



MOZAMBIQUE

A NEW MODEL FOR AFRICA

SATURDAY, FEBRUARY 22 2014

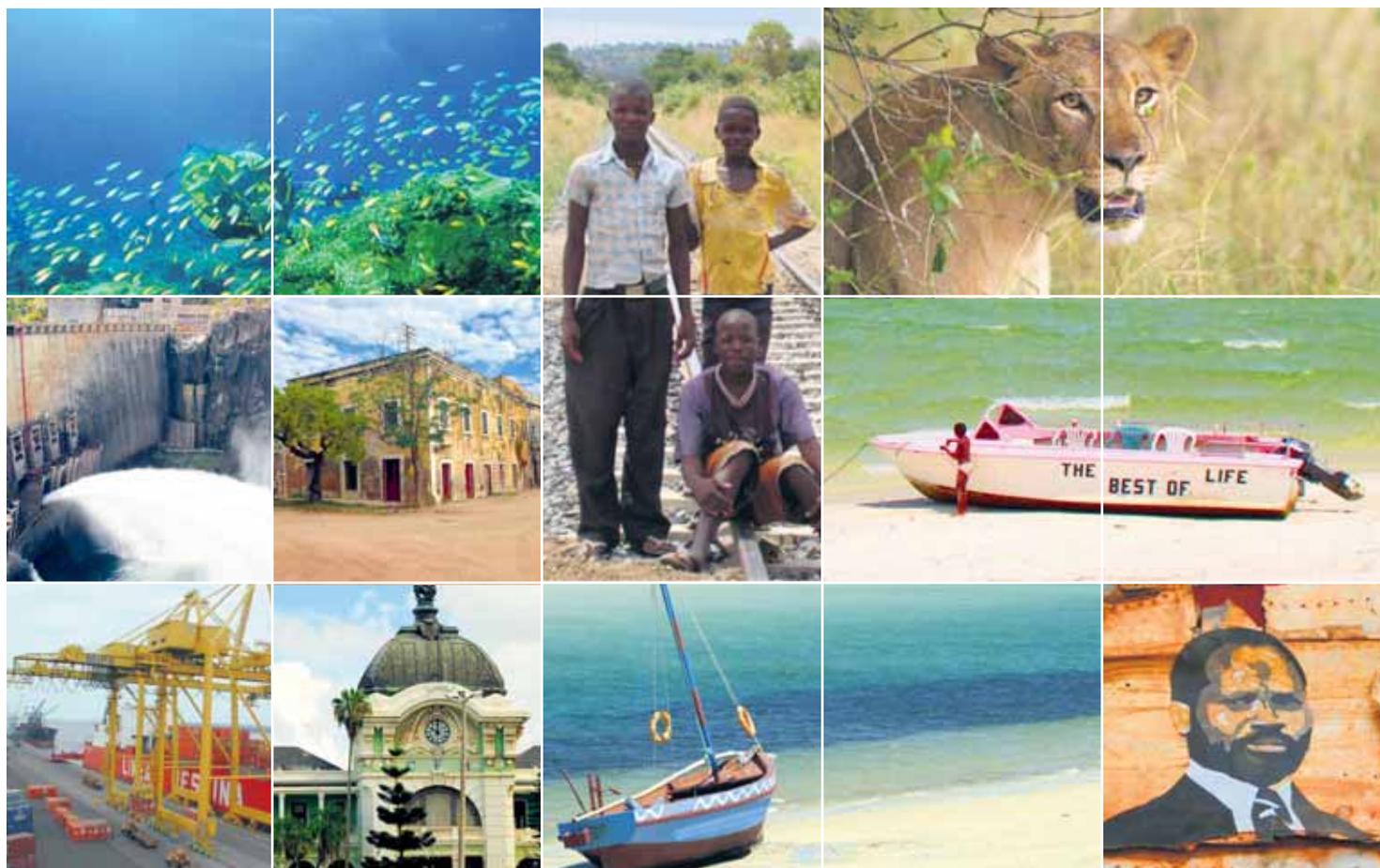
One of the fastest expanding economies in the world is packed with natural, untapped potential for growth

Mozambique has transformed its political and economic system from a one-party state to a constitutional democracy, and its economy from a centrally planned to a market-based system, to become one of the fastest growing economies in the world. A 16-year civil war between government forces and rebels ended in 1992 leaving the former Portuguese colony in chaos, with an estimated 1 million people dead and over 5 million displaced refugees, but the post-war nation has gone to great lengths to ensure people focus on the present day and its future, and not dwell on a period of its past. It is also making a shift in its fiscal dependence from the aid sector to revenue from industry – an economic necessity given the decline in traditional donors as a consequence of the global economic slowdown.

Over the past decade, the country's GDP has been expanding between 6-8 per cent a year and inflation is falling. Although agriculture is the lifeblood of the country's economy and accounts for 31.5 per cent of its GDP, the service industry is gaining in importance for Mozambique's income with ongoing growth in its telecoms and banking sector. However, the largest area of economic development is linked to the country's natural resources of agricultural land, coal, natural gas and water.

Mozambique is where one of the biggest natural gas finds in a decade has been made, discovering \$800 billion-worth of natural gas off the country's coast. In addition, the resurrection of the coal exporting industry and the undeveloped reserves have led to the development of major coal export projects.

There is also investment being made in the Chibamba and Mavuzi hydroelectric plants that were abandoned in 1978. With the majority of the country's electricity generated by hydroelectric power



stations and the existing export of electricity to Zimbabwe and South Africa, there are now plans to construct a transmission line to Malawi.

Consequently, international attention has turned to Mozambique's natural resources, and that has led to a confident outlook for the country's economy.

Carlos dos Santos, Mozambique's Ambassador to the UK, says foreign investment in natural resources will in turn develop other industries and improve the lives of Mozambicans: "With the new resources found in the country, we boost all the sectors that have been

developing in the economy: agriculture, infrastructure development, transport and communications, tourism, fisheries, all these other sectors."

