

# Mozambique News Agency

## AIM Reports

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## Angola pardons Mozambican debt

President Filipe Nyusi told reporters on 11 November in Luanda that his Angolan counterpart, Jose Eduardo dos Santos, has assured him that half of Mozambique's debt will be written off with the other half transformed into investment. Currently the debt stands at US\$61.5 million.

Speaking at the end of his state visit to Angola, President Nyusi added that the question of suppressing entry visas between Mozambique and Angola will be solved next year.

Mozambique has signed agreements to suppress entry visas for short visits with most members of SADC (Southern African Development Community). But Angola has not yet negotiated such an agreement, despite the close historical ties between the two countries.

President Nyusi said he had discussed the question with President dos Santos, in the light of concerns expressed by the Confederation of Mozambican Business Associations (CTA). The CTA had pointed out that the current visa requirements are an obstacle to investment.

President Nyusi said his visit marked the rebirth of economic cooperation with Angola, and the agreements signed in the past will now be reviewed. "In the official talks it was also agreed that there has to be regular joint monitoring of the agreements", he said.

In his meeting with Mozambicans resident in Angola, they expressed their discontent at the difficulties in renewing Mozambican identity documents. President Nyusi hoped that this problem is about to be solved since a team from Maputo is travelling to Luanda next week to issue the Mozambican residents with biometric identity cards and passports.

Agreements were also signed between the Mozambican government's Investment Promotion Centre (CPI) and the Angolan Chamber of Commerce and Industry, and between the CTA and the Corporate Governance Centre of Angola.

With the business people, said President Nyusi, it had been agreed that they should focus on agriculture as their main activity, because it is agriculture that can feed the country and reduce economic dependence.

### Mass poisoning caused by bacterial contamination

The mass poisoning of people who drank a traditional alcoholic brew on 9 January in the town of Chitima, in the western province of Tete, was caused by bacterial contamination, according to a report from the multi-disciplinary team that investigated the case.

The director of the National Health Institute (INS), Ilesh Janu, presented the main findings of the report at a Maputo press conference on 4 November, ruling out the hypothesis that the poisoning had been a deliberate crime, and pinning the blame on a bacterium, *Burkholderia Gladioli*.

The drink, known as phombe, is made from sorghum, maize bran and sugar. 256 people drank the contaminated phombe, of whom 232 fell ill and 75 died (including the woman who brewed it and all her family). Only 24 of those who drank the phombe did not become ill.

Some people had drunk only 50 millilitres of the phombe, but others had drunk more than two litres. The researchers found a correlation between the amount drunk and the seriousness of the subsequent illness.

The key finding was that deteriorated maize flour had been offered to the brewer of the phombe. The flour had begun to rot because the place where it had been stored was swamped during floods in Chitima. It was unfit for consumption as food, but it was believed that it could still be used for brewing. This turned out to be a tragic mistake.

The remains of the phombe and the deteriorated flour were tested in laboratories in Mozambique, South Africa, Portugal and the United States. It was the US laboratory which confirmed the presence, in the drink and in the flour, of the toxins bongkreic acid and toxoflavin. The laboratory also confirmed the presence in the flour of the bacterium *Burkholderia Gladioli*, which produces the two toxins.

The researchers concluded that the bacterium produced significant quantities of the toxins, which then caused the illness and deaths.

Poisoning by these toxins has been recorded in Indonesia and China, with symptoms similar to those of the Chitima victims, and with a similarly high lethality rate.

Jani said that the US laboratory which detected the toxins and the bacterium has a high reputation, and is very trustworthy, using state-of-the-art technology, and employing highly skilled staff. It is also specialized in forensic toxicology.

These findings make those politicians who, in January, jumped to conclusions and called the poisoning "an act of terrorism" look foolish. For example, the general secretary of the opposition Mozambique Democratic Movement (MDM), Luis Boavida, demanded that the government "clear up this crime immediately and urgently and present those responsible, so that justice may be done".

