Mozambique News Agency
AIM Reports

Report no.536, 15th November 2016

Mozambique "has taken very important steps" - IMF

Mozambique has taken "very important steps" in recent weeks to deal with the "hidden debts" inherited from the previous government, the Deputy Director of the Africa Department of the International Monetary Fund (IMF), David Owen, told reporters in Maputo.

Owen was speaking on 14 November after he met with Prime Minister Carlos Agostinho do Rosario.

The "hidden debts" refer to loans of over US$1.1 billion from European banks (Credit Suisse and VTB of Russia) to the quasi-public companies Proindicus and MAM (Mozambique Asset Management) that were guaranteed in 2013/14 by the government of the then President Armando Guebuza.

Owen was pleased that terms of reference for an audit of Proindicus, MAM and the Mozambique Tuna Company (Ematum) have been agreed between the Mozambican Attorney-General's Office, the IMF and the Swedish government, which is financing the audit.

The US company Kroll has been chosen as the auditor. It has a reputation as the foremost company in the world for forensic audits. Owen expected the contract with Kroll to be signed very soon, after which it will have 90 days to complete the audit.

The IMF official praised the "significant tightening of macro-economic policy", and particularly the dramatic rises in interest rates announced by the Bank of Mozambique in October. This, he said, had led to the stabilization of the exchange rate of the Mozambican currency, the metical.

Such measures should be continued into 2017, Owen continued, but he warned of "the need to protect the poorest in society from the effects of fiscal adjustment".

He noted that the government "has taken the first steps to talk to creditors about restructuring the private external debt".

"We want to see the result of the audit, and progress in the discussions with creditors, so that we can be confident that Mozambique's debt is set on a sustainable path", said Owen.

Deloitte & Touche to liquidate failed bank

The Bank of Mozambique has selected the British consultancy and auditing company Deloitte & Touche to liquidate the failed commercial bank, "O Nosso Banco", according to a report in the newssheet "Mediafax".

The central bank ordered the dissolution and liquidation of Nosso Banco on 11 November. According to a statement from the Bank of Mozambique, Nosso Banco had an "unsustainable economic and financial structure" and was suffering from "serious liquidity and management problems".

Deloitte will have to assess the bank's assets and liabilities and pay off creditors. In the unlikely event that anything is left over, the shareholders might be able to recover some of their investment.

The main shareholders are public bodies – the National Social Security Institute (INSS) held 77.2 per cent of the shares in Nosso Banco, and the electricity company EDM held 16.13 per cent.

The bank was created in 1999 as the Merchant and Investment Bank (BMI) and changed its name to Nosso Banco in 2015. It never became a significant player in the Mozambican financial market, and had just three branches, all of them in Maputo.

Government and Renamo deliver counter-proposals

The fifth round of talks between the Mozambican government and the opposition party Renamo, intended to end Renamo's insurrection, began on 14 November with both sides delivering their answers to the proposal on decentralization made by the international mediating team at the end of the fourth round.

As happened throughout the fourth round, the government and Renamo did not meet in plenary session. Instead, each delegation met separately with the mediators and handed over their counter-proposals.

The coordinator of the mediating team, European Union representative Mario Raffaelli, refused to give any details about the counter-proposals, merely saying that details will be provided during a joint meeting between the mediators and both delegations. No date has been fixed for such a meeting.

Switch to low sulphur diesel by 2020

Mozambique hopes to reduce the level of sulphur in the diesel it uses from the current 500 ppm (parts per million) to just 50 ppm by 2020.

The matter was discussed at a regional seminar in Maputo on 8 and 9 November under the title “Promotion of low levels of sulphur in fuels in Mozambique and the neighbouring countries”, which brought together public institutions and fuel companies from around the region.

The meeting, jointly organized by Mozambique’s Ministry of Mineral Resources and Energy and by the United Nations Environment Programme (UNEP), sought to harmonise fuel specifications and as a result reduce high levels of sulphur in the fuels, notably diesel, used in the member countries of SADC (Southern African Development Community).

Sulphur oxides from vehicle exhausts are a major component of air pollution. High levels of sulphur dioxide cause respiratory illnesses, and are particularly dangerous to children, the elderly and people suffering from asthma.

The National Director of Hydrocarbons and Fuels, Moises Paulino, said that the governments of SADC countries intend to implement a programme to reduce the level of sulphur in fuel. This is becoming inevitable, given that fuel producers are gradually phasing out diesel with sulphur at 500 ppm levels.

