

# Mozambique News Agency

## AIM Reports

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## Time runs out for international observer mission as dialogue remains deadlocked

The Mozambican government announced on 18 May that it is still pondering the future of the international observer mission set up to monitor the agreement on cessation of hostilities between the government and the country's largest opposition party Renamo signed in September 2014.

The mandate of the mission, known by the acronym EMOCHM, expired on 15 May and the government had warned that it was not prepared to extend the mandate again.

However the government position appears to be softening. At the end of the 105th round in the dialogue between the government and Renamo, the head of the government delegation, Agriculture Minister Jose Pacheco, said that although it believes there is no point in a second extension of the EMOCHM mandate, the government is considering how to deal with international military observation.

Initially the EMOCHM mission was supposed to last for just 135 days. Its purpose was to monitor the integration of members of the Renamo militia (politely referred to as "residual forces") into the Mozambican armed forces (FADM), the police, or back into civilian life. The Renamo forces were to hand over their weapons, and they would then be disbanded.

None of that happened. Renamo refused to hand over the list of the men whom it wished to include in the FADM and the police. Instead it demanded a share-out of senior military and police positions, something not envisaged in the 5 September agreement signed by Renamo leader Afonso Dhlakama and the then President, Armando Guebuza.

With Renamo insisting on the right to appoint half of the senior positions in the armed forces, and the government rejecting this demand, the talks were deadlocked, and there was nothing for EMOCHM to observe.

The 135 days expired in February, and a dispute ensued as to whether to renew the EMOCHM mandate. Renamo wanted the mission to stay for a further 120 days, but the government insisted that the renewal could not be for more than 60 days. All the costs of EMOCHM were met out of the state budget.

Nine countries – Botswana, South Africa, Zimbabwe, Cape Verde, Kenya, Italy, Portugal, Britain and the United States – were invited to send officers to join EMOCHM. The American officers never arrived, and no explanation was given. The Europeans all left at the end of the first 135 days. Pacheco said that the observers from South Africa, Zimbabwe, Cape Verde and Kenya are still in the country.

He pointed out that at no time did Renamo cooperate in implementing the September agreement, "We had 135 days, and Renamo did not move an inch (in handing over a list of its militiamen to be disarmed)", said the Minister, "We had

another 60 days and Renamo still did nothing".

Pacheco added that Renamo raised as "a prior question" at the latest meeting, alleged attacks by government forces against Renamo gunmen in Inhambane and Gaza. "They also accuse government forces of orchestrating an ambush against their leader, Afonso Dhlakama", he said.

There has been no attack against Dhlakama, who is currently in the northern province of Nampula. In his recent tours of central and northern Mozambique, Dhlakama has been accompanied not only by his own bodyguards, but by units of the Mozambican police.

Pacheco regarded the Renamo accusations as nothing more than defamation. He recalled that "in the recent past they spoke about the poisoning of a lake, but when they were asked to show us that lake, they never appeared".

The head of the Renamo delegation, Saimone Macuiana, said that the two delegations had made no advances that would allow full compliance with the September agreement.

Asked if there had been any casualties in the alleged clashes in Inhambane and Gaza, Macuiana said "this happened on 16 May. The information we received does not state whether there were any casualties".

### Police arrest three alleged kidnappers

Police have announced the arrests of three men accused of involvement in four of the five kidnappings that occurred in Maputo city between January and April this year.

The police seized a pistol and an AK-47 assault rifle from the gang, plus two vehicles, a Jeep and a Nissan.

The gang held its victims prisoner in a house belonging to one of those arrested in Boane district, just outside Maputo.

The three confessed to the kidnapping of a Portuguese citizen last October, for whose release they demanded a ransom of a million meticais (US\$ 29,000). The family of the victim, however, only paid them 730,000 meticais.

The police believe the same gang is responsible for the kidnappings of Munir Vali, owner of the "Speed and Style" shop, which sells motor vehicle accessories, on 27 January; of the owner of the "Kalinka" clothing shop, on 2 February; of the owner of the arts shop "Mold-Art", on 4 February; and of Mariamo Mussa, daughter of the owner of the well-known footwear shop, "Soprope".

