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Prime Minister emphasises Kroll report will strengthen transparency

Prime Minister Carlos Agostinho do Rosario has told reporters that the recommendations from the independent audit into Mozambique's hidden debts will serve as a basis for the country to strengthen transparency in the management of public assets.

The debts result from loans of over two billion dollars from European banks (Credit Suisse and VTB of Russia) to the security related companies Ematum (Mozambique Tuna Company), Proindicus and MAM (Mozambique Asset Management), which were illicitly guaranteed by the previous government. The three companies were audited by the London branch of the firm Kroll Associates, and the Attorney-General's Office (PGR) published the executive summary of the audit report on 24 June.

Speaking on 25 June, Rosario said the government regarded publication of the report as an important step in restoring the confidence of investors and donors.

"Certainly, it brings recommendations that will serve as a basis for us to continue strengthening levels of transparency in public management", the Prime Minister stressed. His expectation was that subsequent steps to be taken by the PGR, in compliance with the audit's recommendations, would clarify everything that is still unexplained.

Rosario echoed the promise given by President Filipe Nyusi that the government will cooperate with the PGR so that it can fully respond to all the questions that have to be explained. More work will be done, and more steps will be taken, he pledged.

Former President Joaquim Chissano also believed that the audit report would be a valuable instrument for ensuring the better use of public assets, "which should be used properly to guarantee the growth and development of Mozambique".

"The report will advise us on better use of public goods, not only money, but also material assets", said Chissano. He was sure that, on the basis of the report, the State will introduce mechanisms to ensure that the best use can be made of the country's resources.

Meanwhile, the bank Credit Suisse has claimed that auditors from Kroll exaggerated the amount the bank was paid in fees. Credit Suisse was the lead bank in the loans of US$850 million to Ematum, and of $622 million to Proindicus. The third loan, to MAM, did not come from Credit Suisse, but solely from VTB.

According to the executive summary of the audit report from Kroll, the bank fees on the Ematum loan were $13.7 million, and on the Proindicus loan slightly more than $10.113 million. But in addition to the fees charged by the banks themselves, there were also "contractor fees", which the banks deducted from the loan sums. The Kroll report states "Of the total $2 billion loan proceeds, $199.7 million was deducted by Credit Suisse and VTB for Arrangement Fees ($58.8 million) and Contractor Fees ($140.9 million)".

The Contractor, Lebanon-based Privinvest group, explained to Kroll "that the Contractor Fees (or "Subvention Fees") were introduced to allow the lending banks to achieve a return at an interest rate more accurately reflecting Mozambique's risk profile. Credit Suisse explained that the Contractor Fees were effectively passed on to syndicate loan members or, in the case of EMATUM, to note investors that purchased the debt".

Credit Suisse, cited by the Bloomberg news agency, accuses the report of being "incorrect and misleading", and claims "banking fees for Credit Suisse totalled $23 million - roughly 2.3 percent of the total financings and is in line with comparable emerging-market financing transactions."

Food aid suspended in Moamba

The Mozambican relief agency, the National Disaster Management Institute (INGC), has suspended food aid in Moamba district, about 60 kilometres north-west of Maputo, now that the severe drought caused by the El Nino weather phenomenon is over.

Last year the drought left about one and a half million people in food insecurity in the southern and central provinces. In Moamba, dozens of head of cattle died as water sources dried up, and the district lost over 1,100 hectares of maize, groundnuts and beans.

But this year it has rained, and the INGC believed it was time to halt the food-for-work programme it had been implementing.

President Nyusi visits Cuba

President Filipe Nyusi on 17 June described the longstanding political and diplomatic relations between Mozambique and Cuba as “excellent”, but insisted that it was now time to advance in economic cooperation.

The President was speaking in Havana at a meeting with members of African diplomatic missions stationed in the Cuban capital.

“Our great objective is to strengthen and reaffirm our relations of friendship and cooperation”, he declared.

When Mozambique achieved its independence in 1975, after a ten-year war of liberation against Portuguese colonial rule, it faced a critical shortage of skilled staff. Portuguese settlers fled en masse, leaving a void in many professions.

