

# Mozambique News Agency

## AIM Reports

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## Government committed to winning back trust

President Filipe Nyusi declared on 27 January in Maputo that his government remains committed to winning back the trust of international financial institutions and of the country's other cooperation partners. Speaking at the inauguration of the new headquarters of the country's second largest retail bank, the BCI (Commercial and Investment Bank), President Nyusi said that an independent international audit of the quasi-public companies Ematum (Mozambique Tuna Company), MAM (Mozambique Asset Management) and Proindicus is going ahead "at a good pace".

Mozambique's current financial plight is to a large extent due to the loans, amounting to over two billion dollars, which these three companies took from European banks (mostly Credit Suisse and VTB of Russia) in 2013 and 2014. The loans were all guaranteed by the Mozambican government, but the guarantees are considered by many to be illegal and invalid because they broke the ceiling on guarantees laid down by the budget law, and because such government-guaranteed debt must be approved by the country's parliament, the Assembly of the Republic, which was kept in the dark.

When the full extent of the loans became clear in April 2016, the International Monetary fund (IMF), and other western partners suspended all financial aid.

The basic condition laid down by the IMF for the restoration of normal relations is a full audit of Ematum, Proindicus and MAM, to see what happened to the two billion dollars. No full list of the assets and services purchased with this money has been published. The US company Kroll has been hired and given until the end of February to produce its report.

"The international audit is going ahead at a good pace", said President Nyusi. "Our government is taking initiatives seeking to re-establish relations with international financial bodies and with our bilateral partners". At the same time, the Bank of Mozambique has been urged to implement daring measures "to strengthen the stability of the financial sector".

The various shocks the Mozambican economy had faced in 2016 "explain the lower GDP growth we experienced last year", said the President, "associated with the higher depreciation of the metical (the Mozambican currency) in the various segments of the exchange market in the first six months of the year".

The government had reacted with measures such as "restrictions on public expenditure and greater rigour in budgetary execution". President Nyusi believed that tight monetary policy had helped lay the base "for a noteworthy stabilization of macro-economic indicators".

The metical had stabilized in the last few months of 2016. From a low point of around 80 meticaïs to the US dollar, it has recovered to around 70 to the dollar. The year ended with inflation at 25 per cent, the highest rate

for more than two decades, but the president was optimistic that inflation will be much lower in 2017.

The country's net foreign reserves were eroding in the first eight months of 2016, but as from September they too began to recover, and in the last quarter of the year increased by US\$275 million. They are now sufficient to cover three and a half months of imports of goods and non-factor services.

The BCI celebrated its 20th anniversary in 2016, and claims to be the market leader in deposits, credit, business volume and assets. It has over 1.46 million clients, and 196 branches. Its main shareholders are Portuguese banks, CGD and BPI, which hold 81 per cent of the shares.

### Mozambique cannot pay bondholders

The Ministry of Economy and Finance on 16 January confirmed that Mozambique would not pay the interest on bonds initially issued by the Mozambican Tuna Company (Ematum) and which fell due on 18 January.

A statement from the Ministry addressed to the bondholders, pointed out that the Minister of Economy and Finance, Adriano Maleiane, made the country's financial situation clear in a presentation given on 25 October, and reiterated in a statement on 14 November.

"The deteriorating macroeconomic and fiscal situation of the Republic has severely affected the country's public finances", says the latest statement. "The resulting debt payment capacity of the Republic is therefore extremely limited in 2017, and does not allow the Republic room to make the scheduled interest payment".

The Ministry insists that it is "committed to engaging in a collaborative process with the Republic's external commercial creditors, consistent with international best practices, with the objective of finding a solution within the parameters of the IMF's debt sustainability framework for low-income countries".

Once again, the Ministry suggested that the bondholders should liaise with the government's legal and financial advisors, respectively the London law firm, White & Case LLP and Lazard Frères, which claims to be the world's leading financial advisory and asset management firm.

## Companies awarded natural gas supply

The Ministry of Mineral Resources and Energy has awarded large quantities of natural gas for projects in the domestic market to be undertaken by Yara International, Shell Mozambique BV and GL Energy Africa.

These three companies have been awarded a total of 462 million cubic feet a day of natural gas. They are the successful bidders from a tender launched on 26 August last year which brought in 14 bids.

Shell requested between 310 and 330 million cubic feet of gas a day to produce 38,000 barrels a day of liquid fuels (gas-to-liquid diesel, naphtha and kerosene), plus 50 to 80 megawatts of electricity.