However, the biggest issue in exploiting the untapped natural resources is the existing transport infrastructure, which is currently unable to meet rising demand. Projects totalling \$17 billion are being developed, including increased rail links to ports and expanding port capacities to allow for greater exports. Poor infrastructure has prevented Mozambique from meeting its export capability, but de-

velopment will open the potential for trade and private business within the country, which in turn will help alleviate poverty.

Mozambique also has a burgeoning tourism industry and as the infrastructure improves so do opportunities for investment. Mr dos Santos believes the country's varied environment means visitors can get more for their money. "You can look at tourism. Eco-tourism, cultural tourism, sea and sand, wildlife, nature – you can find it all in Mozambique. It is really a vast country that has so much potential," he says.

CHOOSE YOUR DESTINATION AND WE'LL GET YOU THERE.

We connect Mozambique to the rest of the world.

Go to www.lam.co.mz or consult your travel agent
LAM Mozambique GSA in UK
 Phone +44 203 598 8037 | Email: lam_uk@global-sales.co

Linhas Aéreas de Moçambique

FACTS & FIGURES



- **Capital:** Maputo
- **Population:** 24,096,669 (2013 est.)
- **Languages:** Emakhuwa, Portuguese (official), Xichangana, Cisena, Elomwe, Echuwabo, other Mozambican languages
- **Independence:** June 25 1975 (from Portugal)
- **Currency:** metical (MZN), plural - meticaís
- **Exchange rate:** 1 USD = 31 MZN
- **GDP - purchasing power parity:** \$25.95 billion (2012 est.)
- **GDP - real growth rate:** 7.4% (2012 est.)
- **GDP - per capita (PPP):** \$1,200 (2012 est.)
- **GDP - composition, by sector:** services: 45.5%, agriculture: 29.9%, industry: 24.6% (2012 est.)
- **Inflation:** 2.1% (2012 est.)
- **Resources:** coal, titanium, natural gas, hydropower, tantalum, graphite
- **Industries:** aluminium, petroleum products, chemicals (fertiliser, soap, paints), textiles, cement, glass, asbestos, tobacco, food, beverages

Source: CIA World Factbook

THE GREAT DISCOVERY

A series of massive natural gas finds by the government and international partners off Mozambique's coast in recent years could raise the country to middle-income status and fuel a much needed boost to achieving its social and economic ambitions aimed at creating a better quality of life for all

Mozambique has managed to make the transition from a post-conflict country to one of Africa's cutting-edge economies. Complementing concerted efforts to establish political stability and encourage social progress, the country's rich natural resources have been an important factor in its ongoing economic growth and national development. During the civil war, the republic's natural wealth was untapped, but now demand for its ample coal reserves and vast natural gas deposits are transforming Mozambique into one of the world's fastest growing economies of the past decade.

Four coal concessions – at Revobóe, Zambeze, Midwest and Ncondezi – awarded by the government in September 2012 have a total value of \$5 billion and are slated to start operations this year, the first of which creating 1,000 permanent jobs in the process.

Brazil's mining giant Vale has reported that after the first train in 2011 hauled coal to the port of Beira from its Moatize mine in the northern hinterlands of Tete, which are also rich in iron ore, some 1,600 trains carried 4.2 million tonnes to the sea within a year. Vale has also announced investment of more than \$1.2 billion to rehabilitate existing, as well as construct new, railway lines to link Moatize to the port of Nacala, complementing the existing Sena track from Tete to Beira.

Massive natural gas deposits have been discovered offshore in recent years. Anadarko Petroleum of the US has stated that finds in their block "could be one of the most important natural gas fields discovered in the last 10 years, with significant long-term benefits for Mozambique." Meanwhile Italy's oil and gas company Eni has announced a well in its exploration block could contain 5-7 trillion cubic feet of gas, adding that "the Agulha well, which led to the discovery, is the 10th well drilled back to back in Area 4, where exploration has achieved a 100 per cent rate of success."

"These discoveries come at a time of high growth in economies in Asia. The exploitation of these mineral resources is largely associated with this market, so they come just when the construction market is growing – and these resources will provide the answers for these emerging markets' needs," says Minister of Mineral Resources Esperança Bias. "The growth in coal extraction is a result of the macro-economic policies Mozambique is developing, the reopening of exports and being open to more investment, in addition to our peaceful environment and national security. All of these factors give the investor the confidence that his investment needs are met, as well as the reassurance that his presence is welcome and he will have the projected revenues."

Prospects of foreign investment in the Southeast African nation between 2010 and 2020 have been valued at close to \$90 billion, which is equivalent to seven times the country's current total GDP. Of this surge in foreign investment, the vast majority has been allocated for gas, mining and infrastructure projects.

Armando Inroga, Minister of Industry and Commerce points out that the economy has been growing at a regular annual rate of around 7-8 per cent, with the primary sector of growth being agriculture: "Assuming that the structure of the economy for agricultural production allowed this growth, which is still taking place without the existence of mineral resources, it is foreseeable that Mozambique will remain with these rates."

Political stability, steady macroeconomic management, reconstruction and structural reforms have



been strengthened by these increased foreign investments. However, what these investments mean for ordinary Mozambicans is yet to be determined as over 55 per cent of its 23.9 million people are officially living below the poverty line.

Mozambique faces the same problems as other burgeoning economies, including poverty, lack of access to energy, infrastructure problems and an unskilled workforce. The government's commitment to development and transparency in running the petroleum sector will go some way to ensuring that inward investment leads to broader economic and social development in the country.

"We are moving into a phase where we are not only concerned with alleviating poverty but also looking forward in terms of developing economically," says Arsénio Mabote, President of the National Institute of Oil (INP). "We still have many poverty-related problems, but they are gradually being resolved. The discovery of mineral resources is encouraging and strengthening the process of development, and will contribute to give impetus to other sectors of the economy."

