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President Nyusi re-inaugurates Mavuzi power station

President Filipe Nyusi on 27 March re-inaugurated the Mavuzi hydro-electric station, on the Revue River at Sussundenga, in the central province of Manica. Following total rehabilitation, which began in November 2013, the generating capacity of the station has risen from 25 to 42 megawatts.

The rehabilitation of the power station cost $120 million. It consisted of overhauling the turbines and alternators, installing new transformers, and a new auxiliary low voltage system, and rehabilitating the high voltage equipment in the main substation. Professional training of staff from the publicly owned electricity company, EDM, was also part of the project.

Speaking at the ceremony, President Nyusi said that the challenges resulting from new projects, together with the demand generated by the emerging extractive sector, are among the factors that obliged the government to rehabilitate the Mavuzi station.

"Our concern with regional and local economic development, and the imminent reduction in the useful life of this power station, led to the rehabilitation, intended to ensure that Mavuzi can continue to generate electricity for another 30 years", he said.

Rehabilitation of a second power station on the Revue, at Chicamba, is now in its final phase. Between them Mavuzi and Chicamba will provide an extra 80 megawatts of generating capacity which will supply Manica and the neighbouring province of Sofala. Some of the power from these two dams will also be sold to Zimbabwe.

Despite this advance, President Nyusi said the country still faces a major challenge in expanding the national grid, since in 2016 it only reached 26 per cent of the population. "The infrastructure of the national electricity grid is still limited and remains incapable of meeting the growing demand for reliable, good quality electricity", the President added.

The limited reach of the electricity grid meant that the great majority of the Mozambican population still relies on wood fuel (charcoal and firewood) as sources of energy, with all the damaging environmental consequences that flow from this.

The Mavuzi power station was built 60 years ago, and is the oldest power station owed by EDM. Originally it could generate 52 megawatts, but as the equipment became obsolete this dropped to 25 megawatts.

The rehabilitation of Mavuzi and Chicamba has been financed by Sweden with a grant of €36 million ($39 million), by the French Development Agency (AFD) with a soft loan of €50 million, and by Germany with a commercial loan of €18 million.

This is a condensed version of the AIM daily news service – for details contact pfauvet@live.com

ENI to pay $350 million in capital gains tax

The Italian energy company ENI is to pay $350 million in capital gains tax to the Mozambican government following its sale of a stake in a gas field to US giant ExxonMobil.

On 9 March, ENI announced a sale and purchase agreement with the ExxonMobil, under which ExxonMobil will pay $2.8 billion for a 25 per cent stake in offshore Area Four in the Rovuma Basin in northern Mozambique.

Speaking on behalf of the Mozambican Tax Authority (AT) following a meeting with ENI, Anibal Mbalango explained, "on the basis of available information supplied by ENI, the tax due will be approximately $350 million".

Mbalango added that the sale still requires approval by the Mozambican authorities and the other partners in the Area Four consortium. Following that approval, ENI will have thirty days to pay the tax.

Currently, 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 remaining 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).

The total gas discovered so far in Area Four is 85 trillion cubic feet. Plans are in an advanced stage to set up a floating liquefied natural gas (FLNG) facility in the Coral South gas field. So far, the consortium has invested $2.8 billion in Area Four, and it is estimated that the FLNG project will cost a further eight billion dollars.

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.

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 share of the investment).

Under the deal with ExxonMobil, ENI will continue to lead the FLNG project whilst ExxonMobil will lead the construction of onshore liquefaction facilities.

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 facility to produce 12 million tonnes of LNG a year. Later it hopes to raise production to 20 million tonnes a year. However, given the expense and complexity of the project, some analysts expect ExxonMobil will eventually take a stake in the area.

World Bank expects to resume budget support

The World Bank expects to resume direct support for the Mozambican state budget by the end of this year, according to the Bank's resident director in Mozambique, Mark Lundell.

