Mozambique News Agency
AIM Reports

Report no.548, 8th June 2017

Final Investment Decision taken on Rovuma LNG project

Mozambique is now "undoubtedly on the natural gas trade route", declared President Filipe Nyusi on 1 June, at the ceremony where the partners in the Rovuma Basin Area Four consortium made their Final Investment Decision for the project to set up a Floating Liquefied Natural Gas (FLNG) unit, above the Coral South gas field.

Mozambique is now "undoubtedly on the natural gas trade route", declared President Filipe Nyusi on 1 June, at the ceremony where the partners in the Rovuma Basin Area Four consortium made their Final Investment Decision for the project to set up a Floating Liquefied Natural Gas (FLNG) unit, above the Coral South gas field.

Area Four is 50 kilometres off the coast of the northern province of Cabo Delgado, at a depth of between 1,500 and 2,600 metres. During exploration 15 wells were drilled, and the known reserves in Area Four are over 85 trillion cubic feet of gas.

Coral South is a "structuring project" for our economy, President Nyusi said, which "will have a great impact on our lives". The signing of the agreement on the FLNG project marked an end to the moments of "hesitation, uncertainty and nervousness" that had preceded it.

Over the past three years, he added, the behaviour of the energy market had been adverse, with the slowdown in the economies of the developed world, and a fall in energy prices, including the price of gas, which was why it had been impossible to comply with the initial timetable for extracting and exporting Rovuma Basin gas.

The initial forecast was that the gas would be flowing by 2019. But under the current agreement, the Area Four consortium has five years to complete the project. The FLNG vessel will have the capacity to produce 3.4 million tonnes of liquefied gas a year.

All the gas from the FLNG unit will be exported under an agreement reached with British Petroleum with none being set aside for use on the domestic market. President Nyusi said that was because the government had agreed "to renounce immediate economic advantages to guarantee the viability and sustainability of the business".

The FLNG unit is just the start, and Coral South is only one of several gas fields discovered in the Rovuma Basin. The next step will be to process gas from the Mamba field, also in Area Four, in an onshore facility to be built on the Afungi Peninsula in Palma district. The operator of this facility is expected to be the American petroleum giant, ExxonMobil.

The Final Investment Decision, the President added, would mean a change in the international perception of Mozambique, and the revenues that would be forthcoming would reduce the deficit on the country's public accounts.

The Italian energy company ENI is the operator of Area Four, and its Chief Executive Officer, Claudio Descalzi, declared that the project is "very robust", with 15 banks and other financing agencies committed to lending around US$6 billion of the US$8 billion that the project requires. These figures do not include the US$2.8 billion already invested in Area Four.

"At this moment of extreme financial difficulty across the world we were able to convince 15 banks, three of them national and 12 international, to come to Mozambique with US$6 billion", Descalzi declared. "Mozambique has been tested and it has passed the test".

The US$6 billion was just the start – when other Area Four gas projects came on stream, the investment could rise to "30, 40, 50 billion dollars", he said.

"We cannot miss this opportunity, we cannot fail", said Descalzi. "The eyes of the world will be on Mozambique. We have to achieve".

The Area Four consortium is led by ENI-East Africa, with a 70 per cent holding. That stake is divided into 20 per cent for the Chinese company CNPC, and 50 per cent for ENI itself, which has signed an agreement to sell half of this to ExxonMobil. The other partners, each with ten per cent, are Kogas of South Korea, GALP Energia of Portugal, and Mozambique's own National Hydrocarbon Company (ENH). The CEOs of all these companies signed the Final Investment Decision.

Engineering contracts were also signed, to build the FLNG vessel, to drill six offshore wells, and to link them to the vessel by a network of cables, known as umbilicals, risers and flowlines. The consortium that will build the FLNG vessel is headed by the French company Technip/FMC and includes the Korean company Samsung, and JGC of Japan. The contractors for the subsea area include General Electric, of the United States, and Saipem of Italy, which is a subsidiary of ENI.

The chairperson of ENH, Omar Mitha, told AIM he is confident that ENH could raise its share of the money (US$800 million). He also believed that the five-year deadline for the Coral South FLNG is perfectly feasible, and that production could even begin before then.

