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ADM scandal - long sentences imposed

The Maputo City Court on 27 February sentenced the former chairperson of the publicly owned Mozambique Airports Company (ADM), Diodino Cambaza, to 22 years imprisonment for his role in draining almost 91 million meticaís (\$3.3 million) from the company. Judge Dimas Marroa also sentenced the former ADM financial director, Antenor Pereira, and the former Minister of Transport, Antonio Munguambe, to 20 years for their role in the scandal.

The director of Munguambe's office, Antonio Bulande, escaped lightly, with two years. That was only because two years is the maximum sentence for the charge against him, that of covering up for other people's crimes.

Finally, Deolinda Matos, managing director of the ADM catering subsidiary, SMS (Mozambique Services Company), was tried as an accomplice. Recognising that she had collaborated with the court, Marroa sentenced her to two years and 15 days imprisonment.

The court also ruled that the five defendants must repay all the money drained from ADM.

Marroa said it had been proven that in 2007, the ADM board illicitly altered the privileges enjoyed by board members, and gave them the right to buy ADM houses at 60 per cent of their value.

Any such change should have been approved by the Minister of Transport, but the new set of privileges was never sent to the Ministry. Instead, the ADM board decided to allot \$800,000 to buying houses – which the board members themselves would then be able to buy at a 40 per cent discount.

In fact, much more than \$800,000 was spent. The central Maputo house that Cambaza wanted for himself cost a million dollars. ADM obtained this house in March 2008, and Cambaza expressed an interest in purchasing it April – through a letter that he apparently sent to himself.

Pereira approved the sale of the house to Cambaza – but since he was Cambaza's subordinate, he had no power to do so. Only the Minister of Transport could have approved the deal, and it was not brought to his notice.

Worse still, the value of the house was given, not as the million dollars that it had cost ADM, but as \$350,000. This meant that Cambaza would only have to pay ADM \$210,000 for the house, rather than \$600,000.

The other three houses which ADM purchased for directors cost a total of around \$700,000. Cambaza also used ADM funds to buy another central Maputo house for \$950,000 – but for tax purposes the value was stated as

\$450,000. More funds from ADM were drained by Cambaza and Pereira to refurbish their houses.

Munguambe, who was Minister of Transport from February 2005 to March 2008, abused his position to ask ADM, in January 2007, for money to pay for his children's South African school fees totalling \$33,000.

Marroa said that Munguambe was well aware that his children had no right to scholarships paid for by ADM. He had abused his authority, because when a minister makes such a request to a company that his ministry supervises, then the request is likely to be understood as an order.

Munguambe also ensured that Bulande was given a fictitious job as legal advisor to SMS. On instructions from Cambaza, Bulande was put on the SMS payroll, and Matos paid him every month for doing precisely nothing. In total Bulande earned \$28,250.

On Cambaza's demand, Matos also wrote out an SMS cheque for \$25,000 to buy a property in Marracuene district from Josseldo Massango.

Funds were also spent on Frelimo. On Cambaza's instructions, ADM paid five million meticaís for the rehabilitation of the Frelimo Central School in Matola.

In passing sentence, Marroa said that those most deeply involved in looting ADM were Cambaza and Pereira. He added that Cambaza had to take the greater responsibility, since he was Pereira's superior.

As a minister, Munguambe had "set a bad example for society", said Marroa. He stated explicitly that he had imposed long prison sentences as a deterrent "to anyone else who wants to lay their hands on state funds".

Right at the end of the session, Marroa told the packed courtroom that he was not susceptible to attempts to influence him, or even to death threats. "I'm not worried, and I'm not going into hiding", he said.

The accused now have five days to appeal against the verdict and sentences. From the angry remarks made to reporters by Munguambe's lawyer, Abdul Gani, it seems certain that there will be appeals.

No budget support received

The group of 19 donors and funding agencies that provide direct support for the Mozambican state budget have warned the government that this year disbursements will probably only begin in April.

Finance Minister Manuel Chang, cited in the daily "O Pais", said that the funds normally start flowing in January. But this year donor representatives have informed the government that they forecast that money will only become available from April.

Chang guaranteed, however, that the public accounts are in order, and the government "is managing the budget taking into account the information from the donors that disbursements will only start in April".

One serious problem is that the 2010 budget does not yet exist. Normally a parliamentary session takes place from October to December and approves the plan and budget for the following year. But in 2009, because of the 28 October general elections, there was no end-of-year parliamentary session. So the 2010 budget can only be passed at the parliamentary sitting that begins in late March. Up until then, the government can only operate on an ad-hoc extension of the 2009 budget.

