MOZAMBIQUE - GENERAL

1996 - 1997

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

$5bn for Maputo Corridor

CT (PM) 14/8/96 (218)

By James Lamont
INDUSTRIAL EDITOR

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

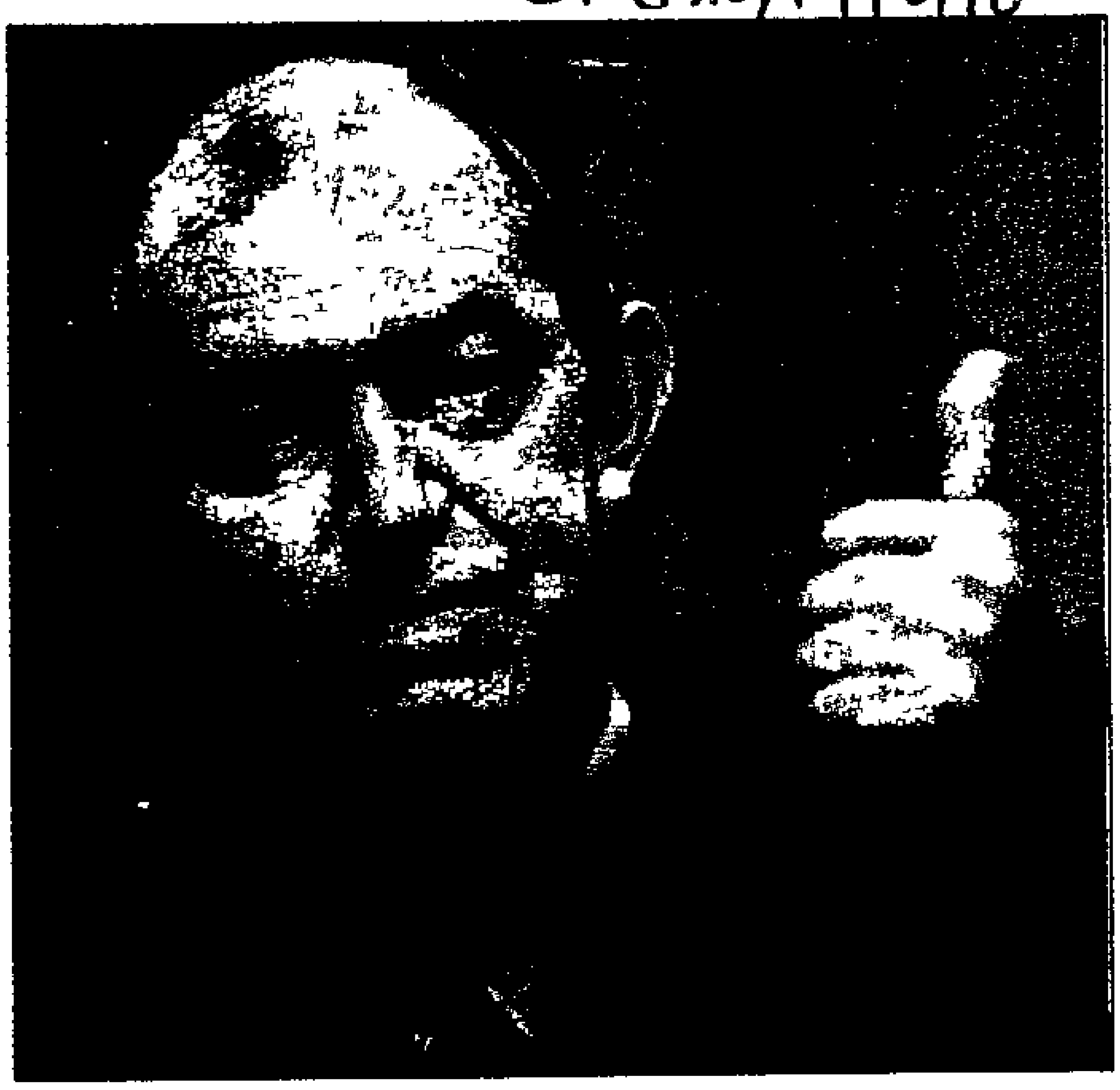
He was addressing delegates at an African steel conference

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.



THUMBS UP *Alec Erwin gives the go-ahead to 135 projects*

PHOTO SELWYN TAIT

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.

KAROS HOTELS SURVEY

READY FOR ACTION: The majestic Polana Hotel, which has been granted Mozambique's first casino licence, is hoping to regain its past glory

Polana shakes off the dust for new era in Mozambique

ST(PT)4/8/96 (218)

THE renowned Polana Hotel was granted Mozambique's first casino licence in November 1995 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 1992 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 converting what used to be its 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 60 slot machines and eight tables

Mozambique has never had gambling legislation before, so 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-roomed 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 Selwin 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"

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

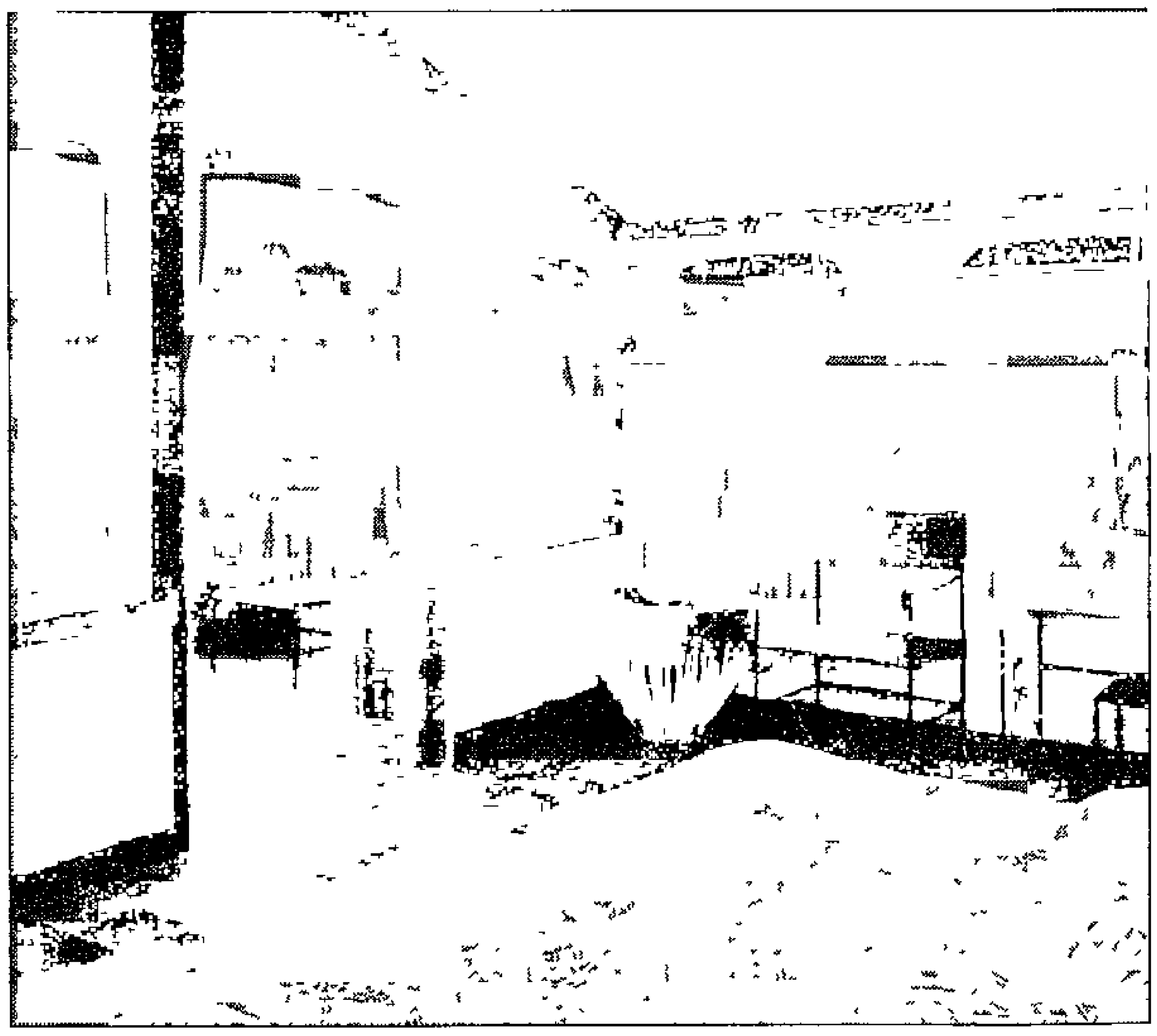
Recently, Radio 702 held a Nostalgia Weekend at the Polana which included a trip to the old LM Radio studios with Radio 702's John Berks previously of LM Radio

The Witbank-Maputo Corridor opens up enormous 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 Mozambique 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 if Mozambique does not have representation in those countries



BLENDING IN: The view from a bedroom at the Sossusvlei Karos Lodge

Unique 'green' hotel puts ecotourism first

THE Sossusvlei Karos Lodge in Namibia is the result of a joint venture between Karos and Namibian partners to design a hotel around ecotourism

Karos managing director Paul Johnson says the hotel, which has been open for about 15 months, has been a very successful venture catering mainly for the overseas market The hotel, a joint venture with private shareholders in Namibia, is situated 360km from Windhoek and at the entrance to Namib Park

The hotel has to generate its own electricity and pump its own water The use of fossil fuels is limited There is no air conditioning, so the double-tented canvas ceilings have ventilation gaps Lighting is solar powered and there are no hairdryers or fridges in the rooms All refuse is sorted, compacted and transported back to Windhoek for recycling or disposal. The hotel's incinerator is smokeless and borehole water after use is treated, purified and recycled back into the earth

"The hotel is designed and built with full regard to a green charter, important for our large German and overseas clientele," says Johnson

The hotel has recruited its staff from the area, after consultation with the town clerk and local village council,

Johnson says Karos has also acquired a considerable amount of other ground in Namibia which it may develop further

Tea estates to be privatised

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

Eighty percent of Emocha'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 Emocha's estates at Gurue 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%. — Reuter

(218) BD 15/8/96

Jobs, infrastructure and trade along the corridor of promise

The Maputo Development Corridor is set to re-establish the Gauteng-Maputo transport axis as the obvious and favoured route to an export harbour for the industrial heart of South Africa

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The Maputo Corridor Development is set to boost trade between Gauteng and Maputo as well as tourism employment opportunities and infrastructural development in the regions

During the 1970s South African tourists flocked to Mozambique, 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 1980s

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 examine the mutual benefits of the redevelopment of this axis and to integrate this into a broader development programme.

Specifically, the governments have focused on analysing socio-economic conditions, appraising development potentials, identifying key infrastructural 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 Investors' Conference in Maputo last May, President Nelson Mandela said feasibility studies carried out by the private sector foresaw huge projects in both South Africa and Mozambique

***ON THE MOVE** Mac Maharaj, the Minister of Transport, expects private enterprise, not governments, to be the guiding light of the corridor*

"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 Department of Trade and Industry said it had identified projects worth $5 billion associated with the Maputo development Corridor

Alec 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 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 in trade and investment in the region after years of dependency on foreign aid, Erwin 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 Mac Maharaj, the Minister of Transport, said he expects private enterprise, not governments, to be the guiding light of the corridor

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

Maharaj listed agriculture, forestry, fishing, mining, manufacturing, tourism and infrastructure as 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 50km of new road in Mozambique), $170 million on upgrading the port and $20 million on upgrading the 90km rail link between Maputo and Ressano Garcia on the South African border, and
- ☐ Private-sector projects such as the $700 million Pande gas pipeline project, $250 million for surveying the development potential of building material resources in Maputo province, the $300 million Red River ilmenite/magnetite and vanadium project near Tzaneen, Iscor's $300 million heavy minerals project adjoining 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 disclosed include Alusaf's $1 billion Maputo-based aluminium plant, a multibillion dollar hydro-electric dam on the Zambezi, a R3 billion fertiliser plant, Gencor's plans to develop heavy mineral sand deposits on the Mozambican coastline; Sappi's proposed forestry project and a costly, US-funded ecotourism project on Maputo's south coast

Effective port management is crucial

CT (PR) 28/8/96 (218)

The successful management of the port at Maputo is crucial to the success of the Maputo Corridor Development Project, according to David Cotty, the chief executive of Mozambique International Port Services, SARL (MIPS)

Aggressive privatisation of Maputo port and international expertise in managing the container terminal will increase the port's throughput apace with an estimated 15-20 percent annual growth in traffic along the Maputo Corridor Development

A $7,4 million (R33 million) project is under way to upgrade the port and expand container facilities The aim is to increase throughput from 25 000 containers to 100 000 containers within three years Mozambique's port and transport infrastructure has been crippled by civil war which has led to a decrease in cargo volumes of about 90 percent since the early 1970s

In 1994, the Mozambique Ports and Railways Authority, CFM, called for international tenders for the management of the Maputo container terminal, with the aim of restoring traffic volumes as well as the confidence of importers and exporters

P&O Ports and Rennies Group of South Africa were shortlisted and invited to form a joint venture with CFM A local company, SARL, was formed and registered in 1996

On March 9 MIPS entered into a 10-year lease agreement for the Maputo container terminal

P&O Ports were awarded the management contract for the terminal, making this the eighth international terminal under their control

The focus of the P&O Ports management team for the Maputo port has been to rehabilitate the terminal and the mobile equipment, and to increase security and productivity

"Good progress has been made over the past five months the terminal is now completely fenced with 24-hour patrols providing extra security," Cotty said

"Major civil repairs to the wharf will be completed over the next few weeks and total refurbishment of the two container cranes will be completed in the second quarter of 1997 Productivity on ship operations has already increased by 44 percent," Cotty said

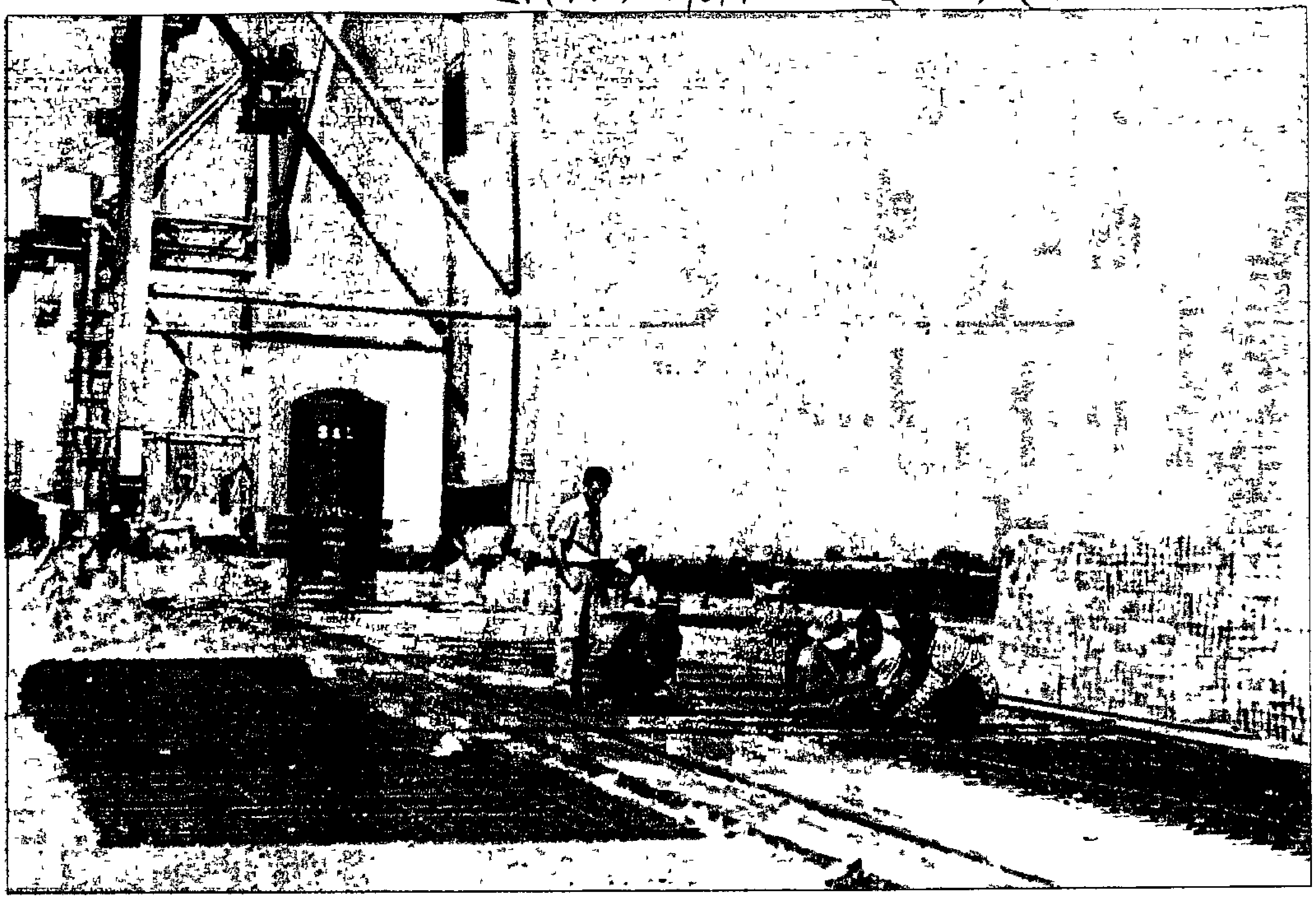
He added that the P&O Ports management was committed to providing the most competitive and customer-orientated container terminal in southern Africa

P&O is rapidly increasing its profile in the southern African market In 1991, P&O Containers acquired Ellerman & Bucknall (E&B), a ship's agent company formed in Cape Town over 100 years ago E&B acts as agents for P&O Containers as well as for the major Japanese shipping line, Mitsui OSK, two of the world's largest container shipping lines Through its principals, E&B serves both the northsouth and eastwest trade routes to and from southern Africa

John Turner, chairman of E&B, said that there is great potential for Maputo for transit export and import cargoes into Mozambique, southern Zimbabwe and, most importantly, Gauteng

"All shipping lines must be pleased to see the introduction of commercially-driven competition in the ports industry in the region," Turner said

"As an integral part of the Maputo Corridor Development and the economy of Mozambique, MIPS will offer businesses in Gauteng, Mpumalanga, Swaziland and Zimbabwe the opportunity to have 'real choice' for the movement of their freight," Cotty concluded



UPGRADING UNDER WAY *The aim of the project is to increase Maputo's throughput from 25 000 containers to 100 000 containers within 3 years*

'Significant boost' expected for transport industry in South Africa

CT(BR) 28/8/96 (218)

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

Jan Jarlhage, 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

Project gives industry a once-in-a-lifetime opportunity for a gold rush

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

Jarlhage added that Scania SA is working closely with the Scania distributor in Mozambique, Scanmo, 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 Hazyview and along the north coast of Mozambique towards Inhambane and Pande gas fields via Xhai Xhai.
Feeder links to Ponto do Ouro from Maputo, from Middelburg to Steelpoort mining area and from Witbank 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 summarising of the official co-operation agreement between the two countries.

Commercial Agreements:
Memorandum of understanding between the Mozambique ports and railways authority, CFM, and Transnet with a joint venture company to operate the rail link between Komatipoort and Maputo
Agreement between Pentow Marine and Emodraga EP in order to dredge the Maputo harbour area.

Changing the face of Mpumalanga

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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

"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, Komatipoort, Hazyview and Malelane 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."

Mpumalanga 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 axis 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

BD 29/8/96 (218)

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 Tambara, 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 land 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 the cashew nuts, cotton and copra their country exports

Concessions

Top officials of the ruling party, Frelimo, met early last month to review proposed changes to the Bill Insiders say the provisions regarding 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 ownership, a contentious issue, conditional on association with a Mozambican national Government officials are well placed for that So are South Africans.

In September, Niassa province in the northwest will receive the first 24 Afrikaner settler families from South Africa, out of a planned total of 1 000 Under the Mozagrius agreement signed by presidents Nelson Mandela and Joachim 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 agribusiness like Joao Ferreira dos Santos and Companhia de Angoche, 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 Taipa, a social worker in Nampula "This is why Makua women demand title deeds to their land" The Makua 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, "Megamadeiras", a joint Mozambican-Zimbabwean firm, announced its plans to soon begin logging 40 000 ha of woods in Dombe, near Sussundenga, in the heart of the territory of armed bandits known as "Chimuenjes". 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 000ha 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 Matutuine district, on the strip of land between the border with 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 Matutuine

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, the nearby 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 incognito. Tambara says Renamo officials lack capital and contacts to 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

(2/8)

Edward West

BD 5/9/96

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 Tracc — made up of Hong Kong and Shanghai Bank, building group Basil Read and its French parent Bouygues, Stocks & Stocks, Investec and Thebe's Msele Investments — and the other was Via do Sol, which includes Group Five, Grinaker Construction, Keeve 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, Nkobe 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 Colin 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

(218) Sowetan 6/9/96

By Lawrence Bartlett

MAPUTO – As southern African states ride a wave of change that has seen an end of civil wars, apartheid and one-party dictatorships, Mozambique is emerging firmly-afloat amid a sea of troubles

While Angola still struggles to find a lasting peace, South Africa wrestles with crippling crime and Zambian democracy wobbles, Mozambique is notching up a series of victories

- The World Bank says new statistics will show that this vast south-east African nation is no longer the world's poorest
- The UN's World Food Programme (WFP) says Mozambique is now producing almost enough for its own needs after decades of dependence on food aid
- The UN Development Programme (UNDP) says the demobilisation of some 90 000 soldiers from both sides of a bitter civil war has gone smoothly
- Save The Children (UK) says an ambitious project to reunite families torn apart by more than a decade of war has been successful

All concede that major problems remain, but they hope that with the civil war over and democracy gaining a firm toe-hold, Mozambique will continue to produce that rarest of African commodities – good news

The country's history is as desperate as that of many more troubled African states Centuries of Portuguese colonial exploitation were followed in 1975 by a well-intentioned but hopelessly unskilled Marxist government under attack by a vicious rebel movement funded by white minority governments in neighbouring states

Peace was signed in 1992 as the end of the Cold War and a killer drought sapped the energies of both sides, and multiparty elections in 1994 saw the rebel Mozambique National Resistance (Renamo) take its place as the official opposition in parliament.

"Mozambique is one of the few countries that has gone successfully from war to peace, peace to demobilisation and then to fairly democratic elections," the World Bank's Mozambique representative Roberto Chavez told *AFP*

The end of the conflict saw more than 1,7 million refugees return from neighbouring countries and another 3,2 million internally displaced people return to their homes

This made an immediate impact on agricultural production, as the vast majority of Mozambique's 15 million people live in the countryside

No distribution

"It is really amazing," said outgoing WFP country director Phillip Clarke "Before we were all crazy, running here, trying to get the food to the people with no roads, no bridges, and mines in the roads and now things look so easy because we are distributing practically no food"

Many of the farmers producing Mozambique's food are former soldiers from both sides of the war

"There are no indications of any severe problems with the reintegration process up to now," said Moises Venancio, programme officer with the UNDP's unit for rehabilitation and reconstruction

Best harvests

"Having said that, it has been one of the best harvests since independence People still have food When stocks come to an end within the next month or so and people don't have anything, we will see how reintegrated they are"

Also due to end next month is the UN's programme of paying demobilised soldiers a small monthly allowance and many observers in Mozambique are concerned that they may once more resort to the gun to make a living" – *Sapa-AFP*

Post-independence Mozambique battles with status of Portuguese

Star 6/9/96 (218)

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 Ngiyana association, at odds with the Association of the Friends of Mozambique Island, based in Nampula, in the north

Beira has taken its own stance and this year a Sena newspaper appeared on the city streets, called Tibvesrane ("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 Irae Bapttista 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

BD 17/9/96 (218)

Stephen Laufer

THE national transport department was negotiating final best offers with two of the three consortiums 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 consortiums bidding on the toll road are the N4 group including Murray & Roberts, Africon, Standard Corporate Merchant Bank, and Rand Merchant Bank; Trans Africa Concessions, which includes Basil 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 countries' transport ministers, Mac Maharaj and Paulo Muxanga, meet in Maputo on September 29 to drive the process forward

Metical shows first signs of confidence

Mozambique's currency is exhibiting new life, writes Maputo-based journalist Carlos Cardoso

(218) BD 18/9/96

ALL four SA suppliers of a credit institution in Maputo want to be paid in meticais, Mozambique's official currency since 1980 Why this change?

With the turmoil surrounding the rand, South Africans are now looking for stability elsewhere And they are finding it in the metical, the once insignificant neighbouring currency. So, is the IMF remedy working?

Tight limits on money supply have been the central feature in the IMF medicine. Compulsory reserves for each bank account in the system, standing at 15%, must be made in meticais, thereby further contracting circulation Credit ceilings by the central bank have been adhered to strictly

Both the tight budget management of Deputy Finance Minister Luisa Diogo, and donors' insistence that the government collect all the counterpart funds for foreign aid, have added to the squeeze Prime Minister Pascoal Mocumbi announced on Friday that the government in the first half of this year increased its deposits by 200-billion meticais

The central bank can proudly point to one piece of good news: the metical has devalued only about 6% to the dollar since the beginning of the year

Over the past 12 months the exchange rate has been about $1 to 12 000 meticais The rate moves as if it were a yo-yo on a short string: up 100 or 200 meticais and then down 100 or 200. At the moment the parallel rate stands at 11 950 to 12 000, which means zero devaluation over the past three months.

The spread — the difference between official and parallel exchange rates — has been a consistent 5%

Meanwhile, in Mozambique's parallel markets the rand has fallen from 3 050 meticais in January to 2 600 By May, purchases of rands in the system had fallen about 60%

But will the metical's honeymoon with stability be short lived? There are some worrying signals

Growing vox populi is that "the banks don't have meticais" The perception, though wrong — there are sufficient meticais in the central banks' coffers — mirrors the fact that there are not enough meticais in circulation A western ambassador recently told me his embassy was having trouble in exchanging its monthly $50 000 at banks "Not enough meticais," he said

About three weeks ago a Swede went to a Maputo parallel dealer and was unable to change $1 000 Not enough meticais, the dealer told him

So will the central bank relax the squeeze? At the beginning of the month central bank governor Adriano Maleiane said no "Only when inflation is down to single figures"

A top official in one of Maputo's private banks thinks the contraction went too far and that the metical's stability is "subsidised" Local economists agree the government and the IMF in their talks should question whether the policy now runs the risk of backfiring

There are two more things to take into the equation In spite of the Herculean squeeze, the inflation rate between May 1994 and May last year went down only about 8% and crime is on the rise

The IMF calculated the 1995/96 squeeze against an unduly optimistic projection on inflation — 22% by December At the weekend the government released the accumulated rate for June (15,2%), down 1,7% from May One economist now thinks it will be about 50% by December, 20% down from December 1994. From last May to May this year inflation stood at 54%, the same as for the whole of last year So how much further can the squeeze go before the patient suffocates?

As for crime, the situation is far from the mayhem of Johannesburg, but it's on the increase Too many armed robberies and small groups attacking lone drivers

The police are ill equipped to deal with the problem and the donor community is hesitant to give the police any money before the current minister, Col Manuel Antonio, is sacked

The government has just announced a 7,4% growth of GDP for the first six months of this year, much of it due to the 9,4% growth in agricultural output But everywhere the message seems to be the same — purchasing power is shrinking

According to the government's six-month review it does not look like the IMF targets for this year as far as revenue is concerned will be met, giving credence to economists such as Jeffrey Sachs who recently argued in The Economist magazine that the IMF should never force a country like Mozambique to collect as much as 23% of its GDP in state revenue, an increase of 3% in relation to last year.

So the common wisdom in Mozambique, from trade unions to business, is that the IMF remedy is not working

In short, Mozambique's future looks confused. However, amid the conflicting signals one detects the first indications of confidence on the part of the metical, trying to shake off 16 years of domestic and external contempt

Tight adherence to IMF policy appears to have strengthened the metical.

Attackers kill 10 mineworkers

By Anso Thom
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 charges of commercial explosives used on the mines," said police spokesman Senior Superintendent Pieter 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 Mineshafts at the nearby Hartebeesfontein and Buffelsfontein gold mines were reportedly operating normally

Du Plessis said the settlement was calm this morning

Star 23/9/96 (218)

Growing criminal activity threatens to stifle Mozambique's economic recovery

(218) BD 1/10/96

Despite the fact that Mozambique's national currency is stable, people's buying power is shrinking, Carlos Cardosa writes from Maputo

THE national currency, the Metical, is stable and inflation is finally being tamed, but people's buying power is shrinking and crime is on the rise. This is, in a nutshell, the situation in Mozambique.

Throughout last month, government and Banco de Mozambique, the central bank, have been releasing figures for the first six months of the year, as compared to the first six months of last year.

Production has increased 7,4%, 1,4% more than expected, a change from last year's disappointing 3% growth, the second lowest since Mozambique initiated its IMF-sponsored structural adjustment programme, known as PRE, in 1987

Much of this year's healthier picture is due to the 9,4% growth in agricultural output Between October and March there were good rains nationwide, yielding grain production above 1 000 000 tons for the third year running. Even maize was exported — about 18 000 tons. Cashew output, at 65 000 tons, was the best in eight years.

In spite of steep plunges in sub-sectors such as textiles, which contracted 42%, the manufacturing sector grew by 19%, with high rates in production of soft drinks, beer and cement

There are no figures yet for services Despite continued growth in SA's exports through Maputo harbour, following privatisation of management of four key terminals, annual growth in the sector is expected to be a modest 2,8%

The slower growth of trade, reflecting reduced buying power, is a direct result of the IMF squeeze on money supply, which the central bank has applied with great vigour this year Take monetary expansion The government/IMF programme allowed for 9% in the first six months, but the central bank would not let it go above 4,4%.

The squeeze has brought conflicting results On the one hand, the Metical has seen its first year of devaluation rates below 10% After more than three months at 12 000 to the dollar in the parallel market, it is now at 11 800 (the rand keeps dropping, trading now at 2 500 a Mt, a 17% drop since January.)

As for inflation, the last four months have seen a steady reduction, reaching 12,9% at the end of August The target for the year is 22%, down from 54% last year, and 70% in 1994

However the other side of the coin is not so pleasant. In the rural areas, 3-million families are finding it difficult to market all their surplus production Despite lower inflation and a stable Metical, the banks have maintained 40% plus interest rates for trade, and the central bank did not relax on its tight credit ceilings for the commercial banks.

The other major drawback to the IMF programme is crime It is on the rise. Foreign non-governmental organisations are among the most brutally hit Their cars have been attacked on some rural roads, particularly in Sofala province, and their offices in Maputo are becoming regular targets

For more than a year now, there has been strong civil society pressure on President Joachim Chissano to sack his interior minister, Col Manuel António. Parliament has questioned him over growing brutality on the part of policemen who, because of their extremely low pay, spend most of their time extorting whatever they can from civilians.

Donors have even hinted that they will release the funds for reconstruction of the police only when Manuel António goes And the Maputo chief of police, Domingos Maita, has recently gone on television saying the police force is already partly in the pay of gangsters. Yet António remains, leading local analysts to speculate Chissano believes he might be more dangerous outside government Even if he goes, rebuilding the police force will be an awesome task

Back in the world of figures, the picture does look much rosier than last year. State revenue has increased 10%, though still far short of its IMF negotiated target of 23% of GDP. Private savings have been rising steadily, with an annual growth of $20m in hard currency accounts in the country's banks.

So, in spite of its extreme poverty and a gnawing uneasiness about security, the figures for Mozambique's first six months of this year read like quiet confirmation that confidence in the country's future has survived the first four years of peace

☐ *Cardosa is a freelance journalist.*

Malawians adapt to falling fish stocks

(218) CT(PMR) 8/10/96

Don Napuwa

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 high 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 Esau Phiri, the country's deputy natural 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 chambo, has been closed for several years to fishing using seine nets, and only hooks and line are allowed

Lake Chilwa has silted 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 1982 to less than 100 tons Kambuli (young chambo) catches have declined to 8 000 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 'makumba' 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

(218) CT (BR) 8/10/96

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 Okhai, the chairman of the Malawi Chamber of Commerce and Industry

Tax evasion is widespread Individuals, companies, government departments and the public owe the government 160 million kwacha (about R47,63 million) in unpaid tax

Yvensio 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 neighbours 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

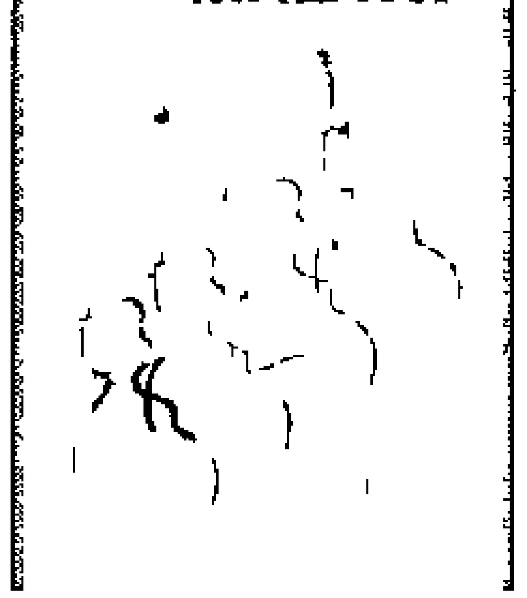
The income tax department, which collects half of all government revenue, hopes to collect 1,3 billion kwacha this year, compared with 800 million kwacha last year

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 His office had only 15 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



Malawi's generation X not heeding the warnings

Critics condemn family-planning campaign as being too timid, writes Anthony Livuza

Star 15/10/96 (218)

An alarming increase in teenage pregnancies and sexually transmitted diseases in Malawi has cast new doubts about the effectiveness of government and donor-sponsored family education campaigns Malawi has a population of 11 million and the annual birth rate stands at 3,2%

Malawi's health indicators are not encouraging The fertility rate among the child-bearing population of 15 to 49 years is 6,7% Child mortality stands at 234 per 1 000 and the maternal mortality rate is 6,2 per 1000

Sexually transmitted diseases among men and women have increased at an average annual rate of 20% over the past two years

The National Aids Control Programme estimates that about a million Malawians are carrying the Aids virus and that some 200 000 have died of Aids so far

Government neglect has contributed to the negative trends. Family Life education campaigns only intensified in 1991 – after decades of secrecy – and sex education is still not taught in Malawi's primary and secondary schools

In a recent research study, it was found half of Malawian youths between 10 and 12 years of age have had sex, half of those with more than one partner Nine out of 10 youths reportedly discuss sex with friends

Family Life campaign officials say the discouraging indicators reflect the populations' deliberate reluctance to heed the messages Campaign designer Tozer Mhone says "We feel our messages are clear and powerful, but people deliberately create an impenetrable barrier around themselves"

The national acceptance rate for family planning methods is minimal at 7% Another 6% of Malawian women use traditional contraception methods, which involve a medicinal string tied around a woman's waist or abstinence for periods of up to 12 months Health officials say the effectiveness of these methods is less than 1%

Government studies show that women's awareness of modern contraceptives is relatively high, but the level of actual knowledge about the technical aspects of contraception is superficial

Government health and education officials estimate half the teenagers in rural areas and a quarter in urban areas drop out of school because of pregnancy In the last two years, at least 10 post-secondary students died after abortions

Communications consultant Sultana Alam says early maturity plays a crucial role

The International Planned Parenthood Federation has found that African youths are reaching puberty at a "menacingly" early age of 10 to 12 in middle-income urban families and 13 to 14 in rural areas, adds Alam

After Permanent Secretary for Health Dr Weston Mukiwa visited rural Mtimabi Health Centre, he said. "I was shocked by what I saw, by the number of young girls and women with babies on their backs The question is do these women know what contraceptive services are and where to find them? We should be doing some real soul-searching"

Critics say Malawi's family planning is too timid and has no specific policy or support for teenagers

Information officer Timothy Piringu says the government should set a mandatory limit on the number of children a family can have, or offer incentives like tax breaks to families with only one or two children

But Family Planning Trainer Olive Mtema blames men for the poor response to family-life education. She says women respond positively to contraception and other family-life messages, but men discourage them She says while more urban women are now opting for tying the tubes after the fourth or fifth child, men are unwilling to have a vasectomy

"A lot of men distrust women and feel that contraceptives make it easier for women to have extra marital affairs, so they ban them from using contraceptives" – Star Foreign Service / AIA

Smugglers sell 'aid' clothes to Mozambique for big profits

(218) Star 15/10/96

By George Manase
Mutare

At dawn a small band of men and women embark on a long walk from eastern Zimbabwe's Manicaland Province into Mozambique, keeping under cover as much as possible

Following footpaths in the hilly terrain they make the arduous trip each month, slipping across the border illegally accompanied by young Mozambican "guides" who are paid for their services

They are just one of several groups of Mozambicans and Zimbabweans in Manicaland Province who earn their living by crossing into Mozambique to buy or barter for secondhand clothes for resale back home

The clothes, which are donated to Mozambicans by Western donor organisations to help the underprivileged, are sold at street markets An almost new Yves St Laurent top can cost as little as R2,50 and fetch five or six times that price in Zimbabwe

As a result, flea markets selling secondhand clothes have sprung up in many parts of Manicaland while door-to-door trading of the merchandise is flourishing

But dealing in the clothes is becoming increasingly risky, while the journeys are dangerous because of landmines that litter the border – relics of Zimbabwe's guerrilla war and Renamo's activities in Mozambique

The traders face the obvious risks of arrest for crossing illegally and for smuggling, with police having stepped up patrols

"The trips are dangerous but we really have no choice," says Tafadzwa, a 28-year-old mother of three, who declined to be identified by her full name

She jumps the border because a passport and visa are difficult and expensive to get, while she also avoids the need to pay customs duties

Despite the advent of peace in Mozambique, traders have to contend with an increase in armed robberies

Recently the governments of Mozambique and Zimbabwe, concerned about rising lawlessness along the border, held ministerial talks on the activities of the shadowy Chimwenjes, armed groups allegedly bent on overthrowing the Zimbabwean government They are also reported to be terrorising travellers between the two countries

The police are keeping a vigilant eye on cross-border trade not only because of the smuggling

"Some of these smugglers not only bring secondhand clothes into Zimbabwe but also weapons In Mozambique a lot of weapons from the civil war are still in illegal hands and some are being sold to Zimbabweans," says Davis Chifamba, in charge of the main police station in the provincial capital of Mutare

In July police in Mutare seized a record 46 bales of smuggled secondhand clothes from Mozambique

An average of 1 800 border jumpers are arrested each year, most of whom are also charged for smuggling

James Dube, who sells secondhand clothes at a flea market in Mutare, says the authorities should be encouraging, not stopping, the trade. "The city council has done a lot by providing us stands to sell our wares Government should make it easy for us to travel easily to Mozambique"

That way, he says, the informal sector will thrive and there will be more jobs

Unfortunately, the governments of Mozambique and Zimbabwe have more important considerations to worry about It will be a long time before there will be no need for the border smugglers or their local "guides" – Star Foreign Service/-AIA

Sexism stifles women in Mozambique

CT (BR) 16/9/96 (218)

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 1886 and amended in 1969, 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 co-operative bank to grant loans to women who want to start businesses or other economic and social activities

Angelica Salomao, 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

(218) CT (Bsr) 21/10/96

PAUL FAUVET

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 $5,5 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, 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 22 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

Erwin promises more development zones

Maputo Corridor is 'just a start'

CT (BR) 22/10/96 (218)

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 phasedowns 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 late last week to finalise the Lebombo development initiative, which will link St Lucia in the far north of KwaZulu Natal to Mozambique through Swaziland.

Khetso 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 marketing operations, 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 one framework.

MINING *Mozambique premier names partners in world-class venture*

Top-level yes to titanium project

CT(BR) 22/10/96 (218)

Andi Spicer
MINING AND RESOURCES EDITOR

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 Mozambican 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 go-ahead

A Gencor spokesman confirmed that preliminary studies were close to completion and a final decision for production would 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

Analysts say SA and Mozambique could become world leaders in production

The Richards Bay titanium reserve in South Africa has reserves of about 26 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 spaceships 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 said 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.

Iscor, 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.

Mozambique - a splintered society

(218) Sowetan 29/10/96

By Mercedes Sayagues

IF ONE image could sum up Mozambique's suffering during 15 years of civil war, it would be a Malangatana painting – the elongated, howling figures screaming their pain against a flat background

Today, four years after the Peace Agreement of October 1992, the impact of peace on Mozambique's food production and politics is well documented

Less has been said about its effect on the arts

"War doesn't stop one day in your mind," says singer and composer Chude Mondlane "Ours is a fractured society, as artists, we are equally fractured"

Mondlane, born in 1958, is the daughter of Frelimo's first president Eduardo Mondlane She recalls the liberation struggle which began in 1961, followed by civil war soon after independence in 1975 "During my whole life, my country has been at war," she says "War was ever present in our arts, and that led to stagnation

Artists produce a reflection of what's going on around them"

Wealth

Now, after so many years of being confined to the major cities, music, theatre and dance groups can tour the provinces and document the wealth of traditional dances and music

Theatre director Evaristo Abreu has taken his group M'beu ("seed" in the Ronga language) to the provinces for workshops and to research traditional burials for a piece in progress

"We give actors in the provinces technique, they give us human and historic material," he exults

Now that the war is over, critics have noted a lighter tone in theatre, a trend towards comedy and humour

But Manuela Sueiro, director of the oldest and most respected theatre society, Mutumbela Gogo, refuses to go light "We will continue to do theatre rooted in Mozambican reality"

Mutumbela Gogo and M'beu study the tension between the modern and the traditional in Mozambican society

Contradiction

"We have to listen very carefully to this contradiction, the coexistence of computers and witchcraft," says Henning Manhell, Gogo's stage director

This duality, this interplay of city and countryside, is never far away One balmy evening, drums and laughter fill an art gallery in downtown Maputo

Painter Noel Langa is showing his latest work – 25 large, bright cheery canvases in blue and yellow, with flowers, fruit, water jars, people dancing and farming

The show is titled "*Hangalakani*," meaning "go and scatter"

Langa says peace has allowed him to travel, talk to peasants, be in contact with nature "For us, peace is the miracle of a normal day"

Langa's new paintings are saturated with the joy of people going home "where they were born and where their ancestors are buried"

During the war, two million Mozambicans fled into neighbouring countries and three million were displaced internally

Returning is only part of the process "Peace means a full tummy, production in fields, factories and mines," says Langa

The war's legacy remains "Landmines – where to plant, where to walk, where to grow our maize?

Mozambique still feels the pain of conflict, although it has officially ended"

New motifs flow into other artists' work Bela Rocha Sousa, known for her delicate, transparent paintings on silk of mysterious women, says "Peace brings a new relationship with life, with cultural codes, and naturally people feel freer to express feelings, to draw, to colour, to dance"

Rocha is in some ways appalled by the new Mozambique Gone are the days of pride and solidarity, now there is donor dependency

"I can't accept this image of my country living by begging, looking to others for solutions We need to find answers for ourselves in our own culture and history, not from outside"

Flag weapon

Mozambique's flag is the only one in the world which depicts a weapon (an AK-47)

Poet, journalist and musician Filemone Meigos says, "That's not the real Mozambique We are a peaceful people Putting a "kalash' in the flag, that's typical of politicians"

He says his latest book of poetry, *Poem and Kalash in Love*, "is a fusion of love and war, a way of crashing the kalash"

Writer Lilia Momple deplores the change in values brought by free market policies "Money is God in our country now The traditional values of hospitality and solidarity are being lost. Yes, democracy is better than dictatorship but we must learn to deal with this freedom"

Momple's latest book *Neighbours* is a thriller, with piercing views of many strata of Mozambican society

It is based on a true story a South African commando raid in Maputo in the late 1980s to punish ANC supporters which killed innocent Mozambicans

"Today South Africa is a good neighbour," smiles Momple But she feels uneasy with the times

'There are lies printed in the Press, murderers received in embassies a lack of sincerity in acknowledging past mistakes Reconciliation and healing need truth"

She sees a role for artists in the healing process

'If we study our own culture and tradition, if we raise the new generations in those principles, we will regain the self-esteem lost in 16 years of war" – *Africa Information Afrique*

A mural depicts the Mozambican liberation struggle in pictures ... art should aid in healing says their artistes.

FOREIGN INVESTMENT *Pioneering projects could be granted a 20-year moratorium on corporate tax*

Malawi chases off the money it desperately courts

(218) CT (BE) 31/10/96

ANTHONY LIVUZA

Blantyre — Watipaso Mkandawire, Malawi's investment promotion officer, knows exactly why the country's investment drive is not working — inhospitality, confusing red tape and unreliable services

He cites a conversation at Lilongwe airport between an immigration officer and a German businessman After going through the entry formalities, the immigration officer asked why the German could not invest in Malawi

"Unfortunately, the signals we are giving now are not very encouraging," said Mkandawire

Utilities providing essential services were in a mess, largely because of inefficiency Frequent electrical power cuts resulted in massive production losses, said the Malawi Chamber of Commerce and Industry

The telephone system is clogged New subscribers wait up to two years to be connected A simple fault can remain unrepaired for up to six months

In some ways, however, Malawi is ready for foreign investment The political climate is stable enough to guarantee investment security There is enough foreign exchange to cover five months of import requirements, while inflation and interest rates are dropping

The government's investment drive began five years ago, welcoming foreigners to set up industries and create employment

Only 500 000 of the 11 million Malawians are formally employed The consumer market is estimated at just 3 million people

Millions of Malawians depend on agriculture because of the country's narrow resource base. Agriculture brings in 80 percent of the country's export earnings, mainly from sales of tobacco, tea and sugar

Manufacturing production has been increasing modestly but steadily because of a stable exchange rate regime and market liberalisation Manufacturing's share of GDP is still low at 13 percent, and has hovered at about 12 to 16 percent for the past two decades Manufacturing exports have risen an average of 8,3 percent over the past two years, but this reflects expansion in existing industries more than new investment initiatives

The government's investment drive includes scrapping price controls, liberalising foreign exchange, deregulating the banks, phasing out monopolies and privatising state-run enterprises and utilities

Export-processing zones (EPZs) were set up this year, providing free importation of raw materials and reduced or total exemption from duty on capital goods imports

The government is granting a 20-year moratorium on corporate tax for strategic, pioneering projects

The EPZs are expected to attract line assembly plants for high quality but inexpensive goods such as electronic equipment including radios, video and television sets

Potential investors always appreciate the abundant trainable, hard-working and non-militant Malawian labour force

The drive has paid some dividends About $14,1 million in foreign investment came in from 1994 to the middle of this year, mostly in banking, textiles, manufacturing and trading, pharmaceuticals, telecommunications and horticulture

This figure could have been higher if the government had streamlined the bureaucracy Some investors have waited two years to see their proposals approved Others have pulled out altogether — Independent Foreign Service/Africa Information Afrique

Malawi scares investors off

(2/18) Sowetan 31/10/96

Foreigners impressed with 'trainable' hard-working non-militant labour force

By Anthony Livuza

INVESTMENT PROMOTION officer Watipaso Mkandawire knows exactly why Malawi's investment drive is not working – inhospitality, confusing red tape and unreliable services

He cites a conversation at Lilongwe Airport between an immigration officer and a German business person coming to check the investment climate

After going through the entry formalities, the immigration officer asked why the German could not invest in his own country

"Initial perception matters as much to investors than reality on the ground How is the airline service? How do immigration and customs officials treat visitors? What is the service like in hotels? What do local papers say about their government? Do they trust it? Unfortunately the signals we are giving now are not very encouraging," Mkandawire says

Utilities providing essential services are in a mess, largely because of inefficiency

Frequent electrical power cuts result in massive production losses running into millions of kwachas, according to the Malawi Chamber of Commerce and Industry

The Electricity Supply Commission has raised its tariffs by a whopping 100 percent in the last 15 months, reportedly to pay for system upgrading and debt servicing

The telephone system is clogged New subscribers wait up to two years to be connected A simple fault can remain unrepaired for up to six months

In some ways, however, Malawi is ready for foreign investment

The political climate is stable enough to guarantee investment security There are enough foreign reserves to cover five months of imports while inflation and interest rates are dropping

The government's investment drive began five years ago, welcoming foreigners to set up industries and create employment

Only 500 000 of the 11 million Malawians are formally employed The consumer market is estimated at just three million

Millions of Malawians depend on agriculture and any downturn in the farming sector hurts other sectors of the economy

Malawian president Bakili Muluzi. his bureacracy stifles investment.

Agriculture brings in 80 percent of the country's export earnings, mainly from sales of tobacco, tea and sugar

However, manufacturing production has been increasing modestly due to a stable exchange rate regime and market liberalisation This sector s share of gross domestic product is still low at 13 percent

The government's investment drive includes scrapping price controls, liberalising foreign exchange, deregulating the banks, phasing out monopolies and privatising state-run enterprises

Export processing zones were set up this year, providing for free importation of raw materials and reduced or total exemption from duty on capital goods imports Other investment incentives include slashes of up to 60 percent on the current 35 percent corporate tax

The government is actually granting a 20-year moratorium on corporate tax for strategic, pioneering projects with high technology investment, industrial linkages and significant employment or foreign exchange earnings

The EPZs are expected to attract line assembly plants for goods such as radios, video and television sets Serviced stands are now ready

Potential investors always appreciate the abundant "trainable, hard-working and non-militant" Malawian labour force

The drive has paid some dividends About R65 million in foreign investment came in from 1994 to the middle of 1996, mostly in banking, textiles, manufacturing and trading, pharmaceuticals, telecommunications and horticulture

This figure could have been higher if the government had streamlined the bureaucracy – some investors have waited two years to see their proposals approved Others have pulled out altogether

Finance Minister Aleke Banda says this has been unfortunate but changes are being made to smooth the trail and remove ambiguities – *Africa Information Afrique*

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 (R9,4-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 Chitukuko cha Amai m'Malawi led by Banda's constant companion Cecilia Kadzamira 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-AFP

Star 12/11/96

(218)

Rail upgrade heralds a boom for Maputo

(218) BD 14/11/96

Reinie Booysen

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 4-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 Mozambique governments are now keen to revive the line as part of their programme to develop the Maputo Corridor from Mpumalanga to the Mozambique 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 tranship steam coal, Durban and Maputo are the only options available to those who wish to export anthracite and sized 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 (218)

BD 19/11/96

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 Kaliyoma Phumisa said yesterday that certain ministries, 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 June1994, 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.

NEWS FEATURE

These 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
PIC LEN KUMALO

Scales tip to green lobby

(218)

Sowetan 22/11/96

The Madimbo Corridor debate reopens after investigations by Deputy Minister

By Russel Molefe

STRIVING FOR A BALANCE between the environment and development was a minor issue in the corridors of power in the past when it came to deciding if 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 relegating the environment to a non-status issue

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 Mokaba when he took office in September this year

After the much criticised dismissal of the NPB's appeal, Mokaba met Mineral and Energy Affairs Minister Mr Penuel Maduna and they agreed to review the decision to dismiss the appeal last month

Mokaba and Maduna 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 peace 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 undemocratic and unsatisfactory manner

"This tradition cannot be allowed to continue and I am satisfied that all parties involved are committed to a transparent process of consultation to determine the best land use options for the Madimbo Corridor" Mokaba 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

Mokaba 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

Madimbo Corridor, a strategic strip of land along the Limpopo River bordering Zimbabwe, is an ecologically-sensitive area where important international archeological treasures dating back to the Stone and Iron Ages were recently discovered

The corridor, which is highly erodable, has other important environmental features such as pristine vegetation, 339 bird species of which 29 are scarce, and the 150-hectare Banyini and Mabiligwe pans which are valuable wetland assets

Local black communities were forcibly removed in the 1960s when the then South African Defence Force created a military no-go zone against the liberation movements and South Africa's neighbours

But with South Africa facing a high rate of unemployment, it was not surprising that local communities initially came out in favour of mining

When the corridor was proclaimed a nature conservation area in December 1991, expectations were high among local communities that there would be jobs and an improvement in their living conditions

Headman Josias Mavundadavhi put it this way "We earlier gave up another piece of our land to environmentalists and later we agreed that the area become a nature reserve in the hope that we would benefit

"Instead animals in the park now have more rights than us We have been forced on to barren land where you cannot even plant a vegetable garden – we are starving, we want bread

"The mine will bring our people jobs and they will be able to feed their families and improve their living conditions'

Change his mind

Chief Khorombi Mutele of the Mutale clan, who pointed out the consequences of a nearby Tshikondeni coal mine established without any consultation years ago was in favour of eco-tourism but was forced by his people to change his mind

Employment opportunities was the carrot that the Madimbo Diamond Company offered to the communities to convince them to accept mining without explaining what dangers lay ahead for future generations as the result of environmental degradation

Environmentalists believe that to preserve the area current proposals to develop eco-tourism peace parks should be implemented fast

This will ensure that the majority of local people get secure jobs

MOZAMBIQUE *NGOs say the bilateral creditors' offer to write off 67% is not enough*

Maputo's new debt deal opposed

eT(BR) 25/11/96 (218)

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 $90 (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

"It is extremely disappointing that Mozambique, the poorest country in the world, recovering from a bitter and destructive conflict, should not be granted 80 percent reduction," said Ann Pettifor of the Debt Crisis Network in London

Pettifor said the club's decision on Mozambique was a step backwards from the initiative under which debtor countries would be given a minimum of an 80 percent debt write-off

Although in disagreement with a number of the features of the initiative as designed by the 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

"This club's negotiations with Mozambique show that the major creditors are not serious about implementing the initiative, recently agreed in Washington," said Pettifor

"The message of the IMF and the club is that they will maintain their roles 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 "drastic" write-off of the country's obligations

According to figures from the Mozambique government, the stock of external debt had reached $5,3 billion by the end of last year, of which $1,1 billion was overdue

Between 1985 and last year, multilateral debt stock rose from $113,2 million to $1,6 billion It also grew from 4 percent of total debt stock in 1985 to 30 percent last year

Its multilateral debt service from next year to 2002 is expected to rise by 61 percent, from $58,6 million to about $95 million Debt service is likely to fall between 2002 and 2010, but will grow from 2010 onwards

Bilateral debt stock has grown by an average 11 percent during the 1985 90 period, with the club's debt largely owed to France, Italy, Portugal and Germany

The government estimates that from next year until 2003, the year Mozambique hopes to benefit from the initiative, global debt service would rise to $190,6 million a year, compared to $57 million between 1990 and last year, representing an increase of 234 percent in average payments

But even with relief from the initiative, the Mozambique planning and finance ministry forecasts debt service bills of $172,5 million in 2004 and $170,5 million in 2005

Pettifor pointed out that Mozambique was still recovering from a long and destructive civil war which ended only four years ago

"Sending officials to Paris for this negotiation was no doubt a great expense for the cash-strapped government of Mozambique They will return home with very little hope to offer their people"

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

"The debt has grown not because Mozambique has carried on borrowing, but because of what (is) called the magic of compound interest In other words, a growth in debt service arising from rescheduling being included successively in subsequent rescheduling, owing to what the Mozambique government calls insufficient capacity to pay," said Pettifor

Mozambique's problems with reimbursing its debts arose from the difficulties of a war-torn country to earn and retain hard currency as a result of the declining values of its basic export commodities, prawns and cashew nuts, she said.

"We know that in Mozambique, $190 million a year could be put to very good use by the government Infant mortality rate is tragically high and its young children are badly malnourished," she said

That Mozambique's debts are simply unpayable should have been the most powerful economic reason for a massive write-off, said Pettifor Citing bank sources, arrears in 1990 constituted 90 percent of debt service due In 1993, the arrears had decreased but still made up 81,2 percent of debt service due.

"The Paris Club continues to maintain a charade of rescheduling and reshuffling these unpayable debts," she said

"This has two effects, it maintains the debt overhang for Mozambique, retarding her economic development, primarily by discouraging investment and encouraging capital flight Secondly, it undermines the credibility of the club's process itself."

FOCUS ON AFRICA

(218)

Maputo's streetkids – by-product of poverty

Sowetan 28/11/96

By Mercedes Sayagues

MAPUTO – Take a walk or park your car in downtown Maputo and you will be surrounded by swarms of barefoot, ragged boys competing to guard or wash your car, begging for coins or cigarettes

They are Mozambique's new army of child soldiers, by-products of poverty, unemployment and the break-up of traditional family ties

But in these times of gender equality, girls have taken to the streets as well Of the 500 or so children identified by aid workers as living on the streets of Maputo, about 80 are girls

During the day, the girls are absent from the urban landscape They don't roam the streets like the boys.

At night, 20 to 30 stream into a shelter in the Baixa, the colonial city, close to the central market.

Most are in their early teens, some as young as eight.

At the shelter, run by Medicos do Mundo (Doctors of the World), they are safe – for the night Safe from the cold, from sexual abuse and from police violence

These risks shape their living patterns

While boys have fixed city corners where they hang out and sleep, girls are mobile, changing their nook frequently

"If they stay for long at the same place, men stalk and rape them," explains Jean-Claude Legrand, a United Nations Children's Fund (Unicef) official.

It is a common perception that street girls are prostitutes But Legrand and other aid workers dispel the myth

"Most girls are abused and raped by men who don't pay them," says Angelina Lubrino from the ministry of social welfare

The night shelter at the Baixa doubles as a drop-in day centre where streetchildren come for showers, naps, games, health checks, counselling and a bit of affection and security

Sixteen-year-old Ofelia has lived on the streets for the last two years She says she hates hard work Her boyfriend, also a streetchild, is a petty thief who buys her clothes

"I won't marry him because he spends a lot of time in jail," she says. While he is locked away, Ofelia sells her body for R5 or R10. She has heard of Aids but her partners will not use a condom "They say it's like eating a banana with its peel."

Yet, for all her bravado,

Five hundred children are believed to live on the streets of Maputo.

Ofelia is aware of her low place in society "We are seen as violent and dangerous by the police, despised by many, abused by some"

In the mornings the girls carry water to clean in exchange for food at the *dumba-nengues* (informal markets) that have sprung up around Maputo

Some sell cigarettes, like Belinha (15), heavily pregnant by a street youth Her eyes light up when she speaks of the baby's birth

Belinha was one of the first girls to come to the Centro da Baixa when it opened in 1995 She became very close to the nurse, who has guided her through pregnancy and in finding a way out of the streets

With money earned from selling cigarettes, Belinha has bought a few baby clothes that the nurse keeps safely

A survey by Medicos do Mundo among 204 streetchildren in April showed that 65 percent earn less than 15 000 meticais (about R4) a day, but nearly 30 percent earn as much as Mozambique's minimum monthly salary of about R100

In the afternoon the girls hang out with their mates, street boys, at their *vivendas*, makeshift constructions of paper and cardboard tucked away in derelict houses

Between 10 and 20 girls hang out in one such *vivenda* near the Mandela market Smoking marijuana, painting their fingernails, showing off a new blouse or *capulana* (African cloth) bought or stolen by a boyfriend, or earned from whatever work, the girls pass away the time until dusk falls, when they head towards the shelter

These are group acts, where gangs of girls hang out with gangs of boys

According to the survey, 92 percent live in groups In the squalid world of streetchildren, groups offer protection, solidarity and affection

The survey revealed that more than half mentioned violence as the main reason for leaving home Other reasons were hunger, poverty and split families – *Africa Information Afrique.*

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

Proposed project could be region's biggest joint deal

CT (BR) 2/12/96 (218)

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.

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.

The feasibility study will be completed by October 1997, production is expected to start in 2000

If the project proceeds it would consist of a combined investment in Zimbabwe and Mozambique of between $444 million and $663 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 1 700 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 180km from the Zimbabwean Buchwa Mine on a specially constructed line via the the eastern border town of Mutare to the plant.

Gas to be used in the reduction plant would be piped from Temane in Mozambique

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 Mocambique, Buchwa Iron Company of Zimbabwe and IMS Projects, a South African-based management and engineering company.

Nathan Shamuyarira, 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

Jacqui Pile BD 4/12/96 ([redacted])

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 unforeseen stops in townships and fast food outlets, as well as in lay-bys 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 60% 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

([redacted])

Kevin O'Grady BD 4/12/96

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, Smithard & 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 they have led to the suspension of two senior board executives", referring to last week's suspension of registrar Frans Lubbe and assistant finance registrar Thuys Redelinghuys.

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 "gravy 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 secretariat had preceded Lubbe's submission 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 Matshappa's comments that Lubbe's allegations against the three union members on the board were racially motivated

R15,7m trust set up for land commission

BD 4/12/96 ([redacted])

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 Restitution of Land Rights Commission, it was announced in Pretoria yesterday.

Trustees of the fund said: "The commission is now 18 months old and it has become clear its 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 16 months The trustees said they required more funds to put core functions in place — Sapa

Cut graft for Beira to succeed, says banker

(218)

HARARE — Southern African governments needed to cut bribery and corruption to create an attractive environment for investment in their proposed regional Beira Development Corridor a leading banker said yesterday ([redacted])

James de la Fargue a corporate finance manager with the Merchant Bank of Central Africa told a two day conference that security and exchange control concerns were also key constraints to attracting capital to turn Mozambique's Beira sea route into a regional development corridor

"Control of corruption is a major concern Key financial constraints are security, functionality and exchange control understanding " he said

"The way forward lies with central governments getting together and creating the right kind of environment ", De la Fargue said

Officials of the Beira Corridor Group, which organised the conference, said they had no estimate yet of the initial capital needed to expand the corridor's road, port and rail network.

But the group's managing director David Zausmer, and other speakers stressed the region's private sector was crucial to securing the capital as southern African governments faced mounting budgetary constraints and dwindling donor aid

He said investment security constraints could be overcome through clarification of rules governing the corridor and support from central banks through clear exchange controls on investments

De la Fargue said the timing of the corridor was right, with the region now enjoying peace.

Beira would also offer a cheaper route than SA for most regional companies. — Reuter.

BD 4/12/96

FOREIGN INVESTMENT

FM 20/12/96

MOZAMBIQUE CASHES IN

(218)

SA has, with some difficulty, obtained undertakings for foreign investments totalling about R18bn since 1994 — of which the majority is in short-term equity in the JSE. Meanwhile, neighbouring Mozambique, reputedly one of the poorest nations on earth, now sits with a list of foreign investment capital projects valued at about US$7,2bn, all apparently destined to reach fruition.

These megaprojects — which include the Pande gas field development, the Maputo-based Mozal aluminium smelter 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 sisters. "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 $1,1bn Maputo-based aluminium 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 400 V 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 BRADLOW

IMF pulls the plug on Mozambique

M+G(BM) 10-16/1/97 (218)

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%t 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 1990 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

(218)

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

M+G (PM) 17-23/1/97

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 43%.

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 £115-million less in 1996 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 unmanageable.

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.

New-found vibrancy in Mozambican press

(218) M+G (BM) 31/1 - 6/2/97

Jim Day

LESS than five years after the founding of an independent press in Mozambique, two of the nation's top independent editors remain confident that the country's press will remain vibrant

In a society dominated by government newspapers including the daily *Noticias* and a Sunday paper called *Domingo*, both these editors have successfully found a niche market to cater for their Portuguese readers

Carlos Cordosa, the editor and founder of Mozambique's first privately owned publication, *Mediafax* (a faxed newsletter), says its a "confusing time" for the press, but quickly adds that some of the confusion is "absolutely marvelous" as the independent press is able to take full advantage of the state of play

Unsure of the direction that the Mozambican press is going, Cordosa says the challenge facing a free Mozambican press is no longer its survival, but to avoid becoming "the new dictators" of policy

"We [the press] are now the third estate," he says, after foreign aid donors who carry much power and the informal sector which is controlled by the government and a gangster element.

