

The Japan Times

# MOZAMBIQUE

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## Determined nation gets set to fly

Stable, resource rich and business friendly, Mozambique is the jewel of Southern Africa, as Japan has discovered.

With thriving mining, fisheries, energy and financial services industries, Mozambique is now one of Africa's most buoyant and interesting economies, with real growth predicted to reach 8.5 percent this year on the back of a vast Liquefied Natural Gas (LNG) project and exciting infrastructure opportunities.

A politically stable country on the southeast coast, the former Portuguese colony is not without its challenges — 52 percent of its 25.2 million people live below the poverty line and two of the southern agriculture-rich provinces suffered severe floods in January 2013, which impacted crop production and infrastructure in the area, while displacing around 70,000 people.

Recovery efforts were, however, rapid. By June 2013, agricultural production had bounced up to 5.3 percent, a 1 percent increase on the year before. Foreign investment amounted to \$5.9 billion, and international reserves soared by \$404 million, with inflation remaining low.

With tempting incentives that include tax credits of 10 percent on investments in most sectors,



Manuel Chang  
Minister of Finance

and 5 percent on investments realized in the capital, Maputo, as well as fiscal and customs benefits and Industrial Free Zones, smart investors know they can bank on Mozambique for good investment conditions and solid returns.

As Finance Minister Manuel Chang told *Global Insight*: "Our priorities are clear. We have many competitive advantages in the region to invest in energy, tourism and infrastructure. The Nacala, Beira and Maputo corridors, which will foster stronger regional communication links, are being developed

to provide unique opportunities. Agriculture is at the base of our development, and fisheries is also very important, as we have a 2,700-kilometer-long coastline. We have learned from the Dutch disease and we are going to use the income from mineral resources to diversify and reduce inequality. We are investing heavily in education and health, because we understand that without a skilled and healthy population, there can be no growth."

### Japan boosts growth

Japan, whose Mitsubishi Corp. kickstarted the country's investment in Mozambique in 1998 when it joined forces with BHP Billiton, Industrial Development Corp. of South Africa, and the government of Mozambique to build the Mozal aluminum smelter, has pledged \$672 million toward several development projects in energy, agriculture and infrastructure, in order to secure natural gas supplies.

As Japanese Prime Minister Shinzo Abe said at the start of this year during an official visit to Mozambique — the first visit following the fifth Tokyo International Conference on

African Development (TICAD 5) held in Yokohama last year, when the deal was struck between himself and Mozambique's President Armando Guebuza, "the funds must finance natural resources and environment projects."

Mozal now provides 30 percent of the country's exports, and has been a huge success, with a \$2.2 billion extension added in 2002-3, with funds from private equity investors and international development institutions. Japan is now involved with five major projects, including the mod-

**"Our priorities are clear. We have many competitive advantages in the region to invest in energy, tourism and infrastructure."**

Manuel Chang, Minister of Finance

ernization of the port of Nacala, the deepest in Southern Africa; ProSavana, in collaboration with Brazil, which will help small and medium-scale farmers increase production sustainably and benefit from returns; a gas-fired power plant in Maputo, which will stabilize the power supply to the southern part of the country; a coal-fired power plant in Maotize, as part of a consortium with Brazil and Saudi Arabia;

and the much-feted LNG project. The catalyst for Japan's renewed interest in Mozambique was the signing of an accord during TICAD 5 between the two countries to protect those who invest in the African country.

As Japan's Foreign Minister Fumio Kishida, explained: "This agreement will stimulate the flow of Japanese investment to various sectors of the Mozambican economy. It will help with the development of infrastructure, expansion of an agriculture and agro-industry, and the transfer of technology,

branded products.

As president of the Business Confederation of the Community of Portuguese Speaking Countries and chairman of the General Assembly at the Confederation of Business Associates of Mozambique, he had this to say to potential investors:

"I was the first Mozambican studying governance and ethics in the U.S. and brought this topic to Mozambique, as I believe values are fundamental in any business model. We consider Japan a country that looks at the long-term commitment when doing business. Synergies between Mozambique and Japan can result in benefits on a global scale. Japan can make the difference in several sectors of our economy, including agriculture, energy and tourism."

### Business excellence

In terms of infrastructure, the Polana Serena Hotel remains an icon in Maputo, Mozambique's buzzing capital. Situated on one of the city's most prestigious avenues and within easy reach of the international embassies, government buildings, presidential complex, shops, restaurants and sidewalk cafés, the hotel is in the heart of the capital and only 15 minutes from Mavalane International Airport.



World-class facilities at the iconic Polana Serena Hotel.

Polana Serena provides stunning accommodations for business visitors to the country and was the hotel of choice for Prime Minister Abe and his delegation during January's official visit. Part of the luxury Serena brand, the hotel recently added a new spa and refurbishment that together cost \$10 million.

As General Manager Miguel Afonso dos Santos explained: "Some 95 percent of our clientele are business customers. They are very demanding, travel around the world and attend the best hotels, and we try every day

to adapt the product and service to exceed expectations and thus continue to enjoy our reputation for excellence. Maputo will continue to develop. Recent discoveries of minerals will impact the infrastructure development of the country and the city.

"Mozambique's growth would be even more positive if it could position itself within the tourism quality, excellence and anchoring international brands. I think the focus on quality and sustainable tourism, nature preservation, ethnicity and culture would be the way forward."

## Building and spreading wealth

International organizations are using Mozambique's innovative regional development scheme as a beacon for good practice, while the banking sector continues to expand.

Thanks to government reforms to make Mozambique more investor-friendly and the central bank's role in carrying through effective legislation, the financial sector has become the country's most successful zone.

Although unaffected by the international banking crisis, Mozambique felt an impact in terms of markets, especially with aluminum, cashew and shrimp exports.

However, as Minister of Finance Manuel Chang reports: "Although this brought consequences in tax revenues (it didn't change the financial sector's stability.)"

Nowadays, he says, Mozambique has banks from Mauritius, Portugal and South Africa, among others. "The central bank had a very effective role in these reforms. Recently, it created a regulator for the insurance industry that will inspire more confidence.

"Last year, a new strategy was approved that aims to bring banking services to the areas that currently don't have them. We have aligned our legal framework with international stand-

ards, such as electronic control on transfers and the improvement of financial reports.

"The sector is strong: We have low levels of bad debt, 18 commercial banks, 218 bank counters and more than a thousand ATMs. Half the population doesn't yet have access to banks, so there is a very strong window for growth. Our main challenge will be to continue being solid and controlled for major projects

**"We have an International Desk within our structure, which means we can support Japanese investors' needs regarding processes and legislation."**

Paulo Sousa, CEO, BCI

in the country."

