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Erwin: Gauteng-Mozambique link will lead to 135 regional projects

$5bn for Maputo Corridor

By James Lamont

Johannesburg — The department of trade and industry has identified projects worth $5 billion associated with the Maputo Development Corridor, Alec Erwin, the minister of trade and industry, said yesterday.

Erwin said his department had earmarked 135 projects with the investment potential of $5 billion in Mozambique, South Africa and Zimbabwe, that could begin in five to six years.

He was addressing delegates at an African steel conference.

The Maputo Development Corridor will connect Gauteng with the Mozambican port of Maputo.

Improved transport links between the Mozambican coast and South Africa's economic heartland through the corridor would boost investment and employment in southern Africa.

Erwin said the projects were not speculative and were likely to come to fruition.

The bulk of these investments would come from public and private-sector partnerships, notably for the development of an aluminium smelter, roads and a railway line.

He said the aid component was only likely to be $150 million of the $5 billion investment bill. Aid was mainly directed at the upgrading of Maputo's port facilities.

The extent of private and public sector commitment to the project heralded a new era of cross border co-operation and trade and investment in the region, after years of dependency on foreign aid, Erwin said.

The regional governments would establish a "small" Maputo Development Corridor promotion company in the next two months.

He said Mozambique, South Africa, Zimbabwe, Swaziland and Botswana had signed a protocol last month providing for the establishment of this company.

At a Maputo Development Corridor conference held in Maputo last May, President Nelson Mandela said feasibility studies carried out by the private sector foresaw huge projects in South Africa and Mozambique.

"They would enlarge enormously our region's capacity to add value to its abundant mineral and energy resources, to boost exports and to create jobs," he said.

The whole development project was expected to create 100,000 jobs.

In yesterday's address, Erwin urged African governments to abandon the protection of their industrial bases and adapt to global flows of trade and investment.

"It's now very clear that the tariff protection approach will not protect industrial sectors," he said.

"High levels of protection will not create the jobs that we want."

He said African governments should commit themselves to predictable macroeconomic strategies to attract investment flows for the processing and beneficiation of the continent's natural resources, as the basis for economic growth.
Polana shakes off the dust for new era in Mozambique

The renowned Polana Hotel was granted Mozambique's first casino licence in November 1996 and Karos says it hopes to have the casino up and running later this year.

The Polana, in which Karos has a 32.5% interest, and a management contract, was completely refurbished in 1995 and is one of the two five-star deluxe hotels in the company's portfolio of hotels.

Karos Hotels managing director Paul Johnson says building has started and the casino's planned opening is mid-October.

"The Polana is convertable, but used to be a banqueting room, but the new casino will also have its own outside entrance. The casino, which will cost about R8 million to build, will have 40 slot machines and eight tables," he says.

Mozambique has never before been a gambling destination, but, as the booming economy improves, the licensing of the Polana will bring something new to the country. "In terms of both the government and ourselves, this is a totally new venture," says Johnson. The licence was awarded in November following lengthy negotiations.

In the year to March, the 200-crowd Polana Hotel reported a loss, but management is confident with regard to its future, particularly as prospects for the Mozambican economy look good.

Karos chairman Sethun Hurwitz says the hotel is operating profitably after going through a difficult period which followed the November 1994 peace accord. "We believe the Polana is one of the finest hotels in Africa and we are extremely confident about its future," he says.

Johnson says there is a fair amount of nostalgia about the hotel. With this in mind, Karos has sponsored the Classic Car Rally from Pretoria to Maputo.

Recently, Radio 702 held a Nostalgia Weekend at the Polana which included a trip to the old LMI Radio studio with Radio 702's John Berkley, previously of LMI Radio.

The Witbank-Mpumulanga Corridor opens up new possibilities for the Polana Hotel, and the toll road is expected to increase tourism into Mozambique significantly.

David Ankers, general manager of the hotel, says he is concerned about recent developments in both countries with regard to new visa regulations.

These include $30 for visa applications for Mozambican citizens to visit South Africa and the fact that in future visas will not be issued in Maputo but in the traveller's country of origin.

Ankers says this method could prove difficult for Mozambique does not have representation in those countries.

THE Sossusvlei Karos Lodge in Namibia is the result of a joint venture between Karos and Namibian partners to design a hotel around tourism. Karos managing director Paul Johnson says the hotel, which has been open for about 13 months, has been very successful. The venture caters mainly for the overseas market. The hotel, a joint venture with private shareholders in Namibia, is situated Maputo and Windhoek and at the entrance to Namib Park.

The hotel has generated its own electricity and pump its own water. The use of fossil fuels is limited. There is no air conditioning, so the double-termed canvas roofs have ventilation gaps in solar powered and there are no plumbing or fridges in the rooms.

All refuse is sorted, compacted and transported back to Windhoek for recycling or disposal. The hotel's inorganic waste is used to make compost and and the water after use is tested, purified and recycled back into the earth.

"The hotel is designed and built with full regard to a green charter," says Johnson. "Our main aim is to reduce the hotel's carbon footprint."
Tea estates to be privatised

MAPUTO — Mozambique is privatising its biggest tea-producing corporation, Emecha, the government announced this week.

Eighty percent of Emecha's property would be available to private bidders, the government said in an advertisement in the Maputo weekly Domingo.

The remaining 20% will be transferred later to managers, technicians and workers of Emecha's estates at Guru in the central Mozambican province of Zambezia.

Pre-qualification is open until September 30 and tenders will be accepted until October 31, the government said.

Prospective buyers will be allowed to bid for as much as 80% or for as little as 5% — Reuters.

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The Maputo Corridor Development is set to boost trade between Gauteng and Maputo as well as tourism, employment opportunities and infrastructure development in the region.

During the 1970s, South African tourists flocked to Mozambique, and the count went up as far as 300,000 people a year. Trade and economic relations between the two countries were good, and the Mozambican port accounted for up to 40 percent of the exports leaving Gauteng.

The Gauteng-Maputo axis is a logical and proven transport route, the performance of which was hindered by the politics of apartheid and the war which ravaged Mozambique during the 1970s.

During that time, trade and tourism figures plummeted to such an extent that the total figure for South African exports via Maputo is now only 5 percent of what it was and tourism figures for 1995 were 11 percent of their 1970s heyday.

The South African and Mozambican governments have been working closely to re-establish the mutual benefits of the development of this axis and to integrate this into a broader development programme.

Transport investments have focused on analysing socio-economic conditions, appraising development potentials, identifying key infrastructure needs, and clarifying vision and key goals.

Results to date have already shown that investment in specific transport infrastructure will re-establish the strong flow of goods, services and people that characterised the axis in the 1970s, effect considerable savings for government and the private sector through improved access (and thereby contribute to improved competitiveness), provide an important example for the process of regional economic integration and significantly enhance the underlying conditions for economic growth and development along the entire length of the corridor. This would present a range of new opportunities for investment by the public and private sectors in all dimensions of development.

Current and planned investments in mining, agriculture, tourism and manufacturing on the South African side of the corridor are set to top R20 billion across a wide range of projects from small manufacturing to huge infrastructural projects like an airport and a toll road. Investments with an estimated value of about R5 billion are planned on the Maputo side.

At the Maputo Development Corridor, the Minister of Transport, expects private enterprise, not governments, to be the guiding light of the corridor.

Corridor Investors’ Conference in Maputo last May, President Nelson Mandela said feasibility studies carried out by the private sector foresee huge projects in both South Africa and Mozambique.

"They would enormously enlarge our region’s capacity to add value to its abundant mineral and energy resources, to boost exports and create jobs," he said. The whole development project is expected to create 100,000 jobs.

Earlier this month, the Director of Trade and Industry said it had identified projects worth $50 billion associated with the Maputo development Corridor.

Alex Irwin, the Minister of Trade and Industry, said his department had earmarked 135 projects with the investment potential of $5 billion in Mozambique, South Africa and Zimbabwe that could begin in five to six years.

He said the aid component was only likely to be $150 million of the $5 billion investment bill and was mainly directed at the upgrading of Maputo’s port facilities.

The extent of private and public sector commitment to the project heralded a new era of cross-border cooperation in trade and investment in the region after years of dependency on foreign aid, Irwin said.

The regional governments are due to establish a Maputo Development Corridor promotion company Mozambique, South Africa, Zimbabwe, Swaziland and Botswana have already signed a protocol providing for the establishment of this company.

Meanwhile, the President of Transport, said he expects a private enterprise, not governments, to be the guiding light of the corridor.

Maharaq said the success of the corridor investors’ conference shows that the lesson is to be guided by the private sector in public investment decisions.

Maharaq noted that agriculture, forestry, fishing, mining, manufacturing, tourism, and infrastructure are the key sectors of investment opportunities in the Maputo Corridor project.

Project details recently released include:

- Upgrading the telecommunications system by way of a digital microwave system to increase trunk carrying capacity between South Africa and Mozambique. Additional plans to establish a cellular network are also under consideration.
- Essential transport infrastructure projects (which have entered various stages of tendering) such as the US $180 million toll road (which would rehabilitate 380km of existing road between Witbank and Maputo and build about 90km of new road in Mozambique), $170 million on upgrading the port and $20 million on upgrading the 90km rail link between Maputo and Resarao on the South African border.
- Private sector projects such as the $720 million Pande gas pipeline project, $250 million for surveys of the development potential of building materials in Maputo province, the $300 million Red River Iron Ore/quartz/nickle/uranium project near Tzaneen, Ric’s $300 million heavy minerals project adjacent Red River, estimated investments of $1.45 billion for the development of petro-chemical and stainless-steel clusters at Secunda and Middelburg, $37 million on agro-industrial projects in Mpumalanga, and investment opportunities in the Mozambican fishing, forestry and tourism sectors (hotel developments valued at $10 million are being planned for Maputo).

Other investment projects already discussed include Alusuisse’s $1 billion, Maputo-based aluminum plant, a multibillion dollar hydro-electric dam on the Zambezi, a $3 billion fertiliser plant on the Zambezi, and Sappi’s proposed forest products project and a eco tourism project under the Maputo’s south coast.
Effective Port Management is Crucial
"Significant boost" expected for transport industry in South Africa

The Maputo Corridor development project is expected to create a significant boost for the transport industry in South Africa.

Jan Jarlhaage, the managing director of Scania SA, said that the investment of $163 million (R733 million) earmarked for the upgrade of roads added to $77 million annually for telecommunications and $67 million for electricity distribution in the region would impact on the transport industry and translate into expanded fleets and the establishment of new operators in the region.

"The scope of the project is enormous, extending to a number of economic sectors including tourism, agriculture and forestry, mining, construction, finance and services," Jarlhaage said.

"Considering budgets such as $80 million for allocation of water in Mpumalanga and $110 million for a new international airport in the region, some idea of the scale and magnitude of the project can be gauged," he said.

According to Jarlhaage, the transport industry can be expected to be a major winner when the project is initiated.

"Because transport plays such a central role in the economic life of South Africa, the rapid development and globalising of business in Mpumalanga and the surrounding regions will require significant support from the transport industry," he said.

"The upgrading of the port of Maputo, for example, will create a significant increase in road traffic in the region.

"There will be an enormous call on vehicles and support expertise to back the Maputo Corridor project,"

He said that the Maputo Corridor project had given the industry a "once-in-a-lifetime" opportunity to take advantage of a modern "gold rush" in the region.

Jarlhaage added that Scania SA is working closely with the Scania distributor in Mozambique, Scanno, on issues of joint concern, in a bid to increase the presence of the company in the area.

Maputo Corridor project fact file

Countries involved:
South Africa
Mozambique
Swaziland
Zimbabwe
Botswana

Costs:
Total approximate worth $6 billion (R27 billion);
Cost of road upgrade: $180 million;
Cost of port upgrade: $170 million;
Cost of rail upgrade: $20 million.

Ancillary Projects:
Sub-corridors to Phalaborwa/Tzaneen industrial areas via Hazv.vn and along the north coast of Mozambique towards Inhambane and Panda gas fields via Xhosa Xhau.
Feeder links to Punto do Ouro from Maputo, from Middelburg to Steelpoort mining area and from Wibank to the Secunda petro-chemical cluster.

Government Agreements:
Maritime agreement;
Road agreement regarding the transport of people,
Road agreement regarding the transport of cargo,
The upgrading of the airline agreement;
The sumnarrang of the official co-operation agreement between the two countries.

Commercial Agreements:
Memorandum of understanding between the Mozambique ports and railways authority, CMF, and Transnet with a joint venture company to operate the toll link between Komatspoo and Maputo Agreement between Pentow Marine and Emadineia EP in order to dredge the Maputo harbour area.
Changing the face of Mpumalanga

With the implementation of the Maputo Development Corridor project, Mpumalanga is set to become the largest growth node in South Africa. This is the view of Joe Magagula, the director of strategic planning and development in the office of the premier of Mpumalanga, who said that independent analysis estimated that out of a potential 100 percent future growth for South Africa, 40 percent is in Mpumalanga.

“While we are hoping to realise this potential through projects like the Maputo Development Corridor, our understanding is that the corridor will bring about economic growth in a manner that is going to promote infrastructural redevelopment and it is also underlined in the province’s strategy of development,” said Magagula.

“Mpumalanga is extremely rich in natural resources and with proper downstreaming of products we are confident of being able to, through the promotion of industrial development and manufacturing, grow the economy, increase employment and supply housing,” he added.

Magagula says since the Maputo Development Corridor investment conference in Maputo and the follow-up conference in the province, a lot of groups had positioned themselves in the region to take advantage of prospective developments related to the corridor.

“Nelspruit, White River, Komatpoort, Hazyview and Middelburg are all experiencing a good flow of investment. In Secunda, the petro-chemical clusters have already been initiated and in Middelburg there is an industrial park development around the stainless steel industry.”

“So some of the predictions we made in our planning process have already been realised,” he said.

However, Magagula said it was important for the province’s development that investment and job creation went hand in hand.

“We will only have real economic growth if more of our people are earning a living, which also assists in combating crime. Job creation is one of the key elements of economic growth. If we achieve the necessary economic growth to support the implementation of the corridor we estimate that half of the unemployed population will be employed.”

“So the Maputo Development Corridor has the potential to change the face of Mpumalanga.”

“Mpmumalanga is set to gain major infrastructural attributes with the development of the corridor. Besides the N4 toll road linking Gauteng to Maputo, which is the project getting the most exposure, there is the upgrading of telecommunications and the creation of secondary corridors linking Tzaneen, Secunda and Steelpoort to the N4.

An airport is to be built on the outskirts of the provincial capital of Nelspruit and, within the corridor context, very near to the N4. Also, an international investor is considering building an airport in the Hazyview area.”

The Mpumalanga government is planning major public infrastructural developments in the form of government offices and legislature buildings in Nelspruit which could be funded by private finance.

“Nelspruit is developing at a rapid rate in terms of property and office space and is in fact experiencing a shortage of office space at the moment,” said Magagula.

“Furthermore, investors are interested in developing a container depot in Nelspruit. The depot would be developed in the east of the city, which would integrate the former black and white areas of Nelspruit with a totally new CBD,” he added.

The sub-corridors to Tzaneen Steelpoort and Secunda would also be major steps towards developing Mpumalanga.

Magagula pointed out that well over a million people live in the rural areas between Nelspruit, White River and Bushbuckridge and the Tzaneen sub-corridor has the potential of helping to develop these areas.

“There is tremendous potential in the area,” he said. “Hazyview is the fruit basket of Mpumalanga and the area is close to the Kruger National Park. So it already has strong tourist possibilities.”

Similarly the Secunda and Steelpoort corridors would provide short export routes for industrial, mining and petro-chemical products which will provide further impetus to the Mpumalanga economy.

Another area where there are investment and growth opportunities is the hotel industry.

“Nelspruit needs hotel accommodation. It is estimated we are short of 490 beds a night. There is a thriving guesthouse industry as a result of the shortage,” explains Magagula.

The Maputo Development Corridor has also been the main reason for the development of good neighbour relations between the Mpumalanga and Mozambique.

“We never expected that we would work so closely and so well together,” said Magagula.

“In fact, instead of competing for investment the two parties have direct communications and refer investors to each other on a daily basis.

“We even sit in on each other’s planning and strategy meetings, so it is working very well,” he concluded.
Land rush may hurt Mozambican poor

AS THE deadline approaches for Mozambique's government to present a draft Land Act to parliament in time for its next session, at least one political group has said it will oppose the Bill.

"The land question is a hot item, yes," says Almeida dos Santos Tumbao, Renamo's rapporteur and third most senior parliamentarian.

"We are waiting for the Bill to come before giving our opinion but this much I can say so far, the discussions have excluded the involvement of rural people, whom we represent."

The land law has been debated nationwide during the year. Should the government meet the September 12 deadline, parliament will discuss it at its upcoming session, which starts in late October.

In the meantime, a land rush is on to grab 20-million hectares of uncultivated land with excellent potential for farming, hunting and tourism. In all, Mozambique has roughly 80-million hectares, of which 40-million are arable. Less than 10% is cultivated.

The land Bill seeks to clarify land tenure in a country reeling from 16 years of civil war, 12 years of state-controlled economy, and widening free market policies since the late 1980s.

When the draft Bill was discussed at a national conference in early June, nongovernmental organisations, academics and donors recommended protecting the rights of rural communities to their land. Peasants are 80% of Mozambique's population. They grow the bulk of the food Mozambicans eat, and are the largest producers of cashew nuts, cotton and copra, their country's exports.

Concessions

Top officials of the ruling party, Frelimo, say they met early last month to review proposed changes to the Bill. Insiders say they wanted guarantees that rural rights were watered down and state control over land allocation strengthened. The reason, they add, is that many Frelimo cadres are involved in the land rush, acquiring concessions for themselves and their associates.

Frelimo is also said to have made foreign investment a contentious issue, conditional on association with a Mozambican national government officials are well placed for that. So are South Africans.

In September, Nassa province in the northwest will receive the first 24 Afrikaner settler families from South Africa, out of a planned total of 1,000. The multi-billion dollar investment agreement has been signed by presidents Nelson Mandela and Joschum Chissano, the settlers will be given concessions for 50 years.

Their advance team is dozens of Afrikaner missionaries who roam Niassa province showing movies about the life of Jesus to Muslim villagers.

In the northern provinces of Nampula and Cabo Delgado, peasants have been evicted from their land, although the number is said to be still small. When peasant farmers are chased by big business like Joao Ferreras dos Santos and Campanha de Angucho, they move on to unoccupied land. How long they will be able to do this is anybody's guess.

"We don't know how long there will be land available, or how near to roads and markets," says Maria Elena Fajpa, a social worker in Nampula. "This is why Malagasy women demand title deeds to their land. "The Malagasy people of the northern provinces are matrilineal societies, where land remains in the hands of women.

In the central provinces, timber logging is proceeding apace. Recently, "Megamaideiras", a joint Mozambican-Zambian firm, announced its plans to soon begin logging 40,000 ha of woods in Bombe, near Sussundega, in the heart of the territory of armed bandits known as "Chumangas". Huge hunting reserves are also springing up in Sofala province. A company called Safrique, for example, was awarded rights to hunting areas totalling nearly 223,000 ha. Something went wrong, though, because last week, the hunting areas were up for grabs again, as announced in the main daily, Noticias.

Land pressure is hottest south of Maputo. In Matatube district, on the strip of land between South Africa and Mozambique's unspoiled beaches on the Indian Ocean, many investors want land. So do the 47,000 peasants who live on, and off it.

This is why Mozambique's Minister of Coordination for the Environment, Bernardo Ferraz, is caught between a rock and a hard place. He has until mid-September to tell the Cabinet which development project is best suited to Matatube.

One option is a megatourism scheme, comprising five luxury lodges, with a golf course and casino, linked by an antique steam train. For safari-cum-beach lovers, this would be Maputo elephant reserve, now down to some 100 animals, will be restocked with lions, rhinos, elephants and leopards.

Renamo has kept surprisingly quiet, both in the debate and in the land rush. Its participation in the well-publicised national land conference was almost inognito. Tumbao says Renamo officials lack capital and cannot join the land rush. Regarding the draft Bill, he says that, as soon as it is sent to parliament Renamo will analyse and fight it. — Sapa-IPS
Two short-listed for corridor deal

Edward West
80 June 996

TWO consortiums have been short-listed for a key Maputo Corridor project — a 30-year R600m+R800m contract to build and maintain a road between the Gauteng-Mpumalanga border and Maputo.

Transport department sources said one group was Trac — made up of Hong Kong and Shanghai Bank, building group Basil Read and its French parent Bouygues, Stocks & Stocks, Investec and Thebe's Masele Investments — and the other was Via do Sol, which includes Group Five, Grimaker Construction, Reeve Steyn, BKS Engineering and Maputo-based engineering firm Profabril and is backed by Absa and Japan's Sumitomo Bank.

The consortium consisting of Murray & Roberts, LTA, Afrikon engineering consultants, Samrand, Nikobe Holdings, Mozambique-based BCI, and financial advisors Standard Corporate & Merchant Bank (SCMB) and Rand Merchant Bank failed in its bid.

However, SCMB public finance director Cohn Coleman said the SCMB-sponsored SA Infrastructure Fund (SAIF), set up to raise funds for development projects, would not be affected as the short-listed consortiums had approached it for equity financing.

Transport deputy director-general Malcolm Mitchell said criteria to evaluate the bid had included toll tariff proposals, financial stability and guarantees offered, charges to road users, technical capabilities and inclusion of black businesses.

A department official said the short-listed companies had to respond to questions by the end of this month when negotiations would start.

The contract would initially involve upgrading and constructing new sections of the N4 road from Witbank to Maputo harbour, and thereafter maintenance and the operation of toll facilities for 30 years.

Mitchell said the department was working on a second major national road contract, the planned R1bn toll road over the Drakensberg on the N3 between Johannesburg and Durban.
Mozambique beats the odds
Post-independence Mozambique battles with status of Portuguese

By Jorge Dique
Maputo

Twenty-two years after winning the guerrilla war for its independence from Portugal, Mozambique cannot decide on the importance to be given to the language of its former colonial ruler.

Efforts to promote a common local tongue are hampered by the 20 languages and more than 30 dialects among the 17 million people. An official attempt to sort out the confusion was made with the 1993 establishment of the Centre for Studies of Mozambican Languages.

This was an abrupt change of attitude by Frelimo, which had insisted on the continued use of Portuguese after coming to power in 1975.

Its sensible approach to promoting national unity was later abandoned as the rest of the country ignored the ruling and carried on speaking the local dialects and languages.

Each region continues to push its own tongue. In Maputo there is the Nyanja association, at odds with the Association of the Friends of Mozambique Island, based in Nampula, in the north.

Berra has taken its own stance and this year a Sena newspaper appeared on the city streets, called Tiberiambe ("Let's understand one another").

That is proving extremely difficult nationwide. But at least in the schools local languages are making a comeback.

During the colonial era anyone not speaking Portuguese was scorned and other languages were given a low social standing.

There has long been widespread concern that local languages will be overwhelmed by Portuguese. Brazilian anthropologist Iara Baptista Lundim is certain there is no danger of this and points out that during nearly 500 years of colonial rule by Lisbon, no local languages ever disappeared.

The most likely trend is for Portuguese to be used for official communication and Mozambican languages to be predominant in all other spheres. — Star Foreign Service/AIA
Negotiations on Maputo toll road tenders continue

Stephen Lauer

THE national transport department was negotiating final best offers with two of the three consortium bidding to build and operate the toll road at the heart of the Maputo-Mpumalanga Corridor, department sources said yesterday.

The negotiations had been less time-consuming than expected because similarities in the bids had made it possible to get to key issues quickly. Final bids would be submitted early next month and the department hoped to announce the winner later in October. Construction would begin in January.

The consortium bidding on the toll road are the N4 group including Murray & Roberts, Africon, Standard Corporate Merchant Bank, and Rand Merchant Bank; TransAfrica Concessions, which includes Basal Read Construction, Stocks and Stocks, Investec and Bouygues, and the Via do Sol group including Grinaker, Group Five Construction, Absa, and Sumitomo Bank.

Key issues under negotiation were the toll tariffs and the regulatory framework whereby government would ensure it had a say on road maintenance levels and other technical issues.

The country's transport ministers, Mac Maharaj and Paulo Muxanga, met in Maputo on September 20 to drive the process forward.
Attackers kill 10 mineworkers

**By Amed Thome**
Crime reporter

North West police have appointed a special task group to investigate the explosions in which 10 people were killed and 12 critically injured at the Springvale settlement of mine contract workers near Stilfontein at the weekend.

Eight explosions ripped through the settlement on the farm which houses mine workers, their wives and girlfriends, leaving seven men dead.

Two men who tried to flee were hacked to death by their attackers believed to be from nearby mine hostels. Another person died in hospital.

The first explosion occurred at midnight on Saturday, setting off another seven which had been attached to the hostel roofs and outside walls.

Another three explosive devices were defused by police bomb disposal experts.

"The devices were packed with commercial explosives used on the mines," said police spokesman Senior Superintendent Peter du Plessis.

He said seven people were killed inside the dwellings, while another two bodies were found in a nearby veld where they had been stabbed and assaulted with knobkieries.

Most of the wounds had been caused by knives and knobkieries, Du Plessis added.

One man was believed to have died after being shot in the chest.

The injured were admitted to the Klerksdorp, Tshepong and Duff Scott hospitals with shrapnel and other wounds. Ambulances from the Klerksdorp, Stilfontein and Orkney Fire and Emergency Services responded to the call which was made from a nearby office during the early hours yesterday.

Police said ethnic tension between the Pondos and Sothos living in the settlement was believed to have sparked the attack.

The attack was believed to have been launched from one of the nearby mine hostels.

Senior police officials visited the scene yesterday and were concerned that there would be reprisals. Public order police were patrolling the settlement in an effort to avoid revenge attacks on shafts at the nearby Hartbeesfontein and Buffelsfontein gold mines were reportedly operating normally.

Du Plessis said the settlement was calm this morning.

*Star 23/9*
Growing criminal activity threatens to strike Mozambique's economy. Despite the fact that Mozambique's national currency is stable, people are buying power by spending more and more on commodities. The war in the country has led to the displacement of thousands of people, further exacerbating the crisis. The government is struggling to maintain control over the country and is facing challenges in ensuring the safety of its citizens. The situation is grave and requires immediate attention from the international community.
Malawians adapt to falling fish stocks

Don Napula

Blantyre, Malawi — Drought, environmental damage and a huge increase in the number of people forced to turn to fishing to feed themselves in Malawi have led to a drop in the stocks in the country’s lakes and rivers.

“The huge increase in the number of people taking up fishing has placed a heavy strain on the fisheries resource. If not properly managed, our fish stocks will be in real danger of over-exploitation,” says Esam Phiri, the country’s deputy national resources minister.

At its height the national commercial catch was 70,000 tons, with a value of $70 million, 4 percent of total economic output. In 1993, the latest year for which figures are available, more than 200,000 people were employed full-time in the industry.

In recent years, yields from the Shire River and Lake Chilwa have declined from 10,000-15,000 tons a year to about 2,000 tons.

No figures are available for Lake Malawi, which covers almost one-third of the country, but reports show that it has also been badly affected.

The Upper Shire, a breeding ground for chamba, has been closed for several years to fishing using some nets, and only hooks and line are allowed.

Lake Chilwa has salted up because almost all of the surrounding trees have been cut down, which has led to soil erosion, and because of the drought in 1994.

Sample studies by the fisheries department have indicated that fish in Lake Malombe have fallen from 5,000 tons in 1983 to less than 100 tons. Kambuli (young chambu) catches have declined to 6,000 tons from 14,000 tons yearly.

Official worries have filtered through to the local communities which have begun their own conservation measures. Villages around Lake Chilwa have agreed to stop fishing to allow the stocks to build up.

“Reports indicate that catfish and the special variety of tilapia unique to the area known as ‘makumbe’ have returned, but there is no fishing activity until the lake fully recovers,” says Edward Ngombe, the assistant director of fisheries.

In other areas villagers are protecting breeding grounds by following rules on closed seasons and using recommended net sizes.

“Getting the support of the communities appears to be working. When we tried to enforce the regulations, there was strong resistance,” the fisheries department says.

A growing population, with rising unemployment over recent years, have forced more people to turn to fishing to stay alive. Only 3 million of the population of 11 million are employed and 64 percent of the population are under 15. — Independent Foreign Service/AIA
Tax dodgers have run of Malawi

FELIX MPONDA

Blantyre — Unscrupulous businessmen use a simple trick to avoid paying customs duty. Imported goods are trucked in and declared to be in transit. No duty is charged. The goods are then unloaded in Malawi and the empty trucks continue across the border into Zambia.

Impoverished Malawi is under pressure from the World Bank and the International Monetary Fund to tighten fiscal and monetary policies, mainly by reducing spending and increasing its revenue base. The cash is badly needed to service a $57 million budget deficit and an external debt of $2 billion.

The government is considering a value-added tax, to replace sales tax on manufactured goods and services.

But the private sector cautions that a VAT system will only help if it is properly implemented and administered.

"If not well planned, it might bring negative consequences for the economy, especially on commodity prices," said Kassam Okhau, the chairman of the Malawi Chamber of Commerce and Industry.

Tax evasion is widespread. Individuals, companies, government departments and the public owe the government 180 million kwacha (about R47,63 million) in unpaid tax.

Yvenso Chimombo, the commissioner for taxes, said that some government departments added to the problem by not taxing their employees.

Economists say Malawi has an active underground economy where people can conceal their income. Informal trade between Malawi and her neighbors Zambia, Tanzania, and Mozambique deprives the country of 50 million kwacha in unpaid import duty every month.

High tax rates, among the highest in southern Africa, may encourage tax evasion. Workers' wages are taxed at a minimum of 15 percent and a maximum of 35 percent.

The income tax department, which collects half of all government revenue, hopes to collect 1.3 billion kwacha this year, compared with 800 million kwacha last year.

The department has immense powers to investigate, impose penalties, confiscate property and order banks to deduct tax from the accounts of companies which have not met their tax obligations.

But the department is hampered by a lack of personnel and equipment. "It is very difficult for our department to trace businessmen for taxation. The department is too small to go hunting for tax evaders," Chimombo said.

Kamudoni Nyasulu, the director of public prosecution, said the laws on tax evasion were inadequate. The office had only 14 cases, mostly charges of income tax evasion. He said the law was silent on whether foreigners who left the country before they were caught could be extradited.

— Independent Foreign Service/AIA
Malawi's Generation X not heeding the warnings

Critics condemn family-planning campaigns as being too timid, writes Anthony Livaza
Sexism stifles women in Mozambique

Jorge Dique

Maputo — Three years ago, Mozambique ratified the United Nations convention on the elimination of all forms of discrimination against women, but little has been done.

The Women's Forum, a non-governmental organisation, says there are still laws which discriminate against women.

Isabel Casimiro, a researcher in the Centre for African Studies at Eduardo Mondlane University, says laws remain which contradict the UN convention.

Maria Leonor Joaquim, the president of the Mozambican Association of Women in Law, says the constitution grants Mozambican nationality to foreign women who marry Mozambican men, but not to foreign men who marry Mozambican women.

She deplores the fact that women cannot be seen as heads of households. Her organisation alleges that the penal code, adopted in 1988 and amended in 1989, is flawed because it refers solely to men. Women do not have equal access to loan facilities. They cannot apply for loans unless their husbands go to the bank with them and give permission.

Women are not entitled to own land, except in the matrilineal societies of northern Mozambique. Banking institutions require possession of some immovable property as collateral for a loan.

The Association for Business Women (ACTIVA) said an initiative is under way to set up a cooperative bank to grant loans to women who want to start businesses or other economic and social activities.

Angelica Salamao, the president of ACTIVA, is critical of the commercial and civil codes, which were inherited from the colonial regime. Her organisation seeks changes to the relevant pieces of legislation.

She says the few women who do go into business are discouraged by battles with the municipal police and trade supervision, health and finance institutions, when they seek to formalise their enterprises. She says the required fees and taxes are so high they often lead to the collapse of their activities — Independent Foreign Service/AIA
DEVELOPMENT AID IMF promises to alleviate Third World debt

Mozambican bailout

Paul Faure

Maputo — Michel Camdessus, the director-general of the International Monetary Fund has promised that the IMF and the World Bank will take measures to alleviate the debt owed by Mozambique and other Third World countries.

Speaking at a news conference in Maputo on Friday, Camdessus agreed that Mozambique's foreign debt was "unsustainable".

Mozambique's debt stands at about $5.8 billion. Almost 25 percent of this is owed to the World Bank and the IMF.

Camdessus said that loans from the Bretton Woods institutions had "helped bring Mozambique back on track".

There were times when we were the only institutions prepared to take the risk of lending money to your country. But what was important in the past should not be an obstacle to future growth," he said.

The latest initiative will reschedule or write off debts, provided the countries concerned show that they are following the IMF's economic recipes.

Given the Mozambican government's record in implementing IMF programmes, Camdessus was certain that next year the IMF executive board will make Mozambique eligible for this initiative.

He would not say how much multilateral debt would be forgiven or rescheduled. Debt servicing should not be more than 20 to 25 percent of export earnings, he said. Mozambique's debt repayments are almost 60 percent of its export earnings.

Camdessus believed that the structural adjustment programme drawn up between the Mozambican government and the IMF was bearing fruit.

"Growth is there, at a continuous high level (7 percent), exports are picking up at an impressive rate, and the currency is very stable, and the latest news on inflation is encouraging."

Camdessus said it was likely that this year inflation would be at or below the government's target figure of 52 percent. This compares with 54 percent last year and 71 percent in 1994. This could bring inflation down to a single digit next year, he said.
Maputo Corridor is ‘just a start’

Shirley Jones
KwaZulu Natal Editor

Durban — Individual spatial development projects like the Maputo Corridor, aimed at making the South African economy more adaptable to global trade trends and more sensitive to events in regional trade blocs, are on the cards, Alec Erwin, the trade and industry minister, said at the Durban Metro Business Conference yesterday.

He said these projects would dwarf the Olympic initiative and the $4 billion corridor development itself. He could not give an exact figure for all the projects because some of them were still under discussion and because the funding was expected to come largely from the local and international private sector.

He said the massive national spatial economic development initiative, which incorporates individual corridor development projects such as the ones linking KwaZulu-Natal with Mozambique through Swaziland and South Africa with Zimbabwe, and the development of the Eastern Cape coast from Port St Johns, would be fundamental to future economic strategy.

Though tariff phase-downs and compliance with the global trade rules set up during the Uruguay round of trade negotiations would remain a preoccupation of the trade and industry department, he said, a national spatial development initiative would take centre stage in industrial strategy formulation over issues such as protection, market dynamics and price.

Erwin said he had met Mac Maharaj, the transport minister, Mangosuthu Buthelezi, the home affairs minister, provincial government authorities and the Swazi and Mozambican governments last week to finalise the Lebombo development initiative, which will link St Lucia in the far north of KwaZulu-Natal to Mozambique through Swaziland.

Kheto Gordhan, the director-general of the transport department, said the department was considering building a road from Hluhluwe, linking the top of KwaZulu-Natal with Swaziland and Mozambique.

He said the road would be built by the private sector with minimal input from government, paving the way for future corporate initiatives.

Gordhan said spatial development corridors entailed massive investment and imaginative solutions, which had already succeeded in attracting substantial international investor interest.

Erwin acknowledged the urgent need for economic progress in regions like KwaZulu-Natal, and said his department would follow up the Lebombo initiative with a spatial development initiative stretching from Durban to Newcastle.

He said South Africa would have to overcome the weaknesses stemming from a legacy of fragmented administrative procedures. He called for greater co-ordination in decision making at ministerial level, adding that a single ministry would be appointed to oversee the national spatial development initiative.

Erwin said his department would begin co-ordinating the Lebombo initiative so that all role-players pulled in one direction and worked within the same framework.
Top-level yes to titanium project

Johannesburg — Gencor, the South African mining house, is set to help Mozambique become a large titanium exporter by the early years of next century after confirmation last week by Prime Minister Pascoal Mocumbi that the planned R2.3 billion titanium mining project was likely to go ahead.

Mocumbi has just returned from the US, where he held talks with investors, including Washington-based Edlow Resources, which is in a joint-venture project with Gencor to exploit the extensive TiGen titanium mineral sands on the Mozambcan coast, 200km north of Quelimane.

He was reported last week as saying exports of titanium would go ahead by the end of the century prompting speculation that the project effectively had the green light.

A Gencor spokesman confirmed that preliminary studies were close to completion and a final decision for production could be made soon. He said the main problem with the project was a full understanding of the economics of extracting the titanium and not the geology of the deposit.

Reserves of 20 million tons of titanium dioxide have been identified, 75 percent of which are proven. The latest reserves estimate represents a 40 percent boost on previous figures.

The Richards Bay titanium reserve in South Africa has reserves of about 25 million tons.

Titanium is mainly valued for its brilliant white colour qualities and is used as a pigment in paint and plastics as titanium dioxide. Titanium metal alloys are both light and strong, and find use in high-performance aircraft, missiles and space shuttles. Other uses include mineral fibres and ceramic components in electronics.

Australia is the main source of these minerals, but that country's reserves are running low. Mozambique, along with South Africa, could become a world leader in titanium production during the next century, analysts said.

Gencor is proposing a total investment of $500 million, including $200 million in a smelter, $160 million in mine and dredging facilities and a further $140 million in infrastructure such as road building and 200km of powerlines.

The smelter would run on hydroelectric power from the Cahora Bassa dam, and a new dam is under consideration. Partners Edlow Resources specialise in power generation facilities.

The Mozambique government could acquire an interest in the project at some time in the future, a source close to the project said.

The site of the smelter is still under consideration, with political tussles continuing over whether it is placed in the north of the country or in Maputo.

Government sources and a northern site is more financially favourable to the project.

Mocumbi indicated recently that he would like to visit the Richards Bay mineral sands facilities in South Africa.

Incog, which is also considering investing in a titanium smelter in Mozambique to process titanium from its mines, could build the facility in Richards Bay or Komatipoort in Mpumalanga.
Malawi charges off the money in desperately courts

FOREIGN INVESTMENT
Projects available for investment could be granted a 20-year moratorium on corporate tax
Migrant workers’ money used by Malawian govt officials, audit finds

Blantyre – Funds destined for Malawians employed in South Africa have been diverted by the governments in Lilongwe, media reports said yesterday, citing a government audit.

The report showed that both the former regime of Kamuzu Banda and President Bakili Muluzi’s present government spent 35-million kwacha ($9.4 million) from a fund that was set up to pay 22,000 Malawian miners and migrant workers in South Africa.

The Nation newspaper said the government’s consulate in South Africa was given the migrant labour funds between 1992 and 1994, but that the funds were never transferred to the labour ministry in Malawi.

As of May 1995 only 150,000 kwachas remained in the consulate’s account. The consulate had overspent its budget by November 1995 and was surviving on the migrant labour funds, the report said.

Banda’s Malawi Congress Party, the accountant-general’s office, and the charity organisation Chukukulika cha Amani M’Malawi led by Banda’s constant companion Cecilia Kadzamusa also dipped into the migrant labour funds, the government audit found.

Last year, the foreign ministry also authorised payments from the funds for medical treatment for the wife of current Vice-President Justin Malewezi. The funds were also used to pay for hospital treatment in South Africa of relatives of a top foreign ministry official.

A Malawian delegation is to arrive next week to discuss the issue with the South African Chamber of Mines – Sapa-APF.
Rail upgrade heralds a boom for Maputo.

Reinie Booyzen

Coal shipments through Mozambique’s Maputo harbour are expected to rise sharply over the next few years as Spoornet and the Mozambican rail operator CFM upgrade the railway line from SA at a cost of about R65m.

The line moved about 420 000 tons of coal, mostly from the Witbank area in Mpumalanga, to Maputo’s Matola terminal during the first six months of the year.

Spoornet’s executive manager of international rail, Winton Gibbs, said total tonnage shifted during that time, including other goods and commodities, came to 620 000 tons and should rise to about four million tons over the next two or three years. He said the bulk of the increase would be coal as producers in Mpumalanga made increasing use of this line in preference to Durban.

Although never shut down, the line suffered substantial decay during the apartheid years and was targeted for military attack during the Mozambican civil war. However, the SA and Mozambican governments are now keen to revive the line as part of their programme to develop the Maputo Corridor from Mpumalanga to the Mozambican coast.

The upgrade of the line is a joint venture, with Spoornet having a 16% stake and CFM 33% Gibbs said the partners hoped to attract a private investor for the remaining 51%.

The exact financing structure of the project was unclear.

SA’s main coal export line runs through northern KwaZulu-Natal to Richards Bay, but this route is available only to the shareholders of the Richards Bay Coal Terminal (RBCT), which include most of the major coal producers.

As the RBCT is intended to transport steam coal, Durban and Maputo are the only options available to those who wish to export anthracite and sizers coal (larger lumps for domestic use), and to the smaller coal producers who do not have access to the RBCT.

Generally producers ship only premium-priced coal products through Maputo and Durban.
Miners' missing pensions to be paid

Reneé Grawitzky

THE Malawian government indicated yesterday that retired workers previously employed on SA gold mines, who did not receive pension payments from 1992-1994, would be refunded.

This emerged after reports in a Malawian newspaper last week that a government audit had shown that between 1992 and 1994 that country's former and present governments had spent $2m from a fund established to ensure 22,000 former migrant workers received their monthly pensions.

Malawian Labour Minister Kayombo Phumisa said yesterday that certain ministers, such as external affairs, had used the money instead of it being paid out to the pensioners.

Phumisa said that since 1994, funds received by the ministry were being paid out to retired migrant workers.

Before June 1994, Rand Mutual Assurance paid over a cheque, with a schedule of the beneficiaries, to the Malawian consulate in Johannesburg, which was then responsible for directing the funds to the Malawian labour ministry. Rand Mutual Assurance said once the money was paid over to the consulate, Rand Mutual's responsibilities ended.

Teba, the Chamber of Mines' recruiting arm took over the responsibility for distributing the funds in Malawi in June 1994.

As a result, distribution no longer went through the consulate in Johannesburg or the ministry in Malawi.

Teba MD Roger Rowett confirmed that since June 1994, a Teba office in Lilongwe had been handling the payments.

Rowett said personnel in Lilongwe had assured head office that payments were now reaching the accounts of the beneficiaries.

The Chamber of Mines said it would monitor the situation.
Those smiling children are unaware that the beautiful scenery behind them is the key issue in the battle between environmentalists and a mining company about land use in the ecologically sensitive Madimbo Corridor.

The Madimbo Corridor debate reopens after investigations by Deputy Minister

By Russel Molole

Scaling tip to green lobby

The Madimbo Corridor debate reopens after investigations by Deputy Minister

By Russel Molole

STRIVING for a balance between the environment and development was a common issue in the corridors of power in the past when it came to deciding of development should be allowed in a particular area.

When the Department of Mineral and Energy Affairs allowed the Madimbo Diamond Company to prospect in the ecologically sensitive Madimbo Corridor, the environment was not a consideration.

Environmental assessment studies to determine the best land use options in the area took a backseat, environmentalists noted.

The dismissal of the National Parks Board’s appeal against diamond prospecting in the area was seen by environmentalists as reinstating the environment to a non-station status.

This practice of overlooking environmental issues whenever a particular area had to be developed was detected by Environmental Affairs and Tourism Deputy Minister Mr Peter Molokaie when he took office in September this year.

After the much-anticipated dismissal of the NPB’s appeal, Molokaie met Mineral and Energy Affairs Minister Mr Pomsel Maduma and they agreed to review the decision to dismiss the appeal last month.

Molokaie and Maduma also decided that mining in the area should not proceed because of, among other things, land claims in the area, current proposals to develop eco-tourism parks and the process and procedures by which the company obtained the mining permit.

Information gathered shows that, in the past, decisions taken regarding this area were conducted in an ad hoc and unsatisfactory manner.

“This tradition cannot be allowed to continue and I am satisfied that all parties involved are committed to a transparent and transparent process of consultation to determine the best land use options for the Madimbo Corridor,” Molokaie said.

He made it clear that the days when the environment was ignored in South Africa are over and the new democratic dispensation was committed to sustainable development and use of natural resources.

Molokaie further committed his department, together with the Mineral and Energy Affairs Department, to investigate and research any development in the area and to ensure that a clear path of sustainable development is embarked upon in the Madimbo Corridor, a strategy which it would ensure that the majority of local people get on board.

The Madimbo Corridor debate reopens after investigations by Deputy Minister

This would ensure that the majority of local people get on board.
Maputo’s new debt deal opposed

ANGELINE OYOG

Paris — The Paris Club of bilateral creditors agreed last week to restructure Mozambique’s external debts, but non-governmental organisations (NGOs) criticised the club for failing to give the indebted and war-ravaged country sufficient relief.

After talks with a delegation from Mozambique, the club took note of the country’s low income a head of $590 (about R414) and heavy debt burden, and offered to write off 67 percent of debt service obligations under eligible loans and credits.

In offering this debt restructuring option, under the Naples Terms rules, the creditors said they were calling for an “exceptional treatment of debt” in Mozambique, to foster economic growth and accelerate development in the country.

But the NGOs were hoping for an 80 percent cut, theoretically possible under the Heavily Indebted Poor Countries (HIPC) initiative.

“The message of the IMF and the club is that they will maintain their role as debt-collecting agencies, determined to extract their pound of flesh from the poorest people on this earth,” she added.

In drawing up the initiative, the World Bank had identified Mozambique as one of the eight countries with an unsustainable foreign debt. Several NGOs had hoped the club would initiate a “dramatic” write-off of the country’s obligations.

“Sending officials to Paris for this negotiation was no doubt a good exercise for the cash-strapped government of Mozambique. They will return home with very little hope to offer their people,” she said.

She said the club had carried out an uninterrupted IMF programme for 10 years. Yet despite 12 years of successive club’s rescheduling and a moratorium on bilateral borrowing since 1990, Mozambique’s debt burden has continued to grow heavier.

A World Bank, the International Monetary Fund (IMF) and the Paris Club, many NGOs have conceded that it still represents an advance on earlier debt reduction options, such as the Naples Terms.

The NGOs criticised in particular the initiative’s requirement that indebted countries hoping to benefit would have to sign up for years of painful structural adjustment programmes and early cut-off dates of debts eligible for reduction.

“The club’s negotiations with Mozambique show that the major creditors are not serious about implementing the initiative, recently agreed in Washington,” said Petitor.

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According to figures from the Mozambique government, the stock of external debt had reached $3.3 billion by the end of last year, of which $1.1 billion was overdue.

Between 1995 and last year, multilateral debt stock rose from $1.13.2 million to $1.6 billion. It also grew from 4 percent of total debt stock in 1995 to 30 percent last year.

Its multilateral debt service from next year to 2002 is expected to rise by 81 percent, from $38.6 million to about $35 million. Debt service is likely to fall between 2002 and 2010, but will grow from 2010 onwards.

Petitor noted that Mozambique is still recovering from a long and destructive civil war which ended only four years ago.

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JCI in plan to take advantage of world shortage of scrap iron

Proposed project could be region’s biggest joint deal

FROM SAPA-AP

Harare — A proposed multimillion-dollar joint iron mining and processing project to be undertaken by a South African company in Zimbabwe and Mozambique promises to be the biggest combined investment in the region so far.

The start of a joint feasibility study on the Beira Iron Project led by JCI and the world’s seventh-biggest oil company, the US-based Atlantic Richfield Corporation (Arco), was launched here on Friday. The feasibility study will be completed by October 1997, production is expected to start in 2000.

Under the project, iron ore is to be mined at Zimbabwe’s Buchwa Iron Mine in the central region and taken by train to the border between Zimbabwe and Mozambique, where an industrial zone would be set up to process the ore, using natural gas from Mozambique’s Temane gasfield in the central province of Sofala.

The product, hot-briquetted iron, would then be exported through the port of Beira.

If the project proceeds it would consist of a combined investment in Zimbabwe and Mozambique of between $444 million and $665 million.

The feasibility study, which was launched in Mozambique four weeks ago, was expected to be completed by October next year, and production would start in 2000.

About 1,100 clients have already been identified in several parts of the world. The project is expected to last 25 years.

Hugh Brown, the project manager, said the demand for scrap iron had risen, resulting in a worldwide shortage of about 100 million tons a year, hence the increase in demand for hot-briquetted iron.

Demand for the product amounts to between 12 million and 15 million tons and is expected to rise to 25 million a year in the year 2005.

About 2.8 million tons a year of high-grade iron ore would be taken by train for about 100km from the Zimbabwean Buchwa Mine on a specially constructed line via the eastern border town of Mutare to the plant.

The processed hot-briquetted iron would be transported in the same rolling stock on the existing rail link from Manica to Beira, where a dedicated loading dock and stockpile would be established.

The gas to be used in the reduction plant would be piped 450km from Temane, the central Mozambican gasfield where three wells have been drilled.

Other participants in the proposed project include Zarara Petroleum Resources from the United Arab Emirates, Hidrocarbonetos de Mozambique, Buchwa Iron Company of Zimbabwe and IMS Projects, a South African-based management and engineering company.

Nathan Shamuyarara, the Zimbabwean trade and industry minister, said that his government’s participation in the project was still to be determined, but that it would be a substantial minority shareholding.
Survey finds drivers collude in truck theft

A survey of more than 27,000 trucks across SA has found a high degree of collusion by drivers in the theft of vehicles and freight in the trucking industry.

The survey, carried out by a motor vehicle research organisation, The Marketing Shop, highlights the increased risk of theft at unmonitored stops in towns and fast food outlets, as well as in laybys where drivers sleep.

An insurance industry source quoted in the survey said that in the assessment of insurable risk in the transport sector, drivers accounted for 80% while the remaining percentage rested with the condition and maintenance of the vehicle. Among other factors raising the insurance risk were the low levels of education, literacy, skill and road awareness of many truck drivers. It noted that many drivers were in charge of vehicles costing up to R500,000 and freight with a value of between R250,000 and R500,000.

As countermeasures, the insurance industry suggested careful driver training and a move towards better record keeping. Accurate pre-employment checks were essential on all potential drivers and the use of polygraphs was also recommended.

The survey found that 15% of stolen vehicles were hijacked. There was also strong evidence that the rate of vehicle hijackings and theft were increasing.

‘Irregularities’ uncovered in security board probe

Kevin O’Grady

LEGAL action, possibly including criminal charges, could flow from the results of a forensic audit of the affairs of the Security Officers’ Board, which are to be released soon, an auditor said yesterday.

Patrick Ronan of Ronan, Smith & Associates, which has been involved in the investigation and in managing the board’s affairs, would not give details of the findings. However, he said the investigation had “uncovered gross irregularities with regard to the administration of the board”.

Board member Don Masterson said the findings were “of such a serious nature that they have led to the suspension of two senior board executives”, referring to last week’s suspension of registrar Franz Lubbe and assistant registrar Thembani Kwele.

Ronan also disputed allegations by Lubbe that his suspension followed an appeal to the safety and security ministry to set up an independent commission of inquiry into unaccountable expenditure by board members.

He also denied “granny train” allegations levelled at board members, including three Transport and General Workers’ Union shop stewards appointed to the board.

Ronan said that the investigation into Lubbe and the board’s secretary had preceded Lubbe’s suspension to the safety and security ministry.

He said he had seen evidence that productivity was at a high level since he started performing secretarial and administrative functions for the board in April. He agreed with board vice-chairman Joe Mashipane’s contention that Lubbe’s allegations against the three union members on the board were racially motivated.

R15.7m trust set up for land commission

PRETORIA — A land restitution trust fund worth R15.7m over three years had been set up to bolster the budget for the activities of the Land Rights Commission, it was announced in Pretoria yesterday.

Trustees of the fund said that the commission was now 18 months old and it has become clear that constitutional responsibilities and operational needs demand an increase in its capacity to deliver on land restitution.

They said more than 11,000 land claims were pending and more were expected in the next 12 months. The trustees said they required more funds to put core functions in place — Sapa

Cut graft for Beira to succeed, says banker

HARARE:— Southern African governments need to cut bribes and corruption to create an attractive environment for investment in their proposed regional infrastructural development corridor, leading banker Dr Peter van Dyk said yesterday.

Van Dyk, the corporate banking manager with the Commercial Bank of Central Africa, told a two-day conference that security and exchange rate controls were also key constraints to attracting capital to his region, which could include Beira.

Cutting corruption is major concern

Key financial constraints are security, functioning market and exchange-rate controls, Van Dyk said.

The way forward is for governments not to take things from the private sector but to sign the right kind of environment, Dr L. P. Beets said.

“Mozambique and the Beira Corridor Group, which has agreed to the conference, said they had no plans to introduce policies aimed at attracting capital. However, they welcome the addition of new rules. Beets also said the government would consider making the corridor a major investment destination,” he added.

Ria would also offer reply to SA for most regional companies. — Reuter.
and the Mepanda Uncua dam — don’t include another investment phenomenon also taking place — privatisation.

While SA has been struggling with defining — and applying — its growth, empowerment and redistribution economic policy, and is still striving to launch a properly focused privatisation policy, Mozambique has made huge strides in putting its policy into place.

According to the technical unit for enterprise restructuring of Mozambique’s Ministry of Planning & Finance, 26 out of 59 larger State-owned enterprises have been sold off since January 1995, raising $71.6m, with new investments of $153m pledged to these privatised concerns.

Added to this, says Mozambique’s Investment Promotion Centre, a further 361 investment projects — in the industrial, agricultural, hotels and tourism, construction, fishing, transport and communications sectors — valued at $781m have been approved by the centre since 1995.

With the multibillion-rand Maputo Corridor project officially launched last week, Saudi Arabian concerns are apparently also interested in building a new roadway between Mozambique’s two major coastal cities, Maputo and Beira. The Johannesburg-based Mozambique Trade International says that another road will link the third port, Nacala, with its southern sister cities “For development to really take off, it’s essential to first upgrade our transport and communications infrastructures,” a spokesman says.

Meanwhile, each Mozambican province and region has been given a package of investment incentives to attract foreign investment. For example, tourism and agricultural developments are seen as important for the northern Nacala region, and SA farmers have already started moving in. Backed by the World Bank, Mozambique has devised a sophisticated package of investment incentives, with a minimum $50 000 required for foreign investment linked to the repatriation of profits.

SA’s Trade & Industry officials could therefore do worse than study Mozambique’s successful attraction of foreign capital inflows into real capex investments. Megaprojects still on the drawing board include:

- Gencor’s $500m Tigen mineral sands project,
- Alusaf and Gencor’s $11bn Maputo-based aluminum smelter,
- JCI’s $550m gas reduction iron briquette plant,
- A $300m coking coal operation at Moatise, near Tete, to be run by Brazil’s iron ore giant CVRD,
- The $2bn Mepanda Uncua hydro power dam on the Zambezi, linked to the Mozal project,
- The $1bn Pande gas field development by Enron Corp, to be linked to a proposed SA-based iron reduction plant,
- An $800m tourism project in the Maputo Elephant Park by an American developer,
- The $800m Maputo Corridor road project, linked to upgrading projects for Maputo harbour and railway line, linking Maputo to Komatipoort, and
- The $125m upgrading of the Cahora Bassa/SADC transmission line, paid for by the Portuguese government and due to deliver 2 000 MW power into Eskom’s SA grid by March 1997, and a new $50m 400V AC transmission line linking Cahora Bassa with Harare in Zimbabwe.
Digging for support: Fears are growing that the Mozambican people will see no gains from peace

PHOTOGRAPH ADIL BRIDLOW

IMF pulls the plug on Mozambique

Joseph Hanlon

PEACE has not brought prosperity to Mozambique. Four years after the end of the civil war, the poorest country in the world is growing poorer.

The reason is that the International Monetary Fund (IMF) has ruled that annual inflation must be brought below 15% before there can be significant post-war reconstruction. This policy is called “stabilisation”, but the former finance minister, Magid Osman, warns. “Putting stabilisation first makes instability more likely.”

Delaying reconstruction is the opposite of the successful policies of Europe and Asia in the 1940s after the World War II. But the IMF is taking a narrowly monetarist line, arguing that the already minimal level of demand must be further reduced to bring down inflation before investment can be allowed to increase supply.

Mozambique was a cold war battlefield: the decade-long conflict killed a million people and caused damage in excess of $25.3-billion. The war ended with a peace accord in 1992 and highly praised multi-party elections in October 1994.

Donors want to help Mozambique rebuild, but the IMF has insisted that donors spend $190-million less this year than in 1994 on reconstruction, which it regards as inflationary.

Fears are growing that people will see no gains from peace and democracy. “If the government does not renegotiate its accord with the IMF, peace is threatened,” warns Pedro Chibala, an official of Sintract, the Independent drivers’ union.

Last year there was good rainfall and a record maize crop. The 1.7-million returned refugees look forward to earning their first big cash surplus. But piles of maize remain unsold: thousands of tons will rot.

Roads remain closed because the IMF has forced the government, donor nations and the World Bank to cut back on road repairs.

The IMF policy has now been in force for more than five years, but is a manifest failure, even in the organisation’s own terms. In the late 1980s, at the height of the war, Mozambique imposed its own modified adjustment policy, which led to significant growth and falling inflation. By 1991, gross national product (GNP) per capita had risen to $115 and inflation had fallen to 21%.

That year the IMF imposed its stabilisation policy. Each year since then, GNP per capita has fallen. Mozambique now has a per capita GNP of $100, the lowest in the world, according to the United Nation’s 1996 Human Development Report. Industrial production rose in the late 1980s — during the war — but has fallen each year since stabilisation was imposed and is now half of the 1980 level.

The Catholic Bishop of Nampula, Dom Manuel Vieira Pinto, says that “the IMF must stop looking only at its computers and look at real people in Mozambique.” And he asks: “Will this all end violently?”
IMF talks back

Evangelos Calamitsis, director of the African Department, replies to last week’s criticism of the IMF’s policies in Mozambique.

Mozambique deserves better treatment from those who, like Joseph Hanlon, would claim to be its friends. His portrayal of a country whose desperate economic condition threatens to reawaken unrest (IMF pulls plug on Mozambique, Mail & Guardian, January 10 to 16) does an injustice to Mozambique’s achievements.

He says “the poorest country in the world is growing poorer”. In fact, over the past decade, Mozambique’s economy has grown strongly, despite natural disasters and a war. Since 1987, per capita income (at 1990 prices) has increased by 45%.

Inflation for the first 11 months of 1996 was just 15% and, since mid-1994, industrial production has grown strongly.

Hanlon states that the International Monetary Fund (IMF) has insisted donors spend on reconstruction £1.18-million less in 1998 than in 1994. But the IMF welcomes donor assistance to Mozambique, and no IMF condition would be breached if Mozambique received additional foreign aid and spent it on reconstruction.

Since 1987, with IMF support, Mozambique has implemented adjustment programmes aimed at increasing supply, not merely reducing demand. They have eliminated domestic price controls, liberalised exchange and trade, and led to the restructuring and privatisation of loss-making public enterprises.

Credit to the economy in 1996 will have expanded by close to 32%. There are also credit schemes for small and medium-sized enterprises.

In 1991, a cash transfer scheme for the urban poor and vulnerable groups was revived and now reaches almost 90,000 households. However, such schemes alone cannot resolve the problem. So the government, with the help of the World Bank and donors, is working on programmes to provide adequate spending on education and health, while reducing unproductive outlays.

It is, therefore, hard to understand why Hanlon suggests that structural adjustment has failed. From 1981 to 1986, under central planning, Mozambique’s real gross domestic product declined by 28% and per capita income by 45%. Exports fell. Food production declined and the country became dependent on food aid. External debt became manageable.

Now foreign capital and know-how are beginning to flow into Mozambique, creating opportunities for increased employment. Inflation is down, exports are expanding and growth continues.
Small hope in ruined Maputo
World Bank backs Maputo Corridor

Stephane Bothme (2/13)

World Bank president James Wolfensohn had come out in support of the Maputo Corridor project and would structure proposals on how the bank could get actively involved, the transport department announced yesterday.

Transport Minister Mac Maharaj met Wolfensohn in Maputo on Saturday where details of the project were presented jointly by SA and Mozambican government officials, a ministry spokesman said.

Wolfensohn told US reporters last week that he wanted to step up lending to the region. Satisfactory projects were needed, he said.

