

# Mozambique News Agency

## AIM Reports

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## Assembly passes 2016 plan and budget

The Mozambican parliament, the Assembly of the Republic, on 14 December passed the final readings of the 2016 Economic and Social Plan and the State Budget. The resolution approving the Plan passed by 138 votes to 83, with all deputies present from the ruling Frelimo Party voting in favour and both opposition parties, Renamo and the Mozambique Democratic Movement (MDM), voting against.

The 2016 plan envisages a growth of seven per cent in the gross domestic product (revised downwards from an earlier projection of 7.8 per cent). The government expects exports to rise by 7.4 per cent to US\$3.6 billion. But since imports are forecast to rise by 10.9 per cent, the balance of trade will deteriorate.

Much of this is for the imports required to build the liquefied natural gas factory in the northern province of Cabo Delgado, which will process the vast gas resources discovered offshore, in the Rovuma Basin.

As for inflation, the government hopes to keep the average 12 monthly inflation rate in 2016 at no more than 5.6 per cent.

The final reading of the law on the 2016 state budget passed by 141 Frelimo votes to 86 Renamo and MDM votes (the difference between the votes on the plan and the budget was due to deputies entering and leaving the chamber).

During the debate, Renamo accused the government of preparing to wage war – and then heckled Frelimo deputy Isaura Julio who pointed out that the illegal weapons are in the hands of Renamo and demanded that Renamo disarm its militia.

Renamo deputy Mohamed Yassin claimed that the 2016 Plan is “completely militarized” and alleged that there is a “hidden budget” for the purchase of armaments.

Ivan Mazanga went further and claimed that “most of the budget” will be spent on the defence and security forces.

Total defence and security spending, at central, provincial and district level, accounts for 8.5 per cent of the 2016 budget.

The priority social and economic sectors for the fight against poverty account for 66.6 per cent of planned expenditure, once debt servicing and financial operations are excluded. This is an increase on the 62.5 per cent that went to these sectors in 2015.

22.1 per cent of spending goes on education, 10.4 per cent on health, and 19.7 per cent on infrastructures. The latter breaks down into 13.8 per cent on roads and bridges, 4.4 per cent on water supply, and 1.5 per cent on mineral resources and energy. 9.6 per cent of expenditure is allocated to agriculture and rural development, 2.7 per cent to labour and social welfare, and 2.1 per cent to the judicial system.

The total expenditure now proposed in the budget is 246.1

billion meticaïs (about US\$5.04 billion at current exchange rates). Domestic revenue is expected to reach 173.2 billion meticaïs, leaving a deficit of 69.7 billion meticaïs.

Domestic resources, including domestic debt raised through the issue of treasury bonds, cover 74.8 per cent of total planned expenditure, and foreign aid will cover the remaining 25.2 per cent. 60 per cent of the foreign resources are expected to be loans and 40 per cent grants.

### US pledges US\$1.2 billion over five years

Mozambique and the United States on 9 December in Maputo signed an economic and technical cooperation agreement valid for five years, and worth US\$1.2 billion.

Signing the agreement were Foreign Minister Oldemiro Baloi and US ambassador Douglas Griffiths.

According to Baloi, the funds will be distributed annually in the sectors of health, agriculture, trade, business, management of natural resources and the environment, education, democracy and governance.

Baloi praised in particular the support from the United States in the fight against HIV/AIDS, which he described as “a serious threat to the present and future development of our country”.

For his part, Griffiths said that signing the agreement “is an important advance in our joint efforts to achieve sustainable development in Mozambique. We are proud of our more than 30 years of development aid with the purpose of improving the lives of all Mozambicans”.

He described the US as the largest bilateral donor to Mozambique. Since 1984, the US had provided US\$5.8 billion in aid, and in recent years US aid had been running at over US\$400 million a year, all of it in grants.

The first specific result, he said, would be an announcement in the next few days of a further grant of US\$166 million to support prevention and treatment of HIV/AIDS. That would bring US aid to Mozambique this year to around US\$470 million.

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This is a condensed version of the AIM daily news service – for details contact [pfauvet@live.com](mailto:pfauvet@live.com)

## For third consecutive month interest rates rise

The Bank of Mozambique has raised its key interest rates for the third consecutive month in its battle to keep inflation under control and stabilize the country's currency.

A statement from the Bank's Monetary Policy Committee, which met on 14 December, announced an immediate increase in the Standing Lending Facility (the interest rate paid by the commercial banks to the central bank for money borrowed on the Interbank Money Market) by 150 base points. This interest rate thus rises from 8.25 to 9.75 per cent.

This is the third consecutive month in which the central bank has raised this interest rate. The Standing Lending Facility is now at its highest level since October 2012.

