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Mozambique aims to become middle income country

President Armando Guebuza believes that Mozambique can become a middle income country within the next ten years. The President expressed his optimism at a press conference on 4 December in Riyadh, where he was attending the Gulf-Africa Investment Forum 2010. "I think Mozambique will go very far", he declared when asked to make a forecast for the country's development over the next decade. "By then, I am sure that we will be a middle income country'.

The World Bank defines a country with a Gross National Income per capita in 2009 of between $996 and $3,945 as a "lower middle income" country. Those countries with a GNI per capita of between $3.946 and $12,195 are "upper middle income". Any country with a per capita GNI in 2009 of less than $996 is "low income".

The President said that Mozambique's success since the end of the war of destabilisation in 1992 was due to its political stability, which in turn rose from experience that peace is only possible through mutual understanding, communication and dialogue. "This is exactly what is happening in Mozambique", he said. "We speak to each other, we discuss with each other. We are tolerant towards differences, and, as a result, we have a stable society".

Asked to comment on the Gulf-Africa Conference, President Guebuza said he was impressed by the fact that both regions "are speaking the same language". He noted that the Gulf possesses capital and know-how that are scarce in Africa, and that the two regions can complement each other for their mutual benefit.

The President said that he did not regard the cultural differences between Mozambique and the Arab world as an obstacle. After all, Mozambique itself possesses a mosaic of different people, with different cultures, different languages and different experiences "but we were able to unite and defeat colonialism", he declared. "We are sure that we can remain united to eradicate poverty".

Asked whether Mozambique is selling land, or allocating licences to exploit land, President Guebuza said that Arab investors are welcome to apply for land on long leases. Those who were serious about investing in Mozambique could obtain leases for up to 50 years, he said.

He also explained that the government does not insist that foreign investors have Mozambican partners. "Naturally we encourage investors to seek Mozambican partners, but this is not an indispensable condition", he said.

As or the question of dual taxation, which concerns Gulf businesses, President Guebuza said the government has a proposal for dealing with this. (Mozambique has already signed agreements with several countries to abolish dual taxation).

Huge deficit in education funding

The Education Ministry is facing a deficit of $337 million for the period up to 2013, which could seriously compromise the quality of education, according to Education Minister Zeferino Martins. The Ministry's total requirements amount to $468 million of which only $131 million are available.

The latest disappointment for the Ministry was a meeting of the Education for All Fast Track Initiative in Madrid in November. Here Mozambique asked for a grant of $160 million to improve the quality of basic education. The amount offered, however, was only $90 million. For the rest, Mozambique asked the World Bank for a loan, and received a credit of $41 million.

According to Martins, if the Education Ministry did not receive more funding it would be forced to make a series of cuts. It might be forced to slow down the current expansion of the school network, close facilities such as laboratories, reduce the number of school books printed, stop recruiting new teachers, and reduce the number of secondary school places available.

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

CDP case: accused sentenced to 12 years

The Maputo City Court on 7 December sentenced the former director of the Mozambican government's Data Processing Centre (CPD), Orlando Come, and the CPD's former head of administration and finance, to 12 years imprisonment for defrauding the CPD of 3.6 million meticais ($103,000). The two were also ordered to repay the stolen money.

The presiding judge of the seventh section of the City Court, Fernando Bila, said the sentence was intended to have an "educational" effect, seeking to prevent others from acting in ways that damaged public institutions.

Bila said that the two accused had plotted among themselves to defraud the CPD. A further aggravating factor was that both men were senior state officials, who had worked at the CPD for long periods – 20 years in the case of Come, and 18 for Vilanculos.

Bila said the two had abused the funds of the CPD for their own advantage, at the expense of the institution and of its workers (whose wages were often paid late).

"The accused deliberately disorganized the institution's accounting system", said the judge. "They acted with total disrespect for the norms that govern the management and functioning of public institutions. As managers of the institution, they should have managed its resources in a rational and transparent manner. Instead, they used them to damage the institution".

Come and Vilanculos did not immediately state whether they intend to appeal.

11 civil servants jailed in Cabo Delgado

The Cabo Delgado Provincial Court, in northern Mozambique, on 16 December sentenced 11 senior and mid-level civil servants to jail terms of between 16 and 20 years for their part in stealing five million meticais ($146,000) from the public treasury in 2006.

They 11 were charged with forging documents and covering up irregular procedures, which allowed money to by siphoned out of the Cabo Delgado treasury.