The first phase of the Maputo Corridor project, one of the most ambitious cross-border development projects in southern Africa, will be the construction of a R600m highway from Witbank to Maputo. It will also include the upgrading and modernisation of the railway line between the two countries and of the Maputo harbour at a cost of about R150m.

"The project should be supported with equity on both sides," Wolfensohn said, adding that proposals would be drafted on how the World Bank could get involved in the "practical sense".

Describing the World Bank's stance as groundbreaking in that the bank traditionally only supplied money to governments and not to regions, Maharaj said it was important that the bank was prepared to commit itself to such a project.

Earlier, Wolfensohn said that during his SA visit he would focus on ways the bank could mesh with SA's own efforts to promote regional development with its Southern African Development Community partners.
Mozambique realigned with Comesa

From AFP

Business
Mozambique to revive coal mines

MAPUTO — After a decade of virtual shutdown of the Montaze coal mines in central Mozambique, the government has come up with a plan to revive them, along with the surrounding province's economies.

The first step is a $300m project to restore Nacala Port in the northern province of Nampula. This will include the construction of new facilities and a railway line linking the mines with the port.

Mozambican Ports and Railways adviser Carlos Bambo says the new facilities will enable the port to handle at least 1,000 tons of coal an hour. The first phase of the project includes restoration of existing port terminals and a revamp of the fishing boat docks. An industrial centre will be set up within the port, to include an oil terminal and duty-free zone.

Also part of the overall blueprint is the $300m rehabilitation of the Montaze to Beira railway line scheduled to begin later this year. The line was almost totally destroyed during the country's 16 years of civil war and has not been functioning since the 1986 destruction of the Dona Ana Bridge on the Zambezi river.

Montaze, 21km northeast of Tete, is an important railway centre. It is at the end of the line linking the town of Zambézi to Beira and to Malawi and Zambia.

The governor of Tete, Virgilio Ferrao, says that once the railway is restored it will be possible to begin selling more than 150,000 tons of coal that has been extracted, but is lying heaped around the mines.

Ferrao says the process of reactivating the coal industry will create jobs. "For example, at least 1,500 people will be employed to work on the rehabilitation of the line," he says.

National coal company MD Ernesto White says that there are almost 200,000 tons of stockpiled coal worth more than $2.25m waiting to be marketed.

However, he says that transportation of the coal is a major problem — the lack of a railway line makes it almost impossible for the company to operate.

White says rehabilitation of the railway is the answer. "As soon as the line to Beira becomes operational, our problems will be solved." — AIA
ELECTRICITY Resumption of operations seen as relaunch of Mozambican economy

Power to flow from Cahora Bassa

Jorge Dique

Maputo — After the 16-year interruption of a civil war, which devastated Mozambique from 1976 to 1992, the Cahora Bassa hydroelectric dam will restart supplying electricity to South Africa and Zimbabwe this year.

Resumption of operations at Cahora Bassa in the central province of Tete is seen by economists as a significant achievement towards relaunching Mozambique’s economy.

At present, the country imports electricity from South Africa to supply the Maputo industrial park.

Revitalisation of Cahora Bassa will allow Mozambique to save about R44 million spent annually on importing electricity.

Hermenegildo Gamito, a manager with Cahora Bassa, is confident that rehabilitation of the lines for the transportation of energy to South Africa will be completed by next month.

The cost of restoration of the lines, including technically upgrading the power stations, has been set at about R695 million. The funds have been donated by the European Investment Bank, the European Union, Portugal, France and South Africa.

Gamito’s optimism is based on the fact that since the launching of the programme in March last year, a total of 1 290 pylons have been mounted and of these, 407 have been connected with the line stretching from the town of Songo to the Save river, which serves as the border between central Mozambique and the southern region, a distance of 460km.

PLUG IN Turbine power point for southern Africa

This represents 57 percent of the target of 2 005 pylons which will be rehabilitated over a distance of 900km of Mozambican territory. Gamito says that 75 percent of the work has already been completed. This includes the digging of 1 829 foundations and 1 427 support bases for the pylons.

Construction work on a new line for transporting electricity to Zimbabwe is expected to be completed within the first half of the year, and will enable Zimbabwe to receive electricity from Cahora Bassa before the end of the year.

Cahora Bassa is planning to transmit the electricity in a continuous current to converter substations at Songo and Apollo in South Africa.

An agreement on the tariffs for the supply of electricity to South Africa is expected to be concluded next month. — Africa Information Africa
Privatisation 'central to reform'

MAPUTO — The privatisation of state-owned enterprises was central to the Mozambique government's economic reform programme and was already delivering results, Prime Minister Pascoal Mocumbi said yesterday.

"Privatisation is a basic component of reviving the national economy," he said at the pan-African investment conference held in Maputo.

Mozambique, enjoying an economic revival with the end of civil war which ravaged the country, is pursuing an ongoing privatisation programme involving the sale of about 700 state companies, including over 40 large ones.

Mocumbi said revenue collection was not the fundamental objective of the process. Rather, the government hoped to revitalise key industries by improving management, technology and competitiveness.

The benefits were already being felt, he said. In the banking sector new private banks had opened, the Commercial Bank of Mozambique had been privatised and plans were afoot to privatise the People's Development Bank.

These steps, together with the creation of an interbank foreign exchange market, have had a major impact on foreign exchange supply, contributing to the stability of the national currency which depreciated only 5% last year.

The private sector is also playing a growing role in the food industry following privatisation of state food concerns, contributing 95.6% of national food production in the first half of 1996, with the state making up just 4.2%.

Elsewhere, Cimentos de Mozambique, privatised in 1994, has seen sales rise 73% a year. It supplies 80% of the cement market a year, compared with a market share of one-third when it was in state hands. — Reuters

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BANKING IN SOUTHERN AFRICA

A SPECIAL MAGAZINE SUPPLEMENT - MAY 27 1997

The banking industry forms not only a vital link in the chain of commercial activity, but it is also regarded as a measure of a country's financial health, making a strong and vibrant banking sector an essential element in South Africa's future prosperity. With this in mind, Business Day will be taking an in-depth look at this industry in its Banking in Southern Africa Survey publishing on May 27, 1997.
SA and Mozambique study power deal

Johannesburg — Mozambique and South Africa signed a memorandum of understanding yesterday to study the construction of a new hydroelectric project that could open the way for the development of a $1.2 billion aluminium smelter near Maputo.

Penuel Maduna, the South African mineral affairs and energy minister, signed the memorandum with the Mozambican government to allow Eskom and the country’s electricity utility, Electricidade de Mocambique, to launch a feasibility study into the construction of the dam.

"He is going to sign a memorandum of understanding concerning the development of the Mepanda Uncua dam," said Fungi Maphosa, Maduna’s personal secretary.

Cheap power is crucial for the development of South African aluminium producer Alusaf, a unit of Gencor Industry sources said the development hinged on the building of the Mepanda Uncua dam and hydroelectric installation on the Zambezi river.

It was reported earlier this week that Alusaf managing director Bob Barbour, who is accompanying Maduna, would sign a heads of agreement with the Mozambican government as the first phase of the development of the Mozal project.

Alusaf officials could not confirm or deny the report, but said that Barbour was in Maputo yesterday.

The smelter, with a capacity to produce 245 000 tons of aluminium a year with possible expansion to 490 000 tons, is planned to be constructed near the Mozambican capital of Maputo.

Gencor chairman Brian Gilbertson said last month that the company still held out hope for the project after a feasibility study proved the smelter to be feasible.

Eskom was reported as saying the first phase of the Mozal project would use 490 MW of the 2 065 to 2 900 MW capacity of the dam project. — Reuters
CASH TIDE HITS MAPUTO

A visit to Maputo on Thursday by two key government Ministers heralds the start of an investment flood unprecedented in southern Africa.

The significance of the visit by Mineral & Energy Affairs Minister Penuell Maduna and Trade & Industry Minister Alec Erwin will not be lost on global conglomerates eyeing the huge potential of impoverished Mozambique.

Maduna will sign a memorandum of understanding with his Mozambican counterpart to allow Eskom, its Mozambican counterpart, Electricidade de Mozambique, and an unnamed third party to launch a feasibility study into the construction of the US$2bn Mepanda Uncua Dam.

Erwin's visit will seal a Protection of Investment treaty — for the protection of SA investments in Mozambique.

With the ministerial party is Alusaf MD Rob Barbour, who is to sign a heads of agreement with Mozambique — a big step towards the realisation of the first phase ($1,1bn) of the Mozal aluminium smelter.

The smelter will obtain economically priced power from the 2 000 MW-2 500 MW Mepanda Uncua Dam on the Zambezi River below Cahora Bassa.

Mozambique has given Mozal an option on a plant site in a Maputo industry free zone. The joint Industrial Development Corp-Alusaf feasibility study on the project is already advanced and Alusaf's parent Gencor will probably take the project to its June board meeting for final approval.

"The 245 000 t/year first phase of the project will use about 460 MW of Mepanda Uncua's generating capacity, but we trust that Alusaf will also soon announce its decision to proceed with the second phase, taking smelting capacity to 490 000 t/year. Mozal will then consume about half of Mepanda Uncua's capacity, with Eskom taking any balance available in the SA grid," says an Eskom spokesman.

Alusaf is still discussing possible IDC equity in the project and looking for "acceptable" foreign equity partners.

Also forming part of the agreement to launch the huge projects is a new R1bn, 400 kV transmission line that will link SA with Maputo. While providing a back-up for Mozal from SA, the line will also allow surplus power to feed into the SA transmission system.

"All SA now needs is for President Nelson Mandela to tie the knot with Graça Machel and our two countries might as well link up in a new federation," quips an industry source.

But the growing links are no joke. Projects on the drawing board include:
- The $600m Maputo Corridor project;
- The IDC's proposed R5,2bn direct iron reduction plant in Maputo;
- US-based Enron Corp's proposed $2bn Pande gas field development;
- Gencor's $200m heavy mineral sands Tigrin coastal project at Moebase, north of Beira, linked with a possible $240m titanium dioxide smelter at Nacala;
- JCI's massive Moatize coking coal project and a proposed hot briquetted iron (HBI) plant at Beira.

Judging from JCI's robust role in the mega-projects, the group appears to be following in the footsteps of Gencor in expanding its global mining and industrial reach.

"After securing the rights for the $700m-$800m Moatize coal mining project, we are now evaluating the much broader project scope that will include upgrading rail links and new port facilities at Beira," says JCI project leader Hugh Brown.

He adds that the use of Nacala as a possible export port has been discounted. "There is also the possible linkage of the upgraded facilities with other future projects in Zambia and Malawi which will soon be announced, as well as our own $620m Beira HBI iron project," says Brown.

JCI's London-based bank, Dresdner Kleinwort Benson, is drawing up financing packages for the Beira project and may assist in putting together an international financing consortium for the Moatize project as well as the multibillion-dollar infrastructure development projects.

Moatize and the Beira iron project include talks with soon-to-be-privatised Brazilian mining and industrial giant CVRD. Brown says JCI wants to bring in CVRD as an equity partner at Moatize as the Brazilian group, the world's largest iron producer, needs additional coking coal for its own steel-making plants.

Anglo American — with Miniero's help — and Gencor are negotiating for major stakes when the bidding for a 45% stake in CVRD opens next month. This will open up the possibility of linking all the groups in the Moatize development. CVRD could also play a major role in
JCI's Beira HBI project. "This project will be supplied with gas from the proven Temane gas field — about 300 km south of Beira near Pande — by US petroleum giant Atlantic Richfield Co (Arco). We are talking to CVRD about a possible annual supply of about 2.5 m of high-grade iron from Brazil. This will be supplemented by about 500 000 t/year of ore from Zimbabwe's Bmco mine," adds Brown.

With both projects involving a possible linkage between project lead manager JCI and CVRD — as well as the Zimbabwean and Mozambican governments respectively — Mozambique's Beira region looks set for major growth over the next decade.

While the Moatize project could still take about five years to reach fruition, the final case for the Beira iron project should be laid on the table for a JCI board decision by end-April, with go-ahead provisionally planned for end October. HBI product will be exported to Pacific Rim and Middle Eastern markets.

Meanwhile, Arco is involved in a potential future gas field development in central Mozambique that could dwarf Enron's activities at Pande. And JCI, through its project agreement with Arco, could play a major role in additional future gas and iron-based equity deals after completion of the Moatize and Beira projects.

Nasdaq- and Vancouver Stock Exchange-listed Canadian group Leopards is also involved with JCI as a potential equity partner.

Apart from the proven Temane gas field, Arco is looking at developing the Sofala gas field outside Beira (probably larger than Pande), the M10 offshore gas field south of Beira and the Buzi field to the north.

With so many heavy players involved, Mozambique looks poised to become one of Africa's prime international investment targets. 

Arnold van Huysesteen

**FEVER PITCH**

The Health Department's proposed amendments to the Medical Schemes Act — intended to achieve affordable health care for all — threaten to re-regulate the medical aid industry, which is gearing up for a hard fight.

The proposals are contained in a discussion document released in December for public comment. The document has been panned by a wide range of organisations, including the Concerned Medical Schemes Group, which represents more than 1 m members and includes insurers like Momentum Health and Sanlam.

Detractors argue the amendments would eliminate many of the incentives used to contain costs since the industry's deregulation.

The key proposals are:

- A return to pure community rating, where a member's medical aid contribution depends only on income and the number of dependants, not on age or health,
- Guaranteed acceptance of any individual regardless of their health risk,
- Disallowing medical savings accounts,
- Eliminating competition between medical schemes run on different lines, and
- Emphasising pay-as-you-go rather than pre-funding.

These proposals, says Momentum Health CEO Adrian Gore, "contain elements of the worst-run health-care systems in the world, ignore the large body of evidence from the best-run systems and are in conflict with the most elementary economic principles."

In an attempt to curtail spiralling medical costs which threatened the financial viability of the industry in the late Eighties, the Medical Schemes Act was amended to allow schemes to risk-rate members by their age and health.

The new proposals would reverse this step and encourage the young and healthy (who would be overcharged to provide cover to pensioners) to opt out of medical schemes, says Gore.

To compensate, premiums would be increased and more young people would leave, "resulting in a price spiral which ends up penalising only the old and sick."

Gore also counters the myth that community rating would ensure cradle-to-grave cover for all.

To prevent the loss of young, healthy members under this system, government needs to introduce anti-competitive measures such as legislation to stop people shifting to rival schemes and to ensure compulsory participation, and an equalisation fund to spread risk evenly between schemes.

Deliberate policies to encourage market distortions usually fail.

Association of Health Benefits Advisers vice-chairman Aubrey Sonnenberg believes the proposals are a badly disguised attempt to erode the privately funded medical health-care market. Ideology, not pragmatism, is driving the process, he says.

Liberty Life Health Care GM Dan Pienaar also questions the real motive behind wanting to re-introduce regulations which led to the demise of medical schemes in the past.

But the department's stance against pre-funding (setting aside some portion of a member's contribution before retirement into a fund like a pension fund) is supported by at least half the medical aid industry, says Old Mutual Actuaries and Consultants' principal consultant Richard Bryant.

Proponents argue that a pay-as-you-go system is sustainable in the long term. Those in favour of pre-funding argue that the former system offers pensioners no security because if the medical scheme folds, they are left without cover.

The department is also against medical savings accounts which pay for small, day-to-day medical costs. It argues that because savings accounts provide the young and healthy with a cheaper alternative to medical aid, there will be fewer funds available to cross-subsidise the elderly.

But to ban savings accounts implies that people are not capable of financing their own health care and should not be empowered to do so.

Bryant says the real debate is not whether to back either pre-funding or the existing pay-as-you-go system, as both are sustainable. The question is whether they can coexist, since the emergence of the pre-funded system could cause the demise of the pay-as-you-go system.

Deputy Finance Minister Gill Marcus says a joint committee of the departments of Health and Finance will examine the financial implications of the proposals, something detractors claim the Health Department has not considered.

Claire Bissekere and Stephen Hill-Haas
Renamo wrangle threatens polls in Mozambique

Paul Tauvet

Maputo - The Mozambican local elections, scheduled for November, are under threat, because the country's parliament, the Assembly of the Republic, is dragging its heels over the relevant legislation.

For the past five weeks, the Assembly has been debating six bills concerning local authorities, but has yet to take a definitive vote on any of the laws.

The subjects covered by the bills include electoral procedures, voter registration, the rights and duties of elected officials, municipal finance, the special status of Maputo and a list of the cities and towns where elections will be held.

The main opposition party, the former rebel movement Renamo, has objected vehemently to all of the bills. On no less than four occasions, one of Renamo's main parliamentary spokesmen, Manuel Fonseca, has threatened to make elections impossible unless Renamo amendments are accepted.

Renamo has tabled dozens of amendments, some fundamental, others deemed trivial.

There is no agreement between Renamo and the government of the ruling Frelimo on whether the elections should be held. The government is proposing elections in all 23 urban areas classified as cities and in one town in each of the 10 provinces.

Renamo wants elections in all 23 towns and is not impressed by Frelimo arguments that many of the small towns do not have an adequate tax base to support an autonomous municipal government. Renamo claims that holding elections in some towns but not in others would be "discriminatory".

On local finance, Renamo objects to the new municipal head tax and property tax proposed by the government, but suggests no alternative way of financing municipalities, other than simply lifting the money they need from the central budget.

Renamo has also proposed wages for municipal officials at least four times higher than those suggested by the government.

Renamo MPs did not reply to Frelimo's questions as to where the money would come from for high municipal wages and for the privileges they demanded for mayors (such as official cars and residences).

As for the status of Maputo, Frelimo wants a single authority, while Renamo is demanding that the city be split up into five or more municipalities with no overall co-ordinating body.

Frelimo MPs accuse Renamo of deliberately wasting time, believing that it has lost interest in the local elections, and would rather they were not held before the next general election, scheduled for 1999. This, they say, is because Renamo is in severe financial difficulties.

Renamo also seems to have cold feet about running big cities. In municipal elections, Renamo would almost certainly win control of such central cities as Beira and Quelimane. But it would have to deliver a decent level of services to voters in those areas, and failure to do so in the two years before the general election could cost it dearly in terms of electoral support.
Mozambique poll looks unlikely
South Africans are now investing instead of destabilising

Mozambican economy in line for $6bn injection

FROM THE ECONOMIST

218) c.l.(cr) 2/9/97

Maputo — Good news glimmers from Africa's poorest country. Four years after Mozambique ended its civil war and two years after the United Nations helped it to hold elections, Mozambique's economy is healthy (7 to 8 percent growth a year projected for the next two years), its exports are up, and an astonishing $6 billion ($26.5 billion) in foreign investment is thought to be either proposed or under study.

Once a humanitarian disaster, Mozambique is now a success story, at least for the UN and the World Bank.

The UN puts itself on the back for bringing one of Africa's longest and most destructive civil wars to an end. The Bank takes credit for the economic turnaround.

Foreign investors are talking about a huge range of projects covering mining, energy, manufacturing, transport, farming and tourism, totalling $6 billion, twice the amount of foreign direct investment in all of sub-Saharan Africa (excluding South Africa) in 1995. Not all the projects will materialize, but any one of the larger ones would dwarf Mozambique's current tiny economy. South Africans, who spent years destabilising Mozambique, are now its biggest investors.

As one of the world's most aid-dependent countries, Mozambique had little choice but to swallow the medicine prescribed by the World Bank: a stabilization programme that has brought down inflation, increased revenue and liberalized the exchange rate, and an ambitious privatization programme involving 500 state enterprises.

The parastatal institutions that remain — ports, shipping, customs — have been restructured and their management contracted to private companies.

Fiscal discipline has been strict. Spending is kept strictly in line with actual, not projected, revenue collection, a feat seldom matched by Western finance ministers. The government's reward was $458.5 million in foreign investment last year.

Yet Mozambique remains a desperately poor country, with many people made poorer by the reforms as they struggle to survive in the informal economy. For investors, Mozambique has all the problems of a seriously run-down economy: a small domestic market, high costs, bureaucratic tangle and weak infrastructure. Ideological differences no longer separate them, only history and mutual loathing. Mozambicans have taken to their democratic institutions with considerable vigour. They feel, by and large, that the system is working reasonably well.

The country's more daunting task is to build a culture of democratic government, accountability and respect for human rights and the rule of law. Remember that its political inheritance starts from 500 years of Portuguese colonialism, a war of liberation involving revolutionary populism, a swerve towards Soviet-inspired Marxism and a 15-year civil war.
Corridor will boost small businesses

By Patrick Phosa

The Maputo Corridor Development Project has opened up opportunities for small, medium and micro enterprises who have been allocated about R150-million to enable them to participate in corridor projects.

Speaking during a business briefing in Sandton, the Mpumalanga economic affairs and tourism chief director Coleman Nyathi said the rebuilding of the N4 toll-road between Witbank and Maputo would benefit many small contractors in his province.

A major consortium, Traco, won the bid for rebuilding and maintaining the road over 30 years.

The road is estimated to cost about R600-million. The revamping of the N4 is one part of the corridor project. The modernisation of the Maputo harbour at a cost of about R150-million has also begun and a gas pipeline agreement has been signed.

Nyathi said a shared "one-stop" border post at Ressano Garcia would be established.

The value of projects to the private sector was about R7.6-billion and had created about 7 000 jobs.

The corridor, whose primary function is access to markets for goods and services, would have great spin-offs for Mpumalanga.
SHOCK WAVES were felt by investors, donors, farmers and ecologists when a copy of the concession of 236,000 hectares to American billionaire James Ulysses Blanchard III was leaked recently in Maputo.

The agreement, signed by the Council of Ministers last December, had been kept secret.

Although Blanchard’s ambitious proposal had been in the pipeline since 1995, a decision was not expected before Parliament approved the new land bill.

It is rumoured that Blanchard made veiled threats that he would financially back opposition party Renamo in the municipal elections later this year if the concession was not approved before the new land bill.

The wheelchair-bound billionaire from Louisiana backed Renamo during the civil war but has now befriended the ruling Frelimo.

Blanchard applied for the concession directly to President Joaquim Chissano, bypassing the normal official channel of the National Directorate of Geography and Cadastre (Dinageca) which registers land claims.

“I was surprised to learn of the agreement. Such a huge project deserves more discussion,” said Jafar Moussa, Dinageca’s director.

Neither was such a generous agreement expected. Blanchard obtained a chunk of land roughly the size of Israel. It stretches from the marine reserve of Inhaca island, across Maputo, all the way down to the South African border.

Blanchard is allowed to build several hotels with casinos, a marina, a golf course, a railway to the town of Salamanga, beach and bush houses, a private game reserve in 15,000 hectares in Santa Maria Machungulo and a government guest house.

To develop this prime real estate over 50 years, Blanchard has to pay only US$9.5 million (nearly R42 million) up-front. Another five million dollars (R22 million) will be in imported equipment and material. National investors will put up US$6.2 million (R27.3 million) – of this two million dollars (R8.8 million) derives from the exemption of land taxes, which revert to the Mozambican government as participation.

Generous exemptions of other taxes follow:

The rest of the promised investment of US$800 million (R3520 million) will be secured later from other investors and from rich South Africans and Europeans.

By law, land cannot be sold in Mozambique – or not yet. The cunning way Blanchard’s lawyers found to get around this provision is to build all beach houses “in impermanent material”. Be it mud-and-pole huts, tented safari camps or prefabricated homes, houses without foundations are considered moveable property and, according to Mozambican law, can be sold.

This trick opens the door to selling the land attached to the “impermanent” house.

The agreement is surprisingly vague in its provisions, with no restrictions on sites or the size and number of hotels. It is also strange that investment-hungry Mozambique gives away a virtual monopoly over such a large piece of land for such a small amount of money up-front, instead of seeking several investors and allowing room for competition.

“More than the lack of precision, it is the lack of transparency that I find alarming,” says land expert Dr Jose Negrao “Mozambique is being given away and citizens don’t know about it.

AMERICAN billionaire James Ulysses Blanchard III has been granted an area of land as large as Israel in Mozambique in a hushed deal – despite valid claims to land in the region. AIA reports.

(21/06/97)

Even the relevant government departments were not consulted to draft agreement terms” said Negrao who headed a team of respected Mozambican experts who drafted a land use plan for Matutune district for the environment ministry.

The plan welcomed Blanchard’s investment with certain restrictions, no golf course or constructions on the fragile sand dunes of Santa Maria Machungulo, no restocking of the reserve with the Big Five or on account of the people living there, no displacement of the local 10,000 subsistence farmers and fishing folk. None of these recommendations has been followed.

The management plan for Matutune was ignored, and the fragile sand dunes of Santa Maria Machungulo were opened to developers. The recommendations for the Big Five were not followed.

This was ignored, as were previous legitimate claims to land now granted to Blanchard by law, first claims must be honoured.

“There are previous claims and there are people living on that land,” says Moussa “There will be an overlapping of interests Will earlier claims be compensated? Will people be removed? I don’t know.”

Neither were the 10,000 or so residents consulted. Their land has been valued at one million dollars (R4.4 million).

“What was the basis for the one million dollar estimate? Is this an offer or an order? Is this the price of the land, or of the rights to the land?” asks Ismael Osemanc, from the National Union of Peasants (Unac).

Unac says one million dollars is an arbitrary figure, far less than the real value of the land.

Swiss NGO Helvetas has requested an assessment of the implications of the agreement for their work with peasant co-operatives in the area.

“We are very worried about the agreement,” says Helvetas director Marcus Bubberger “The project brings job opportunities, but also dangers what about community participation, access to land, rights of the local people, land use and management? Local people have not been consulted.”

Says Negrao, “However desperate we may be for investment, our government is squandering our most precious resource – land without getting much for it.”
Row over prime land deal in Mozambique

**By Mercedes Savagnes**

Details of a secret 236 000ha concession granted to American billionaire James Ulysse Blanchard III by the Maputo government have sent investors, donors, farmers and ecologists reeling.

According to an agreement, signed by the Council of Ministers in December, Blanchard is allowed to build, among other things, hotels, a marina and golf course on a chunk of land roughly the same size as Israel in southern Mozambique.

Although the ambitious proposal has been in the pipeline since 1995, a decision was not expected before parliament approved the new land bill.

But it is rumoured that Blanchard made veiled threats that he would back opposition party Renamo financially in the municipal elections later this year if the concession was not approved before the bill was passed.

The flamboyant, wheelchair-bound billionaire from Louisiana, known for his penchant for golf, adventure and right-wing politics, backed Renamo during the civil war but has since denounced the ruling party, Frelimo. Blanchard applied directly to President Joaquim Chissano for the concession, bypassing the National Directorate of Geography and Cadastre (Dinageca), which registers land claims.

"I was surprised when learning about the agreement, since such a huge project deserves more discussion," says Jafar Moussa, Dinageca's director.

"Blanchard had not consulted me on the agreement, which is why this is such a surprise. I had no idea that such a project was in the works," he adds.

The agreement was signed on 14 July 1997 between Blanchard and the government, and it will be valid for 50 years.

By law, land cannot be sold in Mozambique, or not yet. But Blanchard has circumvented the provision by deciding to build all beach houses "in permanent material" to be used as "impermanent" houses. The reserve will be used for "impermanent" houses.

The agreement is surprising vague in its provisions, with no restrictions on sites, size or number of hotels.

Lack of transparency alarming, says land expert

"More than the lack of precision, it is the lack of transparency that I find alarming," says land expert Dr Jose Negrao.

"Mozambique is being given away and citizens don't know about it. Even the relevant government departments were not consulted to draft the terms of the agreement.

Negrao headed a team of Mozambican experts who drafted a land-use plan for the Matutuane district for the ministry of environment.

The plan welcomed Blanchard's investment with certain restrictions: no golf course or constructions on the fragile sand dunes of Santa Maria Machangil, no resettling of the reserve with the Big Five, no displacement of the 10 000 subsistence farmers and fishing folk. None of these recommendations has been followed.

A government management plan for the Elephant Reserve has also been ignored. The reserve was named as one of 200 "remarkable" global diversity sites at the Rio Eco-Summit in 1992.

The management plan allowed for limited tourism development, two upmarket lodges and two rustic, tented, community-run camps. Cultivation and settlement areas were to be reserved for the locals. Concessions were given by open tender to several operators and a board comprising the government, local communities, NGOs and the private sector would oversee developments.

Previous and legitimate claims to the land now granted to Blanchard were also overlooked.

"There are previous claims and there are people living on that land," says Moussa. "We are very worried about the agreement."

"The project brings job opportunities, but also dangers what about community participation, access to land, rights of local people, land use and management? Local people have not been consulted."

Negrao "However desperate we may be for investment, our government is squandering our most precious resource - land - without getting much out of it." - Star Foreign Service-A1A
Development corridor projects tabled

Nicola Jenvey

RICHARDS BAY — Ecotourism, agricultural and infrastructure projects worth several billion rands had been tabled for the Lubombo spatial development corridor linking SA, Swaziland and Mozambique, KwaZulu-Natal economic affairs and tourism MEC Jacob Zuma said yesterday.

Construction on the government-led R150m national road project through the area would start by August. Private sector investment proposals for the lead projects — including a beach resort, several small hotels, game lodges and cultural tourism projects — would coincide with the R300m Greater St Lucia Wetland Park launch later this year.

About 5 000 short-term construction and 2 000 long-term tourist-based jobs would be created by the venture, while gross revenue from the completed project was estimated at R600m a year.

Zuma said the Greater St Lucia Wetland Park was a public asset that needed a state-controlled institution to consolidate its land and regulate development.

KwaZulu-Natal premier Ben Ngubane said the formal presentation on the Lubombo spatial development proposals would be made to the SA, Swaziland and Mozambique governments on May 16 after which tenders bids from private investors would be called for and time frames for the development corridor finalised.

Zuma also highlighted the agricultural potential for the region, with the Jozini Dam capable of developing 30 000ha of farmland under irrigation.
Playground in a land of poverty

An American billionaire plans to convert land the size of Israel in southern Mozambique into a mecca of tourism — but at what cost to the local people? Eddie Koch reports.

You can see it in the sadness of her eyes. Leila, a 12-year-old girl, must work 12 hours a day to help gather strawberries at a farm owned by a company called Maputo Elephant Reserve. She is malnourished, and her eyes look like they are filled with despair.

The girls, who are between 6 and 15 years old, live in nearby shantytowns and must work to survive. They are paid a fraction of the minimum wage and often work in dangerous conditions.

The company's argument is that the land will be transformed into a tourist destination, bringing economic growth and job opportunities. However, the local community believes that their rights to the land are being violated.

The plight of people like Leila is not unique to Mozambique. It is a global issue, with many countries facing similar challenges as multinational corporations and governments seek to develop land for tourism or other commercial purposes.

The need for a balance between economic development and social justice is crucial. As the world economy continues to grow, it is essential that we prioritize the well-being of all individuals, regardless of their background or status.
R3bn toll road boost for Maputo Corridor

Richard Bartlett

Maputo — The Maputo Development Corridor received a R3 billion boost yesterday with the signing of a 30-year concession agreement for the construction and maintenance of a toll road between Witbank and the port city.

The new road, to be completed within four years, will be one of the few privately financed cross-border toll roads in the world, Thabo Mbeki, the deputy president, said at the signing ceremony yesterday.

The agreement for the "build, operate and transfer project" was awarded to Trans African Concessions, a consortium made up of Bouygues, the French construction group, and local groups Basil Read and Stocks & Stocks.

Financing for the road project is being arranged by Investec and Nedbank, with Mako Bank as co-arranger. The Hong Kong and Shanghai Bank is acting as a financial adviser on the project.

The new road will make the Gauteng-to-Maputo trip 150km shorter than that between Gauteng and Durban, Mac Maharaj, the transport minister, said.

Construction of the road is to begin within six months and will entail 112km of rehabilitation, 70km of completely new road and 260km of widening with some added interchanges.

The first tolls will be charged in November next year. A final decision on the toll fees will be made in consultation with the two governments. Ownership of the road, which will have a lifespan of 45 years, will revert to the respective governments after the concession agreement expires in 2027.
Construction of R3-billion toll road likely to boost development and confidence, expected to start in November
Joint venture to link SA, Mozambican ports

DURBAN — A new Mozambican shipping line servicing the ports along the Mozambican coast is to be introduced this month as a joint venture between SA-based Unicorn Lines and Portuguese-based Tertir.

Mozline will call at Maputo, Beira, Quelimane, Nacala and Pemba on two different port rotation schedules and offer liner-owned container equipment and a nationwide door-to-door service.

The company said it would offer both container and general cargo services and operate in conjunction with Unicorn's weekly Uni-feeder service, thereby linking the new service to SA ports.

Unicorn CEO Dave Rennie said that by extending the service to Durban, a gateway to a worldwide service into and out of Mozambique would be opened.

This would be beneficial in facilitating trade opportunities developing from the rapidly growing Mozambican economy.

Point Lusas, which is the first vessel dedicated to the new service, would call at Maputo next week to commence the maiden voyage.

Capable of carrying 158 containers, the ship is fitted with two modern 25-ton combination cranes and is well suited to the smaller ports along the Mozambique coast.

The vessel would be joined by additional ships later this year, he said.
Maputo toll road pact signed

ST (ET) 11/5/97

IT WAS, perhaps, appropriate that a run-down Maputo should host the signing of the agreement to build the Maputo-Witbank toll road, given South Africa’s historic role in the devastation of Mozambique’s road infrastructure.

The Maputo-Witbank road (N4), serves as part of the larger and ambitious Maputo Development Corridor, which aims to link Gauteng to the port of Maputo.

When fully complete, the corridor is expected to shorten the distance between Gauteng and Maputo by 150km, reducing transport costs for SA exports and boosting tourism in both Mpumalanga and Mozambique.

The rehabilitation of the Maputo rail and harbour complex forms part of the project. The first leg of the Corridor will be the construction of the R3-billion Maputo-Witbank N4 toll road.

This will involve the rehabilitation of 112km of road and construction of 70km of new road. The road will have SOS systems and patrol vehicles. Tolling at the first Plaza will begin in 18 months.

In terms of the concession contract, Trans African Concessions, a consortium comprising Stocks & Stocks, Basil Read and French construction group Bouygues, will be responsible for the N4 highway under a “build, operate and transfer mechanism”.

In this system, the private sector raises funds for public projects, builds and operates them at a profit, and then hands them back to the state at the end of a 30-year contract period.

The agreement, including two others on road transport, represents the first such scheme undertaken in either South Africa and Mozambique and could serve as a model for future infrastructural development in the region.

Funding is expected to be sourced locally. There is interest from institutions including the Development Bank of Southern Africa, Sanlam, Old Mutual, Investec and Nedbank. The DEA is said to be ready to commit close to R200-million to the project.
Mozambique cap in hand

Maputo — Mozambique will be seeking pledges of about $100 million in credit, grants and debt relief at a meeting in Paris next week of the World Bank's consultative group on the country, the Maputo daily Noticias reported on Saturday.

Mozambique will be asking for credits of $307 million and grants of $334 million. The government hopes the group will cancel at least $25 million in debt and reschedule $153 million also owed.

Mozambique, one of the world's poorest nations, has been implementing a World Bank-supported economic structural adjustment programme since 1987.

The southern African country obtained pledges of about $93 million at the Paris meeting last year. — Reuters
The economy grows
The government's
budget plan for 1995-
1996 shows a $5.2
billion deficit, but
there's hope for a
turnaround in 1996. 

The Bank of
Mozambique

African Business

Prime minister looks for early cash commitment from donor organisations

Debt

World Bank

Impresses
Key firms to list in Mozambique

HARARE — Key privatised companies were likely to be listed when Mozambique opened its planned stock exchange next year, Prime Minister Pascoal Mocumbi said at the World Economic Forum conference in Zimbabwe on Friday.

Mozambique has pursued an aggressive privatisation programme in recent years, selling off more than 700 state enterprises to date. Most have been small-scale businesses, but some larger companies have also been privatised, including the state airline.

"We have not yet privatised our insurance companies or our telecommunications, so there are various possibilities for other listings," Mocumbi said.

"Mozambique will join a growing band of southern African countries opting to establish their own stock markets, such as Zimbabwe, Botswana and Malawi." — Reuters
Maputo corridor to benefit all parties

When Mpumalanga established provincial relations with one of Mozambique’s provinces, many wondered how the province hoped to benefit from a relationship with one of the world’s poorest countries.

Today, the economic initiative between Mpumalanga and Maputo province has grown to such an extent that other regional governments have become involved.

The business deals that have come out of the relationship amount to billions of rands. The biggest deal is the Maputo development corridor – a project designed to improve rail, road and telecommunication links between South Africa and Mozambique.

Mpumalanga Premier Mathews Phosa says the agreement has set in motion economic cooperation in the southern African region. The interest in the corridor plan has snowballed and is attracting other neighboring states.

This marks a transformation in the lives of Africans who have been subjected to abject poverty for decades because of the lack of a common economic objective in the region since the post-colonial era.

South Africa, Namibia and Botswana are considering plans to extend the Maputo corridor to incorporate these countries.

Botswana and Namibia want to join Mozambique in improving their technology and infrastructure.

They are proposing a trans-Kalahari development corridor which will start in Windhoek in Namibia and go through to Gaborone in Botswana, via Rustenburg in the North West Province and join the Maputo corridor in Pretoria.

The project would be a blessing for Botswana, which would have a variety of transport options to improve its economy. It would have the choice of using either the Maputo or Walvis Bay harbours, which will be renovated to reach international standards.

Goods imported from the East will arrive in Maputo, while those from the West will arrive in Walvis Bay – all transported via the corridor.

The Maputo development corridor came into operation when five agreements were signed on the carriage of goods and conveyance of passengers, and to allow the construction of a R3-billion Maputo-Witbank toll road a few weeks ago.

Other agreements include the protection of investment capital between the two countries and the protection of land lease rights of South African farmers in Mozambique.

The agreements are aimed at eliminating bureaucratic procedures at the borders of the two countries. It will also allow quicker access of goods, and promote tourism.

The agreements will immediately boost the economies of at least four provinces in South Africa and three in Mozambique, through which the corridor passes.

The advantage of the Maputo development corridor is even greater for Mpumalanga, which is poised to become one of South Africa’s tourism giants because of the Kruger National Park and its picturesque landscapes like the “God’s Window” escarpment near Pilgrim’s Rest.

Provincial officials expect unemployment levels will decrease in both Mpumalanga and Maputo during the construction of the toll road.

The project would result in about 7 900 full-time jobs on site, 19 700 indirect jobs and 14 500 projected potential jobs that would come from entrepreneurs taking advantage of the agreements. The labour force would be shared between both countries.
Delays in issuing port and rail renovation contracts, coupled with a glitch in debt funding for road construction, have resulted in a six-month delay to the Maputo Corridor project.

Karin Pearce, special assistant to the director-general of Transport and project manager of the corridor, confirms that the restructuring of CFM, Mozambique's equivalent of Transnet, hasn't gone as smoothly as hoped for. "CFM has a vital role in bringing the corridor to fruition and is Mozambique's biggest employer outside government," she says.

And though the R12.6bn contract for the tollroad between Gauteng and Maputo was signed on May 5, "it has been delayed because the preferred bidder, Trac, is negotiating financial closure (debt financing) with national banks. It has to have this in place before it can start construction."

Delays in a project of this magnitude have to be expected, Pearce says, but she gives the assurance that by December construction of the road will have started and the concessions for the port and railway will have been awarded.

"Future delays will be minimised because the governments of SA and Mozambique have begun forming the Maputo Corridor Company to facilitate investment in the corridor and focus the attention of the authorities on problems affecting it."

The contract for the recommended improvements to the port should be worth US$60m, and the rail contract between $20m and $30m. It will include upgrading the rail lines linking Maputo with SA, Swaziland and Zimbabwe.

A bilateral agreement for a single clearing facility at the border is being negotiated with the Mozambican government.

Construction of the new section of road on the Mozambican side to shorten the distance between Gauteng and Maputo by 60km should be completed by mid-1999.

On the SA side the existing road will be rehabilitated, but Trac is obliged to inject capital for the 30 years of its concession to ensure the road keeps pace with traffic growth. Already, it is expected that the road through Nelspruit will not cope with expected traffic volumes.

David Pearce

FINANCIAL MAIL • JUNE 6 • 1997
Mozambican Privatization Gatherers Steam

A new law on foreign investment in the country, Mozambique’s newspaper business, reframing time in engage

Key Indicator

Mozambican Economic Outlook

- GDP Growth: 4.5%
- Inflation: 5.2%
- Unemployment: 8.7%
- Foreign Direct Investment: $2.1 billion

Recent Developments

- The government has announced plans to privatize several state-owned enterprises to attract foreign investment.
- The privatization of the telecommunications sector is expected to be one of the first steps.
- There is increasing interest from international investors in the country’s growing market.

Challenges

- Infrastructure: Limited access to reliable electricity and internet connectivity.
- Political Stability: Recent political changes may affect investor confidence.
- Economic Environment: Despite growth, the country remains vulnerable to external shocks.

Future Prospects

- The privatization drive is expected to boost the economy and attract further investment.
- The government is committed to improving the business environment.
- International organizations are providing support for capacity building and regulatory reform.

Conclusion

While challenges persist, the privatization process is expected to strengthen the country’s position as a destination for foreign investment.

References

Coca-Cola launches major venture in Mozambique

Chimoio, Mozambique – Coca-Cola has announced a $45 million investment to double its business in Mozambique over the next four years.

"Coca-Cola is committed to southern Africa. We believe Mozambique is a great place to do business for any well-run, well supported venture, and we believe the unique nature of our business will contribute significantly at every level of the Mozambican economy," Carl Ware, Africa group president said yesterday when he announced the investment at the opening of Coke's new bottling plant in Chimoio.

Chimoio Bottling is a joint venture between The Coca-Cola Company, Port Elizabeth-based Coca-Cola Sabco and the Mozambique government – Sapa
Coca-Cola adds $45m of fizz to Mozambique

Johannesburg — Coca-Cola on Friday announced a $45 million investment to double its business in Mozambique over the next four years. This represents another step in the southern African expansion plan put into play by Doug Ivester, the group's world president, in February when he visited the region.

Then, he announced plans for a R1 billion investment programme in South Africa, to be funded by Coca-Cola and its South African bottlers.

He also hinted at investment in the rest of the region. At the time analysts speculated that such investment could also tip the R1 billion mark.

In April, Coca-Cola announced plans to build a $20 million bottling plant in Luanda, Angola. Coca-Cola is committed to southern Africa. We believe Mozambique is a great place to do business for any well-run, well-supported venture. We believe the unique nature of our business will contribute significantly at every level of the economy," Carl Ware, the Africa group president, said when he announced the investment at the opening of the group's bottling plant in Chimoio.

Chimio Botling is a joint venture between The Coca-Cola Company, Coca-Cola Sabco and the Mozambique government. Coca-Cola Sabco, based in Port Elizabeth, is a Coca-Cola anchor bottler. It operates bottling and canning plants in Namibia, Tanzania, Zanzibar, Uganda, Kenya and South Africa.

In Mozambique, a bottling plant will be built in Nampula, production facilities erected in Beira and Maputo expanded, and Coca-Cola depots will be set up throughout the country.

Phil Gutsche, the chief executive of Coca-Cola Sabco, said the company was more bullish about opportunities in Africa than ever before.
IDC decides on Maputo for iron-producing plant

Ingrid Salgado

The Industrial Development Corporation (IDC) had opted to build its iron-reducing plant in Maputo, abandoning plans to base it in Phalaborwa, as Maputo had more attractive tax benefits and offered lower transport costs, the corporation said yesterday.

The IDC said a Phalaborwa-based plant would cost at least R500m more owing to the extra capital costs of transporting gas to the plant from northern Mozambique’s Funda gas fields. An initial price tag of about R65bn has been put on the project previously.

The removal of land costs (all property is state owned in Mozambique) and proximity to the Maputo harbour further reduced costs in addition to the initial R500m cost saving, the IDC said.

The corporation would take a 25%-50% stake in the project and would seek operating partners once a final decision to proceed with the plant was taken in the middle of next year. Possible partners included “three or four” US and Far East steel manufacturers.

The project’s environmental impact assessment manager, Etienne Roux, said the capital costs of constructing the plant in Maputo were slightly more expensive than locating it in Phalaborwa. This was because piping would be necessary to provide foundations and Mozambique’s skills base would have to be supplemented.

However, preliminary engineering and cost estimates made it clear that Maputo was the more financially viable option.

At the heart of the project is a 270-million ton magnetite stockpile at Phalaborwa to which 7-million tons is added each year from IDC subsidiary Feokor and Palabora Mining. The project involves converting magnetite to iron, using natural gas from Panda Fields, developed by US natural resources company Enron.

Roux said the IDC was undecided whether to rail the magnetite from Phalaborwa to Maputo or to add water to the magnetite, creating a slurry, which would be then be piped to Maputo, possibly through the Kruger National Park.

Indications were that the rail option, which Spoornet was pursuing, could cost an additional R15bn a year. A Spoornet spokesman said the rail company was willing to negotiate a lower tariff level and planned to meet the IDC to “thrust out” its proposal. Although it would be a “tremendous hurdle” for Spoornet to match the lower costs of the slurry pipeline, the rail option would further open the corridor between Maputo and Johannesburg.
Maputo harbour tenders due to be released

Fernando Lima

MAPUTO — The Mozambican authorities are about to release tenders worth $100m to rehabilitate the berth platforms at Maputo harbour and to improve the railway line linking it with Mpuamalanga.

The tenders involve major repairs to the berth platforms, handling equipment and the communications systems along the Ressano Garcia railway line. GM of shipping, handling and transport company Manco, Amado Couto, said the upgrading project was designed to turn Maputo into a harbour which can compete more effectively with Richards Bay and Durban.

The Maputo harbour is considered a natural gateway to the sea for Mpuamalanga, but has been affected by poor management and ageing equipment. Last year the port handled 2-million tons of cargo, against the 8-million tons it used to handle prior to independence in 1975.

One of the major constraints is the dredging of the access channels, which will be worth about $30m. The European Union (EU) could finance the dredging programme, but Mozambican government officials said this move must be related to the full privatisation of the management of the southern port and railways system. During the Paris Consultative Group meeting last month the issue was discussed and the Mozambican government pledged to privatise its management by the end of this year.

There are three railway lines and two international roads leading from Maputo. The Limpopo line to Zimbabwe and the Goba line to Swaziland are in good condition, according to port authorities. The Limpopo line has been rehabilitated with funds from the UK government and the Goba line with a donation from Italy. Both projects were originally designed to fight dependency on SA. Ironically, as a result, the port and the railway line connecting Maputo with Mpuamalanga were neglected.

After the peace agreement with Renamo in 1992, the Mozambican government started major repairs on the Namaacha and Ressano Garcia road links. With the help of funds from Kuwait, the last stretch of the 72km Namaacha road to Swam-
Mozambique fights a new enemy - AIDS

985 000 adults infected with HIV

Maputo - Unlike the civil conflict that ravaged it from the mid-1970s to 1992, the war Mozambique now faces is one in which no guns are used, but it is equally, if not more, devastating.

The enemy is the Human Immuno-deficiency Virus (HIV), which causes AIDS and it has been advancing at top speed.

At the end of 1994, Mozambique had reported 825 cases of the Acquired Immune Deficiency Syndrome (AIDS) to the World Health Organisation. Health officials in Mozambique now say that about 37,000 people have died of AIDS-related illnesses up to 1996.

More than 146,000 children had been orphaned by AIDS up to December last, according to the Health Ministry, which predicts that figure could reach 400,000 by the year 2000.

According to Maria Tallarroco, an adviser with the UN HIV/AIDS Programme (UNAIDS), this could lead to an increase in the number of street children and child labourers in Mozambique.

Life expectancy in Mozambique is 46.4 years, one of the lowest in the world. According to Avintine Barreto, director of the National STD/AIDS Control Programme, it is not expected to increase between now and the year 2000. He said that, were it not for HIV/AIDS, life expectancy would have reached 68 years by the end of this century.

Mr Barreto feels that unless measures are taken to prevent the spread of AIDS, Mozambique will soon attain the HIV levels that have been registered in South Africa, Zambia, Zimbabwe, Malawi and Tanzania.

While malaria, diarrhoeal diseases and respiratory ailments also take their toll on the some 18 million Mozambicans, AIDS has a much greater economic impact because it kills mainly people within the economically active age group.

According to Mr Barreto, the most dramatic effects of HIV/AIDS will be felt not only in the area of human and social development but also in other sectors in this country that have been struggling to recover from the civil war.

National "reconstruction and the creation of new cadres will also be affected," said Mr Barreto.

"Youths and adults who have just been trained, or in whom the state has already invested, may die before they start their professional life," he added. "It will therefore be difficult for Mozambique to recreate or replace this human capital in the short term and at low cost."

According to Mr Barreto, there is a need for a multi-sectoral approach to the problem, and every Mozambican will have to take the necessary precautions given the huge impact HIV/AIDS has had. "This impact is not confined to Mozambique, according to Mr Barreto, who pointed out that in neighbouring countries, the demand for healthcare had risen so much that as many as 60% of hospital beds were occupied by AIDS patients.

Thus far, more than 985,000 Mozambican adults are estimated to have been infected with HIV.

Some non-governmental organisations, such as the Mozambican Association for the Development of the Family (AMODEFA), have been trying to lend a hand in the war against HIV. AMODEFA's strategy has focused mainly on teaching people about the virus.

"Sexual education is crucial in this community. Especially increasing the awareness of young people so as to reduce problems of HIV propagation and problems caused by irresponsible sexual activity," says the NGO's leader.

AMODEFA has been conducting classes in schools, workplaces and neighbourhoods across the country on the impact of AIDS and STDS. Since 1995, when it opened a bank account into which well-wishers are encouraged to deposit contributions, AMODEFA has been trying to provide material support for people living with AIDS.

"The idea came up as a result of the requests made to the association by families which had relatives in fairly advanced stages of AIDS and who did not have enough money to buy medicines and food for them," a member of the association said. - Sapa IPS
Alusaf presses ‘go’ button for huge Maputo smelter

But before start-up US$250m in equity must still be found on the international markets

Alusaf, SA’s biggest aluminium producer, has decided to press ahead with construction of its planned US$1,125bn Mozal smelter in Maputo following agreement by Eskom to provide 435 MW of economically priced power from its 4 600 MW surplus generating capacity pool.

Though Alusaf parent Gencor/Billiton Plc notes that about US$250m (half the equity funding) still has to be found on the international market, work on the R5,65bn, 246 600 t/year plant (including infrastructure) is due to start later this year. It is scheduled to come on stream by mid-2000.

This will be the first phase of a project that could see a doubling of capacity "within the next 12 years," says Alusaf CEO Rob Barbour.

The smelter will be the biggest private-sector venture ever in Mozambique. Eskom plans to carry power to the electricity-guzzling smelter via a $100m extension of twin power lines, each with 450 MW capacity, from Mpumalanga to Maputo. A second phase expansion at the smelter would depend, however, on the completion of the planned Mepanda Uncua hydro-power dam on the Zambezi river, now the subject of an investigation by the Mozambican government.

If Mepanda Uncua gets the go-ahead, SA would be able to buy cheap "surplus" hydropower from Mozambique, adding further to the regional economic benefits the project is beginning to promise. And the new twin power lines — the one to go through Mhale in Swaziland, giving that country access to further security of supply — would again be the conduit for "shipping" hydropower back to SA, early next century.

"Using a stepped tariff principle (where tariffs gradually increase), we are able to offer power to Mozal at a rate approximately equal to that which we have negotiated with Alusaf for its Hillside smelter project (at Richards Bay)," says Eskom corporate energy adviser Bain Macintyre.

Barbour says Eskom’s access "soon" to Cahora Bassa’s hydropower helped with a successful resolution of power tariff negotiations.

But the acid test for the Mozal first phase remains the sale of a 50% $250m equity stake in Mozal to "outside" investors, following approval by Gencor/Billiton and the Industrial Development Corp, in principle, to invest $125m each in a combined 50% equity stake in the project. Together with total equity funding of $500m, "quasi-equity" of $150m will also be sought — the World Bank’s International Finance Corp has already indicated its support for the project — while loan finance of $652m will be obtained from SA and international sources.

"We will now immediately proceed with drawing up an investment prospectus for the project and are confident that foreign — or local — investors will be interested in coming on board," says Alusaf’s financial director Paul Smyman.

While Barbour declines to disclose the estimated return on capital projected, Smyman admits that Mozal capex costs would be about 40%-45% higher than the comparative capex costs at Hillside.

But, adds Barbour, with potential equity partners in the Far East and Europe already showing interest in the project, further bullish consideration is the fact that Mozambique will provide tax and tariff benefits of 140 ha free zone site 17 km from Maputo harbour.

London-based Merrill Lynch minerals economist Ted Arnold says Mozal’s "excellent timing" means that it will come into production by 2000, against the backdrop of global aluminium demand growth of 2%-2.5% per year. "And as a super low-cost producer, Mozal should easily prove competitive profitability, even with LME aluminium metal prices not expected to show "wildly bullish tendencies in the short to medium term. Based on Eskom’s spare power capacity and cheap rates, I expect Gencor/Billiton to laugh all the way to the bank."

Arnold says the project is another example of Gencor’s "brilliant timing and highlights its role as a go-ahead international mining group."

Barbour says global demand for aluminium has grown by about 3.8% per year between 1990 and 1995 — while industry analysts project new demand at about 400 000 t/year for the next 10 years. According to Metal Bulletin magazine, US-based Alumax CE Allen Born told delegates at a recent Aluminium Association conference at Atlanta, Georgia, that "aluminium usage in the automotive sector is expected to grow at 10% a year, with the amount of aluminium used in North America growing from about 250 lb per vehicle to over 300 lb by 2000."
IMF bends the rules for its star pupil

From The Economist

London — In several ways, Mozambique is an IMF success story. Inflation, 17 percent last year, is lower than it has been for 10 years. Exports have doubled in the same period.

But now, under pressure from the World Bank and donor countries, the IMF is to bend the rules, giving its star pupil a bit more freedom. Mozambique may spend an extra $140 million this year — 20 percent of total government spending — to repair damage from its civil war.

It is also being allowed to reverse cuts in civil-service wages and to direct credit to companies hit by the war.

Mozambique's recovery has not been equitably spread. Economic growth has been concentrated in the cities and in the south. In rural areas in the north, bridges, shops, schools and towns destroyed during the war have still not been repaired. Roads remain impassable. And since local traders are unable to borrow money to repair burnt-out shops or wrecked lorries, the maize grown by peasant farmers remains unsold.

The result, as Pascoal Mocumbi, the prime minister, told donor countries at a recent meeting in Paris, was that “social inequalities and regional asymmetry could endanger the climate of peace, calm and social harmony that is a basic prerequisite for balanced and self-sustaining socio-economic development.”

The IMF's policy has been controversial. Its priority has been to control inflation by restricting demand.

But Mozambique is one of the world's poorest countries. Inflation has dropped, but so has national income from $102 a head in 1990 to $78 in 1996. Rebuilding the infrastructure has slowed, the fund's spending caps prevented Mozambique from taking up World Bank loans for health care and roads and Nordic help for schools.

Last year it had to put $158 million of aid money into a frozen bank account. Donor countries were so concerned that in 1995 they issued an unprecedented public statement criticizing the IMF.

Late last year, Celso Mavuso, the World Bank's Africa desk officer, said the bank, too, would press the fund to allow more spending.

It did, and the fund agreed to think again. Between 1994 and last year, Mozambique had been obliged to cut aid spending for war-damage repair by $170 million a year. The extra $140 million allowed this year brings aid spending almost back to 1994 levels.

The extra money will be spent mainly on reopening rural roads and shops.

The IMF also has accepted Mozambique's arguments on two other points. Spending cuts were taking civil-service pay below the poverty level — posted at $75 a month — forcing people either to leave or turn to corruption. Now, for the first year in the past six, civil servants' wages will not be cut and some will get pay rises.

Second, the fund and the bank will allow credit to be directed towards rural areas hit by the war. This is a reversal of past policy, which 'demanded that all credit be allocated by the market, so banks lent mainly to urban traders.
Swaziland approves Eskom power lines

Mbabane — The Swaziland government has approved, in principle, the construction of one of two proposed 400 kilovolt Eskom power lines through the country to supply Gencor's Mozal aluminium smelter in Maputo.

The $150 million Mozal smelter plant will require roughly 900 megawatts of power to operate at full capacity and would be forced to rely on South African-supplied power, Swaziland's Electricity Board (SEB) officials said.

"To benefit from the Mozal project, SEB will need to build a 132 to 400 kilovolt stepdown substation, so as to redistribute the energy within the country," the government stated last week.

SEB officials also stressed that the Swaziland government was studying the possibility of sourcing more power from its bimational Maguga Dam project with South Africa — African Eye News Service.
Privatisation puts thousands of Mozambican's out of work

Mozambique
A renaissance for Mozambique

GRAHAM LINSCLOTT

NOT all that long ago, the after-dark peace of Kosi Bay would be regularly shaken by what seemed like the advance tremor of an earthquake — a rumbling that shook window-panes and made knives and forks move oddly on the table.

But there was nothing seismic about these disturbances, it was Bemano mortaring Tlehno (or vice versa) a kilometre or two away at Ponto da Oura, just across the Mozambique border.

In those days one was cautious driving up the beach from Kosi because it was easy to miss the beacons. One was likely to then drive straight into a patrol of East German troops and be arrested as a capitalist-imperialist intruder — and cause a big headache for Pik Botha as he bargained through third parties to get you back.

All that has changed since the collapse of communism and political normalisation in South Africa and Mozambique.

Today, Kosi and Ponto da Oura are spoken of practically as if they were one and the same.

Indeed, they are to be part of a "tourism cluster" that will eventually stretch between Maputo in the north and St Lucia in the south, part of a cross-border Spatial Development Initiative involving South Africa, Mozambique and Swaziland.

Things are stirring on the east coast of Southern Africa. And suddenly in spectacular fashion, with the recently announced go-ahead for the $6.5 billion Mozal aluminium smelter at Maputo.

The impact on the entire region will be enormous.

Mozal (50% owned by the IDC Gencor) will employ 5,000 people in construction and 900 in production. Its operations will generate another 2,600 permanent jobs. It will also introduce to Mozambique a sizeable expatiate community (South Africans and others) with middle-class lifestyles and all the economic spin-offs that go with it.

And it will lead to yet another of Africa's giant engineering projects. To supply electricity for the second stage of the Mozal project, another dam, the size of Cahora Bassa, has to be built on the lower reaches of the Zambezi at Mapanda Uncua. That means international consortiums, contracting and sub-contracting, more capital pouring in, more expatriates and thousands more jobs. It adds up to investment such as Mozambique has never known before.

And thus in a country once rated the poorest in the world, it promises to at least slow down the wave of Mozambican immigration to South Africa.

Mozal will give huge impetus to the Maputo Corridor project, as demand surges for the industrial and agricultural production of Mpmalanga and Gauteng provinces.

The activity will hasten development of Maputo into a significant export and import harbour.

Mozambique is a country that has, so far, known the worst of all worlds: its colonial occupiers squeezed it where profitable but otherwise neglected it. This gave way to the worst excesses of Marxist utopianism — grandiose schemes that left giant East European tractors rusting in the bush as if in some sort of mechanised elephants' graveyard and Stalinist methods, including the firing squad for "economic sabotage" (which meant following the dictates of the free market).

Then civil war (sponsored originally by Rhodesia, then South Africa), which sowed misery on a vast scale, destroyed what remained of the economy and turned much of the once-flourishing and graceful sub-tropical cities of Maputo and Beira into wastelands of derelict buildings.

But at last the wheel is starting to turn. The Mozambicans are spending every last centavo in foreign aid spurring Maputo into a semblance of what it once was. There could be a meaningful future for people who presently eke out an existence in such occupations as selling black market goods smuggled across the border.

They might be sheering parliament in Brazzaville and getting up to all kinds of other mischief in Kinshasa and Freetown, but there are parts of Africa where the opposite is happening.

Investment, a partnership of First and Third Worlds plus political pragmatism is helping change Mozambique. If there is a paradigm for the African renaissance spoken about by Thabo Mbeki, this must surely be it.
Economists hail Mozambique as an African success story

Mozambique's 10-year civil war ended, economists are hailing the government's economic reform programme as an African success story.

