICES

There are no reliable statistical data available about volumes and directions of transport volumes in Mozambique after 2001, in particular concerning the road transport sector. Before that date, Mozambique Company for Railways and Ports published regularly detailed data on railway freight and passenger flows and directions and port statistics. The latest officially published data are from the National Institute of Statistics: 2001 Transport and Communications Statistics and Statistical Yearbook 2002.

According to the statistical data the total amount of freight transport services is relatively constant since 1994 and varies between 1.3 and 1.5 billion tonkilometers. The transport which has been increasing most is the road transport sector, which multiplied its output in tonkilometers by six times from 1994 to 2001. Remarkable also is the increased output on the Nacala corridor from 88 millions tonkilometers in 1999 to 183 millions tonkilometers in 2001.

**Table 19** *Mozambique: Freight Transport Services, 1994-2001 (in millions of tonkilometers)*

	1994	1995	1996	1997	1998	1999	2000	2001
<b>Total</b>	<b>1362</b>	<b>1363</b>	<b>1464</b>	<b>1538</b>	<b>1425</b>	<b>1448</b>	<b>1272</b>	<b>1507</b>
Railways	638	886	983	896	775	722	605	774
CFM-Sul	323	487	499	498	471	448	224	337
CFM-Centro	234	289	363	279	188	186	231	255
CFM-Norte	80	109	121	117	116	88	149	183
CFM-Zambezia	1	1	1	2	0	0	0	0
Maritime	345	83	66	118	113	175	203	247
Road Transport	49	76	129	161	175	193	224	245
Air Transport	10	9	8	34	6	7	7	7
Pipeline	320	309	279	330	356	352	233	234

Source: INE, 2001

The handling of cargo in the ports of Mozambique increased from 6,167,000 tons in 1994 to 9,047,000 tons in 2001.

**Table 20** *Mozambique: Handled Cargo in Ports, 1994-2001 (in 1000 tons)*

	1994	1995	1996	1997	1998	1999	2000	2001
<b>Total</b>	<b>6167</b>	<b>7508</b>	<b>8405</b>	<b>8960</b>	<b>7606</b>	<b>7741</b>	<b>7717</b>	<b>9047</b>

Source: INE, 2001

The number of passengerkilometers increased dramatically from 11,045 millions in 1994 to 37,096 millions in 2001. The largest share comes from interurban road passenger transport (98.9 percent). The end of the civil war had apparently boosted people’s mobility enormously.

**Table 21** *Mozambique: Passenger Transport Services, 1994-2001 (in millions of passengerkilometers)*

	1994	1995	1996	1997	1998	1999	2000	2001
<b>Total</b>	11045	15448	18269	21839	26587	27385	37202	37096
Railways	124	312	326	403	155	129	142	142
Maritime	4	5	5	7	6	7	2	2
Road Transport	10484	14747	17576	20773	26114	26890	36681	36680
<i>Urban</i>	4023	5269	5452	5066	5643		6923	9941
<i>Interurban</i>	6460	9478	12124	15707	20471	26890	20107	26739
Air Transport	434	384	362	656	312	360	378	272

Source: INE, 2001

Table 22 shows the transport output by mode in tons. Railway transport increased from 2.6 million tons in 2000 to 3.3 millions tons in 2001. Maritime transport declined dramatically from 393,049 tons in 2000 to 96,467 tons in 2001. Road transport increased from 87,192 tons in 2000 to 185,023 tons in 2001. The actual amount of road transport is, however, much and much higher. Only no official data seem to be available in this respect.

**Table 22** *Mozambique: Transport by mode in tons 2000-2001*

Mode of Transport	2000	2001
Pipeline	690033	600000
Road Transport	87192	185023
Railway Transport	2639276	3280335
Maritime Transport	393049	96467
Air Transport	3480	3463
<b>Total</b>	<b>3813031</b>	<b>4165288</b>

Source: INE, 2002

Although from the same source as Table 22, the figures on rail freight transport from Table 23 differ considerably from those in Table 22. Table 22 gives a total of railway freight of 2,639,276 tons in 2000 and 3,280,335 in 2001; Table 23 3,455,000 and 4,153,000, respectively. The difference is probably that Table 22 provides the data on only *international* transport.

As can be seen from Table 23, railway freight transport is for 84 percent international transport and for 16 percent domestic. CFM-Sul transported in 2001 70 percent of total output of CFM. In 1994 the share of CFM-Sul was still 61 percent.

**Table 23** *Mozambique: Railway Freight Transport in 1000 tons, 1994-2001*

	1994	1995	1996	1997	1998	1999	2000	2001
<b>Total Freight</b>	<b>2458</b>	<b>3110</b>	<b>4085</b>	<b>3845</b>	<b>4119</b>	<b>3961</b>	<b>3455</b>	<b>4153</b>
<i>National</i>	401	340	452	617	834	676	624	664
<i>International</i>	2057	2770	3633	3228	3285	3285	2831	3489
CFM-Sul	1500	1826	2667	2607	3082	3073	2307	2904
<i>National</i>	279	151	272	363	568	511	393	448
<i>International</i>	1221	1675	2395	2244	2514	2562	1914	2456
CFM-Centro	794	1063	1174	964	765	650	789	886
<i>National</i>	53	109	72	119	147	95	100	125
<i>International</i>	740	954	1102	845	618	556	689	761
CFM-Norte	156	215	237	250	270	232	351	362
<i>National</i>	60	74	101	112	117	64	123	89
<i>International</i>	96	141	136	139	153	167	228	273
CFM-Zambezia	9	6	7	24	3	6	8	1
<i>National</i>	9	6	7	24	3	6	8	1
<i>International</i>	0	0	0	0	0	0	0	0

Source: INE, 2001

Remarkable is the rapidly declining number of passengers by train from 5,475,000 in 1995 to 2,774,000 in 2001 despite the growing mobility of the Mozambican population. Deteriorating services are the main cause for this decrease. This is further confirmed by an article in the Mozambican newspaper 'Notícias' from 28<sup>th</sup> of July 2004 which mentions the fact the passenger transport service between Maputo and Ressano Garcia has been inoperational for several months because of lack of rolling stock.

**Table 24** Mozambique: Railway Passenger Transport in 1000 passengers, 1994-2001

	1995	1996	1997	1998	1999	2000	2001
<b>Total Passengers</b>	<b>5475</b>	<b>5677</b>	<b>6820</b>	<b>4573</b>	<b>4043</b>	<b>2895</b>	<b>2774</b>
<i>National</i>	5447	5643	6784	4539	4007	2875	2738
<i>International</i>	28	35	36	34	36	21	35
CFM-Sul	3004	2974	4092	3212	2596	1469	931
<i>National</i>	2977	2940	4056	3178	2560	1448	896
<i>International</i>	28	35	36	34	36	21	35
CFM-Centro	1416	1796	1472	537	471	540	870
<i>National</i>	1416	1796	1472	537	471	540	870
CFM-Norte	1049	903	1252	824	976	886	973
<i>National</i>	1049	903	1252	824	976	886	973
CFM-Zambezia	5	4	4	0	0	0	0
<i>National</i>	5	4	4	0	0	0	0

Source: INE, 2001

In the study SADC Regional Freight Transport Corridors an estimation is made based on a survey on the volume and directions of commodity flows in the SADC region. For Mozambique the following interesting results were found:

**Table 25** Mozambique: Rail and Road Freight Transport (in tons)

	Destination	Tons	Origin	Tons	Total
<i>Railway Transport</i>					
Ressano Garcia Line	To Maputo	1482771	From Maputo	34746	1517517
Goba Line	To Maputo	257839	From Maputo	3456	261295
Limpopo Line	To Maputo	38289	From Maputo	19783	58072
Machipanda Line	To Beira	541100	From Beira	203200	744300
Nacala Line	To Nacala	55800	From Nacala	115200	171000
<b>Total railway transport</b>		<b>2375799</b>		<b>376385</b>	<b>2752184</b>
<i>Road Transport</i>					
Ressano Garcia	To Maputo	760760	From Maputo	80808	841568
Lomahasha	To Maputo	151242	From Maputo	27300	178542
Machipanda	To Beira	239904	From Beira	125440	365344
Nyamapanda	To Harare	254016	From Harare	56448	310464

	Destination	Tons	Origin	Tons	Total
Zobuè	To Beira/Harare	66640	From Beira/Harare	159936	226376
Nyachi	To Nacala	131712	From Nacala	75264	206976
Milange-Quelimane	To Quelimane	75264	From Quelimane	112896	188160
<b>Total road transport</b>		<b>1679538</b>		<b>638092</b>	<b>2317630</b>
<b>Grand Total</b>		<b>4055337</b>		<b>1014477</b>	<b>5069814</b>

Source: Compiled table from SADC Regional Freight Transport Corridors; 2001.

Although the figures in absolute sense are not very reliable, the direction of the flow indicates clearly the imbalance that exists between cargo coming from the neighboring countries and cargo that is going to those countries. In-coming cargo is almost four times more than out-going. This imbalance is, obviously, one of the reasons for the high transport costs in Mozambique. The figure of 2,317,630 tons along the main transit routes in 2000 is clearly much closer to the reality than the 272,215 tons from the official statistics.

As it is important for policy development to dispose over reliable data – think for instance at granting a concession for a toll road based on actual traffic flows and traffic forecasts - , it is recommended that the Ministry of Transport and Communications together with the National Institute of Statistics (INE) will carry out on regular basis a road haulage survey. Another way of collecting data, at least for the operators registered in Mozambique, is to directly link the issuance of the road service license with the obligation to provide statistics on a regular basis to the issuing agency and create a legal basis for this obligation.





## 7 COSTS AND DELAYS OF TRANSPORT AND LOGISTICS

### Railway Transport

In the several studies like the “SADC Freight Transport Corridors” from 2001 the following rates for railway transport were found:

**Table 26** *Rates for railway transport for selected port corridors (in US dollars)*

Line	Distance	14 tons/6 m	22 tons/12m	36 tons/B/Bulk
Maputo - Johannesburg	616	393	620	600
Maputo – Harare	1228	960	1686	N/A
Maputo – Blantyre	1780	N/A	N/A	N/A
Maputo – Lusaka	1996	N/A	N/A	N/A
Maputo - Lubumbashi	2588	N/A	N/A	N/A
Beira – Harare	593	500	1000	N/A
Beira – Lusaka	2027	1033	2021	N/A
Nacala – Lilongwe	995	896	1408	
Nacala - Blantyre	806	840	1320	

Source: SADC Freight Transport Corridors 2001 and other studies

The prices on the line Maputo – Johannesburg varied between 0.027 USD per tonkm for bulk and 0.046 USD per tonkm for other cargo. Maputo – Harare using the Chicualacuala line was more expensive with 0.056 USD per tonkm for general cargo. The Beira Corridor was very expensive with 0.06 USD per tonkm. Beira – Lusaka was much cheaper with 0.036 USD per tonkm for general cargo. Nacala – Lilongwe costs 0.064 USD per tonkm and Nacala – Blantyre 0.074 USD per tonkm.

