

# Mozambique News Agency

## AIM Reports

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## Businesses urged to work together on LNG projects

President Filipe Nyusi on 13 November urged Mozambican businesses to form associations as a “simple, but effective” strategy for responding to the challenge of providing high quality goods and services to the emerging liquefied natural gas (LNG) industry.

Speaking at the opening session of the Sixth Maputo Gas Summit, President Nyusi said that the place of the Mozambican economy in the world is linked to the exploitation of natural resources, from which the country should draw great benefits in terms of job creation and the participation of Mozambican companies in providing the LNG mega-projects with goods and services.

Working together, and forming associations, he suggested, was the way for the Mozambican business class to prepare for the challenges of the gas sector and exploit to the maximum its benefits.

This strategy, President Nyusi said, would enable the empowerment of businesspeople in order to acquire certificates of quality, allowing them to exploit further business opportunities. “Our experience teaches us that union brings strength”, he stressed. “Nobody will emerge victorious by acting in such a complex and competitive market in an isolated way. We need synergies. We need to bring together efforts, channelling them to achieve the goals of the collective that benefits all its members”.

Among the LNG projects underway in the Rovuma Basin, off the coast of the northern province of Cabo Delgado, those headed by the French company Total and the American ExxonMobil put Mozambique at the top of investments in hydrocarbons in sub-Saharan Africa.

The LNG factories of these two projects, to be built on the Afungi Peninsula, in the Cabo Delgado district of Palma, should produce over 28 million tonnes of LNG a year. Production should begin between 2024 and 2026.

President Nyusi envisaged many opportunities for Mozambican businesses, from the prospection phase, through to production and distribution. He considered this “an opportunity to ensure growing integration of local content and the effective participation of Mozambicans in mega-projects”. But the President warned that the Mozambican companies seeking a place in this market “must be credible and good quality”.

He urged the LNG foreign investors to work side by side with Mozambican businesses so that the latter could

gradually satisfy the demands of the market for goods and services.

President Nyusi hoped that Mozambican companies would take the opportunities arising from the LNG investments “to add value to the mega-projects, stimulating growth and the diversification of the economy and promoting industrialisation”. But Mozambicans should not become obsessed with gas, he urged and should continue to invest in other sectors of the economy, such as agriculture, livestock and fisheries.

### Low inflation in October

Mozambique’s inflation rate remained low in October, with an average rise in prices of just 0.31 per cent, according to the latest figures issued by the National Statistics Institute (INE), based on the consumer price indices of the three largest cities (Maputo, Nampula and Beira).

Most of the price increases in October were for food and drink. The main price rises in the month were for butter beans (4.6 per cent), groundnuts (4.2 per cent), tomatoes (3.2 per cent), and fresh fish (1.2 per cent).

Several items fell in price over the month – notably lettuce (down by 3.7 per cent) and charcoal (a fall of 0.6 per cent).

Inflation from January to the end of October was 1.59 per cent, and over the past year (1 November 2018 to 31 October 2019), it was 2.25 per cent.

This is a triumph for the monetary policy followed by the Bank of Mozambique – two years ago, in 2017, inflation had seemed out of control. Annual inflation reached 21.57 per cent in March 2017, but has been falling steadily since then.

At the current pace, it is quite likely that inflation for all of 2019 will be lower than two per cent. Inflation in 2018 was 3.52 per cent.

Comparing the three cities the highest inflation in October was recorded in Nampula (0.66 per cent), followed by Beira (0.27 per cent), and finally Maputo (0.14 per cent).

## New water system for Gorongosa inaugurated

More than 30,000 people will benefit from clean drinking water in Gorongosa town, in the central province of Sofala, from a new water supply system inaugurated by President Filipe Nyusi on 15 November.

The water for the system is taken from the Gorongosa dam along a 2.3 kilometre pipeline to a treatment station that can handle 100 cubic metres per hour. There is a raised deposit that can hold 150 cubic metres and a 500 cubic metre reservoir. The system has a network of 14 kilometres of piping, which supplies 16 public standpipes and 55 home connections.