Since the former Marxist Frelimo government signed a peace treaty with the opposition Renamo, foreign investment and trade have boomed in a country that was once rated the poorest in the world.

"Mozambique is a success story in that it is one of the few countries which made the transition from war to peace, to elections, reform and growth," said Roberto Chavez, a World Bank representative.

The government has followed a rigid five-year financial programme since 1995 that has seen all but a few state assets privatised, inflation fell to 5 percent during this year (from a high of 70 percent in 1994), a stable currency, export growth of 30 percent during last year and widespread economic policy changes.

"Mozambique has shown it is able to have both lower inflation and higher growth," one Western economist said.

Eneas Comiche, the economic and social affairs minister, said the government was aiming for a double-digit yearly growth figure by the turn of the century, crucial to reducing the country's massive poverty.

Comiche said yearly GDP growth, which has averaged 6 percent since 1990, should rise to over 10 percent as investment flows increase, privatisation is completed and large projects in gas, coal, aluminium, titanium and heavy sands are successfully implemented.

Growth also depends on rebuilding the dilapidated infrastructure, particularly its roads, railway and ports which could serve as export outlets for the country's land-locked neighbours.

Despite its progress, the country of 15 million people still relies heavily on foreign aid, which makes up 60 percent of the budget, although the World Bank believes this dependency is declining.

Chavez said it was essential to lower Mozambique's debt of about $5 billion to ease pressure on the budget and balance of payments.

He said Mozambique could be an early beneficiary of the heavily indebted Poor Countries debt initiative, in which the country will benefit from a reduction in debt services of up to 50 percent. A meeting on the initiative is scheduled next week.

Reform in the country's financial sector has been the most significant. "It has gone from a totally state-owned banking system where there was no separation between the central bank and the commercial banking functions, to private-sector dominated," Chavez said, saying 50 percent of the banking sector was in the hands of Portuguese institutions.

The government recently handed over its customs operations to British-based Crown Agents to recover lost revenue due to corruption and smuggling at the borders.

But poverty is still a massive problem in Mozambique, with social reform the biggest challenge for the government. Unions estimate that 45,000 have lost their jobs in the past 10 years. — Reuters
MAPUTO — Five years after Mozambique's 16-year civil war ended, economists are deeply impressed by the government's economic reform programme.

Foreign investment and trade have boomed in a country once rated the poorest in the world, since the former Marxist FMLN government signed a peace treaty with the opposition Renamo rebels.

"Mozambique is a success story in that it is one of the few countries which made the transition from war to peace, to elections, reform and growth," said World Bank representative Roberto Chavez.

The government has followed a rigid five-year financial programme since 1996 which has seen all but a few state assets privatised, inflation fall to 5% from 70% in 1994, export growth of 50% last year and currency stability.

"Mozambique has shown that it is possible to have both lower inflation and higher growth," one western economist remarked.

Economic and Social Affairs Minister Enias Comiche, in the presidency, said the government is aiming for a double-digit annual economic growth figure by the turn of the century, crucial to reducing the country's massive poverty.

Comiche said that annual GDP growth, which had averaged 6% since 1996, should rise to more than 10% as investment flows increase, privatisation is completed and large projects in gas, coal, aluminium and titanium are implemented.

"By the beginning of 2000 we will be having a two-digit GDP growth of more than 10%, but if it is 10% we will be happy," he said.

Growth also depends on rebuilding the country's dilapidated infrastructure, particularly its roads, railway and ports, which could serve as export outlets for Mozambique's landlocked neighbours.

Despite recent progress, foreign aid makes up 60% of Mozambique's budget, although the World Bank believes this dependency is declining.

"Reforms are very deep and show a very serious commitment on behalf of the government," Chavez said.

I believe that if the Bank and the (International Monetary) Fund were to pull out tomorrow the same process would continue as it is."

Chavez said it was essential to lower foreign debt of about $5bn to ease pressure on the budget and the balance of payments: The main creditors are the Paris Club, the former Soviet Union and international development institutions.

Chavez said Mozambique could be an early beneficiary of the Heavily Indebted Poor Countries (HIPC) debt initiative, in which the country will benefit from a reduction in debt services of up to 50%.

"This is absolutely essential for Mozambique. Without this, this is not going to be a sustainable economic development," he said.

Reform in the country's financial sector has been the most dramatic: it has gone from a totally state-owned banking system where there was no separation between the central bank and the commercial banking functions, to private sector-dominated," he said.

Ninety percent of the banking sector was in the hands of Portuguese institutions.

Poverty, however, still a massive problem, with social reform the biggest challenge for the government. Unions estimate that 45,000 people have lost their jobs in the past 10 years from the consequences of privatisation — Reuters.
Mozambique's custom control yields results

MAPUTO — Mozambique's new customs operator, British-based Crown Agents, say they are already seeing results in tighter border controls and are targeting $125m in customs revenue in the first year.

The Mozambique government appointed Crown Agents through a tender process last year to overhaul its customs operations and retrieve millions in revenue lost through smuggling and corruption.

The three-year contract is being supported by western donors at a cost of £30m. They want to see ad-reliant Mozambique increase revenue to help with massive economic reforms after 16 years of civil war.

Western economists believe that with a more effective customs operation, the country will also benefit from increased investment and trade.

Crown Agents national director, Chris Outhwaite, said the focus would be on increasing revenue, improving trade facilitation to encourage business, and modernising the customs service through updated procedure.

He said, however, success in customs reform depended on reform in other areas including legislation.

In terms of improving the revenue we will have to try and identify where revenue is leaking and take action. We have introduced mobile, anti-smuggling teams which is a new concept," Outhwaite said.

"We are already seeing positive effects," he said.

In just two months the company has saved the government $1m in illegal trade involving 60 cases.

World Bank representative Roberto Chaves said manufacturing and industrial importers had immediately felt the relief of the new customs agents.

"Before, illegal importers were taking a beating from the truckloads of goods being brought across the border illegally and now being curtailed by Crown Agents," Chaves said.

Even small traders in the informal sector claim they are now paying less in customs rates, previously inflated with bribes.

SA is Mozambique’s biggest trading partner. SA’s trade with Mozambique increased to R495.6m last year from R332m the previous year.

Outhwaite said training of Mozambican customs officials was integral to achieving results.

"One of the problems we have identified is that there is almost a total absence of initial training," he said.

"Our objective is not to take over all the jobs of the customs but rather see what changes in institutional reform are needed so that the end of the contract there is an effective system in place which will improve the revenue collection." — Reuters
Sasol links up with Arco, Zarara in Mozambique
New Land Law Likely for Mozambique

A:\RICAC

Fernando Lima
Plans on track for early start on Maputo corridor links

Maputo – Work on upgrading road and rail links and port facilities in the Maputo corridor development should begin next year, South African and Mozambican ministers say.

Transport Minister Mac Maharaj said at a weekend conference that work was on schedule "Our record to date dispels any pessimism."

The corridor, from the Johannesburg area to the coast 500km away, was initiated in May last year by President Mandela and Mozambican President Joaquim Chissano.

The aim is to upgrade road and rail links to promote the development of mining, agriculture, manufacturing and tourism along the route, and to dredge and improve Maputo harbour.

Trevor Jackson, chief executive of the Franco-South African Trac consortium, which was awarded the contract for the R1.8-billion toll road in May, said construction should begin in record time, by February, for completion in 2001.

Mozambique's Transport Minister, Paul Muchanga, said the contract for upgrading Maputo harbour should be awarded the same month, after a preferred bidder was announced on December 18.

The port, road, rail and related infrastructure projects would cost more than R4.8-billion, and 90 percent of this was to be private-sector investment. — Reuters
Debate:

Power plant plans featured on US-LC plan, sponsored by the state-owned energy company, the Electricity Development Corporation (EDC), and the National Energy Commission (NEC). The plan aims to increase the country’s electricity capacity by 2020, with the goal of providing electricity to all households and businesses. The plan includes the construction of new power plants and the expansion of existing ones.

Counter-argument:

The proposed clean energy projects, according to the National Environmental Protection Agency (NEPA), may have significant environmental impacts. The projects will require the acquisition of large tracts of land, which could displace local communities and disrupt ecosystems. Additionally, the projects may contribute to climate change, as they require the burning of fossil fuels.

MAPUTO - The Maputo Courier reported:

Maputo project has lurled billions, delegates
Cahora Bassa is Lisbon's white elephant

CHRISTO VOLSCHENK

Cape Town — The Portuguese government wanted to sell the Cahora Bassa power station in Mozambique, but the asking price was so high that nobody was interested in buying it, South African government officials told the parliamentary standing committee on public accounts last Friday.

A spokesman in the Department of Mineral and Energy Affairs declined to comment yesterday on the asking price.

But the attraction of the power station to prospective buyers is diminished by a debt burden of $3.1 billion, of which a small amount is owed to Eskom, South Africa's power utility.

The Portuguese government owns the majority stake in the power station, which was built some 20 years ago but was out of commission for 15 years during the civil war in Mozambique.

The station had moved back into operation recently, with test runs of electricity generation now being undertaken.

It is possible it will produce at full capacity of 2,000MW from October, the officials told a closed meeting of the standing committee.

Eskom is contracted to buy 1,400MW at 2c a kW/hour and Zimbabwe another 800MW.

The debt to Eskom will be repaid only once the power station had repaid all the loans received from the Portuguese government.

The tariff of 2c a kW/hour is being renegotiated in the power station's permanent joint committee on which South Africa, Mozambique and Portugal have representation.

The mineral and energy affairs spokesman said the Portuguese government wanted a big increase in the tariff, but Eskom was opposed to this.

Eskom had not considered or discussed writing off the loan as this would have to be a political decision, the standing committee was told.
Maputo corridor can lessen poverty

MATTE GETZ

Maputo — The Maputo corridor's use of private-public partnerships would make it effective in reducing poverty and lifting development, Junaid Ahmad, the World Bank's deputy chief resident, and a senior economist in South Africa, said last week.

“The corridor must be seen as a means to an end, and that end is poverty alleviation,” he said.

The corridor could achieve that aim through involving the private sector in infrastructural projects, as was happening around the world.

“Bringing the private sector in allows you to gain efficiency and to get the best deal possible. It also shows if government’s idea is a good one,” he said.

Road, port and railway sections of the corridor are being built either wholly, or in part, by the private sector.

Ahmad said the participation of the private sector would help the government to broaden ownership, which was particularly important in the local context.

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State ‘will ruin cashew nut industry’

MABUTO — The owners and workers of Mozambiqu’s cashew factories have joined forces to accuse the government and the World Bank of bringing the industry to the brink of ruin.

At a seminar in Maputo last week employers and trade union representatives criticised the Mozambican government for bowing to the World Bank’s demand for an end to protection for the industry, traditionally a major exporter.

Association of Cashew Processing Industries chairman Rakobad Patel said privatisation would never have happened if the businessmen had known in advance that the government planned to strip the industry of protection.

The issue which unites the industrialists and the Cashew Workers’ Union against the government and the World Bank is the liberalisation of the trade in unprocessed nuts.

This decision, taken after privatisation, is blamed for depriving the industry of raw material. The privatised factories cannot compete with traders who are exporting unshelled nuts to India.

Protection had been through a surtax on the export of unshelled nuts. This started out at 26% in 1995 but, under World Bank pressure, was cut to 20% last year. For this year, the World Bank had demanded a cutback to 12%. The government cut the surtax to 14%.

The trade union’s general secretary, Benventura Mondlane, distributed to the seminar a letter he had sent to Trade and Industry Minister Oldemiro Baloi in May, expressing his concern at the closure of a processing plant.

Mondlane had asked the state to suspend the export of raw nuts, or at least raise the surtax back to 20%. About two months had passed, and the government had not replied.

In 1994, immediately prior to privatisation, all six of the state-owned cashew factories were at a standstill. Only two private firms were operational then. With privatisation, and injections of fresh capital, the factories began to operate again.

From just two operational factories and 4,000 workers, the sector grew to 16 operational plants employing 8,000 workers. — Reuter
Cashew crisis in Mozambique

Iain Christie

Maputo — In a rare display of solidarity, the owners and workers of Mozambique’s cashew factories have joined forces to accuse the government and the World Bank of bringing the industry to the brink of ruin.

At a seminar in Maputo last week employers and trade union representatives slated the Maputo government for bowing to the World Bank’s demand for an end to protection for the industry, traditionally a major exporter.

The Association of Cashew Processing Industries (AICAJU) accused the government on Wednesday of deceit and of unpAccessory in partnership with the bank, “ruinous conditions” on the industry.

Presenting the industry’s point of view at the seminar, Kekebad Patel, the chairman of the association, said privatisation would never have happened if the businessmen had known in advance the government planned to strip the industry of protection.

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Bosventura Mordlane, the general secretary of the workers’ union, distributed to the seminar a letter he had sent to Oldekuwo Balou, the industry, trade and tourism minister, in May, expressing his concern at the closure of a processing plant. He had asked the government to suspend the export of raw nuts, or at least raise the surtax back to 20 percent.

In 1994, immediately prior to privatisation, all six of the state-owned cashew factories were at a standstill. Only two private companies were operational at that time.

With privatisation and injections of fresh capital, the factories began to operate again. Prospects for the sector looked bright.

From just two operational factories, 4,000 workers — many of whom had been laid off for several years on 60 percent of their wages — the sector grew to 16 operational plants employing 8,000 workers.

“But once privatisation was complete, the government, together with the World Bank, completely changed the policy it had been following, which was to ensure supplies of nuts for the factories as the top priority,” Patel said. Instead trade was fully liberalised, and the export of raw nuts was prioritised, he added.

The result was clear to see, said Patel — two factories had already shut down because of shortages of raw material, and a third will follow later this month, with a total loss of around 2,700 jobs — Reuter.
N4 Tollroad Will Push in Maptro Corridor Investment

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Mozambique news

SA bank helps enhance Mozambique tourism

Panel's (28) says newspaper is illegal, says newspaper is not the correct date.
Efrican Business

Maputo traders up in arms over incentives for Shoprite

A shopping centre in Maputo.

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A shopping centre in Maputo.
Enron fails to secure the SA market

Pande gas field maybe delayed by poor sales

EVARISTO CUMBANS

Maputo — The development of the Pande gas field in southern Mozambique may be delayed because Enron, an American energy firm, cannot find a client to buy the product, said John Kachamila, the Mozambican minister of mineral resources and energy.

He said Enron had signed a production-sharing agreement in 1985 with the Mozambican authorities but had still "not managed to secure the South African market, the only client that could justify investment."

Attention has been focused on supplying the Industrial Development Corporation's (IDC) iron reduction plant in Maputo, which would consume less than 5 percent of Pande gas output. Pande was estimated to have the potential of 60m-billion of gas a year.

"But problems with this project include the impurity of magnetite stockpiled at Phalaborwa and the refusal of the Kruger Park authorities to allow the slurry pipeline, to transport the magnetite to Maputo, to pass through the park," Kachamila said.

"Transporting the magnetite by rail would be "very expensive."

There had already been two extensions to the deadline for Enron to submit a profitable operating plan. But the state was open to grant a further extension of between six and eight months, Kachamila said.

The alternative would be to export unprocessed gas to South Africa, but consumers wanted production-sharing guarantees.

"Major consumers do not want to be dependent on a source they do not control."

Sasol has offered synthetic gas to the IDC and to Enron itself at competitive prices," he said.

Kachamila revealed Mozambique and South Africa had concluded "a facilitation mechanism" of understanding between Empresa Nacional de Hidrocarbonetos (ENH), the country's state-owned hydrocarbon company.

In this mechanism, ENH would set up the legal framework for an eventual direct agreement between Mozambique and Sasol, should an understanding with Enron not be reached.

Asked if the government would risk losing American aid if Enron was removed from the process, Kachamila replied: "Enron is not the only American company involved in the gas business in Mozambique. We have also got Arco" — Independent Foreign Service.
The road to bouncing.  

Corridor may pave way for other projects.
Mozambicans question S.A. farmers' deal
Factories hit hard by lowering of export tax on cashew nuts

The liberalisation of Mozambique's cashew nut industry has led to heavy job losses and many parties blame donor policies, write Teresa Lima in Maputo and Claire Pickard-Cambridge

Kekobad Patel, chairman of the Mozambique Association of Cashew Industrialists, said recently “The government will have to opt for a new policy. If it wants to develop the cashew nut industry it has to stop the export of unprocessed nuts”

He said government had to make a decision before the next harvest, starting in October, because many factories would not be able to operate and layoffs would continue

The World Bank has ordered a study on the impact of liberalisation of the cashew trade and the results are not expected in under two months. Government is scheduled to make a final decision only after the results have been released

Shortage

The resultant shortage of raw material since last year, exacerbated by unseasonably heavy rains and a cyclone this year, has hit factories hard. Industrialists and unions have urged government to alter policy as urgently as possible

Mozambique's economy is largely based on agriculture, with only a few jobs in the industrial sector, which makes the cashew industry a vital sector for job creation

In a recent meeting in Maputo, trade unionists and industrialists presented a somber picture. They said at least five of the country's 14 factories had been paralysed since October last year, throwing about 2,500 out of work. At the end of this month, another factory, Procasa, in the southern province of Gaza, would also close and lay off 600 workers following the shortage of raw nuts

The cashew nut industry is largely based in Gaza and the northern province of Nampula, but there are also two factories in the central Sofala province

Cashew nuts are Mozambique's second most important export product after prawns, and in the 1970s the country was the world's leading processor of the product. But Mozambique's cashew processing industry went into decline after years of civil war and state control, and today India is the most important processor

Analysts say that if the World Bank policy is not reversed, only three out of 14 cashew factories are likely to survive. One of the 14 factories, Cashew Investments which is 60%-owned by Anglo American, is still in the commissioning phase, and is expected to employ 700 workers when production begins later this year. Although it is understood that the factory, known locally as Mocuba, has not yet been affected, the shortage may be a problem for Anglo next year

Anglo established the operation in 1966 and ran it until 1981 when it withdrew because it could not get a sufficient foreign exchange allocation from the Mozambique government to get spare parts and because the civil war was endangering staff

The state company, Caju de Moçambique, ran it until 1983 when Anglo returned after government decided to privatise the industry Anglo's partners in the venture are Italian manufacturer Oltenmare, ED & F Man Rotterdam and Edeesa

About 10 of the now private cashew factories in Mozambique are operated by Indian businessmen

Two other factories, which are in Nampula province, belong to Monsanto, an old Portuguese enterprise

At seminars in Maputo the World Bank and IMF have been accused of oppressing their liberalisation policy on the Mozambican government, which is still reliant on them for aid

The World Bank in Maputo argues that the measure is aimed at stimulating the incomes of Mozambican cashew producers, who now have the option of finding the best price on the open market

However, locals say there is speculation that the World Bank is effectively assisting the Indian processing industry which can secure Mozambican supplies at times when its own supplies are short

They fear that if the Indians do not need supplies, local processors will no longer be able to operate, leaving peasant farmers facing ruin
Harbouring hopes of cash

Singapore government officials made overtures to Mozambique last week to secure the contract to operate and maintain its three main ports—Maputo, Beira and Nacala.

Singapore Trade Development Board deputy CEO Tay Thiam Peng met Mozambican President Joaquim Chissano and PM Pascoal Mocumbi to discuss port operations, in addition to other infrastructure projects, which could result in investments of “billions of US dollars.”

The Singapore government is also interested in the rights to manage proposed free trade zones at Nacala and Beira, which should attract investments in warehouses and factories with preferential tax benefits. Further details of the plan are not known, but ADB-ARBO vice-president of corporate finance in SA David Bate says the Mozambique government reacted “positively” to the ports proposal. The bank has financed many Asian investments in southern Africa.

The Singaporean government has an interest in the Port Authority of Singapore, which operates the world’s largest container port (in Singapore) as well as several other harbours around the globe.

Tay led the Singaporean business delegation to southern Africa last week and said the region and Mozambique held good investment promise, much like Vietnam after the war.

In June another delegation from the Development Bank of Singapore visited SA to investigate opportunities here. The bank is expected to set up its first branch next year, a move which should attract further investment into the local economy.

Singapore Trade Development Board honorary trade representative William Hung says Singaporeans are traditionally more conservative and need to gain confidence in the country before investing.

“Our investors do not go in to a market to make a fast buck and then get out. They look for 15-20-year investments.”

Bernard Baker, SA’s acting high commissioner in Singapore, says “I hope the second wave of investors from Asia (after the Malaysians) will come from Singapore.”

Stuart Rutherford

FINANCIAL MAIL - AUGUST 22 - 1997
Mandela launches Lubombo Initiative

**Chris Jenkins**

Empangeni — The first stage of the Lubombo Spatial Development Initiative, a R160 million highway that would link Maputaland in northeastern KwaZulu Natal and Maputo, the Mozambican capital, was officially launched on Friday by President Nelson Mandela.

The road, a key infrastructural component of the initiative, is intended to unlock the economic potential of the Maputaland region, improve access in the northeast region for local people, tourists and commercial activities, and provide a direct link between northern KwaZulu Natal and Mozambique.

In the presence of Goodwill Zwelithini, the Zulu king, Mac Maharaj, the transport minister; Mlangeni Buthelezi, the home affairs minister, other cabinet ministers and their counterparts from Mozambique and Swaziland, Mandela turned the first sod for the construction of 166km of road between Hluhluwe and Ponta do Ouro.

Completion of this section is scheduled for mid-1999, while the section to Maputo is still in the planning and design stage.

Mandela said the governments of South Africa, Mozambique and Swaziland recognised improved access between the three countries was critical for enhancing their investment potential.

He said the Lubombo Spatial Development Initiative's success depended on the projects ability to consolidate partnerships between different levels of government, between government and the private sector and between government, investors and communities.

"The road will be like a thread onto which beads of existing and potential activities will be strung." Mandela said "It will provide access to as many people as possible, including communities previously isolated.

"We are launching a major investment project which is designed to promote our broad vision of reconstruction and development."
SA group wins Mozambique contract

A $3.8 million contract for the installation of electricity distribution systems in Mozambique has been awarded to a South African company, Castigo Langa. Mozambique's minister of minerals and energy said this week the South African company, which has not been named, is to install distribution infrastructure in Vilankulos and Inhassoro in the south and in Machelo in the north. The installation is expected to be completed by February next year, said Langa. Funding for the project is being secured by the World Bank. Meanwhile, in Vilankulos the government is waiting for funding of $29 million for a rural electrification project affecting 68 districts. — Rafael Be, Maputo
Mozambicans
at odds with
'Boer' settlers

Mercedes Sayagues

Traditional chiefs in Niassa, northern Mozambique, have complained bitterly about the presence of Afrikaner farmers in the district.

The farmers were settled there by Mosagrus, a joint programme between the South African Chamber for Development of Agriculture (Sacoda) and the Mozambican government.

The chiefs complained that they had not been notified or consulted about the settlers and that local people were chased from their land and forbidden from hunting or fishing in the usual areas.

The governor denied he authorised the South Africans to move there, and criticised the lack of co-ordination between the National Directorate of Geography and the provincial Department of Agriculture.

"The meeting was very tough against the Boers", says an NGO source in Niassa. The source said the South Africans arrived alone, showing their land on maps and saying they were covered by the agreement signed by presidents Joaquin Chissano and Nelson Mandela in May 1996.

One settler, Timus de Jaeger, was quoted as saying: "We were told in South Africa that this land was virgin and unoccupied."
Third southern African corridor to be established

MAPUTO — The establishment of the Nacala development corridor in Mozambique, scheduled for next month, brings to three the number of such structures mainly benefiting three co-operating Southern African Development Community countries.

The other development corridors in which Mozambique, SA and Zimbabwe take part are Maputo and Beira, in the south and centre respectively.

The Nacala corridor, which is viewed as the first project of significant magnitude to be carried out in the northern region of Mozambique — this includes the provinces of Niassa, Nampula and Cabo Delgado — is aimed at rehabilitation of the rail-port system and creation of a free-trade zone.

Under the auspices of the Nacala development corridor, the Mozambique Railway Company will rehabilitate the Cuamba-Lichungu and the Cuamba-Entrelagos lines. It is hoped this will ensure a regular link between Nacala and Lichungu, capital of Niassa, and Malawi.

It is hoped, too, this line will pass through Malawi to link with the mining town of Moatize, in Tete, central Mozambique. At the launch of Nacala, the Malawian private sector indicated its interest in sharing in the rehabilitation of a 77km section along the Cuamba-Entrelagos line, which requires $32.9m.

Rehabilitation of the railway line will involve also reconstruction and repair of bridges, installation of telecommunication systems and signalling works. This will ensure the efficient movement of coal from Moatize, and surplus agricultural produce in the Zambezi valley.

The rehabilitation of the Nacala port will improve its handling capacity, estimated at 2-million tons a year. Nacala is one of the best deep-sea harbours in Africa. There are also plans to set up a free-trade zone in the Nacala port area. This zone will have a range of services, which will include the repair of vessels.

The Nacala corridor presents enormous opportunities, considering the great potential in agriculture, fishing, forestry, cattle breeding and mineral resources which the region has. The Commercial, Industrial and Agricultural Association of Nampula supports creation of small and medium-scale projects to create much-needed jobs.

It is estimated the Nacala project will cost $174m. It will be financed by the World Bank, the European Investment Bank, the African Development Bank and the European Union. The Mozambican and foreign private sectors are taking part in this project through creation of various consortia.

Portuguese group Tertúr, the Mozambican Sonacel companies, the North American RSA and the multinationals Remis Manica have already formed a consortium, to be involved in the rehabilitation of the Nacala road-rail-marine project.

This consortium is going to retain 51% of the capital of a holding company to be formed. The remaining 49% will be distributed between the railway company and Mozambican private concerns. — AIA
Mozambique debt relief

Madeleine Wackernagel

OXFAM, the British-based charity, is calling on the World Bank and International Monetary Fund (IMF) to reconsider their debt-rescheduling plan for Mozambique. A decision on the extent of the relief to be offered to one of the world’s poorest countries will be made on Tuesday.

Much has been made of the great economic strides made by Mozambique since the conflict ended but, says Oxfam’s Graham Saul, the country is still only just getting back to where it was in 1980. Almost half the population of 16-18 million has no access to healthcare, 10 million have no access to clean drinking water, and 190 000 children die annually before the age of five.

The World Bank is committed to poverty alleviation while the IMF’s aim is strict financial controls. But the options recommended for Mozambique under their highly indebted poor country (HIPC) initiative do not go far enough, according to Oxfam.

Says Saul: “If the institutions were to take the extreme poverty into consideration, they would set the debt servicing to export ratio below 20%. We expect them to aim for about 15%, while 12% to 15% is more feasible, and would allow the country to free up resources for vital social spending.”

The levels envisaged by the World Bank and IMF are based on Latin America’s experience in the 1980s but that precedent does not apply to a country such as Mozambique. “Compared to the HIPC countries, the indebted Latin American countries had diversified exports, strong manufacturing bases and more skilled workforces. There is no evidence that their experience is relevant for poor, war-torn economies,” states Oxfam in its report, Debt Relief for Mozambique: Investing in Peace.

Furthermore, the country is already in arrears to the tune of $1.1 billion, and a significant portion of current debt obligations are not met. A 15% ceiling, as opposed to the suggested 20% to 25%, would “result in substantial savings and could greatly enhance the government’s capacity to invest in economic infrastructure and the social sectors.”

Actual debt payments this year will equal about $100 million, rising to roughly $300 million next year and levelling off at around $200 million from 1999 to 2005. But, these numbers have to be seen in the context of an annual budget of only $250 million for health — or about $1,500 a person. In addition, says Saul, these figures assume massive debt reduction from bilateral creditors that has yet to take place.
Maputo sells last state bank
(218)

Maputo — The last of Mozambique’s state-owned commercial banks, the People’s Development Bank (BPD), passed into private hands this week.

At a public ceremony on Wednesday, certificates for 60 percent of the bank’s 500,000 shares were delivered to its new owners. The Southern Bank Berhard of Malaysia holds 29.6 percent and Investor, a newly formed Mozambican company, holds 9.4 percent. The government continues to hold 20 percent, while the remaining 20 percent is reserved for the bank’s workers and managers.

Tomas Salomo, the planning and finance minister, said the total value of the BPD was about $35 million. He said the new investors had already paid the state for their stakes.

This is the first Malaysian investment in Mozambique.

Investor is a Mozambican group headed by Octavio Muthembe, a former industry minister, who will be the new chairman of the BPD.

Muthembe said the first move by the new management would be an internal audit of the bank. Only then would decisions be taken about the large number of non-performing BPD loans, and whether to close loss-making branches in rural areas — Independent Foreign Service
IN MAPUTO, the opening of a new supermarket generates a similar sort of excitement among the local population as a film premier would elsewhere in the world.

When Shoprite Checkers opened the first of its Mozambican branches on August 27th, those of us wearing a Shoprite shirt or badge enjoyed instant celebrity status.

Thanks to the advanced publicity, the word “shoprite” had instilled itself into the Portuguese language as the designation of all that is great and good about western style consumerism.

Maputo has much to be excited about. The new development in the Parque da Paz offers the local resident a level of shopping not seen before. It offers the latest in high street fashion and furniture, all under one roof.

The opening ceremony was presided over by the foreign minister and several other government officials. The event was well attended, with many international guests in attendance.

The perimeter fence, however, was not open to the public, and only those with passes were allowed in. The opening was quite exclusive and only those with invitations were allowed to attend.

I don’t think I have ever seen so many people in one place before. The shopping mall was packed with customers from all over the country.

The opening was quite successful, with many positive comments from customers and the media. It is hoped that this will be the start of many more developments in the area.

The opening of Shoprite Checkers in Maputo — the first of 10 branches planned for Mozambique — nearly ended in a riot, writes DAVID BULLARD ST (ET) 1997.

The perimeter fence, but somebody tipped me off that I could probably get out through the goods entrance at the back. Staff and Shoprite senior management seemed delighted at the reaction to their new store, apparently the Zambian opening was quite low key in comparison.

I don’t think I have ever seen so many people in one place before. The shopping mall was packed with customers from all over the country.

The opening was quite successful, with many positive comments from customers and the media. It is hoped that this will be the start of many more developments in the area.
Commonwealth makes loan for Maputo port terminal

Maputo — The Commonwealth Development Corporation (CDC) has given a $25 million loan to the recently privatised Mozambique International Ports Services for rehabilitation of a Maputo port container terminal.

The project will involve the refurbishment of container handling cranes.

The CDC Mozambique country manager, Edward Farquharson, said: "We see this as an important first step in CDC's strategy to assist financially in the rehabilitation and expansion of Mozambique's corridors through private sector investment."

The Mozambique International Ports Services was privatised in 1995 and is jointly owned by Mozambique's railway company CFM, Renner, a leading South African freight and travel group, and P and O Ports of Australia.

since 1993, the CDC has invested over $44 million in seven Mozambican ventures in mining, finance and industry. — Sapa-AFP
Mozambique hoping for $5bn debt relief from IMF

**PAUL FAUVET**

Maputo — The Mozambican government is confident the World Bank and the IMF will agree to grant Mozambique access to the HIPC (highly indebted poor countries) debt relief initiative, which could write off three-quarters of the country's foreign debt of $5.7 billion.

Tomas Salomao, the planning and finance minister, said at the weekend that the boards of the World Bank and the IMF would discuss Mozambique's HIPC eligibility at meetings in Washington yesterday and today.

For Salomao, the key issue is whether Mozambique will be allowed into the initiative next year or will be forced to wait for substantial debt relief until 1999.

He said: "Any delay will mean continuing to channel an important part of (our) resources into debt service payments to the detriment of development programmes, of health, education and rural water supply."

He said the country had implemented the structural adjustment programmes demanded by the IMF and the World Bank for the past 10 years. "We have done all that was required of us in order to gain access to the HIPC initiative," he said.

The government spends about a third of its recurrent revenues on debt payments, said Salomao, and the debt service for this year was equivalent to 30 percent of projected export earnings.

But the key ratio is that of the entire debt stock to exports at the moment this figure is a catastrophe 980 percent. — Independent Foreign Service
Showdown over rights to Pande gas

Simon Barber (218)

WASHINGTON — Representatives of Enron Corporation are to meet Mozambican Energy Minister John Kachamila in Maputo on Tuesday for a showdown over the Houston energy giant retaining its rights to Pande gas.

At stake is a $2bn joint venture between Enron and SA’s Industrial Development Corporation (IDC) to build a direct reduced iron plant and steel furnace in Maputo as the anchor customer for the gas Enron hopes to lift and bring in from Pande via a pipeline Enron would build and operate.

Kachamila has called the project “shaky” and claims Enron missed critical milestones set out in the November 1995 agreement he negotiated with the company, giving it exclusive marketing rights for gas from Pande.

In particular, he charges that Enron failed to meet a July 31 deadline for landing a gas sales contract with a customer committed to buying the gas, and that he is therefore entitled to give the rights to another company.

In interviews he made it clear he wanted that company to be Sasol, which once held the rights to Pande — which has proven reserves of 2.5-trillion cubic feet — but which lost them when Kachamila rejected the price it was offering as too low.

Enron and the IDC said last month that Enron’s agreement remained in “full force” until end-May 1996.

Their joint statement described the Maputo DRI and steel project and said the partners would be ready to start raising finance by the end of the year and to start building by mid-1998.

It is understood that a gas sales agreement should be signed within the next 30 days. Enron said the delay was for technical reasons allowable under the 1989 pact.

A key aspect of the agreement is that it is enforceable under the laws of New York state rather than Mozambique. That means Enron could tie up Kachamila — and the entire project — in protracted litigation in US courts.

Furthermore, were Sasol and its new partner on other Mozambican gas concessions, US oil group Atlantic Richfield, to come in as Kachamila suggests, Enron would be able to sue them for billions of dollars for “interference” in the exclusive rights granted under an agreement it asserts is still valid.

Relations between Enron and Kachamila have been rocky since one of its Pande project leaders, Jay Fudenburg, told the Mozambican prime minister that Kachamila was feathering his nest. Fudenburg was fired and Enron apologized.
Maputo to get mobile telephone network

Johannesburg — Mozambique's telecommunications infrastructure will launch its first mobile phone network this month, after the country's telecommunications utility Telecommunications Moçambiques (TDM) closed its doors to South African cellular network providers MTN and Vodacom.

The country's mobile phone services, named Moçambique Celular (mCel), is being set up by Telecommunications Moçambiques Móveis de Moçambique (TMM), which is composed of TDM with a 74 percent stake and German telecommunications consultants Deteccon, which holds 26 percent.

Vodacom and MTN, both experienced at setting up networks in southern Africa, reported that, while the management contract was up for grabs, the establishment of the network was limited by TDM's intentions to remain involved in its operations.

A test phase was started on September 5, and the commercial service will be launched at the end of the month.

The network's initial $10 million phase will stretch from Maputo to Beniça Garcia on the South African border and Nhambrara on the border with Swaziland.

Gerhard May, the director of commercial affairs at mCel, said the network is expected to cost about 5,000 subscribers in the short term and assumed 10,000 subscribers in the medium term. It could be extended by demand, he said.

The network would stretch from the Komatiport border post along the road to Maputo, said Eckhard Konrath, the managing director of mCel.

In the case of Nhambrara, the network will work within a 30km radius of the town.

It was expected that the town of Xiai, 200km north of Maputo, would become part of the network by the end of this year, the newspaper Noticias said.

TMM is negotiating roaming agreements with MTN, Vodacom and other African cellular service providers.
Shoprite complex: benefit or bane?

Richard Bartlett

The opening of Shoprite’s shopping centre in Maputo will be remembered as a turning point in Mozambique’s history. While Princess Diana dominated the front pages of the world’s newspapers, in Mozambique the mourning was displaced by the opening of the R30 million Complexo Shoprite.

Now that the dust around the Praça do Touras has settled, Mozambicans are questioning whether the country’s first shopping centre is benefit or bane.

In terms of the size of the investment and its place in the Shoprite stable of 24 stores, the Mozambican complex is not a significant player, but it has changed the shape of the retail environment in the world’s 10th poorest country.

“This supermarket is an historic event because it is the first shop built in the country for the benefit of the population. I think the informal and parallel markets which proliferate all over the city will come to an end,” said Jamula Cassam, a shop employee in Maputo.

Before Shoprite, supermarkets were unknown in Mozambique. Interfranca, the shop which came closest to supermarket status, began after independence as a duty-free shop where only foreign currency was accepted. It has since discarded this requirement, but a strict dress code is enforced and Interfranca remains the shopping centre for the elite.

In comparison, Shoprite was mobbed on its opening day by all classes of Mozambicans in search of bargains. Shoppers had little understanding for the plight of the supermarket’s management when stocks ran out.

One newspaper unkindly pointed out that there was little difference between the queues stretching for kilometres at the new complex and the endless queues in the days of central socialist control and shortages of foreign exchange.

What brought the masses to Shoprite, and fed opponents’ fire, was the customs exemption granted to the company for its opening-day sales merchandise. Demois, an independent weekly newspaper, accused the chain of dumping, cutting the difference in wholesale and Shoprite’s prices. With a saving of up to 45 percent on items such as cooking oil and soap, one can understand the demand—and also Shoprite’s decision to cut short the duration of the opening offer from 10 days to less than a week.

Despite objections to the South African retail chain being granted special status, general consensus points to a welcoming of the increased competition. In a city where the safest way to buy a chicken is with its head still attached, Shoprite offers hygiene, variety and reasonable prices all in one place.

What Mozambique lacks in supermarkets it more than makes up for with its informal markets. While some point to the demise of these markets because of Shoprite, it is the small shopowners who feel most threatened by the larger competitor. The informal markets stand to gain from Shoprite because they treat the supermarket as a wholesaler rather than as direct competition.

As the fade-out begins, questions are being raised as to Shoprite’s wisdom regarding its flagship store. It has been built near a shanty town, or cafo, as the suburbs of rick houses are known.

The street children who are the bane of Maputo’s motorists now only have a short walk to the parade of a parking lot catering for 400 cars. Before, they had a long trek to reach the more affluent parts of town, notes Savana, an independent weekly newspaper.

Shoprite faces a choice of either letting the new complex fall to the same level of disrepair as the infrastructure of the adjacent cafo, or investing in the entire area so as not to scare away the relatively wealthy family trade it wishes to attract, writes Savana.

The size of the car park is an obvious indicator of the market Shoprite is looking for: but Antonio Gumende, writing in Savana, is of the opinion that the supermarket will have to make a concerted effort to prevent its grand opening becoming a retreat to greener suburbs.

For South Africans, the complex will be welcome relief from the trials of shopping in an environment where sellers don’t speak your language and often use your ignorance to inflate prices.
Stakes are high in Mozambique Gas Row

The gas field, now between Mozambique and US company Energy Transfer, is...
Maputo bourse in pipeline

FROM AP-DOW JONES

Maputo — The government announced on Wednesday plans to establish a stock exchange next year to expand the private sector and to rebuild the country's war-ravaged economy.

The announcement was made at the third annual Mozambique private sector conference.

Jussub Nurumaide, the official in charge of setting up the exchange, said the first goal would be to bring companies to market and initiate trading as soon as possible for an interim market.

A Coca-Cola bottler, a brewery and a cement company are among the companies proposed for the first listings.

More than 700 state-owned companies have been privatized in recent years, one of the largest such programmes in Africa.

Mozambique ended a destructive 16-year civil war in 1992. The formerly socialist-nominated government of President Joaquim Chissano was returned to power in the country's first free elections in 1994.
Maputo’s business outlook rises with conference venue

Clyde Russell

Maputo — Conference delegates and business incentive travellers can now add the Mozambican capital to their list of possible destinations since the four-star Hotel Cardoso has geared up for such visitors, the hotel said recently.

Cymon Charnley, the hotel’s deputy general manager, said Maputo was primarily viewed as a business destination by South Africans, but it presented an attractive get-away location for conferences and leisure travel as well.

“We are also an incentive travel destination,” said Charnley.

The Hotel Cardoso, built in 1938 and refurbished to the tune of $12 million in 1995, is perched on a hill overlooking both Maputo Bay.

Charnley said the hotel, operated by Louroho Hotels Africa, would open an advanced 120-seat conference centre on site this year.

Together with the 130 rooms, which include 26 suites, this would allow for conferences to be held at the hotel.

The hotel is also offering packages for leisure travellers to experience the night-life and atmosphere of Maputo during leisure hours, while staying in a modern luxury hotel.

A weekend package that includes return flights from Johannesburg, accommodation for two nights with breakfast and dinner for one night, would cost R1 080, Charnley said.

He said the hotel was predominantly used by Portuguese and South African business travellers, and average occupancy had grown to around 70 percent from 40 percent two years ago.
Mozambique land measure earns praise

Maputo — The recently-approved new land act favours the poor rural communities and has been welcomed by peasants, says the Maputo-based peasants’ organisation Oram.

Oram senior member, Janet Assulai, said peasants particularly welcomed the transparency and government recognition that land cannot be sold or privatised because it is the only means of survival for the peasants but realised that land privatisation would still play a role in the country’s adopted market-oriented economy.

Peasants, Assulai argued, cannot face the prospect of privatisation because most of them have no financial resources “Mozambican peasants are not in a position to buy any land at all, and if it is sold, they run the risk of losing even their ancestral land which could be bought by the wealthy,” she said.

The land act says that all land belongs to the state and can only be utilised if there are title deeds. But title deeds are not demanded from people who have lived on or have been using the land for generations as long as community leaders testify on their behalf.

Investors are allowed to use the land on renewable concessions of up to 50 years. Assulai says her organisation agrees with this because it allows sufficient time for investments to bear fruit.

During debates in parliament on the government land bill, the main opposition party, Renamo, argued against this period saying it was another way of selling the land that no one would want to leave after working it for so long.

Renamo proposed 25 years “Rejecting the 50-year leasing period would mean rejecting investment,” said Assulai — Star Foreign Service.
SA loses out on new network system

Johannesburg — Complexities in South Africa’s telecommunications legislation have robbed South Africa of operating the first locally developed wireless network access system, CSIR, a research and development group, said yesterday. Instead, Mozambique and Tanzania will steal the march.

CSIR’s community information delivery system provides highly effective information access for two-thirds of the price of similar imported products that are less sophisticated.

The project’s distance-education potential has sparked the interest of foreign development agencies.

Pierre Burger, the product development manager at CSIR’s division of communications and information technologies, said the system, which had taken three years to develop, ran into problems with Telkom when attempting to move beyond the pilot stage. It will be installed in Maputo and Dar es Salaam on a turnkey basis within the next few weeks.

While still in its infancy, the system has been specifically designed to meet the needs of developing countries within the Southern African Development Community, and the countries of sub-Saharan Africa, South America and Asia.

The CSIR is working closely with Telkom to ensure that it is within the regulatory framework defined by the Telecommunications Act of 1996.

Telkom’s agreement on a systems operating licence is due within the next few days, but the licence will be subject to endorsement by the South African Telecommunications Regulatory Authority.

Employing code-division multiple-access (CDMA) technology, the system links the user to the Ethernet, modem and communications lines through point-to-point or point-to-multipoint configurations.

The CSIR is also busy with the development of African applications for ATM technology, which can handle video, voice and data on one connection.

The research group is considering using the system as a platform to carry this technology for applications outside South Africa, said Hannes Ras, the strategic marketing manager at the research group.

CSIR is seeking a South African co-developer to move the technology beyond the developmental stage and into the market, Ras said.
State ‘main violator of human rights’

Fernando Lima

MAPUTO — The human rights situation is improving in Mozambique, but the state remains the main violator of these rights, says the first document on the subject compiled by an independent Mozambican organisation.

The release of the report by the League for Human Rights is an indicator that the human rights situation is improving. Up until now only foreign organisations such as Amnesty International have felt able to publish documents.

However, the report concentrates on arbitrary detentions, police brutality and the situation in prisons. It criticises arrangements in detention centres, saying the only separation among inmates is along lines of gender. Otherwise, adults and minors were all lumped together.

Arbitrary detention and detention without trial are commonly reported in Mozambique. In one of the most dramatic cases, the league mentions the case of a peasant from Manheca, a small town about 70km north of Maputo, who was detained without trial for six years after being accused of stealing four chickens.

The league believes the approval of the new constitution in 1990 opened “a new phase in the promotion and recognition of human rights” in Mozambique.

It says that after independence in 1975, “the fundamental rights were restricted” in the constitution and “dialogue and the right to different opinions was almost nonexistent.”

Although the report touches on the colonial phase and the period after independence, it does not elaborate on the abuses committed during these periods. It also fails to mention the existence of re-education camps after independence, which supplied little food and no medical assistance, and were supposed to absorb criminals and prostitutes. But the camps became dumping grounds for alleged political dissidents, where the most prominent of whom — Urna Simango and Joana Simango — died without formal trials. Many Mozambicans are still missing.

In the early 1980s, the policy was revised and thousands of unemployed in the cities were removed to the northern provinces of Niassa and Cabo Delgado “to develop the countryside.” The operation was a disaster and many of these men joined Renamo during the war years.

SA farmers are now developing agricultural projects in Niassa.

League leader Alice Mabota has raised the issue of human rights with President Joaquim Chissano and often has working meetings with justice and home affairs ministers.
Peasant victory in Mozambique

In a country where 65% of the population is illiterate, verbal evidence is now accepted as proof of ownership. Mercedes Sayagués reports

Mozambique's new land bill, approved by parliament in July, amounts to a massive victory for primary and secondary peasantry that makes it converge among land legislation in Southern Africa.

The bill recognises land rights acquired through occupancy, with or without a title deed. This should prevent mass eviction of peasants and other negative effects of alienated land distribution, as happened in neighbouring countries.

Occupation rights are, however, conditional upon being "in good faith" for a minimum of 20 years, certified by community members. In a major departure from colonial law, verbal evidence is accepted as proof - a breakthrough for peasants when 60% of adults are illiterate.

Land continues to be the property of the state. User rights and title deeds are granted to individuals, communities and businesses. User rights can be transferred or inherited but not sold or mortgaged.

A community is any group that defines itself as such - its members say those who sign their names to it. Land in use comprises cultivated land, hunting, fishing and collection between a minimum of three places.

Occupation rights, however, will not be recognised for land set as national commons (register of property) or already parcelled out. Thus, occupation of land over which somebody else holds title deeds will not be recognised.

These single and clear measures guarantee smallholders access to land and security of tenure. At the same time, the bill seeks to protect the interests of agricultural workers.

Access to land is guaranteed to everyone, as are the rights to title deeds already granted.

But large concessions, such as 200,000 ha granted to American developer James Blanchard in Maputo province for a theme park and game reserve, and 250,000 ha to Mozambicans for whom South African farmers set up (in future purchases) cannot be given until a survey of local people has been carried out to ensure their rights and interests are protected.

Women stand to gain a lot from this new land bill. Equally between men and women, but sex is embedded in the constitution. Women will be entitled to title deeds while in the past were entitled to them.

When it was finally argued that privatisation would lead to the emergence of a class of landless peasants, unknown in Mozambique before Reconstruction in greater decentralisation and more power to the popular - in power law in the central and northern provinces. This platform echoed demands of peasants' associations and NGOs. The bill was not just about mechanisms, but about mechanisms that could be decentralised.

The right to a secure living is the right to control land allocation to regulars, to allow more decentralisation or to enhance customary law.

However, the ruling party could not ignore the views of the political opposition and civil society. Peasant's rights emerged strengthened state powers, present in the new Constitution of the months, somewhat curtailed.

The heated debate threatened a rift between President Graca Machel and business-oriented officials against old-guard populists. The bill was revised at committee level but the party's congress earlier this year it was decided to keep land as state property but to allow a measure of protection for peasants.

Of the 27 million people, 60% are rural - roughly 16 million peasant families. With 28 million hectares an almost half of all land, Mozambique is the largest and most easily available land in sub-Saharan Africa. A land rush would put many peasants at risk of losing their land to investors, speculators and real estate business.

Looking at neighbouring Southern African Development Community countries, it becomes clear why not to repeat mistakes in Mozambique.

Across Southern Africa, colonial regimes left a system of land divided into fertile areas for commercial farmers and marginalised lands for small-scale farmers. Nowhere is women's access to land protected by law. Widow dispossessors are frequently evicted from their land.

In South Africa, the right to land owned by whites and blacks is one of the foremost economic and political issues for the government.

The land reform programme has not yet reached the surface of the problem. In Zambia, some 6,000 commercial farmers (mostly, but not exclusively white) own 40% of the best arable land. While 700 peasant families are crowded on marginal land and are experiencing mounting tension from land hunger.

In Mozambique, the state has had to confront the issue of land from its own property in a "virtual land." In Malawi, demands are pouring in for urgent redistribution of land for smallholders.

In Mozambique, the recognition of rights derived of effective control of land is the most equitable proven five measures to avoid conflicts and to encourage economic stability that could have been taken.

The bill has its drawbacks. It is vague, probably a result of compromise. To transpose to the Mozambican Land Bill of 1979, this one leaves many details uncharted. It remains a blueprint for power and decision in land allocation. Little authority filters down to district or community level.

The Bill does not deal with the vast amounts of land that are still in the hands of the elite for speculative purposes. While joint ventures of Mozambican companies with foreign are permitted, land can be used as collateral for loans, it does not say what happens when the land is sold. The bill does not say what happens when the land is sold. The bill does not say what happens when the land is sold.

Those changes will come home to roost, sooner rather than later. The big question remains: how will the law be implemented?

According to land expert Jose Neves, "Measures must be first made at district level over each new claim on land. No more connections should be granted without an announcement and without verifying if there is a de facto occupation by smallholders.

Secondly, in areas of potential conflict, rural people should obtain title deeds in their land, either in individual or community ownership. The practice of obtaining title deeds must be encouraged and eased. A title deed is a guarantee for heirs and cancels the need for 10 years of unclear ownership.

Thirdly, NGOs, churches and civil society must set up an organisation to provide land use to peasants on land matters. There should be a specialised advocacy and lobbying service - fast, efficient and practical.

Only then will the Bill effectively protect peasants' rights to land and Mozambique's future political and economic stability.
Enron in secret talks with government to extend Pande gas fields agreement

Enron, the US energy company, has been holding secret talks with the government about another possible extension of an agreement to develop the huge Pande gas fields, which was signed twice since it was signed in 1993.

Rachamala, the managing director of the Enron-owned hydrocarbon company, confirmed the talks yesterday. "We are very anxious that the Pande gas fields be developed as quickly as possible and we have been pressing Enron to do so," Rachamala said.

In a separate development, it is suggested Enron might lose its concessions, which had not yet been developed, and some sources have said South Africa's power has put in a bid to take over the project.

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CT (82) 14110197
Mozambique stabilises the metical

Bank's tight policies beat high inflation

RAFAEL BIE

Maputo — Central Bank of Mozambique officials are celebrating the stabilisation of the metical, the national currency. Over the past two years the currency has devalued by only 5 percent against the US dollar and since the beginning of this year it has devalued by 1 percent.

The bank's tight monetary policy has also curbed inflation, which fell from a peak of 70 percent in 1991 to 15.3 percent last year.

Pinto de Abreu, a bank administrator, claims the stabilisation of the currency is structural and not nominal, as some critics have argued. But industrialists warn the currency is running on high interest rates. Despite the fall in the inflation rate, and an adjustment in the bank's rediscount rate, real interest rates have remained at 3 percent and above.

Mohammed Iqbal Gabar, the chairman of the management board of Gami Comercial, a trading company, fears that 'one day we will disappear. We need affordable interest rates of not more than 20 percent at the moment.'

However, De Abreu insists the stabilisation of the currency has had a positive effect. He says economic agents and ordinary citizens have learned to trust in the currency, and more long-term accounts in the metical are in process of being opened.

Another indication of the growing confidence in the economy is the rapid proliferation of financial institutions. Over the past two years, the number of commercial banks has increased from three to seven and a leasing company. The market is dominated by recently privatised institutions, but newly established private banks are also growing.

The rapid proliferation of banking institutions is a result of the high returns offered by the market. With real interest rates of 20-plus percentage points and commercial bank rates of double the rediscount rate, banking has become one of the most lucrative businesses in the country.

Abreu says that after realising the stabilisation of the metical was irreversible, commercial banks began announcing new financial products and reducing interest rates. Commercial banks are now offering interest rates on credit operations of between 25 percent and 30 percent, which can come down to between 25 percent and 28 percent for low-risk clients.

Hipolito Amelia, the deputy chairman of the Mozambican Commercial Association, says the central bank should dramatically cut its rediscount rate so as to encourage commercial banks to continue reducing their credit interest rates to levels which cannot suffocate business. He claims suffering will not end until the bank reduces its rediscount rate, now at 19.5 percent.

In addition, Abreu says exchange rates are also improving.
Mozambique wins top Africa peace prize

ZUBEIDA JAFFER  
Group Sub-Editor

The Africa Peace Award will go to Mozambique on November 1

The award – the flagship project of the Africa Centre for the Constructive Resolution of Disputes (Accord), a South African conflict resolution organisation – will be made at a gala event in Durban attended by President Mandela, Mozambique’s President Joachim Chissano and Frelimo leader Afonso Dhlakama.

Accord director Vasu Gounden said the event would mark the first official visit of an African head of state to KwaZulu Natal. “Not only has the Rome Accord held since 1992, but the World Bank has recently written off 80% of the country’s debt,” he said.

Accord, an organisation set up by five South African universities and based at the University of Durban-Westville, has made the award every second year since 1993.

The award in 1995 went to President Mandela, who will make the presentation to two Mozambican children. The children in turn will hand it over to President Chissano.

The award ceremony and banquet will be held at Durban’s new International Conference Centre and is expected to be attended by secretary-general of the Organisation of African Unity Salim Salim and a number of African heads of state.

The award is based on three criteria: the peaceful resolution of conflict, the promotion of human rights and the promotion of good governance.
Mozambique’s land is there for the taking – but its sale is still illegal

ANTONIO GIAMMARCO
FOREIGN SERVICE

Maputo – Land in Mozambique is free. But if you don’t pay for it, you (probably) won’t get it.

“Vende-se terreno” (plot for sale) reads a prominently placed advertisement in Noticias, Mozambique’s biggest daily newspaper. Adverts like this are common in the Mozambican press these days and they give the impression that the country has a vibrant property market.

The truth is, it has an acre of prime residential land along the Avenida Marginal overlooking the beach in Maputo can cost anything from R100 000 to R500 000.

Good “connections” (plus a sizeable amount of money to grease palms here and there) can get a few hundred hectares of prime agricultural land up-country.

The trouble is that land transactions are illegal. Article 46 in the constitution states clearly that “ownership of land is vested in the state” and, as such, “land may not be sold, mortgaged or otherwise encumbered or alienated.”

The state can only grant leases to individuals for a specified period.

In August, the Mozambican parliament passed amendments to the Land Law which improved rights to land, but fell a long way short of legalising private ownership. Leaseholds for foreign individuals and companies, for example, are now renewable for up to 50 years. Land still may not be used as collateral, but any development on it can be used to secure finance.

Continuing to outlaw private ownership of land seems to be at odds with the country’s liberal economic reforms. It has sold off all the assets nationalised in the heyday of socialism – from barber shops to airlines.

Renamo MP David Alone was quick to point out the contradiction in the assembly during debate on the bill, saying that state ownership of land was “a fundamental basis of communisim.”

“If you are privatising the banks, why don’t you privatise land?”

By keeping land ownership in state hands, the constitution contained two incompatible ideologies, one communist and one capitalist.

Elsewhere, reaction to the new law has been mixed, but pressure from business for the introduction of some sort of private land tenure system is building up.

Mario Ussene, chairman of the Working Commission of Economic Association, a private sector pressure group, told a conference that the emergence of a small to medium-scale entrepreneurial class in Mozambique required the granting of the right “to use land as collateral” to gain access to credit.

The economic disenfranchisement of Mozambicans, particularly the black population, promoted first by colonialism and later by post-independence socialist policies, has left the vast majority of people without any form of asset that can be used to get bank loans or other forms of finance.
AFRICA

Mozambique aims to cut red tape

Fernando Luna

MAPUTO — Mozambique plans to speed up procedures involving the registration of businesses and to revoke a law dating from the previous century — the Portuguese Commercial Code — as a first step.

New investors have been complaining about the bureaucracy surrounding the registration of companies, and government has said a commission examining the code will submit new proposals to government by December.

The new legislation is supposed to simplify the creation and registration of new companies.

Private operators claim current procedures discourage their initiatives, increase administrative costs and foster corruption.

These are not the only complaints from the private sector.

At a recent seminar in Maputo, a local company official said that while the government has made some improvements, there is still a lot of red tape.

The authorities now impose a fine of $400 a day on visitors whose visas expire.

Industry Minister Odemero Buliho thanks "vass privatization" as a radical proposal but says government is open to all proposals that will improve Mozambique's business environment.

Privatization of crucial services in Mozambique is not new.

Customs is already being managed by British firm Crown Agents.

A new company representing Crown Agents' representative in Maputo says the first three months of operation record customs revenue was secured.

Crown Agents also detected $22 million of undervat ed goods and $24 million of overvalued goods.

However, some local businessmen complain about Crown, saying its reference prices are unrealistic. They say they buy products at a lower price in a neighboring country, but they are still charged at the border by Crown Agents' officials who reject prices recorded at the invoice.

An SA businessman who operates in Mozambique said he had faced similar problems.

An SA company representative said: "We are facing the same issues as our competitors in Mozambique. The bureaucracy is too high, and it takes months to get things done.

Outhwaite says legislative changes are needed to simplify procedures.

The legislation is about to be liberalized but unions fear it will mean more unemployment.

The press is not pleased with the new legislation, saying it is too lenient.

Commonwealth gears up to tackle issue of Nigeria

LONDON — A treaty, diplomatically known as the Commonwealth Heads of Government Meeting, may pull out of the organization to protest against the Nigerian government's recent actions. The meeting is scheduled for the weekend.

Sources say, though, the group is determined to pull out of the Commonwealth, but it is not clear how much damage this will do.

The issue is particularly difficult for SA, which is the Commonwealth's largest economy.

SA officials say they are concerned about the possible consequences of the Commonwealth's decision.

The meeting is an opportunity for Commonwealth members to discuss the political situation in Nigeria.

Some evidence of the Nigerian government's actions in the past week has been provided by the Commonwealth Minister's statement that the Commonwealth has never had a better chance to work together.

However, the statement was not well received.

In order to prevent possible diplomatic action, the Commonwealth minister's statement was welcomed by SA officials.

While most of the action group are still concerned, there is a sense that the Commonwealth's message will be heard.

In any case, the meeting is expected to be a significant moment in the Commonwealth's history.
More than R11bn committed to Maputo development corridor

Robyn Chalmers

NELSPRUIT – More than R11bn had been committed to the Maputo development corridor, according to a report in the NELSPRUIT Herald. The report stated that the corridor had already been approved by the South African government and the Development Bank of Southern Africa (DBSA).

The main focus of the development corridor was to stimulate economic growth and create jobs in the area. The report mentioned that the corridor had the potential to create more than 100,000 jobs by 2025.

The report also mentioned that the Maputo Port would be expanded to handle more cargo, and that new roads and rail links would be constructed to improve transportation. The Maputo Airport would be modernized to handle more passengers.

The Maputo Port is already a major hub for trade with southern Africa, and the development corridor would enhance its position as a regional trade center.

The report noted that the development corridor would also create opportunities for small and medium-sized enterprises. The government announced plans to set aside a portion of the development corridor for small and medium-sized enterprises, to encourage entrepreneurship and job creation.

The report concluded that the development corridor would be a major driver of economic growth in the region, and that it would help to reduce poverty and inequality. The government was committed to ensuring that the benefits of the development corridor would reach all parts of the region.
Coca-Cola holds out for Mozambican tax break

Fernando Lima

MAPUTO — Coca-Cola wants to establish a new factory in Mozambique's northern region, but is holding out for a generous tax reduction.

CEO Carl Ware and Coca-Cola requested the tax reduction as an incentive to establish a factory in Nampula, an area where conditions are considered difficult.

Coca-Cola has undertaken to improve the water quality and electricity supply in Nampula. However, the Mozambican government argues that the tax reduction requested by the US multinational is excessive. Deputy Finance Minister Luisa Diogo said it was "very unusual" to reduce the tax rate from 20% to 5%, as requested, but said negotiations were still underway.