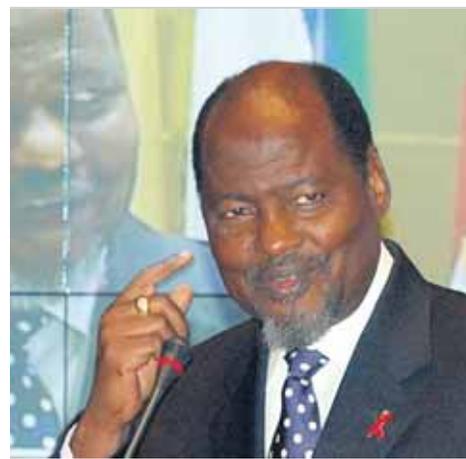
LEADERS OF A LIBERATED NATION

The father of modern Mozambique and its first president after independence, Samora Machel's charisma and personal style kept the Frelimo government in power despite droughts, floods and an ongoing civil war. Following his death in a plane crash in 1986, the highly respected Joaquim Chissano led the country and is credited with transforming war-torn Mozambique into one of the most successful African democracies. He was succeeded by Armando Guebuza in 2005, who faces the challenge of leading a new generation that did not experience the liberation struggle nor the 16-year civil war against Renamo.



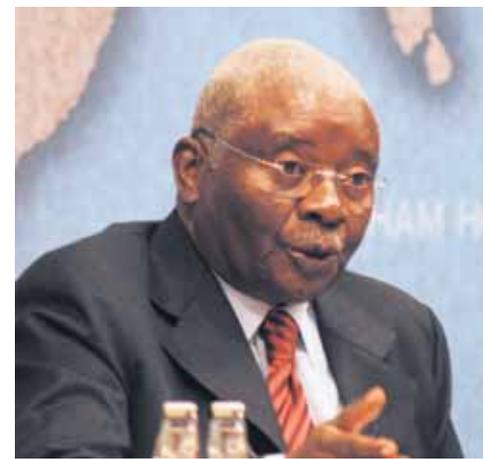
"The state must be the first to be organised and totally committed to serving the interests of the people"

Samora Moisés Machel,
June 25 1975 – October 19 1986



"If you are not at peace with yourself, then you cannot be at peace with your neighbour"

Joaquim Alberto Chissano,
November 6 1986 – February 2 2005



"[Redistributing wealth] is about empowering people to play a part in combating poverty through work"

Armando Emílio Guebuza,
February 2 2005 – current



There is hope that the booming economy will bring improvements to Mozambicans' living conditions. Natural resource-based projects have already resulted in some improvements in the country including infrastructure development and added diversity in the exports industry. However, the country's lack of rail capacity and shortage of skilled people could mean the discoveries may eventually be detrimental to any resource-based economy.

"The challenge is also increasing pressure on the government to strengthen Mozambique's human capacity, because we can't always count on what is coming from the outside; we have to learn to develop our own capacities," says Filipe Chimoio Paúnde, General Secretary of the incumbent Mozambique Liberation Front. "We must also keep investing in education, because no matter how poor a country is, as long as it has highly qualified human potential, it grows. Only a good education system will help us solve the current and future challenges."

Changes in economic policy by the government have opened the door to the participation of the private sector in developing the country. This in turn bolstered the nation's economy as public and private entities began to work together.

The Confederation of Business Associations (CTA) provides a forum for interaction between the government and the private sector. It is aimed at creating a better business environment in the country as well as protecting and promoting Mozambique's business opportunities.

Rogério Manuel, Chairman of the Board of Directors of CTA, says the cooperation between the two has helped shape the economic stabilisation and growth the country has achieved.

"The government offered an opportunity to open up the market to the private sector and that is when the CTA was born and began discussing economic and political reforms with the government," he comments. "This was used as a dialogue platform between the private sector and the state. We started working together in building the Mozambique that we now see, which is not just thanks to our rich natural resources,

Mozambique holds 4.5 trillion cubic feet (Tcf) of proven natural gas reserves, with numerous successful explorations to date, and expects to begin exporting LNG to the global market in the next five to 10 years

but rather from the result of an existing dialogue that we started a long time ago."

National banks have also played a part in the country's development. Mário Machungo, Chairman of Millennium bim, one of the country's largest banks, says they will continue to help drive future economic growth.

"The banks can play a very important role in the discovery of natural resources, especially on the feasibility of businesses that will be associated with the gas sector," he says. "There are clusters which need to be properly designed and models must be provided to be able to create businesses linked to one another that are complementary and serve an efficient logistic framework. For the development of this sector we believe the banks could play an important role."

Prime Minister of Mozambique Alberto Clementino Vaquina is confident his country will see a reduction in poverty, an increase in employment and living standards, a fall in mortality rates and better literacy rates in the near future.

"When we imagine Mozambique in the next 10 years, we dream of a country with a substantial reduction in foreign dependency," he says. "A country able to face most of its needs, open to cooperation with the world, in circumstances where there are tangible advantages for Mozambique."



Alberto Clementino Vaquina, Prime Minister of Mozambique

PROJECT TEAM: Ana Serrano, Fabricio Sordoni and Joel Malo

UPPER REACH
68 King William Street,
London EC4N 7DZ
T. +44 (0) 207 959 2424
ur@upper-reach.com



PETROMOC TERMINALS, DEPOTS AND FILLING STATIONS



TRANSPORT AND INFRASTRUCTURE TO FORM THE BACKBONE OF DEVELOPMENT

Rehabilitating infrastructure will do more for the country than just link its mines with its ports; it will form the basis of sustainable growth

A great deal of Mozambique's infrastructure and transportation network was destroyed during the civil war and funds for reconstruction severely limited until the development of newly discovered natural resources brought commercial impetus to the building of an extensive national transportation network.

The country is, however, resolved to do rather more than simply put in place facilities to enable coal and other minerals to be transported efficiently to ports for shipment to hungry export markets. Paulo Zucula, the former Minister of Transport and Communications, emphasises the national vision of infrastructure serving the country and leading to industrialisation "to link the country as a whole" and "to unite the people" of Mozambique's multicultural population.

Key to this process of unification, according to Mr Zucula, is the development of vertical links to join up rail roads previously isolated from each other and having been originally built more to move the exports from neighbouring or hinterland countries, rather than to develop Mozambique itself. Thus these vertical lines will bring the country and its people physically together for the first time, while mineral resource revenues are sensibly invested in education and lasting social development.

