

# Mozambique News Agency

## AIM Reports

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## Vale starts coal mining at Moatize

President Armando Guebuza and the chairperson of the Brazilian mining giant Vale, Roger Agnelli, on 8 May detonated the first charge of explosives initiating coal production at Vale's open cast mine in Moatize, in the western province of Tete. The two men together pressed a button that set off an explosion which sent an enormous black cloud of coal dust into the atmosphere, as the crowd burst into applause.

The Vale licence was granted in 2004, and even then Vale officials were speaking of Moatize as one of the last great unexploited coal basins in the world.

President Guebuza declared that the ceremony was the confirmation that "what was previously a dream is now a majestic undertaking in which natural resources are driving the development of Mozambican human resources".

He regarded the start of coal production at the Vale mine as a further victory in the struggle waged against poverty.

President Guebuza stressed Mozambique's high potential in natural resources such as coal, natural gas, gold, tantalite, titanium bearing heavy sands, and phosphates, among others, which are a pole of attraction for national and foreign direct investment. To keep the investment flowing, he pledged that the government will continue to introduce reforms to improve the Mozambican business environment.

Vale has invested about \$2 billion in Mozambique, and intends to invest a further \$4 billion over the next five years.

As for the export of coal, Agnelli expected it to begin within the next two months, despite the delays in rebuilding the Sena railway line, linking Moatize to the port of Beira.

Currently, Vale-Mozambique employs about 8,000 workers, more than 85 per cent of whom are Mozambican. "In the second phase of the project, which is already being developed, we will employ 15,000 workers", said Agnelli.

He stressed that this employment would change the face of Tete, since it would create a large demand for other services, including public transport and supermarkets.

As for new investments in the coming years, Agnelli stressed the plan to build a new railway from Moatize to the northern port of Nacala, and the improvements to the port so that it can eventually handle 22 million tonnes of coal a year.

In the initial phase, the mine will have the capacity to produce 11 million tonnes of coking and thermal coal a year, which will be taken down the 600 kilometres of the Sena line to the new coal terminal under construction at Beira.

Agnelli was confident that, even in the first phase, coal exports will reach between \$2.5 and \$3 billion a year. As from next year Mozambique should have a positive balance of payments, with the value of the country's exports

surpassing that of its imports.

Vale has also invested over \$100 million in projects of corporate social responsibility, including the rehabilitation of Tete Provincial Hospital, the building of schools and health centres, and the development of local agriculture.

### Preliminary study favours coal barges

Meanwhile, a preliminary environmental impact assessment suggests that taking coal down the Zambezi River in barges would cause no significant environmental damage.

A major problem for companies investing in the Moatize coal basin is that the Sena railway line, from Moatize to Beira, cannot handle the vast amounts of coal that will be produced in the next few years.

Currently the railway line, which was recently rebuilt, can handle around five million tonnes of cargo a year. A further upgrade, including doubling the track in places, could raise this to 12 million tonnes a year.

By 2013, Riversdale Mining (recently taken over by Rio Tinto) expects to be exporting five million tonnes a year from its Benga mine, adjacent to the Vale mine.

A second proposed Riversdale mine, known as the "Zambeze Project", has even larger coal reserves, and many other companies are queuing up to open mines in Tete.

Riversdale has been looking into using barges to take the coal to Chinde at the mouth of the Zambezi. An environmental impact study ordered by Riversdale indicates that nothing seriously damaging to the aquatic environment is expected from the transport of coal.

The most serious accident would be a spill of fuel, but adequate mitigation measures can reduce the likelihood of any such spill.

A more serious problem lies with the dredging of sections of the river to allow the barges to pass. This could reduce the amount of sediment carried by the Zambezi and deposited on the beaches of central Mozambique. The study describes this as "a relative erosion" of the beaches, but regards this as an impact of only "moderate significance".