## LNG factory may run into legal difficulties

The land use title (DUAT) granted for the construction of a liquefied natural gas (LNG) factory on the Afungi Peninsula, in the northern province of Cabo Delgado, is illegal according to an independent judicial assessment cited by the recently established Civil Society News Agency,

The assessment, commissioned by the Civil Society Platform on Natural Resources and the Extractive Industry, was made in January and needs to be taken seriously since the team of jurists was led by one of the most respected figures in the Mozambican judiciary, retired Supreme Court judge, Joao Carlos Trindade. He was assisted by lawyers Lucinda Cruz and Andre Cristiano Jose.

The DUAT was awarded by the Ministry of Agriculture to the company Rovuma Basin LNG Land Limitada (RBLL) which was set up in 2012 by Anadarko Mozambique Area 1 (AMAI) and by the publicly owned National Hydrocarbon Company (ENH). Anadarko heads the consortium exploring for hydrocarbons in Area 1 of the Rovuma Basin, off the coast of the Cabo Delgado district of Palma, where reserves of at least 75 trillion cubic feet of natural gas have been discovered.

RBLL was formed to acquire a DUAT for an area of 7,000 hectares in the Afungi peninsula where the LNG factory will be built. Trindade's team argues that under Mozambique's Commercial Code it is not legitimate to set up a company merely to acquire land rights.

A commercial company, under the terms of the Code, must have as its object some kind of productive economic activity, and Trindade's team did not believe that this could cover acquiring a DUAT for an activity that a different company would undertake. That would be much the same as forming a company to acquire a permit for an activity, but not to undertake the activity itself.

RBLL has not signed any contracts with the communities and individuals already occupying the Afungi Peninsula. Such contracts would not cover the land itself (which, under the Mozambican constitution, is state property) but anything which the communities have built on the land.

Furthermore the existing land rights of the people living on the peninsula have not been suppressed, which would be necessary before issuing a DUAT to RBLL.

RBLL would not use the land itself, but would sign contracts with other companies (presumably the Anadarko-led consortium) to use the DUAT. This, the legal team argues, violates the constitution and the land law.

The arguments may seem arcane, but Trindade's team believes the illegalities are serious enough for the DUAT awarded to RBLL to be challenged in court.

A court case would seriously complicate matters for the Anadarko consortium, and might conceivably delay work on building the LNG factory.

The major beneficiary of this could be the Italian energy company ENI, which operates Rovuma Basin Area Four, where even larger amounts of natural gas have been discovered. ENI does not need a DUAT, as it has abandoned the idea of building a plant on the Afungi Peninsula.

Instead ENI has plans for building a floating LNG factory anchored off the Cabo Delgado coast, and much closer to the gas deposits than a land-based facility.

If Anadarko becomes ensnared in legal problems, then ENI may be first to ship its LNG to the markets in the Far East.

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This is a condensed version of the AIM daily news service – for details contact [pfauvet@live.com](mailto:pfauvet@live.com)

## President Nyusi invites Tanzanian businesses to invest

President Filipe Nyusi told Tanzanian business people on 18 May that, over the last four years, Mozambique has attracted a flow of private investment estimated at US\$23 billion.

The President was speaking at the opening of the Mozambique - Tanzania Business Forum in Tanzania, on the second day of his official visit to Tanzania.

Relations between the two countries have always been close. It was in Tanzania that the Mozambique Liberation Front (Frelimo) was set up in 1962, and the Tanzanian government, under the country's founding President, Julius Nyerere, allowed Frelimo to launch the independence war from rear bases in Tanzanian soil.

President Nyusi declared that Mozambique wants these political and historical relations to gain expression in the economic sphere, generating business empowerment and the well-being and progress of the two peoples.

He said that the two countries have great market potential, hence the need for continued efforts to promote their exports and attract investments, as part of the structural transformation of their economies.