Budget support is granted under a memorandum of understanding between the government and its 19 partners, which contains obligations for both sides. Among donor promises are to improve the predictability of aid, and they are clearly violating this pledge.

Last year the group of 19, known as the Programme Aid Partners (or PAPs) pledged a total of \$471.8 million in budget support for 2010 – which was a six per cent increase on the \$445.2 million pledged for 2009. 15 of the PAPs promised to maintain 2010 budget support at the same level as in 2009. Canada and the World Bank pledged significant increases. The Canadian contribution was supposed to double, from 7.5 to 15 million Canadian dollars, while the World Bank's promised increase was by 57 per cent, from \$70 to \$110 million.

The British commitment rose from £42 to £44 million, in order to counteract the effect of the depreciation of the pound against the US dollar.

But one donor, Sweden, which has in the past expressed sharp criticism of the Mozambican government's record in the fight against corruption, cut its promised budget contribution from 330 to 320 million Swedish crowns.

Last year the outgoing chairperson of the PAPs, Irish Ambassador Frank Sheridan, said that several more of the donors would have increased their budget support but chose not to do so because of poor performance by the Mozambican government in 2008.

Chang told "O Pais" that the only path forward to overcome the problems in public finance caused by the "red tape" of foreign aid, was to increase Mozambique's own tax collection capacity.

His forecast for 2010 is that state revenue could rise to 18 per cent of GDP, which is still a long way short of the southern African average of 23-24 per cent.

A forecast from the Minister of Planning and Development, Aiuba Cuereneia, is that this year's budget will be substantially less dependent on donor support. He predicted that 45 per cent of the budget will be covered by foreign aid, compared with 52 per cent in 2009.

Trains reach Moatize

For the first time in more than a quarter of a century, passenger and goods trains can now make the entire 547 kilometre journey from the central port of Beira to Moatize, in Tete province, along the rebuilt Sena line. The completion of the line was announced by Candida Jone, Director of the Sena Line Reconstruction Brigade.

However, for the time being trains will only use the final section of the track, between Doa and Moatize, in the event of emergencies. Trains on this final stretch of 146 kilometres are still limited to speeds of 25 kilometres an hour, while the work of laying ballast is completed.

Passenger trains are already circulating on the stretch between Beira and the Dona Ana Bridge over the Zambezi, and between Beira and Marromeu, on a Sena branch line.

The last train to reach Moatize ran 27 years ago. Then the line was shut down due to comprehensive sabotage by the apartheid-backed rebels, who ripped up the tracks, and in 1986, blew up the Dona Ana Bridge.

Reconstruction by the Indian contractor Rites and Ircan International (RICON) has been under way since 2006 and up until January had cost \$137 million. The reconstruction has been funded by the World Bank, the European Development Bank, and the shareholders of the Beira Railroad Company (CCFB), which holds the lease on the entire central Mozambican rail system. The shareholders of CCFB are RICON (51 per cent) and the public owned port and rail company CFM (49 per cent).

By the end of 2010, all the stations and halts along the Sena Line should be restored, at a cost of \$2 million.

The reconstruction of the line should have concluded over a year ago, and Jone was angered at RICON's failure to respect deadlines. Because RICON continually complained that it was running out of materials, the finishing date was postponed from January 2009, to April, July, September and finally December. Even this deadline was not met – the reconstruction workers did not reach Moatize until January this year.

A technical team from CCFB, CFM, RICON and including an independent engineer has now made a detailed survey of the "residual work" still to be done. Within a week RICON is to deliver a timetable for each one of these tasks.

Jone, who is also the managing director of CFM's central region, declared "we are fed up with the failure to respect deadlines. We tried to use the penalty clauses in the contract, and as a means of pressure, we stopped paying for some of the work". When that happened, RCON picked up the pace and began to work on Saturdays and Sundays, said Jone.

When the Sena line is fully operational, it is expected to play a key role in transporting coal exports from the Moatize coal basin to the port of Beira.

For an in depth analysis of events, read **MozambiqueFile**. Subscription rates are individuals \$40 institutions US\$50. Send International Money Order to AIM, CP 896, Maputo, Mozambique.

