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President inspects repair work at Massingir dam

President Armando Guebuza on 26 May visited the Massingir dam, in the district of the same name, in the southern province of Gaza, to see the current state of repairs on the dam. The dam is on the Elephants River, the major tributary of the Limpopo, and is critical for controlling the flow of water into the Limpopo. The work being undertaken includes setting up an auxiliary deep discharger to withstand flooding.

The Massingir dam has never been fully operational as leaks appeared within months of the end of construction in 1977. Major repairs in 2007 were botched and within a year the bottom outlet pipes burst.

The repair work will improve irrigation for 16,000 farmers in the districts of Xai-Xai, and Chokwe, as well as in Massingir itself. Xai-Xai and Chokwe have a huge potential for food production, including vegetables, rice, and livestock.

The repaired dam will reduce the possibility of a repeat of the destruction caused by flooding in Chokwe in 2013.

The construction of the auxiliary discharger began in October 2013 and the work should be concluded by November this year.

The repair work is budgeted at US\$29 million, provided by the Mozambican government and by the African Development Bank (ADB). The contractor is China Henna International Cooperation Group (CHICO).

During President Guebuza's visit the general director of the Southern Regional Water Board (ARA-Sul), Belarmino Chivambo, explained that the construction of deep dischargers resulted from hydrological studies made after the catastrophic Limpopo floods of 2000, which showed the need to increase the dam's discharge capacity, since the main floodgate did not have sufficient capacity to release water during a major flood.

Chivambo explained that the main impact of the current work is to make the dam safer by doubling its discharge capacity. In the event of major flooding in the future, it will ensure that water does not come over the top of the dam "which could create erosion and destroy the dam".

With the safety of the dam guaranteed, he said, the Massingir reservoir would be able to store water during the dry season to the maximum level, allowing that water to be used for irrigation. Once the auxiliary deep discharger was installed, the dam's irrigation capacity could rise to between 70,000 and 80,000 hectares.

Without the auxiliary discharger, as the rainy season approaches, the dam is obliged to release water from the reservoir – and this is a very imprecise exercise. "We might predict a lot of rainfall and it doesn't happen", said Chivambo. "If we have to discharge because a lot of rain is predicted and it doesn't fall, then in the following economic year, we won't have enough water to irrigate the irrigation schemes at Chokwe or the Lower Limpopo".

South Korea to finance roads and landfills

The Mozambican government and the South Korean Eximbank on 26 May signed two loan agreements in Maputo valued at US\$124 million. One of the agreements, for US\$74 million, is for the construction of the road between the northern city of Nampula and the town of Nametil, capital of Mogovolas district. The second, for US\$48 million, is to build landfills to deal with urban solid waste from Maputo and the neighbouring city of Matola.

The agreements were signed by Finance Minister Manuel Chang, and the Vice-President of the Eximbank, Yim Seong-Hyeog. The loans have an interest rate of 0.01 per cent, and a maturity period of 40 years, including a 15 year grace period.

Speaking at the signing ceremony, Chang said that, according to the National Roads Administration (ANE), it will take two years to build the 74 kilometre long Nampula-Nametil road, which will greatly improve the link between Nampula and the coastal districts of Moma and Angoche.

"Implementation of this long desired project will empower the development of that area, significantly improving the lives of the people living there, stimulating the extractive industry, and encouraging tourism in the coastal areas", said the Minister.

Moma is already a centre for titanium mining: the Irish company, Kenmare resources, operates a dredge mine there, exploiting the titanium rich heavy mineral sands.

As for the new landfills, Chang said they will give Maputo and Matola "modern facilities to dispose of urban solid waste". They will be able to handle 1,400 tonnes of waste a day.

This project will include a centre to recycle waste, and to produce biogas from garbage. Chang said this would provide a source of employment and income.

