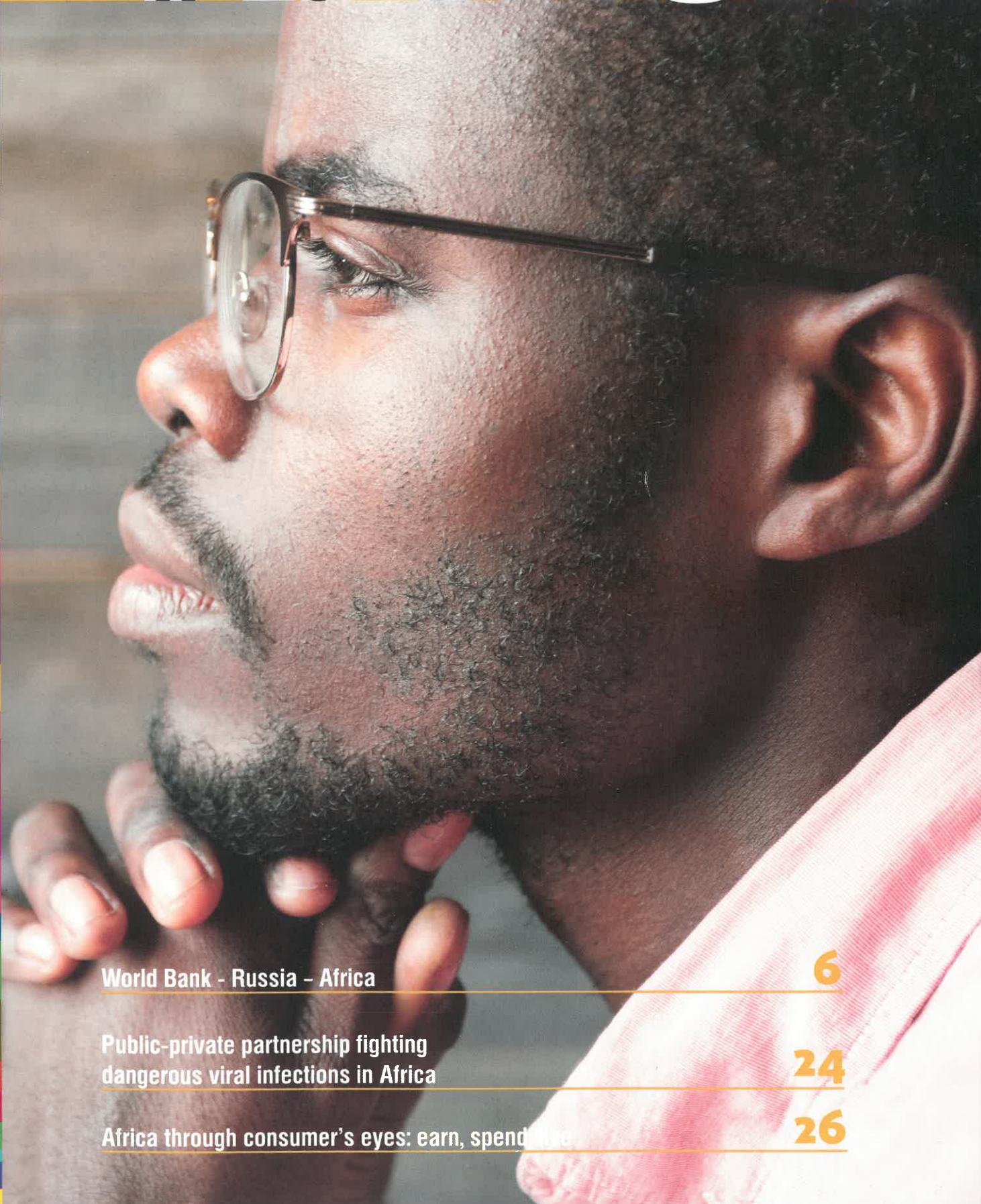


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Mozambique – the country of untapped investment potential

Over the past 10 years, Mozambique has become one of the greatest drivers of global energy demand and fastest growing economies on the African continent, despite the recent debt crisis, fostering substantial investments from across the globe, mostly in the oil and gas sector and continuous improvement of the overall business climate.