## Mozal bypass caused no damage to health

The rebuilding of the fume treatment centres (FTCs) at the Mozal aluminium plant on the outskirts of Maputo caused no hazard to human health, despite the emission of gas, dust and tars directly into the atmosphere, Environment Minister Alcinda Abreu told the Mozambican parliament, the Assembly of the Republic, on 11 May.

The FTCs are part of the Mozal carbon plant, which produces the carbon anodes used in the electrolytic process where the smelter's raw material, alumina, is transformed into molten aluminium.

According to the Mozal management, the two FTCs had become severely corroded, and were in danger of catastrophic collapse. But rebuilding them would mean operating the carbon plant without the FTC filters, for several months. After receiving scientific advice that this would not pose significant risks to human health or to the environment, the government authorised Mozal to bypass the filters, and send the carbon plant emissions up a 62 metre tall chimney into the atmosphere.

Answering questions from parliamentary deputies, Abreu said that the monitoring of Mozal emissions during the 133 days of the bypass showed that they remained below the standards permitted by the World Health Organisation.

The main pollutant associated with aluminium smelters is hydrogen fluoride. The maximum limit for this gas established by the WHO is 17 micrograms per cubic metre. Abreu said that during the bypass, the minimum average daily emission was 0.42 micrograms per cubic metre, and the maximum was 6.9 micrograms per cubic metre.

With dust the WHO guideline is that PM10 dust (particles less than 10 microns in diameter) should not exceed 50 micrograms per cubic metre. Abreu reported that the minimum daily average of dust emissions was eight micrograms per cubic metre and the maximum was 33.5 micrograms per cubic metre.

The monitoring was undertaken, not only by the government, but by the Swiss company, SGS, the largest company in the world that specializes in inspection, certification and verification.

Abreu added that the government had paid special attention to public health and to the occupational health of the Mozal workers. Data obtained from health units near the smelter shows "no health abnormalities, nor any specific diseases arising from the process", she said. Nor there was there any sign of deterioration in the health of the smelter work force.

This all confirmed forecasts made by scientists from Maputo's Eduardo Mondlane University and from the South African Council for Industrial and Scientific Research, that there would be no significant risks from the bypass.

"We want to assure you", Abreu told the Assembly, "that the results obtained from the Mozal bypass show clearly that the decision taken by the Mozambican government was wise and opportune".

"Mozambique has the national human capacity for environmental management", she added. The Mozal bypass "has taught us that it is necessary to act with calm and precision". That precision was provided by the studies undertaken in Mozambique, and the analyses made in laboratories in South Africa, Belgium and the United States.

Before the bypass began there was a vociferous campaign by some environmentalists and parts of the Mozambican press, predicting disaster. It was confidently forecast that the Mozal emissions would be a danger not only in the vicinity of the smelter but right across Maputo province and into Swaziland and South Africa.

## New bill envisages renegotiating megaprojects

A government bill submitted to the Mozambican parliament, the Assembly of the Republic, will allow the renegotiation of clauses in contracts with mega-projects, Finance Minister Manuel Chang announced on 11 May.

Speaking in the Assembly, in response to a question from the main opposition party, Renamo, demanding the renegotiation of all contracts with mega-projects, Chang said that the government is interested in "achieving a more significant economic and financial contribution from the undertakings carried out in the national territory".

The bill, on private-public partnerships, large scale projects and business concessions, seeks "to establish the guiding norms for the contracting, implementing and monitoring the undertakings carried out in Mozambique in any of these three forms", said Chang.

The bill seeks an equitable share-out of the benefits expected from each undertaking "between the contracting parties, the state, the national economy, civil society and the local communities", he added. It also aims "to prevent and mitigate economic and financial risks and those arising from conflicts of interest".

One clause in the bill will allow "the renegotiation of particular contractual clauses, through mutual agreement between the parties, in order to share benefits equitably". Thus the ball was now in the Assembly's court: Chang pointed out that parliamentary approval of the bill "will open the possibility of an eventual renegotiation based on consensus to be reached between the two sides".