*Global Insight* asked the minister how he aims to ensure access to credit, while keeping inflation below 6 percent.

"First we need to combine monetary and fiscal policies," he said. "I meet with the governor of the central bank every week to decide about policies. We also have to control the exchange rate. We created a development

bank in order to assist the country with specific development programs.

"Mozambique has pioneered a regional "seven million" fund to develop regional and rural areas. This will be done in stages: First we will analyze the added value of each region.

"By doing this, the fund can participate in developing a specific potential in that region thereby creating jobs.

Investments will be managed through a board constituted by the most influential people in that specific region. The program has already created a million jobs.

"International organizations are studying the program as it is the best-case practice in our region. It is an expansive fund as the interest rate given to the people comes back to the

fund, where it can grow and be invested again."

The minister is delighted to be collaborating on Mozambican/Japanese projects. "The Japanese diplomats in the country are very active and have brought about incredible results, especially the official visit from Prime Minister Abe with some of Japan's most important businesspeople. Japan has supported us in some of our toughest moments and, as with Mozal, helped changed the course of the country's fortunes. I believe that now the country is a privileged destination for investors, with the right guarantees, legal framework, and social and political stability."

### Local success

Mozambique also benefits from being part of the Southern African Development Community (SADC)—a globally competitive economic environment that contains as yet unharvested natural resources and a potential market of around 300 million people.

For reinsurers Moçambique Resseguros S.A. (MOZRE),

booming economy and ever-increasing infrastructure projects have been a godsend, as MOZRE's MD Mufaro Chauruka explains:

"We are proud to be the first reinsurer established in the country and to be playing a meaningful role in Mozambique's development. We helped the economy retain \$10 million of reinsurance premiums, which is invested here in banks, who then lend to property developers and other investors.

"We are also active on the stock market and looking to get more opportunities with new companies willing to be listed.

"This local investment creates employment and curbs invisible exports. When risks are placed outside Mozambique before

exhausting local capacity, it means other economies grow at the expense of our own. It is therefore very important to ensure local insurance and reinsurance companies are prioritized and given the opportunity to participate on risks before any offshore placement.

"Our figures speak for themselves. Japan has strong companies and we would like to benefit from their knowledge and skills so that we can together develop future business opportunities."

Meanwhile, with the banks scoring highly on growth, Paulo Sousa is the CEO of Banco Comercial e de Investimentos (BCI), which began life as a small investment bank in 1996, and is now one of the leading banks in the country. He reflects on his

company's successful strategy.

"We profited from being a new bank in the market with a strong strategy which fulfilled the market need by investing on a solid expansion of the banking network and focusing on the most important segments of the market. We have invested heavily in training, which helped increase our client portfolio by 38 percent last year and create 18 new branches.

"We now have an International Desk within our structure, which means we can support Japanese investors' needs regarding rules, processes and legislation. It will be focused on energy, infrastructure and agriculture.

"We are also focused on supporting small and medium enterprises (SMEs) as they will be

corporations of the future. Last year, we launched BCI Negocios to offer credit lines to small businesses and the base, of 500 million meticals (\$16.4 million), was reached very quickly. As the main sponsors of the best 100 SMEs in Mozambique, we launched a new line of credit, this time for 5 billion meticals, so we hope this one lasts longer.

"The growth rate of BCI shows that people and investors trust us — and they are the best proof that Japanese companies can feel embraced by BCI, while investing in Mozambique. The Japanese economy is solid and developed in segments that can add value to our economy, such as technology and education. Tourism, health care and industry will bring great returns on investment."



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# Revolution in energy and fisheries

Investment is being pumped into two of Mozambique's most important sectors with new technologies needed to increase production and make the economy soar to new heights.

With 150 million cubic feet of high-quality natural gas discovered off its shores, the potential to become the world's largest exporter of LNG in 2018 is immense. And Japan, as one of the world's biggest importers of the lucrative commodity, is clearly keen to be involved.

As Japanese Prime Minister Shinzo Abe announced during his official visit: "We signed some important protocols to strengthen the bilateral relationship."

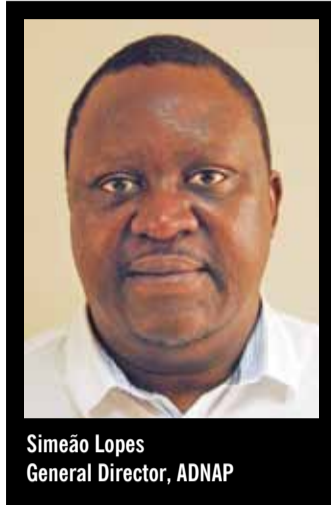
As part of the agreement to lend Mozambique \$672 million over five years for development programs, Japan will contribute a \$167 million loan to build a 100 MW natural gas power plant in Maputo to help the country keep up with electricity demand growing at a rate of 8 percent a year, which current generation capacity cannot meet. The plant is scheduled to be completed in 2018.

## Growing demand

In the meantime, as Mozambique's Energy Minister Salvador Namburete explains, the domestic demand for electricity is growing at a rate of 15 percent per year, requiring a capacity of at least 100 MW per



Paulo Muxanga  
Chairman, HCB



Simeão Lopes  
General Director, ADNAP

annum — notwithstanding the extra surge that will be needed for large-scale projects as they come online.

Fortunately, with the Zambezi River crossing the country to meet the Indian Ocean, Mozambique is a mecca for hydropower and home to the Cahora Bassa Dam, which provides power to Mozambique and South Africa.

As the energy minister explains, with 40 percent of the country's homes now having electricity, compared to just 7 percent 10 years ago, "Mozambique is in the top position in Southern Africa in terms of new home electricity connec-

tions a year, and third in terms of access to electricity, after South Africa and Mauritius."

In May this year, at the Powering Africa conference in Maputo, Namburete announced that the country has the potential for 18,000 MW of electricity from hydropower, 2,430 MW from other renewable sources, 23 billion tons of known coal reserves and, of course, the LNG capacity.

"I predict that the energy mix will evolve to 50 percent from renewable sources (including hydropower), 25 percent from coal and 25 percent from natural gas."

An icon, both in the region

and in Africa, the Cahora Bassa Dam is the largest energy producer in Southern Africa, pumping out 2075 MW of hydropower a year, two-thirds of which goes to South Africa.