The court found that three former officials of the Cabo Delgado Planning and Finance Directorate collaborated in deliberately concealing illicit procedures used to take out money "for purposes that had nothing to do with the state".

Two of these officials, Rui Dava and Carla Mussa, received the longest sentences, 20 years. Their colleague Angelina Alidaboka received 16 years. By the time of her arrest, she had risen to become the Permanent Secretary of the Mecufi district government.

The other eight accused were officials of the administration and accounts sections of the Cabo Delgado provincial health director. They were all sentenced to 16 years imprisonment.

16 found guilty of corruption in Maputo

The Maputo Provincial Court, sitting in the southern city of Matola, on 30 November sentenced 16 civil servants to prison terms of between three and 21 years for their part in corrupt schemes that resulted in the theft of about 2.8 million meticais ($79,000) of public funds.

The man regarded as the mastermind in the theft, Mario Tique, the former head of the expenditure department in the Maputo provincial directorate of planning and finance, received the longest jail term, of 21 years and seven months.

His colleague in the same directorate, Ermelinda Barros, received a sentence of 12 years and seven months.

Noe Mathe, provincial director of women's affairs and social welfare at the time of the theft, who later rose to become press officer for the Minister of Women's Affairs, was jailed for eight years and six months.

They and 13 others were found to have acted deliberately to defraud the state. A further 19 suspects were acquitted.

Tique's lawyer, Adao Bunja, immediately announced that his client will appeal.

Ayoob detained in Maputo

Mozambican businessman Momed Khalid Ayoob, who attempted to smuggle 18 million rands ($2.6 million) from Maputo to Dubai via Swaziland, is now in jail in Maputo.

Ayoob was originally arrested on 1 December at Matsapa airport in Swaziland, when the Swazi police opened his bags, found the money and charged him under Swazi customs and exchange legislation.

After a week in detention, a Swazi court released him on bail of 400,000 rands. He tried to return to Mozambique overland on 13 December – but customs officials and members of the Criminal Investigation Police (PIC) were waiting for him at the Goba frontier post. After a brief stay in a Maputo police station, he was transferred to the Civil Prison in the centre of the city.

Swaziland should now deposit the 18 million rands in a financial institution determined by the Mozambican authorities. In the unlikely event that Ayoob can prove that he obtained the money legitimately, it will be returned to him. Otherwise it will revert to the Mozambican state.

Even if Ayoob can prove that the money came from a legitimate source, he should still face criminal proceedings for smuggling it out of the country. Under Mozambican exchange regulation, a maximum of $5,000 (or equivalent in other currencies) may be taken out of the country without being declared.

Assembly approves tax amnesty

The Assembly of the Republic on 2 December unanimously passed a government bill for a limited tax amnesty.

The bill will allow any person or company who owes back taxes to pay the money by the end of 2011, without any fines, interest payments, or legal costs.

Introducing the bill, Finance Minister Manuel Chang said that urgent measures were needed to deal with the current situation in which 24 fiscal units are chasing 169,000 tax debtors. There are not enough days in the year for the fiscal courts to handle this avalanche of debt.

Chang believed that the bill would bring advantages both to the tax administration and to the taxpayer. The treasury would recover some of the back taxes, while the taxpayer would be able to pay off the debt "in a softer way", in a procedure that Chang promised would be speedy and free of red tape.

The risk for the treasury with the current backlog is that tax debts expire after ten years. Clever tax evaders know that, and just wait for the ten years to pass, hoping that the fiscal courts will not catch up with tem in that period.

Chang's assumption is that a good number of the debtors are essentially honest and will jump at the chance to pay off their debt, if there are no fines or charges attached. This will ease the backlog and make it easier to chase the persistent tax evaders.

Chang's projection is that the bill would allow the Treasury to recover about 751 million meticais ($21.3 million) that otherwise might be lost for ever.

Chinese company to invest $230 million

The Mayor of Maputo, David Simango and the Executive Director of the Tong Jian Investment Company of China, Cao Hongru, on 14 December signed a Memorandum of Understanding for the construction of a five star hotel in the Maputo neighbourhood of Costa do Sol, and a market for the sale of construction materials.

The investment is worth a total of $230 million, with the greater part of this sum, $150 million, to be spent on building the hotel.

David Simango said that work on the hotel should begin in the next six to eight months, according to the agreement.