“Teachers ran away, doctors ran away, judges and civil servants ran away”, said President Nyusi. Under these difficult circumstances, Cuba stepped in, responded to a request from Mozambique’s first President, Samora Machel, and provided the training needed to fill the places left by the fleeing Portuguese.

“Thousands of young Mozambicans came here to study”, continued the President. “Some of them are now ministers or deputy ministers, and many are in the business and public sectors. Our relationship with this country is natural. The values of sovereignty were always respected, and Cuba stood beside us at all times”.

In order to value and capitalise on this relationship, the President argued, the two countries should advance to more visible economic cooperation, so that “always united, we can struggle for prosperity and development”.

President Nyusi told the diplomats that Mozambique has faced economic difficulties because of the fall in the world market price of some of its key exports, the international financial crisis, the depreciation of the Mozambican currency, the metical, natural disasters, and what he delicately called internal problems linked to debt management – a reference to the over $2 billion of loans from European banks taken out in 2013 and 2014 by security-related companies, and illegally guaranteed by the government headed by former president Armando Guebuza.

These factors, plus the conflict with the opposition party Renamo meant that economic growth slowed down. But this year he was optimistic that growth will pick up again. “Last year, growth stopped at 3.6 per cent, but this year everything indicates that growth will rise to 4.5 per cent or more”, he said.

On the previous night, President Nyusi met with the Mozambican community in Cuba, consisting mainly of students. He challenged them not to lose sight of patriotic values, and to keep themselves permanently informed about events in Mozambique.

He expressed satisfaction at reports that the Mozambican students are well behaved and study hard. “That’s important”, he said. “You should know how to live through a period of change”.

President attends US-Africa business summit

President Filipe Nyusi declared in Washington on 14 June that Mozambique “is back on the path to economic growth and development”, showing clear signs of overcoming the obstacles it has faced recently.

He was speaking at the opening of the 11th US-Africa Business Summit, which is convened every two years by the Corporate Council on Africa. This is a trade association set up in 1993 to promote business and investment between the US and African countries.

“Today we can say that Mozambique is back as a country with a prospering economy”, said President Nyusi. This was not merely because of recent discoveries of vast reserves of mineral resources, particularly natural gas, in which American companies are playing an important role. President Nyusi stressed that the opportunities in Mozambique cover many other areas, including agriculture, electricity generation and distribution, and the production and sale of industrial and consumer goods.

As a signal of the trust that Mozambique now enjoys internationally, President Nyusi pointed to the official launch, on 1 June, of the project to produce liquefied natural gas on a floating platform above the Coral South gas field in the Rovuma Basin, 50 kilometres from the coast of the northern province of Cabo Delgado.

The operator of this project is the Italian energy company, ENI, heading a consortium which also includes the China National Petroleum Corporation (CBPB), KOGAS of South Korea, GALP of Portugal and Mozambique’s own National Hydrocarbon Company (ENH). The total cost of the project is put at $8 billion (in addition to the $2.8 billion already spent on exploration and other preliminary work).

The floating LNG project “is a great vote of confidence in Mozambique and in our government”, declared President Nyusi. “Hence our statement: Mozambique is back, and foreign investment is safe”.

He recognised that Mozambique still faces challenges arising from the recent economic crisis, but he believed it was possible to overcome them through the re-establishment of effective peace and political stability. This was a process, the President added, in which he hoped the country could count on the support of all its friends, particularly the United States.

He considered the United States as a strategic partner in the hydrocarbon sector and believed that American investment could help make Mozambique one of the largest producers of natural gas in the world.

An American company, Anadarko, is the operator of Rovuma Basin Area One, and plans to set up LNG plants onshore, on the Afungi Peninsula, in Palma district. US energy corporation ExxonMobil has agreed to purchase a large share in Area Four from ENI, and it too will set up onshore LNG plants.

President Nyusi believed that, in the coming years, the United States will become the largest single investor in Mozambique.

Terms for LNG terminals approved

The government on 20 June approved the terms and conditions for two port terminals that will support the liquefied natural gas (LNG) industry in the northern province of Cabo Delgado.