Boavida was far from alone in assuming that the poisoning had a criminal origin. The police even arrested a suspect, named Graciano Chicamba, on the flimsy grounds that he had left Chitima immediately after the victims fell ill. The Public Prosecutor's Office ordered his release since there was no evidence against him.

## Central Bank raises interest rates again

In its attempts to check inflation and the depreciation of the national currency, the metical, the Bank of Mozambique has raised its key interest rates for the second consecutive month.

A statement from the Bank's Monetary Policy Committee, which met on 16 November, announced an immediate increase in the Standing Lending Facility (the interest rate paid by the commercial banks to the central bank for money borrowed on the Interbank Money Market) by 50 base points. This interest rate thus rises from 7.75 to 8.25 per cent.

This is a return to the rate charged by the bank in 2013-14. It was reduced to 7.5 per cent in November 2014, and stayed at that figure until last month when it was raised to 7.75 per cent.

The statement announced also that the Standing Deposit Facility (the rate paid by the central bank to the commercial banks on money they deposit with it) rises by 75 base points, from two per cent to 2.75 per cent. The Compulsory Reserves Coefficient - the amount of money that the commercial banks must deposit with the Bank of Mozambique - rises by 150 base points from nine to 10.5 per cent.

Explaining the increases, the statement said "faced with the growing risks of the external and domestic conjuncture, in a context where projections for inflation in the short and medium term point to the need for redoubled caution, the Committee thought it important to strengthen the current cycle of monetary policy, which will contribute towards ensuring that macro-economic stability is maintained in the country".

Inflation increased sharply in October. According to the consumer price indices for the three largest cities (Maputo, Nampula and Beira), compiled by the National Statistics Institute (INE), the rate of inflation for the month was 2.1 per cent, the highest inflation in a single month since December 2010.

This pushed the inflation rate since January to 3.63 per cent. The yearly inflation rate (1 November 2014 to 31 October 2015) was 4.74 per cent.

The Monetary Policy Committee blamed the jump in inflation on the effects of the depreciation of the metical, and the increase in certain "administered prices". By far the most important of these was the bread price, which rose by an average of 27.7 per cent in the three cities in October.

The exchange rate of the metical on the last day of October was 42.01 to the US dollar on the Inter-Bank Exchange Market (which compares with 40.04 to the dollar at the end of September). On the Interbank market, the metical had lost 35.05 per cent of its value since October 2014.

But in the commercial banks and foreign exchange bureaus the metical fared worse. The average exchange rate in the commercial banks on 31 October was 44.99 to the dollar, and in the exchange bureaus it was 45.17.

Depreciation accelerated in the first fortnight of November. The inter-bank rate cited on 17 November by the Bank of Mozambique was 46.5 meticaïs to the dollar. The largest commercial bank, the Millennium-BIM, on the same day, gave a buying rate of 49.25 meticaïs to the dollar and a selling rate of 50.24.

But the metical did not decline so severely against the South African rand, the currency of Mozambique's main trading partner. At the end of October, on the Inter-bank market there were 3.04 meticaïs to the rand, which was an annual depreciation against the rand of 7.8 per cent.

Mozambique's net international reserves declined by US\$92.7 million in October and at the end of the month they stood at US\$2.027 billion, enough to cover 3.71 months of

imports of goods and non-factor services, when the operations of the foreign exchange mega-projects are excluded.

The Monetary Policy Committee also decided that the central bank will intervene in the inter-bank markets to ensure that, by the end of November, the monetary base does not exceed 66.438 billion meticaïs.

In October the monetary base fell by 707 million meticaïs to 61.312 billion meticaïs, well below the ceiling of 62.025 billion meticaïs fixed for the month. The amount of notes and coins in circulation fell by 473 million meticaïs in the month, and bank reserves shrank by 233 million. Since January, the monetary base has increased by 8.042 billion meticaïs (15.1 per cent).

