

MANAGING MOZAMBIQUE'S INVESTMENT CHALLENGES - ABREU ADVOGADOS

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International interest in Mozambique is on the rise, but investors need to be aware of the regulatory framework – and its flaws – in order to undertake business locally

Cada vez más empresas tienen a las economías emergentes africanas en el punto de mira, pero los inversores deben conocer en profundidad los riesgos de cada país antes de iniciar sus operaciones, explica Pedro Pais de Almeida, Socio de Abreu Advogados.

Pedro Pais de Almeida, a Partner at Abreu Advogados which operates in Maputo through Ferreira Rocha & Associados, says that since 2009 Mozambique has seen massive inflows of foreign investment in coal projects, while recent deals have focused on sectors like tourism, agriculture,

natural resources and infrastructure.

Foreign companies, however, have to do their homework and check local regulation before investing, he says. For instance, local law does not establish a clear difference between companies that are held by a Mozambique entity and those that are held by overseas shareholders. At present, foreign investment is regulated by the Mozambican Law on Investment of 1993, complemented by the Regulations of the Investment law of 2009, the Code of Fiscal Benefits of 2009, and the Foreign Exchange Law of 2009.

All three combined define the regime to which investments are subject as well as the type of incentives that can be granted. "For example, there is a minimum value for foreign direct investment at MZN 2,500,000 (about US€69,000) for eligibility for external remittance of profits and repatriation of invested capital. There is no minimum amount for national investments."

To compound matters, certain sectors are ring-fenced. International investors are prohibited from holding more than 20 percent in any local media or telecoms company while foreign businesses are banned outright from owning land-line telecoms assets.

This has meant that international investors have often turned to domestic companies to facilitate M&A activity, says Pais de Almeida. The two most common structures are a private limited company and a public limited company. The former cannot be listed on the stock exchange and has fixed governance rules while the latter is intended for bigger businesses but has more regulatory oversight.

For those wanting to participate in Mozambique's success the message is simple: "There are plenty of opportunities in many different sectors, but you must understand the regulatory framework before investing," says Pais de Almeida.