Mozambican economy maintained its gradual recovery following the financial crisis of 2008, with the real GDP expected to grow in 2019 from about 4% to 4.5%. Tight monetary policy, stable exchange rate with the US dollar between MT58 to MT61, and slowdown in food price increases, lead to rapid declination of inflation from 26% in November 2016 to 2.3% in June 2019. With growing market and population of nearly 29 million, favorable climate conditions, being geographically well-positioned, bordering with Tanzania, South Africa, Malawi, Zambia, Zimbabwe and Swaziland, Mozambique is rich in natural resources, including natural and hydro-carbon deposits, fertile soil and in mineral resources. The 2010-2013 discovery of large natural gas reserves in the Rovuma Basin, off the northern coast of Mozambique, made Mozambique the third largest holder of liquefied natural gas (LNG) in Africa, with overall reserves of LNG of around 180 trillion cubic feet. Ac-

Total S.A.) agreed to invest USD 25 billion in the extraction, liquefaction and maritime export of natural gas in Area 1 of the Rovuma Basin. To date, this is the largest pro-



According to the Minister of Mineral Resources and Energy, Max Tonela, about 70% of the potential natural gas reserves in the Rovuma Basin is yet to be explored. In June 2019, the consortium led by the U.S. multinational company, Anadarko Petroleum Corporation (recently taken over by the U.S.'s Occidental Petroleum Company and further to be sold to France's

ject finance carried out in Mozambique and one of the largest investments in the African continent. The Anadarko-led consortium, which also includes Mozambique's state energy firm ENH (Empresa Nacional de Hidrocarbonetos), Japan's Mitsui Group, Thailand's PTT Exploration and Production Public Company Limited and ven-

tures of several Indian firms, will also be responsible for constructing support facilities, including LNG storage tanks, condensate storage, a multi-berth marine jetty, and associated utilities and infrastructure. A number of contracts has already been awarded, including to McDermott International, Chiyoda and Saipem to build the two liquefaction trains, and to TechnipFMC and Oceaneering International for various elements of the subsea gathering system.

The investment by the Anadarko-led consortium has increased awareness and prospects of the extractive industry and considerably improved the medium- and long-term prospects for Mozambican economy. In addition, later this year, the consortium led by Eni, S.p.A. and ExxonMobil is expected to announce an investment of a similar scale in Area 4 of the Rovuma Basin.

Prior to the mentioned LNG investments in Rovuma Basin, China was the main investor in Mozambique with an accumulated investment in 2018 equals to USD 7 billion. Russia and Africa, however, sharing decades of close ties and heritage, have accelerated in recent years their partnership to a new level and Russian investments across Africa have grown at an astounding rate. During the St. Petersburg International Economic Forum in May 2019, Mozambican Foreign Minister Jose Pacheco declared his country's keenness to enhance cooperation with Russia to the point of making Moscow a "strategic partner in different fields". In addition to the presence of the Mozambican President Filipe Nyusi at the Russia-Africa Summit in Sochi in October 2019, the President had

made an official visit to Russia in August 2018. Russia's recent re-engagement with Mozambique will alternate and diversify the dynamic US and Chinese investments in Mozambique.

Undoubtedly, the current key opportunities of large magnitude are concentrated in the Rovuma Basin; although, mining, infrastructure, agriculture, fishery, tourism, among others, are also strategic sectors for the country, as is identified in the Quinquennial Government Plan for 2015-2019. Due to the need to support not only upstream, but also medium- and down-stream, the LNG projects will naturally foster and promote the development of infrastructure, as well as each of the mentioned strategic sectors. Once, in a rapidly expanding market, an infrastructure race is on, it is very advantageous for investors to be the first-movers.

Mining

Having been rich in commercially essential deposits of coal, graphite, iron ore, ruby, apatite, titanium, marble, bauxite, kaolin, bentonite, copper, gold and tantalum, and with the expectation that mining costs in South Africa will rise significantly in the next years, Mozambique is rapidly gaining a regional competitive advantage. Mozambique has some of the largest reserves of coal in the world (23 billion tons of proven reserves). The Brazilian company, Vale, S.A., with major investments in a coking coal mine in Mozambique, is now followed by key Indian players in the mining sector, International Coal Ventures Private Limited and Jindal. The mining projects are in need of mining and refinery equip-

ment, maintenance services and machinery, automation equipment and other efficiency improving services, thus, providing additional investment opportunities for companies with such expertise.