Chang said that currently the taxes paid by the mega-projects amount to around four per cent of total state revenue. This is because only three such projects are in production (the Mozal aluminium smelter, the extraction and treatment of natural gas in Inhambane province by the South African petro-chemical giant Sasol, and the titanium minerals dredge mine at Moma, in the northern province of Nampula, operated by the Irish company Kenmare Resources).

All mega-projects are not the same – Chang pointed out that the recent coal mining concessions signed with the Brazilian company Vale and Riversdale Mining of Australia, do not envisage the same fiscal benefits that were granted to Mozal in the late 1990s, when Mozambique was struggling to attract foreign investment.

He reminded the deputies that parliament itself has passed fiscal reforms aimed at modernizing investment legislation, "making it a more efficient instrument of economic policy in order to standardize and rationalize fiscal benefits and incentives, thus safeguarding greater gains for the economy, including a greater contribution to state revenue".

Among these reforms were the laws on fiscal incentives for mining and petroleum projects passed by the Assembly in 2007. The mining projects approved since then, Chang stressed, enjoy no fiscal benefits other than those specified in the laws – which are essentially exemptions from customs duties and Value Added Tax (VAT) on imported equipment.

The new Fiscal Benefits Code, passed by the Assembly in 2008, rationalizes tax breaks, according to the types of project involved. Chang added that the Code also reduces the period for certain tax exemptions.

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*This is a condensed version of the AIM daily news service – for details contact [aim@aim.org.mz](mailto:aim@aim.org.mz)*

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## District Development Fund to continue

The Mozambican government has decided that it will continue to allocate money to projects intended to create jobs or boost food production under the District Development Fund (FDD) – despite the failure of the vast majority of beneficiaries to repay their loans from this fund.

A meeting of the Council of Ministers (Cabinet) on 10 May analysed the FDD, which is still commonly known as “the seven million”, because it began in 2006 as an allocation of seven million meticaís (about \$230,000 at current exchange rates) to each of the 128 rural districts.

The original idea was that this should become a revolving fund. Beneficiaries would repay the money lent to them, and these repayments would replenish the fund, which would cease to rely exclusively on the central state budget.

But it is now quite obvious that most FDD beneficiaries treat the money as a grant, not a loan. Reporting the government discussion to reporters, Fisheries Minister Victor Borges said that, between 2006 and 2010, 4.2 billion meticaís were disbursed from the FDD. But so far only 227 million meticaís has been repaid. That is a repayment rate of just 5.4 per cent.

Borges said that this was the national average – in some provinces, the figures were better. In Maputo the repayment rate was 15 per cent. But this also means that in some other provinces, not specified by Borges, the repayment rate was much lower than five per cent.

Although 95 per cent of the money is still in the pockets of the beneficiaries, Borges claimed that the Fund was a success with a visible impact on the ground. The government thus had every intention of continuing the FDD.

Occasionally the government has spoken of using coercive measures to recover the money, but to date no-one has been taken to court to force repayment of these loans.

Borges also announced that the government has ratified a loan agreement signed with the International Fund for Agricultural Development (IFAD) in Rome on 24 March for \$21.1 million.

This credit is for a project named “Pro-Pesca” intended to finance artisanal fishing. The project covers 26 points where the government will support the acquisition of boats, and the building of fisheries infrastructures such as processing centres and cold storage facilities.

The project will last for ten years, and the total budget is \$43 million. The IFAD loan will cover the first five years.

## Director of new development agency sworn in

Prime Minister Aires Ali on 27 April swore into office the director-general of the newly established Zambezi Valley Development Agency, Roberto Albino, who was formerly head of the government’s Centre for Agricultural Promotion.

The Zambezi Valley, covering 225,000 kilometres, encompasses all 12 districts in the central province of Tete, nine districts in Zambezia province, seven in Sofala and four in Manica. About five million inhabitants, about 23 per cent of the country’s total population, live in the valley.