The press, says Cordosa, is the engine of Mozambican civil society

Solomon Moianu, editor of the independent weekly *Savana*, talked about the freedom he and Cordosa enjoy when covering "touchy" government scandals in Mozambique

"The object of setting up this paper was to try to fill the gap, a big gap, in the press," said Moianu "It was to help people see there could be a different way to tell a story "

Speaking to the *Mail & Guardian* at their offices in Maputo last week, both Cordoso and Moinau say they have, in recent years, exposed several stories that would have been covered up and ignored without an independent press These stories have ranged from government involvement in inter-tribal rivalries to transportation scandals that were costing the impoverished nation millions of rands

But despite the successes of developing the independent press in Mozambique, Cordoso is now thinking of leaving Mediacoop, the holding company of *Mediafax* and *Savana*, with a view towards establishing a new publication

Since 1975, when Mozambique gained its independence, until 1992, Mozambique was without an independent publication In that year, Cordoso, Moianu,and a small group of other journalists founded Mediacoop, which began publishing *Mediafax* and, shortly thereafter, the 15 000-circulation *Savana*.

An intense and free-thinking socialist, Cordoso keeps turning catchy phrases like "this cacophonic economy we live in", "the politics of confusion", and "the new romanticism of economics". His urge for a new publication is to "declare independence from the state"

More than 80% of the Mozambican economy is informal, and he wants to join that sector to avoid bureaucratic meddling, he says.

Journalism in Mozambique must carve its own path, different from the

Soaring Savana: The Mozambican independent press is thriving

Western schools of journalism says Cordoso, adding that material should be published in a more free-wheeling manner if it wants to reflect the "renaissance" he believes Mozambique is experiencing

However, Moianu speaks of more conservative ideas of journalism and remains content with publishing a fairly traditional, less cheeky weekly newspaper than the publication envisaged by Cordoso

But Moianu agrees that the Mozambican press finds itself in an environment in which it can grow and thrive "There is room in this country to be an independent newspaper There is still room to explore "

Small hope in ruined Maputo (218)

M+G 7-13/2/97

Jim Day

Media-worthy: At a time when Mozambique is struggling to attract foreign aid, the R25 000 reconstruction of a primary school by South African volunteers drew considerable attention PHOTOGRAPH JIM DAY

A COUPLE of hundred Mozambican children filled the sandy school playground, some lounging in the shade of a shady tree, others practising their Van Damme kickboxing moves, while a small group of student volunteers from South Africa and elsewhere put the finishing touches on their rebuilt school

While one of the volunteers painted the name of the school on a new wall, "Escola Primaria Umidade 2" — "Unity Primary School Number Two" — project co-ordinator Jacob van Garderen showed what 11 students from the Southern Africa Student Volunteers (Sasvo) and a handful of locals had done over the previous two weeks in this school, nestled among thatch huts and palm trees on the outskirts of Maputo

They put a roof over four classrooms that had been open to the elements They capped the blocked and unusable toilets, and dug new toilets They put up walls where there had been none

The result is school no longer has to shut down every time it rains The 1 600 students will still have to come to the six classrooms in three shifts throughout the day, as do all primary-school students in Maputo, but now they will at least have a dry floor to sit on

"It has been 15 years we've watched our school falling down," said Umidade headmaster, Armando Francisco Musgane, adding that in the past, efforts to find money for repairs had failed, so most classes were held outside.

The two classrooms that were not rebuilt show what the whole school looked like two weeks before The concrete-block structure has only three graffiti-scrawled walls and no roof, and the dirt floor looks like a well-used old-campsite, with rusty beer cans, broken glass and coconut husks littered everywhere The school has no furniture no exercise books, no blackboards, no electricity, and no water

There are 85 schools in the Maputo area, and all of them are in as much need of repair as Umidade 2 was before the Sasvo project, said David Simango, Maputo's director of education No other school reconstruction projects are currently under way in the district, although primary education is the top priority for Mozambican education officials, he said

Four years after the end of Mozambique's civil war, the country is the poorest in the world The amount of foreign donations for reconstruction has dropped by $190-million since 1994 The International Monetary Fund, which has placed austerity measures on the country, has said it regards reconstruction funds as inflationary

In a nation with a per capita gross national product of about $100, reconstruction money, including money for schools, is indispensable

Last year, the United Nations Development Programme estimated that more than one million of Mozambique's two million primary school-aged children do not attend school, noted Christof Heyns, director of Sasvo

"It is difficult, so difficult, to study here," said Eugenio Abel Tembe, a 19-year-old student who previously attended Umidade 2 He helped rebuild the school with the Sasvo volunteers, and the experience piqued his interest in working on more redevelopment projects "Before I did this project, there were things I couldn't do Now, I am sure I can do it"

The reconstruction project is one of 26 completed by Sasvo volunteers in December and January in South Africa, in Tanzania, Botswana and Mozambique, said Heyns

Students volunteer their labour and expertise, and in return they get transportation and lodging while completing a project More importantly, say these students, they contribute to the well-being of a community and gain experience in redevelopment projects

Such projects, however, are only "a drop in the ocean," said Van Garderen, and that is evidenced by the fanfare this one project received in Maputo

The South African High Commissioner for Mozambique, top education officials, monetary donors, university professors and the media all came out to see a project that lasted two weeks in total and cost about R25 000 in materials

World Bank backs Maputo Corridor

Stephané Bothma (219) (218)

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.

BD 17/2/97

Business

Mozambique reaffirms exit from Comesa

(218) CT(BR) 19/2/97

From AFP

Maputo — Mozambique has reaffirmed its decision to quit the Common Market for Eastern and Southern Africa (Comesa), a regional trade and economic body

Mozambique said yesterday it had no business with many of the countries in the 23-member grouping, which includes Eritrea, Ethiopia, Somalia, Djibouti and Kenya

Mozambique announced late last year that it would withdraw by the end of this year So far diplomatic efforts to make it change its mind have failed

After meeting envoys from Comesa, President Joaquim Chissano said Mozambique would not rejoin until the relationship between Comesa and the Southern African Development Community (SADC) was clarified

Leonardo Simao, the foreign minister, said yesterday, "I do not see any good reason for staying on since our country has neither trade nor political relations with a great deal of Comesa members such as Eritrea, Ethiopia, Somalia, Djibouti and Kenya "

He said Mozambique had suspended its membership "We expect things to improve, and that will dictate our rejoining the organisation "

Comesa and the SADC are widely seen to be duplicating efforts of promoting and developing trade among eastern and southern African states Most SADC members hold membership in Comesa

The SADC is composed of Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe

Mozambique to revive coal mines

(218) BD 28/2/97

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

The first step is a $30m 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 Moatize 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.

Moatize, 21km northeast of Tete, is an important railway centre It is at the end of the line linking the town of Zambezi 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

Corridor is key to regional boom — Phosa

(218) BD 28/2/97

Robyn Chalmers

NELSPRUIT — The creation of the Maputo Corridor would turn Mpumalanga's economy around as business flooded into the province along with jobs and financing, Mpumalanga premier Mathews Phosa said yesterday

Speaking at the launch of the Condev Group's Greenway Woods holiday resort and conference centre, Phosa said once the corridor was established, Mpumalanga would have every conceivable asset required for an economic boom.

"We, as the government of Mpumalanga, are poised and ready to assist in every way we possibly can. Our doors are open to the business sector," he said

Phosa said the opening of a new conference centre in Mpumalanga was welcome as it would help meet an expected surge in demand. SA had the potential to attract between 170 and 200 international conferences every year which would bring in at least R250m in foreign exchange An additional 80 000 local conferences were held each year

The conference industry had a particularly high multiplier effect that was labour intensive and created significant employment opportunities.

There was very real potential for emerging entrepreneurs to enter the conference industry.

Condev Group chairman Chris Cudmore said the group's involvement with Mpumalanga began a year ago when Condev joined the provincial administration as partners to try to address the housing backlog Several other housing projects were also being planned

ELECTRICITY *Resumption of operations seen as relaunch of Mozambican economy*

Power to flow from Cahora Bassa

CT(DR)13/3/97(218)

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 re-launching 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 the energy to South Africa will be completed by next month

The costs of restoration of the lines, including technically upgrading the power stations, has been set at about R595 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, 997 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 450km.

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 Afrique

Privatisation 'central to reform'

(218) BD 18/3/97

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 reactivating 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 metical 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 95,8% of national food production in the first half of 1996 with the state making up just 4,2%

Elsewhere, Cimentos de Mocambique, 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. — Reuter

HYDROELECTRICITY *Dam project could lead to building of smelter*

SA and Mozambique study power deal

CT (BR) 21/3/97 (218)

MARIUS BOSCH

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

Penuell 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 Moçambique, 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 Mopshoene, 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 Rob Barbour, who is accompanying Maduna, would sign a heads of agreement with the Mozambique government as the first phase of the development of the Mozal project

EXPLORING *Penuell Maduna*

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 450 MW of the 2 000 to 2 500 MW capacity of the dam project — Reuter

INVESTMENT IN MOZAMBIQUE

CASH TIDE HITS MAPUTO

FM 21/3/97 (218)

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

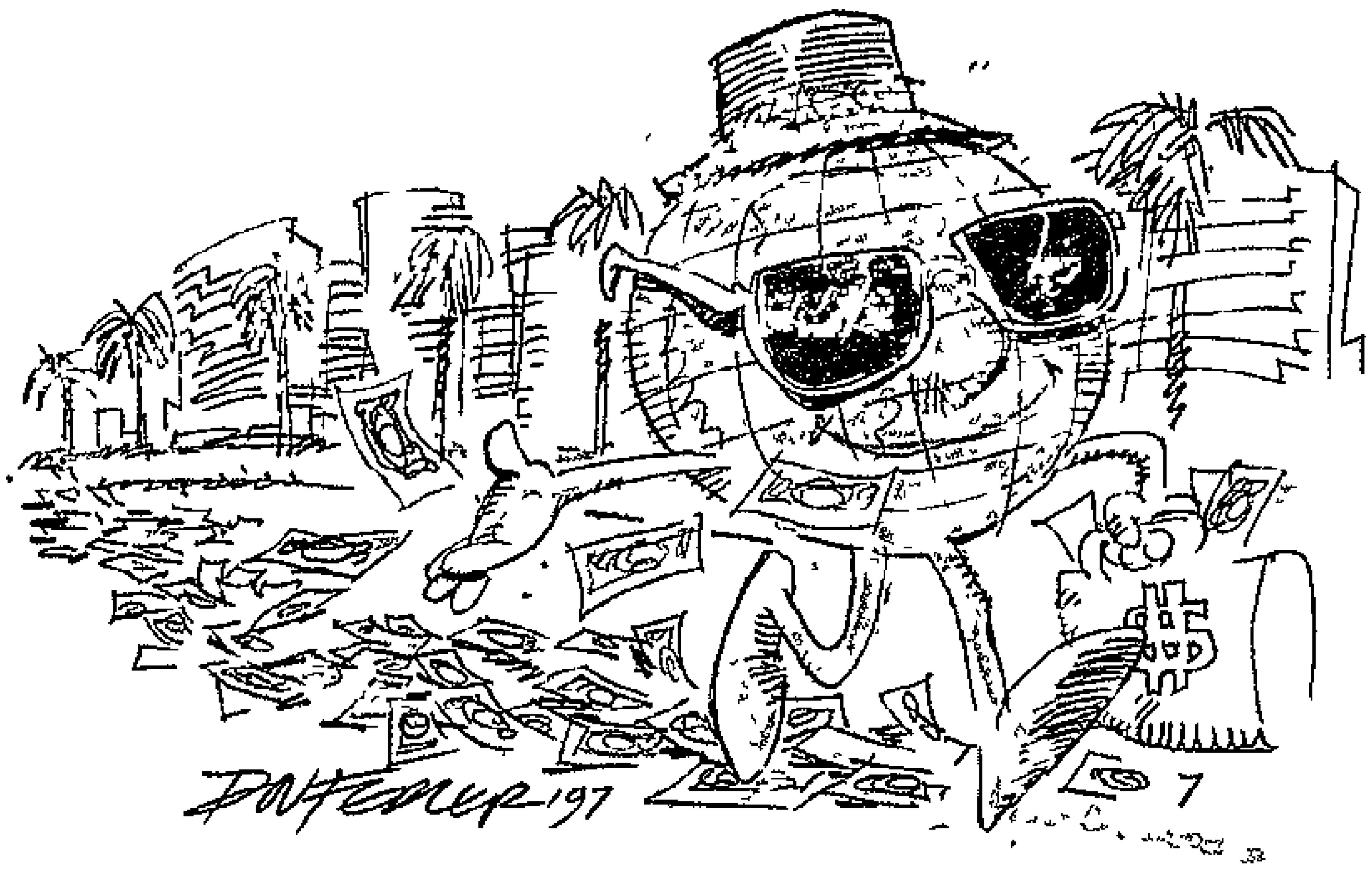
The smelter will obtain economically priced power from the 2 000 MW-2 500 MW Mepanda Uncua Dam on the Zambezi River below Cahora Bassa

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 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 450 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 $100m, 400 kV transmission line that will link SA with Maputo While providing a back-up for Mozal from SA, the line will allow surplus power to feed into the SA transmission system



"All SA now needs is for President Nelson Mandela to tie the knot with Graca 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 $800m 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 Tigen 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 Kleinworth 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 multimillion-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 Minorco'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

P.T.O.

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 Mt of high-grade iron from Brazil This will be supplemented by about 500 000 t/year of ore from Zimbabwe's Bimco 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 Leopardus is also involved with JCI as a potential equity partner

Apart from the proven Temane gasfield, 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 Huyssteen*

MEDICAL SCHEMES ACT

FEVER PITCH

FM 21/3/97

The Health Department's proposed amendments to the Medical Schemes Act — intended to achieve affordable health care for all — threaten to reregulate 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 1m 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 prefunding

Gill Marcus

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 eradicate 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 Bisseker and Stephen Hill-Haas

Renamo wrangle threatens polls in Mozambique

(218)

PAUL FAUVET

FOREIGN SERVICE

ARG 25/3/97

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 items concerning local authorities, but has yet to take a definitive vote on any of the laws

The subjects covered by these 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 where 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 68 towns and is not moved by Frelimo arguments that many of the smaller 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 the 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

Star 26/3/97 (218)

Renamo's spokesman threatens to make local elections impossible unless the country's parliament accepts his party's amendments to voting legislation

STAR FOREIGN SERVICE
Maputo

The Mozambican local elections, scheduled for November, are now under threat because the country's parliament, the Assembly of the Republic, is dragging its feet in passing the necessary legislation

For the past five weeks, the Assembly has been debating six separate pieces of local authority legislation, but has yet to take a definitive vote on any of them The subjects covered by these 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 publicly threatened to make the elections impossible unless Renamo amendments, completely changing the nature of the bills, are accepted

Renamo has tabled literally dozens of amendments, some fundamental, some trivial The ponderous procedures of the Assembly mean that voting on them will devour enormous amounts of parliamentary time

There is no agreement between Renamo and the government of the ruling Frelimo party, even on where 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 68 towns, and is not moved by Frelimo arguments that many of the smaller towns do not have an adequate tax base to support an autonomous municipal government

Renamo claims that holding elections in some towns but not 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 ways of financing municipalities, other than simply lifting the money they need from the central state 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 questions as to where the money would come from

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

Frelimo MPs accuse Renamo of deliberately wasting time They believe Renamo would rather that they were not held before the next general election in 1999

This is partly because Renamo is in severe financial difficulties It still owes creditors around R22-million from the 1994 parliamentary and presidential election campaign Some of the creditors are now threatening to take Renamo to court

Renamo also seems to have got cold feet about running major cities In municipal elections, they would almost certainly win control of central cities such as Beira and Quelimane but it would then have to deliver a decent level of services there, and failure to do so in the two years before the general election could cost it dearly in terms of voter support

JUSTINE

Frelimo's my party ... time almost right to make her cross, but it may not happen before 1999 if the opposition has its way

AFRICAN B

South Africans are now investing instead of destabilising

Mozambican economy in line for $6bn injection

(218) CT(BR) 2/4/97

FROM THE ECONOMIST

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 (R26,5 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 pats 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 materialise, 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 stabilisation programme that has brought down inflation, increased revenue and liberalised the exchange rate, and an ambitious privatisation programme involv-ing 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, rev enue collection, a feat seldom matched by Western finance ministers The government's reward was $445,5 million in foreign investment last year

Yet Mozambique remains a des perately 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

Star 9/4/97 (218)

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, Trac, 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.

Mozambique 'given' to bidder with clout

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.

(218) CP 6/4/97

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 party, 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. Even the relevant government departments were not consulted to draft agreement terms "

Negrao headed a team of respected Mozambican experts who drafted a land use plan for Matutuine 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 Santia Maria Machungulo, no restocking of the reserve with the Big Five 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

Also ignored is a government management plan for the Elephant Reserve, drafted by the National Directorate for Forest and Wildlife, with technical advice of ICUN-the World Conservation Union The reserve is a centre of global biodiversity, included by the 1992 Rio eco-summit among 200 remarkable sites in the world

The management plan allowed for limited tourism development, two upmarket lodges (25 and 40 beds) and two rustic, tented, community-run camps Cultivation and settlement areas were to be reserved for the locals. Concessions would be given by open tender to several operators A board composed of government, local communities, non governmental organisations (NGOs) and the private sector would oversee developments

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 claimants 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 Ossemane, 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 Buzberger "The project brings job opportunities, but also dangers what about community participation, access to land, rights of the local people, land use and mangement? 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

Star 7/4/97 (218)

By Mercedes Savagues
Maputo

Details of a secret 236 000ha concession granted to American billionaire James Ulysses 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 gold, adventure and right-wing politics, backed Renamo during the civil war but has since befriended 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

Neither was such a generous agreement expected The concession stretches from the marine reserve of Inhaca Island, across Maputo, all the way down to the border with South Africa, it includes miles of pristine beaches, coral reefs, and warm Indian Ocean waters Also included are the Maputo Elephant Reserve and land all the way to the Futi river, which feeds into the proposed Transfrontier Conservation Area that will link South African parks with the Maputo Reserve

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 15 200ha private game reserve in Santa Maria Machangulo – and a government guest house Tourists arriving in Maputo will be ferried by plane or boat from a 3ha site to be developed in the capital

Blanchard is expected to pay only $9,5-million (about R42-million) upfront for the 50-year project Imported equipment and material will account for another $5-million (R22-million) National investors will put up $6,2-million (about R27-million) of this, $2-million (about R9-million) is derived from exemption of land taxes, which revert to the Mozambican government

The rest of the promised investment of $800-million (about R3,5-billion) will be secured from other investors at a later stage

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 impermanent material" Be it mud-and-pole huts, tented safari camps or prefabricated homes, houses without foundations are considered movable property and, according to law, can be sold That 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, 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 Matutuine 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 Machangulo, no restocking 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 would be 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 "There will be an overlapping of interests Will earlier claimants be compensated? Will people be removed? I don't know"

The 10 000 or so residents apparently were not consulted Their land – including sacred places, ancestors' graves, fruit trees, farmland, collection and hunting territories, and fishing areas – has been valued at $1-million (about R4,4-million) In exchange, they will get shares in the project and first option on any jobs

"What was the basis for the $1-million estimate? Is this an offer, or an order? Is this the price of the land, or of the rights to the land?" asks Ismael Ossemane, from the National Union of Peasants (UNAC)

UNAC says the figure is arbitrary and the land – with forests, sandy beaches, crystalline waters, dunes, fresh water lakes and savanna – is worth a lot more

Other questions plaguing Ossemane are who will represent the local communities against Blanchard Mozambique Enterprises, and who will pay for their costs?

Blanchard's tourism rights will be tested over time, if and when they come into conflict with the rights of peasants or previous claimants Several government departments have overlapping mandates over the land Only time will tell

Helvetas, a Swiss NGO which has a $2-million (R9-million) grant for rural development in the area, has requested an assessment of the implications of the agreement for their work with peasant co-operatives

"We are very worried about the agreement," says director Marcus Buzberger "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"

Says 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-AIA

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

BD 22/4/97 (218)

MAIL & GUARDIAN
May 2 to 8 1997

Playground in a land of poverty

M+G 2-8/5/97 (218)

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. Leah Shibambo would love to believe this strange American's promises of how his new game reserve filled with wild animals, marinas, lodges, luxury resorts and tourists aboard a steam train will bring peace and prosperity to her village in southern Mozambique.

But in one lifetime she has experienced an almost complete cycle of oppression: forced labour as a child on the Portuguese plantations, the grinding poverty of failed socialism under Frelimo, and then one of the most brutal civil wars waged anywhere in the world this century. It is easy to understand why her face is a portrait of blighted hope.

We have come to Zitundo, a tiny settlement where 160 people live by gathering wild fruits and fishing in the beautiful lake nearby, to hear what the villagers think about an extraordinary decision of the Mozambican government to grant American billionaire James Blanchard exclusive rights to convert 236 000ha of southern Maputo province — a stunningly beautiful piece of land the size of Israel — into a multi-million-dollar mecca of tourism.

"Now," says Shibabmo, "it is the time of peace. But it is just peace by word and not by practice. We have no jobs and no food. Even in the colonial times it was better because then we could buy some cloth and rice. This new government does not understand the situation of poor people."

It is a refrain that is often heard in parts of Africa these days. Colonialism was bad, but it was better than life under a government incapable of fulfilling the promise of economic development after independence. And into the void steps people like James Ulysses Blanchard III.

In the 1980s, the flamboyant free-marketeer helped bankroll an insurgency led by right-wing Renamo rebels against the left-wing Frelimo government. Blanchard stipulated his money was for education, propaganda and medical aid but there is little doubt it helped the rebel army conduct a reign of terror as barbarous as that of the Khmer Rouge in Cambodia. As a result the area around Zitundo, near Mozambique's southern border with South Africa, became one of the country's killing fields: a land wasted by atrocities, landmines, and an almost complete exodus of the survivors to refugee centres in South Africa.

Now the war is over and Blanchard has, some say in exchange for supporting the Mozambican peace process, been given a generous concession to help reconstruct this undeveloped tract in the south-east corner of one of the world's poorest nations.

The plans of his company, Blanchard Mozambique Enterprises (BME), are breathtakingly ambitious. It has rights to develop several hotels, a marina, a golf course, and a series of bush and beach lodges. The heart of this tourism wonderland will be an exclusive game reserve, restocked with all of the wild animals that roamed the area before colonial times, on 15 000ha of land on the Machangulo Peninsula. The promontory on which this nature reserve will be created juts into the Indian Ocean south of Inhaca Island and is surrounded by coral reefs, whale sharks, manta rays, humpback whales, dolphins and some of the last dugongs — mammals who gave rise to the legend of the mermaids — left in the world.

Further south, the company has the right to expand and restock the Maputo Elephant Reserve, currently home to a relict herd that once migrated freely across the border into KwaZulu-Natal.

The concession, which stretches inland to the Maputo River and down to Ponta Do Ouro on the coast, covers an incredibly rich area of plant diversity known as the Maputaland Centre of Endemism because some 4 000 species grow only there.

If Blanchard's extraordinary vision is achieved, this will literally be the only place in the world where it becomes possible to scuba dive on coral and cavort with whales and dolphins in the morning before climbing onto a Land Rover to see elephants and the rest of the "big five" in the afternoon. And, to prevent spoiling the area with a network of roads, visitors will be ferried around this wonderland in flying boats and on a steam train that runs on a light rail network.

But the scheme has attracted fierce criticism in Maputo. It is seen as an invasion of Mozambique's sovereignty. Sceptics ask why a man who helped bring the country to its knees should be rewarded in this way.

> **'Mozambique is being given away and its people don't even know about it'**

"Mozambique is being given away and its people don't even know about it," land expert Jose Negrao was quoted as saying in a spate of critical media reports earlier this month.

There are also fears that many of the 10 000 residents who live in the area will be removed and denied access to their sacred forests and ancestral graves.

Eugene Gouws, a South African consultant helping Blanchard implement the programme, sits in Zitundo's central meeting place under a rag-tag Renamo flag that flutters next to the failed icons of African socialism on Frelimo's pennant.

Promises of prosperity: Will the local people benefit, and will they have access to their ancestral lands?
PHOTOGRAPHS: SIDDIQUE DAVIDS

Dolphin encounters: A tourism wonderland of marinas, lodges and game reserves is planned in unspoilt southern Mozambique

He tells the people of Zitundo these criticisms are based on misconceptions. The contract between BME and the Mozambican government stipulates that tourism profits must be used to benefit the region's residents.

They will be given a 7,5% share in the company. Tenders will be awarded to lodge developers with strong social responsibility programmes and schemes to include rural people in joint venture companies. Jobs will be reserved for locals. Modern residential townships will be built with schools, crèches and other services of the kind that exist in few parts of Mozambique.

There will be no removals. Access to sacred places will be guaranteed and encouraged. One of BME's aims is to respect and restore indigenous culture so that it can act as an attraction for visitors.

Modern game fences will be installed to prevent wild animals from entering the villages. All of this, says Gouws, will be done in a way that protects the environment, reintroduces game species that were shot out of the area a long time ago and generates the most vibrant local economy in the entire country.

My colleague Jim Day, a postgraduate journalism student visiting from America, is disbelieving.

"I am not yet convinced that the Blanchard School of Regional Development — with its key lessons in free-market capitalism and the past bankrolling of armies like Renamo and the Nicaraguan Contras in the fight against communism — is necessarily the best thing for the impoverished people of southern Mozambique," he says in a despatch written after the visit. "And when you push Gouws for details on how exactly these benefits will be channelled to the people, what mechanisms will be set up so that they actually see a share of the profits, he has only vague answers and a general comment that 'These are things that still need to be worked out'."

John Hatton, an academic and independent consultant from Maputo, says the Mozambique state is too weak to enforce the social responsibility clauses in Blanchard's contract. There is only one non-government organisation, the Swiss-based Helvetus, working to protect peoples' rights in the area. And local government is factionalised between a Frelimo administrator, a Renamo administrator, and the traditional chiefs.

So far the only impact of Blanchard's scheme on the livelihoods of Zitundo's people has been the cancellation of a commercial pine project that, although it would have devastated the fragile ecosystems around Zitundo, had created 250 full-time jobs. Blanchard insisted that Mozaflorestal, a joint venture between Sappi and a Mozambican company to grow water-sapping bluegums along the southern coastal zone of Mozambique, be evicted and the company's contract cancelled as a precondition for his tourism plan being implemented.

"Up to now we haven't been properly informed. All we know is that we have lost our jobs," says Antonio Mabika, deputy administrator of the Zitundo region. "People are afraid. They don't like the idea of being surrounded by wild animals. And they fear they will lose their land."

Gouws explains that BME is working with Helvetus, a Swiss non-government organisation operating in Mozambique, to host a series of workshops to explain the tourism project. Community leaders will be offered field trips to tourism projects in South Africa that have galvanised rural development.

"That will be good," says Shibambo. "Maybe the poor people will then be able to see how they will be affected." But the sadness remains in her eyes.

The irony is that Blanchard's shift from being a cold-war warrior to a proponent of community-based tourism, what has been called the world's peace industry, is probably the last and the best chance that this part of the world's poorest country has for real growth and development. Some time ago Mia Couto, one of the most respected writers and intellectuals in Mozambique, summarised this paradox in a different way.

"To understand it," he said, "you must realise that Mozambique hasn't had bulldozers that work. Now we have one that does."

That is the enigma of Mozambique today. Those who used their power to cause so much damage to this land and its people are now the ones who have the opportunity to undo it. All they have to do is keep their word.

Eddie Koch is currently working as consultant on the tourism corridor that is being planned between Richard's Bay and Maputo

SA, Mozambique start R3bn development project

(218) BD 6/5/97

Robyn Chalmers

MAPUTO — SA and Mozambique launched a R3bn "build, operate and transfer" (BoT) highway yesterday — the first such project undertaken in southern Africa — which effectively kick-started the huge Maputo Development Corridor.

Both Deputy President Thabo Mbeki and Mozambican Prime Minister Pascoal Mocumbi hailed the finalisation of the first key infrastructure project in the corridor, saying it signalled the seriousness with which both governments were approaching regional co-operation and integration.

The two governments also signed agreements dealing with road freight and passenger transport between the two countries which would facilitate the movement of goods and people by road

The Maputo-Witbank toll road, or the N4, will be built, operated and maintained by Trans African Concessions (Trac) — made up of 21 companies including Basil Read, Stocks & Stocks, French construction group Bouygues, Investec and Nedbank — under a 30-year BoT concession contract BoT is a mechanism whereby the private sector raises funds to build and operate projects at a profit, then hands them back to the state at the end of the contract period.

Trac spokesman Gérard Perceau said new construction and improvements on the N4, scheduled to begin in six months, included 70km of new road, 112km of rehabilitation and 240km of widening the road. Tolling would begin in about 18 months and would be phased in over the initial construction period. Toll fees had not yet been decided upon.

Mbeki said it was imperative to foster co-operation with regional partners and the development of infrastructure which positioned SA's exports competitively

He said the port and rail upgrades as well as the one-stop border facility at Ressano Garcia/Komatipoort would be finalised soon.

Mbeki said Trac had given a number of important guarantees, having undertaken to comply with the social responsibility and environmental requirements of both countries.

Trac had also agreed to provide guarantees for the performance of the initial construction, estimated at about R1bn While the financing of the debt funding still had to be finalised, Mbeki said most of it would be provided by local financial institutions

Mocumbi said that with the signing of the N4 contract, the essential conditions to begin construction had been met.

He gave his assurance that the Mozambican government was securing financing for the rehabilitation and modernisation of the Maputo rail and harbour complex, despite delays

CORRIDORS OF POWER *Mac Maharaj, Thabo Mbeki and prime minister Pascoal Mocumbi at the signing* PHOTO RICHARD BARTLETT

ST(BE) 6/5/97

R3bn toll road boost for Maputo Corridor

(218)

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 Msele 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 240km 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.

Go-ahead for route between Witbank, Maputo

(218)

Construction of R3-billion toll road, likely to boost development and confidence, expected to start in November

Star 6/5/97

By Hopewell Radebe
Maputo

South Africa and Mozambique yesterday signed three agreements to allow the construction of a R3-billion Maputo-Witbank toll road

Transport Minister Mac Maharaj and Mozambican Public Works and Housing Minister Roberto White signed the concession contract for the construction, operation and maintenance of the national route (N4) between Witbank and Maputo The N4 will link Gauteng and Maputo

The road will be started in November and should be completed within four years at a cost of R3-billion.

Trans African Concessions consortium, a company which won the tender to build the road, has been given a 30-year period to be responsible for the rehabilitation and operation of the toll road from Witbank to Maputo

Two bilateral agreements on the carriage of goods and conveyance of passengers were signed by Maharaj and Mozambican Transport and Communication Minister Paulo Muxanga These are aimed at eliminating bureaucratic proceedings at the borders of the two countries It is hoped to allow quicker access of goods and promote tourism

Deputy President Thabo Mbeki said the signing of the agreement marked the finalisation of a key infrastructure project that would develop and encourage economic prosperity

Mbeki said other projects linked to the Maputo development corridor would soon follow They involved the development of Maputo harbour and the railway between Gauteng and Maputo

There would also be a one-stop border facility between Ressano Garcia and Komatipoort to speed up the inflow of passengers and goods-carrying traffic

"These projects are the basis upon which investment and growth can be enhanced in the whole region," Mbeki said

The project would result in about 7 900 full-time jobs on site, 19 700 indirect jobs and 14 500 induced jobs which would come from entrepreneurs taking advantage of the agreement

Mbeki said the road would be transferred to the two governments after 30 years, with a future lifespan of about 15 years

Mozambican Prime Minister Tascoal Mocumbi said the project gave the Maputo development corridor a practical life and existence

It strengthened the two countries' relations with each other and with the Southern Africa Development Community

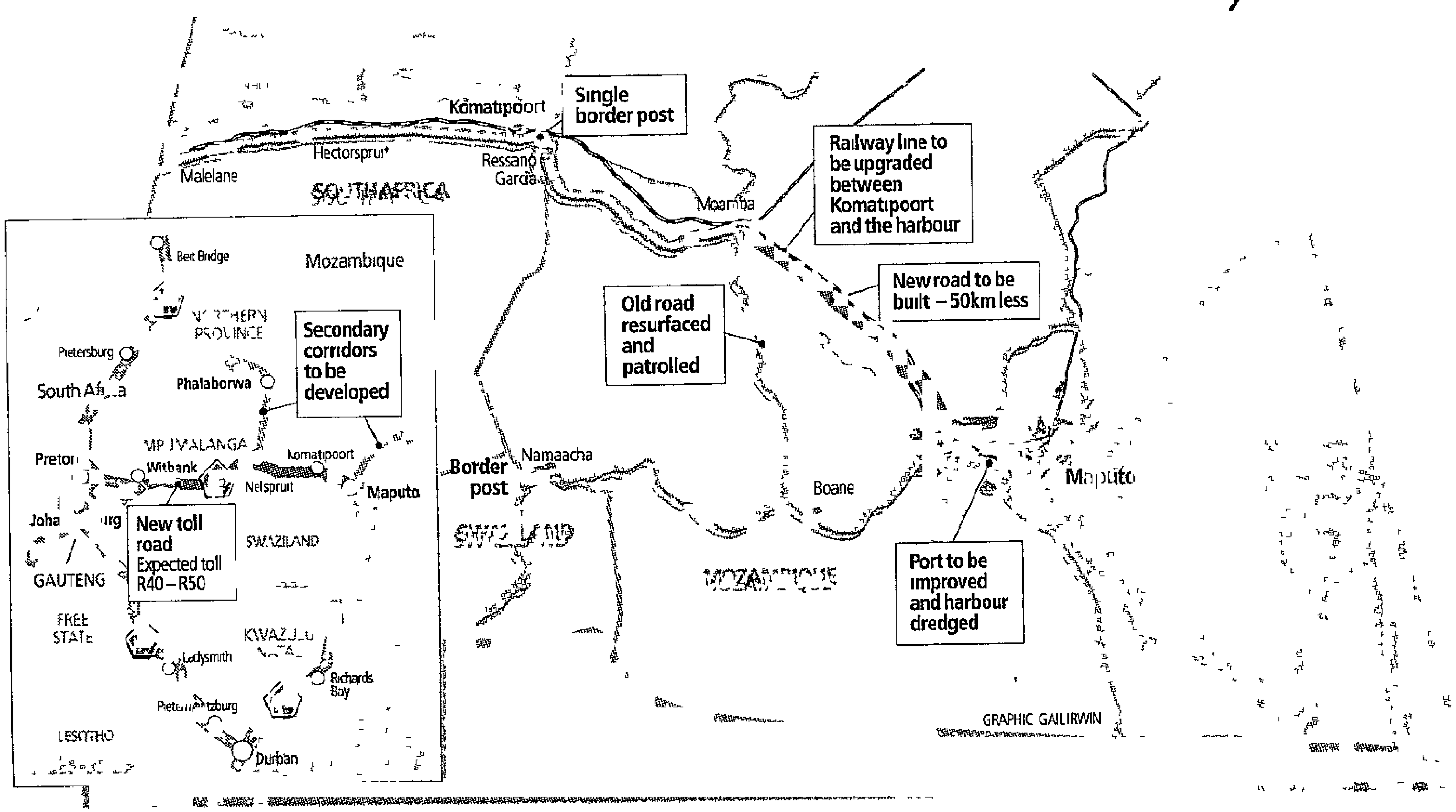
He said Mozambique would soon announce an invitation for tenders to develop Maputo's harbour so that it could reach international standard

"We are building this road together with a clear expression of brotherhood, mutual trust and political willingness for co-operation,' said Mocumbi

He said the development also signalled that the international community no longer viewed southern African as a risk and conflict area

"We have transformed our region into being extremely business oriented," he added

Mocumbi said the citizens of the region would benefit from the agreements because they would soon be travelling without a need for visas They would use only their identity documents



▶ R3-bn toll road boost

Nicola Jenvey

Joint venture to link SA, Mozambican ports

(219) (218)

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 line-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 Lisas, 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.

BD 6/5/97

BUILD, OPERATE, TRANSFER . . . Maputo harbour, which is to be modernised under the scheme

(259) (218)

Maputo toll road pact signed

ST (CBT) 11/5/97

DEVELOPMENT CORRIDOR

By THABO KOBOKOANE

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 DBSA is said to be ready to commit close to R200-million to the project

CT(BR) 13/6/97

Mozambique cap in hand

(218)

Maputo — Mozambique will be seeking pledges of about $850 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 $193 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 $[illegible] million at the Paris meeting last year — Reuter

Mozambique pledged continued aid

BD 19/5/97 (218)

PARIS — Mozambique received more than $550m in pledges from international donors last week to sustain its economic reform efforts and post-war reconstruction

After a two-day meeting with multilateral and bilateral donors at the World Bank offices in Paris, Mozambique received about $560m in commitments to build on the strong economic performance it has shown since ending its civil war in 1992

According to Work Bank director for Mozambique Phyllis Pomerantz the government's request for external financing would be "fully met" Indications were that Mozambique's financing needs this year would be met through a combination of investments, balance of payment support, food aid and other programmes

The external financing Mozambique sought when its delegation came to the negotiations in Paris excluded debt relief But concerned by the debt burden, donors supported Mozambique's hopes to be granted debt reduction under the Heavily Indebted and Poor Countries (HIPC) initiative shouldered jointly by the World Bank, the International Monetary Fund and the Paris Club of creditor nations

The donors urged the bank and the IMF to take the necessary steps to ensure that Mozambique, where a large part of its population remains poor and has little access to education, is declared eligible for debt treatment under the HIPC programme soon

Mozambique has been classified by the bank as one of the eight countries with an unsustainable debt burden and the economic reforms it has undertaken which Pomerantz said have "borne fruit" make it a likely candidate.

Pomerantz said proposals from the bank and IMF for a reduction of Mozambique's foreign debt are "in preparation" but Mozambique is likely to be one of the first to be offered debt relief under the HIPC initiative. It was likely Mozambique would be declared officially eligible possibly by the middle of the year.

Mozambique's economy grew by 6,4% last year and inflation dropped to less than 17% last year from more than 70% in 1994 Grain harvests were the largest in two decades which, together with the recovery of the industrial sector, resulted in a 30% increase in exports which totalled $225m last year

Five years ago Mozambique faced enormous tasks in rebuilding the country after 17 years of civil war, the most important of which was to resettle about 4-million people who lost their homes in the war

Based on the early indications, this year promises to be another good year However, donors have warned that high, sustained growth for another decade or more is needed to alleviate poverty substantially and recognise that the government is weighed down by a heavy burden of foreign debt.

World Bank data show Mozambique's accumulated public external debt is 3,8 times its gross domestic product which, in 1995, was $1,4bn, and 13 times its exports Despite debt treatment by the Paris Club of bilateral creditors and other actions, its foreign debt has remained unsustainable

Pomerantz was unable to offer details of debt-relief proposals by the World Bank and IMF, including the year Mozambique will have reached the point where the candidate will have satisfied all requirements and be granted debt reduction under the HIPC initiative

Mozambique is due to meet the Paris Club of creditors in the next few months and if granted debt stock reduction then, it will have reached its "virtual decision point", or halfway through a six-year period of structural adjustments required by the World Bank and the IMF before debt relief can be granted

A "decision point" of this year for Mozambique would be a "breakthrough in terms of the HIPC framework", according to the European Network on Debt and Development based in Brussels, Belgium A completion point set for 2000 can thus be expected, if creditors insist on a rigid time frame.

When Mozambique faced the Paris Club last year it was feared it would reach the decision point in 1999 and the "completion point" in 2003 despite about 10 years of uninterrupted IMF structural adjustment programmes showing impressive results

Non-governmental organisations including the development network Eurodad have been lobbying for early debt reduction especially for countries like Mozambique. The country has successfully complied with requirements for painful economic reforms but its people continue to live in poverty Moreover, Mozambique is coming out of a devastating war

Bank figures show 60% of rural households and 30% of urban households have consumption levels below the poverty line. — Sapa-IPS

Two boys exchange water cannisters during a children's relay race in central Sarajevo at the weekend About 20 children took part, passing the cans every 600m in commemoration of the severe water shortage in the city during the war Picture AP

AFRICAN BUSINESS

DEBT *Prime minister looks for an early cash commitment from donor organisations*

Mozambique impresses World Bank

(218) CT(BR)20/5/97

FROM IFS

Paris — Mozambique, the world's most aid-dependent nation, according to the World Bank, might be eligible for important debt reduction under the new heavily indebted poor countries (HIPC) initiative launched by the bank and the IMF

Pascoal Mocumbi, the Mozambican prime minister, said at a meeting at the World Bank on Friday that he hoped to get a commitment about the HIPC initiative before the end of this year.

Mozambique's accumulated external debt is 3,8 times its gross domestic product and 13 times its exports.

Uganda became the first country to benefit from the HIPC scheme last month. The debt relief to Uganda could exceed $700 million in nominal terms and was designed to get the country out of its cycle of debt rescheduling

The World Bank is setting tough criteria for countries to benefit from the scheme. Most important of these is a long-term adherence to the economic adjustment and reform programmes.

Mozambique did impress the donor countries who met at the World Bank last week to discuss new credits and grants for this year

Its economy grew by 6,4 percent last year and inflation came down from over 70 percent in 1994 to less than 17 percent last year Exports were $225 million last year But it might take longer than expected to get the national debt written off by the Bretton Woods institutions

Phyllis Pomerantz, the World Bank's country director for Mozambique, says she hopes to get Mozambique declared eligible for the scheme within the coming months, but it could take up to three years "to get the debt off the books"

A number of other countries are also in line to benefit from the HIPC initiative, perhaps before Mozambique does.

At a recent meeting between Michel Camdessus, IMF's chairman, and Jacques Chirac, the French president, the Ivory Coast, Bolivia and Burkina Faso were mentioned as possible candidates. France was said to be particularly keen to get debt relief for the Ivory Coast, which, despite its stable economic growth, remains heavily indebted.

During his meeting at the World Bank, Mocumbi also mentioned the successes of a multilateral debt fund set up by the government. "Money that should otherwise have gone to pay our debt is now used in developing education and health infrastructure, which are very much needed by our people," he said. At the meeting with donor countries, Mozambique received pledges to meet the country's financial needs for this year of about $560 million That excluded debt relief.

The Mozambican delegation stressed the increased interest by outside private investors as a sign of confidence in the country The Maputo Corridor project, a joint venture between South Africa and Mozambique, is being hailed as one such example.

Mocumbi said he believed there was sufficient private interest in the various privatisation schemes, notably the concessioning of parts of the harbours and management of railways.

The donors at the World Bank also encouraged the government to continue rural development through helping small farmers and traders and to rebuild rural infrastructure

Mocumbi said he was happy with the way the South African farmers were settling in to the northern region of Mozambique, but it was too early to talk about their contribution "We can't make any judgement now. If you're a farmer, you know you can only say after having planted and seen the results," he said, perhaps on a prophetic note about his own country's growing economy

Key firms to list in Mozambique

(218)

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. — Reuter

BD 26/5/97

Maputo corridor to benefit all parties

Star 5/6/97 (218)

PROVINCIAL MATTERS

By Hopewell Radebe

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 neighbouring 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 proceedings 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 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.

MAPUTO CORRIDOR

On the road to nowhere? (218)

Harbour, rail contracts still being shunted about FM 6/6/97

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 R1,2bn 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 60 km 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 Pincus

Mozambican privatisation gathers steam

A way of life is changing as foreign investors begin to pour money into the country's newly privatised businesses, writes **Fernando Lima** in Maputo

(218)

BD 6/8/97

THE Mozambique privatisation programme, which is being implemented in terms of structural adjustment policies, will involve the sale of about 700 companies and is considered the most extensive in Africa in terms of the number of ventures on sale

The country's authorities are preparing to privatise substantial stakes in state development bank BPD, airline flag carrier LAM and the biggest insurance company, Emose, this year in a process which has already won praise from the World Bank

Tenders have been sought for the airline and bank, with SA-based National Airways Company being among the bidders for the airline in a consortium led by Air Portugal

At the Paris Consultative Group meeting last month, the programme won full approval from the International Monetary Fund and the World Bank, resulting in assurances of $955m in loans for the government's economic programme

Many concerns, including barber shops and vegetable retailers, were nationalised by the socialist government in 1975 and 1976, with the result that more than 85% of the economy was state-owned.

Privatisation began to gather steam in 1994 and last year $34,7m flowed into state coffers from the sale of 22 large companies, including Frigo cold storage SA company Outspan bought 90% of Frigo, paying $2,5m for the facilities and signing an investment contract for an additional $6,3m

Indol BV, a Dutch subsidiary of SA Breweries, bought 70% of two beer factories in Maputo and Beira, a transaction of $14m plus $8,4m in investment guarantees

The government office monitoring privatisation cites a production increase of 95,8% in the food, beverage and tobacco sectors in the first quarter last year Crates of bottled Coca-Cola, Fanta and Sprite no longer have to be imported and can be bought more cheaply since a plant was restarted by Coca-Cola's African bottler, Sabco, outside Maputo

The government unit dealing with privatisation, UTRE, says the largest buyouts have been led by Portuguese investors Cimpor brought in $97m for three cement factories (Cimentos de Mocambique) in Maputo, Beira and Nacala while 51% of the leading state bank BCM was acquired by Grupo Mello of Lisbon The cement company now controls 80% of the 230 000-ton local market and is preparing an offensive on the regional markets, including SA The plant in Maputo has a new production line and the head of its board of directors, Ferro Gomes, maintains that the technology installed is more advanced than that of most SA units.

At this stage Portugal leads the way as a foreign investor in privatised companies at 24%, with SA at 21% and Great Britain at 12,4%

However, total foreign investment figures are still very modest In 1996 it reached $73m, an amount significantly less than the proposed investment in the aluminium smelter project to be installed in Maputo with SA's Gencor as one of its dominant investors

The South Africans and Portuguese are also involved in the small business sector. Some of the most popular restaurants in Maputo and beach resorts along the coast up to Inhambane have been developed by SA nationals.

However, some of these smaller investments have also been criticised by locals who accuse SA nationals of clinching "under the table" deals with unscrupulous officials to obtain land leasing concessions and tourism licences They allege that many such investors fail to adhere to regulations

Some say the privatisation process is bedevilled by red tape and official corruption, an accusation denied by UTRE officials who say the process is "very transparent" They do, however, acknowledge some wrongdoing in the early stages of privatisation of small and medium size companies Diplomats say there has been a lot of unhappiness about alleged collusion between the ruling Frelimo government and the local elite surrounding the sale or donation of property and equipment

Foreign investors complain of excessive bureaucratic problems in getting a licence to start a business The World Bank's International Finance Corporation recently concluded a study on this matter and urged government to take steps to eliminate constraints

On the other hand, diplomats say the privatisation programme has substantially reduced the level of corruption, namely in the banking system and customs The level of unrecovered credit at one of the banks had reached a peak of 75% before it was privatised The customs services has been placed under a management contract with British Crown Agents until the year 2000 in a bid to combat smuggling, while pre-embarkment inspections are done by Inschape

Institutional partners of the Mozambican government are also insisting on the privatisation of the state ports and railways services, considered at this point to be losing a great deal of income to illegal business activities Tenders are already out for several harbour terminals, but the same sources say that the potential loss of income is one of the reasons why the negotiations related to CFM-Sul (ports and railways southern unit) are progressing exasperatingly slowly SA companies are already helping to manage the sugar, citrus and coal terminals

While presidents Nelson Mandela and Joachim Chissano emphasise the need for co-operation between the countries, it seems lower ranking officials do not always share their enthusiasm After a recent trip to Maputo by train, SA Transport Minister Mac Maharaj was met at the station by a deputy minister with the excuse that Maharaj's counterpart was away

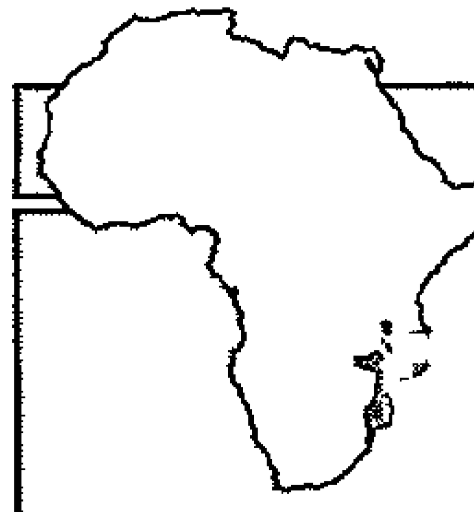
The Mozambican trade unions are not particularly impressed with the country's economic performance They argue that while the authorities are claiming big achievements — the economy grew at around 6,% last year and inflation fell from 52% in 1994 to 18% last year — workers are still being laid off and the standard of living continues to decline Union spokesman Hilario Matusse says the unions are prepared to support privatisation in cases where it will boost employment and improve wages However, he presents quite a heavy bill for the privatisation programme, claiming 90 000 workers had been laid off by the end of last year

UTRE, on the other hand, emphasises that a recent World Bank study on the impact of privatisation on labour has found that privatisation itself resulted in only a small percentage reduction in formal employment

The fall in employment levels was explained by other factors external to structural adjustment, namely the demobilisation of soldiers after the war, and management problems under socialist rule

The study also found that employees of privatised companies were generally more satisfied with private management, with the best marks going to companies bought by foreign investors Although 90% of the companies sold off have been acquired by Mozambican interests, a more attentive analysis shows that the foreign capital involved in privatised operations has reached 50%

Mozambican economic outlook



- **The economy did well in 1996, with GDP growth of 6% and inflation halving to about 18%.**
- In 1997 the economy will carry on gathering momentum and annual **real GDP** growth of 7% **is possible, although** inflation is still **a concern.**
- Export earnings will rise and debt **reduction will be a central issue.**

Key indicators

	1994	1995	1996
GDP at current prices (MT bn)*	8 652	12 600	15 624
Real GDP growth %	4,8	3	6
Consumer price inflation %	52,5	40	18
Exports fob $m	147	170	210
Imports cif $m	1 019	784	n/a
Current account $m	-870	-684	n/a

*1 1 225 Meticals=$1

Graphic SARAH EVANS Source DEVELOPMENT BANK OF SOUTHERN AFRICA latest available figures

Coca-Cola launches major venture in Mozambique

ARG 7/6/97

(218)

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

CT (BR) 9/6/97

(218)

Ann Crotty and Sapa

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.

Doug Ivester

Chimoio Bottling 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

(218) BD 18/6/97

Ingrid Salgado

THE Industrial Development Corporation (IDC) had opted to build its iron reduction 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 Pande gas fields. An initial price tag of about R6bn 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 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 piling 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 Foskor and Palabora Mining The project involves converting magnetite to iron, using natural gas from Pande 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 R180m a year. A Spoornet spokesman said the rail company was willing to negotiate a lower tariff level and planned to meet the IDC to "thrash out" a 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

(218) BD 19/6/97

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 Mpumalanga

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 Manica, 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 Mpumalanga, 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, work 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 Mpumalanga were neglected

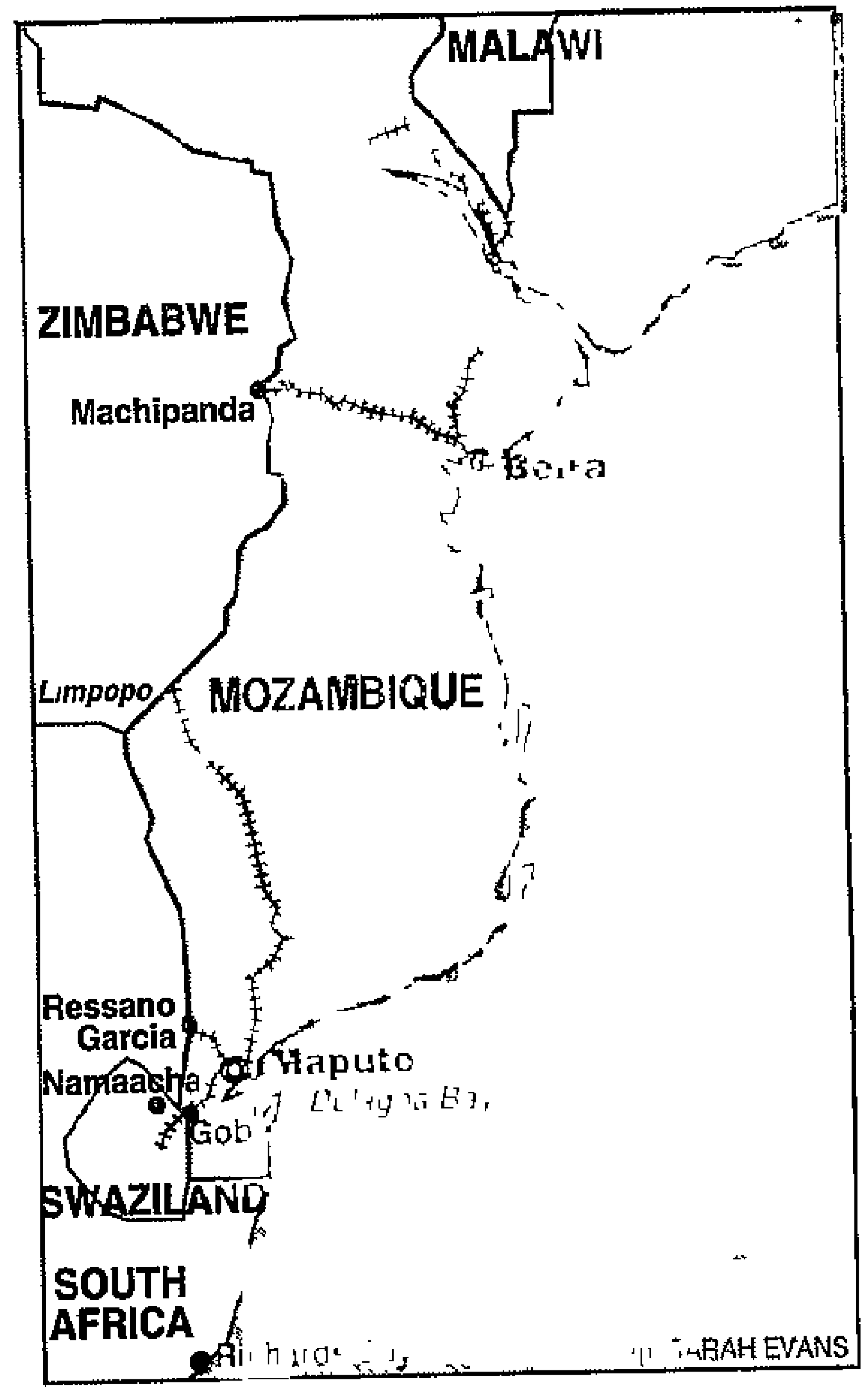
After the peace agreements with Renamo in 1992, the Mozambican government started major repairs on the Namaacha and Ressano Garcia road links. With the help of funds from Kuwait the last stretch of the 72km Namaacha road to Swaziland is about to be finished.