Paulo Muxanga, chairman of Hidroeléctrica de Cahora Bassa (HCB), spoke to *Global Insight* about the rise in demand and investment opportunities.

"There used to be an energy surplus, but lately we have seen the need to route power to Mozambique because of its rapid development. Right now we are sending 500 MW home, which is 200 MW more than a few years ago.

Expectations are very high and we need to double energy production. In this sense, HCB also has to increase its production. We have five generators working at their peak, but we need to make additional investments.

"At the moment we are modernizing our equipment, and we believe that after modernization, we will be in line with international best practices. The next project will increase the capacity of power generation through a new station called North Station.

"We are ready to start engineering and feasibility studies. We've been in talks with international organizations and hired an international consultant to help manage the project. Studies recently conducted



Sailing ahead with artisan fishing craft

suggest an additional power capacity of 1500 MW, assuring our position as the largest producer of clean energy in Southern Africa."

Muxanga outlines the profile of investor HCB needs: "HCB has an excellent financial performance and track record. Last week we announced a dividend of \$34 million to shareholders, and most of that goes to the state as it has a 92 percent stake. Any partner will need to be innovative and bring sophisticated technologies — and recognize that the concession will always be managed by us."

Cahora Bassa is also investing heavily in the community.

"Big companies have social responsibilities to communities, and we recognize that the people still do not have access to power, or realize the value of what we are doing.

"In this sense, we contribute by building hospitals and schools, we support local culture and sports and are currently developing a water supply to a village of around 20,000 inhabitants. We also support agriculture by adding Vitamin A to potato seed and contributing to food security."

## Fisheries

Meanwhile, with more than 2 million people involved in the fisheries sector, industry regulator National Fisheries Administration ADNAP reiterates the vast openings on

the table: "Mozambique has opportunities for the improvement of fishing ports, including the processing and freezing of fish, to be at the highest level requested by the Japanese market," says Simeão Lopes, ADNAP's general director.

"The sector is critical to job creation and two-thirds of the population live in coastal areas. In this sense, the fishing industry and the entire value chain such as processing and ship repairing, have a major part to play in reducing the challenges to the Mozambican economy.

Fishing in Mozambique also contributes to political and social stability of the country. About 2 million people are directly and indirectly linked to the fisheries sector in the country. Fishing is also critical for food security and an important asset to the health of the country."

## Crafting growth

Around 98 percent of the industry's fishing boats are hand-crafted, and ADNAP is interested in developing this as an offshoot of the sector.

"The structure of government has various components such as the development of small-scale fisheries through an institute focused on artisanal fisheries. It is to this component that the government has allocated funds for technical and technological development of artisanal fisheries, and to thus create more

profitable and value-added conditions and thus contribute to improving communities."

An impressive \$67 million from the International Fund for Agricultural Development (IFAD) and other partners has been issued which will create lines of credit for artisanal fishermen. "This will allow them to access the best motor-boats so they can distance themselves from the coast and get resources in less explored areas.

"I remember that for many years most of the communities

bleamed with these natural conditions and the demand for fish is increasing. At this time and despite this extensive coastline, Mozambique imports 50 tons per year from Namibia.

"Aquaculture would offset the deficit, although there are still challenges in the development of aquaculture as an example of "know-how," environmental issues and the processing itself and logistics. We believe that soon it will achieve positive results.

"As the minister of fisheries

**"HCB has to increase its production. We have five generators working at their peak, but we need to make additional investments."**

Paulo Muxanga, Chairman of HCB

lived in "huts" and today, when passing these locations, we observe that there is already improved access to electricity and TVs. This is a result of government intervention in economic capitalization of fisheries communities historically linked to artisanal fisheries."

The export of shrimp (previously considered the "oil" of Mozambique) will provide \$75 million in revenue for the government this year. It does however need investment, as Lopes explains.

"Aquaculture is an excellent opportunity. The country is

has stated: With the current economic stability it is time to develop a Mozambican tuna fleet. With good management and necessary knowledge about the sector and the market, we believe that this industry is an important contribution to the future economy.

"We are considering relocating to Japan to explore possible scenarios for technical support and management.

"We need to see how the private sector can participate more effectively and seek bilateral agreements for developments for infrastructure research laboratories."

## BANCO ÚNICO - Tailor-made solutions for investors



João Figueiredo  
CEO and Chairman, Banco Único

Banco Único boasts an ability to adapt to the need of every company operating or investing in Mozambique, irrespective of its sector.

Already the sixth largest bank in Mozambique, Banco Único offers a diverse range of cutting-edge financial products and banking services for individuals and local and foreign companies of all sizes and across all sectors of the Mozambican economy.

Revealing the secret to their outstanding success, Figueiredo explained how the ambitious bank has gone from strength to strength and achieved such an impact on the country's financial services landscape in such a short space of time.

"We recreated the way to do 'banking,'" said the CEO and Chairman. "Our range of products is vast and includes all products commonly offered by banks, from mortgage lending to consumer leasing among others, but more than selling products and services, we design solutions for our clients. This transforms Banco Único into a 'tailor-made bank.' A bank inspired by customers, that

does not sell products but builds a common future, fully-aligned with their needs and providing value-added solutions. This is the great secret of Banco Único and makes the difference."

According to Figueiredo, the group's ability to customize financial products and services for each client according to their specific industry or business area allows Banco Único to take advantage of a greater amount of business and investment openings. "We have a division of investment banking. This division has the ability to work to capture business opportunities," he explained. "We have managers with substantial experience in the market who are able to identify investment opportunities here. We believe that partnerships have to add value and must be based on providing mutual competitive advantages. We have the ability to build these partnerships between international companies and local businesses."

Banco Único is now setting its sights on Japanese investors who are flocking to this corner of Southern Africa in ever increasing numbers to explore lucrative

investment opportunities, which Figueiredo welcomes.

"Coal and gas are anchors of the Mozambican economy," he added, "but the challenge is not their exploitation but continuing to develop a multispectral economy and resisting the temptation to become a 'commodities' economy. It's important to promote economic development and not economic growth. This is to ensure economic growth is reflected in the development of the population and economy throughout the territory. Politicians are making the country more attractive to FDI and creating an enabling economic environment for the entry of new players in the market."

Turning to what the Japanese can offer to Mozambique, and vice-versa, the senior banker added: "Japan is able to develop technologies to fit the needs of any market. Mozambique has fertile soil and opportunities in the fishing and tourism sectors as well as infrastructure development. Any Japanese investors in any sector will surely succeed in Mozambique."

