

# Mozambique News Agency

## AIM Reports

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## President pledges to complete electrification

President Filipe Nyusi on 29 August guaranteed that all districts in the country will be electrified. He was speaking at a gala dinner in Maputo to mark the 40th anniversary of the foundation of the publicly owned electricity company, EDM.

One of the forms of social inclusion, he declared, was electrification, and he wanted all Mozambicans included in the supply of electrical power.

So far, the capitals of 150 of the country's 154 districts have been electrified, and the government has announced that it has \$18 million available to electrify the last four districts, which are all in the Zambezi valley: Luabo, Mulevala and Derre in Zambezia province, and Doa in Tete.

President Nyusi challenged EDM managers to work in a rigorously professional and transparent manner, to build the institutional capacity of the company, and to update its workers about technological progress so as to guarantee the quality and efficiency necessary to implement electrification projects.

"As a government, we are aware of the restructuring of EDM under way, resting on the promotion of skills, and improvements in management and performance in order to transform it into a commercially viable enterprise, which is a regional and international reference point", he said.

He urged EDM to play a leadership role in guaranteeing the industrialisation of Mozambique and of southern Africa. "EDM has been successful in cooperating with its counterparts in the region in the market of buying and selling energy", he added. "We encourage EDM to continue this approach in a commercial way".

EDM chairperson Mateus Magala said that over the past 40 years EDM has increased the number of its clients from 40,000 to over 1.5 million. That meant that 27 per cent of the population is now connected to the national energy grid managed by EDM.

The company had increased its sales of energy from the equivalent of \$150 million in 2014 to about \$500 million in 2016. That year, for the first time ever, EDM published its annual report and accounts within the deadline required by law.

Magala said the company has centralized its procurement in Maputo, instead of breaking it up by the 11 provinces, which has helped improve efficiency.

### Moatize – Macuse project to begin in late 2018

The Ministry of Transport and Communications announced in Maputo on 1 September that the construction of a new railway from the western province of Tete to Macuse, on the coast of Zambezia province, should begin in late 2018, and be concluded in the first quarter of 2021.

The head of the Ministry's legal department, Luis Chauque, said the project includes a new deep water port at Macuse and a 500 km railway from the Moatize coal basin to Macuse. The total cost of the project is put at US\$2.7 billion, \$810 million for the port, and the rest for the railway.

The main purpose of the new railway and port will be to export coal from Tete. The proposed railway will be much shorter than the existing lines from Moatize to the ports of Beira and Nacala-a-Velha. Macuse port will be able to take ships of up to 80,000 tonnes – Beira, a port which must be regularly dredged, cannot match this capacity, although Nacala-a-Velha can take ships of any size.

In an initial phase, Chauque said, the new railway and port will handle 25 million tonnes of cargo a year, a figure which should gradually rise until it reaches 100 million tonnes a year.

Jose Fonseca, the managing director of Thai Mocambique Limitada (TML), the consortium that will operate the railway and port, told the press conference that an "acceptable tariff" would be charged for coal exports. He expected the railway to charge \$25 a tonne for transport between the mine and the ship, although "there may be oscillations".

The port and rail concession was granted to TML in 2013. The consortium consists of the Italthai Development Company of Thailand, with 60 per cent of the shares, Mozambique's publicly owned port and rail company CFM, with 20 per cent, and the private business group CODIZA (Zambezia Development Corridor, also with 20 per cent.

## Seized timber to produce 800,000 school desks

The timber seized during “Operation Trunk” earlier this year will be used to produce, by 2019, 800,000 school desks, pledged the Minister of Land, Environment and Rural Development, Celso Correia, on 24 August.

During Operation Trunk, brigades headed by ministry officials descended on timber yards throughout northern and central Mozambique, many of which were run by Chinese companies. Illegal operations were found in three-quarters of the timber yards investigated, and a decision was taken that illegally logged timber should be put to a useful purpose.

Correia spoke of the plans to convert illegal timber into school desks in the presentation he gave during an extraordinary meeting of the Consultative Council of his Ministry, chaired by President Filipe Nyusi.

Updating President Nyusi on Operation Trunk, Correia said that over 222,376 cubic metres of logs had been seized in the operation, plus 18,293 cubic metres of sawn timber. 2,639 fines were imposed for illegal timber operations, amounting to a total of slightly more than 700 million meticais (\$11.5 million). Violations of norms for forestry operations led to the suspension of licences of 330 operators.

As for reforestation, Correia said that in 2015-2016 about 4,140 hectares were reforested with native and exotic species, for purposes of conservation and community benefits.

During that two-year period about 335,000 cubic metres of unprocessed logs and 606,000 cubic metres of sawn timber were exported, mostly to China. This year, however, a total ban has been imposed on the export of logs.