Emergency repairs, have been made to the 120km road from Ressano Garcia to the SA border, but donors and transport companies have complained that repairs were not done properly and said tenders should have been more transparent. Mozambican government officials argued that the problem with this road will be solved by the new Witbank-Maputo toll road, a project awarded to a Mozambican-SA consortium recently

The situation is much brighter along the Beira Corridor which ends at this port, midway up the Mozambican coast It handled 3-million tons of cargo last year from Zimbabwe, Zambia and Malawi About $480m (largely from the EU) has been spent on major repairs in the past 10 years

The Machipanda railway line moved 1,3-million tons last year and the container terminal moved 35 000 units. Prior to rehabilitation the port used to handle 6 000 units

The Mozambican government got $21m to rehabilitate the Beira-Inchope-Machipanda road The first stretch, paid for with funds from the African Development Bank and work done by Brazilian company Oldebrecht, has been finalised The complementary phase, Inchope-Beira, is under way under a contract with Italian company Astaldi and funds from the EU



Mozambique fights a new enemy – AIDS (218)

985 000 adults infected with HIV

ARG 25/6/97

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 826 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 the figure could reach 400 000 by the year 2000

According to Maria Tallarico, 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 Avertino 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 53 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 health care had risen so much that as many as 60% of hospital beds were occupied by AIDS patients

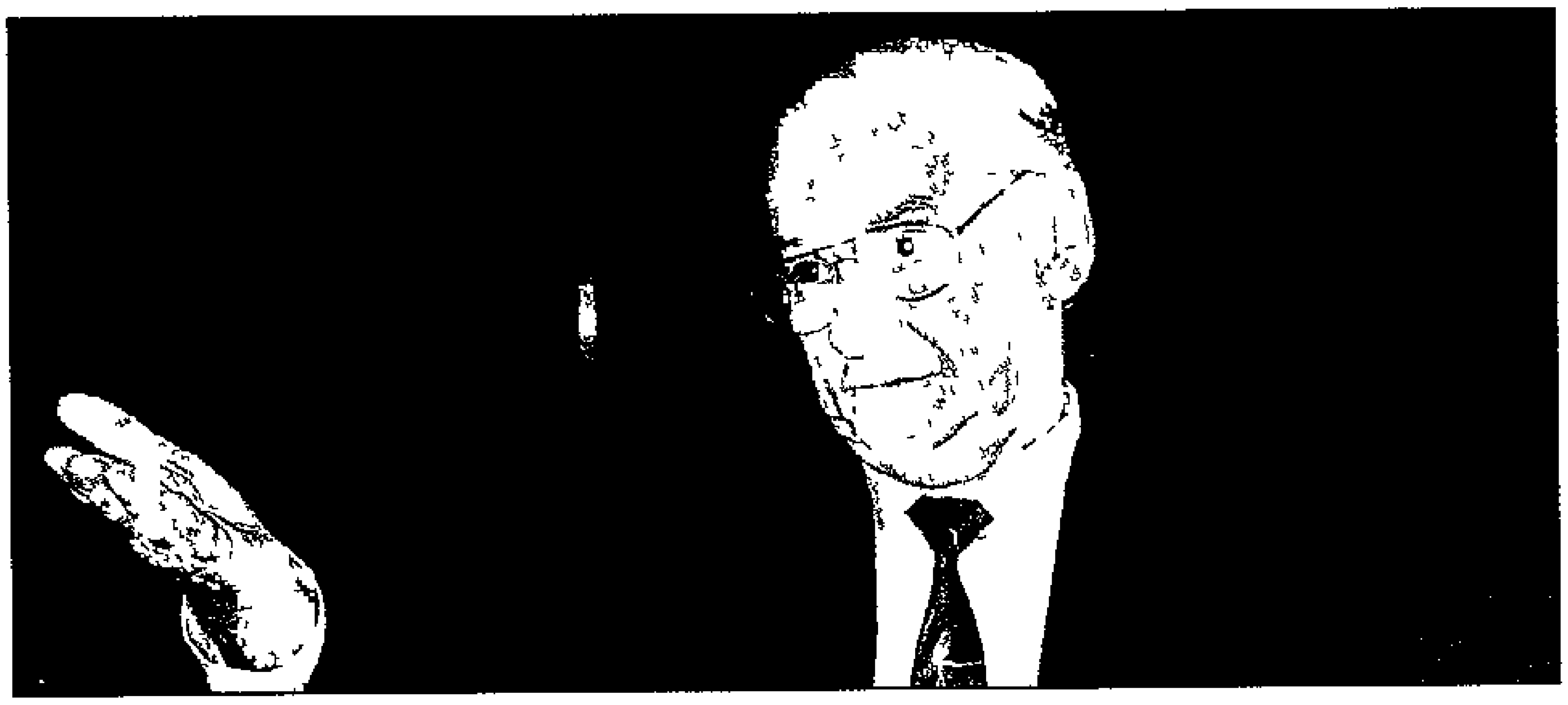
Thus far, more than 985 000 Mozambican adults are estimated to have been infected with HIV

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 the 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

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



Arnold Pronto

Rob Barbour *cheap power negotiations key to bottomline success*

MOZAL

Alusaf presses 'go' button for huge Maputo smelter

(218)

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

FM 27/6/97

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 4 500 MW surplus generating capacity pool

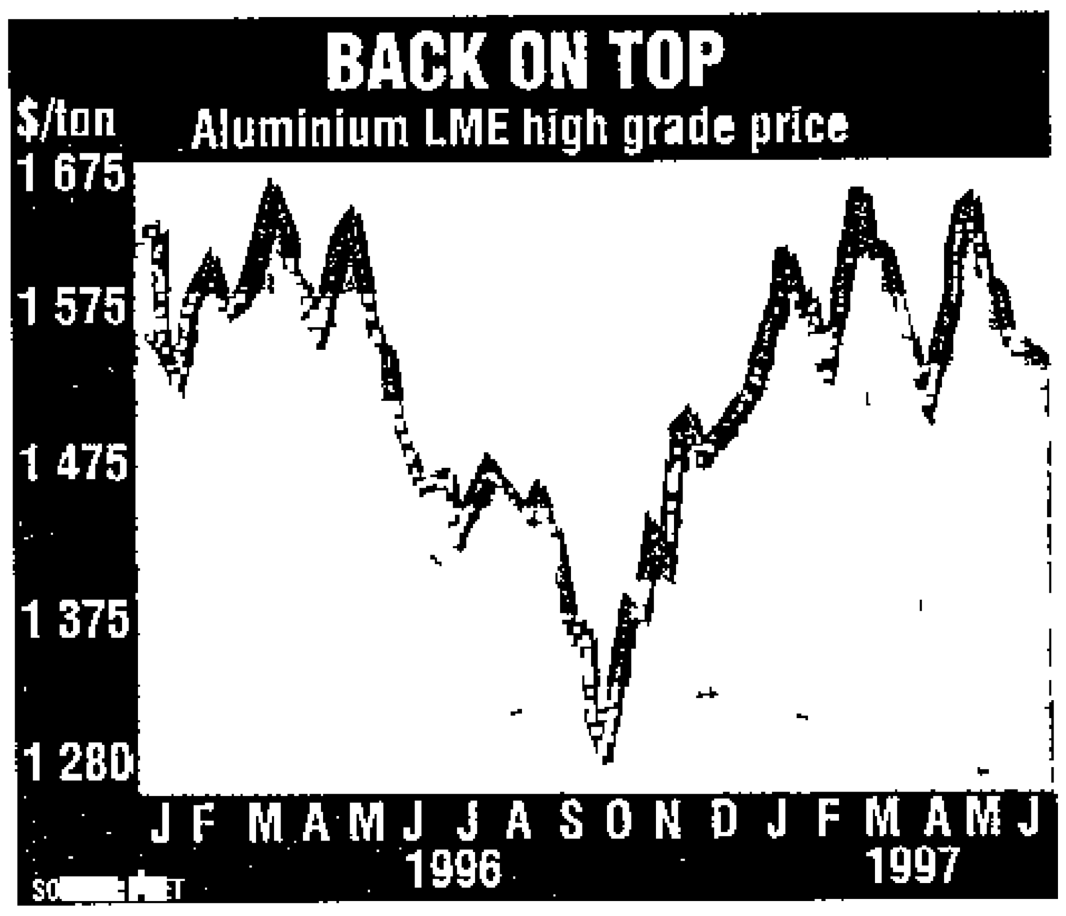
Though Alusaf parent Gencor/Billiton Plc notes that about US$250m (half the equity funding) still has to be found on the international market, work on the R5,65bn, 245 000 t/year plant (including infrastructure) is due to start later this year It is scheduled to come on stream by mid-2000

This will be the first phase of a project that could see a doubling of capacity "within the next 12 years," says Alusaf CE 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 hydropower 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 Mandini 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 financial director Paul Snyman

While Barbour declines to disclose the estimated return on capital projected, Snyman 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, a further bullish consideration is the fact that Mozambique will provide tax and tariff benefits at the 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 background of global aluminium demand growth of 2%/year-2,5%/year "And as a super low-cost producer, Mozal should easily prove continuing 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%/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"

Arnold van Huyssteen

RICAN BUSINESS

IMF bends the rules for its star pupil

(218) LT(Bor) 30/6/97

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"

CRY FOR HELP *Pascoal Mocumbi, Mozambique's prime minister*

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 $85 in 1995

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 criticising the IMF

Late last year, Callisto Madavo, the World Bank's Africa man, 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

(218)

CT(BE) 9/7/97

BETTER NDABA

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 binational Maguga Dam project with South Africa — African Eye News Service

Mozambique hauling itself out of economic quagmire

A remarkable economic U-turn by the formerly Marxist ruling party has succeeded in getting one of the world's poorest nations on the long, hard road to reform and reconstruction, writes ROGER MATTHEWS

(218) ST(DT)13/7/97

THE ideological heroes of Mozambique's recent past are today nothing more than street names The avenues of Lenin, Marx and Ho Chi Minh live on in Maputo, the capital, but the political and economic message they enshrined has been laid to rest along with the authors

Mozambique, one of the world's poorest countries, is a nation in the throes of transformation The process carries with it more than the future of 18-million people If successful, it will set an example to the rest of sub-Saharan Africa, and is already being held up by the World Bank and IMF as a model of economic structural adjustment

The new Mozambique is emerging from one of Africa's most disastrous experiences

"We are climbing up from the bottom of a very deep well," says President Joaquim Chissano

It was a well in part dug by the Portuguese, the former colonial power, in part by the Rhodesians and South Africans who crudely undermined the newly independent nation and fomented a 17-year civil war And, in part, it was dug by Mozambique's new rulers who erroneously believed Marxism was the future

The combined impact was devastating War destroyed much of the country's infrastructure Land mines still litter the countryside Life expectancy at birth is less than 47 years

Millions live close to starvation Some 60% of rural households, and 30% of those in urban areas, have consumption levels below the poverty line Health care across large swathes of this predominantly agricultural nation is minimal Illiteracy is rife, and many children fail to receive even the most basic education

The long road back began with a peace accord and an ideological somersault In 1992, Frelimo, the ruling party, and Renamo, which had been created and sustained by Rhodesia and white-ruled SA, agreed to end the conflict and establish democracy Elections in 1994 legitimised Frelimo's role in government, and the party responded with a U-turn in economic policy which would have impressed even Baroness Thatcher, the former British prime minister

The old socialist dogma was finally dumped and in its place came rampant free-market policies

"We felt it was no good to go just halfway," says President Chissano "If the doctor prescribes a medicine then you must take it, and not just part of the dose"

To treat such a desperately sick patient, President Chissano had no choice of practitioners other than the World Bank, the International Monetary Fund and global donors After five years of peace, Mozambique still needs external aid, before debt relief of $560-million this year, to cover more than two-thirds of its budget

Total external financing requirements are put at $5 5-billion for 1997 Mozambique's accumulated public external debt is nearly four times its gross domestic product, and 13 times its exports However impressive the current stride, the country will require external aid well into the next century

These relatively early stages of rebirth may turn out to be the easiest Starting from such a minimal base, each step forward tends to be measured against the past, rather than placed in the context of the huge task still ahead

A degree of political stability has been achieved that was unthinkable at the turn of the decade Parliament is functioning better than many expected, Frelimo has increasingly promoted younger, technologically capable members, and the Renamo leadership, while struggling to find an ideological niche, has generally distanced itself from the occasional threats of a return to conflict from its more excitable members

Local elections in the next nine months will provide a test of Mozambique's political development, while also starting the process of devolving power and giving Renamo a taste of regional administration

Relative political peace at home has been further reinforced by peace with its neighbours South Africa's transition to democratic rule in 1994 was most important for Mozambique The economic fruits are already being felt, while the close friendship between President Nelson Mandela and Graca Machel, the widow of Mozambique's former president, has ensured a sympathetic ear in Pretoria for Maputo's problems Machel, who has declined marriage because she does not wish to change her name, is likely to be among the leading contenders for the Mozambique presidency should it become vacant

More immediately, plans are well advanced for developing a privately-financed transport and industrial corridor linking Gauteng with Maputo This in turn is linked to several large-scale industrial projects in the Maputo area, while electricity exports from Cahora Bassa, which could be worth up to $100-million a year, will have a huge impact on Mozambique's balance of payments

Last year, the country's exports jumped 30% but still hit only $225-million

Nothing has grabbed international attention more emphatically than Mozambique's embracing of privatisation More than 700 state companies have so far been sold off, or restructured, and more are in the pipeline, including the national airline

The agency responsible for the programme is already awaiting the day, perhaps next year, when it will have worked itself out of a job Results have been mixed in line with the potential of the enterprises

And although the disposals have done little to swell the state's coffers, the government saw little alternative in order to attract capital to kick-start industry

The government mapped out the next stages of development in its presentation to the World Bank Consultative Group meeting in Paris last month The predictable aim is to stimulate growth and thereby reduce dependence on external aid Immediate targets are 5% annual non-energy GDP growth over the next two years, a reduction in inflation from last year's 17% to single digits, a substantial increase in domestic savings, an improvement in the efficiency of investment and a cut in the budget deficit

Reaching many of these targets will depend to a significant extent on the success the government enjoys in reforming the public service, which it freely admits lacks skills, is poorly paid, heavily bureaucratic, often corrupt, and always severely overloaded

Just how serious the problems can be was underlined when Crown Agents, a British company which provides a range of services to governments and development agencies, was appointed to take over the entire customs service for the next three years

The modernisation of the country's entire taxation system will be no less challenging, with the government pledged to introduce a value-added system during the course of next year

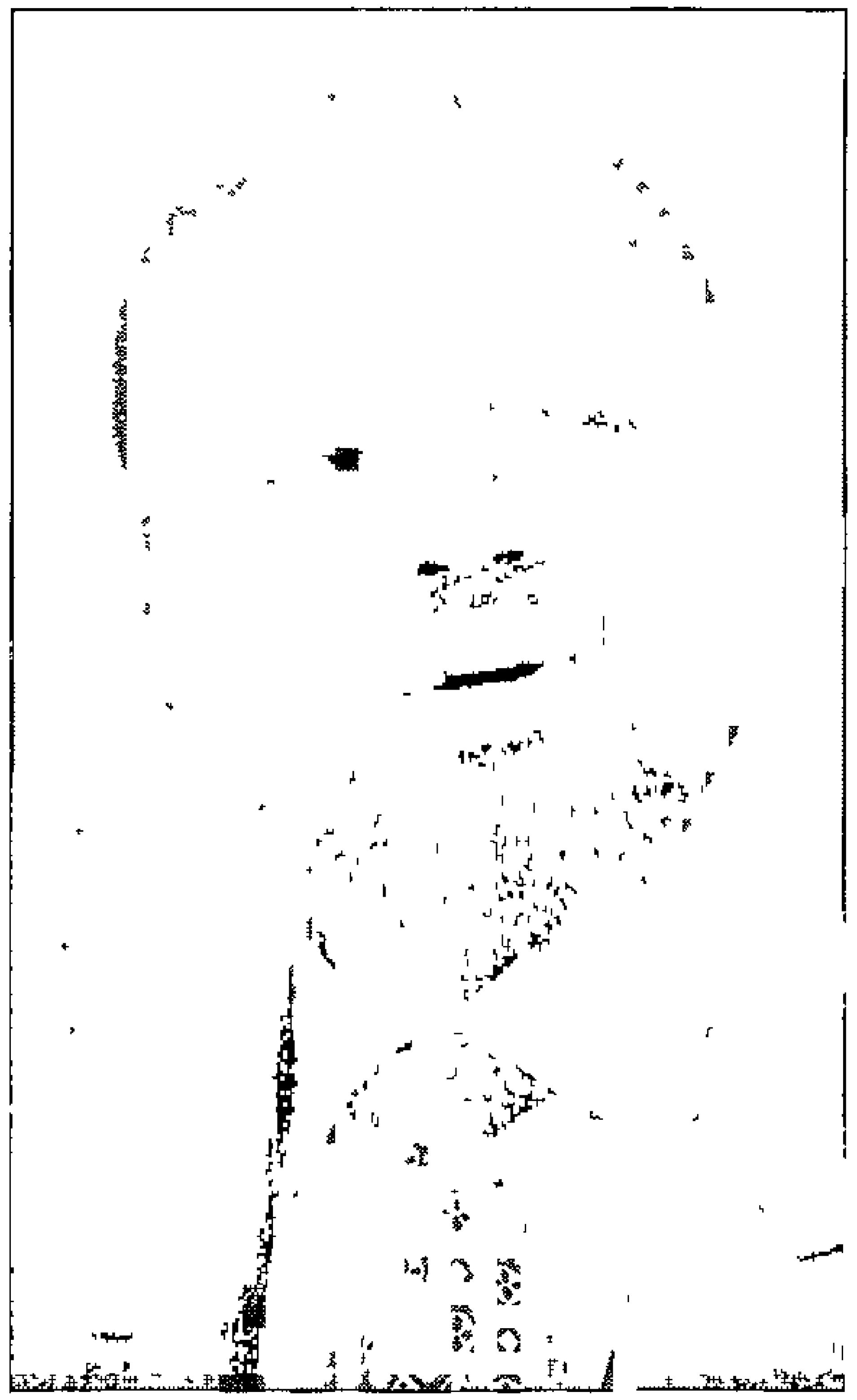
Juggling so many requirements against the availability of skills is no less daunting than maintaining social cohesion as the impact of free-market policies begins increasingly to be felt

Visually, Maputo has been transformed in he past three years, with the arrival of expensive cars and the opening of restaurants emphasising the gulf between the few and the masses An increase in crime, though nothing like South Africa, has been a worrying accompaniment

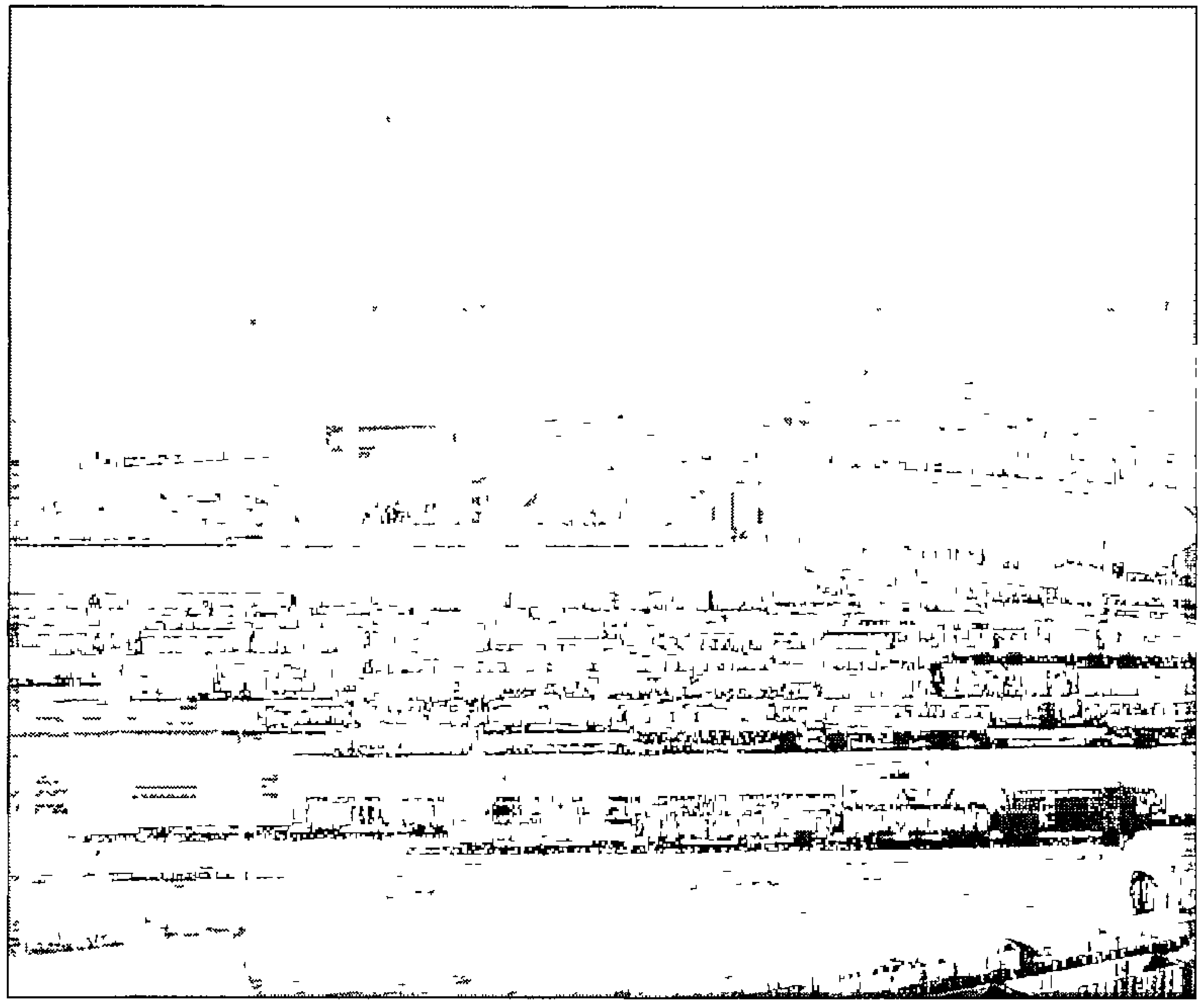
Geographically this division is repeated in the differences between the south with Maputo and its hub, and the poorer central and northern regions which have yet to see significant change Such disparities offer fertile ground for political exploitation unless Frelimo can ensure that its links with the grassroots remain strong

The satisfaction expressed by the international community at Mozambique's progress should guarantee continued assistance, and there could be no more appropriate response to the strides taken by the government than writing off the rest of Mozambique's substantial foreign debt

But for that to happen, the government will have to pay close attention to the message which came from many of the speakers at last month's donors' meeting in Paris "Well done, but there can be no slipping back" — *Financial Times*



TAKING ALL THE MEDICINE ... Joaquim Chissano, president of Mozambique



LIFELINE OF A NATION ... Maputo's port area, which is being upgraded

TASTE OF REGIONAL POWER ... Renamo's Afonso Dhlakama

Privatisation puts thousands of Mozambicans out of work

Star 14/7/97 (218)

SAPA-IPS
Maputo

The sale of about 800 state enterprises under a privatisation drive begun 10 years ago has cost thousands of Mozambicans their jobs, trade unions complain.

"Individual interests are being placed above national interests," said Alcano Mula of the Free and Independent Union of Mozambique

Mula said he was not against privatisation. What he and his union did not like, he explained, was the fact that the government had not been monitoring the situation to ensure that all parties fulfilled their responsibilities

"That's why we have to have an open and clear presence in the privatisation process so that workers don't suffer from people's irresponsibilities," he said

The state controlled the bulk of Mozambique's economy while the country was under Marxist rule, but in the mid-1980s, it began a shift to free enterprise.

When the state decided on the privatisations in 1987, the expectation was that they would not only make the companies more efficient but also lead to improve working conditions for their employees, in addition to creating jobs.

In general, this has not happened.

One of the reasons, say the unions, is that some of the people who bought out state firms declared them bankrupt after making their money Another is that some of the new owners transformed the companies into trading firms and even warehouses

In the textile and garments sector, six firms sold by the state have switched to other fields, mainly trade, which requires fewer employees According to the unions, 8 140 workers have lost their jobs in the 17 textile and garment companies privatised since 1987. Another 2 306 have been sent indefinitely on unpaid leave.

In the sugar industry, four companies have been privatised, two others have been closed down and 7 616 jobs have been lost in the past 10 years.

Mozambique's ports and railways employed 32 500 people before privatisations. Now they have 17 918 employees

This applies to most other sectors, according to the unions.

Prime Minister Pascoal Mocumbi has promised to take corrective measures, including monitoring companies after they are privatised so as to make sure that they comply with their contractual obligations under the privatisation agreements

A renaissance for Mozambique

CT 14/7/97 (218)

GRAHAM LINSCOTT

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 Renamo mortaring Frelimo (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

Today Kosi and Ponto da Oura are spoken of practically as if they were one and the same. They are to be part of a tourism cluster that will eventually stretch between Maputo and St Lucia.

Things are stirring on the east coast of Southern Africa. And suddenly in spectacular fashion, with the recently announced go-ahead for the R6,5 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 expatriate 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 this 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 Mpumalanga 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 centimo in foreign aid sprucing up 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 shelling 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.

ECONOMY *Five-year plan has brought significant reform*

Economists hail Mozambique as an African success story

LIFE'S A BEACH *Despite Mozambique's progress, poverty is still a massive problem, with social reform the biggest challenge for the government* PHOTO ANGUS BEGG

CT(BR) 22/7/97 (218)

LESLEY WROUGHTON

Maputo — Five years after Mozambique's 16-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 fall 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 [illegible]ible to have both lower inflation and higher growth," one Western economist said.

Eneias 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 landlocked 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 80 percent. A meeting on the issue 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 90 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 [illegible]e of 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. —Reuter

Maputo govt's economic reform programme hailed by experts

(218) BD 22/7/97

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 Frelimo 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 1995 which has seen all but a few state assets privatised, inflation fall to 5% from 70% in 1994, export growth of 30% 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 Eneias Comiche, in the presidency, says 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 1990, 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"

Growth also depends on rebuilding the country's delapidated 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 I do 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 80%

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

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," Chavez said.

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

Poverty is, 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 — Reuter.

Mozambique's custom control yields results

(218) BD 22/7/97

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 aid-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, antismuggling 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 Chavez said manufacturing and industrial importers had immediately felt the relief of the new customs agents

"Before, legal importers were taking a beating from the truckloads of goods being brought across the border illegally and now being curtailed by Crown Agents," Chavez 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 R312m 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 at the end of the contract there is an effective system in place which will improve the revenue collection." — Reuter

Threat to boycott Mozambican elections

Tensions between the ruling party and former rebel group Renamo are high in the build-up to the first local poll, writes **Fernando Lima** in Maputo

(218) BD 23/7/97

A FRESH row has broken out over the country's first local elections in Mozambique, with 20 opposition parties threatening to boycott the poll if the authorities insist on holding them two days after Christmas

The local elections are taking place in only 33 localities after the ruling Frelimo party overruled the main opposition party, Renamo, which was campaigning for a nationwide election

Frelimo has argued that it is not practical to hold elections in areas where basic infrastructure is lacking The former rebel movement, on the other hand, argues that in terms of the constitution every citizen should have the right to choose its leadership

The government, working under a tight schedule, said it had been forced to announce December 27 as the election date, despite it being a traditional period of festivities The opposition have lashed out saying the ruling party hopes to benefit from the expected abstentions over that period

The government does not appear too concerned about the boycott threats which have united all legal opposition parties A state administration ministry source said the opposition's demands could lead to the National Commission for Elections postponing the vote, which would help everyone to make better arrangements

Diplomats in Maputo have always believed the elections are likely to take place only in March next year

The opposition, in turn, need more time to organise and raise sorely needed funds Political leaders are seeking state funds and international donations to finance their campaigns, a move similar to the first general elections held in 1994 under the auspices of the United Nations

The clash over the local elections takes place only days after another opposition defeat in parliament — the approval in principle of the new land law which keeps the state as the main land owner

The opposition and business community had hoped land would be privatised Lourenço Sambo of the Investment Promotion Centre said the decision would make it more difficult to attract investors to Mozambique

Land tenure specialists argue, however, that the real issue is not privatisation, since government can provide solid leasing guarantees to investors The key problem is that the new law continues to leave the situation unclear as to which authorities have the power to grant concessions to lease land Others argue that the decision is hypocritical because it allows illegal transactions to continue with government officials continuing to take payments under the table enables government officials to continue to forge land deals and charge commercial prices for licence fees

Renamo, accused of fronting for major Portuguese and SA business interests, was defensive in the parliamentary debates in a bid to dispel claims that it was serving foreign masters It focused instead on calling for traditional leaders to be consulted before any land concessions were granted.

Renamo leader Afonso Dhlakama, who is worried about raising sufficient finances for the election, made a dramatic announcement last month, saying he was returning to Renamo's traditional base in Maringue, central Mozambique, for 60 days His move was seen as a ploy for international support because he remained in Maringue for only seven days

On returning to Maputo he said he had achieved his aim — to resolve tensions in Maringue caused by government's decision earlier to send riot police there He said government had been trying to intimidate the local population. However, analysts say Dlakhama's move was aimed at bolstering Renamo's political fortunes in central Mozambique and to send a clear message that nothing could be done there without his approval

Reuter reports that the municipal elections will be a key test for the three-year-old democracy

The economy is emerging from the ravages of 16 years of civil war on a wave of new investment but the political landscape remains dominated by the divisions of the past Frelimo and Renamo have recently co-operated to pass legislation which has transformed the country from a once Marxist-led state But relations remain strained.

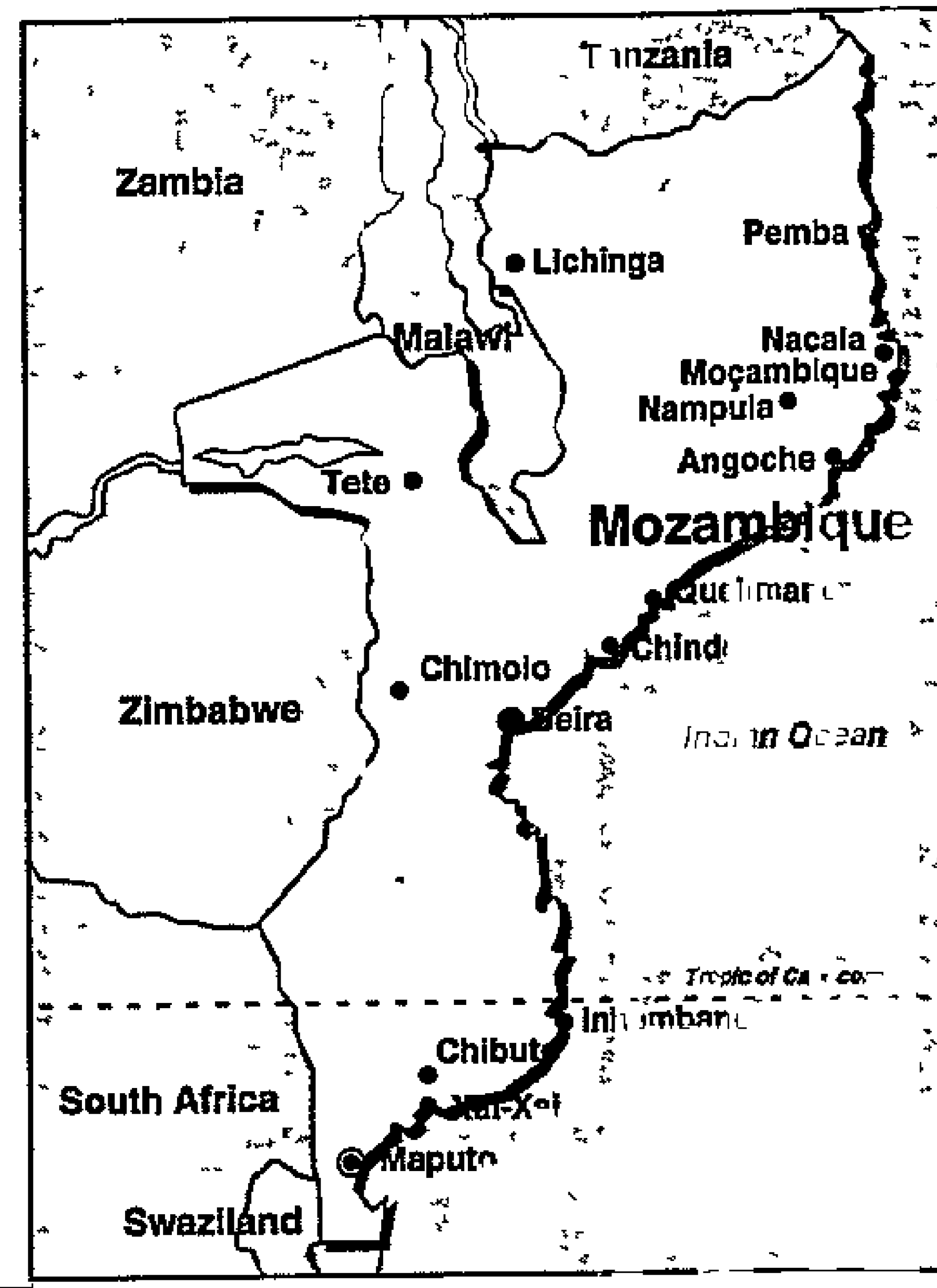
The first national census since 1980 will be held next month, at the same time as registration Observers say there will not be enough time to prepare properly and have urged both sides to delay the poll by two months until after the rains Some say the donor community, funding the election at a cost of $14m, might have to take the first step "The international community doesn't want to be seen supporting elections that aren't transparent," one election official said

Dhlakama said elections were necessary "The elections are good to consolidate peace People want to see changes All those billions of dollars from the donor community have gone to Frelimo and not to the people "

Political tensions have risen ahead of the election. Some diplomats have cautioned government against taking populist actions to win votes, reminding it of the dangers of disrupting current economic stability

"Over the next three years the government has to continue with reform, and populist moves could jeopardise its position in the donor community," one senior economist warned Debate between the two factions over the elections, and which required constitutional changes, has been the most angry since 1994, diplomats say "The international community made it clear to Renamo that its strategy was counterproductive," a European diplomat said.

Observers say if the results are similar to the outcome of the 1994 national poll, Frelimo should win about 18 municipalities Renamo support, mainly among peasants, is largely expected in Sofala, Zambezia and Nampula provinces, including the city of Beira.



Maputo rail lines to be leased

PRIVATISATION of Mozambique's railway lines came a step closer this week with an announcement that a study on the leasing of southern Mozambican rail lines to private management had been completed

Miguel Matabele, a member of the management board of the publicly-owned ports and rail company, CFM, told reporters in Maputo that new joint ventures between CFM and Mozambican and foreign private companies would be set up to run the railways

Matabele was attending a meeting with investors discussing the Maputo Development Corridor, a project aimed at intensifying economic and trade links between Johannesburg and Maputo

The railways that are up for privatisation include the lines from Maputo to Swaziland, SA and Zimbabwe The Maputo railway workshops and marshalling yards will also be leased out to private management.

Matabele stressed, however, that the tracks and other physical infrastructure would remain the property of CFM.

The announcement comes soon after the death of the chairman of CFM's board, Mario Dimande, one of southern Africa's most respected port and railway specialists

Dimande collapsed and died aboard a Portuguese airliner as it was approaching Johannesburg Airport from Lisbon, where he had been on holiday — Reuter

Hopeful farming sector accepts the challenge of recovery

(218) BD 23/7/97

Mozambican farming is showing signs of revival but transport remains a problem, writes **Lesley Wroughton** in Maputo

MOZAMBICAN farmers are slowly trying to revive the country's agricultural sector, but the government says it is still cheaper to import cereals

"What we want to do is be self-sufficient, but it is still less expensive to bring in cereals from neighbouring countries," said Eneias Comiche, the economic and social affairs minister in the presidency

Comiche said the movement of farm goods from rural to consumer areas was a major problem due to a lack of roads and suitable transport

Development of the sector was also lagging because of a lack of credit and support structures for farmers, many of whom produce by hand

Mozambique exported maize last year for the first time in years, but Comiche said this year it faced a cereal deficit of 100 000 tons due to heavy floods in central and southern provinces and drought in the north.

The United Nations World Food Programme said drought was a possibility again next year due to the El Nino weather phenomenon.

The cashew nut industry still dominates agriculture with output rising last year to 65 000 tons from 33 423 tons the previous year The industry is one of the country's biggest foreign exchange earners Dom Scalpelli, the programme's project officer, said a second crop next month will give a clearer idea of this year's production

Trade has boomed in Mozambique since the end of a 16-year civil war in 1992 followed by elections in 1994 Peace and economic liberalisation increased business confidence

Although farmers cultivate on average just over 1ha of land, aid officials working in the countryside said many were realising the impact of the new open market "People have never been encouraged to sell before, but they are now finding there is a market," one official said.

The programme said, however, that the increase in food production since last year was more due to favourable weather and political stability than the effect of reforms in the sector

Some aid officials said the arrival of the first 13 SA farmers who had been granted rights for a former state farm in the northern province of Niassa was also a key factor "What the country needs is the little push that the SA farmers will give the sector," one official said

Data from the agriculture ministry shows that the total area planted increased by 6% in the last year to 3 627 000ha, but heavy rains damaged about 130 000ha of food crops, including 45 000ha of maize along rivers in some provinces

Agriculture employs more than 80% of the labour force, with employment in nonfarming sectors very limited. The parliamentary debate on land tenure, which will appropriate land to individuals, companies and communities, is seen as necessary to build confidence among farmers working on state land. — Reuter

Sasol links up with Arco, Zarara in Mozambique deal

(218) BD 30/7/97

Samantha Sharpe

CAPE TOWN — Sasol's international petroleum exploration arm Sasol Petroleum International (SPI) had formed an alliance with the Arco International Oil & Gas Company and Zarara Petroleum Resources to carry out further oil and gas exploration in Mozambique, SPI said yesterday

Arco International Oil and Gas Company is the international exploration and production division of Los Angeles-based Arco, the seventh-largest oil company in the US. Zarara holds interests on behalf of Leopardus Resources, an international oil and gas exploration company listed on the Vancouver Stock Exchange.

An SPI spokesman said in terms of the deal, Sasol would buy a 47,62% interest in three additional blocks in Mozambique — Temane, Sofala and M10 — which were currently held under a technical evaluation agreement between Arco and Zarara.

Arco and Zarara would have participation interests of 47,62% and 4,76% respectively.

He declined to comment on the capital investment involved in the transaction, although this would be made available at a later stage.

The blocks would be added to SPI's existing interest in the Mazenga Block in southern Mozambique, which was held under a memorandum of understanding with Mozambique's state oil company, Empresa Nacional de Hidrocarbenetos de Mozambique.

The Mozambique government still had to approve the new deal

The spokesman said the newly-signed agreement provided for Arco to be the operator in all the blocks. SPI will take over operations three to six years after the first sale of commercial gas or oil.

"The partners will jointly evaluate all the blocks in detail and negotiations regarding production-sharing agreements will commence shortly thereafter with the government of Mozambique."

While some seismic survey data had been collected, further technical evaluation was needed before the full potential of the blocks could be determined "Obviously the nature of exploration is uncertain," he said.

The spokesman said the venture was in line with SPI's strategy of teaming up with experienced oil and gas companies and represented a further step in consolidating the Sasol group's position in natural oil and gas in the southern African region.

SPI entered into agreements recently with the Phillips Petroleum Company, Energy Africa and PanCanadian over two blocks off the Natal coast

New land law likely for Mozambique

(218) BD 30/7/97

Fernando Lima

MAPUTO — After almost a month of heated parliamentary debates, the new Mozambican land bill setting out a legal framework for the right to use land is ready for approval

Although the bill retains the constitutional principle that all land is vested in the state, its main innovation is the proposal that formal rights to use land can be acquired, not only by individuals and companies, but also by local communities However, it is not clear yet how communities will participate in the whole process.

The two main parties, Frelimo and Renamo, have clashed over the role of the community and who represents it

The bill states that the right to use land is acquired automatically by local communities. Individual Mozambicans who have occupied land "in good faith" for at least 10 years should also have their tenure rights automatically recognised.

Specialists say it will be a daunting task to give the peasant communities their titles as a result of the bureaucracy involved Some local interest groups and foreign nongovernmental organisations are paying for legal services for peasants' claims but say the authorities are not fully co-operative

Individuals and companies, both local and foreign, have to apply to the authorities for a land title Before they acquire a definitive land title, they will be given provisional authorisation to use the land Mozambicans must show within five years and foreigners within two years that they are implementing the land-use plan agreed upon when they applied

However, land specialists say it is not clear yet who has the power to allocate land At present, the same land can be allocated by different echelons within the state hierarchy.

The bill does not allow for the sale of land rights Thus land cannot be used as collateral when applying for bank loans, for example, but anything built on it legally can be used as collateral.

Transferring land rights has become common practice among citizens, but this is not legal and therefore does not offer parties proper protection

Early in the debate, Renamo declared itself to be in favour of the private possession of land and argued that the constitution should be changed to reflect this

Renamo's David Alone argued that state ownership of land was the basis of communism and could not be reconciled with the rule of law. "If we are in a democracy, why can't citizens enjoy private property in land? If you can privatise the banks, why don't you privatise the land?" he asked.

Renamo accused unnamed Frelimo members of grabbing large slices of land for themselves and of conniving with foreign companies to expropriate land from Mozambican peasants

It was reported earlier that Frelimo party officials had obtained many land concessions at popular beaches — a rush on this land apparently occurred a few months ago when officials expected land to be privatised

The government itself granted a huge and controversial tourism concession to US millionaire James Blanchard in southern Mozambique which raised conservationists' eyebrows

During the debate, opposition deputies complained that the law marginalised traditional authorities and demanded that chiefs be granted powers to distribute land. Alone said chiefs and elders traditionally resolved land disputes and other deputies accused Frelimo of failing to understand customary land-tenure systems

Sergio Vieira, a member of the Frelimo parliamentary group and a former security minister, responded by saying that "in the past, chiefs sold off huge tracts of land for a handful of beads" and that state ownership of land was not necessarily a Marxist concept However, daily newsheet Metical has accused Frelimo of of selling land for the same "handful of beads"

Vieira warned of the dire consequences of private land ownership, citing the Zimbabwean government's difficulties with land redistribution "Land is the only wealth we still have," Vieira said Land privatisation would degrade peasants to the status of landless rural proletarians, he argued.

Under heavy fire from Frelimo which said Renamo wanted privatisation to give the land back to its "old masters" from SA and Portugal, Renamo insisted it merely wanted land "to belong to the people".

Plans on track for early start on Maputo corridor links

~~217~~ ~~170~~ 218

ARG 4/8/97

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 Muxanga, 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 R4,5-billion, and 90 percent of this was to be private-sector investment – Reuter

Maputo project has lured billions, delegates told

BD 4/8/97 (218)

Robyn Chalmers

MAPUTO — The Maputo corridor development had already generated billions of rands of private sector investment in both SA and Mozambique, with more to come, delegates at a Société Générale Frankel Pollak conference heard at the weekend.

It was broadly estimated that almost R15bn would be spent in the coming months and years through projects such as the Mozal aluminium smelter, the southern African iron reduction plant and the proposed Red River Project which aimed to mine vanadium and titanium near Tzaneen.

Transport Minister Mac Maharaj said it was only through building efficient and effective road, rail and port links with the back-up of power and telecommunications that the potential of the region could be unlocked.

"The infrastructure projects are well on their way, and investments (are) planned which will change the very nature of our economic prospects," he said.

At the cornerstone of unlocking investment potential in the area was a joint Mozambican-SA venture called the Maputo Corridor Company.

This was being set up by the two governments to remove and unlock constraints on investment.

Maharaj said government had three priorities in launching the investment phase of the Maputo corridor.

These were that the infrastructure projects had to be delivered on time, both public and private sector had to consolidate their relationship by making full use of the Maputo Corridor Company's services, and the benefits of regional co-operation had to be realised through improved economic performance.

Mozambican Transport Minister Paulo Muxanga said construction on the toll road between Maputo and Witbank should start early next year.

The contract, which has been awarded to a consortium called Trans-Africa Concessions, was the first privately financed build, operate and transfer contract in southern Africa.

On the port upgrading, Muxanga said a preferred bidder should be announced by December 18 and the contract would be awarded by next February with construction set to start by the middle of next year.

The project would be awarded to a joint venture private port management concessionaire that would rehabilitate, maintain and operate the assets of the port, with the total capital rehabilitation cost estimated at $85m.

A rail network, valued at $67,3m, had the same timetable as the port.

Trans African Concessions CEO Trevor Jackson said the syndication of funding for the road had already kicked off and there was a "scramble to get in on the action".

Jackson said the tariffs charged per kilometre on the toll road were likely to be lower than those being charged on SA toll roads.

(218), CT (OR) 5/8/97

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 500MW.

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'

(218)

MATT 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.

CT (BR) 7/8/97

State 'will ruin cashew nut industry'

BD 11/8/97 (218)

MAPUTO — 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 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 Kekobad 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, Boaventura 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

CT (BE) 12/8/97 (218)

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 imposing, in partnership with the bank, "ruinous conditions" on the industry.

Presenting the industry's point of view at the seminar, Kekobad 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.

The issue which unites the industrialists and the Cashew Workers' Union (Sintic) 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 its raw materials. The privatised factories are unable to compete with traders who are exporting unshelled nuts to India.

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For this year the World Bank had demanded a cutback to 12 percent. The government cut the surtax to 14 percent.

Boaventura Mondlane, the general secretary of the workers' union, distributed to the seminar a letter he had sent to Oldemiro Baloi, 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 and 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 pull in Maputo corridor investment

(218) (~~…~~) CT(BR) 12/8/97

Matt Getz

Johannesburg — Investors are keen to be involved with the Maputo corridor projects, but they need to see things happening and definite prospects of good returns, asset managers said last week

"A lot of projects will piggyback on the success of others The major projects have to work," said Armin Diem, the general manager of Appleton Fund Managers "Otherwise, the others won't get off the ground"

But Diem hastened to add he was confident about many of the component projects, in particular transport and tourism

The new N4 tollroad, which will be built by the Trans-Africa Consortium of Stocks & Stocks, Basil Read and Bouygues on a build, operate and transfer basis, seems certain to attract the lion's share of potential investment.

Societe Generale-Frankel Pollak released a report on the road two weeks ago that was generally favourable, saying the road should be worth about R4 billion over 30 years Other transport projects include upgrading the railway, the port and airport at Maputo, which are intended to be privatised.

"The N4 tollroad will be viable," said Diem. "Companies will benefit and people will use it It will be jacked up, with a double carriageway and service stations, so more truckers will use it

"The (Maputo) port has to get in shape, but we feel the transport route is viable because of its proximity to Gauteng"

Willi Jonker, the executive director of portfolio management at Norwich Investments, was also supportive of the tollroad His company had been a part of one of the bidding consortiums

Jonker said the structure of investment would be important "The best way would be to do it like property, where the yield is lower than fixed-income yields at first but later grows"

Norwich is excited about the corridor and its place in the context of African development. "We are optimistic about the African renaissance, a bit more so than others It's not just talk," Jonker said.

But the enthusiasm is not shared by everyone Mark Murning, the general manager of Genbel Investments' treasury, believes the only part of the corridor which would offer real value would be the road

But Murning said Genbel would probably only be involved in underwriting, risk and debt management

He saw Mozal, Alusaf's aluminium smelter which needs $250 million in equity, as an unworthwhile project More enthusiastic investors had reservations about it, too

Norwich's Jonker said his company would probably stay away from it, because taking an equity stake would probably require practical involvement, and Norwich did not have the necessary expertise He said a more suitable partner would be a resource financier.

A more fundamental problem was raised by Appleton's Diem: what will the returns be? "Mozal is viable — Billiton and the IDC have done their studies — but the question is, will it deliver the highest returns for that kind of project?

"Is it better than Hillside (Alusaf's Richards Bay smelter) or anything else? We don't know the answer It certainly won't be a white elephant"

Most managers think tourism development will be successful, especially the extension of the Kruger National Park and the development of Mozambique islands, but they tend to be "small money, easily catered for and taken up", Diem said "But tourism is definitely viable, there's the old calling to LM, and all that"

But the question of projected returns, in the corridor and other spatial development initiatives (SDIs), is never far from investors' minds "The basic issue with SDIs is that private investors look for returns," said Dave Flynn, an investment analyst at Old Mutual

"It's fine to uplift people, but unless the returns are there they won't come in. That is the major question: are the returns there?"

SA bank helps finance Mozambique firms

CT (BR) 12/8/97

RAFAEL BIÉ (218)

Maputo — Standard Corporate and Merchant Bank (SCMB) would finance, to the value of $3 million, Mozambican companies that showed an interest in importing South African equipment, the group said last week

The facility has already been granted to United Leasing Company (ULC)-Mozambique.

ULC-Mozambique, formed 18 months ago, specialises in leasing finance. The group has business to the value of $7,1 million with 115 contracts, mainly in the transport sector, on its books

ULC, a 50-year-old multinational, has African roots and counts among its investors Emose and Impar, the largest insurance companies in Mozambique

ULC-Mozambique would support economically viable projects, the company said The process would consist of importing equipment and delivering it to the end user The user would enter a contract to lease the equipment for two years at the end of which a residual value could be paid to keep the asset.

The process would waive the need for guarantees as a prerequisite for financing as the asset would constitute the principal guarantee for the transaction.

The company has already received 300 requests for financing

The financing of the company was made possible by cover from Credit Guarantee Insurance Corporation of Africa, the South African insurance company

The deal was signed by Inocêncio Matavel, the president of the board of ULC-Mozambique, Johan Smit, the director of the emerging markets division of SCMB, and Roberto Nunes Ferreira, the director of export credit and finance at SCMB

Meanwhile, the Mozambican government is awaiting financing plans for the rehabilitation of two sugar mills Mauritian and British groups have submitted proposals for the project. A Mauritian study has reported the project will cost about $140 million.

Maputo's tourism pact is illegal, says newspaper

CT (BR) 12/8/97

RAFAEL BIE (218)

Maputo — The agreement between the Mozambican government and James Blanchard, an American businessman, to develop a large area in the south of the country for tourism was likely to fall foul of Mozambican law, Metical, the Mozambican newspaper, reported last week

The newspaper said that according to legal opinion the deal was illegal, if not unconstitutional, because the state-owned land was not transferable.

In October 1996, the Council of Ministers gave its approval to the agreement with New Orleans-based Blanchard for the management of 236 000ha, including the building of tourist resorts. But this precedent immediately led to pressure for the privatisation of land, the newspaper said

Under the agreement the government declared a commercial value for the 236 000ha. The authorisation of October 1996 allowed for the establishment of Sodetur (Tourism Development Corporation) which would manage the concession, formed by Blanchard Mozambique Enterprises, controlled by Blanchard and various Mozambican entities

The share capital was distributed as follows state — 9,66 percent (land at the value of $2 million), Mozambican workers in the project — 2,42 percent, other Mozambican stakeholders — 13,4 percent (equivalent to $2,7 million), and Blanchard Mozambique Enterprises — 70 percent ($14,5 million)

The value of the land awarded to Sodetur was $3 million, or $12,71 a hectare Notification for the start of work, according to the Investment Promotion Centre, was given on November 18 last year However, Sodetur's statutes have not yet been gazetted and the relevant Mozambican stakeholders have not yet been selected.

The development plans a hotel with 300 rooms and 10 other places of accommodation on Inhaca island, 272 hotel rooms in Machanculo; and 1 200 rooms in the Elephant Reserve

FRICAN BUSINESS

Maputo traders up in arms over incentives for Shoprite

(218) CT (BR) 14/8/97

Maputo — Mozambican importers and retailers are angry at the tax exemptions the government is granting Shoprite, the South African retail chain, which will open a shopping centre in Maputo on August 27

Antonio Barca, the chairman of the Maputo Commercial Association, said the exemptions put the survival of Mozambican importers at risk

He said the association would protest formally to Tomas Salomao, the planning and finance minister.

Shoprite will benefit from exemptions from customs duties and from sales taxes on equipment, furniture and the initial consignment of merchandise These benefits will also be enjoyed by traders who will rent space in the shopping centre

Corporate taxes will be cut by half for the first two financial years of their activities

Other South African-based retailers are expected to follow Shoprite, including Pep Stores, Truworths and Woolworths

Analysts said the entry of South African chains could fundamentally change the nature of shopping in Maputo, whose residents make regular trips across the border to shop Mozambican shops are believed to having been operating at profit margins of up to 100 percent compared with the newcomers who can operate at a profit margin of between 10 and 20 percent — Evaristo Cumbane Independent Foreign Service

GAS *Enron fails to secure the SA market*

Pande gas field maybe delayed by poor sales

CT (BR) 14/8/97 (218)

EVARISTO CUMBANE

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 1995 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 $60m^3$ billion of gas a year

"But problems with this project include the impurity of magnetite stockpiled in 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

ANALYSIS

Corridor may pave way for other projects

As the Maputo corridor project gets under way, specialist writer **Robyn Chalmers** looks at the effect it is likely to have on the region

(218) BD 14/8/97

THE Maputo development corridor has the potential to transform Mozambique's economy and could go a long way towards boosting private sector investment in much needed local infrastructure But the real effect will be seen only a few years down the line

A recent conference on the corridor which was held in Maputo showed that there is enormous interest from both the Mozambique government and the private sector in the initiative

From the government's point of view, deteriorating infrastructure such as the road, port and rail link will be upgraded at minimal cost to the state, with the possibility of significant economic activity being generated as a result For the private sector, a host of building, engineering, financial and other companies will benefit from the sheer scale of the projects being undertaken Clearly, the eye of the private sector will be on the bottom line, but there are likely to be huge spin-offs in other areas as well

One of the main problems to date has been that the enormous amount of work needed to ensure the project is viable has led to lengthy delays in it getting off the ground This was most evident in the delayed issuing of port and rail renovation contracts, while there have also been problems in negotiating final closure — or debt funding — for the toll road Added to this has been the slowness in restructuring the Mozambican rail authority CFM, which is in effect Mozambique's Transnet

While a few hiccups in a project as huge as the Maputo development corridor are to be expected, most private sector operators urge that bureaucracy should not be allowed to hamper or threaten the forward movement of the initiative.

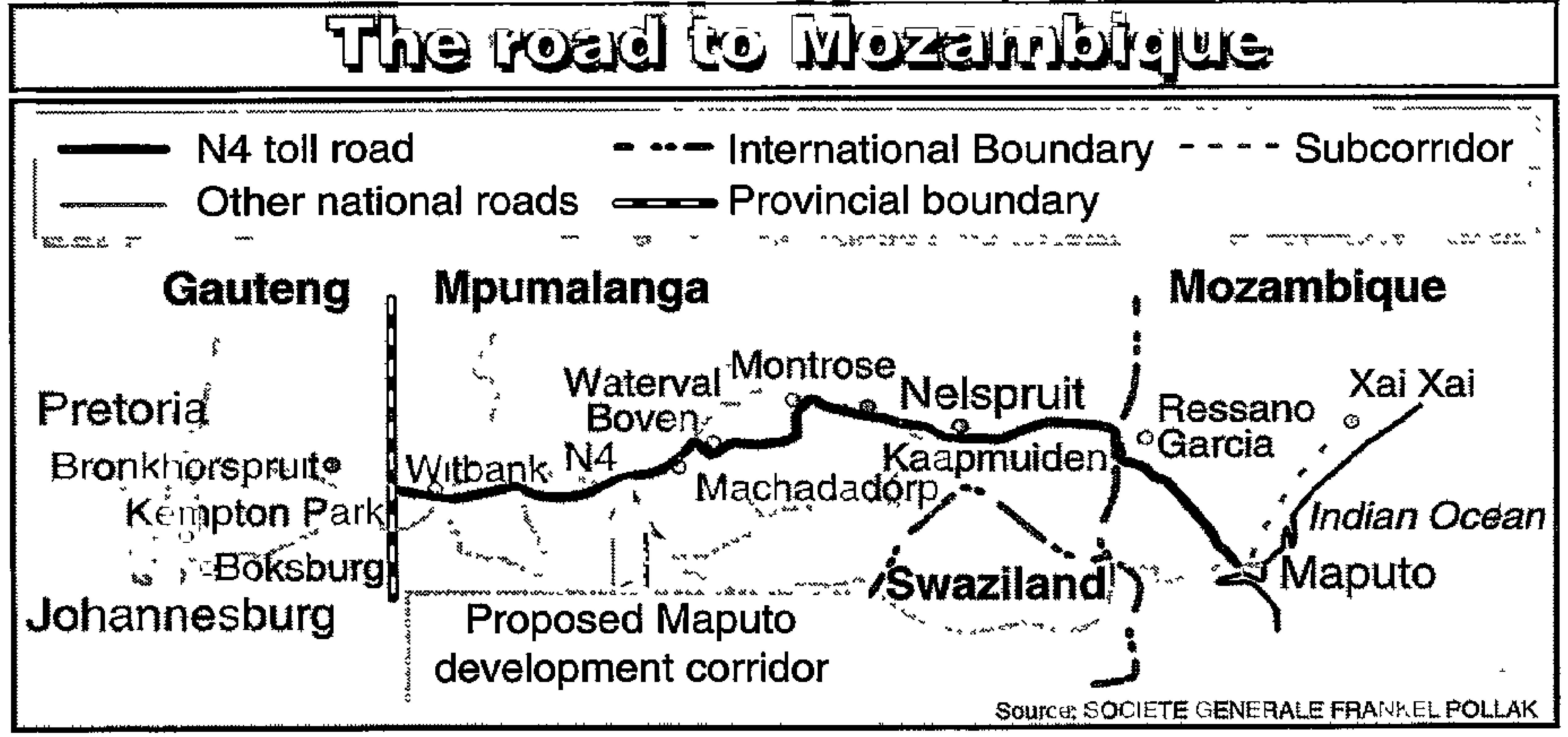
Most government and private sector players at the conference said they were encouraged that the corridor's various projects would now begin to gather momentum. Various Mozambican operators — and notably freight company Manhica — were particularly bullish about the spin-offs of the corridor after having been initially sceptical

It is clear that such an initiative is vital to revitalise the war-ravaged Maputo where roads have either been destroyed through bombing and cannot be used at all or have simply deteriorated through a lack of maintenance funds

The port is under-utilised and portions of the rail links between Maputo and Zimbabwe, SA and Swaziland are in desperate need of repair and upgrading

The R3bn toll road between Maputo and Witbank was the first infrastructure project in the corridor to be finalised

It was officially launched by Deputy President Thabo Mbeki and Transport Minister Mac Maharaj in May, and was hailed as the first "build, operate and transfer" project undertaken in southern Africa.



Source: SOCIETE GENERALE FRANKEL POLLAK

The road is ultimately the backbone of the Maputo development corridor and government has taken the build, operate and transfer route due mainly to a lack of funds to meet SA's infrastructure needs Under this method, government offers a private sector operator a concession to build a particular project, operate it over a few decades and then transfer it to government.

Consortium Trans African Concessions was awarded the R1,5bn toll road tender in December It is the one area of the Maputo development corridor that is getting under way, with financial closure expected by November and construction likely to kick off early next year

Mozambican Transport Minister Paulo Muxanga says the project incorporates high levels of capital expenditure throughout the life of the concession, in line with expected traffic growth The concession contract makes provision for third party equity, allowing the empowerment of disadvantaged groups, as well as training facilities to support small, medium and microenterprises

Analysts say projects such as the Maputo toll road — along with the N3 De Beers Pass toll road — will provide a welcome boost to the building and construction industry, with the cement sector in particular likely to benefit

Société Generale Frankel Pollak analyst Mark Ingham says the corridor will give building companies a direct equity participation in the toll road project, construction work for over 30 years, management responsibility and the opportunity to generate a revenue stream which could potentially yield greater returns than conventionally available Transfer of skills will be another benefit

Muxanga says his government will appoint a joint venture private port management concession to rehabilitate, maintain and operate the assets of the Maputo port, including the improvement of port access channels A preferred bidder should be announced in December with the contract expected to be awarded next February

The upgrading of the Maputo port could result in particularly encouraging spin-offs, as plans are afoot to set up an industrial development zone near the port If the economic revival of the area leads to the return of the major retailers along with other large foreign companies, the port is likely to see significantly increased activity

Things are already picking up for the port as a result of the recent return to the country of Anglo American and other traffic generated by projects such as Gencor's Mozal aluminium smelter and a proposed iron reduction plant and related schemes, including the Pande Gas pipeline and the slurry pipeline

The upgrading and construction of the rail network will also add value to the Maputo development corridor as it will facilitate the flow of exports as well as imports between SA, Mozambique and Zimbabwe

The rail network consists of 521km between Maputo and Zimbabwe, 78km between Maputo and SA and 63km between Maputo and Swaziland which will be upgraded at a cost of about $67m

The Mozambican and SA governments are also looking at other projects, such as the construction of a border post at Ressano Garcia and Komatipoort, the upgrading of a telecommunications trunk link between Maputo and Komatipoort and the establishment of the Mozambican Transmission Company project which will service the electrification needs of the various projects such as the Mozal smelter

The corridor is an enormous project, and there are major challenges ahead for both governments Maharaj says the three main priorities now are to ensure the infrastructure projects are delivered on time, that both the public and private sectors consolidate their relationship and that the benefits of regional co-operation are realised through improved economic performances

The private sector will be watching the Maputo development corridor closely to ascertain the future for such projects — which are likely to become more commonplace as the squeeze on government's resources continues Ingham says it is important for private capital to be assured of long term stability, constructive government involvement and reasonable risk parameters.

It is vital, therefore, that the various elements of the project progress as smoothly as possible, not only to avoid loss of confidence, but also to pave the way for the growth and future success of public and private sector partnerships

WORLD

Mozambicans question SA farmers' deal

BD 19/8/97

(218)

LICHINGA — As the first SA farmers start clearing land in Niassa province, questions are being raised about the Mosagrius agreement that brought them.

Signed in May last year between Presidents Nelson Mandela and Joaquim Chissano, Mosagrius plans to settle hundreds of SA farmers in Mozambique's largest, least-populated and least-developed province

Its sponsor is the SA Chamber for Agricultural Development in Africa, set up by the Freedom Front

Mozambique granted a 50-year renewable concession for 220 000ha (100 000ha for agriculture, 100 000ha for cattle ranching and 20 000ha for fruit and ecotourism) Also granted were generous tax exemptions to bring in supplies, from farming equipment to medicines This has angered nongovernmental organisations which pay heavy duties on their imports for development and relief work.

One criticism levelled against Mosagrius is that its details, from negotiations to implementation, are shrouded in secrecy Although settlers are clearing land by the Lugenda river, the size and location of their concessions have not been made public.

The chamber will not disclose the amount of help extended to settlers, nor the capital raised for the venture The agreement was rammed through with little public debate

Late last year a seminar was held in Niassa to publicise the agreement From it sprang the watchdog Forum for Land Rights, an umbrella of 10 nongovernmental organisations and peasant associations

The chamber's line is that its settlers will boost food production and food security for locals. Yet Niassa is not a province with hunger Malnutrition is not an issue, structural poverty is

Working with hoes and without fertiliser or pesticides, peasant farmers produce more maize than the province can consume, but are unable to sell the surplus The reasons poor roads, lack of cash and credit, no traders, in one word, the collapse of Mozambique's marketing system during 17 years of civil war

The forum fears that when concessions are carved up, peasants will lose their "machambas" (plots) and become landless labourers or tenant farmers — as happened in SA. They will work for cash and mainly depend on employers for food and accommodation They would be allowed small plots where wives will grow just enough food — and which gives the owner the excuse for keeping salaries low

Or the men may flock to commercial farms, leaving the women behind. That is already happening in Majune district. The first settlers have taken dozens of labourers from Matama to open roads and clear land. Will they stay or will they go?

Women will be further marginalised as they will be on their own Gone will be the already slim chances of daughters attending school because they will have to replace the male labourer absent

This is why the forum is pushing for scattered concessions, not the compact blocks the chamber prefers Ideally, there would be adjoining Mozambican and SA commercial farmers, and large blobs of equally fertile land, held by communities through recognised and guaranteed customary rights

If commercial farms are surrounded by big areas of fertile "machambas", peasant families do not depend only on wage work. Women retain the ability to make economic decisions

The settlers say they do not want to take land from locals Majune district, where up to 500 farmers will settle, is not densely populated — perhaps 30 000 people in an area of 1,27-million hectares A mere 4 140ha are under cultivation. But uncultivated land does not mean it is not used or that it does not belong to a community

Niassa farmers practice shifting agriculture spread over many years As soil fertility declines, they leave land fallow for three to four years and move. In 10 years, when the "machambas" are too far for convenience, the whole village moves closer to the plots After a 50-100 year cycle, they may come full circle Land not cultivated is part of the survival system collection territories for hunting, fishing, fruit, honey, thatch and herbal medicines

"My fear is that in 20-30 years, Niassa will resemble southern Malawi or Zimbabwe, where peasants are squeezed on the worst land and rich farmers have the best," says Gareth Davies, a Mozambican Institute for Agricultural Research agronomist

Davies doubts that the highly mechanised, intensive agriculture of SA, which depletes soil fertility in 10 years, is best for a country with little capital but millions of peasants

Lastly, many fear there is more than the commitment to grow food behind the emigration plan Although Mandela has urged African countries to accept the migrants as "economic aid", their departure relieves pressure off SA's land and politics

"South Africans have a sad history and it is hard to lose habits," says forum spokesman Marcos Wiriamo

The fact that so far all the settlers are white, and that all the chamber governors are Freedom Front members, except a token black, Mpumalanga premier Mathews Phosa, speaks for itself

Niassa, however, needs investment. Its small private sector has embraced Mosagrius, hoping to benefit from training and credit. So far, none has materialised — and the farming season is getting closer

Promises of better roads, health clinics and schools make people hopeful. Jobs are badly needed in Majune, where cash is scarce, and for demobilised soldiers throughout Niassa Again and again, this proverb was quoted For he who has nothing, even a little means a lot

The agreement has been signed, settlers have arrived The forum gives out a brochure on peasant's rights Its community workers are starting village groups as focal points for smallholders

"We must make people aware of their rights, be alert and help the government monitor the project," says Wiriamo —AIA.

Bullfighter Rodolfo Nunez hangs from the bull's horns during a bullfight in Madr Las Ventas arena at the weekend While the encounter was closer than he m have wished, Nunez was not hurt

Pictu

WORLD

Factories hit hard by lowering of export tax on cashew nuts

BD 20/8/97 (218)

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

ABOUT 2 500 workers at cashew nut processing factories have lost their jobs and a remaining 8 000 jobs are in jeopardy following problems with a new government policy on the industry.

Industrialists and trade unions blame the problems on the World Bank and International Monetary Fund (IMF) which reportedly put pressure on Mozambique to liberalise the exportation of unprocessed cashew nuts. Although the processing industry had been newly privatised, government unexpectedly reduced an export tax on unprocessed nuts — which protected the local industry by ensuring a supply of raw material — from 20% to 14%.

In a bid to introduce free market conditions and to aid peasant farmers and growers, government encouraged the export of unprocessed nuts to the highest payer, which has been India of late.

Shortage

The resultant shortage of raw material since last year, exacerbated by unseasonally heavy rains and a cyclone this year, has hit factories hard. Industrialists and unionists 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 sombre 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, Procaju, 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 Mocita, 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 1993 when Anglo returned after government decided to privatise the industry. Anglo's partners in the venture are Italian manufacturer Oltremare, ED & F Mann Rotterdam and Edesa.

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 Entreposto, an old Portuguese enterprise.

At seminars in Maputo the World bank and IMF have been accused of imposing 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 the supplies, local processors will no longer be able to operate, leaving peasant farmers facing ruin.

Kekobad Patel, chairman of the Mozambican 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.

Hiding

Patel argued that government could not hide behind the World Bank and follow its policies without due regard for the consequences.

Boaventura Mondlane, the general secretary of the cashew workers' union, Sintic, said the union believed there should be no export of raw material while the industry has not been properly developed.

Production of raw cashew nuts is difficult to quantify accurately in an industry where many pick the nuts to subsist, or pick them to sell in the informal sector.

However, many agree there has been a sharp fall — it may amount to 40% — in the production of unprocessed nuts this year. Last year, when there was a significant increase in production, cashew nut exports represented 21,7% of Mozambique's overall exports.

MOZAMBIQUE (218)

Harbouring hopes of cash

FM 22/8/97

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 ABN-Amro 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

NEW

Mandela launches Lubombo initiative

CT (Pbr) 25/8/97 (218)

CHRIS JENKINS

Empangeni — The first stage of the Lubombo Spatial Development Initiative, a R180 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, the 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; Mangosuthu Buthelezi, the home affairs minister, other cabinet ministers and their counterparts from Mozambique and Swaziland, Mandela turned the first sod for the construction of 156km 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 project's 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"

□ ELECTRICITY

218 CT (BR) 28/8/97

SA group wins Mozambique contract

A $1 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 Montepuez 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 58 districts. — *Rafael Bie, Maputo*

M+G 29/8-4/9/97

Mozambicans at odds with 'Boer' settlers

(218)

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 Mosagrius, a joint programme between the South African Chamber for Development of Agriculture (Sacada) and the Mozambican government

The chiefs complained that they had not been notified or consulted about the settlers, and that local people were chased off their land and forbidden from hunting or fishing in the usual areas

The governor denies 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 arguing they were covered by the agreement signed by presidents Joaquim Chissano and Nelson Mandela in May 1996

One settler, Tinus de Jaeger, was quoted as saying "We were told in South Africa that this land was virgin and unoccupied "

Mozambique in economic revival

(218)

Lucia Mutikani BD 1/9/97

MOZAMBIQUE, experiencing an economic revival after 16 years of civil war which reduced it to one of the world's poorest nations, was poised for 8% economic growth and 14% inflation this year, business consultant José Luis Cabaço said

Last year the economy of the country whose economic reforms have been described by the World Bank as a success story, grew 8% And, the former Marxist government has brought annual inflation down to 16% from 70% three years ago.

"Mozambique is in the process of a remarkable recovery. We have stability socially and politically. We have made remarkable progress in lowering inflation and forecast our gross domestic product (GDP) to grow by 8% this year if we receive as good rains as last year," Cabaço said.

Much of the growth would come from the export of power from the Cahora Bassa dam to SA and Zimbabwe, which was scheduled to start in October next year. It will generate 2 000Mw annually, with about 1 800Mw being exported to the two countries.

The electricity exports are expected to bring in $100m a year. Foreign investment and the privatisation programme, which started in 1989, were also expected to boost the country's GDP, Cabaço said.

"Big investments such as Alusaf's R5,7bn aluminium smelter plant and the Maputo Corridor will also have a positive impact on our GDP this year"

Cabaço said the Mozambican government had earmarked 700 public enterprises for privatisation. Last year $34,7m was raised from the sale of 22 state enterprises This year government hopes to sell off 15 large public enterprises, with the disposal of 350 smaller companies expected to run into 1998.

The privatisation programme has led to the creation of 69 new companies and has had a huge impact on the cement, beverages, metalworking and packaging sectors.

Cabaço said although the country was experiencing an economic upswing, it remained saddled with high unemployment, with unofficial estimates putting the figure of the urban unemployed at 65%.

SA Telecommunications Regulatory Authority chairman Nape Maepa, left, and councillor Labius Lesibu at a briefing on Interne service provision See Page 18

Picture CATHY PINNOCK

Zimpapers announces 72% increase in profit

Michael Hartnack BD 1/9/97

HARARE — In its first full edition following a week-long strike by 500 staff for 35% increments, the parastatal Zimbabwe Newspapers Company has announced a 72% increase in profit for the half-year ended June

The results announcement appeared to have been tactfully delayed until the strikers accepted 30%, plus night allowances, the implementation of a 1996 job appraisal, and other perks

They were also pledged an investigation into "human resources executives" whose dismissal they demanded for alleged autocratic methods.

After-tax profit rose to R11m, compared to R29,9m for the whole of 1996

Turnover increased 34% and trading profit 64%, said company chairman Honor Mkushi

Profits in the commercial printing division rose 12%. Mkushi predicted R28m capital spending in the next 12 months, with acquisition of new processing, printing and desktop apparatus

The company was reported by publishing sources to have lost more than R1,2m during the strike, the first of its kind since President Robert Mugabe obtained control of Zimpapers from the former Argus Group in 1980.