One of Mozambique's youngest but fastest-growing financial enterprises, Banco Único has enjoyed a meteoric rise since it was established just three years ago thanks to its dynamic and passionate approach to banking and focus on tailor-made solutions for clients.

Headed by industry veteran João Figueiredo — who in 2013 was awarded the prestigious title of African Banker of the Year

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The largest hydroelectric project in all of Southern Africa, the Cahora Bassa energy generation system on the Zambezi River is one Mozambique is rightly proud of given its importance to the country's sustainable socioeconomic development. By creating a constant and reliable stream of electricity, the dam helps to ensure fresh foreign investment continues to flood into Mozambique.

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# New links herald a new era of growth

Japanese and Mozambican links are growing all the time, with many Japanese companies and institutions coming out in support of the African country

The entities, who attended a presentation in Maputo in January, join a long line of well-known global names already present in the country, including BHP Billiton, KPMG, Rio Tinto, Vale, Odebrecht, Europcar and DP World.

As the political and financial capital of Mozambique, Maputo is home to the headquarters of the major companies in the country and responsible for 20.2 percent of its GDP. It boasts the second-largest port in East Africa and connections to the entire SADC region.

"During 2013, we gave licenses to 1230 foreign companies. This shows the efforts and trust investors are putting in the country and in Maputo," says busy Governor of Maputo, Lucilia Hama. "We have a comprehensive structure to ensure investors are well received and quickly attended to. The Investment Promotion Centre (CPI) is here to provide support and a one-stop shop that allows both private investors and companies easy access to regulatory and tax services related to their business and citizenship. Last year, we reached more than 85,000 people with an approval rating of more than 80 percent."

"The official visit of the Japanese Prime Minister in January brought employment and important infrastructure projects to the country. Through the Japan International Cooperation Agency (JICA), Japan is actively involved with Maputo. Looking forward, I

would suggest Japan invest in the dairy industry, cereal transformation, vegetable conservation, textiles, paper mills, petrochemicals and pharmaceuticals, manufacturing of automobile related products, generators, electrical equipment, production of television and other electronic equipment and a solid waste management system ... I see many opportunities.

"Japan should also understand the potential of investing in human capital. This will be key to ensuring young Mozambicans create more jobs and add value to future Japanese investments."

"Maputo is a very safe and receptive city. It has a great business environment and the right people and infrastructure to make your business successful." During the January visit, Takeshi Kunibe, president and CEO of the Sumitomo Mitsui Banking Corporation, called Mozambique "one of the most important countries in Africa," thanks to its expected high growth rates, led by LNG and coal and further agricultural development, but explained that securing sustainable finance is a key challenge.

SMBC is keen to leverage its expertise and track record in the field of natural resource development and infrastructure projects and can provide a full range of financial service in all stages of Mozambique's economic development.

With 66 offices overseas and total assets of ¥125.7 billion, the



Sunset over Maputo

award-winning bank is able to provide tailor-made financial solutions to its clients globally.

Through a memorandum of agreement with ABSA Bank Ltd., a wholly owned subsidiary of the Barclays Africa Group and listed on the Johannesburg Securities Exchange, SMBC will expand the existing cooperation to support Mozambique's economic development by its expertise and local network, especially in natural resources and infrastructure.

Lourenço Sambo, director general of the Investment Promotion Centre summarized the scale of development needed and priority projects, as such:

Completing the rehabilitation and improvement of the road network; restructuring the investment model and operation of railroads; and expanding and

enhancing the capacity of the railroad network; priority railroad lines that include: Moatize-Fall-Nicoadala-Macuse and Macuse Port; Moatize-Nacala and Nacala Coal Terminal; and Chicualacuala-Techobanine and Techobanine Port and six others; the building of airport terminals

**"During 2013, we gave licenses to 1230 foreign companies. This shows the efforts and trust investors are putting in the country and in Maputo."**

Lucilia Hama, Governor of Maputo

with international characteristics, with Nacala Airport and Pemba Airport upgrades currently under way.

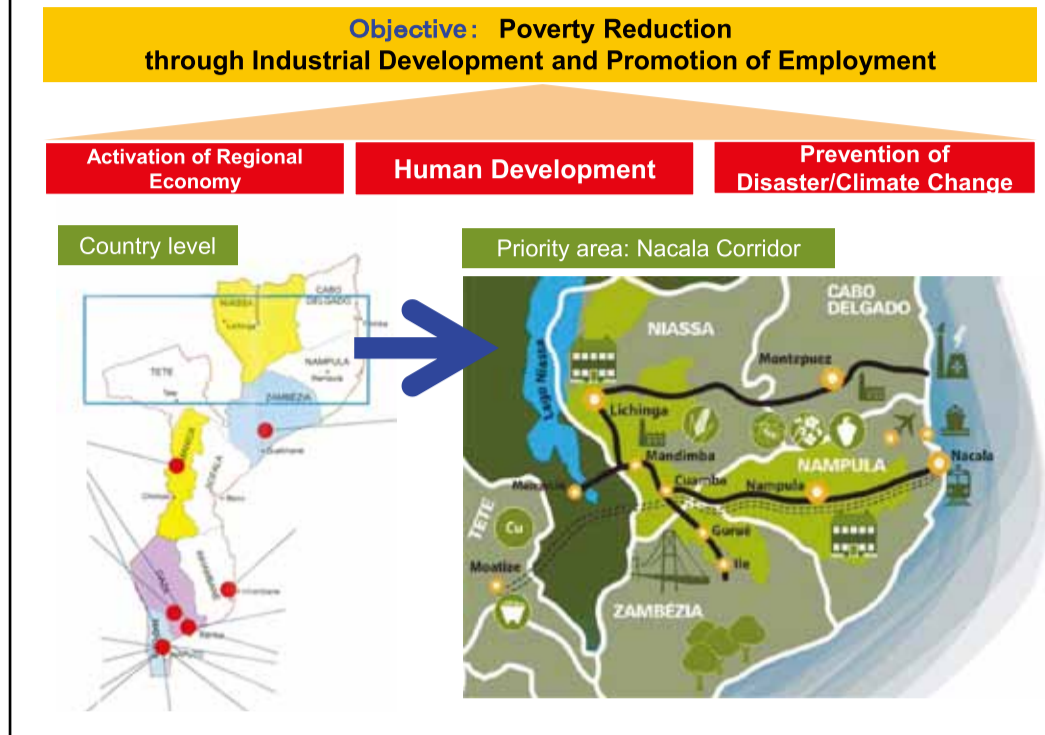
Infrastructure is also needed to aid the production and distribution of power. Work is

underway to expand access to energy, create the ability to use new or renewable energy and to build and upgrade energy infrastructure. Priority projects include: the Mphanda Nkuwa Hydroelectric Power Plant; the Matambo-Inchope, Vilanculos, Chibuto and Moamba transmis-

sion lines; the Ressano Garcia Natural Gas Power Plant and the Lúrio Hydroelectric Power Plant.