Although the FLNG technology is relatively new, Mitha said there is "a high degree of confidence in it" – otherwise, BP would not have agreed to buy all the Coral South gas.

To date, only one FLNG vessel is in production, in Malaysia, and a second is being built in Australia.

Shire-Zambezi waterway not viable

The Mozambican government has once again firmly rejected the demands from Malawi that the Zambezi and Shire rivers be used for commercial shipping.

Malawian officials have raised the question of using the Shire-Zambezi waterway for Malawian trade, protesting that the Mozambican authorities are "creating difficulties".

At a Maputo press conference on 1 June, senior Transport Ministry official Jafar Ruby explained that the difficulties are not of Mozambique's making, but are inherent to the Malawian project which was "neither viable nor sustainable in the short, medium and long term".

Mozambique had believed that the matter was definitively settled when a study carried out by an international consultancy company, Hydroplan, selected by the three countries potentially involved in the Shire-Zambezi project, Malawi, Zambia, and Mozambique found it was not viable. The three countries had signed a memorandum of understanding in April 2007, but after the Hydroplan study, Mozambique notified the Malawian and Zambian governments that it was withdrawing from the Memorandum.

The study had shown that the Shire-Zambezi waterway "is not commercially navigable in its natural state, and under these conditions, the general objective of the proposed project – the reduction of transport costs in terms of time and money – cannot be achieved".

Using the river for Malawi's trade would imply regular dredging and removal of plants, which would be extremely expensive. The maximum amount of goods that could be moved along the two rivers would be 273,200 tonnes per year. Dredging would cost US$30 million a year, and the removal of aquatic plants US$50 million a year. These figures, Raby said, show that "the project is not viable".

The Shire-Zambezi waterway project was conceived by the late Malawian President Bingu wa Mutharika. Although it had not secured Mozambican approval, Mutharika's government built a port at Nsanje at a cost of US$20 million.

In October 2010 it held an inauguration ceremony attended by VIPs including President Robert Mugabe of Zimbabwe. The event was a huge embarrassment when the Mozambican authorities blocked fertilizer-laden barges en route to Nsanje.

At the time, the then President of Mozambique, Armando Guebuza, explained that while he understood Malawi's desire to use the two rivers for its trade, it could only happen after the viability and environmental studies. Those studies have now been made and they show that the project is not viable.

Human rights chairperson charged with fraud

The Public Prosecutor's Office has charged Custodio Duma, Chairperson of the National Human Rights Commission (CNDH), with defrauding the Danish Embassy of US$450,000.

Duma was once employed as a programme officer by the Mozambican office of the Danish International Development Agency (DANIDA). He set up an organisation called the Centre for Rights and Social Studies (CDES) and requested funding for this organisation from the Embassy.

According to the prosecution, the money ended up in a different account to that of the CDES. The embassy, believing that it had been swindled, complained to the Attorney-General's Office, and investigations led prosecutors to conclude that Duma had indeed committed a crime.

Duma is accused of forming a criminal association and of fraud and the prosecution sent the case to the Kampfumo district court in Maputo City in May.

President lays first stone for Cuamba - Lichinga road

President Filipe Nyusi declared on 6 June that a tarred road between the two main cities in the northern province of Niassa, Cuamba and Lichinga, was no longer a dream but is becoming a reality.

At the town of Massungulo, the capital of Ngauma district, President Nyusi laid the first stone in the tarring of the road, which is over 300 kilometres long. The cost of tarring the first two stretches of the road is put at 4.7 billion meticais (US$78 million, at current exchange rates).

President Nyusi then addressed a rally at Metomane, explaining "people said when we promised to build this road during this government's term of office, that it was just another promise. But I promise that I will come back here for the formal delivery of the road when it is completely tarred".

The road is being co-financed by the African Development Bank (ADB) and by the Japanese International Cooperation Agency (JICA). The ADB is funding the stretches from Cuamba to Muita (134 km), and from Muita to Massangulo (94 km). JICA and the Mozambican government will finance the final stretch from Massangulo to Lichinga (89 km).