Delivering a lecture on 28 March at the Higher Institute of International relations (ISRI) in Maputo, Lundell said "World Bank policy stresses budget support". He added that he wanted a high proportion of the Bank's funding for Mozambique to take this form, and expected such support to resume by the end of this year, if not before.

The World Bank is one of the 14 donors and funding agencies who used to provide general budget support. All 14 suspended disbursements of budget support when government-guaranteed secret debts came to light in April 2016.

The previous government, headed by President Armando Guebuza, had issued illegal guarantees for loans of over $2 billion by European banks (mainly Credit Suisse and VTB of Russia) to three quasi-public, security related companies – $850 million for Ematum (Mozambique Tuna Company), $622 million for Proindicus and $535 million for MAM (Mozambique Asset Management).

Of these loans, only that for Ematum was in the public domain, since it took the form of a bond offer on the European market in 2013. The loans to Proindicus and MAM in 2013 and 2014 was kept in deepest secrecy, thus misleading the Mozambican public and the country's foreign partners as to the true state of the Mozambican foreign debt. The Ematum, Proindicus and MAM loans added 20 per cent to the foreign debt, and pushed it to unsustainable levels. The government is unable to meet its commitments under these loans, and has defaulted on them three times.

A condition for the resumption of normal relations between Mozambique and its foreign partners is an independent, international audit of Ematum, Proindicus and MAM. That audit is in the hands of the London branch of the US company Kroll, and its audit report should be delivered by 28 April.

Lundell seemed optimistic that relations would return to normal. He told his ISRI audience that over the next five years the World Bank intends to support 25 projects in Mozambique in 17 strategic areas.

Lundell stated that this would be "an investment of approximately two billion dollars, and each project could have a budget of between $80 and $100 million". He said that previous World Bank funding had led to robust economic growth, but admitted this had not produced the expected impact in raising living standards of the Mozambican population.

Water shortage leads to drop in banana production

The company Bananalandia, which produces bananas in Boane district, 30km west of Maputo, has suffered a sharp fall in production, due to the severe restrictions in water consumption imposed by the government.

For much of 2016 Maputo province suffered from a severe drought linked to the El Nino weather phenomenon. But even after the drought ended, there was insufficient rainfall in the basin of the Umbeluzi River to provide enough water for both human consumption and for irrigation.

The Pequenos Libombos dam on the Umbeluzi was in danger of drying up. By early January it was only 13 per cent full. The government stepped in to determine that this water must be used, as top priority, by the Umbeluzi treatment and pumping station that provides drinking water for Maputo and Matola cities, and Boane district. The use of water for irrigation was banned, affecting all agricultural concerns along the banks of the Umbeluzi, including Bananalandia.

The level of the Pequenos Libombos reservoir has recovered somewhat, and it is now about 27 per cent full. But this is not enough to guarantee supplies during the coming dry months before the next rainy season, which begins in October. The restrictions on the use of Umbeluzi water thus remain in force.

The director of production at Bananalandia, Manuel Maluana, told AIM that before the drought and the restrictions on water consumption, Bananalandia was producing between 55 and 60 tonnes of bananas per hectare. That figure has now fallen to between 40 and 45 tonnes a hectare.

Up until the end of October 2016, the banana plantation was irrigated for between one and two hours every day. But when the restrictions on water use were imposed, irrigation stopped and Bananalandia became entirely dependent on rainfall.

Before the current water crisis Bananalandia was exporting 800 tonnes of bananas a month to the regional market (South Africa, Botswana and Namibia). But exports have now fallen to 450 tonnes a month. The domestic market is also supplied, but domestic sales have fallen from 50 to 20 tonnes a week.

The decline in production has forced Bananalandia to lay off workers, said Maluana, cutting its number of staff from 1,500 to 1,250.

Bananalandia had intended to expand, and set up units in Moamba and Namaacha districts, said Maluana, but the water shortages in Maputo province have forced the company to postpone these projects.

