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Friction with donors continues

Foreign Minister Oldemiro Baloi on 9 March admitted that there is currently “a certain friction” between the government and the group of 19 donors and funding agencies who provide direct support to the state budget. These donors, known as the Programme Aid Partners or the G-19, are effectively on strike. They have not disbursed any budget support since mid-December, but have given no public explanation why they have turned off the taps.

Speaking on the Radio Mozambique programme “Café da Manhã”, Baloi said that the current tensions were, in reality, with some, and not all, the PAPs. “Fortunately, for us the G-19 is not a very homogenous group”, he said. Despite the friction, he added, it would be incorrect to describe the relationship between any of the G-19 and the Mozambican government as “bad”.

Some of the members of the group still had “excellent” relations with Mozambique, while for the others the relationship could be described as “simply good”. Baloi cited in particular the firm commitment to budget support given by Portuguese Prime Minister Jose Socrates during his recent visit to Mozambique

Baloi regarded this as showing that, among the G-19, there are those who believe that Mozambique is on the right path and that there is no good reason for current frictions. He thought there were no grounds for pessimism about the long-term relationship between Mozambique and its partners.

According to the well-informed “Mozambique Political Process Bulletin”, published by the Association of European Parliamentarians for Africa (AWEPA), and edited by British journalist Joseph Hanlon, the donors “are demanding promises from government for action this year on electoral reform, corruption and conflict of interest, and on the growing role of the Frelimo party inside the state apparatus”.

Hanlon notes “the G-19 budget support group is being extremely secretive, refusing even off-the-record briefings, claiming they do not want to be seen to be putting pressure on government. In practice donors seem to be searching for a minimum promise from government which will provide a face-saving solution, and allow the G-19 to stay together”.

Last May, the G-19 promised \$472 million in budget support for 2010. The government was expecting \$175 million of that to be disbursed in January. Finance Minister Manuel Chang has warned that if the donor

funds are not released by April the government may have to rewrite the 2010 budget.

The donors have for many years expressed concerns about corruption – but it is ironic that they should cut off funds at the very moment that a former minister was on trial on corruption charges. When the court delivered its verdict, on 27 February, former Transport Minister Antonio Munguambe was sentenced to 20 years imprisonment.

In fact, ever since President Armando Guebuza sacked the ineffective Joaquim Madeira as Attorney-General, replacing him with Augusto Paulino, the battle against corruption has been dramatically stepped up. The Central Office for the Fight Against Corruption (GCCC), which had previously never managed to bring any cases to court, was reorganized, and there were subsequently a series of high profile arrests – including not only Munguambe and the chairperson of the Airport company (ADM), Diodino Cambaza, but also former Interior Minister Almerino Manhene, and the former head of the government computer services, Orlando Come.

As for electoral reform, nobody doubts that there are serious problems with the current electoral legislation, and all three parties represented in parliament agree that it should be rewritten.

The sudden stress on electoral legislation is an example of the lack of donor memory. Hanlon recalls that “in 2007 donors told me that elections were not part of the G-19 remit because they were not in the memorandum of understanding with the government. Moreover, donors did not replace staff linked to elections when they finished their terms in Maputo. So government is annoyed that having not played a constructive role earlier, donors suddenly made angry public statements just before the election”.

Hanlon notes that “Donor officials in Maputo have a strong vested interest in keeping the money flowing, and Mozambique clearly needs the cash. So there is a mutual interest in finding some kind of face-saving agreement with vague promises of action”.

Thousands evacuated in Zambezi Valley

As of 16 March the toll from the flooding in central Mozambique is six fatalities and 37 injuries, according to Deputy Justice Minister Alberto Nkutumula. In addition, 1,924 homes have been destroyed, and 55 classrooms, four health posts and 11 places of worship inundated. 895 hectares of crops have been lost to the floods.

Nkutumula told reporters that 130,000 people have been affected by the floods in the Zambezi valley, but it had only been necessary to evacuate around 6,000 of these. Most of these people left their homes voluntarily, but in some cases the Civil Protection Unit (UNOPROC) had to use force to evacuate them.

Rainfall in central Mozambique and in neighbouring countries has slackened, said Nkutumula. The levels of the three main rivers in the centre of the country - the Zambezi, the Pungue and the Buzi - are now dropping, but all are still above flood alert level.

