

Context Matters: Perspectives on Challenges to Infrastructure Delivery

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Hon. Minister Carlos Alberto Fortes Mesquita

Thank you for the introductions.

Good afternoon everyone. It is great to be with you today, even if only virtually.

I am unable to be physically present at the conference today and tomorrow, and that's due to conflicts in my agenda, for which I am deeply sorry.

When Chatham House asked me to deliver the keynote speech on challenges to infrastructure delivery, I thought to myself "now I could speak for days on this matter, how do they expect me to limit myself to ten minutes?" But then I remembered that my English proficiency will do that job in an organic manner. So please bear with me.

As you may know, Mozambique is located along the east coast of the African continent. We have nearly 3,000km of coastline; as such we offer a gateway to some landlocked countries, amongst them, Swaziland, Zambia, Malawi and Zimbabwe.

Most recently we have been in international media for natural gas findings, which we believe will bolster our exports substantially (together with other products which we already export, such as coal and agricultural goods which currently represent over 30% of our GDP). The length of our country, as well as our strategic location on the coast, means that our Government must continually invest in infrastructure to move goods internally, as well as externally to other regional or international markets.

For 2016 alone, we will have to invest some US\$11,6 billion on building new infrastructure such as roads, bridges, railways and airports. We will need to spend a further US\$2,2 billion on maintenance and expansion of existing infrastructure. Many of these projects have been based on public-private-partnership models.

For the Nacala Development Corridor, for instance, we liaised with Japanese International Cooperation Agency (JICA) to rehabilitate Nacala Port for US\$300 million. Nacala Port is currently used for general cargo, however, our goal now is to expand the capacity of the port to over 250,000 TEUs and 5 million tons of cargo per year by 2020.

Because Nacala offers the deepest port in Southern Africa, and serves as a gateway for exports from Malawi, Zambia, and the Democratic Republic of Congo, we also teamed up with Brazilian mining company and concessionary of both the railway and port facilities, Vale, in the construction of a coal terminal, in the same city.

This project alone cost US\$4.4 billion, although it included the rehabilitation of a railway from Moatize to Nacala which passes through Malawi, as well as the construction of a brand new coal terminal with capacity of 22Mtpa. Again, the project proved pivotal not just for our national interests but also for our neighboring countries with agricultural and mining products to move.

In the south of the country, where we have another strategic logistics corridor, we have teamed up with Maputo Port Development Company to raise US\$100 million for dredging of Maputo channel, construction of new terminals, and increasing the capacity of several terminals, including containers,

cereals, and magnetite. Here we aim to expand the channel access from the current 11m to a depth of 14m, as well as expanding the width from 125m to 150m. Maputo Port provides an alternative route for South African cargo coming to the continent or going abroad, as well as cargo destined for the south of Mozambique.

When I came into office, I called for a seminar to reflect on our concessions over the last two decades, and from what I gathered, we have been able to achieve a lot through these partnerships. Some would argue more than we could have done alone as a government.

Recently the Government defined four focus areas for development, for which we hope to continue relying on these partnerships. The four areas are agriculture, energy, infrastructure and tourism. The investment we intend to make in these areas will of course not compromise our commitment to basic needs such as health and education. Instead, we intend to further capitalize on our strategic positioning within the continent by:

- 1) continually improving our infrastructure so to move goods from one point to another at more competitive prices;
- 2) producing more hydro, wind or solar energy for domestic and international consumption;
- 3) becoming self-sustainable through the production of our own crops; and,
- 4) promoting international and national tourism.

In order to promote private sector growth, we are currently revising our legislative framework for cabotage. In essence, we hope to revitalize the cabotage sector at national level, encouraging companies to move their cargo using the vast (and free) ocean we have, as opposed to roads transportation that is not cost effective for longer distances.

We believe that it is essential to lessen costs related to port landing and utilization, give incentives for the entrance of new players, if we intend to increase maritime traffic between ports in Mozambique, as well as outside the country. As such our reforms, which will be adopted by Government this year still, will look at those items so to encourage the participation of private sector, as opposed to the limited activity we have from our state owned company.

Despite our continued investments, we face several challenges we need to overcome to make our infrastructure and services competitive at regional and international level. Some of the challenges include:

First, investment on a capital-intensive infrastructure when the market does not yet produce the necessary volumes to guarantee a return on investment. By this I mean that as a Government we are often put in a position where we must implement a project, when we don't have guaranteed volumes to ensure a return on said investment. There is a risk that we could be investing in a white elephant, but there is also a chance that said investment could instigate more production, more volumes, and eventually return on the investment.

Second, the investment on the infrastructure has to be made in such a way that the operational and maintenance costs remain competitive, because only then can you attract goods from neighboring markets and similarly only then can you export your goods to foreign markets at a competitive price.

The third challenge is availability of capable human resources and information and communication technologies (ICTs). These are essential to ensure better management and maintenance of the infrastructure, and while we have invested heavily in access infrastructure thus guarantying that 75% of our population has access to mobile telephony infrastructure, only 30% of this infrastructure is able to provide broadband services. Given the growing importance of data over voice services, it is a challenge to increase the coverage of broadband, especially as this is the underlying prerequisite for the development of a digital economy in Mozambique.

So while our Government will continue to invest in transport and communications infrastructure, special attention will need to be provided to the previously cited challenges. Again, we will not be able to do this alone, but rather by working closely with private sector, development agencies and other nations to create these basic conditions that will allow us to serve more efficiently.

We will continue to bet on public-private-partnerships that are advantageous for all parts, because for us a win-win scenario for all parts is a non-negotiable.

The challenges are many, now it is up to us, the policy-makers, together with all relevant stakeholders, to find solutions to address these issues and create opportunities that will further stimulate trade in our region, as well as create sustainable jobs for our people.

I need not reiterate to this crowd the importance of having a strong export performance so that our balance of payments can move into surplus, and we can therefore meet our national and international obligations. But I will state that whatever the initiative, it must be context relevant, and easy to implement. They must be consistent so to ensure fair playing field for all actors.

Before I finish, I would like to summarize my intervention with the following statement: infrastructure requires a lot of investment, but it also needs to be competitive and for that you need appropriate human resources and the use of information technologies to make it efficient to serve national and regional interests alike. And that is the focus of the Government of Mozambique.

With that, I thank you.