## Metals of Africa makes large graphite find at Montepuez

The Australian company Metals of Africa on 16 November announced that it has found an estimated 6.3 million tonnes of graphite at its Montepuez Central Graphite Project in the northern Mozambican province of Cabo Delgado. In addition, it estimates that the resource contains 163,000 tonnes of vanadium oxide.

According to a statement from the company, the deposit contains "a higher percentage content of large and jumbo flake size than any published graphite resource in Mozambique".

This is of particular importance as prices rise sharply as size of flake increases. In a presentation, the company stated that jumbo flakes sell for about US\$2,200 per tonne; large flakes for US\$1,250; medium flakes for US\$1,100; and small flakes for US\$900. It pointed out that more than half of the graphite at Montepuez consists of either large or jumbo sized flakes.

The Managing Director of Metals of Africa, Cherie Leeden, commented that "this impressive maiden resource positions Metals of Africa as a major player in the global graphite space. Our flake size and quality is exceptional and our deposit clearly boasts the best ratio of large and jumbo flake of graphite deposits in Mozambique".

The company plans to export the graphite through the port of Pemba, which is 250 kilometres away. It added that an alternative would be to ship the material through the port of Nacala, in the neighbouring province of Nampula.

Graphite is a form of carbon that is highly valued due to its properties as a conductor of electricity. It is used in batteries and fuel cells and is the basis for the "miracle material" graphene, which is the strongest material ever measured, with vast potential for use in the electronics industries.

## Korean loan for emergency vehicles

South Korea is offering the Mozambican government a loan of US\$5 million to acquire 21 fire engines and 50 ambulances.

To this end, Deputy Foreign Minister Nyeleti Mondlane, and the South Korean ambassador, Hee Yoon Kang, signed two memoranda of understanding in Maputo on 5 November.

The minister added that a further memorandum has been initialled on the mutual exemption from entry visas for the bearers of diplomatic and service passports.

Mondlane said this agreement is an important step in strengthening the cooperation between the two countries, since it will facilitate the movement of officials travelling from one country to the other.

## Renamo gunmen close ten schools

Ten primary schools in the western province of Tete, near the border with Malawi, have been closed since the end of June, due to the presence nearby of gunmen of the country's largest opposition party Renamo.

The schools are in the Chabaene and Monjo areas in Tsangano and Moatize districts. The closures are depriving 10,585 children of their education.

The Tete provincial director of education, Joaquim Mepe, told the daily newspaper "Noticias", that because the schools have been abandoned for months, opportunists have been vandalizing the classrooms. Most of these schools were rebuilt after the peace agreement signed between the government and Renamo in October 1992.

"We are trying to persuade the parents and guardians to take the children to safe areas with functioning schools so that they do not lose the school year", said Mepe.

However, most of the parents have paid no attention to these pleas. So the children, instead of studying, are staying at home, or are involved in informal trade. Mepe admitted that one reason for this is that the parents do not have enough money to transport their children to other areas.

Mepe said that Renamo attacks and threats have also affected adult education and literacy classes in these parts of the province, due to the constant movements of people seeking safety.

## Five Renamo fighters defect

The Ministry of Veterans' Affairs on 12 November presented to the press five men who said they have deserted from the illegal militia of Renamo. They are Horacio Sabonete (47 years old), Ribeiro Namanga (51), Afonso Simo (49), Ernesto Gecomia (49) and Joao Charles (47). They claimed that in Renamo they had held the rank of sergeant.

All said they had been Renamo guerrillas during the war of destabilization that ended in 1992, with the signing of the peace agreement between the government and Renamo. They had then been regrouped for the 2013-14 Renamo insurrection in Sofala province, which ended with the Agreement on a Cessation of Military Hostilities, signed on 5 September 2014.

Horacio Sabonete said he had been in Renamo since he was 18 years old, and had lost his youth fighting in the bush. He greatly regretted spending so much of his life in the Renamo militia, but was pleased that he was now in the city, where he hoped to lead a different life.