Food aid is needed not only for those affected by the floods, but also for people whose crops have failed due to drought in much of southern and central Mozambique. The United Nations World Food Programme (WFP) has informed the government that it has sufficient food to supply 178,000 families for the next two months.

One determinant factor for flooding on the lower and middle Zambezi is the amount of water discharged by the Cahora Bassa dam. The Cahora Bassa Lake has acted as a gigantic buffer, absorbing much of the water released by the Kariba dam in Zambia.

Cholera death toll rises to 41

The cholera outbreaks in northern and central Mozambique have killed 41 people out of the 2,601 cases notified, according to the spokesperson for the Ministry of Health, Leonardo Chavane.

Speaking to reporters on 11 March, Chavane said that the number of cases is rising, and some of the provinces with cholera outbreaks are now affected by flooding, which is likely to spread the disease.

"The floods provide fertile conditions for contamination of sources of drinking water", said Chavane. Wells have been submerged, and it was very likely that faecal matter could enter the water supply.

The Health Ministry was thus working to guarantee access by communities to water purification substances, such as chlorine.

Chavane said that the worst hit province is Zambezia which has so far this year reported 1,099 cases and 19 deaths. The vast majority of these cases - 959 - were diagnosed in the district of Gurue.

Cabo Delgado, in the far north, has recorded 643 cases and seven deaths. The worst hit area is the provincial capital, Pemba. In Niassa there have been 534 cases and 13 deaths, in Sofala 195 cases and one death, and in Nampula 130 cases and one death.

The wave of attacks on health centres, caused by rumours that health workers were spreading cholera rather than fighting it, appears to have ended. This month there have been no new cases of disinformation and vandalism. Chavane attributed this success to efforts made, in communities and schools, to inform citizens of the true causes of cholera and how it can be prevented.

Economy set to keep growing

Antonio Coutinho, Chief Executive Officer of Standard Bank, the third largest commercial bank in Mozambique, said in Maputo on 11 March that the Mozambican economy will keep growing gradually this year, despite the world financial crisis.

Addressing reporters during the "Economic Briefing" that Standard Bank organises twice a year, Coutinho said that this growth is due to Mozambique having a diversified and essentially agricultural economy. He added that in the African and world context, the economy has performed much better than expected.

According to Coutinho "the growing demand for credit in the areas of agriculture and trade in the Mozambican market, particularly in Sofala, Tete, and Nampula provinces, is a reflection of that economic growth".

Standard Bank senior economist Yvonne Mhango predicted that the Mozambican economy will grow by between five and six per cent this year. But she warned that inflation will also increase, particularly because at some time in the near future the government will remove its costly fuel subsidies, which have frozen the prices of diesel and petrol for the past year.

As for the delay by the country's main donors in disbursing general budget support for this year, Mhango said the government could fill the financial gap by resorting to domestic loans - and in that case, the country's creditors would be the commercial banks.

The delay in disbursing donor funds adds to a shortage of foreign currency on the local market. This is putting pressure on the Mozambican currency, the metical, which is gradually depreciating. While the Bank of Mozambique is still quoting rates of below 28 meticaïs to the US dollar, in some of the commercial banks the rates have reached 32 or 33 meticaïs to the dollar (and even more on the illegal, parallel market).

MDM appoints Secretary-General

Daviz Simango, president of the country's second largest opposition party, Mozambique Democratic Movement (MDM), on 14 March appointed Ismael Mussa as the party's secretary-general.

Mussa is a university lecturer, and holds one of the eight parliamentary seats won by the MDM in last October's parliamentary elections. Like most of the core leadership of the MDM, Mussa was once a member of the main opposition party, Renamo. He resigned from Renamo in May 2009.

Since the formation of the MDM a year ago, the party has been without a secretary-general. Mussa was appointed at the end of a two-day meeting in the central city of Quelimane of the MDM National Council, and other senior figures in the party.

The meeting elected a new National Political Commission to replace the body that Simango dissolved in February. The most surprising new entry in the Political Commission is Luis Boavida, who was, over a period of 15 years, one of the most aggressive orators in the Renamo parliamentary group.

Simango said the appointments were part of a reorganisation "leading to our victories in the municipal elections of 2013 and the general elections of 2014".

Japan finances Nampula-Cuamba road

The Japanese government has pledged to disburse \$60 million as part of the sum required to rehabilitate about 350 kilometres of the road between the northern Mozambican cities of Nampula and Cuamba.

