Mozambique News Agency
AIM Reports

Report no.533, 6th October 2016

IMF mission makes normal relations dependent on audit

The mission from the International Monetary Fund (IMF), which visited Maputo from 22 to 29 September, while welcoming recent economic measures taken by the government, has not promised any immediate resumption in financial support to Mozambique.

A statement issued on 29 September by the head of the mission, Michel Lazare, dashed any hope the government may have had that normal relations with its international partners could be restored in the near future.

Lazare said, “the authorities have requested the Fund to resume discussions on financial support as soon as possible. A solid track record of implementation of sound macroeconomic policies and an effective initiation of the audit process in the near term would help to create the conditions for a possible resumption of program discussions with the IMF”.

The audit in question is of three loans from European banks (mostly from Credit Suisse and the Russian bank VTB) to quasi-public companies that were guaranteed by the previous government under President Armando Guebuza.

The loans were to the Mozambique Tuna Company (EMATUM – $850 million), and to the companies Proindicus ($622 million) and Mozambique Asset Management (MAM – $536 million). The government guarantees for these loans added 20 per cent to the country’s foreign debt.

These loans were granted in 2013-2014, but only the EMATUM loan was public knowledge. The Proindicus and MAM loans were not disclosed, either to the public or to the country’s international partners, including the IMF.

When the loans became public knowledge in April, the IMF suspended its programme with Mozambique, including the second instalment of a $283 million loan under the Fund’s Standby Credit Facility (SCF). Other partners followed suit, including the 14 donors and funding agencies that used to provide direct support to the state budget. Further disbursements of budget support were suspended.

The IMF made clear that the basic condition for the resumption of normal relations is an independent, international audit of the three loans, to establish exactly which happened to the money.

The government accepted the need for an audit and at the recent meeting in Washington between President Filipe Nyusi and IMF Managing Director, Christine Lagarde, it was agreed that the next IMF mission would discuss the terms of reference for the audit, in which the lead Mozambican agency will be the Attorney-General’s Office (PGR).

The PGR has already begun investigations and has declared that it has found signs of criminal behaviour.

The IMF mission did not result in terms of reference for the audit, but only began discussions on them. Lazare’s statement said the mission “made considerable progress with the Attorney General’s Office on the drafting of detailed terms of reference (TOR) for an international and independent audit of EMATUM, Proindicus and MAM”.

Lazare added “Drafting of the TOR is ongoing, and is expected to be completed soon”. The objective of the audit, the IMF said, is to “strengthen transparency, governance, and accountability to avoid recurrence of past debt problems”.

Lazare said Mozambique “is facing a challenging economic environment”, with economic growth now in decline. The forecast growth for this year is 3.7 per cent in 2016 (down from 6.6 per cent in 2015). This, he said, “is significantly below levels observed in recent years”.

Inflation had risen sharply, with the annual inflation rate reaching 21 per cent in August, while the Mozambican currency, the metical has depreciated by over 40 per cent since the start of 2016.

“At the same time, a significant decline in imports has been more than offset by a weakening of exports, foreign direct investment, and donor financing”, Lazare added. “This has maintained pressure on international reserves, which have continued to decline”.

The mission, he said, welcomed the measures taken recently by the government, including the amended 2016 budget, which includes measures “to contain non-essential spending”. Lazare also expressed approval of the Bank of Mozambique’s monetary measures, including an increase in the benchmark interest rate by 300 base points (so that the rate is now 17.25 per cent). This, Lazare claimed, would “reduce excess liquidity”.

He thought it appropriate that the exchange rate has been allowed to fluctuate “to help restore balance between supply and demand for foreign exchange and support the needed ongoing balance of payments’ adjustment, while limiting the loss of international reserves”.

Lazare added that “further policy tightening is needed to safeguard macroeconomic stability”. He approved of the austerity budget for 2017 which the government will bring before parliament later this year. He believed that budget “is set to further consolidate the state of public finances while preserving critical social programs”. The IMF also “welcomed the central bank’s intent to continue adjusting its monetary stance to help reduce inflationary pressures”.