The Monetary Policy Committee said the international situation pointed to "risks and uncertainties", along with evidence that the fall in international commodity prices (which has hit Mozambican export earnings) is likely to continue, while the US dollar remains strong against most other currencies. As a result, Mozambican inflation was higher than expected, and the exchange rate of the Mozambican currency, the metical, had deteriorated.

The Bank says it had decided to continue with measures "that will consolidate gains now being made in the exchange rate, and block a possible spiralling of inflation in 2016, which are essential measures for maintaining macro-economic stability".

The Bank's measures seem to be paying off, in that the metical has begun to stage a recovery. On 30 November, on the Inter-Bank Exchange Market, the metical was quoted at 54.06 to the dollar, an annual devaluation of 73.2 per cent. In the commercial banks, the rate was 56 meticais to the dollar, and in the foreign exchange bureaus it was 56.55.

But in the subsequent fortnight, the metical has appreciated strongly. On 11 December the average quotation of the commercial banks was 51.13 meticais to the dollar.

Even more significant are the gains made by the metical against the South African rand, the currency in which most of Mozambique's food imports are denominated. At the end of November, there were 3.76 meticais to the rand, an annual devaluation against the South African currency of 32.86 per cent. But on 11 December the rate was down to 3.5.

According to the National Statistics Institute (INE), using the consumer price indices for the three largest cities (Maputo, Nampula and Beira), inflation in November was 1.83 per cent. This pushed the accumulated inflation rate since January to 5.53 per cent. The yearly inflation rate (1 December 2014 to 30 November 2015) was 6.27 per cent.

Provisional figures show that Mozambique's net international reserves declined by US\$207 million in November and at the end of the month they stood at US\$1.948 billion, enough to cover 3.31 months of imports of goods and non-factor services, when the operations of the foreign exchange mega-projects are excluded.

The central bank noted that most commodity prices continued to fall on the world market in November. In annual terms, three of Mozambique's key exports have suffered major price declines – natural gas by 45.2 per cent, aluminium by 27.9 per cent, and thermal coal by 18 per cent.

On the other hand, grain and fuel imports have become cheaper. Over the year wheat and rice fell in price by 20.2 and 3.5 per cent. As for petroleum prices, the benchmark Brent crude fell by 36.4 per cent.

The oil prices continued falling in early December. On 30 November a barrel of Brent crude was quoted at US\$44.61, but by 11 December the price had fallen to US\$37.93.

## Government seeking price stability

Minister of Industry and Trade Max Tonela on 14 December warned against price speculation by unscrupulous traders as the festive season approaches, and promised that the government is making every effort to guarantee price stability.

Tonela argued that stability was possible because of a recovery in the exchange rate of the Mozambican currency, the metical. After a period of sharp devaluation in November, the metical has been appreciating strongly over the past fortnight, against the US dollar, and particularly against the South African rand, the currency in which most of Mozambique's food imports are denominated.

Speaking to reporters after a visit to the new installations of the Coca-Cola factory in Matola-Gare, about 20 kilometres from central Maputo, Tonela said "after a period where the trend was for rising prices, in the last week we have seen a declining tendency. Some products are falling in price because the value of the metical is rising against the dollar and the rand".

Tonela took the opportunity to warn that the government will take severe measures against traders who practice speculation or sell expired products. The government had set up a multi-sector working group to ensure that citizens are provided with basic goods and services of a decent quality during the Christmas and New Year period.

## Maputo power cuts could continue for a year

Power cuts in southern Mozambique could continue for up to a year while the publicly-owned electricity company, EDM, looks for a definitive solution to the breakdown in transformers at the key Matola sub-station.

This sombre prospect is in stark contrast with the initial optimism from EDM which believed that the breakdown could be repaired in 45 days.

There should be two transformers at Matola, but one broke down in March, and the second was knocked out by a lightning strike on 30 September. Mozambican and Portuguese technicians attempted to install a new coil in the second transformer, but when it was switched on, it failed the tests.

EDM spokesperson Luis Amado said it was now necessary to identify a supplier, and then manufacture, import and install two new transformers. This equipment is not readily available, but has to be made to order.

The standard time for this was 12 months, said Amado, but EDM had received proposals that would cut it to eight months. He was clearly sceptical of this shorter time frame, adding that EDM's own experience suggested that it would take a year to find a solution. The two transformers will cost US\$8 million, which EDM will finance out of its own funds.

Amado said that, as the festive season approaches, EDM will prioritise power for the water treatment and pumping stations, and for the factories which produce essential holiday produce (such as beer and soft drinks).

The erratic power supply has caused serious problems for the Maputo Regional Water Company (AdeM). Repeated power cuts have forced the treatment station on the Umbeluzi River to work well below its installed capacity.

AdeM issued a press statement saying that it was doing all in its power to satisfy the basic needs of its clients, but urged consumers "to use water rationally, so as to minimize the negative effects arising from the supply restrictions".