Third southern African corridor to be established

BD 2/9/97

[redacted] (2187)

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-Lichinga and the Cuamba-Entrelagos lines. It is hoped this will ensure a regular link between Nacala and Lichinga, 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 consortiums.

Portuguese group Tertir, the Mozambican Somafel companies, the North American RSA and the multinational Renis 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

M+G 5-11/9/97 (218)

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 1983 Almost half the population of 16- to 18-million has no access to healthcare; 10-million have no safe 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 ambit 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 19%, 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 work forces 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 $130-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 $25-million for health — or about $1,50 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)

PAUL FAUVET CT (BR) 5/11/97

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 900 000 shares were delivered to its new owners The Southern Bank Berhard of Malaysia holds 30,6 percent and Invester, a newly formed Mozambican company, holds 29,4 percent. The government continues to hold 20 percent, while the remaining 20 percent is reserved for the bank's workers and managers

Tomas Salomao, 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

Invester is a Mozambican group headed by Octavio Muthemba, a former industry minister, who will be the new chairman of the BPD

Muthemba 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

Mozambique follows blueprint for economic recovery

BD 5/9/97

(218)

Stefano Gulmanelli

EXPORT-processing zones (EPZs) and development corridors appear to be the mix of tools chosen by the Mozambican government to boost economic recovery after 20 years of civil war.

The strategy places three main EPZs as terminals at the start of each of the development corridors — the Maputo, Beira and Nacala corridors — thereby linking the investment benefits of EPZs with easy access to key routes.

The first initiative that will benefit from EPZ status near Maputo is Alusaf's Mozal aluminium smelter, a $1,2bn investment that will represent the biggest private venture in Mozambique.

Reduced tax and additional tariff benefits in the zone will be critical in offering the desired economic returns to investors Gencor and SA's Industrial Development Corporation, thus overcoming the difference in costs between Mozal and Alusaf's most recent smelter at Hillside, SA. "We are busy discussing the details with Mozal management," says Fernando Sumbana, the director of the Centre for the Promotion of Investments, whose function it is to facilitate foreign investment in the country "The law providing for EPZs is a good one, but we needed a specific case so that we could shape it to suit the real situation "

The situation is slightly complicated by the fact that Mozal is located several kilometres outside Maputo, which means raw material and finished products will have to move out of an EPZ before crossing back into another EPZ around the harbour.

In the meantime plans are also progressing at Maputo harbour where a record of understanding has been signed between the Railway & Port Company and a multipurpose Malaysian manufacturing company, Sime Darby "They are going to develop and manage the EPZ within the harbour area "

At this stage, the 10ha space dedicated to the EPZ is still a small one, and the Malaysians — who are are setting up a refinery for edible oil using locally produced palm oil — are likely to take up most of it Sumbana said the company was scheduled to start building before the year-end.

In the meantime, a 100km² EPZ is likely to be established north of Beira, where Canadian company Leopardus Resources has been appointed to carry out the feasibility study Sumbana said Leopardus was involved in exploiting the gas field of Buzi-Divinhe, so it would be easy for the company to supply the customers of Beira's EPZ with low-cost power from the gas field He said it was possible the gas supply would be a major attraction for a company seeking low production costs. He believed it would not be long before Leopardus decided to endorse plans for an EPZ.

He said Nacala in northern Mozambique, which had one of the best ports in Africa because it was deep enough to receive ships without any gross weight restrictions, would host the third EPZ.

Sumbana said a company was still being sought to lead-manage the establishment of an EPZ at Nacala , but "it should be a matter of time" In this case a benefit would be the nearby Pande gas field which would provide low-cost energy.

Sumbana claimed that Asian companies had already been showing an interest in the Nacala EPZ, largely because east Africa was an appealing location for Far Eastern companies wanting to export to Europe or re-export to their own countries.

Asked whether the trade unions could oppose EPZs on grounds that labour law would be more relaxed in favour of employers, Sumbana said: "On the contrary, the unions have been proactive. They realise the country needs to be competitive and have discussed developments with us in a constructive way." He said the unions just wanted problem areas to be ironed out in advance so that investors and workers would not run into trouble later.

The three development corridors have the following functions:

- The Maputo corridor will link the capital with Mpumalanga and Gauteng
- The Beira corridor links the city with Harare via the Incope-Machipanda road.
- The Nacala corridor links the town with Llilongwe, Malawi, and Lusaka, Zambia.

Sumbana said government aimed to put a "whole new strategic vision in place". The corridors would not just provide transport and communication links, but would have a dramatic effect on the economy.

Increased traffic along the Mozambican roads would provide revenue; rehabilitated roads, railways and ports would bring benefits; and services and economic initiatives would spring up along these routes. "As a matter of fact, we are going to grant incentives to those establishing activities alongside the corridors," he pledged.

He believed the whole southern African economy would be boosted and that unemployment would be reduced

Frontier retailing hits Maputo and the crowd goes wild

The opening of Shoprite Checkers in Maputo — the first of 10 branches planned for Mozambique — nearly ended in a riot, writes DAVID BULLARD

ST (BT) 7/9/97

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 28th, those of us wearing a Shoprite shirt or badge enjoyed instant celebrity status

Thanks to the advanced publicity, the word "shoprite" had insidiously worked its way into the Portuguese language as the definition 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 only level paving for miles around Apart from the 3 500 square metres of Shoprite supermarket as the anchor tenant, the centre will eventually house another 35 retailers including Pepkor clothing subsidiaries Pep Stores, Smart Centre and Ackermans, as well as Benetton and Woolworths and a couple of fast food outlets

Shoprite Checkers' management have stated their intention to bring world-class merchandising and retail services to the rest of Africa They have invested about R3-million in this project and intend opening another nine branches eventually throughout Mozambique In a country with a population of 18-million, where the average monthly wage is a meagre R120 (approximately equivalent to one Benetton shirt sleeve), this is frontier retailing at its rawest

The pre-launch cocktail party was held on the evening of August 27th in a large marquee erected in the car park outside the new store It gave Maputo's socialites a welcome opportunity to bring out their best crimplene and even members of the diplomatic community were tempted out of their high security consulates for what promised to be this year's foremost social event

As 500 invited guests enthusiastically made the most of the bar facilities, filled their plates with fishy things and chatted happily away during the official speeches, the not-so-fortunate peered disbelievingly through the wire of the security fence

Next morning the bank analysts were whisked off to meet the finance minister at some unearthly hour while the press corps were allowed to sleep off their hangovers Then, at about ten, we boarded a bus to visit the now open supermarket

On arrival at the site the crowds made it impossible to drive into the car park so the bus parked on the yet to be developed wasteland in front

Fortunately, the shopping centre is surrounded by a fairly high perimeter fence so the 2 000 or more people waiting patiently inside to buy a bag of mealie meal at a third of the normal price enjoyed a relatively comfortable shopping experience Apart that is, from a three-hour wait in the sun and the occasional crack across the head from an overzealous security guard

The 5 000 outside the gate, in search of loaves, fishes and toothpaste on special were not so lucky There was only one entrance to the shopping compound and once we had identified it we pushed our way into the crowd, naively believing our press badges would afford us safe passage

As the security gate opened, the crowd surged forwar, lifting us off our feet and carrying us in a human tide, some to finally make it to the other side and others to be left pressed gasping against the fencing In the fray, cameras were snatched and strange fingers probed our pockets looking for wallets and other easily removables

Once inside the compound only one problem remained, how to get back out again

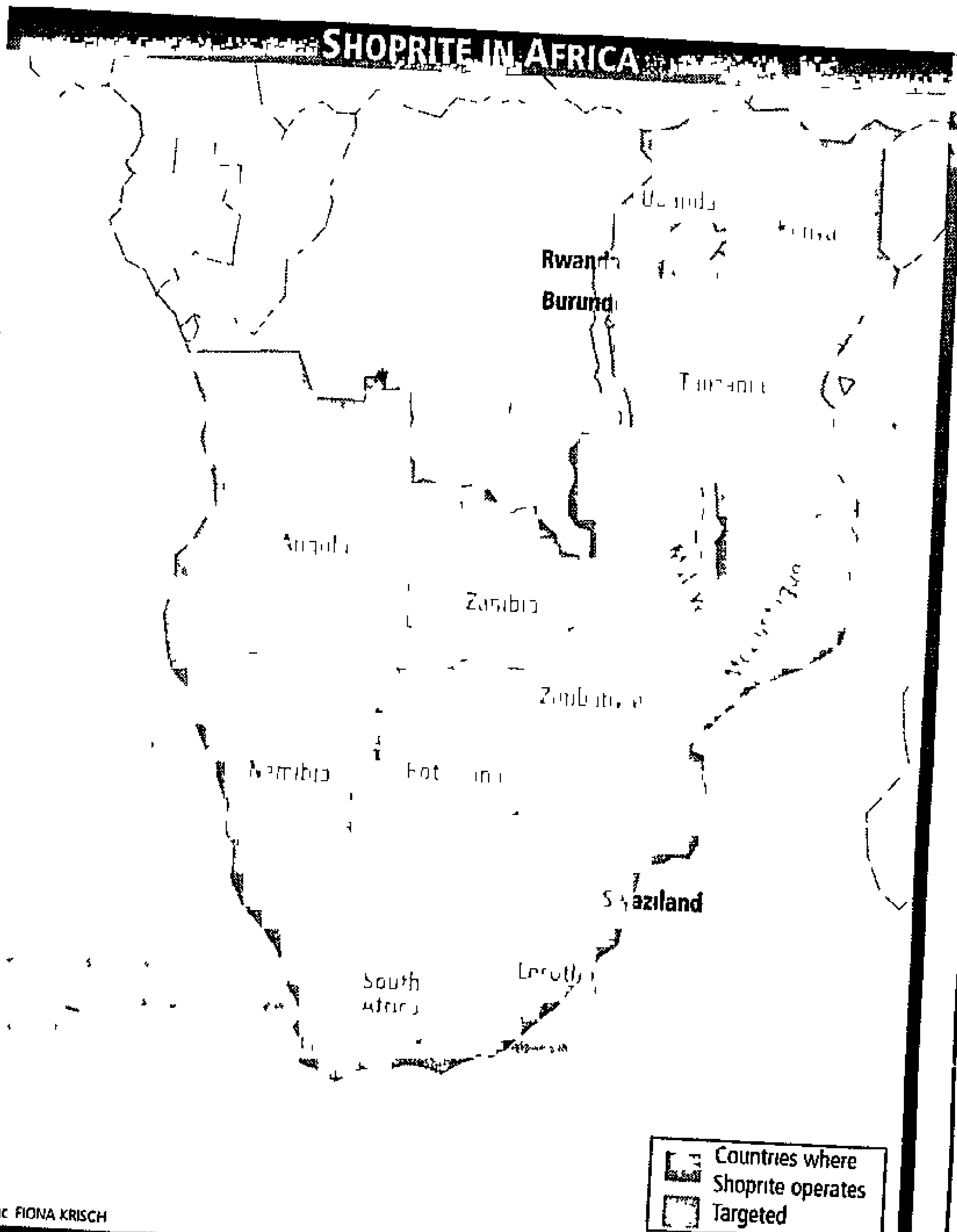
Cars and bakkies loaded with Shoprite Checkers carrier bags had by now formed a long queue at the only functioning entrance to the car park However, if the security men opened the gate wide enough to let a vehicle out, they risked letting in a frenzied mob who now seemed desperate to buy anything, just as long as it was reduced in price The security men conferred and decided on the safest course of action, they would let nobody in and nobody out

This proved highly frustrating to the now trapped car drivers who probably wondered whether the savings they had just made on bulk purchases of toilet paper would compensate for being held hostage for the foreseeable future in a car park

Unfortunately I did not have time to hang around and witness the final denouement because I had to find a way out and back to the safety of the bar at the Polana Hotel I considered digging an escape tunnel under 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 see so many people try to go shopping at the same time but impressive as this tribute to consumerism no doubt was, one thought kept going through my mind where else could you find three hundred virgin supermarket trolleys with all the wheels going in the right direction? I wonder how many were left at the end of the day



Graphic FIONA KRISCH

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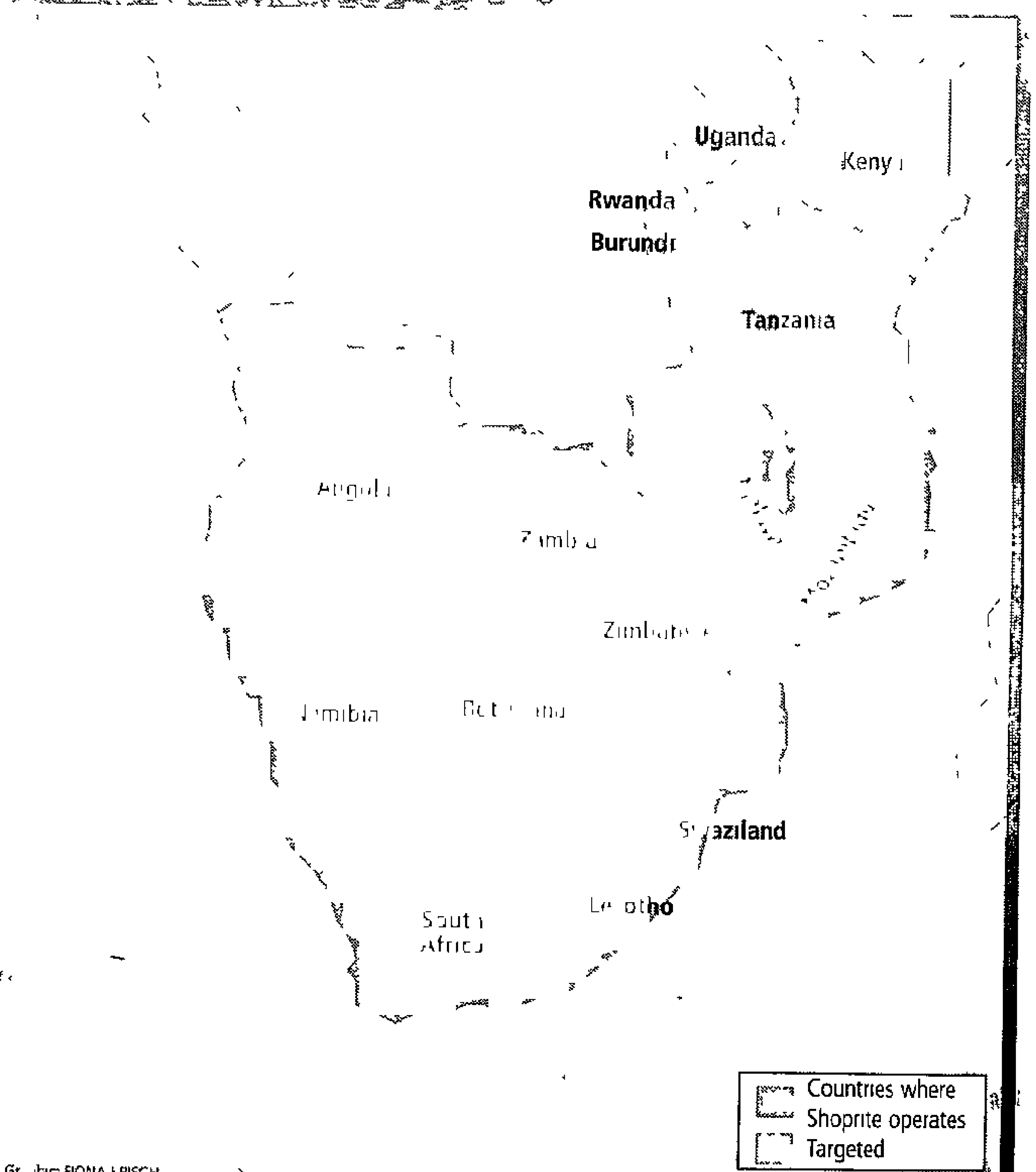
SHOPRITE IN AFRICA



Graphic FIONA KRISCH

Commonwealth makes loan for Maputo port terminal

CT(BR)9/9/97(2.18)

Maputo — The Commonwealth Development Corporation (CDC) has given a $2,5 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, Rennies, a leading South African freight and travel group, and P and O Ports of Australia .

Since 1993, the CDC has invested over $34 million in seven Mozambican ventures in mining, finance and industry. — Sapa-AFP

CT (BR) 10/9/97

218

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

Tomaz 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 spent 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 catastrophic 980 percent. — Independent Foreign Service

Showdown over rights to Pande gas

BD 12/9/97

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 1998

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 1995 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 Fudemburg, told the Mozambican prime minister that Kachamila was feathering his nest Fudemburg was fired and Enron apologised

Maputo to get mobile telephone network

(218) CT(BR) 15/9/97

SHERILEE BRIDGE

Johannesburg — Mozambique's telecommunications infrastructure will launch its first mobile phone network this month, after the country's telecommunications utility Telecomunicacóes de Moçambique (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 Telecomunicacóes Móveis de Moçambique (TMM), which is composed of TDM with a 74 percent stake and German telecommunications consultants Detecon, 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 Ressano Garcia on the South African border and Namaacha on the border with Swaziland.

Gerhard May, the director of commercial affairs at mCel, said the service expected about 3 000 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 Komatipoort border post along the road to Maputo, said Ekhard Konrath, the managing director of mCel

In the case of Namaacha, the network will work within a 30km radius of the town

It was expected that the town of Xai Xai, 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 overseas cellular service providers

MOZAMBIQUE

Shoprite complex: benefit or bane?

ET (BR) 16/9/97 (218)

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 Touros has settled, Mozambicans are questioning whether their 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 244 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 Jamila Cassamo, a shop employee in Maputo

Before Shoprite, supermarkets were unknown in Mozambique. Interfranca, the shop which comes 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

Demos, an independent weekly newspaper, accused the chain of dumping, citing the difference in wholesale prices 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 fanfare dies down questions are being raised as to Shoprite's wisdom regarding its flagship store It has been built nearby a shanty town, or caniço, as the suburbs of reed houses are known

The street children who are the bane of Maputo's motorists now only have a short walk to the paradise 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 caniço, 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

As the gasfield row between Mozambique and US company Enron threatens to ignite, Simon Barber in Washington looks at the options before the parties

(218) BD 16/9/97

ANTHONY Way, Enron Corporation's point man in southern Africa, and Mozambican Mineral Resources Minister John Kachamila are set to face off today in what could be high noon for the Houston energy giant's ambition to be dominant player in the commercialisation of Mozambique's natural gas reserves

There is no longer much doubt that Mozambique's reserves are plentiful The question always has been whether there are customers within an economically reasonable reach who will guarantee to buy sufficient volumes at a high enough price over a long enough period to generate an acceptable return on the upfront risk of developing the reserves At present, the answer is no — not unless a customer can be created

Creating a customer is what Enron, in partnership with SA's Industrial Development Corporation (IDC), propose to do Their plan is to construct a plant in Maputo that will produce iron for steelmaking, not in a blast furnace, the standard method, but in a much more clean and efficient process using specially treated natural gas as a reducing, or oxide-removing, agent

Under the conditions in Mozambique and in the region generally, producers of direct reduced iron can afford to pay a higher price for the gas than any other bulk consumer

Studies by the World Bank, the Southern African Development Community and others show that natural gas is not, currently, competitive with coal or hydropower for the generation of electricity Nor, just yet, can it compete with coal for synthesising chemicals and oil But note the "just yet" Given environmental concerns and the depletion of cheaply available coal, Mozambican gas may very well become highly profitable within the region as a heat source or chemical feedstock, especially if the infrastructure to deliver it is already in place with its costs sunk elsewhere

Direct reduced iron and the production therefrom of steel for export offer the means over the hump, that is to say, the immediate returns to capital needed to get the infrastructure — wells, compressors and pipeline — built Thereafter, the supply will logically begin to create its own new demand, and suddenly he who placed the initial bets on the gas and its distribution is in fat city

Enron started making those bets when the odds were too long for Sasol Now that the odds are shortening, as a result in no little part of Enron's efforts, Sasol wants to muscle back in on the gas for steel gamble

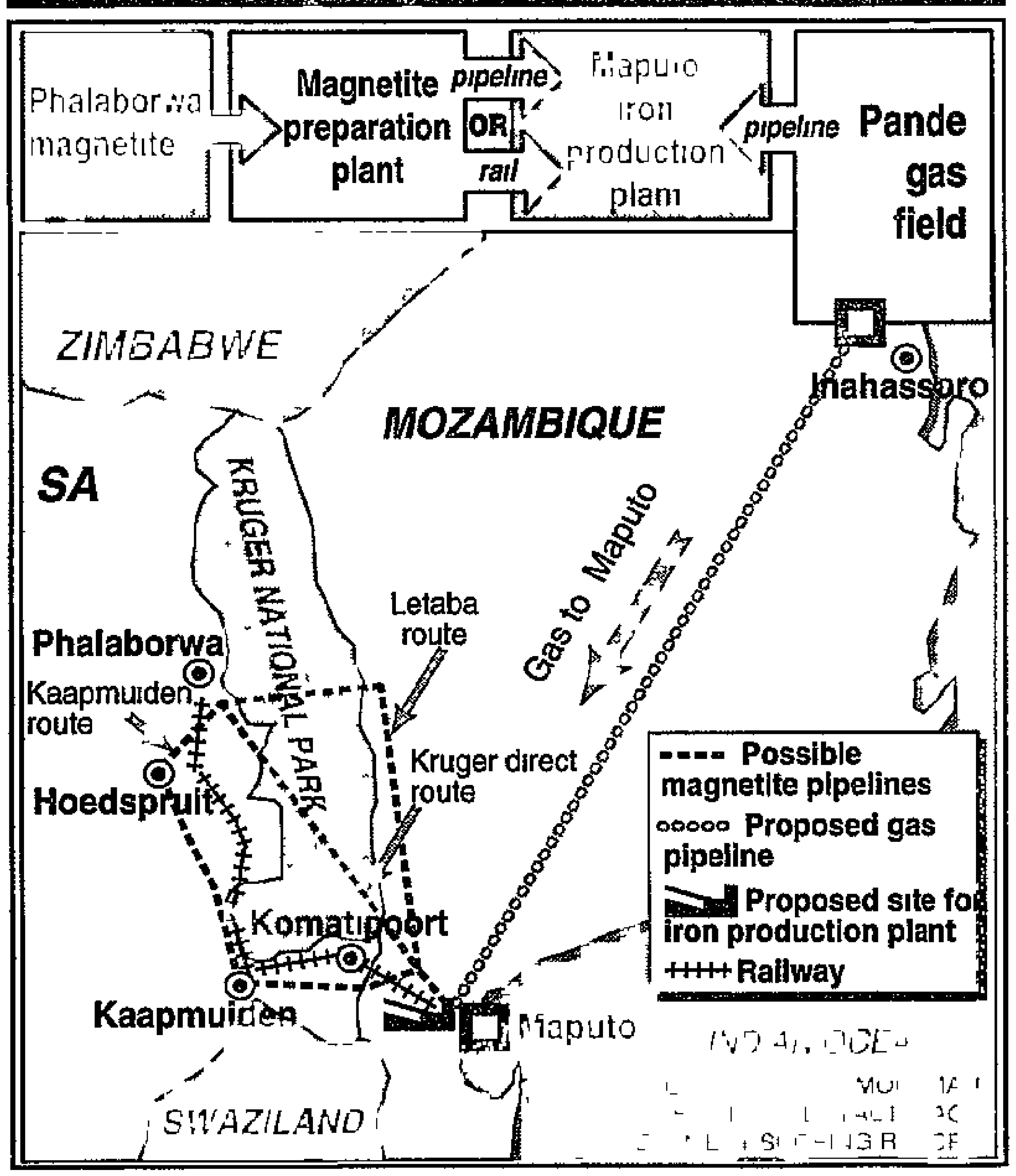
The bookie is Kachamila He has made no secret that he wants to rip up Enron's betting slip and do business with Sasol, notwithstanding that only four years ago Sasol was offering him a price for his country's gas he found insulting Enron, which has been in similar scrapes from India to Latin America, is making it clear that this is not a fight it means to lose.

Enron, boasting worldwide assets of \$19bn (Mozambique's 1995 GDP was \$1,5bn), says it holds marketing rights to the Pande gas concession and its more or less proven 2,5-trillion cubic feet of reserves under an agreement signed with the Mozambican government in November 1995 Kachamila says those rights expired on July 31, because Enron was unable to deliver a firm gas sales contract with a major customer

Enron counters that its reasons for missing the deadline were justifiable under terms of the original pact which, in the words of an August 29 media release issued jointly by Enron and the IDC, "remains in force until May 31 1998" Enron further says that, in any event, a contract will likely be signed within 30 days — the customer being a \$1,6bn integrated direct-reduced iron and steelmaking project in Maputo involving the IDC, Switzerland's Duferco and Enron itself.

A key element of the December 1995 agreement, which Kachamila himself negotiated, is that it is

Iron from Mozambique's gas: the options



enforceable not in Mozambique, but in the courts of New York state. That is an awesome weapon in Enron's arsenal, and one which Kachamila has already taken steps to confront by retaining Robert Pleasant, a New York attorney who successfully represented Bolivia in a similar contract dispute with Enron last year

Nonetheless, some analysts believe, the fact that any dispute over the agreement would have to be adjudicated under American law — as it would unless the Mozambican government wanted to run the risk of being seen to flout its contractual obligations — places Kachamila in check.

First, even if he were ultimately to be vindicated — he could, for example, argue that the entire agreement was never valid because Enron signed it in bad faith knowing its performance milestones could not be met — the adjudication process would likely drag on for months or more, during which time the development of Pande, Enron's \$400m pipeline and the \$1,6bn direct educed iron plant and steelworks would be on hold That would give Kachamila some political explaining to do

Second, if Sasol or its new joint venture partner in other Mozambican gas projects, US oil major Atlantic Richfield, decided to step in to replace Enron, they could find themselves being sued by Enron for billions on the ground that they had interfered with its exclusive rights under an agreement it insists is still fully in force That may explain why Sasol and Atlantic Richfield have been very circumspect about discussing their possible designs, even though Kachamila has openly been talking to the press about their supplanting Enron

Third, it is no secret that at least part of Kachamila's unhappiness with Enron stems from Enron's former point man on the Pande project, Jay Fudemburg, having denounced him as corrupt to other cabinet members as well as senior officials in SA. Fudemburg was fired for this, and Enron apologised to the minister But while the company has drawn a thick veil over Fudemburg's allegations, it can hardly be ruled out that their content might not emerge in legal proceedings

If all that is not enough to deter the minister, Enron can make a plausible case to Kachamila's superiors that the scheme it is putting together with IDC, Duferco and others, is far further down the tracks than any of the similar gas-based ventures now being bandied about in the corporate news releases of the johnnies-come-lately Pande is well beyond the exploration stage — unlike the Temane, Sofala and M10 concessions Sasol has bought into, let alone Buzi and other even more speculative prospects

As for the direct reduced iron and steel complex, investor Duferco is already reported to have signed up to take half its 3-4-million tons a year output, with a Singapore customer ready to take another 25%

Supplies of ore are being lined up from Sishen, pending approval of a slurry pipeline through the Kruger Park to bring in iron-rich tailings from Phalaborwa

Integrating the direct reduced iron plant with the steel furnace — which will share SA-supplied electricity with the Mozal aluminium smelter (in which Enron is understood to be willing to take a stake) — is also a logical idea

Enron and the IDC say they will have "bankable" documents ready by the end of December and should be in a position to break ground by mid-1998 But even if they have a bankable blueprint, one still has to wonder if the international financial community will be willing to place such a large bet on one project in a still dicey part of the world, especially given that Gencor and the IDC will be looking for capital for the \$1,22bn Mozal project at the same time

The Clinton administration has been a strong supporter of Enron In 1995, it threatened to reconsider US aid to Mozambique when Enron's negotiations with the government became bogged down. Last year, the administration put up \$800 000 to study the feasibility of a direct reduced iron plant The World Bank has invested \$30m on the proving of Pande

What Enron has already put together with the IDC is streets ahead of any project to exploit Mozambique's gas and turn it into a currency earner

So it would be sad if Kachamila were allowed to mess things up for a personal agenda What a pity it would be, for all Mozambicans, if Kachamila were to give Mozambique the reputation of being the kind of place where US companies cannot do business for fear of falling foul of the US Foreign Corrupt Practices Act Surely President Joaquim Chissano would not want that?

Maputo bourse in pipeline

(218)

FROM AP-DOW JONES

CT (BR) 19/9/97

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 Nurmamade, 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 privatised in recent years, one of the largest such programmes in Africa

Mozambique ended a destructive 16-year civil war in 1992 The formerly socialist-inclined government of President Joaquim Chissano was returned to power in the country's first free elections in 1994

ENTICING *The refurbished Hotel Cardoso offers attractive packages*

Maputo's business outlook rises with conference venue

CT (BR) 25/9/97 (218)

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 1908 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 Lonrho 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

(218) Star 26/9/97

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.

Renamo opposes 50 year clause

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 noone 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

TELECOMS *Local laws force CSIR to install its innovation in Mozambique instead*

218

SA loses out on new network system

CT (BR) 26/9/97

Sherilee Bridge

NETWORKING *Pierre Burger of the CSIR shows off some of the locally developed technology* PHOTO: JOHN WOODROOF

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 Hennie 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

World Bank commits to Mozambique reform

BD 3/10/97 (218)

Claire Pickard-Cambridge

THE World Bank has made a serious commitment to Mozambique, investing about $1bn in 18 projects which range from rehabilitating the entire health sector to upgrading infrastructure.

World Bank country director for Mozambique Phyllis Pomerantz said in an interview this week that these projects were over and above the bank's balance of payments operations to support critical economic reforms, and its involvement in trade, tariff and customs reform.

She said the Mozambique government had made significant progress on the economic, social and political fronts, but one of its most impressive achievements involved slashing inflation from 70% to less than 10% within three years. It was also visibly committed to channelling money towards social projects, as borne out by the huge scale of its school rehabilitation programme.

Projects supported by the bank usually spanned five years, the most important of which involved rehabilitating Mozambique's road, rail and harbour network.

Private concessions were being granted to operate and manage the ports and harbours, and the road network improvement programme was already regarded as one of the model road programmes throughout Africa.

The bank had two large investments in the road programme, which was an ambitious project because so many roads had become impassable by the end of the war. The programme was critical because although Maputo and southern Mozambique were booming, the real challenge was to develop the rural areas, she said. "We think rural development is at the centre of the strategy to reduce poverty," she said.

Other ambitious projects in which the bank and other donors were participating included supporting government in rehabilitating the health and education sectors, and revitalising the agricultural sector.

The bank was also supporting government's privatisation programme, which had already seen 800 out of 1 200 organisations sold and was due to be concluded by 1999. "We are doing our best to provide financial support in terms of credit to enable more Mozambicans to acquire a share in these industries."

The key problem facing Mozambique was its $5,6bn debt burden, 75% of which was owed to Paris Club members.

About 40% of the Paris Club debt was owed to Russia, much of which had been in the form of past military lending.

The bank expected as much as 80% of the debt to be forgiven but negotiations to reconcile debt, particularly with Russia, would be complex.

State 'main violator of human rights'

BD 3/10/97 (218)

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 in itself 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 Manhica, 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 — Uria Simango and Joana Simeao — 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

MtG 3-9/10/97 (218)

In a country where 65% of the population is illiterate, verbal evidence is now accepted as proof of ownership. **Mercedes Sayagues** *reports*

Mozambique's new land Bill, approved by Parliament in July, amounts to a massive victory for ordinary peasants and contains a landmark provision that makes it unique 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 skewed land distribution, as happened in neighbouring countries

Occupation rights are, however, conditional upon being "in good faith", for a minimum of 10 years, certified by community members. In a major departure from colonial law, verbal evidence is accepted as proof — a breakthrough for peasants when 62% 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 are those who sign their names to it. Land in use comprises cultivated land hunting, fishing and collection territories and sacred places

Occupation rights, however, will not be recognised for land not in the national *cadastre* (register of property) or already parceled out This means that occupation of land over which somebody else holds title deeds will not be recognised.

These simple 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 investors

Access to land is guaranteed to everyone, so are the rights to title deeds already granted.

But huge concessions (such as 236 000ha granted to American developer James Blanchard in Maputo province for a theme park and game reserve and 220 000ha to Mosagrius for white South African farmers settling in Niassa province) 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 law Equality between men and women, enshrined in the Constitution will apply to title deeds and inheritance rights in both patrilineal and matrilineal societies This means that a widow or divorced woman cannot be evicted from the land she has worked for more than 10 years

User rights can be transferred or inherited, but not sold or mortgaged

The Bill was approved after two years of intense public debate This was in itself, an excellent democratic exercise, involving a variety of stake holders speaking out at public forums Lobbying by civil society reached levels not experienced before in Mozambique's young democracy Changes and amendments were negotiated throughout the process, right into Parliament.

Broadly, the positions that emerged could be sketched as follows

- Ruling party Frelimo's nomenclature heavily into acquiring land concessions and title deeds for speculation, wanted Portuguese style "indigenous reserves", or Zimbabwe style communal areas apart from commercial farms
- United States Aid and the Land Tenure Centre recommended privatisation of land as the solution to investment and environmental problems
- Partisans of decentralisation and community based schemes wanted more power for the *regulos* (traditional chiefs) over demarcation and concessions Some non governmental organisations (NGOs) favoured this approach
- Peasant groups, the Women s Forum and academics supported recognition of effective occupancy as a right to the land for individuals and communities

About 600 people, mostly of the last two groups, marched through the streets of Maputo in support of peasants' land rights during the parliamentary debate The demonstration ended with a concert at Teatro Afrika

Looking for arguments against the ruling party, opposition party Renamo waffled on about privatisation, but back tracked at the National Assembly

When it was forcefully argued that privatisation could lead to the emergence of a class of landless peasants, unknown in Mozambique, Renamo switched to greater decentralisation and more power to the *regulos* — its power base in the central and northern provinces.

This platform echoed demands of peasants' associations and NGOs Frelimo was not about to relinquish control of land allocation to *regulos*, to allow more decentralisation or enshrine customary law

However, the ruling party could not ignore the views of the political opposition and civil society Peasants' rights emerged strengthened state powers, vested in the powerful Council of Ministers, somewhat curtailed.

The heated debate threatened a rift inside Frelimo, pitting business-oriented officials against old guard populists. The rift was solved at central committee level at 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 17,5-million people, 80% are rural — roughly three million peasant families With 20-million hectares uncultivated out of a total of 40-million hectares of arable land, Mozambique is the largest most easily available pool of land in southern Africa. A land rush would put many peasants at risk of losing their land to investors, speculators and agri business

Looking at neighbouring Southern African Development Community countries, it is obvious what mistakes not to repeat in Mozambique

Across Southern Africa, colonial regimes left a system of land divided into fertile areas for commercial farmers and marginal lands for small scale farmers Nowhere is women's access to land protected by law Widow dispossession is frequent across the region.

In South Africa the rift between land owned by whites and blacks is one of the thorniest economic and political issues for the government. The land reform programme has not even scratched the surface of the problem

In Zimbabwe, some 6 000 commercial farmers (mostly, but not exclusively white) own 45% of the best arable land while 700 000 peasant families are crowded on marginal land Zimbabwe experiences mounting tension from land hunger

In Botswana, the state had to shift land from its own property into "tribal lands" In Malawi, demands are pouring in for urgent redistribution of land for smallholders

In Mozambique the recognition of rights derived of effective occupation is the most equitable preventive measure 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 If compared to the Mozambican Land Bill of 1979, this one leaves many details uncharted. The state retains 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 sought by urban elites for speculative purposes While joint ventures of Mozambicans with foreigners are permitted, and land can be used as collateral for loans, it does not say what happens to the land in the event of bankruptcy does it revert, say, to a South African bank and can it be sold?

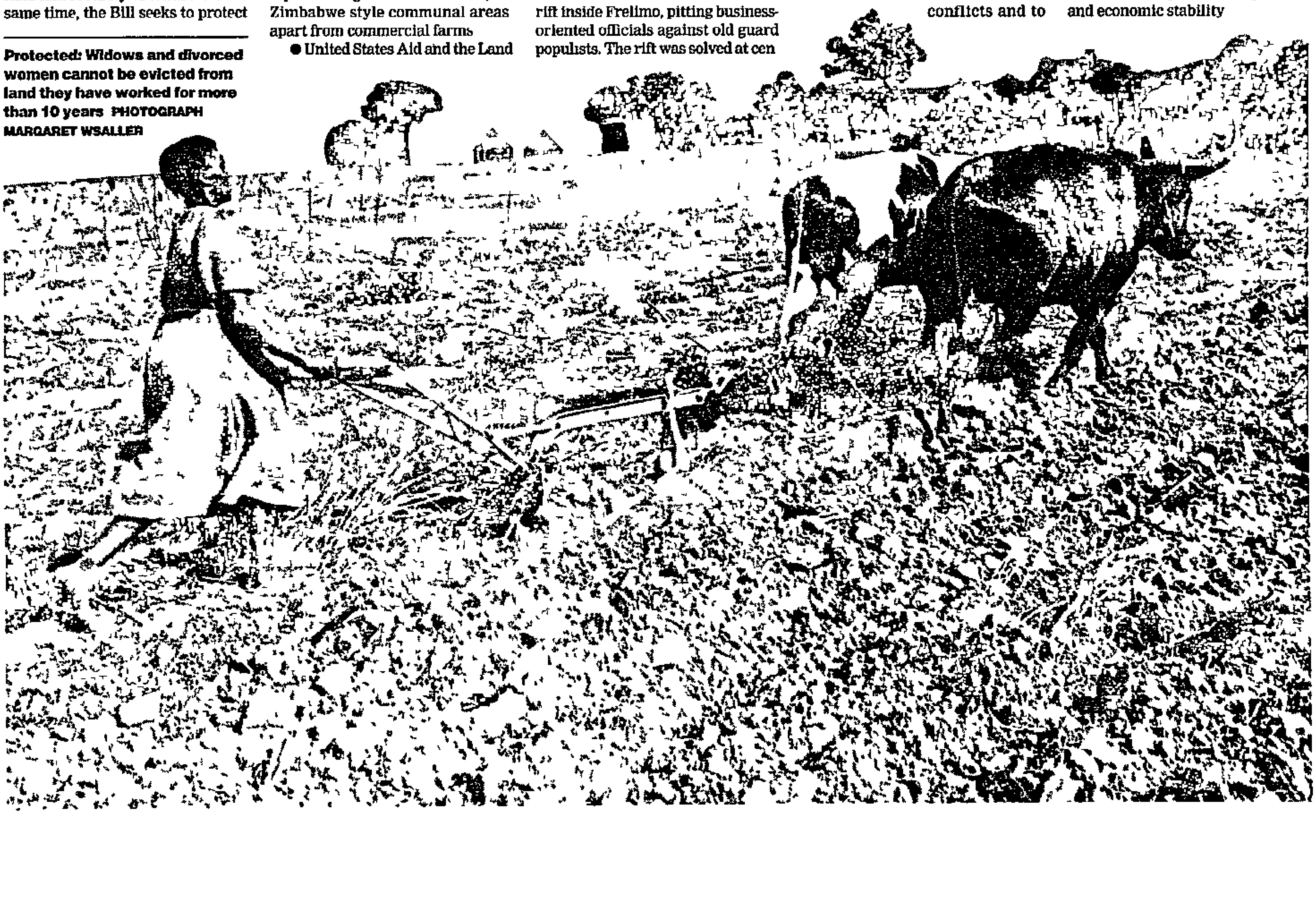
These chickens will come home to roost, sooner rather than later The big question remains how will the law be implemented?

According to land expert Jose Negrão, announcements must be first made at district level over each new claim on land No more concessions should be granted without announcements and without verifying if there is a *de facto* occupation by smallholders

Secondly, in areas of potential conflict rural people should obtain title deeds to their land, either as individual families or as communities 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 occupation

Thirdly, NGOs, churches and civil society in general must set up an organisation to provide legal assistance 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 the land and Mozambique's future political and economic stability



Protected: Widows and divorced women cannot be evicted from land they have worked for more than 10 years PHOTOGRAPH MARGARET WSALLER

News Digest

[illegible]ZAMBIQUE

Enron in secret talks with government to extend Pande gas fields agreement

Enron the US energy company has been holding secret talks with [illegible]mbican government about another possible extension of [illegible] agreement to develop the huge Pande gas fields, [illegible] extended twice since it was signed in 1995.

[illegible] chamila Mozambique's mineral resources and ener[illegible], the managing director of Empresa Nac[illegible] (ENH), the state owned hydrocar[illegible]firmed 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," Kachamila said. [illegible] suggested Enron might lose its conces[illegible] it had not yet developed it, and some sources have [illegible] that South Africa's Sasol has put in a bid to take over the [illegible]

(218)

[illegible] yesterday that the government had been [illegible] Sasol which observers here regard as the gov[illegible] He said the government had [illegible] looking for an alternative developer [illegible] would Enron's plans not materialise He said the [illegible]ent would choose the company that offered the better [illegible]

[illegible] Service, Maputo

CT (BR) 14/10/97

Mozambique stabilises the metical

Bank's tight policies beat high inflation

CT (PDR) 14/10/97 (218)

RAFAEL BIÉ

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 conquered inflation, which fell from a peak of 70 percent in 1991 to 16,3 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 riding 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

Mohamed Iqbal Gabar, the chairman of the management board of Gani 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 credit interest rates Commercial banks are now offering interest rates on credit operations of between 35 percent and 38 percent, which can come down to between 25 percent and 28 percent for low-risk clients

Hipolito Amela, the deputy chairman of the Mozambican Commercial Association, says the central bank must 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

Bourse to open in May

RAFAEL BIE

Maputo — The Mozambican stock exchange was [illegible] operations by May [illegible] Jussub Nurmamade, the head of the government commission [illegible] the bourse [illegible] that from [illegible] Stock Exchange can start operating [illegible] setting up process" he said [illegible] commission [illegible] the [illegible] Exchange [illegible] the S[illegible] foreign ser[illegible]

Mozambique wins top Africa peace prize

(218)

ARG 14/10/97

ZUBEIDA JAFFER
GROUP PARLIAMENTARY 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 Alfonso Dhlakhama

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

ARG 14/10/97 (218)

ANTONIO GUMENDE
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 R250 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

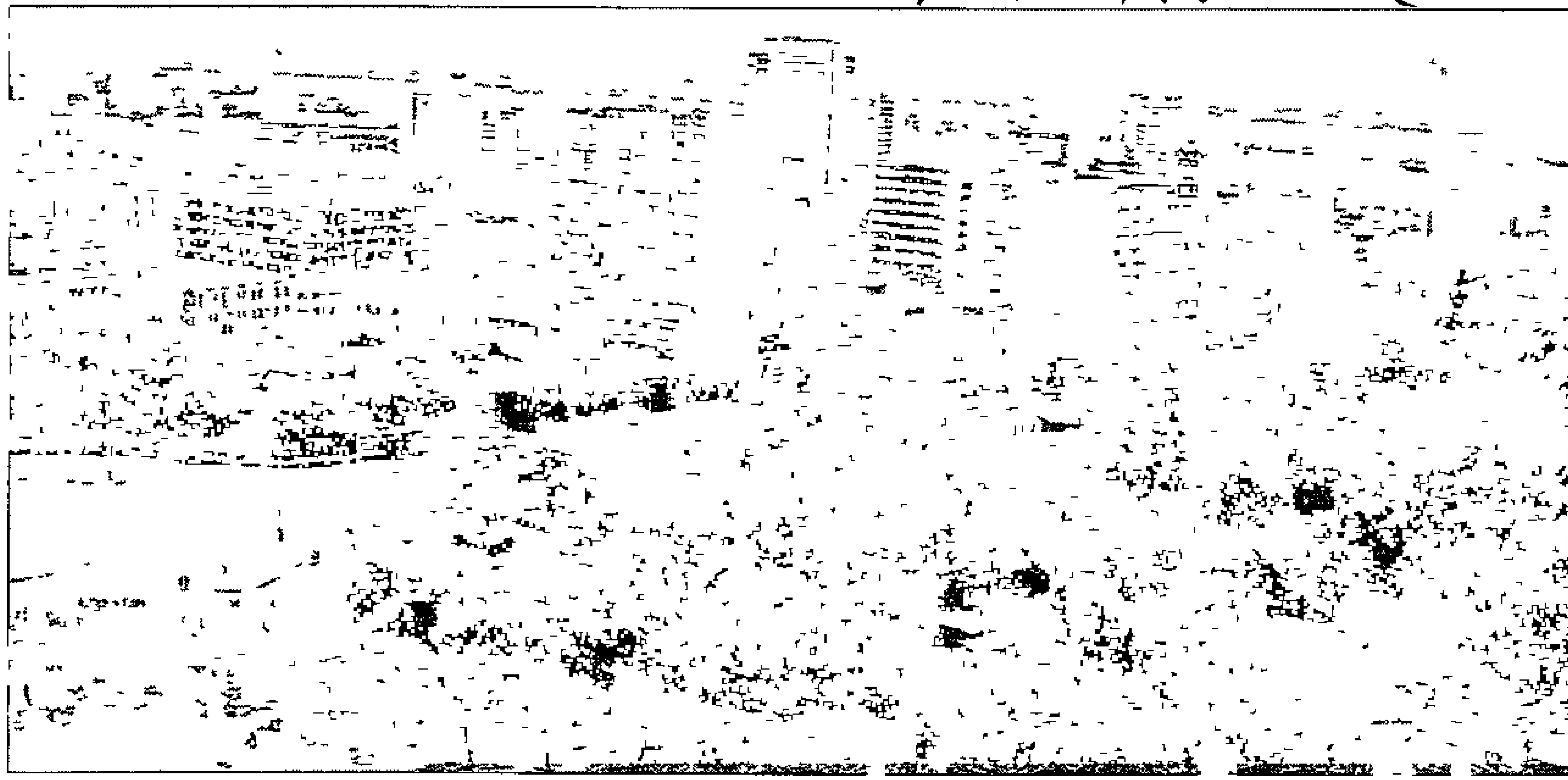
Continuing to outlaw private ownership of land seems to be at odds with the country's liberal economic reforms It has sold off all the assets nationalised in the heyday of socialism – from barber shops to airlines

Renamo MP David Alone was quick to point out the contradiction in the assembly during debate on the new bill, saying that state ownership of land was "a fundamental basis of communism"

"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



Property paradise: a view of Maputo with the sea in the background Land aplenty is available, but really only if palms are greased

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 assets that can be used to get bank finance Under the circumstances, Mr Ussene's proposition makes good economic sense

On the other end of the scale, however, are poor peasant farmers who represent 80% of the country's 17-million people They are entirely opposed to any form of private ownership of land

Paulo Cuinica, a spokesman for the Rural Mutual Aid Association, says that using land as collateral is tantamount to privatisation

Other peasant associations agree that private ownership would lead to a massive expropriation of land by the economic and political elites and foreigners

Ismael Ossumane, executive co-ordinator of the National Association of Peasants which has 50 000 members, says the trouble with privatisation of land is that "peasant farmers will always be sellers – not buyers"

Local politicians argue that the philosophy behind the insistence on state ownership of land is precisely to protect vulnerable groups such as peasant farmers

Frelimo MP Deolinda Muessequesse argued in the assembly that peasants would not be able to buy land if it were privatised

Cardoso Cardoso, a prominent journalist and economic commentator, is dismissive

"There has never been a political will to safeguard the interest of the peasants in this country," he says

He probably has a point The pace at which economic and political elites are rushing to secure vast tracts of prime land seems to indicate that those with enough foresight have realised that private ownership of land in Mozambique is imminent

The impunity with which land traders are operating is an indication that, for now, the government prefers the comfort of ambiguity

On the one hand, it does not want to alienate the urban elites by coming out firmly against private ownership On the other, it does not want to condemn state ownership for fear of alienating its rural electorate

But the government will probably finally yield to pressure and give the green light to private ownership of land

And, when it does, some powerful people, inside and outside government will make a killing

AFRICA

Mozambique aims to cut red tape

(218) BD 22/10/97

Fernando Lima

MAPUTO — Mozambique plans to speed up procedures involving the registration of businesses and is about 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 old 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 foment corruption.

These are not the only complaints from the private sector. At a recent seminar in Maputo, radical proposals were made to "privatise" the handling of entry visas and to remove "old socialist labour laws". There are difficulties obtaining multiple entries and the granted periods of stay are short. The authorities now impose a fine of R400 a day on visitors whose visas expire.

Industry Minister Oldemiro Baloi thinks "visa privatisation" is a radical proposal but says government is open to all proposals that will improve Mozambique's business environment.

Privatisation of crucial services in Mozambique is not new. Customs is already being managed by British firm Crown Agents. Chris Outhwaite, Crown Agents' representative in Maputo, says in the first three months of operation record customs revenue was secured. Crown Agents also detected $22m of nondeclared goods and $42m of underinvoiced goods.

However, some local businessmen complain about Crown, saying its reference prices are unrealistic. They say they buy products in SA, importation is approved by Intertech, the preinspection company working for Mozambique, but they are still confronted at the border by Crown Agents' officials who reject prices recorded in the invoices. They also criticise the bureaucracy at customs because it can take up to six weeks to process customs documentation before claiming goods in Maputo.

Outhwaite says legislative changes are needed to simplify and speed up these procedures.

Labour law has also come under fire from private investors. They say the legislation is outdated and that it is hard to get permission to employ foreigners.

Many locals have claimed in the past that foreigners, namely SA and Portuguese citizens, "steal jobs from Mozambicans". As a result the labour ministry has created barriers to approving contracts for foreign workers.

Carmen Martinez, the US charge d'affaires in Maputo, thinks the policy is "self-defeating", saying expatriates bring capital, technology and management experience, they pay taxes, and are important consumers.

Difficulties in this area have spawned a black market for the granting of visas, resident cards and labour contracts.

An SA businessman in Mozambique sums up the problem, saying: "You cannot implement a market economy with socialist laws." He owns a company with Mozambican partners and wants to cut the labour force by two-thirds but claims there are legal impediments to doing so.

Legislation is about to be liberalised but unions fear this will mean more unemployment.

Unions and the private sector are still sceptical about the success of some reforms. For instance, government argues that 700 companies have been privatised, and that the Centre for Investment Promotion has approved 230 new projects worth $650m over the past year. But even Deputy Finance Minister Carlos Jensen says only 25% can be considered "real investment" because many projects involve the importation of goods. Dishonest businessmen use investment incentives granted by the investment centre to flood the local market with cheap goods.

Under the reform programme the Mozambican government is about to privatise the national airline LAM while the People's Development Bank was bought by a Malaysian group with Mozambican partners affiliated to ruling party Frelimo. The independent media suggested President Joachim Chissano was linked to the deal, but no proof was supplied. It is clear however, that the deal was not transparent enough, a situation still common in Mozambican business.

Commonwealth gears up to tackle issue of Nigeria

Tim Cohen

LONDON — A jittery diplomatic face-off is preceding the Commonwealth heads of government meeting after suggestions Nigeria may pull out of the organisation to pre-empt criticisms for human rights abuses at the summit when it meets in Edinburgh at the weekend.

London-based political analysts said yesterday Nigeria was allowing it to be known that it would pull out of the organisation entirely if it became aware the Commonwealth intended to criticise it harshly.

Control Risks Group Africa analyst Tara O'Connor said whether Nigeria would leave the organisation to pre-empt criticism likely at the meeting was an open question.

Some evidence of the Nigerian government's attitude was provided recently when the UK went some way to placating the Nigerian government by allowing direct flights between the two countries — a move not reciprocated by Nigeria.

In order to prevent preconference jockeying, the Commonwealth ministerial action group has remained silent on what it intends reporting after its hearings earlier this year.

However, members of the group have made it clear that Nigeria would continue to be suspended from the Commonwealth, although other sanctions are unlikely to satisfy Nigerian activist organisations.

The action group is filled with countries which claim to be strong adherents to a human rights-linked foreign policy, including Canada, New Zealand, the UK, and — since the 1994 elections — SA.

Sources say, though, the group is constrained by the fact that the Commonwealth works by consensus, so must propose steps it thinks all 54 member nations will accept.

The issue is particularly difficult for SA, after President Nelson Mandela called for oil sanctions following Nigeria's execution of Ken Saro-Wiwa and eight other minority rights activists. No one acted. SA foreign affairs officials now regret the incident. "We were left high and dry," one official said.

While most of the action group are thought to favour a tough stance, Zimbabwe and Ghana are thought to be adopting a more relaxed attitude while Malaysia is thought to be willing to follow the consensus view.

BD 22/10/97

UN team

More than R11bn committed to Maputo development corridor

BD 23/10/97 (2/8)

Robyn Chalmers

NELSPRUIT — More than R11bn had been committed to the Maputo development corridor, with a further R15bn expected to be approved soon, Maputo Corridor Company CEO Dave Arkwright said yesterday.

Speaking at a conference on the project, he said the initiative had moved out of the planning stage and into the operational phase.

Total investment in the corridor could ultimately be 10 times what had already been committed.

"There is huge investor interest in the corridor ... (and) neighbouring states have indicated they wish to get involved," he said.

Among the R11bn approved mega-projects are the $1,3bn Mozal aluminium smelter, the $900m Palmag project, three casino projects in Mpumalanga valued at $200m and a host of tourism schemes.

Arkwright said feasibility studies were under way for the $1,1bn iron reduction plant in Maputo, the $300m NPK fertiliser scheme and the $260m Red River project. However, financial closure between government and the Trans African Concessions Consortium (Trac) on the $400m toll road between Witbank and Maputo had not yet been achieved. Financial closure, which means all aspects of the contract must be agreed upon by all the parties, should be achieved by next month, Arkwright said.

The short list of bidders to revitalise the Maputo port should be finalised soon, along with bidders for the railway network upgrade and operation.

Mpumalanga economic affairs department economist Jonathan Mitchell said government was looking at ways to maximise the effect of the corridor within Mpumalanga. While the province had a fairly dynamic economy, this was not translating into jobs, with poverty levels at 52% of the population and "extreme deprivation" in many former homeland areas.

Mitchell said tender guidelines had been produced for Trac to make it more "small, medium and micro" enterprise friendly. A major drive to promote secondary investment in factories, hotels and casinos had been undertaken. A number of investment studies had been launched, including a strategic environmental management plan.

"We are focusing closely on capacity building with local government, and are considering local economic development plans for 23 of the 44 local authorities affected by the corridor."

Of the R11bn committed to corridor projects, about R8bn would be invested in Mpumalanga, Mitchell said

Coca-Cola holds out for Mozambican tax break

(218)
BD 23/10/97

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 said 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 under way.

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 Chimoio to supply central Mozambique

The Nampula unit would be Coca-Cola's only northern supplier.

Mozambique prepares to privatise communications

OD 29/10/97 (218)

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 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

SUGAR BD 30/10/97

(218)

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 takeover 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 Ressano Garcia 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 rehabilitating 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 — this brought in $12,5m 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

CT 3/11/97 (218)

Group Parliamentary Editor **ZUBEIDA JAFFER** holds an exclusive interview with Mozambican President Joaquin Chissano about his country's economic recovery

A CRAWLING baby sculptured in bronze gazes at three statuettes of children holding up an outline of the African continent

Their arms sweep up against the carved map of Africa — symbolising renewed energy 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 Joaquin Chissano, who has come to accept it on behalf of the nation of Mozambique, the 1997 recipients.

In a light-hearted moment, President Chissano lifts the award onto his shoulder affirming that "it's very heavy" to 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 this before," said Mandela, to which Chissano responded in his acceptance speech "It took us 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 vision 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 aides 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 country so 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 lilting 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 We 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 huts 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 "But 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 "Send Mozambicans back and others 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 — the Maputo corridor that links South Africa to Mozambique, the joint agricultural project settling 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 half 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 not in a hurry He spoke of the yogi, Maharishi, who had come to Mozambique from the mountains of India "Those who taught me have taught almost half the previous cabinet "

Do they ever meditate together? No "But collective meditation is recommended because it brings more energy," he said, smiling

RENAISSANCE MAN: Joaquin Chissano with the Africa Peace Award presented to him by Nelson Mandela

MOZAMBIQUE

Better cashew harvest expected this year

Mozambique expected a better harvest of cashew nuts this year after a drop in production in the [illegible] season, Prime Minister Pascoal Mocumbi said on Friday.

[illegible] prawns. Low nut exports this year have led to an overall drop in agricultural exports [illegible] in the first six months of this year but because of poor cashew production overall agricultural export revenue will be down [illegible] percent by year end. (216)

Critics have argued [illegible] removal of [illegible] industry, led to a drop in the quantity of raw nuts processed by domestic factories. Mocumbi blamed weather for the lower output, but also said the government aimed to fight for the cashew processing industry. — *Reuter, Maputo*

C1 (BE) 4/11/97

Mozambique's LAM gears for privatisation

CT(BR) 7/11/97 (218)

Jorge Dique

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 in 1991 of the airways in South Africa, when there was an influx of Western and Middle East airways and a significant reduction in traffic to Mozambique.

The end 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 1980 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 CFM, the Mozambican ports 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

Estevao Uamusse, 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 consortiums, but it is known that SAA and TAP are bidding

TAP is bidding for 12,5 percent, while SAA is looking for 30 percent — the maximum allowed to foreigners The remaining 8,5 percent will be distributed among the other three groups.

State's tender to sell 51% is seen as the only solution to saving the national carrier

The government will keep the remaining 49 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 of the number of flights and manpower was taking place

Viegas said the number of passengers carried rose by 15 percent in the first quarter of 1997 above the 162 648 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 — IFS/AIA

Production plunge at Mhangura copper mine

BD 13/11/97 (217)

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 3 880 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 Mineral's 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$25,7m 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

(218)

RAFAEL BIÉ

ET (BR) 13/11/97

Maputo — A third filling line at 2M, the Mozambican brewer, was inaugurated this week with a capacity of 36 000 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 privatisations.

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 $24 million to the fiscus this year Before the privatisation of the two breweries their combined contribution to the fiscus was $3,7 million a year.

Mozambique sets local election date

BD 14/11/97

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 the opposition parties The opposition labelled them the "babalaze 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 Joachim Chissano exercised his 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 interim, Frelimo is also replacing officials to prepare for elections, one instance being the removal of Batista Cosme as mayor of Maputo Cosme 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'

ET(BR) 19/11/97 (218)

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 54 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 $5,7 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 investment, in particular of intra-regional, cross-border investment which played a crucial role in countering 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. — Reuter

Strategies 'needed to aid growth'

(218) BD 20/11/97

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 Sabera 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 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.

PLATINUM REVIEW

White metal leaves gold trailing in its wake (2/17)

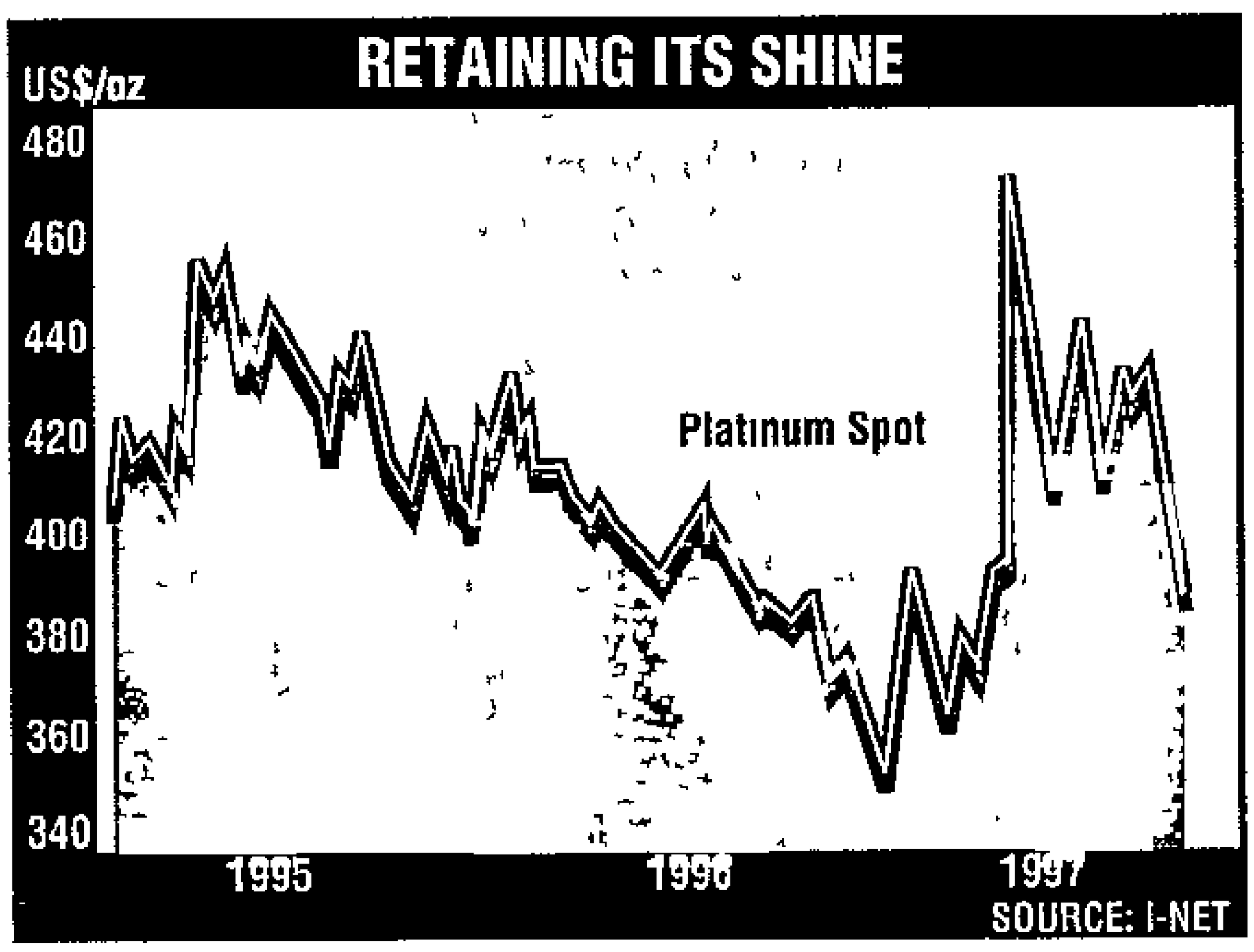
SA mines set to make a killing as southeast Asian woes fail to dampen demand

FM 21/11/97

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 R1,5bn 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 firmest 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 1,22m 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 5,6m 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

NEWS

Legal obstacles face Kruger slurry pipeline

Maputo project knocked again

CT (BR) 27/11/97 (218)

NCABA HLOPHE

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 Moolmans 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 Liz van der Walt, Moolmans' 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 Kaapmuiden 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.

Mozambican beer production booming

(218) BD 27/11/97

Fernando Lima

MAPUTO — Beer production has expanded at a cracking pace in Mozambique with the latest move being the launch of a $25m beer 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 this is the first factory to produce alcoholic 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 expecting to contribute $24m in tax this year.

