

# Mozambique News Agency

## AIM Reports

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## President Guebuza seeks stronger economic partnerships

President Armando Guebuza on 27 October called for the strengthening of economic partnerships between the members of the Commonwealth. “We strongly believe that within the family of the Commonwealth there is a vast potential for partnership from which Mozambique could benefit”, said the President, speaking at a panel on “Partnership in the Commonwealth for the Development of Natural Resources”.

The panel was part of a Business Forum in the Australian city of Perth. The three day Forum was one of a series of events preceding the Commonwealth Head of State Summit.

President Guebuza told the panel that, from 2005 to 2010, 26 Commonwealth member states had invested in Mozambique about \$1.2 billion.

“This is an indication that we can generate partnerships within the Commonwealth that will allow balanced, equitable and sustainable economic development, and which will, in accordance with the true spirit of our association, bring prosperity to our people”, said the President.

He noted that partnerships are motivated by fundamental values, including equality, transparency, mutual trust and complementarity, “and they are promoted by the convergence of interests and mutual advantage between the partners”.

“One of our roles, as the government of Mozambique, is to establish the necessary conditions for private business to invest in the development of mineral resources and to prosper alongside our people”, the President said, adding that this was why the government has approved legislation contributing to a more attractive business environment.

He found the response of investors to the government’s approach and to Mozambique’s mineral potential highly encouraging, with to a significant increase in investment in mining and hydrocarbon exploration over the last five years.

President Guebuza told his audience that Mozambique already exports large amounts of natural gas and titanium minerals and has now embarked on the large scale production and export of coal. The first shipment of 35,210 tonnes of coal, from the open cast mine operated by the Brazilian company Vale, left the central Mozambican port of Beira on 14 September, heading for the United Arab Emirates.

The President believed that the recent discoveries of huge offshore gas fields in the Rovuma Basin, in the north of the country, and large deposits of phosphates and other minerals, make it possible to forecast that the extractive industries will become a lever to speed up the fight against poverty.

All the indications, he said, were that the country will continue to grow at around seven per cent a year - but the government’s ambition is to work so that the GDP growth rate eventually reaches at least 10 per cent a year.

To achieve such an ambitious goal, the President said, the country had to respond rapidly to emerging challenges. These included developing human resources, through training inside the country and abroad, developing social and economic infrastructures, and developing Mozambican agriculture, to guarantee food security and face the current volatility of international food and fuel prices.

“Agriculture has a strong relationship with the development of mineral resources”, he said, “since foodstuffs must be supplied to an emerging industry”.

### Commonwealth to set up mining fund

Mozambique may benefit from a fund of \$120 million intended to support mining activities in member states of the Commonwealth. The establishment of the fund was approved at the end of the Business Forum.

According to Lourenco Sambo, director of the Mozambican government’s Investment Promotion Centre (CPI), the fund is intended to provide support to all Commonwealth members, but pay special attention to its least developed members.

“So Mozambique can benefit. What we have to do is define what we really want. In our case we need to train staff for the mining sector”, Sambo told the Mozambican journalists who are in Perth to cover the summit. He stressed that the purpose of the fund is to help countries with mineral resources to build up their technical capacity.

Due to a severe shortage of trained Mozambican staff, mining companies operating in Mozambique are forced to recruit foreign labour. Thus for the coal mines in Moatize, in the western province of Tete, companies have turned to the Philippines to find skills that are not available on the Mozambican labour market. Sambo stressed that this trend must be corrected by training Mozambican citizens.

Summing up the overall results from the Forum, Sambo said it was the best such event held over the last 12 years. Throughout the meeting, the Mozambican delegation had made contact with business people from other Commonwealth countries, who are interested in investing in Mozambique.

## Soya production boosts income in Gurue

Soya production in Gurue district, in the central province of Zambezia, is having a dramatic impact on the lives of farmers, due to high producer prices.

According to Luis Tomo, the head of the Zambezia Provincial Agricultural Services, "in Gurue, we have some soya producers who, after selling their production and paying all their costs, have a net profit of 300,000 meticaais (over \$11,100)".

This is much more than most waged workers in the country could hope to earn in a year.

With the money from Soya, Gurue farmers are building brick houses, buying means of transport, and improving their families' diet, Tomo added.

Farmers in Gurue have been planting soya because they regard the current producer price, in excess of 13 meticaais a kilo, as highly favourable. On the international market soya is selling for around \$450 a tonne.

The government has been backing soya farmers by making improved seeds available, leading to a doubling of productivity. According to Ministry of Agriculture statistics, when soya production began in the 2003-2004 agricultural year, average yields were 500 kilos per hectare. However, today yields have risen to 1,000 kilos per hectare.