The figures for exports are questionable. In the past, researchers have found that the amount of Mozambican timber entering China is vastly superior to the amount declared as leaving Mozambique, which suggests that large amounts of illegally logged timber have been slipped out of the country under the cover of legal exports.

Communities are supposed to share in the benefits from forestry operations. Correia said that over the two years 118 million meticais was channelled to 805 communities living in the areas where logging occurs. But there has been a decline of 44 per cent in these funds between 2015 and 2016. Correia said this indicated the need for closer coordination between the provincial directorates of his ministry and those of the Ministry of Economy and Finance.

As for the “Secure Land” programme, Correia said his Ministry has, since its creation in 2015, granted around half a million land titles (known as DUATs). This means that the percentage of the population with written title to the land it farms has risen from 1.6 to 10 per cent.

Correia added that, since President Nyusi’s government took office in January 2015, there have been no grants of land in excess of 10,000 hectares to companies. This was a change in policy, said the Minister, to ensure sustainability in land management.

## Termination of Semlex contract “irreversible”

The Mozambican government has insisted that its decision to terminate the contract with the Belgian group Semlex for the production of passports and other identity and travel documents is “irreversible”.

In reply to a Semlex press release claiming that the government’s decision was “illegal”, the Permanent Secretary of the Ministry of the Interior, Zefanias Muhate, interviewed in the daily newspaper “Noticias”, revealed some of the gross irregularities committed by Semlex which led the government to rescind the contract in May.

Muhate said there is generalized discontent among members of the public applying for identity documents, because they are not delivered on time.

He attacked the poor quality of the documents produced by Semlex which “calls into question the prestige of the Mozambican government, within the country and abroad”.

Some of the Semlex documents cannot be read by the machines at immigration posts on Mozambique’s borders with neighbouring countries. This caused enormous difficulties when travel documents issued for Mozambican miners working in South Africa proved to be illegible, forcing the government to send a brigade to South Africa to issue new documents.

There were also problems in reading bar codes on identity cards, and the poor quality of the photographs put on travel documents. Travel documents for refugees and emergency certificates for foreigners contained gross spelling mistakes.

The system installed by Semlex at the borders, Muhate continued, does not allow each of the border posts to communicate with the others, which makes it difficult to have full control over people crossing the borders, or even to check for possible cases of forged documents.

Although the contract with Semlex was signed eight years ago, it has only set up an electronic control system in 21 of the 56 border posts.

“The contract envisaged that Semlex would train Mozambican staff who would manage the process and this did not happen”, accused Muhate. “Nobody was trained, and they do not allow the system to be managed by Mozambicans”.

“Since the contract has been cancelled, we are now waiting or Semlex to turn over to us the entire document production system”, concluded Muhate.

A public tender has been carried out to appoint a company to take over from Semlex in producing Mozambique’s identity documents. The jury appointed by the Interior Ministry assessed the technical bids and two companies are still in the running for the new contract.

They are the Mozambican subsidiary of the German company Muhlbauer ID Services, which received a score from the jury of 87.67 points. The Lithuanian company UAB Garsu Pasaulis obtained a score of 70.05. Garsu Pasaulis was purchased by Semlex in 2014.

## Bank robbers orchestrate prison escape

The escape on 6 August of 17 inmates from Beira Central Prison was, according to Sofala Provincial Attorney Carolina Azarias, organized by two men awaiting trial over the theft of 28 million meticais (\$459,000) from a Beira branch of the country’s largest commercial bank, Millennium-BIM.

The escapees also benefitted from the collaboration of corrupt prison guards. Interviewed by the television station STV, Azarias said the guards on duty on 7 August deliberately left cell doors open to facilitate the escape.

The escape was obviously well planned, since it involved the use of two vehicles, a Toyota Corolla and a Ford Ranger, which drew up outside the main gate to the prison at about 07.00. Less than a minute later, the prisoners began to pour out. Some of them entered the Ford Ranger, which then left the area at high speed.

Others tried to enter the Toyota. But local residents, seeing what was happening, intervened and grabbed the driver. Without a car, the other prisoners quickly dispersed.

The escapees’ attempt to steal a gun from one of the guards was unsuccessful. They seized a firearm from one of the guards on the main gate, and threw it over the prison wall.

But they were unable to recover it, since it was picked up by people outside, waiting to visit relatives in the jail, who handed it back to the prison authorities.

Azarias said the escape occurred a few days before the two men charged with the bank robbery were due to appear in court.

