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Government launches austerity measures to subsidise bread prices

In the wake of the unrest that hit Maputo and Matola at the beginning of September, the government on 7 September decided to subsidise the price of bread and reduce the announced increases in water and electricity tariffs. In addition, the price of low grade rice will be cut by 7.5 per cent through the removal of customs duty, and the surtax on imported sugar will be temporarily removed. Vegetables imported from South Africa (such as potatoes, tomatoes and onions) will be indirectly subsidised through reduced customs duties. In working out the duties and taxes that importers should pay, the customs service will use a reference price that is much lower than their real price.

The government has targeted the reduction in electricity price rises by completely abolishing the increase planned for the “social tariff” for consumers who use less than 100 kilowatt-hours a month. For those who use between 100 and 300 kilowatt-hours a month, the price increase is reduced from 13.4 to seven per cent. Richer consumers, who used over 300 kilowatt-hours a month, will pay the full increase.

Similarly, there will now be no increase in water prices for those households who use less than five cubic metres a month. This “social tariff” remains fixed at 150 meticaïs a month. The cost of a new connection to the piped water supply is cut from 4,000 to 2,000 meticaïs.

The government also announced austerity measures to raise funds for this range of direct and indirect subsidies. Thus, the wages and allowances of all senior state figures (who include members of the government itself) are frozen until an assessment of state wages policy is completed. Likewise, the wages and allowances of all members of the boards of public companies, and companies where the state is the major shareholder, are frozen, and these wages must be paid in meticaïs, and not in foreign currency.

The government promised to rationalize its own expenditure on air travel (particularly in business class), fuel, lubricants and communications.

No new institutions will be set up that involve additional costs for the state budget, and mechanisms

for monitoring the movement of foreign currency into and out of the country will be strengthened.

All expenditure, the government insists, must be “fixed, invoiced and paid in the national currency, which will help preserve and value the metical”.

Bread subsidies introduced

As a result of a meeting between the Ministry of Trade and Industry and the Mozambican Bakers' Association, registered bakers will receive a subsidy of 200 meticaïs (about \$5.6) for every 50 kilo sack of wheat flour they purchase (which costs 1,050 meticaïs).

Trade and Industry Minister Antonio Fernando called on the bakers to take other measures to make bread cheaper, such as mixing cassava flour with wheat flour. Some bakers are already doing this, notably in the northern province of Nampula.

The Minister warned bakers not to cheat their customers by reducing the weight of the loaves they sell. “We shall be inspecting all of this”, he said.

The chairperson of the Bakers' Association, Victor Miguel, congratulated the government on what he regarded as “a wise and responsible decision”, and promised that his members would implement government decisions to the letter.

The subsidy is being channelled through the Association, and so any bakers who are not registered with the association will not receive the money.

\$25 million credit line for agriculture

An agricultural credit line worth \$25 million will be launched during September by the Mozambican government to boost agricultural production during the 2010/2011 campaign, as part of an integrated plan of action for food production.

According to Agriculture Minister Soares Nhaca, Standard Bank will manage the credit, with guarantees from the Mozambican government and support from the Alliance for a Green Revolution in Africa (AGRA).

Nhaca also announced that a further 120 million meticaís (\$3.3 million) will be invested to fund a program to revive the private farming sector, and 30 million meticaís is earmarked for the poultry industry.

Nhaca said that the Government is aware that access to credit is crucial for achieving the goals of the Action Plan for the Reduction of Absolute Poverty (PARPA) and that the commercial banks charge high interest rates. The government has thus decided to open several lines of credit at preferential interest rates to allow agricultural producers to borrow money.

During the 2006/2007 and 2007/2008 agricultural campaign the state provided a line of credit of about \$7 million for producers in the south of Mozambique, and a further 75 million meticaís in credit for rice farmers.

“The Land Bank (Banco Terra) cannot solve agricultural problems alone, that is why we will create new credit institutions across the country to finance agriculture”, continued Nhaca. “What I have presented are just a few lines of an overall package being prepared to stimulate food production.”

As for agricultural marketing, Nhaca said that this year 60 of the country’s 128 districts have agricultural surpluses and therefore a functional mechanisms is required to absorb the surplus once the local demand has been met. Fifty five districts had a deficit in some food crops.

“We are building silos with capacity to store about 89,000 tonnes in various parts of the country”, said Nhaca. “One of the major challenges we are facing has to do with access roads, since often, in areas with large surpluses, the roads are in a poor conditions, and here the private traders are reluctant to intervene”.

Statistics show improved harvests

The latest Ministry of Agriculture statistics show that grain production has risen from 2.3 million tonnes in the 2008 harvest to 2.8 million tonnes in 2010 – an increase of 22 per cent in two years.

Most of this increase is due to larger maize harvests. Maize production over the period rose from 1.67 million to 2.1 million tonnes. There was a slight increase in sorghum production, from 366,000 to 389,000 tonnes, and a similar percentage rise for millet – from 46,000 to 49,000 tonnes.