Formed two years ago under Mozambique's privatisation programme, the company acquired production facilities in Beira and Maputo. The two factories, which had been producing 176 000 hectolitres of beer a year before they were privatised, 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 privatisation. 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

CT 27/11/97 (218)

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

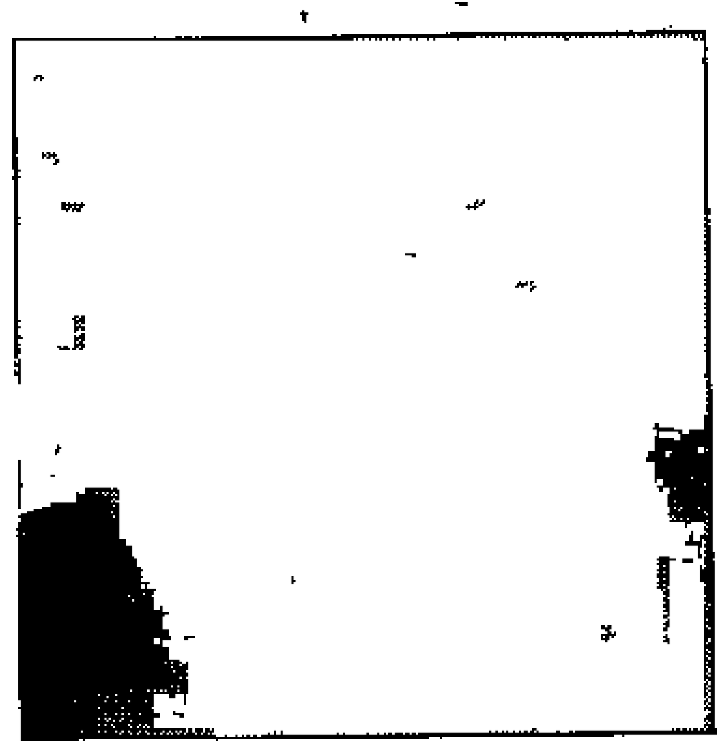
An early champion of African nationalism, he wrested his small southern country from the British empire in 1964 Then for decades he was the only black African ruler to have full diplomatic relations with apartheid South Africa

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 want my people 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

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 agitator and was jailed for a year

In 1963, 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-AFP

Mozambique gas search 'disappointing'

BD 28/11/97 (2189)

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 Buzi-Divinhe 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 Kachamila, to pay $500 000 for an option on Buzi-Divinhe 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 Buzi-Divinhe 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 Buzi-Divinhe under a December 1995 production-sharing agreement with the Mozambican government. Leopardus derived its interest from having acted as facilitator in the deal

One analyst who follows African gas developments for a major international institution said finding commercial reserves at Buzi-Divinhe had always been a "crap shoot" and the concept of using Buzi gas for an iron reduction plant in Beira might have been promoted as part of a scheme to dislodge Enron from Pande, the one major gas field in Mozambique to which Leopardus enjoys no rights

Enron stands to lose its rights to Pande unless it can get an iron reduction plant built in Maputo as anchor customer A rival project based on Beira might result in Enron being forced out. Leopardus has said it covets rights to Pande.

Leopardus said exploration would continue in Buzi-Divinhe, but it was also pursuing other projects in Mozambique, "which include another onshore block containing an existing gas field as well as two offshore blocks"

The company is in partnership with US oil major Atlantic Richfield and Sasol to develop the Sofala and M-10 offshore concessions and Temane onshore The arrangement is similar to the one that it has with Scimitar

New Mozambican law to reintroduce conscription

(218)

BD 28/11/97

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 nonpartisan, 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 Vieira 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 presidential elections.

Some Mozambican political analysts have predicted in the press that conscription could become an election issue and may cost Frelimo many votes — Reuter.

MOZAMBIQUE

FM 21/11/97 (218)

Forward contracts locked in for Beira iron plant

JCI bullish as banking advisers Dresdner Kleinworth Bensen indicate launch of project-financing initiative

If anything gives the imprint of reality to JCI's US$504m hot briquetted 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 presold from 2001 onwards 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 KBH Metals, one of the largest independent scrap dealers 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 steels — we decided to team up with KBH And the results have been phenomenal as marketing doors opened up to our product, which will be sold as a 45% component to an HBI/scrap 'mix' to customers," 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 supply

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 price, based on low 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 Kleinworth Bensen have indicated that 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 royalties 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 $236m 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 $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 friable 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 railing it in from Zimbabwe"

While JCI plans to retain a controlling 51% share in this iron ore project, the Zimbabwe government's iron mining company, Bimco, will take up the balance of the equity With about 100 Mt of ore required over 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 $1bn thermal power station at Moatize — which 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 $250m Tete/Dondo railway line upgrading, which will allow for the export of 3,2 Mt/year coking coal — will be undertaken as a joint venture with Mozambique's CFM rail authority The line will be cleared of mines with help from the Danish government

Arnold van Huyssteen

HEALTHCARE *Apart from poverty, the disease can count on the low status of women and children to assist its advance*

Swopping Aids for schoolbooks in Mozambique

(218) CT(BR) 2/12/97

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 Ameila Zeca, their teacher, is struggling to roll a condom over a chewed corn husk 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 Zambezia province, is strug gling 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 slug 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, surface-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 Zambezia The refugees carried it back there from Malawi, which boasts one of the worst rates of HIV infection in sub-Sahara 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 robbed 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 ad vance As we crawl in our car along crumbling roads, Etelvina da Cuhna, 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

"In towns, men usually have two or three wives and in rural areas as many as six," she says "Girls marry as young as 10, often to much older men Three out of 10 girls are married before they reach the age of 12 "

Da Cuhna dispenses condoms in the villages as we tour the district The men look unimpressed 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 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 deposit 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 eat

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 " Like her they seldom use condoms because most of their clients refuse

The pieces 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 them beaten Morrumbala has just witnessed an outbreak of bubonic 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 beneath 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

BD 4/12/97 (218)

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

Cashews, prawns, spectacular beaches and the promise of things to come are helping Mozambique steer itself to stability and peace

Free market democracy on a war-crippled scrapheap

4/12/97 (218) CT (BR)

Mort Rosenblum

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 flavoured capital, bankers in suits weave between construction crews on Mao Tse-tung and Ho Chi Minh streets At night, neon bounces gaily off flaking pastel walls

– On rich rural land that for years produced only famine, farmers are harvesting again Spectacular deserted 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-hope African basket case can turn itself around

And if Mozambique can save itself with only prawns 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 Aldo Ajello, 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 ideologist in the old socialist state and now a film-maker with nothing against amassing money, explained it simply Mozambicans, sick of war, want a working society

"We'll make it," he said "We've had three good rainfalls We have demonstrated that we can get along and build together There is no turning back"

With Cambodia in turmoil again, Mozambique is the UN's success story of choice Peacemakers stayed until 1994 and dragged the two foes into fair elections

The World Bank prescribed bitter 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

"Eeeeeeeee," shrieked Anita Manjate, but the sound was lost in the din A vegetable market vendor, she gyrated in samba steps and chanted "Mo-zam-bique! Mo-zam-bique!"

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, a once-lovely city that is coming back from ruin, and up along the country's 2 500km of tropical-paradise coastline

Export earnings increased by 30 percent to $225 million 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 $3 billion to $5 billion in investment Enron is among American companies eager to exploit natural gas deposits

... prosperity of Marxist dreams

Maputo offers hot jazz clubs, posh hotels, restaurants with Paris prices, banks with automatic tellers and a jewel of a wrought-iron colonial railway station

In a converted theatre now labelled Assembly of the Republic, two parties that waged war for 15 years now fight with only insults

Frelimo, which removed Marxism from the statutes in 1989, holds 56 percent of the seats Renamo has the rest Elections soon will decide who runs local governments

"It is amazing to watch," said Ajello, now with the European Union He suggested Mozambique proves that other nations divided by war could shift to peaceful prosperity

"Something is happening in Africa, a renaissance of African competence and ownership," he said, insisting that war in a few places did not disprove him "Nothing important happens without contradiction"

There is contradiction in Mozambique

Despite efforts to cut red tape, it still takes 145 steps to start a business Corporations might wait six months and lay out $50 000 for permission to open an office in Maputo

Potential investors often must pay bribes for favours, and crime is also a problem Carjackings and muggings are common in Maputo, if less prevalent than in Johannesburg or Nairobi

Pressed by aid donors, authorities have taken action against corruption and crime Customs is run by Crown Agents, a private British company, which has increased receipts sharply

Many importers now find it cheaper to pay duty than buy from smugglers

If Mozambique is unlikely to eliminate bribery, many economists predict it will diminish when civil servants start to earn a living wage — Sapa-AP

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 236 000 hectares of land in southern Mozambique and plans to develop infrastructure and tourism facilities while re-stocking a game park in the region and boosting community services. (218) CT(BR) 8/12/97

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

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Blanchard Sodetur to invest $20,7 million

Mozambique scores boost to development

CT(BR) 8/12/97 (218)

STAFF WRITER

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"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 500ha on Inhaca 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 ecotourism 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 Futi Channel

Geach said the company was working with the World Bank, Ubombo 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

(218)

BD 29/12/97

Simon Barber
and Fernando Lima

US ENERGY group Enron and SA's Industrial Development Corporation (IDC) have given the Mozambican government a blueprint for the construction of a $2bn integrated iron and steel plant in Maputo.

In a presentation to Mozambican officials, Enron and the IDC said they had identified funding sources, including "export credit agencies, multilateral agencies and commercial markets", and listed several "interested equity investors", among them Swiss-based steel trading firm Duferco and Japan's 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 $750m 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 haematite shipped from Sishen on SA's west coast, and magnetite piped 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 Sofala 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 oust Enron from the Pande concession in favour of others, including Sasol. Mozambican Internal Resources Minister John Kachamila 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

BD 30/12/97 (218)

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 decisions by holidaymakers 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 Jamieson said

Jamieson 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."

Jamieson 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 had always been prevented by minimum night temperatures in high altitudes, but that is now changing," he said

Jamieson 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.

Sapa-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

See Page 6

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, Tiago Wandschneider.

Last year, the only two mills functioning in the country produced 25 228 tons, a decline on the 1996 figure of 29 288 tons.

BD 19/1/98

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 16 937 tons produced last year.

The only other operational mill is at Xinavane in Maputo province, in the south of the country. It produced 8 292 tons last year. (218)

Much of Mozambique's sugar is exported but, in theory, the Mozambican market ought to absorb all the Mafambisse and Xinavane 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 $385 a ton. A surtax will have to be paid on sugar imported at a lower price. — Reuter

Decision on Mozambique due

(218) BD 21/1/98

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 Oxfam 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. — Sapa-IPS.

Email: fmproperty@tml.co.za

MOZAMBIQUE

fm 6/3/98 (218)

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 Matutine

But Howard Geach CEO of US-registered Blanchard Mozambique Enterprises (BME) admits that the company will not fulfil 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

According to the project authorisation 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 its 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 Sodeteur Tourism Development (Sodeteur) 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 Sodeteur, 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

SA property experts comment that the deal is highly inequitable' for Mozambique The developer/middleman role played by Blanchard, one says should warrant only a commission fee of between 5% and 7% as the risks will be taken by the investors and communities

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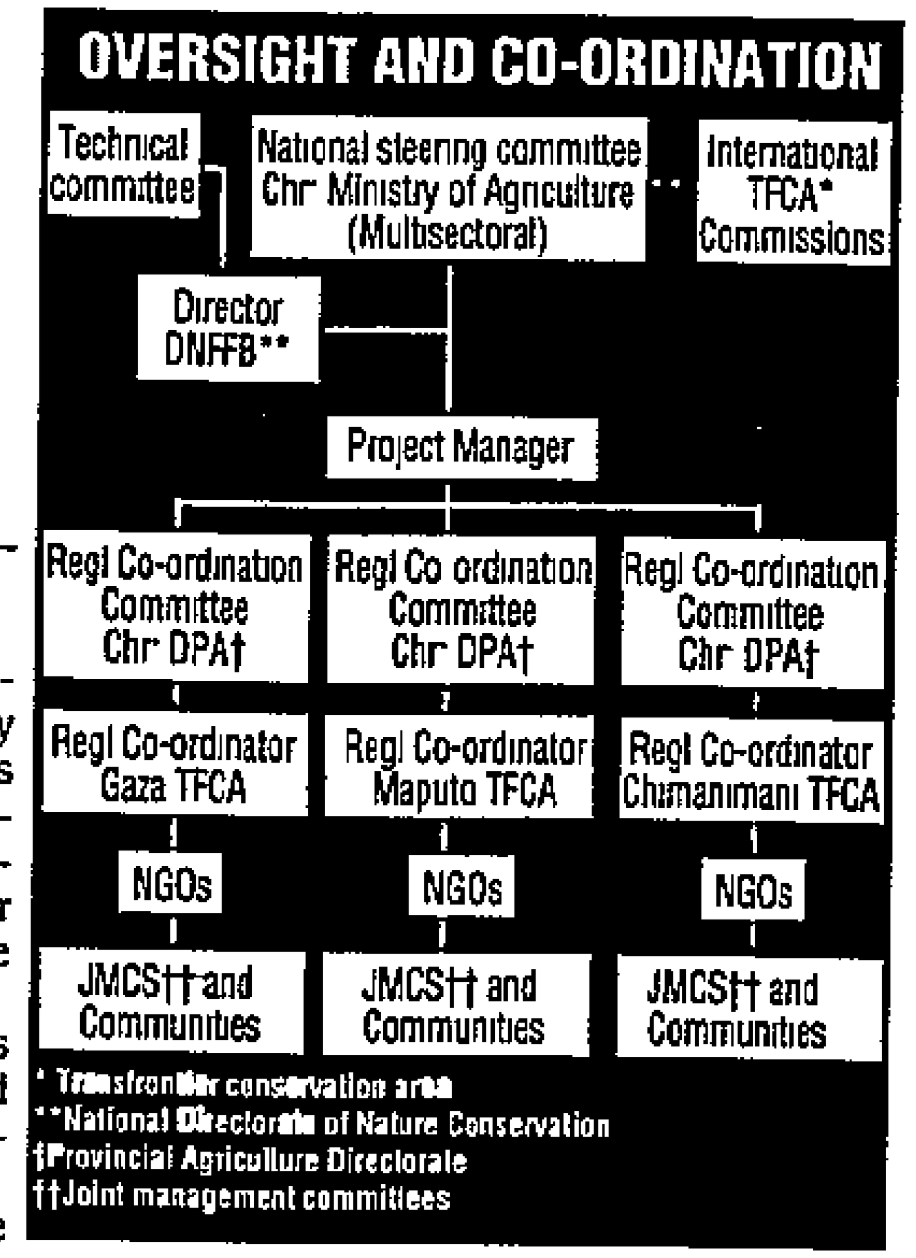

"Further," he comments, '$20 7m would not even cover planning and physical layout costs or architects fees for the three large, high-density development areas and 27 medium-density scuba diving and game lodge development sites envisaged "

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 authorisation 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 Abril and Ponta Madejanine
- 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 facilities

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 Zitundo "

He admits that investor interest has shifted from the original target projects to other areas in the south near SA and Ponta d'Ouro where infrastructure is available

There are other hitches in the negotiations BME premises its majority share in the company not only on its investment but also on its joint management role (see diagram) of the concession area with the Directorate for Nature Conservation (DNFFB)

The DNFFB is keen to receive funding from BME but would prefer to run the envisaged structures itself BME submitted a draft proposal last March In December the DNFFB handed BME a counter-proposal

In addition, the World Bank is "delimiting" (prescribing) the land-use rights of communities in the concession area Blanchard estimates there are 10 000 people there but no-one knows for sure

Mozambique's 1997 land law grants usage rights to people who have occupied land for 10 years The map and concession will enable Sodeteur to claim its rights granted under the old law

SCOPE OF THE PROJECT

Component	Area hectares
Inhaca Island	400
Santa Maria - Machangulo Peninsula	16 000
Maputo Elephant Reserve	70 000
Zone South of Elephant Reserve	150 000
TOTAL	236 400
Maputo City	1 2065*

*The exact location and size remains to be determined in negotiation with the City of Maputo

Will this mean communities can be shifted out of game reserve areas to so-called "peripheral developable areas"? Geach says he has no mandate to move them but if by "their sole agreement" a higher value can be realised by their movement, it would be in their economic interest

Given the attention now being paid to community claims by the World Bank the time seems ripe for the State to pave the way towards freehold through the Blanchard concession in high- and medium-density areas

Introducing freehold could bring the investors both Mozambique and Blanchard are seeking For investors in holiday homes hotels or lodges who can now only acquire a land use right for about 20 years, freehold would be far more attractive Both they and communities could then build on solid foundations

Alison Goldberg

FM 6/3/98 (218)

MOZAMBIQUE

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OVERSIGHT AND CO-ORDINATION

Technical committee

National steering committee
Chr Ministry of Agriculture
(Multisectoral)

International TFCA* Commissions

Director DNFFB**

Project Manager

Regl Co-ordination Committee Chr: DPA†	Regl Co-ordination Committee Chr DPA†	Regl Co-ordination Committee Chr DPA†
Regl Co-ordinator Gaza TFCA	Regl Co-ordinator Maputo TFCA	Regl Co-ordinator Chimanimani TFCA
NGOs	NGOs	NGOs
JMCS†† and Communities	JMCS†† and Communities	JMCS†† and Communities

**National Directorate of Nature Co...
†Provincial Agriculture...
††Joint manag...

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SA producers revive Mozambique's war-hit sugar industry

(2/18)

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.

Illovo 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 Xinavane mill, 120km northwest of Maputo Tongaat holds a 49% stake

BD 10/3/98

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 Xinavane 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 fledgling 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

(216) FM13/3/98

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) system to becoming again a pure monopoly marketing a unique product that no other producer can deliver — a De Beers diamond," 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 — which will be a few microns deep — will be visible only through a powerful microscope De Beers is developing and patenting both the 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 Picton 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 irks the group that the benefits of this expenditure 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 $4bn 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 10 m underground and a small, hand-held 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 R1m 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-ravaged 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

Claire Bisseker

'Cooperation with Mozambique fine'

Sowetan 18/3/98

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 gunrunning, a presidential aide said yesterday.

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Mandela was briefed at his Johannesburg home by Safety and Security Minister Mr Sydney Mufamadi, 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 crimes and arms smuggling will, despite the McBride incident, continue to be implemented," spokesman Mr Parks Mankahlana 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, Mankahlana 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*

DEVELOPMENT *Corridor will measure regional co-operation*

CT (PR) 20/3/98

Lubombo project is 'test case'

(218) 227

NCABA HLOPHE

Johannesburg — The Lubombo corridor would serve as a test case for regional co-operation and draw massive investment to unlock tourism and agricultural potential in Mozambique, South Africa and Swaziland, the trilateral ministerial committee that drives the project said this week

The corridor initiative will be launched in May to coincide with a tourism indaba in Durban

Anchor developmental nodes surrounding the corridor project will include the Greater St Lucia Wetland Park in northern Kwazulu Natal, which is expected to attract about R600 million worth of investment and create more than 2 000 jobs

The park, earmarked as a possible World Heritage Site, would feature in a package comprising game reserves and coastal lakes such as Sibayi and Kosi Bay, as well as beaches along the Indian ocean coast.

The South African government has invested more than R180 million in the construction of a 156km road between Hluhluwe in South Africa and Ponta do Oura in Mozambique as an infrastructural boost to the expected 78 tourism projects in the area.

More than 75 000 people living within 5km of the road will have access to social services such as schools and clinics.

The Mozambican government has granted a 50-year concession to Blanchard Mozambique Enterprises, which will invest more than R100 million in developing a 236 400 hectare tourism facility on the country's southeastern shores.

The Lubombo project is one of four major spatial development initiatives in South Africa The flagship of the undertaking is the R35 billion Maputo Development corridor, which will boost the economic potential of neglected development nodes.

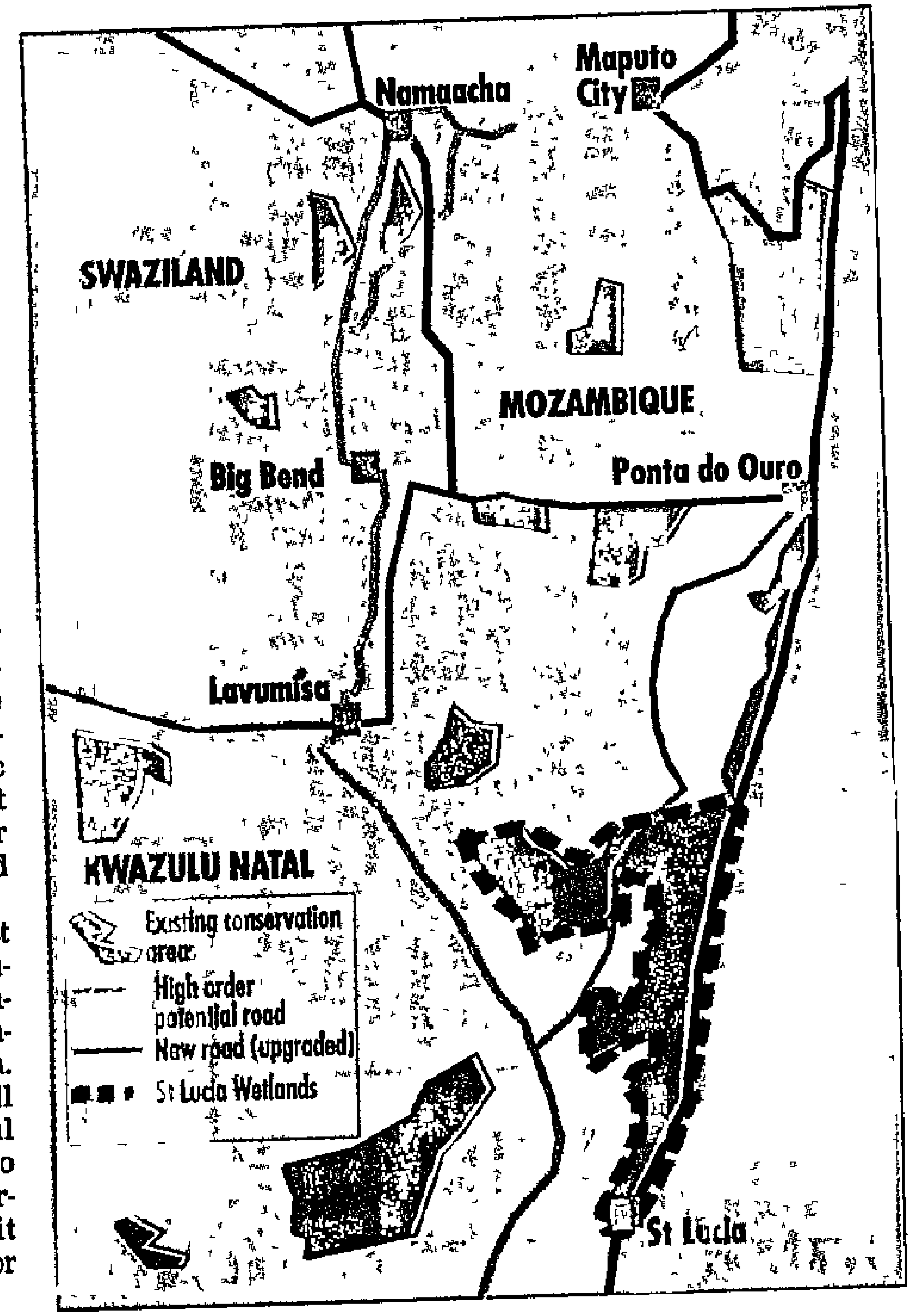
The three other initiatives are the Fish River and Wild Coast in the Eastern Cape and the Western Coast Investment Initiative in the Western Cape.

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 co-operation 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

(2/18) POD 20|3|98

SA NATIONAL Parks has refused permission for a R750m pipeline through Kruger National Park to feed ore slurry 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 Palabora 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 Tisha 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

(218)

Three-way pact signed for gas exploration

07 (BR) 20/3/98

Three top inter[illegible]

[illegible] concerned had signed an [illegible] the [illegible]

[illegible] oil in the region [illegible] leading exploration [illegible] British [illegible]

Ponta do Ouro leads a tourism revival in war-torn Mozambique

ET (PTR) 24/7/98 (218)

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 Nambale, 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 3,5 percent a year between 1981 and 1986

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 rural population and the large number of landmines in rural areas hinder the growth of the farming sector 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 Lubombo 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 seas teeming with 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 this 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 telephone 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 rands and most of the beers available are South African brands, some sourced legally, the rest leaked in through porous borders

The war destroyed much of the 116km roadway linking the area to Maputo Work on tarring the road should have started, but the state was forced to reassign 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 30/3/98

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 "

"Barely 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 300 000 – by 2% to 3%

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 export orientation.
- Increasing competitiveness.
- A strong and diversified tourism 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 6% and 8% of the economy.

However, the industry was fragmented and there was no coherent strategy for its development, Dr Wesso said.

Mozambique business slams SA on foreigner stance

ARG 30/3/98 (218)

Maputo – Mozambican organised business publicly criticised South Africa's treatment of foreign nationals yesterday, African Eye News Service reports

Voicing 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

SA farmers planting in Mozambique

(236) 07(BR) 31/3/98 (170) (218)

JOSE TEMBE

Maputo — Aires Aly, the governor of Mozambique's northern province of Niassa, said yesterday more than 450 peasants were now working with South African farmers in the districts of Majune and Sanga, under the Mosagrius 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 Niassa 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 Mosagrius 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 250 local peasants working with the South Africans in Majune and a further 200 in Sanga "They have never complained about anything," he said There are now 16 South Africans farming in Niassa

Aly said the Mosagrius 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 Niassa province. — Independent Foreign Service

South African bank wants a stake

Investment (218) firm a first for Mozambique

CT (MR) 2/4/98

IAIN CHRISTIE

Maputo — The British-based Commonwealth Development Corporation (CDC) said 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 of Lisbon, have had the co-operation 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 organisation so far and we will invest alongside other industrialists, 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

BD 2/4/98 (218)

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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 "

A company document says the CDC and Banco Mello are committed to putting $5m each into the fund, but Vaughan said the initial investment could be higher

"We are raising $15m, only from foreign banks and finance organisation 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 $250 000 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 " — Reuter

JCI/MOZAMBIQUE (218)

Projects still on track

fm 3/4/98

Venture capital to the rescue

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 Nairn and before the arrival of Mzi Khumalo and partner Brett Kebble, moved swiftly into Mozambique at the end of the civil war to snap up the HBI and Moatize projects

Kebble, 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 Wanblad keeps that position at JCI Gold while the JCI Projects Division has been revamped to be run by Lester Napier Reporting to him are Eugene van der Merwe responsible for the capital projects and technology division and Hugh Brown heading the venture capital fund

Hugh Brown *heads venture capital*

Brown and Wanblad 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 Rinaldi Turner steel analyst George Grohmann says "Based on the figures supplied by JCI, the plant should contribute about R155m/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 Zarara Oil and Gas (5%)

The three partners last week signed a joint agreement with Mozambique oil company ENH to start a $60m exploration programme on the off-shore 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 Ingwe as a possible equity partner In the Eighties Ingwe held the rights to Moatize along with giant Brazilian mining corporation CVRD but the two partners let their rights drop during the civil war

Ingwe 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 under way 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

Arnold van Huyssteen

Maputo wins R14,5-bn (218) IMF debt relief deal

APG 8/4/98

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 reform

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

BD 9/4/98

(218)

Simon Barber

WASHINGTON — Mozambique is to receive unprecedented debt relief next year.

The package worked out by the International Monetary Fund, the World Bank and Maputo's foreign creditors is more generous, and will be delivered more quickly, than any deal originally foreseen under the initiative for highly indebted poor countries

In June next year Mozambique's external debt in net present value terms would be slashed to $1,1bn from $5,6bn in late 1996, the IMF said. Net present value is the sum of all future debt service obligations, both interest and principal, discounted at current market interest rates

This relief, provided under the initiative, directly by the Russian Federation and through other more traditional mechanisms, will reduce Mozambique's foreign debt service obligations to less than 20% of export earnings, while cutting its overall stock of debt in net present value terms to 200% of exports, compared to 466% without the initiative

"The case of Mozambique is special in that the international community has had to make an exceptional effort beyond that initially envisaged by the initiative," the IMF said. "In response to Mozambique's efforts to address the complex problems of a post-conflict society, the international community has responded with special efforts of its own"

Assistance to be provided under the programme in June 1999 will immediately cut the net present value of Mozambique's external debt by $1,4bn, representing 70% of the country's 1997 gross domestic product and translating into debt service relief worth $3bn over time.

The Russian Federation, Mozambique's largest single foreign creditor, has agreed to forgive principal and service of $2bn at current market rates

Members of the Paris Club of official foreign creditors and others have also agreed to reschedule so-called Naples terms worth $1,5bn, in addition to their commitments to the programme.

The World Bank expects that the portion of Maputo's total revenues eaten up by debt service should fall from about 40% to 14% by 2005 and 10% by 2010

The IMF and World Bank portrayed the accelerated baleout as a reward for Mozambique's economic reform record They noted in a joint statement that the government had reduced inflation from 70% in 1994 to only 6% last year, and had launched "one of the most successful privatisation programmes in Africa", placing more than 900 of 1 200 public enterprises in public hands including the entire banking sector

"In the social sectors, Mozambique has ambitious integrated expenditure programmes in health and education through which the government hopes to raise the country's social indicators towards levels at least comparable to that of the average of sub-Saharan African countries by the turn of the century."

Mozambican Finance Minister Tomaz Salomao said: "It would have been our desire to receive total debt forgiveness, 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."

World Bank director for Mozambique Phyllis Pomerantz said. "In a fundamental way, the initiative is not about the debts of the past but (about) our collective hope for Mozambique's future."

Spelling relief for Rulani's refugees

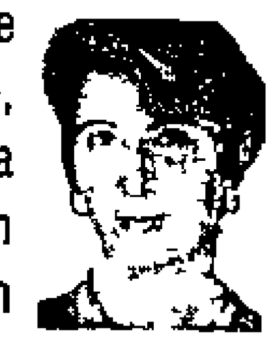
ARG 14/4/98 (218)

Three Irish nuns bring hope to 1 000 Mozambican families

CAROL CAMPBELL

Desperate lives. children from the Rulani camp wait in the shade for school to begin

SPECIALREPORT



Displaced people from Mozambique, who still live in a "refugee" camp in the Northern Province, say they will starve if they are forced to return home. Instead, they want South African citizenship and the chance to compete for jobs, homes and a better life Special Writer **CAROL CAMPBELL** investigated

Maria is a child without a past.

Nobody at the Rulani "refugee" camp for Mozambicans, located in the Northern Province, seems to know when the little girl arrived in South Africa, which village she came from, or when her mother died

And if it wasn't for Sister Goretti Lynch, the Catholic nun who runs the school at Rulani, Maria would not have a future either

Sister Goretti found the little girl wandering around the camp while the other refugee children were all hard at work in the mission school

"I wanted to know why she wasn't in class, but I battled to get a straight answer about her family

"The adults who knew her said her parents were dead and there was no-one who could pay for her to come to school.

"The situation couldn't continue so I let her come to school free "

The child, who is about seven years old, stays with an old lady she calls "grandmother" and a few other children

Every afternoon the old lady puts a bowl of mielie pap and a bowl of spinach on the floor outside the mud hut where they live, for the children to eat

Maria and the others dive at the food, shoving it quickly into their mouths In minutes it is gone

There are over a 1 000 families living in the Rulani camp, which was established 17 years ago at the height of the Mozambican war

Although Mozambicans lost their refugee status in South Africa in December 1996 – when the United Nations decided it was safe for them to go home – the people at Rulani were given special permission to stay because they had lived in the country for so long.

Most of the families in the camp are in the process of applying for South African citizenship and some already have their papers

The camp is on Venda tribal land and the people stay because the local chief feels sorry for them and has not chased them away

Hennie Meyer, a spokesman for the Department of Home Affairs, said 250 000 Mozambican refugees entered South Africa during the civil war

In recent years many have been forcibly returned home

"Currently, South Africa has 39 878 refugees and asylum seekers from around the world," he says.

Although the flow of Mozambicans running to South Africa to escape war has stopped, Mr Meyer says there are no figures on the number of illegal immigrants finding their way across the border in search of a better life.

Eric Maluleke, who came from Mapai 17 years ago, walked through the Kruger National Park with his wife and three children to escape the fighting at home.

"I remember my feet were very sore and I was so afraid of lions," he says "Some of the people we were with died in the park "

Now Mr Maluleke ekes out a living as a plasterer, but he has built a house and has some material possessions.

He laughs and shrugs when asked why he doesn't take his family back to Mozambique now that the fighting is over

"We can't go back – what can we do in Mozambique to feed our children?

"This is our home now," he says

The South African government provides the refugees at Rulani with water from communal taps The older children can go to a government school, but they have to cross a major highway to get there.

Innocent: Maria sings for visitors outside the Rulani mission school

Leading the way Eric Maluleke from Mapai teaches his son Bishop, 6, to read Portuguese

There are no refuse removal, toilet facilities or electricity The community's health care and primary school education needs are taken care of by three Holy Rosary nuns from Malamulele

The nuns, who are all Irish, are given no money by the South African government and do their own fundraising – mostly begging from their families

"We really need toilets because there is not enough space here for the current situation to be hygienic," says Sister Goretti.

School fees at Rulani mission school are R5 a month. Sister Goretti uses the money to make her own readers and exercise books because she can't afford to buy real books

One day she would also like to build a store room where she can keep the children's books and pencils

She gently chastises Maria for playing with a piece of blue chalk taken from the classroom "We don't have much of that," she says, taking the stump from the child's hands

Despite the language barrier – the refugees speak only Tsonga and Portuguese – she is successfully teaching the children to read and write

She puts a firm hand on Maria's neck and the girl looks round and gives her a wide smile.

"This child is bright – she should also have the chance to reach her full potential

"If we don't help her who will?"

Two million unmapped landmines stifle Mozambique's recovery

BLACKMAN NGORO
STAFF REPORTER

Mozambique's estimated two million unmapped landmines, planted during the country's long years of civil war, are restricting agricultural and rural development in a region where there is desperate need for both

The hidden danger that lurks in the Mozambican bush, right up to the fringes of the country's urban areas, has affected the pace at which the lives of hundreds of thousands of Mozambicans are returning to normal.

On average one Mozambican steps on a landmine ever day and is either blown to smithereens or loses limbs

The danger makes activities such as farming, fishing and hunting very dangerous occupations

Alberto Francisco Manhique is the president of the Mozambique Campaign to Ban Landmines

Mr Manhique says his organisation is battling to give survivors of landmine blasts a new lease on life

The campaign is supported by the Organisation of African Unity, which helps focus the world's attention on the victims of landmines

There are over 8000 landmine victims in Mozambique.

Many of them have been rendered economically helpless They cannot participate in the local economy because they are unable to collect water or fend for themselves, and must be looked after by relatives.

'We are talking about social integration, material assistance, training the victims, and giving them new skills so that they can do something with their lives, ' he says

"We use theatre to create awareness of the effects of landmines, and to make the people more careful in their environments.

"A lot of areas in Mozambique are still closed."

Demining work, he says, started first in Moamba – at the southern tip of Mozambique – because of the area's agricultural potential.

But the cost of removing land mines means other areas will remain unsafe for many years to come

It has been reported that South Africa is considering switching its electric border fence to lethal mode, in an attempt to stem the flood of illegal immigrants from Mozambique

But this may not be necessary, as the landmines planted along the border on the Mozambican side seem to be taking care of illegal entry into South Africa.

The tale of 22-year-old Filipe Pedro Sitoi is a case in point.

Originally from Gaza province, his address is now a bed in Maputo Central Hospital. His left leg has been amputated at the knee

He stepped on a mine two months ago near Ressano Garcia, where he and two friends intended jumping the border into South Africa.

"I just felt being lifted and thrown backwards and then there was darkness after a huge explosion," he said.

His two companions were luckier and escaped without injury

South Dunes terminal safe from 'rivals'

(218) BD 14/4/98

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 Debolo terminal to be sited at Ponto, 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 300 000 tons.

It is reasoned that SA cargo would use the Maputo Corridor train link to Salamanga, just outside Maputo. A 20km stretch of rail link will need to be built connecting to the terminal

This project coincides 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

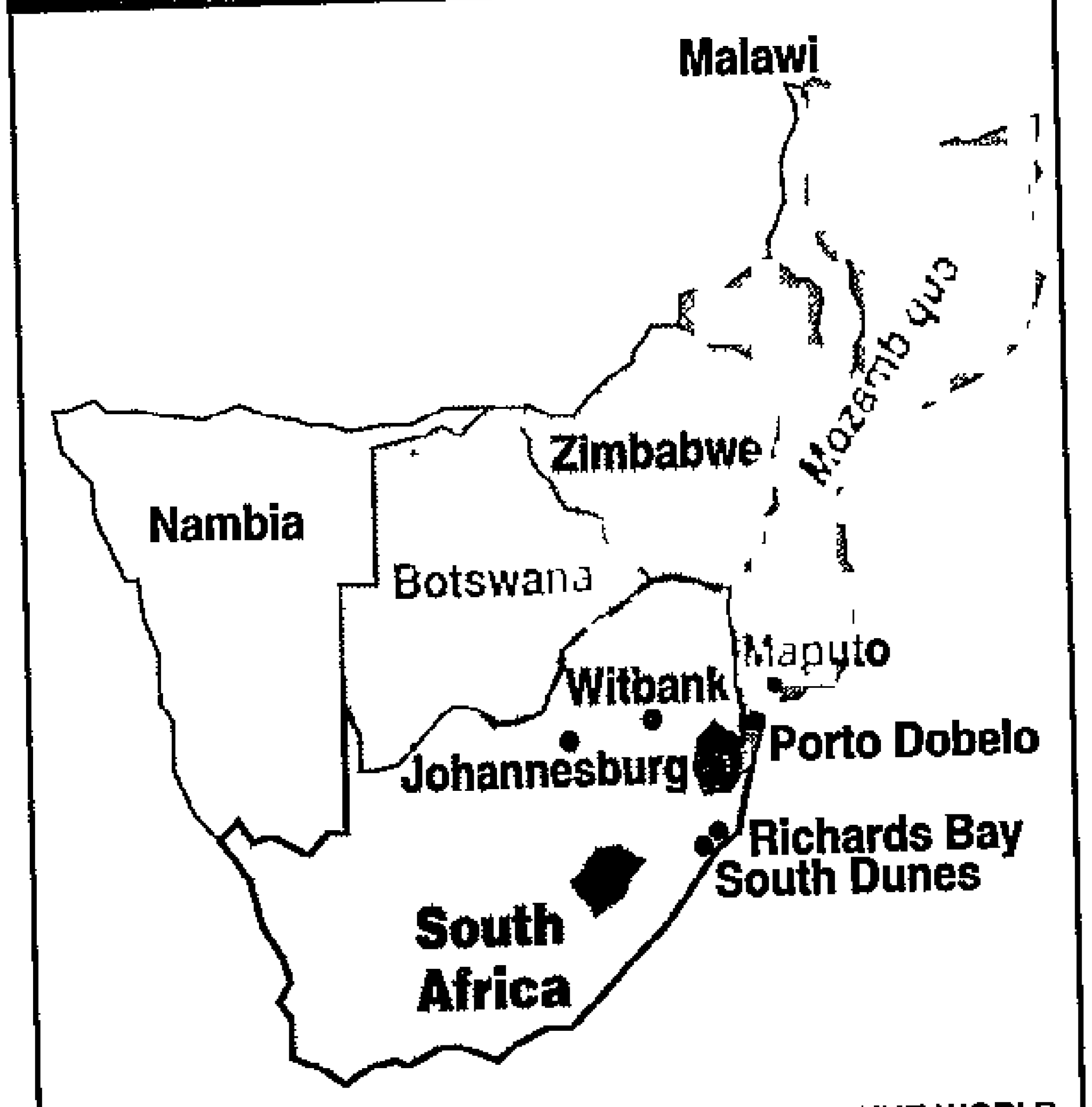
Another analyst said it took time to plan, finance and build coal terminals, while the South Dunes terminal was ready for construction

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 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.



Graphic KUBEN DAVID Source COLLINS ATLAS OF THE WORLD

Peasants drive Mozambican cotton boom

(218) BD 14/4/98

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 1995/96 agricultural season the country produced 50 000 tons, and 53 000 tons during 1994/95.

Besides, cotton, Mozambique also exports seafood timber, cashew nuts, hydroelectric 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 1985, 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 Zumbo, Chifunde and Maravia, 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, Sir 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, Agritex and Agricot — agro-textile enterprises — should start their activities in Mocuba, in Mocambique'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'

(218)

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 figure 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.

BD 15/4/98

Parties boycott Mozambique poll

BD 17/4/98 (218)

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, Alfonso 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

Killers who respect no ceasefire

(218)

Sowetan 27/4/98

By Ish Mafundikwa

TETE MOZAMBIQUE – More than five years after the cessation of hostilities in the Mozambican civil war, death still lurks in the countryside and on some roads in the form of anti-personnel and anti-vehicle landmines

Some call landmines "the silent soldiers" but unlike their human counterparts, landmines do not respect ceasefires

Prior to the signing of the October 1993 peace accord between the government and the Mozambique National Resistance Movement (Renamo), the Southern African country had known only war for 30 years

According to Filipe Muzima, deputy programme manager for Norwegian People's Aid (NPA), "the major problem is that there is hardly any information on most of the minefields as most of the people who laid them are no longer in the country" NPA is involved in Mozambique's de-mining exercise.

Fighting started in 1964 when Frelimo, now the ruling party, launched its war of liberation against the Portuguese Besides the two protagonists, Tanzanian troops also joined the fray on Frelimo's side

Then when Mozambique provided bases for Zimbabwean guerrillas, Rhodesian forces made incursions into the country

The South Africans also invaded Mozambique in pursuit of African National Congress (ANC) fighters All these groups contributed to the landmine problem facing the country today

Muzima says that there are just too many minefields for Frelimo and Renamo fighters to remember exactly where they were laid

NPA has been involved in the de-mining exercise since 1993 When the exercise started, Mozambique's roads, especially the major ones, were given priority, and former fighters from both sides of the conflict were recruited

"It was difficult in the beginning, but the *rapprochement* was such that before too long the ex-fighters were exchanging anecdotes of their wartime experiences," Muzima says Villagers who had information on the minefields were also suspicious of the de-miners in the beginning

Rural development

NPA uses the Integrated De-Mining Programme approach which, although it has the clearance of mines as its core activity, also looks at rural development

"We get the communities to identify their priorities, be they water, roads or sanitation, and then provide them with the materials," says Muzima

The organisation advocates a participatory approach which views villagers as owners of their own development "We see ourselves as facilitators of the development process, rather than people with all the answers," Muzima explains

Mines were initially located with metal detectors, but in September 1994 eight dogs were brought in from Europe These were deployed in the field in 1995 At the moment, the organisation has 25 mine-detection dogs and is aiming at a total of 30

Although metal detectors are still used, the dogs have been helpful in road clearance and quality control once an area has been cleared of mines The dogs also have the advantage of identifying mines only, as opposed to metal detectors which react to all metal

Women have also excelled in the de-mining exercise The first women were recruited in 1994 and they now number eight One of the women is a senior supervisor of one of the four groups of 110 people involved in the de-mining programme

"Women are very confident, (and) it seems they are more patient and meticulous than the men," says Muzima. None of the women have been involved in accidents since becoming involved in the exercise

Men, he adds, sometimes "take shortcuts", which resulted in seven accidents in which six de-miners died

Mozambique's 10 provinces have been divided into different de-mining zones by the government's Demining National Commission NPA operates in the central provinces of Tete, Manica and Sofala

De-mining has not only attracted humanitarian organisations, commercial de-miners are also cashing in One such company is Mechem a South African weapons manufacturer, which is now taking part in de-mining

A long haul

Between August 31 1993 (when NPA deployed its first de-mining team) and October 9 1997, it has cleared 160 kilometres of roads and six million square metres of land

Eleven-thousand anti-personnel mines, 20 anti-tank mines, 300 unexploded ordinances, and 73 000 small-arms ammunition have been destroyed

But, given the estimated three million anti-personnel mines in the country, the de-miners are in for a long haul

Besides the danger they pose to innocent civilians, de-mining ties up funds and resources that could be better used for development It can cost as much as R150 to manufacture most anti-personnel mines, while the average cost of clearing a single mine can be up to 50 times as much

And according to a 1997 Red Cross/Red Crescent report, a 10-year old amputee will need approximately 15 artificial limbs during his or her lifetime at an average of R625 per prosthesis

This, for a poor country like Mozambique, which has one amputee per 2 414 of its population of 16 million, translates into a lot of money

Though it has been estimated that it will take 50 years to clear Mozambique of the landmines menace, there has been a dramatic fall in the number of landmine accidents

From a 1995 total of 350 with 125 deaths, the figure for 1997 was 69 accidents with 44 deaths – *Sapa-IPS*

Flashback ... A land mine being detonated in Mozambique recently. It is estimated that it will take 50 years to clear the country's land mines

MAIL & GUARDIAN
February 13 to 19 1998

Mozambique returns to conscription

(218)

MtG 13-19/2/98

Mercedes Sayagues

Swaziland's claims on land south of Maputo bolstered supporters of Mozambique's decision last year to reintroduce compulsory military service

Mozambique, one of the world's five poorest countries, will recruit 6 000 young men and women every year to strengthen its army.

The military service Bill was pushed through Parliament by the ruling party Frelimo. Renamo, former guerrilla force turned opposition party, angrily walked out of the assembly during the first discussion, then voted against the Bill Nine independent MPs abstained

Compulsory military service was abolished in the 1992 General Peace Agreement that ended the 16-year civil war between Frelimo and Renamo The terms of the agreement included integrating the Mozambican army with 30 000 volunteers from both warring sides

But Mozambicans were tired of war. Renamo and Frelimo soldiers chose to go home Recruiting for the 1994 elections stopped at 12 000 troops and never resumed.

Renamo says hundreds of its soldiers are eager to join the army but have been ignored "Frelimo will bring its own men to recreate the old one-party army," warns Renamo MP Manuel de Fonseca Renamo believes the Bill violates the 1992 peace accord

The long-term solution, says Renamo, is that key issues of defence and Budget be approved by a two-thirds majority in Parliament, bypassing Frelimo's majority

Raul Domingos, Renamo's bench leader, argues that Mozambique's resources should go to urgent priorities like health, education, and the reconstruction of roads and railways.

"How much will it cost to feed, clothe, lodge, transport and train recruits?" he asks "And why? What threat do we see when the region is in peace?"

Renamo wants a small, professional, well-trained, mobile army of between 12 000 to 18 000 soldiers "If career and work conditions were better, we would have enough volunteers," points out Fonseca. "Their main job should be to fight drug trafficking and illegal fishing "

Most citizens in Maputo did not seem to know about the law A vendor said he would rather flee to South Africa than join the army Women said their role was not to be soldiers An unemployed youth said he would join voluntarily if the pay was decent

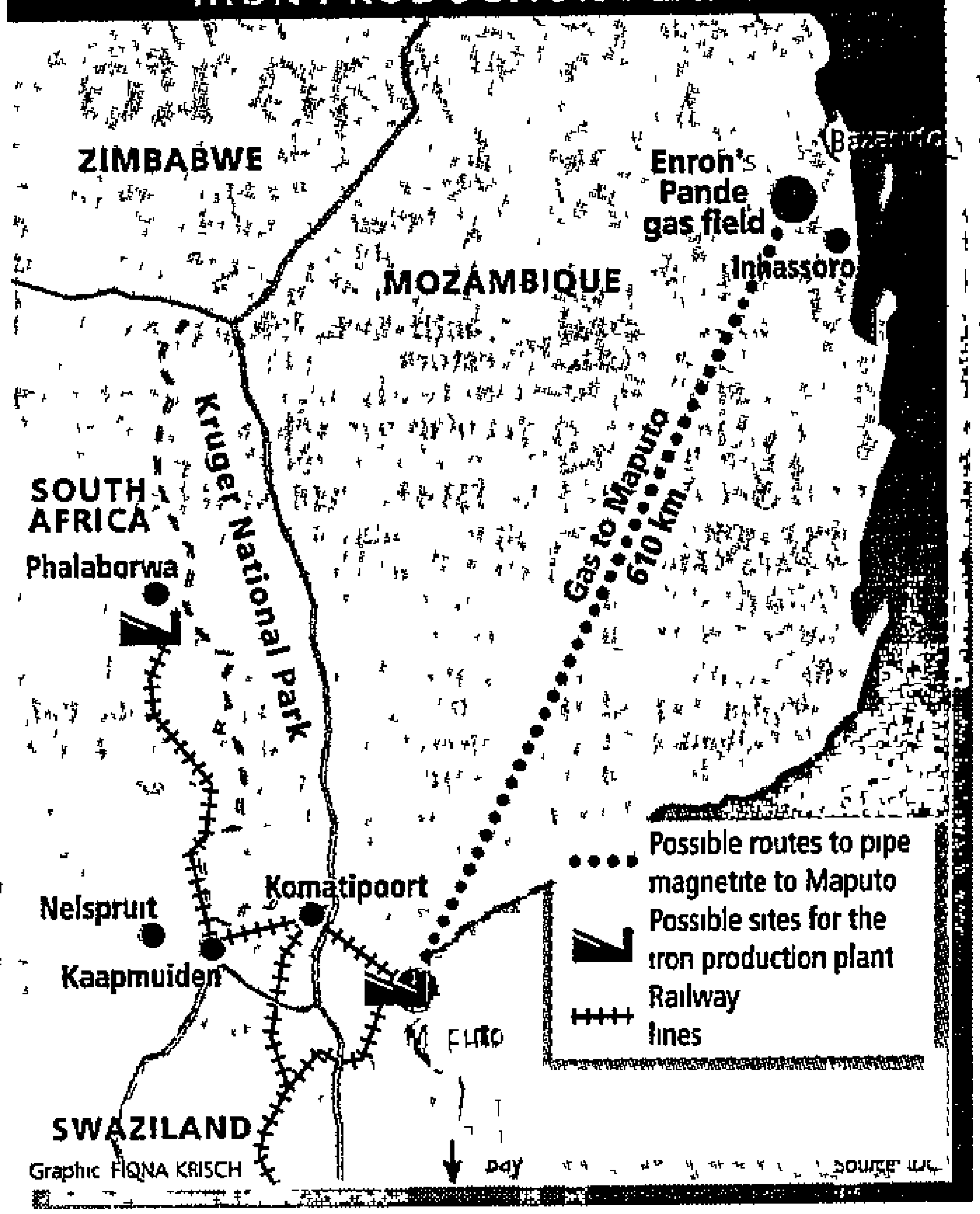
All remembered the *tira-camisa* [take shirts off] raids during the civil war, when young, mostly poor men were press-ganged into the army, sometimes staying for many years, poorly trained, ill-equipped and demoralised

Frelimo MP Edgar Cossa acknowledges past abuses but assuages fears "Regardless of race, religion and class, all recruitable youth will be registered "

However, when asked who will be exempted among the 80 000 youths who turn 18 every year, Cossa says students may pay a "delaying tax" — just like in the past

Privately, Renamo sources say army generals must be kept satisfied with war toys and boys — and hidden benefits from contracts Portugal, India and Iran are said to be keen to supply the new Mozambican army

ROUTES AND LOCATIONS FOR IRON PRODUCTION PLANT



Graphic FIONA KRISCH

Maputo project nears approval

ST (BT) 3/5/98 (218)

IRON AND STEEL

By DON ROBERTSON

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

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 Etienne Roux, who heads the impact study for this project.

The Palabora mine has reserves of 270-million tons of magnetite, which will be converted in 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 R46 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 agree 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 Palmag 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 phlogopite 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

ET (BE) 5/8/98

FROM AFP

(2/8)

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

'Mozambique growing faster than SA'

BD 8/5/98 (470) (218)

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 SA 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 entry barriers that were hampering investors in Mozambique

Mozambique also had yet to reform its tariff barriers and open its markets to neighbouring exporters, De Souza said

Calling for the urgent creation of a single, cheap multicountry 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 waiting 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'

(218)

MAPUTO — The Mozambican government said 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 Gamito 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. BD 15/5/98

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

ET (MR) 15/5/98

(218)

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-beating aluminium producer"

Billiton will be the largest shareholder in the project at 47 percent ($245 million), Japanese industrial giant Mitsubishi will hold 25 percent ($130 million), the Industrial Development Corporation 24 percent ($125 million) and the government of Mozambique 4 percent ($20 million).

It is envisaged that production will be 250 000 tons 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 $400 million

Absa, the country's largest banking group, will syndicate the debt with other local banks A further $190 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 In the six years thereafter, the power cost would be "somewhat higher, but still very attractive", said David Munro, the head of aluminium at the group

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 17c

Mozambique's not so sugary daddy

15-21/5/98 (218)

Mercedes Sayagues

Controversial American entrepreneur James Blanchard has set his sights on including parts of the famed Inhaca island in his huge Mozambican theme park, despite the fact that he has yet to deliver on his grandiose scheme

Blanchard has asked the Maputo municipal council for a 276ha concession in Ponta Torres, the south-eastern peninsula of Inhaca island This would expand his Mozambican empire to 236 000ha — the size of Mauritius — stretching from Inhaca to the South African border

But Blanchard has proved he is not the economic messiah many Mozambicans had 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 had described as being worth $800-million

Inhaca, roughly 40km² and 35km away from Maputo, is a maritime reserve It 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 his projects — does not hold water

Says Antonio Jose Reina, chair of the local branch of the Endangered Wildlife Trust "I don't see a proper team nor a programme, nothing practical in the field I feel disappointed, and a bit guilty I pushed to remove the eucalyptus plantation out of Matutuine, thinking Blanchard's project would be better for the environment Now I wonder."

The only thing done so far is a 27km-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 peasant 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 these 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

Aluminium shines up region's prospects

CT (BR) 20/5/98

(218)

Andi Spicer

Johannesburg — Billiton's Mozal aluminium smelter, which had the go-ahead last week in Mozambique, is one of the largest industrial projects in southern Africa It will increase southern Africa s dominance in the aluminium industry and boost the region's already large production capacity by more than a third

Billiton is one of the world's lowest cost producers, thanks to the success of Alusaf's Hillside smelter in South Africa, which it owns Thanks also to its unique linking of the price of electricity supplied by Eskom, the South African power utility, to the price of aluminium on the London Metal Exchange (LME)

Billiton, which was unbundled from Gencor last year, decided it should consolidate its position in the aluminium sector and that the same type of project should be repeated across the border in Mozambique

"Mozambique is well on the road to political recovery,' said Billiton "The government now needs investment in order to kickstart economic development and to ensure ongoing peace and stability"

Growth is also important in the southern African region South Africa is keen to offer low-cost finance as well as investment guarantees for South African investors in Mozambique

But Billiton argues that the most important reason for locating a smelter in Mozambique is "an opportunity to benefit from competitively priced power arising from the excess capacity available in South Africa and Mozambican hydroelectric-based power in the future"

The link with South Africa is important because electricity from its national grid will be available until at least 2007 Engineering, fabrication and manufacturing services for constructing the smelter will also be available

Cheap electricity is central to the development of the project, which is not just relying on South Africa to provide cheap energy A new hydro electric scheme with a capacity of 1 600MW and 2 400MW at Mepanda-Uncua — 70km downstream of the Cahora-Bassa dam on the Zambesi river — has been proposed as a source of power for the project

Co operating in power supply is vital to the project's success Eskom and EdM, the Mozambican power utility, have together offered to supply at least 435 MW to the Mozal smelter at an "internationally competitive price"

On the Mozambique side, the government will grant the smelter industrial free zone status during the construction and operating phases This is because the country's socioeconomic benefits will be 5 000 jobs of which 60 percent will be local in the construction and operational phases

It is estimated that the establish ment of support industries will create 2 600 more jobs as well as the 900 jobs at the smelter, 90 percent of which will be held by Mozambicans

"The project represents the largest single biggest private investment in Mozambique," said Billiton

The leading question regarding the viability of Mozal is the supply of electricity and a viable rate from Eskom

The plan has a unique power cost deal, with power provided at very low cost for the first six years and thereafter at a higher but "still very attractive" cost for the next six years After 12 years, the deal will be similar to the highly competitive arrangement at Hillside

This was the cornerstone of Alusaf's success The fundamental logic for Mozal was to repeat the Alusaf model The Mozal smelter will be a replica of the Hillside smelter, but with only one potline and a corresponding reduction in the capacity of the anode plant and casthouse facilities

Although starting from a small base, like the Hillside smelter Mozal could be expandable to the same size as Hillside

The Maputo harbour facilities must be competitive with other ports in southern Africa, although this is difficult at times

"If Maputo is to effectively compete with other ports in southern Africa, a massive improvement in the efficiency of the Maputo harbour operations is essential," Billiton said

Realising this, the Mozambican government has committed itself to privatising the management of all harbour operations including the dredging of the entrance channel

In terms of financing the project, a debt-equity ratio of 50 50 has been recommended Quasi equity has been treated as equity because it is subordinate to senior debt The interest will be deferred during periods of low prices for aluminium on the LME

The natural LME hedge will be achieved through linking the alumina and electricity prices after 2012 to the LME price "This will provide significant protection during times of low LME prices, and this results in an extremely robust project"

Billiton will inject $245 million (47 percent equity share), Mitsubishi $130 million (25 percent), the Industrial Development Corporation $125 million (24 percent), and the Mozambique government $20 million (4 percent)

Billiton is more confident in the long-term outlook for the market It said consumption per head of aluminium could increase rapidly in the emerging eastern economies such as China and India, with the result that world demand increase could be significantly higher

"After taking the expected future capacity increases into account, most market analysts conclude that, on average, one greenfield smelter of approximately 220 000 tons per annum must come on line every year in order to balance future supply and demand," Billiton said

The project will bring much-needed investment to Mozambique and aid its reintegration into the southern African economic region.

There is considerable political support for Mozal on both sides of the border South Africa is keen to develop the Maputo Corridor to link the two economies and give access to another deep-water port

Date set for opening of the R1,8bn Maputo Corridor road

(218) BD 26/5/98

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

"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 440km, 390km 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 13c/km, 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 revenues generated by the phased opening of toll plazas during construction

Investec and NIB were the joint lead arrangers and underwriters of the R1,294bn 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

M+G 29/5-4/6/98 (218)

Charlene Smith

On March 16 1984, former president PW Botha met his Mozambican counterpart, Samora Machel, at the Nkomati River to sign an accord that effectively blackmailed Mozambique

Next month, on June 6, President Nelson Mandela and Machel's successor, President Jaoquim 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 1984 agreement, Mozambique had to expel African National Congress cadres to slow the internal South African liberation struggle

It did anything but that: by September 1984,there were widespread riots in South Africa against the new tricameral Constitution. By mid 1985 the United States led international sanctions against South Africa, and the Congress of South African Trade Unions was born

The development corridor is not only a symbol of the ANC-led government recognising that it is payback time to the frontline states for their support of the struggle but it is an economic imperative

South Africa cannot expand its markets if the states around it remain among the poorest in the world It cannot control illegal migration if the citizens of those countries do not have opportunities at home

Much-needed growth: The Maputo development corridor means more business for Maputo harbour, but can the dilapidated port handle it? PHOTOGRAPH: ADIL BRADLOW

The R35-billion Maputo development corridor is the largest project of its kind in Africa.

Mpumalanga Premier Mathews Phosa says other African states are examining the model it is creating for linking centres of economic excellence with export markets Investment is arriving from around the world, and a seminar in Austria next week devoted to the project is likely to intensify that.

The project is creating interesting socio-economic spin-offs, with urban migration to Gauteng from Mpumalanga reversing as Build, Operate and Transfer schemes create opportunities for skills development, jobs and the establishment of new enterprises

Research by property consultants has shown that Nelspruit is the fastest growing industrial and commercial property market in the country Little surprise then that Mpumalanga's gross domestic product soared from R28-billion in 1993 to R40-billion last year It has jumped from being the sixth ranked province to the third richest in the country

Last year the Mpumalanga government, together with Gencor and the Development Bank of Southern Africa, drew up a list of 91 projects worth R5-billion, which will create 35 000 to 40 000 sustainable jobs

It also has implications for South Africa's busy ports and their ancillary services they will have to hone their product better as Southern African states switch to Maputo harbour, or even Walvis Bay Last month, for example, the trans-Kalahari highway — from Windhoek and Walvis Bay through Botswana to the Maputo corridor — opened.

Phosa said that the abattoir in Francistown, which processes the bulk of Botswana's export beef and now uses Cape Town harbour almost 2 000km away, was keen to switch to Maputo habour, cutting travelling times in half. Swazi sugar producers will send a test consignment through Maputo harbour, rather than Durban, later this year to test its efficacy

But can Maputo cope? The harbour is still run down and littered with wrecks. Beira and Maputo harbours share one dredger, although the Japanese have promised assistance

The Mozambican government is expected soon to award a concession for the rehabilitation of the port. The flow of goods to the harbour, at present about 100 000 tons a month, is expected to rise to 300 000 tons by the end of the year

But Mozambican developers are slow in planning ahead to deal with the growing pressures. Isolated by the ravages of colonial war, a rebel insurgency, South African destabilisation and its attachment to socialism, Mozambique has become accustomed to being poor and ignored by prosperous nations.

The roads to Komatipoort are crumbling under their massive load. To deal with this, R150-million has been set aside for a 24-hour one-stop service centre at Komatipoort, similar to border controls in the European Community, where passports and visas can be processed speedily

Heavy road use has idiosyncratic repercussions. The Malelane toll plaza is being reconsidered after the Kruger National Park complained that it would be only 3km from its fence, and would disturb wildlife.

The folk of Witbank and Middelburg complained that the new toll road for the corridor would have serious economic consequences for them as they commuted between the towns — so another link road between the two towns is being upgraded.

But there is a limit to what roads can handle Spoornet is investigating upgrading and increasing passenger and goods traffic to Mozambique, and a study is under way with Swaziland to look at reviving rail links between Mafikeng, Gauteng, Ermelo, Swaziland and Maputo.

In addition, feeder roads between Rustenburg and Pretoria, Phalaborwa and Nelspruit and the Lebombo corridor through northern KwaZulu Natal are being upgraded and feeding into what will be one of the greatest highways on the African continent — and what is now an overcrowded, crumbling road, dotted with construction equipment, hawkers' stalls and new hotels.

With electoral campaigns soon to begin in Mozambique, the government has suddenly decided

Mansions rise amid ruins of Renamo

MHG 6-11/6/98 (218)

At sunrise, Chief Nchiri in vokes the ancestors Sit ting with the chief around a sacred pakassa tree are seven men, barefoot and bare-chest ed Nchiri has a white cloth draped around his waist.

Nchiri explains to the ancestors that builders from Beira want to de molish the ruined houses of Maringuè Many people died there during the war Permission must be sought from the spirits

Maringuè, stronghold of rebel group Renamo during Mozambique s 16 year civil war, was strategically well chosen It lies in central Sofala province, linked to the north and south of the country It is close to the Zambezi River, yet its three roads of access are easily cut off And it can be reached by air, as South African planes did, landing on a bit of tarred road the Portuguese were building at the time of independence in 1975

Maringue is the last area Renamo surrendered to government admin istration after the 1994 elections. Pres ident Joachim Chissano visited the district for the first time in 1996

This region of flash flood rivers and precious hardwood forests is Re namo s power base the throbbing heart of its mystique Our historic site," say Renamo officials. Yet its val ue goes beyond history

Here is where Renamo president Afonso Dhlakama keeps his last card. the rump of his army, an unknown number of armed men in a base a few kilometres away from the airstrip You cannot enter without his authorisation — or that of its commander s, nicknamed 'Ma Baione ta (bayonette)

Here is where Renamo president Afonso Dhlakama keeps his last card: the rump of his army

"They can come here, we can't go there," smiles a district official wry ly Now and then armed and uni formed fighters show up at Maringue s market.