Rosário Mualeia, Chairman of Portos e Caminhos de Ferro de Mozambique (CFM), the state-owned company tasked with rebuilding the nation's ports and railways, recognises this is a transitional moment for his country. He emphasises that "a vertical backbone for Mozambique" is needed and acknowledges this as a long-term project that "will take at least 10 years to be finalised." He lays stress on the model of public-private partnerships embraced by Mozambique to accelerate development programmes with foreign participation being welcomed, notably that of Brazilian mining titan Vale.

Key to this uniting vertical backbone is the unlocking of the Moatize coal resource through investments in the Sena and Nacala railway lines, soon to be linked through Malawi, and development of Nacala as the hub port for the Northern Development Corridor.

CFM has also invested in the renovation of ports further south at Quelimane, Matola and the capital Maputo, while the rehabilitation of the Sena line will enable



Port and railway authority CFM is advocating the construction of a 'vertical network' to connect previously isolated railway lines. CFM also operates the Maputo Railway Station, left, whose main entrance is on the Praça dos Trabalhadores, which features a central monument dedicated to the Mozambican and Portuguese soldiers who fought in World War I

much greater volumes of coal to be shipped through the country's second largest city, Beira.

Mr Zucula states that shipments of coal are forecast to grow in the near future from 4 million tonnes a year to 22 million tonnes and this, together with the development of natural gas resources, is likely to push the present national growth rate of 7-8 per cent well into double figures. Once the Sena and Marchipanda lines are fully operational, Beira itself could ship 40-50 million tonnes.

While developing its national wealth and aspirations, Mozambique remains fully committed to also expanding the vocation of its ports as the natural outlets to the sea for neighbouring and hinterland countries in the Southern Africa Development Community (SADC). In this, the CFM will play a critical role with its rail links transporting agricultural products from Malawi, iron ore from Zimbabwe and copper from Zambia and Congo.

Testament to the realism of Mozambique's ambi-



"Infrastructure is one of the largest sectors and more urgent priorities to get developed"

**Rosário Mualeia,
Chairman of CFM**

tions is the involvement of Vale in the public-private partnership developing the Moatize coal mine. Ricardo Saad, Vale's Project Director for Africa, Asia and Australia, stresses the ready support of the government in bringing to fruition the investments in the Nacala Corridor and seaport, in which Vale and CFM are partners. The Brazilian multinational has already invested \$2 billion in the mine and the Sena line, and

foresees spending \$6.5 billion more by 2016 on the extension of the mine, the railway and Nacala port. The relationship is good and Vale is even planning a share offering on the local stock exchange.

Both Mr Zucula and Mr Mualeia are keen to stress that Mozambique sees development of its natural resource wealth not as an end in itself, but rather as a means of fostering national unity and social development. They emphasise that the more traditional sectors of agriculture and fisheries will not be neglected, while tourism has tremendous potential, both along the 2,500km coastline and in the country's nature parks and untouched natural spaces. Above all, their vision is of a Mozambique in which the riches of the present are used wisely to create a lasting legacy for the future. Mr Mualeia stresses the role of CFM in contributing to national recovery and to the greater self-esteem of Mozambicans. Mr Zucula goes further, talking of "the rebirth of hope" from re-found "freedom and the hope to dream of more economic independence". The dream is in good hands.



CFM-Connecting Mozambique, on the right track.

CFM is working to ensure that Mozambique has a fully functioning and modern transport system, one that is competitive, market-oriented and financially viable. We believe that modern railways are absolutely vital to the continued economic development of Mozambique. CFM is the only railway company in Mozambique and we are engaging with the private sector to develop a safe, sustainable and efficient rail transport system.

www.cfm.co.mz, cfm@cfm.co.mz



NATIONAL CARRIER FLIES THE FLAG FOR THE COUNTRY'S POTENTIAL

Plans for new infrastructure, including an airport city in Maputo, and double-digit market growth augur well for the national airline

Mozambique's national flag carrier LAM (Linhas Aéreas de Moçambique, SA), together with Airports of Mozambique (ADM), has become a pillar for developing the nation's infrastructure and shortening distances within the elongated country.

"We are the ones that ensure a continuous link between the south and the north," says LAM's Chief Executive Officer Dr Marlene Manave.

Over the past two years, LAM has seen its flight schedule grow from one to two destinations a week to now as many as two a day. Dr Manave hopes that Mozambique's recent oil and gas discoveries will positively affect development in the transport sector, and thus expand LAM's network. "We need the 'boom' we are experiencing in the mining and hydrocarbons sectors to contribute to the growth acceleration of the remaining sectors including transportation," she says.

"There are several basic factors that do not allow people to travel much," adds Dr Manave. Because of the state of the roads, for example, people have "serious difficulties" driving from the airports to the towns, she points out. But both LAM and ADM are charting new territory to change that.

For instance, LAM offers accessible travel for Mozambicans, and Dr Manave is asking for help.

"If we want to bring people, we need the government to invest and give us the necessary resources. The average middle-class Mozambican's income is too low to allow them to be able to even think about travelling," she says.

But with careful management, Mozambique should soon see a travel explosion. New airline companies will soon enter the market and new construction is under way. "We have a project to make an airport city in Maputo of nearly \$400 million, with two hotels, a shopping centre and office buildings," says Emanuel Chaves, CEO of ADM.

LAM's outlook is equally robust. "We are planning the next five years and in terms of market growth, it is expected to be around 12 per cent annually, even though some reports point to around 20 per cent," Dr Manave says, adding that LAM will very likely need to expand its fleet, especially given the company's plans to cover all Southern African Development Community (SADC) countries by 2015 before eventually expanding worldwide.

Dr Manave sums up the airline's three main medium-term goals, which fall in line with the country's development plans, saying: "We need to reconstruct the foundations by developing domestic traffic, growing regionally, and creating the capacity to fly intercontinentally."

