



# Africa *In Focus*

Issue 2

March | April 2013

Welcome to **Africa *In Focus***,

We are most pleased to release the second issue of Africa In Focus.

Our aim with these bi-monthly brief reports is to provide you with an update on relevant news and key legal issues pertaining to Africa which may be of interest to you and to your business, complemented, whenever pertinent, with overviews on regulatory developments in the Angola and Mozambique jurisdictions.

This time around we will be speaking about the actual status of the coal business in Mozambique – expected to become the world's largest coal exporter – where transport infrastructure constraints are leading the authorities, industry stakeholders and other market players to search structural solutions in order to support the investments made in the sector. Such turning point may result in a ground-breaking progress that will give an answer to the industry's expectations but, furthermore, open an interesting path to new investors and represent a boost on the local economy.

In this edition we have also included several articles we wrote on African matters. If you feel there are developments of information you have read in these documentation, as well as comments or suggestions you would like to make, we would be very glad to hear from you so please let us know by emailing [africaninfocus@vda.pt](mailto:africaninfocus@vda.pt).

With very best wishes,

**VdAtlas**

## Overcoming infrastructure hurdles – A new phase in the Mozambican coal business

The great expectations around the Mozambican coal business, which, in turn, have been attracting heavy foreign investment to Tete province, are being revisited due, mainly, to infrastructure constrains.

Adequate infrastructure to transport – over 600km – minerals from the pits to the port of Beira, and to send them offshore, is crucial for the development of coal projects in this resource-rich region of Mozambique. However, the existing transport infrastructure (particularly, railways) does not have the capacity to support the forecasted boom on coal production. Considerable upgrades on rail and ports proved to be mandatory.

Rio Tinto had plans to transport coal from the mines to the sea through the Zambezi River – the alternative found to face the lack of capacity of the existing Sena Railroad (connecting Moatize to the port of Beira) – but the Government has been opposing this option on environmental grounds.

The Brazilian mining group Vale also seems to be facing logistics setbacks, as Sena Railroad suffered damages with the heavy rain that hit the country since early February, with a direct impact on the transportation of coal. This led Vale to announce, on February, that it had declared force majeure on a number of its coal sales contracts and to consider the construction of an alternative railroad from Moatize to Nacala, via Malawi, in which investment is expected to total US\$4.44 billion.

Almost simultaneously Rio Tinto also declared force majeure, based on identical grounds, that is, insufficient capacity of the Sena Railroad.

Locally, these announcements occur at a time when the country is focused on the Oil & Gas industry development, while the coal business viability had somewhat been taken for granted.

Globally, these announcements occur at a time when mining companies rethink their strategies for Africa, in an attempt to measure the impact of the local concerns that are spreading across African nations – which are leading investors to weight the benefits arising from large scale projects against fundamental issues such as tax benefits, “local content”, limitation on exports and labor conflicts – on several business cases.

However, the fact that Mozambique holds the biggest undeveloped deposits of coking coal and also a prime key location – with one of the largest extensions of coast in southeast Africa – to supply emergent markets in Asia is undeniable. Therefore, the overcoming of these constrains has been assumed by the Government and the relevant authorities as a priority matter of the country’s agenda, claiming that best efforts are being made to assure that, together with the mining companies

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and other investors, a viable solution is found to the logistics and infrastructure required for the coal industry.

Several measures have already been announced, such as the investment of CFM – Portos e Caminhos de Ferro de Moçambique in the repair of Sena railway line, and a 84 million dollar loan for the first phase of the development project of the port of Nacala granted by the Government of Japan. In the meanwhile, the tender for a 525 km new railway connecting Tete to Macuse (at the coast of Zambezia province), and for a new port with the initial capacity of 25 million tonnes cargo/year (with potential to be doubled in the future), is still in on-going, having Rio Tinto been recently shortlisted as one of six preferred bidders.

It seems that due attention is being given to this setback, although a comprehensive and urgent solution to the logistics and infrastructure limitation surrounding the coal business is still to be reached.

This coal business “rethinking process” seems to be representing a milestone in the process of investing in Mozambique (as unavoidable limitations and constraints, which were not assessed before the mining industry took off, are now being brought to the table), at a time when Mozambique is increasingly in the business radar, attracting investments from all around the world.