Government should prioritise scientific research

The chairperson of one of Mozambique's most influential NGOs, the Community Development Foundation (FDC), Graca Machel, said in Maputo on 22 February that scientific research must be regarded as a priority area of strategic interest for the development of the country.

Speaking during the annual lecture on Global Health, organized by the Manhica Foundation, Machel stressed that any country that has an ambition to develop must seriously invest in producing knowledge through scientific research.

In her speech, she expressed dissatisfaction with the fact that scientific research in Mozambique is mainly financed with donations, with little participation by the state. "88 per cent of the research is financed from donations, and the state budget only finances 12 per cent", she pointed out. "That is not correct. It is necessary that as a state we take on the responsibility of scientific research as an area of strategic interest for development, not as a secondary area".

She argued that there are many risks when scientific research depends on external funding. "The first risk is that the country's priorities may become distorted because the donors' priorities are not always the same as ours. The second risk is that when donors' priorities change, investments will go elsewhere and all the work we have been developing will be lost", she warned.

Another of Machel's concerns was that 97 per cent of the research conducted in Mozambique is for practical results, immediately visible in economic terms, and there is little basic and experimental research (to produce knowledge). "Basic and experimental research is very poor in the country. It is necessary that Mozambique changes into a society that thinks scientifically and not only of things that apply to development", she said.

According to Machel, another flaw in scientific research in Mozambique concerns the importance given to certain sectors to the detriment of others. This situation leads to a discrepancy in the allocation of investment. She gave the example of the sector of natural resources, particularly maritime and fishery resources, as areas that benefit from the largest volume of investments, consuming 87 per cent of the resources allocated to research.

Meanwhile, other sectors, such as medical sciences, agriculture and veterinary science, social and human sciences, and engineering share between them the remaining 13 per cent.

The annual lecture on Global Health was organised to mark the second anniversary of the Manhica Foundation, which has been managing the Manhica Health Research Centre (CISM), one of the African research bodies working to develop a malaria vaccine.

Building of science and technology park launched

Minister of Science and Technology, Venancio Massingue, on 18 February laid the first stone for a Science and Technology Park in Maluana, in Manhica district, about 80 kilometres north of Maputo.

The Science and Technology Parks are facilities designed in the context of the government's strategy for

"Science, Technology and Innovation". They offer infrastructures and management services for the establishment of knowledge-based companies, scientific research and technological development institutions, and educational bodies.

The Maluana Science and Technology Park is being financed by the Indian government to the tune of \$25 million for the first phase of the project.

Speaking at the ceremony, Massingue said that "Science and Technology Parks - which one day will be called 'Science and Technology Cities' - are good environments to promote and convert science into product. India did that 20 years ago and it achieved good results, and we intend to do the same today".

He said the idea is to establish teaching institutions in areas such as agriculture, health and maritime sciences, incubators of small and medium sized companies, and concentration of both local and foreign investments.

"By establishing these parks we intend to promote the development of new ideas and turn them into products to be put onto the market, to attract more investments in technologies, and create an environment where large companies can establish centres of excellence connected to universities or research centres", he said.

Massingue said that there are institutions interested in establishing themselves in this park, and his ministry is hoping to attract more companies, public or private, to this place, where they may benefit from many facilities, including tax exemption.

The Indian High Commissioner to Mozambique, Ashok Amrohi, said that his country is prepared to help Mozambique succeed in this project. He recalled that India launched similar initiatives 20 years ago and is now harvesting the benefits of them.

With a total of 950 hectares, the Maluana Park is the first of four to be built in Mozambique. Work on the Maluana park will take about three years. The African Development Bank financed the urban planning of the area where the project is to be implemented.

CPI predicts growth

The Mozambican government's Investment Promotion Centre (CPI) envisages good economic growth in 2010, due to the implementation of a number of large-scale investment projects approved in 2009.

CPI director Momade Rafique, who was speaking in Maputo on 16 February at a round table on Investment and Business Opportunities in Mozambique, said that 250 projects were approved in 2009, worth a total investment of \$5.7 billion, which could create over 26,000 jobs.

The figure reaches over \$6 billion if it includes a sum of \$398 million approved in 63 applications to increase the investment in projects that are already authorised.

The sectors with the largest number of projects approved in 2009 are industry (60 projects), tourism and hotels (57 projects), and services (51 projects).

In terms of capital being invested, agricultural and agro-industry account for 86 per cent. Tourism and hotels covers 4.59 per cent, and industry just 3.33 per cent.