Coca-Cola Sabco is considered an economic success story in Mozambique because it has drastically reduced the importation of canned soft drinks from SA and Swaziland. It has a plant on the outskirts of Maputo and is building one in Chimolo to supply central Mozambique.

The Nampula unit would be Coca-Cola's only northern supplier.
Mozambique prepares to privatise communications

Fernando Lima

MAPUTO — The Mozambique government plans to launch a tender this week to "reform the telecommunications sector," which will in effect privatise its monopoly company, Telecommunications in Mozambique (TDM).

The euphemistic language used by the government can be attributed to controversy surrounding the privatisation of one of its most successful public companies. TDM has a monopoly on communication services — with the exception of the Internet and e-mail — and its privatisation by 1999 represents the disposal of one of the few remaining strategic companies still in state hands.

The cabinet has already approved the move in accordance with its policy of "phased liberalisation" for telecommunications. TDM should be transformed from a public company into a shareholder corporation by next year, with the state retaining control. Private partners will be able to take a majority stake in 1999.

Last year TDM registered a profit of R18.4m. It is considered the crown jewel in Mozambique's public sector assets. The cautious manner in which the government has admitted to plans for its privatisation can be linked to the fact that there are ruling party factions which oppose the privatisation of "strategic companies."

While there are known to have been preliminary talks on the privatisation of electricity state-company EDM, the deputy energy minister has denied plans for such a move.

Under the economic reform programme agreed with the World Bank, Mozambique has privatised both state banks and is planning to privatise national airline LAM.

Ports and railways are already under private management contracts, and the state insurance company could also be privatised.

Donors that provide $1bn in grants and loans annually believe a reduction in the size of the public sector, along with the competitive element brought in by a growing private sector, will also contribute to cutting endemic corruption in the country.

During the war TDM invested heavily in modern equipment, which left Mozambique with one of the better telecommunications systems in southern Africa. By the end of next year, all provincial capital cities will have fully digital phone systems, while direct dialling abroad has been in place since 1992. After the war ended in 1992, TDM resumed work on establishing microwave links for rural districts.

In terms of TDM's privatisation strategy, the company will maintain its monopoly of the communication network, but services will be open to private competition.
Terminal targets SA sugar

Fernando Lima

MAPUTO — The Maputo sugar terminal, which was virtually paralysed for a decade, handled 1-million tons over the past 28 months following the take-over of management functions by a joint venture of Zimbabwean, Swazi and SA producers.

The Maputo Sugar Terminal Company, or Stam as the joint venture is known, now hopes to attract sugar cargoes from Mpumalanga which would be exported via the Rezane Garcua railway line to Maputo.

Although ports remain state owned, the company took over the management of the sugar terminal in February 1994 after the signature of a 10-year leasing agreement with CFM (the Mozambican ports and railways authority). The company has since spent $1.7m rehaubilitating infrastructure at the terminal.

SA’s Manica Group is involved in the venture to manage the terminal, which represents one of several private management ventures at the port.

Under new management, the terminal had handled one million tons of sugar by September 1, which brought $16.5m in payments to CFM — thus brought in $13.5m for the railways and $4m for the port.

The terminal is handling sugar exports from Swaziland, Zimbabwe, Mozambique and Zambia.

The company expects in future to attract exporters from Mpumalanga as development of the Maputo corridor gets under way.

The war in Mozambique forced the sugar associations of Swaziland and Zimbabwe to interrupt their exports through Maputo harbour between 1991 and 1995.

Constant thefts from the trains and the port also contributed to the decision to suspend exports — in 1991 alone 16 000 tons of goods were stolen.

The trains are now escorted by a private armed force which also mounts patrols at port premises.

The terminal was built in 1966 and handled 1.4-million tons of sugar over the first eight years.
GROWTH RATE AT 7%

Hopeful signs of African revival in Mozambique

Group Parliamentary Editor ZUBEIDA JAFFER holds an exclusive interview with Mozambican President Joaquim Chissano about his country's economic recovery

A CRAWLING baby sculptured in bronze gazes at three statues of children holding up an outline of the African continent. Their arms sweep up against the carved map of Africa symbolising the power that is flowing through this part of the world.

President Nelson Mandela holds in his hands this sculpture, which has been awarded since 1993 to distinguished people or nations in Africa.

"It's heavy," he says as he presents the Africa Peace Award to President Joaquim Chissano, who has come to accept it on behalf of the nation of Mozambique, the 1997 recipients.

In a light-hearted moment, President Chissano jokes that the award is "very heavy" in the amusement of the audience gathered at Durban's International Convention Centre this weekend.

But the import of the moment was not lost on the two leaders.

"We have carried heavier burdens than these," said Mandela, to which Chissano responded in his acceptance speech. "It took many decades of unremitting struggle to get where we are now."

"That was our Long Walk to Freedom."

The Africa Peace Award ceremony is the flagship event of Accord, the organisation dedicated to resolving African conflicts and based in Durban.

Chissano left no doubt that the continent's leadership had its work set on the future.

He spoke of the African renaissance, the theme of this year's ceremony, as "the new era in which African peoples will regain their rightful place of world leadership in safeguarding peace, security and stability, in socio-economic affairs, in science and technology, in cultural and artistic initiatives."

He was adamant that it was not about singing the glories of a distant African past.

"It is about transforming our present and paving the way for a bright future."

Shortly after he arrived at Durban's Royal Hotel, his aide ushered him in for a private interview in a small lounge decorated with red roses.

He could only spare 15 minutes, they said.

He was dressed in a black suit with a blue shirt and cream tie speckled with blue and red.

The discussion extended beyond the old concerns about peace in a continent long ravaged by war.

Since the end of the armed conflict between FRELIMO and Renamo, he had turned the energy of his government towards economic development.

In the past five years, Mozambique's growth rate had been maintained at 7%, he said.

Last year, they increased their exports by 24% and in the past two years six new banks had opened in the country.

A largely agricultural country, "we have had bumper crops in the past two years."

In a lifting English accent, an expression of all eight languages he speaks, Chissano explained his country's economic policies.

"When we deliberately introduced the market economy in Mozambique, it was to help produce wealth which would eventually be distributed to the people in the form of services and later by creating jobs."

"We understood our measures would not be very popular because people would not feel the difference immediately."

He had to talk about figures and what these figures mean.

"Within five years, however, there were visible signs."

"There is a doctor in every district and some districts have two, he said.

Traditional Bushmen were beginning to be replaced by improved houses. People walked shorter distances to get water every day.

"It is not yet good enough, but we are trying."

While there was still a shortage of schools, the educational network, which existed before 1983, destroyed by war, had been rebuilt and overtaken. "And then the school population grows all the time."

His government was seriously committed to implementing a Five-Year Governmental Plan (1995-1999) which entailed guaranteeing peace, stability and national unity, alleviating poverty and improving the standards and quality of life for the majority.

Only economic development would stop the waves of Mozambicans heading towards South Africa.

"It will be a constant wave, like the waves of the sea, he said.

"And Mozambicans badly in need will take their place."

The best way is to find another route for the waves to follow by creating employment through joint ventures in South Africa and Mozambique."

Such joint initiatives have enjoyed considerable publicity. Since the Mozambican partner in South Africa to Mozambique, the joint agricultural project setting South African farmers in Mozambique and many others.

"The training centres set up for demobilised soldiers have already begun to stop the wave, he said.

He rejected reports that the joint project, bringing South African farmers to his country had encountered problems.

"The confusion comes with South Africans who have come to Mozambique on their own. Those within the project follow a certain discipline."

When everybody was there to work and produce food, then racial problems faded. Racial problems came through the fear of the unknown, he said.

"I have a big optimism that this project will set a good example and break all taboos that existed in the past. It is a good example of true partnership."

He admitted being influenced by Eastern philosophies of meditation, which he had introduced to his cabinet.

"I have to meditate in the mornings and at night," he said. "It gives me the energy to work harder."

The minutes ticked on, but the president was rest in a hurry. His love for the voga, Maharishi, who had come to Mozambique from the mountains of India, and those who taught him had almost halved the previous cabinet.

Do they ever meditate together? No. "But collective meditation is recommended because it brings more energy," he said, smiling.

RENAISSANCE MAN: Joaquim Chissano with the Africa Peace Award presented to him by Nelson Mandela.
Better cashew harvest expected this year

Macanhaque's expected cashew harvest of this year was seen after three-year harvests of earlier years. The harvest, expected at 100,000 tons, is to be harvested on 15 January. This year's cashew output has been delayed due to the dry season.
Mozambique's LAM gears for privatisation

Jorge Diogo

Maputo — LAM, Mozambique's national carrier, is trying hard to make itself lean, competitive and punctual before being privatised next year.

The privatisation, which has been stipulated by the World Bank and the International Monetary Fund, has been seen as the only solution to the acute crisis afflicting the corporation in the past five years.

Economists blame the corporation's woes on the liberalisation of the country's civil war in 1992 also had an effect since the aeroplane ceased to be used as the main means of transport by the majority of Mozambicans.

But the problems reached their peak in 1995 when two Boeings, which had been acquired under a leasing agreement, were returned to the Irish company Gecas. The return of the aircraft caused serious problems and disrupted timetables, leading to delays in flights and a lower quality of service.

LAM was formed in 1930 out of the defunct Directorate of Air Transport Operations, set up by the Portuguese.

During the 44 years of its existence, the directorate's losses were borne by CPM, the Mozambican port and railways company, and it was not allowed to compete with TAP, the national airline of Portugal.

The government has now put out a tender to sell 51 percent of the airline, which has an estimated total value of $22 million.

The tender says the airline will be sold to a mix of foreign and domestic investors. It was also stipulated that the eventual buyer should assume part of the debts contracted through the acquisition of a new Boeing aircraft, which costs $52.4 million.

This aeroplane was acquired through a leasing scheme and is being subleased to South African Airways (SAA) at present.

Esterao Gasheu, who is in charge of the privatisation process, said five groups have prequalified for the 51 percent share. He refused to disclose the names of the consortia, but it is known that SAA and TAP are bidding.

TAP is bidding for 12.5 percent, while SAA is looking for 50 percent — the maximum allowed to foreigners. The remaining 35 percent will be distributed among the other three groups.

The government will keep the remaining 42 percent, but is reserving 20 percent for management and airline workers.

Jose Viegas, the managing director of LAM, said restructuring of the fleet and routes was under way, while cuts were being made in general and administrative expenses, and a reduction in the number of flights and man-power was taking place.

Viegas said the number of passengers carried rose by 15 percent in the first quarter of 1997 above the 102,660 carried in the same period in 1996.

He said that regularity and punctuality of flights would be aggressively pursued.

Viegas said LAM wanted to relaunch itself in the region. He said negotiations had been concluded with South Africa for the introduction later this year of a joint cargo operation between Johannesburg and Maputo.

LAM has also concluded negotiations with Air Zimbabwe and Air Malawi for joint passenger ventures between Maputo, via Harare, Lilongwe and Blantyre. — IPS/AIA
Production plunge at Mhangura copper mine

Michael Hartnack

HARARE — The plight of Zimbabwe's Mhangura copper mine, now under state management while awaiting almost certain closure, continued to worsen over the past year, according to audited results published yesterday.

Once the biggest player in Zimbabwe's copper mining sector, Mhangura (formerly Mangula), 140km northwest of Harare, saw copper sold in the year ended June 30 fall 46% to 8,880 tons, says a statement from the Minerals Development Corporation.

"Lack of adequate essential production inputs, developed and pre-drilled reserves, and continuous machinery breakdowns, made it impossible to achieve any meaningful production levels," said the board.

All output has in any case to be sold through the government's Minerals Marketing Corporation monopoly, imposed when President Robert Mugabe stopped short of nationalising all mines soon after 1980 independence.

The smelter produced 7,702 tons of copper anodes compared with 10,074 tons the previous year, while turnover fell from Z$202.5m to Z$118.4m.

Mhangura recorded an operating loss of Z$26.7m compared to a profit of Z$3m the previous year that revived short-lived hopes the mine might be kept open under worker management.
**2M brewery opens third filling line**

RAFAEL Bé

Maputo — A third filling line at 2M, the Mozambican brewer, was inaugurated this week with a capacity of 26,000 bottles an hour and at a cost of about $3 million.

Oldemiro Baloi, the country’s industry, commerce and tourism minister, said he was satisfied with the launching of another filling line. Baloi said it was encouraging that there was such a feeling of victory over the successful privatizations.

The successes achieved thus far included an increase in production and productivity and a substantial increase in contributions to the fiscus. According to a state document, 2M has recorded an increase in turnover of 200 percent in two years. Cervejas de Moçambique, another Mozambican brewery, will contribute $4 million to the fiscus this year before the privatization of the two breweries. Their combined contribution to the fiscus was $3.7 million a year.
Mozambique sets local election date

Fernando Lima (2/8)

MAPUTO — Local elections will be held in Mozambique in May, two years later than the schedule set for implementing multiparty democracy.

Government’s decision this week to hold local elections in only 33 of about 100 municipalities has sparked a row between ruling party Frelimo and all 20 opposition parties. Frelimo argues that poor infrastructure makes it too difficult to reach outlying areas, while the main opposition party, Renamo, wants everyone to vote.

Afonso Dhlakama’s Renamo is expected to win four of the five major cities. These amount to all the major cities in central Mozambique — Beira, Chimoio, Tete and Quelimane — and the northern town of Nampula.

In July, government said the elections would be held on December 27, resulting in a boycott threat by all opposition parties. The opposition labelled them the “bandalane elections”, arguing that Frelimo feared the “people’s vote” and wanted a date when voters would not be home.

However, government’s reason for setting the December date was that a compromise had been reached with the donor community that elections would be held in 1997 after being postponed the previous year.

The new date, May 29, is supposed to have been agreed upon by all parties, even though Renamo would have preferred the first quarter of next year. Renamo argues that Frelimo wants to delay elections to “buy time” since it “knows it will lose power.”

If Renamo wins four of the five major cities, this will give it the most powerful position it has enjoyed since the peace agreement signed in Rome in 1992. While local, provincial and central governments are supposed to have separate responsibilities, Frelimo is likely to find it more difficult to implement its national policies in towns under Renamo’s control.

During the 1994 general elections, Renamo won the majority in five of the 10 provinces but President Joaquim Chissano exercised its legal power to appoint Frelimo governors. The delays favour Frelimo since a peaceful environment can attract development projects, which are channelled through government, while Renamo faces growing financial constraints.

In the meantime, Frelimo is also replacing officials to prepare for elections, one instance being the removal of Balse Coeme as mayor of Maputo. Coeme had probably become the most unpopular official in the country because he reputedly ran the city in a negligent manner for almost a decade.
Mozambique's inflation will
dip 'below 10% by year-end'

**JUSTIN MCCAMISH**

Gaborone — Mozambique's inflation rate was likely to be below 10 percent by year-end but a large external debt remained a problem for the southern African nation, President Joaquim Chissano said yesterday.

"We have been able to reduce inflation rates from 34 percent in 1995 to 16.6 percent in 1996, and a mid-year evaluation points to a single-digit rate for 1997," he told a trade and investment summit in the Botswanan capital Gaborone.

Last month the Mozambican government said in an economic progress report that the inflation rate from January to the end of July was 3 percent, compared with 14.2 percent in the same period last year.

But despite the improvement in the inflation rate, the country was still faced with many challenges, among them its external debt which was running at $6.2 billion, Chissano said.

The World Bank debt-relief initiative for Mozambique is expected to cut the country's debt stock by more than half, according to the country's finance ministry.

Its net current value of debt stock is some 400 percent of export earnings.

"We are concerned regarding the need for additional measures to reduce our external debt to sustainable levels," Chissano said.

"We welcome the proposal to decide on the eligibility of Mozambique as a beneficiary of the (World Bank's) heavily indebted poor countries initiative."

A final decision is expected later this year.

Chissano said southern Africa continued to suffer from a shortage of finance, in particular of intra-regional, cross-border investment which played a crucial role in counteracting trade imbalances in the region.

But Mozambique remained one of the region's success stories in terms of building both domestic and foreign investment, in particular in the process of regional infrastructure rehabilitation and modernisation, Chissano added. — Reuters
Strategies ‘needed to aid growth’

Deborah Fine

LOCAL authorities in the Maputo development corridor had to establish “creative and innovative” strategies to take full advantage of the opportunities offered by the new corridor, National Business Initiative project manager Sabara Bobat said yesterday.

The initiative, a private business-based, public interest organisation, was recently appointed by the Mpumalanga provincial government to conduct economic development workshops with 23 municipalities in the corridor.

This was to assist them to identify areas in which the corridor could be used to boost their local economies, thus stimulating job-creation. The national transport ministry has set aside R1m for the funding of the development workshops, as well as studies to investigate the potential spin-offs of the corridor for small and emerging businesses, tourism and agriculture, as well as the corridor’s effect on the environment.

Bobat explained that apart from being responsible for the delivery of services, the constitution also obliged local authorities to take on a developmental role and exercise their powers and functions in a manner which maximised economic growth and social development.

Municipalities could, for example, begin building up databases of local emerging contractors which could assist in the construction of the Witbank to Maputo toll road.

The new toll road would create easier access to the area. The new toll road would create easier and greater access to the area, which would in turn stimulate greater interest and investment from the private sector and tourism industry.

This interest could be enhanced by introducing simple changes to existing municipal procedures such as the speeding up of approval mechanisms and identifying and releasing land for development.

Local authorities could also link private-sector development in the area to social responsibility programmes and the use of local labour.

They could, in addition, begin identifying ways in which community organisations could participate in and benefit from increased tourism and trade-flows in their areas.

"Councils need to take responsibility themselves for development within their jurisdictions rather than rely solely on central and provincial government initiatives," Bobat said.
White metal leaves gold trailing in its wake

SA mines set to make a killing as southeast Asian woes fail to dampen demand

South Africa will increase its dominance of the world platinum market to 77% this year from 68% last year and platinum will retain its firm fundamentals despite gold's meltdown.

Those are the findings of the latest assessment of the platinum market by metal traders Johnson Matthey (JM), who this week published the authoritative Platinum 1997 Interim Review.

The platinum price has maintained its premium above gold although the metal has sagged to current levels around US$387/oz from a June high of $497/oz. Gold is currently hovering just above $300/oz.

Despite this, JM analyst Alison Cowley is sticking to her forecast in the review that the platinum price will range between $400 and $450 during the next six months.

Favourable market fundamentals for platinum remain in place and Cowley believes they will not be affected materially by the woes in southeast Asia.

That's all good news for the SA platinum mines, which dominate world supply, accounting for 3.39m oz of the total 4.98m oz of platinum sold on world markets last year. JM forecasts the SA mines will contribute 3.66m oz of this year's total supply of 4.77m oz.

This is welcome news for platinum industry leader Amplats, which is spending R1.65bn to push its annual production up by 0.3m oz to 1.8m oz by 2001.

The JM report confirms much of the reasoning lying behind the Amplats decision to expand and take advantage of forecast platinum shortages, particularly concerning the drop in Russian platinum exports.

Cowley provides JM's latest predictions yet on the Russian situation - always a hazardous exercise, she points out, given the lack of hard statistics on output from the Noril'sk mining complex.

JM believes the Russian authorities no longer hold "significant" amounts of platinum stocks. That means the country's platinum exports are unlikely to exceed annual production from Noril'sk and various small alluvial deposits, and will amount to less than 0.6m oz in total annually.

The result is a sharp drop in Russian supplies, which JM estimates will fall to around 0.7m oz this year from 1.2m oz in 1996.

Cowley says Russian palladium supplies will also fall sharply to 3.2m oz in 1997 - equivalent to 57% of total world supply of 5.65m oz - compared with 8.6m oz equivalent to 71% of the 1996 total supply of 7.84m oz.

The biggest consumer of platinum is the Japanese jewellery industry where Cowley forecasts a dip in sales to 1.38m oz this year from 1.48m oz in 1996 - the first decline in 14 years.

But that still means the sector held up well compared with the more than 20% drop in Japanese gold jewellery demand. Cowley feels the Japanese platinum market has seen the worst. She also points to booming demand in China which will more than compensate.

Brendan Ryan
Johannesburg — The embattled R8 billion Maputo iron and steel project (MISP) has suffered another setback after a study into the legal implications of the proposed slurry pipeline stated that the South African National Parks (formerly the National Parks Board) did not have a mandate to allow the pipeline to pass through the Kruger National Park.

The study, which is part of a series of specialist studies to identify problems, was conducted by Moodmans Attorneys and presented to the forum for role players on October 16, Tisha Greyling, the communications agent for MISP, said yesterday.

The attorneys submitted that their interpretation of Clause 4 of the National Parks Act said the parks board did not have the mandate to allow the slurry pipeline to pass through the park. The study said that neither an amendment to the act nor the consent of the board would guarantee the removal of all legal obstacles.

This is because the board would still be subject to an overriding environmental policy promulgated under the Environmental Conservation Act and provisions of the constitution.

“It is unlikely for the Kruger direct and Letaba routes (the two proposed pipeline routes via the Kruger National Park) to pass the justifiable economic development test if other viable options exist,” the report said.

“This clause is not very clear, and our interpretation still has to be reviewed. We are open for comment on our interpretation,” said Lu van der Walt, Moodmans’ spokesman.

The mandate of the parks board to preserve the natural state of the parks was open to different interpretations, she said.

It said that although the Kaapsemunde pipeline would circumvent such legal obstacles, it would still be affected by burden of land claims which could compromise the project’s tight time deadlines.

Another looming danger was that such a pipeline could set a precedent for similar pipelines to go through the Kruger park.

“The National Parks Board would have difficulty to justify not allowing further pipelines with similar impacts to cross the park because the right to equality in the law implies that everyone be treated equally” the report said.

A second phase on all legal obligations of other aspects of the project would be mounted.
MAPUTO — Beer production has expanded at a cracking pace in Mozambique with the latest mover being the launch of a $25m factory in the northern town of Nampula at the weekend.

Cervejas de Nampula is a Mozambican registered company whose major shareholder is Portuguese businessman and former European Union fisheries commissioner Cardosa de Cunha. A spokesman said the company expected to produce 25-million litres of beer a year, later increasing to 40-million litres and would provide jobs for 100 people.

Nampula is a Muslim area and thus is the first factory to produce alcohol-free drinks in the province.

The Cervejas de Nampula launch follows that of a new beer production line in Maputo several weeks ago by Cervejas de Moçambique (CDM), 70%-owned by SA Breweries' subsidiary Indol BV. The new line represented a $3m investment for CDM, which was expected to contribute $3m in tax this year.

Formed two years ago under Mozambique's privatization programme, the company acquired production facilities in Beira and Maputo. The twin factories, which had been producing 176,000 hectolitres of beer a year before they were privatized, are expected to produce 600,000 hectolitres this year.

The boost in beer production in Mozambique has led to the disappearance of imported Swazi and SA beer brands in the country.

The remaining state factory, which produces the established Laurentina label, is still up for privatization. The government awarded the tender to a Portuguese consortium last year, turning down SAB's bid in the process.

However, the government has since aborted the process and will reopen tenders for Laurentina. The Portuguese consortium has accused SAB of being behind the move, but an SAB spokesman said earlier the company did not plan to bid for the new tender.
'Black Scotsman' ruled much longer than most

BLANTYRE: Malawi's founding president, Dr Hastings Kamuzu Banda, who died in his 90s in a Johannesburg clinic on Tuesday, was one of Africa's longest ruling leaders.

An early champion of African nationalism, he wrested his small southern country from the British empire in 1964. Then for decades he was the only black African ruler to have full diplomatic relations with apartheid South Africa.

He was a staunch ally of the West during the Cold War and was hailed for Malawi's stability, but also came in for criticism for human rights violations.

"[I]f one wants to have an army to have three things: enough food to eat, decent clothes to wear and a house that doesn't leak when it rains. That is what independence means to me," he said repeatedly.

But many Malawians never achieved those modest standards of living, and as avowed Marxist-style regimes emerged elsewhere, his country remained a sleepy backwater, where Banda brought Victorian values to bear in an often eccentric reign.

Pressure inside the country and from western donors forced him to drop his single-party-state system of iron-fisted paternalism and hold elections in 1994, when he was ousted by President Bakili Muluzi.

EX-PRESIDENT: Hastings Banda Muluzi.

In 1995 he was charged with ordering the murder of four political opponents in 1983, but was acquitted and continued to live quietly in a house down the hill from his Sanjika Palace.

Banda — known as "Ngwazi," meaning "eagle" — cut a distinctive figure in his sombre three-piece suit, dark glasses and homburg hat.

On official occasions he was always accompanied by dancing and singing members of his Malawi Congress Party (MCP) Women's League wearing dresses printed with his portrait.

Even in his frail old age, he would wave his trademark fly-whisk in time to the beat and venture a few steps himself as they greeted him.

The man who once described himself as "a black Scotsman" — after a church of Scotland Mission School education and medical studies in Edinburgh — adopted a high moral tone.

In the earlier years of his rule, male tourists were forced to have any long locks shorn at the airport, and information booklets in hotels warned women guests it was illegal to show their knees or wear trousers.

Banda never officially married, but his constant companion, Ms Cecilia Kadzamira, held the title Official Hostess.

In his later years she controlled all access to him, and her uncle, Mr John Tembo, was believed to be the power behind the throne.

Banda was born "officially" on May 14, 1906, but historians and family members say he was as much as 10 years older.

He also qualified as a medical doctor in the US in 1937, and worked as a doctor in the United Kingdom until the late 1950s, when he returned to then Nyasaland as a nationalist activist, and was jailed for a year.

In 1960, he became the first prime minister of Nyasaland. In the 1964 elections his MCP won all 50 seats. He became independent Malawi's first president in 1966 and so-called life president in 1971 — Sapa-APP.
Mozambique gas search ‘disappointing’

Simon Barber

WASHINGTON — Vancouver Stock Exchange-listed Leopardus Resources is reporting "disappointing" results in the search for natural gas in Mozambique outside the proven Pande gas field, which is to be developed by Houston energy company Enron.

Leopardus has told investors its Canadian partner, Scimitar Hydrocarbons, has had to abandon two exploratory wells in the Buzu-Dvinhe concession they hold south of Beira after failing to find commercial quantities of gas.

Earlier this year JCI signed a letter of intent with Leopardus, whose chairman and principal stockholder, Shukri Saleh Yahya, has close ties to Mozambican Mineral Resources Minister John Kachamula, to pay $500,000 for an option on Buzu-Dvinhe gas as feedstock for a proposed iron ore reduction plant in Beira.

Scimitar, which obtained a listing on the Alberta stock exchange this year in part to raise capital for Mozambican exploration, shouldered all the risk in the Buzu-Dvinhe project by agreeing to pay 100% of the development costs in return for a stake of up to 75% in the venture, with Leopardus holding the rest.

Leopardus and Scimitar hold the rights to Buzu-Dvinhe under a December 1995 production-sharing agreement with the Mozambican government. Leopardus derived its interest from having acted as facilitator in the deal.
New Mozambican law to reintroduce conscription

MAPUTO — Mozambique’s parliament has voted to reintroduce military conscription — for men and women — to build the country’s shrinking army despite strong opposition from the former rebel Renamo party, legislators said yesterday.

The vote, taken on Wednesday after weeks of lively debate, was split exactly along party lines, with the majority Frelimo party in favour, the main opposition Renamo against and the third parliamentary group, the Democratic Union, abstaining.

Under the law, men and women become liable for two years’ military service from age 20.

During the debate, Renamo’s parliamentary group head Raul Domingos rejected accusations that opposing conscription meant being unpatriotic.

“We are not against designing norms for military service,” Domingos said.

“But we are against making that compulsory. We want non-partisan, professional and small armed forces that have great mobility and combat readiness. Such armed forces must be scaled in accordance with the economic difficulties of the country.”

Frelimo parliamentary group rapporteur Sergio Viera justified Frelimo’s vote on the grounds that “the defence of the motherland is the responsibility of all citizens, hence the logic that military service should be compulsory”.

There has been no conscription since the government and Renamo, then an armed rebel movement, signed a peace agreement in 1992 to end 16 years of civil war.

Under the agreement a 30,000-strong nonpartisan army was to have been created, with 15,000 volunteers from each side in the 16-year civil war. But the new integrated army has managed to lure only 12,000 volunteers.

New military registration will not begin until 1999, which is also the year of the next parliamentary and preidential elections.

Some Mozambican political analysts have predicted in the press that conscription could become an election issue and may cost Frelimo many votes. — Reuter.
Forward contracts locked in for Beira iron plant

JCI bullish as banking advisers Dresdner Kleinwort Bensen indicate launch of project-financing initiative

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t anything gives the imprint of reality to JCI's US$604m hot-bucketed iron (HBI) plant at Beira, Mozambique it's this week's announcement that it has sold forward contracts to major Far East trading houses.

JCI project development director Hugh Brown says: "About 1.5 Mt of our projected 2.5 Mt/year HBI product has already been sold to buyers in Japan and Taiwan, while options to take up the balance of 1 Mt/year have also been signed by prospective buyers."

JCI's pre-project is also being buttressed by its decision to form a joint venture with SA's KHB Metals, one of the largest independent traders in the Southern Hemisphere which has an established customer base in the Far East. "Rather than going into opposition with them — HBI is used by steel mills as a substitute for scrap steel — we decided to team up with KHB," says Brown.

Two major Japanese trading houses have already come on board to take up 400 000 t/year of the HBI product, while two Taiwanese steel mills have also indicated their support for the project by signing up for 1.1 Mt and taking options on further future supplies.

Brown says the trading houses have also signed options to take up equity in the HBI project. But, he says, the project would not have been possible without the proven quality of the future HBI product and its competitive cash costs and prices, based on raw material costs. This includes the economical contracted price for the plant's gas fuel, to be supplied by Arco/Zarara from its Temane and Sofala fields.

London-based project banking advisers Dresdner Kleinwort Bensen have indicated they will launch a project-financing initiative on March 4 1998. Brown says the HBI project will be financed through a 70% debt/30% equity mix, with JCI as a 34% controlling shareholder and the Mozambican government with 20%. It will also come in with an incentives package, including tax-free and royalty provisions, which are now being negotiated, in view of the plant's location in a planned Industry Free Zone (IFZ) at Beira.

Coupled with these developments, says Brown, negotiations are well-advanced with prospective equity investors in the US$36m deepwater harbour just north of Beira — while 30% equity funding is still being sought, pledges covering 60%-70% of the balance of the agency financing have already been obtained. The harbour, with a 4 km pier, will be able to handle bulk freighters of up to 250 000 dwt. These will initially ship in iron ore from steel giant CVRD in Brazil and, at a later stage, export about 3.2 Mt/year coking coal from the planned US$480m inland Moatize coal mine.

Fortune seems to be smiling on the JCI initiative. "We have just been told by our geologists in Zimbabwe that their Z$3m search has yielded a high-quality 100 Mt-200 Mt deposit of iron ore near Mutare, which could be developed over a five to eight-year period. This would allow us a choice of either importing ore from CVRD, or possibly, shaving about $4/t off our ore costs by rating it in from Zimbabwe."

While JCI plans to retain a controlling 51% share in this iron ore project, the Zimbabwe government's mining company, Bimco, will take up the balance of the equity. With about 100 Mt of ore required from CVRD in the HBI project's 30-year life, the Zimbabwe deposit should be able to meet the project's ore needs.

At Moatize, meanwhile, JCI has teamed up with Australia's Austral Coal. Which will take a minority equity stake in the project. "Some major international mining houses may also shortly come on board," says Brown.

Plans to develop a US$1bn thermal power station at Moatize will use the low-value "scrap" coal from the mine — are also well-advanced, with JCI's IDZ partners indicating an interest in taking about 50% of the power station's projected 1 000 MW output, while Malawi will possibly take 30% and Mozambique the balance.

Eskom, a Japanese trading house and Swedish power group ABB have also indicated interest in participating in the project," says Brown. "Power will be sold at cost to IFZ equity partners, while the Mozambican government will take 50% and on-sell 30% to Malawi."

The last part of the multiproject equation — the US$100m Tete/Condo railway line upgrading, which will allow for the export of 3.2 Mt/year coking coal — will be undertaken by a joint venture with Mozambique's CFM rail authority. The line will be cleared of mines with help from the Danish government.\"
Swopping Aids for schoolbooks in Mozambique

MARY BRAID

Maputo — Aids may have lost some of its sting in the West but it casts a lengthening shadow over Africa. In central Mozambique an epidemic unfolds.

In the shade of the village mango tree, near Morrumbala in central Mozambique, more than 20 children, some as young as eight, have dissolved into giggles.

In the midday heat Amelia Zeca, their teacher, is struggling to roll a condom over a chewed corn cob. When the rubber rips she turns her attention to the arm of a chair. By then the village headman monitoring this culturally sensitive sex education experiment, and a host of parents watching shyly from the shade of another tree, are also smiling.

“Does everyone know about Sida (Aids in Portuguese)’?” Zeca asks. The laughter subsides. She drills them on ways HIV can be contracted “Does anyone want to die?” she asks. “No,” the children chorus, no one wants to die.

This village, like every other in Zambézia province, is struggling to stitch itself back together following the country’s brutal 17-year civil war. Just a few years ago the area was deserted. Millions fled across the border to Malawi to escape the fighting between Mozambique’s Frelimo government and South African-backed Renamo rebels.

Houses were razed and villages massacred. Millions died until neither side had the energy to slag it out any more.

After peace was brokered in 1992 the refugees streamed back from Malawi. The past echoes on in the mortared buildings and the fenced-off minefields along the verges of the few pitted, surfaced-stripped roads. The war bankrupted Mozambique but its economy is showing signs of recovery.

But all these precious signs of progress are threatened by a new enemy. Aids. In Mozambique it is most advanced in Zambézia. The refugees carried it back here from Malawi, which boasts one of the worst rates of HIV infection in sub-Saharan Africa.

New United Nations statistics, released to coincide with World Aids Day yesterday, show that of the 30.6 million people in the world who are now thought to be HIV-positive, a shocking two-thirds are in Africa.

In the West, education, reasonably good healthcare and the discovery of expensive, life-prolonging combination therapies have rubbed the virus of some of its sting.

In Africa by contrast, Aids is claiming victims at breathtaking speed, ploughing through countries whose populations are too worn out to offer much resistance to the disease. Charities such as Save the Children, sponsors of the village sex education scheme, are battling against enormous odds.

Apart from poverty, the disease in Mozambique can count on factors such as the low status of women and children to aid its advance. As we crawl in our car along crumbling roads, E titulva da Cuhina, Save the Children’s local project director, points out child mothers as young as 12 tilling the soil in the nearby fields with their babies on their backs.

“Many towns, men usually have two or three wives and in rural areas as many as six,” she says. “Girls marry as young as 10 or 12; often too much older men. Three out of 10 girls are married before they reach the age of 12.”

Da Cuhina dispenses condoms in the villages as we tour the district. The men look unperturbed. Some believe “Sida” is a government conspiracy to curb their traditional polygamy. Those who do accept the condoms do not always use them for their proper purpose. In some villages we see boys kicking footballs made of blown-up condoms, rope and banana leaves.

The men have girlfriends and prostitution is widespread. Ironically, the postwar economic revival is helping to spread the HIV infection. Morrumbala is again teeming with people, and the local brothel does a roaring trade. Every week a lorry arrives in town to pick up “used” women and deputise another consignment of girls.

The presence of international charities drew one local girl called Anna, 25, to Morrumbala. She found work with the UN high commissioner for refugees. But it wound up a couple of years ago, and the Italian aid-worker she was living with returned to his wife. Now she now trawls the bars if not, she does not care.

It is the fate of so many local women. “There is no other work,” says Anna. “Competition for clients is fierce, but she still sympathises with her rivals. Girls as young as 10 work the bars just to go to school. “They swap sex for money for exercise books,” she says. “I really feel for them.”

Take her they seldom use condoms because most of their clients refuse.

The guesses are all in place for a terrible epidemic. Sexually transmitted diseases (STDs) are widespread and largely untreated (increasing vulnerability to HIV).

There are no reliable statistics, but local Aids workers reckon the HIV infection rate among pregnant women is about 25 percent.

That the local health services are ill-equipped for the crisis is an understatement. Malaria and other diseases which long ago ceased to trouble the West have been beaten Morrumbala has just witnessed an outbreak of baboon plague.

“There are no needles, no aspirin, no antibiotics,” says one official, who does not want to be named “except when an official visits.”

In the face of such a bleak reality, Save the Children believes the only hope is to target the next generation as early as possible.

Their controversial sex education pilot only started after they had convinced parents their children not only knew about sex but were sexually active.

Even with education the children who chant about Sida be near the tree face heavy odds. The social standing of women is unlikely to improve unless the economy takes off. Until then girls and women will not have the luxury of choice or the power to insist on a condom — The Independent, London.
Brewery privatisation dogged by controversy

Fernando Lima

MAPUTO — Mozambique is about to privatise production of its flagship Laurentina beer, but the move has been dogged by controversy.

The product is regarded as a Mozambican institution — in the past SA tourists were said to be attracted by prawns and Laurentina beer — and its privatisation is politically sensitive.

Tenders will be reopened this month in an attempt to privatise 60% of Fabrica de Cerveja Reunidas (FCR), the company producing Laurentina.

In the government's first privatisation attempt the tender was awarded to a Portuguese consortium, with SA Breweries (SAB) barred from bidding because the government was understood to fear a monopoly. The SA group already owns FCR competitor Cervejas de Mocambique.

After four months of negotiations, the government reversed its decision to award the tender to a consortium led by the Pestana group of Madeira.

The consortium accuses SAB of being behind the change of heart, but government sources describe the consortium's valuation of the whole of FCR at $4m as "ridiculous." The government puts the value at $7.5m. Authorities were particularly annoyed when the consortium indicated its first instalment would be $100,000, far less than they had expected.

An SAB spokesman confirmed it would be interested in a privatised Laurentina, but denied this would lead to a beer production monopoly.

SAB believes FCR's main asset is the Laurentina label, inferring that it is likely to capture the imagination of southern Africans who used to visit Mozambique.

The label itself is also the subject of a legal dispute. A former owner of FCR registered the commercial label in Lisbon and acquired selling rights in Germany, Portugal and SA. Mozambican authorities allege the move is fraudulent, but limited quantities of Laurentina are produced in Germany and sold in Portugal, SA and Mozambique.

Senior sources say the key remaining bidders for FCR are SPI and La Financiere, two companies affiliated to ruling party Frelimo, and Malaysian and Chinese businessmen.
Free market democracy on a war-crippled scrapheap

Mort Rosenbaum

Maputo — Free market democracy seems a strange fit for this war-crippled scrapheap of Marxist dreams. But to its own surprise, Mozambique is suddenly an example for Africa.

In this Mediterranean-flavored capital, bankers in suits weave between construction crews on Mao Tse-tung and Ho Chi Minh streets. At night, neon brasses gaily off flashing post cards.

On rural land that for years produced only famine, farmers are harvesting again. Spectacular desired beaches are sprouting tourist hotels.

Though still poor as countries come, needing a billion dollars a year in life support, Mozambique has shown how quickly a no-hoppe African basket case can turn itself around.

And if Mozambique can save itself with only pawns and cashews and the promise of things to come, what about places like Angola and Congo with vast mineral wealth just waiting to be collected?

It is too early to declare success, but the mood is clearly upbeat.

"Things are working wonderfully," said Ahd Anaplo, the former UN envoy who brokered peace in Mozambique's civil war in 1992, now back on a visit. "People who used to kill each other are now debating in parliament."

Nearly all of Mozambique's 1.7 million refugees have since come home.

Jose Luis Cabaco, the party ideologue in the old socialist state and now a film-maker with nothing against amusing money, explained it simply: Mozambicans, sick of war, want a working society.

"We'll make it," he said. "We've had three good rains. We have demonstrated that we can get along and build together."

The World Bank prescribed better economic medicine. Foreign investors and Mozambicans bought moribund state enterprises. Inflation plummeted to a single digit. Growth is 7 percent and rising.

Billion-dollar projects to produce aluminum and to pipe out natural gas — an as yet unexploited resource — could trim the need for aid. South Africa is developing a road-rail corridor from Maputo to Johannesburg.

Even McDonald's is looking around for a place to erect its golden arches.

On a recent Saturday at the soccer stadium, a single wild kick made the optimists' point. The ball rocketed past Malawi's goalkeeper and set off the emotional equivalent of a nuclear explosion.

"Eeeeeeessssss," shrieked Anita Mampate, but the sound was lost in the din. A vegetable market vendor, she gyrated in sambara steps and chanted: "Mozambique, Mozambique!"

The national team had humbled an old foe to enter playoffs for the Africa Cup. Moreover, the rejoicing reflected a civic spirit in a society no longer at odds with itself. Pride was back.

The new mood is reflected across the skyline of Maputo, once-a-lovely city that is coming back from ruin, and up along the country's 2,000 km of tropical-paradise coastline.

Export earnings increased by 30 percent to $2.5 billion this year, and are likely to grow as activity picks up in remote areas.

South Africans, who financed the right-wing rebels who fought Mozambique's socialist regime, now spend heavily to develop tourism. The Maputo corridor could attract $5 billion to $6 billion in investment. Enron is among American companies eager to exploit natural gas deposits.

Mozambique offers big disillusion to tourists. Restaurants with pork, beans, restaurants with milk shakes. Jozini clubs, jazz clubs.
BLANCHARD SODETUR TO INVEST $20.7M IN MOZAMBIQUE TOURISM PROJECT

Johannesburg — Blanchard Sodetur planned to invest $20.7 million in a tourism and infrastructure project in Mozambique in partnership with the government, the company said on Friday.

Blanchard Sodetur, a unit of Blanchard Mozambique Enterprises, has acquired 296,000 hectares of land in southern Mozambique and plans to develop infrastructure and tourism facilities while re-stocking a game park in the region and locating community services.

The joint venture is 70 percent-owned by Blanchard Mozambique and 30 percent-owned by the Mozambique government, local communities, and other national investors.

"We are currently considering development proposals from regional and international resort operators and safari and dive operators," said Howard Geach, the chief executive designate of the joint venture. — Staff Writer 2009
Blanchard Sodetur to invest $20.7 million

Mozambique scores boost to development

Johannesburg — Blanchard Sodetur, a unit of Blanchard Mozambique Enterprises, has acquired 236 000ha of land in southern Mozambique and plans to develop infrastructure and tourism facilities while re-stocking a game park in the region and boosting community services.

The joint venture is 70 percent-owned by Blanchard Mozambique and 30 percent-owned by the Mozambique government, local communities and other national investors.

"We are currently considering development proposals from regional and international resort operators and safari and dive operators," said Howard Geach, the chief executive designate of the joint venture.

Blanchard Sodetur has been granted the development rights, for a renewable period of 50 years, to 300ha on Ilanuca Island, 800ha on the Santa-Maria Machangulo Peninsula, a 10 200ha game reserve on the peninsula, the 70 000ha Maputo Elephant Reserve and 150 000ha between the Maputo Elephant Reserve and the South African border.

Geach said the company had formulated and refined the development framework for the concession to include three peripheral, high-density development nodes. He said the core conservation areas have been earmarked for low- and medium-density eco-tourism developments.

The first tourism development is expected to be under way by next year.

Blanchard Sodetur has also started providing logistical support to Mozambique's conservation directorate for anti-poaching patrols.

It has introduced kudu and waterbuck into the concession and has erected a fence along part of the Funi Channel.

Geach said the company was working with the World Bank, Uomboho Spatial Development Initiative, Mozambique's Transfrontier Conservation Area, non-governmental organisations and local communities to ensure an appropriate development framework for the region.

A survey of all community dwellings in the concession area is to be conducted to ensure that local communities are incorporated into the planning process.

It is estimated that 10 000 people are residing in the concession area.
Enron, IDC hand iron and steel plant blueprint to Mozambican govt

Mitsui Construction is expected to start in the second half of next year. According to a summary of the presentation, Enron and the IDC told the government they were looking to raise at least $1.2bn in debt finance, and would seek favourable tax treatment. They promised to create, directly and indirectly, about 7,500 permanent jobs. Other benefits from the project would include harbour, road, rail, electricity and water supply upgrades, plus more than $760m a year in hard currency export earnings.

The extensive direct reduced iron and steel slab project grew out of Enron's need for an anchor customer for natural gas reserves at Pande, 700km north of Maputo.

Under the plan, gas would be used to process hematite shipped from Mississippi. On SA's west coast, and magnetite shipped in as slurry from Phalaborwa, around or under the Kruger Park. In the latter event, the park would receive royalties offsetting inconvenience to wildlife while the pipe was buried.

The project would turn reduced iron into 3.5-million tons of steel slab a year, using electricity provided by Eskom, which is also to supply the IDC-backed Mozal aluminium smelter in Maputo. Enron is believed to be considering a stake in the Mozal venture.

Enron holds development rights to Pande with Mozambique's state-owned Empresa Nacional de Hidrocarbonetos and, in a parallel initiative, will build a pipeline to bring the gas south, not only to the iron plant in Maputo, but to supply customers in SA.

The pipeline will ensure a dominant role for Enron in the marketing of Mozambique's gas reserves beyond those at Pande, including the promising Sofia and offshore M-10 exploration blocks south of Beira being investigated by US oil company Arco in a joint venture with Sasol. Sasol held rights to Pande before Enron, but lost them when the Mozambican government calculated that the price Sasol was offering for the gas was insulting. Assuming the Maputo government is satisfied with the Enron-IDC plan, the next big hurdle the partners face is raising finance at a time when east Asian economies, seen as the principle source of demand for Maputo steel, are in turmoil. Also to be resolved are behind-the-scenes manoeuvres to get Enron from the Pande concession in favour of others, including Sasol. Mozambican Internal Resources Minister John Kachani is said to have been persuaded that Sasol might make a more congenial partner than Enron in the exploitation of Mozambican gas.
Adverse publicity in wake of cholera outbreak hits Mozambican tourism

Stephané Bothma

PRETORIA — Adverse publicity about the cholera outbreak in Mozambique during the past month has cost the hospitality industry in Maputo thousands of dollars in revenue over the December holiday period.

"Reservations for Christmas and New Year packages were significantly down compared to last year. This was a direct result of the cholera scare," Polana Hotel GM David Ankers said yesterday.

He estimated the Polana, Maputo's most upmarket hotel, had lost about $20,000 this year from cancellations and downgrades by holiday-makers to avoid Mozambique.

Ankers said all hotels and restaurants in the Mozambican capital were negatively affected.

"This was confirmed by an employee at the Cordoza Hotel, who could not put an amount to its revenue losses, but said reservations were noticeably lower than last year."

"It was all very unnecessary because there was no cholera in the city — only in outlying areas," Ankers said. He said things were now starting to return to normal in these areas.

The British Airways Travel Clinic in Johannesburg said it had received "thousands" of telephone calls from potential travellers to Mozambique concerned about occurrences of cholera in the area over the past six weeks.

"We advised travellers not to cancel their trips, merely to be very careful," clinic spokesman Dr Andrew Jameson said.

Jameson attributed increasing reports on outbreaks of cholera and cases of malaria and other diseases in southern and central Africa to improved detection and reporting systems.

"All that happened was that the early warning systems and the dissemination of information have improved."

Jameson also believed that the El Niño phenomenon, which has caused widespread flooding in many areas of the African continent, and global warming had played a role in an increase in the occurrence of malaria and other tropical diseases in the region.

"There has been an increase in malaria in Zimbabwe by about 30% as a result of global warming. Malaria has always been prevented by minimum night temperatures in high altitudes, but that is now changing," he said.

Jameson warned travellers to Kenya to temporarily avoid the northeast province where there has been an outbreak of an unidentified haemorrhagic fever which has killed more than 80 people in the past few days.

Supa-DPA reports that experts from the World Health Organisation, the African Medical Research Foundation, Medecins sans Frontieres and other agencies had spent two days in the flood-ravaged bush around the towns of Garissa and Wajir in eastern Kenya, taking blood samples from dying victims and from infected livestock.

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MOZAMBIQUE-GENERAL

1998
Mozambique expects jump in sugar output

MAPUTO — Mozambican mills expected to produce more than 40 000 tons of refined sugar this year, the Mozambique News Agency reported on Saturday.

"This means a growth of about 60% when compared with 1997," the said National Sugar Institute's economic adviser, Tago Wandschneider.

Last year, the only two mills functioning in the country produced 26 228 tons, a decline on the 1996 figure of 32 288 tons.

Wandschneider said last year’s decline was due to the flooding of the Pungue river valley in central Mozambique, which seriously affected the Mafambisse Sugar Company. At least 1 100ha of Mafambisse's plantations were destroyed by the flooding.

The forecast is that Mafambisse will produce more than 31 000 tons of refined sugar this year — almost double the 16 337 tons produced last year.

The only other operational mill is at Ximavane in Maputo province, in the south of the country. It produced 8 282 tons last year.

Much of Mozambique's sugar is exported but, in theory, the Mozambican market ought to absorb all the Mafambisse and Ximavane sugar. Demand for sugar in Mozambique is estimated at between 100 000 tons and 120 000 tons a year.

The government has said it would act against the dumping of cheap sugar from neighbouring countries. In December it fixed a reference price for sugar at $386 a ton. A surtax will have to be paid on sugar imported at a lower price. — Reuters
Decision on Mozambique due

WASHINGTON — The world's wealthiest government leaders are scheduled to decide today the fate of Mozambique, widely considered one of the most deserving candidates for debt relief.

Members of the Paris Club of creditor governments, meeting in the French capital, may either write off their share of the war-ravaged southern African nation's debts — or lean on some of the world's poorest countries to bail them out.

Wealthy nations could balk, and instead try to force the World Bank to make up the difference with money from its soft-loan window, the International Development Association (IDA). "In other words, the Nepals and Malawis of this world would be bailing out the Paris Club," Veena Siddharth, a debt analyst with Oxam International said.

At issue is a gap of about $350m between what the Paris Club so far has been willing to write off under the debt initiative for Heavily Indebted Poor Countries, and what the lenders have agreed would be the club's fair share.

The initiative's purpose is to reduce Mozambique's debt burden to less than 200% to 220% of the value of its exports, a level deemed "sustainable" by the World Bank and International Monetary Fund (IMF). For that to happen, the Paris Club — which holds three-quarters of Mozambique's debts — must reduce up to 90% of debt not previously relieved or rescheduled by its members.

"The Paris Club must provide more generous terms than it has for any previous country and there are worries about setting precedents," Siddharth said. The Paris Club offered Uganda, Bolivia, Burkina Faso and Guyana 80%. Club members, seeking alternatives to increasing their own write-offs, have suggested that multilateral lenders — the World Bank, IMF and African Development Bank — commit more than their proportional share.

The IMF has signalled its unwillingness to increase its contribution and the African Development Bank, effectively insolvent, has had to rely on World Bank financing to come up with its share. If the World Bank bows to pressure from the industrial powers to come up with the money, this could result in less being available in no-interest association loans for other member states.

Russia, Mozambique's largest Paris Club creditor, has favoured extending the least possible relief. However, it has yet to determine exactly how much it is owed and its voice is less influential than that of France, the largest creditor among the Group of Seven (G-7) industrial powers, who form the Paris Club's core, analysts said.

The French have been reluctant to go beyond 80% and have favoured putting off any relief until 2000. The US administration, which has proclaimed African trade and development to be among its top priorities, is said by analysts and officials to have been preoccupied with economic turmoil in Asia.

Japanese finance minister Eisuke Sakakibara said Tokyo would oppose any advance on 80% from the Paris Club. — EPA-IPS.
Blanchard land deal about to be clinched

But there's still time for Mozambique to get more out of it

The Mozambican government is about to finalise a 236 400 ha concession granted two years ago to US gold trader James Blanchard. The one-time supporter of opposition movement Renamo plans to develop land in the southern district of Matlabine.

But Howard Geach, CEO of US-registered Blanchard Mozambique Enterprises (BME), admits that the company will not fulfill its contractual development commitments for 1998.

He blames this on his inability to obtain a cadastral map (showing details of ownership, boundaries and property values), owing to "bureaucratic delays".

That leaves room for Mozambique to improve its stake in what appears to be a highly inequitable deal for itself and residents of the concession areas.

The dream — untested by any other proposal, because neither government nor the World Bank, which is assisting it, went out to open tender — is to turn the area into an ecotourism paradise.

Blanchard plans to introduce investment, conservation and development management, which he hopes will encourage further investment.

Accoring to the project autorisation granted by government, a "total minimum investment of US$780m is foreseen in subsequent phases of the project."

To date BME has invested US$4m, mainly to cover operational costs, some fencing and restocking of 40 animals in the Maputo Elephant Reserve.

Geach claims to have found co-investors but does not name them. They would help Blanchard make good his $14.5m commitment by mid-1999 towards the $20.7m capital of Mozambique-registered Blanchard Sodetour Tourism Development (Sodetour), the project implementing company.

The input of the State and communities — essentially land, over which Blanchard has a 50-year renewable lease — is valued at a paltry $3m by BME.

BME will own 70% of Sodetour, the State 9.6% ($2m), national investors 13.04% ($2.7m), communities 4.83% ($1m) and Mozambican employees about 2.42% ($0.5m).

Most of the proceeds of development will accrue to BME.

"Further," he comments, "$20.7m would not even cover planning and physical layout costs or architects' fees for the three large, high-density residential areas and 27 medium-density suba dining and game lodge development sites envisaged.

Geach is looking to underlying agreements between investors and communities to bring more benefits to the local people. For this he is drawing up partnership codes of conduct, though he says he cannot be "prescriptive."

According to the project autorisation and Geach's update, the first-phase development milestones contracted "for the end of 1998" have not yet even been planned. The milestones include:

- Game fishing and scuba diving camps at Ponta Macumbo, Ponta Abri and Ponta Mademane;
- Initial housing units on lakes in the central and eastern zones of the Machangulo Peninsula and to the south;
- The first phase of country club housing at Ponta Mamoli and
- Infrastructure for first-phase areas.

Geach says 'none of the whole bunch of so-called development milestones features in our planning for 1998 except Ponta Chemucane and Inhaca Island,' and neither is critical at this stage. Two large projects worth tens of millions of dollars are planned for the southern areas near Zinundo."

He admits that investor interest has shifted from the original target pro-
SA producers revive Mozambique's war-hit sugar industry

Damage caused to Mozambique's sugar industry by a crippling 16-year civil war is being reversed by two SA-based sugar producers involved in multimillion-dollar projects to rehabilitate estates and mills.

Elovo Sugar and Tongaat-Hulett Sugar are upgrading irrigated cane farms and three mills that eventually will produce 285 000 tons of sugar for Mozambique's domestic market, company officials say.

Tongaat-Hulett Sugar MD Bruce Dunlop said his company was working closely with the Mozambican government which owned a mill near the coastal city of Beira and had a 51% interest in Xianavane mill, 120km northwest of Maputo Tongaat holds a 49% stake.

Tongaat has the option this year to acquire a controlling stake in the Beira mill it has been managing for the past two years and producing a yearly 25 000 tons of sugar.

"The mill was rehabilitated a while ago. We see it producing up to 85 000 tons of sugar once the estates have been built up to capacity," Dunlop said, adding it would take about three years.

He said the Xianavane mill and estates were undergoing a major revamp in two phases worth about $70m to bring production up to 140 000 tons a year.

The funding would come from Middle East investors through the Mozambican government, he said.

The present 1 800ha under cane would be supplemented by a project to restore the 7 000ha that were farmed before the outbreak of civil war, Dunlop said.

The schemes to develop the sugar industry in the war-ravaged country were getting the full support of the Mozambican government which had introduced a tariff regime to protect the fledging industry, he said.

Mozambique, a net importer of sugar, exported about 15 000 tons to the US as part of a preferential quota agreement, he said.

He said there were sugar mills further north, but there was no plan to expand Tongaat's interests in Mozambique. — Reuter
DE BEERS

Designer diamonds make their mark

Branding breakthrough to see off competitors

The initiative by De Beers to brand its diamonds is seen as a clever strategy to cope with increasing sales of gems outside its sphere of influence.

Since the Central Selling Organisation (CSO) was founded 60 years ago the De Beers marketing thrust has been to maintain a single channel selling system, thereby holding up prices. But the diamond giant has been plagued by rising diamond output from new producers in Russia, Angola and Australia with more to come from Canada. These gems are being sold outside the CSO, threatening to wreck the system.

Investec Securities analyst Chaim Even-Zohar says the branding initiative is De Beers’ way of ensuring it remains the dominant producer should multichannel marketing develop in earnest.

“Its strategy gives incentives to other producers to join the cartel by raising the effective cost of competing with it in economic terms. It has laid the framework for moving away from being the major company in an oligopolistic market situation in which control over the supply of a commodity is held by a small number of producers each of whom is able to influence prices, and thus directly affect the position of competitors,” he says.

The branding plan involves inscribing the De Beers name and an individual security number on the “table” (the largest facet on the crown) of each diamond. The inscription will be visible only through a powerful microscope. De Beers is developing and patenting both inscription technology and the reader device.

Manchester, in the UK, will be the testing ground for consumers while the branding will take place initially in London but could be franchised to offices in Tel Aviv and other cutting centres.

The aim is to differentiate a “De Beers diamond” — defined as one sold through the CSO, which handles about 75% of world sales — and those sold outside of the CSO.

De Beers is playing down the new process. But the implications are far-reaching. It says the intention is to add value by providing a name that will reassure purchasers about the diamond they are buying.

Standard Equities global diamond analyst James Petton says, “at the consumer level ‘De Beers’ will be to diamond jewellery sales what Louis Vuitton is to luggage or Chanel to perfume. It’s a positive move for De Beers but negative for those outside the CSO.”

De Beers spends about US$200m annually on advertising and promotional campaigns to sell diamonds and it risks the group that the benefits of this expenditure will rub off on all diamond producers, not just those selling through the CSO.

“This commercial strategy is bound to adversely affect the entry conditions of the new Canadian mines into the market. Conversely, it may turn into an incentive for a producer to market its output through De Beers,” says Even-Zohar.

But, even if the marketing tests turn up trumps, it will take a few years before the full benefits of the new system are felt. Meanwhile, De Beers faces the problem of the drop in diamond demand because of the southeast Asia economic crisis, which analysts believe could knock CSO sales back 20% to about $14bn during 1998.

Brendan Ryan

RADAR TECHNOLOGY

Airborne raid on diamonds

Scientists at the University of Cape Town have developed two unique radars — an airborne device able to detect alluvial diamonds buried up to 10m underground and a small, handheld radar designed to help eradicate land mines.

The Radar Remote Sensing Group (RRSG), headed by Associate Prof Mike Inggs of UCT’s electrical engineering department, has been working on the design of the 11m airborne radar for about eight years.

The radar can penetrate the earth’s crust by up to 10 m and builds on the technology used in US space shuttles.

The UCT and Council for Science & Industrial Research (CSIR) will launch the radar in an SA Air Force Dakota over the Richtersveld area in the Northern Cape this month. There is a possibility it will be able to reveal ancient watercourses of the Orange River, home to alluvial diamonds.

But the scientists’ primary interest is not diamonds. Rather, they have chosen to test in the Richtersveld area because its soft sand allows for good penetration.

In January, three National Aeronautics & Space Administration (Nasa) scientists conducted a course at UCT for 30 local industrial scientists mainly from the mining industry.

“Airborne, ground-penetrating radar will help extend mineral exploration technology to previously excluded areas such as sandy and highly vegetated terrain,” says Anglo American geologist Fatima Ferraz.

In the past, a mineral search of such areas was impeded by costs.

The second radar developed by UCT helps spot land mines. The research was funded by electronics group Reunert.

Antipersonnel mines have little metal content and are difficult to detect using normal methods, so UCT’s radar has important implications for the cost-effective eradication of land mines in war-torn parts of southern Africa.

A trial version of the radar has been developed over six years for about R20 000 through the use of cheap cell phone technology.

Inggs says the radar, which is the size of a loaf of bread and operates off a laptop computer, can be mass-produced for about R5 000 apiece.

This week Inggs will demonstrate the radar’s effectiveness to the European Commission’s joint research centre in Italy, which has expressed interest in buying a model.

Clare Bisseker

FINANCIAL MAIL  MARCH 13  1998
'Cooperation with Mozambique fine'

President Nelson Mandela is satisfied that cooperation between South Africa and Mozambique on combating cross-border crime, including arms smuggling, will continue despite the arrest of senior foreign affairs official Robert McBride on suspicion of gun running, a presidential aide said yesterday.