The area under soya cultivation rose from 500 hectares in the 2003-2004 season to 6,200 hectares in 2010-2011. Small producers, who started out growing soya on less than a hectare, have now increased the area they cultivate to three or four hectares.

## ENI discovers huge gas reserves

The Italian energy company ENI has announced that its natural gas discovery in the Rovuma Basin, off the coast of the northern Mozambican province of Cabo Delgado, is much larger than initially thought.

On 20 October, ENI issued a statement that its exploratory well, "Mamba South 1", drilling in water 1,585 metres deep in offshore Area 4 of the Rovuma Basin, had discovered "212 metres of continuous gas pay", giving an estimate of at least 15 trillion cubic feet of gas.

In the days following that release, ENI continued to drill deeper and found "a new separated pool that contains a potential of up to 7.5 trillion cubic feet of gas in clean sands from the Eocene age". (The Eocene is the geological epoch that lasted from about 55 to 34 million years ago. The earlier discovery was in younger sands, from the Oligocene, which lasted from 34 to 24 million years ago).

These two discoveries in one well indicate total gas reserves here of at least 22.5 trillion cubic feet.

ENI is continuing to drill at Mamba South 1 until it reaches a total depth of 5,000 metres, after which it will move the rig 22 kilometres to the north and drill a second well, known as Mamba North 1.

ENI is the operator of area 4, with a 70 per cent participating interest. Its partners are the Portuguese company Galp Energia (10 per cent), the Korea Gas Corporation (KOGAS – 10 per cent), and Mozambique's publicly owned National Hydrocarbon Company, ENH (also with 10 per cent).

The ENI announcements mean that the Italian company, from just one well, has discovered more than twice the amount of natural gas found by the US-based company Anadarko. The four wells sunk by Anadarko in Rovuma Basin Area 1 discovered an estimated 10 trillion cubic feet of recoverable gas.

## Assembly exempts animal feed from VAT

The Mozambican parliament, the Assembly of the Republic, on 27 October unanimously passed the first reading of a government bill exempting raw materials for animal feed from Value Added Tax (VAT).

Introducing the bill, Finance Minister Manuel Chang said the purpose of the exemption was to encourage the development of the animal feed industry. VAT is normally charged at the rate of 17 per cent – scrapping it on animal feed will come as a great relief to livestock farmers, and particularly to poultry breeders.

Chicken feed is the largest single cost for poultry farmers. Reducing its price should make it possible for Mozambican chickens to compete with cheap Brazilian frozen chickens.

Also exempted from VAT is insecticide, to boost the fight against malaria and the mosquitoes that carry the disease.

A further provision exempts mining and oil companies from paying VAT on the acquisition of drilling, research and construction services. Since the companies could always reclaim the VAT paid on these services, this clause in the bill simply eliminates what Chang regarded as a piece of unnecessary bureaucracy.

The bill extends the existing VAT exemptions for the sugar, vegetable oil and soap industries, which were due to expire next year, to the end of 2015.

For rural electrification, and water supply services, VAT will now be paid on only 40 per cent of the invoice.

During the debate, deputies from the main opposition party, Renamo, demanded VAT exemptions on a range of other goods – including some which have never paid this tax. Chang replied that this is not the first time goods have been zero-rated – among the products which are already exempt from VAT are maize flour, wheat flour, chickens, rice, mosquito nets and medicines.

Renamo eventually supported the VAT bill, but it abstained on a second tax measure, a bill altering the Corporation Tax (IRPC) code.

The bill is aimed at ensuring that mining companies do not juggle their accounts in order to avoid tax. Thus any company that has more than one mining or hydrocarbon licence or concession must report profits for each financial year on each licence or concession individually. Chang said this was "to avoid costs and income from being switched from one unit to another".

The bill also states that any employer who provides apprenticeships for final year students from any level of Mozambican education may deduct the cost of this training from his tax bill, up to a limit of 25 per cent of the annual corporation tax owing.

Agricultural and livestock activities pay corporation tax at 10 per cent, while all other activities pay at a rate of 32 per cent. The government bill extends this favourable rate for agriculture and livestock to the end of 2015.

The income of companies not resident in Mozambique is subject to a withholding tax of 20 per cent – but this is reduced to 10 per cent when the income derives from international telecommunications and transport services, and the assembly and installation of equipment.

The bill extends this reduced rate of the withholding tax for companies not resident in Mozambique that provide vessels for fishing or for coastal transport, or which provide services for rural electrification projects.

## Timber companies lose licences

The National Directorate of Land and Forests, part of the Ministry of Agriculture, has cancelled the licences of 16 Mozambican and foreign timber companies who have been caught attempting to export illegally logs, ivory and other natural resources.

