

MOZAMBIQUE 153

News reports & clippings ~ 22 May 2009

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ECONOMIC NEWS

Exports
Minimum wage
Coal, oil, gas
Cotton

'7MILLION' LOCAL FUND

CRIMINAL POLICE (PIC)

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ALUMINIUM, TITANIUM, ELECTRICITY & GAS ARE MAIN EXPORTS

Export figures for 2008 have been released by the Export Promotion Institute and published by AIM. The value of aluminium, electricity and prawn exports fell, while tobacco and titanium exports more than doubled.

Value, \$ million

2008	2007	Product
2650	2410	Total exports
1450	1480	Aluminium
422	253	"Other", mostly titanium
221	240	Electricity
152	121	Gas
132	52	Tobacco
71	62	Sugar
48	42	Cotton
45	62	Prawns
12	11	Cashew, unprocessed
11	9	Cashew kernals

MINIMUM WAGES UP 5-42%

New minimum wages were agreed for most sectors on 20 April, with increases of between 5% (for Cahora Bassa fishers) and 42% (for financial sector workers). Since 2007, wages have been set for nine different sectors. The new minimum wages, according to AIM, are:

Sector 1: Agriculture, livestock, hunting and forestry: minimum wage of 1,485 meticaís (\$55.86) a month; up 13%.

Sector 2: Fisheries – now divided into two:

Maritime industrial and semi-industrial fishing. MT 2,050, \$ 77.06, up 8%.

Kapenta (Lake Tanganyika sardines) fishers on Cahora Bassa lake: MT 1,900, \$71.42, up 5%.

3: Mining: MT 2,119, \$79.66, 12%.

4: Manufacturing: MT 2,300, \$86.47, 16.4%.

5: Electricity, gas and water: MT 2,403, \$90.34, 12.5%.

6: Construction: MT 2,214, \$83.23, 16%.

7: Non-financial services: MT 2,250, \$84.59, 16.9%

8: Financial Activities: MT 2,748, \$103.31, 42%.

9. Public administration, defence and security: MT 2082, \$78.26, 14%.

In the public sector, an entirely new salary structure is to be introduced, with increases ranging from 14% to 28%. There will be “decompression” of salaries – meaning the better paid will receive greater increases, and there will be additional increases for postings to more remote areas. There are presently 135,000 state employees, but this is expected to increase by 16,000 this year, with 12,000 new teachers and 1200 new health workers. (*Noticias* 21 and 29 Apr; *O Pais* 21 Apr, *Savana* 24 Apr 2009)

The trade union federation OTM says that the minimum wage is still far too low, and estimates that the basic basket of food, excluding clothing and all other costs, is more than MT 4000 (\$150) for a family of five. Nevertheless, the minimum wage has risen substantially over the past two decades. In 1996, at the lowest level enforced by the IMF, it was only \$23.70 per month. For non-farm workers, it rose above \$30 in 1998, \$40 in 2003, \$50 in 2005, \$60 in 2007, and \$70 last year.

HUGE COAL MINES FOR TETE

Work is moving rapidly to open two major coal mines in Tete, which is believed one of the largest untapped reserves of coking coal in the world. Government signed a contract with the Australian Riversdale Mining to allow them to open a mine in Benga, Moatize district. Production should start in 2011 and the mine is expected to produce 6 million tonnes of coking coal and 4 million tonnes of thermal coal per year for 25 years.

In March the Brazilian Vale mining company (formerly CVRD) started work on its mine in Moatize, which is expected to produce 8.5 million tonnes of coking coal and 2 million tonnes of thermal coal, and also open in early 2011. 700 houses are already under construction for families who will be displaced by the mine; each will receive 2 hectares of land, and the move will take place before the agricultural season starts. A school and other facilities are also being built.

The combined investment by the two companies will be over \$2 billion.

The problem is that the railway line to Beira port, due to reopen later this year, has a capacity of only 8 million tonnes per year. Three alternatives are being discussed – moving the coal down the Zambeze river in barges, building an entirely new railway to the deep water port of Nacala, or upgrading the railway to Beira.

Both companies want to burn the thermal coal in power stations at the mine and sell the electricity to South Africa. (*Noticias* 16 May, 21 Apr 2009)

Although it is not affecting coal, the global recession has hit other mining projects. The latest casualty is Highland African Mining's tantalite mine in Morropino, Zambezia, which is current facing financial problems because the price of tantalite has dropped. (*Noticias* 27 April 2009)

OIL & GAS

Experts of the American oil company Anadarko remain optimistic that they will find oil in the Rovuma basin near the Mozambican border with Tanzania. The company has already spent \$150 million, and now plans to drill eight exploratory wells. Companies from Canada, Italy, Norway and Malaysia are also looking for oil in the area. (AIM 8 May 2009)

A gas field in Buzi, Sofala, known since colonial times but never exploited, is to be developed by a company 75% owned by Buzi Hydrocarbons, which is in turn owned by the Indonesian firm PT Kalia Production and Exploration. The other 25% is held by the Mozambican state firm, Empresa Nacional de Hidrocarbonetos (ENH). (*Noticias* 28 Apr 2009)

END FOR COTTON?