He said that when demobilized Renamo fighters were regrouped in 2013, they were not told they were going to fight another war. Instead they were promised money, and told they would receive military pensions.

"Many of my colleagues who are doing nothing but staying in the bush, want to return to civilian life, but they fear the worst", he said. They had been told that those who handed themselves over to the government would be killed.

Joao Charles said that he had worked for Renamo in Maringue, the district in the central province of Sofala that had housed the Renamo headquarters during the closing years of the war. He said that he was not interested in taking up arms again, and had decided that handing himself over to the government was the best option.

He urged his colleagues still in Renamo to renounce life in the bush and accept the new life that the authorities are willing to offer to everyone.

The spokesperson for the Ministry of Veterans' Affairs, Horacio Massangai, said this was just a sample of five former

guerrillas, and others were defecting to the authorities in the provinces. All want to be registered as former combatants, thus becoming eligible to receive a military pension, and did not want to go back to war.

He claimed that, in total, over 200 former fighters have abandoned Renamo. He said that the Ministry had decided to show a few to the press in order to persuade others to leave the bush, and join the integration process organized by the government.

But were these five men really former Renamo sergeants, or were they just opportunists looking for a pension?

Massangai replied that the state has institutions specialized in seeking out this type of information, and the people who defect are screened to check that they really are who they claim to be. In some cases there seems little doubt, because they surrender with their weapons.

## 2,000 "ghost pensioners" discovered

The National Social Security Institute (INSS) has discovered widespread fraud whereby benefits were being paid to about 2,000 "ghost pensioners" in Maputo alone.

According to the Minister of Labour, Employment and Social Security, Vitoria Diogo, the fraud came to light during the "proof of life" campaign, launched in July, when all those claiming state pensions had to prove that they exist.

Speaking at the opening session of a meeting of the INSS Coordinating Council, Diogo said "about 2,000 pensioners were not found in Maputo city, according to our data. This means that throughout this period, we have been giving pensions to people who don't exist".

After the fraud was discovered, the payments were suspended, but the matter will not end there. Diogo promised that those responsible for the fraud will be held accountable for their actions.

She did not say exactly how much money had been stolen, but insisted "we must carry out a thorough investigation, in order to understand how this happened, and to punish those responsible".

She did not rule out the possibility that the same thing may have happened elsewhere in the country. "I have only spoken about Maputo, but we want to have data from the entire country", said Diogo.

The Minister also called on INSS managers to rationalize resources and to avoid wasteful expenditure, stressing that the INSS "is the guardian of the money of other Mozambican workers".

"We, the staff and managers of the INSS, are not the owners of the system – we are just its guardians", she said. "We have been entrusted with the mission of managing the contributions made by workers and employers. We have been entrusted with the mission of ensuring that the thousands of workers who, with so much sacrifice, discount money from their wages as contributions to the INSS, can be confident that they will have their pensions".

"We have to fight against needless expenditure", insisted Diogo. "That which is superfluous should not form part of our way of working".

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## Cotton prices rise

Cotton companies have agreed to pay cotton farmers an increase of 26.8 per cent for their raw cotton in the 2015-16 agricultural campaign.

The price in the 2014-15 campaign was 10.25 meticaís (about 24 US cents at current exchange rates) per kilo for first grade cotton, and nine meticaís a kilo for the second grade.

According to a report on the independent television station STV, negotiations in the central city of Quelimane between the government, the producers and the companies led to an agreed price for the coming campaign of 13 meticaís a kilo.

The chairperson of the Mozambican Cotton Association, the body which represents the companies that buy cotton from the farmers, Francisco Ferreira dos Santos, admitted that they can afford to pay this increase because of the depreciation of the national currency, the metical. The cotton is sold on international markets in dollars, and the companies can change those dollars into many more meticaís than was the case last year.

