

Mozambique News Agency

AIM Reports

Report no.412, 2nd November 2010



Mozambique and Malawi disagree over use of Zambezi

President Armando Guebuza on 29 October said that opening the Shire and Zambezi rivers to international navigation would depend on the conclusions of a viability study. The question of the Shire-Zambezi waterway has been pushed hard by the Malawian government, which regards the route as a cheap way of moving its exports to the sea. But Mozambique has consistently argued that the waterway project must be put on hold until a full viability study is carried out, including an environmental impact assessment.

Despite this, Malawian President Bingu wa Mutharika inaugurated a river port at Nsanje on the Shire on 23 October, as if the waterway project was already signed, sealed and delivered. President Robert Mugabe of Zimbabwe and Zambian President Rupiah Banda attended the inauguration. It seems that President Guebuza did not receive a formal invitation.

President Guebuza, in his first public statements on the matter, said 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. "After the study, should it come down in favour of navigating the two rivers, then agreements, contracts and treaties can later be drawn up", he added.

"You don't send ships along the territorial waters of another country without having very clear norms which indicate exactly what procedures must be followed", he stressed. "We are open and we are going to work on the matter. In this whole case, economic viability cannot be imposed, not even as a joke. A study should be made with our agreement, and after this we shall see what position to take".

The Malawian High Commissioner in Maputo, Martin Kansichi, has accused the Mozambican authorities of breaking agreements on making a "trial run" to prove the navigability of the Shire-Zambezi waterway, from the Indian Ocean to Nsanje. He said that Malawi was surprised when the barges it sent onto the Zambezi were seized. He claimed that Malawi had followed all the appropriate procedures, and anyone who said otherwise was being "provocative".

But Mozambican Foreign Minister Oldemiro Baloi censured the Malawian diplomat for failing to tell the

whole truth. "There was indeed an understanding that the Malawians could make a trial run", he said. "But at the time when this memorandum was signed it was not linked to the inauguration of any port. Instead it was to be purely experimental".

What the Malawians had tried to do, Baloi, said was to make sure that a barge loaded with fertilizer arrived at Nsanje in time for the inauguration. "Our information was that, if the boat arrived, they would have argued that the viability study could be dispensed with, because they had shown that navigation was possible. But navigation is not such a simple matter".

Baloi said that, in his correspondence with his Malawian counterpart Mohammed Sidik Mia, Mozambican Transport Minister Paulo Zucula had explained that there is a great difference between sending one boat up a river, and opening the river to commercial shipping.

Sidik Mia had written to Zucula because the licence for the Malawian "trial run" had expired. "We received the Malawian letter asking for the licence to be extended to November", said Baloi. "And this authorisation was not granted".

The minister stressed that "you don't play about when it comes to matters of the environment and of sovereignty".

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.

Assembly of the Republic

Mozambican economy growing

Despite the international financial crisis, the Mozambican economy has continued to grow at a respectable rate, according to figures announced on 20 October by the Minister of Planning and Development, Aiuba Cuereneia.

Speaking in the Mozambican parliament, the Assembly of the Republic, Cuereneia said total production had increased by 7.4 per cent in the first half of this year, when compared with the same period in 2009. This was higher than the government's target figure of 6.2 per cent.

Commodity exports between January and June were valued at \$1,010 million, an 11 per cent increase on the \$910 million of goods exported in the first half of 2009.

At the end of June net international reserves stood at over \$1.74 billion, enough to cover five months imports of goods and services.

As for price rises, the average 12 monthly inflation rate in the first half of the year was 5.7 per cent. Cuereneia said that among the factors behind this was the strength of the South African rand. The rand exchange rate is crucial for Mozambique, since the southern part of the country is highly dependent on goods imported from South Africa and Swaziland.

He said that the short term measures taken by the government in the wake of the riots in Maputo and the neighbouring city of Matola on 1-2 September had succeeded in stabilizing prices. Indeed, the Maputo Consumer Price Index showed a fall in prices in September. The January to September rate of inflation had stabilized at around 12 per cent.

