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AIM Reports

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President reports fall in infant mortality

Infant mortality more than halved in Mozambique between 2003 and 2011, according to statistics given by President Armando Guebuza on 20 December. During his State of the Nation Address to the Mozambican parliament, the Assembly of the Republic, President Guebuza said that mortality among children less than a year old dropped from 124 to 64 deaths per 100,000 live births between the two dates.

There was a similar decline in the under-five mortality rate which fell from 178 deaths per 100,000 live births in 2003, to 97 in 2011.

President Guebuza also reported a continuing decline in malaria cases and deaths. There were two million cases reported in the first six months of 2011, but only about 1.8 million cases in the January-June period this year – a decline of 11 per cent. He added that in the first six months of 2012 there was a 19 per cent decline in malaria deaths compared with the same period the previous year.

Contributing to these results were the distribution of more than two million mosquito nets, spraying homes against mosquitoes and better sanitation.

Over the past year, the government had improved access to clean water through the construction or rehabilitation of more than 3,000 water sources. According to the latest statistics, 64 per cent of the rural population and 72 per cent of the urban population now has access to safe water.

There had also been a sharp expansion in the electricity grid. President Guebuza said there had been over 150,000 new connections to the grid, which was an increase of 17 per cent in the total number of people receiving power from the grid. 37 per cent of the Mozambican population now has access to electricity either from the grid or from solar panels.

As for telecommunications, the number of Mozambicans with mobile phones has continued to grow rapidly. President Guebuza said the number of mobile phone users has grown from “almost eight million in 2011, to much more than nine million in 2012”.

Third EITI report published

Mozambique has published its third reconciliation report under the Extractive Industry Transparency Initiative (EITI), referring to 2010.

EITI is an international initiative intended to guarantee transparency in payments from the exploitation of natural resources. Companies reveal what they pay and governments what they receive, and the two are reconciled in a report drawn up by an independent agency. In Mozambique’s case the report was drawn up by consultancy company Ernst & Young.

The Oslo-based EITI board declared in October that Mozambique was now compliant with EITI standards. Previously it had been a candidate EITI member.

This was based on the EITI reconciliation report published by the government in March. This report covered 31 reporting companies, and showed that the government had, in 2009, received just under $40 million in revenue from the extractive sector – $15 million from mining and $25 million from hydrocarbons.

In the 2010 report, dated 26 December, the number of companies reporting payments rose to 44.

Initially, these companies stated they had paid the Mozambican state a total of 1.878 billion meticais ($ 63.4 million) in 2010. However, the two government institutions concerned, namely the General Tax Directorate (DGI), and the National Petroleum Institute (INP), said they had received 1.909 billion meticais.

When the Ernst & Young team investigated the discrepancy, it was able to pinpoint some of the accounting mistakes, and reduced the unexplained surplus to 15.04 million meticais.

After the reconciliation exercise the amount the companies said they paid rose to 1.913 billion meticais, and the amount the government bodies received was 1.928 billion. Discrepancies this small are regarded as acceptable.

Hydrocarbon companies accounted for 70 per cent of payments. The largest payments in 2010 were from Anadarko, the Texas-based company that has discovered natural gas in the Rovuma Bain (779.7 million meticais).

Sasol Petroleum Temane, the South African company that treats and exports natural gas from Pande and Temane in Inhambane province paid 182.6 million meticais, and the Norwegian oil and gas company Statoil, paid 102.5 million meticais.

The largest payments declared by mining companies came from Vale-Mozambique (266 million meticais), and from Kenmare Moma Mining (135.5 million meticais).

Anadarko accounted for over 40 per cent of all payments from the extractive industry. The five largest contributors, Anadarko, Sasol Petroleum, Statoil, Vale and Kenmare accounted for 77 per cent of all payments.

Gaza declared free of landmines

All 11 districts of the southern province of Gaza have been declared free of land mines, following an assessment made by the National Demining Institute (IND), in partnership with the provincial government.

A ceremony to mark the end of demining operations took place in Mabalane district in 19 December. The last mine was destroyed and the shrapnel was offered to the provincial governor, Raimundo Diomba.

Mabalane was the most heavily mined district in Gaza. During the war of destabilisation, mines were planted in localities along the line of rail, in an attempt to protect the Limpopo Corridor, the railway from Maputo to Zimbabwe, from attack by apartheid-backed Renamo rebels.

The demining of Mabalane was undertaken by a Belgian NGO, Apopo, which used rats trained to detect mines under the soil, as well as the more orthodox manual and mechanised demining methods.

Apopo cleared an area of six million square metres (rather more than 545 football fields) and destroyed over 3,000 mines. It finished the demining of Mabalane before the deadline of 2013.