President Nyusi told the rally that the government is continuing to seek finance for other roads in the north, notably for the road between Marrupa in Niassa to Montepuez in the neighbouring province of Cabo Delgado. That would eventually link Lichinga to the Cabo Delgado provincial capital of Pemba.

The tarred road will supplement the rehabilitated railway from Lichinga to Cuamba, which lies on the main line from the port of Nacala to the Malawian border. Between them, the road and railway should make it quicker and cheaper to move goods between Niassa and the rest of the country.

Army officers in the dock

A trial began on 7 June, before the Maputo City Court, of four military officers and five civilians, charged with stealing 36 million meticais between 2010 and 2015. At the time of the theft, the amount stolen was worth US$1.2 million.

The officers are Ernesto Rufino, Anibal Joaquim, Abdul Ismael, and Hussene Ismael. They worked in administrative functions in the Army Command of the Mozambican Armed Forces (FADM). The civilians are all women, some of whom are said to have been lovers of the officers. They are Sonia Cossa, Monica Mario, Guilhermina Macaringue, Sara Agostinho, and Elsa Chilengue.

The prosecution initially charged twelve people. Of the three not on the dock, one is studying in China, one is a six-year-old minor, and one is regarded as a fugitive.

According to the prosecution, the key figures in the theft were Ernesto Rufino and Abdul Ismael, who were responsible for processing wages in the Army Command. They had access to the wage processing system and used this access to pay themselves and others illicit wages, allowances and bonuses. This included depositing large sums in the bank accounts of friends, colleagues, and lovers. One of the accounts used was in the name of the minor, who is the son of one of the accused.

Among the methods used to drain money was to pay wages in excess of the wages table established for the armed forces, and to pay the same person two wages in one month. Under these corrupt schemes, officers with a wage of 15,000 meticais a month, could end up with more than 100,000 meticais a month.

Goods trains to Lichinga to resume

The transport of goods by rail from the northern port of Nacala to the main cities of landlocked Niassa province, Cuamba and Lichinga, will resume on 16 June after an agreement reached between the government, local businesses and the Northern Development Corridor (CDN), which operates the Nacala rail system.

President Filipe Nyusi announced the resumption of goods traffic on 5 June, at a rally in the village of Malemia, in Sanga district, on the first day of a working visit to Niassa.

In November 2016, President Nyusi had re-inaugurated the 262-kilometre long branch line from Cuamba to Lichinga. This line is essentially a spur off the northern rail corridor that runs from Nacala to Entre-Lagos on the border with Malawi.

The line was built in 1972 in the closing years of the colonial period, but the Portuguese engineers cut corners, by using lightweight rails and timber sleepers. The line was thus always fragile and liable to suffer derailments. Nonetheless, it was a vital lifeline for Niassa which allowed fuel and other basic commodities to reach Lichinga from Nacala at a reasonable price.

During the war of destabilisation, the line came to a complete standstill, and goods could only reach Lichinga by a hazardous and expensive road journey. After the war, the private-led CDN consortium gained the lease on the Nacala port and railway, including the spur to Lichinga.

CDN ran trains sporadically to Lichinga. But the line was in such poor condition that, even under relatively good conditions in the dry season it took three days for a train to make the journey from Cuamba to Lichinga. In 2010 traffic on the line was suspended altogether, and complete reconstruction of the line began in 2014.

With the line operational again as from November 2016, Niassa businesses assumed that goods could once again be sent to and from the coast relatively cheaply. They were wrong. CDN imposed freight charges that were so high that many businesses opted for road transport instead, despite the poor state of the Lichinga-Cuamba road.

Thus, the Cuamba-Lichinga railway was only used for passenger transport. The prices charged by CDN, regarded by Niassa businesses as excessive, undermined the whole point of rebuilding the railway.

CDN was charging the equivalent of US$75.53 per kilometre for a tonne. Since the distance from Nacala to Lichinga is 795 kilometres, each tonne making the journey would cost slightly more than US$60,000. Such high charges meant that the railway could not compete with road haulage companies, which were charging about US$50 a tonne to move goods between Nacala and Lichinga.

