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Planning Minister expresses support for mega-projects

There is no contradiction between mega-projects and small and medium companies (SMEs), argued Minister of Planning and Development Aiuba Cuereneia on 24 November. Responding in the Mozambican parliament, the Assembly of the Republic, to a question on the benefits of the mega-projects, Cuereneira said they and the SMEs were complementary “and both contribute to economic growth”.

The Minister pointed out that at the end of the war of destabilisation in 1992 the flow of private investment into Mozambique was low, since the country’s basic infrastructure was in ruins and it was regarded as economically and financially unstable.

The government therefore adopted legislation to attract foreign investment. The first of the mega-projects, the Mozal aluminium smelter authorised in 1997, proved that Mozambique was a safe destination for foreign direct investment.

Cuereneia said that Mozal had driven an expansion in small and medium companies who were providing the smelter with goods and services, and had greatly increased Mozambique’s exports, thus reducing the gap on the balance of trade.

In 1998, before Mozal started production, Mozambique’s exports were worth just \$240 million a year. Ten years later, in 2008, Mozambique’s total exports were worth \$2.6 billion, of which 55 per cent was the aluminium ingots exported from Mozal.

The total investment in Mozal was \$2.3 billion, which created 1,400 direct jobs. In addition, the companies in the Beluluane industrial park, built around Mozal, account for a further 1,287 jobs. Mozal was spending \$96 million a year on purchasing goods and services locally via 290 annual contracts.

Mozal also spent an average of \$2 million a year on projects of corporate social responsibility, said Cuereneia – including equipping local schools and clinics, fighting malaria and AIDS, opening boreholes for water supply for the local community, and supporting a wide range of agricultural schemes.

Mozal’s investment in roads, telecommunications, water supply, and the terminal at Matola port where it receives its raw materials and exports the ingots came to \$16 million said the Minister.

As for the mining of titanium ores from the heavy mineral sands at Moma, in the northern province of Nampula, Cuereneia said that Kenmare Resources had invested \$500 million and created 560 direct jobs.

Kenmare’s annual spend on goods and services from local small and medium companies was \$22 million, covered by 181 contracts.

The South African petro-chemical giant Sasol had invested \$850 million on extracting and treating natural gas in Inhambane province. It had created 183 direct jobs, and was spending \$12 million a year on purchases from local companies.

The Brazilian mining company Vale has not yet begun exporting coal from its mine at Moatize, in the western province of Tete. Cuereneia said the mine is 96 per cent complete and that Vale is investing \$1.5 billion. The building of the mine generated 4,000 jobs, and Vale spent \$330 million on hiring small and medium companies during the construction phase.

In all, nine investments classified as mega-projects have been approved which have mobilized \$9.82 billion. Cuereneia regarded this as “a great contribution in the formation of gross national capital, determinant in the attraction of other investments”.

The fiscal incentives negotiated differed from one mega-project to the next. Common to all was exemption from customs duties and Value Added Tax on the import of equipment for the construction phase.

Major gas discovery in Rovuma Basin

The Texas-based Anadarko Petroleum Corporation has announced a major new discovery of natural gas in the Rovuma Basin, off the coast of the northern Mozambican province of Cabo Delgado.

The discovery at the Lagosta field is close to the company's two other gas finds at Barquentine and Windjammer. Gas was discovered at Windjammer in February and at Barquentine in October.

According to Anadarko's Vice-President for Worldwide Exploration, Bob Daniels, the discovery "significantly expands this emerging world-class natural gas province".

Enough gas has been found to develop a project to liquefy the gas for export. Daniels stated that "although additional appraisal drilling will be required, we believe the three discoveries announced to date already exceed the resource size threshold necessary to support an LNG (liquefied natural gas) development, and we have assigned an integrated project team to begin advancing commercialization options. Given the global LNG trade and its indexing to the global crude market, this resource can provide tremendous economic value for the people of Mozambique, the government and the partnership".

Anadarko will soon move on to drilling for more hydrocarbons 17 miles to the south at a fourth well, Tubarao.

First, however, Anadarko plans to drill deeper at Lagosta. So far, the well has been drilled to a depth of 13,850 feet in water that is 5,080 feet deep. The company intends to drill to a total depth of 15,900 feet.