One is the LNG Maritime Terminal, and the other consists of the installations to be used to unload materials for the construction of the LNG plants. Two new companies will be set up to operate the terminals, namely the Mozambique LNG Marine Terminal Company, and the Sociedade Mozambique MOF.

At its weekly meeting, the Council of Ministers (Cabinet) approved the details of the contract under which the government will lease the terminals to the new companies.

Both terminals will be built in Palma district, the nearest point on the mainland to the offshore gas fields discovered in the Rovuma Basin. They will be controlled by the two operators – the American company Anadarko, the operator of Rovuma Basin Area One, and the Italian energy firm ENI, the operator of Area Four.

Speaking to reporters after the meeting of the Council of Ministers, government spokesperson Ana Comoana, the Deputy Minister of Culture and Tourism, said the terminals will make viable the transport of LNG, in accordance with the best practices of the international hydrocarbon industry.

"These two instruments are complementary and they seek to make operational a decree-law that was approved in 2014", she said.

Anadarko and ENI would share the same facilities, she said "instead of each of the operators setting up their own infrastructures. This sharing should extend to other operators that may emerge in the natural gas area in the future, allowing the rational use of space, and creating conditions for environmental sustainability".

Government reaches agreement with Shell

The Minister of Mineral Resources and Energy, Leticia Klemens, and the Vice President of the Anglo-Dutch company Shell, Clare Harris, on 19 June signed a memorandum of understanding in Maputo on the allocation of Rovuma Basin gas for domestic use.

The memorandum follows the results of the public tender for awarding the gas for domestic use, which was published in January.

Among the three winning bids was one from Shell-Mocambique, which requested between 310 and 330 million cubic feet of natural gas a day in order to produce 38,000 barrels of liquid fuels (diesel, naphtha and kerosene) and 50 to 80 megawatts of electricity.

The agreement is an important step in implementing Mozambique's Gas Master Plan, intended to diversity the industrialisation of the country based on the enormous reserves of gas in the Rovuma Basin.

At the signing ceremony, Klemens stressed that a key aim of the government's strategy for the sector is to ensure that the country's development needs can be met through using natural gas in Mozambican industries. She called for "integrated planning" between the liquefied natural gas (LNG) projects in the Rovuma Basin, and the projects, such as those of Shell, to use the gas for domestic purposes.

Harris said the memorandum was an important step towards developing the project, and thanked the government for its continued support.

Singapore ruby auction raises $54 million

The London-based company Gemfields on 15 June announced that an auction in Singapore of rough rubies from its mine in the northern Mozambican district of Montepuez has raised $54.8 million.

The company has now held eight auctions of Montepuez rubies since June 2014, which have generated more than $280 million.

The company stressed that all the proceeds from the auction will be repatriated to Mozambique, with royalties and taxes being paid to the government.

Gemfields holds 75 per cent of the shares in Montepuez Ruby Mining Ltd. The other 25 per cent is owned by the Mozambican company Mwiriti. It promotes itself as the world's leading supplier of "responsibly extracted coloured gems". It has specialised in Zambian emeralds and amethysts but has branched out into Mozambican rubies.

Number of buses in Maputo increases

The municipal bus companies in Maputo and the neighbouring city of Matola have substantially increased the number of buses on the roads since a visit by President Filipe Nyusi to the Transport Ministry and various transport companies in April – but there are still nowhere near enough publicly owned buses to solve the passenger transport problems.

Speaking on 21 June, as he visited the premises of the two companies, Transport Minister Carlos Mesquita said that in April the Maputo municipal bus company (EMTPM) had a daily average of only 25 buses in circulation. However, with the support of the government's Transport and Communications Fund, and from the Ports and Rail company (CFM), 34 buses that were out of order have been repaired, bringing the number of EMTPM buses on the road up to 59.

As for the Matola company (ETM), in April it only had 12 operational buses. According to its manager, Eliado Mussengue, the number should have been 22. But eight out of the ten new buses that ETM received in February, each of which cost nine million meticais ($150,000), proved to have inappropriate seats for urban public transport. They also came with just one door, instead of the two specified by the company, and lacked handrails. ETM had to contact the supplier to demand corrections. Mussengue expected the problem to be solved by the end of July. There are currently 25 ETM buses on the streets of Matola.