Prosecutors were “very disappointed”, she added, since the criminal investigation services (SERNIC) “did their job and in record time traced the bank robbers to Maputo, arrested them and brought them back here. The preparatory investigations are over and all that remains to do is send them to court for purposes of trial”.

Azarias said the court case will not stop just because the prisoners have escaped. The court could well decide to try the two men in absentia.

None of the 17 escapees have been recaptured so far. Ten of them were serving sentences, and the other seven were on remand, awaiting trial.

Immediately after the escape six people were arrested. They are five of the prison guards and the driver of the Toyota. The police seized the Toyota, while the Ford Ranger has yet to be found.

### **No IMF programme without completing Kroll audit report**

There is still no sign of any new programme between Mozambique and the International Monetary Fund (IMF), and the IMF representative in Mozambique, Ari Aisen, has made clear that a basic condition for any advance is filling in the gaps in the audit of the three security related companies Ematum (Mozambique Tuna Company), Proindicus and MAM (Mozambique Asset Management).

These are the three companies that contracted loans of over two billion US dollars with European banks (Credit Suisse) and VTB of Russia, in 2013 and 2014.

The Proindicus and MAM loans were kept completely secret until April 2016. When they became public knowledge, the IMF accused the Mozambican government of concealing the true extent of its foreign debt. The IMF suspended its programme, and other partners followed suit. The 14 donors who used to provide direct support to the Mozambican state budget all interrupted their disbursements.

A key requirement for restoring normal relations with the IMF was an independent audit of Ematum, Proindicus and MAM. The Attorney-General’s Office (PGR) hired Kroll Associates, reputedly the top forensic auditing company in the world, but the Kroll audit report is incomplete, because the three companies refused full cooperation.

The executive summary of the Kroll report, released by the PGR in late June, 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”. Mozambican banks also failed to cooperate and “as a result, Kroll cannot rely on the completeness of this information for the purposes of this report”.

Interviewed in the weekly paper “Savana”, Aisen said that a condition for any new programme with the IMF is filling the gaps in the Kroll report.

“The government has expressed its desire to have a programme with the IMF, and for our part we also want to support Mozambique”, he said. “The question of the audit has been posed as an important element in this regard”.

He pointed out that the investigations into Ematum, Proindicus and MAM are headed by the PGR. “The information will not be given to the IMF, but to the PGR, and there are confidential inquiries to which we have no access”, said Aisen. “So we are waiting for the next steps in the outcome of this entanglement, because as the mission from Washington (of the IMF, in July) made clear, it is very important to fill these information gaps in the report”.

Asked whether the IMF was demanding that those who contracted the debts be held responsible, Aisen replied “I’m going to leave this question open because it is a sovereign decision of the country, and the PGR is the body responsible which will decide how to proceed”.

The scandal of the hidden debts has weakened the government, and the IMF is now making further demands, including restricting public sector wages, or what Aisen called “adjusting the public accounts”.

“The public deficit must be reduced, or more precisely the primary public deficit, which excludes the high cost of debt servicing”, he stressed. This meant eliminating tax exemptions in order to increase fiscal revenue, and reducing the state wages bill.

“Measures must be discussed by the government to rein in the growth of the public sector wage bill”, he demanded.

Aisen believed this could be achieved by hiring fewer new staff for the state, and “increasing wages in a much more cautious way than has been the case”.

But the largest numbers of state employees are in the education and health services, and this year their wage rises were much lower than the rate of inflation. When “Savana” pointed out that the wages of most public servants do not cover basic living expenses, Aisen agreed this was a concern “but we must be honest about the capacity of the government to pay wages for the public administration”.

He suggested cutting benefits for those at the top of the pay scale “before reducing the wages of the lower strata. The government needs to debate sustainable options, but not give the impression that nothing needs to be done”.

Aisen praised the recent increase in electricity tariffs (of between 35 and 42 per cent), pointing out that the previous prices “were lower than the average in the region, and you have to be honest with the public”.

It was the richer groups in society that consumed the most electricity “and it is not correct for a public company to subsidise these classes. If EDM (the public electricity company) accumulates losses, it will certainly need an injection of capital from the government, which will come from the State Budget”.

### **Losses from fire put at over \$3 million**

Health authorities estimate that the fire which destroyed the Manica provincial medical stores in the central city of Chimoio on 17 August caused 200 million meticaís (\$3.3 million) of destruction.

Speaking at a Chimoio press conference on 25 August, the Manica provincial chief doctor, Firmino Jaqueta said that most of the medicines stored in the warehouse had been destroyed. 160 million meticaís of medicines were destroyed along with 40 million meticaís of medical and surgical equipment.

This estimate does not include the building itself, nor the non-medical materials that were ruined in the fire.