According to a report in the Beira daily paper, "Diario de Mocambique", these companies were involved, between December 2010 and July of this year, in attempts to export to China no less than 807 containers of logs, mostly of precious hardwoods that can only be exported legally if they have undergone processing in Mozambique.

Also found in some of the containers were parts of protected animals – including 126 elephant tusks, necklaces and bracelets made of ivory, and rhinoceros horns.

In addition to losing their licences, the 16 companies must pay fines amounting to 9.9 million meticaís (about \$367,000). All the logs, ivory and other goods in the containers are forfeit to the state.

Over 3,000 cubic metres of this wood has already been sold at public auction, raising revenue of around 34 million meticaís for the public treasury.

## Demobilised soldiers protest

Several hundred people claiming to be demobilised soldiers or their relatives demonstrated on 27 October at the Antonio Ripinga athletics circuit in a public park in central Maputo, near the Prime Minister's office.

Their main demand is for a pension for all demobilised soldiers of 12,000 meticaís (about \$440) a month.

The leader of the group, Herminio dos Santos, met with the Minister for Veterans' Affairs, Mateus Khida, but the meeting was fruitless, since it was not Khida whom dos Santos wished to meet.

"We know that the minister isn't going to solve anything", said dos Santos. "We told him that we want to negotiate directly with the person responsible for the country. We want to talk directly with President Guebuza. Without Guebuza there is no negotiation at all".

Khida told dos Santos that he would see if a meeting could be arranged when President Guebuza returned from the Commonwealth Summit in Perth.

Herminio dos Santos insists that the pensions must be paid by the end of November. If no money was forthcoming, "the veterans are here, and we don't know what will happen".

A representative of the Ministry of Veterans' Affairs, interviewed by the independent television station STV, pointed out that pensions are paid to people depending on how long they served in the army, their rank, and the amounts paid into the pension scheme.

Furthermore, the protestors are not all former soldiers. Some of them were once militiamen, who were employed by companies to defend their premises, and had no contractual tie with the armed forces.

It is far from clear how many demobilised soldiers dos Santos represents. For there are at least 14 separate associations of former soldiers who say they want nothing to do with dos Santos, and have been negotiating separately with the Ministry for implementation of the Statute of Veterans passed by the Assembly of the Republic in May.

## Government wants changes in fishing

The Mozambican government is to encourage artisanal fishing on the high seas to reduce the pressure from small scale fishermen on coastal fishery resources.

To this end, the Council of Ministers (Cabinet), at its meeting on 25 October, ratified a loan agreement with the OPEC Fund for International Development (OFID), to the value of \$13.5 million which will support the Artisanal Fishing Promotion Project (PROPESCA).

Speaking to reporters, the government spokesperson, Deputy Justice Minister Alberto Nkutumula, said that in recent years fishing close to the coast had intensified, placing enormous pressure on coastal wild life. Fishing near the coast was also destroying coral reefs.

"So it is intended to empower the artisanal fishermen so that they can fish in deeper waters, and reduce the pressure on the coastal areas", he explained. The project will benefit about 40,000 people.

## Fall in pollution from power generation

The expansion of the national electricity grid, based on the Cahora Bassa dam, across most of Mozambique has greatly reduced the level of carbon dioxide emissions from the electricity sector, because a large number of small and obsolete diesel-fired power stations have closed down.

Speaking on 25 October, during a seminar on climate change, Telma Manjate from the Environment Ministry said that electricity is the only sector of the Mozambican economy that has managed to reduce its carbon emissions since 1990.

"The energy sector has been cutting its emissions", she said. "This is because power stations have been switched off, as the electricity grid expands. The power in the grid is Cahora Bassa power, which is clean".

Manjate said that the carbon emissions from electricity generation fell from 2,450 tonnes in 1990 to 1,844 tonnes in 1994. By 2000 emissions were down to 1,403 tonnes.

However, this trend could be reversed with the plans of the mining companies Vale (of Brazil) and Riversdale (of Australia) to build coal-fired power stations in Tete province.

"This could increase emissions", Manjate told AIM. "I don't know about these specific cases, but the possibility exists of using certain technology to help reduce emissions".

The Environment Ministry believes that Mozambique's priority is not to reduce its carbon emissions (which are very small when compared with those of middle-income or rich countries), but to guarantee that measures of adaptation to climate change do not damage the country's economy.

## More drug arrests at Maputo airport

The Mozambican police have announced that three South African citizens have been arrested for trying to smuggle cocaine through Maputo International Airport.

According to the police, one of those arrested was carrying five kilos of cocaine in his baggage. He had travelled to Maputo on an Ethiopian Airways flight.