Part of that initiative includes identifying LAM International's strategic partner. "We have no lack of experience," says Dr Manave. "It is our maturity that allows us to say that, with resources coming, we will 'explode' without any kind of doubt." In other words, these days, the sky's the limit for LAM.

"We are in a country full of opportunities ahead of us"

Dr Marlene Manave, CEO of LAM



LAM aims to steadily expand domestic and regional traffic and then build up to intercontinental travel with a partner

DOWNSTREAM KING PUTS ENERGY SECURITY FIRST

Petromoc leads the country's energy market with innovative, international partnerships and energy security

For more than 35 years, Petromoc, the king of the downstream industry, has worked to ensure energy supplies by distributing and marketing fuel products and lubricants, as well as managing port facilities and pipelines. "Our activity focuses on minerals from crude oil and gas. We guarantee the coal supply and we are the largest fuel provider to ensure coal exploration is done," explains Petromoc's Chief Executive Officer Nuno de Oliveira.

Petromoc's rise comes at a particularly fascinating time in Mozambique's history, with its recent discoveries of new resources. The company's influence has been carefully crafted and diversified, in part, through valuable international partnerships created under Mr de Oliveira's watchful eye, such as his negotiations with AIREX, a Malaysian company, to build a blending plant for lubricants. "We have another project with a Japanese company for the production of methanol. The localisation of the investment will depend on the accessibility of the gas, but in terms of availability we have the backing of ENH [the National Hydrocarbon Company] for this activity," he explains.

Last year the company carried out a feasibility study on a \$1 billion gas-to-liquids (GTL) project with South African partner Petro SA. To help facilitate business at the Port of Beira, it also has agreements with other companies, including Kuwait's NOC and IFG, as well as Switzerland's Tranfigura. Its other

joint ventures include Proline, a partnership with South Africans for the construction of a pipeline from Mozambique to South Africa, along with IT services with IBS and logistics services with Whatana Auto and GreenRoad.

At home in Mozambique, Petromoc has established an institutional commitment to uphold the best interests of the nation; it is dedicated to energy security, contributing to the country's economy, and above all protecting its rich natural resources. Mr de Oliveira finds satisfaction knowing that Petromoc's distribution channels ensure energy conservation; an obligation the company considers a moral duty.

"It is necessary to guarantee that after these resources are exported, the revenues return to the people so that what is produced locally adds value to the socioeconomic development of the entire region," he explains. Petromoc owns 119 gas stations and continues researching groundbreaking ways to safeguard Mozambique's assets. As part of its expansion plans, it has also been investigating the possibility of listing on a stock exchange in either South Africa or Europe.

"Petromoc can be used as a conversional or transformational instrument of local resources into something that can be utilised, in practice, for family and economic security, and for exports to create wealth, and most importantly add value to our economy," adds the CEO.



Nuno de Oliveira, CEO of Petromoc

CAHORA BASSA HYDROELECTRIC DAM: THE PRIDE OF MOZAMBIQUE

Mozambique celebrated the sixth anniversary last year of the full return of a symbol of immense national pride and future economic potency back into Mozambicans hands. When Portugal finally relinquished control of the Cahora Bassa Hydroelectric Dam (HCB) in 2007 to its former colony, Mozambique's President Armando Guebuza told a cheering crowd that "the last mark of 500 years of foreign domination in our country has finally been removed" and declared: "Cahora Bassa is ours."

Completed in 1974, the same year Portugal withdrew from Mozambique, the imposing structure was conceived as Portugal's grand colonial project; the importance to Mozambicans of gaining its full ownership cannot be underestimated, not just as a source of political affirmation and national self-esteem, but also as a nationally owned engine to power the country's socio-economic advancement.

Located on the Zambezi River by the town of Songo in the mineral-rich western province of Tete, the dam is close to new energy-hungry mining projects in the north tapping new discoveries of coal, gas and heavy mineral sands by major operators such as Brazil's Vale and Australia's Rio Tinto.

State-owned HCB is self-financing, with electricity generated by the dam's underground power station also going elsewhere in the SADC via power-purchase agreements with countries such as Zimbabwe and South Africa. "Around 20 per cent of its production capacity stays in Mozambique, which represents a very high rate of growth because in 2007 we were supplying only 13 per cent," says Paulo Muxanga, Chief Executive of HCB. "In terms of quality, we have been performing well: our power outages are few and our production is about 99 per cent reliable."



The dam is 23m thick at its base, 4m at the crown, and has a total discharge capacity of 14,000m³/s

A new \$800 million Hydro Power Station project, in the north bank of Cahora Bassa Dam, called the Central North, is under feasibility studies. It is expected to have five years duration and will add 1,500 MW to Cahora Bassa's 2,075 MW current generation capacity.

Plans to construct more sub-stations across the country will expand and strengthen access to the national grid and raise living standards nationwide.

"We are a national company from the ground up. We produce raw materials and we have nearly 670 employees, of whom 660 are Mozambicans," says Mr Muxanga. "We are backing Mozambique to become self-sufficient in terms of training; its human capital needs to be developed by national institutions." Proof of this belief is in HCB's partnership with the Songo Higher Polytechnic Institute for training. Four years ago it invested \$2 million in the institute to improve working conditions, construct a residence for students and also several classrooms.

"Since the beginning, but especially after regaining full control of HCB, our first responsibility (after achieving the desired production levels) has been to improve social conditions for not only our employees but also for the communities," says Mr Muxanga. "We take measures in almost all areas: in education, health, sports, culture, etc. We are present in all the most important areas because we believe that not only material things matter [...] HCB is the pride of Mozambique."

EXPORT POTENTIAL AND FDI TO BOOST INDUSTRY AND COMMERCE

Foreign investors and advice are being sought as exporting natural resources and the country's potential energy surplus heats up

Over the past few years Mozambique has transformed itself from being a centrally planned economy to one which is now open for business, welcoming in private enterprise, foreign investment and new ideas and initiatives. The civil war had left a country in ruins, its infrastructure largely destroyed and the country's abundant natural resources left unexplored and undeveloped. However, economic reform has now opened the way to sustained national economic and social development.