For his part, Yim said he was anxious to see progress in constructing the landfills, in order to provide a healthier environment for residents of Maputo and Matola. He hoped that the Nampula-Nametil road would improve the lives of the people living along its route, and facilitate the distribution of goods produced locally.

The first loan agreements with South Korea were signed in 2010. So far there are projects funded by Korea in education, health, public infrastructures, roads and bridges and the environment.

Voter registration reaches over 87 per cent

The final figures from this year's voter registration in Mozambique show that 87.7 per cent of the estimated potential electorate of 12,203,727 has been registered.

Voter registration began on 15 February and should have ended on 29 April. At the request of the country's main opposition party, Renamo, registration was extended by a further 10 days, and so ended on 9 May.

It was only during the last couple of days that the final eight brigades were able to deploy to areas in Gorongosa district, in the central province of Sofala, which had been seriously affected by clashes between Renamo gunmen and Mozambican government forces.

It had been hoped to register 9.14 million voters this year. In the event the 4,078 registration brigades issued voter cards to just over 7.7 million people. In addition, more than three million people were registered last year in the 53 municipalities, prior to the municipal elections held on 20 November 2013. When the registration figures for 2013 and 2014 are added together, Mozambique now has a total registered electorate of 10,697,245.

Broken down by province, the figures are as follows:

1. Niassa – 602,921 (80.1 per cent of the target)
2. Cabo Delgado – 939,622 (100.5 per cent)
3. Nampula – 2,090,023 (85.5 per cent)
4. Zambezia – 1,871,146 (85.1 per cent)
5. Tete – 940,758 (83.7 per cent)
6. Manica – 705,129 (84.6 per cent)
7. Sofala – 925,903 (98.9 per cent)
8. Inhambane – 597,910 (86.1 per cent)
9. Gaza – 571,832 (87 per cent)
10. Maputo Province – 746,458 (83.8 per cent)
11. Maputo City – 705,543 (95.8 per cent).

Despite the clashes with Renamo, the brigades in Sofala reached almost 100 per cent of the estimated potential electorate. Sofala was beaten only by Cabo Delgado, in the far north. Achieving over 100 per cent of the target is possible because the projections from the 2007 census do not take recent migration into account. The Cabo Delgado population is believed to have swollen as people move into the province because of the recent discoveries of huge deposits of natural gas.

Based on the final registration figures, the CNE has now allocated parliamentary seats to the provinces. The seats are allocated in proportion to registered voters, and the results are as follows (the number of seats in the current parliament is shown in brackets):

1. Niassa - 14 (14)
2. Cabo Delgado - 22 (22)
3. Nampula - 49 (45)
4. Zambezia – 45 (43)
5. Tete – 22 (20)
6. Manica – 16 (16)
7. Sofala – 22 (20)
8. Inhambane – 14 (16)
9. Gaza – 13 (16)
10. Maputo Province – 17 (16)
11. Maputo City – 16 (18)

Thus Nampula gains four seats, Sofala and Tete each gain two, and Maputo province gains one. Zambezia, Inhambane and Maputo City each lose two seats, while Gaza loses three.

The number of seats for Niassa, Cabo Delgado and Manica remains unchanged. The Mozambican parliament, the Assembly of the Republic, has 250 seats, and the 11 provinces account for 248 of them. The remaining two seats are reserved for representatives of Mozambicans living abroad, one for Africa and one for the rest of the world.

The voter registration is also used to calculate the number of seats in the ten provincial assemblies. The law on the provincial assemblies states that when a province has 400,000 registered voters or fewer, the assembly has 50 seats. When the number of voters is between 400,000 and half a million, the number of seats rises to 60. Where there are between 500,000 and 600,000 registered voters, the Assembly has 70 members. The number of seats rise to 80 in provinces where there are between 600,000 and 700,000 votes. In provinces with more than 700,000 voters, the Assemblies grow by one seat for every additional 100,000 voters. So the number of seats in the provincial assemblies to be elected on 15 October will be as follows:

1. Niassa – 80
2. Cabo Delgado – 82
3. Nampula – 93
4. Zambezia – 91
5. Tete – 82
6. Manica – 80
7. Sofala – 82
8. Inhambane – 70
9. Gaza – 70
10. Maputo province – 80

Maputo City does not have a provincial assembly, since it is the only one of the 11 provinces whose entire territory is covered by a municipal assembly.