An optimistic perspective would point out that this milestone may also be seen as an opportunity for economic players in several sectors, since it will most certainly pressure the overcoming of some of the above limitations and to create a more adequate business friendly environment for new opportunities, hence contributing to the momentum of economic growth Mozambique is currently experiencing.

## NEWS

### Angola

#### **Robust economic growth for 2013**

Due to recovery in oil production (with high oil prices) and on-going strong non-oil sector growth, GDP growth is estimated at around 8% for 2012 and 2013. The outlook is bright for oil and gas in 2013, with a steady expansion of oil production in the next years (from 1.75 mn bpd in 2012), Deutsche Bank said in an analysis published in March.

Source [www.dbresearch.com](http://www.dbresearch.com)

#### **Economy will growth 7.1% in 2013**

The Angolan economy will post growth of 7.1% in 2013 and the expansionist fiscal policy underway will lead to an increase in means of payment and a rise in expenditure in the first quarter.

Source [www.angolahub.com](http://www.angolahub.com)

#### **Rail cargo transport from the port of Luanda begins this month**

The transport of cargo by rail in Angola, Africa’s second largest oil producer, will begin this month from the port of Luanda for the first time in two decades. The target is to move 615,000 metric tons a year.

Source [www.bloomberg.com](http://www.bloomberg.com)

### Mozambique

#### **Mozambique’s economy expected growth of 6% this year**

Mozambique’s economy is expected to grow by a maximum of 6% in 2013. The projected economic slowdown, from an average of 7.4% in the last decade to 6%, was based on the effects of the floods seen in the first few months of the year.

Source [www.mozahub.com](http://www.mozahub.com)

#### **Sovereign debt rating attracts investment**

Angola and Mozambique are amongst the southern African countries that have seen increased foreign direct investment (FDI) following rating of their public debt by an increasing number of international debt rating agencies, according to Fitch Ratings.

Source [www.macauhub.com.mo](http://www.macauhub.com.mo)

#### **Construction of the Maputo/Catembe in second half of 2013**

The construction works to build the Maputo-Catembe Bridge and the Catembe-Ponta do Ouro and Bela Vista-Boane roads, in Mozambique’s Maputo province, will begin in the second half of the year. The project, costing US\$725 million, was awarded to the China Roads and Bridges Corporation (CRBC).

Source [www.mozahub.com](http://www.mozahub.com)

### **Oil reserves estimated to total 12.667 billion barrels**

Proven and probable oil reserve in Angola is estimated to total 12.667 billion barrels following the latest discoveries in shallow, deep and ultra-deep water.

Source [www.angolahub.com](http://www.angolahub.com)

### **Oil exports reaches a new record**

Angolan oil exports may total 1.83 million barrels per day in May of this year, which is similar to the record figure posted in August 2012. Angola is currently the second-largest oil producer in sub-Saharan Africa, after Nigeria, which produces an average of 2 million barrels per day.

Source [www.angolahub.com](http://www.angolahub.com)

### **New oil discovery offshore**

ENI Angola – a subsidiary of Italian integrated energy company ENI – has found more oil in block 15/6 in the deep waters off the coast of Angola. Eni has made the ninth oil discovery in Block 15/06, in deep water offshore Angola, increasing the resource base of the West Hub project.

Source [www.eni.com](http://www.eni.com)

### **Construction and repair of power production facilities are priority until 2016**

The construction, repair of halted facilities and transformation and interlinking of the three main power systems (North, Centre and South) are the priorities for the Angolan Energy and Water Ministry for the 2009-2016 period. By 2016 and in the area of production, the Energy and Water Ministry proposes to move ahead with projects at the hydroelectric facilities of Lauca, Caculo Cabaça, on the Kwanza river, the combined-cycle power plant at Soyo and the hydroelectric plants of Jamba ya Mina an Jamba ya Woma on the Cunene river.

Source [www.angolahub.com](http://www.angolahub.com)

### **Africa's third biggest diamond producer**

Angola is Africa's third largest diamond producer by quantity and value. With production of 8 million carats, Angola sits behind Botswana, the largest producer with around 38 million carats, and the Democratic Republic of Congo, with 30 million carats.

Source [www.angolahub.com](http://www.angolahub.com)

### **ANIP plans to attract US\$4 billion in foreign investment this year**

Angola's National Agency for Private Investment (ANIP) has a target of attracting US\$4 billion in foreign investment this year.

