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IMF demands publication of full Kroll report

The International Monetary Fund (IMF) has insisted that the full audit report on the three Mozambican security-related companies, Ematum (Mozambique Tuna Company), Proindicus and MAM (Mozambique Asset Management) must be published, and it now seems clear that no new IMF programme with Mozambique can be discussed before that happens.

At a press briefing in Washington on 10 July, William Murray of the IMF praised the fact that the audit, undertaken by Kroll Associates, had taken place and that the Attorney-General's Office (PGR) had released the executive summary of the audit report in June.

"Transparency and good governance are key conditions for sustainable, inclusive growth, and that applies to all countries", said Murray. "Now we look forward to the publication of the entire audit report in due course. At that point, we will be able to provide an informed view on the audit and its implications".

Thus, any expectations in Maputo that the mere publication of the summary would be enough to normalise relations with the IMF have been dashed.

The IMF suspended its programme with Mozambique in April 2016, when the full scale of the "hidden loans" (from the European banks Credit Suisse and VTB of Russia) became apparent. While the $850 million loan to Ematum was already in the public domain, since it took the form of a bond issue on the European market, the loans to Proindicus ($622 million) and to MAM ($535 million) were kept entirely secret.

All three loans had been illicitly guaranteed by the previous government, under President Armando Guebuza. The over two billion dollars lent to the three companies thus became part of Mozambique's foreign debt, and pushed it beyond the limits of sustainability.

All other major western partners followed the IMF's lead and suspended financial aid to Mozambique. In particular, the 14 donors that used to provide direct support to the Mozambican state budget suspended their disbursements. A basic condition for restoring normal relations was an independent audit of Ematum, Proindicus and MAM – hence the hiring of Kroll.

But the audit is incomplete, because the companies refused to cooperate fully with the auditors. Kroll said the companies only provided "limited financial data, including incomplete trial balances and bank statements for certain periods, and incomplete supporting documentation, such as loan facility agreements and supplier contracts. As a result, it became apparent that a significant amount of the information originally envisaged to be held by the Mozambique Companies in Mozambique was not available".

Kroll looked at the assets that had been purchased, and compared the value stated on invoices, with an independent valuation – and found a discrepancy of $713 million. In addition, other funds were not accounted for.

Asked whether the IMF wanted to track down all the money so far unaccounted before resuming normal relations with Mozambique, Murray replied "the report provides useful information on how the loans were contracted and on the assets purchased by the companies. However, there are information gaps, in particular on the use of the loan proceeds. We want to see those information gaps closed".

Murray's press briefing followed a visit to Mozambique by an IMF mission headed by Michel Lazare. His final statement from the mission also pointed to the gaps in the audit report. He demanded that the government "take steps to fill the information gaps and to enhance its action plan to strengthen transparency, improve governance, and ensure accountability". Lazare also said the mission would not result in any discussion at the IMF board – in other words, there will be no new IMF programme for Mozambique in the near future.

Lazare demanded a whole string of austerity measures. He wanted the 2018 budget to concentrate on reducing the fiscal deficit, notably by eliminating tax exemptions and "containing the expansion of the wages bill".

In other words, the IMF is demanding that state employees pay for the crisis. Last year's sharp inflation had already reduced real wages, and the increase in state wages announced earlier this year came nowhere near compensating for this. Lazare assumed that the impact of austerity measures on poor households could be cushioned by "protecting critical social programs and reinforcing the social safety net".

Lazare also wanted "only the most critical public investments to go ahead", while attempts should be made "to strengthen the financial position of loss-making companies and limit the fiscal risks they represent". He did not name those companies, but presumably include Mozambique Airlines LAM and fuel company Petromoc.

Political stability and good rainfall contribute to agricultural growth

Regular rainfall during the present agricultural campaign along with political stability and the appreciation of the national currency, the metical, have contributed to a 5.9 per cent growth in agricultural output in Mozambique. According to the Minister of Agriculture, Jose Pacheco, these preliminary figures point to generalised increases in production during the first growing season.

Pacheco was speaking on 20 July at the opening of his ministry's coordinating council which is being held in Marracuene. He pointed out that there were positive results in the production of cereals, roots, tubers, legumes, vegetables, cashew nuts, and sugar cane. In the livestock sector, there has been a growth in the production of beef, pork, chicken, milk and eggs. However, he noted that the production of goat meat has declined by nine per cent compared with last year.

The minister highlighted the important role played by agricultural research in making available and distributing 8,366 tonnes of maize seed, 561 tonnes of rice, 264 tonnes of bean seed, 7 tonnes of seed potatoes, 1,137 cassava seedlings, and 11,560 cubic metres of sweet potatoes. In addition, under the integrated transfer of technology programme, 1,034 extensionists set up 943 demonstration fields which benefitted 35,650 producers.