Roads and bridges are also being modernized. Major projects in progress include the

## JICA's strategy for Mozambique



construction of the Maputo-Katembe bridge and the road to Ponta d'Ouro; construction of the Maputo Ring-road; and the rehabilitation of the Montepuez-Lichinga highway.

To help the fisheries sector, the rehabilitation of ports, establishment of conditions for fish processing, and development of infrastructure for aquaculture are vital to a sustainable economy. Current projects include the rehabilitation of Maputo and Beira fishing ports.

Infrastructure support to agricultural production is also needed to improve and increase the storage capacity of water resources and the rehabilitation and construction of irrigation.

Priority projects include the construction of the Moamba Major Dam and a feasibility study for the building of the Mapai Dam,

as well as the rehabilitation of four irrigation plants.

The Nacala Corridor Fund is a two-pronged investment project that will see Mozambique's agricultural sector galvanized. Japan, the EU and the U.S., will join with Mozambique in a joint social fund that will yield sustainable returns for small-scale cooperatives involved in livestock and agricultural production, as well as local infrastructure needs, while Brazil and Mozambique will contribute to a private investment fund to buy the machines, equipment and services needed for medium- to large-scale projects. Trade and exports are expected to soar once production increases.

Ken Kobayashi, president and CEO of Mitsubishi Corp, which has a 25 percent share in the Mozal aluminium smelter,

also attended the presentation. Mozal contributes half of Mozambique's total exports, job creation and skill development and downstream industry development.

It also does ground-breaking work on a social level — founded by Mozal shareholders in 2001, the Mozal Community Development Trust has accumulated more than \$30 million during its lifetime to fund micro-business development, education and training, and health, environmental, sports, cultural and infrastructure initiatives.

Finally, the Japan Dredging and Reclamation Engineering Association will use its considerable expertise and environmentally friendly "super grab" technology to help improve Nacala Port by improving access for larger vessels.

## Natural gas giant Anadarko fuels Mozambique's emerging LNG industry and powers prosperity and partnerships with Japanese companies

As one of the world's largest independent oil and natural gas exploration and production companies, Anadarko is playing a pivotal role in the development of Mozambique's liquefied natural gas (LNG) resources, which will be extracted, shipped and sold to major international markets such as Japan.

Estimated to hold up to 70 trillion cubic feet (TCF) of recoverable natural gas or more in the large Rovuma Basin alone, Mozambique's fledgling LNG industry has already attracted over \$3 billion in FDI from Anadarko and other industry players, with that figure forecast to surge to more than \$15 billion as the project advances.

In the past four years, Anadarko and its partners have drilled more than 25 deep-water wells within the Offshore Area 1 Block and discovered an estimated 50-70+ TCF of recoverable natural gas. In addition, Anadarko is collaborating on a state-of-the-art project to develop a commercial onshore LNG facility.

These huge natural gas discoveries and future world-class LNG project represent a lucrative opportunity for Mozambique to become the world's third largest exporter of LNG — behind Australia and Qatar, but ahead of Malaysia, Nigeria and Indonesia — in a transformation that will generate substantial foreign exchange, attract fresh FDI for new infrastructure, create jobs and boost the country's overall socioeconomic development. Given the country's favorable strategic location, LNG will be exported initially to prime markets in Asia, with options of exporting to Europe and the Americas as well. The Mozambique Gas Development Project includes an LNG park on the Afungi Peninsula of Cabo Delgado province. The area is large enough to accommodate expansion, including multiple additional trains capable of producing over 50 million tons per year of LNG once fully operational.

Offshore Area 1 comprises around 2.6 million acres in northern Mozambique and comprehensive exploration activities in the area have to date resulted in six of the world's largest discoveries in the following zones: Windjammer, Barquentine, Lagosta, Camarão, Golphinho and Atum. These natural gas accumulations are found at depths of around 5,000 feet which makes them ideal for exploration by established and experienced industry giants such as Anadarko. Anadarko Mozambique Area 1 Country Manager, John Peffer, explained the extent of the progress achieved by the dynamic company since 2010 and emphasizes the importance of Mozambique to Anadarko's overall international LNG development strategy.

"Anadarko made its first discovery in Mozambique in early 2010 and the company has since discovered around 70 TCF of recoverable natural gas from

some of the world's largest accumulations," he stated. "In the Offshore Area 1 alone, there is an estimated 50 to 70-plus TCF of recoverable natural gas. Anadarko seeks to responsibly explore for, develop and deliver oil and natural gas resources that are necessary for the modern world. While this represents an important opportunity for the company and is an important part of Anadarko's portfolio, we are excited about what this project means for the people of Mozambique."

"The development of these resources has the potential to significantly enhance the quality of life for the people of Mozambique as the nation positions itself as the world's third largest exporter of LNG. We are glad to be in Mozambique and developing its gas resources in a manner that will benefit its people, while providing a cleaner energy source for the world for decades to come. The Mozambique LNG project represents a tremendous opportunity for Mozambique and our partnership."

### Shared vision creates success story

Peffer is quick to highlight the hard work of the government in bringing together the public and private sectors to ensure fluid progress and said Mozambique LNG has the expertise, skills and knowledge to safely deliver one of the world's most significant LNG projects.

"Anadarko has been exploring and operating in Mozambique for more than seven years. During that time, we have developed and maintained a good working relationship with the government through transparency and consistent dialogue. The success and timing of the project requires continued alignment with the government that includes the stable legal, contractual and regulatory framework required by investors, LNG buyers, financiers and contractors that is supported by the full force of the law. Last year, President Armando Guebuza announced a proposal to provide the stability needed to move the project forward."

Turning to focus on the project's latest technical achievements, Peffer continued: "From a technical perspective, we are advancing this project toward first cargoes. We are currently in the process of finalizing our discussions with the government aimed at achieving the fiscal and legal stability required to ensure the success of a project of this scale and complexity." "It is evident that Mozambique is now being looked to as a new strategic supplier of LNG for the world. The natural gas created from this superior resource is of premium quality. Additionally, the close proximity of the Offshore Area 1 discoveries to shore is another advantage as it reduces the development cost."