With the successful conclusion of the demining programme in Gaza, 105 of the country's 128 districts are now free of mines – all known minefields in these districts have been cleared, and they contain no suspect areas.

Under the Ottawa Convention banning anti-personnel landmines, Mozambique had until 2009 to complete demining. This proved impossible, and so the Mozambican authorities requested, and were granted, a five year extension of the deadline. Thus, under its treaty obligations, Mozambique must conclude the demining of the remaining 23 districts by 2014.

Success in fight against speculation

The Mozambican authorities imposed fines totalling 389,045 meticais ($13,190) on businesses that increased their prices for no good reason during the festive season.

Speaking to reporters on 3 January, the Minister of Industry and Trade, Armando Inroga, said that state inspectors seized goods that were being sold at speculative prices, and then sold them to consumers at the correct market price. The sum of 59,730 meticais thus obtained reverted in favour of the state.

Inroga said that most of the offenders were operating in the informal sector, but he thought there were only a few of them. "During this festive season there were isolated cases of speculation in goods such as beer, live chickens, eggs and potatoes", he said. "In these cases the goods were confiscated and sold at market prices".

He added that the presence of government inspection and monitoring brigades in all the provinces had dissuaded traders from attempts to hoard goods or charge speculative prices. This included the installation of brigades at the factories producing beer and soft drinks which accompanied trucks carrying drinks to the wholesale distribution centres.

The inspection brigades also cracked down on attempts to sell goods that were past their expiry date. Expired goods valued at 180,000 meticais were destroyed.

In some cases fresh produce was in such plentiful supply that traders in the wholesale markets were forced to sell the produce at a loss, or watch it rot unsold. Thus in the Zimpeto wholesale market crates of tomatoes purchased from the producers in the district of Matutuine for between 110 and 130 meticais were sold for as little as 40 or even 20 meticais.

Vale moves a thousand trainloads of coal

In December, the Brazilian mining giant Vale moved its one thousandth trainload of coal from its open cast mine in Moatize, in the western province of Tete, to the port of Beira.

This year, Vale-Mozambique plans to transport 4.5 million tonnes of coal – equivalent to 1,700 trainloads – down the Sena railway line to Beira.

According to the Vale Manager of Logistical Operations, Vanderlei Marques, the thousandth train was an important landmark in the company's operations in Mozambique. Vale began its Mozambican operations just over a year ago, and has so far exported over two million tonnes of coal.

"The target reached is a historic gain for Vale's business in Mozambique, and vastly exceeds the figure reached in 2011, which was just 120 trainloads of coal", said Marques. "This achievement is strengthening the name of Mozambique in the world market for coking coal".

Currently all of Vale's export quality coal travels down the Sena Line to the new coal terminal in Beira, which has a modern system for unloading and storing the coal, and then loading it onto ships. The terminal can handle up to six million tonnes of coal a year.

But Vale already has to share the terminal with another coal company, Rio Tinto, and in the near future Vale's production capacity will exceed the capacity of the Sena Line to move it.

Vale is therefore building a new railway across southern Malawi which will link up with the existing northern railway line to the port of Nacala. A new coal terminal at Nacala-a-Velha is planned (facing the existing port), and should be operational by late 2014.

Mozambique to buy wheat from Argentina

The Mozambican government is negotiating with Argentina for supplies of wheat at fixed prices.

According to the Minister of Industry and Trade, Armando Inroga, the purpose is to guarantee the stability of wheat prices and reduce the burden of the current subsidy that the government pays to bakers in order to keep bread prices low.

Attempts to increase domestic wheat production have so far been unsuccessful, and so the bulk of the wheat consumed in Mozambique is still imported, and the price fluctuates.

The government believes that a deal with Argentina could keep prices low. Inroga said he expected negotiations to be concluded by June.

"This will be advantageous to Mozambique since we will have wheat at accessible prices, and it will give Argentina a guaranteed market", said the Minister.

After riots in Maputo on 1-2 September 2010 against rises in the price of bread, the government brought the price down again by subsidising the bakers. This has kept the price of a standard 250 gram loaf of bread at five meticais (17 US cents).

The 2012 state budget included a sum of 615.3 million meticais for the wheat subsidy. However, by 30 June, only 39.8 million meticais of this subsidy had been spent, due largely to the fall in international wheat prices.

Inroga guaranteed that the price of bread will remain stable throughout 2013.

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

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Tax Revenue target for 2012 exceeded

The Mozambican Tax Authority (AT) has exceeded the revenue collection target for 2012.

AT Chairperson Rosario Fernandes, drawing up the balance of his institution's performance over the year, declared on 28 December that total revenue collection for the year was 95.8 billion meticais ($3.24 billion).

The target for the entire year, fixed in the state budget, was 95.5 billion meticais, and the AT had surpassed the target by about 350 million meticais.