The government had subsidised bread in September, and cancelled price rises for water and electricity for those households who use less than 100 kilowatt-hours of power and less than five cubic metres of water a month.

Furthermore, the price of new electricity connections in peri-urban areas had been slashed to 875 meticaís (about \$24) which can be paid in instalments, although the real average price of an electricity connection should be 3,500 meticaís. Cuereneia said this price cut had led to 62,000 new connections in September and October.

Similarly for water: the government had cut the price of a new connection from 4,000 to 2,000 meticaís, and this had led to 8,300 new connections since 7 September.

The government had removed import duties on the cheapest type of rice (15 per cent broken), which should cut its price by 7.5 per cent. This low grade rice is not habitually imported, but Cuereneia said the government has promoted its import.

As for bread, the government is now paying registered bakers a subsidy of 200 meticaís for each 50 kilo sack of wheat flour they use.

To reduce wheat imports, the Minister added, the government is promoting bread made of a mixture of wheat and cassava flour. Cassava grows abundantly in Mozambique, and plants producing cassava flour have been set up in Inhambane and Nampula provinces. They will soon be joined by industrial production of cassava flour in Zambezia, Cabo Delgado and Gaza.

These measures are being paid for by a freeze on wages and allowances for ministers and other senior state employees, as well as for members of the boards of publicly owned companies, and reduced state expenditure on travel, fuel and communications.

Cuereneia said that government and central bank intervention has halted the slide of the Mozambican currency, the metical. In September, the metical appreciated on the Inter-Bank Exchange Market by 2.31 per cent, and in the commercial banks by 1.8 per cent.

Assembly votes to debate Mozal

The Assembly of the Republic has decided to debate the question of the rebuilding of the Fume Treatment Centres (FTCs) at the Mozal aluminium smelter.

Mozal says the FTCs must be fully rebuilt because the steel at their base is dangerously corroded. It should be eight millimetres thick, but in places this has been reduced to one millimetre, compromising the structural integrity of the buildings. The Mozal management fears that unless the FTCs are urgently rebuilt, there is a real risk that the buildings will suffer a catastrophic collapse.

The emissions from the Mozal carbon plant (which makes the anodes used in the electrolytic furnaces where molten aluminium is produced) are currently filtered through the FTC "baghouse". But during the 137 day period of the FTC rebuild, these gases, dust and tars will be sent directly into the atmosphere.

It is this "bypass" of the filters which has led to claims that the operation is highly dangerous and will poison the people living in the surrounding area. However, not only Mozal, but also the Mozambican Environment Ministry, scientists at Maputo's Eduardo Mondlane University, and independent environmental consultants, all argue that the bypass operation poses no significant threat to the environment or to human health.

The levels of emission of hydrogen fluoride (the main pollutant from aluminium plants), dust and tar will increase – but will still be below the limits stipulated by Mozambican legislation and by the World Health Organisation (WHO).

In the Assembly on 28 October, the main opposition party, Renamo, demanded that the Mozal bypass be debated immediately as a matter of great urgency. The Mozambique Democratic Movement (MDM) backed up the Renamo demand.

Frelimo deputies said they were not opposed to discussing Mozal, but insisted that the normal rules of the Assembly must apply. Normally requests for plenary session debates must first be analysed by the Assembly's governing board, the Permanent Commission. With its overwhelming majority (191 of the 250 Assembly seats), Frelimo had no difficulty in ensuring that the debate will occur on 3 November.

Following the decision of the Assembly of the Republic, Mozal announced that it was to delay the bypass operation "to respond to additional requests for information from interested parties".

Nearly 50,000 projects financed by District Fund

Since the Mozambican government's District Development Fund was launched in 2006 it has financed a total of 49,400 projects in the country's 128 districts, Planning and Development Minister Aiuba Cuereneia announced on 21 October.

This Fund is still commonly referred to as "the seven million" because it began with the allocation of seven million meticaís (\$196,000 at current exchange rates) from the state budget to each of the districts, to support small projects that would enhance food security and create jobs. It has grown since then, and districts no longer all receive the same amount. Instead factors such as their area and population are taken into account.