In last year s census the first since colonial times, enumerators did not go to the base After high level talks with Dhlakama in Maputo, small groups of men walked into Maringue Vila, the hub of the district to be counted It is not known if all came

Dhlakama says the peace accord signed in Rome in 1992 guaranteed he could keep 50 armed bodyguards. Some deal must have been struck, be cause the government does not evict the men nor count if there are 50 or 500 Yet Dhaklama does not press to have his fighters integrated into ei ther the army or the police They are his last illusion of leverage outside the political game

With Renamo (and all minuscule opposition parties) boycotting this month s municipal elections, the po tential for tension grows

As Nchiri offers flour, sugar bis cuits, Coke and cigarettes to the spir its he recalls war, peace and the re turn of refugees from Zimbabwe and Malawi Then he recaps recent notable events

A frenzy of building activity has grasped sleepy Maringuè Two weeks ago, 75 men worked two shifts well into the night. This was increased last week to 100 men working round the clock. Two generators provide pow er — and cold beers, a rarity in rural Mozambique

Why the rush? Because, by June 9, the administration seat, the adminis trator's private home, the government guest house and 10 three bedroom houses for government staff must be ready for handover

Why the date? Because on June 15 electoral campaigns begin in 23 towns Government presence in Maringue — never mind if it isn t a productive investment — will look good in the media. No wonder the rul ing Frelimo s red flag flutters in the vila's centre, higher and better placed than the national flag

The makeover is more than cos metic Last year the Renamo ap pointed administrator was removed unceremoniously, allegedly while on holiday He is now on forced leave at home A former Frelimo combatant was named in his place In the past six months other Renamo-appointed district officials have been replaced

The feared riot police the PIRs (from their Portuguese acronym), moved in to keep an eye on Dhlaka ma s armed men In September ten sion peaked when men from both sides stood, guns cocked, across the road from each other

Today both the PIRs and Dhlaka ma's men have been reined in They stick to their camps On the surface, everything is calm in Maringuè On second look two worlds co-exist, peasants and of ficials, rural and urban, touching only briefly, their rhythms apart

And now there are the builders, bringing gener ators, recorded music, videos and cooldrinks

In colonial times, ar chitectural plans were sent from the metropolis, often with no regard for local conditions This remains the same In a district of cold nights and plenty of forests, the houses lack fire places. Building materials and labour come from Beira, 400km away

The pink and white houses look out of place in the middle of the bush. Covering an area of 350m², and with their gates and fences, covered car ports and servants quarters the hous es belong in an affluent district of Ma puto or Beira

Maringuè Vila consists of one block of carcasses of buildings dyna mited while Renamo and Frelimo fought for its control between 1985 and 1987 In 1988 Renamo took Maringuè and made it its headquar ters

There is little else One manual water pump recently installed in front of the new houses A few tents for workers A caravan parked next to the workers' bar A bit further, the crumbling hospital. Next to it, 50 tents house the riot police That's the end of urban Maringue

Along the road lie charred re mains of Soviet made armoured ve hicles One is covered with graffiti in yellow, blue and pink chalk On the passenger's door Let us remember what belongs to the past and to the fu ture" Signed. "Mateus"

About 500m to the right is the mar ket and Emasol, Renamo s struggling timber company Emasol must be the reason why latrines are luxuriously built with wooden boards, instead of the usual straw

After the market, the bush takes over clusters of thatched huts, maize plots already harvested, cotton fields being picked And landmines Last week, one booby trapped with grenades was found in the vila A de molition expert was brought from Maputo to defuse it.

Most people do not come to the vi la. There is little for them here One who came recently was Naida Vilan castro s husband 'I must show the government what has happened to me," he said

Twelve kilometres away, his wife had given birth to triplets Naida Vi lancastro, who does not know her age, never saw a health worker In the ninth month she was so heavy she could not walk, only crawl

The babies were born healthy, the boy weighing 2,3kg, the girls 1,5kg each This was Vilancastro's ninth labour Two children, aged approxi mately 12 and five lived The others died, including one set of twins

The family was brought to hospi tal. The head nurse says the babies will stay there until each weighs 2,5kg But even if they reach that weight, their chances of survival af terwards are slim The family is too poor to feed them Their mother's milk won't be enough The boy is luckier, he cries and sucks more, is plumper Already the mother feeds him more frequently The girls are likely to die

People in Renamo's stronghold live in dire poverty This is obvious soon after you turn off the Beira road in Manica province towards Gorongosa in Sofala province. Manica is not rich, but its people and roads are noticeably better off

Once in Sofala children's worm infested, swollen bellies road stalls selling pitiful packets of sugar and dried river fish and the piles of char coal bags to feed Beira's fuel needs tell the story

True, clothes are not made out of sacks or bark, as during the war Nor do people look fearful and suspicious, as they did in 1992 when drought, hunger and thirst pushed them out of the bush — and pushed Renamo and Frelimo to sign the peace accord before mass starvation ensued

But they still are Mozambique's poorest. A recent survey reports that the average rural household here owns three tools and one small ani mal One of two children does not go to school One of two families never goes to a health centre

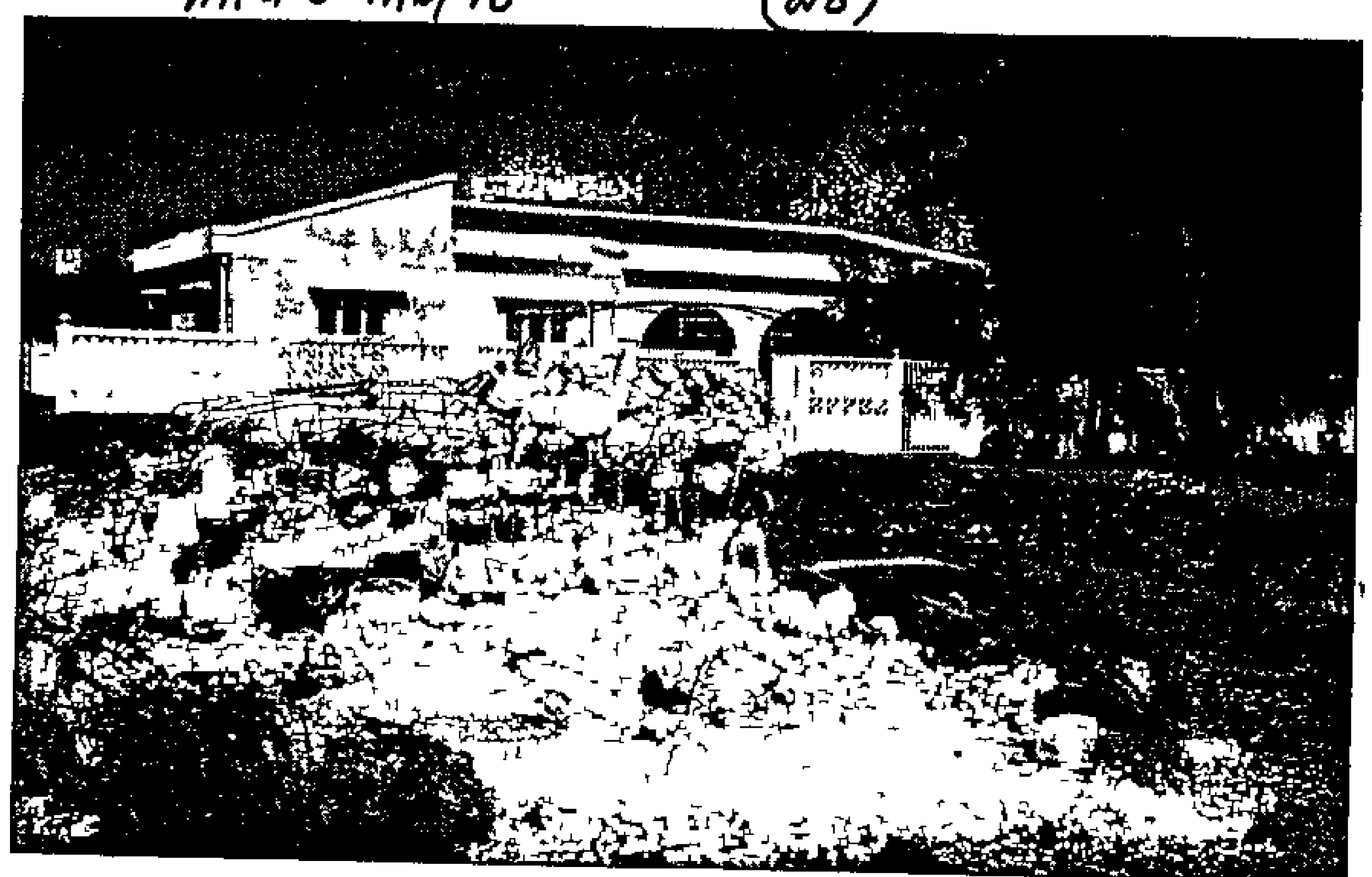
The district has nearly no potable water, no resident doctor 14 health workers for 59 000 people spread over 6 300km² and no ambulance During the rains the mobile health team is grounded.

The hospital only provides basic treatment Patients needing surgery have to go to Catandica, in Manica province five hours away on bad roads in the dry season

"Maringuè is the forgotten dis trict" says a top Renamo official

Not that Renamo is doing much about it. Its delegation in Maringuè Vila is a disgrace three small mud and-pole huts, one tattered tent, a big hut being built, two lovely palm trees and its flag with a quail. If Maringuè is as historic as Renamo claims, a bit of upkeep would show their respect.

As this picture of poverty and ne glect gradually emerges the govern ment built houses look more grotesque



Palace among poverty. A luxurious government house (above) looks incongruous among the dire poverty of Maringuè, while a woodworker (left) frames pictures of Frelimo and President Chissano for the handover of houses on June 12

to spend a fortune on buildings in Maringuè. **Mercedes Sayagues** *visited the troubled area*

stronghold

The original budget as planned in 1996 was for R225 000 each for the big houses When administrators changed, so did the houses They became more luxurious increasing the cost Add that all building materials must come on bad roads from Beira Add that between November and March the rainy season roads are impassable Add delays when trucks get stuck for two to three days A moderate estimate puts it all at a total of R1 75-million

"Instead of a palace for the ad ministrator, other problems should be solved ' says a local Renamo offi cial Like access The roads are a disaster in Sofala First I tried to go via Gorongosa but the bridge at Vanduzi had crumbled I had to go north for 436km, via Catandica and Macossa

Here, two bridges and 12 "pontos" need to be built In the dry season a 4x4 can cross over dry river beds and climb slippery, sandy banks During the rains, it's like driving on butter Maringuè is effectively cut off — unless you do like the administrator, and send a tractor in front of your car

Even in Maringue Vila, the road into town is one deep gully Last September the trees lining the road, plant ed by the Portuguese, were leafy and shady Now they have been savagely pruned, the branches cut right back to the trunk The only ornamental things in Maringuè have gone

As the picture of poverty and neglect emerges, the government-built houses look more grotesque

Maringue's market is a pleasant surprise The economy had ground to a halt during the war, but the informal sector has breathed life into it The 150m long market is nice and clean Maringue's cleanliness stems from its poverty little to throw away lit tle that is not recycled Paper for firewood, empties for the kitchen, noth ing is lost

Many stallholders in the market are former Renamo soldiers Demobilisation pay and training got them started in business Manuel Meque learned carpentry at a demob train ing centre in Beira With his two brothers, he set up a workshop

Sofala is home to the Sena people, for centuries traders and cloth weavers of the Zambezi Because of an intricate taboo system related to death and inheritance of moveable goods, the Sena like to keep some of their wealth in money It will not be burnt at death, like the hut and plot to chase away evil spirits The Sena are quite superstitious and keep to their rituals strictly

The workers from Beira, urban but Sena, have no doubts about Nchiri s ceremony They have heard footsteps at night among the ruins Equipment didn't work In a previ ous job at Mafambisse, the mixer and generator stalled until a ceremony was performed

Nchiri's powers are legendary here It is said that last year, when the minister of agriculture was about to leave Nchiri asked him for a pack et of cigarettes "You people are al ways asking for money," said the minister haughtily and walked away His plane had problems The delegation had to sleep in Casa Ba nana, where ants bit them Whether this is true or not is not important, people's belief is

May is the time for *queimadas* in Sofala peasants burn the land for planting, to burn ticks, or to hunt wildlife, and the fires get out of hand. Burnt land stretches for many kilometres along the road Smoke dark ens the sky, a haze hangs over val leys and mountains

At night, besides the crackling noise of a *queimada* advancing, there are two sounds in Maringuè At the three week old bar set up for the workers in a ruined house hastily reroofed and repainted in white, urban music from Mozambique, 'Cabo Verde and Angola reigns

From the other side of town come the sounds of drums at Ma Gasto ("spending") the local shebeen Abundant booze has been brewed, for the party sometimes lasts two days and two nights It is the new moon, so dark you can hardly make out men women and children danc ing, body pressed against body, in a circle around the musicians

The other evening attraction is video cinema These have mush roomed all over rural Mozambique, wherever there is electricity or gen erators In Maringue, an enterprising young couple has plugged into the builders generator and set up a cinema at home, this being a tarpaulin.

To lure customers, video-cinema is free for now When darkness falls, villagers gather in awe to watch one of four worn out, wavy tapes This is true image pow er, forget about the plot Bud Spencer in Italian Kung Fu in English and Zairean kwasa kwasa In nearby Gorongosa, villagers pay to see an early Sylvester Stallone war film dubbed in German

While I am packing my bag, the chief of police pays a visit It's the first time he deigns to acknowledge my presence in Maringue, although he has seen me He wants money for himself and other two officials One is the new young chief of police, who stands shyly a couple of metres behind him

The Renamo guys were in tatters, their delegation derelict, but they did not ask for anything

When ancestor Dambo answers Nchiri s call we make room for the spirits to join us No photos are al lowed Cigarettes and biscuits are passed around then a bottle of firewater, an Exocet to the brain, called Lion's Tear, brewed out of papaya and other fruit by an old Portuguese in Manica

Nchiri complains that locals do not see any benefits out of the fren zied building There are no jobs, ex cept for a few servants to clean and fetch water, no local materials are used. Yet he is not against it

"War ended through an agree ment With the same spirit we can welcome changes, he says

The government can build ex pensive houses Cultural memory that survived a brutal war and grind ing poverty builds bridges of under standing.

White gold: Farmers wait to sell their precious cotton harvest. PHOTOGRAPHS: MERCEDES SAYAGUES

Peasants the losers in cotton-price row

Cotton is the only cash income for peasants in Maringue A farmer who grew the average of 300kg per hectare earned about R450 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 picking the crop expect the same price as last year But they are in for a disappointment: world prices have fall en by 23%

Cotton production is a success story in post-war Mozambique Twelve companies contract peasants to grow the crop Each year the area planted increases. In 1997, production topped 74 000 tons Of this, 90% was exported, earning some R150-million. It is still less than half the output in 1973, but a long way from the paltry 5 000 tons produced in 1985.

The government assigns concessions over areas to buyers, but retains the right to fix prices. Companies loan seeds and pesticides, their extension officers advise farmers

Some 230 000 peasant families grow 70% of Mozambique's cotton They grow most of it in Nampula and Sofala provinces, traditionally Ren amo's power base

The last thing the government wants before the municipal elections scheduled for late June is a price so low it will fuel discontent Buyers want to pay 2 500 meticais (MT) per kilogram for grade A and MT2 000 per kilogram for grade B cotton. Last week the government fixed the price at MT2 950 and MT2 600 In 1997, the price was MT3 300 and MT3 100

Translated into hard cash, this means the farmer who produced 300kg perhectare and earned R450 last year will earn R325 this year with the companies' prices, or R380 with the government's — a big loss when this is your only cash income

Last week merchants flatly rejected the government price and said they would not pay more than MT2 500 "The government is fixing a political price that it cannot guarantee nor subsidise," they said. "The government price is unsustainable for the companies "

The potential for conflict is real The government may threaten to revoke concessions Companies may threaten not to buy As the African proverb says when two elephants fight, the grass gets trampled Peasants would suffer most

It would be better to increase productivity At an average of 300kg per hectare, yields are low in Maringue In Nampula, peasants working with Lomaco company's cheaper and im proved pesticides have yields of 800kg per hectare and lower production costs Along the Zambezi, in Caia, with its long tradition of cotton production yields can be as high as 1 200kg per hectare

In Maringue, low productivity stems from a combination of poor soils and the sequel of war loss of knowledge, work habits and tradi tion, lags in technological advance and fear of innovation

At a meeting in Maputo on Tuesday, the government showed some understanding of the buyers problems. While government and companies iron out their differences peasants and tractors in Maringue anxiously await the meticals from Mozambique's white gold.

4

ANALYSIS

Maputo corridor paves the way for regional integration

The Maputo corridor development highlights the challenges for regional development and raises important questions for future initiatives, write **Junaid Ahmad** and **Fani Zulu**

(218) MD 5/6/98

THE architects of the Maputo corridor, the governments of Mozambique and SA, meet their partners in the private sector tomorrow to inaugurate one of the most advanced initiatives in regional co-operation and integration in sub-Saharan Africa, the Maputo corridor.

In officially opening the N4 Maputo corridor toll road, presidents Nelson Mandela and Joachim Chissano will be blessing an important test case for regional co-operation. for a scheme like this to work, all parties must experience the benefits. To the extent that many of these potential benefits can already be identified, Saturday's inauguration marks a new dimension of the African Renaissance joint management of economic resources by African states.

Two important trends characterise the Maputo corridor's architecture. First, it is a concrete expression of the trend towards regional integration. Learning from the experiences of integration elsewhere, the real glue of integration is cross-border physical investment.

Indeed, the creation of such physical links often encourages more rapid trade liberalisation.

Second, the corridor is a good example of how states can partner with the private sector to promote greater development for people in the region.

In sum, the Maputo corridor establishes a model for initiating projects across national boundaries, in partnership with the private sector and in the interests of national development. Further, by opening up to their neighbours in this way, countries mobilise the larger potential of a regional economy.

This new way of working between countries raises several issues. First is the question of the institutional framework needed for regional initiatives. Some would suggest Southern African Development Community might have been the right framework, others that multilateral institutions could have done the job. In the case of the Maputo corridor, Mozambique and SA work bilaterally. Different regional initiatives in the future will suggest their own frameworks but what should be recognised as crucial to the success of the Maputo corridor is the political determination that was needed to pursue such a regional initiative.

Second, by allowing the private sector to risk its capital the project is using the market to bench-mark the viability of the project. This is an important litmus test for other corridor architects to follow.

In addition, private sector participation in regional infrastructure can be the catalyst for the emergence of regional capital markets.

Third, as with national infrastructure, regional infrastructure initiatives offer many mechanisms for broadening ownership. This is truly a chance to ensure that regional projects allow Africans to own Africa, a challenge that goes to the heart of the African Renaissance theme. Not only are there possibilities of share ownership schemes for labour and the population at large, but the incorporation of small contractors in the building process offers new horizons for economic empowerment.

Mozambican President Joaquim Chissano and President Mandela will inaugurate the Maputo corridor project tomorrow

The corridor illustrates that not only public sector financing but private sector delivery can be a mechanism for broadening ownership.

Fourth is the issue of regulating regional infrastructure projects that cross countries with different regulatory regimes. International experience suggests that competition is an important form of regulation and wherever possible infrastructure systems should be liberalised to allow greater competition.

Hidden within opportunities like these presented by corridor development are very real risks. First, is the risk of limited capacity within and between nations to manage regional projects. But capacity is not destiny; it can be fostered and greater responsibility often provides greater incentives to invest in capacity. The process of establishing the Maputo corridor has fostered many initiatives that resulted in the sharing and growth of capacity across both Mozambique and SA.

Second is the risk of limited co-ordination between public sector organisations. For the Maputo corridor to achieve its true potential, a complex web of mechanisms, institutions, rules, and incentives have to be set in place in the public sector to facilitate the ripple effects of the transport initiatives. Various Ministries have to deliver on many aspects of the public sector.

The Maputo Corridor Development Company, which is in the process of creation, is designed to facilitate this co-ordination. While an innovative approach, the success of the company will ultimately depend on the capacity of the public sector to respond the company's voice.

Third there is a risk of benefits not materialising. Who will bear the liability of projects which do not deliver? What is needed is a framework to manage risks and the division of liabilities across nations and between the public and private sector.

As regional integration intensifies, the World Bank and other multilateral institutions will need to reassess their role in regional initiatives. For the World Bank, three roles stand out clearly. First, the Bank can bring to bear on regional issues the experiences of other countries and, more importantly still, take to other regions the experience of Southern Africa.

Second, by offering risk insurance, the Bank can provide an incentive for private capital to finance the regional projects. Finally, Bank lending to states can be a vehicle for broadening of ownership, promotion of private sector development and provision of public goods which are part of regional initiatives.

But to achieve the broader goals of regional integration, the World Bank has to revisit how it interacts with countries in a cross national project. This is a lesson that the Bank has learned from the architects of the corridor. At the request of Mozambique and SA, the Bank established a co-ordinating team to mirror the structure put in place by the two governments.

The Maputo corridor offers a powerful example of co-operation between neighbours. The Mozambican and South African governments have set a new standard in regional integration from which all Africans and the rest of the developing world stand to benefit.

□ *Ahmad and Zulu work in the South African office of the World Bank*

SA and Mozambique launch R2-bn toll road link

CT 7/6/98 (218)

CONSTRUCTION of the R2-billion Maputo development corridor toll road was officially launched at an elaborate ceremony attended by thousands of people in the border town of Ressano Garcia yesterday

After unveiling a commemorative plaque, President Nelson Mandela and his Mozambican counterpart, Joaquim Chissano, stressed the importance of the corridor to uplift local communities

The corridor has been dubbed the largest infrastructure project on the African continent.

"As we co-operated in our struggle for liberation, as we stood together against oppression and violence, so we now take hands to improve the lives of our people," Mandela said

He said the corridor would open the way for other new enterprises, resulting in international investment Local communities had to seize the opportunities created by the corridor, Mandela said Co-operation was the key to a successful future

Chissano said the project was proof of the capacity of the two countries and of Africa's potential to attract investment. Mozambique called on business to invest in agricultural projects similar to the corridor.

"We are saying to the world that Africa is not only a zone of instability, but rather one of economic progress and development," he said

Chissano assured Mozambicans the toll road would go a long way towards bringing an end to poverty. "This is what is going to draw us out of poverty, because it will bring about job creation," he said.

"We go to South Africa seeking jobs but now the jobs are coming to us."

Transport Minister Mac Maharaj said the corridor had already attracted project proposals worth more than R35 billion.

The projects were significant as it recognised the sovereignty of both countries as well as the unshakable unity of their people

Thousands gathered to witness the launch and local residents lined the streets to get a closer look. Onlookers waved miniture South African and Mozambican flags and listened to more than an hour of speeches in the hot sun A military band, singers and dancers entertained the guests

Communities from Mpumalanga were bused to the event and hundreds of VIP guests, many wearing traditional outfits and dress, arrived by train from Komatipoort near the border

Construction of the toll road between Witbank and Maputo has already started and is expected to be completed in three years.

Trans African Concessions (TRAC), a binational company which a 30-year concession contract, said in a statement the remaining 27 years would entail upgrading, maintenance, patrolling and operating the road

It would then be managed by the two governments

The road, an extension of the N4 highway will have five toll plazas, two of them in Mozambique. – Sapa

TRANSPORT *Maputo Corridor project finance awarded highest grade*

Top rating for toll road

(218) CT (BR) 8/6/98

NCABA HLOPHE

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 R1,494 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 R1,294 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 R464 million term loan facility, a R175 million standby debt facility and a R455 million CPI-linked facility The project sponsors provided R132 million of the equity while FBC raised the remaining R198 million

Of the non-sponsor equity, R33,1 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 mini-contracts had already been identified for tender by small and medium enterprises

NATIONS UNITED *A young girl welcomes the Maputo Corridor toll road launch at the weekend*

PHOTO JOHN WOODROOF

Mozal begins construction of its aluminium smelter

(218) BD 17/6/98

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 $1,3bn 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 noncore 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 leader unveils generous incentives for investors

(218) BD 17/6/98

Claire Pickard-Cambridge

MAPUTO — A special fiscal regime had been introduced for Mozambique's Zambezi Valley region which offered substantial concessions for investors over a 25-year period, President Joachim Chissano said yesterday

He told delegates at the opening of a southern African investment forum that investors in this zone — which cuts across the centre of the country to the sea — would be exempt from all customs duties on capital goods and raw materials

It is understood that government wants to redevelop this fertile and once-flourishing valley and has launched a drive to promote investment in its infrastructure, agriculture, industry and services

Investors will receive an 80% reduction on income tax over the first 25 years, as well as generous training incentives for employees

Chissano said it was hoped the project, complemented by different development projects around the ports of Beira and Nacala, would help to turn the region into a model which was comparable with other emerging models in the world.

He hoped the investors' forum would result in many "marriages" between international and local businessmen from the five countries touting potential investment projects, namely Mozambique, Botswana, Zimbabwe, Swaziland and Lesotho.

Investors at the forum will be presented with more than 100 projects they may wish to invest in, with potential business co-operation worth an initial $300m.

Chissano said Mozambique, which was preparing for its first municipal elections on June 30, was trying to speed up implementation of a five-year programme to improve general welfare and promote development

Its currency, the metical, was stable and inflation had declined from a high of 70% in 1994 to just under 5% Gross domestic product growth had averaged 6,6% from 1991 to 1996, rising to 8% last year

(218) BD 19/6/98

Mozambique toll road to cost R73 a car

Robyn Chalmers

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.

The fees for the 525km trip, 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 African Concessions (Trac) 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.

Don't be led astray by the

218

M+G 19-25/6/98

Robert Kirby *argues against the theory that South Africans lured Mozambican president Samora Machel to his death*

It is believed that between [illegible]0% and 90% of aviation accidents are due to human error Refining the statistic a little further, it was found that out of a total of 28 000 aviation "incident reports" made to Nasa researchers in the United States between 1976 and 1981, no less than 70% were related to a failure in voice communication

This could be misunderstanding of air traffic control directions it could be the wrong thing being heard and acted on under stress in a busy and noisy cockpit.

The crash near Komatipoort of the Russian built and Russian crewed Tupolev 134A-3 aircraft which, on October 19 1986, killed the then Mozambican president Samora Machel is a case in point

At the time rumours were rife that the crash had been "organised" by the South African military by the setting up of a "decoy ground navigational aid, tuned to and — for some yet unexplained reason — also overriding the signal of the Maputo ground aid it was mimicking Thus were the Russian pilots led astray, to crash their aircraft on high ground just inside South African territory Another cruel blow by the apartheid regime?

Nice stuff for a James Bond movie plot In real life, though, a proposition of considerable incertitude. What is worrying to the aviation profession is the recent announcement that 'new evidence" relating to this accident has come to light, again proposing the theory of the "decoy beacon", and has been presented to the Truth and Reconciliation Commission What makes this even more worrying is the announcement that this new evidence was heard *in camera*

Any new or contradictory finding as to the cause of the Tupolev accident enjoys the certainty of being regarded with scepticism by those in the business of professional aviation. Like most of what is cynically termed "Bermuda Triangle" thinking, this one is most damned by an objective examination of the facts (Statistically, the infamous "Bermuda Triangle" is one of the safest places either to sail or fly across)

Inquiry boards are always chosen with care In the Tupolev crash, the board, chaired by Judge Cecil Margo, a retired supreme court judge and a highly experienced civil aviation administrator, included Sir Edward Walter Eveleigh, former lord justice of appeal, Colonel Frank Bormann, congressional medal of honour, former test pilot, astronaut and aeronautical engineer, and president of Eastern Airlines in the United States, Geoffrey Wilkinson, chief investigator for the accidents investigation branch of the British Ministry of Transport, JJS "Jock" Germishuys, former commissioner for civil aviation of South Africa; and P van Hoven, chair of the Airlines Association of South Africa.

A doughty collection, and Margo's own. For obvious reasons he accepted the brief only if these choices remained solely his The board went further than required under the Chicago Convention of 1944 accommodating the other states — USSR and Mozambique — by inviting their attendance to participate in the inquiry and offering the right to representation, cross-examination and the calling of their own witnesses. (They took no advantage of this)

The accident had occurred 150m inside South African territory The aircraft's passengers included the president of a neighbouring and, at the time, politically antagonistic state, destabilisation of the sub-continent was conspicuous in the political agenda of the South African government. All in all a juicy steak for speculation.

Aviation professionals, who had already suspected the real cause of the accident, shuddered in disbelief at the sweep of the rumours These included tales of spurious electronic Maputo approach and landing corridors, long since planned and installed, portable ground navigation beacons and transmitters, calibrated and ready

Best of all was buzz about simulated runway threshold lighting and flarepath, carefully set up on a mountainside and at the end of a counterfeit instrument landing system, all aligned to the Maputo airport parameters Something to fool even the brilliant Russian pilots and their state-of the-art jetliner

They needn't have bothered The Russian pilots of the Tupolev were quite capable of flying into mountains at night without any help from outside agencies The recordings from the Tupolev's cockpit voice recorder, which were translated by the Russians themselves, reveal a formidably poor level of airmanship — negligence one would hesitate to associate with a low hours private pilot.

Samora Machel: The crash that killed the Mozambican president occurred 150m within South African territory

As briefly as possible, this is what the Margo board found. The Tupolev was on a flight from Zambia to Maputo Approaching Maputo from the north-west, at 100km out but directly on track for the Maputo airport, the Tupolev made an unexpected turn to the right — of some 37° The decision to initiate this turn was the navigator's and in reply to the captain s query about such a sudden change in course, the navigator answered. "VOR indicates that way

A rather cursory explanation but one with which the captain apparently agreed He never again questioned the decision. The Tupolev was now flying on a new heading, towards the mountains of the escarpment.

The Russian pilots were quite capable of flying into mountains at night without any help from outside agencies

Here, a short digression is necessary Modern airline and air force flight management insist their flight crews undergo what is often termed crew management training These disciplines — of which there are several different versions in the world — are designed to the same end. the efficient management of human and technical resources available to the pilot. There is great emphasis on psychology, especially with regard to cross-checking among crew members and, above all, the refining of communication.

One of the most fascinating topics in the crew management training course has to do with the "poor judgment chain", by definition a primary mistake and its consequences Let us say an aircraft turns left instead of right, as it should have done All latter decisions and manoeuvres are infected by that primary basic mistake The aircraft now flies say, east, but the crew believe they are flying west. North is actually to the left of them they think it's to the right.

Worse, the more the number of subsequent flight decisions made along the 'poor judgment chain", the harder it is to unstitch back to the primary mistake

On crew management training courses, pilots and other flight crew are trained how to recognise and unstitch. Had the Tupolev captain even tried to do this, he would have realised that something basic was out of kilter

Again before continuing, a brief explanation of the navigational aids, the VOR and DME VOR stands for very high frequency omni-directional radio-range In effect, a VOR transmits 360 electronic spokes, one for each degree of the compass — called 'radials" By use of on board electronic instrumentation aircraft can intersect and fly accurately along any one of these 360 radials — to and from the selected ground station. (A VOR can be truck mounted, for use in strategic military extensions, or as a standby for failed or under maintenance permanent equipment.)

The DME abbreviation stands for distance measuring equipment. Here the aircraft transmits a radio signal to the airport DME station which immediately returns the signal to the aircraft. Allowing for switching, the time elapsed is measured and, from this, the distance from the DME station is electronically calculated and displayed in the cockpit in figures

The primary navigational mistake on the Tupolev flight would have been obvious to an alert crew There were certainly enough of them. Five people doing what in Boeing terms takes only two The turn on to the (assumed Maputo) VOR radial of 045x was synchronous with a DME reading of 100km from Maputo airport. Simple geometry shows that, in order to produce these two synchronous readings, the aircraft would have had to be *100km north-east*, way off track and out to sea

Neither the captain, the navigator, nor the co-pilot picked up this formidable contradiction of the aircraft's DR (deduced reckoning) position, which, in fact, was accurately on track to Maputo — *100km north west*.

The captain however, had other matters on his mind as did the rest of his crew During the crucial minutes leading up to the accident and while the aircraft was descending in pitch darkness and through cloud, the captain was concerned with fielding and fumbling crew questions, making decisions about a drinks order for the flight-deck crew involving Cokes and beers" He was also concerned about the fuel "reserve" lights, which he believed were dysfunctional.

The co pilot's input was somewhere between minimal and nil Most of the time he was listening on his headphones to an HF (high frequency shortwave) transmission of a Moscow news and music station

The most nominal flight-deck procedures were completely ignored The aircraft descended through what is called "transition level" —roughly 4 000 feet — without the crew making necessary adjustments to their altimeters — that is, setting them to the "QNH", which gives a more accurate reading of the aircraft's actual height.

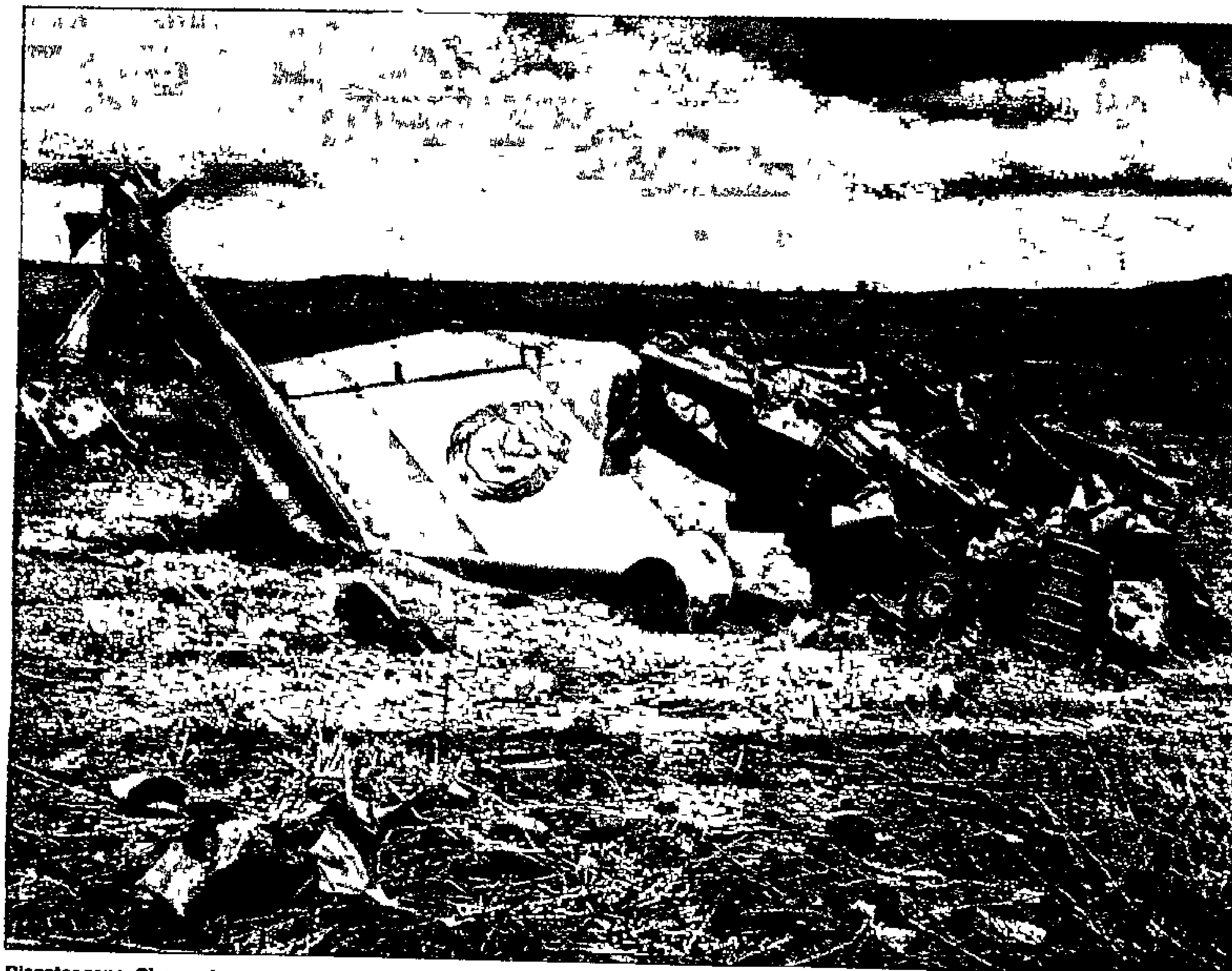
Here they ignored about as basic a notch as you can get in flight procedures Pilots learn about the vital importance of the QNH in their first few hours of training

The Tupolev reported it was "maintaining 3 000 feet", when in fact the aircraft had descended below that altitude and was still descending When things appeared to be badly awry, the captain s first analysis was that there had been a general electrical failure at Maputo and, hence, that all the ground navigation aids were out of commission.

He surely would have known that the airport — by international law — had to have back up generators He did not notice another anomaly in that, despite the supposed Maputo electrical failure, the airport's air traffic controller was still talking to the Tupolev The same air traffic control officer assured the aircraft the runway lights were working

Normal "challenge and response"

'decoy beacon' theory



Disaster zone Circumstances made the fateful crash 'a juicy steak for speculation' PHOTOGRAPHS COURTESY RAPPORT

descent and landing checklists were part of standard operating procedures on the Tupolev, as they are through out the world These were not once re ferred to or used bv the Russian crew Up to the point of impact neither pilot had adjusted his course indicator from the original setting of 164° (the track in from the north west)

The board s investigations re vealed more sloppiness The Tupolev had reported an incorrect passenger complement. No flight plan had been filed, no alternate destination identi fied 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 car rying enough fuel to make any di version It had less than half the amount necessary to get to Beira, in usable fuel something in the order of half an hour's endurance

The pressure was on the captain to land at Maputo — and soon. He sim ply had nowhere else to go or reach

What the Margo board found was that the operative VOR receiver on the aircraft had, at the time of the un expected right turn, been inadver tently tuned to the wrong frequency; in this case the VOR facility at Mat sapa in Swaziland. The point where the Tupolev turned to the right would be where it would intersect the 045x radial from the Matsapa VOR — the same radial they were trying to "cap ture" from the Maputo facility

The flight s track after this was as would be expected, given that one basic primary mistake Later that aircraft VOR receiver, one of two, was re-tuned to the Maputo ILS (in strument landing system) frequen cy in expectation of capturing its centre-line localiser signal. Crash in vestigators found it set to this fre quency The other VOR receiver-inoperative at the time of the turn — was set to the Maputo frequency

Amplifying the mistake were oth er factors The frequencies of Ma puto and Matsapa are ludicrously close together — 112 7 and 112,3 re spectively, a difference of only 0,4 of a megaherz Notwithstanding un likely harmonic overlap in the fre quencies, the somewhat haphazard layout of the Tupolev cockpit invited the error The VOR selection panels were poorly illuminated, their read outs hard to see from the navigator's position behind the co pilot The Russian figures for seven and three are very similar — a horizontal bar across the top and a curved stem

Add to this that at no stage did any of the crew confirm the actual identi ty of the VOR they had selected by lis tening to its audio output. As an iden tification aid, most ground naviga tional aids also transmit their morse code identity In Maputo's case, the VOR transmitted the letters VMA Matsapa was coded VMS Checking frequency tuned by means of the au dio signal is among the most basic of standard operating procedures.

Nor did they make one single oth er cross check'

The cockpit voice recorder re veals almost total confusion between flight deck crew and the Maputo air traffic control officer The aircraft s radio operator was making decisions about circuit patterns, over riding and electing a reciprocal runway to the captain s choice The ground con troller seemed not to have the faintest idea of what was going on To call the communications fatally flawed would be to praise them

But worst of all was to come As the aircraft approached the ground, its automatic ground proximity warn ing signal sounded This strident warning was ignored for a period of 32 seconds No emer gency evasive action was taken beyond a slight re duction in rate of descent.

The Tupolev aircraft was a fatal accident looking for a place to happen

The Maputo airport had no secondary sur veillance radar by which the actual position of the Tupolev could have been ascertained by the tower controller The control tower's VDF — a radio compass which indicates the compass bearing of the aircraft s radio trans missions — was apparently unser viceable

Given these uncertainties and the generally untrustworthy Maputo air port facilities, it is very surprising that a non visual instrument descent at night, to low altitude, was attempted with as it turned out, little more help than voice communication with the Maputo air traffic controller

What is most grotesque, with so little fuel to spare

Had the aircraft mistakenly flown towards the Matsapa VOR on the ra dial of 045x and descended in cloud, it would have flown into rising ground almost exactly where they did

After the release of the Margo board's findings, there came a jointly submitted rebuttal from the Mozam bican authorities and the Soviets. The rebuttal served a dominant purpose, which was to dismiss the board s find ings as incomplete and misleading

An example where the Margo board had noted the poor perfor mance of the air traffic controller in an English language course he had undergone, the Mozam bicans offered the follow ing 'To say that the air traffic controller was sec ond to last in his class is misleading In this case he was 12th out of 13 and this would be a more in formative way of stating his position in the class "

In attempting to absolve the Russ ian crew of either misdemeanour or miscalculation, the theory of the mystery "decoy beacon" was forcibly submitted The wordy re sponse from the Russians boiled down to this one possibility, that the South African Defence Force (SADF) had moved a portable VOR station into position waited until the ap propriate moment and started trans mitting on the same frequency as the Maputo airport facility All they had to do was wait for a cloudy night and for the pilots to believe this false sig nal and descend innocently into the Komatipoort mountains

Neat, but not absolved by the facts The Soviets persisted, quoting technical information acquired from an un named British VOR manu facturer and which stated that a portable VOR could be mounted on the back of a Land Rover and pow ered by two 12V car batteries Pos sibly producing 24V if connected in series, it seems doubtful such a sys tem could emit a signal strong enough to override the Maputo VOR.

If other claims in the Soviet re ponse were taken as factual, this de coy beacon would have had to be some 7km inside Mozambique ter ritory Conveniently right alongside a Mozambique army camp

The other main spoke of the Sovi et argument was that the Tupolev could not as claimed by the Margo board have received the Matsapa VOR signal There was a great big mountain Bembegazi, in the way Al lowing for aberrations in signal dis tribution, this challenge was taken seriously by the board which asked for permission to send an aircraft to overfly Mozambique in order to test the strength, indeed the presence or absence of the Matsapa VOR signal The Mozambican authorities refused. The board asked the Russians to test the signal They refused Yet the Mozambican response complains testily that no flight test was carried out to prove that the Matsapa beacon could in fact be received

The South Africans were later to admit to having dispatched two South African Air Force Mirage fighter jets on an unannounced fly by in order to test the signal the Tupolev is sup posed not to have been able to receive The Mirages reported the signal workable and true within the height ranges the Tupolev used At a later date so did two independent freight aircraft companies

In whatever event the Soviet and Mozambican "decoy beacon propo sitions do not allow for some fairly lengthy odds given the coincidence of fastidious prerequisite weather conditions, Samora Machel himself coming along exactly the route where his aircraft could be ensnared by an electronic spider web the cun ning apartheid military establish ment set up to catch him or, pre sumably, any other disagreeable neighbouring politicos

Let us assume that there was, in fact, a decoy VOR beacon Rumours are already abounding that the truth commission has evidence from mil itary personnel who actually did the job If true, this hardly excuses the laxity of the aircrew, revealed in just about every phase of their operation The most essential element to make this plan succeed was the assump tion that the aircrew the SADF was trying to bamboozle would be as abysmally careless as this was

In statistical terms it was a bit like setting an elaborate mousetrap to catch a mouse that would only pass close enough to be caught once every 50 000 or 60 000 years What's more, a decidedly gullible mouse

At which stage does human error become human culpability? The Tupolev aircraft was a fatal accident looking for a place to happen No measure of untested speculation al ters that one unanswerable truth

Robert Kirby is a pilot of some experience, in his days of power flying, holder of a commercial pilot's licence with instrument and multi engine ratings He has completed a South African Airways crew management course and holds an unrestricted radio-telephony licence. He is currently an active glider pilot

SA is now number one investor in Mozambique

BD 22/6/98 (218)

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 Arco of the US to develop certain gas fields; SA Breweries which bought into Cervejas de Moçambique, Illovo Sugar which has bought into the Maragra sugar estates, Standard Bank which has a large stake in the Banco Standard Totta de Moçambique, Barlows; construction company Concor, and Anglo American which controls the Mocita 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 his 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, Beira and Nacala have been declared export-processing zones.

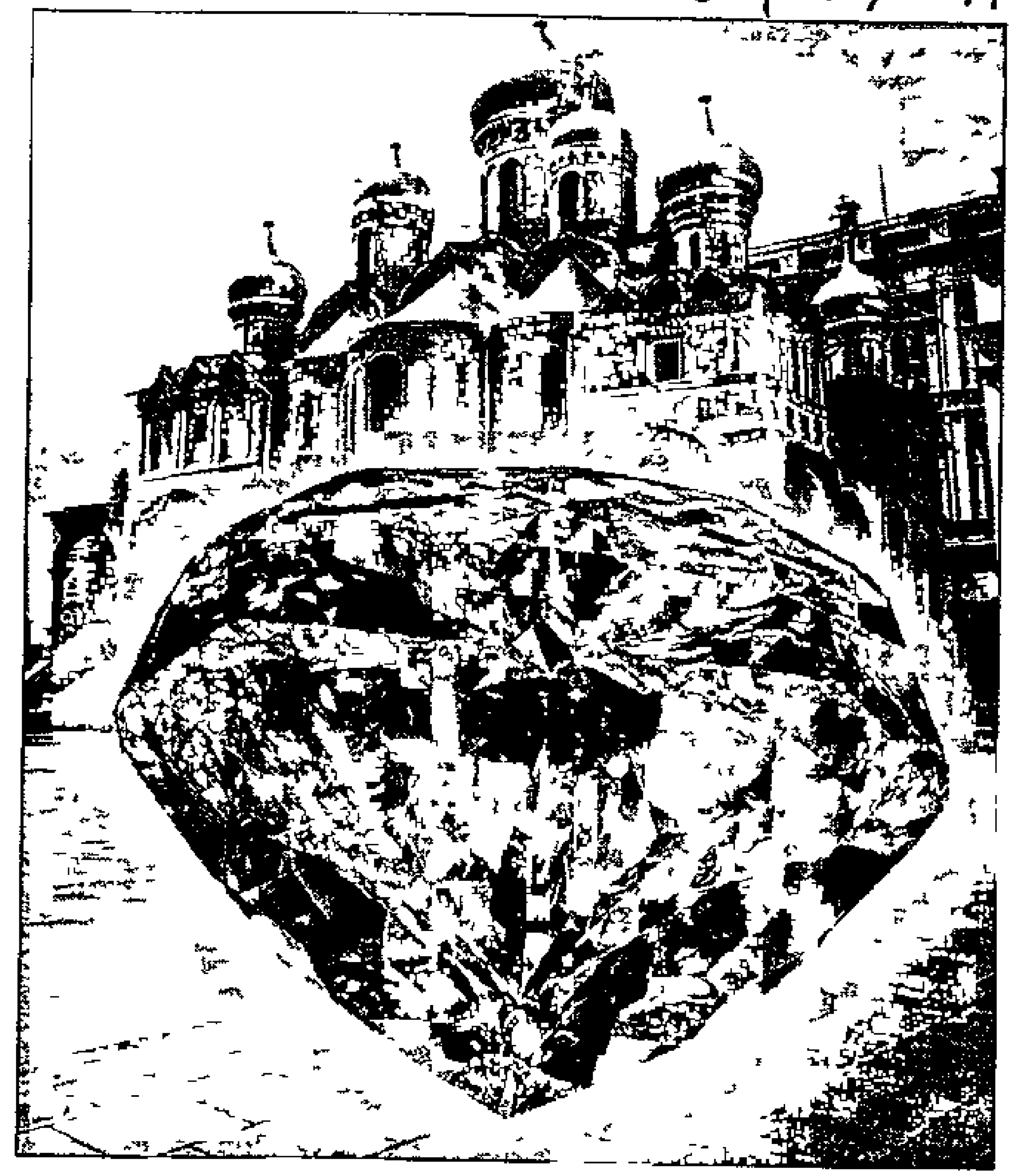
Different incentive schemes cover other parts of the country, with the best covering the undeveloped north.

RUSSIAN DIAMONDS

New dynamics in De Beers relationship

CT (FM) 24/6/98 (216)

Sergei Nikishov



Diamonds have been considered a priority of any Russian government for quite some time. And though the process of mining and selling them is simple, practically every Russian government tries to bring something new to it — as if the shape of this process has any influence on the consumer's decision to buy a particular diamond.

It looks as if the cabinet of Sergei Kirienko, Russia's new prime minister, will keep up this practice. Certain changes in the structure of the government and the powers of some ministries underpin this conclusion.

Indeed, quite a few new people invited to join the government could change the balance of power in the diamond industry itself. And in the long run this may have affected negotiations over the new trade agreement with De Beers.

State control over the diamond industry will most likely be given to a newly created trade and industry ministry. It will probably include some departments of the former foreign economic affairs ministry, and those departments of the economy ministry dealing with enterprises in heavy and mining industries and in the military industrial sector.

Georgii Gabuniya, previously a deputy minister of foreign economic affairs has been appointed acting trade and industry minister. He is regarded as a state conscious and experienced foreign trade expert, with a good understanding of world commodity markets.

He was one of the people who devised the interim arrangement for aluminium-exporting countries to cut back production in 1994 and 1995. At that time, large-scale exports of aluminium from the former USSR led to a fall in prices and consequently to the introduction of anti-dumping measures by western countries.

Gabuniya also handled negotiations with the European Union over the lifting of a de facto embargo that western European countries had imposed on textile imports from Russia.

It looks as though Gabuniya will support the idea of a well-controlled diamond market. But nobody can say for sure whether his position as minister will be confirmed.

With the creation of the trade and industry ministry, the economy ministry will have less power over the Russian economy itself. It is more likely that it will instead deal mainly with strategic issues on a macro-economic level.

The management at Almazy Rossii-Sakha (ARS), Russia's largest diamond producer, should be happy about this, because previously the economy ministry constantly interfered in company matters and in negotiations with De Beers.

The diamond industry will also not have an easy relationship with the finance ministry, headed by Mikhail Zadornov.

On the one hand, an old thorny issue that was upsetting relations between ARS and Gokhran, a department of the finance ministry, does not exist any more. It looks as though Gokhran's diamonds stocks, which used to be a source of leakages on to the world market, have been exhausted and will not be a serious obstacle to the extension of the trade agreement with De Beers.

But, on the other hand, Gokhran will probably seek to replenish diamond stocks and try to re-establish something similar to the former Komdragmet (the state committee for precious metals and gemstones).

There are those at the economics ministry who support the idea of establishing a federal or Russian diamond centre that could act as a sort of dealer in the diamond trade.

In recent years the finance ministry has had the upper hand in the sometimes tense relations between the central government and members of the Russian Federation, including Sakha republic (Russia's main diamond mining region). The ministry is therefore in a position to impose conditions on the extension of the agreement with De Beers.

Victor Khristenko, the new deputy prime minister, could play an important role in future relations with De Beers. He will have under his auspices a cluster of different government economic bodies.

Khristenko also supports the financial rehabilitation of enterprises by accelerated bankruptcy. At the end of May, ARS was allegedly put on the list of companies destined to undergo this process, but was later taken off the list.

The government's accelerated privatisation strategy may hamper an extension of the trade agreement with De Beers because those who are interested in a change of ownership of ARS are certainly not interested in its financial stability.

There is broad agreement that the new Russian government looks more professional than the previous one. But it apparently lacks the political influence that Viktor Chernomirdin's cabinet had. Therefore the president and his administration have more power.

Not many people in Russia can speak with confidence on the future of ARS. But many more think Russia needs a trade agreement with De Beers. The senior management of De Beers also thinks so. As Nicky Oppenheimer, the chairman of De Beers, said: "The Russian government must be interested in selling diamonds — which are a national asset — in the most efficient way possible."

□ *Sergei Nikishov is the South African bureau chief of Novaya Gazeta, a Russian weekly newspaper*

Mozambique's GDP put at $2bn

BD 26/6/98 (218)

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 expected growth of between 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 figures 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 rediscount 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 have agreed to reduce its outstanding debt by $3,3bn to $1,2bn — 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 Moatize 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

BD 29/6/98 (218)

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 Vilancoulos

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 Leopardus 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 blocs 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 iron-reduction 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

WORLD TRADE OPPORTUNITIES

Mozambican privatisation 'nearly complete'

(218) BD 29/10/98

Claire Pickard-Cambridge

THE Mozambican authorities have privatised or restructured the bulk of the state's assets earmarked under this programme, with more than 840 companies sold out of 1 248, says UTRE, a technical unit which has played a key role in the process.

Mozambique began privatisation shortly after the relevant legislation was passed in 1989, and has nearly completed the programme covering the sale of the larger companies.

An UTRE information bulletin says the largest remaining enterprises still to be restructured under its mandate are insurance organisation Emose, brewer Fabrica de Cervejas Reunidas, and Mozambican airline LAM. UTRE is expected to wind up its programme with the sale of Emose later this year.

However, the government has also launched a tender for the operating concession of the railways and port terminals — CFM south and CFM north and central region are scheduled for later this year.

Plans have also been announced to transform Telecommunications of Mozambique into a public limited company by the year-end and to find a strategic equity partner next year.

The Mozambique electricity company, EDM, was transformed into a public company in 1995 and ADM, which manages airports in Mozambique, was recently transformed into a public company.

The privatisation of small and medium-sized enterprises is expected to be concluded next year.

A breakdown of sales until the end of 1997 shows that the largest number of companies sold so far is in the industrial sector (434), followed by the agriculture and fishing sector. In many of the companies, up to 20% of the shares have been reserved for later sale to their managements and employees.

Meanwhile, Mozambique's foreign trade has continued to increase, with exports rising an average 19% a year since 1994. Exports in 1997 were \$240m. Agriculture and fishing accounted for 61% of the exports in 1996 (principally prawns and lobsters, cotton, cashew nuts and precious woods).

Principal export destinations in 1996 were Spain (21%), SA, India, US, Portugal and Japan.

Import figures for 1997 are not supplied by the bulletin, but those for 1996 were \$802m, of which 33% came from SA. Imports from SA consisted mainly of consumer goods, raw materials and equipment.

Mozambican sugar industry set for revamp

(218) BD 30/6/98

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, Mafambisse, 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-AFP

Mozambique and Mauritius in plans to rescue two sugar mills

(218) CT (MR) 20/6/98

Rafael Bie

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 1999

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

Star 1/7/98 (218)

By Paul Fauvet
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 to organise 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 that of Miguel Mabote, 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 Gagnaux, 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 AIM

Mozambican leader calls for French partnerships and total debt relief

Chissano romances the franc

CT (PR) 1/7/98 (218)

PAUL FAUVET

Maputo — Mozambican President Joaquim Chissano urged French businesses on Monday to invest in Mozambique and enter into partnerships with the Mozambican authorities

He was speaking to a group of about 30 French entrepreneurs accompanying President Jacques Chirac on a 24-hour visit to Maputo

Chissano said that, over the past 12 years, French investment in Mozambique had amounted to no more than $72 million, which he regarded as "paltry"

He challenged French businesses to take advantage of the favourable terms of Mozambique's investment legislation, which included tax reductions of up to 80 percent and possible exemption from customs duties, depending on the investment

Chissano said French companies could work with the Mozambican government in joint ventures to run the country's ports, railways, electricity, posts and telecommunications, among other sectors

During Chirac's visit, cooperation agreements valued at about $9 million were signed. The agreements cover the teaching of French in secondary schools, training for Mozambican judges and law officers, the rehabilitation of the country's largest irrigation scheme and support for artisan fisheries.

Chirac held private talks with Chissano and Afonso Dhlakama, the leader of Renamo, the former rebel movement No details of these talks were made public, though one item discussed was next Tuesday's local elections, which Renamo is boycotting

At a press conference with Chissano on Monday, Chirac declined to make any comment on the dispute over the elections

He said when Chissano visited France last year, he had not commented on domestic French politics, so he would return the courtesy and not "meddle in Mozambique's domestic affairs"

Chirac hinted that France might be prepared to consider extra debt relief for Mozambique beyond the Heavily Indebted Poor Countries Initiative (HIPC) sponsored by the World Bank and the International Monetary Fund

He said it was "a question of principle" for former colonial powers, Western creditor nations and financial institutions to address the problem He added that France favoured debt relief in southern Africa to give added momentum to democratic and economic reforms

Under HIPC, Mozambique's total debt in net present value terms will be reduced from about $2,5 billion to $1,1 billion

Speaking at a banquet he hosted for Chirac on Sunday night, Chissano said that was a welcome step, but Mozambique's economic problems were such that a more appropriate measure would be to write off the country's debt altogether

French officials said Chirac had been very impressed by the internal stability in Mozambique, which had led to record economic growth of 12 percent in the country's gross domestic product in the past year

Mozambique's first democratic elections were held in 1996. — Independent Foreign Service

Congo pins hopes of stability on franc

SIMON CLOW

Kinshasa — The Congo government hopes the Congolese franc, the new currency it launched yesterday, will bring some stability to an economy battered by years of neglect, corruption and civil war

In the run-up to the official launch, the authorities promised a "strong and stable" currency, independence for the central bank, and tight fiscal and monetary policies But the success or otherwise of the franc could depend on the ability of the government to push through wider financial sector reforms and ensure political stability

The currency is being introduced at one franc to 100 000 new-zaires, the currency it replaces People have the next 12 months to change their new-zaires The government on Monday asked traders and shopkeepers in Kinshasa to post all prices in both new-zaires and Congolese francs

Earlier this month, Albert Kutekala, the head of a special central bank task force on currency reform, warned that the franc should not be seen as a panacea for Congo's economic ills "Monetary reform is not a cure-all to eliminate salary arrears, increase salaries or wipe out the state's internal debts"

Jean Claude Masangu Mulongo, the central bank governor, has also pledged that introduction of the franc will be part of a broader package of economic reforms — Dow Jones

AGRICULTURE *The crop is a staple industry, and the price has contracted as yields increase*

Cotton lifeline hangs by a thread in Mozambique

(218) OT (BR) 3/7/98

Mercedes Sayagues

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 the average one-hectare yield of 800kg 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 2 500 meticals 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 2 950 meticals Merchants rejected the price

"The government is fixing a political price that it cannot guarantee nor subsidise, and pretends the companies should bear those 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 the difference between both prices down to 100 meticals 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 800kg a hectare But in war-ravaged Sofala, with an average of 300kg, yields are low Poor soils combine with the loss of agricultural tradition and skills during the war

Many peasants have rejected pesticide supplied by the local company, fearing it could be evil magic or lethal poison The Companhia Nacional de Algodao, 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 Maringue yields of 800kg a hectare, the west African average — Independent Foreign Service

Cahora Bassa power to flow after 16 years

BD 13/7/98 (218)

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 bow to pressure to pay substantially more for Cahora Bassa's power. Hydroelectrica de Cahora Bassa (HCB), the dam's operating company, hoped that increased tariffs for Eskom would help pay for the project's estimated $3,2bn debt.

Eskom said a large tariff hike on the 2c a 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.

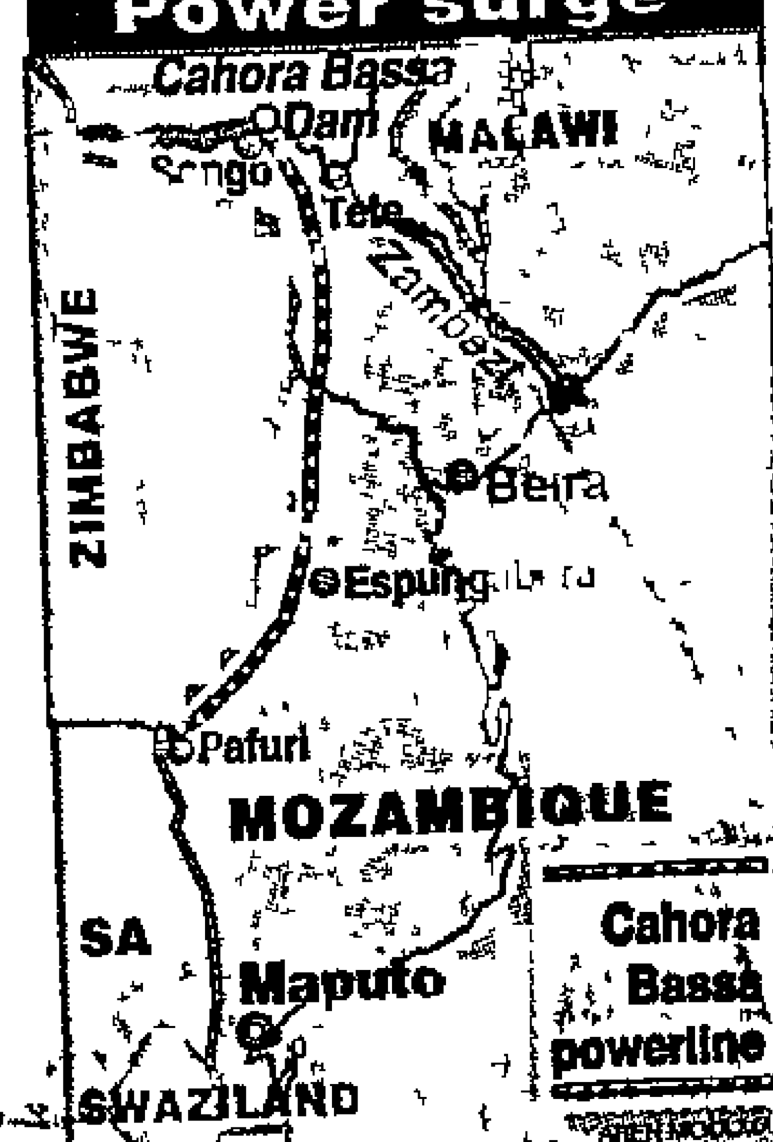
Eskom CE Allen Morgan said earlier that one of the main reasons for expanding the transmission grid into southern Africa was to exchange energy.

This ultimately would stimulate the development of hydro generation sites in Mozambique, Angola and the Democratic Republic of Congo as sources of renewable and inexpensive power.

Cahora Bassa has a capacity of 2 000MW — all of which Eskom can contractually buy. However, the contract between HCB and Eskom said 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.

Power surge



Three states to approve new tariffs

Gates open on Cahora Bassa power

(218)

ET(BE) 13/7/98

Ncaba Hlophe

Johannesburg — Eskom, the power utility, had reached a landmark agreement with Hidroeletrica de Cahora Bassa to buy electricity once more from the R10 billion Mozambican hydroelectric power station after 16 years of delays, Eskom said at the weekend

Piet Faling, a member of Eskom's negotiating team, said Eskom offered a "significant increase" from the original 2c 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 1

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 2c a kilowatt hour to finance the project's estimated $3,2 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 Songo, 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 2,5c 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 2006-7.

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 950MW Mozambique would purchase 200MW, while Zimbabwe is already purchasing 450MW

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 powerline in the country's civil war, which ended in 1992

SA NEWS DIGEST

South Africa and Mozambique work together at new aluminium smelter

[illegible] billion aluminium [illegible] South [illegible] participating [illegible]

(218) CT (BR) 16/7/98

[illegible] Billiton the [illegible] 125 million in the [illegible]

[illegible] try, our institutions and our gov[illegible]

[illegible] operating in about three years' time with an initial output of about 250 000 tons of aluminium a year. It will use 500 000 tons a year of import[illegible] probably from Australia, and 450 MegaW[illegible] Mozambique

Eskom deal will help keep costs down

(218)

Robyn Chalmers

ESKOM had 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 11,85c 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 far 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.