Thirty five organisations register for elections

Thirty political parties, three coalitions, and two independent citizens' groups, have registered with Mozambique's National Elections Commission (CNE), expressing their interest in participating in the presidential, parliamentary and provincial elections scheduled for 15 October.

The CNE has approved 27 of them, and is analysing the paper work of the eight who registered on 18 May, the final day for registration.

All three parliamentary parties – the ruling Frelimo Party, Renamo and the Mozambique Democratic Movement (MDM) – have registered and have been accepted. They intended to contest all the elections in all constituencies.

Although 35 parties have registered with the CNE, there is no guarantee that they will all stand. They must now submit provincial lists of candidates to the CNE. Each candidate must provide an authenticated copy of his identity card, or birth certificate, an authenticated copy of his voter card, to prove that he is a registered voter, a criminal record certificate, and declarations accepting nomination

For the parliamentary election, each provincial list must contain enough candidates to fill all the seats allocated to that province, plus at least three supplementary candidates. This means that any party intending to stand in all constituencies must present lists containing at least 289 names.

It may seem puzzling that so many tiny parties with no chance of winning seats are prepared to try again. The reason is financial – the Mozambican state provides money for election campaigns, and any party whose candidates are accepted by the CNE is entitled to a share of that money.

Parties have until 21 July to submit candidates to CNE.

Armed conflict severely impacting on tourism

Direct losses to Mozambique's tourism industry caused by the conflict between government forces and Renamo gunmen are estimated at slightly more than US\$10 million between November 2013 and January 2014, according to American consultant Ema Batey.

Speaking on 27 May at a Maputo meeting on the impact of the conflict on tourism, organised by the Sofala Commercial and Industrial Association (ACIS) and the United States Agency for International Development (USAID), Batey said that the vast majority of the losses – US\$8.5 million – occurred in foreign tourism, even though foreigners only accounted for 23.8 per cent of the industry in those months.

Business tourism was less affected than leisure tourism. Only 10 per cent of business tourists (foreign and domestic) cancelled their trips in the three months under consideration. This may be because only 50 per cent of the foreign business travellers were even aware of the conflict.

But 80 per cent of the foreigners travelling into Mozambique for leisure by car knew of the conflict with Renamo, and 50 per cent of them cancelled. Mozambican travellers all knew about the conflict and, despite regular Renamo ambushes on the 100 kilometre stretch of the main north-south highway between the Save River and the small town of Muxungue, the vast majority of them took the risk. Only two per cent of Mozambican visits by road were cancelled.

But the clashes with Renamo cannot account for the full decline in tourism. The Renamo ambushes against civilian vehicles only began in late June 2013. But according to Batey's figures, international arrivals in Mozambique peaked at rather more than three million in 2009, and fell to 1.9 million in 2013. That, she claimed, was a decline of 28.7 per cent in business tourism and 10.7 per cent in leisure tourism.

As for the direct contribution that tourism makes to Mozambique's Gross Domestic Product, Batey put it at 13.9 billion meticaïs (about US\$454 million) in 2013. This is 3.2 per cent of GDP – much lower than the 5.6 per cent of GDP forecast.

Many factors could be at play in the decline in foreign tourism. The tourist market is competitive, and the bulk of foreign tourists to Mozambique come from just one country, South Africa. They have plenty of alternatives – Mozambique is competing against destinations such as Botswana, Tanzania, Kenya and even Zimbabwe, and against South Africa's own beaches and nature reserves.