Railway transport applies very variable prices for container transport in Mozambique. Table 27 shows the prices for railway transport in Mozambique for a full container and an empty container:

**Table 27** *Mozambique: Prices for transport of containers by rail (in US dollars)*

Line	Km	Full container	Full container/km	Empty container
Maputo–Ressano Garcia	88	59.20	0.67	25.00
Maputo – Goba	74	50.70	0.69	35.00
Maputo – Chicualacuala	534	159.50	0.30	101.60
Beira – Machipanda	319	210.00	0.66	190.00
Nacala – Entre Lagos	618	745.00	1.21	225.00

Source: Official prices Mozambique Railways

The price per container through the Nacala corridor costs is four times more expensive than transport of a container from Maputo to Harare and twice as expensive as the Beira Corridor. This has certainly to do with the duration of the trip and the state of the railway infrastructure and availability of rolling stock. Rail cargo sometimes takes 14-20 days from Nacala to Blantyre due to congestion, derailments, equipment failures and administrative confusion. From the shipper's perspective, there is lack of certainty and commitment by the railways, and the general lack of port service reliability in Nacala.

The project of the rehabilitation of the Sena Line focuses on 0.025 USD per tonkm for coal transport from Moatize to Beira and 0.06-0.08 USD per tonkm for general cargo.

The average costs of railway transport in Mozambique are more than 0.05 USD per tonkm, which is about 200 percent of the 'normal' price (0.025 USD per tonkm).

Mozambique Railways is not only expensive, but the performance is also still unreliable.

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#### *Tariff discrimination*

In July 2004 the manager of the Maputo Granite Terminal complained about tariff discrimination applied by Spoornet regarding the transport of granite by train from Rustenburg to Maputo. The rates offered were varying between R 246,60 and R 279,27 per ton, which is much higher than the rate of R 145 offered to Richards Bay, which is a longer distance than to Maputo. The ton per kilometer rate offered amounts R 0,44 which is at least 50% higher to other rates offered by Spoornet, CFM and neighboring countries. The arguments put forward by Spoornet like having to switch from electric to diesel can hardly justify this huge difference.

The manager has already been negotiating for 2 years with Spoornet and is now convinced of the fact that this prejudiced and monopolistic approach to pricing and the provision of services is being applied to other commodities as well. This results in placing a stranglehold on a key strategic growth area for Mozambique, protecting the domestic market in South Africa.

Therefore, the Maputo Granite Terminal and some granite producers are now looking intensively to shift from railway transport to road transport.

#### Road Transport

The "SADC Freight Transport Corridors" from 2001 found the following rates for road transport:

**Table 28** Rates for road transport for selected port corridors (in US dollars)

Line	Distance	14 tons/6 m	22 tons/12m	30 tons/B/Bulk
Maputo - Johannesburg	599	625	625	625
Johannesburg – Maputo	599	950	950	950
Maputo – Harare	1648	672	1344	1344
Harare - Maputo	1648	504	1008	1008
Maputo – Blantyre	1675	1190	2380	2380
Blantyre - Maputo	1675	630	1260	1260
Maputo – Lusaka	1988	1050	2100	2100
Lusaka - Maputo	1988	532	1064	1064
Maputo - Lubumbashi	2474	1470	2940	2940
Lubumbashi - Maputo	2474	1260	2520	2520
Beira – Harare	565	600	1200	
Beira – Lusaka	1024	1800	3600	3800
Beira – Blantyre	830	800	1600	1750
Blantyre - Beira	830	400	800	1600

Source: SADC Freight Transport Corridors 2001

A survey among freight forwarders and transporters carried out in July 2004 gave the following results concerning prices for road transport:

**Table 29** Rates for road transport on selected corridors 2004 (in US dollars)

Line	22-30 tons	Average price per tonkm
Maputo – Johannesburg	625-950	0.040-0.060
Maputo – Harare	1008-1344	0.023-0.031
Maputo – Blantyre	1260-2380	0.029-0.055
Maputo – Lusaka	1064-2100	0.021-0.041
Maputo – Lubumbashi	2520-2940	0.039-0.046
Beira – Harare	1200	0.082
Beira – Blantyre	1700	0.079
Beira – Lusaka	3700	0.139

Source: Survey 2004

The variations in costs for road transport are enormous. From 0.021 USD per tonkm to from Maputo to Lusaka until 0.139 USD per tonkm for transport between Beira and Lusaka. Remarkable are the substantial lower cost for road transport from Maputo (average 0.045 per tonkm) in comparison with road transport from Beira (average 0.09 USD per tonkm).

Apparently, the competition in the road transport market is not outbalanced yet. The wide variations of prices are also caused by the imbalance of the commodity flows. Many forwarders and road transporters calculate the tariffs based on a return trip as well. If they succeed to obtain backload, prices may vary substantially and will, in general, be much lower than usual.

What has not been assessed, however, is the quality of service that is to be provided by the road transport company or forwarder. In discussions with forwarders and road transport companies in July 2004, it became clear that there are huge differences in quality to be delivered to the shipper. Just-in-time shipments are much more expensive than shipments which will arrive some day, as one of the traders informed.

In the present situation the road transport sector is competitive with the railway sector because of its flexibility and higher degree of reliability, although the prices in the road transport sector are higher with an average of 0.07-0.08 USD per tonkm.

Maritime Transport and Coastal Shipping

Sea cargo from Asia to one of the ports of Mozambique costs between 2,550-3,250 USD per container and from Europe between 2,650-2,950 USD. The main challenge for Mozambique is to attract more international shipping lines to its ports. Presently, the major Port of Maputo is receiving regular calls of six international shipping lines for break bulk and six for containers. The majority of the shipping lines are still using the Port of Durban in South Africa as a hub with feeder services to the ports of Mozambique.

The costs of coastal shipping are very high, as the following table shows:

**Table 30** *Costs of Coastal Shipping in Mozambique (in US dollars)*

<b>Line</b>	<b>Tariff in USD</b>
Maputo – Dar-es-Salam	845
Maputo – Beira	995
Maputo – Nacala	1230
Maputo – Quelimane	1340

Source: *Mainstreaming Trade; 2002*

The coastal shipping market is still protected by legislation and cabotage is practically not allowed. Complete liberalization of coastal shipping would most probably reduce the tariffs for coastal shipping and mean a boost for national integration as well.

A fully operational logistics corridor concept, integrating ports, maritime and coastal shipping, railways, road transport, terminals and warehouses and distribution centers is still far from implementation in Mozambique. Integrated modal connections and multimodal transport hardly exist. The Mozambican Government and the Mozambican business community, however, have recognized this weakness and are in the process of developing the corridor concept in a public-private partnership. In chapter 9 more attention will be paid to this concept.



## 8 CUSTOMS AND TRADE ADMINISTRATIVE PROCEDURES

### 8.1 Customs administration and Customs procedures

Table 31 shows the evolution of Customs revenues from 1995 to 2001 in relation with the value of imports and GDP. The total Customs revenues doubled from 1995 to 2001 from 102.5 millions US dollars to 213.5 millions US dollars. This increase is mainly caused by the income from VAT. Customs duties remained at the same level. The share of Customs revenue in GDP increased from 3.6 percent in 1997 to 6.0 percent in 2001.

**Table 31** Fiscal performance of Customs administration, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
(In million of US dollars)							
Circulation Tax/VAT	10.2	10.7	19.6	21.5	74.1	112.3	104.9
Consumption Tax on Imports	14.4	14.2	15.5	18.2	16.9	14.3	12.2
Custom Duties	64.8	62.5	70.3	80.2	81.5	82.3	71.22
Total Customs Revenue	102.5	106.3	125.4	146.1	198.1	236.0	213.5
Taxes on Imports	89.3	87.5	105.3	119.9	172.5	208.9	188.3
Value of Imports	727	783	760	781	790	821	832
(In percent)							
Customs Duties as a Share of Imports	8.9	8.0	9.0	10.2	10.3	10.2	8.6
Total Taxes on Imports as a Share of Imports	12.3	11.2	13.9	15.4	21.9	25.4	22.6
Customs Revenue as a Share of Total Fiscal Revenue	-	-	-	-	43.9	52.7	51.1
Custom Revenue as a Share of GDP	-	-	3.6	3.8	4.9	6.1	6.0

Source: Anthony Mwangi, *Final report of the survey on Customs reform and modernization in Mozambique*; March 2003.

The number of Customs officials is about 1,000. The Customs Department is planning to increase this number to 1851 justifying it by the need to enhance staff with full management capacity, to enhance operations in the areas of anti-corruption operations, legal investigations, special operations, post importation audits, and to reopen 450 closed border stations.

One of the most important agencies which should facilitate foreign trade and transport is the Customs administration. Mozambique is implementing an ambitious Customs reform program since 1995. The main objectives of this program are: a) increase budget revenue; b) facilitate legitimate trade by combating corruption and smuggling; c) create a modern, effective, and reliable Customs administration.

To manage this reform process the Minister for Planning and Finance created in 1995 the Technical Unit for Customs Reform. Mozambique did adopt for a revolutionary and innovative approach by bringing in external expertise to manage Customs operations and Pre-shipment Inspection (PSI) services to assist in the determination of the dutiable value of the imports. Crown Agents is directly involved in managing the Customs operations. In 2000 47 Crown Agents consultants were in the field to work in the Customs administration. This number has been reduced to 11, of which 9 on sensitive operations. The idea is that Crown Agents will be working in the Customs administration until a new Central Revenue Authority will be created in 2005, in which Customs would be integrated.