Given its vital role at the heart of the country's new LNG industry, Anadarko shares the vision of other project sponsors and is fully committed to safely developing a transformational opportunity for Mozambique, concentrating on environmental stewardship and social responsibility. This goal encompasses the sustainable development of a new strategic supply of energy for the world.

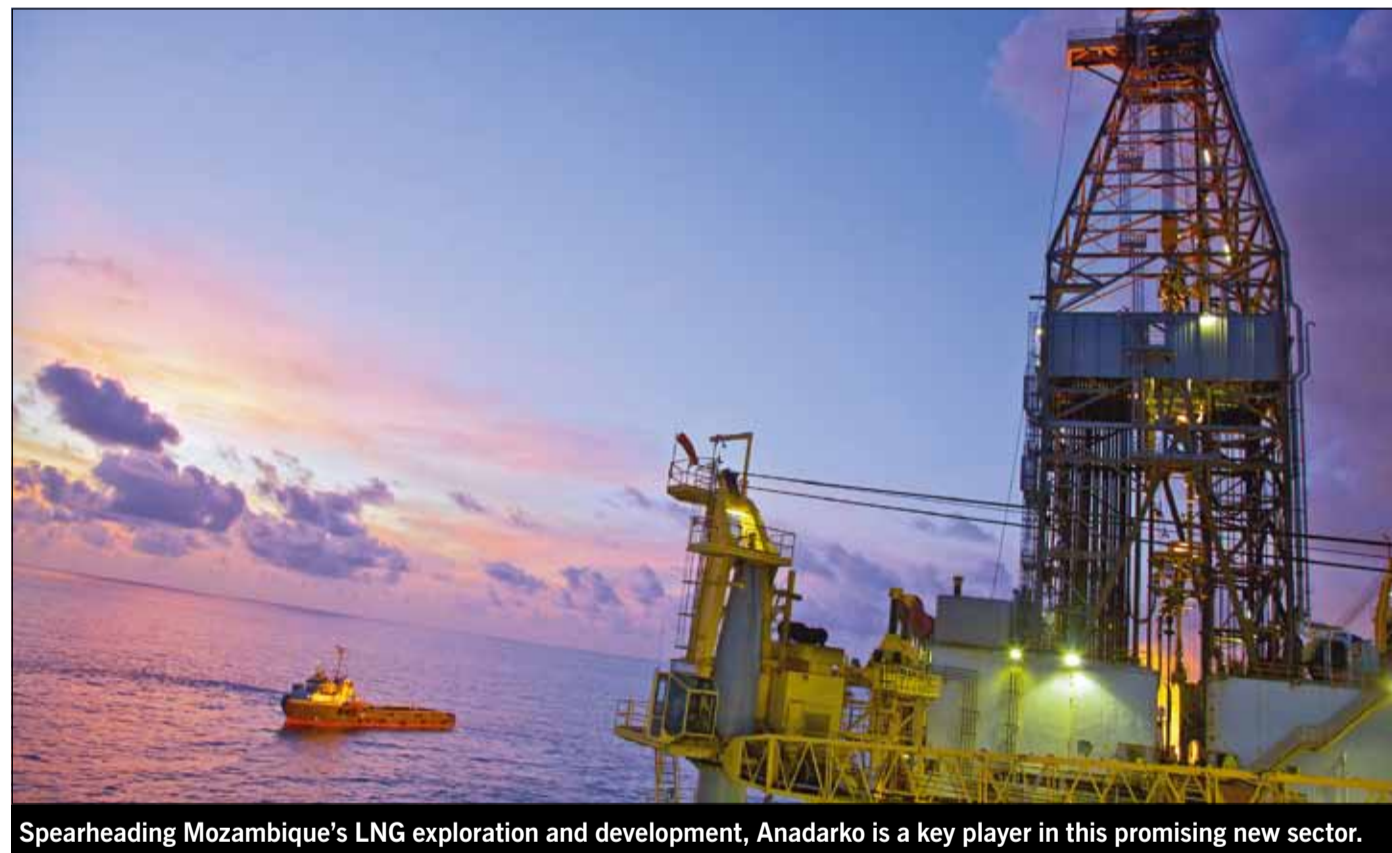
### Japan targets Mozambican LNG

As the world's largest importer of LNG having spent a record \$70 billion on deliveries in 2013, Japan is eager to take advantage of Mozambique's LNG potential as the country looks to new sources for its growing energy needs.

Japanese Prime Minister Shinzo Abe's visit in January 2014 has been widely seen as a clear sign that Japan views Mozambique as a potential long-term partner in the energy sector as the Asian economic giant looks to become less reliant on traditional energy partners.

"Japan represents a highly desirable market for any LNG seller based upon its high credit ratings and favorable financing, as well as the country's extensive experience in the LNG market and rich culture brought to greenfield projects," Peffer acknowledged.

"Japan has been a bedrock supporter of greenfield LNG projects since 1969,



Spearheading Mozambique's LNG exploration and development, Anadarko is a key player in this promising new sector.

and we look forward to continuing that tradition. Mozambique LNG has been very supportive of METI's policy objectives by offering flexible terms on our competitively priced LNG.

"We already have Mitsui & Co. as one of our fellow concessionaires, owning a 20 percent participating interest in the project, as well as Japanese companies participating in the competitive FEED process. Potentially the largest investment we see Japanese investors making in the near term is through purchasing natural gas from the Mozambique LNG project."

"Beyond the Mozambique LNG project, there will be several new opportunities for Japanese investors as development in Mozambique continues to progress. There will be needs for additional electrical generation, infrastructure and various investments as the country's domestic gas market continues to expand and the country continues to develop."

### Anadarko supports local communities

Anadarko is a firm believer in contributing to local communities and has helped thousands of people since it first arrived in this corner of the continent.

Eager for local people to be a part of the LNG success story, Anadarko has empowered Mozambicans by recruiting workers from villages living in the vicinity of its operations and has funded their training and sharpened their skill sets for the exciting journey ahead. Public health systems have been improved and the local scenery, wildlife and general environment protected and enhanced through substantial investment.

Peffer explained Anadarko's approach to such important social issues: "Our social investment strategy focuses on three main pillars: health, education and environment," he said. "As the Mozambique LNG project advances, Anadarko expects to continue supporting and investing in programs that build capacity of Mozambicans with technical training and higher education such as

the company's partnership with the University of Eduardo Mondlane and its Petroleum Engineering program.