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

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## Attack on Nampula police command

Armed men attacked a district police command in the northern province of Nampula early on 27 August, according to a report in the daily newspaper “Noticias”.

The attack took place in the town of Nametil, capital of Mogovolas district. The district administrator, Ernesto Bombi, told the paper that the raiders killed one policeman and seriously injured a second, who was transferred to Nampula Central Hospital for treatment.

The group also stole firearms and ammunition from the district command. The administrator was not yet sure how much equipment had been taken.

According to “Noticias”, the incident began when two men, wearing what was described as “Arab clothing”, went to the district command before dawn to lodge a complaint against a third person, supposedly for theft. Once inside the command, they pulled out pistols and opened fire, hitting two police officers, one fatally.

Policemen outside the building heard shots and ran to the Command, but not in time to prevent the assailants escaping.

It was not clear even how many people were in the raiding party. The identity of the raiders is unknown.

“Noticias” says that calm has returned to Nametil, but residents are worried that the police guns that have fallen into the hands of criminals could be used against them.

## Power station to triple production

The company Gigawatt-Mocambique plans to expand electricity generation from its gas-fired power station at Ressano Garcia, on the border with South Africa from the current 120 to 350 megawatts.

According to Gigawatt’s director of operations, Nazario Meguigy, an additional 60 megawatts of generating capacity will be added in 2018, with an investment of about \$120 million.

The project to almost triple production, to 350 megawatts, will require a further \$700 million, and Meguigy, who was speaking during a visit to the power station by Deputy Labour Minister Osvaldo Petersburgo, said this sum is under negotiation with several financial institutions.

For his part, the Chief Executive Officer of Gigawatt-Mocambique, Bruno Morgado, said the company intends to transfer knowledge from foreign technical staff to their Mozambican colleagues, so that Mozambicans can guarantee the company’s production.

“When the company began its operations, we drew up a plan to reduce the number of foreign workers”, said Morgado. “We are in the second year of the plan and we think that within the next three years the company’s operations will be 100 per cent managed by Mozambicans”.

He added that, whenever necessary, specialists will be hired to support the Mozambican workers in such sensitive questions as the maintenance of equipment. Currently the Ressano Garcia power station employs 112 workers, of whom 102 are Mozambican.

“We have no doubt that, within the next three years, the company will be run by Mozambican workers”, he stressed.

## Mozambique to set up sovereign fund

The Mozambican government intends to set up a sovereign fund, to create the reserves needed to finance development projects, according to the Minister of Economy and Finance, Adriano Maleiane.

The new fund, Maleiane said, will be known as the National Development Fund (FND), and one of its main sources of funding will be the capital gains tax paid on the sales of shares in the country’s mineral resources.

This is clearly a Sovereign Wealth Fund in all but name. Setting up such a fund is a break with the policies of the previous government, headed by President Armando Guebuza, which repeatedly refused to put extraordinary revenues, such as those from capital gains tax, into a special account.

Although the Guebuza government was strongly advised to set up a sovereign wealth fund, the Finance Minister of the time, Manuel Chang, always argued that the country had urgent needs which the windfall revenue from capital gains taxes should support.

Speaking during a lecture on fiscal consolidation on 18 August, Maleiane said the purpose of the FND “is to finance good initiatives, but which need capital to begin”.

“This fund will be fed in the same way that other countries feed their sovereign funds”, he added. “What we, as a government, are arguing is that when we receive such added value (from capital gains), the money should not be used to increase expenditure, since we will then have adjustment problems. We are saying: let’s make use of the capital gains taxes and put them in a special account”.

It is likely that the first money to go into the sovereign fund will be the \$350 million in capital gains tax to be paid on the sale by the Italian energy company ENI to the US oil and gas giant ExxonMobil of a 25 per cent share in Area Four of the Rovuma Basin. ExxonMobil bought this holding for \$2.8 billion. Area Four contains known reserves of 85 trillion cubic feet of natural gas.

Maleiane said the FND will be managed by an autonomous institution, which is likely to be the National Investment Bank (BNI).

Maleiane also took the opportunity to deny claims made by the anti-corruption NGO, the Centre for Public Integrity (CIP), that the government has illicitly contracted further “hidden debts”, amounting to \$100 million. These debts were contracted with the Exim Bank of China, and are intended to finance the Beira Fishing Port, and the National Roads Administration (ANE).

Maleiane insisted that all the “problematic debts” have now been made public – he was referring to the over two billion dollars worth of loans contracted by three security-related companies with European banks.

“We don’t have any hidden loans”, said Maleiane. “Everything which had to be clarified about the registration of the debt and the numbers is now clear”. He did not know what sources CIP had used, but insisted the government had no further illicit or hidden debts.

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