Anadarko is the operator of Offshore Area 1 and holds a 36.5 per cent share of the fields. Its co-owners are Mitsui of Japan (20 per cent), BPRL Ventures and Videocon (both of India, with 10 per cent each) and Cove Energy of Britain (8.5 per cent). The Mozambican government is represented by Empresa Nacional de Hidrocarbonetos which holds a 15 per cent interest in the fields.

Following the announcement Cove Energy saw its London share price jump by 12 per cent.

Maputo Port capacity to quadruple by 2025

The Chief Executive Officer of the Maputo Corridor Logistics initiative (MCLI), Brenda Horne, has announced that the amount of traffic handled by Maputo port could grow from the current 10 million tonnes per year to 48 million tonnes by 2025.

Speaking in Johannesburg to the Portuguese news agency Lusa, Horne also said that the new one-stop border post between South Africa and Mozambique at Ressano Garcia is about to begin functioning for buses and taxis, saving a great deal of time in the crossing between the two countries.

The one-stop border post for freight, which came into operation earlier this year, has provided significant savings in travel time for those South African operators who use Maputo port for their exports and imports.

"Trucks equipped with satellite tracking systems enable us to calculate that the trip between the border post and the port, the unloading and the return now take around five hours, which is fantastic, if we compare it with the ten hours needed previously", said Horne.

MCLI is a grouping of South African and Mozambican companies created to boost the use of Maputo port and the road and rail links between the port and South Africa.

EU funding for Mozambican roads

The European Commission has approved funding of €22.5 million (about \$30 million) for the Mozambican road sector for the period 2010-2013.

According to Glaucio Calzuola, head of the European Union mission in Mozambique, "Mozambican roads play a special role, both in terms of poverty reduction, by facilitating access by the poor rural population to public services, to markets and to job opportunities, and in terms of promoting economic development, by supporting trade and regional integration".

The funds are to support "the creation in Mozambique of an adequate, well managed, economically efficient and sustainable road network".

It should contribute to achieving the results expected from the Mozambican government's Integrated Road Sector Programme (PRISE), namely "conclusion of the priority work in the primary network, improved access to the roads, and the creation of sustainable mechanisms to preserve and maintain the roads".

Some of the money will be spent on technical assistance to the National Road Authority (ANE) and the Road Fund, through local training for road officials and on building the management capacity of small and medium companies (SMEs) active in the road sector.

Under the tenth European Development Fund, the European Commission has allocated €622 million to Mozambique for the period 2008-2013. An extra €12.11 million was added to cope with price rises and their macro-economic and social consequences, and €11.67 million to compensate for fluctuating export revenue.

President Guebuza in Libya for Africa-Europe summit

President Armando Guebuza on 28 November arrived in Tripoli to take part in the third Africa-European Union summit.

The summit is being held on the theme "Investment, Economic Growth and Job Creation".

A Mozambican diplomat told reporters that Africa "wants this to be a partnership of a new type, a partnership that is on a footing of equality, and which leaves aside the traditional concept of donors and recipients".

At the Tripoli meeting the heads of state and government will discuss peace and security, governance and human rights, climate change, regional integration, agriculture and food security, and immigration.

The summit will attempt to strengthen the political dialogue between Africa and the EU. The partnership between the two continents is to rest on a consensus about common values and interests, and common strategic objectives.

Mozambique's Minister of Industry and Trade, Armando Inroga, who is accompanying President Guebuza, told the press that Mozambique's attitude towards Africa-EU cooperation is based on the government's five year programme for 2010-2014.

Each African region will present a specific theme to the Tripoli summit. The Southern African Development Community (SADC), represented by South Africa, will present the theme on the Millennium Development Goals (MDGs), agriculture and food security.

Government committed to public-private partnership

President Armando Guebuza declared in Maputo on 24 November that the government is committed to carrying out fully its role in consolidating public-private partnerships.

Speaking at the closing session of the 12th Annual Conference of the Private Sector, organised by the Confederation of Mozambican Business Associations (CTA), President Guebuza said “the public-private dialogue should evolve to a stage where, as partners, we feel that we share responsibilities in carrying it through effectively. In this sharing of responsibilities we shall understand that each side is under pressure to deliver, and has demands to make, because we are all impatient and want to move more quickly”.

“We must also work to be more inclusive”, the President added. “We must find ways of reaching more economic actors, including the cooperative sector, the rural producers and even induce the informal sector to formalize its activity”.