The Pre-shipment Services are being carried out by Intertek Testing Services. The PSI Company is checking for value, tariff coding, quantity of covered imports, and identified prohibited imports. The PSI fees are paid by the Customs administration. Since 1999 risk management techniques are being used working within the information system that the Customs administration is using. The scope of PSI inspections has been further reduced since 2003 to commodities that have been identified as sensitive. If goods for import feature on the sensitive product list, the importer notifies the PSI company directly by lodging the supplier's pro forma invoice, and notifies his supplier of the need to submit the goods for inspection. The PSI Company carries out a physical inspection of the goods as requested by the exporter. After approval, the PSI Company issues a certified single document, that the importer will use for clearance of the goods at Customs. Importers are liable to a penalty payment of 30 percent of the value of imported goods selected for PSI that lack PSI certificates on arrival.

As the trade regime has been liberalized since 1986, the number of tariff rates and the tariff levels was reduced. There are five tariff rates: 0 percent for essential goods; 2.5 percent for raw materials; 5.0 percent for fuel and capital goods; 7.5 percent for intermediary goods; and 25 percent for consumption goods. In 1999 Mozambique introduced a 17 percent VAT. Excise duties are levied on automobiles, luxury goods, alcoholic beverages and tobacco products.

As tariff barriers to trade seem to be removed in time, there are still quite a number of non-tariff barriers, which impede the seamless flow of trade transactions: complex standards testing, labeling and certification requirements, government procurement rules, a lack of adequate intellectual property rights, corruption and smuggling.

The granting of duty exemption is limited to imports covered by the code of Fiscal Benefits, Free Trade Zones (FTZ), NGO's dealing with humanitarian aid and medicines, Diplomatic Missions, and Multi-lateral Organizations. Mozambique has only two FTZ: MOZAL/Beluzone,



about 16 kilometers from Maputo, and BELITA, which manufactures textile products and apparels in Beira. The FTZ law requires that 85 percent of the production be exported duty free.

In 2002 a new Regulation on Transit has been issued by the Minister of Planning and Finance. In the global guarantee system the amount of the needed guarantee is about 10% of the customs value. Traders comment that the implementation of this law still faces many obstacles. The duty drawback system is not in use in Mozambique.

In the Maputo Corridor in the south of Mozambique the border controls at Ressano Garcia and Namaacha, the border points with South Africa and Swaziland, respectively, are weak and lack proper infrastructure including communication facilities. Trucks importing goods to Mozambique using these border posts must proceed for Customs clearance to the Matola Cargo Terminal (FRIGO), a privately owned inland clearance terminal on the outskirts of Maputo.

*Matola Cargo Terminal na FRIGO in Matola; July 2004*

The terminal is charging storage/parking fees according the following schedule:

- Less than two days: 0.28 percent of the Customs value CIF
- More than two days: 0.7 percent of the Customs value CIF

For bulk goods an extra charge of 5 percent is levied. The minimum amount that has to be paid is 560,000 meticaïs (24 US dollars) for packaged commodities and 590,000 meticaïs (26 US dollars) for bulk.

Traders are complaining about long waiting times and the fact that these tariffs are much too high, especially for valuable goods.

There is not much competition in clearing agents. The largest one is ADENA, the state-owned national clearing agent with offices in Maputo, Beira, Nacala and Tete. The website of Mozambican Customs mentions further 7 other clearing agents in Maputo; 3 in Beira; and 1 in Tete. Although there are more clearing agents, of course, this undermines the quality of the services provided and negatively affects clearance time.

FIAS estimated in 2000 the average clearing time in Mozambique at 18 days. According to Crown Agents average clearance times have since then fallen to 4-7 days (land 4 days; sea 5 days; air 6 days), based on the time lapsed between submitting the Customs declaration and collecting the delivery order, which can be done only after duties have been paid. However, importers still mention 15 days as a usual waiting time for clearance of the goods.

*Matola Cargo Terminal na FRIGO in Matola; July 2004*

From the other side it is important to take into account the fact that some traders, forwarders and transporters still do not comply with all documentary requirements and blame delays because of this to inefficient governmental officials like Customs. Some used to arrange their things ‘on their own way’ and if this does not work anymore, they got upset and blame the authorities for deliberately the dispatching process.

Traders, forwarders and transporters still complain that there is a lack of co-ordination among and between the agencies involved in border crossings and with the respective authorities of the neighboring countries.

The Trade Information Management System, as used by Customs, is not implemented to its full capacities and electronic data exchange of Customs and other border agencies hardly takes place.

The following issues related with Customs need intervention and improvement on short term:

- On July 23, 2004 the Public Relations Department of the General-Directorate of Customs informed that during the first semester of 2004, 3500 billions of meticaís (151,844 US dollars) had been collected (Customs duties, specific consumer tax, VAT, etc.). This is an increase of 21 percent in relation with the revenues of the first semester of 2003. Now, to increase budget revenue is one of the targets of Mozambican Customs. And this target has been achieved. However, the other target is as well as important, and maybe even more important: the facilitation of legitimate trade. More efforts should be spent in this direction.
- Sanctioning of corrupt Customs officials is hampered by the fact that corruption must be dealt with under criminal law, where Customs Court has jurisdiction. Delays in the Administrative Court are lengthy.
- Electronic Direct Trade Input should be made possible as soon as possible.
- Management of key border posts and terminals is lacking efficiency and effectivity.
- Border posts lack basic infrastructure as water and electricity, not to mention telecommunication, parking space, banking facilities, etc.
- Opening hours at important border crossings should be 24 hours a day and not be restricted to day-time.
- Harmonization with Customs procedures of neighboring countries is urgently needed
- The Trade Information Management System (TIMS) is not installed at all Customs offices and is not optimally being used in places where it has been installed.
- Electronic payment of taxes and duties should be made possible.
- Trade information should be flown between Customs and other trade stakeholders such as freight forwarders, importers, exporters, port operators and transport companies.
- Activities of Customs, (border)police, immigration, transport authorities, phyto-sanitary inspection institutions and local administration should be co-ordinated to facilitate border crossings.

## 8.2 Trade regulations and trade procedures

Mozambique is still in the process to liberalizing its trade and simplifying export and import procedures.

Exchange controls have gradually been relaxed and the exchange market has been opened to market forces. Several legal instruments have been put in place to improve fiscal policy. Corporate tax is 32 percent; VAT 17 percent; import duties vary from 0 to 25 percent; exports are exempt from duties. The Technical Unit for Customs Reform (UTRA) has the responsibility to supervise, control and register fiscal revenues in Customs areas.

A Single Document (DU, Documento Único) was created in 1998 to support all foreign trade operations in Mozambique. It revokes legislation on the licensing system for foreign trade operations, model Customs dispatch form, guides and other documents concerning Customs clearance that were previously used by the Customs service. This document is used for import, export, pre-shipment inspection.

Foreign trade in Mozambique is regulated by Decree number 56/98, of November 11<sup>th</sup> and Ministerial Diplomas numbers 202 and 203/98, both of November 12<sup>th</sup>. All importers and exporters are required to register. After registration a foreign trade operator card is attributed. Certificates of origin for exporters are issued through the Mozambique Chamber of Commerce or the Provincial Departments of Industry and Trade (in North and Central Mozambique) upon submission of a copy of the commercial invoice or the Single Document.

The following issues need urgent intervention and improvement in order to facilitate trade in Mozambique:

- Company registration is too time-consuming and too costly.

Nature of Procedure (2003)	Procedure	Duration (days)	Duration (days) through CPI <sup>4</sup>	US\$ Cost (minim)	US\$ Cost (minim) through CPI
Obtain certification of unique name	1	2	1	3.2	3
Open a provisional bank account	2	1	1	0	0
Incorporate the company through a public deed executed at a local Notary	3	5	1	100	0.3% share capital
Register provisionally	4	19	n/a	n/a	n/a
Publish articles in the official gazette	5	30	15	50	50
Final registration (Certificate of	6	30	15	100	0.5% share

<sup>4</sup> CPI is the official Investment Promotion Centre in Mozambique.

Nature of Procedure (2003)	Procedure	Duration (days)	Duration (days) through CPI <sup>4</sup>	US\$ Cost (minim)	US\$ Cost (minim) through CPI
Incorporation)					capital
Apply for an operational license	7	40	30	112.5	115
Receive inspection from Ministry of Health	8	0	15*	0	0
Receive inspection from the Fire Department	9	0	15*	0	0
Declaration of beginning of activity at the tax department	10	15	n/a	0	n/a
Register for VAT	11	7	7	0	0
Declare the beginning of activity at the provincial Employment Center	12	1	n/a	2.1	n/a
Prepare a job description chart	13	1	n/a	0	n/a
Register workers with the social security system	14	1	1	0	0
Subscribe a workmen's compensation insurance coverage	15	1	1	0	0
<b>Totals:</b>	<b>15</b>	<b>153</b>	<b>87</b>	<b>367.8</b>	<b>Varies</b>

Source: Austral Consultória e Projectos

- Company inspections are not always been carried out in a proper way; procedures are unclear and fines can not always be justified.
- Costs of administrative procedures are high and time-consuming: sanitary and phyto-sanitary certification; certification of origin; export documentation; certification of quality and standards testing; labeling; government procurement regulations; etc.
- Administer and enforce the rules of origin properly and more efficient.
- Import exemption authorization is too time-consuming. In the first semester of 2004 Customs administration received 1096 requests for exemptions for payment of import duties; 555 requests have been authorized and 25 rejected; 516 are still being analyzed.
- Reimbursement of VAT takes too long.
- Customs clearance is too time-consuming. In particular, the process of the clearance of perishable goods should be accelerated. During the first semester of 2004, the Inspection Unit of Customs visited 7 Customs Houses where commodities were found which had been there for too long time and whose expiry rate had already passed.
- The labor legislation is not flexible for promoting production and trade. It is difficult to hire foreign managers; to work overtime and in shifts; retrenchment of labor is costly.

And finally, it is not only improvement of legislation, which is important. Applying existing laws and regulations properly would also contribute to improve the conditions for trade to operate. The following example comes from a trader who communicated the following on July 27, 2004:

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“As always I could list a million screw-ups with exports but to illustrate what a basket case this place is, see the two examples listed below that have happened to TCT. I use my own company examples as I am allowed to do so but every exporter faces the same crap as I do.

Exporting a container of Parquet to Italy, the same customer I have been exporting to for the last 10 years. Customs decides that I have to have a L/C prior to export despite the fact that I have a “boldaro” (proof of bank transfer) showing that my customer has paid for the export in advance, as he has been doing for the last 10 years. Customs insists rejecting the process twice, takes 2 personal interventions to explain that payment PRIOR to shipment is sufficient guarantee. Total time process going back and forth – 4 days.

