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President Nyusi states FOCAC positive for Mozambique

President Filipe Nyusi on 4 September described as “very positive” Mozambique’s participation in the Third Summit of the Forum on China-Africa Cooperation (FOCAC) in Beijing.

“There were bilateral gains as well as gains at the level of FOCAC”, President Nyusi told Mozambican reporters at the end of the two-day event.

He said Mozambique has received a Chinese grant of 140 million yuan (about US\$20.5 million). Of this sum, 100 million yuan are intended to support development projects, while the other 40 million take the form of a grant of rice.

President Nyusi said that China has also cancelled debt payments due on Chinese government interest free loans that mature by the end of 2018. However, he did not put a figure on this debt relief.

He also stressed the three bilateral cooperation agreements that the Mozambican and Chinese delegations had signed, witnessed by President Nyusi and his Chinese host Xi Jinping. These are understandings on the strengthening of productive capacity, on plant health, and on the structuring of cooperation under China’s Belt and Road Initiative (BRI).

The document on plant health will allow Mozambican products of plant origin to enter the Chinese market.

The President said he was impressed with the stance taken by the Mozambican business delegation that accompanied him to Beijing. “Our business people managed to sign six memorandums of understanding”, he said.

During the Business Forum held on 2 September, involving Mozambican and Chinese businesses, the largest Mozambican commercial bank, the Millennium-BIM (International Bank of Mozambique), reached an understanding with Fosun International, a Chinese investment and asset management company, and the publicly owned mobile phone company M-Cel signed a memorandum with one of the leading Chinese telecommunications companies, Huawei.

The Mozambican government’s Investment and Export Promotion Agency (APIEX) signed an understanding to promote industrial parks in Mozambique, and the National Roads Administration (ANE) signed three memorandums.

At the opening of FOCAC on 3 September, President Xi announced a new financing package for African countries of US\$60 billion - \$20 billion will be for lines of credit, \$15 billion for soft loans, \$10 billion for a special China-Africa fund for development financing, \$10 billion for Chinese companies to invest in Africa, and \$5 billion to finance African imports.

To benefit from this package, President Nyusi said, Mozambique and other African countries will have to present projects. In the near future, the Mozambican Minister of Economy and Finance, Adriano Maleiane, will visit Beijing to discuss the matter.

President inaugurates Beira drainage system

President Filipe Nyusi on 7 September inaugurated the new storm water drainage system in the central city of Beira which will reduce the risk of flooding in the city.

Much of Beira is below sea level, and low-lying areas of the city have been regularly flooded when heavy rains coincide with high tides.

The new system, financed by the World Bank and the Mozambican government, cost US\$45.6 million. The work, which began in December 2015 and ended in June this year, involved building or rehabilitating three major drainage channels, running for 11,468 metres, and installing a retention basin. 250,000 Beira residents are expected to benefit from the new system

Addressing the ceremony, President Nyusi said the system is vital for Beira sanitation, since it will ensure that storm waters flow rapidly to the sea and reduce the risk of flooding and the spread of water borne diseases. Funds that used to be spent on controlling these diseases in Beira can now be spent on other priorities.

The mayor of Beira, Daviz Simango, stressed that the system provides the cornerstones not only for storm water drainage, but also for coastal protection, the development of tourism and environmental balance.

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

Maputo Assembly expels six MDM defectors

The Maputo Municipal Assembly on 5 September sacked six of its members who had defected from the Mozambique Democratic Movement (MDM) to other parties or groups.

The six are Ismael Nhacucue (a former head of the MDM group in the Assembly), Armando Paia, Ismael Cassamo, Carlos Tembe, Wiliamo Savanguane and Rui Munona. All were elected on the MDM ticket in the municipal elections of 2013.

There are 64 seats in the Maputo Municipal Assembly. In 2013, the ruling Frelimo Party won 37 of them, and the MDM took the other 27. There are no members of the Assembly from the main opposition party Renamo because it boycotted the 2013 elections.

At the meeting, 56 members of the Assembly were present. 51 of them voted to expel the MDM defectors from the Assembly and five cast blank ballots (presumably from those under threat of expulsion).

According to Augusto Banze, the head of the MDM group in the Assembly, Ismael Nhacucue, Armando Augusto, Ismael Cassamo and Rui Munona, are all on Renamo's list of candidates for the 10 October municipal elections. The other two, Carlos Tembe and Wiliamo Savanguane, have joined the list put forward by an independent group calling itself the "Group of Citizens for Mozambican Civic Solidarity".