The country is rich in energy resources, with coal already being mined, and has tremendous potential for increased hydropower generation and the development of its vast offshore natural gas reserves. Its energy potential prompts Dr Salimo Abdula, CEO of Inteltec Holding, to say that Mozambique could be "the battery of Southern Africa" with energy not only being available for export, but also attracting investment to develop the country.

The Minister of Industry and Commerce Armando Inroga sees enormous potential for Mozambique to use natural gas as feedstock to promote a petrochemical industry, with the Southeast African

A 2,500km coastline and seasonal trade winds offer great potential for clean and sustainable wind power generation



country becoming "almost immediately one of the largest exporters of fertilisers", besides being able to supply local farmers very cheaply, thus bringing greater agricultural productivity and increasing social stability by providing jobs and income in poor rural areas.

Rogério Manuel, Chairman of the Confederation of Business Associations (CTA), repeats this pragmatic approach to using the country's natural resources to foster widespread economic and social development, stating that "Mozambique will have a large volume of tax income from

natural resources" and that "civil society...and the state are working together on how to divide this future income among the population."

Mozambique is going to where expertise already exists overseas in order to find partners and know-how to develop its natural resources and infrastructure. An investment law is now in place and great strides have been taken to streamline bureaucracy. Prime Minister Alberto Clementino A. Vaquina looks forward to "an increase in foreign investment to allow the country to resolve current challenges in areas such as railways, ports and telecommunications."

The country is putting great emphasis on education and training to equip Mozambicans with the knowledge and skills for this new development era. Celso Correia, President of the conglomerate Insitec, states, "We still are at the beginning of the journey." Meanwhile Mr Inroga highlights that almost 40 per cent of the population is 18 years old or younger and for whom the government is investing heavily in education and vocational training – something the minister sees as "a social investment of great importance."

Mozambique is a young country that has overcome adversity and one in which the private sector and foreign investment now find a warm welcome as partners for the development of its rich potential in national resources. Increasing numbers of foreign investors are now taking up the challenge.

AGRICULTURE AND FISHING PROVE VITAL FOR SUSTAINED GROWTH

Agriculture accounts for around 30 per cent of GDP, employs more than 80 per cent of the workforce and needs investment to grow

While the international focus has been on extractive resources such as coal and natural gas, another indigenous resource is setting out on its own transformation, one that will bring change for the better to communities and people across the whole country. This important sector, essential to the sustainable existence and development of local communities and the creation of a balanced future national economy – one that is not solely dependent on international energy demand or pricing – is of course agriculture, fisheries, food-processing and other renewable or food-based industries.

The Prime Minister, Alberto Clementino A. Vaquina, emphasises that the revenues from the development of the extractive industries will be used to lay the foundation for solid long-term prosperity and wellbeing. He states, "Starting today, we have to prepare ourselves for a future in which we no longer have any natural resources to extract. This is the only way to make us sustainable and prepared for tomorrow."

This investment in the future will focus on health and nutrition, education and training, and job creation, besides the fostering of entrepreneurship. For the Prime Minister, the private sector is "a partner for development and not a rival of public interests".

In recent years, and before any great impact from the development of the new extractive industries, Mozambique has been achieving economic growth of 7-8 per cent – and this in a country where about 80 per cent of GDP has derived from agriculture and food-based natural

Major cash crops include cotton, cashew nuts, sugarcane, tea, cassava (tapioca), corn, coconuts, sisal, citrus and tropical fruits



resources. These figures illustrate the enormous potential in agriculture and fishing (besides conservation and tourism) as drivers of economic growth that is both sustainable and community enhancing.

Armando Inroga, Minister of Industry and Commerce, highlights the importance of the Strategic Plan for the Agricultural Sector, set out in 2011, which includes programmes for the spatial and geographic mapping of the country to identify

"which types of crops go well with the nature of the soil and in which regions of the country", as well as a plan to improve seed quality and for the development of a national fertiliser industry. Advice and technology is being sought overseas, with Rogério Manuel, Chairman of the Confederation of Business Associations (CTA), commenting: "We have worked with countries such as Korea, China and Brazil...to teach us about agriculture."

Only about 30 per cent of arable land is actually in production, so technology and infrastructure development is essential.

Mr Inroga highlights the nationwide chain of silos and warehouses aimed at boosting national food security and improving health and combating malnutrition, together with programmes to improve and diversify diet by fortifying such products as cattle, wheat, corn, salt and oil.

The Fisheries Masterplan promotes equivalent programmes with the development of facilities for cold preservation and the expansion of aquaculture and the fish canning industry.

Dr Salimo Abdula, Chairman of Inteltec Holding, illustrates the country's potential and openness to agricultural development by explaining his group's collaboration with the Amorim Group from Brazil. He says the area involved has "perfect land for the production of soy beans" and that they took care to involve local authorities and communities and "make them part of the team" and take ownership of the process, which was done very successfully and with the first harvest already gathered.

The experience of the Olam Group from Singapore, already present in Mozambique for 13 years in agriculture, trading and logistics, has been favourable with its Country Head, Ujwalcanta Senapati, emphasising that "the government is very approachable here and they are very pragmatic". He adds that both the public and private sectors are "helping farmers to improve their yields and agricultural practices" and believes in Mozambique as one of "the African lions" in growth.

Mozambique is determined not to neglect its potential in agriculture and food-based industries and is investing sensibly, above all in its people, to ensure long-term sustainable development.

FINANCE SECTOR BACKS SMES TO FIRE ECONOMY

With financial and infrastructural support, Nacala's port could transform the country into a 'Singapore of the South'



Financial leaders aim to help new SMEs be key catalysts that spark greater progress

Back in 2007, the World Bank issued a report on the "blistering pace" of economic growth in the sub-Saharan country. The economy grew by an average rate of 8 per cent per year from 1996 to 2006. From 2006 to 2011, the rate remained robust at 7 per cent per year.

A new middle class is being created, who will require credit to purchase homes and build lives for their families. They will also need real jobs to pay those loans and that is where the consensus lies among financial leaders as to what the strategy must be going forward.