To that end, Mozambican Foreign Minister Oldemiro Baloi signed in Maputo on 10 March an agreement with the Japanese Ambassador, Susumu Segawa, and work on the road is due to start on the last quarter of this year.

This is part of the Japanese Minimal Interest Rate Initiative ((MIRAI), whereby the interest rate on the loan is 0.01 per cent a year.

This project also counts on financing from the African Development Bank and the South Korean government, but the agreements on funding from these two partners have yet to be signed.

Baloi told the signing ceremony that the Japanese funding is of extreme importance to carry out the Mozambican government's priorities to build infrastructures for the country's social and economic development.

For his part, Segawa said he expects "that the implementation of this project will bring good results in the long term and will be economically sustainable".

He noted that this road will help reduce the cost of transport and cut the time for travel between Cuamba, Nampula and the port of Nacala.

Japan announced, during a Tokyo International Conference on African Development (TICAD) in 2008 that it is prepared to double its financial assistance to Africa for the next five years. Segawa dismissed any fear that Japan may renege on that pledge because of the world financial crisis, and insisted that his government is determined to honour its TICAD promises.

Work on African Games village starts in April

The All-Africa Games Organizing Committee (COJA) has guaranteed that there is money available to start, in April, building work on the athletes' village for the next games, due to be held in Mozambique in September 2011.

The infrastructure, to be built in the outer Maputo suburb of Zimpeto, near the National Stadium, is estimated to cost between \$90 and \$120 million.

COJA director Antonio Saia gave this information while commenting on the progress of the plans, particularly concerning the issue of funds. "We are happy with the guarantee of funding for the work to build the village for the games, an issue that was of a great concern for us", said Saia, adding that COJA is planning to start the work as soon as possible, to have it completed by June 2011.

COJA is currently working to legalize the plot of land where the athletes' village will be built. It is to cater for about 10,000 people, including 6,500 athletes and other members of the delegations.

Saia expressed satisfaction with "winning the battle" of funding, but warned that complete victory can only be claimed when the other infrastructures across the country are rehabilitated and are in good condition to host the games.

Most of the funding will come from the Mozambican and Portuguese governments. During his recent visit to

Mozambique, Portuguese Prime Minister Jose Socrates said that his government is prepared to finance, together with the Mozambican government, the building of the athletes' village.

This will only be the third time that the games have been held in southern Africa. Originally the games were to be hosted by Zambia – but the Zambian government withdrew its proposal on the grounds of rising costs. Mozambique stepped into the breach, and the Supreme Council for Sport in Africa announced in 2009 that Mozambique would host the games.

The Games will cover 26 sports including athletics, football, swimming, squash, badminton, volleyball, basketball, tennis, hockey, handball and boxing.

Tax collection exceeds target

The Mozambican government raised two per cent more revenue from domestic sources in 2009 than it had planned, Finance Minister Manuel Chang announced on 5 March. The state collected 47.401 billion meticaís (\$1.72 billion) in revenue, mostly from taxes, which was 102 per cent of the target.

Speaking at the opening of a national seminar on the implementation of tax and customs policies, Chang said that the ratio of revenue to Gross Domestic Product has risen steadily from 12.4 per cent in 2004 to 17.8 per cent in 2009. This was an annual increase of 1.08 per cent, which is twice the 0.5 per cent target that the government had set itself.

The challenge for this year, Chang said, was for the Tax Authority to collect domestic revenue of 57.432 billion meticaís (\$2.08 billion).

The Chairperson of the AT, Rosario Fernandes, told the meeting that in 2005, the year prior to the creation of the AT, the state only collected around 21 billion meticaís in revenue. This was 13.68 per cent of the GDP of the time, and was only 94.2 per cent of what had been planned.

There had been a radical change since the establishment of the Tax Authority in November 2006, he claimed. The institution sought to promote integrity and transparency, and fought against tax evasion and corruption – all of which helped raise the amount of revenue collected.

Fernandes said that the AT had held 1,595 tax audits of various companies, which resulted in the recovery of 98 million meticaís.

Total recovery of money for the state, by cracking down on tax offences, was 400 million meticaís in 2009 he said (or 0.8 per cent of the total amount of revenue collected).