Energy

Mozambique has been blessed with abundant primary resources, (hydro, coal, natural gas, solar and wind) and most of them remain unexplored, well in excess of what is needed to meet its internal electricity demand for decades to come. The Government and Mozambican energy company EDM (Electricidade de Moçambique E.P.) will support efforts to boost the supply of power from various sources to diversify the supply and meet future demand projections with incentives to private investment.

Although the main source of power generated in Mozambique is hydroelectric power with potential to generate 12.5m MW, most of the recent investments in the sector are being made in gas to power and solar projects.

Tourism

With its beautiful and pristine beaches and people's hospitality, Mozambique is on the virtue to become the "next Seychelles". In 2018, the World Economic Forum's Global Competitiveness Report indicated Mozambique as one of the top ten touristic destinations that, in the next decade, is expected to significantly grow in demand for leisure travel. Tourism is clearly also an important source of inclusive business. With a recent wave of foreign investments, international hotels have been active in setting up its chains in Mozambique, targeting not only mass tourism, but also business tourism.

Nuances of Doing Business

As a former colony and recently independent country, Mozambique has its challenges with cultural differences. Due to the high increase of investments from around the globe, Mozambique welcomes foreign players. It is, however, essential to understand that for the government to have control of their relationships is key, meaning set-





ting priorities, ensuring skills are transferred and negotiating with foreign partners on their own terms, rather than those brought and attempted to be imposed by foreign investors.

Just as with any African country, investors should be respectful of the local culture and way of conducting business and mindful of differences in language, social and ethical values, decision-making process, use of time, as such differences may lead to misunderstanding between parties.

Guilherme Daniel founded Guilherme Daniel & Associados in 2016 with an exclusive relationship with VdA Legal Partners. As the Founder, he is actively involved in several matters mainly in corporate, energy and natural resources (particularly, oil and gas) and infrastructure.

Guilherme has been regularly providing support to the Ministry of Energy and participating in drafting of key legal instruments in the downstream petroleum sector regulation since 2006.

Guilherme is admitted to the Mozambique Bar Association and is an Industrial Property Agent.

Guilherme Daniel

Guilherme Daniel & Associados
Torres Rani, Av. Tenente Osvaldo Tazama Marginal Torre 1, Piso 02, Fracção 05. Maputo, Mozambique
Tel: +358 21 498 770
Email: gdd@guilhermedaniel.com
www.guilhermedaniel.com



Luíza Savchenko is a Senior International Adviser of the Banking & Finance practice and is heading the Russian desk.

Luíza regularly advises on international debt and equity capital markets, corporate finance, banking and Islamic finance and cross-border M&A transactions in various industry sectors, including oil and gas, mining, energy and natural resources, financial and real estate sectors, with an emphasis on Russia, Africa and other emerging markets.

Prior to VdA, Luíza worked at Rosneft Oil Company, as well as at major law firms in London, Washington, D.C. and Moscow. Luíza is qualified in the state of New York and is a member of the New York Bar Association.

Luíza Savchenko

Vieira de Almeida
Rua Dom Luís I, 28
1200-151 Lisboa
Portugal

Tel: +351 21 311 5226
Email: lso@vda.pt
www.vda.pt



Mozambique is a party to international organizations, including United Nations, World Trade Organization, International Monetary Fund, World Bank, World Health Organization, International Labour Organization, United Nations Education, Scientific and Cultural Organization, Community of Portuguese Speaking Countries.

To facilitate cross-border trading and improve business environment, over the course of last years, Mozambican government has introduced a broad range of reforms, significantly improving legal system, from customs and tax matters to export licenses, introducing an electronic single window to both register a company and publish its articles of association, imposing strict anti-corruption measures, implementing compulsory independent audits and environmental protection policies, thus, leading investors to feel more secured and welcomed to conduct business in the country.

With an understanding of key social, legal, economic and political issues that surround doing business in Mozambique, and with adequate legal advisors offering in-depth market knowledge, extensive experience in transactions and public policy, companies and entrepreneurs will successfully achieve their business strategies in this country still full of untapped opportunities.



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