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THE MOZAMBICAN INVESTOR produced by Adrian Frey

The #1 Newsletter for top business, investment, and legal news in Mozambique

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MOZAMBIQUE REVIEW

Coal Mining Companies Set Up Forum

Coal mining companies operating in Mozambique have set up a Forum, to be known as the "Mozambican Coal Development Association" (AMDC), as a precursor to a future Mozambican Chamber of Mines. The Forum held its first meeting in Maputo on Thursday, attended by representatives of the Brazilian company Vale and the Australian Riversdale Mining, which hold the two formal mining concessions in the Zambezi Valley, and of the 33 other companies which hold coal exploration and research licences. Speaking at the meeting, the Minister of Mineral Resources, Esperanca Bias, said that apart from defending the interests of coal companies, would also allow a frank and open discussion of such matters as transport tariffs, the development of infrastructure, and staff training needs. (*aim*)

Climate Change Already Here and Getting Worse

The Mozambican climate has been changing for the past 45 years, according to the first detailed study on the matter, unveiled in Maputo on Monday, by the country's relief agency, the National Disasters Management Institute (INGC). The study on "Adaptation to Climate Change in Mozambique" shows that, between 1960 and 2005, temperatures rose by an average of between 1.1 and 1.6 degrees centigrade. A further conclusion is that the rainy season is starting later than it used to. In some parts of northern Mozambique the rains begin 45 days later than was the case half a century ago. Cyclones are becoming more frequent and more intense. Between 1980 and 1993, Mozambique was hit by four cyclones, but between 1994 and 2007, there were 11 cyclones, six of which were more devastating than any in the preceding period. (*aim*)

GOVERNMENT

United States-Mozambique Bilateral Investment Treaty (BIT)

The Bilateral Investment Treaty (BIT) between the United States and Mozambique was ratified by the Senate of the United States and the Council of Ministers of Mozambique, and

entered officially into force as a bilateral treaty with the weight of international law on March 3, 2005. With regards to labor issues: Article 1 of the BIT indicates that for the purposes of this treaty, a company means any entity constituted under applicable law, whether or not for profit, and whether privately or governmentally owned. Article 7 says that each party shall permit to enter and to remain in its territory nationals of the other party for the purpose of establishing, developing, administering or advising on the operation of an investment to which they, or a company of the other Party that employs them have committed or are in the process of committing a substantial amount of capital or other resources, and that neither party shall require a labor certification test or other procedures of similar effect, or apply any numerical restrictions. [Click here](#) for the full document. (*the Mozambican Investor*, www.clubofmozambique.com)

ECONOMY BY SCP-www.scp.co.mz

“Foreign currency credit growth boosts money supply”, Standard Bank

After decelerating from 2006, private sector credit growth began to pick up in mid-2008. It increased from 23% y/y in June 2008 to 48.8% y/y in February 2009, on the back of a strong increase in foreign currency loans extended to the private sector. The rate of expansion of foreign currency loans to the private sector surged from 5% y/y in June 2008 to 81% y/y in February 2009, on account of an increasing preference for foreign currency loans because of the metical's loss in value against the currencies of its trade partners. The expansion of private sector credit boosted the net domestic assets' (NDAs) constituent of money supply (M3), causing it to more than double in the year to February 2009. (*Standard Bank*)

Mozambique has “accommodative monetary policy” say Standard Bank

The low inflation environment has boosted real interest rates, despite their recent decline following the cut in the policy interest rate. Economic activity is significantly lower in 2009, implying that economic stimuli are required to sustain poverty-reducing growth. Subdued inflation implies that there is room for the central bank to cut interest rates. The downwardly sticky prime lending rate saw its biggest move in the six months to February 2009 to 15.83%, from 18.39% in August 2008, thus making credit a lot more affordable. However, further easing of monetary policy is necessary to significantly promote lending. Domestic stimuli are particularly important for a country that depends significantly on foreign direct investment and in an environment where foreign borrowing has been curtailed. (*Standard Bank*)