In 2012, the CPI approved investment projects valued at US\$2.3 billion, which was a year on year rise of 60%.

Source [www.angolahub.com](http://www.angolahub.com)

### **Government approves legislation to create capital markets**

The Angolan government has approved the first set of laws that will make way for the creation of the capital market in the country.

Source [www.angolahub.com](http://www.angolahub.com)

### **Government approves legislation to boost the secondary market**

The legal framework for the regulated public debt market in Angola is an important tool to boost the secondary market, the chairman of the Capital Markets Commission said. The document, approved by the Angolan Council of Ministers allow for more

### **Construction of port of Matatuine has been awarded**

The Mozambican government has awarded the concession for construction of the deep water port of Techobanine, in the Matutuine district of Maputo province. The project will cost an estimated US\$7 billion, which will be funded by the Mozambican and Botswana governments.

Source [www.mozahub.com](http://www.mozahub.com)

### **Maputo Port Development Company to invest US\$400 million on Maputo port**

The Maputo Port Development Company (MPDC) intends on investing US\$400 million in the port of Maputo to improve conditions. Since 2003 the amount of cargo handled each year had risen until in 2012 Maputo was handling 15 million tons. By improving conditions in the port this increase in volume could continue.

Source [www.mozahub.com](http://www.mozahub.com)

### **CNPC improve natural gas market outlook**

China National Petroleum Corporation, which is China's main producer of oil and gas, agreed to buy a 20 percent stake in the Area 4 block of the Rovuma basin.

Source [www.mozahub.com](http://www.mozahub.com)

### **Russia's Gazprom interested in Mozambique's natural gas**

Russian group Gazprom plans to buy a stake in the assets Italian group ENI owns in Mozambique, financial news agency Bloomberg reported citing sources close to the process.

Source [www.mozahub.com](http://www.mozahub.com)

### **Indian companies join forces to buy stake in natural gas block**

Indian state company Oil and Natural Gas Corp (ONGC) and Oil India (OIL) have decided to put forward a joint proposal to acquire up to 20 percent of an oil block in the Rovuma basin, in northern Mozambique

Source [www.wsj.com](http://www.wsj.com)

### **Eni sell 20% stake in a gas block**

Italian group ENI has sold a 28.57 % stake in ENI East Africa to the Petrochina Company Ltd, controlled by the China National Petroleum Corporation (CNPC), for US\$4.21 billion.

Source [www.mozahub.com](http://www.mozahub.com)

### **Anadarko launch the auction of a 20% stake in Rovuma offshore field**

The Rovuma offshore field is drawing major interest after recent discoveries boosted Mozambique's gas reserves to around 150 trillion cubic feet. US oil and gas explorer Anadarko Petroleum Corp and Indian billionaire Venugopal Dhoot have launched the auction of a 20% stake in a Mozambique gas field that could fetch \$4.5 billion

Source [www.business-standard.com](http://www.business-standard.com)

### **Australian company concludes test drilling in Tete**

Australian mining company Metals of Africa has concluded its initial programme of 14 test drills at the Rio Mazoe project, of which it owns 100%, in Mozambique's Tete province. The company found lead, zinc, silver and copper in four of the test drills, and the lead/zinc and silver deposits were of high quality.

Source [www.clubofmozambique.com](http://www.clubofmozambique.com)

### **Norway's Statoil to begin test drilling in Mozambique**

Norwegian oil group Statoil is due in the next few days to begin test drilling for oil and gas in the Area 2 and 4 sea blocks in the Rovuma basin, in Cabo Delgado province.

Source [www.mozahub.com](http://www.mozahub.com)

direct contact between issuer (the Treasury) and investors interested in buying treasury bonds.

Source [www.angolahub.com](http://www.angolahub.com)

### **BIC plans to expand in Angola**

BIC SA, Angola's biggest private bank by branches, plans to open offices in Namibia and South Africa as it considers further regional expansion.

BIC has applied to Namibia's central bank to open branches in its southern neighbour and plans a representative office in Johannesburg and is also studying Botswana, Republic of Congo, Democratic Republic of Congo, Zambia and Gabon.