Five die in plane crash

The chairperson of the National Civil Aviation Institute (IACM), Joao de Abreu, has confirmed the deaths of at least five of the six people who were on board a light aircraft which crashed on 27 March in mountainous territory on the border with Zimbabwe.

Initial reports that the plane crashed in Manica province proved incorrect, and the wreckage was in fact found inside Zimbabwe.

All four passengers died. They were the Chief Executive Officer of Cornelder-Mozambique, which operates the port of Beira, Adelino Mesquita; prominent lawyer Antonio Jorge Ucucho, who worked for the Cornelder legal department, and was a former member of the Executive of the Mozambique Bar Association (OAM); Cornelder financial director Isac Noor; and another senior Cornelder official, Banele Chibande.

Speaking at a press conference, Abreu said that preliminary data indicated that one of the two crew members, pilot Luis Lopes dos Santos and co-pilot Rui Fonseca Pereira dos Santos, had survived – but according to the police in Manica, all six occupants of the plane died.

The plane was owned by the company ETA Air Charter, based in Beira, and Abreu said this company has a good safety record. Cornelder hired the plane to fly from Beira to the eastern Zimbabwean city of Mutare.

The IACM has set up a technical team which has gone to the crash site, and will work with Zimbabwean counterparts to establish the causes of the crash.

Government to issue five million land titles

The Mozambican government is to grant, by 2019, five million land titles (known as DUATs) to peasant farmers under the “Secure Land” project. So far 540,000 DUATs have been distributed since the project was launched a year ago by the Ministry of Land, Environment and Rural Development.

The latest 15,000 DUATS were handed over to farmers on 24 March in Mocuba, in the central province of Zambezia, at a symbolic ceremony chaired by President Filipe Nyusi who delivered personally the first ten of these land titles.

Speaking at a rally which also marked the launch of the 2017 agricultural marketing campaign, President Nyusi said that the mass issuing of land titles to agricultural producers is proof that agriculture, agro-processing and agricultural marketing are at the heart of the government’s actions.

By issuing the titles, the government intends to ensure that land occupied by farmers is not usurped by other individuals, thus generating land disputes. The government believes that delivering the land to peasant farmers is an indispensable condition for sustainable agriculture. Those who hold DUATS have secure tenure over their farms, allowing them to produce more and better to guarantee their food and nutritional security, and to increase their income through the sale of surplus crops.

IMF support for fuel price increase

The International Monetary Fund (IMF) has argued that the Mozambican government was correct to increase fuel prices. In a press release received by AIM on 23 March, the Bretton Woods institution stated, “the raising of fuel prices will eliminate an expensive and very inefficient subsidy”.

On 22 March, the government announced that the cost of a litre of petrol would rise from 50.02 meticais (about 74 US cents) to 56.06 meticais, an increase of just over 12 per cent. For diesel, the rise is 13.2 per cent: a litre now costs 51.89 rather than 45.83 meticais.

The sharpest increase is for kerosene, from 33.08 to 41.61 meticais a litre, an increase of 25.9 per cent. The price of butane cooking gas rises by 4.3 per cent, from 58.54 to 61.08 meticais per kilo. The price of compressed natural gas remains almost unchanged, rising from 25.47 to 25.59 meticais a kilo.

In its press release, the IMF wrote that this measure “is an important step in the process of reforming the fuel sector in Mozambique and we agree that any effect on the wellbeing of the most vulnerable families should be offset”.

The IMF pointed out that fuel prices have in general been below the market price and the prices charged by neighbouring countries. It stated, “this had been possible due to a subsidy that compensated fuel companies for the difference between the regulated prices and the cost of importing those products”.

It continued, “this subsidy, as well as being very onerous on the state coffers, has benefited the richest, who have the biggest cars and on average consume much more fuel.