From Lazare’s words it is very clear that normal relations between Mozambique and the international financial institutions will only resume once the audit of EMATUM, Proindicus and MAM is held.

Over 213,000 people receive food aid in Tete

More than 213,000 people affected by drought are befitting from the distribution of food aid in the western province of Tete, according to the permanent secretary of the provincial government, Lina Portugal.

The drought mostly affects districts in the south of the province, such as Changara, Marara, Cahora Bassa and Magoe, as well as parts of Moatize, Doa and Mutarara,

Despite repeated attempts to plant crops, peasant farmers in the affected areas have been unable to bring in any significant harvests, with crops withering in the intense heat.

The Tete government has launched a domestic solidarity campaign to collect goods and money for the drought victims, and Lina Portugal told reporters on 3 October that there has been a positive response.

As for distributing food, those who are unable to work receive it free of charge, but people with productive capacity are enrolled in the "food for work" programme.

Portugal said the food for work programme will continue until March, when it is hoped that peasants will be able to bring in the first harvests of 2017.

Renamo attack in Nampula

Gunmen of the opposition party Renamo attacked the locality of Mecua, in Meconta district, in the northern province of Nampula before dawn on 3 October.

Locality head Olga Ussene, who appeared traumatized by the attack, could not provide many details. "There was an attack but we haven't yet confirmed if anybody was killed".

Nampula provincial police spokesperson Zacarias Nacute confirmed the raid. The raiding party consisted of 13 men.

"During the attack the Renamo gunmen burnt a motorcycle, a car and various documents", said Nacute. "They went into the health post where they stole two sheets and blankets, a mattress and distilled water".

He claimed that, due to police intervention, the attackers fled from Mecua, and the situation returned to normal.

Health units have become a favourite target for Renamo in its raids, which are continuing despite the negotiations between the government and Renamo in Maputo.

Illegal migrants die in traffic accident

Four illegal Ethiopian migrants died, and a further 40 were injured, when the truck they were travelling in overturned and collided with another vehicle on 30 September in the northern Mozambican province of Cabo Delgado.

The incident occurred in Nangade district, on the border with Tanzania. The Ethiopians were hidden inside a container carried by a Mitsubishi Canter truck, which was driving from Nangade to the Cabo Delgado provincial capital, Pemba. The national immigration service (SENAMI) believes they entered the container in Nangade (after crossing the Rovuma River, which forms the Tanzanian border).

The injured Ethiopians received medical treatment in the provincial hospital in Pemba. 21 have been discharged and are now in a Pemba police station waiting repatriation. The others are still in hospital. Once they are well enough to travel, they too will be repatriated.

SENAMI spokesperson Cira Fernandes said the truck driver fled the scene after the accident, and the police authorities are still looking for him. They are also trying to locate the owner of the truck.

Fernandes said that none of the 44 Ethiopians were in possession of passports or any other form of identification.

Central bank intervenes with Moza Banco

The Bank of Mozambique has been obliged to intervene in the fourth largest of Mozambique's commercial banks, Moza Banco, because its solvency ratio had gone negative, according to the director for banking supervision of the central bank, Joana Matsombe.

The solvency ratio of any company is calculated by dividing net income and depreciation by total liabilities. In general, the higher the ratio the more financially sound the company is. But a low solvency ratio may indicate that the company will find it difficult to meet its obligations.

Interviewed by the independent television station STV, Matsombe said the solvency ratio of a bank should not fall below eight per cent. But in Moza Bank's case, the solvency ratio was "below zero".

"For this reason, the financial situation of the bank had deteriorated, and it was incapable of meeting its obligations", she said. "When this happens, in any financial institution, the central bank has to intervene".

That intervention, Matsombe added, meant that all deposits in the bank were guaranteed. The intervention was intended to protect the clients of Moza Banco, but also to avoid any run on the banks.

Moza Banco was founded eight years ago, and grew rapidly. The latest research on the banking sector, from 2014, undertaken by the consultancy company KPMG, in partnership with the Mozambican Association of Banks, showed that Moza Banco had a 7.2 per cent market share.

