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New challenges facing young Mozambicans – President Guebuza

The Mozambican Youth Organisation (OJM), which is affiliated to the ruling Frelimo Party, has to deal with new challenges facing the country's young people, President Armando Guebuza declared on 2 March. He said that several of those challenges arise from the fact that most young Mozambicans have no direct knowledge of Portuguese colonial rule, or even of the war of destabilization that raged between 1977 and 1992.

Speaking in the southern city of Matola, at the opening of a meeting of the OJM Central Committee, President Guebuza said that anyone born after the proclamation of independence on 25 June 1975 had no personal experience of colonial oppression. He warned that, with the passage of time, some people might assume that independence would have come to Mozambique anyway, sooner or later. Such an attitude risked devaluing the enormous sacrifices made by those who fought for independence.

The President said that this might even become "fertile ground" for attacking and blaming those who freed the country "for daring to fight and, above all, for daring to defeat the colonial war machine".

A further challenge, he added, was that young people born after the peace agreement signed between the government and the apartheid-backed Renamo rebels in 1992 have enjoyed the fruits of peace and national reconciliation for 20 years. They might take peace for granted, "instead of doing their best to consolidate it with their every word and every act, in their day-to-day lives".

Furthermore, some of the young Mozambicans who benefit from the recent social and economic advances in the country may not remember to look back at the shortcomings of the past that have been overcome. They might also merely concentrate on the difficulties of the present and, worse still, just wait for others to bring solutions.

Faced with these challenges, said the President, the OJM should invest in the ideological and political training of its members. He also advised the OJM to persist with debates and analysis of social phenomena and indicate the path to follow.

"At each stage we must know how to identify what is essential and separate it from what is secondary", he stressed. "Overcoming the challenges of the present, although it requires up-to-date solutions, should be inspired by our history".

He hoped that debates organised by the OJM would help raise self-esteem, promote Mozambican identity, as well as a culture of work and of peace, and of solidarity among Mozambicans

Such debates, President Guebuza added, should value and encourage the entrepreneurial spirit. There were plenty of talented and selfless young people in Mozambique "able to stand shoulder to shoulder with the best in the region, the continent and the world in innovation, in academic and scientific quality, and in artistic and cultural creativity".

The President pointed out that as the largest and oldest youth organization in the country, the OJM "has the noble mission to mobilize and guide young people in the fight against poverty. The responsibility of its members is enormous".

He recalled how the country's first President, Samora Machel, had called young people "the sap of the nation". This saying was profoundly meaningful, since "the sap feeds the plant. The sap makes the plant grow and develop. Thanks to the processes induced by the sap, the plant bears flowers and fruit. If the sap dries up, the plant withers".

Mozambique would not wither, President Guebuza declared, because its young people are not delegating their mission to others, and so "our beloved motherland will always remain young".

Renamo “has shown its true criminal face”

Mozambique’s main opposition party, Renamo, has dropped “its sheep’s clothing”, and has shown “its true criminal face”, declared Margarida Talapa, head of the parliamentary group of the ruling Frelimo Party, on 12 March.

Talapa was speaking at the formal opening session of the first sitting this year of the Mozambican parliament, the Assembly of the Republic, and she took the opportunity to denounce Renamo for sowing “a climate of fear” in the northern city of Nampula.

Since December, several hundred demobilized Renamo fighters have gathered in Nampula, on the instructions of the party’s leader Afonso Dhlakama. Some of them were armed, and they made the immediate vicinity of the Renamo Nampula office a no-go area for ordinary citizens.

The police seized control of the area on 8 March, after Renamo had opened fire on a police vehicle. At least two people died in the clash (one police officer and one demobilized guerrilla) and the police made 34 arrests.

“With the concentration of these men, the freedoms of citizens were limited, children could not go to school freely, and the levels of violent crime increased”, said Talapa. She condemned in particular Renamo’s “brutal beating” of two journalists from the public television station, TVM.

This was “an appalling practical lesson from someone who has proclaimed himself the father of democracy”, she added. She was referring to Dhlakama who has boasted that he is the father of Mozambican democracy.

But could anyone really be a democrat “who spreads abuses and disorder?” she asked. “Is someone who dares perpetuate the suffering of the people a democrat? Is someone who always wants to see the people terrified of the barrel of his gun a democrat?”

“The answer is no!” Talapa declared. “Of democracy he (Dhlakama) knows only the word. He is truly anti-democratic”.

The greatest proof of this, she added, was the lack of internal democracy within Renamo.