The new system is part of the National Rural Water Supply and Sanitation Programme (PRONASAR), a joint initiative developed by the Mozambican government and its development partners, intended to speed up water supply and sanitation coverage in rural areas and small towns, with the goal of reaching universal access by 2030. The system was funded through a 93 million meticaís (US\$ 1.5 million) grant from the British government.

The new system brings to an end the suffering of a considerable part of the Gorongosa population who were previously obliged to walk long distances in search of water. The conditions have now been established, President Nyusi said, for the entire population of Gorongosa town to be covered by clean water supply.

“This is your water”, said the President. “This water can supply more than 45,000 people. About 15,000 are already benefitting from the system”.

He instructed the local government and the Gorongosa population to create conditions to guarantee the sustainability of the water system, in order to make the investment viable and ensure the continual and efficient supply of water to the town.

The President recognised that there is still a long way to go to meet all the water needs in Sofala, and the level of coverage by clean water systems is still well below what would be desirable. “That is why we are committed to invest gradually until we reach universal water supply coverage”, President Nyusi said.

Britain has been supporting PRONASAR since 2010, and the British High Commissioner, NneNne Iwuji-Eme, explained that the investment in the system is complemented by building up the capacity of the institutions responsible for water supply at central, provincial and district level, including the hiring of technical assistance. “Through our partnership with PRONASAR, we intend to contribute to the transformation of the water and sanitation services, allowing a greater response to the demand from the neediest communities in the rural areas”, the High Commissioner said. “I am pleased to be here to witness the effort of the Mozambican government and its partners to attain the Sustainable Development Goals”.

She pledged that the British government will continue supporting Mozambique so that universal access to clean water by 2030 becomes a reality. Since the start of the programme, Britain has financed 84 water supply systems, six of them in Sofala.

## President orders operation against assailants

President Filipe Nyusi on 15 November announced that he has ordered the defence and security forces to launch operations to pursue and capture the individuals responsible for the armed attacks in the central provinces of Manica and Sofala.

The attacks, mostly ambushes on the main roads of the region, have left ten people dead, injured dozens and have vandalised vehicles and various social facilities. The police describe the attacks as the work of “Renamo armed men”, and eye-witnesses say the attackers wore the green uniforms typical of the Renamo militia.

Both factions in Renamo – the mainstream of the opposition party, led by Ossufo Momade, and the dissidents of the “Renamo Military Junta”, led by Mariano Nhongo – have denied responsibility for the attacks.

Speaking at a rally in the Sofala town of Gorongosa, shortly after inaugurating a water supply system, President Nyusi said “everyone has denied that they are doing anything, but people are dying. They say they are not killing them, but people are dying. Since, unlike in the past, nobody says ‘we did this’, I have instructed the defence and security forces to pursue these people. They will have to chase them, catch them and hold them responsible”.

He added, that if whoever ordered the attacks is living in a city, “we shall go and arrest him and hold him responsible. We cannot spend our entire lives at war. We want to build the country”.

President Nyusi recalled that the amnesty law, passed earlier this year in tandem with the peace and reconciliation agreement he signed with Ossufo Momade on 6 August, covers acts committed between 2014 and 2016. It does not pardon those found guilty of new crimes.

“The Amnesty Law is for the past, not the future”, said the President. “So we are going to pursue, catch and hold criminally responsible these people, because now is the time to work, and this is only possible with peace”.

## Fitch improves credit rating

The ratings agency Fitch has removed Mozambique from the list of countries it regards as in “selective default”. Instead, it now gives Mozambique a rating of “CCC”, the third lowest possible in the Fitch classification system.

According to Fitch, Mozambique is no longer in “selective default” because of the “complete restructuring” of the securities once issued in the name of Ematum (Mozambique Tuna Company). Mozambique had been in default on the Ematum debt since January 2017.

The Fitch note on Mozambique’s “CCC” rating said this reflects the “continuing vulnerabilities of the public sector business debt, which can affect the credit profile of the sovereign issuer, the high level of public indebtedness, tight liquidity conditions and a history of weak management of the public finances”.

## **PM demands better implementation of Kimberley**

Prime Minister Carlos Agostinho do Rosario on 6 November demanded better implementation in Mozambique of the Kimberley Process, the international mechanism which seeks to ensure that “conflict diamonds” (also known as “blood diamonds”) do not enter the legitimate chains of diamond marketing.