President Nyusi added that innovation and creativity are "decisive factors in competitiveness and economic efficiency". He stressed that Mozambique wants to play a vanguard role in the industrialisation of the SADC (Southern African Development Community) region, and is fully aligned with the industrialisation strategy approved at the SADC extraordinary summit held in Harare in April.

President Nyusi pointed to the potential Mozambique has in areas such as agriculture, fisheries, tourism, industry, energy, transport and communications which are "windows of opportunity" for companies interested in investing.

The Mozambican economy was stable and growing at an annual rate of seven to eight per cent. The prospects for future development were promising, President Nyusi stressed, inviting Tanzanian businesses to invest individually or in partnership with their Mozambican counterparts.

"The experience of the past has taught us that we need to advance together to achieve our collective desires and ensure economic emancipation", he said.

## Further loan from Japan for Nacala port

Under a memorandum signed in Maputo on 14 May, the Japanese government will provide Mozambique with a loan of US\$280 million for the second phase in the rehabilitation of the northern port of Nacala.

The memorandum was signed by Deputy Foreign Minister Nyeleti Mondlane and Japanese ambassador Akira Mizutani.

This is the final loan from Japan for the Nacala port development project. The first credit disbursed in 2012 was for US\$30 million, followed by a second in 2013 for US\$70 million. Thus the total Japanese contribution to the Nacala rehabilitation is US\$380 million.

The loan has a repayment period of 30 years, with a ten year grace period, and an interest rate of 0.01 per cent.

The first phase of the rehabilitation began in March 2013, and the second is scheduled to begin this month. It includes, dredging of the north quay, land reclamation and levelling and paving the container terminal. The building contract was awarded to Japanese company Penta Ocean Construction.

When the rehabilitation work is complete the capacity of the port will increase from the current two million tonnes of cargo a year to 5.5 million tonnes by 2020.

## Government committed to inclusive economic growth

The Mozambican government is committed to “inclusive economic growth, fiscal transparency, the fight against corruption and a continual improvement in the business environment”, declared the Minister of Economy and Finance, Adriano Maleiane, in Maputo on 15 May.

Speaking at the final meeting in the annual review of progress between the government and those donors and funding agencies that provide at least some of their aid in direct budget support (known as the Programme Aid Partners, or PAPs), he said the government will continue to increase the level of domestic tax collection, pursue reforms that will attract private investment, and consolidate the administration of justice and the democratic rule of law.

He noted that donors are tending to move away from budget support to project aid. The amount of aid going to individual projects rather than to programmes or to the budget as a whole rose from 36 per cent in 2013 to 39 per cent in 2014.

According to the documents supporting the state budget, passed by the Mozambican parliament, the Assembly of the Republic, in April, direct budget support amounted to 12.52 billion meticaïs (US\$ 363 million at current exchange rates) in 2014 (7.77 billion in grants and 4.75 billion in loans). But this year it is forecast to fall by over 30 per cent to 8.73 billion meticaïs. This fall is almost entirely in the grant component: there will be 3.97 billion meticaïs of grants provided as budget support. The loan component in budget support is set to rise slightly to 4.76 billion meticaïs.

Other grants are expected to rise from 13.35 to 16.49 billion meticaïs. But most of this is project aid: grants for projects will rise from 4.6 to 9.66 billion meticaïs. Grants for common donor funds (in areas such as education or agriculture), which is also regarded as programme aid, are expected to fall from 8.75 to 6.84 billion meticaïs.

Project aid in the form of loans is set to rise sharply, from 24.19 to 31.31 billion meticaïs.

Maleiane expressed concern at the failure of the PAPs to disburse their aid on time. In 2014, 75 per cent of the promised aid was not provided during the month planned.

These delays led to the government resorting to alternative forms of financing the state budget, mainly through issuing high interest bearing treasury bonds.

Maleiane added that total public development aid to Mozambique declined by about five per cent in 2014. This was partly because the main United States aid programme, the Millennium Challenge Account, came to an end in 2013, and policy development operations to be funded by the World Bank were reprogrammed from 2014 to 2015.