The Norwegian company Yara International requested 80 to 90 million cubic feet a day to produce between 1.2 and 1.3 million tonnes of fertilizer a year. This project will generate between 50 and 80 megawatts of electricity.

The London-registered GL Energy Africa has a much larger electricity project. It requested 41.8 million cubic feet of gas a day to generate 250 megawatts of power.

Although the Ministry does not state specifically the origin of the gas, it will almost certainly come from the huge fields of natural gas, discovered in the Rovuma Basin off the coast of the northern province of Cabo Delgado. The fields in areas one and four of the Rovuma Basin, operated by the US company Anadarko and ENI of Italy, respectively, are known to hold at least 160 trillion cubic feet of gas between them.

## Over US\$170 million for Gaza roads

The Mozambican government, in partnership with the World Bank and the British Department for International Development (DFID), plans to invest US\$170.5 million in the second phase of road reconstruction in the southern province of Gaza.

The reconstruction work covers 190 kilometres of roads damaged in flooding in 2012 and 2013. The stretches of roads covered include Guijá/Chókwè, Chókwè/Macarretane, Maniquique/Chilembene and Chilembene/Marapá.

To this end, the government will provide US\$42.5 million. The World Bank will provide US\$113 million. The contribution of DFID will be US\$15 million.

This work will push ahead under an agreement signed on 26 January in Maputo between the General Director of the National Roads Administration (ANE), Marco dos Anjos, and the various contractors.

Speaking at the ceremony, the Minister of Public Works, Carlos Bonete, said that the project was divided into two phases. "The first phase covered immediate repairs to make the roads passable again", he explained. "Those repairs took place in 2014 and 2015 and they were budgeted at US\$15 million".

The agreement ensures that the much more ambitious second phase can begin in February. The work is scheduled to take 18 months.

Four contractors have been hired – the Chinese companies Zhonghumei Engineering Group and China Henn International Corporation Group, Mota-Engil of Portugal, and Swiss company SBI International Holding.

## EU grant for WFP projects in Mozambique

The United Nations World Food Programme (WFP) has welcomed a grant of €9.8 million (about US\$10.8 million) from the European Union to assist in its operations to support drought victims in Mozambique.

Southern and central Mozambique suffered a severe drought last year, which was related to the El Niño weather phenomenon.

According to the WFP, the EU funds will enable it to assist more than 270,000 smallholder farmers whose crops were devastated by high temperatures and lack of rain during the 2015/2016 agricultural season.

It added, "1.4 million people are now food insecure and in need of assistance to support them during the peak of the January-March lean season".

These months are critical, because the first harvests after the 2016-2017 rainy season are not expected until April. The number at risk could rise to 2.3 million over coming months, according to the latest assessments from the government-led Mozambique Vulnerability Assessment Committee.

WFP said that, through its humanitarian programmes, it assisted more than 600,000 people in drought-stricken parts of Mozambique in December. It added that "WFP and its partners are now scaling up to reach even more people through a range of activities aimed at addressing communities' immediate needs whilst also engaging them in schemes such as the construction or repair of irrigation systems so they are better equipped to withstand extreme weather shocks".

In 2016, the European Union was one of the top donors to WFP worldwide and contributed more than €32 million to WFP operations in southern Africa.

## British support for fight against malnutrition

The British government has announced a grant of £3.6 million (about US\$3.3 million) to the WFP to help fight malnutrition in Mozambique.

According to the WFP, this will provide nutritional support over the next six months to approximately 60,000 people in the worst-affected provinces - Cabo Delgado, Gaza, Nampula, Tete, Sofala and Zambezia. The majority of those who will receive nutritional support are malnourished children under five years of age, and pregnant and nursing women.

Some 43 per cent of Mozambican children under the age of five have suffered from chronic malnutrition, which causes stunting (low height for their age). This can affect not only physical development but also cognitive skills.

The northern provinces are worst affected due to a combination of such factors as food insecurity, poor nutritional habits and knowledge, lack of clean water and decent sanitation, and severe rural poverty.

WFP is supporting the Mozambican government in implementing the Nutritional Rehabilitation Programme for the treatment of moderate and severe acute malnutrition, and providing technical assistance with national nutrition surveys.

## Life returning to normal after flooding

Life in the town of Machanga, in the central province of Sofala, is returning to normal as the Save River recedes, and the rain falling in the region slackens, reports the daily newspaper "Noticias" on 27 January.

The Save flooded the town and put hundreds of houses and most public institutions under water.

Most of the institutions temporarily closed reopened on 25 January, but the Machanga district administrator, Tome Jose, told "Noticias", that the local hospital is still functioning in provisional installations.