Mandela was briefed at his Johannesburg home by Safety and Security Minister Mr Sydney Mafamudzi, who on Monday headed a delegation to Maputo to discuss the circumstances of McBride's arrest with Mozambican authorities.

"The President is satisfied that cooperation agreements between South Africa and Mozambique in respect of cross-border crime and arms smuggling will, despite the McBride incident, continue to be implemented," spokesman Mr Parks Mankahlanla said.

Mandela was also confident that the cooperation, which had already yielded outstanding results, would be strengthened.

On the President's views on McBride's detention on suspicion of gun running, Mankahlanla said, "We can't be judgmental on this. We have to wait until there is a final word from (Mozambican) investigators."

Meanwhile, Deputy Foreign Affairs Minister Mr Aziz Pahad did not visit Mozambique yesterday, Foreign Affairs spokesman Mr Marco Boni said.

Pahad had undergone an operation and was "out of action" for a while, Boni told Sapa "I don't know where they got that from," he said, reacting to news reports that Pahad was scheduled to fly to Maputo for talks with Mozambican authorities about McBride's arrest. — Sapa
Lubombo project is 'test case'

The Lubombo project is one of four major spatial development initiatives in South Africa. The flagship of the undertaking is the R3.6 billion Maputo Development corridor, which will boost the economic potential of neglected development nodes.

The three other initiatives are the Fsh River and Wild Coast in the Eastern Cape and the Western Coast investment initiative in the Western Cape.

Lubombo is the first initiative to involve three regional countries. But, like the Wild Coast project, it focuses on tourism and agriculture.

"This will be a test case for forging regional economic cooperation and will involve the creation of synergies and a uniform approach to economic development," said Albert Shabangu, the Swazi minister for economic planning and development.

The success of this project would facilitate similar corridors planned with other neighbouring countries such as Zimbabwe, Namibia, and Botswana.

The trilateral team will embark on an international road show next month to market the corridor to international investors before it opens pre-qualification bids for various projects in June.
Permission refused for Kruger Park ore pipeline

SA NATIONAL Parks has refused permission for a R750m pipeline through Kruger National Park to feed ore slurries to an iron and steel project for Maputo.

National parks spokesman Ron Emery said yesterday the decision was based on fears that the pipeline to Maputo — part of a R9,1bn iron and steel project in the Mozambican capital — could compromise conservation ethics in the park.

"The developers will now consider the option of laying the pipeline from Phalaborwa around the Kruger National Park along the Kaapmuiden route, or transporting the magnetite by rail," Emery said.

The iron and steel plant is expected to consume 6-million tons of ore each year for the next 30 years.

Emery said environmentalists were also opposed to laying a slurry pipeline around the park, as the nine megalitres of water needed daily to transport the magnetite to Maputo would come from the Olifants River. "The Olifants River has dried up before and some farmers in the area have gone broke because of water problems."

Projected figures for development and population growth along the Olifants River were vague, making it difficult to determine future pressures on the river.

Emery said environmentalists favoured transporting the ore by rail as this would use little or no water and there was already a railway line. "Also, the developers can get on with the project, instead of waiting for legal matters or servitude issues to be sorted out."

Feasibility studies and environmental impact assessments on the project will be completed by next month and construction is expected to begin by the year-end.

The project, facilitated by the Industrial Development Council (IDC), is expected to generate a yearly income of R66m for Phalabora Mining Company, R217m for Iscor and shipping companies, R3,1m in harbour fees in Maputo, and R39,7m in taxes for the Mozambican government.

Last year the project was delayed to allow more time for feedback on environmental issues and to give the public more time to study an environmental impact report that was being compiled.

Process facilitator Tasha Greyling said at the time that the deadline for comments on the environmental assessment, originally set for August 22, should be extended to September 22.

"The quality and quantity of water in the lower Olifants River catchment area, legal constraints, international conventions affecting SA and Mozambique, and current land use were some issues reviewed by the forum," Greyling said. — Sapa
Three-way pact signed for gas exploration

Three government agencies of the United States, Mexico, and Canada have signed a pact to explore for natural gas in an area of the Gulf of Mexico. The agreement, which took effect on September 13, 1975, is expected to speed up exploration and development of natural gas in the region. The pact was negotiated by representatives of the three countries and was announced at a joint press conference. The pact was signed by representatives of the United States, Mexico, and Canada. The pact was signed by representatives of the United States, Mexico, and Canada.
Ponta do Ouro leads a tourism revival in war-torn Mozambique

GUMISAI MUTUME

Ponta do Ouro, Mozambique — Ponta do Ouro means "point of gold" in Portuguese and this little seaside town seems to hold the golden dreams of Mozambique's tourism revival.

Mozambique, which was shattered by a 17-year civil war that ended in 1992, is turning to tourism as one of the sectors that may be able to pull the country out of its dire poverty.

"In 1987 we only had four major hotels and no hotel chains," said Albino Mahumane, who is leading a tourism drive that links Mozambique, Swaziland and South Africa. "Now there are more than 20 major hotels. From having no travel agencies, we now have more than 20."

Rafael Namhela, a ministry of industry, commerce and tourism official, said, "The government chose tourism to become a development tool because it has a future. We do not have huge gold mines like South Africa, but we have a long, beautiful coast and we have game parks."

Mozambique is one of the world's poorest countries, with an estimated income of $80 a head a year. Its economy collapsed in the 1970s and 1980s because of the war. Real GDP growth declined at an average 6.5 percent a year between 1991 and 1996.

The country used to be one of Southern Africa's main tourism destinations, but the civil war put paid to that. It wrecked the economy to the extent that aid from overseas donors is now the biggest source of foreign exchange. But there are signs of economic recovery following the end of the war.

GDP growth, led by agriculture, averaged 5 percent in 1995 and more than 6 percent in 1996.

However, erratic rains, a weak extension service, lack of access to infrastructure by the poor and the large number of landmines in rural areas hinder the growth of farming. As a result, Mozambique is turning increasingly to tourism.

To nurture tourism, the government has declared several areas Tourism Partial Protection Zones, making them areas of priority investment for tourism.

Ponta do Ouro is one such area and is the focal point of the Labombo Spatial Development Initiative (SDI), a programme that links Mozambique, South Africa and Swaziland in a bid to turn the region into a major international tourist destination.

The town offers pristine beaches and marine life of dolphins and humpbacked whales. Endangered species of turtles are also found there. But the one-hour drive from the South African border to Ponta do Ouro is still restricted to 4x4s. Inhabitants of the southern province of Maputo depend on their feet for transport.

Some 132,000 people live in Mozambique's portion of the SDI, and more than one-third of them survive on subsistence farming. There are no telephones lines and only two cities are served by the national electricity network. At present, all the supplies coming into Ponta do Ouro are from South Africa, and so are the majority of tourists.

Tourism from South Africa has picked up following the opening of the Mozambique border, and some resorts have reported 200 percent growth. Trade is in goods and most of the beers available are South African brands, some sources said, but the rest leaked in through porous borders.

The war destroyed much of the 116km roadway linking the area to Maputo. Work on tearing the road should have started, but the state was forced to reassess the money for this to flood relief.

One of the challenges of the programme was to protect an ecosystem that extends to South Africa and Swaziland", said Mahumane. "We must ensure that activities in the two countries do not impact negatively on our natural resources."

But what choice does a government swimming in debt have over international capital? The World Bank said Mozambique was one of the world's most heavily indebted nations, owing $5.5 billion. Foreign donors, increasingly accused of running the country, often get what they want.

In a controversial move, James Ulysses Blanchard III, a US billionaire, recently won a concession to more than 200,000ha of land in the area. He intends to convert the land into Club Med type resorts, scuba diving operations, game parks and beach lodges.

Richard Fair, Blanchard's field manager, said the company had entered the country because Mozambicans did not have the expertise or experience to embark on such programmes alone.

"We intend to promote investment from all over the world," said Mahumane — Sapa-IPS
Jobseekers face gloomy prospects in W Cape

10 000 axed in formal sector last year

BUSINESS EDITOR

ARG 20/3/98

The Western Cape lost 10,000 jobs in the formal sector last year and prospects for the immediate future are not all that rosy, the head of the Department of Trade, Industry and Tourism, Harold Wesso, has warned.

In a speech to the Tygerberg economic summit last week, Dr Wesso said although economic growth in the province was consistently higher than in the country as a whole, the Western Cape had not escaped the phenomenon of "jobless growth".

And if the province did not reach targets of 6% growth and the creation of 50,000 jobs a year by the end of the century "we will not be able to put all the blame on the central government or the international economic scene."

"There are indications that we in the province are not performing optimally," Dr Wesso said.

Manufacturing and agriculture, particularly wheat, ostrich, poultry and fruit, were giving reasons for concern.

"Not only are we not expanding as we would like but in several sectors we are losing jobs or losing against cheaper or more efficient imports."

"Barley a dozen" projects had been approved in the Western Cape under the tax incentive schemes set up by the Department of Trade and Industry.

More might be in the pipeline, but "there is certainly no stampede among industrialists" to apply to set up new projects, Dr Wesso said.

He warned that cuts in import duties, drives to boost productivity and other steps could cut employment in the manufacturing sector in the Western Cape -- currently at about 350,000 -- by 2% to 5%.

The challenge facing this sector, which accounted for a fifth of employment in the province and contributed 20% of output, was to create 12,000 new jobs a year.

Business, labour, government and all development support agencies would have to co-operate to make growth in the Western Cape a success, he said.

Key elements of a new economic vision for the province included:

- Strong economic growth
- Increasing competitiveness
- A strong and vibrant tertiary sector
- Black empowerment and the reduction of income inequalities
- Effective job creation strategies in towns and rural areas
- A dynamic education and training system
- A vibrant small business sector
- Maintenance of high standards

Tourism was the province's fastest growing industry, contributing between 5% and 8% of the economy.

However, the industry was fragmented and there was no coherent strategy for its development, Dr Wesso pointed out.

Mozambique business slams SA on foreigner stance


Voting concern about the treatment of all Mozambican nationals in South Africa, but especially so-called illegal immigrants, the president of Mozambique's national chamber of commerce, Paul de Sousa, said he regularly received reports of physical and legal abuse of even legitimate travellers to South Africa. - Sapa
Maputo — Amao Aly, the governor of Mozambique’s northern province of Nassa, said yesterday more than 400 peasants were now working with South African farmers in the districts of Mafume and Sanga, under the Mosagrus agricultural programme between the two countries.

Aly, who was attending a meeting in Maputo between provincial governors and officials of the ministry of state administration, denied claims that the people of Nassa were hostile towards the South Africans.

According to the Mozambican News Agency, the governor described the relations between the South African farmers and the local peasantry as “excellent.”

Last year there were reports of land disputes when some of the South Africans started occupying land before the area for Mosagrus had been demarcated.

There were also claims of poor labour relations between the South African farmers and the Mozambicans they were hiring.

But, according to Aly, there are now about 200 local peasants working with the South Africans in Mafume and a further 200 in Sanga. “They have never complained about anything,” he said.

There are now 16 South Africans farming in Nassa.

Aly said the Mosagrus farms were cultivating 1,500 hectares with tobacco, maize, sunflower, soya, groundnuts and beans.

But he said the government would also like them to invest in grain, to help alleviate the hunger still experienced in parts of Nassa province. — Independent Foreign Service
South African bank wants a stake

Investment firm a first for Mozambique

IAIN CHRISTIE

Maputo — The British-based Commonwealth Development Corporation (CDC) and yesterday it had teamed up with a Portuguese bank to set up what it believed was the first purely commercial foreign investment company in Mozambique.

"We are aiming to be up and running by the beginning of May but we are still waiting for approval from the government of Mozambique and we want to get one more investor on board," said Chris Vaughan, CDC's general manager.

The extra investor was a South African bank, Vaughan said, but he declined to name it.

Mozambican government approval is not much in doubt since the CDC and its main partner, Banco Mello de Investimentos de Lisboa, have had the cooperation of the Mozambican government for several years. And the government is clamouring for foreign investment.

Vaughan said the company would make risk capital investment in companies operating in Mozambique.

"These could be either foreigners coming here looking for a partner or Mozambicans who want capital either to start a new business or to expand their existing business."

A company document says the CDC and Banco Mello are committed to putting $5 million each into the fund, but Vaughan says the initial investment could be higher.

"We are raising $15 million, only from foreign banks and finance organisations so far and we will invest alongside other internationalists, Mozambican or foreign, doing business in Mozambique."

He expects the company's investments to range between $250,000 and $2.5 million.

Explaining in what way the fund was new, he said "As far as we are aware it would be the first fund in Mozambique driven by a purely commercial objective."

"There have been schemes in the past funded by money from aid agencies to help development of the middle and small business sector, but these have generally had a social objective first and a commercial objective second."

"In our case we think that we will have a positive impact on the economic development of Mozambique but our primary objective is that we will get a commercial return for our shareholders."

— Reuters
Investors target Mozambique

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"We are aiming to be up and running by the beginning of May, but we are still waiting for approval from the government of Mozambique and we want to get one more investor on board," CDC GM Chris Vaughan said.

"The extra investor was an SA bank," Vaughan said, but he declined to name the institution.

The Mozambican government's approval is not much in doubt, since the CDC and its main partner, Banco Mello de Investimentos of Lisbon, have had the co-operation of the government for several years. The Mozambican government is also keen to attract foreign investment to the country.

Vaughan, speaking in his office in the Mozambican capital, Maputo, said the company would make risk capital investment in companies operating in Mozambique.

"These could be either foreigners coming here looking for a partner, or Mozambicans who want capital either to start a new business or to expand their existing business."

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"We are raising $15m, only from foreign banks and finance organisations so far, and we will invest alongside other industrialists, either Mozambican or foreign, doing business in Mozambique."

Vaughan expects the value of the company's capital investment projects to range between $225 000 and $2.5m.

"When we make our investments we have to think how, over the next 10 years, we're going to get our money back and make some profit," he said.

Explaining in what ways the investment fund differed from earlier investment projects, Vaughan said: "As far as we are aware it would be the first fund in Mozambique driven by a purely commercial objective.

"There have been schemes in the past funded by money from aid agencies to help development of the middle and small business sector, but these have generally had a social objective first and a commercial objective second, if at all."

"In our case we think that we will have a positive impact on the economic development of Mozambique, but our primary objective is that we will get a commercial return for our shareholders."

"That is important because if we get that return other people will follow us and that will mean more and more investment funds for Mozambique." — Reuters
Mozambique’s politicians must have breathed a sigh of relief that the key coal and iron projects being studied in the country by JCI have survived the group’s corporate upheaval.

They will be kept on track by JCI Gold through the creation of a R200m special venture capital fund even though, in the long term, they do not fit in with the intention of JCI Gold management to become a company focused on gold.

These projects — which include the US$550m hot briquetted iron (HBI) plant near Beira and the $450m coking coal mine at Moatize near Tete — are crucial for the economic future of Mozambique.

Along with Billiton’s proposed Mozal aluminium smelter in Maputo they hold out the promise of transforming Mozambique into a leading resource-based economy.

They complement the SA government’s desire to promote regional economic development through schemes like the Maputo Corridor and the upgrading of the port of Maputo.

JCI, under former MD Bill Naun and before the arrival of Mzi Khumalo and partner Brett Keble, moved swiftly into Mozambique at the end of the civil war to snap up the HBI and Moatize projects.

Keble, now the executive deputy chairman of JCI Gold, says “We are committed to supporting these projects because there is a lot of value in them. We have an excellent technical team which can be used to develop them.”

JCI Gold’s approach is to bring the projects to the bankable feasibility stage at which point it will assess its own future role and probably sell down its stake bringing in other partners. That way it will get more value out of the projects than it would if it disposed of them now.

JCI technical director Graham Warblad keeps that position at JCI Gold while the JCI Projects Division has been revamped to be run by Lester Napper. Reporting to him are Eugene van der Merwe responsible for the capital projects and technology division and Hugh Brown heading the venture capital fund.

Brown and Warblad have been the key players in JCI’s Mozambique projects.

The HBI project, which will produce a high grade iron feed product suitable for the operations of mini steel mills, is the closest to becoming reality. Several local and international institutions, including Standard Corporate & Merchant Bank and the Commonwealth Development Corp, have indicated strong interest in the HBI plant.

Brown says “We are now in the final feasibility stage. Should the board give us the green light by June the 2.2 Mt/year plant should be commissioned by the end of 2001. We have secured gas supplies at competitive prices while full plant output has been presold on firm contract and options to several East Asian buyers.”

Rice Uraldi Turner steel analyst George Grohmann says “Based on the figures supplied by JCI, the plant should contribute about R1.5bn/year to the JCI bottom line after it is commissioned in 2001, assuming

JCI keeps its proposed 52% stake in the project.”

Gas for the HBI plant will be supplied from either the Temane and/or Sofala gasfields which will be jointly operated by consortium consisting of Sasol (47%), Arco Oil and Gas (47%) and Zanara Oil and Gas (6%).

The three partners last week signed a joint agreement with Mozambique oil company ENH to start a $60m exploration programme on the offshore Temane gas field.

Development of the Moatize coalfield is still in the planning stage but JCI is already lining up partners should this project get the go-ahead because the funding requirements are beyond JCI’s means.

Earlier this year JCI announced it had linked up with Australian company Austral Coal. It has the rights to an adjacent block of coal reserves at Moatize.

JCI is now bringing in Ingeve as a possible equity partner in the Eighties Ingeve held the rights to Moatize along with giant Brazilian mining corporation CVRD but the two partners let their rights drop during the civil war.

Ingeve strategic planning and business development manager Shaun O’Shaughnessy says “Having paid our school fees investigating the field together with CVRD, JCI has agreed to recognise our rights to participate in this project if it goes ahead. But one first needs to determine the overall coke and steam coal yields and the washability of the coal prior to deciding the economic feasibility.”

Brown says drilling is underway and initial tests show a potential mineable resource of 1.2bn t with a 60% coking coal content.

Plans are to develop a colliery exporting 3.2 Mt/year of coking coal but, to make the project viable, this may have to be linked to the construction of a power station which will burn the lower-grade discard from the mine.

Hugh Brown heads venture capital
Maputo wins R14,5-bn IMF debt relief deal

Washington – The International Monetary Fund and the World Bank have approved a $2.9-billion (R14.5-bn) debt relief package for Mozambique as part of a program to help it undertake reforms.

The package – supported by the World Bank, the IMF and other big creditors, including the Paris Club of industrial countries and the Russian Federation – is part of the international Heavily Indebted Poor Countries initiative.

The World Bank said Mozambique now faced a year-long review period before the plan was finalised.

Mozambique’s package will more than double the amount of debt relief offered so far under HIPC, which rewards low-income debtor states having a strong track record of reform with the most generous debt relief terms ever offered.

Mozambican Finance Minister Tomaz Salomao thanked international creditors for supporting the programme, but said his government had hoped for 100% debt relief.

“Considering that Mozambique is one of the poorest countries in the world and one devastated by war, it would have been our desire to receive total debt forgiveness,” he said in a statement issued by the IMF and World Bank.

“But we understand that to achieve what has been decided is a considerable effort by our creditors and represents a very important result for Mozambique.

“It will allow our government to use its scarce resources to address the urgent needs of the Mozambican people,” Mr Salomao said.

The HIPC initiative, launched amid much fanfare in September 1996, has come under fire ever since.

Critics say too few countries have entered the process, and those who have are not getting enough help. They question the willingness of some rich countries to back the scheme.

Mozambique, with total debt of about $3.1-billion (R15.5-bn), was regarded as a HIPC test case because its democratically elected government has followed tough economic reforms – Reuters.
Massive debt relief on the way for Mozambique

WASHINGTON - Mozambique's debt burden is set to be significantly reduced as part of a debt relief programme announced by the International Monetary Fund (IMF) and the World Bank. The announcement follows negotiations between the government of Mozambique and creditor countries aimed at restructuring the country's debt.

Mozambique, which is one of the poorest countries in the world, has been struggling to meet its debt obligations. The country's debt-to-GDP ratio is currently at about 50%, which is considered unsustainable.

The debt relief package, which is expected to be implemented in stages, is expected to provide significant relief to Mozambique's economy. The country is expected to receive about $1.2 billion in debt relief over the next five years.

The debt relief is part of a broader effort by the international community to support Mozambique's economic development. The country has made significant progress in recent years, but still faces significant challenges in terms of poverty and inequality.

The debt relief is expected to provide much-needed relief to Mozambique's economy, allowing the country to focus on other priority areas such as education and health.

The announcement was welcomed by international donors, who have been working with Mozambique to help the country navigate its economic challenges. The debt relief is expected to help Mozambique return to a path of stable growth and development.
Two million unmapped landmines site Mozambique’s recovery

Although the war is over, landmines remain a constant threat. The government and non-governmental organizations (NGOs) are working to clear the land and provide landmine awareness training to communities affected by the conflict. According to the United Nations, Mozambique has one of the highest landmine densities in the world, with an estimated 2 million landmines unexploded or unreported. This poses a significant risk to both civilians and soldiers as they return to their homes and work in the rural areas.

Spelling Relief For Refugees

Three Irish nuns bring hope to 1,000 Mozambican families

The Sisters of the Irish Foreign Mission (SOFM) have been working in Mozambique for over 50 years. They provide education, healthcare, and relief to those affected by the war. In 2018, the SOFM launched a campaign to provide spelling relief for refugees. The program includes education classes and workshops to improve literacy skills and help refugees integrate into their new communities.

Special Report

The government of Mozambique has made significant progress in clearing landmines and providing assistance to affected communities. However, the task is complex and requires continued effort. The international community is important in providing support and resources to continue the recovery process.

The war ended in 1992, but the legacy of landmines remains a significant challenge. The government and international organizations are working together to address this issue and support the recovery of Mozambique.

The Sisters of the Irish Foreign Mission continue to provide support to refugees in Mozambique, offering education, healthcare, and relief to those affected by the war. Their work is crucial in helping to rebuild and support the communities affected by the conflict.
South Dunes terminal safe from ‘rivals’

David McKay

THE South Dunes coal terminal, the handling facility which will offer exporters an alternative to the Richards Bay coal terminal, was not threatened by a couple of new terminals planned or operating in Mozambique, analysts said.

The latest Mozambican coal handling facility was the Porto Debele terminal to be sited at Ponta, about 60km south of Maputo port, and about 500km nearer the coast than Richards Bay for Witbank coal producers.

The terminal will reportedly have a design capacity of 20-million tons a year and will accommodate vessels of up to 500 000 tons.

It is reasoned that SA cargo would use the Maputo Corridor train link to Salamansa, just outside Maputo. A 20km stretch of rail link will need to be built connecting to the terminal.

This project concides with a drive to develop a second SA coal terminal at Richards Bay namely, the R480m South Dunes coal terminal.

Gold Fields Coal chairman Barbara Day recently raised the prospect of significantly boosting her firm’s coal exports via another Mozambique terminal — Matola at Maputo.

Day said this outlet was well placed for selling coal in markets on the west coast of India and the Indian Ocean islands. Much would depend on costs, however.

Matola is apparently operating efficiently but the cost of using it exceeds that of using Richards Bay.

"Its continued use is dependent on reduction of the rates to levels comparable with Richards Bay," Day said.

Analysts said there was no chance Mozambican ports could compete with their SA counterparts as they were often more expensive than in SA, despite the cheaper transport costs.

Deutsche Morgan Grenfell’s John Loewen said rail links to Mozambique were expensive compared with those in SA and could not, at this stage, support large volumes of coal.

Another analyst said it took time to plan, finance and build coal terminals, while the South Dunes terminal was ready for construction.

Its developer Trevor McGiddy said finance had been raised for the new terminal.

Also, he said, there was a firm commitment from a number of SA coal exporters that they would make use of the new terminal.

"All the hard work has been done and the challenge now is to make sure that the project actually happens," McGiddy said.

A selection process for operators for the new terminal, for which Fraser Alexander is competing, was under way, McGiddy said.
Peasants drive Mozambican cotton boom

MAPUTO—Destroyed by the civil war, cotton production is again booming in Mozambique, through the system of contracting peasants to grow it.

Two decades after successive interruptions of the production of cotton, Mozambican farmers are determined to grow cotton again.

Statistics from the Mozambican Institute of Cotton show that in the last agricultural season (1996/97), the sector produced more than 74,000 tons of cotton seed, bringing $30m to government coffers. The figure is described as a record since 1973, when the country produced 144,000 tons of cotton seed.

According to the institute, during the 1996/96 agricultural season the country produced 60,000 tons, and 53,000 tons during 1994/95.

Besides, cotton, Mozambique also exports seafood, timber, cashew nuts, hydro-electric power and minerals.

The institute said the cotton production boom was because of a good agricultural season and an excellent response from the peasants towards the programme of cotton development during the past three years.

The programme, launched in 1995, is aimed at ensuring continuous growth of the agricultural industry. In 1995, a production of only 5,000 tons was recorded. This decreased output was because of the war that gradually crippled the country between 1976 and 1992.

The new strategy aims to develop the sector, appraise its potential in order to improve the balance of payments, obtain raw materials and ensure income for the majority of peasants.

The programme includes rehabilitation and renovation of agro-industrial depots and the construction of new factories for processing the lint and seed respectively.

At independence in 1975, Mozambique had 24 factories devoted to processing cotton. Most of these were destroyed during the 16 years of war. Now, the construction of oil and soap factories in the areas of greatest production is envisaged as a way of making the best use of cotton seed.

At least 76 districts are cotton producers. As part of the strategy, negotiations are taking place to authorise the Zambian enterprise Sable Transport to develop the production of cotton in the bordering districts of Zambe, Chimoio and Maravu, in Tete, central Mozambique.

While waiting for an agreement to be signed, Sable Transport has been carrying out distribution of seed-cotton to the peasants in the areas bordering Zambia. A Mozambican company, Sino Comercio Internacional, is doing a feasibility study of the cotton factory in Muhate, in the northern province of Cabo Delgado.

The Institute said that as part of the same programme, Agrtex and Agraco — agro-textile enterprises — should start their activities in Mocuba, in Mozambique's central Zambezia province, within the first quarter of this year. The starting of these activities may mean the generation of thousands of new jobs in that region.

Institute national director Erasmo Muhate said that, based on this programme, it is forecast that in the next 10 years at least 150,000 tons of cotton seed will be produced in Mozambique. During the colonial era, the country was one of the world's major producers of cotton — AIA.
Mozambique ‘progressing’

MAPUTO — Macroeconomic data for Mozambique showed production rose, exports grew, gross domestic product (GDP) increased and inflation fell last year, says President Joaquim Chissano.

He told parliament on Monday that government data showed Mozambique was moving quickly towards economic recovery.

Chissano said the country could be pleased with its economic performance last year.

"Production grew at an accelerated rhythm, with GDP growing at a rate of 8% rather than the 5% planned," he said in his annual state of the nation address.

He put the annual inflation rate at 6.5%, higher than the 5.8% given by the Bank of Mozambique in January. Analysts said this was probably because the figures relied exclusively on the Maputo consumer price index, while price rises were higher in other parts of the country.

Chissano said exports rose 4%. "Imports declined slightly compared with 1996, which means there was a start to the process of replacing imports by national production," he said.

(15/4/98)
Parties boycott Mozambique poll

MAPUTO — Fifteen minor opposition parties announced yesterday that they would boycott Mozambique’s first multiparty municipal elections scheduled for June.

In a joint statement they said the mechanisms to ensure “effective, correct and legal” scrutiny of the polls were not in place.

Twelve of the parties participated in the country’s landmark multiparty general elections in 1994, but none won a seat in parliament. The other three were established after the elections.

The parties attacked the “arrogance and contempt for opposition parties,” shown by the ruling Frelimo party in saying it would run alone in the 33 municipalities if others dropped out.

The second biggest party in parliament, the former rebel movement Renamo, earlier this year threatened to boycott the elections. Its leader, Afonso Dhlakama, has since softened his position, and made participation dependent on effective opposition monitoring of the electoral procedures.

The only other group in parliament, the Democratic Union, has said it will take part. — Reuter
The community of [place], known for its rural development and agricultural heritage, is facing new challenges due to the impact of climate change and economic shifts. The recent decline in agricultural productivity has led to a decrease in the local economy, affecting the livelihoods of many residents. To address these issues, a new project has been initiated with the aim of increasing food security and promoting sustainable land management practices.

A long-term plan has been developed to support small-scale farmers in adapting to climate change. This includes the implementation of drought-resistant crops, improved irrigation systems, and the use of climate-resilient technologies. The project also focuses on rural education and training programs to empower farmers with the necessary skills to cope with future challenges.

Rural Development

According to [citation], rural development is crucial for the economic growth and stability of [place]. The project aims to create a more sustainable and resilient community by investing in local infrastructure, developing eco-tourism opportunities, and promoting renewable energy sources. These efforts are expected to not only improve the quality of life for current residents but also attract new investors and residents to the area.

In conclusion, the community of [place] is taking decisive steps towards a more sustainable future. By focusing on rural development and adapting to the challenges posed by climate change, the community is ensuring the preservation of its heritage and the well-being of its residents for generations to come.
Mozambique Returns to Construction
The R10-billion iron and steel project in Maputo could get the go-ahead in the next few months after what has been the largest and most exhaustive environmental study ever undertaken in the region.

The last environmental impact report, including a study on the availability of water resources in the area, will be presented to the necessary authorities in July, and the final decision is expected in September.

If approved, construction of the necessary infrastructure — which would involve either a rail or pipeline link to transport magnetite between the Palabora copper mine in the Northern Province and Maputo in Mozambique — and the plant could begin early next year.

The public and other stakeholders will be given eight weeks between May 6 and June 26 to examine the documents, which raise almost 600 separate issues, and then make final representations to the environmental forum.

By DON ROBERTSON

The project has come in for considerable opposition from environmentalists.

It was first suggested a slurry pipeline to transport the magnetite to Maputo be routed through the Kruger Park, either directly across the park through Letaba or through a longer, southerly route.

Public participation consultants Greyling Liaison says main sponsor the Industrial Development Corporation (IDC) and the National Parks Board decided in March to shelve the park plan.

A pipeline around the outside of the park to Kaapmuiden and then Maputo is now being considered. This could follow the N4 highway, the Eskom powerlines or an irrigation canal which has been suggested by farmers in the area.

Another option is the use of rail transport along a similar route.

"This represents yet another milestone in the development of the project," says Eskom's Hennie Roux, who heads the impact study for the project.

The Palabora mine has reserves of 270-million tons of magnetite, which will be converted into Maputo into 3.6-million tons a year of export steel worth R4-billion.

The iron and steel plant, costing R7.5-billion, will be fuelled by gas from reserves at Pande, 610km north of Maputo, which will be developed by US giant energy group Enron. Once finished, the plant will employ about 1,000 people.

Initially, Spoornet had quoted a tariff of R26 a ton to transfer the magnetite by rail to Maputo compared with R16 a ton through a slurry pipeline. Subsequent negotiations have seen Spoornet adopting a more flexible attitude and it has agreed to match the cost of similar pipeline transfer.

Roux says pipeline costs would be $3.75 a ton for the transfer of 6-million tons of magnetite a year, but this would increase to $5.20 a ton for 4.5-million tons a year.

A further development has been the recent decision by Enron to establish an SA-based company, Enron SA, which will carry half of the costs of the feasibility study from last September.

Roux says the feasibility study, which has been conducted along with the environmental report, could cost between R50-million and R60-million, while the environmental study will cost R6-million to R7-million.

A second project being undertaken by the IDC is the R4.1-billion Palang plant at Foskor in Phalaborwa for the recovery of about 330,000 tons of alumina, 300,000 tons of magnesia and 230,000 tons of potassium sulphate a year from phosphate ore, which is discarded during the recovery of phosphate.

Roux says teething problems have been encountered in commissioning the R107-million demonstration plant at Phalaborwa, but progress has been made.
Mozambique makes five-year farm plan

FROM AFP

Maputo — The Mozambican government and international donors yesterday began a four-day meeting aimed at finalising a five-year programme for public investment in agriculture, known as Proagri.

The programme, which will cost $202 million, will cover institutional development, agricultural research, rural extension, support for agricultural production, livestock, irrigation, land and forestry, and wildlife.

Carlos Agostinho do Rosario, the agriculture minister, said the plan would entail structural changes to correct the imbalance of a large number of qualified technical staff concentrated in Maputo.

The programme intends to modernise the ministry with an eye to policy definition, planning, supervision and technical assistance.

Rosario said the plan would draw together into a single programme initiatives that now were being implemented as isolated projects. Other aims were sustainable management of natural resources, poverty alleviation, food and job creation and improvements in the country's balance of payments, he said.
MAPUTO — Mozambique’s economic growth rate of 8% and privatisation of more than 900 state enterprises in four years had already outstripped similar development drives in SA, said Mozambique Chamber of Commerce president Paul de Souza yesterday.

He told a large delegation of French investors in Maputo that Mozambique was growing from a smaller base than SA.

However, Mozambique was already ranked as the 18th most competitive country in Africa with the continent’s second-highest gross domestic product growth figures.

SA is ranked seventh by the Harvard Institute for International Development.

“Mozambique’s achievement is both remarkable and outstanding when you consider that five years ago (it) was ranked right at the bottom,” the chamber president said.

Emphasising that Mozambique had managed to bring its inflation rates down from 70% in 1994 to just 5.8% last year, De Souza said Mozambique’s currency was the only one in the region that had appreciated against the rand.

“We also depreciated only 2.2% against the dollar in 1997, compared to a few years ago when the metical devalued 30 to 50% per annum,” said De Souza.

He conceded, however, that Mozambique had to restructure the country’s company law, justice systems and education system urgently, and begin removing hidden-salary barriers that were hampering investors in Mozambique.

Mozambique also had yet to reform its tariffs barriers and open its markets to neighbouring exporters, De Souza said.

Calling for the urgent creation of a single, cheap multicity regional visa, one-stop border posts between regional countries and an accelerated drive to establish trans-frontier game reserves, De Souza said that the country would soon also privatise its national airline.

“The only other major privatisations still wanting to be completed are the Maputo port, our rail infrastructure along the southern and northern corridors linking ports to neighbouring countries and the port of Nacala,” he said — African Eye News.
Mozambique poll ‘on track’

MAPUTO — The Mozambique government and yesterday the country’s first local elections would go ahead as planned on June 30 despite criticism of the electoral process by the US. Minister of State Administration Alfredo Gamato made the statement after Washington announced that it would no longer provide assistance for the polls in areas where the government would not face any opposition.

The US said that the ruling Frelimo government did not pay enough attention to opposition complaints over arrangements for the vote. The country’s main opposition party, Renamo, and 17 smaller parties have withdrawn from the elections due to alleged irregularities in voter registration and a lack of transparency — Sapa-AFP.
Full steam ahead for Mozal plant

Andi Spicer
Mining and Resources Editor

Johannesburg — Billiton, the London-based resources group, said yesterday it would start construction of the $1,35 billion Mozal aluminium smelter in Mozambique, the largest private investment in the country.

"Mozal will provide a powerful boost to Mozambique's economy by developing the industrial base and export potential of the region," it said.

Brian Gilbertson, the chairman of Billiton, said: "Our investment in Mozal is based on compelling economic appeal. Matching the outstanding Alusaf Hillside experience with Mozambique's competitive power and fiscal arrangements should create a world-leading aluminium producer".

Billiton will be the largest shareholder in the project at 47 percent ($1,26 billion), Japanese industrial giant Mitsui will hold 25 percent ($1,10 billion), the Industrial Development Corporation 24 percent ($1,26 billion) and the government of Mozambique 4 percent ($30 million).

It is envisaged that production will be 250,000 tuns a year and the plant will be commissioned in early 2001.

Billiton will be financing its equity through its recent rights issue and senior debt will be mainly in the form of export credit from South Africa of $160 million.

Absa, the country's largest banking group, will syndicate the debt with other local banks.

Further $100 million will be sourced mainly from international funding agencies.

Mozal would have a very competitive cash price in the first six years of the project as the cost of electricity would be fixed at a low level.

The price of aluminium at the group is $1,70.

After 12 years the deal on power will be similar to the preferential rates at the Hillside smelter in South Africa. Hillside has the cost of its electricity linked to the value of aluminium on the London Metal Exchange (LME). If the price of aluminium falls, so does the cost of Hillside's power.

The supply of alumina, the material used in the production of aluminium, will also be linked to the LME price of the metal for the next 10 years.

"Modern technology and a cost-effective operating regime combined with long-term supply contracts for alumina and electricity are expected to position Mozal as an aluminium producer in the lowest quartile by world standards," it said.

Alumina will also be supplied from Billiton's alumina facilities in Australia.

Mitsubishi had contracted to buy 60,000 tons of metal a year, which it would sell into Japan and other Asian markets.

"This would be a long-term contract for the life of the project," said Isamu Fukuda, a director of the Japanese group.

Billiton closed on the JSE yesterday at R13.80, down 12c
Mozambique's not so sugary daddy

Mercedes Sayagues

Controversial American entrepreneur James Blanchard has set his sights on Including parts of the famed Inhaca island in his huge Mozambique theme park, despite the fact that he has yet to deliver on his grandiose scheme.

Blanchard has asked the Maputo Municipal Council for a 276 ha concession in Ponta Torres, the south-eastern peninsula of Inhaca Island. This would expand his Mozambican empire to 230,000 ha — the size of Mauritius — stretching from Inhaca to the South African border.

But Blanchard has yet to prove he is not the economic Messiah many Mozambicans hoped he would be. Critics say his Blanchard Mozambique Enterprises (BME) has not delivered any of the promises it made when its huge concession was approved by the Council of Ministers in 1996.

His staff are known as the "five musketeers" — hardly enough people to pull together the grandiose theme park Blanchard has described as being worth $60 million.

Inhaca, roughly 40 km² and 35 km away from Maputo, is a maritime reserve which qualifies as a world-class tourist destination, with beaches of powdery sand, palm trees, clear waters and coral reefs. It has a 40-bed hotel and camping sites which attract a modest influx of tourists but little income for the island's 5,000 people.

Critics say Blanchard's excuse that bureaucratic delays in obtaining approval from the Mozambican authorities have held up projects does not hold water.

Says Antonio Jose Bensa, chair of the local branch of the Endangered Wildlife Trust: "I don't see a proper team or a programme, nothing practical in the field. I feel disappointed, and a bit guilty. I pushed to remove the eucalyptus plantation out of Matutume, thinking Blanchard's project would be better for the environment. Now I wonder."

The only thing done so far is a 27 km-long, solar-powered fence on the mainland to protect the jewel of the proposed theme park, the Maputo Elephant Reserve and its 200 elephants.

The fence was supposed to be finished in February. It wasn't.

Elephants cross through the gaps and trample over the plots. In mid-April, 400 pozi crop farmers, some armed with pangas, threatened the reserve's administrator, Paulo Tomas, and demanded a solution.

Tomas defused the crisis, but the problem remains. At a recent meeting in Massoane, the first problem raised was the destruction of crops and huts by elephants.

BME project manager Eugene Gouws says the hitches have been caused by delays in negotiating with the communities over the path of the fence and the compensation to be paid for loss of property.

Once those are resolved, he says, the fence will be completed in less than 15 days. Ladders will be built over it to allow community members access on both sides. The people of Massoane, however, say the fence blocks their usual paths.

Gouws, while waxing lyrical about BME's dialogue with the community, did not know the name of the person representing the community at the company's regular meetings.

Some critics wonder if Blanchard will turn out to be a bluff. The millions he promised to invest are nowhere to be seen. There is no sign of partners and investors.

Developing the highway, railway and airstrip needed on Santa Maria Machangulo (the original concession), let alone building lodges, involves expensive logistics.

Developing Inhaca should be easier since basic facilities, such as an airstrip and boat connections with Maputo, already exist. But the island already has tourist operators, and intense pressure on the land.

Conservationists say other areas should rather be developed. They cite the 1990 United Nations Integrated Development Plan for Inhaca, which recommended a tourist load of no more than 500 people at any given time.

Gouws says so far BME only has a basic plan for the island. "It does not make sense to make detailed plans before knowing the size of the concession," he says.
A minimum income region's prospects

The economic situation in the region is critical due to the ongoing political turbulence and economic instability. The region's economy is heavily dependent on exports, which have been severely affected by the recent trade sanctions. The government is implementing various measures to stimulate the economy, including fiscal stimulus and infrastructure projects, but the effectiveness of these measures remains uncertain.

The agricultural sector, which is a significant contributor to the region's GDP, is facing challenges due to climate change and soil degradation. The government is investing in research and development to develop more resilient crops and improve farming practices.

The region is also facing challenges in terms of infrastructure development, with limited access to basic services such as electricity and clean water. Efforts are being made to improve infrastructure, but significant investment is still required.

The region's education and health systems are also in need of improvement. Access to quality education and healthcare is limited, especially in rural areas. The government is working on increasing investment in these sectors, but progress has been slow.

In conclusion, while there are some efforts being made to address the region's economic and social challenges, a lot more needs to be done. The situation requires a comprehensive approach, involving the government, private sector, and international partners, to achieve sustainable development.
Date set for opening of the R1,8bn Maputo Corridor road

Madeleine van Niekerk

THE Maputo Corridor toll road project would be opened officially on June 6, José de Nobrega of Investec's specialised finance division said yesterday.

He said the project's financing was special because it received the first limited resource financing achieved in SA. The debt was funded at the outset by banks and the capital markets.

Investec went to the capital markets upfront and "If it was not done upfront, it would have put upward pressure on the toll roads," he said.

"This project is the first major infrastructural build-operate-transfer project in SA, the first undertaken in either country, and the first cross-border project of its kind in the Southern African Development Community."

The R1,824bn N4 project is the first stage of the Maputo Development Corridor, which seeks to improve the road, rail and shipping infrastructure between SA and Mozambique.

The total length of the road will be 446km, 350km of which will consist of upgraded road and 50km of new construction.

"It will cost R59.50 for a light vehicle to use the whole toll road from Witbank to Maputo going through five plazas, at 130km, compared with the domestic average of 17c/km," De Nobrega said.

Nedcor Investment Bank (NIB) and Investec Bank said the toll road project would be financed through R1,494bn of debt and R330m of equity and revenue generated by the phased opening of toll plazas during construction.

Investec and NIB were the joint lead arrangers and underwriters of the R1,284bn senior and subordinated debt.

The N4 will be constructed, operated and maintained by Trans Africa Concessions under a 30-year contract with the SA and Mozambican governments.
A corridor for economic revolution

Charlene Smith

On March 16 1994, former president PW Botha met his Mozambikan counterpart, Samora Machel, at the Mmamapula summit to sign an accord that effectively blackmailed Mozambique.

Next month, on June 6, President Nelson Mandela and Machel's successor, President Joaquim Chissano, will open the Maputo development corridor, strengthening relations between the two countries and heralding an economic revolution for Mozambique and South Africa.

In terms of the 1994 agreement, Mozambique had to expel exiled African National Congress leaders who had fled to the country, and a body to be called the Mozambique-South Africa Development Fund was born.

The development corridor is not only a symbol of the ANC-led government's recognition that it is paying the price for its support of the struggle. But it is an economic imperative.

South Africa cannot expand its markets, if it is to remain among the poorest in the world. It cannot control illegal migration if the citizens of those countries do not have opportunities at home.

The $2.3 billion Maputo development corridor is the largest project in the country.

Mozambique Premier Matthews Phiri says his country's state is considering the model to create some of its own economic performance. The project is expected to start next year, and it is expected to create 5000 jobs.

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Mansions rise amid ruins of Renamo

At times, Chief Nhambirha votes the councillors filling the chairs around his sacred palaka cows are seven men, barefoot and bare-chest. Nhambirha has a white cloth draped across him, which he bought from the whites.

Nhambirha explains to the visitors that builders from Beira are now demolishing the ruling houses of Maringui as many people there died during the recent civil war, but I was in a small village in the province, located to the north and south of the country. It is close to the Zambezi River, yet the traditional houses are not destroyed.

Maringui, stronghold of rebel leader Pascoal dos Santos, broke off from Mozambique's 16-year civil war, was strategically well chosen. It lies in several districts, province, located to the north and south of the country. It is close to the Zambezi River, yet the traditional houses are not destroyed. Maringui is a village of several thousand people, the stronghold of the Maringui rebellion.

Maringui is the largest of the rebel-held areas in Mozambique.

In Maringui, the government is in control of the town, but the traditional houses are not destroyed. Maringui is a village of several thousand people, the stronghold of the Maringui rebellion.

Here is where Renamo president Alieno Nhambirha keeps his last command, his men, an unknown number of armed men, in a town a few kilometers away from the airstrip.

"They can come here, we can't go there," was the first line. After visiting the traditional houses, Nhambirha concentrated on the rebellion's strategy.

He said the rebels are pushing the government to the brink, with Nhambirha ruling the area.

Maringui Villa consists of one block of 200 buildings, each containing three floors and a roof. The officials hope to complete the construction within a year.

After the market, the traffic takes over the streets, with the vendors selling their wares. The market is a busy place.

Nhambirha is a tall man, with a thick beard, and wears a traditional hat. He is the leader of the rebellion in Maringui.

Nhambirha's men are seen in the town, but the traditional houses are not destroyed. Maringui is a village of several thousand people, the stronghold of the Maringui rebellion.

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to spend a fortune on buildings in Maringue. **Mercedes Sayagues** visited the troubled area

**Stronghold**

The original budget as planned in 1966 was for $200,000 each for the big houses. When you multiply salaries by the exponential since then, the figures have changed. The town itself has changed. The main road, the main road, the main road, is now a bustling street with shops and restaurants. The houses are now much larger, and the streets are now much wider.

**Mercedes Sayagues visited the troubled area**

**Peasants the losers in cotton-price row**

Cotton is the only cash crop for peasants in Maringue. A farmer who grew the average of 2000b per hectare earned about $450 last year. With this, families need to buy whatever they do not grow or make themselves. As the cotton is being harvested, expectation hangs in the air. Families are prune, the crop is expected to reach the price of $4.50 in the next season. The government has promised to buy this season at $4.50 per pound. This is the lowest price in the last three years. If the price falls below this, farmers will suffer.

**Peasants the losers in cotton-price row**

The government assigns concessions on cotton to buyers, but the trouble with the problem is that the government is not interested in the problem. The government pays a small amount to farmers who plant cotton, but this is not enough to cover the costs. The government has promised to increase the price of cotton, but this has not happened.

Mercedes Sayagues visited the troubled area.
The Maghreb corridor paves the way for regional integration.

ANALYSIS
CONSTRUCTION OF THE RUBEN BRUGO

SA and Mozambique Launch RD-2 toll road link

This is what is going on in real world 0-20 layer bottoms. The underground babies will bring life to our planet. Two of them in

It would then be measured by the 1940s.

The relationship between the

The pre founds remain in place...
Top rating for toll road

Johannesburg — The R1.8 billion Maputo Corridor toll road was awarded the highest rating ever in project finance worldwide, for its ability to meet long-term debt, by CA-Ratings, the local rating agency. Charl Kocks, the chief executive, said at the weekend:

The road was awarded an A-rating, the highest given to a toll road project financed by way of non-recourse debt. “Toll road projects utilising non-recourse financing structures normally do not achieve debt ratings greater than BBB because of their inherent risk profile, caused by the risk that traffic demand may be less than envisaged,” Kocks said.

The toll road was launched at the weekend by presidents Nelson Mandela and Joaquim Chissano of Mozambique.

The 440km-long road will link Maputo and Witbank. It will be constructed, operated and maintained by Trans Africa Concessions (Trac) under a 30-year contract.

The build, operate and transfer project will be financed through R1.404 billion of debt and R330 million equity and revenues generated by toll plazas.

A debt to equity ratio of 80:20 will be maintained during the construction phase, expected to last more than three years.

Nedcor Investment Bank and Investec were the joint lead arrangers and underwriters of the R1.264 billion senior debt and subordinated debt. The Development Bank of Southern Africa, which was responsible for R200 million, was a co-arranger with Future Bank Corporation (FBC).

The senior debt would consist of a R561 million term loan facility, a R176 million standby debt facility and a R458 million CPI-linked facility. The project sponsors provided R132 million of the equity while FBC raised the remaining R168 million.

Of the non-sponsor equity, R251 million was committed by a consortium of Mozambican corporate investors, and R30 million has been set aside for investment by South African empowerment investors.

“A warehousing facility to house the equity for empowerment investors was being created because they would have difficulty raising finance for their stake,” said Trevor Jackson, the chief executive of Trac.

He said that over 700 mining contracts had already been identified for tender by small and medium enterprises.
Mozal begins construction of its aluminium smelter

Claire Pickard-Cambridge

MAPUTO — Mozambique’s biggest private investor, Mozal, has begun building its aluminium smelter near Maputo for which it has already awarded contracts worth $160m.

Mozal chairman Robert Barbour told a southern African investors’ forum yesterday that many more contracts had still to be awarded and the company expected to start production in 31 months’ time.

Mozal’s biggest shareholder is London-based mining and resources group Billiton. Others are Japanese industrial giant Mitsubishi, the Industrial Development Corporation and the Mozambican government.

The project will cost about $1,8bn to build, the rough equivalent of Mozambique’s annual gross domestic product. Probably in recognition of this, the Mozambique Investment Promotion Centre used little of its allotted time in promoting the country yesterday, asking Mozal’s Barbour to speak instead.

Barbour said the huge industrial complex would be the most modern of its kind. It would employ 900 people when it began operating, 90% of whom would be locals.

Barbour said afterwards Mozal and the local investment centre would plan an empowerment project to ensure local entrepreneurs could be used in the operating phase to run non-core functions such as canteens, laundries and other services.

Mozal had asked contractors, who were mostly foreign, to use as much local content as possible during the construction phase. Up to 60% of labour used in this phase would be local.

He said despite the fact that Mozambique had been through a war, was a poor country and had seen its infrastructure decimated, investors were prepared to commit vast amounts of money. This was because Mozambique offered advantages such as investment incentives, an abundance of raw materials, a good power supply, mineral resources, a capable government and proximity to SA’s industrial heartland.

Maputo was closer to Gauteng than current smelters in Richards Bay, he said, and while Maputo harbour was not the best, it was being upgraded.

He said Mozal would occupy 140ha of an 800ha industrial park site government termed an “export-free zone” which enabled companies to qualify for a range of incentives if more than 80% of their production was for export.

Mozal was the country’s first major investor and together with the investment centre was laying a blueprint which would influence investment patterns in the future, Barbour said.

See Page 14
Mozambique toll road to cost R73 a car

Robyn Claimes

A ROAD trip from Johannesburg to the Mozambican border will cost about R73 in tolls for standard vehicles and about R359 for trucks when the N4 toll road is completed next year, says

The fees for the 525km route, which are still provisional, exclude the Mozambican leg, which could add R10 to R15 for standard vehicles. Fees on the 518km Johannesburg to Durban N3 toll road are R47 a light vehicle.

Trevor Jackson, CEO of Trans Africain Concessions (Trans) which won a 30-year concession on the N4 toll road, said consumers were protected against unrealistic fares by a clause in the concession contract which linked increases to SA's consumer price index.

Profits from the toll contract were pegged and anything exceeding the as-yet unspecified level would be channelled for reinvestment into the Maputo development corridor.

Jackson said talks were under way to determine toll concessions for frequent users and commuters.

As a Diners Club Voyager member
it's the only other card
Robert Kirby argues against the theory that South Africans lured Mozambican president Samora Machel to his death

It is believed that between 15% and 90% of aviation accidents ended in human error. Recently, it was found that out of a total of 20,000 aviation incidents reported, a significant number could be attributed to human error, with no less than 70% being related to a failure to voice communication.

This case is an excellent example of how communication failures led to a tragic outcome. The crash near Kenneth Kaunda of the Togolese air force, which occurred on 20th September, killed the then Mozambican president Samora Machel on the spot.

The aircraft, a Togolese People's Revolutionary Party (PRP) Tu-154, had been flying in close proximity to the South African military, who were conducting a training exercise at the time. The pilots of the Tu-154 were not aware of the proximity of the military aircraft.

The accident occurred when the Tu-154 collided with a SA Air Force (SAAF) MiG-21, which was on a training mission. The collision caused both aircraft to crash, killing all 164 passengers and crew on board.

The crash was a tragic event, but it also serves as a reminder of the importance of effective communication in aviation. The pilots of the Tu-154 had not been informed of the presence of the SAAF aircraft, leading to the collision.

The case highlights the need for improved communication systems in aviation, as well as the importance of regular training exercises to ensure that all parties are aware of the potential risks.

The crash occurred during a training exercise by the South African military, who were conducting a series of simulated missile launches. The pilots of the Tu-154 were not aware of the training exercise, which was being conducted in close proximity to their flight path.

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'Decoy Beacon' Theory

Disaster zone. Circumstances made the false alert "a juicy steak for speculation." Photographs courtesy Support

descent and heading chocolates were part of standard operating procedures on the Tupolev, as they are throughout the world. These were not examined or used by the flight crew. Up to the point of impact neither pilot had detected any unusual indication from the original setting of 110° (the track in from the north west).

The board's investigations revealed no negligence. The Tupolev had reported an incorrect passenger complement. No flight plan had been filed, no alternative destination identified. The reported fuel endurance of the aircraft as given by the crew was generous by a quarter of an hour. In either event the Tupolev was not carrying enough fuel to make any diversion. It had less than half the amount necessary to get to Donau, Indonesia, somewhere to the order of half an hour's endurance.

The pressure was on the captain to head to Maputo and soon. He explained elsewhere to go to Maputo.

After reviewing the data found was that the operational VOR receiver on the aircraft had, at the time of the crash, exceeded its rate limit, been inoperative, turned to the wrong frequency. In this case the VOR facility at Maputo in Mozambique. The point where the Tupolev turned to the right would be where it would intersect the 132° radial out of the Maputo VOR — the same radial they were trying to cross from the Mombasa facility.

The flight's track after this was expected to be 132°, but they were heading south, possibly due to fuel exhaustion. This caused the aircraft to descend towards the Mombasa VOR. The crew then made a right turn and descended. This caused the aircraft to descend towards the Mombasa VOR.

The Tupolev aircraft was a fatal accident looking for a place to happen.

The pilot crew was muddled into the situation by the inoperative VOR and the slow descent. The crew made a right turn and descended, causing the aircraft to descend towards the Mombasa VOR.

The pilot crew had a muddled understanding of the situation, leading to a series of incorrect actions. The aircraft descended towards the Mombasa VOR, causing the crew to believe they were above the ground and not descending. This led to the aircraft crashing into the sea.

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SA is now number one investor in Mozambique

Claire Pickard-Cambridge

MAPUTO — SA has surpassed Portugal as the biggest investor in Mozambique, with $1.65bn pledged through the local investment centre’s channels since 1995.

Several SA businessmen have responded to the trend by setting up shop in the capital as investment consultants in a bid to help companies negotiate stifling bureaucracy and an unusually old and complex legal system. A breakdown of the centre’s figures shows that a R1.3bn pledge to aluminium smelter in Mozambique, Mozal, greatly influenced SA’s contribution, while other big investors include Anglo American’s Mondi group and Shoprite.

Mining group Billiton and the Industrial Development Corporation are among the investors in the Mozal smelter which is expected to start production in 31 months’ time.

Other key SA investors include Sasol, which has signed an agreement with Anco of the US to develop certain gas fields; SA Breweries which bought into Cervejas de Mozambique; Illovo Sugar which has bought into the Maragra sugar estate; Standard Bank which has a large stake in the Banco Standard Totta de Mozambique, Barlowes; construction company Concor, and Anglo American which controls the Moita cashew processing factory near Xai-Xai and has an interest in forestry through Mondi.

Maputo-based business consultants warn that it is vital to go through the investment centre as a starting point. However, while the investment centre provides an extensive service in the early phases of setting up shop, companies often realise later that they are faced with a very different business culture, and a dauntingly alien legal system. Some of the biggest investors have found that their way is often smoothed by an exceptional amount of government assistance. In the case of Mozal, for instance, government set up a special working group to cater to the needs of the project and cut through bureaucracy. However, some smaller investors say legal tasks that might take them a week to achieve in SA could take as much as a year in Mozambique. “Nevertheless, profit margins can be good, but investors should be cautious,” says consultant Peter Taylor.

However, an investment protection treaty which was signed between Trade and Industry Minister Alec Erwin and his Mozambican counterpart months ago still has to be ratified by Mozambique’s council of ministers.

Investment centre director Fernando Sumbana says he believes it will be ratified within the next two weeks and will protect any foreign investor against “noncommercial risks”. For example, if an investor’s business is expropriated the investor could ask for or her own government for compensation.

Sumbana says government does not want SA investors to focus only on southern Mozambique because most resources are in the less-developed north.

Foreign investors often cite the laws preventing land ownership — government usually grants 50-year renewable leases — as a disincentive.

Sumbana says specified areas around the ports of Maputo, Bura and Nacala have been declared export-processing zones.

Different incentive schemes cover other parts of the country, with the best covering the undeveloped north.
New dynamics in Peer-to-Peer relationships

RUSSIAN DIAMONDS
Mozambique's GDP put at $2bn

Claire Pickard-Cambridge

MOZAMBIQUE was probably Africa's fastest growing economy and an International Monetary Fund mission confirmed revised 1997 statistics putting gross domestic product growth at 12.5%, World Bank senior financial economist Simon Bell said this week.

Mozambican leaders have generally held back from the expected growth of 6% and 8% for last year, but usually say they are cautious about their projections.

Bell said in an interview in Maputo that GDP was higher than expected and projections for this year indicated this could be maintained.

The revised figure put GDP at about $2bn.

The growth is important for Mozambique, especially if you bear in mind that most of the large megaprojects, such as Mozal's R1.3bn aluminium smelter and planned iron plants, have not kicked in yet," he said.

The average growth rate for countries in the Southern African Development Community was close to 5% last year, with SA's considerably lower.

Bell said Mozambique's macroeconomic story was "like a dream" at present with the annual rate of inflation at 2.4% in May, in line with European and North American rates.

The Mozambican currency had appreciated considerably against the rand in the past few years and was stable at about 12 000 meticais to the dollar.

"Mozambique's currency has been tracking the dollar even though it is a very strong currency," he said.

The central bank had dropped its discount rate, at 54% in August 1996, to below 10%, but the commercial bank's lending rates had not fallen at the same speed.

Although Mozambique was emerging as a success story, there were many weaknesses in the economy, he warned. It was a difficult country to work in, infrastructure was poor, the human resource base was inadequate, and it was highly donor dependent.

About 60-70% of Mozambique's budget had been funded by aid a few years ago and this was still at about 50% now. It also had to be borne in mind that although donors had a soft spot for Mozambique — they had agreed to reduce its outstanding debt by $3.3bn to $1.3bn — donor financing was on the decline everywhere.

However, there was remarkable investor interest and in the 1998/99 year Mozambique would have "one of the brightest windows of opportunity open to it since independence."

Mozambique was likely to emerge as a major energy exporter to the region and the biggest gas concession — Pande, to which US company Enron has rights — had even more reserves than initially thought. Hydropower sales would be important, with the Cahora Bassa project on the Zambezi River coming on stream and the planned development of another dam further downstream.

The huge Montalo coal fields in Tete province were of a high grade and had sparked considerable interest.

Political policy was not expected to change much, although the degree of change would be watched in view of the fact the country was entering a "politically interesting time." Opposition groups Renamo and the smaller Democratic Union had pulled out of municipal elections to be held in 33 urban centres on June 30, claiming irregularities, meaning the ruling Frelimo party would be standing mostly against independent candidates.
Sasol leads in Mozambican gas race

Gas exploration is moving quickly in Mozambique, and Sasol and its partners are in a greater hurry than most, writes Claire Pickard-Cambridge from Maputo

THE Sasol group's oil and gas exploration subsidiary, Sasol Petroleum International, and its partners will start drilling for natural gas in Mozambique's onshore Temane bloc next month, with the main aim of piping it to Sasol's synfuels plant in Secunda or marketing it as industrial gas.

Sasol Petroleum Mozambique's Peter Stuart-Thompson says Sasol and its joint venture partners in Temane - the US-based Arco International Oil & Gas Company, and Zarara Petroleum Resources - will probably need a further six months to evaluate reserves in the Temane area, 600km north of Maputo near Vilanculos.