He also recognised the impact of the international financial crisis, particularly in the Euro Zone, on development aid.

The Chairperson of the PAPs, Swedish ambassador Irene Nyoni, said the government’s partners “welcome the focus on inclusive and sustainable development, as well as the focus on the consolidation of the rule of law, as a condition for the country’s development”.

She said the partners “want to align our General Budget Support programmes to the government’s Five Year Programme. We hope to deepen our dialogue on expressing this programme in reforms and actions”.

The Annual Review, she believed, had pointed to the main challenges ahead – namely “increasing the production and productivity of small scale agriculture, creating jobs, particularly for women, and consolidating democratic

governance”.

Nyoni stressed “the common understanding between the partners and the government of the importance of prioritising the implementation of reforms to fight against corruption and to increase fiscal transparency”.

In particular, the partners “welcome the government’s pledge to increase the transparency and manage the fiscal risk of EMATUM”.

EMATUM is the Mozambique Tuna Company, set up in 2013, which amazed the PAPs by borrowing US\$850 million on the Eurobond market, without any advance publicity or consultation. The first Mozambicans knew about the deal was from the European financial press, not from the government. The government guaranteed the EMATUM debt, and so, if EMATUM proves unable to honour its debts, the money will have to come out of the pockets of Mozambican taxpayers.

Nyoni admitted that the partners “also have work to do”, notably in improving the predictability of disbursements.

## South Africa repatriates 420 Mozambicans

The South African authorities on 15 May repatriated 420 Mozambicans who had been living illegally in South Africa.

The repatriation, which also covers citizens from Zimbabwe and other countries, is an integral part of an operation involving both the army and the police aimed at removing illegal immigrants, and thus assuaging anti-foreigner sentiment among sections of the South African public.

Speaking at a press conference in Maputo, Foreign Minister Oldemiro Baloi said that so far 947 Mozambicans have been detained. The 420 repatriated that day were just the first batch. The other 527 are expected to arrive within the next week or so.

“This action by the South African government took us by surprise”, said Baloi. “We had hoped that, after the xenophobic attacks in South Africa, there would be some calm, and ways and means would be sought for solving the fundamental problem, which is that of illegal immigration”.

Baloi said the government was unhappy at the way in which the South African authorities were dealing with the repatriation, although he recognised that the South Africans had the sovereign right to deport people who were on their territory illegally. The government had been obliged to reactivate the transit centre at Boane, 30 kilometres west of Maputo, to receive the repatriated Mozambicans and offer them medical assistance.

Most of the Mozambicans had been in the Lindela repatriation centre, in Johannesburg, some of them for two months. Conditions are reported to be poor in this overcrowded centre.

Baloi said the government is in contact with its South African counterpart to ensure that future repatriations take place in a more orderly fashion, and are under the responsibility of the Mozambican authorities.

But, despite the government’s surprise at the repatriations, Baloi insisted they would not affect the good bilateral relations between Mozambique and South Africa.

“Our relations remain the same”, he said. “They are ones of good neighbourliness. This is occurring at a less good time, but that’s why diplomatic relations exist”.

The 420 who arrived in Boane did not remain there long. By the first evening seven buses hired by the government were carrying them back to their places of origin in Maputo, Gaza and Inhambane provinces.

## Economic growth remains robust - IMF

The International Monetary Fund (IMF) considers Mozambique's economic performance to be robust and stronger than most other sub-Saharan African countries, according to a statement issued at the end of a visit by an IMF staff mission to Mozambique.

The mission came to discuss with officials the preparation of the fourth review of the Policy Support Instrument (PSI) approved in June 2013. A PSI is an instrument for countries that are not asking the IMF to lend them any money but are still seeking IMF endorsement for their policies (often necessary to persuade other donors or funding agencies to provide support).

According to the leader of the staff team, Alex Segura-Ubiergo, "growth is expected to reach seven percent in 2015, though there are downside risks to this outlook due to declining commodity prices and the need for fiscal consolidation".