Exporting a container of furniture to SA. The customer (one of the contractors on the Gorongosa – Caia road) pays me in US\$ cash which I deposit in the bank. Customs refuses cash foreign currency for exports, must be transferred from outside the country. 7 personal interventions, including phoning the Regional Director 3 times to get the problem solved. Time to get the process through customs – 5 days.

None of the customs refusals were based on law, we live at the continual whim of individuals whose power is absolute and most companies live in fear of victimization if they demand their rights.

Customs, like the whole of the finance department, are regressing to the point of absolute lawlessness.

I repeat, the above is in the last 10 days.

A luta continua.”

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## 9 TRANSPORT AND DEVELOPMENT CORRIDORS

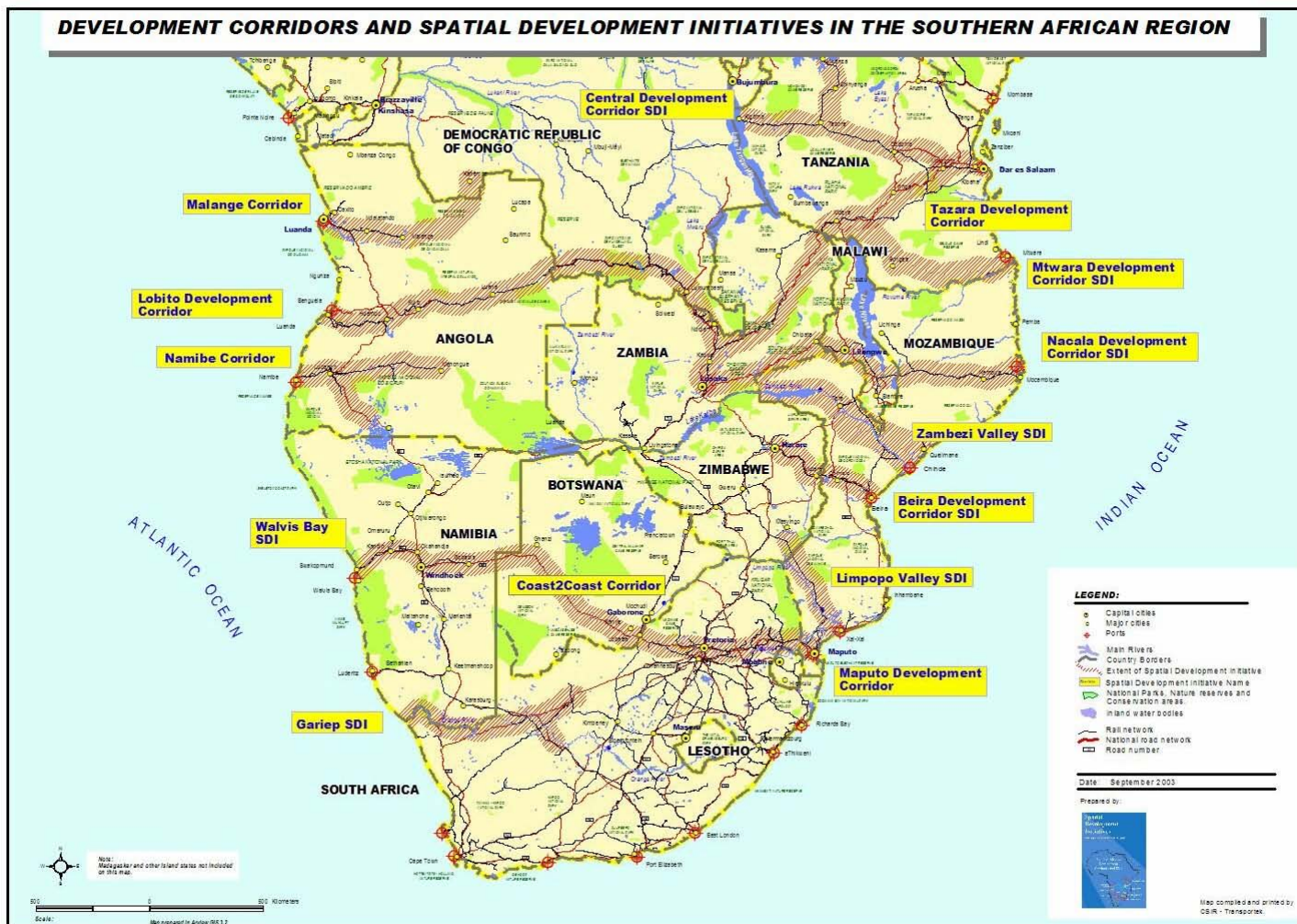
### 9.1 The concept of development corridors in Mozambique

In the past Mozambique used to be a transit country for import and export of South Africa, Swaziland, Zimbabwe, Zambia and Malawi, using the ports of Maputo, Beira and Nacala. The main rail and road connections in Mozambique are, therefore, in east-west direction linking the ports with the hinterland in the neighboring countries. In the eighties the Beira Corridor Authority was established to lead the process of socio-economic development of the Beira Corridor: rehabilitation of the port of Beira; investments in railways and roads; promoting industrial and agricultural development along the corridor; provision of social infrastructure. However, the civil war and lack of experience with this development concept, made a failure of this adventure. Nevertheless, lessons were learned for the future, be it at high costs.

The concept of development corridors in Mozambique experienced a revival in the mid-1990s when the Spatial Development Initiative (SDI) was introduced by the South African government. The idea behind SDI was to attract export-driven investments and stimulate public-private partnerships to areas with under- or unutilized potential. South Africa was broken free of its apartheid era and engaged to integrate with the world economy and Mozambique had emerged from a devastating 16 years of civil war. South Africa was looking for export-led growth and Mozambique facing the challenge to rebuild its economy. The result was the formulation of a plan to develop the Maputo Corridor in order to restore trade and investment ties that had been destroyed during the apartheid in South Africa and the civil war era in Mozambique.

As the SADC region is facing serious economic and development challenges with growth rates less than 2 percent over the last three years and deepening poverty, the success of the Maputo Development Corridor stimulated the emergence of a wide range of SDIs being implemented through co-operation among Southern African governments who wanted to unlock their country's potential by creating more favorable conditions for export-driven private investment and their integration in the world economy. The SDI methodology is becoming an integral part of SADC's programs and the Development Bank of Southern Africa (DBSA) has established a dedicated African Partnerships unit (NEPAD – New Partnership for Africa's Development) to strengthen inter-government and public-private sector relationships.

Mozambique is paying much attention to the corridor concept in its development policy by concentrating efforts on the Maputo Corridor, the Beira Corridor - including the development of the Sena Railway line and the Zambezi valley - and the Nacala Corridor. The important challenge is to link import, export and transit traffic from and to neighboring countries making use of the Mozambican corridors with national socio-economic development and integration.

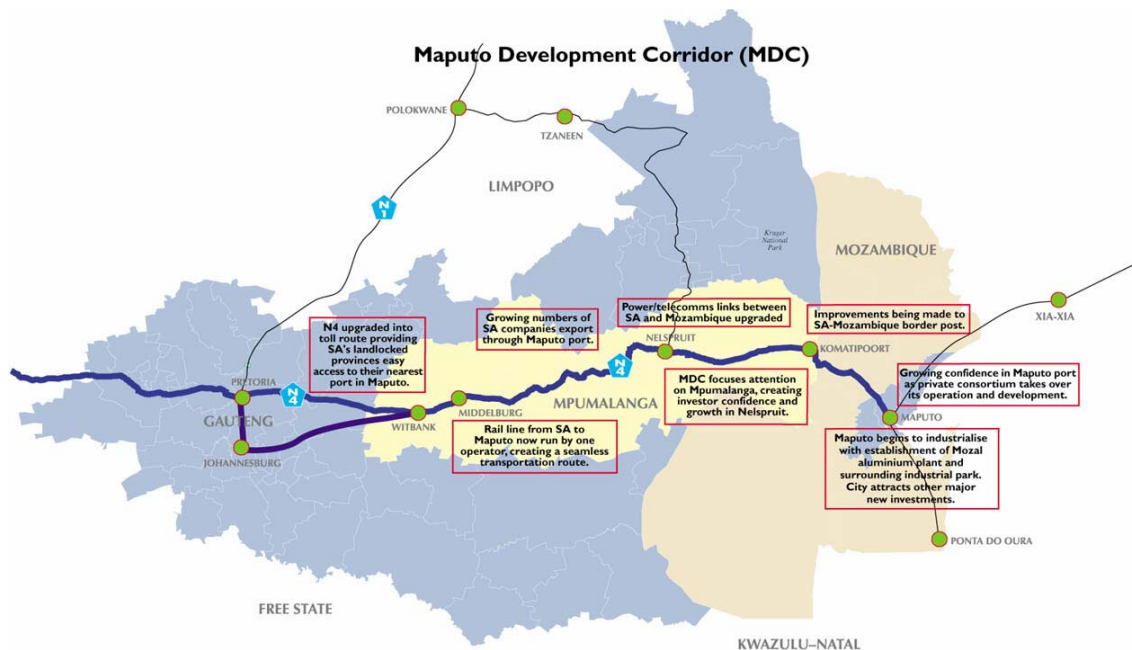






## 9.2 The Maputo Corridor

The concept behind the Maputo Development Corridor is an integrated approach towards the development of the geographical area covering the Maputo Corridor.



The integrated approach comprises of the following components:

- Toll Road N4 linking South Africa and Maputo
- Commercialization of the Port of Maputo
- Commercialization of railway connections Maputo–South Africa and Maputo–Swaziland
- Attraction major industries and establishment Free Industrial Zones
- Improvement Customs facilities
- Upgrading telecommunications and electricity networks
- Improvement of business climate by facilitating customs procedures and reducing red tap, bureaucracy, excessive administrative procedures

### Toll Road N4 Maputo-Witbank

The 503 km N4 Highway between Maputo and Witbank was opened as a toll road in 2000 and is operating successfully. It has been concessioned to Trans African Concessions (Pty) Ltd. The main problem the concession holder is facing is damage to the road because of overloading, but measures have been put in place to overcome this problem. The toll road has five toll plazas and average daily traffic passing through these plazas is about 60,000 vehicles.

### Commercialization of the Port of Maputo

The Port of Maputo has an installed capacity of handling more than 10 million tons per year: general cargo 2,500,000 tons; coal 2,500,000 tons; fuel 2,000,000; steel 900,000 tons; aluminum more than 1,000,000 tons; citrus 750,000 tons; sugar 600,000 tons; cabotage 500,000 tons; grain 400,000 tons; containers 35,000 TEU. In the past up to 12 million tons had been handled. Presently, it is using about 40 percent of its capacity.