New lower prices for raw cotton have been approved by the Council of Ministers. The minimum price for first grade cotton is 5.30 meticaís (about 20 US cents) a kilo, compared with 6.35 in the last season. The minimum for second grade cotton is MT 3.95/kg, compared with 4.75 in 2008. This follows a fall in world prices, from \$2500 per tonne last year to \$1790 now. The reflects low world prices and US subsidies. Cotton is a traditional peasant crop, in part because it is one of the few crops (the other is tobacco) where concession companies offer inputs on credit and a guaranteed market. But continuously falling prices and a failure of the companies to buy some of the cotton produced has led both peasant and medium-size producers to shift to other crops. This new lower price will probably cause a further fall in production. (*Noticias* 9 May, 15 May; *O Pais* 19 Apr 2009)

DEBATE CONTINUES OVER "7 MILLION"

Local Consultative Councils have the power to decide over how local investment funds are used, and they have to learn to administer these funds well; if they do not, the people will suffer, President Armando Guebuza told a rally in Rapale, Nampula, on 2 May.

The Investment Fund for Local Initiatives (FIIL, Fundo de Investimento de Iniciativas Locais) is money given to each district each year for loans for local projects to create jobs or grow food. The transfer is now more than 10 million meticaís (about \$375,000) per district per year, but it is still generally called the "7 million" after the payment made in the first year, 2006. In addition, starting this year there is also a fund of MT 2.3 mn (\$85,000) per district for locally determined infrastructure projects.

Guebuza admitted there are problems -- people take the money and simply disappear, do not carry out the proposed projects, or do not repay the loan. But he stressed that the 7 million was part of the government's decentralisation of power, because consultative councils know the local problems, and they must learn to administer the money. (*O Pais* 4 May 2009).

But failure to repay loans remains a problem everywhere. In Manica province, only 6% of loans have been repaid. Fraud and inexperience are the main reasons, according to *Noticias* (25 Apr 2009). Associations have been created to borrow the money, and are then dissolved and the

projects not carried out and money not repaid. Also borrowers lack management and technical skills, and do not carry out viability studies to see if the project might be profitable.

Meanwhile, meetings with Manica governor Mauricio Vieira underlined a basic problem and misunderstanding about the fund. Local people accuse the consultative committees of discriminating against the poorest and most needy, and instead of giving loans to the better off. NGO programmes have tended to target the poorest with various kinds of support, while this money is for investment by those who can create jobs and repay – who are likely to be the better off.

Although the problems continue, various press articles also point to successes with fund. Loans tend to be younger people, and are often investments that take time to be productive, such as improvements to market stalls or in agriculture. (for example, *Domingo* 19 Apr, *Savana* 24 Apr 2009).

IN BRIEF – agriculture:

Cashew down: Cashew production will be only two-thirds of what was expected – 60,000 tonnes compared to 96,000 tonnes planned – due to drought in the south and cyclone Joke in Nampula which destroyed 1.5 million trees. (*Noticias*, 30 Apr 2009)

Vegetables to England: The Vanduzi company, run by Moçfer, a company partly set up by a charitable foundation linked to Lord Sainsbury of the British supermarket family, exported 1500 tonnes of baby corn and chillies to Europe last year, half to the UK. The company is expanding to produce baby pumpkin, green beans, peas and sweet corn. (*Noticias* 1 May 2009; see also Mozambique news reports & clippings 151)

IN BRIEF – other economic news:

Guebuza: Poor must work harder: “It is necessary to create the habit of work” in order to combat poverty, President Armando Guebuza told a rally in Pemba-Metuge in Cabo Delgado. “You do not beat poverty by distributing money,” he added. (*Noticias*, 16 May 2009)

Holding unused land: Action must be taken against people who have been given land titles but are not using the land, Feliciano Feliz Joaquim, the state representative in the municipality of Maxixe, told the provincial governor, Itae Meque. The municipal council is doing a good job upgrading the city, but there is a shortage of land and resettlement and industrial development are being blocked by people who hold land but do not use it, Joaquim said. (*Noticias*, 16 May 2009) Meanwhile, there are complaints in Matauine district, just 50 km from Maputo, of Mozambicans from the nomeklatura and South Africans improperly taking land from local people. (*Savana*, 24 Apr 2009)

Electricity: 86 districts are now on the national electricity grid. A further 8 will be connected this year. That leaves 34 with only diesel generators or solar power.

Tourism: More than \$100 million is being invested in at least three luxury hotels on the coast of Mossuril district, Nampula province, near Chocas Mar, Cabaceira Grande and Cabaceira Pequena. One project will cover 2500 hectares. Problems remain with roads, electricity and beach erosion. (*Noticias* 28 Apr 2009)

1.5 million tourists visited Mozambique in 2008, according to Tourism Minister Fernando Sumbana. Tourism investments approved (although not necessarily carried out) average \$600 mn per year. He admitted that the number of Mozambican tourists remains small, and called on tourist operators to promote internal tourism. (*Noticias* 24 Apr 2009)

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NON-ECONOMIC NEWS

Criminal investigation police (PIC) moved

The Criminal Investigation Police (PIC) has been taken away from the police force. It will now be called the Criminal Investigation Service (SICRIM) and will be directed by the Public Prosecutor's Office. It will still be under the Interior Ministry, but with administrative autonomy. This is the latest step in combating widespread corruption in the police and Interior Ministry. Successive attorney generals had demanded the change, because they felt some of their investigations were being blocked, and until now the change had been resisted by the police.

The bitter battles within the police were highlighted when PIC national director Carlos Come gave a provocative interview to *Magazine Independente* (15 April 2009). Come was brought in from outside in 2007 to try to clean up the mess in PIC, and in the interview he admitted that some members of the police had links with organised crime. Even some police commanders were opposed to him, and lied to the press to denigrate him, he said.

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