Total revenue collection in 2011 was 79.2 billion meticais: thus this year's figure is an increase of 21 per cent.

Fiscal revenue accounts for 84.2 per cent of the total - including corporation tax, personal income tax and value added tax (VAT). Capital revenue, notably the dividends from state holdings in businesses run by IGEPE (Institute for the Management of state Holdings) came to 6.6 per cent of the total.

Fernandes attributed the AT's success to an expansion of the tax base, bringing an ever large number of individuals and enterprises into the tax net. The AT has been waging publicity campaigns urging citizens to pay their taxes, and has made it easier for them to do so by opening new fixed and mobile tax collection posts, while improving the existing ones.

Since the establishment of the AT in 2006, Mozambique has continually exceeded the budgetary targets for revenue collection.

The improvements in revenue collection have made the Mozambican budget less dependent on foreign aid. A few years ago, foreign aid covered more than half of Mozambican public expenditure. Thus in the 2010 budget, foreign grants and loans covered 51.4 per cent of expenditure.

But the figure fell to 44.6 per cent in the 2011 budget and to 39.5 per cent in 2012. For 2013, the projection is that foreign aid will meet only 32.8 per cent of expenditure.

Contract signed for rehabilitation of Maputo airport runway

Mozambique's publicly owned airports company, ADM, on 27 December signed a contract with the consultancy company DHV, under which DHV will draw up a project for the rehabilitation of the Maputo airport runway, taxiways, apron and lighting system.

According to the chairperson of the ADM board, Manuel Veterano, the detailed project design should be concluded within six months. ADM will then launch the tender to select the contractor who will carry out the work in 2014.

The contract with DHV is budgeted at $500,000. This is part of the $1.6 million made available by the French Development Agency (AFD) for costs of preparing the rehabilitation of airport infrastructures.

Work on the runway, taxiways and apron is the third stage of the rehabilitation of Maputo International Airport. Under the first two stages, the airport was endowed with completely new international, domestic and cargo terminals.

Alongside the modernization of Maputo Airport, ADM is also transforming what used to be a military air base at the northern port of Nacala into an international airport.

The new Nacala airport should be complete by the end of 2013. The contractor is the Brazilian company Norberto Odebrecht, and the cost of the airport is $114 million, financed by the Mozambican and Brazilian governments as well as by ADM itself.

Government boosts basic social allowance

The Mozambican government has almost doubled the Basic Social Allowance paid to the most vulnerable poor households (such as those headed by children, elderly or disabled people).

Speaking to reporters on 27 December after a meeting of the Council of Ministers (Cabinet), Deputy Foreign Minister Henrique Banze said the government has decided to increase the allowance for a single person vulnerable household from 130 to 250 meticais ($4.6 to $8.5) a month.

For households consisting of two people, the allowance rises from 190 to 320 meticais a month. The largest allowance is granted to households of five or more people, and this rises from 380 to 500 meticais a month.

With this measure, Banze said, the government is showing its commitment to increasing the allowance as far as possible and to increase the number of beneficiaries.

Currently the Basic Social Allowance benefits 265,000 people, and is expected to reach 291,000 people in 2013.

Pro-Savana will not deprive farmers of land

The Mozambican government has insisted that no farmer will lose land as a result of the "Pro-Savana" agricultural development programme in the north of the country.

Pro-Savana's full title is the "Triangular Cooperation Programme for the Agricultural Development of Tropical Savannahs in Mozambique". The partners in the programme are Mozambique, Brazil and Japan, and the area of implementation is the Nacala Corridor, which covers much of Nampula province, and parts of Zambezia and Niassa.

Speaking on a joint radio and television programme, Agriculture Minister Jose Pacheco sought to calm those who distrust this project, particularly those who claim that it will deprive peasant farmers of arable land.

"In our country there is no place for the return of crown companies", said Pacheco. "The small farmers will keep their land, and indeed the objective is to expand these areas".

Pacheco's reference was to the practice of the Portuguese colonial state, in the late 19th century, of granting charters to "crown companies", consisting mostly of British capital, under which they were given 50 year leases on enormous tracts of Mozambican territory. These companies (of which the best known were the Mozambique Company and the Niassa Company) operated as states within a state. They could raise their own taxes and exploit their areas' resources and labour as they liked , as long as they handed over 7.5 per cent of their profits to the Portuguese state.

Pacheco explained that the major purpose of Pro-Savana is to develop agricultural technologies to increase productivity, "hence the project envisages setting up a network of agricultural research laboratories in the Nacala Corridor, aimed mainly at small scale producers"

He pointed out that small peasant farmers are currently responsible for 90 per cent of Mozambican agricultural production, which mostly remains at subsistence level. "So to develop agriculture, we are betting heavily on the small farmers". Pacheco said

Pacheco added that Pro-Savana is a replica of a development project in Brazil 30 years ago, in a region with characteristics similar to those of the Nacala Corridor. He insisted that the project will obey Mozambican legislation, particularly the Investment Law and the Land Law.