“Renamo is proving that it’s tired of dressing up in sheep’s clothing”, said Talapa. She warned that the “criminal” Renamo was not just in Nampula, but everywhere in the country, “and sometimes beside us, here in this house”.

The head of the Renamo parliamentary group, Angelina Enoque, argued that Dhlakama is a man of peace, who “prioritises dialogue”.

She repeatedly described the Renamo demobilized in Nampula as “defenceless” and “unarmed”. Yet on 8 March the Renamo general secretary, Ossufo Mamude, had boasted that Renamo had killed seven policemen in the clash – hardly the behaviour of unarmed men.

Renamo’s illegal security force, which it calls its “presidential guard”, were harmless, she alleged. “They never hurt anybody”, she said.

Enoque claimed that it was really the police who are “sowing terror”, and the clash in Nampula “clearly shows that Frelimo wants to do away with democracy, peace and national unity”.

It was not Renamo but “Frelimo and its government who want war and not peace in Mozambique”, she said.

Lutero Simango, head of the parliamentary group of the Mozambique Democratic Movement (MDM), also lamented the Nampula events, but did not seek to cast blame on either side. The shoot-out had “terrified lovers of peace, and forces us to make a profound reflection. In which direction do we want to go?”

Peace, Simango said, “should be nourished with actions and policies of inclusion, opportunities without discrimination, and speeches free of arrogance, intimidation or violence”.

“Peace is like a plant that must be watered every day”, he added. “If we incite hatred, vengeance and blackmail we will be undermining the peace that all Mozambicans need”.

As the Assembly moved on to discuss the agenda for the sitting, Renamo deputy Saimone Macuiana demanded that the parliament’s governing board, the Standing Commission, take a position towards Talapa’s reference to “criminals”.

“Is it correct that one parliamentary group can call other deputies criminals?”, he asked, “If that is the case, then we too can call deputies whatever names we like, and nobody will be able to sue us for libel”.

Assembly chairperson, Veronica Macamo, asked whether Macuiana really wanted to question the speeches made at the start of each plenary session (which, traditionally, have never been subject to debate).

She added that it was hardly the first time deputies had insulted each other. “I have heard very ugly names used in this house”, she said.

Case against police generals moves ahead

The Maputo City Court intends to question several police generals accused of the theft of large sums of money from the General Command of the Mozambican police, according to a report in the Maputo daily newspaper “Noticias”.

The alleged thefts refer to events in 2004, which were uncovered during an audit the following year.

The Public Prosecutor’s Office has charged the generals and officials in the Interior Ministry – but has not so far released their names. The preliminary investigations have concluded, and now the accused have the right to be heard by an investigating magistrate. Only after this phase in the investigations will the magistrate decide whether there is sufficient evidence to warrant a trial.

The prosecution puts the amount of money stolen at 270 billion old meticais (about \$10 million). This was money that should have been used to buy food, uniforms and other equipment for the police.

According to the prosecution case, the money was diverted via the Logistics and Finance Directorate in the General Command, which was the unit charged with acquiring police equipment and channelling it to the units on the ground. It is suggested that the thefts are among the reasons why the police force was so poorly equipped.

According to “Noticias”, the generals are also accused of links to a fictitious company called “Chicamba Investments”, created by the Ministry of the Interior, and later used to drain some of the funds.

Chicamba Investments is a company that only held one meeting in its entire life. The generals now facing charges were partners in Chicamba.

This phantom company was also mentioned during the proceedings against former Interior Minister Almerino Manhenje, who, in March 2011, was sentenced to two years imprisonment for violations of budgetary legality and abuse of his position. Manhenje is not in jail, because he appealed against the sentence, and the appeal has not yet been heard.

He escaped with a fairly light sentence because, much to the annoyance of the Public Prosecutor’s Office, many of the original 49 charges against him were thrown out. The investigating magistrate at one point dropped 48 of the charges – the prosecution then appealed to the Supreme Court which reinstated some of them.

Central Bank cuts interest rates

The Bank of Mozambique on 12 March announced immediate and substantial cuts in its key interest rates.

A statement from the Bank's Monetary Policy Committee announced that the Standing Lending Facility (which is the interest rate paid by the commercial banks to the central bank for money borrowed on the Interbank Money Market) falls by 125 base points – from 15 per cent to 13.75 per cent.

This rate was 16 per cent in November, and fell to 15 per cent in mid-December, a rate that the Bank left unchanged for the first two months of 2012.

