

# Mozambique News Agency

## AIM Reports

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## President Guebuza calls for austerity in 2012

President Armando Guebuza, in his New Year message to the nation, has called on all Mozambicans to observe measures of austerity in 2012, and to commit themselves to increased productivity and to fighting against the obstacles to the country's development.

The President urged Mozambicans to enter 2012 with greater confidence in themselves, and be certain of their ability to overcome the obstacles ahead.

President Guebuza warned that there are no clear signs of an end to the international economic and financial crisis which was the backdrop to Mozambique's antipoverty programme. That meant that the county would have to continue implementing austerity measures.

As for the year that has just ended, President Guebuza said it had been marked by a strengthening of national unity, self-esteem and patriotism. Peace and the feeling of solidarity among Mozambicans had been consolidated, and the rule of law and multi-party democracy deepened.

"In the context of the struggle against material poverty, we built new social and economic infrastructures which are contributing to improving the quality of life of our people", he said. As examples, President Guebuza pointed to the expansion of the health and education networks, to the connection of many more consumers to the national electricity grid, and to the fixed and mobile phone networks, and the opening of new roads, new water sources, and new branches of the commercial banks.

Public and private investment, he said, had created new job opportunities for Mozambicans, in the countryside and in the cities.

"Thanks to these investments", he stressed, "many more young people have new opportunities to make use of their knowledge, wisdom and experience, generating income and participating more actively in the fight against poverty. To consolidate these gains, we are continuing to make reforms, and to decentralise human, material and financial resources to the districts".

For President Guebuza, the major event of the year, was the 10th all-Africa Games, held in Maputo in September, which put Mozambique in the African and international spotlights.

This was the largest sporting event ever held in Mozambique, and President Guebuza believed that Mozambicans could be proud of the hospitality they had offered "to the African and international sporting family".

### President meets with ENI executives

President Guebuza on 3 January received the chief executive of the Italian hydrocarbon company ENI, Paolo Scaroni, and the company's chief operating officer, Claudio Descalzi.

The audience took place at the resort of Bilene, in the southern province of Gaza, where the President is on holiday.

The purpose of the audience was to brief President Guebuza on progress in ENI's search for oil and gas in the Rovuma Basin, in the far north of the country.

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

Over the following days, ENI continued to drill deeper at the same spot and found "a new separated pool that contains a potential of up to 7.5 trillion cubic feet of gas". Between them, these two discoveries in one well indicate total gas reserves of at least 22.5 trillion cubic feet.

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.

ENI has moved its rig 22 kilometres to the north where it is drilling a second well, known as "Mamba North 1".

The ENI executives told President Guebuza that they regard the exploration here as also "positive", and expect to announce the preliminary results shortly.

ENI is the operator for Area 4, and holds 70 per cent of the shares. Its partners are the Portuguese company Galp Energia (10 per cent), KOGAS of South Korea (10 per cent), and Mozambique's own National Hydrocarbons Company (ENH), also with 10 per cent.

Area 4 covers 2,000 square kilometres of the Rovuma Basin. The government granted ENI the licence to explore this area in 2006.

## Prime Minister visits Ulongue grain factory

Prime Minister Aires Ali on 4 January visited a new grain processing factory in the town of Ulongue, in the western province of Tete, which is due to start production in February.

The Mozambican state has invested \$6.8 million in building this plant, but its management will be handed over to a private business, selected through a tender.

The factory will be able to mill 100 tonnes of grain a day. Each 100 tonnes of maize will produce 86 tonnes of flour and 14 tonnes of bran.

Ali said that the ready market for their grain should be a stimulus to greater production by farmers on the fertile Angonia plateau, and beyond.

With this factory available, and prepared to buy up all that the farmers produce, they may no longer feel it necessary to sell their surplus grain over the border, in neighbouring Malawi.

“It won’t be just Angonia district that is called upon to provide the raw materials for this factory”, said the Prime Minister. “It’s a factory that will consume maize from other districts in Tete province – which means that the managers must encourage grain production so that the factory does not run out of its main raw material”.

The factory is also expected to produce three to five tonnes a day of various animal feed. This will reduce the dependence of Tete livestock farmers on imported feed.

This grain processing plant is the first of three planned for central Mozambique. The others will be built in Guro district, Manica province, and in Namacurra, in Zambezia province.

The state owns 90 per cent of the shares in the Ulongue factory. The other ten per cent are divided equally between the National Social Security Institute (INSS), the state insurance company EMOSE, and the publicly owned electricity and telecommunications companies, EDM and TDM.