He added, "over the medium-term, Mozambique is expected to remain one of the most dynamic economies in the continent, with rates of growth that could average eight percent over the 2016-19 period".

Mozambique is preparing to develop a massive natural gas processing industry in the north of the country. Although the first gas will not be produced from the Rovuma basin until 2019 at the earliest, the IMF points out that up to a hundred billion US dollars will be spent on its development which "could transform the country into the third largest liquefied natural gas (LNG) exporter in the world".

The two lead companies in the Rovuma Basin, the US company Anadarko and Italy's ENI have not yet taken final decisions on how best to exploit the estimated 200 trillion cubic feet of gas off the coast of Cabo Delgado province. However, the IMF mission "was encouraged by positive developments in the last few months, including the approval of new legislation that could help bring the projects to a final investment decision in 2015".

However, the IMF warned "while these projects will provide large fiscal revenues in about a decade, focus on other economic sectors is also essential to make growth more inclusive and create employment opportunities". It welcomed the fact that "the government's new economic and social plan focuses on key priorities that could support this objective", but noted "there is a need to build capacity to transform ambitious strategic documents into effective programmes".

Turning to current events, the mission noted that inflation remained low (1.1 per cent) last year due to "a rebound in agricultural production and the relative strength of the Metical during most of the year".

It expects inflation to increase to 5.5 per cent in 2015, which will be in line with the government's medium term target of 5 to 6 per cent.

The IMF welcomed the situation whereby "after a large fiscal expansion in 2014, which saw the overall fiscal deficit soar to over 10 per cent of GDP, the 2015 budget brings back public finances to a sustainable path".

The mission was "encouraged by the authorities' commitment to rigorous budget execution" and urged them "to carefully prioritise spending to ensure that critical social programmes are protected. Prudent borrowing for projects that bring value-for-money is essential, as fiscal space for new debt is increasingly limited".

The IMF staff team highlighted that "the authorities are making progress on structural reform implementation, and are to be commended for becoming the first country in sub-Saharan Africa to request and publish a Fiscal Transparency Evaluation (FTE) from the IMF".

During its visit from 27 April to 8 May, the IMF team met with the Minister of Economy and Finance, Adriano Maleiane; the Governor of the Bank of Mozambique, Ernesto Gove; other senior government officials; and leading figures of the private sector, civil society, and development partners.

## Police seize huge haul of ivory and rhino horn

The Mozambican police on 12 May seized about 1.3 tonnes of ivory and rhinoceros horn from a house in the southern city of Matola.

This is the largest seizure of illicit wildlife products in Mozambican history. The haul consisted of 340 elephant tusks, weighing 1,160 kilos, and 65 rhino horns, weighing 124 kilos.

The operation culminating in the seizure involved 20 offices from various branches of the police and a team from the forestry and wild life department of the Ministry of Agriculture.

According to the spokesperson for the Maputo provincial police command, Emidio Mabunda, "some of the tusks still have fresh blood, a sign that some of animals could have been killed recently".

The police arrested a Chinese citizen who seemed to be living alone in the house. His name was not released. The police hope he will lead them to other members of the trafficking ring.

## Turkish Airlines to fly to Maputo

Turkish Airlines has announced that at the end of October it will commence a thrice weekly service between Maputo and the Turkish city Istanbul.

The flights will leave Istanbul just after midnight on Thursday, Friday and Sunday, and return on the evening of the same days. Passengers will have a short stopover in Johannesburg lasting just over an hour.

The airline is placing itself at the cheaper end of the market. Tickets are on sale for London to Maputo, via Istanbul, for £520 (US\$790) which is cheaper than flights available on Ethiopian Airlines or Kenya Airways.

Several other companies have flights to and from Maputo, including the Portuguese airline TAP, Qatar Airways, South African Airways and the national airline LAM. Only TAP flies directly to Europe (to Lisbon) in a code-share operation with LAM.

**Mozambique News Agency, c/o 26 Withdean Crescent, Brighton BN1 6WH, UK. Tel: +44 (0) 7941890630 - mozambique-news@geo2.poptel.org.uk**

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