Huge investments are to be made in three major forestry projects in the north of the country (namely 'Portucel Mocambique', 'Lurio Green Resources', and 'Green Energy Zambeze'). The first two are estimated at over \$2 billion, and the third at \$224 million.

New electricity tariff for irrigation

The new electricity tariff for irrigated agriculture could cut the bills of some agricultural companies by two thirds, according to Jose Buque, commercial director of Mozambique's public owned electricity company, EDM.

The companies and farmers concerned all use EDM transformer stations on their premises supplying power at medium voltage.

Under the old system, their monthly electricity bills contained four components: 20 per cent of the electricity contracted for (i.e. the theoretical maximum that the transformer station can produce), 80 per cent of the power actually used, a fixed fee (currently 935.76 meticaís – about \$34) and Value Added Tax (VAT) at 10.54 per cent (considerably lower than the standard VAT rate of 17 per cent).

The problem with this model was that many of the transformer stations were far too large for the companies concerned. Thus some companies had transformers that can provide 2,000 kva, but were using less than 100. In extreme cases (such as the citrus company, Citrinos de Chimoio), there were months when the company used no electricity at all from the transformer, but still had to pay for 20 per cent of the power contracted.

Under the new tariff, decreed by the government earlier this month and taking effect on 1 March, the companies and farmers will only be billed for the electricity they consume. Furthermore the price per kilowatt-hour has been reduced by ten per cent (from 1.11 to 0.99 meticaís). The fixed fee is unaltered.

Buque said this new agricultural tariff will be applied by EDM to all its medium voltage clients supplied by a transformer station and who use the energy for irrigation to produce food. Currently about 2,000 EDM clients use medium or high voltage power – but only a minority of these use power for irrigation.

Heavy users of electricity receive a much smaller percentage cut – but a much larger one in absolute terms. Thus the latest bill for the Mafuiane Irrigation Association was 146,937 meticaís – under the new system, it would have been 134,999 meticaís, a reduction of almost 12,000 meticaís, the equivalent of \$435.

EDM will gradually replace the transformer stations that are too large for the companies using them with smaller units. This work should be finished before the start of the 2011/2012 agricultural campaign.

By making irrigation cheaper and thus reducing the costs of agricultural production, this measure might help reactivate irrigation schemes that are currently out of operation. Buque hoped that, by encouraging the use of irrigation, it will also render Mozambican agriculture less dependent on rainfall, and will increase the competitiveness of Mozambican agricultural products on the regional market.

Minister calls for faster reduction in child mortality

Health Minister Ivo Garrido on 24 February urged the participants to a National Conference on Paediatrics to identify ways to speed up the reduction of child mortality, which according to the 2008 statistic, stands at 138 deaths of children under the age of five per every 1,000 live births.

Garrido was speaking during the opening session of the meeting, that brought together about 250 health professionals, both national and foreigners, for an exchange of experiences in the area of paediatrics and discuss ways to check the main causes of death among children.

“It is true that we are reducing child mortality, but at an unacceptably slow pace”, he said, pointing out the need for a faster reduction in this rate.

Garrido compared Mozambique's child mortality rate to that of developed countries and said that the Mozambican rate is 13 times higher, “which is simply unacceptable”.

As an example of poor efficiency in paediatric services, Garrido said that even in Maputo city, regarded as having the best health services in the country, the mortality rate has not yet dropped to less than 100 per 1,000 live births.

At the pace Mozambique is reducing child mortality, it will be difficult for the country to meet the fourth Millennium Development Goal, which calls for a reduction by two thirds in child mortality between 1990 and 2015.

Garrido also addressed the problem of malaria. Over 90 per cent of the 300 to 500 million cases of malaria recorded every year across the world are of Africans, particularly among children aged under five.

“Although the country's latest statistics show a good reduction in the number of cases of malaria and of deaths caused by this disease, the hard truth is that malaria is still the main public health problem in Mozambique”, lamented Garrido.

Chronic malnutrition still affects more than 40 per cent of Mozambican children. Garrido noted that food production in Mozambique has grown fivefold since 1992, but chronic malnutrition among children has only dropped from 46 to 41 per cent, which means that little has achieved in dealing with this problem since the end of the war of destabilisation.

The meeting was organized by the Mozambican Health Ministry, with the support of United States' Presidential Initiative for Aids Relief (PEPFAR), the Centre for Disease Control and Prevention, the Elizabeth Glaser Foundation, and UNICEF, among others.

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