Pacheco stressed that the strategy hinged on the social responsibility of investors to promote small producers.

IMF praises "remarkable" performance

The International Monetary Fund (IMF) has praised Mozambique's "remarkable" economic performance in 2012, which "built on a track record of strong economic policies that effectively supported growth, while bringing down inflation and strengthening international reserves".

Announcing the conclusion of the fifth review of the Mozambican economy under the current three year Policy Support Instrument (PSI), the IMF Executive Board noted that "real GDP growth for 2012 is set to reach 7.5 per cent, benefiting from a robust performance in the services sector and a stronger than expected contribution from the nascent coal industry".

"While global risks are sizeable", it continued, "the increase in coal extraction will continue to lead Mozambique's economic growth, and Mozambique's economic stability and prudent policy mix over the past few years should help the economy weather the global slowdown"

It added "the gradual easing of monetary policy in 2012 has supported private sector credit growth while preserving a low inflation environment. The prudent execution of the 2012 budget has contributed to a judicious policy mix that has fostered economic stability despite global uncertainty".

All assessment criteria set by the IMF under the PSI for the first half of the year were met, "except for a temporary breach of the ceiling on net credit to the government", and "there was broadly satisfactory progress in structural reforms, despite some delays".

Mozambique's economic programme under the PSI "will continue to emphasize preserving economic stability and debt sustainability while promoting economic and social development. Monetary policy will be geared toward private sector credit expansion, while remaining committed to the medium-term inflation target".

"Fiscal policy, through a prudent 2013 budget", it continued, "will aim to utilize the available fiscal space to close the infrastructure gap and support an expansion of social safety nets to foster inclusive growth, consistent with the authorities' four-year poverty reduction strategy (2011–2014)".

The IMF also backed what it calls "prudent use" of commercial loans to meet Mozambique's infrastructure needs, in the face of declining foreign aid.

A PSI is an agreement reached with the IMF by low-income countries that are not asking for IMF loans, but seek endorsement from the IMF for their policies.

Sweden pledges budget support for 2013

The Swedish government on 21 December signed an agreement in Maputo granting Mozambique 337.5 million Swedish crowns ($48 million) in direct budget support.

The agreement was signed by Foreign Minister Oldemiro Baloi and Swedish ambassador Ulla Andren

The money will be channelled through the state budget to implement the government's poverty relief measures.

According to Andren, "Sweden believes that corruption is a major obstacle to development which should be faced very seriously. Governance is one of the areas that needs to be improved in terms of transparency and public financial management. The consolidation of democracy in Mozambique is another area of concern".

Budget support accounts for about 40 per cent of Swedish aid to Mozambique, and Sweden is the fourth largest contributor to the budget.

Belgium donates €55 million

The Belgian government has announced that it will grant Mozambique €55 million ($73 million) to support the agriculture, livestock, energy and health sectors over the next four years.

Speaking in Maputo on 19 December, shortly after the opening ceremony of a session of the Belgium/Mozambique Joint Commission, the General Director of Belgian Cooperation, Peter Moors, said that the contribution from his country fits into the main priorities of Mozambique.

Dutch finance for Maputo water supply

The Dutch government has pledged to disburse €23 million ($30.4 million) to finance a project to boost the supply of clean drinking water to the Greater Maputo Metropolitan Area, based on the Corumana dam on the Sabie River

The grant agreement for this project was signed in Maputo on 28 December by Finance Minister Manuel Chang and by Dutch ambassador Frederique de Man.

Under the project, a mains pipe will be built from Corumana to Maputo, with connections to the towns of Moamba and Pessene. There will be four new distribution centres to serve the population in the north of Maputo, a distribution network with a total length of 192 kilometres, and 20,000 new home connections.

Currently the cities of Maputo and Matola and the adjacent areas rely on the Umbeluzi River for their water supply. But the system based on the Umbeluzi treatment station is no longer sufficient to meet the growing demand.

The project to bring water from the Corumana reservoir to Maputo will cost €146 million, shared between the Mozambican state budget and cooperating partners.

"Access to water is a key factor, of vital importance for promoting human development", Chang said. "The government's strategic objective is to increase access to clean drinking water in the urban areas to 70 per cent of the population by 2014".

The Dutch government contributed €18.6 million to the expansion of the Umbeluzi system, a project which increased the number of people benefitting from this system from 670,000 to 1.5 million.

A further Dutch grant of €43 million was spent on improving the water supply to the central municipalities of Chimoio, Manica Town and Gondola, providing 200,000 consumers with access to safe water.

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