The Mozambican deepwater ports of Maputo and Matola have been conceded to the Maputo Port Development Company (MPDC), a consortium in which foreign investors have a majority share. The concession, which commenced on 14 April 2003 has a duration of 15 years, with a 10 year extension option. MPDC has been granted the rights to finance, rehabilitate, operate, manage, maintain, develop and optimize the port concession area. The company is vested with the powers of port authority and is responsible for marine operations, towage, stevedoring, terminal and warehousing operations as well as port planning and development. A three year rehabilitation program with a total investment of 70 millions US dollars is being implemented. Important elements of this program are the deepening of the access channel up to 12 m for panamax size vessels of 50,000 TDWT; the procurement of mobile harbor cranes; construction of new port entrance linking directly onto the N4; upgrading of roads and rail lines in the port; and berth repairs.

The main challenge for the Port of Maputo is to attract international shipping lines and increase the frequency of the calls. Presently, most of the shipping lines are still using the port of Durban as a hub. The Port of Maputo was in January 2004 served by the following shipping lines:

**Table 32** *Shipping lines serving the Port of Maputo (January 2004)*

Name	Geographical area served	Frequency
<i>Break-Bulk Services</i>		
Gearbulk	North West Europe	
MACS Line	North West Europe	
Messina Line	East Africa, Red Sea & Mediterranean	
MUR	Mediterranean, India, South Asia	
Southern Chartering	Far East	
IVS Lauritzen	Far East, North Europe	
<i>Container Lines</i>		
Unifeeder	Southern Africa Coastal	Weekly
MSC	East Africa, Indian Ocean, South Asia	10 days
Global (GCL)	East Africa, Gulf, South Asia	10 days
MACS	North West Europe	Monthly

Name	Geographical area served	Frequency
Messina Line	East Africa , Red Sea, Mediterranean	14 days
P&O Nedlloyd	East Africa, Gulf, South Asia	14 days

Source: MPDC 2004

### Commercialization of railway connections

The Government of Mozambique has granted an international consortium with South Africa's rail utility Spoornet the right to operate the line from Maputo to Ressano Garcia on the border with South Africa. Important component of the concession agreement is the commitment to invest 10 millions US dollars to rehabilitate the Mozambique section of the rail line bringing it up to the same standards as the South African line. The Spoornet consortium plans to start its operations in 2004. Table 31 shows the main characteristics of rail transport on the Ressano Garcia line.

**Table 33** *International Traffic Maputo-South Africa 2000 (Ressano Garcia Line)*

Export					Import				
Commodity	m/tons	%	Origin	Dest.	Commodity	m/tons	%	Origin	Dest.
Coal	1078180	72.7	S. Africa	Maputo	Scrap Metal	360	1.0	Maputo	S. Africa
Steel	3720	0.3	S. Africa	Maputo	Bran	9900	28.5	Maputo	S. Africa
Citrus	84218	5.7	S. Africa	Maputo	Bentonite	11280	32.5	Maputo	S. Africa
Gypsum	3400	0.2	S. Africa	Maputo	Wheat	4200	12.1	Maputo	S. Africa
Containers	5208	0.4	S. Africa	Maputo	Steel	160	0.5	Maputo	S. Africa
Maize	47386	3.2	S. Africa	Maputo	Containers	3528	10.2	Maputo	S. Africa
Cement	104247	7.0	S. Africa	Maputo	General	5318	15.3	Maputo	S. Africa
Gas	6720	0.5	S. Africa	Maputo					
Molasses	16600	1.1	S. Africa	Maputo					
Sugar	126042	8.5	S. Africa	Maputo					
General	7050	0.5	S. Africa	Maputo					
<b>Total</b>	<b>1482771</b>	100.0			<b>Total</b>	<b>34746</b>	100.0		

Source: CFM 2000

The major commodity in 2000 was coal transported from South Africa to Maputo with more than 71 percent of the total volume. The imbalance between east-west and west-east volumes is striking: 97.7 percent of the volume goes from South Africa to Maputo and only 2.3 percent

from Maputo to South Africa. The amount of coal to be exported through the Port of Maputo is like to increase substantially if the railway operations would work with higher capacity and more efficiently. Many South African industrial producers like Xstrata/Lydenburg and Lion are using road transport on the corridor as railway transport is too unreliable and lacks capacity. Xstrata/Lydenburg, in the first semester of 2004 transporting 64,166 tons by road along the Maputo Corridor, already went into negotiations with Spoornet for rail shipments starting in 2005.

The Goba Line is mainly used to export sugar from Swaziland through the Port of Maputo counting for 98 percent of all cargo transport. The huge imbalance between east-west volumes (98.7 percent) and west-east volumes (2.3 percent) makes transport costs high.

**Table 34** *International Traffic Maputo-Swaziland 2000 (Goba Line)*

Export					Import				
Commodity	m/tons	%	Origin	Dest.	Commodity	m/tons	%	Origin	Dest.
Sugar	256116	99.3	Swaziland	Maputo	Cement	3432	99.3	Maputo	Swaziland
General	918	0.4	Swaziland	Maputo	Containers	18	0.5	Maputo	Swaziland
Citrus	374	0.1	Swaziland	Maputo	General	6	0.2	Maputo	Swaziland
Containers	231	0.1	Swaziland	Maputo					
Gas	200	0.1	Swaziland	Maputo					
<b>Total</b>	<b>257839</b>	<b>100.0</b>			<b>Total</b>	<b>3456</b>	<b>100.0</b>		

Source: CFM 2000

The Limpopo Line has recently also been given into concession to international consortium and will boost transport to and from Zimbabwe. The capacity of the line has been hardly used.

**Table 35** *International Traffic Maputo-Zimbabwe 2000 (Limpopo Line)*

Export					Import				
Commodity	m/tons	%	Origin	Dest.	Commodity	m/tons	%	Origin	Dest.
Coal	5624	14.7	Maputo	Zimbabwe	Wheat	11000	55.6	Zimbabwe	Maputo
Ferro Chrome	18240	47.6	Maputo	Zimbabwe	Maize	7942	40.1	Zimbabwe	Maputo
Steel	2880	7.5	Maputo	Zimbabwe	Containers	444	2.2	Zimbabwe	Maputo
Sugar	10920	28.5	Maputo	Zimbabwe	General	277	1.4	Zimbabwe	Maputo
Livestock	550	1.4	Maputo	Zimbabwe	Bentonite	120	0.6	Zimbabwe	Maputo

Export					Import				
Containers	21	0.1	Maputo	Zimbabwe					
General	54	0.1	Maputo	Zimbabwe					
<b>Total</b>	<b>38289</b>	100.0			<b>Total</b>	<b>19783</b>	100.0		

Source: CFM 2000

### Attract major industries and establish Free Industrial/Trade Zones

Mozambique has set a major socio-economic move in the second half of the nineties by attracting a aluminum plant to establish in Mozambique. In May 1998 MOZAL – an international consortium consisting of BHP Biliton (47% of the shares), Mitsubishi Corporation Japan (25% of the shares), the South African Industrial Development Corporation (24% of the shares) and the Government of Mozambique (4% of the shares) – started its construction works 20 kilometers west of Maputo to establish a major aluminum plant with a capacity of 253,000 tons of aluminum per year. The investment was 1.34 billion US dollars. In December 2000 the production could start. In June 2001 an expansion was approved and project MOZAL 2 could be implemented to double its output capacity to 506,000 tons aluminum per year. MOZAL 2 was finalized in August 2003, seven months ahead of schedule.

#### *MOZAL Logistics*

MOZAL has a dedicated terminal in Matola for importing raw materials – 600,000 tons of alumina coming from Western Australia for the production of 250,000 tons of aluminum – and exporting aluminum. This terminal is managed by SRMC Strang Rennies Moçambique Consortium Ltd.

#### *MOZAL Terminal in Matola, July 2004*

The terminal has two silos with a capacity of 45,000 tons of alumina each. Every month two shipments of 40,000 tons of alumina are delivering the raw materials for the plant. Transport to the plant takes place in dedicated 30 ton tanker trucks designed and built in Australia.

MOZAL uses two grades of coke for the production of anodes. The coke is stored in two 11,000 tons silos. The coke comes from two different sources in the US About 1 11,000 tons shipment is required every three weeks. A new ship unloader is installed with a capacity to transfer 300 tons of coke per hour onto the conveyor belt system. The same ship unloader is also designed to unload alumina at the nominal rate of 500 tons per hour.

The first shipment of liquid pitch was delivered onto the 12,000 tons storage facility in April 2003. BHP Biliton has chartered a ship to bring 6,000 ton parcel loads from Chiba, Japan, which calls in at Maputo every two months. A dedicated tanker trailer with a capacity of 30 tons has to transport pitch five times per day to the plant to feed the production of aluminum.

*MOZAL Terminal in Matola, July 2004*

Aluminum ingots are stacked into one-ton bundles at the Casthouse before they are loaded and transported to the Matola export yard. Each 24-ton load received at the harbor facility is strapped and stored in secure super packs ready for loading. Most of the metal is exported on specially designed ships fitted with overhead gantry cranes to minimize loading times. Two 22,000 ton shipments will be required every month to manage the smelter output once the plant is in full operation.

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The establishment of MOZAL resulted in the coming of different suppliers in the nearby Beluluane Industrial Park contributing to the creation of an export-led industrial base in Maputo. One of these Mozambique-owned suppliers has developed to the point where it has become an exporter to MOZAL's sister company in South Africa. It has secured a contract of 2 million US dollars to supply engineered assemblies for the expansion of the Hillside aluminum smelter in Richards Bay. The Beluluane Industrial Park, known as Beluzone, is a 660 ha park in which 80 percent of the land is designated as a free trade zone. The area is being developed by the Mozambique Investment Promotion Centre and Chiefdon, an Australian facilities management company.

### Improvement business climate

To facilitate trade and transport it is not sufficient to improve infrastructure. It is also necessary to reduce red tape, bureaucracy and corruption. The many interventions that are taking place simultaneously in the Maputo Development Corridor definitely have a positive impact on trade and transport facilitation in this specific geographical region. The situation is gradually changing to the better, but it is important to disseminate the positive developments in order to attract new investments, which will in turn put even more pressure to reduce still existing red tape, bureaucracy and corruption further.