"Global crises have taught us that it is more important to have income than to have credit," observes Celso Correia, Chairman of Banco Commercial e de Investimentos (BCI).

The World Bank and International Monetary Fund (IMF) project that the country's economy will continue to expand at around 7.8 per cent.

"This gets Mozambique into the range of middle-income countries by the year 2030," says the Chairman of Moza Banco, Dr Prakash Ratilal. He expects the population to grow to the point where there will be in excess of 32 million in the country, meaning "400,000 new people looking for jobs every year."

To make this economic vision for Mozambique a reality, the country's finance sector is seeking to encourage the growth of entrepreneurial firms, small and medium-sized enterprises (SMEs), that will create new jobs. The aim is for this to happen in a number of economic sectors, such as finance, shipyards, oil and gas, and agriculture in the future Mozambique.

"In relation to the Mozambican demographic shift over the past decade, there is a big opportunity for new financial products," says Mário Machungo, Chairman of

Millennium bim, "because of the amount of young people joining the labour market and then demanding access to mortgages to finance their housing."

Growth there will happen, as companies lower interest rates and seek to attract new customers, he says, adding: "You cannot have an economy without the financial system, in that it plays the role of the intermediary and mobilises savings."

Millennium bim is one of the Southeast African country's largest banks and has massively expanded its market domestically. It has 150 branches in the country with 2,500 employees and 33 per cent of the country's credits and deposits. This is going to grow as infrastructure is needed to animate the growth of other, new industries there.

Currently, economic growth in Mozambique is powered heavily by foreign investment. But as SMEs emerge – with the full encouragement of the financial sector – domestic savings will increase, and a virtuous circle of investment in developing the homeland will expand.

"This country is not merely about mineral resources," says Mr Machungo. "It also has agriculture, fishing and tourism. Growth of new companies will not be spontaneous. It is necessary to develop infrastructure further so the country can provide a more holistic way to materialise its development plans."

Sparking his vision of a "Singapore of the South" is the potential of the country's Nacala port, which has deep waters that will allow cargo vessels to dock there.

"We can make use of smaller ships to do regional distribution," says Mr Machungo. "That way, we can create two hubs – one for the South Atlantic and another for the area of the Indian Ocean. This is what was done by Singapore and Panama, both of which turned strategically located cities into worldwide hubs. Mozambique has 2,500km of coastline. We can very well do that."

'TAILORS OF BANKING' CUT A WIDE SWATH IN SERVICE

João Figueiredo, President of Banco Único, discusses the banking sector and how his company is a 'relational bank' as it concentrates on building close links with each of its customers



How did Banco Único come about and what makes it stand out from other banks?

Looking at the bankarisation level of the country, the numbers are shocking: less than 20 per cent of the adult population is bankarised, less than 8 per cent uses credit and less than 5 per cent uses some kind of insurance product.

Essentially, Banco Único results from examining the market and getting inspired by it. When we look at our clients, we put ourselves in their shoes and try to find out what drives them. Contrary to the majority of banks, which design products and services to sell in competition with other banks, Banco Único has all the products other banks have, yet it doesn't aim to differentiate itself with those products, but rather by the relation developed with each client.

It is because of that we say Banco Único, more than being a transactional bank, is a relational bank. We customise our services by client; we are the tailors of the financial system. This means we do not sell products and services, but rather solutions, because we seek to understand the client's world, what his or her problems are, what he or she offers to the market, etc., and build the best solution with the client.

Why should an investor trust the Mozambican financial system and national profitability?

Mozambique has one of the most modern financial systems in the world. It is ready to serve foreign investors in the same way they are used to being served in their local economies.

One of the fundamental elements for a balanced evolution of the economy is the equilibrium of the currency – the metical – because one of investors' major worries is how our currency will evolve. If the investor invests in foreign currency, he/she receives the profits in local currency; but if the metical is depreciated when converting it to the currency of origin, the investor will come out worse off. The Central Bank has been conducting a very responsible policy with regards to the stability of the currency. Although in recent years we have seen a depreciation of the metical in relation to the dollar, there clearly is greater currency stability.

The financial system of banks, in general, is one of the principal entrance points for investors in any economy. At Banco Único, we welcome foreign guests and guide them through the national procedures to be met, so that the repatriation of funds invested is as smooth as their entry in the investment phase.

The bank works as a catalyst, consultant, advisor and gateway to invest in our country. We know the market deeply, the national economic agents, and the demands and skills needed by

the market. We can convey the strong and weak points of the system to investors and we are in a position to support investments with greater peace of mind.

What will your strategy in the future be to attract more partnerships and shareholders?

In spite of being the newest bank, Banco Único has the most management experience in the country, with more than 15 years in the sector. We have a very significant capacity to build international relations with several countries, banks and international agents. We know what the critical elements are, what moves an international investor when he or she is advancing towards an investment operation in a given economy. We know what the elements of success are, and the assumptions and national conditions; in fact, we are in a great position to develop partnerships and promote them.

We have relations with several banks at the national level. We partner in many ways: cooperating with clients of other banks that do not have representation in Mozambique; striking partnerships at the know-how level, in the corresponding banking areas; and we work together at the shareholder level, like with NedBank. This is an area in which we perform very well, because we have vast experience in relation building in the international market.

The bank's three pillars of development are infrastructure, technology and human capital. You will never hear us say that something does not work because of a weakness in our human capital. Our responsibility goes far beyond what comes to us from the education market. It is up to us, as companies, to attract human capital, train people and place them at the desired levels.

As a proud local entrepreneurial middle class emerges in Mozambique, how has Banco Único added value to its consolidation?

We have created a bank that contributes towards the development of the national economy. That's our biggest contribution. Having a well-structured national economy, national production, and equitable distribution of national wealth, with the people (who are welcoming and know how to live along various nationalities, languages and peoples) being the first beneficiaries of this process of national wealth, we will have an exemplary country.

The role reserved for an institution like ours is to promote the development of the economy, to promote financial products that could create jobs, promote the emergence of SMEs and everything that has to do with the generation of jobs and wealth in the country.