Goods trains resume service to Lichinga

The first goods train in several years from the northern port of Nacala set out for Lichinga, capital of Niassa province, on 14 June, according to the Northern Development Corridor (CDN), the private-led consortium which operates the Nacala port and railway.

The train consisted of 15 waggons, each with the capacity to hold 40 tonnes. The cargo included cement, wheat, salt and fuel.

The line is 795 kilometres long. The final stretch of line, the 262-kilometre spur from Cuamba to Lichinga, was built in 1972 in the closing years of the colonial period, 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.

During the war of destabilisation, the line came to a complete standstill, and goods could only reach Lichinga by a hazardous and expensive road journey. After the war CDN won the lease on the Nacala port and railway, including the spur to Lichinga.

CDN ran trains sporadically to Lichinga. But the Cuamba-Lichinga stretch was in such poor condition that in 2010 traffic on this branch line was suspended altogether. Complete reconstruction began in 2014.

President Filipe Nyusi inaugurated the rebuilt Cuamba-Lichinga branch line in November 2016. But up until now it has only carried passenger traffic, largely because of high tariffs CDN wanted to charge. This meant that the railway was not competitive with road haulage companies. Earlier this month a source in the Niassa provincial government told AIM that negotiations with CDN led to the company agreeing to drop its charges from $75.53 to $47.54 a tonne, about $3 per tonne lower than the price of road haulage.

Funding secured for Mocuba solar power plant

Funding is now guaranteed for the construction of a photovoltaic power station capable of generating 40.5 megawatts of power in Mocuba district, in the central province of Zambezia.

The total investment required is $76 million of which $55 million will come from the International Finance Corporation (IFC), and the rest from Mozambique's own electricity company, EDM.

The IFC is a member of the World Bank group, focused on the private sector in developing countries.

The projected Mocuba solar power station is a public-private partnership between the Norwegian energy producer Scatec Solar, and EDM. The funding was announced during the African Energy Forum held in the Danish capital, Copenhagen.

Speaking at the forum, the chairperson of Scatec Solar, Raymond Carlsen, said his company "is committed to making use of Mozambique's solar potential and in guaranteeing the stability of the network. This is particularly important for a country which depends on a power transmission system with very long power lines that are vulnerable to interruptions".

The EDM chairperson, Mateus Magala, said "signing the Mocuba financing agreement is a great conquest for EDM and for the energy sector in Mozambique".

The solar power station will be operated by the company CESOM (Central Solar de Mocuba), owned by Scatec Solar, EDM and the Norwegian Investment Fund, Norfund. CESOM has signed a 25-year agreement to sell the power to EDM.

The Mocuba power station will be the largest solar power plant in sub-Saharan Africa outside of South Africa, and it is expected to supply power to 175,000 households. Output is estimated at 80,000-megawatt hours per year. This is 4.8 per cent of the country's currently available electricity capacity, but 40 per cent of the electricity grid north of the Zambezi. CESOM is expected to complete the power plant in 2018.

Prices fell in May

Average prices fell in Mozambique in May, according to the latest information from the National Statistics Institute (INE), citing the consumer price indices for the three largest cities (Maputo, Beira and Nampula).

Inflation turned into deflation in May, with an overall price fall of 0.5 per cent. The main goods which contributed to the decline in prices were tomatoes (a fall of 14.2 per cent), lettuce (15.9 per cent), groundnuts (7.6 per cent), butter beans (7.5 per cent), charcoal (4.9 per cent), and petrol (2.1 per cent).

Other prices rose, but not by enough to cancel out the price falls. The main price rises in May were for urban and suburban bus fares (5.5 per cent), bread (4.7 per cent) and restaurant meals (1.4 per cent).

Inflation for the five months from January to May now stands at 5.09 per cent. Among the main items contributing to the price rises were bread, fish, beer, charcoal and petrol (the May price fall for fuel did not compensate for the rises earlier in the year).

The annual inflation (1 June 2016 to 31 May 2017) was 20.45 per cent.

Of the three cities, Beira experienced the sharpest price fall in May (1.24 per cent), followed by Maputo (0.15 per cent), and finally Nampula (0.08 per cent).

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

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