Speaking at a ceremony in Maputo, where he swore into office Castro Elias, as the executive secretary of Mozambique’s Kimberley Process Management Unit, Rosario said the world has witnessed “the growing sale of precious minerals through illegal circuits, which are generally used to finance criminal activities, which undermine the credibility of the economic and financial system of any country”.

The Kimberley Process had been set up, he continued, “to prevent precious stones and metals from being used to finance terrorism and armed conflicts, and to destabilise legitimately elected governments”.

The Management Unit, said Rosario, “has the responsibility to issue certificates and other documentation required for the sale of precious stones and metals, including diamonds”.

By creating this unit, “we also intend to guarantee placing on the market, through the legal circuit, the various types of precious minerals that the country possesses, such as gold, silver, platinum, rubies, tourmalines, sapphires and emeralds, and thus discourage the illegal sale of these minerals”.

The government, Rosario added, expects Elias to guarantee the implementation of the Mozambican legislation concerning the mining, processing and sale of precious stones.

At the same ceremony, the Prime Minister swore into office Amorim Bila as the Deputy General Director of the Mozambican Financial Intelligence Office (GFIM). This body is intended to undertake and coordinate actions to prevent and fight against money laundering and the financing of terrorism.

“Transnational crime”, said Rosario, “has a negative impact on the economic and financial systems of countries, and is generally associated with trafficking in drugs and in people, kidnapping, corruption, tax evasion, and other crimes which generate financial resources illicitly”. These sums, obtained illegally, he added, are then channelled through financial systems “in order to hide their criminal origins, a process known as money laundering”.

Failure to take money laundering or the financing of terrorism seriously could endanger the credibility of the country’s financial system”, warned Rosario. He urged Bila to work with his colleagues in the GFIM as a team so that the institution can respond to the challenges posed by organised crime and ensure that the Mozambican financial system remains credible at national and international levels.

## **President inaugurates Beira – Zimbabwe highway**

President Filipe Nyusi on 14 November inaugurated the rebuilt highway from the central port of Beira to the Zimbabwean border, a distance of 287 kilometres.

The project cost US\$410 million and was financed by the Exim Bank of China and the Mozambican government. Construction work began in April 2015 and should have finished on 31 March 2018. But a lack of funds for resettling households and move shops in the area of Inchope, where the road intersects with the main north-south highway (EN1), led to a delay of over a year. Then, in March 2019, cyclone Idai struck Sofala and Manica provinces, and damaged 10 kilometres of the road in Nhamatanda district, forcing further delays.

The inauguration ceremony took place at Inchope, where there is now a flyover, carrying EN1 over the Beira-Zimbabwe road, rather than a simple junction.

The road has been widened. Previously it was eight metres wide. It now varies between 10 and 23 metres. A second bridge has been built over the Pungue River, and the road also has four tollgates, a control centre checking the weight of trucks, and overhead footbridges to allow pedestrians to cross the road safely.

Addressing the ceremony, President Nyusi said the road should stimulate regional trade, making a significant social and economic impact on Mozambique and other countries of the Southern African Development Community (SADC).

The transport corridors leading to the Mozambican ports confer enormous comparative advantages on Mozambique, he added.

Prior to the rebuilding, President Nyusi said, the road was narrow and in a degraded state, which “limited the flow of people and goods, reducing the economic performance of this region of the country in particular, and of Mozambique in general”.

The inauguration of the rebuilt road, he continued, was an added value for international trade, and showed the commitment of the Mozambican government to facilitating the free trade expressed in regional and international treaties.

The current state of the road, he declared, “permits better mobility of people and goods, and reduces costs and travelling time”.

The time taken to drive from Beira to Machipanda, on the Zimbabwean border, has fallen from seven to four hours. “Safety has improved as has the comfort of the users”, said President Nyusi. “The risk of breakdowns, assaults and thefts has been reduced”.

Manica province, he added, will now find it easier to export its produce through the port of Beira, without the previous constraints in terms of access.

President Nyusi urged motorists to respect the new road. “The road should be used with great responsibility, because it will stimulate progress”, he said. “We don’t want it to become a corridor of death due to traffic accidents”.