Only three banks had a larger share of the Mozambican market – Millennium-BIM (30 per cent), BCI (29 per cent) and Standard Bank (14 per cent). Moza Banco had overtaken Barclays-Mozambique, whose market share had fallen to 6.8 per cent. Several smaller commercial banks accounted for the remaining 13 per cent.

Fuel subsidy for passenger transport to remain

The Mozambican government has promised that the increase in fuel prices which took effect on 1 October will not affect passenger transport, which remains subsidized.

Licensed minibuses used in passenger transport (and known colloquially as "chapas") currently pay only 31 meticais (about 40 US cents, at current exchange rates) for a litre of diesel. Interviewed by the independent television station STV, Transport Minister Carlos Mesquita said this subsidy will remain in place, with the government picking up the bill for anything above 31 meticais.

The cost of diesel at the pumps rose on 1 October from 36.81 to 45.83 meticais a litre. The government is committed to paying the fuel distributors the difference between 31 meticais and the real price. Mesquita said there was therefore "no reason to increase transport fares" – but the owners of the minibuses disagree, partly because the subsidy only benefits licensed operators, and many of them are unlicensed. They also protest that fuel is only one of their overheads – they must also pay for tyres, spare parts, and maintenance, all of which have increased in price.

The current flat rate fares on chapas in Maputo and the neighbouring city of Matola are seven or nine meticais, depending on distance.

The National Director of Energy, Almirante Dimas, said that, although the price of oil has been falling on the world market, this has been more than cancelled out by the devaluation of the metical against the US dollar. The price Mozambique had to pay for those imports, when expressed in meticais, was continually rising.

Joint Commission suspends its work

The Joint Commission set up between the Mozambican government and the opposition party Renamo has suspended its meetings until 10 October.

On 30 September, the coordinator of the foreign mediating team, the Italian Mario Raffaelli, told reporters that the interruption is to allow the government and Renamo delegations to establish the methodology to be used in an attempt to achieve consensus as quickly as possible.

The Joint Commission was established in order to prepare a face-to-face meeting between President Filipe Nyusi and Renamo leader Afonso Dhlakama.

Raffaelli said that, although the full commission will not meet, the sub-commission charged with drawing up draft legislation and constitutional amendments on decentralization will continue its work. The mediators do not plan to return to their home countries, but will remain in Maputo.

"There will be no suspension as regards looking in depth into the theme of decentralization", Raffaelli promised.

The decentralization legislation is crucial for the appointment of provincial governors from Renamo. Unless the Constitution is amended, the only way for Renamo to acquire the governors it demands will be for President Nyusi to appoint them. Under the current constitution (passed unanimously, including by the entire Renamo parliamentary group, in 2004), the President of the Republic has the sole prerogative of appointing provincial governors.

Renamo claims the right to govern six central and northern provinces, on the grounds it won the October 2014 general elections in those provinces. In fact, although Dhlakama topped the presidential poll in five provinces (Sofala, Manica, Tete, Zambezia and Nampula), Renamo only won in the parliamentary elections in Sofala and Zambezia.

The Joint Commission has made no progress at all on the other points on its agenda, such as inclusion of members of the Renamo militia in the armed forces and the police, and the demilitarization and disarming of Renamo.

Ban on export of logs confirmed

Mozambique's National Director of Forests, Xavier Sacumbuera, has confirmed that, as from January, all exports of logs of any type will be banned, assuming that the Mozambican parliament, the Assembly of the Republic, approves a government proposal at its sitting in mid-October.

Speaking to reporters in Beira, where a national meeting on forests took place, Sacumbuera said the government has submitted an amendment to the forestry law, which is with the Assembly, "so that, as from January 2017, the export of logs from all species of Mozambican trees will be forbidden".

He added that this ban is intended to stimulate the processing of timber inside Mozambique, creating more jobs, adding value to wood, and only exporting processed wood.

There have been many haphazard attempts in the past to outlaw the export of logs from particular species of hardwoods, but this would be the first blanket ban on the export of all logs. A complete ban means that forest wardens and customs inspectors will no longer have to determine what kind of trees the logs come from, since all log exports will be illegal.