BD 16/7/98

AFR

Mozal blessed by govt and people

(218)

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 Pascoal 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 surprising then that the government has assisted 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 24%. 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

CT (BR) 17/7/98 (218)

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 Washington 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 Mozambique 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

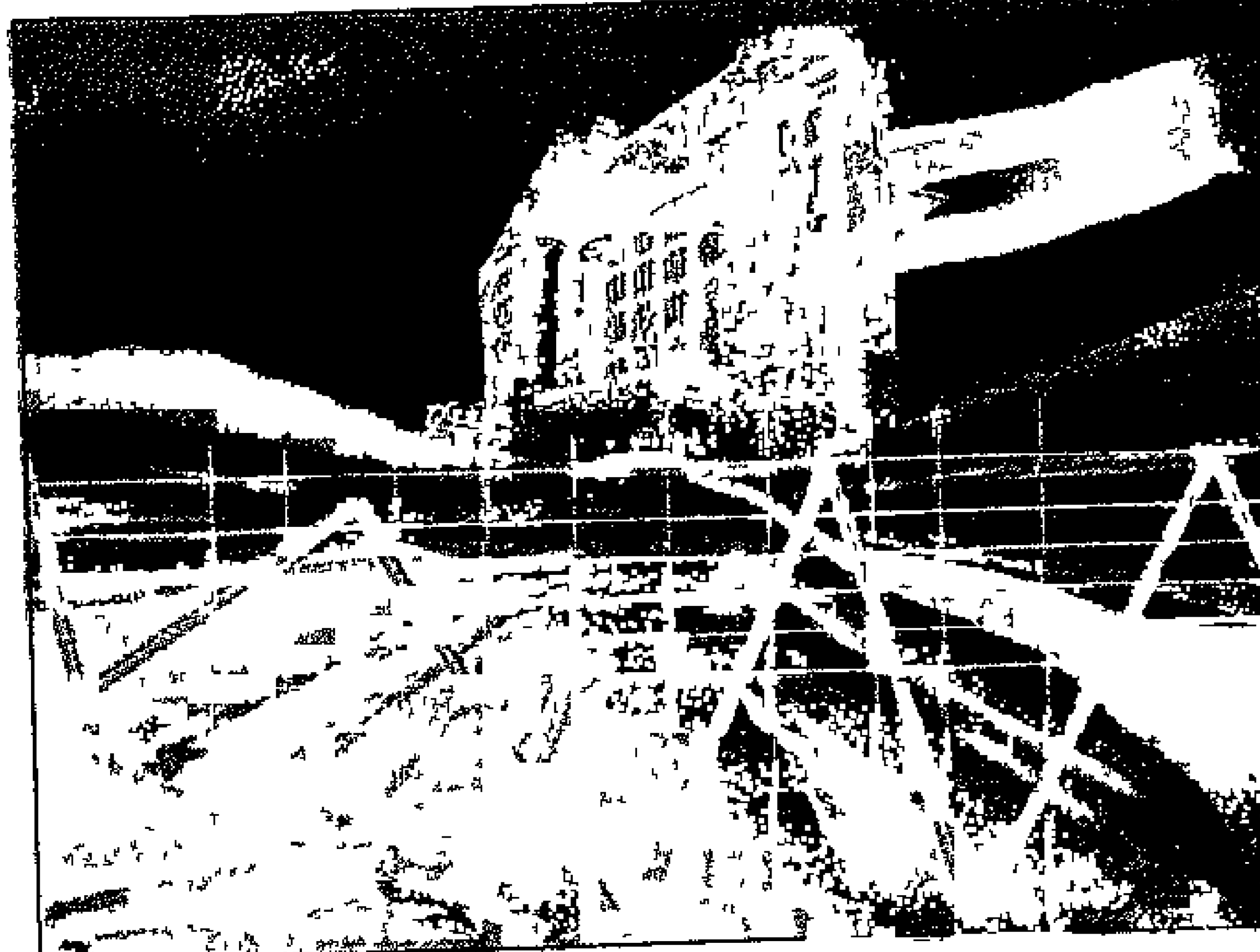
Salomao said the presence of a US treasury secretary in Mozambique was in itself an important indicator that it was worth investing in the country

FINANCE *Inexperience and uncertain returns head list of obstacles*

No easy birth for Mozambique's stock exchange

UT (BR) 20/7/98 (218)

Antonio Gumende



Maputo — The Mozambican authorities are putting what look like the final touches on the commissioning of the country's first stock exchange

Sources at Comissio Installadora da Bolsa de Valores de Mocambique (stock market installation committee) say the stock exchange will be up and running before the end of 1998 However, the operations of the exchange are likely to be hampered by a lack of the required infrastructure for trading

The inauguration of the stock exchange was initially planned for May this year Midway, the plans had to be changed Jossub Nurmamade, chairman of the installation committee, is now reluctant to mention dates But he assured the weekly newspaper Savana recently that, after the initial hiccups, the stock exchange would become a reality during the last quarter of 1998.

The odds are against Nurmamade and his staff of six For a start, the exchange is yet to secure such privileges as its own premises and telephone lines Until now the installing committee staff has been "squatting" in the Gambling Inspectorate premises in downtown Maputo

The next hurdle is Mozambique's antiquated legislation which has no provision for a stock exchange in the financial market

Another challenge has been to entice "blue chip" companies on to the stock exchange

The multinational companies that are setting up in the country have the ability to shop for capital elsewhere and have not showed interest in enduring the pain of trying to raise money through an institution going through teething problems

The exchange is yet to secure such privileges as its own premises and telephone lines

For example, the $1,2 billion aluminium smelter under construction near Maputo raised capital through the London Stock Exchange

Subsequently the committee has had to review its listing threshold to allow in local companies the capital base requirement was lowered from the initial $3 million to $1,5 million when it became evident that given the fragility of Mozambique's private sector, the scheme would find few local takers

Significantly, the most willing customer the exchange is likely to find is the government The state is anxious to offload its holdings in privatised companies to the public both to broaden ownership and raise capital to fund the soaring budget deficit

The third challenge is likely to be the normal requirement that a company listed on a stock exchange have audited financial statements for a number of years Companies here are only now beginning to learn to use the services of auditing firms

Nurmamade stated that the exchange would at first resort to the banking system to do the job normally done by brokers

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, Nurmamade 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

BUSINESS

MOZAMBIQUE *Raising farmers' profits brews a storm in a cashew nut shell*

Irony as World Bank is slammed by industry for siding with producers

(218) CT(MR) 21/7/98

PETER FABRICIUS

Maputo — Cashew nuts and prawns are the most familiar of Mozambique's products and its two largest earners of foreign exchange, so any changes in policy on those 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 Marxist 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 their nuts abroad for higher prices and thus protect the supply to local processors at low

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 jobs 6 770 were employed in 1995 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 26,7 percent of the ruling world (export) price

In 1995, after the export tax had been lowered to 20 percent, this increased to $340 a ton, or 50,4 percent of the world price In 1997, the price was $349 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 internationally bully when in fact it was trying to help the small farmer against the bigger local processors — Independent Foreign Service

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★ JULY 26, 1998

SA to write-off part of Moz debt

CP REPORTER (218)

CP 26/7/98

SOUTH AFRICA has agreed to write off a big portion of Mozambique's debt, Finance Minister Trevor Manuel said in Parliament

Although final details have still to be worked out, the announcement is a prelude to SA's intentions to reduce Mozambique's debt to R43,2 million from R48,5 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 poor countries by up to 89 percent. Mozambique is the only country in the southern African region whose debt the two banks had agreed to reduce

This is part of the 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 directors 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 12.

AFRICA

Mozambique's future hinges on road network

BD 27/7/98 (218)

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.

Reacting 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 CFM was almost finished granting concessions. "Everybody wishes the port was moving faster because it is a lifeline, but we are happy with progress," she said. "After Maputo is fully concessioned we would like to see rapid progress on concessioning Beira and Nacala because they are the lifelines to Zimbabwe and Malawi, respectively."

Phyllis Pomeranz, who is the World Bank's Mozambique and Zambia director Picture ROBERT BOTHA

She said news that the country had recorded growth of 12,5% last year was also encouraging for SA because there was complete integration of the countries' interests.

Defending the bank against the independent press's charges that it was trying to destroy the country's important cashew processing industry, Pomerantz said the bank continued to push for liberalisation of the sector.

In the mid-1990s the bank persuaded government to drop its ban on the export of raw cashew nuts 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 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

(218) BD 28/7/98

Own Correspondent

WHEN Mozambique held presidential and general elections in 1994 the world applauded the evident fairness of the proceedings In contrast, the country's first multiparty municipal elections, held on June 30, are fraught with controversy.

The independent national electoral commission has already announced the results of the polls in the 33 municipalities where voting took place. The ruling left-wing Frelimo party won them all However, by law, the supreme court has to give its approval and it has not yet done so.

Problems began earlier this year when the main opposition party in the national parliament, Renamo, announced it would not take part. The reason given was irregularities in updating the voter registration lists at the end of last year.

The electoral commission and its executive arm, the electoral administration technical secretariat, attended to the right-wing Renamo's complaints, but Renamo still refused to take part and was joined in its boycott by 15 small parties which have no seats in parliament.

To make matters worse, the Democratic Union, a coalition of three parties which does have parliamentary seats, joined in the boycott when many of its slates for municipal assemblies were ruled out of order for having been delivered too late

The result of all this was that Frelimo found itself running unopposed in some towns and competing with independent groups in others. The small Labour Party ran in some towns but its leader was arrested for tearing up sample ballot papers from a polling station wall.

In some towns, the Democratic Union candidates had to be included on the ballot papers because they had not officially notified the electoral commission of their coalition's decision to withdraw.

There were irregularities on polling day, including the late opening of polling stations, unsealed ballot boxes because the seals did not fit, absence of basic equipment from the electoral kits (such as scissors or glue), and lack of lighting in some polling stations, which affected evening voting.

In these circumstances nobody really expected a massive turnout. However, the commission's figures are even more dismal than predicted: an average 14,58% turnout across the country.

Only one of the 33 towns attracted more than 50% of the electorate: Dondo, near Beira in the central province of Sofala. That seemed hard to believe because Renamo won a majority in the 1994 general elections in Sofala and there was no Renamo candidate for Dondo in the municipal elections.

Now Renamo is saying that polling station officials stuffed the ballot boxes in Dondo. Normally, few people would take that seriously because Renamo is always crying wolf. This time it is different.

The accusations do not come only from Renamo. Observers from the Catholic University and from the Association of European Parliamentarians for Africa (Awepa) noted strong circumstantial evidence of fraud One observer spotted a polling station official putting a folded ballot paper in the ballot box when there were no voters in the polling station.

A detailed account of the apparent fraud in Dondo appeared in the latest issue of Awepa's Mozambique Peace Process Bulletin. This is not a right-wing, anti-Frelimo publication The editor is Joseph Hanlon, the respected socialist author of several books on Mozambique.

All is not lost, however. The supreme court could rule this week to annul the results of the Dondo poll or the exercise as a whole But that would be bad for business.

Carlos Cardoso, owner of the Maputo daily fax newspaper Metical, said he thought the court should not wipe out the results in all towns just because there were irregularities in Dondo and one or two other towns.

Cardoso was a candidate for Together for the City, a nonparty group which did well in the Maputo city elections. He has used his newspaper to campaign for protection for national industry and most of this battle is against what is seen as unfair competition from SA.

Under the new system of local government, central government's contribution to local budgets will depend on municipal administrations' ability to raise local taxes. The more you raise locally the more you get from the state.

During the election campaign in June no candidate put a figure on local taxation.

In a sense, nobody knew what they were voting for, which might account for the low voter turnout.

Now that the elections are over, Cardoso says he wants a broader tax base: "We want lower taxes but more people paying them."

Maputo Corridor toll meets heavy resistance

(2/18) Star 3/8/98

By Hopewell Radebe

Residents of Onderberg and Nkomazi in Mpumalanga are demanding that a tollgate to be built through their area as part of the Maputo Corridor be shelved.

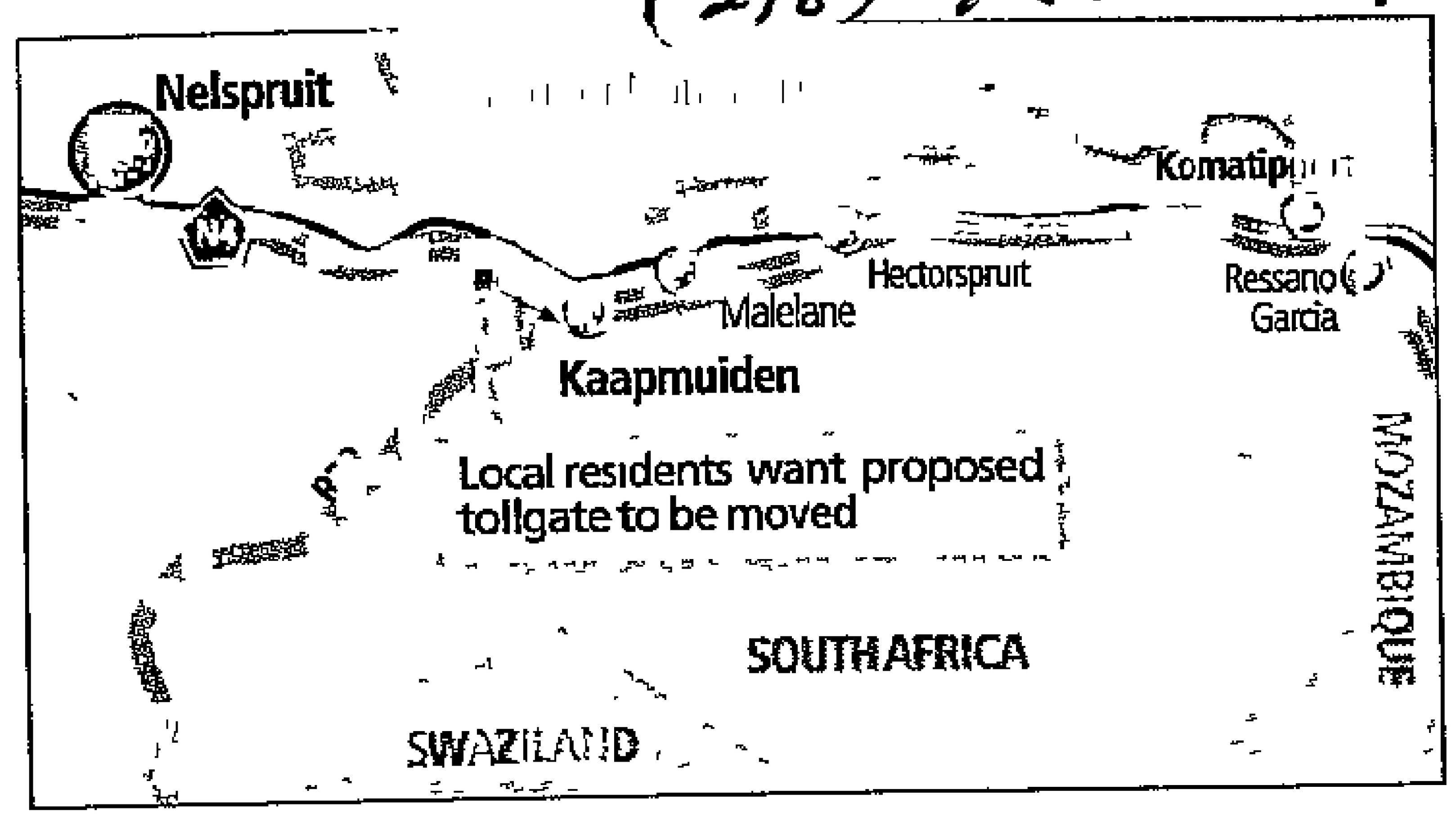
Community spokesperson Eksteen Botes said residents want the tollgate, which will go through Nelspruit, moved to another site. Alternatively, they want an agreement which grants concessions to residents

"The proposed fee will amount to R40 a return trip ... this is not acceptable to our community," Botes said.

He said that even though Trans African Concessionaires (Trac) – developer of the tollgate – had indicated it might consider granting concessions of between 10 and 20%, residents would still have to cough up between R32 to R36 daily

He claimed Trac had refused to consider shifting the tollgate to west of Kaapmuiden, to provide alternative routes to Nelspruit, because it feared its expected income of about R30-million a year would be considerably reduced.

Oupa Pilane, speaking on behalf of Mpumalanga Premier Mathews Phosa, said: "Unfortunately, the government has no resources to build the roads on its own. It has to accept that the construction of these tollgates will negatively affect some, but assist to improve the living conditions of hundreds of people whose socio-economic conditions will change for the better"



Mozambique seeks firms to unite and exploit coal deposits (218)

BD 20/8/98

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.

Arsenio Mabote, national director of coal and hydrocarbons, said a growing number of companies were expressing interest in developing coal mining at Moatize, 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 Beira, 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 16-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 co-ordinating 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 Ingwe, both from SA, and Brazil's Companhia do Vale do Rio Doce.

Mabote said the coal would be used also to generate electricity. A 1 000MW power station 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 Moatize 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 Moatize 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 Luia and Metangua Rift, has confirmed that there are other interesting coal reserves. — Sapa-AFP

Mozal ties up harbour deal

BD 27/8/98

MOZAL, the new aluminium smelter in Mozambique in which Billiton has a 47% interest, said yesterday it had concluded successfully an agreement with Portos e Caminhos de Ferro de Mocambique (CFM), enabling Mozal to develop and operate a dedicated berth and other port terminal facilities at Matola, the port of Maputo

Billiton said $14m for the berth's construction was included in the total project cost of $1,3bn

This represents the first stage of the redevelopment of Matola and is in line with CFM's plan to create an "industrial port", serving Mozambique and the Maputo Corridor (218)

Meanwhile, the International Monetary Fund has approved a $33m soft-loan outlay to Mozambique, to be released in instalments starting on September 1 — Sapa, Dow Jones

Mozal to develop own port facilities

CT(MR) 27/8/98 (218)

Ravin Maharaj

Durban — Billiton, 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

Billiton 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 Grincor, 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 Mersey Docks and Harbour The other leading shareholders are Skanska, the Swedish construction company, Liscont, the Portuguese terminal operators; and Mozambique Gestores, the management consultancy

The preferred bidder for the rail concession into South Africa is a consortium led by Spoornet, the state-owned railway operator

CFM's plan will create an 'industrial port' to serve both Mozambique and SA

Consortia 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

ET (MR) 28/8/98 (21B)

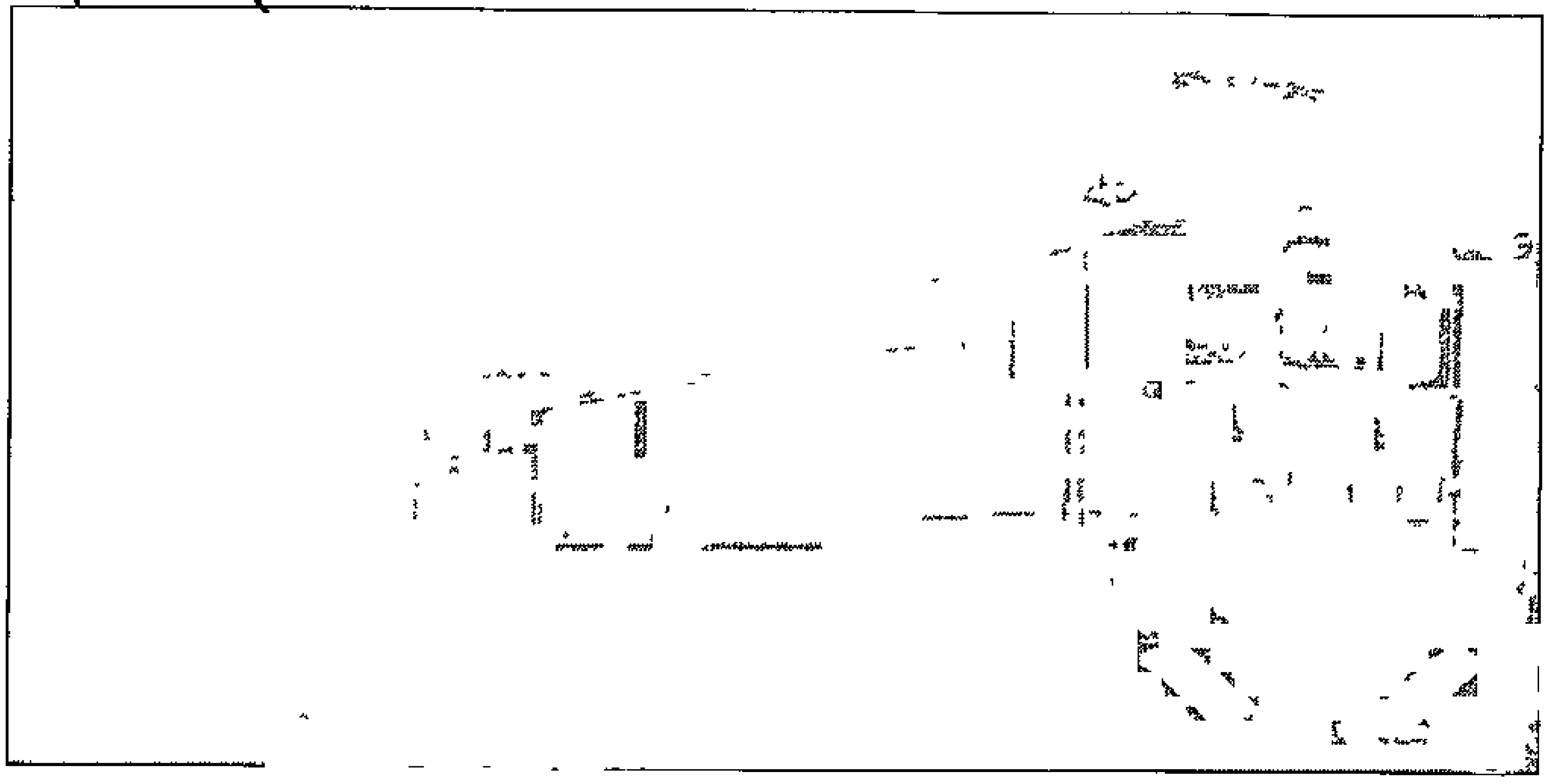
GUMISAI MUTUME

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 grounded 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 $1,5 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 privatised

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

CT (BR) 1/9/98 (218)

Rafael Bié

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 limnology of the Pequenos Libombos 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 aluminium smelter and the iron and steel plant, is projected to increase substantially by the year 2005

The IDC/Enron project, which initially contemplated the production of direct-reduced iron based on the supply of gas from Pande field, 610km 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 10 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 haematite 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 Spoornet, 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 mainly industrial city adjoining the capital Maputo, or at the Beloluane 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 1 200 permanent jobs would be created

IDC and Maputo clinch steel deal

JONATHAN ROSENTHAL (218) CT (MR) 4/9/98

INDUSTRIAL EDITOR

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 2000, 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

MAPUTO CORRIDOR *'If we are serious about regional economic integration, this is our chance,' says one official*

Mozambique's rebirth rides on a new trade highway

(218) CT (MR) 17/9/98

JAMES RADEBE

Maputo — A buzz of activity around the port of Maputo expresses the hopes 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 3 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 Jalilo Aly Agy, a port official "Business has also been assisted by the privatisation 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 liberalisation programme started in 1995, has privatised most state assets more than 700 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 180 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 fashioned its 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

Merseyside 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 $290 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 basis 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 Consortia 2000, a Portuguese firm Railway 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 $30 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

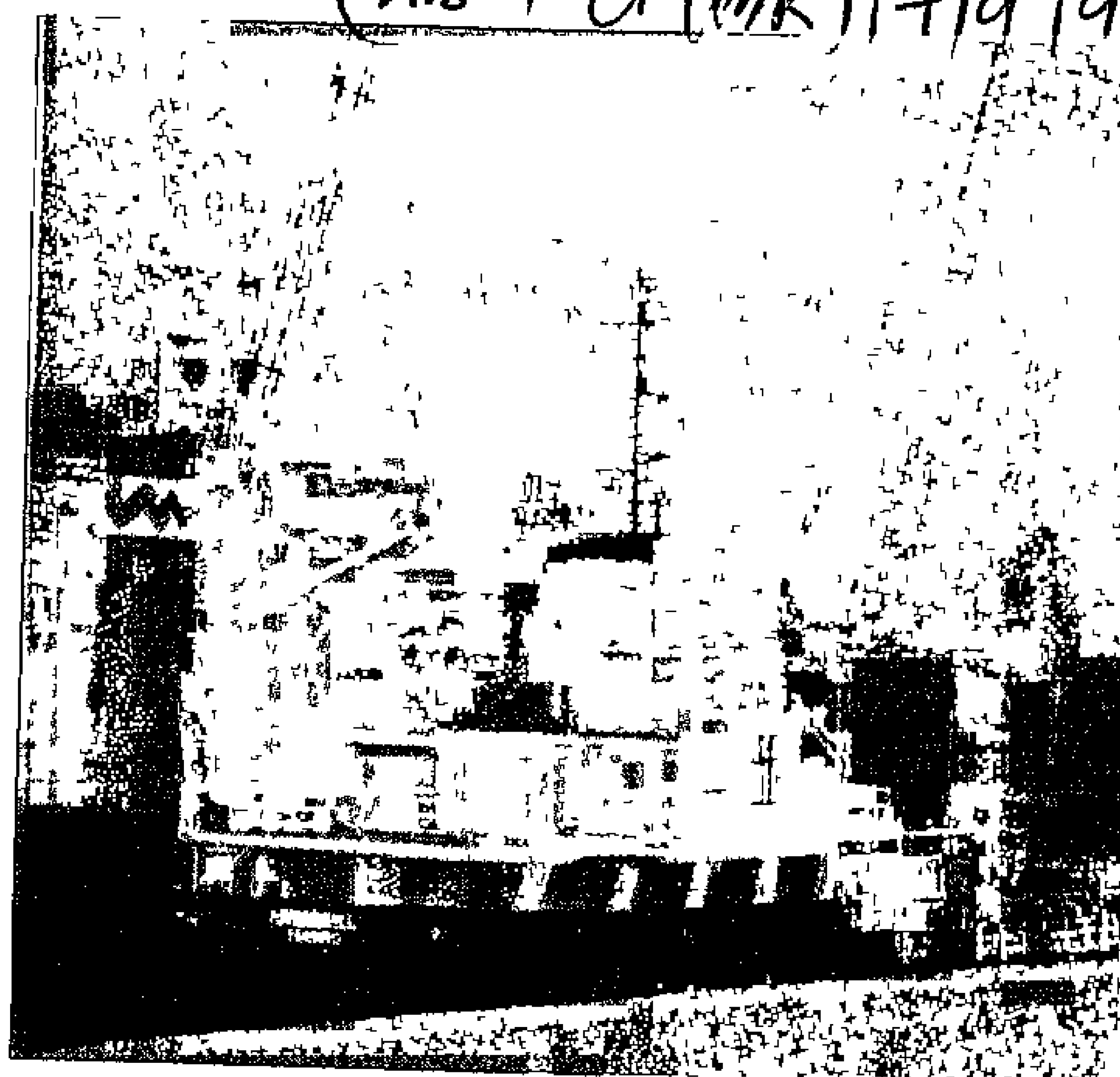
"Mozambique is well on the road to political recovery," says Mozal, a consortium of British, Japanese and South African companies

"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 it a success story and describes it as one of a 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 Afrique



HARBOURING AMBITIONS *Officials at the port of Maputo hope for a return to the peak of handling over 14 million tons a day*

Mozambique 'gets criminal excess'

(218) BD 17/9/98

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 in 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 counterfeit organisation operative 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

(218) BD 17/9/98

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 of being identified, the R7,5bn Mozal aluminium smelter was a reality.

At the outset the Mozal project was dependent on a supply of energy and the port for raw materials

This had created the lever for a R100m investment in the Maputo harbour to handle 35 000-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 13 500 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

(218) BD 23/9/98

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 stabilisation 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 finalised, but the World Bank expects that the requirement will rise in 1999, partly to finance higher imports.

The bank, which co-ordinates today's consultative group meeting, sees two main development priorities, namely continued development of the private sector, and public sector support for the private sector in the form of sectoral programmes and a sturdier regulatory regime

Pioneering farm project to get R2,5m in SA funding

(218) BD 28/9/98

Claire Pickard-Cambridge

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 Mucumbi recently to discuss the Mozambique government's allocation of about R2,7m to the joint management company, SDM Mocumbi 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

(218) BD 28/9/98

Bernard Simon

MAPUTO — Jussub Nurmamade 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.

Nurmamade, the president of the Comissão Instaladora da Bolsa de Valores de Moçambique, 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, Nurmamade says listed companies will qualify for lower corporate taxes

The exchange also plans to list \$5m face value of Mozambique government bonds Nurmamade predicts liquidity will improve significantly next year with the government issuing another \$60m 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 Nurmamade 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. Nurmamade and Sales say they have nothing against regional integration, but their first priority is to get their own market off the ground

Mozambique weathers the crisis well

Mozambique now has a high-growth economy, low inflation and a strong currency. Some of its problems are those of success, **Bernard Simon** reports from Maputo

(218) BD 28/9/98

A N SA tourist ordering the peri-peri seafood platter at the Costa da Sol restaurant north of Maputo will instantly realise that Mozambique is not a typical emerging-market economy. The platter at the famous but modest eatery costs 125 000 meticais, equal to a whopping R71 A local beer at the de luxe Polana Hotel sets you back R15, before the tip.

Such high prices are mainly a reflection of the strength of Mozambique's currency, the metical, against the rand In spite of being one of the poorest countries on earth, Mozambique has weathered the emerging markets crisis extraordinarily well — certainly far better than SA.

Its growth rate — 12,4% in real terms last year and expected to remain in double digits this year and next — is among the highest in the world. Inflation has dropped to virtually zero, and the country is attracting a steady inflow of stable, long-term capital in the form of foreign aid and investment

Mozambique's successes were again highlighted last week at the annual meeting in Maputo of the Consultative Group, made up of the government and its foreign donors, and chaired by the World Bank. According to the group's final communiqué, donors "applauded (recent) reforms and congratulated the government on its sound economic management and performance"

Douglas Mason, a Canadian economist in Maputo, said that Mozambique was "showing what an extremely poor country can do through the application of sound policies"

The upbeat mood is tempered by a widespread sense that some of the most difficult decisions still lie ahead if the Mozambique miracle is to be sustained "I feel optimistic, but there is still a lot to be done," says Pedro Pinto, country manager for the Commonwealth Development Corporation, which has approved $90m in investments in Mozambique.

Since the end of the civil war in 1992 and the first multiparty elections two years later, the emphasis has been on short-term recovery measures designed to put a ravaged economy and civil society back on their feet

The traffic on Maputo's streets, bustling construction activity, a succession of new hotels and an influx of skilled former Mozambicans returning home are among the signs of the rapid transformation over the past four years

The formerly socialist Frelimo government has done a remarkable policy turnaround. Interest rates, prices and the value of the metical are now largely determined by market forces Import tariffs have been lowered and simplified, and subsidies eliminated More than 900 state enterprises have been privatised, including the entire banking sector

In the process, President Joaquim Chissano's government has cemented its own political legitimacy and boosted local and foreign business confidence With the opposition disorganised, only a huge upset could deprive Frelimo of a comfortable win in next year's general election.

Jeanne Stephens, GM of Austral, Mozambique's biggest management consultancy, says that "if you have a dream to be a business person, you can make your dream come true"

Nevertheless, all the achievements and plaudits in the world cannot mask the enormity of the challenges still facing Mozambique Beyond the relative affluence of Maputo, it remains a desperately poor nation, with a literacy rate of 40% and a life expectancy of 47 years

On average, a Mozambican must travel 46km to find a doctor and 66km to reach the nearest secondary school A government minister earns only $1 000 (R6 000) a month

Corruption — mostly of the petty variety — and red tape are still rife "Very little has been done to change that," says Shaquil Osman, senior manager at PricewaterhouseCoopers in Maputo "Things only get moving because you pay a little bit, or because you know somebody "

Mozambique also remains heavily dependent on aid More than half the government's budget revenues have come from foreign donors in recent years. Official financing needs for next year are estimated at $570m, which will almost certainly be covered entirely by aid. In addition, under a debt relief programme agreed to earlier this year, Mozambique's debt burden will be lightened by $1,4bn in net present value terms in June

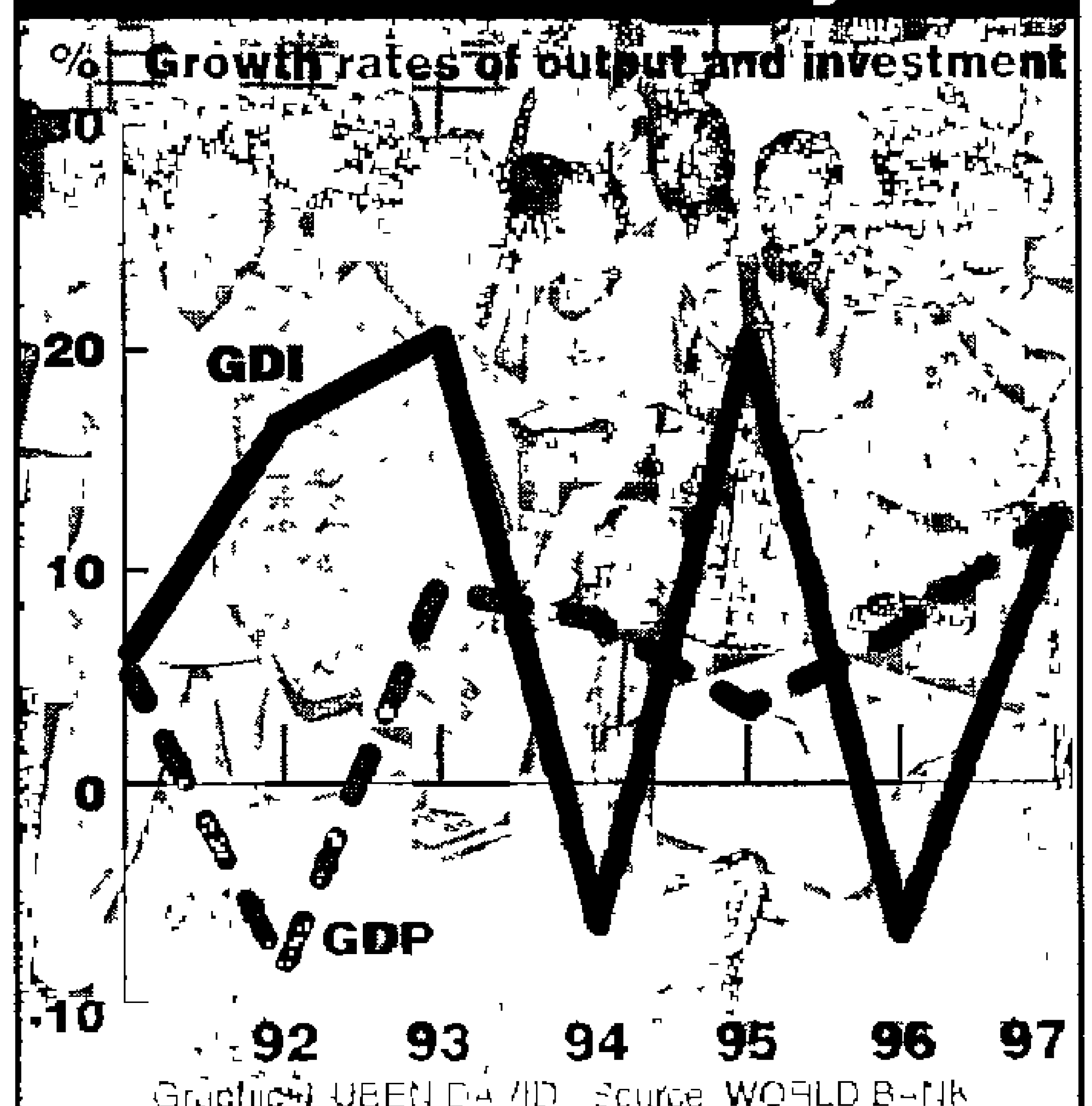
Perhaps the biggest concern of all is the ability of the country's infrastructure — both human and physical — to support the breakneck growth now under way. While some ministers and public servants are admired, the shortage of skills in the middle ranks of the public service is endemic Similarly, skilled labour is in short supply in the private sector

Some outsiders doubt whether the authorities have the capacity to implement a value-added tax planned for next year, or whether the country's dilapidated roads and railways will be able to cope with an increase in industrial or farm production

A full session of last week's Consultative Group meeting was devoted to public service reform.

Donors underlined the need "to establish clear rules of the game, increase transparency and combat corruption".

President Chissano's success story



These constraints mean that the government and the donor community are increasingly directing their efforts towards "capacity building", in other words, shifting the emphasis towards longer-term, usually lower-profile work such as education and civil service reform, strengthening regulatory agencies and improving tax collection.

This shift of focus has raised a fresh set of issues. For instance, donors are debating the wisdom of using their funds to "top up" public service salaries The need for the government to hold on to skilled public servants is undisputed, but such a scheme also raises the question of who should qualify and how it will eventually be phased out.

The relationship between the government and the donors is showing some signs of tension Both sides claim they want the government to take a more forceful role in setting the development agenda. However, given the country's skills shortages (which contrast with the near-blanket presence of foreign aid agencies and nongovernmental organisations), it is not easy to shake off the pervasive dependence on foreign experts and foreign money

Also bubbling to the surface is the question whether the growing economy can or should support sophisticated capital markets, including a stock exchange Such markets would assist the public and private sectors to generate finance, but they might also attract the short-term speculative flows that have bedevilled other emerging markets

Central bank governor Adriano Maleiane cites the absence of domestic capital markets as one of the main reasons why emerging market "contagion" has not spread to Mozambique. Even if and when such markets become a reality, he hopes that financier George Soros "will leave us in peace"

N/A

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) Sowetan 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 increase 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

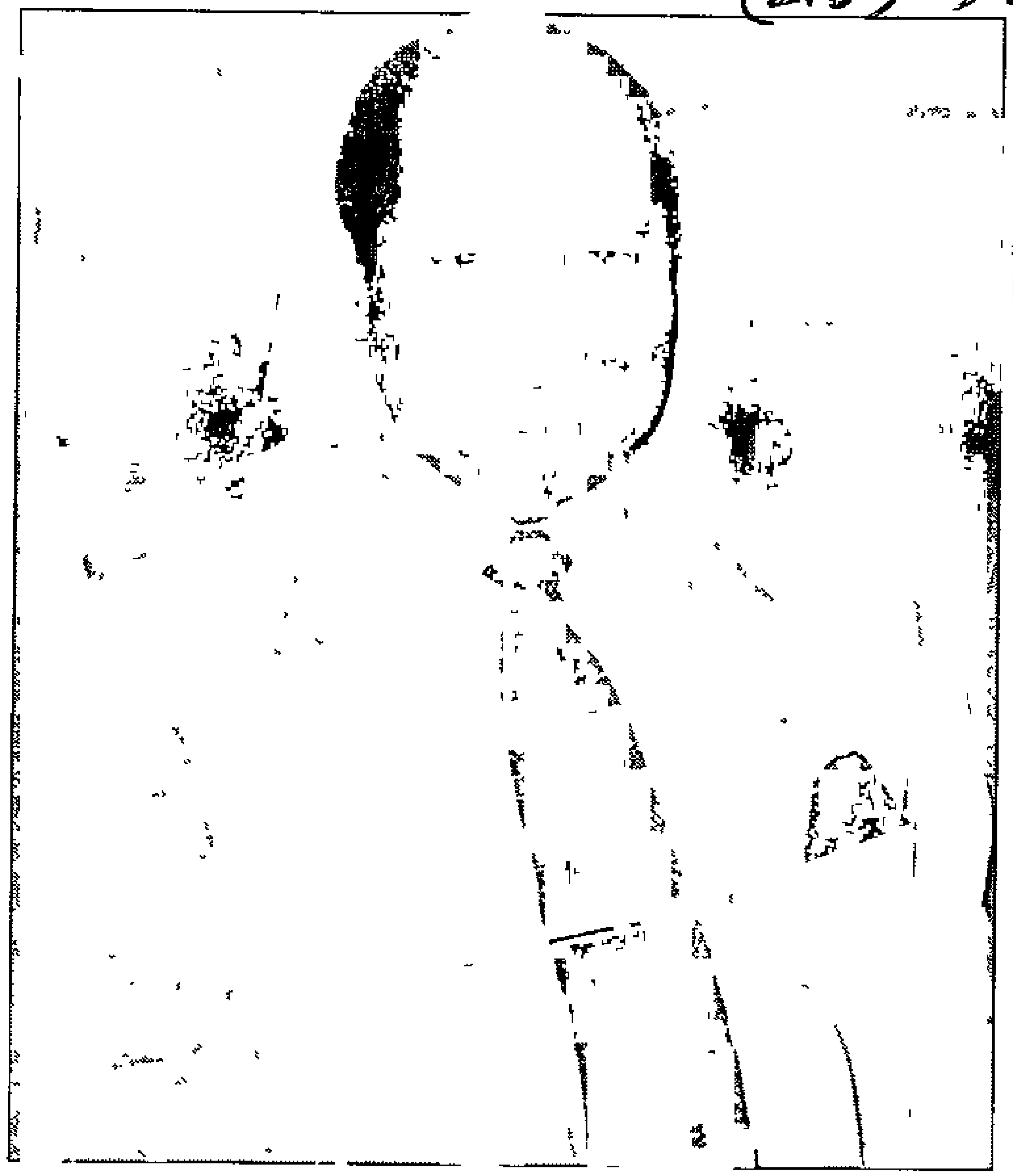
"We think this way of doing things is good it is of benefit to everyone and avoids social tension," he said

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



Mozambican president Joaquim Chissano ... maintaining political stability is a priority PIC SHARON CHETTY

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 low 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 900 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)"

Landmines continue to hamper peasant farming, said Chissano but inroads are slowly being made into the prevalence of illegal weapons

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 quarrel It is their private life for which they are respected People are happy they got married"

Ray of hope shines in rising Mozambique (218)

Sowetan 29/9/98

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 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 chaired 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 7 000 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

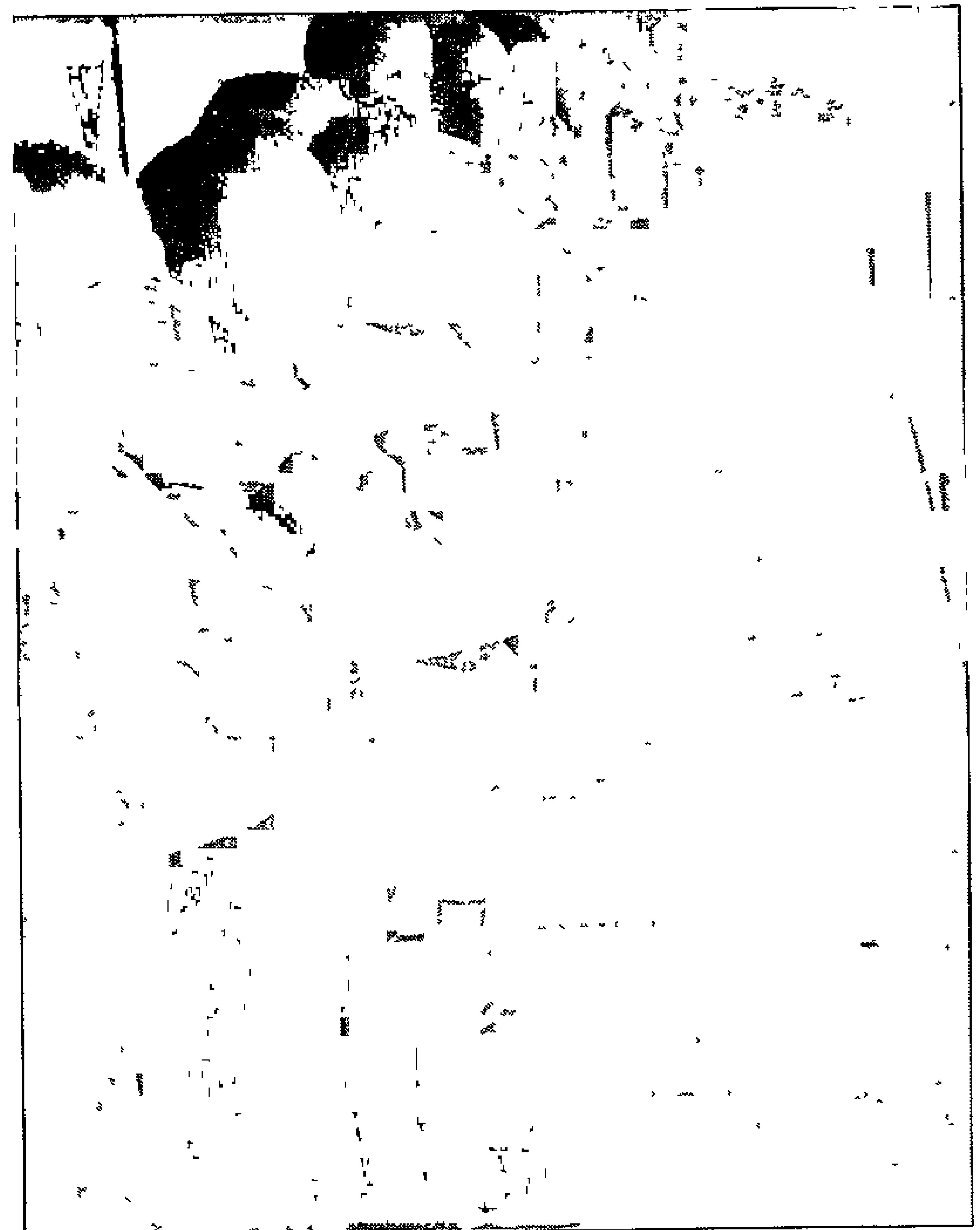
Weak financial back-up and high interest rates were particularly restrictive, they said

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



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

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

Mozambican entrepreneurs complain to Mozal

(218) E1 (BR) 28/9/98

Rafael Bie

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 to12 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 northwest of Maputo Planners are considering using the Incomati River

Cowie said there were still some Mozal contracts to be awarded and he promised to find ways for Mozambican companies to participate

When asked why Mozambican companies had been excluded, Sumbana said "Local companies have never had to face a challenge the size of Mozal We do need competence, quality and good prices"

A representative of a local paint company at the meeting wanted 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 "battle field" in joint ventures

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 (BR) 28/9/98 (318)

RAFAEL BIE

Maputo — Mozagrius, the agricultural development programme between Mozambique and South Africa, had run into serious financial problems, Helder Muteia, the deputy minister of agriculture and fisheries, said last week.

He said the 26 South African and Mozambican commercial farmers who had settled in the fertile northern Mozambican province of Niassa in 1996 under the agricultural development agreement signed the previous year 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

Muteia 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

Muteia 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 $3 million — could not be guaranteed, given the SDM's weak negotiating basis and lack of social capital Only a third of that amount would be secured

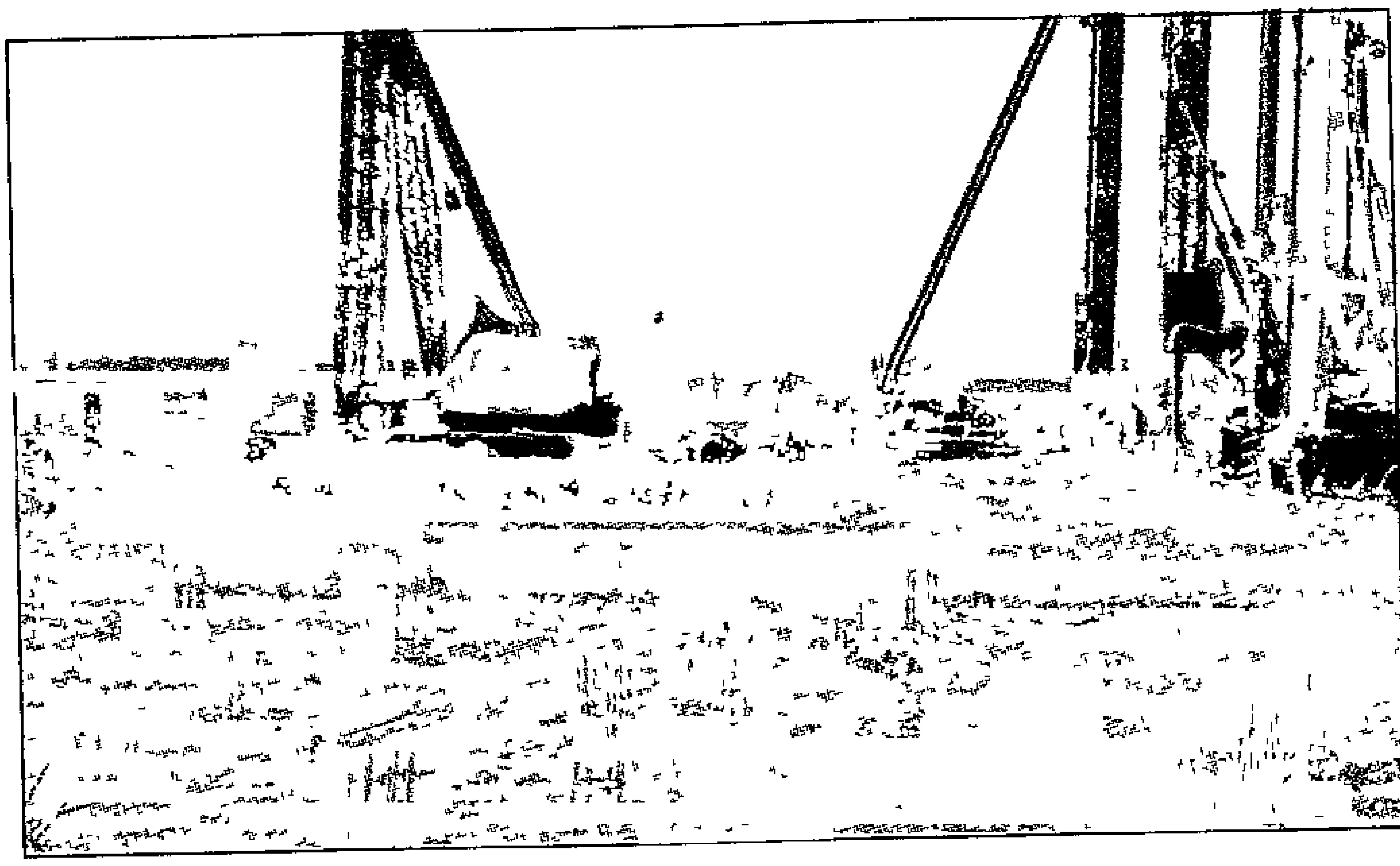
When the Mozagrius programme took off, the two sides announced a social capital of $1 million Muteia said Sacada had not yet come up with its share.

In 1997 the farmers exported their first crop of cereals to Malawi, earning some $110 000

Muteia 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

Real power is economic



Work has begun on the construction of the site for the Mozal aluminium smelter. The billion dollar project is expected to contribute about seven percent to Mozambique's GDP.
PIC SHARON CHETTY

Mozambique gains from new system

(218) Sowetan 2/10/98

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 42 billion meticais (about R23,5 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 Ressano Garcia 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 to 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 industrials 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

Laurentina brewing opposition for SAB

(218) CT (AR) 13/10/98

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 Reunidas brewery for $8,12 million.

The consortium had formed a new company, Laurentina Cervejas, which would invest a further $10 million to modernise and expand Fabricas de Cervejas Reunidas de Mocambique

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

Maputo not telling all

(218)

Frelimo 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

Sowetan 28/10/98

AT EVERY meeting or rally of Mozambique's ruling party Frelimo, its leaders and militants recite the slogan *Vota Frelimo, o Futuro Melhor* (Vote Frelimo, a Better Future) in reference to the way they have steered the country towards economic growth

From a practically rundown economy, the country has risen from the ashes, its gross domestic product (GDP) growing in the last five years by an impressive annual average of seven percent

In 1997 alone, economic growth was 12 4 percent, and in the first half of 1998 it was estimated at 10 percent Inflation which in 1994 reached a staggering 66 percent, has been contained to single digits, about 2,7 percent The Central Bank's base lending rate has fallen to 16,6 percent

While some regional currencies such as the South African rand and the Zimbabwean dollar have been plummeting in the last months, the Mozambican meticas has performed relatively well against the dollar with a rate of fluctuation of around five percent

And a great slice of the region's investment has fallen into Mozambique's lap to boot

All this seems to buttress the International Monetary Fund (IMF) and World Bank argument that when taken according to prescription, their medicine goes a long way to help cure any economic malaise

But another set of statistics shows a stark contrast between the much vaunted macro-economic indices and their real impact on the lives of the people

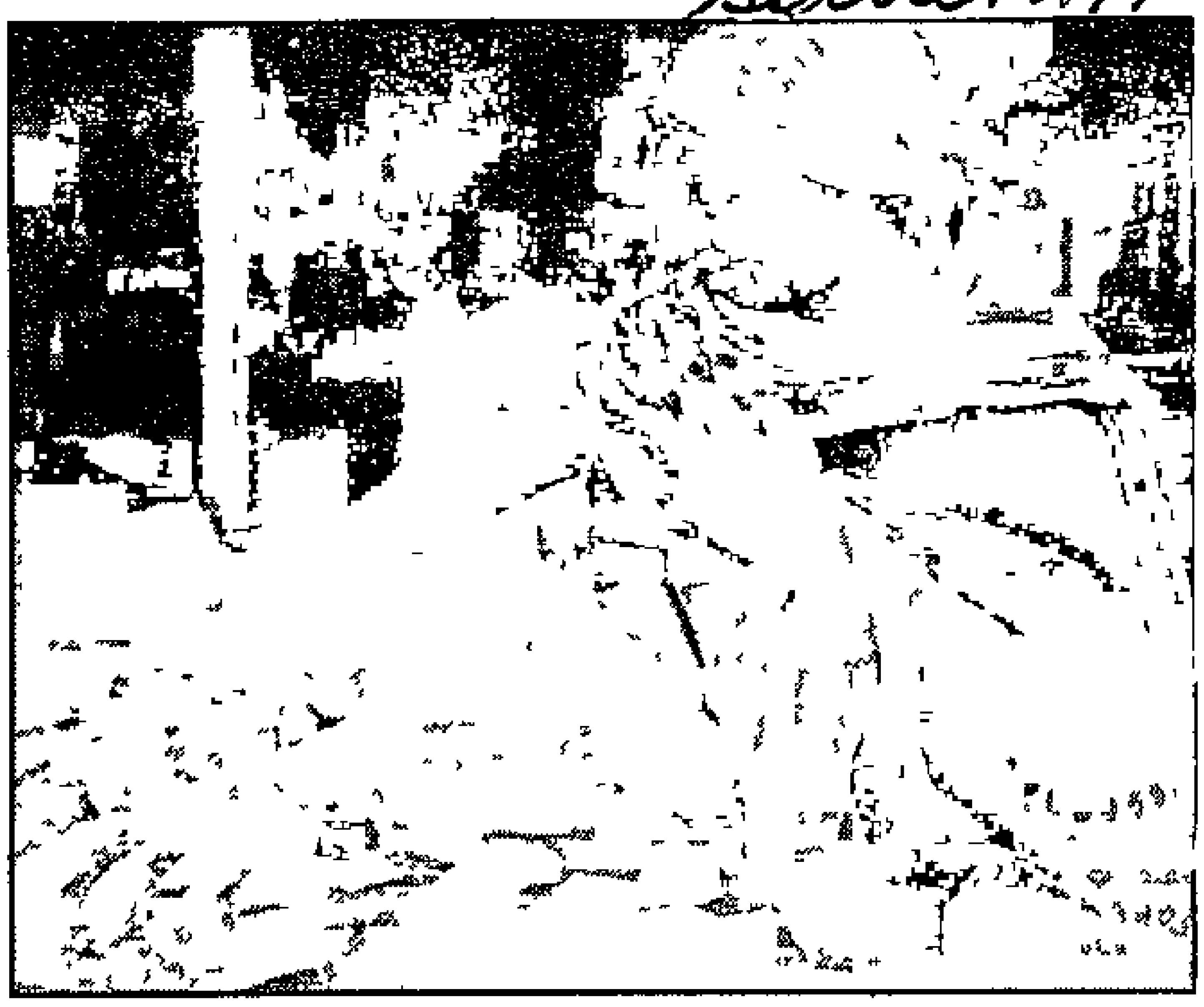
The government did little to publicise a recent study on human development by the International Food Population Research Institute (IFPRI) and the ministry of planning and finance's population and social development department

No doubt it feared the embarrassment of having to explain why certain things seem to have actually got worse

In 1997 Mozambique's life expectancy was pegged at 47 years, but IFPRI data indicates that it has slumped to 43 years Life expectancy in the sub-Saharan region stands at 52 years, according to World Bank statistics

The study also shows that more than 70 percent of the population lives below the World Bank poverty line of R180 a month The poor in Mozambique only manage to bring home an average of R90 a month

The Mozambican government could have used these figures to persuade the IMF and the World Bank during a recent consultative group meeting in Maputo that some of their policies are nothing but a dose of bitter medicine – and that indicators do not fill stomachs



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 Pomerantz 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 boasts 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 tasted 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 Frelimo government to keep the public in the dark about the human development statistics or doctor the figures

The regions where Frelimo did poorly in the country's first elections in 1994 are the regions that fared most poorly in the under-reported IFPRI study

The southern part of Mozambique has the highest average monthly income (R108), while the central region stands at R78 – and the north R93

As these figures suggest, the central region is home to 42,6 percent of the nation's poor 32,5 percent live in the north and 24,9 percent live in the south

Frelimo 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 Frelimo's 23,3 in the country's poorest provinces like Manica, Sofala, Tete and Zambezia, all in central Mozambique

Likewise, in the northern province of Nampula, Renamo claimed 59 3 percent of the votes, while Frelimo trailed behind with 37 percent

Yet because of its power base in the south, Frelimo 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 – *Gemini News Service*

Privatisation, investment heal economy

Mozambique unfolds tale of rags to riches

(218) CT(BR) 12/11/98

ELLIS MNYANDU

Matola, 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 curtail the country's dependence on foreign aid.

The country attracted $1,9 billion in direct foreign investment last year

Officials say Mozambique attracted $1,9 billion in direct foreign investment last year and they expect 1998 to see inflows of at least $2 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 aluminium 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 3 300 jobs

Furthermore, Sasol, 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 privatisation programmes

More than 900 of about 1 250 public enterprises have been privatised since 1989, including the entire banking sector

One large privatisation about to take place is that of the national airline, LAM-Linhas Aereas de Mocambique

"Mozambique has the economic potential to become one of the brighter spots in Africa," the World Bank said at talks between the country and its international donors

Another plus for Mozambique's economic revival has been a curb on inflation, which fell to 5,8 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 calling on 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 Ressano Garcia, Mozambican President Joaquim Chissano detonated 350 of the mines SA Transport Minister Mac Maharaj and senior officials from the company building the toll road also took turns to press detonation buttons

Trevor Jackson, the CE of construction company African Deminers said the 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

BD 17/11/98

(2187)

News

Line from Temane gas field could cost $1bn and stretch to Secunda by as early as 2003

Sasol and Arco want Mozambique pipeline

(218) CT(MR) 23/11/98

Iain Christie

Maputo — US and South African investors are optimistic about a new gas field in Mozambique and expect to build a pipeline to South Africa by early 2003

Spokesmen for the major investors Arco of the US and Sasol of South Africa, said yesterday they intended to build a 925km pipeline from the Temane gas field in central Mozambique to Sasol's synthetics plant at Secunda in Mpumalanga.

Zarara, a Dubai-based company, was a third partner in the consortium, they said

"We signed a production-sharing agreement with our partners, the Mozambican government and the Mozambican Hydrocarbons Company in May this year for the Temane gas field," said Alfonso Niemand, Sasol's communications manager

"Given Sasol's role in the southern African energy sector, the potential availability of abundant indigenous hydrocarbon resources in Mozambique is naturally of interest to us

"Sasol focuses its exploration activities on selected high potential areas, and we invest in partnerships with experienced oil and gas companies, such as Arco

"We have developed world-leading technology for the conversion of natural gas to liquids, which holds potential for the utilisation of these reserves that we've discovered so far to convert that to environment-friendly diesel as well as a range of chemical feedstocks," Niemand continued

"So the market is there, and we've proven so far that there is gas in Temane."

Dennis Tower, Arco's director general in Mozambique, said that, as a major worldwide oil company, Arco first started looking at Mozambique about two-and-a-half years ago.

"Since that time we have drilled five boreholes, searching for natural gas," he said

"To date all five have proven productive of natural gas of high quality and good production rates

"We are in the process now of moving our rig to our final location in this present drilling campaign "

Tower said that by this time next year the consortium would have spent close to $60 million on Temane and other blocks in Mozambique

"This makes us — Arco, Sasol, Zarara — by far the most significant spenders and investors, in Mozambique in hydrocarbon exploration," he said

Niemand said the projection at this stage was that a 925km pipeline could be built from the Temane gas field to Sasol's Secunda factory

"Although the figures have not yet been finalised, at this stage the anticipated investment in that project would amount to about $1 billion," he said

Niemand said a start-up date for pipeline construction depended on the discovery of sufficient gas reserves

"We have not finalised evaluation of that," he said

"But should we find sufficient reserves of adequate quality, the time horizon is approximately four years

"So by the year 2002 or 2003, the project can be commercialised "

Tower agreed· "The anticipation is that there would be a pipeline built with gas flowing through it by late 2002 or early 2003 " — Reuters

Minister denies Pande claims

BD 3/12/98 (218)

Simon Barber

WASHINGTON — Mozambican Energy Minister John Kachamila 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

Kachamila spoke at a Washington forum which he attended with 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

Kachamila 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 Naçional 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 Beira

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, Kachamila said, was that it had not yet been established whether there was enough gas at Temane to supply the Beira 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, Leopardus Resources

A classmate of Kachamila, Shukri Saleh Yahya, is chairman of both companies Leopardus's resident manager in Maputo is the minister's brother

Kachamila 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 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 Beira 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 Merrill, 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

Negative inflation data a first for Mozambique

BD 15/1/99

(218)

Metical's steady appreciation against the rand underlines Maputo's success story

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 neighbouring 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 11,2% — 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

MAPUTO CORRIDOR

(218) FM 22/1/99

STAGNATION ON THE WATERFRONT

Three years on, the Maputo dredging contract is still unsigned

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 they are tricky to negotiate and take a long time to conclude," Stokes says.

The other members of the consortium are Swedish engineering group Skansa, Portuguese container terminal operator Liscont, SA shipping group Grindrod 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 businessmen 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-$85m but Stokes won't be pinned down to a figure at this stage.

The suggestion three years ago, when former Transport director-general Ketso Gordhan 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 would 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 in with 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 Barbour.