“For companies who are importing merchandise, the exchange rate is damaging”, said dos Santos, “but for us, who are exporting, it is beneficial”.

13 meticaís a kilo is the minimum producer price, but there is nothing to prevent companies from paying more, and some companies have already promised to pay farmers between 14 and 15 meticaís a kilo.

The higher prices could put the brakes on the drift away from cotton. Last year there was a trend, notably in the Zambezia district of Morrumbala, for farmers to switch from cotton to sesame and beans.

Norberto Mahalambe, the director of the government’s National Cotton Institute (IAM), admitted that the last campaign was poor, producing 20,000 tonnes of raw cotton less than the target. That meant US\$12 million less in revenue than had been hoped.

Mahalambe hoped that the coming campaign would change this scenario, and would see production of at least 70,000 tonnes of raw cotton.

## Bread pushes monthly inflation to over two per cent

Due mainly to the increase in the price of bread, inflation in Mozambique in October, as measured by the consumer price indices of the three largest cities (Maputo, Nampula and Beira), was 2.1 per cent, according to the National Statistics Institute (INE).

This was the largest monthly inflation rate since December 2010, and it pushed the inflation rate since January to 3.63 per cent. The yearly inflation rate (1 November 2014 to 31 October 2015) is 4.74 per cent.

This year inflation rose by 1.84 per cent in January and 1.56 per cent in February. In March prices scarcely moved, with inflation of 0.06 per cent. This was followed by three months of deflation, as prices fell by 0.98 per cent in April,

1.05 per cent in May and 0.46 per cent in June.

Prices resumed an upward trend in July, but inflation remained low – at 0.1 per cent in July, 0.21 per cent in August and 0.27 per cent in September.

The jump to 2.1 per cent inflation in October is largely due to the decision of the Mozambican Bakers’ Association to raise the price of bread by between 25 and 50 per cent. Although by no means all bakers followed instructions from the Association, the INE found that the average increase in the bread price in the three cities was 27.7 per cent.

Other increases in food and drink prices were for pigeon peas (61 per cent), soft drinks (11.8 per cent), coconuts (eight per cent), maize flour (three per cent), tomatoes (three per cent), and dried fish (3.7 per cent). The hike in the soft drinks was due to the Coca-Cola company raising the prices of its most popular bottled drinks by between 25 and 33 per cent.

Other recently announced price increases (such as those for electricity, water and beer) will only take effect in November.

The three cities had somewhat different levels of inflation in October. Beira had the sharpest level of price rises, of 3.12 per cent, followed by Nampula with 2.15 per cent, while inflation in Maputo was 1.73 per cent.

## Over 400 arrested for poaching

The Mozambican police arrested 434 people for poaching between 2014 and the present, according to the government spokesperson, Deputy Health Minister Mouzinho Saide.

Poaching, particularly of elephants, has become a major problem. The latest census of elephants showed that between 2009 and 2014, Mozambique lost 48 per cent of its elephants, with numbers falling from around 20,000 to 10,300. The matter was discussed in the Council of Ministers (Cabinet) on 3 November.

Speaking to reporters after the meeting, Saide said that 158 poachers were arrested in 2014. This year there has been a significant increase in the number of arrests, with 276 poachers arrested so far.

“Poaching is motivated by the large sums paid by those who order this crime”, he said. “The poachers have used large calibre weapons, including military weapons, such as AK-47 assault rifles, often with faked documents and altered registration numbers”.

This year, Saide said, the authorities seized 1,124 kilos of ivory, and 75 kilos of rhinoceros horns. Since both species of African rhinoceros, the black and the white, are believed to be extinct in Mozambique, these horns almost certainly came from animals poached in South Africa’s Kruger National Park.

Mozambique had also incinerated its stores of illicit ivory and rhino horns. The incineration, Saide said, saw over four tonnes of ivory (both raw and worked ivory) and rhino horns go up in smoke.

This year, he added, the authorities had seized 5,110 snares used by poachers and 55 firearms.

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