“Inflation remains subdued”, Standard Bank Market Watch

Headline inflation slowed to 4.4% y/y in April, from 5.2% y/y in March, on the back of a broad-based softening in the rate of price increases. The prices of food and non-alcoholic beverages; rent, utilities and fuels; transport; clothes and footwear; and health fell in April. The food harvests that began in April improved food security and allowed prices to subside. The low international oil price is being passed through to the consumer as low fuel prices at the pump, which have also translated into lower transportation costs. In the near term food price pressures are expected to be subdued; however, they are expected to rise from September when the lean season is expected to begin. Similarly, there is little scope for energy prices to fall further. We thus expect inflation to increase in the second half of 2009. (*Standard Bank*)

Small and medium-sized ships may be repaired in Nacala

South African-owned company Aquatec plans to repair and maintain small and medium-sized ships at sea along the coast of the Mozambican district of Nacala, Mozambican newspaper

Notícias reported. The paper cited Daniel Siteo, the Nacala sea administrator, as saying that the company's decision had been influenced by the characteristics of the bay and deep water port of Nacala, which is able to receive ships with a large draught, with a capacity of over 150,000 tons of cargo and over 160 meters long. He also said that the route saw a significant influx of ships traveling to ports on the Indian Ocean, including Durban, Nacala-Porto, Mombasa and Mauritius. (*macauhub*)

Tete Economy Grew By 36.7 Percent in Four Years

The economy of the western Mozambican province of Tete grew by 36.7 per cent in the period between 2005 and 2008, or at an average of 9.2 per cent a year, according to provincial governor Idefonso Muanantatha. Addressing an extraordinary session of the provincial government in the town of Nhamayabue on Sunday, chaired by President Armando Guebuza, Muanantatha said that this growth was particularly influenced by the positive performance of peasant agriculture. Exports from Tete, the governor added, grew from 2.38 billion meticaís (about US\$89 million) in 2005 to 3.48 billion in 2008, a growth of over 46 per cent. The most significant exports were electricity from the Cahora Bassa dam (sold to South Africa, Zimbabwe and Botswana), Lake Tanganyika sardines (harvested on the Cahora Bassa lake and sold in Zimbabwe), and tobacco. (*aim*)

Mozambique to up sugar output by more than 50%

Mozambique expects to produce 390,698 tons of sugar this year, up from the 250,191 tons output reached last year, as the industry recovers from a slump in production during the civil war, a report said on Monday. The government's Agricultural Promotion Centre (CEPAGRI) said some 40,318 hectares of land would be cultivated this year for sugar production, a 30 percent increase on last year. "Mozambique's sugar industry expects to produce 390,698 tons of sugar this year and 101,360 tons of molasses," CEPAGRI's report said. CEPAGRI said Mozambique expects to export some 195,000 tons of sugar to the European market this year, profiting from a duty-free access, which could earn the country as much as \$65 million. All sugar exports totaled 175,000 tons last year. (*reuters*)

DONORS

Employ Our People, Or No Money, Says U.S. Embassy

The US embassy in Maputo has warned that, unless the Mozambican government accepts 40 American and American-appointed health workers, then US funding for health programs, notably in the area of HIV/AIDS, will be cut. The threat which was first made by the US charge d'affaires, Todd Chapman, drew a frosty response from Labour Minister Helena Taipo, who pointed out that there are legal procedures to be followed in the recruitment of foreign labor. Mozambique could not be blackmailed, she said, and investment was not something that should be offered in exchange for jobs. Now the US embassy press attaché, Kristin Kane, cited in the independent daily "O Pais", has insisted that, if the Mozambican government does not issue the work permits, then the cut in aid "is irreversible and may imply the end of some programs". (*the Mozambican Investor*, www.clubofmozambique.com)