Current estimates are that Mozambique is losing 220,000 hectares of forest a year. This is due not only to logging, but to the use of wood fuel, uncontrolled bush fires associated with slash and burn agriculture, and the clearing of land for building purposes.

Pedro Couto becomes new head of HCB

The Minister of Mineral Resources and Energy, Pedro Couto, left the government on 29 September to take up the position of chairperson of the Board of Directors of Hidroelectrica de Cahora Bassa (HCB), the company that operates the Cahora Bassa dam on the Zambezi River.

A statement from the office of President Filipe Nyusi announced that Couto was relieved of his duties. At much the same time, HCB announced that, at an extraordinary meeting of HCB shareholders, Couto was elected chairperson of the company for the period 2016-2018. He replaces Paulo Muxanga who became chairperson of HCB in 2007.

Couto inherits a financially healthy undertaking. The main task he will face is negotiating the construction of a second power station at Cahora Bassa. The existing power station, on the south bank, can generate a theoretical maximum of 2,075 megawatts. A second station, on the north bank, could add a further 1,250 megawatts.

So far, President Nyusi has not announced a replacement for Couto at the Ministry of Mineral Resources and Energy.

Former head of agriculture fund arrested

Mozambique's Central Office for the Fight against Corruption (GCCC) has arrested Setina Titosse, the former Chairperson of the Board of the government's Agricultural Development Fund (FDA), charging her with corruption, embezzlement, abuse of office and trafficking in influence.

According to the GCCC, Titosse was charged alongside 13 other FDA staff, two employees of the electricity company EDM, and an official of the Tax Authority (AT).

Titosse and the others are accused of setting up phoney agricultural and livestock projects, which received funding from the FDA. Some of the livestock projects were partly implemented, through the acquisition of cattle. But once the money was deposited in the accounts of the farmers, between 50 and 70 per cent of it was transferred to Titosse.

When the FDA hired services, the companies that won the tenders did so because they paid bribes to Titosse. In addition, sometimes on public holidays, Titosse ordered the illegal payment of extra allowances, equivalent to a month's wages, to herself and to other FDA officials.

When she travelled inside the country, Titosse ordered that her expenses be paid, not in Mozambican currency, but in US dollars, and at a rate that exceeded the table of expenses laid down for use in the state apparatus.

GCCC charges former LAM financial manager

The GCCC has charged a former Financial Director of Mozambique Airlines (LAM) with abuse of his office.

The GCCC does not name the official charged, but the LAM Financial Director at the time of the alleged crimes (2008-2014) was Jeremias Tchamo.

He is accused of ensuring that LAM signed 25 contracts with a building company owned by his brother, who is also a LAM employee. LAM paid this company a total of 5.3 million meticais (about $190,000, at the exchange rate of the time).

The GCCC also investigated allegations against the then Chief Executive Officer of LAM, Marleyn Manave, but declined to charge her with any criminal offence for lack of sufficient evidence.

Government approves draft plan and budget

The Mozambican government on 27 September approved the draft Economic and Social Plan for 2017, which envisages an economic growth rate of 5.5 per cent. The Council of Ministers (Cabinet) approved both the plan and the accompanying state budget, which will now go before the country's parliament, the Assembly of the Republic.

The government spokesperson, Deputy Health Minister Mouzinho Saide, told reporters that one of the priorities of the plan is to increase domestic food production, in order to overcome this year's deficit in agricultural production.

"To deal with the current macro-economic scenario, the Plan seeks to develop actions that will improve the quality of the national financial and exchange system, with the main aim of preserving macro-economic stability and the value of the national currency", added Saide.

As for the budget, it would remain restrictive, holding down public expenditure to "sustainable levels". Saide said reforms will continue to increase state revenue and the efficiency and effectiveness of public expenditure.

He promised that, despite the restrictions on expenditure envisaged, the government would prioritise the allocation of expenditure to the key sectors of education, health, agriculture and social welfare.

Water distribution capacity in Maputo doubles

The water storage and distribution capacity in Maputo city has doubled following the conclusion of work on rebuilding the water distribution centre in neighbourhood of Alto-Mae.