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#### *MCLI – Maputo Corridor Logistics Initiative*

This was one of the reasons why MCLI – Maputo Corridor Logistics Initiative - was founded in March 2004. MCLI is a group of infrastructure investors, service providers and users, focused on the promotion and further development of the Maputo Corridor. It is incorporated in South Africa as a membership. Members are drawn from South Africa and Mozambique and co-operate closely with organized business, engage with relevant authorities, and represent the combined views of all users of the Corridor and all parties involved in the provision of services in the Corridor.

The following have been identified as areas where much work is still needed:

- Continuous improvement of border procedures and operational hours.
- Scope and competitiveness of transport services must be increased: additional capacity, higher service levels and competitive rates for road, rail, port, terminals and shipping lines.
- Information services must be put in place and enhanced continually.
- The promotion of investment zones must be coordinated and accelerated.

The initial strategic focus of MCLI is to engage both South African and Mozambican Governments to reinforce the public-private partnerships in the area of logistics, to ensure that the Maputo Corridor is the first choice for regional importers and exporters alike.

Although MCLI is an organization with very few permanent staff (3), its impact seems to be enormous. In the short period of time it has achieved to present and provide a platform for discussion among the main stakeholders of the Maputo Corridor. MCLI is considered a serious partner by large South African exporters, South African authorities, Spoornet, port authorities, Mozambican Government, Mozambican companies, etc and fulfills a bridge function between various stakeholders in the logistic chain.

Its activities merit support to increase its activities and develop two new areas:

- Set-up and manage a system of real-time information services for trade, customs and transport in the Maputo Corridor.
- To monitor performance of trade, customs and transport and publicly disseminate results.

*Brenda Horné presenting MCLI in Maputo, July 2004*

### 9.3 The Beira Corridor and the Sena Line

The Port of Beira is the natural freight port for Zimbabwe, but can also play an important socio-economic role for Malawi, Zambia, Botswana and Congo. Nowadays the land connection with Malawi exists only by road; the railway connection is waiting for rehabilitation. Since 1998 the Port of Beira is managed by Cornelder Mozambique with 70 percent of the shares in the hands of Cornelder Holding and 30 percent in the hands of Mozambique Railways. The Multi Purpose Container Terminal has a capacity of 100,000 TEU per year, but used in 2001 only 30 percent of its capacity. The terminal has a storage place of 200,000 m<sup>2</sup> for 3,117 TEU's and a bonded transit warehouse of 8,400 m<sup>2</sup>. The General Cargo Terminal has a capacity of 2.3 million tons with five covered warehouses of 15,000 m<sup>2</sup> and 12,000 m<sup>2</sup> of open space.

In 1995 the Beira Corridor still transported more than 1 million tons by rail between Beira and Machipanda. In 2000 the total volume was reduced to 743,300 tons, but has recovered and will reach in 2004 approximately 900,000 – 1,000,000 tons again .

**Table 36** *International Traffic Beira-Zimbabwe 2000*

Export					Import				
Commodity	m/tons	%	Origin	Dest.	Commodity	m/tons	%	Origin	Dest.
Granite	98900	18.3	Zimbabwe	Beira	Rice	15100	7.4	Beira	Zimbabwe
Containers	145300	26.9	Zimbabwe	Beira	Fertilizer	71300	35.1	Beira	Zimbabwe
Ferro Chrome	12000	2.2	Zimbabwe	Beira	Maize			Beira	Zimbabwe
Steel	93700	17.3	Zimbabwe	Beira	General	45300	22.3	Beira	Zimbabwe
Copper	2200	0.4	Zimbabwe	Beira	Containers MT	32000	15.7	Beira	Zimbabwe
Coal	600	0.1	Zimbabwe	Beira	Containers	25400	12.5	Beira	Zimbabwe
Wood	800	0.1	Zimbabwe	Beira	Wheat	14100	6.9	Beira	Zimbabwe
General	187600	34.7	Zimbabwe	Beira					



<b>Total</b>	<b>541100</b>	100.0		<b>Total</b>	<b>203200</b>	100.0	
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Source: CFM 2000

The main cause was the instability of the Zimbabwean regime. The volume of road transport using the Beira Corridor to Zimbabwe is estimated at 400,000 tons per year.

Beira is actually still waiting for a mega project like MOZAL in Maputo for its spread effects over other sectors of the economy. The proposed iron and steel plant in Beira is still in discussion. In the meantime the hope is focused on the development of the agricultural zones of Manica (6 million ha) and Sofala (3.5 million ha).

In 2004 the Government of Mozambique has selected RITES/IRCON as the preferred bidder for the rehabilitation and operation of the Beira Railway System comprising the Sena and Machipanda lines. The concession is for 25 years and the fees comprise: an entry fee of 2 million US dollars; an annual fixed fee of 1 million US dollars from year 11 to 25; and an annual variable fee assessed as 3.0 percent of the company's gross revenue for traffic up to 300 million net-tonkm and 5 percent between 300 million and 1 billion net tonkm and 7.5 percent for traffic over 1 billion net tonkm.

In 1981 the Sena Line recorded a volume of 1,893,000 tons:

Coal	600,000 tons
Sugar	120,000 tons
Limestone	300,000 tons
Fertilizers	75,000 tons
Malawi International Trade	500,000 tons
Other	298,000 tons

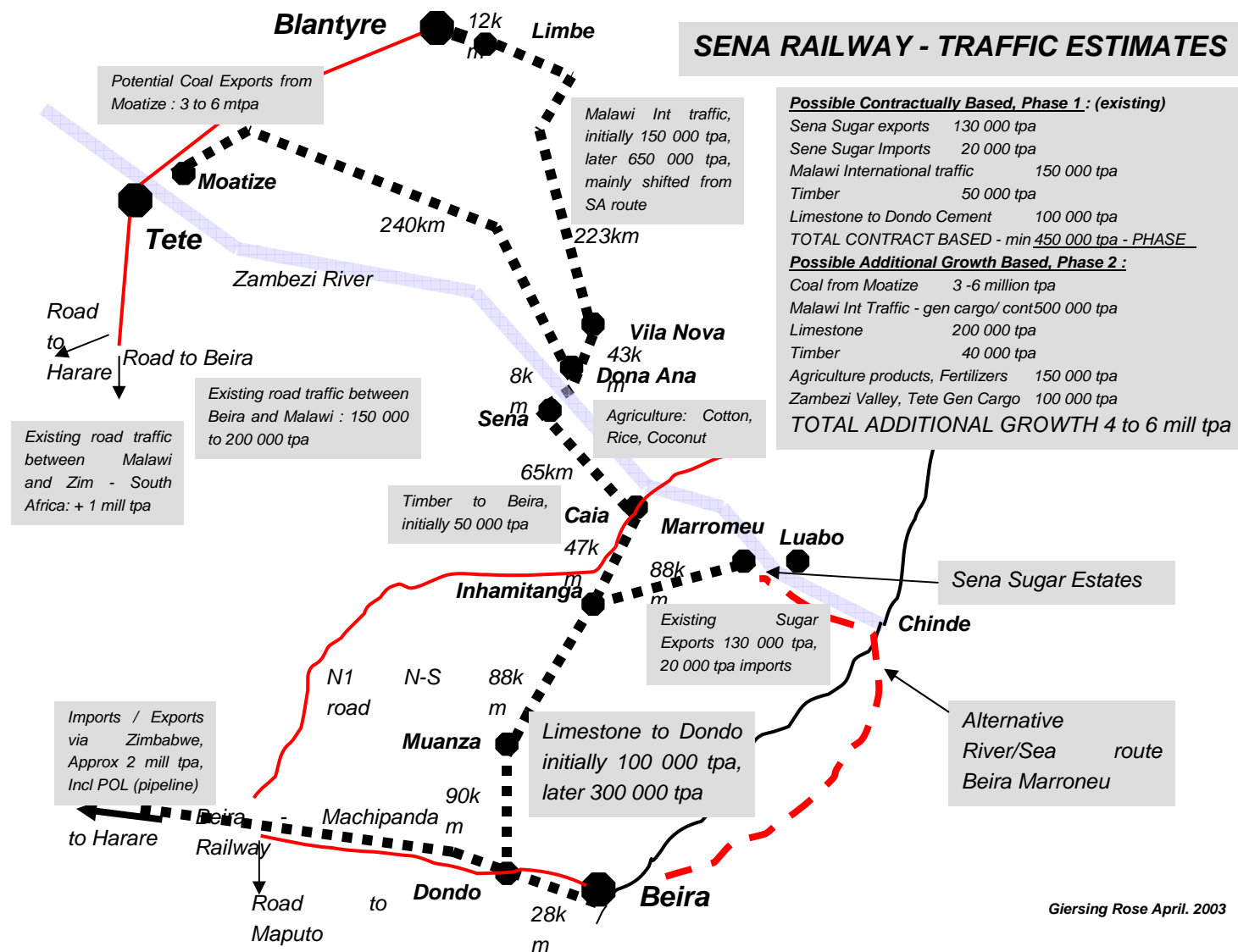
A study from Giersing Rose in December 2001 points out that the total volume of traffic which could be contractually bound to a rehabilitated Sena Line could be of the order of 450,000 tons per year without taking into account coal from Moatize and only 100,000 tons of limestone from Muanza.

Plans are underway to concession the Moatize coalmines to the private sector, at which time the traffic is expected to grow rapidly. Much interest has already been raised among the private sector for this concession.

A full operation of the Beira Corridor may attract another 4-6 million tons of freight as the forecast of Giersing Rose from 2003 shows.



### SENA RAILWAY - TRAFFIC ESTIMATES



**Possible Contractually Based, Phase 1 : (existing)**

Sena Sugar exports	130 000 tpa
Sena Sugar Imports	20 000 tpa
Malawi International traffic	150 000 tpa
Timber	50 000 tpa
Limestone to Dondo Cement	100 000 tpa
<b>TOTAL CONTRACT BASED - min 450 000 tpa - PHASE</b>	

**Possible Additional Growth Based, Phase 2 :**

Coal from Moatize	3 -6 million tpa
Malawi Int Traffic - gen cargo/ cont	500 000 tpa
Limestone	200 000 tpa
Timber	40 000 tpa
Agriculture products, Fertilizers	150 000 tpa
Zambezi Valley, Tete Gen Cargo	100 000 tpa
<b>TOTAL ADDITIONAL GROWTH 4 to 6 mill tpa</b>	

Giersing Rose April. 2003

#### 9.4 The Nacala Corridor

The Nacala Corridor is not operating yet due to internal problems within the concession holder Corridor for the Development of the North (CDN). CDN consists of the Railroad Development Corporation from the US, Edlow resources (a Bermuda-based investment fund), a Malawian partner through CEAR - concession holder of Malawian Railways - , Manica Freight Services Mozambique, a number of smaller local investors in Mozambique and CFM. The Malawian part, however, wanted to increase its share after the completion of the concession agreement among the main partners causing delays in the ratification of the concession agreement. It is unlikely that this consortium will start its operation and the launching of a new tender seems to be inevitable.