At that stage feasibility studies would be well advanced on prospects for a 900km gas pipeline via the border town of Komatipoort to Barberton and Secunda in SA. Additional feeder lines could be considered after the main transmission line has been established, he says.

Arco-Sasol sees itself as a key player in Mozambique's gas sector as it can provide a substantial market in SA. It is also seeking an internal market and will encourage development of Mozambican companies able to distribute gas.

Sasol, which set up an office in Mozambique last year, and Arco each have a 47.6% interest in the Temane bloc Zarara, which has a 4.7% stake, holds interests on behalf of Leoparudos Resources, an exploration company listed on the Vancouver Stock Exchange.

The consortium signed a production sharing agreement last month with the state oil company, ENH, and the government for the Temane bloc, which is expected to be Arco-Sasol's main focus of activity at this stage. About $10m will be spent on drilling and seismic work there.

The consortium has interests in two other exploration blocks in Mozambique, Sofala and M-10, which are further north. It expects to sign another production sharing agreement with the government next month for its Sofala Bay offshore bloc and seismic operations and drilling will start shortly thereafter.

The Sofala Bay site is also important because JCI could become a client with its planned refinery plant at Beira:

"It is important for JCI to be able to get gas from us and we are trying to establish whether there are sufficient reserves there," says Stuart-Thompson.

However, Arco-Sasol recently gave up its rights to explore the onshore Mazenga bloc in the south on grounds that it presented excessive risks. "We are in a hurry to find gas but are going for reasonable risk options," he says.

Stuart-Thompson says Arco has undertaken to hand over management of the upstream (gas extraction) operations to Sasol in the future. In the downstream area, retailer Sasol Oil is establishing an office in Mozambique and is expected to open two Sasol petrol stations before the year-end.
Mozambican privatization, nearly complete.

World's largest opportunity?
Mozambican sugar industry set for revamp

MAPUTO — Mauritian consortium Société Marromeu and the Mozambique government are to set up a joint venture to renovate the Sena Sugar Estates and boost Maputo's bid to reclaim its position as a sugar exporter.

Sugar Institute director Arnaldo Ribeiro said Mozambique's 25% share would consist mainly of land as the Marromeu and Luabo sugar mills were dynamited during the 16-year civil war that ended in late 1992.

The new company would have an initial capital of $27m, while rehabilitation of the Sena Sugar Estates, in the central province of Sofala, would require a total investment estimated at $200m.

Ribeiro said work would start immediately with seed-planting while contacts with equipment suppliers were made so that the rehabilitation of Marromeu could begin by June next year.

Mozambique was formerly Africa's fourth biggest sugar exporter after Egypt, SA and Mauritius.

Rehabilitation work at four other mills is either taking place or being negotiated.

With the four biggest mills (Marromeu, Mafambeze, Maragra and Xinavane) operating at full capacity, Mozambique could produce more than 300 000 tons a year and save up to $35m spent on sugar imports. Internal needs are estimated at 120 000 tons a year.

The crisis in Mozambique's sugar industry began when 90% of qualified sugar workers left the country immediately after independence from Portugal in 1975. Then came the civil war that destroyed most of the industry.

From a maximum of 325 000 tons achieved in 1972, production plunged to 11 000 tons in 1985, the worst year – Sapa-APP.
Mozambique and Mauritius in plans to rescue two sugar mills

Rafael Be

Maputo — The government of Mozambique and Societe Marromeu, a Mauritian consortium, would set up a joint company this month to run the Marromeu and Luabo sugar mills in the central province of Sofala, it emerged yesterday.

The company, with an agreed initial capital of $27 million, would be 75 percent-owned by the Mauritians and 25 percent-owned by Mozambique. Mozambique’s contribution would be in the form of existing infrastructure, mainly land.

The necessary rehabilitation of the two factories would require investment of about $200 million. The Marromeu mill, with its less decayed infrastructure, would be the first beneficiary.

According to Arnaldo Ribeiro, who is the chairman of the Sugar Mills Privatisation Commission and the director of the National Sugar Institute, work would start immediately so that rehabilitation of the factories could start by June 1998.

The two sides recently held another round of discussions over the project. Thierry Lagesse, the manager of Societe Marromeu, said after the talks that concerns over fiscal incentives had been met.

The question of incentives was one of the issues that had prompted heated discussions in the previous round. The Mauritians had said the incentives provided by the general law were not sufficient to cater for the difficulties involved in the project.

The other issue that also worries the Mauritians is the widespread contraband trade in sugar from neighbouring Malawi and Zimbabwe. Large quantities of smuggled sugar are sold in central and northern Mozambique at giveaway prices. The Mauritians are demanding action against this malpractice, which prejudices not only sugar producers but also state revenues.
Peaceful election in Mozambique

By Paul Faivet
Star Foreign Service

Maputo - Mozambique's first local elections took place yesterday as the chief opposition party, Renamo, which is boycotting the elections, kept its promise not toorganise any street demonstrations against the polls.

Although the government had declared yesterday a public holiday in order to ensure a high turnout, it seems that many voters ignored the elections.

The police were out in force at the polling stations, but were hardly necessary. By late afternoon only three arrests had been reported - two of these were of polling station staff in Pemba who turned up at their posts drunk.

The third was of Miguel Mabola, leader of the tiny Labour Party, who was detained for tearing up enlarged sample ballot papers on display at a polling station.

A smiling President Joaquim Chissano, speaking to the press after voting in Maputo, had kind words to say about Renamo, the former rebel movement.

He said Renamo had behaved "democratically" in waging a peaceful campaign urging citizens to abstain from voting. He accepted it was Renamo's right to do so.

As for Renamo leader Afonso Dhlakama's threat not to recognise the election results, Chissano said he was entitled to do so, provided he kept "within the law".

The elections were marred by disorganisation. Many polling stations opened hours later than scheduled. In extreme cases the polling stations did not open until after lunch. The worst delays reported occurred in the capital.

One of the independent candidates for mayor of Maputo, Philippe Gaignaux, described the situation as "a disgrace". In some Maputo polling stations, the boxes containing ballot papers and other material arrived locked - and nobody knew where the keys were.
Chissango: Romances the France

Congo pins hopes on France

AFRICA N BUSINESS

Mozambique leader calls for French partnerships and debt relief

CHISSANGO ROMANCES THE FRANCE

Congo pins hopes on France

Paul Mvura

Chissango romances the France

Mozambique leader calls for French partnerships and debt relief
Cotton lifeline hangs by a thread in Mozambique

Mercedes Savages

Maputo — Along the dusty roads of Sofala province, the cotton harvest is in full swing. Early-planted crops fill homestead granaries and big wicker baskets full of cotton, dazzling white in the bright winter sun, wait by the roadside for a buyer.

Market stalls are well stocked by traders who have walked and cycled for two or three days to Malawi and Zimbabwe to buy goods. Expectation hangs in the air. Everyone is waiting for the cash.

Throughout Mozambique, some 230,000 families grow the crop. For most, it is their only cash income. Last year, a farmer with an average one-hectare yield of 800 kg earned $241. This year, he or she will earn less than $200.

This reflects a 23 percent drop in world prices, caused in part by reduced Asian demand and the entrance of China as an exporter of 300,000 tons of cotton. The price would have fallen further had the Mozambican government not intervened.

In May, merchants set the buying price at 3,500 meticais to the kilogramme, compared with last year's 3,300.

Cotton production is a success story in Mozambique. Each year the area planted increases. In 1997, it produced 74,000 tons, 90 percent of which was exported. This year the crop is expected to be 80,000 tons. It is still less than half it was before independence, but far more than the 5,000 tons produced in 1985.

Twelve companies have concessions to contract peasant growers, to whom they lend seeds and pesticides.

Besides being the main growing areas, Sofala, Cabo Delgado and Nampula provinces are a power base for opposition party Renamo. With municipal elections at the end of June, the government could ill afford discontent through low prices, so it fixed the price at 3,500 meticais. Merchants rejected the price.

"The government is fixing a political price that it cannot guarantee nor subsidise, and pretends the companies should bear these costs," read a statement. Digging their heels in, merchants refused to buy.

Negotiations followed. In the end, the government offered a reduction of the cotton levy and a preferential exchange rate, as well as paying this year's interest on loans held by merchants with the national bank. These measures brought down the difference between both prices down to 100 meticais a kilogramme.

As a way out, the governor of Sofala recently suggested that farmers plant more to make up for the low prices. But that means overburdening rural women and children while also exhausting the soil.

Increased productivity is a better response. In Nampula, peasants have yields of 300 kg a hectare. But in war-ravaged Sofala, with an average of 300 kg, yields are low. Poor soils combine with the loss of agricultural tradition and skills during the war.

Many peasants have resorted to using pesticides supplied by the local company, fearing it could be evil magic or lethal poison. The Companhia Nacional de Algodão, which has worked this area since colonial times, sent its men to explain the technology to fumos and mambos, the traditional chiefs.

This year, with the chiefs' approval, 21 farm extension advisers fanned through the district and its demonstration plots. A French technician reckons it will take three years of field work to achieve in Mamangué yields of 400 kg a hectare, the west African average — independent French service.
Cahora Bassa power to flow after 16 years

Robyn Chalmers

POWER will flow from Mozambique's Cahora Bassa dam to the southern African power grid for the first time in 16 years next month, under a new agreement between SA, Mozambique, and Portugal.

This follows a lengthy dispute between the countries after SA's electricity utility, Eskom, refused to pay to pressurize to pay substantially more for Cahora Bassa's power. Hidroelektrica de Cahora Bassa (HCB), the dam's operating company, hoped that the increased tariffs for Eskom would help pay for the project's estimated $3.2bn debt.

Eskom said the large tariff hike on the 26-kilowatt hour agreed to last year made little sense as "SA could produce its own power more cheaply. It also had surplus capacity. While the new tariff structure was not outlined at the weekend, the parties indicated that a compromise had been reached. The agreement covers only the period from August 1 this year to December 31, 1999.

"Due to the current instability of the financial markets, the agreement now reached should not prevail beyond 1999," said Eskom and HCB.

The deal was done by SA, Portuguese, and Mozambican delegations represented at the permanent joint commission on Cahora Bassa, which met last week and still has to be endorsed by the three countries' governments. SA will chair the commission's next meeting in August.

A spokesman for the commission, whose tariff review subcommittee negotiated the tariff structure, said the new arrangement coincided with the activation of high voltage lines from Mozambique's Songo to SA's Apollo substation.

Eskom's Allen Morgan said earlier that one of the main reasons for expanding the transmission grid into southern Africa was to exchange energy.

This ultimately would stimulate the development of hydro generation sites in Mozambique, Angola, and the Democratic Republic of Congo as well as the renewable and inexpensive power. Cahora Bassa's generating capacity of 2 000MW is all of which Eskom can contractually buy. However, the contract between HCB and Eskom and Mozambican electricity supplier EDM could acquire 200MW and it had been agreed that Zimbabwe could get 500MW out of Eskom's allocation.

Eskom therefore had access to 1 300MW of which 400MW was considered unreliable, so the parastatal could realistically expect to get about 900MW uninterrupted power.
Three states to approve new tariffs

Gates open on Cahora Bassa power

Johannesburg — Eskom, the power utility, had reached a landmark agreement with Hidroelétrica de Cahora Bassa to buy electricity once more from the R10 billion Mozambican hydro-electric power station after 18 years of delays, Eskom said at the weekend.

Peter Faling, a member of Eskom's negotiating team, said Eskom offered a "significant increase" from the original 28c a kilowatt-hour as part of a long-term framework of co-operation with the Mozambican partners.

The power is expected to flow into South Africa from August.

Faling would not discuss the tariff structure because it still had to be endorsed by the South African government through the Eskom Electricity Council and by the Mozambican and Portuguese governments.

The project hit several snags, including the recent marathon wrangle over Eskom's refusal to pay more than 28c a kilowatt-hour to finance the project's estimated R3.2 billion debt.

The Portuguese government, which shoulders the debt, had proposed a 100 percent increase to 4c a kilowatt-hour before the interim agreement.

Peter Adams, Eskom's media manager, said the permanent commission on Cahora Bassa had reached a "satisfactory" agreement on the tariff structure.

However, because of the instability of the financial markets, the agreement would not go beyond December 31, 1999, he said.

The parties confirmed that this will allow sufficient time to formulate the medium- and long-term arrangements to optimise the viability of the biggest Portuguese investment abroad and address the obligations and interest of the Mozambican partners," Adams said.

The agreement coincided with the activation of the high-voltage direct current lines from Songa, the Cahora Bassa substation, to Apollo in Kempton Park in South Africa.

Eskom, the second cheapest electricity producer in the world, had protested against an external source more than the estimated 28c a kilowatt-hour it cost to produce electricity locally.

It had opposed the tariff increase because of the approximately 3 000MW surplus of electricity, sufficient to meet the country's needs to 2005-

Faling said Eskom was prepared to pay more for the power as part of its long-term view of its energy supply needs.

"We might have surplus electricity now, but the situation will change in 10 years' time," he said.

That's what informed our approach to the negotiations.

Eskom, the only major buyer of Cahora Bassa power, is contracted to purchase 930MW. Mozambique would purchase 200MW, while Zimbabwe is already purchasing 460MW.

The interim agreement expires next December and has to be renegotiated by 2012.

The hydro power station was built during Portugal's rule of Mozambique. Mozambique owns 18 percent of the station.

Power from the dam to South Africa dried up in the early 1980s after sabotage of the power line in the country's civil war, which ended in 1992.
South Africa and Mozambique work together at new aluminium smelter

South Africa and Mozambique have joined forces to build a new aluminium smelter in Mozambique. The project, with an estimated cost of R1.25 billion, is expected to be completed within three years, with an initial output of about 300,000 tons of aluminium per year. It will use 500,000 tons of bauxite, supplied by an Australian company, and 200,000 tons of power from Mozambique. The new smelter will have a production capacity of 900,000 tons of aluminium per year.
Eskom deal will help keep costs down

Robyn Chalmers

ESKOM has bought hydro power from Mozambique's Cahora Bassa at a "very competitive rate" that would help SA maintain its position of having among the lowest electricity costs in the world, industry sources said yesterday.

The actual tariff has not been revealed, but is believed to be substantially lower than local selling prices. This, together with an expected drop in SA demand due to reduced economic growth, as well as existing overcapacity and mothballed plants, means Eskom can further delay investing huge sums in new power stations. The overcapacity also gives Eskom more negotiating power.

The SA, Mozambican and Portuguese governments must still endorse a recent agreement allowing power to flow from the Cahora Bassa Dam to the southern African power grid for the first time in 16 years from next month.

SA's position as a low-cost electricity producer, second only to Australia, has been threatened by steep rises in electricity costs in the past two years, particularly for business consumers.

Eskom initially said it had agreed to a "significant tariff hike" to secure future supplies of power from Cahora Bassa. This followed a lengthy dispute where Eskom was under pressure to pay up to 4c a kilowatt hour for power, compared with the 2c agreed on last year. Hydroelectrica de Cahora Bassa (HCB), the dam's operating company, hoped higher tariffs would help pay for the project's estimated $3.2bn debt.

However, Mark Davis, an analyst at the Energy and Development Research Centre, said Eskom's average local selling price last year was 11.8c a kilowatt hour.

Davis said Eskom's short-run marginal costs were close to its coal costs, which were less than 2c a kilowatt hour. "From Eskom's point of view, HCB has to compete with this and so offer a very low tariff," he said.

In the longer term, when Eskom's total power production capacity was used to the full, new production would be more expensive than present average costs. "From this point of view, Eskom has a strategic incentive to contract power from HCB at anything less than the existing average cost."

National Electricity Regulator CEO Magate Sekonya said yesterday the agreement would not adversely affect SA's relative position as a low-cost power provider. Another benefit of buying hydro power was that it would help safeguard SA's finite coal reserves while diversifying fuel types and power station types.
Mozal blessed by govt and people

Hilary Joffe

This week’s formal foundation laying ceremony for Mozal, the new $1.3bn aluminium smelter under construction outside Maputo, was really the second gathering to mark the event.

It followed a large party on site last week, at which local people gave the project their blessing and called on ancestors to help Mozal.

At this week’s formal ceremony, Mozambican Prime Minister Fábio Mocumbi pledged that his government would offer all the support needed for the project to be completed on time, “so that Mozal can become the powerhouse for attracting other similar or even larger projects.”

The government hoped small and medium-sized Mozambican companies would emerge to provide services to Mozal, in the process learning new technologies and work methods.

The project, the largest single private investment in Mozambique, is expected to employ 4,000 during peak construction and will provide 900 permanent jobs.

Officials said at full capacity, Mozal’s output could double Mozambique’s export receipts.

Not surprisingly, then, that the government has assented with tax breaks and competitive power tariffs. Such tariffs will link Mozal’s electricity tariff to the (London Metals Exchange) aluminium price through formulas similar to those used to price power for SA commodities producers such as Billiton-owned Alusaf, whose successful Hillside smelter at Richards Bay is the model on which Mozal is based.

Billiton will be the largest shareholder in Mozal with 47%, while Japan’s Mitsubishi will hold 25% and the Industrial Development Corporation, making its first major investment outside SA, will hold 22%.

The Mozambican government will hold preference shares worth $20m.

Billiton chairman Brian Gilbertson said that once Mozal was commissioned early in 2001, it would become part of a Mozambique-KwaZulu-Natal “aluminium belt” which, with total output of more than 900,000 tons a year, would account for almost 5% of the world’s total aluminium production.

He said Mozal and Alusaf’s Hillside and Bayside smelters would together generate annual revenues of $1.4bn.
Rubin applauds Maputo's reforms

From AFP

Maputo - Robert Rubin, the US treasury secretary, on a one-
day visit to Mozambique, said yesterday Washington and US
investors were encouraged by the nation's economic reforms.
Rubin said his visit reinforced the positive conclusions of a recent meeting in Wash-
ington which analysed investment opportunities in Africa.

"There was an enormous respect for the Mozambican
economic reform programme among chief executive officers of some of the US's largest
companies who attended the meeting, and almost all of them are thinking about some sort of
project in Mozambique."

Two big US companies, Enron and Atlantic Richfield, are already operating in Moz-
ambique. Both are involved in gas exploration.

Rubin expected US investor confidence in Mozambique to increase when "we go back to
the US with the content of discussions we've had here", as Mozambique was succeeding in
establishing conditions attractive to foreign investors.

Rubin was speaking after meetings with Pascoal Mocumbi, the prime minister,
and Tomas Salomao, the planning and finance minister.

Salomao said the presence of a US treasury secretary in Mozambique was in itself an
important indicator that it was worth investing in the country.
No easy birth for Mozambique's stock exchange

A combination of lack of awareness and poor communication systems in the country is also likely to restrict trading for some time to major centres such as Maputo.

The lack of expertise in areas such as listing will also be filled temporarily by the exchange itself. The installing committee has secured the services of a Wall Street professional, Tomas Sales, who, apart from carrying out market analysis, will assist listing candidates to prepare prospectuses and other administrative requirements.

Last but not least, the exchange will have to offer good returns to attract investors. With banks offering interest rates of more than 5 percentage points above the inflation rate on time deposits and little prospects of capital appreciation in the first years, the exchange will have to rely on long-term institutional investors who can afford to live off dividends for a while.

Last year, Nurnamade pointed out that the establishment of a stock exchange was a logical consequence of the improved macroeconomic environment, the need to capitalise on the financial needs of mega projects, the increase in foreign investment and the government's privatisation programme.

Evidently, between this hypothetically favourable climate and the actual launch of the country's first stock exchange lurk a multitude of pitfalls — Independent Foreign Service
MOZAMBIQUE  Raising farmers' profits brews a storm in a cashew nut shell

Irony as World Bank is slammed by industry for siding with producers

PETER FABRICUS

Maputo—Cashew nuts and growers are the most familiar of Mozambique's products and its two largest earners of foreign exchange, so any changes in policy on these products are likely to touch important interests.

The World Bank has discovered that fact as it tries to help the government liberalise the industry by phasing out a protectionist export tax on raw cashews.

Mozambique's vociferous daily fax journals accuse the World Bank of trying to destroy the local cashew nut processing industry.

The reality, the World Bank insists, is almost precisely the reverse: it says it has intervened to advance the interests of the mostly small, poor cashew farmers against the protected interests of the country's rather well-off cashew processors.

The cashew nut processing factories were nationalised by the former Frelimo government after it took over the country in 1975. Exports of cashews were forbidden to protect the local processors, who bought all the nuts at controlled prices.

When the government began to liberalise the economy at the start of this decade, the cashew processing plants were privatised.

But to discourage farmers from selling the nuts abroad for higher prices and thus protect the supply to local processors at lower prices, the government imposed a tax on the export of cashews, nominally between 25 to 30 percent but effectively around 40 percent, said Phyllis Pomerantz, the World Bank's country director for Mozambique.

The bank recommended that the export tax be phased out over five years to raise the revenues of cashew nut farmers, Pomerantz said last week.

She added that the bank would have preferred the tax to be abolished, to significantly increase farmers' revenue and make a substantial dent in rural poverty, because 90 percent of cashew nuts are grown by small farmers on a few hectares.

But when the government accepted the recommendation and dropped the tax to 20 percent in mid-1995, the local processors complained bitterly.

When it was further lowered to 14 percent a year later, "outright war" broke out, Pomerantz said. The government froze the phase-out at that point.

The processors are still vociferously campaigning to have the tax raised again. As some of them contribute to the ruling party's election coffers, they have a good chance of winning.

They claimed recently that, apart from forcing the closure of many local cashew nut processing factories and the loss of workers' jobs, the tax liberalisation measures had failed even in their primary purpose of raising the cashew nut price to producers.

The fax journal Metical claimed the producer price had actually dropped since the tax had dropped.

The argument is that the only market for the Mozambique cashew nut is Indian processors, who have effectively formed a cartel to lower product prices.

Pomerantz said the processors' case was simply not true. Some factories had closed, but more new ones had opened.

A study conducted by Deloitte & Touche, the international accounting firm, said although six factories had closed between 1995, when the tax was lowered, and 1997, new ones had opened.

The net number of factories had increased from 12 to 16.

The study also said that although some workers had lost jobs when factories closed, there had also been a net gain of 6,770 were employed in 1985 and 10,000 in 1997.

Pomerantz also rejected the contention that the producer price had dropped.

The Deloitte & Touche study found that the average farm price in 1994, before reforms started, had been $186 a ton, representing 28.7 percent of the ruling world (export) price.

In 1995, after the export tax had been lowered to 20 percent, this increased to $180 a ton, or 50.4 percent of the world price. In 1997, the price was $189 a ton, or 49 percent of the world price. So reducing taxes has helped small farmers, Pomerantz insisted.

She said it was extremely ironic that the bank was cast as a big international bully when in fact it was trying to help the small farmer against the bigger local processors — Independent Foreign Service.
SA to write-off part of Moz debt

SOUTH AFRICA has agreed to write off a big portion of Mozambique's debt. Finance Minister Trevor Manuel said in Parliament that although final details have still to be worked out, the announcement is a prelude to SA's intentions to reduce Mozambique's debt to R43.5 million from R28.5 million.

According to Manuel, the department of finance is busy with details of the deal.

Currently it can be deduced that Mozambique is indebted to SA for R40.1 million which was loaned to it by the Reserve Bank on September 13, 1989.

Earlier the Foreign Affairs Department lent Mozambique R8.4 million for the renovation of the Maputo harbour.

South Africa is involved in a move to persuade the International Monetary Fund and the World Bank to reduce the debt of the more than 100 poor countries by up to 83 percent. Mozambique is the only country in the southern African region whose debt the two banks had agreed to reduce.

This is part of a so-called Paris Club initiative for the poorest countries with the highest debt. SA subscribes to this initiative and will do its part to help Mozambique.

The next step is for South Africa to hold talks with the directorates of IMF and World Bank, where specifics would be thrashed out.

Manuel said although SA endorsed this initiative, the move was still subject to the cabinet's approval.

The prevailing standpoint in government circles was that SA had a moral obligation to give aid to Mozambique, especially in view of how the previous apartheid regime destabilised the country, leading to its economic crisis.

Mozambique's total international debt is estimated at R34 million. So far R14.5 million has been written off. See Page 2.
Mozambique's future hinges on road network

Claire Pickard-Cambridge

MOZAMBIQUE's road programme is progressing well, with close to 10 000km reopened or rehabilitated in the past few years, says World Bank country director Phyllis Pomerantz.

Pomerantz, who is also the bank's director for Zambia, believes Mozambique's "future will be won or lost" on its ability to integrate the provinces through an effective transport system. It is hoped that a road all the way from north to south will be completed by the end of next year, overcoming a tradition which focused on moving raw materials through the corridors to the sea.

The bank and several donors are involved in the road financing programme and also offer technical advice and supervision.

Several SA companies are engaged in the programme, including Murray & Roberts, which is building 13 bridges financed with Japanese grant aid, and LTA, which is involved in the reconstruction of part of the main road network and airports.

Pomerantz said an independent valuation of the roads programme had found it had been managed well by government. A lot had also been spent on training road engineers because government and the bank were "determined not to rehabilitate 1km of road that cannot be maintained".

A fuel and diesel user charge was now being levied to finance road maintenance and a good deal had been invested in developing the local contracting industry.

Reactions to concerns that rehabilitation of Maputo's port was moving too slowly, she said complex negotiations had been conducted with private companies to tackle different sections, and the state-owned ports and railways authority CMAI was almost finished granting concessions. "Even so that about 1-million cashew farmers and family members could obtain better prices on the international market. In the years that followed, several processing factories closed — even though the government placed a surtax on the export of raw cashews — allegedly because there was not a guaranteed supply of nuts.

Pomerantz said that contrary to claims that the industry was destroyed, a recent study had shown that while some cashew factories closed, new ones opened and that the number had increased from 12 to 16. About 10 000 factory workers were employed last year against only 6 770 when the liberalisation policy began in 1995.

While the bank still believed further liberalisation was needed, it accepted government's tariff of 14% on raw cashew exports to protect local processors because it understood that government was trying to balance different interests in society, she said.

Farmers were receiving far more for their nuts and she rejected claims that Indian traders were colluding to take excessive profits.

Problems in the industry were also attributable to the need for new trees, better husbandry of trees, and improved marketing and factory processing techniques. The bank was financing a pilot project to modernise the industry, which would include financing innovation and developing a new marketing strategy.

Turning to Zambia, Pomerantz said government's failure thus far to sell the key mines in the Zambia Consolidated Copper Mines stable had serious ramifications for the economy and the businesses which stood to benefit from a revitalised copper industry.

Foreign exchange reserves were running low in Zambia, and the bank believed it could not let another year or two pass before it sold the mines.
Mozambique poll mired in controversy

When Mozambique's ruling party

in some countries that the leader has

in power over more people gather them

by selecting parties to boost their popularity.

from the election. 

in 1995, the two parties agreed to

the Southern African Development Council

in the African Union's High-Level Committee

in the case of the African National Congress

in the African Union's High-Level Committee

in the case of the African National Congress

in the case of the African National Congress

in the case of the African National Congress
Mozambique seeks firms to unite and exploit coal deposits

MAPUTO — The Mozambican government is encouraging international firms interested in developing coal mining in the northwest of the country to form a consortium, says a top official.

Artemio Mabote, national director of coal and hydrocarbons, said a growing number of companies were expressing interest in developing coal mining at Montaze, in Tete province.

The government was pushing for them to form a consortium, given the size of the undertaking, which includes restoring essential infrastructure such as the 600km Sena railway line from the coal fields to the central port of Tete, he said, and building a larger coal terminal.

Mabote said it was a "chicken and egg" situation. "You cannot export coal without the Sena railway."

The railway, which has a spur going over the border into Malawi, was blown up by Renamo rebels during the 18-year civil war that ended in 1992. It has been estimated it will cost $300m to rehabilitate.

Total investment requirements for the project as a whole have been put at $1bn.

Mabote said SA's Johannesburg Consolidated Investments (JCI) and Austral Coal from Australia, which already hold exploration licences, have been charged with coordinating the initiative. Samples from one section have been taken and sent for examination to Japan and Brazil.

Other interested companies include GC Gold Mining and Inogwe, both from SA, and Brazil's Companhia do Vale do Rio Doce.

Mabote said the coal would be used also to generate electricity at a 1,000MW power station that is projected.

He said the government believed that the whole of the Zambezi river basin had potential reserves of high quality coal.

So far coal was being mined at the Montaze area, near Tete town.

Mining stopped after the destruction of the railway and the state-owned coal company, Carbomoc, was left with large quantities of coal in stock, which is still lying on the mine's surface.

Mabote said government studies had indicated that the Montaze area had a good reserve, with about 60% of its coal being first class. Other areas north of the Zambezi river have been investigated and good reserves of coal have been found.

Exploration of the area south of the river, known as the Luma and Metangua Rift, has confirmed that there are other interesting coal reserves.

—Sapa-AFP
Mozal ties up harbour deal

MOZAL, the new aluminium smelter in Mozambique in which Bilbton has a 47% interest, said yesterday it had concluded successfully an agreement with Portos e Caminhos de Ferro de Mozambique (CFM), enabling Mozal to develop and operate a dedicated berth and other port terminal facilities at Matola, the port of Maputo.

Bilbton said $14m for the berth’s construction was included in the total project cost of $1.3bn.

Thus represents the first stage of the re-development of Matola and is in line with CFM’s plan to create an “industrial port” serving Mozambique and the Maputo Corridor (APC). Meanwhile, the International Monetary Fund has approved a $35m soft-loan outlay to Mozambique to be released in instalments starting on September 1. — Sapa, Dow Jones
Mozal to develop own port facilities

Durban — Bilton, the resources group based in London, said yesterday it had concluded an agreement with CFM, the Mozambican port and rail authority. The deal will enable Mozal, the $1.3 billion aluminium smelter, to develop and operate its own port terminal and berth facilities at Matola, a section of the port in Maputo.

Bilton has a 47 percent interest in Mozal, which is under construction near Maputo.

Rob Barbour, the chairman of Mozal, said the total $70 million cost of the new facilities included $14 million for the new berth.

This construction represents the first stage of the redevelopment of Matola.

Barbour said it was in line with CFM’s plan to create an “industrial port” which would serve both Mozambique and the Maputo Corridor linking Gauteng province and Mozambique.

Dave de Wet, the executive director of terminals at Grindrod, said negotiations regarding the port and rail concessions in Maputo were still under way. A decision was expected soon.

Grindrod is the land-based operations subsidiary of Grimon, the shipping and transport group based in Durban.

Grindrod forms part of an international consortium that is the preferred bidder for the R300 million redevelopment and operation of the Maputo port.

The majority shareholder is Morsey Docks and Harbour. The other leading shareholders are Skanska, the Swedish construction company, Lusco, the Portuguese terminal operators; and Mozambique Gestao, the management consultancy.

The preferred bidder for the rail concession into South Africa is a consortium led by Spoornet, the state-owned railway operator.

Consorcia 2000, a Portuguese-led consortium, is the preferred bidder for other sections of the railway.

CFM said the ownership of the Matola, berth and marine infrastructure would eventually revert to CFM on agreed commercial terms.

The authority added that it was contracted by Mozal for quayside cargo handling. CFM would be responsible for dredging and all usual port authority activities.

Barbour said co-ordination of the improvements was required to ensure the port’s availability to the Mozal smelter.

This was particularly important to meeting target dates for the initial shipments of petcoke and alumina, which would be required for the smelter’s commissioning, he said.
MOZAMBIQUE South African companies lay hands on leading concessions

Corridor pumps investment to Maputo

Johannesburg—The highway that leads from Maputo to Johannesburg is like an artery from Gauteng pumping blood into Mozambique’s economy. Together with the railway line, the conduit is known as the Maputo Development Corridor (MDC), linking southern Africa’s most powerful industrial centre to the poorest country in the world.

But the port of Maputo, once ground by civil war, is chugging cargo in and out at the rate of 3 million tons a year. Projections are that it will be handling 15 million tons in three years.

The MDC is one of the most advanced international development corridors in Africa and an example of the type of regional partnership possible.

Gauteng is a tiny 18,000km² area controlling 40 percent of South Africa’s gross domestic product (GDP), a figure higher than the combined GDPs of the rest of southern Africa. Mozambique is one of the world’s fastest growth areas, with above 10 percent a year.

The corridor is driven by a process that grants concessions. Already South African companies have rushed in to grab concessions to operate the port and just about everything else.

Mozambicans are conspicuous by their absence.

Says Dave Arkwright of the Maputo Development Corridor Company: “Mozambicans are concessioning their prime infrastructure, their lifeline, to private developers. There are voices of dissension.”

Investments into the MDC total US$2.3 billion, employing 20,000 people. Mozambique’s GDP is about $1.3 billion.

Mozambique is touted by the World Bank as a success story. It made the transition from war to peace, elections, reform and growth. It reduced inflation from 70 percent in 1994 to about 17 percent two years later. More than 700 companies have been privatized.

A proposed $2 billion iron and steel project is expected to boost Mozambique’s GDP by 8 percent. The investment will bring in South Africa’s Industrial Development Corporation and the US’s Enron.

Mozal is the biggest single investment in Mozambique since the war ended. When in operation, the $1.2 billion smelter will double the country’s current export value.

Says Peter Cowie, Mozal’s project manager, “It’s not about making aluminium; it’s about building a country and southern African integration.”

— Sapa-IPS
**IDC gets nod for Maputo steel plant**

Rafael Bie

Maputo — The government has given the go-ahead to an iron and steel project proposed by US Enron and South Africa's Industrial Development Corporation (IDC), but it has attached a series of recommendations such as the need to find sustainable sources of water for consumption by the new plant.

Agostinho Zacarias, an Enron official, said Enron and the IDC were told there was insufficient water in the Umbeluzi river to which the Maputo iron and steel plant expected to help itself.

The project's options were to source water directly from a weir on the Umbeluzi or to become a customer of Agua de Maputo, the Maputo water utility.

The plant's water demand — an estimated 57 million litres a day — could impact on the future supply of domestic, agricultural and industrial water to Maputo and the Lowndes of the Piquenos Llobombo reservoir and Umbeluzi river.

Agua de Maputo supplies 95 percent of Maputo's water requirements from the reservoir, which forms part of the river. Demand at the utility, without new projects such as the Mozal aluminum smelter and the iron and steel plant, is projected to increase substantially by the year 2008.

The IDC/Enron project, which initially contemplated the production of direct-reduced iron based on the supply of gas from Pande field, 60km north of Maputo, was taken a step further in September last year to manufacture steel slabs by electric furnaces.

Zacarias could not say when construction of the estimated $2.5 billion facility would start. He said there remained a lot to be done, including meeting the government's recommendations, discussing the implementation project approval as well as the financial agreements, which could take up to 18 months.

The plant will use magnetite ore stockpiled at Phalaborwa in South Africa, which is to be brought to Maputo either by a slurry pipeline or by rail, or hematite from Sishen in the Northern Cape province.

The project approved by the government advocates the slurry pipeline option, but this has been criticised by some environmentalists. They fear that possible spills could have a negative impact on both land and river habitats as the pipeline would cross several rivers.

The pipeline option has also prompted intense controversy in South Africa. The South African National Parks have refused to allow the slurry pipeline to pass through the Kruger National Park. Zacarias said the pipeline would now go around the park.

A senior government official said Enron and IDC were urged to look at bringing the iron ore by rail as it would generate greater economic benefits. Spoor, the rail arm of parastatal Transnet, has apparently made a proposal to transport magnetite ore to Maputo.

The project developers have yet to indicate a firm site for the iron and steel plant. Zacarias said the plant could be built in Matola, the main industrial city adjoining the capital Maputo, or at the Belo Monte Industrial Free Zone, 15km west of Maputo, where the Mozal plant is being built.

Up to 7,000 people would be employed during construction of the plant, and some 1,000 permanent jobs would be created.
IDC and Maputo clinch steel deal

JONATHAN ROSENTHAL

Johannesburg — The Industrial Development Corporation (IDC) had signed an agreement with the government of Mozambique to facilitate the construction of a 3.5 million ton-a-year steel plant at Maputo, the IDC said yesterday.

Reuters reports that the plant, to be developed by the IDC and Enron, the US-based energy multinational, will cost $2 billion. Enron said $1.2 billion would be financed in debt and that Japanese or European investors would be sought for $400 million in equity finance. Enron and the IDC would invest $200 million each.

The project would use gas from the Pande gas field, being developed by Enron, and magnetite iron ore from Phalaborwa to produce steel slab for export through the port of Maputo.

Plant construction could begin in early 2003, with commercial operations to start in 2003.

"This (agreement) confirms the Mozambican government’s support for the project and establishes the basis upon which the government will approve and assist in the implementation of the Maputo iron and steel project," the IDC said.

The agreement also seems to cement Enron’s rights to the Pande gas field.

Enron has failed to meet certain development milestones specified in its licence because it has lacked an anchor client with a guaranteed consumption of the field’s gas.

The delays had led to speculation that Enron could lose its licence. The IDC said a 610km pipeline would carry Pande gas to Maputo.
Mozambique’s rebirth rides on a new trade highway

JAMES RADEBE

Maputo - A buzz of activity around the port of Maputo expresses the hope of a nation healing the wounds of a protracted civil war.

In its heyday, more than 14 million tons of cargo passed through this port. Now only 5 million tons come through testimony to the 17-year civil war that hampered Mozambique’s trade with the region and crippled its economy.

"Since the end of the war cargo has gradually increased in the port," says Jabilo Aly Agz, a port official. "Business has also been assisted by the privatization of different sections of the port authority."

The country’s economy collapsed during the civil war in the 1970s and 1980s. Economic output declined by an average rate of 3.5 percent a year between 1981 and 1986.

Now the government of President Joaquim Chissano, with its heart set on a five-year liberalization programme started in 1995, has privatized most state assets more than 700 million have been auctioned off.

Maputo is conveniently located at the end of a 440km corridor that winds across South Africa from Gauteng.

The Maputo Development Corridor (MDC) has brought new life to Mozambique’s economy, with the possibility of 160 projects totalling $7 billion undertaken on both sides of the border.

"If we are serious about regional economic integration, this is our chance," says Dave Arkwright of the MDC company. "Mozambique has sharpened up as part of the corridor very much like an export processing zone, giving very attractive investments.

"This has seen it capturing manufacturing companies from Gauteng. The notion is that we want industry and business to locate where they want to be."

Under Mozambique’s concept of an industrial free zone (IFZ), construction materials, machinery and equipment enjoy full exemption of customs, import or export duties. IFZ enterprises are exempt from tax on dividends for 10 years.

Mozal, a $1.5 billion aluminium smelter project, has set up shop in Maputo. The biggest single investment Mozambique has captured since the elections in 1994.

Mercosure Docks and Harbour Company is the preferred bidder to dredge, manage, maintain and operate Maputo port at an estimated cost of $85 million.

In addition to new investments, the port of Maputo is increasingly enabling the movement of the imports and exports of Botswana, South Africa, Swaziland and Zimbabwe.

Coal, ferroalloys, sugar, citrus and timber show the most marked increase.

Work on the construction, operation and maintenance of the Maputo Corridor toll road has already begun. It will cost $250 million and is being carried out solely by the private sector.

"Any proposals that are put forward by the private sector will be taken seriously," pledges Chissano.

"We are of the view that if the obstacles are removed that have historically prevented the resources in this territory from being properly utilised, we will be able to create a base for an integrated economic zone for vibrant new industries."

The Maputo harbour concession will involve upgrading, managing, organising and maintaining the port facilities.

The contract for the railway line will most probably go to a consortium made up of South Africa’s Spoornet and Consorcio in 2000, a Portuguese firm Railways, lines to South Africa, Swaziland and Zimbabwe will be rehabilitated.

Increased freight and passenger flows through the Komatipoort border post are outstripping the capacity of existing infrastructure. A single one-stop border post will cost $90 million and take three years to complete, but financing mechanisms are still to be worked out.

Indications are that Mozambique will benefit from a series of huge secondary investments closely related to the MDC.

For example, a proposed $2 billion iron and steel project is set to boost the country’s gross domestic product (GDP) by 8 percent.

What appears clear is the dominant role played by South African financial, industrial and energy companies, leading to a significant flow of South African capital into Mozambique.

"Mozambique is well on the road to political recovery," says Mozal, a consortium of British, Japanese and South African companies.

"The government now needs investment to kickstart economic development and ensure peace and stability."

However, Mozal also notes that Mozambique suffers from weak institutional capacity, poor infrastructure, unavailability of simple services and a high level of bureaucracy.

The World Bank nevertheless considers its success story and describes it as one of the few countries succeeding in the transition from war to peace, to elections, reform and growth.

Mozambique’s GDP of $1.5 billion is growing at more than 10 percent a year. The country, however, still has to shake off its dependence on aid, which constitutes more than 60 percent of its budget — independent foreign service/Africa Information Africa.
Mozambique 'gets criminal excess'

Jonny Steinberg

LARGE-scale social trauma and a weak state made Mozambique a popular destination for organised crime, and criminal activity there usually spilled over the SA border, Mozambique's attorney-general Antonio Namburete said yesterday.

Organised crime was drawn to Mozambique because the country did not have the technical and financial capacity to fight sophisticated crime, he said.

"We have a serious problem tracking down people whose only presence in our country is indirect and underground. Our operations are simply not sophisticated enough."

Mozambique was an attractive transit country for contraband trade, Namburete said.

About 200 tons of hashish had entered Mozambique this decade in small boats along the country's expansive coast line.

"In Mozambique the hashish is canned in cashew nut or tea containers and re-exported to the great markets of consumption in Europe and America."

Southern Africa's contraband markets seldom obeyed national boundaries. Mozambique was a captive market to stolen SA motor vehicles, as SA was the only motor vehicle manufacturer in the region.

SA, in turn, was a lucrative market for Mozambique's massive reserves of automatic weapons.

Mozambican officials recently traced a large currency counterfeiting organisation operating in Maputo across the SA border.

The forged currency entered Mozambique through the Ressano Garcia border post with SA. Mozambican residents were then employed to trade with the fake currency in the banking and commercial circuit.

Organised crime fighting had to take on a regional dimension, Namburete said.

"Hijacking in SA is intimately connected to illegal car sales in Mozambique. They must be cracked together."
**R35bn investment in Maputo**

Robyn Chalmers

MORE than R35bn worth of investment is planned or under way in infrastructure, tourism and the industrial sector in SA and Mozambique, largely as a result of the Maputo Development Corridor.

Transport Minister Mac Maharaj said in Maputo yesterday the corridor had shown how infrastructure spending could lever investments into various economic sectors. Government's role was to market projects and to create the necessary strategic and regulatory mechanisms.

Maharaj said that within two years, the R7.5bn Mozal aluminium smelter would be a reality.

At the outset, the Mozal project was dependent on a supply of energy and raw materials.

Thus had created the lever for a R100m investment in the Maputo Harbour to handle 36 000-ton vessels while Eskom and Mozambique's electricity utility EDM forged a joint deal to supply the smelter with electricity at favourable rates.

"Economists are already predicting that this project alone will double Mozambique's gross domestic product. The construction phase of Mozal will also give a boost to our construction industry as 60% of the capital expenditure will be in SA."

The Mozambique government recently signed an agreement with the Industrial Development Corporation to build a R13bn iron and steel plant in Maputo. This, together with Mozal, would create about 13 600 direct jobs.

The key infrastructure project on the corridor is a 120km road between Witbank and Maputo which is a build, operate and transfer scheme on a 30-year concession. It will ultimately be worth more than R3bn.

In terms of harbour and rail projects, Maharaj said the Mozambican government was opening the way for private sector participation.

A support programme for the Maputo Development Corridor would be set up, involving national and provincial governments, local authorities, the private sector and other key stakeholders, Maharaj said.
Mozambique charts way ahead

Bernard Simon

MAPUTO — Mozambique and its foreign donors will seek to map out the future direction of the country’s economic and social development at the annual meeting of their consultative group starting today in the capital city.

It is expected that the meeting will underline Mozambique’s impressive progress over the past few years, including real gross domestic product (GDP) growth of 12.4% in 1997, the highest of any African country, and an inflation rate now running at virtually zero. “Mozambique right now is an island of good news in many ways,” says Phyllis Pomerantz, the World Bank’s country director.

But the Mozambican government, and the donors themselves hold increasingly divergent views on a number of issues, as the country’s development priorities shift from short-term stabilization in the wake of the post-independence civil war to longer-term strategies.

One United Nations aid official said the points of disagreement included proposals to use aid to bolster civil servants’ salaries, and to use funds made available by recent debt relief for extra spending on health, education and water services.

The divergence of views in part reflects the Mozambicans’ growing assertiveness in the wake of the successes of the past four years. One senior government official said yesterday that Mozambique could no longer be compared to a critically ill patient who was admitted to a hospital and had no choice but to take the doctor’s orders. “The relationship is one of dialogue,” he said.

Today’s meeting is expected to confirm that Mozambique’s external financing needs in the coming year will be fully covered by foreign aid. Official grants totalled $355m in 1997, with another $176m in official loans. Figures for this year have not been finalized, but the World Bank expects that the...
Pioneering farm project to get R2.5m in SA funding

FEARS that a pioneering project involving SA and local farmers in Mozambique could be in jeopardy have been allayed by news that they will receive funding for the season.

This follows reports that 21 farmers at a development project in the northern Niassa province were in trouble because they could not get loans for the next planting season, and because SDM — the joint venture management company formed by the SA Chamber for Agricultural Development in Africa (Sacada) and the Mozambique government — was undercapitalised.

It is understood that the remaining R2.5m of R15m originally granted by the SA government for the project will be released to the farmers. The money is channelled from foreign affairs via the Development Bank of Southern Africa. It was held up by a dispute over whether the balance should be used for farmers’ loans or to recapitalise SDM.

Development bank executive director Ian Goldin said yesterday a project team from the bank had visited the farmers in Niassa and believed they were viable. The bank’s auditors had been through the operation’s books and given it a “clean bill of health.”

The bank’s assessment could also help the farmers secure future funding they will need from other parties.

Sacada, established with African National Congress (ANC) backing in 1995 to help stimulate the regional economy, resettled about 15 SA farmers in Mozambique last year. They are export-orientated and each employs about 100 people.

Sacada president Dries Bruwer said yesterday he had met Mozambican Prime Minister Pascoal Mucumbu recently to discuss the Mozambique government’s allocation of about R2.7m to the joint management company, SDM. Mucumbu had indicated this money would be released to the farmers on condition that SDM was restructured to provide more efficient management.

Sacada says banks are wary of granting farmers’ loans to an organisation which has ANC and Freedom Front leaders on its board of governors.

“This is one of the reasons why Sacada has been unable to raise finance on the normal financial markets,” Sacada vice-president Johann Wingard said.

To address this, Sacada would restructure its board of governors to represent private sector organisations.
Mozambique gets ready to gamble on stock exchange

Bernard Simon

MAPUTO — Jesus Nurumamade is unfazed by the irony of sharing an office with the inspectorate of casinos and lotteries as he presses ahead with plans to set up the Mozambique stock exchange.

The casino inspectors are due to move out of the offices on the fifth floor of Maputo's tallest building within the next week or two, opening up space for the computers and other equipment waiting to be shipped to Maputo from the Lisbon stock exchange.

Nurumamade, the president of the Comissao Instaladora da Bolsa de Valores de Mozambique, is optimistic that trading will start by the end of the year. Regulations setting up the exchange were submitted to the cabinet three weeks ago.

Some outsiders, however, are sceptical about the timing and the success of the venture. The opening of the exchange has been delayed several times since April. According to one consultant in Maputo, "the public here doesn't know what a stock exchange is — it's a very immature market."

The commission has so far identified about 15 private sector companies that would qualify for a listing, including Mozambique's biggest brewery, cement producer, and a number of banks and insurance companies. Supporters predict the new exchange could play an important role in generating venture capital for some of Mozambique's hundreds of newly privatised companies.

The exchange is wooing SA companies and institutional investors. "It could provide a good platform for SA companies with interests in Mozambique to raise local currency," says the commission's adviser, Tomas Sales.

A number of incentives are being planned both for investors and listed companies. For instance, Nurumamade says listed companies will qualify for lower corporate taxes.

The exchange also plans to list $50m face value of Mozambique government bonds. Nurumamade predicts liquidity will improve significantly next year with the government issuing another $200m of marketable bonds.

Seven local commercial and investment banks will act as the exchange's first brokers and dealers. For the time being, these institutions will conduct their brokerage business as a department within the bank. Nurumamade says that in time they may be required to set up separate subsidiaries.

Mozambique is unlikely to take part in moves to integrate southern Africa's markets into a single regional stock exchange. Nurumamade and Sales say they have nothing against regional integration, but their first priority is to get their own market off the ground.
Mozambique, one of the world's poorest countries, enjoyed a double-digit growth rate last year. But at least half of its GDP is made up of donor funds and poverty remains a pressing issue.

**Chissano's vision for growth**

(2/8) 
Rumuten 29/9/98

By Sharon Chetty

Last week the government of President Joaquim Chissano earned a pat on the back from donors who lauded Mozambique's rapid economic growth and recommitted themselves to more aid.

But while the pace of change in the war-torn country is evident – especially in Maputo where there is much reconstruction going on – poverty is still a problem. And Mozambique remains one of the world's poorest nations.

Thus maintaining political stability while dealing with basic social requirements like education, remains a priority, said Chissano in an interview.

Education "entails all other components", he said. "You cannot have education without food and water there cannot be rural development without education."

As his government prepares for another election next year, the alleviation of poverty is high on the agenda, he said.

At present half the gross domestic product is made up of aid money but Chissano said they hoped to become less dependent on aid by making a macroeconomic strategy work.

The aim is to raise exports rather than imports, develop more capacity for goods to be produced locally and ensure that revenue is collected from taxes and customs, he said.

Despite a 12.4 percent economic growth in the past year, making Mozambique the fastest-growing country on the continent, much still has to be done to translate this into real change for ordinary people.

Official figures put illiteracy among adults (those 15 years and older) at around 40 percent but the private sector estimates 80 to 90 percent of the population as being illiterate.

Life expectancy at birth is a mere 47 years and 134 out of every 1,000 children born, die as infants.

Chissano maintained that every year there is less and less dependency on aid but his government may "not get rid of it before 2007 to 2010."

A programme to have Mozambique's external debt restructured – under the Highly Indebted Poor Countries Initiative (HIPC) - so that accumulated arrears are not paid, will help release money for the government to use in social services like providing water, health projects and rural development.

All the land is state-owned and selling off land is not on the agenda, Chissano said.

"We think this way of doing things is good as it is of benefit to everyone and avoids social tension," he said.

Too few Mozambicans could afford to buy land, thus the property would fall into the hands of foreigners who were the ones with the money.

Chissano suggested that even if poor people were given land for free, they would sell it to others, most likely foreigners.

"Why spend money if you can have it (land) for free? Our way now of doing it obliges people to make good use of the land," he said, citing the example of his mother who still cultivated the same ground as her mother had.

Also, government earned revenue from leasing commercial land to business – much-needed money it would not otherwise repeatedly earn if the land was sold off, he said.

Among the major concerns of investors in Mozambique is the inefficient civil service – where only about three percent have some form of higher education.

As the economy grows and more projects develop, there is a growing demand for skilled personnel of which there is already a shortage.

At the same time, since donor funds go into the general government coffers, part of the money goes towards civil service salaries.

The amount of aid money used for salaries is how said Chissano, and retraining civil servants is a priority.

"We are trying to find incentives and at the same time trying to balance the budget," he said.

Privatisation of state assets – in addition to the 500 enterprises already sold off - is expected to further stimulate the economy and Chissano said discussions were continuing in a range of areas, including the national airline.

Investments and cooperation from neighbouring South Africa were "limitless", he said.

There were already joint ventures in tourism, industries like the aluminium smelter plant Mozal and transport through the Maputo Corridor development, which created much-needed jobs, said the president.

Incentives like tax breaks are being offered to investors who move to the less developed parts of the country, like the northern provinces, which have very little infrastructure.

Beyond Maputo and other cities, the aftermath of the civil war is still evident. Large tracts have landmines, although there has been a sustained demining programme since 1994, and the road network barely covers the country.

"We hope to implement a programme by the end of the first decade of the next century (for road reconstruction)," he said.

Landmines continue to hamper peasant farming, said Chissano but roads are slowly being made into the infrastructure.

A church programme in which arms and ammunition are exchanged for tools and equipment (anything from a bicycle to a tractor) has proved successful, said the president.

Asked how Mozambicans feel about the marriage of Mrs Graça Machel to President Nelson Mandela – a subject, incidentally, no one was keen to discuss – Chissano chose to be diplomatic: "In general people here were asking why they were not getting married. It is normal there is no prejudice. It is their private life for which they are respected. People are happy they got married."

SALDRU - A Directory of disable personpower and resources in Western Cape
Ray of hope shines in rising Mozambique

By Sharon Chetty

AS THE bus wound down the dusty track towards the orphanage, Mozambican finance minister Tomaz Salomao stood up, pointed out the window and said to his fellow passengers: “See all this? It’s only 30km from Maputo but we never used to be able to travel here before there were so many landmines.”

Salomao’s remarks were to a group of visiting aid donors who were in Mozambique last week to attend the annual meeting of a body called the Consultative Group, a donor organisation chartered by the World Bank.

It wasn’t a boast just to impress his guests, but rather a demonstration of how much is changing in one of the world’s poorest countries.

For the first time in 11 years, the Consultative Group met in Mozambique (it usually meets in Paris) and saw first hand the reconstruction as Mozambicans slowly repair their society after two wars.

At the end of the gathering, the development partners pledged R3.3 billion needed by the Mozambican government next year.

Over the past few years, aid money has made up over half Mozambique’s budget.

But despite its dependence on such assistance, the country enjoyed a 12.4 percent growth rate last year and expects two digit figures again this year.

Inflation is down to near zero from around 70 percent five years ago and Mozambique attracts more foreign direct investment than any other Southern African country. “Mozambique is an island of good news,” enthused Phyllis Pomerantz, the country director of the World Bank.

“It’s growth prospects are quite bright,” she said.

Since the peace agreement in 1992 ended the civil war and the election in 1994, political stability has allowed the development of Mozambique’s massive export potential.

Prawns, cashew nuts, coal and, more recently, electricity generated from the Cahora Bassa hydro-electric project are the main exports.

The ongoing Asian crisis is expected to affect exports, but last week, the Central Bank governor remained optimistic that there would be no significant decline.

Mozambique is now self-sufficient in food whereas only four years ago it had to import food. During the war, there was hardly any livestock.

Now there are more than 7000 head of cattle roaming the fields.

The government’s economic reform programme is lauded exchange, interest rates and prices are now determined by the market. Restrictions on imports and subsidies have been eliminated, import tariffs have been reduced and simplified and crop marketing has been liberalised. But there are still several challenges it has to deal with.

Reforming the inefficient civil service, putting into place more infrastructure, fiscal reform and creating conditions for greater development of the private sector are now the urgent tasks.

During discussions with the donors, representatives of the private sector said that while the liberalisation of the economy had over the past few years given them new opportunities, they were still severely constrained by red tape.

Particularly restrictive

Small, medium and micro-enterprises (which in developing countries are expected to be the most significant wealth and job creators) were in a particularly vulnerable position, they said.

Weak financial back-up and high interest rates were particularly restrictive, they said.

A discussion around the introduction of value added tax (VAT) next April highlighted just how much more work had to be done.

Businesses said that three months (the laws providing for this are only expected to be passed by December) to prepare for the introduction of value added tax was not enough.

They would prefer the introduction to take place in 2000.

Most businesses were within the informal sector, they argue, and many had little or no bookkeeping. Much preparation was needed for VAT to be effectively collected.

They also warned that there was a danger of more businesses joining the informal sector to escape the new tax requirements.

The finance minister said government had a programme to work to and could not give an undertaking that the introduction of VAT would be postponed.

Clearly, there is a lot more work to be done before Mozambique can catch up with its more developed neighbours.

But, on a continent ravaged by conflict and where most of the world’s poor live, Mozambique’s relative successes are a small beacon of hope.

Primary school children welcome international donors to their school outside Maputo with a song. In Mozambique infant mortality is 134 in 1000.

PIC SHARON CHETTY
Mozambican entrepreneurs complain to Mozal

RAFAEL BE

Maputo — Angry Mozambican entrepreneurs have complained to the head of Mozal, the aluminium smelter project under construction in Mozambique, that they are being excluded from contracts in the project to the benefit of South African companies.

At a recent meeting between the Mozambican companies and Peter Cowie, the head of Mozal in Mozambique, talks were launched to try to bring them into the project over the next six to 12 months.

The entrepreneurs said they were neglected during the awarding of Mozal contract.

Fernando Sumbana, the director of Mozambican Investment Promotion Centre, said he recognised this complaint and it would not happen again in awarding contracts for the next mega projects on the horizon, such as the projected $2 billion iron and steel plant to be built in Maputo.

The agreement between the Mozambican government and its counterpart in the project was recently signed.

A major problem with the project is the lack of water.

The entrepreneurs want to know how he could sell his products to Mozal.

The answer was that since the Mozal project was not paying import duties, the companies working there preferred to buy paint from outside Mozambique.

He was told that Mozambican companies should enter the “battleship” market.

However, many analysts doubt that Mozambican companies can compete on an equal footing, as firms privatised under the reform process are in a poor state.

The Mozal project has spent more than $40 million — Independent Foreign Service.
Crisis for SA-Mozambican co-operative

Mozagrius farms hit by cash drought

CT (OR) 28/9/98

RAFAEL BE

Maputo — Mozagrius, the agricultural development programme between Mozambique and South Africa, had run into serious financial problems, Helder Mutea, the deputy minister of agriculture and fisheries, said last week.

He said the 36 South African and Mozambican commercial farmers who had settled in the fertile northern Mozambican province of Niassa in 1989 under the agricultural development agreement signed in September 1989 by Joaquim Chissano and Nelson Mandela, the presidents of the two countries, had not managed to secure funds to expand their activities.

Each farmer has an area of about 1,500 hectares, but only a tiny fraction is being used owing to lack of funds.

The farmers received an initial injection of R50,000 each from the land concessionaire, the Mozagrius Development Corporation (SDM). This is a joint venture between the South African Chamber for Agricultural Development in Africa (Sacada) and the Mozambican state.

SDM holds a 50-year renewable concession of a total of 220,000 hectares. Part of the land is meant for eco-tourism, agro-industry and cattle raising.

Mutea said no more farmers would be admitted into the programme until the financial crisis had been settled.

He said the SDM had been negotiating with some Mozambican commercial banks for soft credit for the farmers, as the commercial interest rates were so high that no agricultural programme could survive.

But commercial banks are apparently still taking a sceptical view of the economy.

They do not yet believe the country is free of the scourge of inflation, which reached as high as 70 percent at the height of the country’s economic crisis, about five years ago.

Mutea said the negotiations so far had been encouraging. He said the amount initially foreseen for the programme over the next four years — the equivalent of about $8 million — could not be guaranteed, given the SDM’s weak negotiating basis and lack of social capital. Only 30 percent of that amount would be secured.

When the Mozagrius programme took off, the two sides announced a social capital of $1 million. Mutea said Sacada had not yet come up with its share.

In 1997 the farmers exported their first crop of cereals to Malawi, earning some $110,000.

Mutea confirmed that two South African farmers had left Niassa, but not because of the financial problems, as claimed.

Mozambique has 36 million hectares of arable land, of which barely 10 percent is being utilised. — Independent Foreign Service
Mozambique gains from new system

By Sharon Chetty

A

REVAMPING of its collections system has led to a doubling in revenue for Mozambican customs authorities.

According to Arthur Sanderson of Crown Agents, a British partner working with the Mozambican government, more money is being collected through the ports, airport and railway terminals after a more efficient system was adopted to move goods faster.

In a three-year project that will cost around £23 million (about R207 million), the system will be improved to ensure that clearance times of goods will be kept to a minimum and that customs duties are collected.

So far they have managed to bring down clearance times to 48 hours, with most goods going through within 24 hours.

It may be a significant improvement, but hardly compares with the big European and Asian ports, where clearance times are within a few hours.

In August this year Mozambican customs collected their largest amount, about $2 billion (about $23.5 million) at the port and since the re-organisation, there has been a 44 percent increase in revenue compared to the same period last year.