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Major investment in Maputo water system

The Mozambican government's Water Supply Investment and Assets Fund (FIPAG) announced on 3 March that it has embarked on large-scale improvements to the Greater Maputo water system, under which at least 1.5 million people will enjoy access to good quality water 24 hours a day.

The total cost of the projects, covering the cities of Maputo and Matola, and the neighbouring town of Boane, is 3.6 billion meticaís (\$108 million) and they will mostly be carried out over a period of 18 months. The funding comes from the European Union, the European Investment Bank, the Dutch government, the French Development Agency and the Mozambican government itself under a joint financing agreement reached last October.

The largest of the projects is the rehabilitation and expansion of the water treatment station on the Umbeluzi River, which will cost 1.3 billion meticaís. The work has been awarded to a consortium formed by the Portuguese companies Mota Engil and Efacec, and the Mozambican company Sogitel. The work should start at the end of March and last 18 months.

At the same time a new water main, 19 kilometres long, will be built, and the existing mains pipe will be rehabilitated. This contract is valued at 729.7 million meticaís and has been won by the China Geo-Engineering Corporation.

A second Chinese company, China Henan International (CHICO), has won the contract to expand the existing system into new areas. This is budgeted at 459.7 million meticaís and it too is to be carried out over 18 months.

The construction of 13 small water systems based on wells in peri-urban neighbourhoods of Maputo and Matola is budgeted at 85 million meticaís and should take six months. This contract has been awarded to Profuro International, the Mozambican subsidiary of the Italian Trevi Group.

FIPAG is also going into partnership with small-scale private operators to extend three private water supply systems. The work is to be done over six months, and involves a subsidy of 600,000 meticaís for the private operators

Finally, a consultancy contract to draw up a Water Supply Master Plan for the Maputo Metropolitan Area has been awarded to a consortium of the Italian companies C. Lotti & Associati and SIM SpA GICO Branch. The contract is for 36 million meticaís, and the deadline for the consortium to complete its work is 11 months.

The government is committed to ensuring a supply of clean water to at least 70 per cent of the population by 2015.

Portugal to sell its shares in Cahora Bassa

Portuguese Prime Minister Jose Socrates announced in the western province of Tete on 4 March that Portugal intends to sell its remaining shares in Hidroelectrica de Cahora Bassa (HCB), the company that operates the gigantic Cahora Bassa dam on the Zambezi River.

Up until 2007 the Portuguese state owned 82 per cent of HCB, while Mozambique only held 18 per cent. Thus Portuguese directors were a majority on the board. Mozambique took control of the dam in November 2007 when it purchased 67 per cent of the shares from Portugal, for a price of \$700 million. Mozambique now holds 85 per cent of the shares in HCB and Portugal 15 per cent.

Speaking to the press at the dam town of Songo, after a visit to Cahora Bassa, Socrates said "Yes, we are thinking of selling our shares in HCB, in a partnership between Mozambican and Portuguese companies".

He confirmed that he had also expressed this intention to the Mozambican government. He said it no longer made sense for the Portuguese government to hold shares in HCB. Portugal would therefore sell off its holding in such a way as to allow Mozambican and Portuguese companies to become shareholders.

"It's important that Portuguese companies remain associated with HCB", he said, "because we shall develop HCB together with the Mozambicans". Thus, Portuguese companies would transfer technology to Mozambique.

During the visit to Songo, the Mozambican Finance Minister Manuel Chang and the Portuguese Secretary of State for the Treasury, Carlos Pina, signed an agreement concluding implementation of the Portuguese Investment Support Fund, one of the by-products of the Mozambican purchase of HCB.

Of the purchase price for the HCB shares, the Portuguese government held back \$124 million to set up the Investment Support Fund, which will also be used to develop alternative energy projects, based on renewable sources of power. "With money from the past, we are going to build the future", declared Socrates.

During Socrates' four-day visit to Mozambique, eight other agreements were signed. One of these doubles a line of credit extended via the Portuguese state bank, the Caixa Geral de Depositos (CGD), from the €200 million (\$272 million) agreed in 2008 to €400 million.

An agreement on technical military cooperation envisages Portuguese assistance in setting up a Mozambique Institute of Higher Military Studies.

A protocol between the Mozambican and Portuguese Ministries of Culture concerns cooperation in theatre, music, dance, museums, archaeology, archives and much else, while cooperation between the two Education Ministries is aimed at creating libraries in Mozambican schools and encouraging reading habits among pupils.

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