The Port of Nacala is considered to be one the best deep sea ports on the Indian Ocean not requiring any dredging activities. Its hinterland, Malawi in particular, would benefit by a well functioning rail connection between Nacala and Malawi. Traffic volumes are very low as Table 37 shows.

**Table 37** *International Traffic Nacala-Malawi 2000*

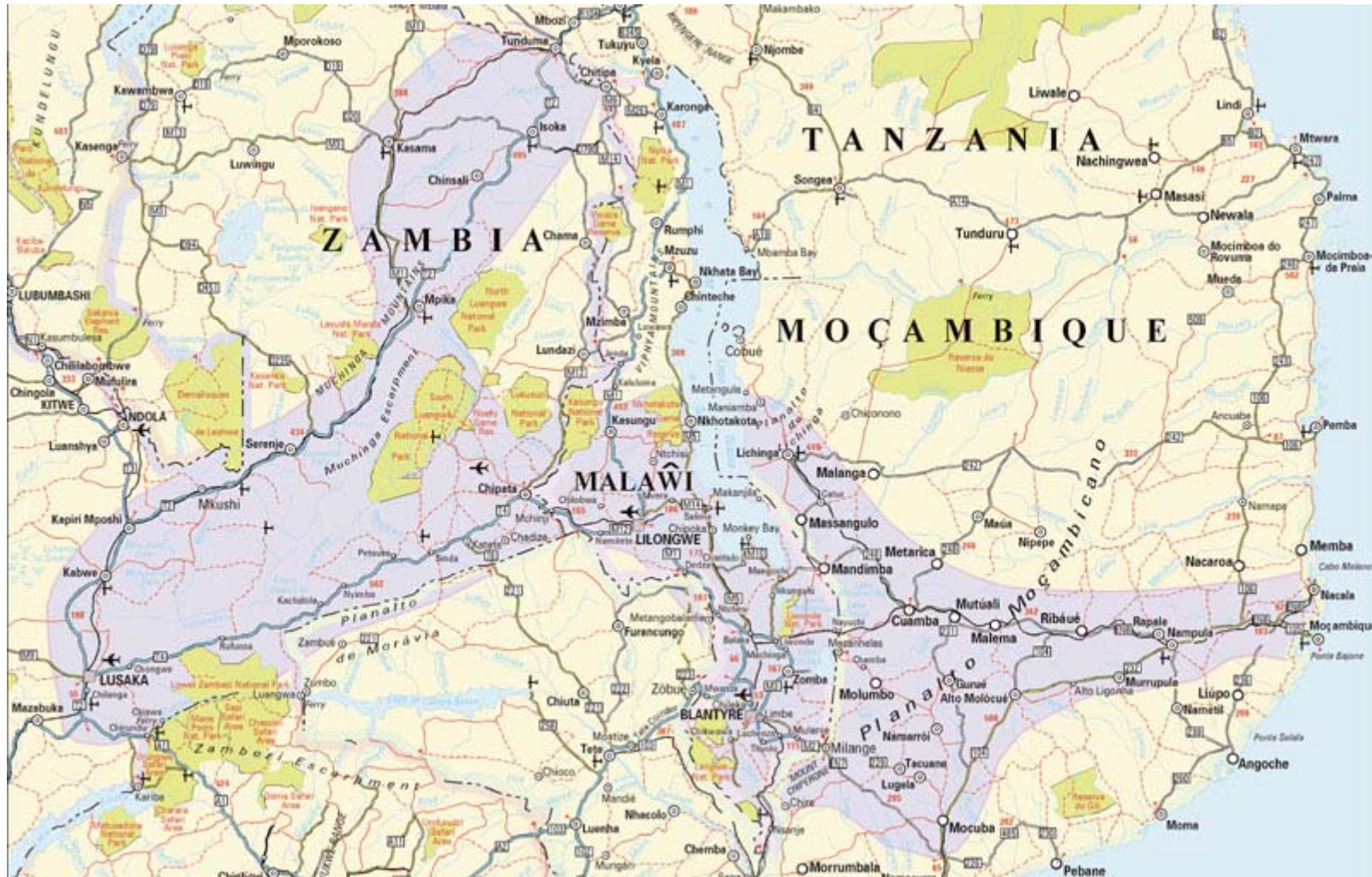
Export					Import				
Commodity	m/tons	%	Origin	Dest.	Commodity	m/tons	%	Origin	Dest.
Empty Containers	200	0.4	Malawi	Nacala	General Cargo	7000	6.1	Nacala	Malawi
Containers	1500	2.7	Malawi	Nacala	Containers	43600	37.8	Nacala	Malawi
Tobacco	21200	38.0	Malawi	Nacala	Palm Oil	8400	7.3	Nacala	Malawi
Sugar	10800	19.4	Malawi	Nacala	Maize	6900	6.0	Nacala	Malawi
Tea	1700	3.0	Malawi	Nacala	Soya Oil	2700	2.3	Nacala	Malawi
Peas	6000	10.8	Malawi	Nacala	Petrol	27000	23.4	Nacala	Malawi
Potatoes	1300	2.3	Malawi	Nacala	Tobacco	1500	1.3	Nacala	Malawi
General cargo	13100	23.5	Malawi	Nacala	Fertilizer	7600	6.6	Nacala	Malawi
					Wheat	7400	6.4	Nacala	Malawi
					Salt	3100	2.7	Nacala	Malawi
<b>Total</b>	<b>55800</b>	<b>100.0</b>			<b>Total</b>	<b>115200</b>	<b>100.0</b>		

Source : CFM 2000

Domestic traffic through the Port of Nacala in 2000-2001 was 204,900 tons and 158,800 tons per year, respectively according to statistics of CFM-North.

SATCC is more optimistic concerning the port statistics for Nacala and mention a total of 746,000 tons in 2001.

Operations on the this railway line are very limited due to the fact that the 77 km section from Cuamba to entre Lagos is in poor condition. Shortage of locomotives and slack operating procedures on Mozambican side and frequent washaways on lines in Malawi have affected service delivery and created a negative customer perception of the route. Of CFM-North's 14



mainline diesel locomotives, only eight are operational and some not in a good condition. Of the 965 revenue-earning freight wagons, only 546 are serviceable, while at a minimum 80-85 percent should be operational.

Nacala should improve its port facilities, cargo-handling equipment and management to an international standard. Together with an efficiently operating rail connection with Malawi, Malawi, Zambia and Congo would definitely make more intensive use of the Nacala Corridor. Nacala has even the potential to develop into a mini-hub port for the Comores Islands (Mayotte, Moroni) and the northern ports of Madagascar, which trades are currently being handled by various feeder services from Durban, Dar es Salaam and Mombasa.

Discussions are underway with the Ministry of Defense for full commercial exploitation of the airport of Nacala.



## 10 CONCLUSIONS AND ACTION PLAN

### 10.1 Main findings and identified problems

The main findings and identified problems in the field of trade and transport are:

#### *High costs for trade and transport*

The overall costs for trade and transport are excessively high. The road tariffs average 0.08 US dollars per tonkm; the railway tariffs 0.05 US dollars, which twice as high as the rate prevailing in efficiently-run railways. This is mainly due to widely unbalanced trade flows, inefficient operation of the service providers and still existing red tape and administrative bureaucracy.

#### *Inadequate customs facilities, lack of harmonization of customs procedures with neighboring countries and lack of coordination among inspections at border crossings*

The main cause of the delays at border crossings is the lack of border facilities, modern information and communication technology and banking facilities. The restricted opening hours of the borders do not permit an efficient flow of commodities and passengers. The Transport Information Management System is not in all offices installed and operational. Electronic payment at borders is still not possible. Customs lack modern premises and adequate equipment to facilitate controlling and clearance procedures. The lack of clearance facilities is causing unnecessary delays.

Customs procedures are often changing. Besides, customs rules are being interpreted in many different ways and there is evidence that the procedures themselves are not fully comprehended by those who have to administer it.

Application of modern transit procedures are largely absent including application of the transit guarantee system.

There is lack of cooperation between Customs, other border agencies, transport authorities and law enforcement authorities still causing long waiting times at the borders causing extra costs for the transport companies and the shippers. The situation, however, at border with South Africa is improving.

#### *Transparency of costs, timing and access to information*

There is lack of transparency of costs and procedures related with transport and trade. These procedures are often changing in time as well without adequately informing the respective stakeholders.

*Poor transport infrastructure and transport performance*

The conditions of the rail network in Mozambique need improvement. There is a shortage in handling and storage facilities in ports. International shippers are also in need of high standard terminals and bonded warehousing facilities. Absence in Mozambique of these facilities leads to delays.

The Mozambican transport and forwarding sector services are often below standard, which makes it difficult for them to compete with foreign companies. Smaller forwarders often lack international experience and the sector has not yet grown mature. This leads to forwarding companies that do not take their responsibility and step out as soon as cargoes are lost or damaged. This is also possible due to a poor legal framework for forwarding. International standards are not yet incorporated and the sector is hardly organized.

Import duties on tires and spare parts for trucks and buses are too high.

Clearing agents need to enhance their level of professionalism.

*Lack of adequate transport legislation*

Transport legislation does not reflect the new socio-economic reality in Mozambique and is largely still based on old values causing problems in control and enforcement.

*Excessive administrative business regulations*

Mozambique applies excessive administrative regulations for establishing and operating a company: company registration is time-consuming and costly; administrative procedures are costly; application of the rules of origin is not always clear; import exemption authorization is too time-consuming; reimbursement of VAT takes too long; labor legislation is too rigid.

*Lack of adoption, implementation and enforcement of international agreements*

Several international agreements have been developed to facilitate transport and trade and to promote seamless transit traffic: regional cooperation agreements, multilateral conventions and bilateral arrangements. However, implementation and proper enforcement are often lacking.

## **10.2 Implementation strategy**

*Modal Integration*

Modal integration is a prerequisite for an efficient and effective logistic chain reducing time and costs of transport and facilitating trade and transport.