The Assembly moved against its former members under a clause in the legislation governing municipalities, which states that elected municipal officials lose their seats if they join a party or list other than that for which they were originally elected. The penalty for betraying one's party is expulsion from the Assembly.

The six expelled members claimed that the Assembly's vote was "illegal and irresponsible". Ismael Nhacucue told reporters that they will appeal to the Administrative Tribunal.

This is the latest stage in a bitter battle between Renamo and MDM. Renamo clearly set out to wreck the MDM's electoral chances by poaching some of its most prominent members, such as Venancio Mondlane (once rapporteur of the MDM parliamentary group), and the mayor of the central city of Quelimane, Manuel Araujo.

The MDM has responded by trying to disqualify its turncoats from standing in the October elections. Frelimo has been happy to support the MDM, leading to claims from Renamo and from the MDM defectors that there is a "Frelimo-MDM coalition".

The MDM has clearly read the municipal legislation more closely than Renamo did. It successfully asked the National Elections Commission (CNE) to disqualify Mondlane as Renamo's mayoral candidate in Maputo city, and Renamo's subsequent appeal to the Constitutional Council, the highest body in matters of constitutional and electoral law was rejected.

In Quelimane, Araujo was sacked as mayor – but, like the six members of the Maputo Assembly, he is appealing to the Administrative Tribunal.

President Nyusi lays first stone for Sofala road

President Filipe Nyusi on 7 September laid the first stone for the paving of a major road in the central province of Sofala, running from Tica, in Nhamatanda district, through the district of Buzi, to Nova Sofala on the shores of the Indian Ocean.

The road links Buzi to the EN6 highway, running from the port of Beira to Zimbabwe. It is 134 kilometres long, and the job is budgeted at over US\$126 million, provided by the Exim Bank of India and by the Mozambican government. Paving and widening the road is scheduled to take 33 months.

The job includes building a 670-metre-long bridge over the Buzi River. Floods on the Buzi have frequently made the existing Tica-Buzi road impassable and have cut Buzi from the rest of the country.

At the ceremony, President Nyusi recalled that India was the first country in Asia he visited after becoming head of state in 2015. He said that, in his meeting with Indian Prime Minister Narendra Modi, he told him there was a river in Mozambique "that doesn't let the people rest", referring to the Buzi. "He replied 'let us see', and when he came to Mozambique, this became a promise along with other road development projects, such as the Mandlakazi-Macuacua road in the south (inaugurated last month)", said President Nyusi.

Indian High Commissioner Rudra Shresth told the ceremony that India agreed to finance the road because it regards Mozambique as a strategic partner.

First stone laid for water distribution centre

Deputy Minister of Public Works, Victor Tauacale, on 10 September laid the first stone for the construction of a water distribution centre at Mathlemele, in the southern city of Matola.

The centre forms part of an agreement between the Mozambican and Dutch governments, valued at around €20 million (US\$23.2 million) to implement the Greater Maputo Water Supply Project.

The Mathlemele distribution centre itself will cost 490 million meticais (about US\$8.1 million). It will consist of two tanks, one that can hold 5,000 cubic metres of water and the other with a capacity of 2,500 cubic metres, an elevated tank with a 250-cubic metre capacity, a pumping station and a commercial building.

The new facility is owned by the government's Water Supply Investment and Assets Fund (FIPAG). The contractor is the Chinese company China Geo Engineering Corporation International, and the inspector is a consortium between Scott Wilson-Mozambique and Lamont Consulting Engineers.

The distribution centre will benefit 465,000 people in Mathlemele and the neighbourhoods of Zona Verde, Ndlavela, 1st May, Km 15 and Nkobe. The work will take 15 months and create at least 300 jobs.

A second distribution centre will be built at Guava in Marracuene district and will serve such outlying Maputo neighbourhoods as Albazine and Magoanine.

First steel cut for floating LNG platform

Mozambique's Minister of Mineral Resources and Energy, Max Tonela, on 6 September chaired the ceremony in the Geoje shipyard in South Korea, at which the first steel was cut for the hull of the floating liquefied natural gas (FLNG) platform that will be installed in the Rovuma Basin, off the coast of the northern Mozambican province of Cabo Delgado.