MCA funds reconstruction of Nacala dam

The Millennium Challenge Account (MCA Moçambique) and South African company Jeffares and Green Thursday in Maputo signed a contract to carry out economic feasibility and environmental impact studies for reconstruction of the Nacala dam. The contract is worth US\$2.7 million and a lifetime of 12 months. The aim rebuilding the Nacala dam is to prevent

loss of water and increase its capacity from 14 to 21 million cubic metres as well as modernising its gate system, reports Macauhub. Work on the dam is expected to cost US\$11.7 million, expanding the Nacala water supply system will cost a further US\$10 million and reconstruction of the waste water collection system will cost another US\$17.2 million. The project is hoped to increase the reach of Nacala's water supply system from 20% to 70%. (*the Mozambican Investor*, www.clubofmozambique.com)

World Bank takes part in Maputo development programme

The World Bank plans to contribute US\$50 million to fund the second stage of the Maputo Development Programme (Promaputo), the execution of which will begin in September 2010, newspaper Notícias reported in Maputo. Of the funding needed for execution of the project, which aims to build infrastructures, rebuild roads and sewage and drainage networks, the municipality of Maputo will provide US\$15 million and the central Government will inject a further US\$5 million. The first phase of Promaputo is scheduled to end in August 2010. In the second phase of the Promaputo, one of the priorities is to re-build Avenida Julius Nyerere, work on which, estimated to cost US\$15 million, is expected to begin in September 2010, as well as reconstruction of Avenida Milagre Mabote, which is expected to begin this year. (*macauhub*)

MINING AND ENERGY

Noventa Says Tantalum Mine Won't Restart Without Investment

Noventa Ltd., the tantalum producer that plans to suspend mining in Mozambique at the end of May, said production in the country won't restart without investment. Noventa is looking for \$60 million to fund a crushing and processing plant at its Marropino mine and to develop another mine 20 kilometers away, Executive Chairman Clinton Wood said in a phone interview yesterday. Marropino won't restart "until we secure funding," he said. "The partner that invests the \$60 million will be the new controlling shareholder of the company," Wood said. "It will be up to them to decide the timing for when we recommence production." Discussions with potential investors have been under way for four to five months, Wood said. Any investor is likely to be involved in either the tantalum industry or specialty metal market, Wood added. (*Bloomberg*)

African Queen Mines Commences Exploration at Fingoe Gold Project

The Tete Province in Mozambique has been receiving a lot of attention from industrial metal focused companies, but African Queen Mines has set its sights on proving up a substantial gold project. On Tuesday the Canadian junior confirmed that field work was now underway at the Fingoe Gold Project in Tete Province, Mozambique. The Fingoe Gold Project consists of nine prospecting covering some 1359 square kilometers. African Queen is placing most of its focus on the Fingoe Belt to the north of Lake Cahorra Basa. The Fingoe area has been the subject of artisanal mining in the past, but as of yet has not been systematically explored using modern techniques. African Queen has conducted mapping at Fingoe already, which revealed "good potential for undiscovered hard rock gold mineralization in the region". (*proactive investors*)

Chibuto heavy minerals up for discussion once again

The Mozambican minister of Natural Resources, Esperança Bias, said she was available to negotiate with any company that was interested in the heavy minerals in Chibuto, following Australian group BHP Billiton's withdrawal from the project. Mozambican newspaper Notícias reported that BHP Billiton's withdrawal was due the group's not currently having appropriate

technology for Chibuto's heavy minerals, which, according to laboratory tests, have unusual physical and chemical properties. (*macauhub*)

Canada's Artumas to "farm out" stakes in two oil exploration areas

Canadian oil company Artumas plans to "sub-contract its stakes in two oil exploration areas of which it is the concession-holder in the Rovuma basin in Mozambique, as part of a partnership to be concluded over the next few weeks, the group said on its website. In a statement, the group said that its Mozambican subsidiary had signed two memoranda of understanding with a new partner, the identity of which was not given, to hand over a stake of 24.65% in the onshore Rovuma block and 4.25% of Area 1 in the offshore block, both in Cabo Delgado province. The latest information published by the company based on seismic surveys points to "multiple" points of "high potential" both on land and in the sea, which will be drilled as of the fourth quarter of this year. (*macauhub*)