Mechanisation has increased greatly. Pacheco revealed that 134 service centres have been established, allowing for 50,000 hectares of land to be ploughed compared with just 6,000 hectares during the previous growing season.

Irrigation is also increasingly available, with the rehabilitation of 1,876 hectares of irrigated land in the provinces of Gaza, Inhambane, Manica, and Zambezia. This has benefitted 2,200 farmers.

Pacheco added that training in food security and nutrition was given to 171 people in Nampula, Zambezia, Manica, and Gaza provinces, including 23 parliamentarians, 14 district administrators, 70 provincial assembly members, 14 district directors of agriculture, and 50 representatives of civil society.

ENH and entrepreneurs to promote local content

Mozambique's National Hydrocarbon Company (ENH) is to cooperate with the Mozambique Chamber of Commerce (CCM) and the Association of Small and Medium Companies of Mozambique (APME) to promote local content for the hydrocarbon industry.

The three organisations signed a memorandum of understanding on 20 July in Maputo to establish a more interactive relationship and foster cooperation.

According to ENH's Julia Dias, the natural gas megaprojects being developed in Mozambique will require goods and services that can be provided by local companies. She added, "we plan to give training to small and medium sized businesses so that they can establish a working relationship with the oil companies".

She explained that the oil companies operate according to international standards and this memorandum paves the way for the transmission of knowledge to local providers on the minimum standards required.

Mozambique's petroleum law requires that hydrocarbon operators should give preference to local products and services when they are comparable in quality to those from international providers, and when the price is no more than ten per cent higher than that of imported goods.

Partial lifting of ban on South African eggs

The National Veterinary Directorate in Mozambique's Ministry of Agriculture has lifted the ban on the import of chicken eggs from South Africa, subject to certain conditions.

The ban on importing poultry produce was imposed in the wake of an outbreak of bird flu in the eastern South African province of Mpumalanga.

A note from the National Veterinary Directorate explains that the eggs are required to come from sources that are certified to be free from avian influenza and fit for export based on the results of laboratory tests undertaken since 22 June.

However, a ban remains in place which prohibits importing or transporting all birds and their derivatives from Zimbabwe, Congo and those areas of South Africa that are either affected by bird flu or under surveillance.

The Ministry of Agriculture recently sent a team to South Africa to verify the how the country was handling the bird flu crisis. As a result of that trip, a report recommended the partial lifting of the ban.

This is an important step for chicken producers in southern Mozambique who rely on imports from South Africa. On 28 June, the Mozambican Association of Poultry Producers (AMA) told AIM that the ban on the import of fertile eggs and of chicks from South Africa could have a serious impact, causing a decline in the supply of chickens and consequently a rise in prices.

Currently the demand for chicken meat in Mozambique is about 80,000 tonnes a year, predicted to rise to 97,000 tonnes by 2019. Mozambican producers are able to supply 70,000 tonnes. However, the problem for producers, according to Loko Roger, the executive secretary of AMA, is that much of that 70,000 tonnes depends on eggs and chicks imported from South Africa.

Bird flu is easily transmitted from one poultry farm to another by contaminated equipment, vehicles, clothing and chicken feed. The worst strains of the disease kill 100 per cent of the infected birds.

CTA welcomes signs of economic recovery

The Confederation of Mozambican Business Associations (CTA) on 21 July welcomed the signs of an economic recovery that have appeared in the first half of the year, particularly with the appreciation of the national currency, the metical, in international markets.

It was also encouraged by the inflation rate for the first six months of the year which, according to the National Statistics Institute (INE), stood at 3.82 per cent compared with 9.28 per cent during the same period in 2016.

The CTA also noted that growth in the first quarter of the year is estimated to be 2.9 per cent compared with just 1.1 per cent during the last quarter of 2016.

However, speaking at a conference in Maputo, CTA chairperson Agostinho Vuma warned that he was concerned about the country's high fiscal risk and its impact on the business environment. In particular, he drew attention to the high level of external debt.

Vale increases coal output

The Brazilian mining giant Vale on 20 July announced that production of coking coal from its open cast mine in Moatize, in the western Mozambican province of Tete, increased by over 153 per cent in the second quarter of 2017 compared with the same period last year. Production jumped to 2.05 million tonnes between April and June, representing a 92 per cent increase year on year.

In 2016, low coal prices forced Vale to make over two thousand of its workers in Mozambique redundant. As a result, the Moatize mine only extracted 5.5 million tonnes of coal. With the recent recovery in coal prices on the world market, the company expects to export eleven million tonnes this year.