Source [www.bloomberg.com](http://www.bloomberg.com)

### **New Treasury bond market**

Angola, Africa's second-biggest oil producer, will start an electronic bond market within months and a stock market within two years. The new Treasury bond market, that can be accessed by financial intermediaries, as well as banks, to buy and sell the bonds is due to start operating before the end of the year.

Source [www.angolahub.com](http://www.angolahub.com)

### **Angola hopes to cut its import dependence on salt**

The economic and social development plan for Namibe province in the 2013/2017 period is focused on the salt sector. The plan, by focusing on the salt sector, will allow producers access to subsidies for acquisition of equipment for sea salt production.

Source [www.angolahub.com](http://www.angolahub.com)

### **Forests can become country's second source of income**

In Luanda, due exploration of Angola's forest resources can make of them the second major source of income for the State Budget. The potential of Angola's current native forest is of 360 cubic metres per year, but only 60 to 70 cubic metres are explored.

Source [www.portalangop.co.ao](http://www.portalangop.co.ao)

### **Proposed extension of the continental shelf submitted to UN**

Angola is on its way to legally defining the size of its continental shelf due to the reasoning behind the scientific and legal arguments put forward to the Inter-ministerial commission for Delimitation and Demarcation of Angola's Maritime Spaces (CIDDEMA). The project meets all requirements set out by the United Nations Convention on Sea Rights, will now be submitted to the United Nations Organisation for consideration.

Source [www.angolahub.com](http://www.angolahub.com)

## LEGAL OBSERVATORY

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### **Angola**

#### **PIP Projects**

Executive Decree 56/13 of April 1, approves the procedures to assess the implementation status of the ongoing projects included in the Public Investment Programme (PIP) of 2013 and the PIPs prior to 2009.

### **Government approves modifications to Oil Law**

Oil and gas companies operating in Mozambique must communicate any discovery to the authorities within 24 hours, under the terms of a proposed change to the Oil Law, of 21 February 2001.

Source [www.mozahub.com](http://www.mozahub.com)

### **New prospecting concessions to be granted upon new legislation**

The next tender for oil and gas prospecting and production in Mozambique will only be launched after approval of the Oil Law review and its regulation by the parliament and government, the country's Natural Resources Minister said in Maputo.

Source [www.mozahub.com](http://www.mozahub.com)

### **Beacon Hill confident of coal project**

Beacon Hill Resources Plc, the coal producer listed on AIM, has started commissioning Phase 2A at Moatize coking coal project in Mozambique and coal should start being produced from there in May.

Source [www.telegraph.co.uk](http://www.telegraph.co.uk)

### **Baobab Resources' block with potential to be large operation**

The Australian company Baobab Resources states that the latest update of iron ore resources available in the Tenge-Ruoni region, in Mozambique's Tete province, point to the possibility of a large pig-iron operation. The update increased estimates for existing iron ore reserves to 727 million tons.

Source [www.mozahub.com](http://www.mozahub.com)

### **Mining group Gold One International to start mining for gold**

Australian mining group Gold One International is due in the first half of this year to launch industrial gold mining in Mozambique in the Lupulichi region of Niassa province next to the Tanzanian border. The launch of industrial mining would reduce the proliferation of illegal mining in the Great Lakes region.

Source [www.mozahub.com](http://www.mozahub.com)

### **Mozambique power company wants new transmission line to north**

Mozambican power company Electricidade de Moçambique (EdM) plans to rebuild a second power transmission line to supply electricity to the north of the country from the Cahora Bassa hydroelectric facility.

Source [www.mozahub.com](http://www.mozahub.com)

### **Banco do Brazil to Fund Maputo Water Supply Project**

The Bank of Brasil is shortly expected to enter into an agreement with the government of Mozambique to finance the construction of the Moamba Major dam that will provide drinking water for the Maputo metropolis.

Source [www.allafrica.com](http://www.allafrica.com)

### **Mozambique**

#### **Competition legal framework**

Law 10/2013 of April 14, establishes the legal framework of competition in the exercise of economic activities, which apply to private and public companies, and regulates the anti-competitive practices, process and fees. This law also creates the Competition Authority.

### **State Budget for 2013**

Law 2/13 of March 7, approves the State budget for the financial year of 2013, which includes estimated revenue in Kz: 6.635.567.190.477.00, expenses set out in the same amount, for the same period and the budgets of the Central and Local Administration, Public Institutes, Services and Autonomous Funds and Social Security.