The IMF calculates that between 2012 and 2014 the fuel subsidy equalled between 1.1 and 1.5 per cent of Mozambique’s GDP. The drop in international oil prices in 2015 led to a reduction in the subsidy. However, it rose again as international prices recovered.

According to a study carried out by the IMF in 2015, the richest fifth of the population consumes almost all the petroleum products and receives nearly two-thirds of the subsidy. In contrast, the poorest twenty per cent of the population benefits from less than five per cent of the subsidy. The IMF calculated that a twenty per cent increase in fuel prices would reduce income in the poorest families by about two per cent.

The IMF pointed out that most of the effect on the poorest strata is through the cost of basic services such as transport, especially in urban areas. It concluded, “therefore, it is understandable that the government wants to maintain for now the compensation scheme for transporters to avoid sudden increases in public transport fares”.

A statement from the Ministry of Mineral Resources and Energy assured the public that the government subsidy for the diesel used in passenger transport will continue, as will the subsidies for diesel used in agriculture, fisheries, and to generate electricity in the districts.

The fuel subsidy had become extraordinarily expensive and led to the government racking up a large debt to the fuel companies. Earlier this month the Association of Mozambican Fuel Companies (AMEPETRO) complained that the government owed the companies $70 million, and the debt was growing by the day. AMEPETRO put the cost of this general subsidy at over $300,000 a day.

The government has pledged to review fuel prices every month, and adjusted prices upwards or downwards in line with the import price and the exchange rate of the metical.

Canadian support for victims of cyclone Dineo

The Canadian Humanitarian Assistance Fund (CHAF) has donated 200,000 Canadian dollars to support the victims of cyclone Dineo, which hit the southern Mozambican province of Inhambane in mid-February.

The cyclone killed nine people and left dozens injured. According to Canada’s Humanitarian Coalition, in total close to 700,000 people were affected. The destruction of people’s property and the social infrastructure was also devastating. Winds of up to 130 kilometres an hour damaged 60,000 homes, 70 health units, and close to 2,000 classrooms.

In its emergency response, CHAF gave funds to the humanitarian organisation CARE Canada to provide survivors with hygiene materials and help rehabilitate health facilities in the affected communities within days of the disaster.

The Canadian Humanitarian Assistance Fund focusses on the rapid and effective response to smaller, localised disasters that have not received global attention. It is financed by Global Affairs Canada (75 per cent), the Humanitarian Coalition (10 per cent), and the Humanitarian Coalition’s member agencies (15 per cent).

Irish support for Dineo victims

The Irish Government is donating €200,000 to UNICEF to support the emergency response to cyclone Dineo.

The Irish donation will support the emergency rehabilitation of key services including health, education, and water and sanitation. The support will last for six months. It aims to restore access to learning for two thousand children through the repair of 20 classrooms, to restore drinking water to 25,000 residents in the suburbs of Maxixe and Inhambane through the emergency repair to two water systems, and to restore basic health services in the most affected districts.

This intervention is part of the Flash Appeal recently issued by the United Nations in response to cyclone Dineo, aimed at mobilising $10.2 million and targeting 150,000 people over the next 6 months.

Moza Banco shareholders fail to recapitalise

The shareholders of Moza Banco have failed to raise the funds necessary to recapitalise the bank. As a result, it is due to be put up for sale so that the government can recoup the money that it put into the bank last year to stop it from going into liquidation.

The central bank, the Bank of Mozambique, was forced to intervene in late September last year when Moza Banco became insolvent (the solvency ratio had fallen below zero). The central bank was required to inject meticas worth over a hundred million US dollars to keep Moza Banco afloat. During this process, the central bank removed the board of directors of Moza Banco and installed a temporary replacement.

The bank's shareholders had the right to take back control of the bank if they raised the funds to recapitalise it. At a General Assembly of shareholders on 23 January, it was unanimously agreed that there should be a capital increase of 8.17 billion meticais. However, the deadline of 23 March has passed and Moza Banco will now be offered up for sale.