Key to Vale's coal being competitive is the Nacala Logistics Corridor, which was formally opened in May. This includes a 912-kilometre long railway running from Moatize to the port at Nacala-a-Velha. The corridor's investment of $4.4 billion was funded by a consortium of Vale, Japanese multinational Mitsui, and Mozambique's publicly-owned port and rail company, CFM.

Although the corridor was formally inaugurated in May, it began operating in early 2016. The route is being increasingly used and within the next two years the railway and port are projected to reach peak capacity of 18 million tonnes of coal a year.

The competitiveness of Vale's Mozambique operations was highlighted earlier this month when it was revealed that 70,000 metric tonnes of its metallurgical coal is to be shipped from Nacala to Port Kembla in eastern Australia.

The Platts new services noted that "the import of Mozambique coal is symbolic because Australia is the largest seaborne exporter of metallurgical coal in the world, the bulk of which is premium hard coking coal, prized for its high Coke Strength after Reaction".

Restocking underway in Maputo Special Reserve

The Maputo Special Reserve (formerly known as the Maputo Elephant Reserve) in the south of Mozambique on 17 July received fifty impalas and seven kudus as part of an ongoing restocking programme.

The restocking project will involve the introduction of 1,412 wild animals including giraffes, zebras, kudus, and impalas. It is expected that the repopulation of the area will draw in tourists from around the world.

The animals will mainly be imported from Swaziland, which will supply 1,162 animals.

Maputo Special Reserve covers an area of just over 100,000 hectares. It was created in 1932 and is composed of coastal dunes, mangrove swamps, woodland, and lakes. Among the animals found in the reserve are elephants, pangolins, red squirrels, crocodiles, hippopotami, nyalas, red duikers, sunis, vervet monkeys and reedbucks.

According to the South African environmental organisation the Peace Parks Foundation, due to its exceptionally high number of endemic species of fauna and flora, the reserve is an important component of the Lubombo Transfrontier Conservation and Resource Area. It is also part of the Maputaland – Pondoland - Albany Biodiversity Hotspot, thus part of one of earth's 36 biologically richest and most endangered terrestrial ecoregions.

Japan finances construction of dams in Niassa

The Japanese government has provided $23,630 for the construction of dams in Messenguese, Namuera, Tariane, and Catange, in the district of Marrupa, in the northern Mozambican province of Niassa. The dams will increase the availability of irrigated land for local farmers.

The aim of the project is to prolong the growing season by more than four months. This will enable farmers to supply the local and provincial market with larger amounts of cabbage, lettuce, tomato, onion, and other vegetables. The project will directly benefit about two hundred farming families.

CDM to launch new beer

The brewing company Cervejas de Mocambique (CDM – Beers of Mozambique) has announced that it is to launch a new beer made from locally grown maize.

According to the newspaper "O Pais", production should commence soon, after the issue of the rate of consumption tax has been addressed by the authorities.

Goods that can endanger human health, or which are considered superfluous or luxury products are subject to a "Specific Consumption Tax" (ICE). This tax is imposed at various rates on tobacco products, alcoholic drinks, vehicles, perfumes and other cosmetics, certain sports equipment, jewellery and works of art.

CDM proposes that beer based on maize be charged at an ICE rate of 5 per cent due to the positive effect it will have on local producers. Indeed, when CDM launched a cassava based beer in 2011 a levy of just ten per cent was imposed compared with a rate of 40 per cent for beer made from malt. It argues that if the government pursues a more robust tax regime the beer not will be profitable.

The company expects that launching the new beer will create 3,500 jobs and generate 340 million meticais ($5.6 million) in income for farmers.

About 70,000 tonnes of maize is currently available for CDM to purchase, mainly in the centre and north of the country. However, the sale of this maize is awaiting the government's decision.

The company has stated that in 2017 it expects to purchase 509,000 tonnes of maize, which represents over a sixth of the maize surplus. Thus, it argues that the new beer will support the commercialisation of agriculture.

Indeed, on 10 July the Zambezia provincial director for industry and trade, Momad Juizo, stated that the opening of the new beer production line based on maize offered good prospects for this section of commercial agriculture, with Zambezia alone expected to produce 650,000 tonnes of maize per year for the beer.

In addition, CDM argues that the new beer will increase total tax revenue because it will compete with products that are not taxed. It is estimated that over 60 per cent of drinks are not taxed as they are either homemade or smuggled into the country.

CDM is the largest brewer in Mozambique, with factories in Maputo, Beira, and Nampula. It produces the country's best-known beers – Laurentina and 2M, along with a cassava-based beer called Impala.

CDM is the local subsidiary of the huge multinational brewing company Anheuser-Busch InBev, which has its global headquarters in Leuven in Belgium.