President Guebuza said that the country has been attracting investment from companies of all sizes – and the investors “are not attracted just because we are hospitable or because we are endowed with many natural resources”.

“They are also attracted”, he insisted, “by the business environment that we have been consolidating, through the reforms underway to establish a stable and credible financial system”.

He paid tribute to the private sector conferences “for their role in inducing structural transformations and for the gradual improvement in macro-economic stability”.

“The wind is blowing in our favour, in favour of the growth of national companies and of companies implanted in Mozambique”, President Guebuza said. “But we must always be aware that, like the wind, some of these opportunities may be fleeting, and so must be exploited while they exist”.

“We must continue to invest in innovation and in incorporating techniques and technologies that lead us to produce with greater efficiency”, he said. “If we become more efficient, then we shall become more competitive”.

He also called on Mozambican businesses to be “more creative and dynamic in exploiting the opportunities to establish or consolidate our business community, and strengthen its relationship with foreign businesses, We have to read the market attentively, minimize risks and diversify the products we are offering to the national, regional and global markets”.

President Guebuza stressed that company leaders should have a vision that they share with their workers, eliminating foci of conflict, so that workers and bosses alike have the same long term objective. “A good climate in the workplace helps towards greater productivity”, he said, because when workers feel that they are valued “they may give more of themselves to the company”.

Businessmen seek Saudi partners

A group of Mozambican business people will participate in Saudi Arabia, in the “Gulf –Africa Investment Forum 2010” held under the theme “Promoting Economic Relations”.

This is a forum on investment opportunities in the areas of telecommunications, infrastructure, agriculture, trade, energy and natural resources.

“At the forum, the national business community will be able to promote business and investment opportunities in Mozambique and exhibit products and projects,” according to the Mozambique Confederation of Business Associations.

Rice processing factory for Matutuine

A partnership between the Mozambican company Ubuntu and the Libyan Investment Fund is to invest \$33 million in rice production and processing in the southernmost Mozambican district of Matutuine.

The first stone in a rice dehusking factory was laid on 29 November. The factory, with the capacity to process 600 tonnes of rice a day, should be concluded by 2012.

The Bela Vista Rice Project is currently looking for the best variety for the Matutuine soil. It is expected that, as from 2012, the Bela Vista Rice project will bring to market at least 27,000 tonnes of rice a year.

By 2014, the area under rice cultivation is expected to reach 5,000 hectares, and the harvest is projected at 57,000 tonnes of rice a year.

Technical advice on cultivation is being provided by Vietnam and by Thailand for processing.

Chinese company wins water tender

The Mozambican government’s Water Supply Assets and Investment Fund (Fipag) announced on 26 November in Maputo that the China Henan International Cooperation Group has won the tender to modernize the water supply network in the western province of Manica.

Fipag project coordinator Sergio Cavadias said that under the contract, worth \$42.4 million, the Chinese company will install 100 kilometres of pipes to increase water supplies to three towns in the province (Chimoio, Manica Town and Gondola), increasing the water supply from 4,000 to 40,000 cubic metres a day.

This contract is part of a program initiated in 2008 to increase the supply of piped water in these areas from the current 30,000 people to at least 230 000 people.

Joint venture for Tete minerals

The London-based companies North River Resources and Baobab Resources have formed a joint venture under which Baobab will develop North River’s exploration licenses at Mount Muande in the western Mozambican province of Tete.

The project is looking for magnetite, phosphorus, uranium and gold. Baobab will gain a 60 per cent share in the project if it invests \$625,000 in an initial exploration programme over a period of 12 months.

Further investment by the company can bring its share up to 75 per cent, and then to 90 per cent if it finances a definitive feasibility study. If North River invests on a pro rata basis, it will retain its 40 per cent stake.

Baobab says it will “assume technical management and operational responsibilities for the project. Compilation of historical exploration data has commenced, and drilling is scheduled for the second quarter of 2011”.

Baobab is already developing iron, vanadium and titanium resources elsewhere in Tete.

North River holds two exploration licences at Mount Muande, covering 338 square kilometres. The area is about 25 kilometres north-west of Tete city.

According to North River managing director David Steinepreis, “this agreement with Baobab will ensure that these Mozambican licences, which are contiguous with Baobab’s Singore and Massamba Group projects, are advanced in order to create value for North River whilst enabling our team to remain focussed on the development of our highly prospective Namibian assets”.