Free market access and liberalization of transport and terminal operators are important conditions for efficient transport and terminal operations. This process is well underway in Mozambique with the concessioning of ports, railways and terminals. Investments in dry ports, terminals and basic transport infrastructure are needed to increase its quality and removing the

present constraints. Private capital should be attracted to participate in these required investments.

There is a growing market for providers of integrated logistic services (transport, warehousing, document processing, payment administration, packaging, assembling, order management, etc.). The transit traffic could be stimulated by value-added service providers. It is necessary to introduce a liberalization policy for Multimodal Transport Operators, which also should obtain a legal status.

Trade, transport and transit charges and tariffs must be optimized and should be based on actual costs and no surcharge should be allowed. Administration should be done in an efficient and effective way. Charges and tariffs should be made transparent and public.

#### *Information Flow Integration*

Integration of the information flows accompanying flows of transport and trade may contribute to increasing the efficiency of movements of goods, services and persons. As such it constitutes an important component of a trade and transport facilitation strategy.

The information flow integration strategy consists of the following elements:

- a) Simplifying and standardizing border-related documentation requirements with neighboring countries (no duplication of international/national documentation) for all controlling government entities.
- b) Documentation must be unified maximally.
- c) Mutual recognition of neighboring countries documents.  
On the basis of bilateral or multilateral agreements governmental bodies of the countries have to recognize the documents, issued by a second country. As an example can be considered the recognizing of the phyto-sanitary and veterinarian certificates when the goods supplied by the certificates issued in neighbor country don't undertake additional phyto and veterinarian inspecting on the border.
- d) Acceptance of pre-arrival declaration/data for processing purposes.  
A system of the pre-arrival declaration should be introduced, which allows to organize and systemize the process in the better way by electronically connecting customs with trades and transport operators. In this case attention will be given to the introduction of risk management and selectivity methods for the controlling by the customs.
- e) Data exchange among customs and other government agencies.  
Data exchange between customs and other governmental bodies must be organized in such a way, that the exchanged information is sufficient to comply with the legal and regulatory.
- f) Advance data exchange between controlling government entities and transport operators.  
There is also need for advance data exchange between controlling government entities and transport operators (web sites, border crossing manuals, shields on the check

points) with full information on tariffs, procedures and necessary documents for border crossing.

g) Timely and transparent publication of controlling agency requirements.

h) Selected information sharing with neighboring countries.

All necessary information and demands of the controlling entities must be attainable, and when it is based on IT technologies, it will be attainable also for neighbor countries. Besides on the basis of bilateral agreements between the customs of countries volumes and form of the data exchange, also updating of such data must be regulated.

*Integrated Border Management and Corridor Management*

The process of modernization, simplification, further promotion of international harmonization of border crossing procedures and increasing transparency of rules and regulations is an important component of a strategy, which focuses on trade and transport facilitation.

The simplification of border crossings implies both a revision of the individual legal and administrative requirements for traded commodities and transported goods, services and persons from the perspective of increasing effectivity and efficiency as well as a more intense cooperation among customs and other government agencies interacting with trade and transport. The simplification of border crossings may lead in last instance to one-stop processing at borders and clearance through delegation of responsibilities among border agencies. Investments will be needed to upgrade the infrastructure at the border crossings.

Other measures as pre-arrival processing and advance clearance; controls on the basis of risk management and selectivity, balancing security and facilitation requirements, at border and in transit; removal of internal checkpoints; and promotion of inland clearance facilities also lead to more effective and efficient management of border crossings.

Also the international harmonization of border crossing procedures with neighboring countries, which implies structural cooperation with border agencies of neighboring countries, such as the initiatives put forward by SADC constitutes an important element in the strategy. Results of this harmonization process may be officialized in bilateral or multilateral trade and transport agreements between countries. The final result could be the establishment of joint border facilities for which already plans exist for the border with South Africa at Ressano-Garcia/Nkomatipoort. Mozambique is no longer member of COMESA, just like South Africa, but all its other neighboring countries are. COMESA is striving for further harmonization of border crossing and customs procedures and Mozambique is considering to become member of COMESA again.

Increasing transparency of border crossing procedures and fast and efficient dissemination of changes in these procedures are necessary for the operation of an efficient border management system. Monitoring through measuring of performance (cost, time, reliability, security, flexibility) is an important tool to achieve this objective. Therefore, it is important to involve the shippers, forwarders and transport operators in this monitoring process. For the Maputo

Corridor, MCLI - the Maputo Development Logistics Initiative- could play an important role in this respect.

### 10.3 Action Plan

#### *Legal framework*

- International agreements like the SADC Protocol on Transport, Communications and Meteorology and the SADC Trade Protocol should be transposed into national legislation to obtain legal enforcement authority.
- New transport legislation should be developed. New road transport legislation should regulate road freight transport and road passenger transport in different acts. Quantitative restrictions to the access to market for road transport operators should be eliminated. New qualitative criteria for road transport operators as financial standing and professional competence should be introduced. Transport tariffs and prices should be liberalized. A new Railway Code should be elaborated as well as new legislation on maritime transport and coastal shipping and aviation.
- A legal base for co-ordination and streamlining of border regulations should be created and the mandates of the different border agencies and controlling authorities should be clearly defined and implemented.
- A legal base for combating corruption should be created bypassing the necessity to apply criminal law.
- Labor legislation should be made more flexible and business-friendly by facilitating the hiring of foreign managers; allowing to work overtime and in shifts; and making retrenchment of labor less costly.

#### *Institutional/administrative capacity*

- Clearly define the regulatory role and function of governmental transport institutions and increase the capacity of its staff.
- Coordinate and streamline the application of all border regulations among controlling agencies to minimize negative impacts on traders and transporters, while implementing their responsibilities and duties; and monitor actual border and clearance performance on a regular basis.

- Create capacity for electronic data exchange of customs and other border agencies and implement the Trade Information Management System properly.
- Agencies involved in border crossings should co-ordinate among themselves and with the respective authorities of the neighboring countries aiming at facilitating border clearance procedures. The format of trade and transport documents should be further harmonized with international standards (UN, SADC, COMESA).
- Promote the dialogue between the private sector and the public sector on trade and transport facilitation issues and establish a National Working Group on Trade Facilitation with all important stakeholders involved.
- Set-up and manage a system to monitor the performance of the trade and transport corridors, with tracking and performance indicators involving all stakeholders in the process, including the private sector.
- The transit guarantee system should be made operational.

*Procedures*

- Customs procedures should be modernized, simplified and harmonized with those from other agencies in Mozambique and neighboring countries. The concepts of integrated border management and one stop processing are aimed at.
- Adapt opening hours at borders to customers needs and harmonize with neighboring countries.
- Facilitate Direct Trade Input and advance clearance.
- Reduce import duties on tires and spare parts of commercial vehicles and buses.
- Facilitate electronic payment of tariffs, taxes and duties.
- All inspection procedures should be carried out more efficiently and be based on risk assessment and selectivity.
- Rules and regulations should be enforcement properly.
- Changes in Customs rules and procedures (including valuation methods) should timely be made transparent and public.
- Availability of Customs staff to facilitate export inland clearance procedures should be increased.

- Duty drawback schemes may be introduced to facilitate trade.
- Organize (re)training of Customs officials on continuous basis.
- Facilitate establishing and operating businesses by simplifying registration and other administrative procedures; reducing inspections; making import exemption authorization less time-consuming; shorten reimbursement period for VAT; etc.

#### *Infrastructure*

- Banking and financing facilities at borders should be created to facilitate trade and transport and shorten waiting times.
- Facilitate investments in intermodal infrastructure and (bonded) warehouses.
- Improved border facilities should be created to accommodate efficient trade and transport of goods, passengers and services.

#### *Industry competitiveness*

- Training in transport and logistics management, financial management, marketing and legislation and regulations should be organized for providers of logistics services, road transport operators, forwarders and clearing agents.

*Project Proposals for Implementing the Trade and Transport Facilitation Strategy*

Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
1	Transport Reform Programme	Ministry of Communications	2005-2008	<ul style="list-style-type: none"> <li>• Elaborate new transport legislation: road freight transport act; road passenger transport act; Railway Code; Act on Maritime and Coastal Shipping; Aviation Act; etc.</li> <li>• Further develop regulatory framework for transport conducive for the development of trade.</li> <li>• Strengthen implementation and control and information capacity of the Ministry of Transport and Communications.</li> <li>• Set-up transport information system to monitor developments of the sector.</li> <li>• Further develop technical capacity of staff of transport institutions.</li> </ul>	



Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
2	Border Agencies Reform Programme	Border agencies	2005-2008	<ul style="list-style-type: none"> <li>• Simplify procedures for consolidated shipment.</li> <li>• Further develop selective control rules at all locations.</li> <li>• Establish bilateral and multilateral committees to harmonize control mechanisms with neighboring countries.</li> <li>• Contribute to development of inter-border agency co-operation.</li> <li>• Co-operate in developing single processing and payment window for all agencies.</li> <li>• Align border agency opening hours to customer needs.</li> <li>• Improve human resources management in border agencies.</li> <li>• Further develop performance monitoring.</li> <li>• Strengthen transparency and disseminate rules and regulations on a permanent basis.</li> </ul>	

Reference	Description activity	Implementing agency	Due date	Objective and expected outcome	Resources requires
3	Strengthen the Public-Private Dialogue in Transport and Trade Facilitation, Transit and Border Crossings		2005-2008	<ul style="list-style-type: none"> <li>• Monitor performance transport, transit and border crossings</li> <li>• Define an Ombudsman (appeal) mechanism for complaints and infringements of rules and regulations.</li> <li>• Conduct regular independent audits.</li> </ul>	
4	Upgrading of transport, intermodal and cross border infrastructure		2005-2008	<ul style="list-style-type: none"> <li>• Define comprehensive transport infrastructure needs assessment and development strategy.</li> <li>• Further develop public-private partnerships for financing infrastructure investments.</li> <li>• Promote and facilitate the building and operation of (dry) ports and intermodal terminals.</li> <li>• Improve border crossing infrastructure.</li> </ul>	
5	Training of transport operators, providers of logistics services, forwarders and terminal operators		2005-2006	<ul style="list-style-type: none"> <li>• Training Certificate of Professional Competence for Transport Operators.</li> <li>• Training of Logistic Managers in Supply Chain Management.</li> <li>• Training FIATA of Freight Forwarders.</li> <li>• Training of Terminal Operators.</li> </ul>	

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