The government’s drive to increase wheat production has begun to pay off. Only 7,000 tonnes of wheat was grown in 2008, but this figure more than

tripled, to 22,000 tonnes this year (although there have been unexpected difficulties in selling this production).

The major disappointment was with rice. Production rose from 206,000 tonnes in 2008 to 260,000 tonnes in 2009, but then slipped back to 258,000 tonnes in 2010.

The key food crop in much of rural Mozambique is cassava, and here the figures show a steady rise from 8.5 million tonnes in 2008 to 9.7 million in 2010.

As for other important crops, production of beans rose from 240,000 tonnes in 2008 to 264,000 tonnes in 2010, while in the same period the rise in groundnut production was from 144,000 to 158,000 tonnes.

The prospects for 2011, the Ministry forecasts, are for a rise in grain production to 2.9 million tonnes, and of cassava production to 10.7 million tonnes.

Maize remains the only grain where Mozambique produces a surplus that can be exported. Maize consumption this year is estimated at slightly more than 1.9 million tonnes, which leaves a surplus of 171,000 tonnes.

There are still large deficits in both rice and wheat – 238,000 and 405,000 tonnes respectively

More tractors for agriculture

A further 850 new tractors will be made available to producers over the next three agricultural seasons, according to Roberto Altino, of the government’s Centre for the Promotion of Agriculture (CEPAGRI). 430 of these will be purchased by the government, and the rest will result from various private initiatives.

The new tractors are part of the renovation of Mozambique’s fleet of agricultural machinery, intended to raise production and productivity.

Altino pointed out that 95 per cent of Mozambican agricultural producers are family farmers. To achieve the food production plans, the government must rely on boosting the productivity of the family sector.

He said that over the last two campaigns, 100 tractors and trailers were acquired that were sold to producers on favourable terms. Thirteen combine harvesters were acquired for harvesting rice, along with 40 threshing machines to reduce post-harvest losses and increase productivity.

“Right now we have 220 new tractors in Tete, under a programme supported by China”, said Altino. “The machines are now being delivered to the producers. We are buying a further 110 which will arrive in January or February 2011 – that is, before the end of this agricultural campaign”.

Altino also questioned the traditional division between “food crops” and “cash crops”. He said that increasingly crops once regarded as “food crops”, such as maize, are providing cash revenues for farmers.

“Today maize is perfectly integrated into the market”, said Altino. “For us, the greater the level of integration of small scale producers into the commercial circuit, the better and speedier will be the encouragement given to this sector to produce more”.

Energy ministry meets with donors

During the period 2005-2009 a further 40 of Mozambique's 128 district capitals were linked to the national electricity grid, bringing the number of Mozambicans with electricity in their homes to about four million, Energy Minister Salvador Namburete announced on 10 September.

Speaking at the opening of the annual joint consultative meeting between his ministry and its international partners, Namburete said this has involved investment of about 3.6 billion meticaís (\$100 million) a year, including 500 million meticaís a year in electrifying unprofitable areas in order to induce development – something that a privately-owned electricity company would never do.

In addition, it had been necessary to pay the cost of electricity equipment stolen or vandalized, which exceeded 230 million meticaís.

Namburete said that in 2004 only seven per cent of the Mozambican population had electricity in their homes, a figure that has now risen to 15 per cent. This was dependent on the construction of over 3,300 kilometres of electricity transmission lines in the past five years. "All this is noteworthy progress", said Namburete, "but it is still very little to meet our needs".

New large scale electricity generation projects are in the pipeline, including the Mpanda Nkua dam on the Zambezi, about 60 kilometres downstream from the existing dam at Cahora Bassa, and the coal-fired power stations at Moatize and Benga, in Tete province. Preparations included viability and environmental impact studies "in terms of Mozambican legislation, and based on best international practices".

Mpanda Nkua, he added, had now received the go-ahead from the government, and negotiations were now under way for a concession contract, and for a contract to purchase the power it will produce.

In addition, the government, with Swedish support, is rehabilitating smaller power stations at Chicamba and Mavuzi, on the Revue River in the central province of Manica.

Speaking on behalf of the partners, Swedish Ambassador Torvald Akesson praised the government for its drive "to increase access to sustainable energy in order to reduce poverty and stimulate economic development". The success achieved in recent years "has exceeded all expectations", he said.

However, the partners had concerns about the long term sustainability of the energy sector, especially the financial situation of the public electricity company, EDM. Akesson said these challenges including "EDM's increasing debt, internal management and control of its resources and reduction of electricity losses, both technical and non-technical".

It was, he added, "of great importance how policies and regulations for the sector are formulated and applied, to stimulate the continued and increased efforts by EDM to operate in the most efficient and sustainable way possible, and to continue to increase the supply of energy to the population".