Two other South Africans were arrested after disembarking from another Ethiopian Airways flight. They were carrying two kilos of cocaine.

Since the police and customs officers at the airport were replaced in July, drugs have been seized at the airport almost every week, and sometimes more than once a week – particularly in the luggage of passengers coming from India via Addis Ababa. In the second half of September alone, there were four seizures.

## President Guebuza launches agricultural campaign

President Armando Guebuza on 23 October at Catandica, in the central province of Manica, formally launched the 2011-2012 agricultural campaign.

“There is no reason for us to continue to go hungry”, he said. “Those who make use of the land, the water and their knowledge will produce food. There is no possibility of hunger for those people”.

But people had to work to acquire wealth, he argued. Those who just waited for wealth to come to them would indeed suffer hunger.

President Guebuza said that the success of the agricultural campaign largely depended on how well it was prepared – so activities were under way to ensure the timely supply of agricultural inputs.

More agricultural extensionists were being hired, he added, and greater quantities of improved seed for food crops than in the past were being acquired and distributed. Likewise agricultural chemicals and vaccines for livestock were being supplied, and additional financial resources were being mobilised for the campaign.

President Guebuza was convinced that Mozambique enjoys the necessary conditions to attain food and nutritional security. “To achieve this great objective we must remain committed to ensuring that the available natural resources for agricultural production result in food self-sufficiency in each of our districts”.

This would be an important step towards transforming Mozambique “into a granary for our people and for other people of the region and the world”.

In the coming agricultural year, the country expects to harvest 16.2 million tonnes of food crops, a 14 per cent increase on the 14.2 million tonnes produced in the 2010-2011 campaign. Much of this rise is expected to come from an increase in the area under cultivation from 3.9 to 5.2 million hectares.

A message from Jacques Diouf, general director of the United Nations Food and Agriculture Organisation (FAO), read out to the Catandica meeting, called for efforts to deal with fluctuations in food prices, which have become increasingly volatile.

“If we want to deal seriously with the problem of hunger in the world, then it is necessary that the problem of fluctuating food prices does not create nutritional problems for households”, said Diouf.

Although the causes of price instability were well known, he added, taking action on the issue required political will. He warned that the world food market is “tense”, with world food reserves reaching historically low levels.

Drought and floods affecting productive regions increased the pressure on prices, Diouf said. Agriculture was not responding sufficiently quickly to demand, and in part this was due to under-investment in agricultural research and technology.

## 7.6 per cent rise in food production

Food production in the 2011 harvest was 7.6 per cent higher than the figure for the previous year according to preliminary data announced by the National Director of Agriculture, Momed Vala.

Speaking to AIM on 21 October in the central city of Chimoio, Vala said “the 2010 - 2011 agricultural campaign was good. In terms of food crops, we managed to produce about 14.2 million tonnes of produce, notably cassava, maize, rice, pulses and some crops that we regard as emerging, such as soya and sesame”.

Each of the crops mentioned showed an increase in production when compared with the previous year – the rise in production of maize, for example, was 6.3 per cent, and the country is now more than self-sufficient in cassava, with an annual production in excess of six million tonnes.

For the Mozambican authorities, the rise in food production is due to the commitment of Mozambican farmers, and to regular rainfall over the past year.

Vala pointed out that there are still districts that are a cause for concern. This is the case, in the south, of Chigubo (in Gaza province), and of Govuro and Mabote (in Inhambane), and in the centre, of Chemba (in Sofala). These are naturally arid areas, with poor soils, where agricultural production is always difficult, even when it rains.

One solution is to stop growing maize in land where yields will always be low, and switch to short cycle sorghum.

Vala added that the greatest challenge is to change the attitude of peasant farmers, so that they will grow crops not only to support their own families, but in order to earn money by selling a surplus.

“This means increasing productivity so that these producers are exposed to the market, where they can earn cash and solve all the other needs of their day-to-day lives, such as health care and education”, said Vala.

## Islamic Development Bank pledges \$70 million

The Islamic Development Bank (IDB) is to provide Mozambique with \$68.3 million over the period 2011-2013 to finance projects in fisheries, rural water supply, sanitation and electricity infrastructures, according to Planning and Development Minister Aiuba Cuereneia.

Already underway are projects in education, energy, roads, agriculture and fisheries, financed by the IDB to the tune of \$80 million.

Cuereneia was attending a Forum in Maputo on the IDB’s funding windows, which brings together IDB officials and representatives of Mozambican business.

Addressing the opening session of the forum, Prime Minister Aires Ali said that investments mobilised for health, education, roads, energy, agriculture, fisheries and rural water supply are an invaluable contribution to the fight against poverty and for improving living conditions.

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