A source in the Niassa provincial government told AIM that after the negotiations, the CDM freight charges have come down to US$47.54 a tonne.

The Niassa provincial transport director, Antonio Mateus, said that for the initial Nacala-Lichinga goods trains, 15 waggons, each of 35 tonnes would be mobilised, and the size of the trains would rise gradually with demand.

"We are promising to do everything to develop Niassa", said President Nyusi. "One of the great problems when we began our cycle of governance was to guarantee that trains would reach Lichinga. Now the trains do reach the city. But up to now, we've had the problem that they only carry passengers".

This is a condensed version of the AIM daily news service – for details contact pfauvet@live.com

Attorney-General laments INATTER corruption

Attorney-General Beatriz Buchili on 6 June demanded a tougher stance against corruption from the National Overland Transport Institute (INATTER), the body that is responsible for issuing driving licences.

Visiting the INATTER premises in the southern city of Matola, Buchili asked how fraud in obtaining driving licences was possible, given that INATTER is now fully computerised.

Buchili noted that cases had reached her office concerning people who had obtained driving licences by getting somebody else to sit the examination for them. "This situation is intolerable", she declared. "Corruption must be fought against with more effective mechanisms".

The head of the Matola INATTER delegation, Hilario Macie, accepted there are weaknesses in checking for fraud, and he admitted that INATTER staff are involved in fraudulent schemes. "The machines are powerful", he told Buchili, "but the truth is that these acts occur with the connivance of our staff. Unfortunately, about 1,000 cases have been registered and they were only possible with the involvement of staff".

On the same day as Buchili's visit, INATTER announced that eight INATTER workers, in Maputo and Nampula provinces and Maputo city, have been thrown out of the public administration because of their involvement in falsifying the theoretical parts of driving tests. The measure was taken after an internal audit of the multi-media examination system discovered that 1,136 theoretical driving tests had been taken fraudulently.

The fraud network involved a large number of people – including the candidates, driving instructors, administrative staff at driving schools, and the INATTER staff invigilating the theoretical examinations. Experienced drivers were paid to sit the test instead of the genuine candidates, and the invigilators were bribed to turn a blind eye to the switch.

After the fraud was uncovered, 1,136 people who had passed the test fraudulently had their driving licences cancelled. They can only apply to resit the test after a year.

This scandal once again raises the possibility that one of the causes of high mortality on Mozambican roads is that many motorists have obtained their licences fraudulently, and should not be allowed to sit behind the wheel.

President inaugurates health science institute

President Filipe Nyusi on 1 June inaugurated an Institute of Health Sciences, in the outlying Maputo neighbourhood of Infulene.

This institution is designed to meet the training needs of the Ministry of Health. The new institute cost US$19 million, financed by the Japanese International Cooperation Agency (JICA).

The institute can accommodate 900 students. It has 15 classrooms, four laboratories and a computer centre. It will train nursing and technical staff in a variety of disciplines including mother and child health, preventive and general medicine, and the maintenance of hospital equipment.

President Nyusi said the Infulene Institute is part of a package of investments the government has been undertaking, with the assistance of its partners, to respond to the health needs of the public, in compliance with the Health Ministry's strategic plan. "The expectations are that this institute will contribute to the provision of quality health services, and will operate to internationally accepted standards", said Nyusi.

World Bank loan for education

The World Bank's Board of Executive Directors on 2 June approved further financing equivalent to US$59 million for Mozambique's Education Sector Support Project (ESSP). The money will be channelled through the Education Sector Support Fund (FASE). This is a mechanism that currently receives contributions from nine donors to support the implementation of the Education Strategic Plan, for the period 2016-2019.

The World Bank country director for Mozambique, Mark Lundell, declared "I'm pleased with this additional financing in times of acute fiscal distress. It will contribute to much-needed assistance and ensure the continuation and delivery of key education services, particularly to the most vulnerable who tend to bear the brunt in times of crises".

The additional funding will scale up activities focused on addressing key bottlenecks to improving learning in the first cycle of primary education.