“Major refineries will soon stop producing diesel at 500 ppm of sulphur”, said Paulino. “They will supply the market only with diesel at 50 or even 10 ppm of sulphur”.

“We are preparing to guarantee that any vehicle entering the country can function normally”, stressed Paulino. He pointed out that the country has experience in smooth fuel transitions, as happened in 2005 when the country ceased to use leaded petrol.

The countries represented at the seminar want to guarantee that in the next two to five years all existing facilities are prepared to receive diesel with sulphur levels no higher than 50 ppm.

Contraband timber seized

The Mozambican police have detained four people, three Mozambicans and a Chinese national, on suspicion of attempting to smuggle illegally logged timber out of the country. The detentions were made at a weighbridge in Dondo district, on the main road to the port of Beira, when a large trailer truck carrying 22.3 cubic metres of timber was stopped.

The timber was believed to be the result of illegal logging of precious hardwoods in Maringue district. The owner of the truck and the timber is the Chinese citizen, who now has 15 days to pay a fine of 1.66 million meticais (US$22,130 at current exchange rates).

The seizure follows an attempt to export to China, through the port of Beira, 50 containers of sawn wood from timber logged in Tete province. This consignment of semi-processed wood was illegal, because it disregarded legal provisions on the size of sawn timber. The diameter of sawn timber should be no greater than 12.5 centimetres, but in this case it reached 18 centimetres. The exporter, identified only as JPZ, has been fined 2.75 million meticais.

Mozambican ambassador witnesses ivory incineration

The Mozambican ambassador to Vietnam, Gamaliel Munguambe, on 12 November was among those who witnessed the incineration of two tonnes of ivory, and other illicit wildlife products in the Vietnamese capital of Hanoi. Oher items destroyed were 70 rhinoceros horns and a quantity of tiger bones. The incineration was supervised by the Vietnamese Deputy Minister of Agriculture and Rural Development, Ha Cong Tuan.

The Vietnamese government is organising a conference on the illegal wildlife trade, which will be held in Hanoi on 17 and 18 November.

There have been repeated seizures of rhino horns in Mozambican airports, usually being sent to Vietnam. Most of these horns came from rhinos poached in South Africa’s Kruger National Park.

The most recent seizure was on 30 October when police found eight rhino horns weighing 8.8 kilos in a suitcase at Maputo International Airport. The owner of the horns was a Vietnamese citizen intending to take them to Vietnam.

NGO consortium to provide aid to 375,000 people

A new alliance of NGOs known as CHEMO (Humanitarian Consortium of Mozambique) intends to provide humanitarian aid to 375,000 people from now until March 2017, as part of efforts to minimise the effect of severe drought in the south and centre of the country.

CHEMO is a consortium set up last June by the NGOs World Vision-Mozambique and Food for the Hungry to provide humanitarian assistance to drought-stricken communities in Sofala and Tete. At the time, it was supporting 40,000 people.

The consortium has now been joined by German Agrarian Action, and a memorandum of understanding formalizing this coalition was signed in Maputo on 8 November by the national directors of the three organisations, Caroline Peyre for German Agrarian Action, Mapanza Nkimilimba for Food for the Hungry, and Graham Strong for World Vision.

The donors of the three organisations have provided them with a budget of $23.5 million for humanitarian actions in the southern provinces of Inhambane and Gaza, and in Sofala, Zambezia and Tete in the central region.

According to Graham Strong the memorandum is valid until next March, but can be renewed after that date. The consortium will concentrate on food aid, but will also provide seeds and agricultural tools, and work on the areas of water and sanitation, protection, and nutrition.

After March, said Strong, the three organisations would decide whether their response had been appropriate or needs strengthening. “It may not be the same kind of response that we currently have”, he added, “but it could be done on a model of transition and rehabilitation”.

Caroline Peyre said the consortium will be a platform for the sharing and strengthening of technical capacities and skills in responding to emergencies.

The activities of the consortium rely on funding from, among others, the British and US governments, the European Union, and the United Nations World Food Programme (WFP).

Inspectors fine thousands of shops

The National Inspectorate of Economic Activities (INAE) on 14 November announced that between January and September of this year, it had inspected 9,329 establishments. According to INAE assistant inspector Acacio Foia, 4,448 of these shops (47.7 per cent) were fined for such offences as failing to display the prices of the goods on display, selling foodstuffs that were past their expiry date, and price speculation.