The Valley holds the largest reserve of water in the country, stressed the Prime Minister. As a result “it has a huge capacity to generate energy and has excellent conditions for agriculture. In particular it has a high potential for grains such as rice, maize and wheat, and cash crops such as tobacco, cotton and sugar cane”.

It is estimated that the Valley has the potential to grow rice over an area of 600,000 hectares in a region with strong traditions for this type of cultivation.

## Minister states crime rate is falling

Minister of the Interior Alberto Mondlane on 11 May denied opposition claims that the crime situation in the country is getting worse.

Speaking in the Mozambican parliament, the Assembly of the Republic, in a question and answer session between the government and the deputies, Mondlane dismissed as “exaggerated” a claim by the main opposition party, Renamo, that “crime has taken the country by storm”.

The police statistics suggest that there has been a drop in crime. In the first quarter of this year, said Mondlane, the police recorded 5,572 crimes. In the first quarter of 2010, the figure was 6,994 crimes. The crime rate had thus dropped by 20 per cent.

Most of the crimes recorded were crimes against property, mostly theft. This type of crime, Mondlane said, accounted for more than two thirds of the total.

He also dismissed a Renamo claim that the police was only interested in protecting members of the government and of the ruling Frelimo Party. He stressed that it is the legal obligation of the police to guarantee the personal security of all citizens.

Asked by the Mozambique Democratic Movement (MDM), what the government is doing to improve the security of maritime transport in the light of the threat posed by Somali pirates, Mondlane said that, in coordination between the Interior and Defence Ministries, special forces had been sent to “critical points” in the Mozambique Channel, and the armed forces were being equipped with the necessary resource to undertake naval patrols.

Training activities are under way, he added, “in the framework of surveillance and control of the coast and procedures against piracy.”

At regional level, Mondlane continued, a tripartite meeting had been held between Mozambique, Tanzania and South Africa on measures against piracy. “Joint operations” were being held with the neighbouring countries, he added, but gave no details.

## Italian company to grow jatropha in Moamba

The Italian company “BioEnergy” is to invest \$20 million to grow the shrub jatropha in Sabie, in the southern district of Moamba. The jatropha seeds will be exported to Italy to be processed and transformed into biodiesel.

The cultivation began in October 2008 with just ten plants. Today the project has about 5,300 plants covering an area of 70 hectares.

The objective, according to Joao Colombo, an agricultural technician linked to the project, is to expand the project to cover 120 hectares.

Colombo said that the aim is to gather 200 tonnes of jatropha each season for transformation into biodiesel.

Once this production is guaranteed the company will advance to the second phase of the project which consists of building a factory in Moamba to process and transform the jatropha into biodiesel.

Colombo said that the opening of this unit will result in biodiesel being made in the country, sold locally and also exported to Italy.

At the beginning of the project the company tested seeds from Brazil, India, the Dominican Republic and Tanzania. However, the best seed was a Mozambican variety which produces two kilos per plant.

The project to grow jatropha in Moamba employs 31 permanent staff and a further 40 seasonal workers.

## First stone laid for rice processing factory

The governor of Zambezia province, Itae Meque, on 30 April laid the first stone of a new rice processing factory which will be built in the village of Gogodane with the capacity to process 150 tonnes of rice a day.

The factory, which is 10 kilometres from the capital of Namacurra district, will cost \$10 million and is expected to be completed by the end of next November.

The rice processing plant is part of a larger project that also involves the construction of a cotton processing factory in Guro and a maize processing plant in Ulongue, in the central provinces of Manica and Tete respectively.

For the implementation of these projects the Chinese government has granted a loan of \$30 million to the Society for Integrated Resource Management (SOGERI).

The raw materials will be grown in the districts of Namacurra, Nicoadala, Maganja da Costa, Mopeia and Morrumbala.