The credit comes from the International Development Association (IDA), the branch of the World Bank group providing soft loans to developing countries, at low-interest rates with long repayment periods.

Pension fund takes over Moza Bank

Kuhanha, the company that manages the Bank of Mozambique's pension fund, is the new majority shareholder in Moza Bank, which has been under central bank intervention since September 2016.

Moza Bank suffered a liquidity crisis in mid-2016 and was in danger of being unable to meet its obligations to its clients. The Bank of Mozambique stepped in, sacked its Board of Directors, and installed a provisional board.

The task of the provisional board was to ensure the recapitalization of Moza, which required an injection of a minimum of 8.17 billion meticais (US$137 million).

The existing shareholders, Mocambique Capitais (a grouping of about 400 Mozambican investors) and the Portuguese bank Novo Banco, proved unable or unwilling to capitalise the bank, and so an Evaluation Commission, set up by the central bank, received bids for Moza from other bodies interested in running the bank.

The Commission unanimously selected the bid from Kuhanha, and forwarded it to the Central Bank.

Under the new shareholding structure, Kuhanha holds 80 per cent of Moza. The existing shareholders retain the other 20 per cent – 10 per cent for Novo Banco and 10 per cent for Mocambique Capitais. One individual shareholder, Antonio Almeida Matos, maintains a shareholding of 0.01 per cent.

At the time the central bank stepped in, Moza was the fourth largest commercial bank in the country. It held 8.9 per cent of the assets in the Mozambican banking market, and 7.6 per cent of all deposits.

President concerned at thefts from Niassa trains

President Filipe Nyusi on 7 June expressed concern at the frequent thefts suffered by goods trains in the region of Entre-Lagos, on the border between Mozambique and Malawi.

Entre-Lagos is in Mecanhelas district, in the northernmost province of Niassa. The goods trains concerned are travelling between the port of Nacala and Malawi.

Speaking at a rally in the Chiuta administrative post in Mecanhelas, on the final day of a working visit to Niassa, President Nyusi warned that the thefts "cannot continue. The train is only robbed when it approaches Entre-Lagos. There are businesses who are threatening that they will stop using the railway because of the thefts here in Mecanhelas".

He urged the Mecanhelas population to redouble their vigilance and identify the thieves. If the thefts continue, he said, "then the only trains that will pass through here will be carrying coal, since that has not yet been subject to theft".

As for relations with Malawi, President Nyusi called for a policy of good neighbourliness. "Many of you make your living on the border with Malawi", he said. "But you must take pride in being Mozambicans who cause no harm to anybody".

Mecanhelas, like many other parts of Niassa, produces a surplus of maize, much of which farmers then sell in Malawi. He promised his audience that the government is reorganising agricultural marketing so that grain surpluses can be purchased in Mozambique. He advised Mecanhelas peasants "you must always hold back sufficient grain for your own food needs and as seed. For you never know how the next agricultural season will behave".

People at the rally asked the President for better roads between Chiuta, the Mecanhelas district capital, Insaca, and the nearest large city, Cuamba. The Chiuta "regulo" (chief), Carlos Messias, said that as soon as the rainy season begins, the roads between Chiuta, Insaca and Cuamba become impassable, causing logistical headaches for many households.

Messias also called for a secondary school in Chiuta, since young people in the area have virtually nothing to do after completing primary education and he believed this increased the number of child marriages.

Messias suggested that initially an extra room could be added to the existing primary school, in which secondary education would be taught. Nyusi was receptive to this idea, and it would show whether or not an entirely new secondary school in the area would be viable.

As for Niassa roads, the President said the government is working so that development is no longer held up by poor roads.

Mozambique News Agency, c/o 26 Withdean Crescent, Brighton BN1 6WH, UK. Tel: +44 (0) 7941890630 - mozambique-news@geo2.poptel.org.uk

Subscription Rates (20 issues)	Individuals	Institutions
UK	£15.00	£25.00
Europe	£25.00	£40.00
Rest of the World	£30.00	£50.00

Overseas subscribers are requested to pay in sterling. If payment is made in another currency, add the equivalent of £6.00 to cover bank charges.