Zambia to launch rail feasibility study

The Zambian government on 25 November announced that it is to launch a feasibility study on the second phase of the Chipata to Mchinji rail link project.

Speaking to the Zambian parliament, Communications Minister Geoffrey Lungwangwa stated that this covers the extension of the line to join the Tanzania Zambia Railway Authority (TAZARA) line.

Mchinji is on the Malawian border, and once completed this project will allow for a large expansion of Zambian cargo transiting through Malawi and Mozambique to be exported through the northern Mozambican port of Nacala.

Lungwangwa told parliament that "my ministry has allocated 1 billion kwacha (roughly \$212,000) for operations and management of the Chipata to Mchinji Railway line. A further 1 billion kwacha has been allocated for the full feasibility study and detailed designs for the second phase of the railway line, which entails extending the railway to join TAZARA, possibly at Mpika or Serenje".

On 27 August, Zambian President Rupiah Banda and Malawian President Bingu wa Mutharika witnessed the inauguration of the 27 kilometre stretch of the rail line through Mchinji in Malawi, to Chipata in Zambia.

The connection to Nacala provides Zambia with a shorter route to the sea. The line will be used for Zambian cotton and tobacco exports, and for fuel and fertiliser imports. Previously it had the choice of a rail link to Dar es Salaam in Tanzania, Beira in Mozambique, or South Africa's ports.

It is hoped that once the Nacala corridor is connected to the TAZARA line, Zambia will be able to export its copper at a lower cost. It is estimated that Zambian copper output this year will reach 720,000 tonnes.

South African firm gets Moma contract

The South African Engineering & Projects Company Limited, a wholly owned subsidiary of the Aveng group, has won a contract worth \$200 million from the Irish group Kenmare Resources to expand the Moma heavy sands project in the northern Mozambican province of Nampula.

Kenmare operates a dredge mine in Moma that extracts titanium and zirconium ores from the heavy sands.

The contract aims to expand the entire project, from the extraction units to processing, so that annual production will reach 1.2 million tonnes of ilmenite and associated minerals such as rutile and zircon. The current installed capacity at Moma is 800,000 tonnes a year.

Ilmenite (iron titanium oxide) and rutile (titanium dioxide) are used to make white pigments for paints, paper and plastic. Titanium can be extracted from these ores and used to manufacture metallic parts where light weight and high strength are needed. Zircon (zirconium silicate) is used for abrasive and insulating purposes.

Work on extending the mine and processing plant should start, according to Aveng, in the first quarter of 2011.

New international airport for Pemba

Mozambique's publicly-owned airports company, ADM, has abandoned its plans to rehabilitate the airport in the northern city of Pemba, in favour of building an entirely new airport for this fast growing tourist resort.

The head of the ADM Projects Office, Antonio Loureiro, speaking at a tourist investment conference in Pemba, said the new airport would cost \$300 million, would be built to take large aircraft, and would be able to handle 500,000 passengers a year.

The beaches and islands of Cabo Delgado province attract sizeable numbers of tourists to Pemba. The existing airport is received an average of 1,200 passengers a day.

The government has declared Pemba a "Zone of Tourist Interest" (ZIT), and further investment is flowing to the area.

Thus the Italian group Meta Resorts has announced the building of a 150 room hotel in the Pemba suburb of Chuiba. Work will start on this undertaking, the Chuiba Beach Hotel, in the first quarter of 2011, and should take 14 months.

Loan agreements with World Bank

The Mozambican government and the World Bank on 17 November signed four loan agreements in Maputo to the total value of \$146 million. These loans were all approved by the World Bank board in September. The largest is for \$50 million to finance the second phase of the Maputo Development Programme (PROMAPUTO).

The other loans are for \$20 million for technical assistance for spatial development, \$34 million for the acquisition of medicines and other hospital consumables, and \$35 million for water supply programmes.

Speaking after the signing ceremony, the Minister of Planning and Development, Aiuba Cuereneia, said that the funding of PROMAPUTO is particularly intended for road rehabilitation and maintenance in the capital, to improve the Maputo drainage system, and to increase the coverage of the garbage collection system.

"The government is making a major effort to develop the Maputo municipality", said Cuereneia. The government's own contribution to PROMAPUTO is \$15 million, mostly to be spent on roads and on improving the management of urban public transport.

This is a condensed version of the AIM daily news service – for details contact aim@aim.org.mz

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