New water pipeline for Maputo ready by year end

Work to expand the water supply in the Greater Maputo Metropolitan Area is already 70 per cent complete and should be finished by the end of the year.

This was revealed by Minister of Public Works Carlos Bonete during a visit on 14 July to the building work. A 95-kilometre pipeline will carry water from the Corumana dam on the Incomati River's main tributary, the Sabie River, to the to Machava distribution centre in Matola.

Carlos Bonete explained that "we expect to have the work finished by the end of the year. It has various components. However, the construction of a new treatment plant for water from the Sabie River has not yet begun". He said that this is still awaiting the completion of the process to select the contractor. However, he stressed that the pipe currently under construction will take water to Machava for Greater Maputo.

The Greater Maputo Water Supply Expansion Project will connect 100,000 families to the water supply system. It is funded through a loan of $178 million from the World Bank and €20 million from the Dutch government.

The new water treatment plant will have a capacity of 60,000 cubic metres per day and will draw water from the Corumana dam. In addition, the pipeline under construction will transport 120,000 cubic metres of water per day. The plan also includes the construction of reservoirs, pumping stations, and ancillary works.

In total, the project will benefit 650,000 people and meet the growing demand for drinking water due to demographic growth in the Greater Maputo region.

In parallel, engineering work will begin within two months for the installation of sluices on the Corumana dam, which will increase the capacity of the dam from the current 720 million cubic metres of water to 1,240 million cubic metres. These works are funded by the World Bank through a loan of $25 million.

Over the last year, the region has suffered a severe water shortage. Although this lessened, the dam at Pequenos Libombos is still at a low level as over the last three years it has been unable to replenish itself.

In response to the water crisis, emergency projects have been executed to rehabilitate 22 small water supply systems and open 46 new wells.

Zambezia roads to receive upgrade

The Zambezia provincial government is to spend 40 million meticais ($666,000) on maintaining and rehabilitating roads and bridges in the districts to boost the commercialisation of agriculture.

In an interview with the daily newspaper "Noticias", provincial director of public works Graciano Artur revealed that each of the province's 22 districts has been allocated 1.8 million meticais for work to begin in August.

The province is still suffering the effects of the natural disasters that took place in 2015 which seriously damaged more than 2,500 kilometres of roads and 70 bridges and aqueducts. This has seriously disrupted the flow of agricultural produce to the regional and national markets.

According to Inusso Ismael from the Zambezia Business Council, the poor condition of the roads is a hindrance to the province's economy as traders cannot get their goods to market. As a result, agricultural producers find that they are left with surpluses.

The problems caused by the terrible state of the rural road network were raised by President Filipe Nyusi when he addressed National Forum on Agricultural Marketing, which was held in March in the Zambezia town of Mocuba. The President said that the poor state of rural roads was one of the main hindrances to effective marketing, and pledged that the government will continue to invest in transport and communication infrastructures.

Former Justice Minister jailed for two years

The Maputo City Court on 14 July sentenced former Justice Minister Abdurremane Lino de Almeida to two years in prison for abuse of office and misuse of public funds. Almeida was jailed for spending 1.78 million meticais ($29,700) of public funds on a three-week trip to Mecca, in Saudi Arabia, in 2015 with four people who had no contractual ties to the Mozambican state.

The court also demanded that he should repay the money and pay a fine and other costs.

Judge Joao Guilherme said that the misuse of these funds was flagrantly illegal. The judge also ruled that Almeida was guilty of grave misconduct, as he knew that there was no financial provision for the trip. He added that the jail sentence was imposed because the defendant failed to show any remorse and, in fact, claimed that there was no crime as he was following orders of his superior.

In September 2015, Almeida received an invitation from the Islamic Council to join a pilgrimage to Mecca. In response to the invitation, Almeida travelled to Mecca accompanied by four people: Amisse Baquir, Ibraimo Sulemane, Adelino Pinar and Momade Momade. All expenses for the trip including flights, meals, and hotels were paid for by the state.

Ironically, the court received testimony from the General Secretary of the Islamic Council, Abdul Carimo, that Almeida could have travelled to Mecca at no expense to the state. The Islamic Council had invited Almeida to the pilgrimage to Mecca, and it would have paid all the costs. However, Carimo told the court that Almeida lost this opportunity because he delayed before replying. Weeks passed and the Islamic Council gave the free tickets to Mecca to other people.

Almeida was appointed Minister of Justice, Constitutional and Religious Matters in January 2015, replacing Benvinda Levi. However, he was sacked by President Nyusi in March 2016 by which time the Central Office for the Fight against Corruption (GCCC) was already investigating his crimes.

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