When fully operational, the factory is expected to employ between 40 and 50 full time workers.

Tete province, Ali stressed, should not be known solely because of its vast coal deposits, “There are large areas of this province with excellent conditions for agriculture, where crops associated with temperate climates can be grown”, he said. “What is needed is to encourage this agriculture, because currently we see that the potential is underused”.

“The starting point is to encourage and support the producers, so that they produce more and better”, he continued. “We should not be thinking only of the domestic market, since there is a lot of demand from foreign markets. But for this, we have to fight for good quality products”.

Ali visited the fields of a young farmer named Lazaro, who produces potatoes, maize and vegetables. Some of his land is irrigated and the rest depends on rainfall.

Ali praised him as a good example in the fight to eradicate poverty.

“I’ve been very encouraged by what I’ve seen on this visit”, he said. “I want to encourage you to continue on this path, and we, as the government, shall speed up the transmission of the knowledge of new techniques so that peasant farmers can increase their yields”.

He challenged Angonia peasants to set up associations, and produce collectively. By working together, they could increase the area under cultivation, and ensure better access to agricultural inputs and to bank credits.

## Government looking to end cement imports

The Ministry of Industry and Trade is considering imposing a quota system for imported cement later this year, to protect Mozambican cement producers.

Currently there are five cement factories in the country, but in the near future at least three more will begin production.

“Last year several production lines were inaugurated, increasing the supply of cement in the northern and central regions of the country, and this year new factories will start operations”, said the Minister of Industry and Trade, Armando Inroga, cited by the news sheet “Mediafax” on 5 January. “When national production capacity means that we don’t need to import cement, then we shall reduce imports, or fix quotas for imports”.

He hoped that soon all the cement used in Mozambique will have been produced in the country, and will be sold at competitive prices.

He predicted a fall in cement prices, so that imported cement would no longer be cheaper than the local product. At the moment, Mozambican cement is sold to the public at prices of between 280 and 290 meticaís (\$10.3 to \$10.7) for a 50 kilo sack. Imported cement is 20 to 30 meticaís cheaper.

Inroga was confident that by the final quarter of 2012 cement prices will be much lower than they are today.

The purpose, he said, “is that we should have a competitive cement price, so that every Mozambican can, if he wants, and depending on his income, build his own house, and the government can make enormous investments in infrastructures”.

## 2011 inflation rate was 6 per cent

Accumulated inflation in Mozambique in 2011 was 6.14 per cent, according to figures released on 5 January by the National Statistics Institute (INE).

Most of this inflation (3.14 per cent) was accounted for by food and non-alcoholic drinks. Between them, fish, charcoal, petrol, sugar, groundnuts and education costs accounted for 2.92 per cent.

The months with the sharpest price rises were January, February and December, according to Firmino Guiliche, the INE’s deputy director of national accounts, who presented the figures to reporters.

Inflation in December was 1.38 per cent – almost all of which was food inflation (1.3 per cent). The sharpest price rise in the month was for tomatoes (32.3 per cent).

Inflation reached just 3.25 per cent in the first six months of the year, rose gradually to 4.7 per cent in November, and then jumped to 6.14 per cent in the final month of the year.

The prices of some goods dropped slightly over the year – this was the case with onions, coconuts, eggs, second hand cars, and some items of clothing.

As for average inflation over the previous 12 months, this was 14.4 per cent in January, but fell steadily over the year, reaching 11.17 per cent in December.

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

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## Vale signs railway agreement with Malawi

The Brazilian mining giant Vale has signed a rail concession contract with the Malawian government allowing it to build and operate a new railway across southern Malawi.

According to Vale, the agreement was signed by Malawian Transport Minister Sidik Mia, and the Director of Operations of Vale-Mozambique, Paulo Horta.

The new line is part of Vale's project to link the Moatize coal basin, in the western Mozambican province of Tete, to the port of Nacala. The new line will run from Chikwawa in the far south of Malawi for 137 kilometres to Nkaya Junction, where it will meet the existing line to Nacala.

Vale states that, in addition to the general benefits of regional economic integration, the line will provide jobs for Malawians in the construction phase, and will hire local companies to provide goods and services.

The line will be used not only to carry coal from Vale's mine in Moatize but also Malawian exports and imports.

To complete the railway will require rehabilitating the existing line from Nkaya to Nayuci on the border with the Mozambican province of Niassa. This line is currently operated by Central East African Railways (CEAR).