When installed, the floating platform "will allow the creation of 800 permanent jobs and ensure an additional source of revenue for the state", said Tonela, "In the ensuing 25 years, the project will contribute about US\$700 million a year".

The gas will come from the Coral South field in Rovuma Basin Area Four, where the operator is the Italian energy company ENI.

ENI and its partners announced the Final Investment Decision to build the FLNG plant some 15 months ago, at a ceremony in Maputo. The ENI-led consortium hopes that LNG production will begin by 2022.

The members of the Area 4 consortium are Eni (25 per cent), the US oil and gas giant ExxonMobil (25 per cent), the China National Petroleum Corporation (20%), Galp Energy of Portugal, Kogas of Korea, and Mozambique's own National Hydrocarbon Company (ENH) each with ten per cent.

The Coral South field contains 450 billion cubic meters (16 trillion cubic feet) of natural gas. In October 2016, Eni and its partners signed an agreement with British Petroleum (BP) for the sale of all the LNG produced from Coral South for a period of over 20 years.

Government setting up gem marketing centres

The Mozambican government is setting up marketing centres for gemstones and precious metals, to capture for the legal sector of the economy resources from small scale artisanal mining of these minerals, which are currently sold informally and illegally.

The government initiative seeks to end the huge loss of money to the state that illegal sales of minerals cause. The first marketing centre has been established in the northern province of Nampula by the state-owned Mozambican Mining Exploration Company (EMEM) and a second will soon be opened in Manica province.

The government has also set up trading posts for gems and precious metals in the northern port of Nacala and in Maputo. These posts are not yet operational but are expected to operate in the near future.

Speaking in Maputo on 5 September at the opening of the National Gem, Mineral and Jewellery Fair, the chairperson of EMEM, Celestino Siteo, explained that the trading posts will facilitate the export of precious minerals, with artisanal producers able to deal with all the necessary paperwork at the same place. He added, "What currently happens that the sale of minerals is not following the legal circuit, and so the government has decided to find mechanisms to bring all the stakeholders in this marketing area into a legal format".

Vale sells coal to cement company

For the first time, coal mined in the western province of Tete will be used on the domestic market, instead of all being exported, under a deal signed between the Brazilian mining giant Vale and Cimentos de Maiaia, a cement company in the northern port city of Nacala.

Maiaia is a company inaugurated three months ago in the Nacala Special Economic Zone. The initial deal is for an annual sale of 600 tonnes of coal to Maiaia.

The coal will reach the company along the Nacala Logistics Corridor (CLN), the railway that runs from the Moatize coal basin in Tete across southern Malawi and onto the mineral port of Nacala-a-Velha, on the coast of Nampula province.

This corridor is handling 1.3 million tonnes of coal a month, overwhelmingly for export. Since the line began operations two and a half years ago it has exported over 20 million tonnes of coal.

This year's plan is to transport over 13 million tonnes of coal along the 912-kilometre line from Moatize to Nacala. The coal trains consist of 120 wagons and take 31 hours to make the journey.

Within two years the Nacala-a-Velha port is expected to reach its maximum capacity of handling 18 million tonnes a year. Vale's open cast mine at Moatize can produce 22 million tonnes of coal a year. Vale owns 50 per cent of CLN, and the other 50 per cent is held by the Japanese multinational, Mitsui.

Ethiopian Airlines to operate out of Nacala

Ethiopian Airlines will begin operating domestic flights in Mozambique as from 1 October, according to Emmanuel Chaves, chairperson of the Mozambican airports company AdM.

Speaking at an event during the Maputo International Trade Fair (FACIM) Chaves said Ethiopian Airlines would exploit both domestic and international routes based on the northern airport of Nacala.

Currently the only scheduled flights out of Nacala are by Mozambique Airlines (LAM), which flies between Maputo and Nacala twice a week.

Chaves explained that the airline has set up a subsidiary "Ethiopian Mozambique Airlines", which is registered in Mozambique. Based on its Mozambican certification, it will be able to fly to destinations inside and outside Mozambique. He added that a team of senior managers from Ethiopian Airlines is currently in Mozambique, dealing with the final details to ensure that the flights will indeed begin in October.

Chaves believed that the Ethiopian Airlines operations in Nacala will make it viable to embark on a major real estate development on an area of 300 hectares alongside the airport. He added that the Bank of Mozambique has already agreed to build its northern regional offices in this "airport city".

