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President Guebuza introduces Filipe Nyusi at Mueda rally

President Armando Guebuza on 23 March introduced former defence minister Filipe Nyusi, the man chosen by the ruling Frelimo Party as its candidate for the 15 October presidential election, to a rally in Mueda district in the northern province of Cabo Delgado.

Nyusi was born in the neighbouring district of Muidumbe, which is also on the Mueda plateau.

Speaking to a large crowd at the local aerodrome, President Guebuza said “over the last ten years we have worked together and we have produced many wonderful things. I have come to thank you personally because in a short while I will cease to work as head of state”.

Since he was stepping down, he continued, Frelimo had chosen a candidate who was able “to make things advance very quickly and who loves the people”.

This was the third time in the space of a week that President Guebuza had publicly presented Nyusi at rallies in Cabo Delgado and the neighbouring province of Niassa.

President Guebuza explained to the crowd that in October Mozambique will hold presidential, parliamentary and provincial elections. He urged everyone of voting age to go to the nearest voter registration post to obtain a voter card, since only those who are registered will be entitled to vote.

He also stressed the need for dialogue in order to maintain peace and strengthen national unity.

For his part, Nyusi, speaking in the local language of Ximakonde stressed that he had had been born in the Mueda region, and had been entrusted by the Frelimo Central Committee with the “noble task” of running for the presidency.

He said that when he was elected as presidential candidate one of the first things that occurred to him was to reflect on the need to preserve all the gains made by the Mozambican people since the days of the national liberation struggle.

He added that he had decided to do his utmost to preserve the legacy left by the founder and first president of Frelimo, Eduardo Mondlane, and by the three presidents of independent Mozambique - Samora Machel, who proclaimed the country’s Independence, Joaquim Chissano, who brought peace after a 16 year war of destabilisation, and now Armando Guebuza, whom he described as a driving force behind economic and social development.

Some of the people who spoke at the Mueda rally, urged President Guebuza to continue the dialogue between the government and the main opposition party Renamo so as to end the environment of military tension before the elections.

“Don’t leave the country at war”, said Jafar Hassane, “we want your successor to concern himself with questions of development and not agendas of war”.

Another citizen, Muhibo Chipembe, declared that people wanted President Guebuza to remain in power “but the law is the law”, and they understood he would have to leave.

“We ask you to give the necessary teachings to Filipe Nyusi, so that, if he wins, he will be a worthy successor to those who preceded him”, he said.

Renamo election demands to cost US$35 million

The demands by the opposition party Renamo for entirely politicised electoral bodies, and accepted by the Mozambican parliament, the Assembly of the Republic in February, will cost the country about US$35 million, according to a report in the daily newspaper “O Pais”.

The deal, arising out of the dialogue between the Mozambican government and Renamo, dramatically expands the size of the election commissions and of branches of the executive body, the Electoral Administration Technical Secretariat (STAE) at all levels – national, political, district and city.

According to Rogerio Nkomo, national budgetary director in the Ministry of Finance, the new structure involves the recruitment of around 3,000 people appointed by the three parliamentary political parties – the ruling Frelimo Party, Renamo and the Mozambique Democratic Movement (MDM). All will be treated as state employees, and all will be entitled to wages and various other allowances.

Nkomo said the calculations have been done, and the sum required is in the order of US$35 million.

This will be a major component of the amended budget for 2014 which the government plans to submit to parliament during the current sitting.

Finance Minister Manuel Chang has already announced that the amended budget must also include long overdue Value Added Tax (VAT) rebates for companies, plus the sum (an estimated US$15 million) required to finish projects that were included under the compact with the US Millennium Challenge Corporation (MCC), but were not concluded by the cut-off date of September last year.

All this additional expenditure will be paid for out of the capital gains tax paid on shares transactions involving companies exploring natural gas reserves in the Rovuma Basin, off the coast of Cabo Delgado province.