Since the beginning of October, INAE has also been monitoring the market, checking the availability of goods, analysing the evolution of their prices, and assessing which products are in danger of running short, as the country approaches the 2016 festive season.

Speculation and opportunism have been regular occurrences among traders during past festive seasons. Foia warned that this year INAE will be “implacable” and will impose “heavy fines” on any shopkeepers found practicing speculative prices.

US$1 billion needed for Maputo sanitation

Maputo Municipal Council needs a billion dollars to implement a project to improve the city’s sanitation and drainage systems, which would minimise the vulnerability of the capital during the rainy season.

Speaking to reporters on 10 November, after laying a wreath at the Monument to the Mozambican Heroes, in a ceremony marking the 129th anniversary of Maputo’s elevation to the status of a city, the Mayor of Maputo, David Simango, said this was “a metropolitan project” that would also cover the adjacent city of Matola, and Boane and Marracuene districts.

Simango said that work on the plan for the sanitation and drainage project began in 2015 and is now nearing conclusion. The next phase will be to mobilise the resources necessary to implement it.

The figure of a billion dollars covers the entire area that will eventually be covered by the project. If narrowed down to just Maputo city, the budget is $400 million.

A crucial part of the project was also to ensure that storm waters do not accumulate inside the city, but are channelled towards the sea.

Within Maputo, Simango said, the project will concentrate on the neighbourhoods of Polana Canico, Mavotas, Costa do Sol, Albazine, Hulene, Inhagoia, 25th Junho, Zimpeto, and Luis Cabral.

Inflation of 2.58 per cent in October

The Mozambican inflation rate, calculated from the consumer price indices of the three main cities (Maputo, Nampula and Beira), was 2.58 per cent in October, according to the National Statistics Institute (INE).

Most of the inflation was accounted for by rises in food prices. The most significant of these price increases were for groundnuts (12.6 per cent), coconuts (11.4 per cent), tomatoes (9.8 per cent), frozen fish (5.4 per cent), rice (2.2 per cent), and maize flour (2.4 per cent).

The fuel price rises decreed by the government at the beginning of October also pushed up the inflation rate, particularly the 23.9 per cent rise in the price of diesel.

Over the past year (1 November 2015 to 31 October 2016) inflation was 25.53 per cent. The Bank of Mozambique has warned that, by the end of the year, the annual inflation rate could reach 30 per cent or higher.

Of the three cities, Maputo registered the highest inflation rate in October, of 2.74 per cent, followed by Beira (2.46 per cent) and Nampula (2.39 per cent).

Irish aid for education

The Irish government has announced that it will disburse over €6 million (about $6.6 million) to finance programmes of the Mozambican Education Sector Support Fund (FASE).

The announcement was made in Maputo on 9 November by Irish ambassador William Carlos, accompanied by Education Minister Jorge Ferrao, during an interval in a meeting of the Consultative Council of the Education Ministry.

The money will be disbursed via he Mozambican government’s electronic State Financial Management System (e-SISTAFE). The ambassador said the Irish government will disburse a separate sum to support programmes in health care.

Sweden pledges aid for drought victims

Sweden has pledged to donate 49 million crowns (about $6 million) to support the victims of severe drought in southern and central Mozambique.

The aid is being channelled through a humanitarian consortium known as COSACA, which consists of the NGOs Save the Children, CARE, Concern and Oxfam, and will go towards implementing the programme “Promoting recovery and building resilience for people affected by drought in Mozambique”.

The programme is intended to meet the needs of 41,312 households (206,560 individuals) affected by the drought in Gaza, Inhambane, Manica and Sofala provinces.

According to an August report from the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), an estimated 1.5 million Mozambicans face lack of food security, and need food aid.

Government merges three institutions

The Mozambican government on 1 November announced the abolition of the Investment Promotion Centre (CPI), the Export Promotion Institute (IPEX), and the Office for Accelerated Economic Zones (GAZEDA).

The functions of these three bodies are being merged into a new body, the Investment and Trade Agency (AIC).

IPEX, GAZEDA and the CPI employ a total of 160 people. With the new agency, the number of staff shrinks to just 60. The remaining 100 will be employed elsewhere in the state apparatus, under the terms of the job mobility envisaged under the rules governing state employees.

Between them, IPEX, GAZEDA and the CPI had 16 delegations. The AIC will have just two delegations outside Maputo, one to cover the north, and the other to cover the centre of the country.