The Mayor said that a third proposal from Tong Jian has not yet been finalized. This concerns the development of the Katembe municipal district, on the opposite side of Maputo Bay from the centre of the city.

As part of the Katembe Development Plan, Tong Jian had wanted to build a complex for Chinese workers. “We discussed thus and we said it couldn’t be a Chinese complex, it would have to be an international complex”, said Simango. “We don’t want an island solely for Chinese residents”.

Saudi business to invest $100 million

The Aujan Group of Saudi Arabia plans to invest $100 million in Santa Carolina Island, in the Bazaruto Archipelago, in the southern Mozambican province of Inhambane, according to the group’s chairperson, Adel Aujan.

Speaking to AIM in Riyadh, Aujan said his group has been working on plans for Santa Carolina (sometimes known as “Paradise Island”) for about five years. “We concluded that now is the right time to advance with the project”, he added. “Implementation will begin in 2011 and is due to be finished by 2013”.

The Saudi design is for a complete holiday resort, with a hotel, apartments, a spa, and all the high quality components needed to compete with other Indian Ocean resorts (in, for example, Mauritius, Seychelles or the Maldives).

Aujan pointed out that Santa Carolina is just two hours flight from Johannesburg, which puts it in excellent competitive position.

The investment will be undertaken by the Aujan subsidiary, Rani Resorts, which already operates five resorts in Mozambique, including its flagship hotel, the Indigo Bay Resort spa on Bazaruto, the largest island in the archipelago.

Aujan has a passion for Mozambique that he makes no attempt to hide. In the Riyadh English language publication “Arab News”, he wrote an article claiming that Mozambique is becoming “the brightest star in Africa”.

When AIM asked why he was so enthusiastic, Aujan replied “I really like Mozambique and its people, because of historical ties, and the extremely beautiful beaches”.

He added that the Mozambican leadership inspires confidence, and encourages and facilitates investments. “These were the main reasons I came”, he said.

Santa Carolina was once a popular tourist resort, but the existing hotel has been derelict for many years.

Santa Carolina, 3,000 metres long and 500 metres wide, is part of the Bazaruto National Park. This park, established in 1971, was designed to protect endangered species.

Its population of 250 dugongs (marine animals) is the largest counted on the entire East African coast.

Visitors to the crystalline waters of the archipelago can also see at least two species of dolphin and three species of whale, while five species of turtle nest on its shores.

Assembly passes budget

The Mozambican parliament, the Assembly of the Republic, on 14 December passed the second and final reading of the budget for 2011, with the opposition continuing to insist that the budget is “not transparent” and dedicates more money to “repressive bodies” than to development.

The largest opposition party Renamo claims that the government spends more money on the police, the armed forces, the intelligence service (SISE) and on President Armando Guebuza’s office than it does on social services and productive areas.

However, Finance Minister Manuel Chang earlier explained to the Assembly that, in reality, the education and health services receive over 25 per cent of the budget, while the armed forces, the police, SISE and the Presidency taken together only receive 4.2 per cent.

The budget was eventually passed by 173 votes to 55.

The Assembly also passed a resolution approving the government’s social and economic plan for 2011.

The main targets in the plan are for an economic growth rate of 7.2 per cent in 2011 (an increase from the projected growth rate this year of 6.3 per cent), and for an annual average inflation rate of around eight per cent. If this is achieved, it will be a considerable improvement on the current annual inflation rate of over 12 per cent.

The plan also envisages a growth in commodity exports to reach $2.4 billion in 2011, an increase of 15 per cent on the projections for this year. Net international reserves in 2011 should be enough to finance 4.3 months of imports of goods and services.

The budget envisages total public expenditure of 132.4 billion meticais ($3.8 billion). State revenue, mostly from taxation, is expected to reach 73.3 billion meticais, leaving a deficit of 59.1 billion meticais to be covered by grants and loans.

President Guebuza inaugurates Nacala hospital

President Armando Guebuza on 2 December inaugurated a new district hospital in the northern port city of Nacala. In addition to Nacala, the new hospital will serve the nearby districts of Nacala-a-Velha, Mozambique Island, Monapo, Mossuril and Memba.

Built on the outskirts of the city, Nacala District Hospital cost eight million meticais (about $227,000), and was co-financed by the Mozambican government and by the African Development Bank (ADB).

According to Health Minister Alexandre Manguele, the hospital has 160 beds, and units for general medicine, paediatrics, surgery, gynaecology, obstetrics, ad emergency and life support services. It has 210 staff.