Mozambique enjoys an unprecedented economic growth and improved security after the end of that country's civil war. It attracts larger numbers of tourists to the country.

Direct Investment

It also enjoys the highest foreign direct investment of any Southern African country.

In one of the more ambitious regional projects the Maputo Corridor is being developed between the port city and Witbank, the road and harbour facilities are being improved and infrastructure is being put in place to attract new industries and more efficient systems established for the collection of revenue for the government's coffers.

The border between Komatipoort and Rossano Garca will eventually have a one-stop facility which will speed up the processing of those going through. At present, tourists, Mozambican migrants returning home, and large quantities of goods all have to be attended by the same officials.

In the new facility, the different travellers will be separated to make the processing of their papers quicker.

Poor road and transport facilities are a severe handicap to both the agricultural and industrial sectors.

But, as a start, the main link to South Africa is being revamped and a new section that will reduce the 120km journey between Maputo and the border by 40km is being constructed.

Toll roads on both sides will generate part of the money for its upkeep.

But the cherry on top for Mozambique's industrial development is the Mozal aluminium smelter being constructed 17km from Maputo.

The project is expected to contribute about seven percent to Mozambique's GDP.
Laurentina brewing opposition for SAB

EMELIA SITHOLE

Johannesburg — Mozambique’s nascent beer industry is poised for growth after the privatisation of the country’s last state-owned brewery, according to industry officials and analysts.

The UK’s government-owned Commonwealth Development Corporation (CDC) said last week it had formed a consortium with two of the world’s leading beverage companies, Britain’s Guinness and France’s Castel, to buy Mozambique’s Roundas brewery for $112 million.

The consortium had formed a new company, Laurentina Cervejas, which would invest a further $10 million to modernise and expand Fabricas de Cervejas Roundas de Mozambique.

The three foreign partners would have a controlling stake of 51 percent, while a group of Mozambican investors would hold 29 percent, with the company’s workers and management holding the remaining 20 percent, said Benjamin Alfredo, a consultant with the consortium.

He said the deal completed the privatisation of the brewery industry in Mozambique, started two years ago with the sale of two breweries to SAB and a greenfields brewery by a Portuguese firm in Nampula province.

Before the Maputo government started its privatisation process under reforms aimed at jumpstarting the economy, Mozambicans had to make do with expensive beer, most of it illegally imported from Portugal and neighbouring African countries.

“There are a lot of illegal imports, although that’s coming down now with privatisation in customs SAB has been supplying the market for a couple of years,” Edward Farquharson, the CDC investments manager for southern Africa, said in a telephone interview from London.

Before SAB’s entry into Mozambique, the three state-owned breweries were struggling with their antiquated machinery to meet local demand, estimated at 31.7 million gallons a year.

With new capital injections, the industry promises “significant earnings” for investors, as well as for the government of President Joaquim Chissano.

Laurentina aimed to corner a significant share of the local market and challenge rival SAB, which supplies half of the beer Mozambicans guzzle down annually. Alfredo said in a telephone interview from Maputo —

Reuters
Freelimo is quick to publicise statistics on the country’s economic growth, but as Bayano Valy reports, it wasn’t so keen on publicising the findings of a discouraging report from one of its own ministries recently.

Markets are a central feature of Mozambican towns, often offering more than stores. PIC MOTLAPELE SEGALE

But all the government did was acknowledge that the country was still the poorest in Southern Africa.

The World Bank seems undisturbed by the social indicators, and its director for Mozambique, Phyllis Pomranze, has taken the situation in her stride.

“The changes in the lives of the population should be visible in five to 10 years time,” she said, acknowledging that the economic indicators which the country bases are having little impact on the average citizen even though Mozambique has been in the grip of the World Bank for 11 years.

The country started implementing the bank’s structural adjustments in 1987, yet only the elite have reaped any benefit from the Bretton Woods institutions’ economic medicine.

The Mozambique Debt Group says the government shouldn’t take any satisfaction in its rising growth and falling inflation.

“If the real sources of long-term growth and of effective poverty reduction (in rural areas) are continually neglected, Mozambique will continue being listed as one of the poorest countries in the world and with worrying social indicators,” said an official with the group.

With the 1999 elections around the corner, it would be a wise strategy for the Freelimo government to keep the public in the dark about the human development statistics or doctor the figures.

The regions where Freelimo did poorly in the country’s first elections in 1994 are the regions that fared most poorly in the underreported IFPRI study.

The southern part of Mozambique has the highest average monthly income (R108), while the central region stands at R78 and the north R03.

As these figures suggest, the central region is home to 42.6 percent of the nation’s poor, 32.5 percent in the north and 24.9 percent in the south.

Freelimo has a poor following in central and northern Mozambique, with the centre said to be the stronghold of the Renamo opposition.

In the 1994 elections Renamo collected 58.1 percent of the votes to Freelimo’s 23.3 percent in the country’s poorest provinces like Manica, Sofala, Tete and Zambezia, all in central Mozambique.

Likewise, in the northern province of Namibia, Renamo claimed 59.3 percent of the votes, while Freelimo trailed behind with 37 percent.

Yet because of its power base in the south, Freelmo won the election with 44.3 percent of the vote over Renamo’s 38.8 percent.

Meanwhile, Reuters reports that president Joaquim Chissano says despite his country’s positive economic achievements, Mozambique cannot yet survive without continued outside help— which includes calling on the international community to write off its debt.

Mozambique’s outstanding foreign debt stood at about R33 billion in 1997 in nominal terms, according to the World Bank.

‘Our aid dependency is decreasing but I imagine that we will not get rid of this need before 2010,” Chissano said.

He conceded that while Mozambique has gradually been opening up to foreign investors, a shortage of skills in the civil service and bureaucratic red-tape were major hurdles which had to be removed to ensure solid economic growth — Genimo News Service
Mozambique unfolds tale of rags to riches

MILAN, Mozambique — Mozambique, one of the world’s poorest countries, is becoming a torch-bearer of Africa’s economic renewal. Reconstruction has been high on the country’s agenda since a peace pact ended a 16-year-old civil war in 1992.

Fighting between forces of the now-ruling Front for the Liberation of Mozambique (Frelimo) and Renamo, the former rebel movement, started soon after Mozambique gained independence from Portugal in 1975.

In 1994 Frelimo won Mozambique’s first democratic elections, which also installed Renamo as the official opposition.

Mozambique is now courting foreign investment. It has pledged to fight the rampant poverty still plaguing its people and to curb the country’s dependence on foreign aid.

Officials say Mozambique attracted $1.9 billion in direct foreign investment last year and they expect 1998 to see inflows of at least $3 billion.

Mozambique, which initiated economic reforms in 1987, has won plaudits from around the world for its macro-economic policies and its progress towards a free market economy.

One of the country’s investment highlights is the $1.3 billion Mozal aluminum smelter, under construction outside Maputo. Investors in the smelter include South Africa and British-based Billiton. Production is due to start in 2001 and will run at 250,000 tons a year. The smelter will create about 3,800 jobs.

Furthermore, Sassol, the fuel-from-coal giant, said early last month it had discovered a large onshore reservoir of natural gas 600km northeast of Maputo.

Mozambique, with a population of 18.5 million and vast natural resources including coal and titanium, has had one of Africa’s most successful privatization programmes.

More than 800 of about 1,250 public enterprises have been privatized since 1989, including the entire banking sector.

One large privatization effort is that of the national airline, LAM Linhas Aereas de Mozambique.

"Mozambique has the economic potential to become one of the brighter spots in Africa," the World Bank said in a report in 1996. 

Another plus for Mozambique’s economic revival has been a curb on inflation, which fell to 6.8 percent last year from 70 percent in 1994.

But President Joaquim Chissano says that despite his country’s positive economic achievements, Mozambique cannot yet survive without continued outside help, which includes aid from the international community to write off its gaping debt.

— Reuters
Demining opens up corridor road

RESSANO GARCIA — About 400 land mines were detonated in controlled explosions in Mozambique yesterday in order to clear the way for unhindered construction of the Maputo development corridor toll road.

The mines were removed along the Mozambican part of the toll road over the past nine months in a special operation. The project covered seven million square metres between the border town of Ressano Garcia and the capital Maputo.

At a ceremony about 17km from Maputo, Mozambican President Joaquim Chissano detonated 350 of the mines.

Transport Minister Mac Maharaj and senior officials from the company building the toll road also took turns to press detonation buttons.

Trevor Jackson, the CEO of construction company African Demmers said that demining of the route provided "thousands of people with the ability to be economically active and move freely along what used to be a potentially lethal route." — Sapa
Sasol and Arco want Mozambique pipeline

Line from Tamoana gas field could cost $3bn and stretch to Secunda by as early as 2003

NEWS
Minister denies Pande claims

Simon Barber

WASHINGTON → Mozambican Energy Minister John Kachamala has denied any impropriety in moves to shift part of the rights to the country's most promising gas field, Pande, to a consortium in which his brother, Roberto, is involved.

Kachamala spoke at a Washington forum which he attended with President Joaquim Chissano.

US energy group Enron contends that it has earned rights to the Pande field by putting together, with SA's Industrial Development Corporation (IDC), plans and investors for a $1.6bn iron plant and a steel furnace in Maputo.

The installations would be anchor customers for Pande gas.

Kachamala said the Mozambican council of ministers had agreed that part of Pande's reserves should now go to a consortium comprising Sasol, Atlantic Richfield (Arco) of the US and Zarara Petroleum Resources, which has production-sharing agreements with Mozambique's state-owned Empresa Nacional de Hidrocarbonetos to develop three other concessions, Temane, Sofala and M10.

The consortium has said that customers for this gas could include Sasol itself and a JCI project to build a hot-briquetted iron plant in Berra.

It announced recently that it intended to build a 92km pipeline from Temane, like Pande in central Mozambique, to Sasol's synthetics plant in Secunda.

"The reason for letting the consortium have a share of Pande, Kachamala said, was that it had not yet been established whether there was enough gas at Temane to supply the Berra project, which he claimed was much further advanced than generally supposed.

In obtaining their rights, Sasol and Arco had to grant a minority interest to Zarara and its Vancouver-listed subsidiary, Leopoldus Resources.

A classmate of Kachamala, Shukri Saleh Yahya, is chairman of both companies. Leopoldus's resident manager in Maputo is the minister's brother.

Kachamala said it was not possible for him to use his position to benefit insiders because decisions about projects had to be ratified by Mozambique's full council of ministers. He accused Enron of trying to smear him through the press and he warned that the US company would pay a price if this continued. Enron has denied the charge.

Enron proposes to build a 610km gas pipeline from Pande to Maputo. Though the iron plant would consume most of the gas, the economics of the overall venture require a surplus to sell to other customers. That is why Enron is concerned about losing part of the rights to Pande it believed it had earned and on which its investment in Mozambique is premised.

Detailed negotiations on how Pande should be divided are to take place in Maputo next week, and the prospects for a compromise that would allow Enron and the IDC to proceed with the iron and steel works appear fair.

Asked about the dispute at a forum hosted by the Centre for Strategic and International Studies on Monday, Chissano made no mention of the Berra project or the need to supply it with gas from Pande, saying that the "whole" issue was about the pipeline.

"There is no threat to the iron and steel plant," he said. "There is no taking away of the rights on Enron."

Instead the government was trying to combine investments in the pipeline. In the government's view, there should be only one pipeline, "with a branch for the steel plant."

John Merritt, chairman of Enron's special projects group, said the company had no interest in monopolising the pipeline and was willing to meet all other gas producers to work out whichever method of co-operation suited them.

Sasol, however, had so far "declined many invitations" to meet, he said.
Mozambique - General

1999
MAPUTO — Mozambique’s inflation rate dropped to 4.2% during the third quarter of last year for the first time in the war-ravaged country’s history, the Bank of Mozambique announced yesterday.

The drop has surprised even optimists in Mozambique’s financial capital of Maputo and confirms the steady annual decrease in inflation figures over the past four years.

A report published by the Bank of Mozambique also indicated that the real appreciation of the metical against the rand over the past year had been roughly 17%.

The report says the average inflation rate as calculated against the Maputo consumer price index fell to minus 4.2% last May and remained there until September.

Figures for the final quarter of the year have not yet been released, but the report stated that they should not indicate any substantial upward move.

The bank stressed, however, that its figures only accurately reflected economic conditions in Maputo City and Maputo province, as it did not take variations experienced in other provinces into account.

The report also stated that steady declines in the prices of basic foods like fish, fresh vegetables and peanuts, as well as drops in the end costs of domestic fuels such as kerosene and firewood, contributed significantly to the drop in inflation.

Inflation ran at 2.3% in the same period in 1997 and it was conservatively projected at 2% for last year by Prime Minister Pascoal Mocumbi last month when he announced the government’s economic and social plan for this year.

Mocumbi warned that inflation figures would increase slightly for December because of “profiteering” traditionally practiced by retailers during the festive season.

The bank report further ascribed the deflation to regular supplies of goods to local markets from both Mozambican and SA producers. Dramatic improvements in the quality of roads have also reportedly stimulated agricultural marketing and have increased the number of operators in the field.

The report stated that southern Mozambique was particularly well supplied with vegetables from bumper crops in both Mozambique and neighboring SA.

The bank stressed, though, that a series of external factors also played an important role. Pointing to a global deflationary trend, the bank said the continual fall in the maize price on the SA Futures Exchange and the fall in global prices of raw material as a result of the Asian financial crisis all contributed.

The bank also praised the government for supporting a strict monetary policy which kept money expansion at 11.5% — below the projected figure of 11.8% Mozambique’s national currency, the metical, underwent a nominal devaluation of 4.6% against the US dollar between January and September.

This compares with a devaluation of 2.4% over the same period in 1997.

What really counts for many Mozambican businesses, however, is Mozambique’s exchange rate measured against the rand.

The picture on that aspect was very different last year, with the metical continually gaining value against the rand.

The bank report said the real appreciation of the metical against the rand over the past year had been roughly 17%.

Even more significant were indications that the accumulative appreciation of the metical against all major international currencies between December 1995 and September last year was 38%.

The bank warned that this could translate into a loss of competitiveness for the country’s developing export industry. — AENS
More than three years after the Maputo Corridor project was launched, final details for the rehabilitation and dredging of Maputo harbour are still not settled. Agreement is close, but delays have led a potentially large user — the Matola Coal Terminal — to propose using barges to ship coal to bulk carriers outside the port.

Tenders were offered at the end of 1997 and the contract went to a consortium led by UK firm Merseyside Docks & Harbour in the second half of 1998. Merseyside projects director John Stokes says a memorandum of understanding was signed at the end of November and that consortium executives are in Maputo now, negotiating the details of the final contract.

"It has taken longer than expected but our experience of projects involving port infrastructure in developing countries is that they are tricky to negotiate and take a long time to conclude," Stokes says.

The other members of the consortium are Swedish engineering group Skanska, Portuguese container terminal operator Liscont, SA shipping group Grondro and Mozambican consulting group Gestores.

Once negotiations are completed, the consortium will form a joint venture company with Mozambique rail and harbour authority CFM in which the consortium will hold 51%, CFM 33% and local business men 16%.

Stokes declines to provide details of the contract at this stage because negotiations are still under way, but confirms it includes responsibility for dredging the harbour. He says negotiations are going well but won’t forecast when they will be concluded and work will begin.

Sections of the channel into Maputo harbour have silted up, reducing the effective depth to about 7.5 m from the original 9.4 m. That limits access to ships with a displacement of about 40 000 t from 60 000 t previously.

The total cost of rehabilitating and dredging the harbour has been put at US$50m-US$55m but Stokes won’t be pinned down to a figure at this stage.

The suggestion three years ago, when former Transport director-general Keiso Gordan was in the driving seat of the Maputo Corridor project, was that the SA government and/or world development agencies would pay for the initial dredging. Maintenance will be outsourced.

Also unclear at this stage is the relationship between the port of Maputo and the Matola section of the harbour a few kilometres upstream, where the coal and wheat terminals are situated and where Mozal Aluminium is building its loading facility. Matola is designated a separate harbour, how it fits into the new Maputo harbour venture is, says Stokes, "one of the items under discussion."

The dredging of the harbour is not required for the first phase of the Mozal Aluminium smelter, which should begin producing metal only in late 2000. "We can live with the harbour as it is but we look forward to its being dredged because we would need to bring in bigger vessels as Mozal expands," says company chairman Rob Harbour. But Namibian company African Portland Industrial Holdings (API), which operates the Matola coal terminal, seems less sanguine. API took over Matola in 1996 and since then has boosted annual coal exports through the terminal from 0.6 Mt/year to 1.2 Mt/year. The company has ambitious plans to push Matola’s throughput to 6 Mt/year within five years and, ultimately, to 16 Mt/year.

"Maputo has the potential to become a significant coal export terminal with an annual throughput of at least 5 Mt," says Duker chairman Terence Willianson. "This would present major opportunities for the group’s coal mines in Mpumalanga."

The problem is that, even if dredged to 9.4 m, Maputo will not still be able to handle the "Cape"-sized vessels of 100 000 t-plus capacity that can get into Richards Bay.

API MD Gerhard van Niekerk says API may use tugs and barges to load Cape-sized vessels outside Maputo. Onshore handling facilities would be built and the tug and barge fleet expanded as export volumes grew. But this solution is not ideal because it involves double-handling of the cargo and exposes it to the risk of bad weather.

Brendan Ryan
WINNING THE INFLATION GAME

Economists are heaping praise on Mozambique after a dramatic turnaround in its economic fortunes.

The most recent figures suggesting Mozambique is pulling itself up by its boot-straps show that inflation in Maputo city and Maputo province fell to -4.2% in the third quarter of last year. IMF figures show the economy grew by 12.4% in 1997.

The figure, released by the Bank of Mozambique (BoM), excludes variations from the country’s poorer provinces.

The BoM attributes the fall in the consumer price index to lower prices for basic foods and domestic fuels. The fall in the maize price on the SA Futures Exchange and in raw material prices also played a role.

The BoM praises government for keeping money expansion at 11.2%.

Nico Czypionka at SG Franks Pollak says it’s remarkable for a country devastated by a long war to reduce inflation from about 54% in 1994 to 5% last year.

The Africa Institute’s Kenneth Kutelo says low inflation indicates positive changes at macro-economic level.

Sipabulela Gwaza
Tanzania’s economic growth plans at risk from famine

WAMBUI CHEGE

Dar es Salaam — A potentially devastating famine was the latest dent to Tanzania’s slow economic recovery, which was already undermined by corruption and a freeze on donor aid to semi-autonomous Zanzibar, analysts said at the weekend.

“Things are not looking good for the economy in 1999,” said Ibrahim Seushi, the managing director of PriceWaterhouseCoopers in Tanzania. “It will go much more slowly this year than in 1998.”

Towards the end of last year the government revised its growth forecast upwards, in line with improvements to the country’s poor infrastructure and expected good weather.

It forecast real economic growth of 4 percent in the 1998-99 fiscal year (July-June) from an initial forecast of 3.5 percent and compared with 3.5 percent in the previous year.

These forecasts now looked optimistic, analysts said.

“Gross domestic product (GDP) growth is likely to be under 3 percent. Certainly we will not make it to 4 percent,” Seushi said.

“There is likely to be a dramatic worsening of the government budget deficit. Less revenue will be collected because of lower economic activity.”

The threat of famine comes when Tanzania is grappling with a tough International Monetary Fund agenda, which includes privatizing state utilities, continuing cuts in the bloated civil service and keeping government expenditure within targets.

Analysis said President Benjamin Mkapa was under intense pressure to take a harder line against graft in high places, which foreign donors and ordinary Tanzanians agreed posed a significant threat to any development efforts in their country.

“Tanzania has had to put up with a few external shocks like weather; but our priority is that the economic reform programme should basically stay on track,” said a senior Western diplomat.

Mkapa won presidential elections in 1995 on a platform of economic reform. He will seek a final five-year term next year, but financial analysts say Tanzanians want tangible improvements to their living standards.

This means that despite famine, Mkapa must still find cash to improve roads and the railway, schools and health centres.

Haji Semboja, of the independent think-tank Economic and Social Research Foundation, said: “Fiscal control must continue, and the government has to solve the problems related to poverty. With an election coming soon, government will have to show its muscle.”

At least 13 of Tanzania’s 20 regions face food shortages this year. This is the worst outlook for two decades.

Agriculture is the mainstay of Tanzania’s economy and employs 80 percent of the population. It also accounts for about half of Tanzania’s total GDP.

Economic analysts said a famine would mean rising inflation, a worsening balance of payments position, a widening budget deficit and a general economic slowdown in 1999.

The freeze on donor aid to the semi-autonomous islands of Zanzibar was also hampering economic progress. Foreign donors ceased giving aid in protest at what they saw as irregular elections in 1995, in which President Salim Amour retained power. — Reuters
Mozambican processing plants have to close after nut shortage

Charles Mangwiro (ZAP) BD 28/11/99

MAPUTO — More than 2 200 workers will be retrenched early next month when another two Mozambican cashew processing plants close largely as a result of a shortage of raw cashew nuts.

The closure brings to 11 the number of plants forced to close because of nut shortages over the past five years. However, other smaller plants have opened.

Cashew nut shortages were exacerbated this year when poor climatic conditions wiped out a large portion of the crop. A good deal of unprocessed nuts are also being exported to India after Mozambique responded in 1995 to World Bank urgings and scrapped the excise duty on raw nuts leaving the country.

The country's Cashew Industry Association chairman, Keko Patel, warned yesterday that only four sizeable plants remained in the industry.

Confirming that the Portuguese-owned Manapo and Angoche plants would close in early February, Patel said the blow would seriously affect locals who relied on the plants for direct and indirect employment.

The Entreposto Group has cited a growing tendency to export raw nuts to India for processing as the primary reason for its decision to close the plants.

The association and the Cashew Workers' Union have called for the reintroduction of export tariffs. — AENS
Privatisation in jeopardy

MAPUTO — The owner of Mozambique's privatised but still private aircraft charter service, TTA, threatened to return the firm to the state yesterday unless it was granted domestic passenger routes.

TTA was initially promised a share of domestic passenger routes when it was privatised in August 1997, but has been unable to pry licences for the flights out of the national airline, LAM.

TTA director Antonio Alves, Gomes confirmed yesterday that his board had given government until February 18 to approve domestic routes, or it would begin transferring the company back to state ownership.

'TTA and LAM met in Maputo on Monday to discuss the impasse. "LAM has refused to budge. We're therefore talking directly to the government now," Gomes said.

He dened that TTA would merge with LAM.

B'd 3/2/99
Mozambique mill to start operating again

RAFAEL BIE

Maputo — Maragra sugar mill, one of the biggest in southern Mozambique, should start operating again on May 12 after an investment in the region of $50 million, Luis Munguambe, the general manager, said.

Maragra was nationalised in 1977 and production slumped to 3000 tons owing to an exodus of skilled people as the war between Mozambique and Renamo raged. It stopped producing altogether in 1984 after several attacks on the Manhiça region by former Renamo rebels.

Standard Bank of London disbursed the $50 million to rehabilitate Maragra, and $20 million has already been made available.

Production had stopped in 1984 after the attacks by former Renamo rebels.

The process of rehabilitation, conducted mainly by South African companies such as Babcock includes the rebuilding of houses for technical staff, also by a South African company.

Initially the mill would produce only 15,000 tons of sugar, Munguambe said. He said Maragra had up to 7000 hectares of land on which to produce sugar cane. Only 2000 hectares had been cultivated for the May harvest.

The capacity of the sugar mill is 80,000 tons a year.

"The rehabilitation is in an advanced stage, and preliminary inspections indicate that May will be the month to relaunch the company," said Munguambe.

Originally Booker Tate, the British company, wanted to buy Maragra, but demanded that the Mozambican authorities set a fixed national sugar price. Munguambe said this was because sugar "is considered as a dumping product". He said there were countries in southern Africa that negotiated good quotes for sugar exportation to Europe and America.

Sugar on the international market is around $300 a ton. Munguambe said if those countries could sell their sugar at $400 or $700 a ton remaining sugar production was already paid for.

"Zimbabwe imposes a tax of 80 percent on imported sugar and South Africa only charges 40 percent. But it doesn’t happen in Mozambique since our industry is in a weak position," he said.

When talks with the British collapsed, Maragra started negotiations with Illovo Sugar of South Africa, and signed an agreement in 1989. Illovo owns 90 percent and the rest belongs to Maragra Holdings.

Illovo demanded control of 50 percent of the cultivation area, and five South African farmers were already producing sugar cane. Munguambe said the South Africans also wanted to bring workers from South Africa, "but we decided to accept this.

Apart from the economic rehabilitation of the company, Maragra will be also be developed in other areas. Illovo Sugar will build schools and has erected four classrooms which it handed to the authorities last year. Maragra will get two more classrooms this year.

Maragra has also rehabilitated a hospital which belonged to the company before being nationalised. Houses for teachers are being built, and the creation of Fundacao Maragra, a foundation which will probably offer scholarships to students, is on the horizon.

While Mozambique has six sugar mills, only Mafambisse in the central province of Sofala is in production. A group of Mauritian investors is showing interest in the rehabilitation of Lusaka and Marromeu, both badly damaged in the war.

The cost of rehabilitation is estimated at $200 million. Development will depend on the rehabilitation of the Sena railway, which will itself cost an estimated $400 million.

Mozambique was the fourth largest exporter of sugar in the world until 1972. The sugar industry crisis began when 90 percent of qualified workers, mainly Portuguese, British and Mauritian, left the country immediately after the independence from Portugal in 1976. Production plunged to 11,000 tons in the worst year from 335,000 tons in 1972.
Mozambique digs deep

BY COLIN McCLELLAND
Star Foreign Service

Maputo – The budget for Mozambique’s general election in October has been tentatively set at $42 million (about R222 million) with the government pledging to pay R3 million and foreign donors supplying the rest.

“We are increasing our contribution to the electoral process each time,” Alfredo Gamito, Minster of State Administration, told The Star.

“In the country’s first election in 1994, our contribution was less than 10%, in the 1999 local elections it rose to 16%, this year it will be almost 21%.”

To help pay for the national election scheduled for two, or three if necessary, days in October, the European Union is offering a R150 million donation, Norway R15 million, Contributions from Denmark, Finland, the Netherlands, Switzerland and Sweden range between R42 million and R8 million, according to preliminary UN Development Programme (UNDP) documents.

The UNDP is the leading international agency in securing funding for the election.

The United States may contribute to a separate campaign fund that is distributed to political parties by the government. One diplomatic source, from a donor country said that Mozambique should be able to pay for half of election expenses, while another diplomatic source said it showed the host country’s shrewd bargaining as it continues on a path of multiparty democracy.

It will be the second time Mozambicans go to the polls in a national election. In October 1999, Joaquim Chissano’s Freiime Foro won 129 seats, Renamo took 113 and the UDF earned nine in the assembly of the republic, or parliament. Voter turnout was 87%. That election, deemed fair and true by national and international observers, cost R354 million.

“The second general election,” said Gamito, “we think is very very important to consolidate and ingrain democracy in Mozambique. We think it also very important for people to reaffirm their belief in democracy.”

Voter registration is the election budget’s single most expensive item at more than R42 million. A staff of almost 10,000 is to fan out across Mozambique beginning in May to register the country’s approximately eight million voters. The plan is to undertake an entirely new voter list that will be kept on computers for future elections. The government’s five-year mandate ends in December.

Freiime has been the ruling party since independence in 1975. Gamito expressed optimism about Freiime’s chances despite Renamo’s strong showing in the rural areas in 1999. “In the rural area, we have rebuilt a lot of infrastructure, like schools and hospitals, that was destroyed in the war. Now, the number of schools is at the same level as before the war.”

The major uncertainty remains how the opposition party Renamo, will participate. It tried to scuttle last year’s municipal elections by organizing a boycott. As a result, just 15% of the population voted.
Tenders invited for cable project

MAPUTO — Mozambique's public telecommunications company, TDM, yesterday invited tender bids for a multi-million-dollar underwater fibre-optic communications cable linking the country's two biggest cities of Maputo and Beira.

The proposed cable will also land at the coastal towns of Xai-Xai, Inhambane and Vilanculos and is the first phase of a new backbone for Mozambique's growing telecommunications transmission network.

The project is partly financed by Germany, which has imposed preconditions forcing developers to source all components for the project from Germany or Southern African Development Community member states.

Bidders are, however, still welcome to submit tenders with alternative suppliers, and will also have to source alternative financing for the project — AENS.
SA chamber accused of failing the Mozambican farming project

Mozambique was seeking a more "serious partner" for the Mozagrius agricultural development project in view of the failure of the South African Chamber for Agricultural Development in Africa (Sacada) to honour its obligations, Helder Mutea, the deputy agriculture minister, said yesterday.

Mutea said while the South African government displayed a strong political will to help boost agricultural development in Mozambique, Sacada had failed to even provide its share capital to Mozagrius. So far, it had loaned $5,000 extended to the first group of 16 South African farmers to help introduce new agricultural technology in the vast and fertile northern Mozambican province of Nassa in 1996, the farmers had received no other financial assistance.

Mutea said farms were operating despite the financial problems while the government sought alternatives to ensure that the project continued. Meanwhile, the Mozambican government and some Zimbabwean farmers' associations announced they were planning to set up an agricultural scheme similar to Mozagrius in the central Manica province.

-- Sapo-AFP, Maputo
Mozambique, SA in farming venture row

Deputy agriculture minister claims SA body failed to provide funding

Claire Pickard-Cambridge
and AENS

AN SA-backed farming venture in Mozambique has run into stormy weather following a dispute between Mozambique's agriculture ministry and the SA Chamber for Agricultural Development in Africa (Sacada) over funding and controls for the project.

Sacada, established with President Nelson Mandela's backing to help stimulate the regional economy, resettled export-oriented farmers in 1996 in Niassa province which the Mozambican government wanted developed. The project was launched as a joint venture, called SDM, with grants from both the SA and Mozambican governments.

However, Mozambique's Deputy Agriculture Minister Holder Mutea accused Sacada recently of failing to provide promised funding, saying the government would sign a loan agreement with Banco Comercial de Mozambique to save the venture. He claimed Sacada was not a serious partner because it had failed to contribute its portion of share capital to the scheme.

Sacada said Mutea's statement was uninformed or "intended as misinformation for some sinister purpose". Sacada had paid $100 000 as share capital for SDM as required by its articles of association, and was "under no obligation to increase share capital at this stage".

Sacada said it had settled 123 SA commercial farmers and 10 emerging farmers from Mozambique over the past two years at a cost of millions of rands, of which R10m was for production loans.

Difficulties faced by farmers last year included the destruction of almost all their crops by heavy rains.

Sacada said it had often sought a shareholders' meeting with Mozambique's agriculture ministry to appoint a board of directors and office bearers, and to approve a budget and financial controls for SDM. It had never received a reply and "without such controls, Sacada is not prepared to transfer any further funds to the SDM".

Sacada said it did not regard SDM as legitimate because Sacada, as a 50% shareholder, was not represented on SDM's board as required by its articles.

Mutea, however, said his ministry wanted a more reliable partner. "This project is a priority in the region and we refuse to let it sink just because Sacada let us down."

The issue had been discussed with SA Deputy President Thabo Mbeki's office, Mutea said. The farmers were still operating their estates despite financial problems and had been pledged help by the Mozambican government.

Mutea said the government was negotiating a similar scheme for Zimbabwean farmers to settle in Mozambique's Manica province.

They would get soft loans to produce tobacco, cotton and maize.

Red tape holds up transport agreement

MAPUTO — An agreement to promote the free movement of people and goods between Mozambique and SA has become bogged down in bureaucratic red tape and budget cuts. Mozambique's national roads director, Lucas Nhambuzi, said this week.

Confirming that the agreement had still not been implemented, Nhambuzi said a joint bi-national committee would meet in Pretoria early next month to restructure portions of the 1997 protocol.

The major sticking points, Nhambuzi said, remained weak or nonexistent binational communication channels, Mozambican budget cuts and internal government capacity problems on both sides of the border.

Nhambuzi said that Mozambique's representatives on the joint commission created by the 1997 agreement were funded by the World Bank.

However, the Mozambicans were facing a complete funding cut in June this year.

No alternative funding had been found yet and the Mozambican government had also failed to supply bridging funds for existing staff shortages.

The major problems on the SA side remained its inability to process information requests by their Mozambican counterparts and a failure to co-ordinate regulations and control measures by the multitude of SA authorities dealing with border control.

Nhambuzi said only 61 Mozambican organisations had registered as goods transporters and 27 others as passenger services in terms of the 1997 protocol.

Only 41 South Africans had registered as goods transporters to date, while 47 others had registered as passenger services.

A total of 447 vehicles had registered with the joint committee.
Mozambique's SA debt will be scrapped, says Manuel

John Diudiu

FINANCE Minister Trevor Manuel said yesterday he would announce the scrapping of Mozambique's debt to SA within days.

Manuel said an announcement of the debt forgiveness was a mere formality.

Although there was no official confirmation from Mozambique, SA government sources said Mozambique owed the SA government about R60m. This excludes loans by SA parastatals such as electricity utility Eskom.

It was not clear last night whether the gesture would include funds owed to SA state-owned corporations.

Manuel, who has been a key proponent of the debt relief initiative for the world's poorest nations, said he would raise the issue at the next meetings of the Bretton Woods institutions The World Bank and the International Monetary Fund (IMF), who are due to hold their annual meetings later this month.

Manuel said SA would continue to take the lead in pushing for debt relief.

SA has already written off about R1bn owed by Namibia since before its independence from SA. Mozambique, whose external debt is estimated at more than $8bn, is one of the first African beneficiaries of the international debt relief programme. The other beneficiary is Uganda.

The programme, supported by the World Bank, the IMF and the African Development Bank, has been criticized for being "too little, too late".

SA's gesture coincides with the drive by non-governmental bodies and leaders, such as Archbishop Nyongonkulu Ndungane, the head of the Anglican Church, to seek debt relief for poor countries.

Poor countries spend little on social development projects as the bulk of their budgets go towards servicing debts.

Recently, Renato Ruggero, the outgoing head of the World Trade Organisation, added his voice to pleas for more debt relief for poor countries, but he said beneficiary nations should carry out economic reforms.

Most African nations are now calling for flexible criteria to be used in providing relief to countries saddled with debt, especially those emerging from conflict situations such as Liberia and Rwanda.

Manuel also said government had yet to decide on whether to relax further exchange controls for SA companies investing in the Southern African Development Community. An announcement is expected later in the year.
AFRICA

Customs income hits record high

MAPUTO — Mozambique has pulled in a record $145m in customs duties in the past year, collected by the UK organisation Crown Agents. Finance Minister Tomaz Salomao is now evaluating the organisation's work to decide whether to renew the contract after it ends in mid-year.

The income came from $781m worth of imports, which were lower than the $833m originally forecast.

Salomao said although the economy was growing at more than 10%, imports went up by only 2.9%. He attributed this to import substitution through expansion of locally produced goods, especially foodstuffs.

The decrease in value of imports was also attributed to the 19% drop in the value of the rand against the dollar on Maputo's money market.

Without this devaluation Salomao said imports could have cost $856m — $23m more than forecast.

The growth of imports last year was 2.9%, while in the same year, incomes collected rose 16.5%, both rates calculated in dollars.

Between 1996 and last year imports went down 0.2% and incomes went up 38.4%, he said.

However, the greatest setback faced by customs collectors was tax evasion and corruption. This was reversed with the introduction of private agents at border posts.

Meanwhile, under the contract with Crown Agents, local customs officials were trained for integration into the service.

According to the minister, the programme for senior managers involved training in Mozambique and in other countries such as SA, Zimbabwe and the UK.

Since Mozambique is preparing to introduce value added tax (VAT), 60 customs officers were selected for training to work with the VAT unit. Another 60 officers were selected for training specifically on VAT.

Salomao said so-called fraud brigades — introduced by Crown Agents to deal with tax evasion — led to more than 1,589 importers being apprehended in 1997 and 920 were tracked down last year — AIA
Mozambique to offer treasury bills

Maputo - The Mozambican government, which announced this week it is to launch a bond market, is to authorise the national Bank of Mozambique to issue $5 million in treasury bills next month.

The bills are a move to cover temporary governmental financing needs. Industry experts say it is likely the national bank and other banks will buy most of the bills. The treasury bill sale shows the government is moving on a plan to promote new mechanisms in the financial sector and encourage indirect instruments of monetary policy.

However, there has been no word lately from the government on its long-hailed plans to start a stock market this year.

The Mozambican national assembly boosted the country's minimum wage by 27 percent to 450,000 meticais ($84) a month, effective from May 1.

The increase followed discussions between labour, business and government. Labour had demanded a 41 percent rise while business offered 14 percent. The result was an almost exact compromise between the two.

The minimum wage had been set at 355,000 meticais a month. Under the plan, urban employees will earn more than the top rate while rural workers are to receive about $50 a month.

The minimum wage has now risen 80 percent in dollar terms over the past four years. - Independent Foreign Service
Mozambican poverty will ease, study shows

Maputo - About 70 percent of Mozambicans, or 11 million people, live in poverty according to a recently released government report.

However, great strides are expected to be made over the next four years.

Rural areas are poorer than urban ones, with the centre of the country being in the worst shape. In Sofala province, almost 90 percent are poor and half of them are significantly poor, according to an index that measures their distance below the poverty line.

In Sofala people live on less than 100,000 meticais (about $20) a month, while in Maputo City, the richest area, the figure is more than 250,000 meticais a month.

Nationally, nearly 40 percent are significantly poor, Mozambican per capita consumption is $1.70 a year, while gross domestic product was $134 a person.

The report is a requirement for the country to access a debt relief package for highly indebted poor countries. A decision on this is due in June.

Trends show Mozambique's poverty rate has declined by 4.4 percent and the severity of poverty at most by 10 percent over the past decade.

Some analysts say the trend shows the positive effects of prudent macroeconomic policy to soften the blow caused by the country's 16-year civil war.

But the structural basis for poverty remains high. People lack education and health and are burdened by high rates of fertility. Agricultural productivity is low and physical infrastructure is weak. They suffer from poor access to clean water, health services, transportation and markets - Independent Foreign Service.
Mozal construction ahead of schedule

EMELIA SITHOLE

Maputo - The construction of Mozambique's $1.3 billion Mozal aluminium smelter was well ahead of schedule, with production of the first metal due in the third quarter of 2000, Peter Cowie, Mozal's general manager, said on Friday.

The project team was working to complete construction by the start of 2001 with full production of 260,000 tons of aluminium to be reached shortly after that.

"The first metal is one of the highlights of the project and we should see this during the second half of the year 2000. We're ahead of schedule," Cowie said.

Mozal is Mozambique's largest single investment of all time and one of the first since the country embarked on economic reforms in 1987 after a crippling 16-year civil war.

The project is financed through a mixture of equity ($520 million), quasi-equity ($150 million) and debt ($700 million).

Billiton, the London- and Johannesburg-listed base metals group, holds a 47 percent stake in the group. Japan's Mitsubishi owns 25 percent, the Industrial Development Corporation (IDC) 24 percent and the Mozambique government 4 percent.

The Mozal project is the IDC's first large investment outside South Africa, and the largest undertaking for its own account by the International Finance Corporation, which accounts for 9 percent of total investment.

Output from the smelter will account for more than 1 percent of total world aluminium production and will generate earnings of around $400 million annually, tripling Mozambique's exports and adding more than 7 percent to gross domestic product.

More than 900 permanent jobs - 65 to 70 percent of them for Mozambicans - will be created once the smelter is operational.

Some 3,000 people, about 70 percent of them locals, have been employed on the site.

This figure is expected to swell to 6,000 during peak construction, with secondary employment creation during operations adding a further 2,000 jobs - Reuters
Mozambican delay threat to trade route

Four big foreign transport contracts are at stake

Victor Mallet

MOZAMBIQUE's failure to agree to management contracts with foreign investors for Maputo's dilapidated port and three southern railway lines is threatening the future of the much publicised trade route between SA and the Mozambican capital. say business executives and foreign donors.

The Maputo Corridor once accounted for 40% of trade and from the industrial region around Johannesburg, and both governments have made strenuous efforts to revive the route since the end of the Mozambican civil war and the abolition of apartheid.

However, negotiations between CFM, the state-owned Mozambican group responsible for ports and railways, and foreign companies named as preferred bidders, have dragged on for more than a year with no result.

"Nothing is happening," says one frustrated businessman whose company wants to send more of its exports through Maputo as soon as the harbour and the rail lines are rehabilitated.

Four big transport contracts are at stake. The UK's Mersey Docks and Harbour is negotiating an £85m deal to manage the port, while the Portuguese-led Consortia 2000 is in talks on rail links to Zimbabwe and Swaziland.

Discussions between CFM and Spoornet over the rail line to SA—the most important of the three—have broken down. Miguel Mata-bel of CFM says, "For CFM, the offer was not good enough."

Mersey Docks, meanwhile, is reluctant to sign a deal on the port until the future of the rail link to SA is agreed upon, preferably within this year, says Mota-bel. Spoornet, which, as controller of the SA net-191 work, has the power to route traffic to Maputo or to rival ports within SA, is also reluctant.

Foreign donors are concerned that the delays will tarnish Mozambique's reputation among foreign investors and hamper the development of the corridor.

Work on the toll road between SA and Mozambique is proceeding smoothly, but the volume of SA trade passing through Maputo is not increasing as fast as expected despite government actions to boost tourism and other economic activities.

Millions of tons of coal, as well as hundreds of thousands of tons of granite and timber, could be routed through Maputo if the ports and railways were repaired and efficiently managed.

Another problem for users of the Maputo Corridor is that government promises to reduce bureaucratic delays at the border with SA and build a "one-stop" border post have not been fulfilled.

The biggest obstacle to increased trade is that CFM, under its nationalistic and combative chief Rui Fonseca, rates its ancient rolling stock and other assets much more highly than anyone else.

"I think eventually they will get an agreement, but it may take time," says James Coates, the World Bank's representative in Maputo. "Mozambique is not going to give those rights away. It is going to bargain for them."
Maputo – Trevor Manuel, the finance minister, has said that the South African government remained committed to the troubled Mosergrus agricultural project.

The project has attracted a small number of South African commercial farmers who are settling in the northern Mozambican province of Niassa.

Manuel met last week with Tomas Salome, his Mozambique counterpart.

He said Pavoil Mocumbi, the Mozambican prime minister, would meet soon with Thabo Mbeki, the deputy president, to discuss ways of taking the cash-strapped project forward.

The Mosergrus Development Corporation (SDM) is a joint venture between the Mozambican government and the South African Chamber for Agricultural Development in Africa (Sacada).

Both sides have two representatives on the SDM board. The initial capital for the company was supposed to be $1 million, half coming from each partner.

The Mozambicans complain that they have put up their $500 000 in full but that Sacada has given no sign of a similar commitment.

Carlos Agostinho do Rosario, the Mozambican agriculture minister, said if Sacada was not interested, then Mozambique would look for a different South African partner.

The stalled tariff negotiations for electricity from the Cahora Bassa dam hydro-electric plant were also discussed.

The dam’s major client should be Eskom, but because of a dispute over the tariff, Eskom is currently not purchasing Cahora Bassa power.

No decision was reached as Portugal, the third party involved, holds over 80 percent of the shares in HCB, the Cahora Bassa operating company.

HCB wants a 50 percent increase in the tariff to help pay off its debts to the Portuguese treasury. Eskom, however, insists on the lower tariff – Independent

CT (MR) 28/4/99
Mozambique may get debt cut

Partial write-off will enable the country to meet its other repayment commitments

Claire Pickard-Cambridge

MAPUTO — Mozambique’s external debt of $5.5bn is scheduled to be slashed to $1.1bn in about two months’ time if donors agree that the country has implemented an economic and social reform programme linked to relief.

World Bank resident representative in Mozambique, James Coates, says that if debt is written off as planned at end-June, the country will be able to meet its full repayment commitments on remaining debt, “which gives confidence and security to all those investing in Mozambique.”

“It means the country will be solvent, and there will be no unforeseen calls on foreign exchange. This will make it easier for foreign investors to expatriate dividends,” Coates said.

Mozambique’s economic and sectoral reforms are being assessed by the International Monetary Fund (IMF) and the World Bank to establish whether conditions have been met for the $4bn debt write-off in terms of net present values.

The write-off will involve about $2.3bn under the terms of the Paris Club debt-relief programme, and $1.4bn in terms of the highly indebted poor countries initiative led by agencies such as the World Bank and IMF.

“In April last year, Mozambique was accepted into the debt-relief programme, which is linked to the continuation of the reform programme and improvement in a series of indicators in the health and education sectors. The country has been carrying this out quite effectively,” says Coates.

Until now, Mozambique has been managing to make only about a third of its scheduled debt repayments. The write-off will bring its debt to twice the value of its exports. “Debt service will be reduced from an average of $115m a year to $100m, declining immediately thereafter,” he says. “This means they will be paying everything that is due.”

Coates says the bank believes the economy is well managed, and that results over the past few years continue to be excellent at the macroeconomic level.

Inflation is low — at minus 1.3% between December 1997 and last December, gross domestic product growth continues in the double digits, the currency has appreciated against the rand, and both imports and exports have risen.

“The positive effect of the initiation of the Mozal aluminium project on the financial results last year will continue,” he said.

To keep the growth rate high, government will have to continue with its programmes to improve conditions for private investment.

He says this programme must include a focus on training and human capacity development, the “de-bureaucratization” of the regulatory framework, strengthening of infrastructure and telecommunications, as well as strengthening the financial system which includes installation of a stock market and the development of investment banking capabilities and insurance markets, and framework legislation setting the stage for private sector development of natural resources.

Coates says an arbitration law has been passed to facilitate dispute resolution on commercial issues, a move that signals recognition of the need to improve the business environment.
Maputo wants full trade pact with SA

Claire Pickard-Cambridge

MAPUTO — Mozambique is preparing a formal request to SA for a full bilateral trade agreement between the countries because it is unhappy about its terms of trade with SA.

Nicolau Sululo, Mozambique's national director of foreign trade, says Mozambique still finds itself in a "no-man's land" when it comes to trade because it is excluded from the Southern African Customs Union. SA has opened its markets to certain Mozambican exports following a notifcational trade agreement between the countries.

We now receive certain quotas to export agricultural products such as cashews, prawns, fish, textiles and clothing. The agreement permits them to go into SA at very low tariffs of about 3%.

However, Sululo says other products are not involved. Although the quotas are discussed with SA on an annual basis, Mozambique wants the a broader agreement amounting to a proper bilateral trade deal. He concedes, though, that negotiations for the phasing down of tariffs in terms of a Southern African Development Community (SADC) trade protocol will foster the process.

"We feel the protocol will be important for fostering regional integration and mobilising investment. However, other member states need to be understanding of our situation and grant us some concessions." He says Mozambique is seeking a degree of industrial protection because the economy is still in a recovery phase and needs to provide more employment.

He concedes that Mozambique's economy is too dependent on customs revenue coming from imports and exports. "Between 40% and 50% of tariff revenues are coming from trade with the SADC. Mainly SA, Malawi, Zimbabwe and Swaziland,"

Mozambique, he says, fears that its agricultural and dairy sectors could be damaged by SA's recent free trade pact with the European Union and wants agreement details released. Mozambique is "very concerned" about the deal to phase out tariffs, but "insufficient details have been released to enable us to assess how we will be affected."

"SA is promising to release more details soon, but we do not want to see European products coming into SA on zero tariffs and then being exported to Mozambique," he says.
Mozambican revival is still to reach rural areas

THE streets of the capital of Mozambique, Maputo, are clogged with traffic generated by aid and investment dollars that have poured in since the southern African country's civil war ended with democratic elections five years ago.

But the traffic soon thins as the main road north into the Mozambican hinterland. And as turning off the highway east to the rutted mud track to the swampland of the island of Hormuz, the road north of the capital, you would be lucky to see any vehicles at all.

At the causeway leading to the island women wear their clothes in the marsh, now mostly safe from landmines after a UN clearance operation. The main street of the island's small town, ranked by dispersed Portuguese-era buildings daunted with listed revolutionary graffiti, is overgrown with long grass. Most people live in huts of mud and reeds surrounded by plots of corn and cassava.

Manuel Alfonso Sambula, aged 18, describes how he and his mother were kidnaped by Renamo guerrillas from their home one night during the civil war when he was 10. "They forced me to kill two people," he says, standing barefoot in a battered white shirt. "I killed an old woman and a man — a sort of initiation rite."

This country is relatively lucky, it is one of three places in the country where Rebuilding Hope, a German-funded Mozambican charity, is helping to return girls and child bore from the war to some sort of normality.

The challenge is how to ensure that people who have come for help to this centre, more than half carried weapons and almost all were abused in some way by soldiers or guerrillas.

The 12,000 Shangaan-speaking people on the island are among the last to be caught in the war. Many men have jobs in the gold mines in neighboring South Africa or work illegally on SA farms.

But even on the island the challenges of eliminating poverty and healing the scars of war are daunting.

Without electricity, running water, telephones or formal employment, it will take decades to bring prosperity to the countryside, where most of Mozambique's 18 million people live.

Average annual income a person is $8.50, which means that Mozambique is one of the world's poorest countries. Only 4% of the people can read and write.

The economy grew more than 10% in 1997 and last year and is expected to do so again this year. But the growth is from an extraordinarily low base and most foreign investment is focused on the southern tip of the country around Maputo and close to the SA border.

Frelimo, the once Marxist-Leninist party that took power at independence from Portugal 24 years ago, knows the dangers of an economic boom in the south and the rest of the country. It has announced ambitious plans to develop the Zambezi valley and other areas in the north.

But these projects will take years to produce results — the main north-south road was cut for more than a month by floods this year — and the next general election is due in October.

The former rebel group Renamo did surprisingly well in the elections in 1994 that followed a peace deal with the government of President Joaquim Chissano.

Renamo's leader, Afonso Dhlakama, won more than a third of the presidential vote and it still commands support in the heavily populated centre of the country where Frelimo is weakest.

Backed by SA's apartheid regime during the Mozambican civil war, Renamo today is badly organized and has no clear policies. But for the first time since independence from Portugal, Frelimo is worried it may lose control of government. Some officials have suggested delaying the poll until 2000.

Frelimo's election slogan, prominently displayed in the centre of the town last year, was "the future is bright."

However, as the head of Rebuilding Hope, Betrand Boya, says, it is hard for villagers psychologically scarred by years of brutality and war to dream of a bright future when they have no memories of the past to draw on.

For most Mozambicans it will take a long time before the country's spectacular economic statistics translate into prosperity. The career ambitions of the children Boya cares for — listed on a sheet of paper pinned up in a classroom at the charity's building — say it all: "fishing, farming, making clothes, learning to read and write" - and, best of all, "accumulating funds to emigrate to SA."

The challenges of healing the scars of war and eliminating poverty are great.
Project's progress probed

Mozambican authorities say first phase should have been completed by now

Claire Pickard-Cambridge

THE Mozambican authorities are investigating the progress achieved by Blanchard Mozambique Enterprises in developing the Elephant Coast project, a large ecotourism concession in the southern part of the country.

The death of James Blanchard, the president of Blanchard Mozambique Enterprises, in Louisiana in March has been a setback for the ambitious scheme, but the company says it hopes to continue and is looking for SA project partners.

"There is concern in Mozambique about the limited progress achieved on the 25 000ha project which should see the company, in partnership with government and the local communities, develop infrastructure for ecotourism, safaris, hotels and water sports," says a company statement.

A document of intent says financing is to be provided by the private sector, and that later phases of the project must include "improvement of the quality of life in local communities, including the provision of water supply systems, recreation centres and medical clinics".

The renewable 50-year concession was granted in October 1996 and the project was divided into phases. The national director of tourism in Mozambique, Armand Langa, refuses to comment on rumour of official concern but says "Some of the obligations should have been fulfilled after 30 months so our department started an evaluation and will present it to cabinet for a decision."

He says the first phase should have been completed by now and as far as government can establish, only game fencing has been done. The first phase involves building lodges for tourists, rehabilitating, restocking and fencing the reserve as well as training game rangers.

The area is eventually earmarked for a planned transfrontier park covering portions of SA and southern Mozambique, but Langa says natural resources and management of the elephant reserve need to be upgraded and respective policies streamlined before this can be achieved.

Howard Geach, chief project consultant for Blanchard Enterprises Mozambique, says that since March the company had invested more than $100 000 in revamping the reserve, providing equipment for game scouts, refurbishing game scout accommodation and assisting the local community. Assistance has included the development of water points and refurbishing a school and a clinic.

The capital could not be invested until a second agreement was signed in March, giving the company full power to operate.

Geach says complexities have arisen around Blanchard's estate. "However, the company is proposing to government that it be given more time to resubmit a business plan, based on the original plan. Financing operations will have to be restructured and the company is working with some potential partners to take the project forward on a new basis."

Geach says that the company has had firm indications of interest from lodge operators and conservation investment groups and would like to see a link-up which re-establishes an elephant corridor down to Tembe Elephant Park in northern KwaZulu-Natal.

"We have done two years of good work and it is achievable if the right teams can be brought together," says Geach.

There have been a number of difficulties to overcome, including the lack of properly surveyed maps of the area and the fact that the company did not have proper authorisation to operate until March, he says.

The project covers a large area from the SA-Mozambique border past Ponta do Ouro up to Cabo Santa Maria, but excludes existing concessions.

It comprises three adjacent concessions: 15 200ha on the peninsula of Santa Maria for a private game reserve where beach and country houses must be constructed; 20 000ha for the restocking of wild animals and the construction of tourist accommodation; and 35 000ha to the south of the reserve for the restocking of wild animals and development of tourist accommodation.

Several years ago the government turned down an application by Sappi to establish 20 000ha of forest in the area southwest of the Maputo Elephant Reserve after Blanchard indicated this would not be compatible with his plans.
Mozambique irked by SA developers

Opportunist are ruining the country's coastline, writes Claire Pickard-Cambridge

MOZAMBIANS are expressing growing disquiet about unplanned developments along their coastline, and blame South African operators for illegal tourism facilities that are springing up.

There have been complaints in the local media and official circles about perceived exploitation of the coastline and random developments by South Africans, which are at odds with government policy on developing the sector. The government is partly to blame for inadequate enforcement of controls, something the authorities say they intend to address.

National tourism director Arlindo Langa says many serious SA investors are playing a positive role in developing coastal resorts.

However, he warns there is a growing number of "fly-by-night" operators. "There are many adventurers who are trying their luck and have little capital. They often set up illegal sites and mislead other tourists, creating a bad image for Mozambique."

Langa also accuses some SA operators of corrupting the administrators and local population and of building poor quality or illegal facilities that spoil pristine areas. "They pay locals to cut wood illegally to build bungalows and destroy the area."

He says some South Africans ask for Mozambican partners, who later emerge as just low-paid employees.

Another problem is the number of SA immigrants to Mozambique who build poor quality bungalows for their retirement. "Many of these people have been unsuccessful in SA and are not the high-income tourists or serious investors we want to attract," says Langa.

SA business sources acknowledge there is a problem with illegal operations, but say corruption among some local officials exacerbates the situation. "Naive investors sometimes pay for permits which later turn out to be fraudulent. This means everyone can lose out," says one.

However, Langa believes there are solutions. "We will provide better training for local administrators and their staff who must assess the quality of the facilities erected. This means better inspection and enforcement of building regulations. We will also remove structures erected without proper permission," he says.

Langa says the government's policy is to emphasize low-volume high-income tourism. "We now have clearer master plans for the coastline — strategies for development which are compatible with the tourism policy adopted by the cabinet in 1995. However, piecemeal and illegal, random development is spoiling this. The government wants to permit only limited low-income tourist accommodation, and says it wants no camping above Gaza province in the lower half of the country."

Mozambique is one of several African nations, including Uganda, that want to reduce strains on their environment by discouraging low-income tourism.

Environmentalists laud this, but point out that suitable high-income facilities must be provided to attract the desired clientele.

Businessmen warn that internal airfares in Mozambique are so high it makes the northern facilities more inaccessible, so inhibiting investors who would otherwise build more upmarket facilities.

Another problem is that locals feel aggrieved because they see South Africans securing opportunities which they cannot afford. "Mozambicans find it an irony that if they want to stay at a beach resort they often need to book through Nelspruit," says Metalco editor Carlos Cordoso.

Locals believe the SA tourist industry is extracting from Mozambique rather than investing in the country," he says.

Other local officials maintain that many payments are made in SA for services rendered in Mozambique, thereby depriving Mozambique of sorely needed foreign exchange.
MOZAMBIQUE's exploration climate is more favourable now than at any time in its history, and 10 foreign companies have recently committed about $143m to exploration and development, says international consultancy Global Pacific & Partners.

An assessment by this energy consultancy notes that many international majors have been attracted by vast virgin areas, and have started exploratory drilling for gas, often in partnership with state-owned oil company ENH. There are no proven oil reserves yet, but potential gas reserves are estimated at 25-trillion cubic feet.

The extent of Mozambique's hydrocarbon reserves has yet to be ascertained. Seismic surveys and drilling over the next five years will provide greater insight. Several coastal areas have been taken up for exploration, but most of the country is still open. New blocks have not yet been delineated. At this stage, key players are:

- Enron of the US, which is to develop the 9,000km² onshore Pande gas field in Inhambane province, which will supply gas via a 600km pipeline to a planned $1.6bn iron and steel project in Maputo. It is still trying to find additional clients in Mozambique and SA, but has begun clearing landmines along the pipeline route.

- A consortium of SA's Sasol, Arco of the US and Zarara Petroleum Resources, which is exploring the Temane, Sofala and M-10 blocks. Negotiations with the Mozambique government have begun over plans to lay a 960km gas pipeline from Temane to Maputo and then on to a synthetic fuels plant at Secunda near Johannesburg. Arco's plans may result in a tie-in with Enron's Pandede-Maputo line. Talks have been held with JCI to supply its proposed hot-briquette iron plant at Beira via pipeline, but the outcome is still uncertain. The report says concerns were raised that BP Amoco succeeds in taking over Arco, high-risk exploration activity may be postponed or abandoned.

- BP Amoco, which is exploring the offshore Zambezi Delta Block. It plans to invest $1bn next year drilling a test well near the Zambezi River mouth.

- NorBay Oil International and Antrim International, which are jointly exploring the onshore Zambezi Delta area.

- Scimitar, which is exploring the Buzi-.Divundu block in partnership with Leopardus in some parts and in other parts with Zarara Scimitar has offered JCI gas for its hot-briquette project. However, given the success of Arco's Temane drilling programme, it appears Scimitar will be beaten to this market.

- Lonproet, which is exploring the onshore Rovuma block.

The report notes that Mozambique is a secure place to do business, and recent legislative measures have improved the investment climate. Corporate tax rates for investors still recovering their investment have been halved, and investors may remit profit abroad as long as their investments generate foreign exchange at least equivalent to the amount remitted abroad.

The most serious commercial risk is the lack of market opportunities for the gas. "The delay encountered in bringing the Pande gas field on stream is a good example of the problems facing potential producers in this context." The report says high levels of foreign investment in Mozambique's industrial and mining sector, especially by SA, will alleviate this. "There are substantial amounts of gas offshore Mozambique, and development of these reserves will require large-scale integrated projects." With the successful delineation of the Temane gas field and recent agreement on developing Pande, the Mozambique petroleum industry's future appears better than ever. Development of the Pande and Temane gas fields will provide a growing infrastructure base and experienced local human resources for field developments.

The report identifies opportunities for interested parties. Lonproet is seeking to farm out operatorship and an unspecified interest in its 32,000km² Rovuma Offshore Block in northern Mozambique. In addition, Antrim Energy is seeking to farm out some or all of its interest in the 28,000km² Offshore Zambezi Delta Block. Both opportunities include a drilling commitment.

Global Pacific & Partners hosts a conference on investment opportunities in Mozambique at the Sandton Holiday Inn Crowne Plaza on June 30 and July 1.
Renamo alleges plot to deprive it of a win in polls

James Hall

MAPUTO — With months remaining before the Frelimo government's promised general elections, the opposition Renamo party has alleged a conspiracy between Zimbabwe's ruling Zanu(PF) party and Frelimo to keep Mozambican President Joaquim Chissano in power.