Namacurra district has an area of 89,000 hectares available for rice production, with irrigation schemes in Mungonhane and Mitange. Trials are being conducted in Mungonhane by the Institute of Agronomic Research to look at the viability of having two harvests per year.

Speaking shortly after the ceremony, Itae Meque stressed the need to establish better working relations between the Mozambican and Chinese workers involved in the project.

## New chairperson of Constitutional Council

President Armando Guebuza has appointed prominent businessman Hermenegildo Gamito as the new chairperson of the Constitutional Council, the country's highest body in matters of constitutional and electoral law.

Although the 67 year old Gamito is by profession a jurist, in recent years he has been better known for his business and political activities. He was once the chairperson of the state-owned People's Development Bank, and is currently the chairperson of First National Bank-Mozambique. He is a past chairperson of the mobile phone company Vodacom-Mozambique, and remains a member of the Vodacom board.

Gamito was a deputy for the ruling Frelimo Party in the Mozambican parliament, the Assembly of the Republic, from 1994 to 2009.

He taught fiscal law at Maputo's Eduardo Mondlane University, and he was also a judge on the Higher Appeals Court, the predecessor of the current Supreme Court.

Gamito's appointment to the Constitutional Council must be ratified by parliament. He will then drop his business positions, in order to avoid any conflict of interest.

Gamito takes over from Luis Mondlane, who resigned from the Constitutional Council on 17 March, after the Mozambican press had exposed his use of Council funds for personal expenditure, including paying off the mortgage on his house. Mondlane is currently facing disciplinary and possibly criminal proceedings over the alleged abuse of his office for personal gain.

## Government expects encouraging harvest

The Mozambican government expects "encouraging results" from this year's harvest, despite the torrential rains and flooding that affected parts of the country in the first quarter of the year.

Agriculture Minister Jose Pacheco on 11 May told the country's parliament, the Assembly of the Republic that the flooding had wiped out crops on 21,312 hectares – but this was only 0.5 per cent of the area planted.

He said the government expects an 8.6 per cent growth in agricultural production and a 6.7 per cent growth in livestock this year.

In absolute figures, a harvest of 12.26 million tonnes of food crops is expected, said Pacheco. Production of root crops (mostly cassava) is expected to rise by 8.6 per cent, to reach 10.85 million tonnes.

As for grains, the harvest is expected to reach 2.92 million tonnes, a 3.9 per cent increase on the 2010 figure. For pulses, the forecast harvest is 436,430 tonnes and for vegetables, it is 975,000 tonnes. These are increases of 3.6 and 14.3 per cent respectively.

As for cash crops, the 2010-2011 campaign has led to the marketing of 110,000 tonnes of cashew nuts, an increase of 15 per cent. High world cotton prices are driving a sharp growth in cotton production in Mozambique. Pacheco expected the cotton harvest to reach 70,000 tonnes, 70 per cent more than last year.

For tobacco too, the expected production is 70,000 tonnes, which is a five per cent rise. For sunflower, the forecast is production of 18,638 tonnes (an increase of 29 per cent); while for sesame Pacheco predicted an enormous rise of 66 per cent, bringing production to almost 105,000 tonnes.

"The challenges we face", the Minister said, "go beyond production in the fields, and we are thus banking on strengthening the entire value chain, from research and extension, supplies of inputs, through to marketing of surplus, processing and conservation".

In particular, agro-processing was vital in order to add value to crops and preserve them. The government was therefore committed to establishing agro-industries in agricultural production areas. This "rural industrialization" included setting up units to process maize, rice, cassava, oilseeds, fruit and vegetables.

The maize processing unit in Angonia district, Tete province, and the rice processing plant in Namacurra, in Zambezia province, both located in the Zambezi Valley, should both begin production by the end of this year, said Pacheco.

"Success in food production depends on the participation and commitment of all citizens", he declared. "Let us all redouble our efforts in the great task of guaranteeing food and nutritional security, and turning agriculture into a business".

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