At the inauguration, President Guebuza declared that the new hospital “shows that the country is changing. The country is moving forward, creating the necessary and possible conditions to improve the health situation of the population”.

He noted that Nacala already has some of the facilities required for rapid growth – but this would depend, not only on the work of the government, but also of the commitment of investors, and of the people of Nacala themselves.

With more investments, President Guebuza said, more jobs would be created in Nacala, with an impact in improving living conditions and on economic growth.

Government launches agricultural programme

Prime Minister Aires Ali on 13 December launched the Comprehensive Africa Agricultural Development Program (CAADP), and pledged that by 2015, the government will be allocating 10 per cent of the state budget to agriculture. Currently, 5.6 per cent of the Mozambican budget is allocated to agriculture.

CAADP was established as part of the New Partnership for Africa's Development (NEPAD) by the summit of African Union heads of state and government, held in Maputo in July 2003, in order to help African countries to achieve high levels of economic growth through agricultural development.

"African leaders recognized the importance of increasing public investment in agriculture. Therefore, the Maputo Declaration embodies the commitment to allocate at least ten per cent of the budget for agriculture to ensure that reasonable funds are earmarked for this vital sector. This decision is a sign of the dedication of the African continent to bring back agriculture onto its agenda", said the Prime Minister.

Ali said that, through this investment in agriculture, the government hopes to ensure average growth in agricultural production of six per cent a year, thus helping to alleviate food insecurity and poverty.

He recalled that, in its five year programme for the period 2010-2014, "the government defined poverty relief and improved food security as unquestionable pillars for attaining economic development. They can only be achieved through an integrated, prosperous, competitive and sustainable agricultural sector".

"Our government is committed to allocating more resources to agriculture, and we are confident that before 2015 we shall reach the 10 per cent target", said Ali. "In the short term we need to improve our allocation of resources, by directing them primarily to activities that can make a major impact on agricultural growth".

The inauguration of the programme is a major milestone in a process that includes drawing up a national strategy for agricultural development for the next ten years, involving all stakeholders, which the government intends to have ready by April next year.

This strategy, Ali said, will be aligned to the Millennium Development Goals (MDGs), and to the four pillars of CAADP. These are expanding the area under sustainable land management and irrigation; improving marketing infrastructures and capacities; ensuring greater availability of foodstuffs and thus reducing hunger; and agricultural research, and the adoption and dissemination of technologies.

The available statistics, Ali said, indicate that in 2007/08 agricultural year, only around 10 per cent of Mozambique's small and medium farms used improved maize seed, only four per cent used chemical fertilizer, and just over ten per cent used animal traction. Eight per cent used irrigation, eight per cent had access to extension services, and a mere 2.6 per cent received credit.

These figures, Ali stressed, "give an indication of the scale of the challenges we face, and show the need to join effort to implement more daring and courageous actions".

WFP praises Mozambican farmers

The United Nations World Food Programme on 30 November praised Mozambique for its pioneering role in supporting the WFP Purchase for Progress (P4P) initiative that helps connect small scale farmers to markets as well as improving the quality and supply of their products.

On a visit to Mozambique to attend a conference on P4P, WFP Executive Director Josette Sheeran pointed out that "Mozambique was the birthplace of our P4P programme and it is leading the way in demonstrating how WFP's investment and support for farmers can become an engine for sustainable agricultural development".

In the past three years WFP has purchased nearly $1 billion of food from African farmers to support its programmes. Under the P4P initiative, WFP works with small farmers to enable them to be part of the WFP food supply chain. Since it began in September 2008, P4P programmes have been launched in 20 countries. Through P4P, WFP has purchased more than 120,000 tonnes of food from small scale farmers at a value of $40 million.

According to Sheeran, "farmers here in Mozambique have shown how P4P can be a model for pulling vulnerable communities out of food dependency and breaking out of the cycle of poverty. We have built on the early successes of Mozambican farmers to roll out the P4P programmes, providing more than 50,000 farmers across the world with the vital skills they need to boost food security in the regions where they live".

Under the scheme, farmers receive training in improved agricultural production, post-harvest handling of crops, marketing, agricultural financing, and how to sign contracts with WFP.

This year the P4P initiative in Mozambique has led to the purchase of 5,350 tonnes of maize and pulses from smallholder farmers.

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.

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