Electricity tariffs "unsustainable"

The chairperson of publicly owned electricity company EDM, Augusto de Sousa Fernando, has warned that the current EDM tariffs are unsustainable and must be increased.

In the daily newspaper "Noticias", Fernando pointed out that the costs of purchasing energy have risen sharply, because EDM is now buying not only relatively cheap hydro-electric power from the Cahora Bassa dam on the Zambezi, but also much from more expensive gas-fired stations.

Mozambique's power consumption is growing by 70 megawatts a year, said Fernando, which has obliged EDM to look for sources of electricity other than Cahora Bassa.

He said that EDM pays about US$50 million a year for 500 megawatts from Cahora Bassa – which is the same sum it would pay for 150 megawatts from the gas-fired station at Ressano Garcia, on the border with South Africa, operated by the company Aggreko.

Importing power from the South African electricity company Eskom is an even more expensive option. "Last year we purchased only four per cent of the energy needed for domestic consumption from South Africa – but it represented over 40 per cent of total expenditure", said Fernando. "It's very expensive but we have no alternative".

The total amount paid by EDM for electricity in 2011 was US$63 million rising to US$84 million in 2013. This year, because of purchases from the Aggreko power station, it will rise to US$133 million. The projection for 2017 is US$470 million.

EDM's peak demand is 761 megawatts. Cahora Bassa supplies only 500 megawatts – so, even with EDM's own power stations at Chicamba and Mavuzi in Manica province (which are currently undergoing rehabilitation), there is no escape from buying power from Aggreko and Eskom.

The difference in prices is staggering. EDM pays 1,080 meticais (US$35.8) per megawatt-hour from Cahora Bassa. Power from Aggreko costs more than four times that amount, at 4,500 meticais per megawatt-hour. And Eskom sells its power to EDM for 7,500 meticais per megawatt-hour.

But EDM's average sales price to its clients is 2,400 meticais per megawatt-hour.

A planned coal-fired power station at Moatize will be cheaper than Aggreko or Eskom, but more expensive than Cahora Bassa. Fernando put the Moatize price at 3,000 meticais per megawatt-hour. EDM will buy 55 megawatts from the first phase of the Moatize station, but that will not be ready until 2017.

The increased expenditure is now calling into question EDM's ability to pay HCB, the operator of the Cahora Bassa dam, on time. Until recently EDM paid HCB regularly, but "now we are paying with difficulties", Fernando admitted.

EDM's financial problems were making repairs difficult. "Sometimes underground cables burn out, and the company does not have the immediate financial capacity to import new ones, and we have to use alternative solutions to ensure that electricity continues to reach the clients", he said. "If the company continues to have no money, in the future we won't even have the capacity to buy overhead cables".

The solution lay in raising the price of electricity, and encouraging savings. On average, he said, EDM was paying nine meticais per kilowatt hour, and selling electricity for eight meticais per kilowatt hour. The ideal would be an average price of 10 to 12 meticais per kilowatt hour.

Prices would be differentiated, he said, with industrial consumers subsidising domestic consumers. A tariff adjustment should "look after the most vulnerable strata by making the major consumers pay more". Furthermore electricity should cost more at peak hours, after 19.00.

Fernando said EDM is encouraging consumers to switch from incandescent to low energy light bulbs. "We have bought about 50,000 low energy light bulbs, for consumers to use and understand the advantages", he stressed.

Fernando wanted the government to ban the import and sale of incandescent bulbs. If each of EDM's clients replaced two incandescent bulbs with low energy bulbs "we would save 50 megawatts and almost $15 million a year", he said.

Government and ACWA sign agreement

The Mozambican government and the Saudi Arabian company ACWA Power signed a concession agreement in Maputo on 14 March for the construction of a coal-fired power station in Moatize district, in Tete province.

The power station, which will produce 300 megawatts in its first phase, will be built at the mouth of the gigantic open cast coal mine in Moatize, operated by the Brazilian company Vale. It will use as its raw material the coal mined by Vale which is not of good enough quality for export.