### **Oil and biofuels**

Executive Decree 65/13 of March 5, approves the internal rules of the National Directorate of Oil and Biofuels from the Ministry of Petroleum.

### **Salt Production | Subsidised lines of credit**

Joint Order 425/13 of February 7, approves the inclusion of projects from the Micro-Sector of salt production in the mechanism of access to subsidised lines of credit, referred to in Regulations of Subsidised Lines of Credit and Public Guarantees Mechanism for Micro, Small and Medium-Sized enterprises and Individual Entrepreneurs.

### **Excise Tax Code Regulation**

The Decree 1/2013 of March 8, amends the Regulation of Excise Tax Code, approved by Decree No. 69/2009 of December 11, regarding to liquidation and payment, billing and registration requirements, incidence, taxable amount, establishment of storage and movement and transport of goods.

### **Insolvency and Recovery of Commercial Entrepreneurs**

Law 9/2013 of March 1, authorizes the Government to establish the legal framework for insolvency and recovery of Commercial Entrepreneurs, including the scope and application, the judicial recovery and bankruptcy common rules, the conversion of judicial recovery into insolvency, the bankruptcy, the extra judicial recovery, the criminal provisions and the criminal procedure provisions.

### **Credit Agreement | Construction of the Moamba Major Dam**

Resolution 1/2013 of February 6, ratifies the Credit Agreement signed between the Government of the Republic of Mozambique and the Federative Republic of Brazil, on November 22, 2012, in the amount of USD 8 500 000.00 (eight million five hundred thousand US dollars) for the financing of studies for environmental impact and the execution project of civil engineering works, and other related activities, for the construction of the Moamba Major Dam.

### **Insurance for the financing, export credit and investment**

Resolution 2/2013 of February 6, ratifies the accession of the Republic of Mozambique to the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), of the Islamic Development Bank (IDB), in the amount of USD 768 000.00 (seven hundred and sixty-eight thousand US dollars), providing access, to the National Private Sector, to a financing, export credit and investment insurance.

## **WRITING ABOUT**

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### **Flash VdAtlas Angola | The Strategic National Programme for Water 2013-2017**

Flash VdAtlas  
April 23, 2013

On January 31, 2013, Presidential Decree no. 9/13 approving the Strategic National Programme for Water 2013-2017 ("SNPW") of Angola, was published.

The SNPW aims at preparing a framework of multi-sector investments which allows a balanced and sustained management of the specific interests of each sector towards the immediate and long term general interests of development and economic growth of Angola

[See Flash VdAtlas](#)

### **Flash VdAtlas | Mozambique: banking intermediation in the export of goods**

Flash VdAtlas  
May 2, 2013

It has recently been disclosed the publication of the Notice of the Bank of Mozambique nr. 01/GBM/2013, of 8 March 2013, which establishes the Statement of Commitment to Bank Intermediation of Export of Goods, as well as the procedures to its effectiveness. The respective preamble evidences that the Notice aims at assuring the effective enforcement of the duty of repatriation of earnings resulting from the export of goods by

### **VdA prepares informative brochure in conjunction with Norton Rose**

Norton Rose | VdA  
April 24, 2013

Norton Rose LLP and VdA have jointly prepared an informative brochure on investment in the electricity sector in Mozambique. The brochure offers an overview of investment in Mozambique's electricity sector ("Ten things to know"), including a general overall view of Mozambique, the incentives to investment in the country, the policy regarding renewable energies, the structure of the electricity sector, the tariff regime and the involvement of private investors, as well as issues such as the key terms for the concession of a power project, protection of foreign investors, the scope of a typical Mozambican security package and the matter of reciprocal enforcement of foreign judgments and arbitration awards.

[See Brochure](#)

### **Law no. 10/2013: Mozambique Competition Law**

Flash VdAtlas  
April 23, 2013

Law no. 10/2013 of the Republic of Mozambique, establishing the legal regime of competition in the course of economic activities, was published on 11.04.2013.

This new Law was enacted following the Competition Policy

resident entities, in compliance with the Foreign Exchange Law and its regulation.

[See Flash VdAtlas](#)

approved by the Council of Ministers on 24.07.2007, which provided for the adoption of legislation on this matter and for the creation of an authority responsible for its enforcement.

[See Flash VdAtlas](#)

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