## IMF open to talks about financial support

The International Monetary Fund says it is willing to talk with the Mozambican government about a possible programme of financial support, should the government request such a discussion. Ricardo Velloso, the head of an IMF staff team that recently visited Mozambique told a Maputo press conference on 13 November “we are willing to work with Mozambique in the closest and most convenient way possible. If the government is interested in talking about a possible programme of financial support, we are open to such a request”.

The last IMF programme came to an abrupt end in April 2016, when the extent of Mozambique’s “hidden debts” became known. The government then admitted that its predecessor, under President Armando Guebuza, in 2013 and 2014, had guaranteed loans of over two billion US dollars obtained by three fraudulent, security-related companies, Ematum (Mozambique Tuna Company), Proindicus and MAM (Mozambique Asset Management) from the banks Credit Suisse and VTB of Russia. Since all three companies were producing almost no revenue, there was no way they could repay the loans, and so the Mozambican state became liable for the full two billion dollars. The IMF accused the government of concealing the true foreign debt situation and suspended its programme. The group of 14 donors who provided direct support to the Mozambican state budget suspended their disbursements, and to this day that form of aid has not resumed.

Velloso said that, due largely to the two cyclones that hit Mozambique in March and April, the annual GDP growth rate, in the second quarter of this year, slowed to 2.25 per cent. However, inflation had remained low and the exchange rate was stable.

Velloso’s mission was optimistic about the future, stating that “the outlook for 2020 is for a strong rebound in economic activity”, with the growth rate rising to 5.5 per cent, “supported by post-cyclone reconstruction efforts, a recovery in agriculture and economic stimulus from further gradual easing of monetary conditions and clearing of domestic payments arrears to suppliers”.

The IMF also expects the construction sector to be boosted by investments in the liquefied natural gas (LNG) mega-projects.

Velloso’s mission recommended, “gradual fiscal consolidation over the medium term with a view to eliminating the primary fiscal deficit by 2022 while protecting or increasing well-targeted social spending”.

The mission welcomed the efforts of the Attorney-General’s Office to hold accountable those responsible for the Ematum, Proindicus and MAM loans, “as well as the government’s initiatives to fight corruption and strengthen transparency”.

## Japanese funded project to boost safety at Hulene dump

A project to improve security in Maputo’s potentially lethal rubbish dump, in the neighbourhood of Hulene, began operating on 6 November.

The dump has grown over the decades and is now a smouldering (since parts of it are always on fire) giant towering over homes in Hulene. It has continued to grow despite the former mayor of Maputo, David Simango, making removal of the Hulene dump a promise in his successful 2013 campaign for re-election.

Tragedy struck on 19 February 2018 when, after torrential rains, part of the dump collapsed, burying homes, and killing 17 people. Only then were households forced to move away from the shadow of the dump.

The project to improve safety at the dump results from a partnership between the Ministry of Land, Environment and Rural Development, Maputo Municipal Council and the Japanese government, which is providing a grant of 92 million meticaís (US\$5 million).

The project is based on the Fukuoka method of solid waste management. The plan is to ensure safety while the Hulene dump is transformed into a semi-aerobic landfill.

Speaking to the independent television station STV, Paulo Queiroz, a member of the technical team of the Japanese company implementing the project, said the shape of the dump would be turned into that of a step pyramid. “This will greatly reduce the risk of collapse”, he said.

The next stage, Queiroz explained, will be to put pipes into the dump so that the gas building up inside can escape. “This will help reduce the risk of fires and will facilitate stabilisation of the dump”, he said.

Under the Fukuoka method, pipes are supposed to be densely installed throughout the dump. This ensures the circulation of air which will accelerate the decomposition of waste and reduce the contaminants in the water leaching from the dump.

Creating this aerobic condition in the dump should also reduce the production of methane, which is a potent greenhouse gas, and thus help tackle climate change.

Ivette Maibasse, a national director in the Ministry of Land, Environment and Rural Development, told reporters the government is still paying a mobility allowance to the families removed from the area after the collapse of February 2018 and temporarily resettled in the Albasine and Ferroviario neighbourhoods. But work has begun on a definitive resettlement area in the Possulane neighbourhood where 300 houses will be built, at a cost of 30 million meticaís.

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