President reopens Cuamba – Lichinga railway

President Filipe Nyusi declared on 3 November that the railway from Cuamba to Lichinga, the two main urban centres in the northernmost province of Niassa, will raise the socio-economic development of that province, and of the whole northern region of the country.

He was speaking at Lichinga station, at the ceremony to re-inaugurate the line. The 262 km long line is essentially a spur off the northern rail corridor that runs from the port of Nacala to Entre-Lagos on the border with Malawi.

The line was built in 1972, but the Portuguese engineers cut corners, by using lightweight rails and timber sleepers. The line was thus always fragile and liable to suffer derailments. Nonetheless, it was a vital lifeline for Niassa which allowed fuel and other basic commodities to reach Lichinga from Nacala at a reasonable price.

In the 1980s, during the war of destabilization, the line came to a complete standstill. The rehabilitation of the northern corridor in that decade only rebuilt the line from Nacala to Cuamba, completely ignoring both the final 77 km to the Malawian border, and the spur to Lichinga.

After the war, the private-led consortium CDN (Northern Development Corridor), that held the lease on the Nacala port and rail system, sent trains sporadically to Lichinga. But the line was in such poor condition that, even under relatively good conditions in the dry season it took three days for a train to make the journey from Cuamba to Lichinga. In 2010 traffic on the line was suspended altogether, and complete reconstruction of the line began in 2014.

President Nyusi told the crowd that, with the reopening of the line, “there is one less reason for Niassa to remain unknown and forgotten”.

With regular trains travelling from Lichinga southwards, he said the rest of the country could now enjoy “the unequalled beans and the best potatoes” produced in Niassa. With a secure means of transport, investors could now design a competitive solution to mining the coal deposits in Maniamba, and exploit the limestone in Sanga, as well as cash crops grown in Niassa such as soya, sesame and tobacco.

The train would also bring to Niassa fisheries produce from the coast, building materials and cooking gas, added President Nyusi. Rebuilding the railway, he declared, had removed one of the most serious obstacles to the development of the largest province in the country.

The journey from Lichinga to Cuamba now takes seven hours rather than three days. President Nyusi and his delegation rode a train for the first 15 kilometres, from Lichinga to Chimbonila, and back again.

The alternative to the railway is a dirt road from Lichinga to Cuamba. The road journey can take slightly less time than the train in the dry season, making the journey in six hours. In the rainy season that rises to between eight and ten hours. Bus companies charge fares of between 500 and 700 meticais (between $6.6 and $9.2), but CDN says the return train fare between Lichinga and Cuamba will be 160 meticais.

Growth forecast cut to 3.7 per cent

The Mozambican government has revised its forecast for economic growth this year down to 3.7 per cent, the Minister of Economy and Finance, Adriano Maleiane, said on 2 November.

Speaking in Maputo, at an investment conference organized by the British newspaper the “Financial Times”, Maleiane that the initial target, at the beginning of the year, was for a growth rate of seven per cent. “Then we revised the rate, in the amended budget in June, to 4.5 per cent”, he said. “The last assessments we made, in September, indicate that growth will be 3.7 per cent”.

Even that may prove optimistic. Maleiane admitted that, if peace does not return to the country, “it will be difficult for us to reach the 3.7 per cent”.

Maleiane also told the conference that the terms of reference for the independent international audit into the three quasi-public companies (Ematum, Proindicus and MAM) that benefitted from enormous loans illegally guaranteed by the previous government, under President Armando Guebuza, are almost complete. The following phase is the hiring, by the Attorney-General’s Office, of an independent external auditor.

The audit is a key condition for the International Monetary Fund (IMF), and Mozambique’s other western partners, resuming normal relations. Maleiane said the audit would reveal what has happened to the over two billion US dollars lent to the three companies, and whether it can all be accounted for in the assets they have acquired.

“Because we, as a state, gave the guarantees, we have the obligation to be concerned”, said Maleiane. “It’s good for all of us, for the previous government and for this government, at least to know what the independent audit says about what was done”.

According to the conference report in the newspaper “O Pais”, the IMF representative in Maputo, Ari Aisen, predicted that the Fund will resume lending to Mozambique, but not before March 2017.

“It’s not possible to forecast the exact date”, he said, “but I’m hopeful it will be at the end of the first quarter. An important step has been taken in the question of restructuring the debt, the macro-economic policies are being adjusted in the right direction, and on the audit one can note that the Attorney-General’s Office is working intensely”.

“I hope that we shall have good news quickly”, added Aisen, “and in line with these three factors, I think there are good prospects of the IMF returning to the country”.

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.