About 2,000 pupils were able to start classes in seven Machanga schools. But a further 14 schools, attended by 5,000 pupils, are still inundated and it has been impossible to begin classes in them.

A survey of agriculture in the district shows that the Save floods caused the loss of 3,344 hectares of crops, affecting 4,069 peasant families.

Of the 402 families who took refuge from the floods in four temporary shelters, 162 have now returned home, and more are expected to follow them in the coming days. Tome Jose said that aid is still being airlifted to about 18,000 people in more remote parts of the district, which were isolated by the flood waters. This operation involves three helicopters of the Mozambican Air Force.

In the western province of Tete, where there are fears of possible flooding in the Zambezi valley, the local branch of the Mozambican relief agency, the National Disaster Management Institute (INGC), says it is prepared to make emergency interventions to save lives, should this prove necessary.

The INGC Tete delegate, Joaquim Curipa, told reporters "We are on maximum alert, and we are monitoring the situation on the ground so that we can intervene at any moment".

The INGC has stationed three boats in Doa and Mutarara districts on the lower Zambezi, and has set up teams, in coordination with the district authorities, which are working to persuade people to abandon flood prone areas and move to higher ground.

Food aid is available for any victims of floods. Curipa said the INGC has stored in its Tete warehouses 920 tonnes of rice, 183 tonnes of maize flour, 90 tonnes of unmilled maize and 30 tonnes of beans.

Rain has been falling everywhere in Mozambique – except the area which most needs it, the Umbeluzi basin in Maputo province, which provides the drinking water for the Greater Maputo Metropolitan Area.

The reservoir at the Pequenos Libombos dam on the Umbeluzi remains less than 14 per cent full. The discharges from the dam dropped from three cubic metres a second to about 2.3 cubic metres a second as from 5 January. According to the National Hydrological Bulletin, issued on 25 January by the National Directorate of Water Resources, the discharge is now down to 1.5 cubic metres a second.

Since 10 January water has been rationed in Maputo and Matola cities and Boane district. Water is pumped to each neighbourhood on alternate days. But unless the situation improves soon the Maputo Regional Water Company (AdeM) may be forced to impose tighter restrictions – such as one day with water, followed by two days without for each part of the affected area.

## Over 1,300 leprosy cases diagnosed last year

Although leprosy was declared as no longer constituting a public health problem in Mozambique in 2008, pockets of the disease continue to occur, and last year 1,364 new cases were diagnosed.

Speaking at a meeting in Maputo on 27 January to mark World Leprosy Day, the National Director of Public Health, Francisco Mbofana, said that 415 of the new cases were among children. In 585 cases the victims were already suffering from deformities caused by the disease.

Mbofana expressed concern that the number of cases of leprosy among children meant that the disease remained active in communities but undiagnosed and untreated.

In 2008, the World Health Organisation (WHO) declared leprosy defeated in Mozambique. This did not mean that every last case had been eliminated, but that the disease was no longer a public health concern.

However pockets of the disease still exist, and may even be on the rise. Between 2015 and 2016 the number of districts recording more than one case per 10,000 inhabitants rose from 23 to 34, particularly in the central and northern provinces.

Nonetheless, there have been significant advances. Up until 2000, Mozambique was one of the six countries in the world most affected by leprosy (the others were Brazil, India, Madagascar, Tanzania and Nepal). These six countries accounted for 90 per cent of leprosy cases.

But, by 2008 the fight against the disease had succeeded in bringing the prevalence of the disease down to less than one in 10,000 inhabitants, the level at which the WHO considers the disease no longer a public health problem.

Diagnosis is simple, and anyone with a clear, painless patch on his or her skin should go to the nearest health unit where an examination will check whether it is leprosy. Treatment is free of charge and takes between six and 12 months on an out-patient basis. Patients will only require hospitalisation if they have left diagnosis late and are suffering from complications such as mutilations to fingers and toes.

## Nampula municipal staff arrested for corruption

The delegation of the Central Office for the Fight against Corruption (GCCC) in the northern Mozambican province of Nampula on 25 January ordered the detention of seven staff of the Nampula City Municipal Council on charges of falsifying documents.

According to Francisco Bauque, a prosecutor in the Nampula GCCC, the intention was to arrest 11 people, but the other four have disappeared and their current whereabouts are unknown.

All 11 worked in the Nampula City single attendance counter (BAU), which is supposed to smooth the path for businesses applying for licences, permits and the like. According to Bauque, those detained were involved in a scheme to forge invoices, receipts and other documents, and pocketed the money paid by users of the BAU.