Thus higher grade coal (particularly coking coal) will be exported, while lower grade coal will produce electricity.

A second phase will lift capacity to 600 megawatts. The concession is for 25 years, and the estimated investment is a billion US dollars.

The project will be run by Acwa Power Moatize Termoelectrica SA, a consortium whose main shareholders are Acwa Power, Vale and Mitsui of Japan. There are two Mozambican minority shareholders, the Whatana Investment Group (whose chairperson is the former first lady, Graca Machel), with eight per cent and the publicly-owned electricity company, EDM, with five per cent.

245 megawatts of the initial power generated will be used by Vale itself, while the remaining 55 megawatts will be bought by EDM to feed the national electricity grid, according to the chairperson of ACWA Power Paddy Padmanathan.

Construction of the power station will start in the second quarter of this year, and it will begin to generate power in 2017. The power station will create 2,800 jobs during the construction phase, and there will be 160 permanent jobs during the lifetime of the station.

Maputo province declared free of landmines

Maputo province was declared "free of land mines" at a ceremony held in Boane district on 21 March.

Speaking at the event, Deputy Foreign minister Henrique Banze said that the demining programme, which was begun over two decades ago, has made excellent progress, and the country is in the final stage of removing the land mines sown in its soil.

Under the Ottawa Convention on the banning of anti-personnel land mines, Mozambique should have completed demining by 2009, ten years after acceding to the treaty. This proved impossible, and so Mozambique applied for and was granted a five year extension.

If the demining really is completed by the end of this year, then Mozambique will win the status of "a country free of land mines".

Maputo is the sixth province to be declared free of land mines. The others are Niassa, Cabo Delgado, Nampula, Zambezia and Gaza.

This leaves Inhambane in the south of the country, and Sofala, Manica and Tete in the centre. According to Banze in these four provinces there are still 4.2 million square metres of land suspected of being mined.

Discriminatory articles removed from draft penal code

The legal and constitutional affairs commission of the Mozambican parliament, the Assembly of the Republic, has removed from the draft penal code several articles that violated women's rights, the commission's chairperson, Teodoro Waty, told reporters on 20 March.

The most notorious of these articles, carried over from Article 400 of the Portuguese penal code of 1886, stated that cases of rape or other sexual offences will be dropped if the rapist marries his victim. If the rapist has already been sentenced, the marriage would suspend the sentence, which would only be enforced if the couple divorced or separated.

This article has been in the Code for 128 years – but since independence it has never been used. In its initial redraft of the Penal Code, the Commission missed the opportunity to scrap this and several other ancient Portuguese provisions that were both antiquated and outrageous.

Similarly, the article on rape initially retained from the Portuguese code the concept of "illicit copulation" as the only form of rape. Since copulation in marriage is regarded as licit, the code did not recognise, let alone outlaw, marital rape.

Waty told AIM that the Commission withdrew the articles in question several weeks ago, because it regarded them as "offending against Mozambican dignity and culture".

He was speaking after civil society organisations marched through the streets of Maputo and handed in a petition to the Assembly protesting against the discriminatory articles that violate the rights of women and children.

"In the Commission, we discussed the draft code and we reached consensus to withdraw all articles that call human rights into question", said Waty. "I guarantee that 100 per cent of the articles presented in the civil society petition are no longer in the draft. They were withdrawn before February".

He accused the civil society organisations of not following the activities of the parliamentary commissions.

But the commission did not make its decisions public, and the women's rights organisations can hardly be blamed for not knowing something which the commission appeared to keep under wraps.

Nonetheless, Waty thought the presence of the demonstrators in the Assembly was "positive". He added that a public report on the revision of the Penal Code is being finalised and will be presented to the Assembly plenary in a matter of days.

The Penal Code was inherited from Portuguese colonial rule and since independence in 1975 it has only undergone piecemeal amendment. The current revision is the first attempt to overhaul the code from beginning to end.