CORPORATE AND INVESTMENT BANKING

KNOWING EVERY SIDE OF YOUR BUSINESS MAKES ALL THE DIFFERENCE



UNICO
Set unico. muda tudo.

www.bancounico.co.mz

BEAUTY AND CONSERVATION TO ATTRACT TOURISM NATURALLY

From bushland to beaches, Mozambique has incredible natural beauty that has world-leading preservation efforts and ever-more visitors

Sandbanks and small islands dot the 2,500km coastline of Mozambique, dazzling the visitor's eye with clear turquoise waters, and deep walls of coral. Last year, nearly 2 million tourists visited here, many from the UK and Portugal, but about half of whom hailed from neighbouring South Africa, eager to see for themselves the islands, reefs and beaches that were rumoured to be even more beautiful than those back home.

Mozambican Minister of Tourism, Carvalho Muaria, points out that the new tourist resorts that have emerged along the country's coast in recent years feature new lodges in the areas of Inhambane, Gaza, in the Quirimbas Archipelago, and in new luxury resorts that are "among the most exclusive destinations in Africa."

"We are fast becoming one of the most important destinations in sub-Saharan Africa," says Mr Muaria. Hard numbers back up this boast: The tourism sector grew by 11 per cent in 2012, accounting for almost £2 billion in revenues. More than 40,000 jobs were powered by foreign spending at restaurants, hotels and trips to the dry grasslands of the northern plains, as well as medieval forts and churches built in the 16th century by the Portuguese.

Already renowned for its pristine coastlines and beaches, Mozambique holds a real treasure trove of delights for nature lovers. The spectacular nature reserve and lake at Niassa in the north is the largest protected area in the country. The Niassa Reserve covers 42,000km² and is twice the size of the more famous Kruger National Park in South Africa. The poor road network and lack of associated tourism infrastructure mean only the most determined of travellers currently experience its fast-flowing rivers, huge expanses of miombo woodland, sweeping savannah punctuated with monolithic granite mountains and free-roaming wildlife.

Perhaps the greatest restoration story of our time can be told about Gorongosa National Park. It is a unique 20-year public-private partnership between

the Government of Mozambique and the Gorongosa Restoration Project, a US non-profit organisation, to restore and protect what has been called the "most diverse park in the world" and the crown jewel of Mozambique's national parks.

Located at the southern end of the Great African Rift Valley in the heart of central Mozambique, its animal population is still in a recovery phase, following the effects of the civil war. "Nature, on its own, is fantastic: it has an incredible regenerating capacity; it will recuperate itself merely by protecting it," says Mateus Mutemba, Administrator of Gorongosa National Park.

The project aims to balance tourism, conservation, science and communities. Last year Mr Mutemba received the prestigious 'Conservation Hero of the Year' award at the International Wildlife Film Festival (IWFF) in Montana in honour of his "significant contributions, exemplary service, knowledge, and impact on wildlife or marine conservation."

"Gorongosa has the particularity of, firstly, being wild and natural," he says. "Secondly, we are commercialising the park as a place of peace and tranquillity, where people obtain the maximum benefit from the intimate contact with nature, as opposed to other parks."

Over the past 13 years, the Tourism Ministry has focused on revitalising the old colonial charm of the country and carrying out a strategy to develop new, key properties that travellers will want to see. "Anchor projects came about – Zambezia – and projects in the north, Nampula and Cabo Delgado," says Mr Muaria. "These projects enable us to improve people's lives."

Travel to Mozambique currently is expensive, as there is not enough hotel accommodation to meet the demand. "The German group, Tool, has already contacted us because they want our market and want to come in with 1,000 booked seats," says Mr Muaria. "We do not yet have the means to host them. Russians – who normally travel to the Middle East – want to come to Mozambique with nearly 1,500 people for 15 days to do a 'sun tour'. Our challenge is to figure out how to host them. We are also in negotiations to attract more airline companies. Currently, we have Qatar, Kenyan, South African, and we are negotiating with Emirates and British Airways."

So, "boa viagem!" as the locals say, or bon voyage, as the future for travel here looks ready for take-off.



"We are fast becoming one of the most important destinations in sub-Saharan Africa"

**Carvalho Muaria,
Minister of Tourism**

Experience pure wilderness up close at huge nature reserves or bask in Mozambique's magnificent coasts



EMPOWERING GAINS FOR WOMEN AND GIRLS

While Mozambique has emerged as one of the fastest growing economies in the world, gains among the nation's women and girls may be its greatest success story

"Women are a priority, without a doubt," affirms Prime Minister Alberto Clementino A. Vaquina. "Our government has a framework in place called the 'Programme for the Liberation of Women' which defines liberating women not as an 'act of charity, but rather a duty'."

It is this sense of duty that led to the creation of a special fund, which backs prizes for girls who study hard, and another programme called the Adult Education Fund, which provides education opportunities for women.



"In those schools, there is an obligation for the teachers to give special attention to female students, so they won't quit studying," says Filipe Chimoio Paúnde, General Secretary of the Incumbent Mozambique Liberation Front (Frelimo).

The programmes are producing results. According to the United Nations Development Programme (UNDP), Mozambique is on course to achieve a ratio of almost one girl for each boy in primary school by the year 2015, and already in Inhambane and Gaza girls outnumber boys. It also states that female illiteracy is falling, from 66.2 per cent in 2004 to 56 per cent in 2009.

But Mozambique's success is not limited to education. "The engine of this country is the

women. We have female governors and ministers who are our best examples," Mr Paúnde points out. In fact, female representation in Mozambique's parliament rose from 28 per cent in 2003 to 39.2 per cent in 2010, placing it among the highest in Africa.

The Prime Minister says, "Our public markets are dominated by women, and there are places such as the Nampula Province where women do the banking with weekly or monthly contributions to buy necessary housing goods that benefit all."

In a country where natural reserves are key to economic vitality, women are proving to be Mozambique's greatest resource. Mr Paúnde couldn't agree more: "The future of this country depends on them."