

COUNTRY PROFILE:**REPUBLIC OF MOZAMBIQUE****DATED:****MARCH 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	No Restriction

Recent Political Highlights

- Chief of state since February 2005 has been President Armando Guebuza. The president is elected by popular vote for a five-year term. The next election is scheduled for December 2009.

Recent Economic Highlights

- Mozambique has a population of 21m that grew at an expected rate of 1.8% in 2007. The IMF forecast 7% GDP growth in 2007 and 2008. Inflation of 6.4% was expected for 2007 and 5.7% in 2008. At the end of 2007, Mozambique finally took over Portugal's majority share of the Cahora Bassa Hydroelectricity (HCB) company;
- Work on the fuel pipeline from the port of Maputo to South Africa is expected to begin in June 2008. The project is budgeted at \$537m and involves building a pipeline to carry refined fuels from the Matola oil terminal to the SA city of Kendal. The pipeline will carry 5m cubic metres of liquid fuel a year boosting Mozambique's exports to SA. It will reduce the number of petrol tankers on the roads. The pipeline operating company is Petroline Holdings registered in SA;
- The project to build an oil refinery at Nacala-a-Velha in the northern province of Mozambique is taking off with the transport of equipment and machinery to the building site. The first production of refined fuels from this project, budgeted at around \$5bn, is expected in 2010. This initial phase also includes building an Arts and Crafts School, intended to train local people. The school will be supported by the Mozambican and Brazilian Governments. The refinery is justified due to the rail links from Nacala to Malawi and eventually into Zambia and Angola, making it possible to supply a vast market with refined fuels. A series of other industries complementary to the refinery including plants producing chemicals, plastics and fertilizer could be developed. The largest investor is a US-registered company called Ayr Logistics that owns 70% of refinery. It would be able to produce over 300.000bpd and employ 450 workers;
- The Mozambican Agriculture Ministry signed an agreement with the European Commission under which the institution is to finance the second phase of measures to cope with the reform of the EU's sugar regime. The agreement signed grants €6m for a three year period starting in 2008. The funds would be used to bring the sugar sector into line with the new realities of the world market. Under the EU reforms, the price is likely to collapse, but the EU stated that the reforms would strengthen the competitive and market orientation of this sector guaranteeing a viable future in the long term. Over a four-year period, the EU's guaranteed price for refined sugar would fall by 36%, but from 2009 Mozambique would be able to export unrestricted quantities of sugar to Europe;
- Mozambique experienced early and heavy seasonal rains which displaced over 100.000 people in the Zambezi River Valley. Over 250.000 people who have been affected by the recent flooding in central Mozambique are in need of humanitarian assistance. It was not only households who had lost homes, fields and livestock this year, but also those who had been resettled after the floods of 2001 and 2007 and who found areas in the Tete district of Mutarara were not built on high enough ground;
- The Fisheries Minister stressed the importance of the sustainable development of fishing and of aquaculture, and particularly the development of small scale fisheries in the fight against poverty. The Minister also declared their commitment to fight against illegal, undeclared and unregulated fishing. They pledged to encourage partnerships between fishing companies of the various Portuguese speaking countries and promised to invite these companies to participate in future events organised by the community's member states.

Latest Trade Developments

- Major exports: aluminium, prawns, cashews, cotton, sugar, citrus, timber, bulk and electricity;
- Major imports: machinery and equipment, fuel, chemicals, metal products, food and textiles;
- Main trading partners: Netherlands, SA, Zimbabwe, Portugal;
- The Dutch prime minister guaranteed that Holland would continue its development aid to Mozambique. Holland was willing to explore new areas for cooperation and investment with Mozambique. Tourism, banking and energy are potential areas. Holland was also interested in expanding its cooperation to agro-industry, science and technology, infrastructure and biofuels;
- SA exports to Mozambique totaled R6.2bn in 2006 from R6.4bn in 2005 and R8bn in the year to November 2007.

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