Renamo officials in the central province of Manica have claimed that, abetted by Zanu(PF), Frelimo intends to "disguise Zimbabweans as Mozambicans in large numbers and bring them over the border to vote en masse for Frelimo."

The allegation was denied as "absolutely false" by Frelimo general secretary Manuel Tete.

No date has been set for the elections, which the government has committed itself to hold this year.

However, the timetable laid down by the electoral law is tight and a delay in appointing members of the National Elections Commission, which will oversee the elections, has hindered organisation.

Chissano is expected to be renominated to head Frelimo's slate of candidates at a meeting of the party's central committee on June 11-13.

The party manifesto will be debated at a national meeting on June 5, where delegates from Frelimo's 25,000 branches will assemble, along with "300 militants from all walks of life" whose purpose is to keep a vestige of the post-independence revolutionary fire burning.
Big plans for resuscitated sugar mill

SA interests played a big role in the renovation of a large Mozambican factory and surrounding estates, writes Claire Pickard-Cambridge

FIFTEEN years after it was established, Mozambique's sugar mill and its estates around the Komas River that have been back to life with the help of a range of SA companies and financiers.

The 1,000-ton-per-day plant, comprising a sugar mill and estates surrounding it, was built by the Indian company Tata in 1986.

The project was funded by a government of Mozambique and a European Union grant.

The government compensated individuals with materials to build new homes.

In the meantime, the most pressing issues involve "overcoming the bureaucracy and customs and recruiting and training skilled labour. "One of our biggest challenges is to change the mindset of people who have not worked in a generation."

They need to learn what the work contract means - that you have to come to work and stay there for the required time.

However, De Robillard says that mills are beginning to work well again, and concerns are being addressed.

"In recent years, it has become a reality that the company will be able to process and sell sugar, and the government is providing assistance to the people who are working there."

De Robillard says that he is optimistic about the future of the company.

"The government is investing in the company to make it more profitable and sustainable."

De Robillard says that the company is beginning to attract investment from local and international companies.

The company plans to expand its operations and increase its output.

Workers clear a drainage channel on the Maragá Açuçar estate in Mozambique. Left, where the first sugar cane was harvested 15 years ago, will be harvested again this year. Workers are seen clearing the site of the new mill. The company expects to produce 64,000 tons of sugar and 20,000 tons of molasses as a byproduct. After the first year, the company expects to produce 13,000 tons of sugar in the first year. After the second year, the company expects to produce 64,000 tons of sugar and 20,000 tons of molasses as a byproduct. The project is coming from a range of lenders, including the Development Bank of Southern Africa, the International Finance Corporation and the European Investment Bank.

The new company will have to cope with a 13-year low in sugar prices, and the global sugar market is going to the global market. The company has plans to increase its production and improve its efficiency. It also has plans to expand its operations and increase its output.

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Mozambican port traffic falls 15%  

From Independent Foreign Service

Maputo - Port traffic declined in Mozambique over 1998 by 15.2 percent, reflecting stagnation in international traffic and what analysts called a poor performance in Companhia de Caminhos de Ferro de Moçambique (CFM), the state ports and railways company. Traffic through Beira dropped sharply, declining by 31.7 percent. Growth in domestic traffic, however, continued briskly with tonnage up sharply for the second year in a row at Nacala, Quelimane and Pemba, the country's smaller northern ports. Southbound coastal traffic for MozLine, the main shipping company, increased 60 percent in 1998, reflecting growing commerce and higher exports from the north.

Progress on the privatisation of CFM under the direction of Rui Fonseca, the company's managing director, remains slow moving. Meanwhile, CFM has entered into a deal to purchase the privatised Malawi National Railways from the Malawi government.
Matola stews over Danish plans to burn pesticides

Mercedes Sayagues

A citizens are battling to stop a Danish-funded project to burn pesticides in a dilapidated cement factory in Matola, near Maputo.

Burning toxic waste in cement kilns creates dangerous cancer-causing compounds known as dioxins and furans. Strict standards must be maintained for safety. It is doubtful whether the Portuguese-owned factory, which has a dismal workers' safety and pollution record, and Mozambique's lax and corruption-ridden administration can enforce them.

"This factory would not be open for one day in Denmark," scoffs António Reina, regional director of the Endangered Wildlife Trust.

Reina belongs to an informal coalition of environmental and community activists called Lavaningo ("to shed""). Isangana that has been fighting the proposal since mid-1998.

On paper, the project has a worthy goal: to help Mozambique dispose of 300 tons of obsolete pesticides -- 42 tons containing products banned worldwide, ranked as class one, the most dangerous -- which creates a real capacity to deal with toxic waste.

The Danish-funded project recommended that a Danish firm, Monberg & Thorsen, would set up a waste station in Matola, hence, in 1998, did the environmental impact assessment. The total cost was $8.3 million.

However, a second, independent assessment demanded by Lavaningo estimated that exporting the pesticides would be cheaper and safer. It would cost $2.2 million to return about 200 tons to the original producer, Bayer and Zeneca, and send the remainder, for example, to Holland in South Africa, 800km from Maputo.

Even more alarmingly, activists discovered that the Mozambican government had authorised in 1986 an obscure company called International Waste Group Mozambique (IWG) to import hazardous waste from abroad for disposal in the country.

This would contravene three major international conventions to stop the dumping of toxic substances into poor countries willing to take them for a price. Banako, Lomé IV and the Basel convention, which Denmark championed.

Lavaningo wonders whether the incineration of pesti-
cides would be a test for later burning of imported waste.

Denmark hotly denies any link between the two projects, but as Greenpeace speculated, "Denmark appears willing to facilitate dirty waste trade by giving away waste-attracting and polluting Danish technology to establish a waste station that could end receiving hazardous waste from Europe and North America."

Francisco Mahaya, secretary general at the Ministry for the Environment, says the authorisation for IWG is "not been revoked."

However, even without imported toxic waste, the incineration of pesticides in Matola is worth enough.

Clouds of dust frequently hang over the city. Mozambique's second largest city, residents said Lavaningo reported that the factory chimneys were spewing dense, black smoke. It turned out the electrofilters were down for 40 minutes. Residents complain of high incidence of respiratory diseases. Asthma and bronchitis are chronic among children.

Another problem is the storage of 500 tons of obsolete pesticides at the waste station set up in the old warehouse of agricultural company Boror, in Matola, along a busy avenue, among factories, shops and homes, close to old, leaky water pipes that could easily be infiltrated with residual toxins.

The second environmental impact assessment says the choice of Boror warehouse was a "mistake, given its physical risks and proximity to residential zones and ecosystems."

The site was already contaminated, as scientists have denounced since 1995, and was not decontaminated before starting this batch of old pesticides.

Last week, the Food and Agriculture Organisation warned about the danger posed by faulty storage of obsolete pesticides in developing countries, where metal drums are corroding and leaking and can contaminate irrigation and drinking water.

The drums at Boror have been left uncovered and unlabelled, and some have exploded due to heat. Residents say that when pesticides leaked out during last season's heavy rains, surrounding grass yellowed and died. The liquid was bombarded out to a nearby lagoon.

Unconfirmed reports from neighbours say two people died after eating fish from the lagoon.

Danda official Peter Larsen declined to comment. "The decision is in the hands of the Mozambican government. A great deal will shift by it, but we stand by our study," said Larsen.

As Lavaningo informed residents, angry mounted neighbours wanted to march to Maputo to deliver a protest to Minister of the Environment Barnard Ferreira.

"Matola is not Mozambique's rubbish bin and we want that rubbish out of here," says Eduardo Eugenio Nhambungo, a resident.

On May 15, about 60 community and church leaders met Lavaningo to discuss the second assessment. They proposed to create a housing committee committee, to meet the municipal council, and if we need to go to the streets, we shall go," said one.

An environmental movement not linked to a political party is a new phenomenon in Mozambique. Thus is the first time that civil society has successfully mobilised over an environmental issue and challenged a state-approved and donor-funded project.

Environmental activists were alerted last year by an article in the daily Temas, "Janice Lemos, an executive secretary at the Polana hotel, with no green experience, contacted Greenpeace. In August, two toxic waste incineration specialists arrived in Maputo and met concerned NGOs.

Lavaningo says Danda has been arrogant, not responding during months to its letters. Although invited, Danda did not attend its first press conference last August. Danda only agreed to meet Lavaningo after it put an advertisement in the Polana hotel while a Danda auditing team was visiting.

Lavaningo sent Aurelio Gomes in October to explain its objections to the Danish Parliament and press.

"Incorporating toxic waste is contested in Europe and Denmark is bringing its polluting technology here," says Lemos. "This double standard is not fair."

The Ministry for the Environment agreed to a second, independent environmental impact assessment. It came earlier this year by consultant firm Impact with Danish firm Environmental Resources Management and the South African Council for Scientific and Industrial Research. Its results, critical of incorporation, were discussed at public meetings in Matola and Maputo.

Mahaya points out that the Ministry has made concessions, agreeing to a new assessment, consulting residents and improving technical aspects, but Lavaningo has made none.

"Lavaningo is doing its job awakening civil society," he says, "but we must do ours, creating a national capacity to deal with toxic waste coming from other countries."

The project is on hold. Waiting for Ferreira to make up his mind.
'Invest for all Mozambique'

Patrick Wadila

FORMER SA first lady and ex-Mozambique MP Graca Machel has urged companies seeking to invest in Mozambique to do so with structured investments that cater for the entire country.

Speaking yesterday at the Mozambique Development Forum '99 in Johannesburg — the first to be held outside Mozambique — Machel said investments in SA's neighbour had to cover both the northern and southern regions of the country.

She said investors should focus on the development of human resources.

Meanwhile, Mozambique's Mineral Resources and Energy Minister John Kachamba said that there were eight international companies operating in Mozambique's gas and oil projects.

He said that in the development of the energy sector, the government had given much attention to the gas, coal and hydro power reserves that exist.

1997/88 was valued at 160m while gas production for 1997/88 was valued at 65m. Electricity was 152m for the same period.

The exclusion of the construction of the Cahora Bassa Dam valued at 510m.

SA's Sasol is part of a consortium including Arco and Zarara, which holds a 47.62% stake in the onshore Temane gas field and offshore Sofala and M-10 blocks which border the Pande gas field that Enron is planning to develop.

"If these projects materialise, Mozambique will be in a good way for development. Much has to be done in the next five years," said Kachamba.

JCl director for venture projects Hugh Brown said the market for gas in Mozambique was in industrial developments such as the Maputo iron and steel project and JCI's Beira-based HBI plant. The company is part of a consortium to construct a 600km gas pipeline from the Pande field to Maputo.

Meanwhile, Sapa reports that delegates attending the conference at which Machel spoke were surprised to find businessman Bob Garbett and his family handing out flyers warning against investment in Mozambique.

Garbett, MD of a family-run aviation company, Professional Aviation Services, has spent 11 months trying to recover a plane worth R12m seized in Beira on July 23 last year when the crew stopped to load a consignment of cigarettes for an official distributor on the way to Kenya. When the crew attempted to leave the next morning they were arrested on suspicion of smuggling but were released.
Boom in Mozambique will aid SA — Erwin

Johannesburg: South Africa will benefit from investments in Mozambique that are expected to spark an economic boom in the country, according to Trade and Industry Minister Alec Erwin.

Erwin told an international conference on investment opportunities in Mozambique that closer economic ties with Mozambique are fundamental to South Africa’s transformation into an internationally competitive manufacturing economy.

“We think the prospects for Mozambique are very considerable indeed,” he said. “The developments in Mozambique are great for the South African economy, and for that, and we are convinced that in a decade you will see a very different economy in Mozambique.”

Market-oriented reforms won Mozambique $3.7 billion in debt relief from the World Bank and the International Monetary Fund on Wednesday. The two institutions said the move would cut Mozambique’s debt servicing costs to an average of $73 million a year from an estimated $169 million without the relief.

Mozambique, one of the world’s poorest countries, is emerging as the region’s hottest investment destination as wide-ranging economic reforms take hold amid political stability forged over the past seven years following the end in 1992 of a crippling 16-year civil war. — Reuters
Maputo to allow elephant hunts

MAPUTO — Mozambique will lift its ban on elephant hunting in the next month and start selling off 1.8 tons of ivory seized from poachers, reports African Eye News Service.

The ban was imposed in 1990 after the government signed the Convention on the International Trade in Endangered Species. The convention was amended this year to allow elephant hunting under strict conditions.

Agostinho Carlos do Rosario, Minister of Agriculture and Fisheries, said the ivory would be sold abroad and the revenue spent on the conservation of the country's remaining elephants.

Mozambique has about 15,000 elephants, with 9,000 in Niassa province, 5,000 in Tete, 2,500 in Cabo Delgado and 600 in Sofala.

Peasant farmers in Niassa, who regularly lose their crops to elephants, have welcomed the lifting of the ban.

Farmers in Lichinga region, Niassa, have been outspoken about elephants posing problems for them and have threatened to shoot the animals.

The minister said spot hunting would only be allowed in areas where there was proven excess of elephants and where the state and other conservation agencies had no capacity to control them.

Hunting would not be allowed in areas where conservation agencies could prove there were control measures on the animals, Do Rosario said. — Sapa
Maputo courts investors

There is no better time to invest in Mozambique's development, says consultant

Patrick Madula

Mozambique is planning an aggressive campaign to attract foreign investment via its Centre for the Promotion of Investment.

Austral Consulting Group chairman Antonio Antonio Matos, who led last week's Global Pacote and Partners conference in Johannesburg, said projects could be given a series of local and tax incentives to establish ventures in the country.

He said that capital invested through the centre could be repatriated as capital profits.

Matos said there had already been a steady flow of investments from SA, Portugal, Brazil, Italy, France, Germany and many other countries.

So far, the largest project to have attracted foreign investors was the Mozal smelting unit.

This is a $1.5bn project which will create 800 permanent jobs with specifically providing employment for local workers.

The Mozal project had established a "packages" programme to identify potential Mozambican suppliers of goods and services. Contracts worth $53.3m had been awarded.

Matos said the centre was examining the possibility of extending the programme to identify other potential partners for foreign investors and also potential suppliers and subcontractors.

"In this way the programme seeks to empower local businesses as much as possible," he said.

Other projects under consideration included the Maputo iron and steel project, with a projected investment of $2.5bn and another aluminium smelter in Beira, both at an estimated investment of $1.5bn.

Another growing area of activity was an export processing zone. The Mozambique government was in the process of approving new regulations simplifying access to the zone.

"The SA mining group Ilva is very active in designing the iron ore processing zone which we hope will attract more than $1bn in investment," Matos said.

However, it was one area that attracted investment through the centre for the Promotion of Investment and another to ensure that investors would be confident in the financial environment in which they would be operating, said Matos.

Mozambique's government had therefore carefully managed its financial environment through the Mozambican government's budget and encouraged the entrance of new banks. The result was a vibrant and competitive banking system that offered first-class services to all major contractors.

The overall macroeconomic climate had also benefited from improved customs controls.

"Overall, the outlook for Mozambique is positive," said Matos. "He believed the elements which had contributed to the improvement were climate, the approach to investment, and the monies which were coming into the country.

It was announced last week that the maize crop had been excellent and that Mozambique expected to have a surplus for export.

The trend in legislation and popular consolidation was towards a broader acceptance of the need for foreign investment to create growth.

"There has never been a better time to invest in Mozambique," said Matos.

Mozal key to regional economy

Durban - A decision would be taken in the next two years whether to double the capacity of the huge Maputo aluminium smelter project in Mozambique, it was disclosed yesterday at an international update workshop on the project at the World Economic Forum's summit in Durban.

Alexa Nghepa, the chief executive of the Industrial Development Corporation (IDC), described Mozal as "the jewel in the crown of the southern African region".

The Mozal smelter, which is still under construction, will eventually increase the smelter capacity in southern Africa by more than a third. At present it is intended to have a 235 000 ton capacity.

The IDC is a major participant in the $1.2bn international investment project.

A Sensex report said it concluded that the benefits of the Mozal project had already been having an impact in Mozambique's infrastructure.

The project could double Mozambique's exports providing more than 600 million a year in foreign exchange earnings. Already some 700 workers are on site, of whom about 400 are Mozambicans.

The construction village houses 1 000 people and infrastructure in the form of roads bridges and the rail network into which Mozal will have access from the project.

Some 100 contracts worth 800 million have already been awarded. Of these, 30 contractors are based in Mozambique.

Mozal's Corporation, one of the main investors, said it was progressing with the project to be completed in 1999, the involvement of Balwin, the minerals group, and other international companies around the project.

Mozambique's government has been exploring other projects linked to Mozal.

Harbour improvements were under way but it was stressed that if a decision was taken to double Mozal's production capacity it was not important in itself but the economic contribution it would make.

The proposed sale of the harbour was therefore an important aspect of this.

The workshop was also told of the background to the decision to sell Mozal to a private South African company, which would supply power to the Mozal project and to the hydro-electric power station at a substantial saving compared to the power cost of the Mozal project.
Mozambique wants rail project financing

DURBAN — Mozambique President Joaquim Chissano said yesterday his country was talking to potential investors from the US, China and Italy for the financing of a $300m rail reconstruction project.

The 600km Sena line was virtually destroyed during Mozambique’s 16-year civil war that ended in 1992.

Several key industries, including mining, depend on the refurbishment of the railway, which links the port of Beira in Mozambique to Malawi.

“We are on the verge of constructing a new railway,” Chissano told delegates attending the Southern Africa Economic Forum in Durban.

“The main constraint facing this project is financing,” Chissano said.

Mozambique’s public rail and port company, CFM, is talking to neighbouring African countries and foreign partners for loans or other types of financing for the rail project.

The rail line is crucial to reviving Mozambique’s extensive Moatize coal fields in the northwest. They are expected to begin small-scale production that will be exported to neighbouring Malawi.

Total output from the coal fields is estimated at 10 million tons a year, Chissano said.

The railway is also key to exporting sugar, timber and cotton from the Sena region. — Reuters

Chissano urges lenders to relax debt relief rules more

Recently won a record $3.7 billion package from international lenders as a reward for years of tough market-oriented reforms.

The International Monetary Fund approved a $765 million three-year low interest loan which enabled Mozambique to qualify for the highly indebted poor countries (HIPC) initiative.

It is the fourth country to benefit from the HIPC initiative, which rewards reformist debtor states by forgiving up to 60 percent of their debts.

However, it took up to a year for Mozambique to qualify for debt relief programmes that set tough standards for countries to meet Chissano said.

“The rules should be relaxed. These discussions would help to put down a new set of procedures to be followed to make it easier for countries contemplating HIPC,” Chissano said.

The debt relief is expected to trim Mozambique’s debt servicing to an average $73 million a year from 1999 to 2005 from $104 million paid last year.

The savings would be ploughed into education, health care and other social programmes according to Chissano.

Mozambique is one of southern Africa’s emerging success stories after undergoing difficult reforms following the end in 1989 of a crippling 15-year civil war.

It has one of the fastest growing economies in southern Africa and has attracted potential investments worth $12 billion in the energy and mining sectors.

Nevertheless, Chissano said his government was still burdened with heavy debts which threatened its social and economic development.

If it is not dealt with, we may come back to the same situation of unsustainable debt,” Chissano said.

African ministers and leaders at the economic summit criticized the world’s rich industrialized nations for offering debt relief that is too little and too late for many heavily indebted countries. — Reuters.
Mining lay-offs hit Mozambique

FROM SAPA-DPA

Maputo – Mozambique is preparing to launch high-level discussions with the South African government in an attempt to relieve the potential regional social and economic effects of the gold crisis, a government spokesman said yesterday.

Adelaide Amurane, Mozambique’s deputy labour minister, said Mozambique did not have the resources to absorb or provide alternative employment for the first 2 000 Mozambican miners retrenched from South Africa’s East Rand Proprietary Mine (ERPM) last week.

The miners were retrenched when ERPM was placed in liquidation as a result of the slump in the price of gold.

An estimated 70 000 Mozambican citizens work in South African mines, and 5 023 of them are expected to be retrenched and repatriated if the gold price does not recover soon.

Mozambicans in South African mines send $50 million dollars a year in foreign exchange back to Mozambique.

Pedro Taumo, a spokesman for the labour ministry, said retrenchments would hit Mozambique’s wider economy because miners repatriated at least 60 percent of their earnings to families and relatives at home.

“The impact would be significant on everyone from small businessmen to larger corporations,” Taumo said.

Mozambique’s social reintegration programmes for miners were simply not designed to handle the number of people who were about to return to Mozambique, Taumo said.
Fiat making Unos for Africa

Stan Maphologela

FIAT Auto SA is planning to make major investments in Africa following an agreement with Mozambican company SIR Comercio Internacional Ltda to assemble 3,000 Fiat Unos over five years.

According to the agreement, SIR would import semiknocked down components for the Uno from Fiat SA to be assembled and sold in Mozambique.

Fiat initially plans to export 300 units a year to Mozambique, which will be increased in keeping with the demand and macroeconomic factors affecting the motor industry.

Fiat Auto SA MD Bruno de Mori said his company was currently operating one workshop in Mozambique. The export of 300 units to that country would guarantee 10% of the market share there. Fiat Uno exports from SA already go to Botswana and Namibia.

The company said the Mozambican agreement would at first involve only Fiat Uno vehicles.

Fiat's other models, the Palio, Palio Weekend and Siena could follow in about 12-18 months after being introduced to the SA market early next year.

Fiat intends selling 600 to 700 of its new Palio range in Mozambique over the next three or four years, presumably sourced from its assembly contract at the Nissan SA plant in Rosslyn. The company currently has a production capacity of 7,000 vehicles a year for the SA market.

Analysts said foreign markets often viewed unrest problems in a regional context rather than in a country-specific context. As a result, they said, motor companies had been taking a cautious approach to investments, although still making investments in Africa.

In terms of the Motor Industry Development Plan, local automotive manufacturers can accumulate credits based on exports, as rebates for duty paid on imported cars and components.

Analysts said exports were expected to increase sharply in future once the African continent stabilised from the effects of civil wars and political instabilities that weakened economies.

Most SA exports go to Zimbabwe, Mozambique, Malawi, Kenya, Tanzania, Uganda, Ghana, Gabon, Cameroon and Angola and are mainly from major companies such as BMW SA, Toyota SA, Nissan SA, Volkswagen SA, Delta and most component manufacturers.

SA's manufacturers back up African sales with dealerships, parts and service facilities.
Maputo's debt payments drop by $41m a year.

From AIA

Maputo – Mozambique will be able to increase its spending on health and education in future thanks to greater than expected debt relief.

Its debt service payments have been cut by $41 million a year, $38 million more than expected, under the International Monetary Fund and World Bank debt relief scheme for heavily indebted poor countries (HIPC).

Between 1995 and 1998, Mozambique paid an average of $114 million a year in debt servicing. Between 1999 and 2005, the average will be $73 million, a saving of $41 million a year.

This year Mozambique set aside $37 million for health and $50 million for education. Debt service payments equalled 17 percent of the state budget and surpassed spending on health. But by 2001, debt service will amount to 11 percent of the budget, equal to the health budget.

For extra debt relief, Mozambique needs to go back to the Paris Club of bilateral creditors, which is expected to increase the amount of debt to be cancelled.

More relief may come from the Group of Seven (G7) next June. That package could cut debt servicing to an average of $55 million.

But there are conditions attached. The G7 requires debt relief to be linked to poverty reduction and the HIPC initiative expects Maputo to start charging rural people for water supply and to refrain from imposing measures to rescue the ailing cashew nut industry.
Renamo forgiven, despite atrocities

C Ol in M C Clelland

Renamo seems to have been forgiven for its recent acts during the civil war, and is expected to gain control in Mozambique's general election.

Despite cancelling its party congress last week and suffering setbacks in forming an opposition alliance against the governing Frelimo party, the opposition, Renamo, continues to enjoy widespread support as Mozambique prepares for its second democratic election scheduled for December. In the polls this week, Renamo drew 15% of the popular vote to Frelimo's 44%. In parliament, only seven MPs remain Renamo from Renamo.

"Renamo seems to have been forgiven its atrocities. There is a perception that Frelimo handled the situation and Renamo was seen as a possible partner, and its actions were blamed on Frelimo," a diplomat source said.

During the 14-year civil war which ended in 1992, atrocities were committed by both sides, but those attributed to Renamo gained lasting notoriety.

There were reports of sexual mutilations such as cutting off noses, ears, lips and hands, or slicing through the spine and beating to death. Renamo was accused of burning villages where their children were killed.

In particular, the deaths of elderly people were used as a means to frighten the population. Renamo was forced to negotiate a cease-fire and was later blamed for the deaths of those who were killed.

"Renamo has progressed little since it days as a military organization. Its ideology is essentially anti-Frelimo," he said.

But party leader Joao Domingos disagrees slightly in his assessment of Renamo support. He says Renamo appeared as a result of Frelimo mistakes. Frelimo's first mistake was to call them a united and legitimate representations of the people of Mozambique, which doesn't allow for any other parties or ideas," said Frelimo.

Domingos denounces the traditional power structure of local chieftains, calling it hostile to traditional culture and religions, and it outlawed the influential men's marketing network. "It amounted to a big kick in the teeth to the moral way of life."

"Renamo benefits from one simple fact: it is not Frelimo. That is already the case," he continued. "The free market is just a name in practice. It's nothing like a free market."

"There has been de-nationalisation, companies no longer belong to the state, but they still belong to Frelimo members who have picked them up from the state. That doesn't give a sense of free market, there is no competition, everything belongs to the state people."

Renamo is often characterised as a party of outsiders who couldn't get what they wanted from within the Frelimo system. But leader Dominguinhos said virtually expelled from Frelimo for selling a car.

But Frelimo's version of capitalism is putting pressure on the Velho Renamo, which has made changes in the democratic process. The opposition is being able to hold the government to account. According to Jose Viera, author of Renamo: From Terrorism to Democracy in Mozambique, "Renamo's presence continues because there really isn't any credible third force."

"We have friends in Spain, Germany, France and England that everyone has problems with money," he said. "I believe the Frelimo communist government is doing its best in the face of the enormous problems."
MOZAMBIQUE
BACK IN FAVOUR

Pat on the back from IMF

The International Monetary Fund (IMF) has issued Mozambique a glowing report card following its annual Article IV consultation with the country in June.

The fund's board of directors said "the authorities' sustained commitment had been a key determinant" of Mozambique's strong economic performance in 1998.

In fact, some directors believed that Mozambique's eligibility for "additional assistance" could be considered, over and above the increased relief it is already getting under the Highly Indebted Poor Countries (HIPC) initiative.

Annual economic growth has risen from an average of 6.7% during 1987-1995 to 10% during 1996-1998. Inflation declined from about 80% in 1995 to less than 1% in 1998.

And the social indicators are also improving. Between 1996 and 1998, primary school enrolment increased from 62% to 71%, and coverage for key vaccinations increased from 68% to 77%.

But, despite these achievements, the fund says "pressing economic problems" remain. These include "widespread poverty, a small export base, low revenue collections, insufficient human capital, and inadequate infrastructure."

The board stressed that "continued determined implementation of sound macroeconomic and structural reforms was essential."

VITAL STATISTICS

| Year | Real GDP (% change) | Inflation | Domestic investment (% GDP) | Domestic savings (% GDP) | Export
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Degradation a threat to historical island

MAPUTO — Ilha de Mocambique, the first Mozambican capital, is succumbing to degradation.

Environmentalists have warned that if urgent measures are not taken the monuments and historical artefacts will be lost forever.

In 1992 Ilha de Mozambique — which is part of the northern province of Nampula — was classified as a world heritage site. The decision on the classification was made as a result of its historic cultural richness and ethnic multiplicity.

The island, which is 2.5km long, was visited by expeditions of the Phoenicians in the year 600, by Arabs and Persians from the 10th century and by the Chinese from the 12th century.

All of them left behind important traces and contributed to the creation of a community with distinctive characteristics.

Advanced

Arab glassware, Persian earthenware and Chinese porcelain can still be found on the island.

In 1948 the Ilha de Mocambique saw the arrival of the Portuguese, who also left important traces such as the Sao Sebastiao fortress in the north of the island, which was given city status in 1818.

Ilha de Mozambique was the Mozambican capital until 1897, when that status was transferred to Lourenco Marques, now known as Maputo.

The city of Ilha de Mozambique, which is more than 180 years old, is reported to be in an advanced state of physical degradation with a significant part of its buildings falling into ruin.

Apart from the lack of maintenance of the existing infrastructure by the island, overpopulation has also contributed to the degradation.

With a population of more than 14,000 inhabitants, the Ilha de Mozambique has adequate housing for fewer than 2,000 people.

According to Mozambican Minister of Youth, Sports and Culture Mateus Katupha, at least 50% of the island’s present inhabitants landed up there during the last years of the civil war, which ended in 1992.

Katupha said that a project was under way to urgently resettle at least 4,000 people from the island in another part of the country. The government needed at least $11m for the restoration and preservation projects earmarked for the island.

At a recent donors’ conference the French government reportedly showed some interest in rehabilitating the old consulate on the island, while Holland pledged funds to cover some of the costs of the microprojects including the restoration of electric power.

The Swiss government reportedly pledged commitment to fund water-related projects, while Portugal has apparently announced that it would donate $2.5m towards the rehabilitation of other infrastructure on the island.

Other areas identified as in need of urgent attention included water, drainage, sanitation, housing, streets, electricity, communications, rubbish collection, transport, public services, training, tourism as well as the environment — AIA.
A year of significant challenges

As the 14th anniversary of the South African Development Community (SADC) approaches, the region is facing significant challenges, including economic recovery, political stability, and regional cooperation. Leaders of the SADC countries have met to discuss these issues, with President Joachim Chissano of Mozambique expressing concern about the region's economic situation.

In his address to the SADC summit, Chissano emphasized the need for a coordinated approach to regional development, highlighting the challenges faced by many southern African countries. He underscored the importance of trade liberalization and the need for investment in infrastructure to stimulate economic growth.

Chissano also called for increased regional integration, noting that the current political climate in some countries has hindered progress. He called for a renewed commitment to regional cooperation, emphasizing the need for a stronger SADC to address the region's shared challenges.

However, Chissano acknowledged the complexity of the situation, noting that despite progress in some areas, there remain significant obstacles to overcome. He called for a renewed commitment to regional cooperation, emphasizing the need for a stronger SADC to address the region's shared challenges.

Chissano's remarks were echoed by other leaders at the summit, who expressed similar concerns about the region's economic situation and the need for a coordinated approach to regional development. The summit concluded with a commitment to continue working towards a more integrated and prosperous southern Africa.

Mozambique, which is one of the region's most significant economies, has faced significant challenges in recent years, including political instability and economic decline. However, Chissano and other leaders at the summit expressed optimism about the region's future, noting the potential for progress if countries work together to address their shared challenges.
Massive titanium reserve found in Mozambique

MAPUTO — The world’s largest reserve of titanium is believed to have been discovered in the rural Chibuto region of Mozambique’s southern Gaza province, it was reported yesterday.

Mozambican Mineral Resources and Energy minister John Kachamila was quoted in the daily Maputo newspaper Noticias as confirming that mining feasibility studies for reserve had already begun.

Kachamila said initial studies indicated the reserve was larger than 100-million tons, and that commercial exploitation of the site could start within two years.

The Chibuto deposits are believed to be three or four times larger than the Richard’s Bay titanium reserve in SA.

Kachamila said the Chibuto reserve appeared free of impurities and would possibly be developed along with similar but smaller sites at Moamba, in Zambezia province and at Moma in Nampula province.

Stressing that there was normally seven years between the discovery of mineral reserves and their exploitation, Kachamila said developers would have to build infrastructure such as railway and electricity transmission lines before mining the site — Sapa-DPA
Land applications on hold

MAPUTO - Mozambique's industrial city of Matola has suspended all allocation of land amid allegations of corruption involving city council officials, council sources said.

Pedro Bambo, the city councillor responsible for town planning, confirmed the council had frozen more than 2,000 applications for land.

Many SA businesses have set up warehousing facilities or factories in Matola, which has expanded rapidly in the past few years. Mozambique's biggest industrial project to date, an aluminium smelter owned by Billiton and others, is also being built there.

It is an important location for shipping, given that a number of terminals, but most notably the coal terminals, are located there.

Bambo declined to give details about why the land applications had been frozen but stressed the move - the second in as many years - was temporary.

The council was forced to suspend all land allocation in August last year when it tried to reform the application system to cut out abuses and inefficiency.

Private land ownership is still restricted in Mozambique. It is slowly evolving from a socialist society into a free market, multiparty democracy. - Saps-OPA
Ploughing field of dreams from demined land

Build effort to remove ordinance that dots the countryside and development will come to underdeveloped Mozambique, writes Gareth Elliot

MOZAMBIQUE'S path to economic development is blighted by many hurdles, not least and unexploded ordinance in particular, are a remnant of its violent past. Land mines tarry Mozambiquans the ability to cultivate land and enter investment. No accurate figures are available on the number of land mines in Mozambique but estimates range from 250,000 to 1 million. An estimated 1,000 minefields are scattered throughout the country, concentrated in the southern provinces of Maputo and Inhambane and central provinces of Tete and Zambezia.

Antipersonnel mines were laid by both sides during the civil war to protect strategic installations, though in doing so they prevented local population access to land, water and other vital amenities. Hundreds of villages cultivate only a fraction of their land due to the presence of land mines in the fields in the southern province of Inhambane, minefields run as between and around villages constraining most aspects of daily life. This has devastating consequences for a country with an economy based primarily on agriculture and a per capita gross national product of only $145.

A patchwork of demining started in 1993 with the arrival of the United Nations operations in Mozambique. Three initial efforts were aimed at clearing roads and allowing for the safe passage of returning refugees and internally displaced persons.

According to the Mozambican Ministry of Foreign Affairs and Cooperation between 1993 and 1996 demining funding exceeded $4 million and led to the clearance of 150,000 land mines. Donors provided the vast majority of funds to the new well-established mine clearance industry of about 1,500 persons working on a total budget of about $2 million.

Most mine clearance operators in Mozambique have acknowledged the need to clear land for development. The nationally linked demining organisation, the Accelerated Demining Programme (ADP), is currently clearing a 7,0000km² minefield around an area earmarked for a large community-based agricultural development in Maputo province. It is hoped cattle farming will ultimately return to the area.

The ADP's chief technical advisor, Mr. Glen Durock, says minefield areas are chosen according to their effect on local communities per dollar spent. The number of mines removed is no longer a primary determinant alone. Instead the socioeconomic effect on local populations is also taken into account.

The ADP is considering conducting follow-up investigations in areas identified a year after completion to assess the effect of their work on the local population.

Other demining organisations, such as Handicap International and clearing landscapes around vital infrastructure are also based because of the dangers of mines.

Current operations to breach and clear perimeter minefields surrounding an abandoned Catholic mission in Inhambane province have brought immediate benefits to the local population. A small community is opening around the mission as more land becomes available and once of the church's plans to rehabilitate the mission spreads.

Donors see however, not going to remain at their present levels for an indefinite period. In fact, some donors foresee a reduction in land mine clearance funding within seven years.

The Mozambican government does not have the money to make up the likely shortfall if funds are cut. Mine clearance in Mozambique will have to be downsized.

But a window of opportunity exists over the next seven years to make the exact impact on Mozambique. Areas posing the most immediate threat to populations need to be cleared while priority areas need to be identified for clearance to aid development.

Efforts are under way by red players in Mozambique to approach the clearance of land mines in a more comprehensive manner. Donors, non-governmental organisations, demining operators and the government are aware of the need for greater co-ordination.

The newly formed Instituto Nacional Desminagem which is connected to the government, has now replaced the formerly independent Centro Nacional de Desminagem. It has been given the job of ensuring that mine clearance is integrated into Mozambique's wider rehabilitation and development plans.

The institute, in conjunction with other Mozambican authorities, donors, non-governmental organisations and demining operators will have to first establish a prioritised database of minefields to be cleared.

Mozambique does not have a land mine problem. It has a development problem. Land mine areas are not the case of Mozambique's underdevelopment, but they certainly compound it.
Mozambique defies SADC transport protocol

CT(OR)9/9/99 (ZVR) (JFAN)

PAUL FAUVET

Maputo - TTA, the privatised Mozambican air transport company, claimed earlier this week that its government should lose the chairmanship of the Southern African Development Corporation (SADC) transport sector because it was in violation of SADC transport and communications protocol.

TTA was exasperated by the government's refusal to grant it any routes for regular flights, and by the continued monopoly of Mozambique Airlines (LAM) over the main domestic routes.

TTA said this was in flagrant contradiction not only of the SADC protocol, but also of a set of regulations on civil aviation that the government issued in August 1998.

The SADC protocol envisaged the gradual liberalisation of the civil aviation sector. But there had been no liberalisation in Mozambican skies, complained Antonio Alves Gomes, the TTA spokesman.

However, the government had so far not permitted any competitor to challenge LAM, which was still effectively state-owned.

Gomes said TTA would contact the representative of the Southern African Transport and Communications Commission (SATCC), the transport sector of SADC.

TTA was informing other SADC members "about what has happened to us in Mozambique."

"If necessary, we will campaign to have the leadership of SATCC taken away from the Mozambican government, and the SATCC office moved from Maputo," said Gomes.

He claimed that South Africa already wanted to take the SADC transport sector away from Mozambique.

At the latest SADC meeting, "the South African minister pointed out that the air transport market is completely liberalised in South Africa, and asked why Mozambique, which chairs SATCC, is not doing likewise", he said.

TTA was privatised in 1997. The buyers were a consortium formed by JV Consultores (a company owned by former cooperation minister Jacinto Veloso), the Mozambique Aero Club, private light aircraft companies STA and Asas de Mozambique, and five individual TTA technicians. The state retained a minority shareholding of 10 percent in the new TTA.

Gomes said when the consortium purchased TTA, it did so in the belief that it was buying all the rights TTA possessed, notably the authority to run regular and non-regular domestic and international flights.

"That's what we bought from the state," said Gomes.

"That was the value of the company, not its physical assets which were just 10 old and damaged planes, only two of which were operational."

A year earlier, in 1996, the government had adopted a transport policy which spoke of liberalising road, sea and air transport. It stressed the principles of the free market and of competition.

But that same year, a cabinet resolution was passed on privatising LAM. This spoke about giving guarantees to a "strategic partner" who would buy up the LAM assets.
NATIONAL

Mozal puts figures to malaria toll

Ilia Gwathie

MAPUTO — About 3 500 cases of malaria — including six deaths — among construction workers are some of the operating difficulties that have led to over 300 cases of Mozal's new aluminium plant near Maputo last year.

Company sources last week confirmed the number of cases at the site, which has provided work for about 5000 employees.

Other foreign companies setting up shop in Mozambique have also reported the high incidence of malaria as a normal working difficulty they have to prepare for, particularly in construction, which most employees are out of doors.

During a visit to the site on Friday, Mozal chairman Rob Barbour and construction had reached a critical phase. The position and mood of the civil work had been completed — ahead of schedule and within budget — but now crucial installations had to be made.

Work on the 250,000-ton aluminium plant was moving into the mechanical electrical and instrumentation phase, which would bring new challenges.

The 5-million aluminium plant, in which London-based Billiton has a 47.5% stake, is the single largest investment in Mozambique with most employees recruited and trained in the country.

Mozal forms the cornerstone of what could become a new industrial park outside the Mozambican capital.

Studies are looking at which up and downstream industries could benefit from the proximity of the smelter.

Electricity is one of those benefits. The plant will use twice as much electricity as Maputo.

The electricity will be readily available for the industrial park due to the construction of the new transmission, required to cope with the huge volumes of power needed by Mozal.

Barbour said that while the plant was designed to produce 250,000 tons of aluminium, initial planning for phase two was underway.

Analysts say the upturn of starting phase two before phase one is completed is that Mozal will not have to deal with another logistical nightmare, as all construction facilities and contingencies are already on site.

The plant also has favourable agreements with electricity suppliers that will mean greater margins, and the electricity prices for the plant reach higher levels in 12 years time.

Barbour said his biggest joy has been watching the turnaround the company has had from a plan that was expected to take three years to 2 1/2 years.

The project has reached the employment peak of 9 000, of which 70% are local.

Expansion depends on costs being kept under control, says executive

Jonathan Roseman

Mozal — The $3.2 billion Mozal aluminium smelter in Mozambique was expected to become the world's lowest-cost producer of aluminium in a plant project completed in October.

The smelter is the world's lowest-cost producer of aluminium, and Mozambique's government tried to keep the smelter a corporate tax at 1% of turnover. The group is expected to turn over about $200 million a year, which could be spent on raw materials and electricity. The rest would go on wages, suppliers and services which would provide a huge boost to Mozambique's economy.

The owners of the smelter were already planning to expand it to double output but when the company was expected to make a profit, it decided to keep the project under control.

The owners of the smelter were already planning to expand it to double output but when the company was expected to make a profit, it decided to keep the project under control.

Mozal is more than just the Mozambique's largest single investment and one of the first since the country's 1996 economic reform.

The project has reached the employment peak of nearly 9 000 workers. "There is no room for complacency," the government said. In fact, it is fully operated by a local company, which has created 600 permanent jobs, about 10% of which are from Mozambique's mining company, Alumina, which is Japan's Mitsubishi, 20% and South Africa's Industrial Development Corporation, 20%.

The Mozambican government has a 6% interest through preference shares.
Mozambique's Maragra sugar mill reopens

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban - Mozambique's Maragra Sugar Mill yesterday officially reopened after an extensive two-year factory and agricultural rehabilitation programme worth more than R260 million. The mill, which was reopened by Mozambican President Joaquim Chissano, signalled another step forward in the rebirth of the once-vibrant sugar industry as well as the socio-economic development of Maputo province and Mozambique's economy, said Don MacLeod, the managing director of illovo Sugar.

Ilovo began Maragra's rehabilitation in July 1997 with Maragra SARL, a local company with an equal share in the project. MacLeod said with more than 700 people now employed at the mill and surrounding estates, there had already been significant economic benefit. Maragra last operated in 1984.

Since the commissioning of the mill earlier this year and the rehabilitation of surrounding sugarcane fields, Maragra would produce 9,000 tons of raw sugar this year. It aimed to reach 20,000 tons by 2002. MacLeod said the longer-term goal was to produce 100,000 tons a year.

While the two partners would share equally the $25 million cost of the rehabilitation, the $20 million needed to re-establish 6,200 ha of sugarcane fields would be borne by private growers and Maragra Commercial. Jorge Petz, the chairman of Maragra SARL, said while many factors had led to Maragra's rehabilitation, the most important was the government's decision to reprivatise Mozambique's sugar industry.
Pristine coastal area in danger

Mercedes Savyesqua

One of Africa's most pristine coastal areas may soon be lost if the Mozambican government carries out the plan to build a deep sea port just south of the Maputo Elephant Reserve.

The project is a $150-million partnership recently approved between the state railway Companhia de Ferro de Moçambique (CFM) and the French firm Portus D pada. The latter is linked to two South African based businessmen supported by investors based in New York. The partners have formed Society Porto Del in Development, which is headquartered on the Isle of Man.

Spreading over 10,000ha in Matamane district, the project includes an industrial zone, a highway, and a railway bringing jobs for 2,500 people in the first year and 10,000 when it is completed.

Mozambican environmentalists warn that the development would change completely the ecological and social structure of Matamane district.

The port would alter water supply for the nearby Piti coastal lagoon, the largest on Matamane, and reduce the reserve's wildlife habitat. Industrial pollution and ships would have a negative impact on marine life. Nearby is a coral reef, several kilometres long, one of the southernmost in the world.

The project runs counter to previous agreements and plans of the Mozambican government. The port is in the middle of the 225,000ha greater in scope for conservation to American Bill Kocher-Beard Blynn, who died in March.

The decision may be partly explained by the success of the Blanchard project. Of the $600 million Blanchard boasted he would invest into coastal land, so the government is trying with another mega project, in the opposite direction.

The area south of Maputo down to the border with KwaZulu-Natal was declared for conservation purposes in a couple of national plans for tourism and biodiversity. The World Bank recently approved funding for the Tunks Franchise and Park project. So does the spatial development initiative signed between Mozambique, Swaziland, and South Africa.

What it is Antonio Baldo, regional director of the Endangered Wildlife Trust. He, first, the lack of transparency in the deal. Official documents are not available. And, secondly, that the agreement was signed without environmental impact assessment study.

"If the deal falls through because of its negative environmental impact, the Mozambican government looks at a fool in front of its citizens and in front of the world," he says.

The area is considered among the world's 250 areas of great biodiversity. Africa has roughly 25 of those. To lose one would be foolish.
Mozambican prawn industry revolutionised

Company launches country's first commercial prawn farm and laboratory

Mark Turner

Financial Times

LONDON — Across the river from Quelimane, the quiet capital of Mozambique's rural Zambezia province, around 20ha of ponds and low-rise sheds might have brought a revolution to the country's prawn business:

Tiger prawns, caught mainly by Japanese and Spanish boats, are already the country's largest export earner, bringing in about $80m-$90m a year. But future growth is limited by stocks, and concerns have been raised about over-fishing.

Spotted an opportunity, and encouraged by Mozambique's new-found peace and economic growth, a French-financed company, Aquapesca, has launched the country's first commercial prawn farm and laboratory, and claims its initial results are extremely encouraging.

In its first cycle (prawn farms have two growth cycles a year), the Quelimane pilot project produced 29 tons of prawns, a yield of three tons/ha of commercial size.

The second-cycle results are still awaited, but according to Herve Ohresser-Joumard, who represents Aquapesca in Maputo, the numbers already justify pressing ahead with an industrial phase of operations.

Aquapesca was created in 1994 by three partners — the Reunion-based Armement des Mascareignes, the Mozambican state and the French Development Bank's private investment arm, Proparco — in the pilot project has reached $5m.

The company opted for semi-intensive farming, which it said best balanced potential yields with labour and input costs.

Ohresser-Joumard says Aquapesca also learned an important lesson from intensive farms in East Asia, where pollution and disease have severely reduced production, larvae and breeding prawns will come only from the local ocean, to minimise the risk of infection.

“Our analysis showed that semi-intensive was feasible. We do not want too much intensification, which is what created sanitary problems in Thailand and China. We are also building a project in a country with no tradition of aquaculture,” he says.

Aquapesca chose Quelimane because of its natural stocks, available land and access to a port (albeit in poor shape). It was also smaller and therefore less polluted than other candidates, and — given the city’s lack of other investment — Aquapesca immediately became important.

Nonetheless, it is far from perfect. Zambezia has a two-month cold season, when the prawns’ growth is slower, and the river water near Quelimane suffers from falling salinity during the rainy season. While the local prawns have adapted to low salinity, this poses a problem for the breeding laboratory. If, or when, the farm is expanded, a laboratory will have to be situated elsewhere.

Infrastructure is also a constant headache — inadequate supply of water means that a desalination plant will need to be built, and hitches in transport can be costly.

"Until the middle of the project's first cycle we had higher expectations for yield, but we had a shortage of feed and had to wait for a month," Ohresser-Joumard said.

Despite these hitches, Aquapesca is upbeat about prospects. "We will make a decision over the next few months to begin investment in the first industrial phase," he said.

"We have to decide whether to start in the next dry season, or the one after that, but it is only a question of timing now," he said.

The next phase will involve a $25m private investment in a 500ha farm and factory, which should employ 600 people and produce 1,500 tons of prawns a year. Although small when one considers that the world market consists of 2.5 million tons, it would be a significant boost to Mozambique’s current catch of about 7,000 tons.

If Aquapesca presses ahead, it could also trigger investment by a number of other companies that are watching the Quelimane project closely.

If so, the prospect of prawn farms springing up along the Mozambican coast may not be far away. Assuming that the environment is adequately protected, it could be a welcome prospect for a country still struggling to escape from poverty.

Ironically, it might also usher in a new set of problems for a growing tourism industry. "Tourism can be competitive with prawn farming," says Ohresser-Joumard. "Too much tourism is not good for prawns!"
IDC secures $152m loan for Mozal

SA's Industrial Development Corporation (IDC) has strengthened its involvement in Mozambique's Mozal aluminium smelter project, by securing a $152m (about R1bn) loan.

The IDC has lead financed and secured the loan, for Mozfund, a special-purpose company established to raise financing for the Mozal project.

The loan was co-arranged by Absa while the Mozfund special-purpose vehicle was established by the IDC, Absa, Raiffeisenbank, Nedbank, Standard Bank and FirstRand Bank. The loan was securitized from Germany's Bayerische Hypo-Und Verwensbank to help finance the smelter project.

"This loan confirms the IDC's capacity to offer innovative solutions to the export industry in co-operation with local and international banks," said IDC CEO Khaya Nqula.

"It is the biggest investment loan concluded this year by an SA institution, according to the IDC's chief financial officer, Gert Gouws.

Financing for the $134bn smelter is divided equally between shareholder equity and senior loans. The $152m forms part of the senior 'loan portion' and will be utilized to support SA exporters supplying capital goods and services to the smelter in Maputo.

Gouws said the IDC was negotiating with investment bank Dresdner Kleinwort Benson and Canada's IDC for a further $228m.

Conditions will apply to the roughly 180 SA suppliers to Mozal, one of which will be that the SA goods must contain at least 84% local content.

Mozal is expected to produce 250,000 tons of aluminium a year once it is in full capacity in 2001 and there are already steps under way for a possible expansion of the project to double capacity. This could get under way as early as next year.

Gouws said should this prove feasible, the IDC would be interested in participating in phase two.

The IDC has a 24% equity stake in Mozal worth $125m. Other Mozal shareholders include London-listed base metals group Billiton with a 47% stake, Mitsubishi with a 25% stake and the Mozambican government, which has a 4% interest.
IDC gives credit facility the nod

By Shadrack Mashalaba

The Industrial Development Corporation yesterday announced the approval of an export credit facility of R2 280 million for the Mozal aluminium smelter project, the single largest export credit facility from South Africa.

Addressing a media briefing in Johannesburg yesterday IDC chief financial officer Gert Gouws said the loan was tied to finance exports of goods and services from South Africa to the Mozal project in Mozambique.

The IDC, which is the Mozfund's lead finance arranger, will partner Absa Bank as co-arranger of the export credit facility.

The Mozfund is a special purpose company which was established by the IDC and the six co-funding financial institutions.

Due to the size of the US dollar the lead finance arrangers have involved five other South African banks: These include Standard Bank, FirstRand, Nedbank who will each provide guarantee amounts of 14.5 percent (R330 million); Rand Merchant Bank and BOE will each provide 2.6 percent (R60 million) respectively.

Gouws said 180 South African suppliers to Mozal will benefit from the finance facility. These will mainly include construction companies.

He also announced that German-based financier Bayernsche Hypo- Und Vereinsbank AG has signed a R330 million agreement with the IDC to support South African exporters supplying capital goods and services to the Mozal project. This means they will be taking a 40 percent shareholding in Mozfund.

"The funding will have a positive effect on South Africa's balance of payments. No funds will be leaving the country. We are still committed to our mandate to expand our involvement in the Southern African Development Community region,

According to Gouws, the major challenges of the Mozfund structure is scarcity of long-term US dollar funding, the cost of US dollar funding and also matching the funding with Mozal investments and repayments.

He said the IDC had embarked on a concerted effort to source long-term matched US dollar funding.

The shareholders' equity of the Mozal project is held by Bultitum South Africa (47 percent), IDC 24 percent, Mitsubishi 25 percent and the Mozambican government has four percent.
**AFRICA**

**Govt signs deal to kick-start privatisation of harbour**

International consortium will inject $50 million into rehabilitating rusting Maputo port

Claire Pickard-Cambridge

The privatisation of Maputo’s rusting port took an important step forward yesterday with the signing of a deal that sees the government and an international consortium which will take over operations from July next year.

This follows nearly 18 months of tense negotiations, a period which saw battles between the government and some of its partners in the construction and operation of the port. The talks are expected to be completed by the end of the year.

The photo shows the new Maputo port, which is expected to be operational by 2013.

**Privateising Maputo’s port**

The port consortium’s tasks include:

- Rehabilitating warehouses and offices
- Rebuilding the port and building new infrastructure
- Rebuilding the channel and port
- Repaving access roads
- Rehabilitating rail tracks at the port
- Taking responsibility for all shipping

Port improvements began some time ago and the terminal, on the eastern coast, has already been cleared by private operators. A consortium made up of companies such as SA, CPM and Australia’s KO Ports has been clearing the container terminal.

The port concession is part of a World Bank-backed plan to commercialise Mozambique’s ports and railways, and it is expected to stimulate new traffic as well as create new routes for SA ports such as Durban which have been congested.

Other ports in Mozambique are also being developed, and the government’s assurance that rail connections are progressing is important in the longer term. However, the government has faced challenges in managing the port, and the consortium is expected to bring in new expertise to improve operations.

**Mozambique pulls plug on resort complex**

The Mozambican government has pulled the plug on plans for a luxury resort complex after it failed to attract the level of investment that had been anticipated. The project, which was expected to cost $200 million, was initially planned to be completed by 2015.

Businessman who made fortune dealing in gold and diamonds in SA and Botswana

Bachaud, who is also a chef, has now put the project on hold and has sold the land and buildings that were planned for the development. He is now looking for a new investor to take over the project and complete it.

Three years later, another project in the same area has also been abandoned, leaving the government with a big headache as it tries to find new investors for the country’s once promising tourism industry.

The government has placed great hope in the project to attract new investment, but the recent events have shown that it will take time to bring in the level of investment that was expected. The government is now looking at alternative projects to bring in new investment and improve the country’s tourism industry.
Maputo reserve hangs in the balance

Mercedes Sayagues

This week, the Mozambican government received the controversial donation of $24 million to the World Heritage Site for the Maputo Bioregion from the US.

Initially, the government had hoped to receive $39 million, but a deal with the BirdLife International to invest $10 million in the reserve's conservation was not sufficient. The remaining $24 million was raised by the World Wildlife Fund and the Natural Resources Defense Council.

The prefecture of the reserve is now under the management of the World Wildlife Fund, which is working on a plan to improve the reserve's infrastructure and wildlife management.

A takeover of the area by environmentalists might save it from uncontrolled logging and poaching, which could wreck the wildlife and economy. Conservationists have expressed concerns about the lack of a formal agreement with the Mozambican government.

The reserve is home to one of the world's most diverse and endangered bird species, the black-browed albatross.

Experts warn that the port would damage the world's southernmost coral reef, the world's highest waterfall, and a unique ecosystem of islands, freshwater lakes, and forests. The project will be closely monitored by environmental groups, including BirdLife International and the Natural Resources Defense Council.

Until the fate of Porto Dobe is decided, tourism investment in the area will likely continue.

The area of unparalleled beauty, wildlife, and history of the southern Mozambique needs to be protected from the harmful impact of the port.

Moreover, the World Bank wants to see the reserve as a tourist destination, with the potential to boost the local economy.

The environmentalists say that this wilderness should be managed as a whole, linking the southern Mozambique with the rest of the continent for the benefit of all.
Placer sets itself a mammoth task

IN A country ravaged by war and in the throes of rebuilding a shattered economy, mining group Placer Dome Western Areas Joint Venture faces a mammoth task in providing job opportunities for hundreds of retrenched Mozambican miners.

Following an acrimonious retenchment exercise leading to over 2 600 jobs being lost, Placer Dome set aside R15m to assist affected employees. The company went beyond the criteria laid down in a social plan agreed to at last years’ presidential job summit. It has set itself the goal of ensuring that at least 70% of their employees or nominated family members will be economically active in two years.

The option of nominating family members is available to workers close to retirement age or who cannot work because of HIV/AIDS.

Last week representatives from Placer Dome went on a fact-finding mission to Mozambique to liaise with non-governmental organisations (NGOs) and other organisations to find out what development work is underway in the rural areas aimed at creating jobs.

The company, wanting to move away from past paternalistic practices in the industry, does not want to impose solutions on ex-employees. A number of facilitators will be employed to determine their training needs. These would be evaluated against whether such training will lead to sustainable economic activity. Training for training’s sake is not the objective, says Placer Dome representative Jim Fisher.

Most of the retrenched miners come from Mozambique, but a similar process will be pursued in the other areas affected by retenchments including Lesotho and the Eastern Cape.

During the visit it was found that there were no co-ordinated initiatives to encourage rural economic development on the part of government, NGOs or the mining houses employing miners from Mozambique.

Up to 200 NGOs operating in the country are engaged in various micro initiatives, but they were not necessarily co-ordinated.

A development agency representative said “its like a circus here. Everyone is running around the country doing their own thing.”

A representative from the SA High Commission expressed concern that there was an apparent lack of co-ordination between the mining houses in rural economic development initiatives. He says problems could arise if one miner or his family was assisted while another in the same area did not receive the same assistance.

The Mozambique government is hoping that megaprojects such as the Mazal Aluminium Smelter will have the desired effect of encouraging foreign investment.

Eugeno Numiao, governor of Gaza province (where the majority of retrenched miners come from), welcomed the company’s plan, but urged it rather to invest in the country. He says, however, that the long-term solution to job creation lies in investment.

But while the governor urges companies to invest, there is concern that this might not materialise until a lot of the “red tape” involved in bringing goods into the country are removed. Corruption must also be addressed.

Meanwhile, the country continues to rely on donor funds to provide basic services, with estimates that up to 50% of its budget comes from such sources. Agriculture remains the backbone of the economy while up to 30% of export earnings are derived from deferred payment of up to R283m from 50 000 miners employed on SA mines.

Jobs on SA mines are not only sought after as unemployment continues to spiral but also because the wages are far in excess of the Mozambique national minimum wage of R240 a month.

Massive retenchments on SA gold mines have not really affected Mozambique as much as other areas such as the Eastern Cape. This is partly due to the fact that Mozambican miners are increasingly being re-employed as contract workers with estimates that up to 20% of them were employed by sub-contractors. This is despite concerns that the miners would stop employing foreign labour as unemployment and xenophobia continue to rise in SA.

The feeling among a group of retrenched miners meanwhile was “how long must we wait for the project to get off the ground.”

Placer Dome management believes the urgency for work is not so great at the moment, as the former miners are still benefiting from their retenchment packages. This view was based on the fact that a contractor had been in the area recruiting workers last week but retrenched employees had not applied.

Despite this view, a number of miners said they were becoming demotivated while at the same time expressing some antagonism towards the union.

The union took up the challenge of reintegrating retrenched miners in rural economies after the 1987 miners strike.

The initiative ultimately led to the formation of the Mineworkers’ Development Agency which has continued to explore over the years various projects to provide self-employment training and other support services to retrenched mineworkers. This has proved to be no easy task, as Placer Dome will no doubt find over time.
Sweet deeds by development bank

Robyn Chalmers

THE Development Bank of Southern Africa is partly funding an initiative to redevelop the Maragra Sugar Estate near Maputo in Mozambique, with the total project costing $52m. This forms part of the bank's plan to bolster its involvement in the Southern African Development Community, focusing on the promotion of development capital flows to the continent.

The bank and Maragra Açúcar signed a $9.2m loan yesterday which will go towards rehabilitating the existing Maragra sugar mill, associated infrastructure and replanting 6,200ha of sugar cane.

Other funding institutions involved in the project include the International Finance Corporation, French development finance institution Proparco, German development finance company DEG and the European Investment Bank.

The project is expected to have a significant economic impact on the district of Manhiça in Mozambique, where the estate is located, bringing economic growth and social development to surrounding communities.

The development of the sugar industry, with the assistance of the private sector, ranks high on the priority list of the Mozambican government as it stands to play an important role in the overall development of the national economy.

John Barton-Bridges, private sector investments manager of the Development Bank, said the sugar sector would play a role in a range of areas. These included economic growth, job creation, the balance of trade, food security, rural development and poverty alleviation.

Furthermore, it can do so in an efficient manner that is at low cost, and using resources that are in abundant supply in the country, such as land, water and labour.

The project currently has about 750 permanent employees in the agricultural and factory operations, with an additional 2,000 seasonal employees. The employment statistics are expected to improve once the mill and estate are fully operational.

The Maragra mill was built in the late 1960s by the Petz family, but ceased operating in 1984 due to civil war. At the end of the conflict, the Petz family negotiated with the Mozambican government and got the mill back.

The family subsequently negotiated with potential private sector partners and, in September 1996, Illovo Sugar bought a 50% stake in Maragra Açúcar.