NGO calls for public consultation on hydrocarbon law

The anti-corruption NGO, the Centre for Public Integrity (CIP) has criticised the Mozambican government for failing to hold public consultations around a draft law on hydrocarbons that will shortly be submitted to the Mozambican parliament, the Assembly of the Republic.

The new legislation will set the legal framework for the LNG (liquefied natural gas) facilities to be built in Palma district, in the northern province of Cabo Delgado.

A statement from CIP declares "the government has not informed the public of the process nor has it encouraged public discussion on the monumental choices facing the country. Given past practice, we worry that there will be no public consultations at all".

The LNG plant will be the largest investment in Mozambican history. Two consortia, headed by Anadarko of the United States and the Italian company ENI, are involved. Both have found vast deposits of natural gas off the Cabo Delgado coast. Estimates are that extracting the gas, piping it to shore and liquefying it will require an investment of at least US$18 billon.

CIP accepts that negotiations with the companies need to be confidential, but not that a shroud of secrecy should be thrown over the entire process. "Societal decisions that will affect the long-term future of the country are being made with no public discussion and no debate in Parliament", it warns. "Consultations with companies have been completed and reports indicate that the plans are already well developed. But the debate so far has been limited to a select few. Decisions of vast consequence are once again being taken without any public consultation".

Among the decisions which CIP believes should be open to public debate are Mozambique's own stake in the LNG project and how it will be financed. Currently the publicly-owned National Hydrocarbon Company (ENH), under the Exploration and Production Concession contracts, signed in 2006, has the right to take a stake of between 10 and 15 per cent in the project. But where will the money for this come from?

CIP notes that the government seems to have chosen to obtain an equity stake "in both offshore fields and onshore LNG, massively increasing the money that ENH will need to borrow. Furthermore, there has been no public discussion on ENH's potential source of financing or the terms that will accompany the borrowing of perhaps 20 per cent of the country's total GDP".

"It is only right that Mozambique seeks to maximize its role in the development of our natural resources", CIP adds. "But little is known about ENH operations. As they do not provide significant annual reports to Parliament, it is impossible to know whether they are good stewards of resources that belong to all Mozambicans".

The original terms of the 2006 contracts were "unusually generous to the companies", CIP says. It asks whether the government will use the current opportunity presented by passing new legislation on LNG "to ensure a fairer share of the profits, or will even more concessions be made?"

"Reports suggest that significant concessions are being offered on the condition that government revenue begins in 2019", CIP warns. "Why is a start date of 2019 so important to the government and how much are they willing to give away in order to get it?"

CIP also asks what general terms are being offered in the non-binding gas sales agreement that Anadarko has recently concluded. The problem here is that Mozambican LNG is destined for Asian markets where natural gas prices have traditionally been high. Asian gas purchasers are now trying to push the price down, by tying it, not just to crude oil prices, as has previously been the case, but also to US shale gas prices.

"All publicly reported government revenue projections for the Rovuma Basin have assumed a direct link to crude oil prices", CIP points out. "What are the implications for government revenue of creating a link to US prices as well?"

The document warns that unfair pricing formulas and bad fiscal terms can both pose threats to government revenue.

BHP-Billiton launches agricultural initiative

The Anglo-Australian company BHP-Billiton on 17 March launched a project to help small scale farmers in three districts of Maputo province in southern Mozambique.

The initiative is funded by BHP Billiton Sustainable Communities, a charity established by BHP Billiton as part of its community investment program. It will donate US$8.8 million to the project over a five year period.

The assistance will be focussed on fifty producer organisations representing farmers in Boane, Marracuene and Namaacha districts. It aims to increase income and business opportunities, improve production capacity through training and facilitate access to finance. The project is expected to directly benefit 6,500 households. Currently, thirty field schools for farmers are in the first stage of being established.

According to the chairperson of BHP Billiton Sustainable Communities, Ian Wood, the project "builds on people's affinity with their land in Mozambique and their history in small scale farming".

He added, "we hope the skills and knowledge shared during this project will help improve the livelihoods of people over many generations to come".