"Social investments are also being made at a significant level that are expanding access to health services in local communities, and addressing malaria concerns, while improving infrastructure and taking great care to protect Mozambique's natural environment."

**"Anadarko seeks to responsibly explore for, develop and deliver oil and natural gas resources that are necessary for the modern world. We are excited about what this project means for the country of Mozambique."**

John Peffer, Anadarko Mozambique Area 1 Country Manager

Of course, such benefits extend beyond individuals to small and medium-sized enterprises (SMEs) that are the heartbeat of many villages and towns in Mozambique and the main source of employment for many young people.

In late 2013, Anadarko estimated it was spending around \$15 million per month on goods and services provided by local firms and that figure has increased in 2014 through the expansion of project activities.

In addition, more than 100 Mozambican registered vendors work directly for Anadarko and scores more are employed by the company's various subcontractors on different aspects of the huge development such as support infrastructure, including civil engineering works like new roads, bridges, jetties and the creation and expansion of advanced communications networks.



President Guebuza visits Anadarko in the Gulf of Mexico.

# A NATIONAL TUNA FLEET WHICH IS DEVELOPING THE MOST IMPORTANT RESOURCE:



## THE PEOPLE

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MOZAMBIQUE GLOBAL INSIGHT



The first tuna boats are already on their way.



Mozambique's coastal waters are abundant with fish.



Stunning sea from Mozambique's coastline

# Making a splash as major tuna exporter

Boasting some of the finest fishing waters in the world, Mozambique is rapidly taking advantage of its lucrative and plentiful marine resources with the help of investors from nations like Japan.

Blessed with nearly 3,000 kilometers of beautiful coastline surrounded by rich fishing waters containing a vast and wonderful array of marine life, Mozambique is investing in a new fleet of tuna vessels and support infrastructure, such as processing plants to create jobs and power GDP growth.

This long-awaited drive to take advantage of a strategic location in Southern Africa and enviable access to the Indian Ocean is being spearheaded by Mozambique's government as part of a wide-ranging strategic plan to improve food security and reduce the industry's dependence on shrimp.

According to the Food and Agriculture Organization of the United Nations (FAO), shrimp accounts for nearly three quarters of the national fishing catch, although that figure is set to fall following major investment in a modern fleet of tuna vessels that will be managed by Empresa Moçambicana de Atum, S.A., (Ematum).

**"The fishing and landing of tuna and other species will be held in Mozambique, so there are fish-processing activities and exports that create and add value."**

The development of tuna fishery in a sustainable manner through a national fleet forms part of an ambitious strategic vision that aims to maximize benefits for the country and contribute to food security and nutrition in tuna-like species endemic to the area.

In addition, the fisheries development blueprint will make the industry contribute to national socioeconomic development, improve the balance of payments and ensure the sustainable exploitation of tuna, within the national, regional and international responsibilities of management of tuna.

## Fishing agreements

During the past 27 years, Mozambique has concluded a number of fishing agreements with the European Union, which grants permission for 75 vessels from Spain, Italy, France, Portugal and the U.K. to fish in its waters. In addition, the country has put pen to paper on two commercial deals with two tuna associations: one from Europe and one from Japan, that cover the use of around 50 vessels.

While these agreements may be a good source of foreign revenue, they do little to develop the domestic fisheries industry as the vessels are all crewed by foreign fishermen. Because catches are

transhipped at sea to support vessels or discharged in foreign ports, the tuna industry never utilizes Mozambican ports or local workers. In addition, there is no processing industry, meaning income is only generated by the fees for fishing licenses.

Established in August 2013, Ematum — or the Mozambican Tuna Company as it is known in English — has invested \$850 million in 24 tuna fishing vessels and half a dozen support craft in a move that is expected to generate around \$90 million a year in sales versus the current \$1 million a year, according to Fisheries Minister Victor Borges.

The dynamic politician said a feasibility study calculates up to 23,000 tons of tuna a year could be caught by the fleet, creating thousands of jobs and boosting the nation's GDP.

Addressing parliament in late 2013, Borges revealed: "Tuna fishing in Mozambique is currently dominated by foreign companies. There are 130 vessels catching tuna in the Mozambique

Economic Zone and among those only one is Mozambican."

That unfavorable position — from which Mozambique still earns money through the sale of licenses to foreign fishing operators — is now set to change, as Minister Borges is eager to explain.

"The fishing and landing of tuna and other species will be held in Mozambique, so there are fish-processing activities and exports that create and add value," Borges said, adding that more than a third of the foreign-owned tuna vessels currently operating in local waters are registered to Japan.

"Mozambique has been on the 'A' list of countries exporting to the European Union since 2006. In last year's audit, the results indicated that Mozambique continues to meet the required quality standards of vessels, aquaculture and laboratories. The Maputo laboratory [in the country's capital] even received international accreditation for its quality. We are also focused on preventing post-harvest losses through infrastructure in land. There are still some challenges involving the development of infrastructure, but there is a strategy to build 30 fish processing and storage centers along the coast, which would represent roughly one facility every 100

kilometers."

## Sustainable fishing

Minister Victor Borges explained that the key concept of this project is the development of environmentally sustainable tuna fishing within a value chain approach.

"Key components include a national fleet constitution, employment for nationals, support for small producers through interventions in value chains, technology transfer and marketing, training of national staff and technology transfers," he said.

These actions aim to generate a multiplier effect for the Mozambican economy throughout its value chain — processing, storage and marketing — and attract additional investments in related infrastructure along the value chain financing sites.

"The fisheries sector has to be seen from multiple perspectives," Minister Borges continued. "The first is the contribution to food security. Like agriculture,

fisheries contribute to food safety, including the provision of animal protein. Fisheries account for about 60 percent of the animal protein consumed in our country.

"There are three sectors that contribute to fishing in Mozambique: industrial, semi-industrial and artisanal. Artisanal fishing represents about 90 percent of overall production, with the remaining 10 percent represented by commercial fishing. In 2013, production reached 218,000 tons, our forecast for this year is 220,000 tons, a figure that would represent around 3.5 percent of GDP, as well as 3 percent of the country's exports. It has been more prevalent in the past, but the country is diversifying its economy and exploring other sectors such as tourism, mineral resources and agriculture."

## A fishing expert

Born and brought up in Zambezia province, home to one of the biggest fishing centers in the country, António do Rosário, CEO of Ematum, has fishing in his blood and so is the ideal person to deliver results for the young government-backed enterprise.