He added that ADM is in negotiations with LAM so that the LAM subsidiary MEX (Mozambique Express) will base its operations in Nacala.

Central Bank cuts interest rates

The Monetary Policy Committee of the Bank of Mozambique on 30 August reduced the bank's benchmark interest rate by 75 base points, from 15.75 to 15 per cent.

This interest rate, the Interbank Money Market Rate (MIMO), is used by the central bank for its interventions on the interbank money market to regulate liquidity.

At a Maputo press conference, the governor of the Bank of Mozambique, Rogerio Zandamela, said that low inflation justified cutting the MIMO interest rate. According to the National Statistics Institute (INE), inflation from January to July was 4.73 per cent. Zandamela thought it more than likely that this trend would continue, and that inflation for the year would be "single digit" (i.e. less than 10 per cent).

But the interest rates charged by commercial banks remain extraordinarily high. The gap between the interest rate offered on deposit accounts and the interest charged on bank loans is now higher than ever.

Zandamela said the average interest earned by deposit accounts is 12.2 per cent, but the average interest on a loan with maturity of a year is 26.51 per cent. Clients whom the banks deem worthy of their prime rate will only have to pay 21.75 per cent.

Zandamela forecast that commercial interest rates will continue to fall but admitted that the gap between interest on deposits and interest on loans was a matter of concern. "We recognise that the interest rates are a heavy burden, but not so heavy as they were before", he said.

The governor reported a slight improvement in the GDP growth rate. In the second quarter of this year the GDP grew, in annual terms, by 3.4 per cent. This was better than the 3.2 per cent in the first quarter, but lower than the 3.8 per cent in the second quarter of 2017.

Growth in the second quarter was heavily dependent on the extractive industry (8.3 per cent), financial services (6.6 per cent), and social sectors and the public administration (seven per cent). Agriculture only grew by 3.1 per cent, while the building industry contracted by 5.9 per cent.

The exchange rate of the Mozambican currency, the metical, had fluctuated over the previous two months, but within a fairly narrow band. The average exchange rate had been 59.38 meticaïs to the US dollar on 15 June, falling to 58.07 meticaïs on 10 August, and then rising again to 60.05 meticaïs on 29 August.

Over the same period, the metical gained against the South African rand: the exchange rate moved from 4.49 meticaïs to the rand to 4.24.

Zandamela said the country's net international reserves had fallen by US\$67 million since June, due

largely to debt servicing. But the net reserves remained at the "comfortable level" of US\$3.156 billion, said the governor – enough to cover seven months of imports of goods and non-factor services, excluding the transactions of the foreign investment mega-projects.

BCI launches agro-business credit lines

Mozambique's second largest commercial bank, the BCI (Commercial and Investment Bank), announced on 28 August the launch of a line of credit of 500 million meticaïs (about US\$8.5 million) to finance micro, small and medium agro-business companies.

The announcement was made public at a seminar held by the Confederation of Mozambican Business Associations (CTA) on the second day of the Maputo International Trade Fair (FACIM), held in Marracuene.

"We are continuing to reaffirm our position in the market, by giving our support in this way to the micro, small and medium enterprises who are active in agro-business", declared BCI representative Casimiro Chichava. "This line could contribute to supporting investment with loans at very competitive interest rates and attractive repayment periods".

Mozambican agriculture currently employs around 5.7 million people, which is about 70 per cent of the economically active population. In 2017, agriculture contributed 29 per cent of the gross domestic product.

But farmers are only using a small fraction of the available arable land. Over 85 per cent of the arable land is not used for agriculture. Most agricultural production is undertaken by smallholder farmers who face enormous difficulties in obtaining bank credit. Indeed, in recent years the financing for agriculture has fallen.

The BCI says that in this context it is taking up the challenge of transforming agriculture into a more competitive and sustainable sector of the economy, so that it can continue to constitute the largest source of income for the Mozambican population.

But the bank is also calling for a range of reforms that can stimulate agricultural competitiveness, and for such programmes as the provision of school meals relying on local agricultural production. The BCI also urges the producers to adopt an image and packaging strategy to make their products attractive, inside and outside the country.

"Packaging strategy makes all the difference", said Chichava. "In communities today, it is common practice to sell beans of very high quality in containers without any adequate labels. We think that with a better label the product would become more competitive".

A further relevant aspect, he added, is certification, which would make the goods certified more attractive and competitive on the market.

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