Akesson said the total value of all on-going energy projects is about \$620 million, mainly financed through foreign grants and soft loans. In addition, Mozambique has requested assistance for further short to medium term projects amounting to an additional \$530 million.

Although these figures sounded large, "it is important to remember that Mozambique is still in need of major investments in the energy sector, exceeding the available funds".

Akesson urged the government "to think carefully about how to prioritise the implementation of the five year programme with the limited resources available. What are the most important factors that the sector should spend money on to make sure that it contributes to the stimulation of economic growth, production and employment during the coming five years".

Government committed to renewable energies

The Mozambican government plans to use clean and renewable energies to ensure sustainable economic and social development and energy efficiency, particularly in the rural areas where most Mozambicans live, and which are not yet reached by the national electricity grid.

Speaking in Maputo on 15 September, Deputy Energy Minister Jaime Himede said the government must encourage private businesses to develop renewable forms of energy, since this will help generate income without high initial costs.

Himede was participating in a meeting of the Environmental Energy Partnership Programme for Southern and Eastern Africa, an initiative supported by Finland with €8.5 million (about \$11 million) to finance viability studies for the projects presented.

The projects proposed, said Himede, should be centred on income generating activities, and with models that adopt technologies that save energy and reduce the harmful impact on the environment that results from the use of wood fuels.

"Mozambique has vast potential for implementing projects of this kind which should be used to counter the effects of climate change", he stressed.

Finnish ambassador Kari Alanko told the meeting that the funds made available are for viability studies and the pilot phase and not for implementation as such. Furthermore, there were no quotas for each country. "Projects are assessed and approved on the basis of their merit", he said.

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Budget airline flies Maputo to Johannesburg

The South African budget airline, 1time, is now operating five flights a week between Maputo and Johannesburg, greatly undercutting the fares charged by the established operators, South African Airways (SAA) and Mozambique Airlines (LAM).

1time began flying the route on 12 August, but only officially inaugurated it at a Maputo press conference on 16 September. The company is carrying 1,100 passengers a week on the Maputo-Johannesburg route.

1time chairperson, Rodney James, said the lowest fare offered by his company between the two cities is 672 rands (\$94) one way, including all taxes. The lowest fare from the competing airlines, he claimed, is 2,663 rands return

“We are extremely excited about bringing the experience of low cost travel to Mozambique”, said James. “When we enter a market, fares are smashed by 50 per cent, and the market grows. It’s about time low fare airlines were allowed to operate into Africa. It’s Africa’s time to reap the benefits of point to point travel at affordable fares”.

“We are not only going to bring South Africans to Maputo, but we are also going to open South Africa to all Mozambicans”, he added.

1time began its operations in February 2004, and now has 12 aircraft in its fleet, operating over 1,300 flights a month. Most of these are on South African domestic routes, but in the region, in addition to Maputo, it also flies to Zanzibar and to Livingstone in Zambia.

James said that the company’s target is to fly two million passengers this year.

President cancels visit to New York

One of the first effects of the austerity measures imposed by the government has been the cancellation of a planned visit to the United States by President Armando Guebuza, where he was to have participated in the United Nations General Assembly in New York.

However, President Guebuza will go on a state visit to India as planned, during which several important cooperation agreements will be signed.

In a further cost cutting measure, the government has been studying which visits to Mozambique by foreign heads of state could be postponed.

AIDS strikes at Mozambican education

So far this year 336 employees of the Ministry of Education, 90 per cent of them teachers, are known to have died of AIDS.

A report on the impact of HIV/AIDS on Mozambican education, given on 13 September at a national meeting on education human resources in the southern town of Namaacha, added that 1,452 education staff are known to be infected with HIV, the virus that causes AIDS. Of these, 847 are men and 605 are women.

The report said that 589 of these HIV-positive staff (280 men and 309 women) are currently benefiting from treatment with the life-prolonging anti-retroviral drugs. As part of the government’s programme to assist HIV-positive public employees, over 300 teachers and other education staff have received a 30 per cent wage supplement.

The provinces with the largest known number of HIV-positive education workers are Zambezia, with 281, and Inhambane with 277. Maputo city and Gaza only have 30 and 44 respectively, while not a single case has been reported from the western province of Tete.

These figures are unlikely to reflect the real state of the epidemic, but rather the number of people who have taken the HIV test, which is not compulsory. Gaza and Maputo city are the two provinces with the highest HIV prevalence among the general population, and there seems no good reason why teachers should be an anomaly.

The latest national survey showed an HIV prevalence of 30 per cent among women in Gaza aged between 15 and 49, and 17 per cent among men. In Maputo city, the figures were 21 per cent and 12 per cent. The national prevalence rate was 13.1 per cent for women and 9.2 per cent for men.

Teachers are likely to be at high risk, since the survey found that infection rates were higher among the more educated strata of the population.

This is a condensed version of the AIM daily news service – for details contact aim@aim.org.mz

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

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