Furthermore South African tourists have been hit by the fall in value of the South African currency, the rand. In late 2009, one rand could buy over five meticaïs. In late 2013 it bought about 2.8 meticaïs. Mozambique was no longer a cheap destination for South Africans.

The notorious harassment of foreign tourists by corrupt members of the Mozambican traffic police, the shortage of qualified staff in tourism establishments, and the high cost of air travel within Mozambique, all contribute to the problems faced by tourism operators.

Tourists from Europe, America and Asia spend much more in Mozambique than South Africans do, and Batey recognised that one path towards a solution is to attract more tourists from the northern hemisphere.

This is a condensed version of the AIM daily news service – for details contact pfauvet@live.com

Vale casts doubt on coal target

Pedro Gutemberg, the new chairperson of Vale-Mozambique, the subsidiary of the Brazilian mining giant Vale, has cast doubt on the frequently quoted figure that Mozambique could in the medium term export 100 million tonnes of coal a year.

In an interview published in "Noticias" on 26 May, Gutemberg said this was an extremely ambitious target. What would determine how much coal Mozambique mines and exports is the existence of a market, and whether Mozambique is competitive in that market.

"The world market for coking coal is 300 million tonnes a year", he said. "Australia, which is the largest producer, has 160 million tonnes, and there are other producers such as Canada, the United States and Russia, with about 40 million tonnes. It's no good producing 100 million tonnes of coal, of you have nowhere to sell it". The fact that Mozambique had large coal reserves did not mean very much, if Mozambican coal was unable to compete on the world market.

On 23 May, Vale-Mozambique announced that it had made an operational loss of over US\$44 million in the first quarter of this year.

This did not mean that Vale was about to abandon coal mining in Mozambique. "The investments we have under way are very large", said Gutemberg, and Vale was a company that took into account "long term commitments".

Nonetheless, "what we are clearly posing is that this is a warning, not just for Vale but for the country", he said.

"The entire world is looking at the results Vale has in Mozambique", he claimed. "If they see that every time there is a quarterly report we post losses, that could hold back investment in the country".

Gutemberg warned that Vale might have to make redundancies. "We cannot guarantee 100 per cent of our employment at a time when we are losing a great deal of money", he said.

The main reason for the losses is the fall in coal prices on the world market. The price of Australian coking coal, regarded as the best in the world, was almost US\$350 a tonne in 2011, but last week fell to below US\$100 a tonne.

Sweden pledges budget support

The Swedish government has pledged to disburse 720 million Swedish crowns (about US\$109 million at current exchange rates) to Mozambique in direct budget support for 2014 and 2015. US\$47.7 million will be channelled to this year's state budget, and the rest will be disbursed in 2015.

The agreement to this effect was signed in Maputo by Deputy Foreign Minister Henrique Banze and Swedish ambassador Ulla Andren.

Speaking after the signing ceremony, Banze said this aid would make a valuable contribution. Swedish support, he noted, "has contributed to the implementation of the government's programmes".

He stressed that the government "is also banking on an increase in internal resources to finance the state budget, through expanding the tax base and the efficiency of the tax collection machinery".

For her part, Andren said that Sweden is providing this support because it believes in the determination of the Mozambican government to continue reforms to reduce poverty and strengthen democratic governance.

"General budget support has contributed to important results, particularly in the social sectors and in public finance", she said.

Electronic single counters to speed up licencing

Minister of Industry and Trade Armando Inroga has promised a dramatic reduction in time taken to issue licences, once the electronic Single Attendance Counter (e-BAU) is launched.

It used to take 65 days for a company to be registered and begin its activities. When the Single Attendance Counters (BAUs) were introduced in 2007 they cut the time down to 25 days, and now Inroga expected that the electronic version will mean that registration takes less than a day.

There are 15 BAUs in the country, and since they were established they have licensed about 38,000 companies. They bring together in one place all the requirements needed for registration and licensing, thus eliminating the need for people trying to set up businesses to visit several offices dealing with a variety of forms.