## At least seven die in grain terminal blaze

At least seven people died during the fire that broke out in the grain terminal at Matola port (part of the Maputo port complex) on 13 December during an attempt to steal fuel from a pipeline that passes beside the terminal.

Speaking on 15 December, the spokesperson for the General Command of the Mozambican police, Inacio Dina, said that efforts are under way to identify the charred bodies.

Dina said the police have arrested nine people in connection with the theft and the fire. One of them is in hospital with severe burns.

The thieves attacked the port by land and by sea, using seven small boats and two vehicles. But since there was no sign of forced entry at the gates of the port, somebody on the inside must have allowed the vehicles in.

According to the Maputo daily "Noticias", initial investigations point to the complicity in the theft of members of the police and of the private security force hired by the port. Citing a spokesperson for the Maputo Provincial Police Command, Juarce Martins, it said that three of the detainees had confirmed the involvement of port security workers.

This is far from the first time that fuel has been stolen from the port. People living near the port told "Noticias" that the theft of fuel, particularly diesel, is a regular occurrence. One of the vehicles destroyed in the Sunday blaze, a Toyota Hiace, had been seen selling diesel to local buyers.

## Anti-corruption office calls for removal of unfit officials

The survival of a democratic state ruled by law "imposes the maintenance of morality and administrative probity, and removing from the management of public affairs people who have shown that they are morally unfit for the exercise of public office", declared director of the Central Office for the Fight against Corruption, Ana Maria Gemo on 9 December.

She was speaking at the border post of Ressano Garcia, where she had decided to mark International Anti-Corruption Day, because of the key role of customs officers in either fighting or facilitating corruption.

Gemo said she had decided to intervene at this, the busiest of Mozambique's border posts, because here "corruption is expressed in illicit charges to ease the movement of people across the border or for the clearance of merchandise".

State employees in general, and those at the border in particular, should be "intolerant of corruption because fighting this phenomenon at the borders also makes a great contribution to repressing other types of crime, such as trafficking in people, in drugs, in guns and illegal migration".

To achieve their goals, Gemo added, traffickers "bribe dishonest staff so that, instead of complying with their duties as public servants they allow people and goods to enter and leave the country in a fraudulent manner".

To deal with these problems, the GCCC signed in Ressano Garcia a memorandum of understanding with the Ministry of the Interior and the Mozambique Tax Authority. Between them, the three institutions will take "effective and opportune measures to prevent and repress corruption at the border posts", said Gemo.

She revealed that, over the past five years, the GCCC has handled 3,806 cases of corruption and theft of state funds, which resulted in 1,228 prosecutions. 474 of these cases have come to court, but Gemo did not state how many had resulted in convictions. Most of the cases, she said, involved state officials who took bribes or who used public finance and other resources for their own benefit.

## Dhlakama threatens to take power

Afonso Dhlakama, leader of Mozambique's main opposition party, Renamo, has threatened to take power in the northern and central provinces next year.

According to the weekly "Magazine Independente" (MI), Dhlakama made this threat at a meeting with young supporters somewhere in the central province of Sofala, on 30 November.

MI obtained a recording of Dhlakama's speech, which lasted for seven minutes and 37 seconds. The paper's director, Lourenco Jossias, assured AIM that the tape is genuine and that he recognized Dhlakama's voice.

Dhlakama had not been seen in public since 9 October, when he consented to the police disarming his bodyguards at his house in Beira. He told his audience that he is in good health and claimed that he had only been silent for the past two months because he was preparing strategies "to oblige the Frelimo regime to fall once and for all".

He guaranteed that, as from next year, he will govern the central and northern provinces and will "if necessary, take Maputo".

"We shall take over without bloodshed", he declared, but added "if they want to send tanks and armoured cars to react, then Renamo will destroy everything".

"We don't want war, but if they come and attack us, they shall receive a beating", he said.

He claimed that the ruling Frelimo Party "is a small party which almost doesn't exist. It's a party of soldiers, of policemen, of thieves, of traitors, of assassins, of a group based in Maputo which is nothing".

Dhlakama urged the Renamo youth to follow in his footsteps, declaring "I don't want to be the only Afonso Dhlakama. I want thousands of Afonso Dhlakamas".

When the time came for him to rest, he added, it would be the Renamo youths who would replace him at the helm of the party.

## Jurist Carlos Jequé attacked

Unknown assailants on 8 December shot a prominent Mozambican jurist and political analyst, Carlos Jequé.

The attack took place on the Maputo Ring Road in Marracuene district. According to a source in his family, the incident took place at eight in the morning when a group of men forced him out of his car.

The assailants beat Jequé and forced him to run while they took pot shots at him, eventually hitting him in the leg. The motive for the attack is unknown, and the gang made no attempt to steal the vehicle.