According to a press release from the central bank, "the Bank of Mozambique reminds the public that the stability of the financial system and the strengthening of confidence in the future of Moza Banco are the main objectives of the current recapitalisation process". It added, "the Bank of Mozambique assures the market, the clients, and the public that Moza Banco continues to function normally".

Moza Banco is the fourth largest bank in Mozambique with 48 branches. Speaking in December, the Governor of the Bank of Mozambique, Rogerio Zandamela, explained that if Moza Banco had simply stopped operating on 30 September, it "would have sent a financial tsunami through the system", provoking a massive run on all the banks.

Mozambique and Germany sign cooperation agreements

Mozambique and Germany on 24 March in Maputo signed technical and financial accords establishing support for the sectors of education, sustainable economic development, and public finances.

The accords were signed by Foreign Minister Oldemiro Baloi and the German ambassador Detlev Wolter. This follows negotiations last year between the two governments, which resulted in pledges from the German side to grant €118.6 million for the three sectors.

Germany will also provide an additional €39 million to finance a power transmission line between Mozambique and neighbouring Malawi, as well as supporting short-term electricity projects in Mozambique.

Iron ore mining to resume in Lalaua

The Indian company Damodar Ferro intends to resume the extraction of iron ore in Lalaua district, in the northern Mozambican province of Nampula. Mining at Lalaua was suspended a year ago because of declining iron ore prices on the world market. But a recent recovery in prices has encouraged the company to resume production.

Olavo Deniasse, the Nampula Provincial Director of Mineral Resources and Energy, told the paper that the establishment of an industrial unit to process iron ore was a further factor behind Damodar Ferro's decision.

He added that the company will negotiate terms for transporting the ore with the managers of the railway running from Moatize, in Tete province, to the port of Nacala-a-Velha on the Nampula coast. Trains carrying coal for export return to Moatize with their wagons empty. But Damodar wants to move the ore to Tete for processing.

Achieving agreement on the transport issue "will be a great success", said Deniasse, "since it will make operating the mine viable and will guarantee jobs in Lalaua".

The Damodar Ferro mine has the installed capacity to mine 75 tonnes an hour. From the start of its activities in 2009 until it interrupted production last year, the company exported about 23,000 tonnes of ore to China.

Number of tourists rose five per cent last year

The number of tourists recorded as visiting Mozambique rose by about five per cent between 2015 and 2016, according to the Minister of Culture and Tourism, Silva Dunduru.

The minister was speaking at a press conference in Maputo on 20 March, announcing the "Welcome for Easter" campaign. This is focussed on tourists, mostly from South Africa, who will visit Mozambique over the Easter holidays.

Dunduru said the number of international tourists in 2015 was 1,633,935, and the figure rose to 1,715,360 in 2016.

But the amount of money invested in tourism undertakings fell substantially – from $193 million in 2015, to $107.8 million in 2016.

Dunduru said that the government has recently approved measures making it easier for tourists to enter the country. A further 18 frontier posts are now allowed to issue entry visas. Would-be tourists no longer have to secure a visa in advance, but can obtain a border visa on arrival, good for two entries over a 30-day period. These "flexible procedures", plus longer opening hours at several frontier posts, should help increase the number of tourists visiting Mozambique, said Dunduru.

President inaugurates distance learning centre

President Nyusi on 27 March inaugurated the Manica Provincial Distance Learning Centre (CPEDM), in the provincial capital, Chimoio.

This is the third such centre in the country – the others are in Maputo, and in the northernmost province of Niassa.

Financed by the World Bank, the investment in the CPEDM amounts to 112.3 million meticais ($1.7 million). It consists of an academic centre, an administrative sector, laboratories, a lecture theatre and a car park. The courses it will provide include both basic and higher education.

The purpose of such a centre, President Nyusi said, is to facilitate access of the largest possible number of Mozambicans to formal education.

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