BHP Billiton Sustainable Communities focusses on capacity building in the expectation that after the projects are completed a lasting legacy will remain. It supports a number of projects in Colombia, Australia, South Africa and Mozambique.

Other projects in Mozambique focus on mother and child health, malaria and access to clean water, with investment totalling US$30 million.

BHP Billiton is the major shareholder of the Mozal aluminium smelter on the outskirts of Maputo.

Manager of customs post sacked

The Mozambican Tax Authority (AT) has sacked the manager of the Machipanda border post, the main frontier post between Mozambique and Zimbabwe, for suspected involvement in smuggling.

The chairperson of the AT, Rosario Fernandes, said the Authority had investigated the relationship between the management of the border post, and the increase in the contraband in cigarettes, which are normally carried in tanker-trucks, disguised as fuel.

He said that Machipanda has become a "privileged corridor" for the smuggling of cigarettes, Zimbabwean diamonds, and precious stones from as far away as Angola and Zambia.

Fernandes dismissed Aristides Bakar as manager of the border post, and replaced him with Anisio Duvane. He will be expected to ensure that Machipanda meets its target of collecting 575 million meticais (US$18.8 million) in taxes this year. As of 10 March, it had collected 84 million meticais.

To maximize revenue, Fernandes said, it was urgent to combat financial crimes, including tax evasion and money laundering.

He warned that the situation in the Beira Corridor (the road and railway from Zimbabwe to the port of Beira) has become "critical", particularly in the smuggling of cigarettes. He demanded that tax officials exert tight control over the corridor, particularly in the areas most used by the smugglers.

The AT recently signed a contract with a British company to put seals on imported goods such as cigarettes and alcoholic drinks. This will allow legitimate traders and consumers to recognise contraband goods and denounce them to the authorities.

Nacala Integrated Logistics Corridor launched

The first trainloads of coal along a railway from the Moatize coal basin through Malawi should reach the new port of Nacala-a-Velha in northern Mozambique in September.

The government has signed a concession on the new port and on coal traffic along the railway with the Integrated Nacala Logistics Corridor (CLN), a consortium that is 80 per cent owned by the Brazilian mining giant Vale, and 20 per cent by Mozambique's publicly owned port and rail company, CFM.

At a Maputo ceremony launching CLN, consortium officials said the entire project will cost US$4.4 billion. The coal terminal at Nacala-a-Velha, built on the opposite side of Nacala Bay from the existing port of Nacala, will be able to export 18 million tonnes of coal a year.

The railway runs for over 900 kilometres, and CLN's projections are for about 20 coal trains a day. This will require a fleet of 100 locomotives and 2,700 wagons. 12 ships a month are expected to call at the coal terminal.

Vale opted for a new port and railway when it became clear that the existing Sena line, from Moatize to the port of Beira, could not cope with the forecast coal exports. Even with planned upgrading, the capacity of the Sena line will be no more than 12 million tonnes a year. But within the next few years the potential coal exports from the Moatize basin could reach 100 million tonnes a year.

Transport Minister Gabriel Muthisse noted that the existing railway from Malawi to Nacala is only handling around two million tonnes of cargo a year. With the new port at Nacala-a-Velha and the CLN investments in the railway, there will be a dramatic increase, and Muthisse believed that in the near future the line will be carrying 24 million tonnes of coal and cargo.

A different consortium, the Northern Development Corridor (CDN) already holds the concession on the railway for general traffic, and Muthisse pointed out that the two consortia will have to work together.

Vale officials told AIM that work on the railway will be complete by September. It has involved a new rail link to connect Moatize to the Malawian rail system, and major upgrading to the Malawian part of the line. The railway enters Mozambique again at Entre-Lagos, and the 77 kilometre stretch between Entre-Lagos and the city of Cuamba is being effectively rebuilt. There is also an entirely new stretch of line branching off the existing rail corridor and reaching the Nacala-a-Velha coal terminal.

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