The Minister of Public Works, Carlos Bonete, inaugurated the distribution centre on 23 September. Its storage capacity has increased from 4,500 to 10,000 cubic metres of water.

The new centre allows increased reliability in the neighbourhoods of Alto-Maé, Central, Malanga, Maxaquene, Polana and Mafalala. Previously these parts of the city faced limitations due to low water pressure.

Speaking after the inauguration ceremony, Bonete said the Alto-Mae centre is part of the second phase of the rehabilitation and expansion of the water supply system in Maputo, the neighbouring city of Matola and the district of Boane, which will cost an estimated total of ten billion meticais (about $132 million at current exchange rates).

The project also involves building a new water treatment station on the Umbeluzi River; the installation of 27 kilometres of water main between the Umbeluzi station and the Matola distribution centre; the construction of new distribution centres inTsalala, Matola Rio, Belo Horizonte, Boane and KaTembe; the building of 16 small scale water supply systems in the northern parts of Maputo and Matola municipalities; and laying about 1,000 kilometres of water pipes with their respective home connections.

These actions, Bonete said, benefit about 1.5 million people in the Greater Maputo Metropolitan Area, and will boost industry and trade in Maputo and Matola cities.

At Alto-Mae, a new pumping station was built and equipped, and generators were installed to ensure that water distribution will continue even in the event of a power cut.

This work has been co-financed by the Mozambican government and the French Development Agency (AFD).

2.5 million cashew trees sprayed in Nampula

The National Cashew Institute (INAJU), in the northern province of Nampula, in the current campaign has sprayed 2.5 million cashew trees against mildew and other pests.

Speaking to the press in Nampula city, the INCAJU provincial delegate, Jaime Chissico, said that this was only 15 per cent of the 14 million trees in the province. Because of the lack of funds it was not possible to spray all the trees.

Given this situation, Chissico urged cashew producers to use other, cheaper forms of treatment, such as cleaning and pruning their trees by hand.

Chissico said that in this campaign Nampula expects to market about 45,000 tonnes of cashew nuts. Most of these nuts will be sold to the local cashew processing factories.

In the 2015-2016 campaign, Nampula, the largest cashew producing province in the country marketed 44,000 tonnes of nuts. There are now 13 cashew processing factories in Nampula, but only 11 of them are functioning.

Mechanisation programme to benefit 35,000

Mozambique's National Agricultural Mechanisation Programme (PNMA) will benefit 35,000 people through the Agricultural Service Centres (CSAs) spread across the country, according to Agriculture Minister Jose Pacheco.

Speaking on 22 September at the opening session of the Second National Meeting on Agricultural Mechanisation, in the central city of Quelimane, Pacheco stressed that the vision of the CSAs is to provide excellence at all levels – in attending to the needs of producers, in making available services for preparing the land, for sowing, for harvesting and for transport and storage. The CSAs also sell inputs and provide technical assistance.

"An estimated 35,000 producers are benefitting from this programme", said Pacheco, with "each CSA working, on average, an area of 1,600 hectares and with a level of efficiency of at least 80 per cent".

The government's Agricultural Development Fund (FDA) has set up 73 CSAs, covering all provinces in the country. By the end of the year a further 18 will be installed, bringing the total to 91. Each CSA is equipped with four to six tractors, and with agricultural tools for ploughing, harrowing, fertilizing, sowing and harvesting.

This equipment forms part of the "More Food Programme", valued at $97 million, covering a total of 513 tractors and more than 2,000 agricultural implements. The intention of the programme is to raise productivity and transform subsistence into commercial agriculture.

So far the equipment has been used to work on about 1,500 hectares, benefitting 1,800 producers with estimated production of 62,000 tonnes of crops.

The country has 36 million hectares of arable land, but only 1 per cent of this is currently under cultivation. Of the arable land, 3.3 million hectares has the potential for irrigation, but only 14 per cent is being correctly exploited.

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

Subscription Rates (20 issues)	Individuals	Institutions
UK	£15.00	£25.00
Europe	£25.00	£40.00
Rest of the World	£30.00	£50.00

Overseas subscribers are requested to pay in sterling. If payment is made in another currency, add the equivalent of £6.00 to cover bank charges.