The e-BAU is still being structured and should begin operating after it has been validated.

In the pilot phase of its implementation, the e-BAU system will operate in the southern provinces of Maputo, Gaza and Inhambane, the central province of Sofala, and Nampula and Cabo Delgado in the north.

Fitch maintains credit rating

The international ratings agency Fitch on 15 May announced that it was maintaining Mozambique's credit rating at 'B+' with a stable outlook.

According to the agency, this reflects average growth of seven per cent, which is "well in excess of the 'B' median of 4.2 per cent over the past five years". The rating also takes into account the country's significant mineral resources, infrastructure investment and "favourable macroeconomic policy environment".

Fitch points out that "inflationary pressures have abated, supported by a strengthening currency and improved monetary policy".

It adds that "developing coal and natural gas reserves will continue to underpin robust growth, which is forecast to average eight per cent over the next three years, due to estimated foreign investment of US\$5 billion (thirty per cent of GDP) annually".

However, it warns that "risks emanate from delays in infrastructure investment, falling commodity prices and an intensification of political violence".

In addition, "Mozambique has announced sharply higher budget deficits each year over the past four years, rising to nine per cent in 2013 and 12.8 per cent in 2014 from 5.2 per cent in 2011".

This is "raising concerns about the country's commitment to prudent fiscal policy - a factor which contributed towards Fitch's upgrade of Mozambique in 2013".

Fitch points out that the budget deficit in 2013 was lower than expected due to windfall capital gains taxes and underspending on capital projects. Fitch expects these factors to result in a lower budget deficit than expected this year.

Whilst the agency points out that government debt as a percentage of GDP is expected to rise to 47.7 per cent of GDP in 2015, interest payments will remain low due to the highly concessional nature of the country's debt.

Fitch warn that "EMATUM, a state-owned fishing company formed six weeks prior to issuing USD850 million on international capital markets, has highlighted existing concerns about corruption, transparency and fiscal responsibility, with donors delaying budget support in response".

The agency states, "the bond was purportedly issued to finance investments in tuna fishing, but a large share of the funds will go to fund maritime security".

It is also concerned about the sporadic attacks carried out by Renamo in the run up to this October's elections. However, "a return to full scale civil war is unlikely, but the attacks may adversely impact Mozambique's ability to attract foreign investment".

Fitch is one of the three main credit rating agencies (the others being Moody's and Standard and Poor's).

CFM to buy 70 new carriages

Mozambique's publicly owned port and rail company, CFM, has announced that it intends to purchase a further 70 passenger carriages this year due to an unexpected surge in demand for rail transport.

"We were really taken by surprise this year, due to the great demand in Maputo central station", said the rail director of CFM's southern division, Augusto Abudo.

An international tender has been launched to acquire 70 carriages for the central and southern rail networks. Abudo said the carriages should arrive at the end of this year, or in early 2015, to meet the demand for passenger trains.

Half the new carriages will go to the southern region. This will bring to 65 the total number of carriages that can be used on the lines from Maputo to South Africa, Zimbabwe and Swaziland.

Abudo pointed out that CFM's priority is goods transport. Passenger transport makes heavy losses, because of the extraordinarily cheap fares. Abudo said that CFM ends up paying 90 per cent of the real costs of passenger transport, with the passengers only paying ten per cent.

The 15 kilometre ride from Machava to central Maputo costs just five meticaais (about 16 US cents), and the journey takes around an hour. The same journey by road would involve changing buses twice, would take two hours, and would cost 23 meticaais.

On the other hand, the rail carriages are overcrowded and extremely uncomfortable. The 30 carriages currently available have to transport an average of 8,000 passengers a day using the southern lines.

There are also passengers who refuse to pay even five meticaais for the journey. To avoid paying they cling on to the outside of the carriages. This is extremely dangerous and CFM says that so far this year ten people have fallen to their deaths from moving trains.

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