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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 Erdogan claims terrorists active in Mozambique

Turkish President Recep Tayyip Erdogan on 24 January called for Mozambican support in fighting what he called “a group of terrorists” who launched an abortive coup against the Turkish government in June last year.

Speaking to reporters alongside his host, President Filipe Nyusi, after the two leaders had held discussions behind closed doors, President Erdogan said “we would like to count on your support to fight against this group”.

The group in question is led by a Turkish Islamic preacher, Fethullah Gulen, who was once an ally of Erdogan, but has lived in exile in the United States since 1999. The group has no official name but is usually referred to as Hizmet (“the Service”) by its followers, while the Turkish authorities call it FETO (the Turkish acronym for Gulenist Terror Organisation).

President Erdogan stated that Turkish “terrorist cells” are active in Mozambique. “We know that cells of this group are present here in Mozambique, and are replicating their initiatives and their hidden agendas in several parts of the world”, he said.

These alleged terror cells, “have a vast network of schools and associations, and they have a very broad network here in Mozambique too”, he continued. “We know that in Mozambique they have infiltrated. What they are trying to achieve in Turkey they will also want to achieve in Mozambique sooner or later. This is something to which we are drawing your attention”.

The best-known Gulenist initiative in Mozambique is the Willow International School in Maputo. This has a reputation for high academic standards, and many well-to-do Mozambicans send their children to study there.

In his public remarks at the press briefing, President Nyusi made no mention of Gulen, of Turkish “terrorists”, or of the Willow School, although it is not known what reply he may have given in their private meeting.

President Erdogan said that his 24 hour visit to Mozambique will give a greater impulse to bilateral relations, and diversify interchanges between Mozambique and Turkey. He added that he was proud to be the first Turkish president to visit Mozambique since diplomatic relations were established 40 years ago.

He hoped that a southern African regional branch of the Turkish Cooperation and Coordination Agency (TIKA) will be set up in Mozambique to stimulate an increase in cooperation between Turkey and the region.

President Erdogan noted that trade between Mozambique and Turkey, between January and November 2016, amounted to only US\$93 million, a figure he regarded as far from adequate. He wanted to see the figure more than double, to US\$250 million a year, in the near future, and then double again, to US\$500 million a year.

Four cooperation agreements were signed, in the presence of the two Presidents. Mozambican Foreign Minister Oldemiro Baloi and his Turkish counterpart Mevlut Cavusoglu, signed an agreement on suppressing entry visas in diplomatic and service passports, and an agreement on regular political consultations.

Agreements on commercial and economic cooperation, and on the promotion and protection of investments, were signed by the Mozambican Minister of Industry and Trade, Max Tonela, and by the Turkish Minister of the Economy, Nihat Zeybekci.

Two memoranda of understanding, on culture and on tourism, were signed by Minister of Culture and Tourism, Silva Dunduru, and his Turkish counterpart.

## Kogas approves Coral South investment

The Board of Directors of the South Korean hydrocarbon company Kogas on 18 January approved the investment required for the development of the Coral South gas field in Area Four of the Rovuma Basin, off the coast of the northern Mozambican province of Cabo Delgado.

Kogas holds a ten per cent stake in Area Four where the Italian company ENI is the operator. The Coral South field is estimated to contain 16 trillion cubic feet of gas and ENI has decided to commission a floating liquefied natural gas (FLNG) production facility which will supply the world’s markets with over 3.3 million tonnes of LNG per year.

An agreement has already been reached under which all the gas produced from the FLNG plant will be sold to the British company BP over a twenty year period.

ENI controls a 50 per cent indirect interest in Offshore Area Four owned through ENI-East Africa, which holds 70 per cent of the concession. The other 20 per cent held via ENI-East Africa belongs to the Chinese company CNPC. The other three partners, with ten per cent each, are Galp Energia of Portugal, Kogas, and Mozambique’s National Hydrocarbon Company (ENH).

So far, the consortium has invested about US\$2.8 billion in Area Four, and it is estimated that the FLNG project will cost a further eight billion dollars.

Production of LNG is due to begin in 2022. However, the Final Investment Decision cannot take place until CNPC formerly commits itself to the investment (all the other partners have now approved their investment).

The total gas discovered in Area Four is 85 trillion cubic feet. Neighbouring Area One, where the US company Anadarko is the operator, holds an estimated 75 trillion cubic feet of gas. Anadarko is planning to build an onshore LNG facility to produce 12 million tonnes of LNG a year. Later it hopes to raise production to 20 million tonnes a year. However, Anadarko is at least a year behind ENI in the race to deliver LNG to the market.

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