"National resources have to benefit the people," he said. "The success of Ematum is the product of a long-term vision of the country's leadership aimed at

Victor Borges  
Minister of FisheriesAntónio do Rosário  
CEO, Ematum

improving the living conditions of the Mozambican population. The priority now is to consolidate Ematum. As the first national company starting from scratch, we want to add value in the whole cycle: from catching tuna, to selling catches on national and international markets.

"We will be operating initially from Maputo Port with 30 boats, which is a fifth of the number envisaged by the strategic plan devised by the government, which foresees a fleet of 150 vessels. We have everything prepared in terms of where we will be putting our products when the boats return from offshore and how the catches will be used to supply the internal market. The tuna will be, initially, semi-processed on board the boats and taken directly to the client."

He continued to outline the key aim of the new company: "Ematum is here not only to catch, but also to develop the tuna fishing industry. Our investment will be toward human resources.

"This will be the first time we will have a niche of tuna experts in the country, but we will need to train them and this requires investment. Ematum will boost the tuna industry. After that, we would need to work internally in the supply chain market, which will allow our products to reach into every corner of the country."

"We have focused our efforts first on establishing the company: contracts and soon. Every institution is open to cooperation with us. Our core business is fishing, processing and selling. At our first stage, we will focus on paying attention to our core business as we cannot touch a whole value chain now. It will take time."

In a fresh clampdown on illegal fishing, which is regarded as not only a political, but an economic and social conflict, Mozambique has acquired a ship inspection and surveillance satellite that will be utilized under a comprehensive strategic plan for monitoring, control and surveillance.

"Mozambique believes its resources belong only to the country," Minister Borges stated. "The government is the principal guardian of these precious resources and so should set rules for their use while promoting their sustainable exploitation.

"Using tools such as GPS

technology, patrols and appropriate cooperation, Mozambique will more effectively protect its resources. The CCP (Community Council of Fisheries) is a trained and comprehensive group which is encouraged to follow good practice. There is still illegal fishing, but Mozambique has the ability to investigate these situations."

ment, namely the reduction of tariffs on imports of animal feed. We are also building a research center for aquaculture to ensure its environmental quality and ensure we follow the best international practices and achieve the proposed levels.

"The Japanese are very welcome to invest in our country and we will provide all the information and structure for their investments."

One of the most important messages that Ematum wishes to get across to a wider audience is how the country's abundant natural resources can only be properly exploited if Mozambique's human resources undergo similar development.

**Natural resources not enough**

Asked how Mozambique can transform itself into a prosperous and self-sustainable country in a complex world where geopolitical

Switzerland. Switzerland doesn't have any natural resources either, but they are one of the main financial centers of the world. They do not produce cocoa beans, but they produce and export the best chocolate in the world. What makes these countries different and successful? Human capital, which is the most important resource."

He continued: "Mozambique, as an independent country, has almost four decades of existence and faces challenges posed by geography, particularly a vast coastline and mineral resources. For us to thrive and move forward on the path to success, we need to focus on the most important resource: our people. This is what will make us sustainable. We always had to face and overcome big challenges such as financing during the past years as we depended on money from our donors."

Minister Borges expects the social, cultural and economic bonds between the African nation and Japan to receive a boost from the new national tuna vessel fleet.

"Japan is one of the best and biggest markets for us, and we look forward to benefitting from the bilateral cooperation between the two governments," he stated. "Anticipated shrimp exports of \$75 million this year will be far less than in 2013, meaning investment opportunities abound in the aquaculture sector.

"There is a consistent practice between Mozambique and Japan. Even when higher standards of

**"Buying Mozambican tuna is not just about buying fish, but investing in the health of the fish, both individually and collectively."**

variables pose both challenges and opportunities, do Rosário uses two examples that underline the importance of skilled human capital: Japan and Switzerland. "Having natural resources is not enough to make development happen and history has taught us that big countries endowed with huge natural resources are lagging behind in terms of development, whereas smaller countries with few natural resources, in less than a century, have performed tremendously well," he said.

"One such case is Japan and the question I've always asked myself is how could this country, devastated as it was after the Second World War, turn into one of the world's leading economies with a population of more than 120 million, despite the fact it lacked strategic natural resources like oil?"

"If we look for another success story in the world, we find

the authorities that one of our vessels has been approached by a strange ship. By having three boats equipped with this system, we will have an early warning capacity which will tell us what is approaching our vessels.

"We call these vessels Ocean Eagles, because they are fast and efficient at thwarting threats. We need to put in place a system, which will allow us to protect our routes, so that we will know exactly where each boat is."

Returning to the theme of the sort of business and foreign trade opportunities that Ematum and the new state-of-the-art tuna vessel fishing fleet will create, do Rosário sees a mutually convenient relationship developing between Mozambique and long-term partner Japan, one of the biggest tuna consumers in the world.

"The best tuna exists in Mozambican waters. If Mozambique has a tuna fleet and historical links with Japan in this sector, Japan will be our first priority when talking about cooperation. We will do what they need. Japan is a long-

term partner for us. We look at Japan not only as a market, but also as a partner when talking about the production and distribution chain. "Japan for us is not only a buyer, but a strategic partner in terms of knowledge, technology, infrastructure and the market."

"Japan has been cooperating with us for decades and is one of the main active players in our fishing sector. We send people there in order to train them on how to cut the fish and process it for sushi."

"There is no Ematum without Japan for us. We deal a lot with the Japanese, even though they are geographically far away, they are spiritually very close. Japan is one of the largest consumers in the world of seafood and fish per capita, and after the Fukushima disaster imports soared to historic levels. Japan is seen as a perfect match for the fisheries sector in Mozambique. My message is straightforward: buying Mozambican tuna is not just about buying fish, but investing in the health of the fish, both individually and collectively."

This report was produced by Global Insight and can also be read online at: [www.japantimes.co.jp/international-reports](http://www.japantimes.co.jp/international-reports)

António do Rosário, CEO of Ematum

identification systems in order to provide early warning to the navy so that they can protect our fleets in case we need that.

"The challenge we face today is piracy. That is the reason we need to be aware in order to tell

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# Developing a Clean Energy Source for the Next Generation

Mozambique LNG is emerging as a leader in the global LNG industry, with 50-70+ trillion cubic feet (Tcf) of estimated recoverable natural gas discovered to date in Mozambique's Offshore Area 1. The project sponsors have the expertise, skill and knowledge to safely deliver one of the world's most significant LNG projects.



*An emerging leader  
in the global  
LNG industry.*



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