TOURISM

Mozambique on World Cup fans: Build resorts and they will come

Mozambique's Tourism Minister Fernando Sumbana on Monday appealed to the business community of the southern African country to build more world-class hotels and resorts before the World Cup in neighbouring South Africa next year. Sumbana said Mozambique's existing tourism infrastructure was insufficient. In order to woo some of the around 400,000 foreign visitors expected at the World Cup in South Africa to its shores, Mozambique needed more attractive, modern facilities, he said. "Our tourist operators must build resorts and hotels to attract more tourists, especially those coming to South Africa for the FIFA 2010 World Cup", he said. Only 200 hotel beds on offer in the country meet the standards of FIFA's accommodation agency, Match, the minister said, calling for higher quality. (*earth times*)

18 Million Dollars a Year On Tourism Promotion Needed

The Mozambican government needs to spend at least US\$18 million dollars a year to promote its image abroad as a preferential tourist destination in countries such as Portugal, Spain, France, Germany, Britain and South Africa, according to the National Director of Tourism Promotion, Jeremias Manussa. Manussa said that Mozambique still is not well known internationally despite its great potential, and its exotic and unique characteristics, because of poor marketing of the country's image.

Currently the bulk of international tourism revenue in Mozambique is generated by tourists from just three countries - Portugal, England and South Africa. (*aim*)

OVER THE BORDER

Celebrating Africa in 2009

On Monday, the continent celebrated Africa Day, a day commemorating the continent's successes, achievements, cultural diversity and everything African in general. So how did the auspicious occasion come about? Well, 25 May 1963 saw the formation of the Organisation of African Unity, known today as the African Union. The occasion is celebrated annually as the continent strives to attain African unity. So what do we have to celebrate? For one, we have healthy competition in various business spheres competing for consumer-spend, says Bizcommunity. The mobile industry being of particular note as networks launch new campaigns on a regular basis in order to attract new clientele. We're slowly bridging the digital divide and hosting awards and conferences as encouragement for everyone to join the digital age. (*the Mozambican Investor*, www.clubofmozambique.com)

“THE MARKETPLACE”

Call for Proposals: FOR LEGAL COUNSELING IN THE ESTABLISHMENT OF A CONSERVATION AREA TRUST FUND IN MOZAMBIQUE

WWF (World Wide Fund for Nature) – an international organization for the conservation of nature – together with MITUR, Afd and KfW is establishing a conservation area trust fund in Mozambique. The fund should be established between June and December 2009, including all necessary registration. For that purpose, WWF is accepting proposals from qualified individual candidates, groups of candidates or firms for the study and elaboration of legal procedures and documents necessary for the establishment of the fund. Detailed terms of reference and instructions may be obtained at the WWF office or through the email address toliveira@wwf.org.mz. Detailed technical and financial proposals should be sent to the WWF office in Maputo at Rua Dom João IV, 213, Sommerschild, Maputo, by June 05, 2009, 9am

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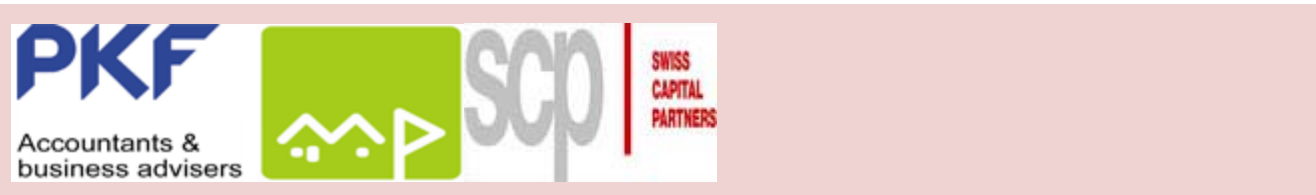


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