Speaking during a debate in the Assembly of the Republic on government measures to reduce the cost of living, Cuereneia said that the projects had created about 261,000 jobs. The projects are concentrated in agriculture and small scale industry (such as flour mills, oil presses, and vegetable and fruit processing), he added.

Cuereneia did not mention the problem of loan repayment. The Fund is supposed to lend money, not give it away, and reports to date from across the country suggest a very low repayment rate of less than 10 per cent. This threatens the original idea of using the repayments to replenish the fund and finance other projects.

Nonetheless, Cuereneia described the results of the Fund as "extremely positive", since "in addition to increasing food production in the districts, these resources are an indisputable engine for awakening the business spirit, and generating thousands of jobs. They induce the local population to rely more on their own work and on exploiting the natural resources that are locally available".

The Minister also announced that since 2006 private sector investment has directly created about 218,000 jobs, 69,000 of them this year.

He added that, under the government's employment and professional training strategy, about 200,000 citizens benefited from professional training, with 36,000 of these young Mozambicans trained this year.

In 2010, the state recruited 17,000 new public servants – mostly teachers, nurses and other education and health staff. "This shows the strong contribution the state makes to the supply of employment", said Cuereneia.

He told the Assembly that the government is banking on an expansion of technical and professional education "not only in order to create skills, but also to generate entrepreneurs who can create jobs for themselves and for their fellow citizens". Twenty new units had been set up, bringing the number of professional training schools and institutes to 81, attended by about 46,000 students.

"We believe that all these training activities will contribute to increasing the quality and employability of Mozambican labour", Cuereneia said, "and will lead to the creation of new small and micro companies, which will certainly help reduce poverty".

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

Health Minister points to advances

The mortality rate of children under the age of five in Mozambique fell from 153 to 138 per 1,000 live births between 2003 and 2008, declared the country's new Health Minister, Alexandre Manguela on 21 October.

The Minister was responding to attacks on the health service made by opposition deputies in the Assembly of the Republic during a two day debate on government measures to bring down the cost of living.

Pointing to other significant advances, Manguela said there has been a gradual reduction across the country in the number of deaths from malaria - 15 per cent fewer Mozambicans died of malaria in 2009 than in 2008.

As for cholera, Manguela said that in recent outbreaks the lethality rate was less than one per cent, which is well within the acceptable limits set by the World Health Organisation (WHO).

The Minister told the Assembly that the number of HIV-positive people receiving the life-prolonging anti-retroviral therapy had risen from 6,000 in 2003 to 170,000 at the end of 2009.

An opposition deputy had complained that in one health unit he visited, not even paracetamol was available. Manguela replied that the bill for imported drugs was rising. Furthermore the consumption of medicines was also on the rise, as a result of the expansion of the health service, and the growth in the number of health workers. The government had to prioritise the essential drugs.

The government hopes to reduce its dependence on imported medicines, by manufacturing drugs in Mozambique. Manguela confirmed that a factory producing anti-retrovirals (financed by Brazil) will be built shortly, and could also produce other generic drugs.

Deaths after South African soldiers cross border

A South African soldier and a Mozambican community policeman were shot dead on 25 October in the Mozambican border town of Ressano Garcia after two South African soldiers entered the town and began shooting.

According to Joaquim Selemene, spokesperson for the Maputo Provincial Police Command, they opened fire against members of the community police. At the time, the police were on patrol in the Eduardo Mondlane neighbourhood of Ressano Garcia town.

In the darkness, one of the South Africans shot dead, not only a Mozambican policeman, but also his own colleague. Selemene thought he had confused his colleague for another Mozambican policeman – but other witnesses told reporters that the two South Africans had been arguing before the fatal shots were fired.

A second member of the community police was injured and is now undergoing medical care.

The South African soldier who committed the murders is now under arrest in South Africa.

An abandoned gun and a cartridge were found at the crime scene. The police say this equipment is not of a make used by the Mozambican police or army.

It is not known why the two South Africans crossed the border, and an inquiry has been launched.