The interest rate paid by the central bank to the commercial banks on money they deposit with it (the Standing Deposit Facility) falls by 150 base points, from five per cent to 3.5 per cent.

The Monetary Policy Committee noted that inflation is continuing to fall. Indeed, the inflation rate in February was negative – in Maputo the Consumer Price Index showed a rise in prices in the city of 0.89 per cent in January, but a fall of 0.49 per cent in February.

Taking the country as a whole (by averaging the Consumer Price Indices of Maputo, Beira and Nampula), the picture is similar – prices rose by 0.64 per cent in January and fell by 0.24 per cent in February.

The average 12 monthly inflation rate fell from 9.33 per cent in January to 8.21 per cent in February. A year earlier this rate had been 14.44 per cent.

Mozambique's net international reserves in February increased by \$27 million to reach \$2.14 billion. The reserves cover five months of imports.

The Monetary Policy Committee remarked that the financial system is robust, with non-performing loans in the commercial banks at "low and controlled levels, providing greater space for the expansion of credit to the economy".

It considered that the low inflation rate and the stability of the financial sector made it possible "to expand monetary space" – that is, to reduce interest rates.

The Bank of Mozambique also promises to intervene in the interbank markets to ensure that the money supply does not exceed the target fixed of 33.38 billion meticaís by the end of March.

Rebuilding sub-station to take six months

It will take up to six months to rebuild the electricity sub-station that was destroyed by fire on 11 March, according to the spokesperson for the electricity company (EDM), Celestino Siteo.

The fire left very little of the Maputo City number five substation intact, and almost all the components will have to be imported.

While the equipment is imported and assembled, the nine neighbourhoods that depended on this sub-station will be supplied by other sub-stations. This puts the city's power system under greater than normal stress, which means that repeated power cuts are likely over the next few months.

EDM does not yet know what caused the fire. An EDM team is still working at the ruins of the sub-station to ascertain the causes and calculate the losses.

Government to tax sale of Cove Energy

The Mozambican government is no longer prepared to tolerate the sale of Mozambican assets abroad without Mozambique receiving any benefit.

On 1 March the Minister of Mineral Resources, Esperanca Bias, declared that if the sale of the British company Cove Energy goes ahead, Mozambique will impose a capital gains tax. The rationale behind this is that the only reason other companies wish to buy Cove Energy is its Mozambican natural gas assets.

Cove is part of the consortium headed by the American company Anadarko exploring for petroleum and gas in offshore area one of the Rovuma Basin, off the coast of the northern province of Cabo Delgado.

Anadarko has announced enormous gas discoveries in several of its appraisal wells. The amount discovered so far is thought to be in excess of 30 trillion cubic feet. It intends to build a liquefied natural gas plant in Mozambique, at an investment which could reach \$18 billion by 2018, the earliest date for starting production.

Anadarko is the operator of Offshore Area 1 and holds a 36.5 per cent share of the gas fields. Cove Energy is one of its partners with a holding of 8.5 per cent.

Larger companies are now bidding to take over Cove Energy, and it is that 8.5 per cent stake in Rovuma Basin Area One which is attracting them. The first to express an interest was Royal Dutch Shell, which put in a bid of \$1.6 billion for Cove. Subsequently the Thai state oil company PTT put in a bid of \$1.8 billion, and the Indian state firm ONGC (Oil and Natural Gas Corporation) also expressed an interest in buying Cove.

These bids are not hostile – Cove announced in January that it was putting itself up for sale.

Last year, the Mozambican government came under severe criticism inside the country for failing to intervene in the takeover of Riversdale Mining of Australia by Rio Tinto, and not raising a penny in tax revenue from this transaction. Riversdale's main assets were the coal exploration and mining licences it holds in the western Mozambican province of Tete. Without these licences, Rio Tinto would have had little interest in Riverdale.

A more muscular attitude towards tax issues was shown in February when the Mozambican state obtained almost 72 million Australian dollars (US\$77 million) in capital gains tax on the sale of shares held by the Australian Talbot Group in the company Minas de Revobue, in Tete.

The tax amounted to 40 per cent of the Talbot Group's capital gains on the sale. The announcement from Bias led to an alarmed reaction for Cove which immediately said it would "seek clarity" from the Mozambican government.

The question raised by financial journalists in London is whether there is a tax stabilization clause written into the Rovuma Basin contracts, which would prohibit the government from levying new taxes. The contracts are not in the public domain – but the very fact that Cove refused to say whether it was covered by a tax stabilization clause suggests that perhaps it isn't.