Jequé was taken to the Maputo Private Hospital, where a doctor, Carlos Machado, confirmed to reporters that he had a bullet wound in one of his legs. He was treated for his injuries and is now out of danger.

Jequé was appointed chairperson of the Board of Directors of Mozambique Airlines (LAM) in June 2013, but only kept this job for a year before he was replaced by Silvestre Sechene.

Jequé ran as an independent in Mozambique's first presidential elections in 1994. He did very badly, winning only 0.7 per cent of the vote, and coming ninth out of 12 candidates. He is not known to have joined any political party, but last year he announced he was supporting the country's largest opposition party Renamo in the October 2014 general elections.

## Anadarko and ENI reach agreement on shared resources

The Anadarko Petroleum Corporation of the United States announced on 3 December that it has signed a "Unitization and Unit Operating Agreement" with the Italian energy company ENI, for the development of the huge deposits of natural gas in the Rovuma Basin, off the coast of the northern Mozambican province of Cabo Delgado.

Anadarko is the operator for Rovuma Basin Offshore area one, while ENI is the operator for Area Four. The natural gas deposits do not obey man-made boundaries, and straddle the boundary between the two areas – hence exploiting these resources required an agreement between the two companies.

Anadarko says that two of the fields it has discovered, Golfinho and Atum, lie entirely within Area One, but two other fields, Prosperidade, and Mamba, lie partly in Area One and partly in Area Four.

Mitch Ingram, the company's Executive Vice President for Global LNG (Liquefied Natural Gas), said that the agreement with ENI "is fair, equitable and consistent with best industry practices".

Under the agreement, reached with the cooperation of the Mozambican government, the two fields that straddle Areas One and Four "will be developed in a separate but coordinated manner by the two operators until 24 trillion cubic feet (Tcf) of natural gas reserves (12 Tcf from each Area) have been developed".

"All subsequent development of the Unit will be pursued jointly by the Area 1 and Area 4 concessionaires through a joint-venture operator (50:50 Anadarko and Eni)", the release added. This agreement is subject to final approval by the government.

Anadarko also announced that it has signed a memorandum of understanding with the government to provide gas for Mozambique's domestic use from its LNG development. Under this agreement, Anadarko says, "Area 1 will provide initial volumes of approximately 50 million cubic feet of natural gas per day (MMcf/d) per train (100 MMcf/d) for domestic use in Mozambique". A "train" is the term for a factory producing LNG. In the initial phase, Anadarko and its partners are expected to build at least two LNG trains onshore on the Afungi Peninsula in Palma district, the nearest point on the mainland to Area One.

"Signing this MOU is an important step," added Ingram. "We look forward to continuing to work with the Government of Mozambique to finalize the legal and contractual framework that will enable us to deliver natural gas for domestic projects and LNG cargoes for export to premium markets around the world, both of which will benefit Mozambique through a reliable source of cleaner energy and significant revenue generation."

## President sets out areas for Chinese assistance

President Filipe Nyusi on 5 December stressed that the modernization of agriculture, industrialization, infrastructures, mining, fisheries, tourism and the expansion of the water network and the electricity grid are some of the areas that most interest Mozambique in the cooperation between China and Africa

Speaking in Johannesburg at a round table in which host president Jacob Zuma and Chinese President Xi Jinping, the co-chairs of the China-Africa summit, also took part, President Nyusi said that Africa in general, and Mozambique in particular, need systematised and consolidated knowledge, technologies and investment to carry out successfully an agenda leading to sustainable development.

President Nyusi added that other challenges facing the Forum on China-Africa Cooperation (FOCAC) included the common struggle against poverty, epidemics, unemployment, and the effects of climate change, as well as radical extremism, illegal immigration, and disobedience against democratically elected governments.

President Nyusi praised the support given by the Chinese government to Africa, noting that over the past three years China allocated US\$20 billion of aid to Africa. That figure is set to triple in the coming three years – at the opening of the summit Xi pledge US\$60 billion in support for African countries in the 2016-2018 period.

"Mozambique is convinced that the plan for 2016-2018 will strengthen Sino-African cooperation and favour the development of African countries", said President Nyusi.

During the summit President Nyusi was received by Xi in audience, and held meetings with representatives of two Chinese communications companies.

### *China cancels interest on Mozambique's debt*

China has pardoned part of Mozambique's debt by cancelling any interest on the debt that had not fallen due by 2015.

The Chinese government has also announced that the interest rates on future loans will be revised downwards, to below the current 1.5 or two per cent.

President Nyusi revealed these changes on 5 December to the Mozambican reporters who had accompanied him to the China-Africa summit. He said these measures would allow greater Chinese support and investment in the country, and more flexibility in servicing the debt.

The latest figures on indebtedness, from 2014, are that the total Mozambican debt to China then stood at US\$886 million.

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