Employers warn of skills shortage

Private sector employers warned on 25 October that Mozambique still has a shortage of skilled labour which endangers its competitiveness within the southern African region. The issue was raised at a meeting of the Consultative Labour Commission (CCT), the tripartite negotiating forum between the government, the employers' associations and the trade unions.

Speaking to reporters after the meeting, the representative of the employers, Justino Chemane, said that the skills shortage meant that private business had no alternative but to recruit foreign labour if it hopes to compete with businesses from other countries.

According to Chemane, "Mozambique is a long way short of meeting its needs for skilled labour. The quality of training, even at university level, leaves a lot to be desired. The students leaving the universities don't have practical experience, and to fill this gap, it is necessary to place them alongside people who do have experience".

Mozambique is competing in an open market, he said, which means that it has to strive for the same levels of efficiency and production as its neighbours – such as Zambia, Swaziland or South Africa.

Chemane said that foreigners were being recruited because of the added value they could bring. He stressed that each foreign worker should have a contract and a defined period for working in the country.

The trade unions insist that foreigners should only be hired for jobs where no Mozambicans are available, and complain that, particularly in the building industry, foreigners are doing work that Mozambicans could do.

The general secretary of the OTM, the largest trade union federation, Alexandre Munguambe, said there are companies who continue to violate the labour law by recruiting foreign workers, even though Mozambicans are available. This led to wage disparities, he claimed, with the foreign workers paid more than their Mozambican colleagues, even though they have the same qualifications.

The current recruitment of foreign workers obeys a quota system. Large companies (any company with over 100 employees) can recruit foreigners amounting to five per cent of their work force. The figure rises to seven per cent for medium sized companies and ten per cent for small companies. Since a small company has up to ten workers, just one of them can be a foreigner.

This looks simple enough – except that extra demands, not envisaged in the Labour Law, have been tacked on, turning a simple procedure into a bureaucratic one. Certificates of equivalence have been demanded to prove the academic qualifications of foreign workers, and the quota has been expanded to include company agents who,

the employers argue, are not workers, in the legal sense.

According to CCT general secretary Alcino Dias, the CCT will try to harmonise the positions of the employers and the unions towards foreign labour.

"The employers are concerned with questions of procedures, communication, and clarification of how the imperatives established in the law should be interpreted", he said. "It is necessary to harmonise positions, and create a single method of applying the law".

New tender for Chibuto heavy sands

The Mozambican Ministry of Mineral Resources on 18 October launched a tender for the exploitation of the titanium-bearing heavy sands in Chibuto district, in the southern province of Gaza. Companies interested in mining the sands have until March 2011 to submit their proposals, with the Mozambican government hoping to announce the successful bidder by April.

The Chibuto concession area covers 10,840 hectares. Studies to date indicate that the deposit contains 72 million tonnes of ilmenite (iron titanium oxide), and smaller amounts of rutile and zircon. Ilmenite is used to produce titanium dioxide which is a key component of pigments in the paint, paper and plastics industries.

The successful bidder will sign an agreement valid for 24 months, and during this period the data on the deposit will be rechecked, and viability studies drawn up. Only after this period will the mining concession be issued.

"We want to attract and select an international company with the necessary resources to implant the project", the Minister of Mineral Resources, Esperanca Bias, told reporters. Such a company would need financial muscle, and must be committed to undertaking social programmes and to training Mozambican staff.

Bias said that at least four mining giants have expressed an interest, but she declined to name them, since none of them have yet made any formal bids.

Initially, the rights to the Chibuto heavy sands were granted to the Australian company BHP-Billiton, but it withdrew in 2009.

Bias said that BHP-Billiton is free to apply again, but would have to carry out the provisions of any contract signed with the government. BHP-Billiton would "compete under the same conditions as any other bidder", she added, "and it has the advantage that it has already been there. In principle, there is nothing to prevent BHP-Billiton from bidding, if it is interested".

The government, she said, would prioritise those bidders who proposed to add value to the minerals in Mozambique, rather than export them unprocessed.

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

| Subscription Rates (24 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.