Vale owns 51 per cent of the shares of Mozambique's Northern Corridor Development Company (SDCN), which in turn owns 51 per cent of CEAR.

Currently Vale is exporting coal from Moatize via the Sena railway which runs from Moatize to the port of Beira. But with other companies also planning to exploit the massive reserves of coal in Moatize, it is clear that the Sena line and the Beira coal terminal will be woefully inadequate.

Even if the Sena line's capacity were to be doubled it could still not carry more than 12 million tonnes a year. And the estimate of Mozambican Transport Minister Paulo Zucula is that by 2020 the country will be producing 100 million tonnes of coal a year.

Nacala is an attractive alternative, since it is regarded as the best deep water port on the east African coast. Unlike Beira, it does not require dredging and can accommodate ships of any size.

## Reconstruction of Machipanda line begins

Mozambique's publicly owned ports and rail company, CFM, on 23 December began work on rebuilding the Machipanda railway, which links the port of Beira to Zimbabwe.

This follows the cancellation of the contract with the Indian consortium RICON, which was in charge of the entire Beira rail network, but did not meet any of the deadlines for rebuilding the Sena line (from Beira to the Moatize coal basin), or for upgrading the Machipanda line, which was allowed to become increasingly degraded.

The 317 kilometre line from Beira to Machipanda, on the border with Zimbabwe, should have been rehabilitated by December 2006, but, according to Transport Minister Paulo Zucula, the Indian consortium did no work on the line at all. This caused losses to the Mozambican state of about \$240 million.

Speaking at the ceremony in Beira marking the start of reconstruction, Prime Minister Aires Ali stressed the strategic importance of the Machipanda line. The line would "impress greater dynamism in the strategic connection to and from the various poles of development of the country and the neighbouring regions".

Ali stressed the importance of the line for Zimbabwean exports, such as granite and ferro-chrome, as well as imports of wheat, fertiliser and fuel.

## Eight million dollars for school desks

The Education Ministry plus to spend more than \$8 million this year on acquiring desks to equip the country's schools, according to the Ministry's spokesperson, Eurico Banze.

Speaking on 4 January in a Radio Mozambique phone-in programme, Banze said the Ministry is currently drawing up the documents for the national and international tenders it will launch to select possible suppliers of the school furniture.

"We are not comfortable with the problem of the shortage of desks", said Banze. "We are not satisfied that we have children who study sitting on the floor".

The Ministry's philosophy in recent years, he added, has been to equip classrooms immediately after they have been built. It proved impossible to do this in 2011, but Banze hoped the problem will be minimized this year.

This year the government plans to build 940 schools throughout the country. Most of them (about 800) will be primary schools. 1.17 million pupils will enter 1st grade, and the total number of pupils in the school system will exceed seven million.

To meet this challenge over 8,500 new teachers are being recruited, bringing the total number of teachers in the country to around 100,000.

## Major forestry project approved

The Mozambican government on 19 December approved a large scale forestry project that will produce timber, paper and other wood derivatives in Muanza district in the central province of Sofala.

This forestry plantation will be operated by Manica Forestry Industries (IFLOMA), a company which is 80 per cent owned by the South African timber business, Komatiland Forests.

According to the spokesperson for the Council of Ministers (Cabinet), Deputy Foreign Minister Henrique Banze, total investment in the Muanza project could reach \$450 million over 30 years.

The government has granted IFLOMA 70,000 hectares of land in Muanza, and expects the project to employ between 1,500 and 1,800 Mozambican workers,

The investment "includes not only reforestation and the operation and development of the forestry area, but also the establishment of facilities for timber production and for social responsibility projects", said Banze.

The government also authorised an agro-industrial project by the Mozambican company Episteme, to produce sugar and cotton, in Mutarara district, in the western province of Tete.

Banze said Episteme has been granted 20,000 hectares, and plans to invest \$210 million over the next ten years.

The Council of Ministers also authorised the ruling Frelimo to set up a university of its own, in the southern city of Matola.

This institution, to be known as the Nachingwea University (named after Frelimo's rear base and training camp in Tanzania during the national liberation war) will offer degree courses in economics, legal sciences, and political science and administration.

Although the university is owned by Frelimo, Banze stressed that its courses will be open to Mozambicans regardless of their political party affiliations.

## Eta Star announces coal discovery

The company ETA Star Mocambique has announced the discovery of two billion tonnes of coal in its 4,000 hectare concession in Moatize district, in Tete province.