With the takeover bid suddenly looking uncertain, the value of Cove shares tumbled by over ten per. Cove insisted, however, that the sale will go ahead.

\$750 million raised from agricultural taxes

The agricultural sector contributed \$750 million to the Mozambican state's coffers in 2011, according to the chairperson of the Mozambique Tax Authority (AT), Rosario Fernandes.

This sum, resulting from the collection of Value Added Tax (VAT), corporation tax, personal income tax and other fiscal contributions represents 25.4 per cent of all tax revenue, Fernandes told a Maputo seminar on VAT in Mozambican agriculture on 6 March.

The seminar was promoted by the Confederation of Mozambican Business Associations (CTA) and financed by the United States Agency for International Development (USAID).

The areas that contributed most in taxes were key cash crops, including tobacco, cotton, sisal and oilseeds.

Fernandes said that the VAT paid by agriculture was just five per cent of the total – this was, however, more than the VAT contribution of mega-projects (such as the MOZAL aluminium smelter, or the natural gas treatment plant operated by the South Africa petrochemical giant SASOL), which accounted for only 3.4 per cent.

The government has granted a range of tax exemptions to agriculture in an attempt to boost food production. In addition, corporation tax on agricultural concerns is levied at the rate of 10 per cent, rather than the 32 per cent applicable to other activities. There is also a 50 per cent cut in the fuel tax on diesel used in agriculture.

In December, the Mozambican parliament, the Assembly of the Republic, approved a government Bill which exempts from VAT the raw materials needed for animal feed, which should be of considerable assistance to Mozambican poultry producers.

LAM operating profits increase

The publicly owned Mozambique Airlines (LAM) has announced a 15 per cent increase in its operating profits in 2011. The volume of traffic grew by five per cent, and production (measured by passenger-kilometres) grew by 10 per cent. The average seat occupancy rate on LAM flights was 73 per cent – an improvement on the 70 per cent recorded in 2010

These figures are contained in a performance report that was discussed at a seminar held on 2 March to assess the company's activities in 2011.

The report attributed improved performance in part to LAM's use of modern aircraft. On its domestic and regional routes LAM has been phasing out Boeing 737-200s, replacing them with the Brazilian Embraer 190 aircraft and Bombardier Q400s from Canada.

With the new aircraft LAM was able to make savings on fuel costs, increase the number of flights and reduce turnaround times.

Government rejects using Zambezi River for coal transport

The Mozambican government has rejected, on environmental grounds, the plan by the Australian company Riversdale to transport coal to the sea by barging it down the Zambezi River.

Last year Riversdale (which was subsequently taken over by Rio Tinto) submitted an Environmental Impact Report on coal barges, which it had commissioned from the specialist Mozambican company Impacto.

Although the Report did not find that transporting coal down the river would cause significant damage, the government has decided not to authorise it.

Interviewed by the news agency Reuters, Transport Minister Paulo Zucula claimed that the impact would be "very negative, and there were no plans for mitigation".

Since the Zambezi suffers regular floods, Zucula feared that plans to dredge the river and widen the banks, to allow barges to pass would be asking for trouble. He added that the barges were also expected to affect fish populations in the river.

Zucula told Reuters that Mozambique would much prefer mining companies to move their coal by rail. But Riversdale studied the barging option because there is insufficient rail capacity. The Sena rail line from the Moatize coal basin in Tete province to the port of Beira can only carry six million tonnes. An upgrade might double this, but that is nowhere near the vast amount of coal that companies intend to export within the next few years, possibly reaching 100 million tonnes a year.

To date 112 licences have been issued to companies to explore for coal in Tete. So far, the only companies that have begun to export coal are Vale of Brazil, and Beacon Hill Resources of Britain. They will soon be joined by Rio Tinto. These companies alone are likely to exhaust the capacity of the Sena line in the near future.

Vale has plans to build a new railway across southern Malawi that will link up with Mozambique's existing northern railway to the port of Nacala. Another possibility is to build a new port in Zambezia province, with a railway linking it to Moatize.

New bus terminal inaugurated

The Mozambican inter-provincial transport operator, Etrago, on 29 February inaugurated a new bus terminal in Maputo, resulting from an investment of about \$800,000.

The terminal, with a capacity to hold 35 buses, is near Heroes' Square, on the road to Maputo Airport

Etrago currently operates routes between Maouto, Inhambane, Zambezia and Nampula provinces, and hopes to expand its activities shortly to Tete and Niassa.

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