Eta Star Mocambique is a joint venture formed by the Eta Star Group of Dubai and the Mozambican companies Minas do Zambeze and Indico Investments.

The managing director of the company, Mohamed Sathak, cited in daily newspaper "Noticias" on 29 December, said that the reserves were estimated by an independent body, observing international norms. 400 million tonnes of the reserves are described as "quantified" and the remaining 1.6 billion tonnes as "indicated".

Much of the reserve is near the surface, said Sathak, which makes open cast mining viable – just as the companies already operating in Moatize, Vale of Brazil and Riversdale of Australia (recently taken over by Rio Tinto), are also using open cast technology.

Eta Star Mocambique is now drawing up a mining plan and viability study which should be concluded during 2012.

"We are at an advanced stage of exploration", said Sathak. "We shall shortly begin to produce. We have identified potential markets in India, China and Indonesia".

Before any coal can be produced, however, Eta Star must obtain its mining licence from the Mozambican government and Sathak expected that to happen in 2012.

He expected initial production of five million tonnes a year. Of this, 1.5 million tonnes would be coking coal and the rest thermal coal. Eta Star is already negotiating with the rail and port authorities on the logistics of moving the coal to the sea and exporting it.

## President inaugurates expanded Maputo water system

President Armando Guebuza on 16 December urged citizens to protect water supply facilities so that they will last longer and serve future generations.

He was speaking in the district of Boane, some 30 kilometres from central Maputo, at the inauguration of expansion and rehabilitation work done on the system that supplies water to Maputo, Matola and Boane.

The expansion means that the number of people served by the system has increased from 670,000 to 1.5 million. Water production capacity has risen from 144,000 to 240,000 cubic metres a day, and storage capacity from 190,000 to 205,000 cubic metre. Water is now available 24 hours a day.

The expansion and rehabilitation cost €95 million (about \$124 million), with €81 million coming from foreign partners, and the rest from the Mozambican government.

"Our challenge is to increase water supply coverage, because we recognise the role that access to clean drinking water plays in the struggle against poverty", said President Guebuza. "Water is highly significant in cleanliness and hygiene, and in the economy because it drives agricultural production and makes business projects viable".

President Guebuza added that work is also under way to improve the water systems in the central city of Chimoio and the northern cities of Nampula, Nacala and Lichinga

The Minister of Public Works, Cadmiel Muthemba told the ceremony that the next step for the greater Maputo area is to use the Corumana dam, on the Sabie River, as a source of water supply, not only for the Maputo-Matola municipal area, but also for a series of other small towns and localities in Maputo province, including Marracuene, Moamba, Pessene and Tenga.

## Electricity reaches Lalaua

The district of Lalaua, in the northern province of Nampula, was linked to the national electricity grid on 20 December, according to the publicly-owned electricity company, EDM.

With the electrification of Lalaua, 106 out of Mozambique's 128 districts are now connected to the grid.

EDM's work in the district consisted of building 75 kilometres of medium voltage transmission line, and five kilometres of low voltage line. Two transformers were installed and 20 street lights were erected in the district capital.

EDM expects to obtain 400 new clients in Lalaua, including the local health post, a school and a police station.

The electrification cost about \$3 million, financed by a loan from the EXIM Bank of India.

## Russia wants to invest in Mozambique

The Russian government and Russian businesses are interested in investing in Mozambique, attracted by the macro-economic stability the country has experienced in recent years.

This desire was expressed in the South African city of Bloemfontein on 8 January by Mikhail Margelov, special representative of Russian President Dmitry Medvedev, after an audience granted by President Armando Guebuza.

Both President Guebuza and Margelov were in Bloemfontein to attend the celebrations of the 100th anniversary of the South African ruling party, the African National Congress (ANC).

Speaking to the Mozambican reporters, Margelov declared "Russia is returning to Africa". He stressed that Russia was always "a natural ally" of the African continent.

"Russia was never a colonizing power in Africa", said Margelov. "Russian troops never fought against Africans on African soil. On the contrary, we supported the liberation movements, including Frelimo, and we are very proud of the fact that the AK-47 rifle, the famous Kalashnikov, is on the Mozambican flag".

"Russian businesses want to invest in Africa", declared Margelov. "Mozambique, as one of the most stable African economies, is our natural choice for the development of our bilateral cooperation".

Margelov flew on to Maputo to meet Prime Minister Aires Ali and other members of the government.

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