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 three 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 Duiker chairman Terence Wilkinson. "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 still not 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

MOZAMBIQUE (218)

WINNING THE INFLATION GAME

(M 22\1\99

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 Frankel 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

Siyabulela Qoza

New setback comes in midst of tough IMF agenda and freeze on foreign aid to Zanzibar

Tanzania's economic growth plans at risk from famine

~~(218)~~ (218) CT(BR) 25/1/99

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 Pricewaterhouse-Coopers 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 3,3 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 privatising state utilities, continuing cuts in the bloated civil service and keeping government expenditure within targets

Analysts said President Ben 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 improvement 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 Salmin Amour retained power — Reuters

Mozambican processing plants have to close after nut shortage

Charles Mangwiro (218) BD 28|1|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

(218)

MAPUTO — The owners of Mozambique's privatised but ailing light 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 denied that TTA would merge with LAM — AENS

BD 3/2/99

Mozambique mill to start operating again

(218) CI (BE) 9/2/99

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 2 000 tons owing to an exodus of skilled people as the war between Frelimo and Renamo raged It stopped producing altogether in 1984 after several attacks on the Manhira region by former Renamo rebels

Production had stopped in 1984 after the attacks by former Renamo rebels

Standard Bank of London disbursed the $50 million to rehabilitate Maragra, and $20 million has already been made available

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 13 000 tons of sugar, Munguambe said He said Maragra had up to 7 000 hectares of land on which to produce sugar cane Only 2 000 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 quotas for sugar exportation to Europe and America

Sugar on the international market is around $380 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 1996 Illovo owns 50 percent and the rest belongs to Maragra Holdings

Illovo demanded control of 50 percent of the cultivation area, and five South Africans farmers were already producing sugar cane

Standard Bank of London disbursed the $50m to rehabilitate Maragra mill

Munguambe said the South Africans also wanted to bring workers from South Africa, "but we declined 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 Luabo and Marromeu, both badly damaged in the war

The cost of rehabilitation is estimated at $200 million Development will depend on the rehabilitation of 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 Mauritians, left the country immediately after the independence from Portugal in 1975 Production plunged to 11000 tons in the worst year from 326 000 tons in 1972 — Independent Foreign Service

Mozambique digs deep

Star 10/2/99 (218)

By Colin McClelland
Star Foreign Service

Apart from South Africa, two other important elections in Africa are also being held this year. On February 27 Nigeria renews its quest for democracy, and in October Mozambique will hold its crucial second democratic election. In both cases foreign donors and assistance will be crucial

Maputo – The budget for Mozambique's general election in October has been tentatively set at $42-million (about R252-million) with the government pledging to pay R53-million and foreign donors supplying the rest

"We are increasing our contribution to the electoral process each time," Alfredo Gamito, Minister of State Administration, told *The Star*

"In the country's first election in 1994, our contribution was less than 10%, in the 1998 local elections it rose to 16%, this year it will be almost 21% "

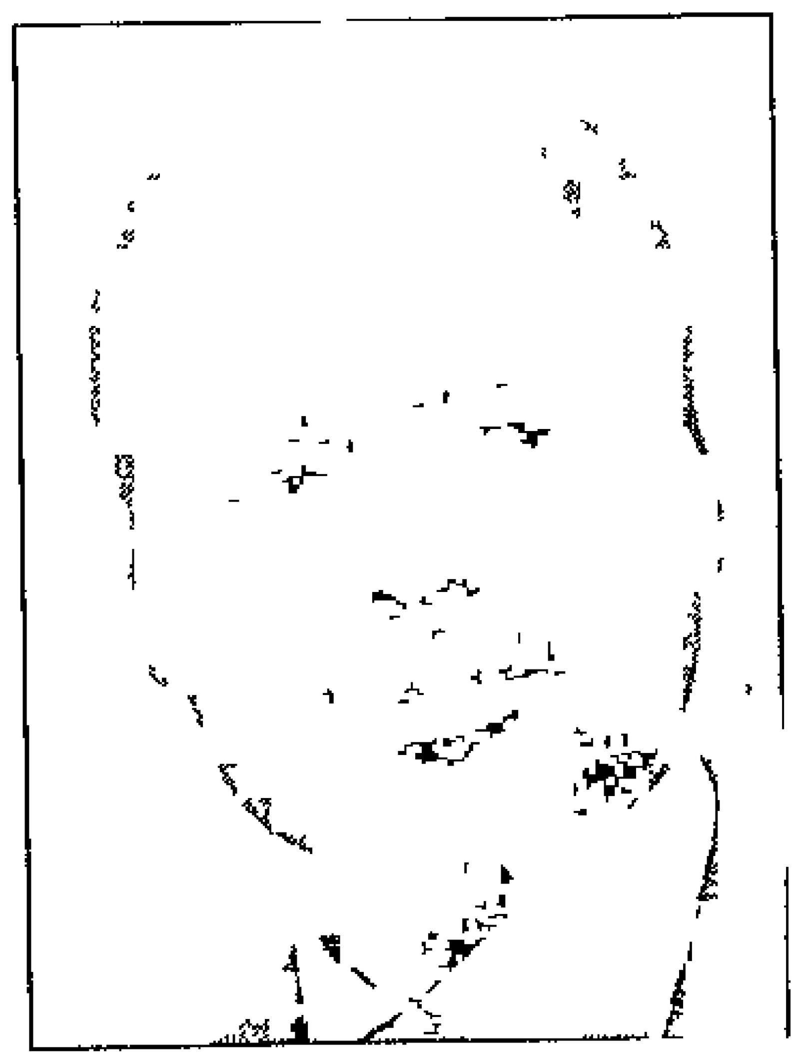
To help pay for the national election scheduled for two, or three if necessary, days in October, the European Union is offering a R138-million donation, Norway R15-million Contributions from Denmark, Finland, the Netherlands, Switzerland and Sweden range between R4,2-million and R9-million, according 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 1994, Joaquim Chissano's Frelimo Party won 129 seats, Renamo took 112 and the UD 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 R384-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



Joaquim Chissano ... great optimism about his party's chances.

Frelimo has been the ruling party since independence in 1975 Gamito expressed optimism about Frelimo's chances despite Renamo's strong showing in the rural areas in 1994 "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 organising a boycott As a result, just 15% of the population voted

Tenders invited for cable project

BD 11/2/99 (218)

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.

NEWS DIGEST

AGRICULTURE

(218) CT(BR) 12/12/99

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 Muteia, the deputy agriculture minister, said yesterday

Muteia 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 Save for initial loans of $5 500, 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 Niassa in 1996, the farmers had received no other financial assistance

Muteia 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

— *Sapa-AFP, Maputo*

Mozambique, SA in farming venture row

BD 17/2/99 (218)

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-orientated 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 Helder Muteia accused Sacada recently of failing to provide promised funding, saying the government would sign a loan agreement with Banco Comercial de Moçambique 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 Muteia's statement was uninformed or "intended as misinformation for some sinister purpose"

Sacada had paid \$50 000 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 13 SA commercial farmers and 10 emerging farmers from Mozambique over the past two years at a cost of millions of rands, of which R5m 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 appfove 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

Muteia, 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, Muteia said The farmers were still operating their estates despite financial problems and had been pledged help by the Mozambican government

Muteia 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 had become bogged down in bureaucratic red tape and budget cuts, Mozambique's national roads director, Lucas Nhamizinga, said this week.

Confirming that the agreement had still not been implemented, Nhamizinga said a joint binational committee would meet in Pretoria early next month to redraft portions of the 1997 protocol

The major sticking points, Nhamizinga said, remained weak or nonexistent binational communication channels, Mozambican budget cuts and internal government capacity problems on both sides of the border

Nhamizinga 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

Nhamizinga 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 —AENS

BD 17/2/99 (219)

Cracking Mozambique's nut industry

(218) BD 24/2/99

The country's cashew sector is the battleground between primary production and value-added economies, writes Claire Pickard-Cambridge

FEW issues have divided Mozambican society more sharply in recent times than government policy towards the cashew nut industry

Cashews are the backbone of the agricultural sector, with at least one quarter of the rural population engaged as growers Liberalisation measures adopted at the World Bank's behest in 1995 have shaken up the industry, which along with prawns, is a leading foreign exchange earner

The rocky transition has been highlighted by the planned closure this month of another two cashew processing plants — the Monapo and Angoche factories — which employ 2 200 workers This brings to 11 the number of closures over the past five years, leaving only four factories in operation

One of the remaining factories, the Anglo American majority-owned Mocita works at the seaside resort of Xai-Xai, is still in reasonable health, although GM Derek Higgo says conditions are difficult

While producer families have benefited from the higher prices liberalisation has brought, Mozambique's processing industry — a world leader in the 1970s — is in deep trouble World Bank figures indicate between 4 000 and 5 000 cashew factory workers are out of work, down from a high of 10 000 employed in 1997 Factory owners say more plants will close if they keep battling to secure affordable raw nut supplies

There are bitter arguments about who is to blame for the closures, although adverse weather in some seasons has exacerbated the domestic nut shortage created by sales to higher-paying international markets

The Cashew Industry Association blames the nut shortage on government's decision to withdraw protection for processors by reducing an export tax of 26% on raw cashews to 14% Association chairman Kekobad Patel and the Cashew Workers' Union want export tariffs on raw nuts raised again, saying higher international prices have encouraged too many exports to India This in turn deprives factory workers of jobs, and added income from processing is lost to the country

The World Bank, in turn, cites research showing an open market-based system has brought producers higher prices for their raw nuts These improved "farm gate" prices have a considerable impact on society, given that 750 000 families grow cashews However, it warns Mozambique's processing industry has to modernise sufficiently to compete effectively on the international market

World Bank resident representative Jim Coates says the industry's problems are deep-seated Its share of the international market plunged as a result of the war of independence and the 20-year civil war, and India became the leading cashew processor.

Then the industry failed to pick up properly as a result of ageing tree plantations and declining nut output Now the bank is helping to introduce projects which boost planting techniques and agricultural methods.

Mozambique's rural economy is heavily dependent on cashew nut production

But disputes rage about exactly what should be done A liberalisation impact study conducted by Deloitte & Touche on behalf of government in October 1997 backed the view that the sector's basic problem was the decline in the volume and quality of the country's cashew orchard It also noted the need to increase farm gate prices to improve incentives to invest in new trees and upgrade plantations

Coates says the bank believed the report's proposals placed an unacceptable burden on government "The report recommended that export protection be kept at 14%, which government accepted While it recognised the need for higher farm gate prices and better yields, it had difficulty reconciling this with the lower nut prices it felt factories needed to stay profitable "

He says the "effective subsidy the report advocated to meet this gap" was unacceptable at a time of state budget reductions

Meanwhile, Anglo's Mocita project is buying its raw nut supplies and estimates it will secure enough to maintain full production for the year However, it is likely to be hurt by the higher prices

Higgo says government and the World Bank have taken a short-term view which benefits the family farming sector over the processing industry, and does not sufficiently encourage adding value to raw materials. "I believe countries that add value to their raw materials become rich, while those that export all their raw materials become poor."

Higgo says unfortunate timing contributed to processors' difficulties For instance, some factories were privatised shortly before the export tax was reduced on raw cashews, and new owners did not have enough time to adapt to competitive conditions "I do not think the situation is good for Mozambique when one of its potentially prime industries is nipped in the bud "

Higgo is critical of theories that the newly privatised factories might have failed as a result of poor management and outmoded technology "It takes time to rebuild an industry in a third world context and it is not fair to assume they ran into trouble because they were incompetent Employees have low skills in Mozambique and are not used to formal work, while officials are slow to authorise business applications "

Coates, who is also a member of the cashew nut working group, says the bank is working with government in a group which enables all parties to consult He says the bank is very concerned about job losses and wants to get the factories functioning again

The bank will support government with loans for a study starting next month "It is hoped to provide a plan for each factory and to see whether it needs to change technology or invest in other outreach mechanisms to buy nuts more effectively It is hoped the study will find a basis for industry to restructure itself within a liberalised framework."

A positive trend was evident until about 1997, when factories began closing. For instance processing after liberalisation in 1994/95 rose from 30 000 tons to 60 000 tons in 1996/97 but dropped to 40 000 tons in 1997/98 The total value of all exports rose from \$16m in 1992/93 to \$32m in 1996/97.

Mozambicans roll their eyes despairingly when, discussing the industry's problems, but most feel strongly that the interests of all players must be accommodated

In the meantime, the bank is assuming industry can be helped to adjust its technology and restructure itself A juggling act is needed, but there are hopes that next month's study could provide innovative solutions

Mozambique's SA debt will be scrapped, says Manuel

BD 13/4/99 (218)

John Dludlu

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 R40m 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 $5bn, is one of the first African beneficiaries of the international debt relief programme The other benefactor is Uganda

The programme, supported by the World Bank, the IMF and the African Development Bank, has been criticised for being "too little, too late"

SA's gesture coincides with the drive by non-governmental bodies and leaders, such as Archbishop Njongonkulu 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 Ruggiero, 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

Customs income hits record high

(218) BD 20/4/99

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

CT(BR) 22/4/99 (218)

COLIN MCCLELLAND

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-heralded 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 (R184) 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 353 000 meticais a month Under the plan, urban employees will earn more the top rate while rural workers are to receive about R150 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

C(BR) 23/4/99 (218)

COLIN McCLELLAND

Maputo – About 70 percent of Mozambicans, or 11 million people, live in poverty, according to a recently released government report

However, great inroads 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 R50) 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 $170 a year, while 1998 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

CT (BR) 26/4/99 (218)

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 250 000 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 ($670 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 6 500 during peak construction, with secondary employment creation during operations adding a further 2 500 jobs – Reuters

Mozambican delay threat to trade route

BD 28/4/99 (218)

Four big foreign transport contracts are at stake

Victor Mallet

Financial Times

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 to 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 links 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 Matabel 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 with Spoornet which, as controller of the SA network, has the power to route traffic to Maputo or to rival ports within SA

Foreign donors are concerned that the delays will tarnish Mozambique's good 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 congestion at Durban and Richards Bay

Millions of tons of coal, as well as hundreds of thousands of tons of granite and timber could be routed through Maputo if the port 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 yet to be 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 "

SA still behind farming venture in Mozambique

(218) (~~226~~)

Paul Fauvet

Maputo – Trevor Manuel, the finance minister, has said that the South African government remained committed to the troubled Mosagrius 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 Salomao, his Mozambique counterpart

He said Pasoal 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 Mosagrius 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 Foreign Service*

CT (MR) 28/4/99

Mozambique may get debt cut

Partial write-off will enable the country to meet its other repayment commitments

(218)
BD 30/4/99

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 credence 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 $4n debt write-off in terms of net present values

The write-off will involve about $2,9bn 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-bureaucratisation" 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

BD 3/5/99 (218)

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 nonreciprocal 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


The challenges of healing the scars of war and eliminating poverty are great

Mozambican revival is still to reach rural areas

BD 5/5/99 (218)

You do not have to go far from the capital to find people struggling to put the civil war behind them, writes **Victor Mallet** of the Financial Times

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 on the main road north into the Mozambican hinterland And after turning off the highway on to the rutted mud track to the swampy island of Josina Machel in the Incomati River, 120km north of the capital, you would be lucky to see any vehicles at all

At the causeway leading to the island women wash their clothes in the marsh, now mostly safe from landmines after a UN clearance operation The main street of the island's small town, flanked by dilapidated Portuguese-era buildings daubed with faded 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 sister were kidnapped 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 tattered white shirt "I killed an old woman and a man — a sort of initiation rite "

This community is relatively lucky it is one of three places in the country where Rebuilding Hope, a German-funded Mozambican charity, is helping to return children mistreated by both sides during the war to some sort of normality

Of the 150 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 Josina Machel are also fortunate to live where food supplies are plentiful The land is fertile and there are fish to be caught in the river Many men have jobs on gold mines in neighbouring SA 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 16-million people live.

Average annual income a person is a mere $150, which means that Mozambique is still one of the world's poorest countries Only 40% 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 gulf between Maputo 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 organised 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 Josina Machel and the party's other southern strongholds, is "the better future"

However, as the head of Rebuilding Hope, Efraim 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 good 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"

Maputo secures $2,5bn for iron, steel and gas project

(218) CT(BR) 6/5/99

Maputo – In securing a $2,5 billion deal for an iron, steel and gas project, Mozambique had cemented its status as sub-Saharan Africa's top foreign investment destination, sources said yesterday

The country had $4,3 billion in approved projects and more than twice that amount if proposed projects were included

Houston-based Enron Corporation and South Africa's Industrial Development Corporation have agreed to develop the iron and steel plant in the capital of Maputo The agreement includes building a 700km pipeline from the Pande gas field north of Maputo

Enron was assembling capital, and construction was planned to start in two years

The agreement was reached after five years of often acrimonious talks between Enron and John Kachamila, Mozambique's energy minister

The issue that held up an agreement for close to a year was the government's insistence that Enron give up part of the gas reserves in the Pande concession to a competing consortium

The consortium, including Sasol Petroleum International and America's Atlantic and Richfield, is planning to export gas directly to the South African market from the neighbouring Temane field It had wanted to gain access to part of Enron's Pande concession

The recent deal appears to confirm Enron's hold over the dimensions of the original Pande concession, but the company has been required to relinquish areas it had claimed outside this area

The steel project dwarfs Mozambique's tiny economy The $2,5 billion price tag is greater than the total value of the country's entire gross domestic product

The project joins a string of other investment mega projects, including the $1,3 billion Mozal aluminium smelter now under construction, massive port and railway rehabilitation, the Maputo Corridor toll road, a proposed second aluminium smelter, and a range of other investments in energy, agriculture and tourism

More beneficial from a development point of view were the range of medium to large investments, which are slowly transforming the local private sector The sectors that have responded well include beer soft drinks, consumer goods, agricultural processing and construction materials Foreign investors, who have skills and capital, are benefiting disproportionately

With an end-of-century foreign investment boom getting under way, Mozambique's already overperforming economy is set to maintain its growth performance – Independent Foreign Service

Project's progress probed

BD 11/5/99 (2182)

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 235 200ha project which should see the company, in partnership with government and the local communities, develop infrastructure for ecotourism, safaris, hotels and water sports

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, Arlindo Langa, refuses to comment on rumours 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 revitalising 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 rejigged 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 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

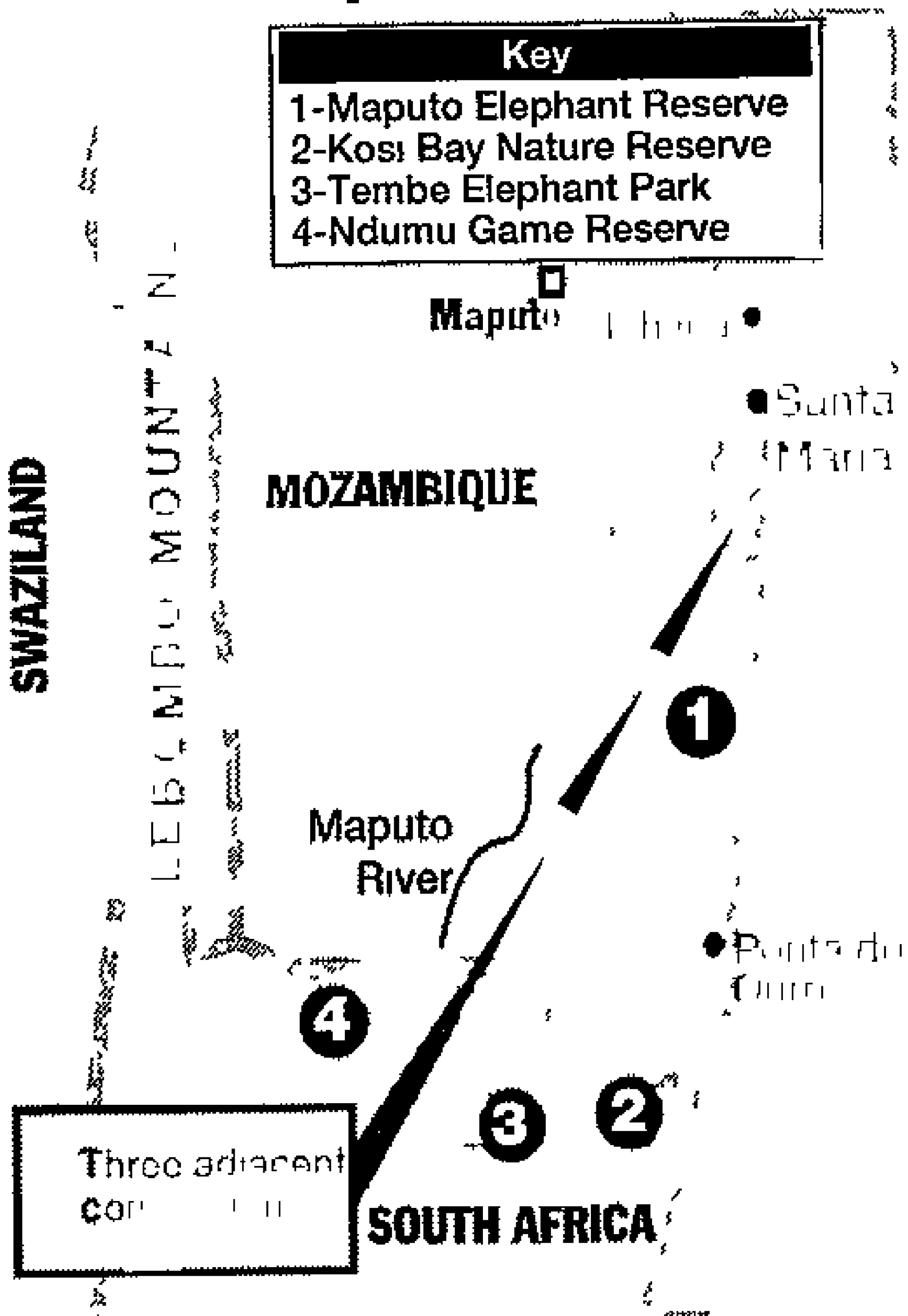
The project covers a large area from the SA-Mozambique border past Ponta do Ouro up to Cabo Santa Maria, but excludes existing concessions

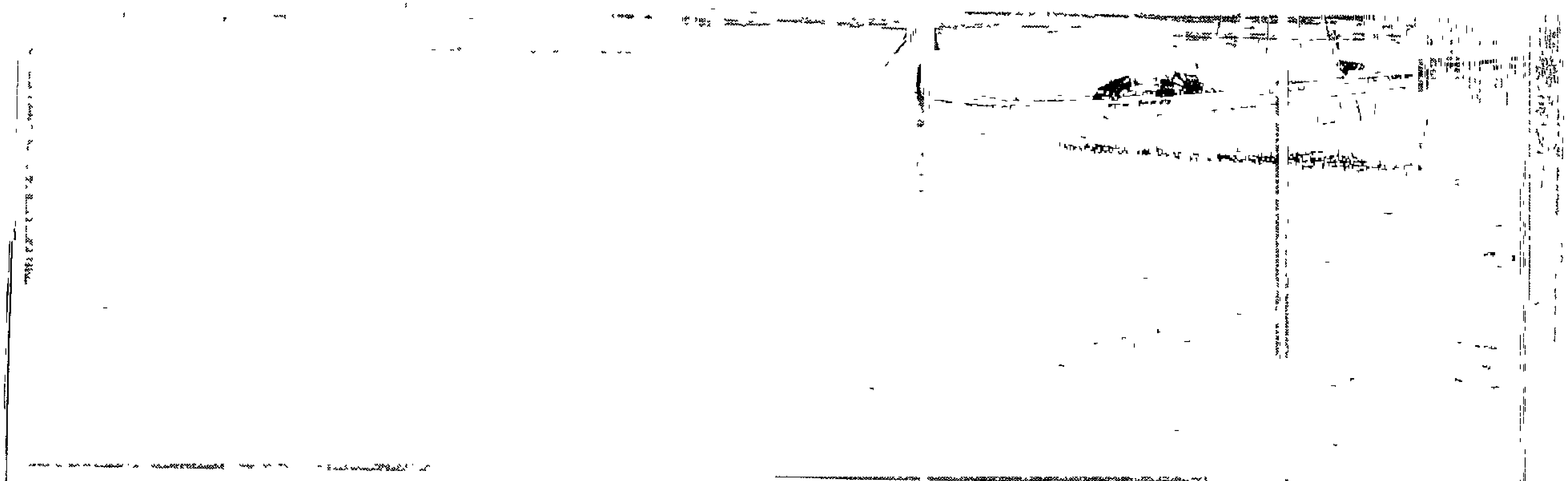
It comprises three adjacent concessions

- 15 200ha on the peninsula of Santa Maria for a private game reserve where beach and country houses must be constructed Of this, 5 000ha must be used for the construction of infrastructure for habitation, schools, hospitals and water supplies used by the local population.
- 70 000ha which constitutes the Maputo Elephant Reserve for the restocking and conservation of animals and the construction of tourist accommodation, and
- 150 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

Concessions for Blanchard Mozambique Enterprises





A Mozambican fisherman surveys a new tourism development on one of the islands of the Bazaruto archipelago.
Picture CHERILYN IRETON

Mozambique irked by SA developers

(218)

Opportunists are ruining the country's coastline, writes **Claire Pickard-Cambridge**

MOZAMBICANS 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 populace 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 and development regulations to ensure that the nature of the businesses and quality of the facilities are controlled

"We are also taking immediate measures to stop illegal construction, and will remove structures erected without proper permission,' he says

Langa says the government's policy is to emphasise 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 tourists

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 Metical 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

Maputo pulls prospectors

BD 24/5/99 ~~(170)~~ (218)

Energy groups commit $143m to exploration, writes Claire Pickard-Cambridge

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 Pande-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 if 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 $15m 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-Divinhe 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
- Lonropet, 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 Lonropet 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 29 000km² Onshore 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

BD 28/5/99

Renamo alleges plot to deprive it of a win in polls

(218)

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 Tome

No date has been set for the elections, which 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 Election's 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 "330 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

BD 15/6/99 (218)

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 abandoned, a cavernous Mozambican sugar mill and its estates around the Nkomati River delta have been nursed back to life with the help of a range of SA companies and financiers

The two-year rehabilitation programme by Maragra Açúcar, which is 50%-owned by SA's largest sugar producer, Illovo Sugar, was hampered by malaria among staff, torrential rains and problems in importing goods through customs However, the first cane was harvested on time and the roar of the mill resumed on Friday

Reclaiming a former industry jewel required exceptional resources, and so the Petiz family's Maragra Sarl, which owned the operation before the civil war, teamed up with Illovo in 1996 Illovo's Paul de Robillard was appointed GM of the operation, which is 70km north of Maputo

The $52m programme involved 450 people in the rehabilitation phase and as many as 3 500 locals will be employed at full production However the heat and the mist on the Nkomati flood plain still provide the undisturbed quality of a Jurassic Park film set, and pods of hippos float in the river cutting through it

The project began in 1997, tackling infrastructural and social upliftment issues from scratch This included building 90km of roads — 70km of which are agricultural roads — restoring 38km of irrigation and drainage canals, and renovating pumps and electricity substations The mill, club houses, homes in the staff village and the school for 1 000 children are also being renovated and primary health-care and training centres developed

Most rehabilitation of the factory and agricultural infrastructure was done on a "partnering basis" involving Maragra Açúcar and two SA companies — Babcock and the Murray & Roberts-owned Engineering Management Services SA's Grinaker Construction has built the roads and fixed company houses, office buildings and infrastructure in the staff village

The project includes five SA farmers and Petiz family interests who, under a 25-year lease, will gradually bring 6 200ha of sugar cane under cultivation on the reclaimed flood plain Selection criteria for the SA farmers included experience in irrigation farming and cane growing, and the provision of 40% of their own equity

"Torrential rains early this year — probably the heaviest in 30 years — made it a torrid start for the SA farmers, and the clay delta has been a difficult experience for everyone," says De Robillard "To develop and plant under wet conditions is very hard, and many mistakes were made, but the farmers have since adapted well"

"However, the most important dampener has been the border crossings, which are an administrative nightmare for clearing goods and equipment Delays seriously affected the project because we had to import just about everything from tractors, bulldozers and graders to equipment for irrigation and factory rehabilitation"

Although there have been many problems rehabilitating the estate, De Robillard says its annual sucrose yield per hectare could have the potential to double the industry average in SA He believes that under the right conditions Maragra could become one of the lowest-cost producers in the world "It is a tragedy that a relatively modern operation of this size could have been laid waste by Mozambique's civil war," he notes The mill produced 43 000 tons of sugar at its peak in 1971

The signs of the war are still to be seen Several arms caches have turned up in the roofs of company houses that were being restored, and demining teams only recently completed clearing operations

Another legacy was the presence of about 25 000 refugees who had sought a safe haven on the estate The government began moving them gradually from 1994 and the process was completed recently when the Petiz family provided alternative land for the remainder. The government compensated individuals with materials to build new homes

In the meantime, the most pressing issues involve "overcoming the bureaucracy of 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 staff have responded well to training, with Illovo's mills in Swaziland and KwaZulu-Natal providing a useful initiation ground Few training and education institutions operated in Mozambique during the war years, leaving training at a virtual standstill "For instance, it is hard to find commercial accounting skills in Maputo — and when you do, they come at a premium"

However, he describes Mozambicans as "very accommodating and peaceful as long as you are prepared to respect them and share your skill and technical knowledge with them If you do not you will experience a harsh reaction"

His advice to foreign investors is that there are enormous frustrations in setting up a business in Mozambique, but profits can be very high He describes the business environment as a complex one that must be studied carefully to avoid disappointment "Rather delay the project by six months to get more information and be aware that costs will be higher than expected," he says

There are more than 115 skilled expatriates working on rehabilitation of the estate whom the company must accommodate and feed, given the lack of facilities in the nearby village of Manica In addition, many other social programmes are being tackled AIDS and sexually transmitted diseases are a serious issue and the company is embarking on a health-care education programme in the community Literary classes are also being run and these include English language skills

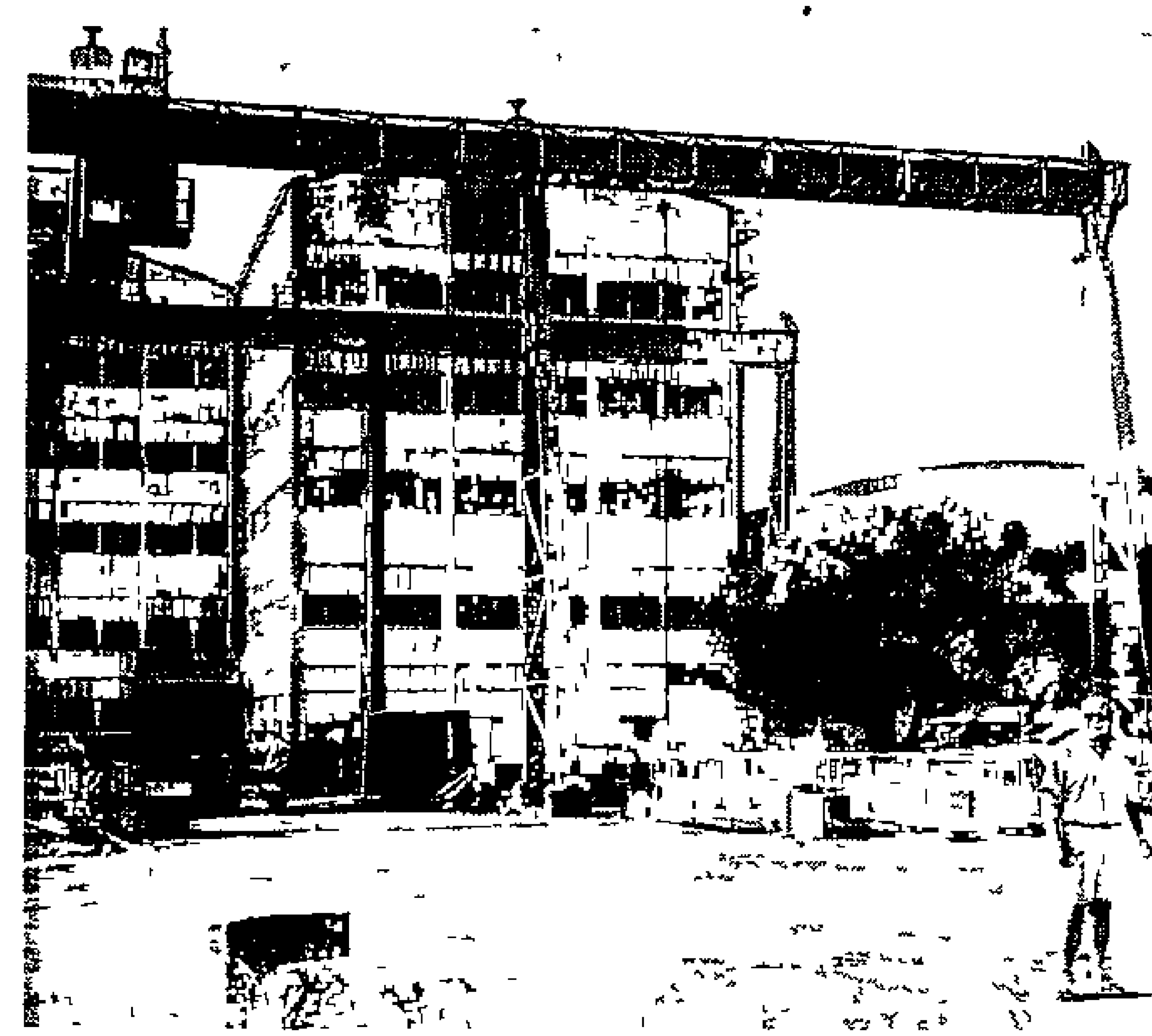
The rekindling of community life associated with the mill has meant expenditure in virtually every direction As a result financing for the project is coming from a range of lenders, including the Development Bank of Southern Africa, the International Finance Corporation and the European Investment Bank.

The new company will have to cope also with a 13-year low in sugar prices and the glut on world markets De Robillard believes, though, that Maragra is positioning itself for the long term and that economic growth in Mozambique will spur demand

There are others who are convinced of sugar s future in Mozambique These key producers will be SA's Tongaat-Hulett, which has a management contract and 49% stake in both the Xinavane project on the Nkomati River and the Mafambisse operation on the Pongoe River Rehabilitation is still in progress A Mauritian consortium, Societe Marromeu, and the Mozambique government are jointly renovating Sena Sugar Estates on the Zambezi River in the central province of Sofala.

Maragra expects to produce 13 000 tons of sugar in the first year By the year 2001 the company expects to produce 64 000 tons and 20 000 tons of molasses as a byproduct After the first year Maragra will be providing more than the total sugar now produced in Mozambique, and the company will support, too, an outgrower programme to help boost future production The use of local outgrowers could lift Maragra's annual raw sugar production to 100 000 tons a year by 2010 and this, with overall employment provided by the company, is expected to have an effect on many households in a depressed area.

De Robillard says "People have been scattered during the training process, but at last the separate chambers have been pulled together to form the orchestra"



Workers clear a drainage canal on the Maragra Açucar estates in Mozambique, left, where the first sugar cane in 15 years was harvested three weeks ago Rehabilitation of the sugar mill, above, and surrounding estates began about two years ago, and smoke started coming out of the mill's chimney again on Friday The estates were abandoned during Mozambique's civil war, but several SA financiers and companies have helped put the project back on its feet.

CT(BR) 25/6/99

Mozambican port traffic falls 15%

(218) ~~190~~

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

(218) M+G 4-10/6/99

Mercedes Sayagues

Activists 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 worker-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 Livaningo ("to shed light", in Shangaan) that has been fighting the proposal since mid-1998.

On paper, the project has a worthy goal: to help Mozambique dispose of 500 tons of obsolete pesticides — 42 tons containing products banned worldwide, ranked as class one, the most dangerous — while creating a national capacity to deal with toxic waste.

The Danida-funded project recommended that a Danish firm, Monberg & Thorsen, would set up a waste station in Matola. MGE, a Danish firm, did the environmental impact assessment. The total cost was $8,8-million.

However, a second, independent assessment demanded by Livaningo estimated that exporting the pesticides would be cheaper and safer. It would cost $2,2-million to return about 200 tons to the original producers, Bayer and Zeneca, and send the remainder to, for example, Holfontein in South Africa, 600km from Maputo.

Even more alarmingly, activists discovered that the Mozambican government had authorised in 1996 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: Bamako, Lomé IV and the Basel convention, which Denmark championed. Livaningo wonders whether the incineration of pesticides would be a test for later burning of imported toxic waste.

'Matola is not Mozambique's rubbish bin and we want that rubbish out of here'

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 Mabjaia, secretary general at the Ministry for the Environment, says the authorisation for IWG has since been revoked.

However, even without imported toxic waste, the incineration of pesticides in Matola is worrisome enough.

Clouds of dust frequently hang over the city, Mozambique's second largest. Two weeks ago, residents called Livaningo to report that the factory chimneys were spewing dense, black smoke. It turned out the electrofilters were down for 40 minutes. Residents complain of a 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 that choosing the Boror warehouse was "a mistake, given its physical risks and proximity to residential zones and eco-systems."

The site was already contaminated, as scientists have denounced since 1995, and was not decontaminated before storing 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 could contaminate irrigation and drinking water.

Reina says 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 bombed out to a nearby lagoon. Unconfirmed reports from neighbours say two people died after eating fish from the lagoon.

Danida official Peter Larsen declined to comment. "The decision is in the hands of the Mozambican government and we will abide by it, but we stand by our study," said Larsen.

As Livaningo informed residents, anger mounted. Neighbours wanted to march to Maputo to deliver a protest to Minister of the Environment Bernardo Ferraz.

"Matola is not Mozambique's rubbish bin and we want that rubbish out of here," said Eduardo Eugenio Nhabonga, a resident.

On May 15, about 60 community and church leaders met Livaningo to discuss the second assessment. They proposed to create neighbourhood committees, to meet the municipal council, "and if we need to go to the streets, we shall go", said one.

'Incinerating toxic waste is contested in Europe and Denmark is bringing its polluting technology here'

A grassroots movement not linked to a political party is a new phenomenon in Mozambique. This 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 *Metical*. 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.

Livaningo says Danida has been arrogant, not responding during months to its letters. Although invited, Danida did not attended its first press conference last August. Danida only agreed to meet Livaningo after it threatened a sit-in at the Polana while a Danida auditing team was visiting.

Livaningo sent Aurelio Gomes in October to explain its objections to the Danish Parliament and press.

"Incinerating 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 carried out earlier this year by consultant firm Impacto, with British firm Environmental Resources Management and the South African Council for Scientific and Industrial Research. Its results, critical of incineration, were discussed at public meetings in Matola and Maputo.

Mabjaia points out that the ministry has made concessions, agreeing to a new assessment, consulting residents and improving technical aspects, but Livaningo has made none.

"Livaningo is doing its job awakening civil society," he says, "but we must do ours, creating a national capacity to deal with toxic waste without depending on other countries."

The project is on hold, waiting for Ferraz to make up his mind.

'Invest for all Mozambique'

(218) BD 1/7/99

Patrick Wadula

FORMER SA first lady and ex-Mozambican 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 Kachamila said that there were eight international companies operating in Mozambique 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

He said the minerals sector was valued at \$16m while gas production for 1997/98 was valued at \$65m Electricity was \$13,2m for the same period

This excluded the construction of the Cahora Bassa Dam valued at \$130m

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 Kachamila

JCI 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 off-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

(218)

CT 2/7/99

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 theirs, 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 from an estimated $169m 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. — Reuter

Maputo to allow elephant hunts

(218)

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 on 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 BD 21/7/99

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

BD 5/7/99 (218)

There is no better time to invest in Mozambique's development, says consultant

* Patrick Wadula

MOZAMBIQUE is planning an aggressive campaign to gain foreign investment via its Centre for the Promotion of Investment.

Austral Consulting Group chairman Antonio Almeida Matos, speaking last week at a Global Pacific and Partners conference in Johannesburg on development in Mozambique said projects could be given a series of fiscal and tax incentives to establish ventures in the country

He said that capital invested through the centre could be repatriated as could profits

Matos said there had already been a steady flow of investments from SA, Portugal Britain, Italy France Germany and many other countries

So far the largest project to have attracted foreign investors was the Mozal aluminium smelter

This is a $1 3bn project which will create 800 permanent jobs with spin-offs providing employment for another 600 workers

The Mozal project had established a "linkages" programme to identify potential Mozambican suppliers of goods and services Contracts worth $50m had been awarded

Matos said the centre was examining the possibility of extending the programme to identify other potential partners for foreign investment and also potential suppliers and services

"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 with 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 incentives for the zone.

"The SA mining group JCI is very active in designing the Beira export processing zone which we hope will attract more than $1bn in investment" Matos said

However it was one thing to attract 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 had therefore carefully managed its financial systems through the privatisation of state-owned banks and encouraged the entrance of new banks This had resulted in a vibrant and competitive banking system that offered first world services in all major centres

Tight fiscal policy from the central bank had kept inflation low Control on the amount of money in circulation and a controlled devaluation of the metical against a basket of currencies kept inflation at 1 3% last year and predictions for this year are that inflation will be 4%

The stable currency particularly in comparison to the rand, had built up the confidence of local investors Evidence of this was an increased savings rate

The overall macroeconomic climate had also benefited from improved customs control

"Overall, the outlook for Mozambique is positive," said Matos He believed the elements which have created the favourable economic climate in Mozambique were still strengthening.

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 sentiment, 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

A familiar landmark in Mozambique — the Maputo railway station

Picture: ARNOLD PRONTO

Mozal key to regional economy

(218)

DAVID CANNING GT (PR) 5/7/99

Durban – A decision would be taken in the next two years whether to double the capacity of the huge Mozal aluminium smelter project in Mozambique, it was disclosed yesterday at an information update workshop on the project at the World Economic Forum's summit in Durban

Khaya Ngqula, the chief executive of the Industrial Development Corporation (IDC), described Mozal as critical to the success 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 250 000 ton capacity.

The IDC is a major participant in the $1,34 billion international investment project.

A series of speakers whom he introduced gave updates on the project, outlining the benefits Mozal was already having on Mozambique s infrastructure.

The project could double Mozambique's exports providing more than $400 million a year in foreign exchange earnings Already some 7 000 workers are on site, of whom about 4 000 are Mozambicans

The construction village houses 1 500 people and infrastructure in the form of roads bridges and the industrial park into which Mozal falls have flowed from the project.

Some 100 contracts worth $84 million have already been awarded. Of these, 67 contractors are based in Mozambique.

Mitsubishi Corporation, one of the major investors, said it was attracted to the project by favourable tax rates offered, the involvement of Billiton, the minerals group, and evident co-operation around the project by the Mozambique and South African governments.

Mozambique 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 important the harbour should receive more investment and attention. The proposed privatisation of the harbour was therefore an important element in this.

The workshop was also told of the background to the decision to site Mozal in Mozambique Initially Eskom, the South African state-owed electricity corporation, would supply power to the Mozal project Once local hydro-electrical power flowed in, a substantial substation built near the site would allow power to be reversed up to South Africa. In due course this hydro-electrical power could be added into the entire southern African grid.

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 (218)

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 — Reuter

BD 6/7/99

Chissano urges lenders to relax debt relief rules more

CT(PR) 6/7/99 (218)

DARREN SCHUETTLER

Durban – Mozambique, one of the world's poorest countries, urged international lenders yesterday to relax the rules they impose on qualifying for aid

"A poor country has to fight a lot in order to be helped," President Joaquim Chissano told reporters at the Southern Africa Economic Summit in Durban

"Those who can do more have a certain responsibility which they cannot escape "

Debt relief is a key issue for Africa, which has 25 of the poorest countries in the world

Mozambique, where 70 per cent of its people live in poverty, 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 $78 5 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 per cent 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 reviewed 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 1992 of a crippling 16 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 s not dealt with, we may come back to the same situation of unsustainable debt "

African ministers and leaders at the economic summit criticised the world's rich industrialised nations for offering debt relief that is too little and too late for many heavily indebted countries – Reuters

Mining lay-offs hit Mozambique

CT (PM) 13/7/99 (218) (219)

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 2 500 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 Mozambique 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

No jobs at home for first batch of 2 500 Mozambican miners to be retrenched

Mozambicans in South African send $50 million dollars a year in foreign exchange back to Mozambique

Pedro Taimo, 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," Taimo 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, Taimo 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 International Lda 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 the 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

(192) (218) BD 20/7/99

Maputo's debt payments drop by $41m a year

(218)

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, $28 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 $57 million for health and [illegible] 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

CT(9R) 29/7/99

ANALYSIS

Renamo forgiven, despite atrocities

ET 5/8/99 (218)

COLIN MC CLELLAND

Renamo seems to have been forgiven for its cruel acts during the civil war, and is expected to gain control in Mozambique's second election.

DESPITE cancelling its party congress last week and suffering setbacks to 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. At the polls in 1994, Renamo drew 38% of the popular vote to Frelimo's 44. In Parliament, only seven seats separate Frelimo from Renamo.

"Renamo seems to have been for given its atrocities. There is a perception that Frelimo offended the spirits and Renamo was sent as punishment, and its actions were blamed on Frelimo," a diplomatic source said.

During the 16-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 ritual mutilations such as cutting off noses, ears, lips and hands, or slashing throats. Parents watched in horror as their children were boiled alive. The decapitated heads of old people were used as seats. A child was forced to light the match that would burn down his family's hut, then hacked to death and burned. Health centres were attacked. Patients, even pregnant women, killed and new-borns slain in their beds. Almost a thousand clinics and health posts and some 3 000 schools were destroyed or forced to close.

But Renamo's continued support is not because it has changed, the source said.

"Renamo has progressed little since it days as a military organisation. Its ideology is essentially anti Frelimo," he said.

But party leader Raul Domingos disagrees slightly in his assessment of Renamo support. "Renamo appeared as a result of Frelimo mistakes. Frelimo's first mistake was to call themselves a unique and legitimate representative of the people of Mozambique, which doesn't allow for any other parties or ideas," he said.

Frelimo didn't respect the traditional power structure of local chiefs, it was hostile to traditional culture and religions, and it outlawed the informal rural marketing network. It amounted to a big kick in the teeth to the rural way of life.

"Renamo benefits from one simple fact. It is not Frelimo. That's really the crux of the support. Renamo became a lightning rod for everything that was wrong about Frelimo. Gradually, Frelimo sought to correct its mistakes by approving a new constitution, removing the death penalty, accepting other political parties, increasing the level of democracy and embracing capitalism.

"But then came another phenomenon: corruption," boomed Domingos. "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 same people."

Renamo is often characterised as a party of outsiders who couldn't get what they wanted from within the Frelimo system. (Its leader Dhlakama was allegedly expelled from Frelimo for stealing a car.)

But Frelimo's version of capitalism — putting privatised state assets in the hands of Frelimo members — has meant lost jobs, maintains Domingos, saying that about 190 000 workers were unemployed because of privatisation.

He said Frelimo has compromised itself by increasing inequalities in Mozambican society.

"You can see today in Mozambique there is no middle-class. We see the rich getting richer and the poor poorer. People are looking for an alternative: the opposition. And that is Renamo."

Domingos maintains that an elected Renamo would deliver clean and competent government. "If they punish Frelimo for its mistakes by voting in Renamo, the punishment for Renamo, if it doesn't perform, would be worse."

Notes the diplomatic source: "In many ways it defies all logic. You have a party which seems to have no overall coherence, direction or capability. But it still manages to do extremely well."

Most of its supporters came from the rural centre and north, he said.

Enough to win the election?

"I don't think they will, but a win would be disastrous," he responded, adding that there was no alternative to Frelimo but that Renamo has a legitimate role in the democratic process — a watchdog function as the opposition to hold the government to account.

According to Alex Vines, author of *Renamo: From Terrorism to Democracy in Mozambique*: "Renamo's fortunes continue because there really isn't any credible third force."

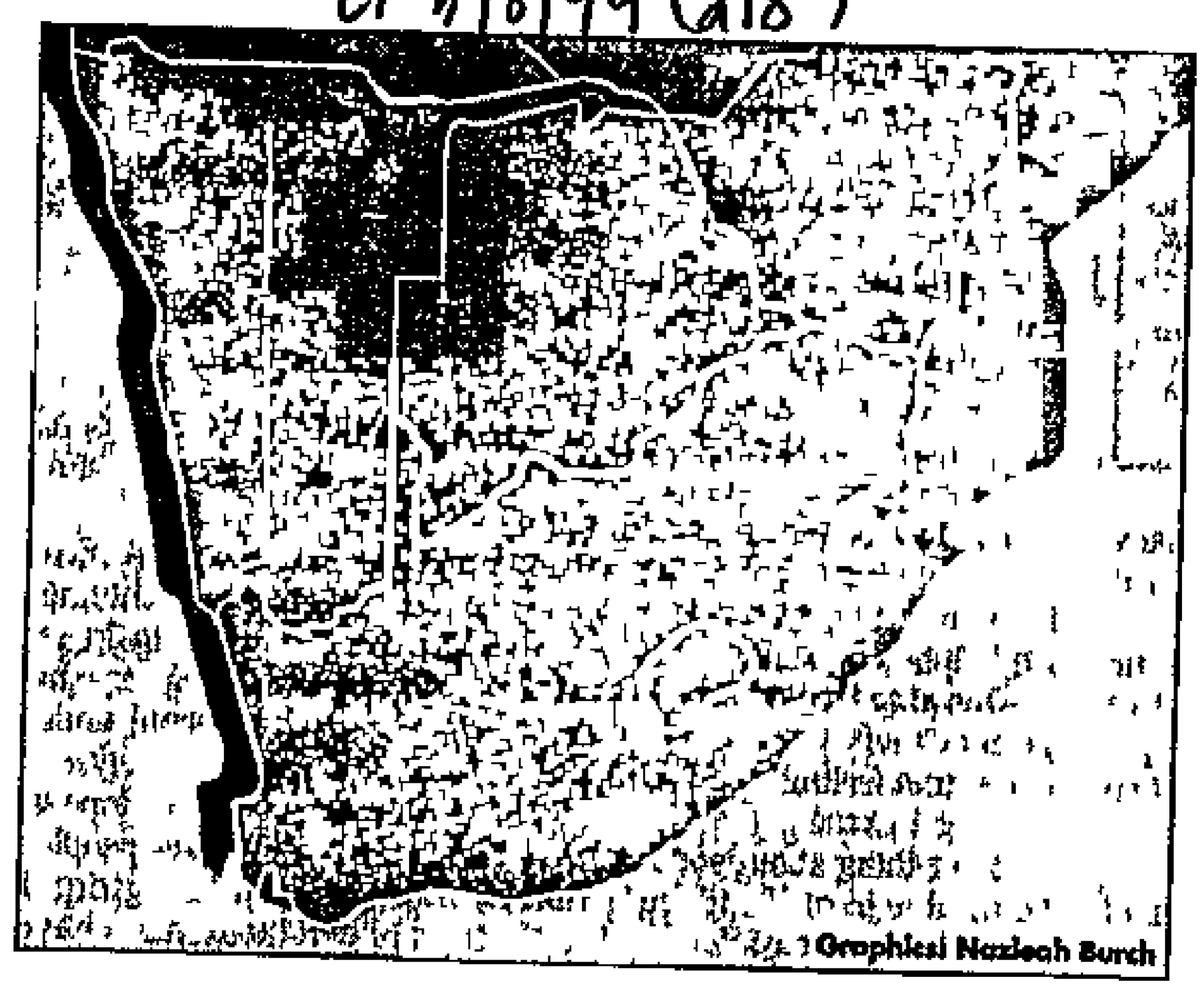
Vines maintains that Dhlakama is no threat to Chissano as president. He said Renamo will play on religious tensions as a source of support. "It continues to do this and hopes to make further electoral gains in Muslim communities along the coast."

Frelimo has come to be identified with the south, where it is hard to obtain higher education and a good job. Indeed, Frelimo kept Renamo out of governorships of the five provinces where Renamo won majorities in the 1994 elections.

Domingos blames Renamo's lack of support in urban areas on the local media which he says portray Renamo as terrorists. But this was corrected when the party filled more than half its parliamentary seats with urban residents. Renamo called for a boycott of the 1998 municipal elections and about 85% of the population did not vote.

The party is expected to maintain support inside the country, it needs some new rich international friends to help pay its bills. And to raise its funds, Domingos mentioned Portugal's Popular Party (PP) and its compatriots the Christian Democrat Party (PSD).

"We have friends in Spain, Germany, France and England. But everyone has problems with money," noting that congressmen, such as Jesse Helms, are able to help Renamo. "But there's been nothing definite so far." — IPS



Graphics: Nazleah Burch

ELECTION: As Mozambique prepares for its second democratic election, the governing Frelimo party has control of the south, while Renamo is popular in the north and rural areas. Renamo is expected to gain control

MOZAMBIQUE BACK IN FAVOUR

(2183)

Pat on the back from IMF

FM 6/8/99

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 50% 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 58% 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

	1997	1998	1999*	2000*
Real GDP (% change)	11,3	12,0	9,7	7,0
Inflation (% change)	6,4	0,6	1,5	6,6
Domestic investment (% GDP)	19,1	20,4	35,5	25,6
Domestic savings (% GDP)	5,5	4,2	10,7	6 7

*projected

Degradation a threat to historical island

BD 11/8/99

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 Sebastio 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 on 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

BD 17/8/99 (218)

Mozambique is ready for the SADC chairmanship, president Joachim Chissano tells **John Dludlu**

AS LEADERS of the 14-nation Southern African Development Community (SADC) gather in Maputo for their annual summit Mozambique finds itself facing several major challenges

Mozambique is expected to take over as leader of the bloc from SA, with President Joachim Chissano becoming SADC chairman Maputo also has to consolidate the country s internal social and economic transformation and defend gains in investment and employment of the past few years Then the government has to hold a general election before Christmas.

In an interview in Maputo Chissano discussed the tasks facing him

The country s electoral commission has advised him to call the election for December 3 and 4 Were he to follow the constitutional requirements to the letter elections would be held only after Christmas He says there is, however consensus on the election dates and to cut corners he will call a special session of parliament to facilitate the electoral process

Chissano says his party will release proposals on governing for the next five years once the vote takes place That is if it wins again as expected

There may be a problem for the national commission which is negotiating constitutional reforms It may not complete its work before the elections including a recommendation on whether the presidential system should be reshaped in favour of a strong parliamentary one

After 16 years of conflict in Mozambique Chissano says the country has achieved reconciliation At least in the sense that there is room for all to participate in the democratic process even though not all parties are in government

For former enemies from the ruling party Frelimo and its foes Renamo reconciliation is a daily village reality Chissano argues that unless reconciliation happens at grassroots level it will not be effective

He cites the Angolan situation where the government offered to share power with Jonas Savimbi s rebel movement Unita. This an example of what Chissano calls "apparent" reconciliation as opposed to the Mozambican model of "effective" reconciliation failed to bring lasting peace

The country has made remarkable economic strides over the past five years Measures designed to open the economy, including privatisation have attracted investment and aid mostly to Maputo.

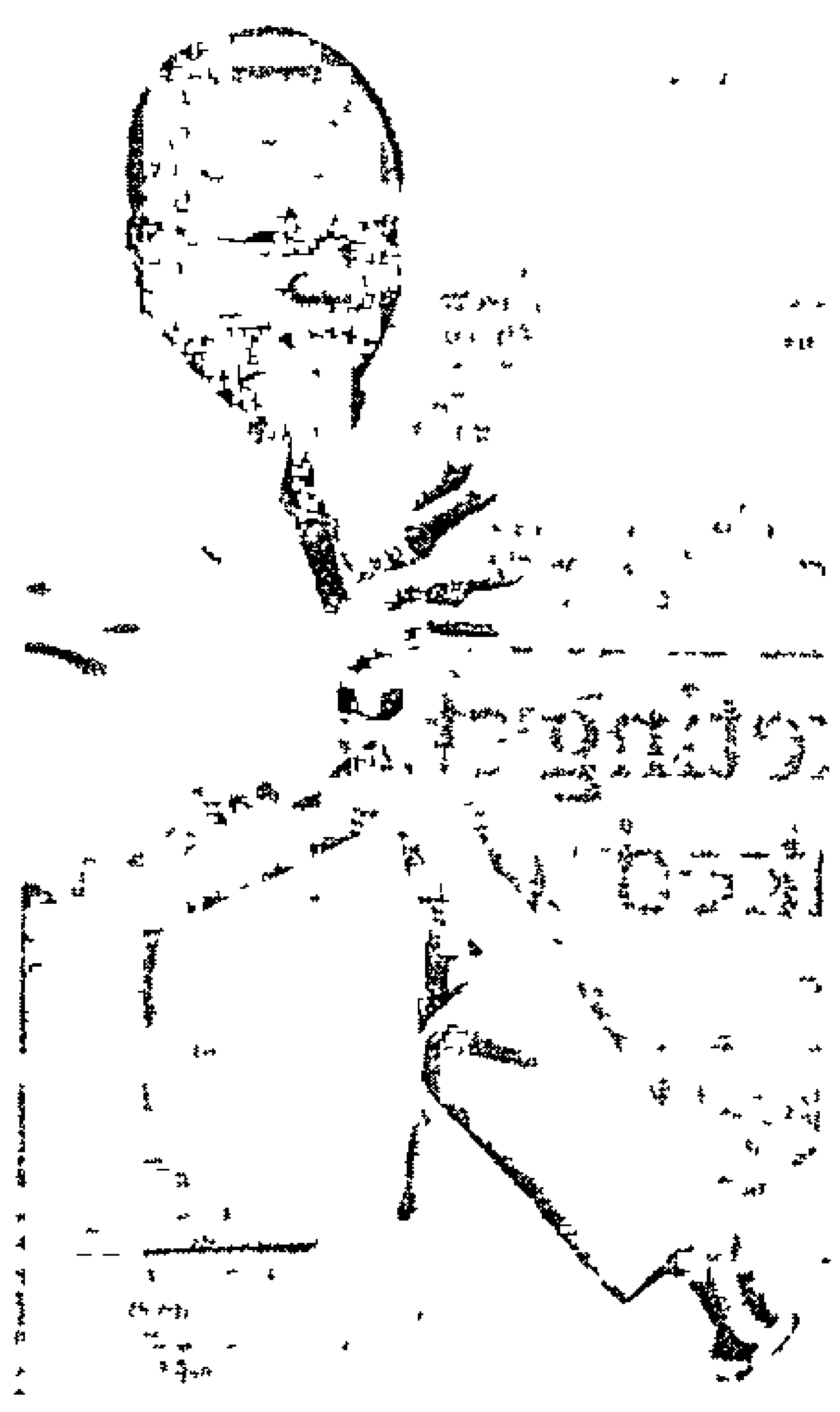
Chissano believes the government received a good price for its assets Where this was not the case other considerations including empowerment of Mozambicans became decisive The bulk of about 700 parastatals earmarked for sale have now been privatised

More investment is required to reduce unemployment which may worsen if as feared, SA s gold mining industry sheds more jobs as a result of the falling gold price There are still many Mozambicans employed on SA mines

Analysts say despite Mozambique s reforms and incentives government still has to do more to cut red tape for investors and to counteract corruption perceptions

"The challenge is to ensure that investment expansion matches population growth "Chissano says

There is no shortage of projects Mozambique wants investors for iron smelters and coal mines Once thriving sugar plantations destroyed by the war are being revived The benefits to reviving this industry in the region may not be significant though as the trade faces many controls imposed mainly by the developed world which undermine the competitiveness of African producers



Striding into the future
Mozambique s President Joachim Chissano

The need to improve food security means agriculture will be given priority says Chissano The government is also rebuilding the cattle population

Perhaps the most formidable challenge facing the Mozambican government is poverty eradication Although economic growth registers in double digits the metical is stable and inflation is low (it fell to minus 4% in the third quarter of last year) Mozambicans remain among the poorest people in the world

The United Nations says an average Mozambican can expect to live 45 2 years Adult literacy stands at 40 5% The minimal infrastructure built after the war is limited to urban areas

After being rewarded for economic reforms with debt relief including $3 7bn in June Chissano says more needs to be done To reduce the debt levels further he says priorities will include increasing exports raising productivity and collecting more taxes

Tax collection should improve with the implementation of value added tax (VAT) The number of businesses registered for VAT has increased to about 15 500 from 9 000 in June, according to finance ministry figures

In his role as SADC chair Chissano says that he wants more co-ordination of the region s economies through concrete projects including joint efforts to lure investors to the region such as the Maputo corridor with SA, the Lubombo spatial development initiative with SA and Swaziland and the Mutwara corridor with Tanzania to rehabilitate port infrastructure

The attractiveness of these projects which in spite of higher internal rates of return have been slow in finding investors, should improve with the launch of an investment guarantees scheme This facility driven by Paul Jourdan SA s deputy director-general for special projects at the trade department, seeks to underwrite the sovereign risks associated with investing in countries that have no track record among foreign investors

Chissano dismisses the thesis that intra-regional trade cannot grow because SADC members are producing similar products But he warns that integration cannot take place with all the present economic imbalances in SADC

Unlike most of SA s neighbours Chissano appears unperturbed by having an economically and politically powerful neighbour In an environment where SA s leadership of the SADC over the past three years is the subject of much controversy Chissano praises former SA President Nelson Mandela s tireless efforts to bring peace in Africa

He points to how Mandela had coached the former Zaire (before it even joined SADC) into a settlement which included Laurent Kabila s accession to power how Mandela defused tension in Swaziland and how he intervened in Lesotho

Some observers in the region have questioned SA s leadership of SADC under Mandela. They criticise Mandela s widely publicised spat with Zimbabwean President Robert Mugabe chairman of SADC's defence, security and politics body over how it should be run They are also negative about Mandela s reluctance to send troops to the Democratic Republic of Congo to prop up Kabila.

Chissano was asked by the SADC leaders to lead a committee to resolve the differences on the body Mugabe had wanted the body successor to the organisation of frontline states to operate independently of the SADC while Mandela felt it should report to the SADC chair Mandela threatened to step down as SADC s leader if the differences were not resolved

Chissano s proposals have yet to be made public SADC ministers say it is up to heads of state to resolve the differences about the body which have made conflict resolution an ad hoc business

This was not the first time Chissano was asked to show leadership Mandela also extended a troika of SADC nations to include Mozambique in the resolution of last year s Lesotho conflict

Chissano takes over the SADC amid a worsening conflict in Angola and tension in Namibia. He says the SADC must enter the new millennium free of wars

What are his plans for Angola? He is cautious about sending in troops unless they can deliver a definite solution He believes in negotiations "At some stage there will be negotiation (with internal forces)"

It is a year since the SADC declared Savimbi a war criminal for his continued violation of the Lusaka peace deal.

Speculation is that the Angolan government will seek military support from the SADC against Savimbi s forces

Like some in SA Chissano does not rule out Savimbi as a potential part of the solution. It will depend on the rebel leader. "My view is you come to talk with the criminal sometime So he might be persuaded to co-operate to bring peace"

Both the Angolan and Congolese conflicts will be discussed this week at the SADC summit Chissano may just get his pointers from this

The SADC chairmanship which has been reduced to one year is more than a symbolic position Much can be done by way of setting the agenda depending on its holder It is after all the SADC chairman that members turn to for assistance

In many ways Chissano epitomises the generation of consummate politicians now at the helm of their countries in southern Africa They represent the stability and continuity required by investors

As head of the SADC Chissano now faces perhaps most crucial test of his leadership

BD. 20/8/99

Massive titanium reserve found in Mozambique (218)

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 Moebasse, 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

(218)

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 — Sapa-DPA

BD 27/8/99

Ploughing field of dreams from demined land

BD 2/9/99

(218)

Build effort to remove ordnance that dots the countryside and development will come to underdeveloped Mozambique, writes Gareth Elliot

MOZAMBIQUE'S path to economic development is inhibited by many hurdles. Land mines and unexploded ordnance in particular are a remnant of its violent past. Land mines deny Mozambicans the ability to cultivate land and deter 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 1 800 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 populations 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 in 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 $140.

A patchwork of demining efforts started in 1993 with the arrival of the United Nations operation in Mozambique. These 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 co-operation between 1993 and 1998 demining funding exceeded $116m and led to the clearance of 189km² of land. Foreign donors provided the vast majority of funds to the now well-established mine clearance industry of about 1 500 personnel operating on a total budget of about $20m a year.

Most mine clearance operators in Mozambique have acknowledged the need to clear land for development. The nationally led demining organisation the Accelerated Demining Programme (ADP) is currently clearing a 77 000m² 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 adviser, Lt Col Derrick Baxter says demining 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 demined a year after completion to assess the effect of their work on the local population.

Other demining organisations such as Handicap International are clearing landmines around vital infrastructure abandoned because of the danger 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 forming around the mission as more land becomes freely available and news of the church's plan to rehabilitate the mission spreads.

Donor funds are 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 downscaled.

But a window of opportunity exists over the next seven years to make the most 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 role players in Mozambique to approach the clearance of land mines in a more comprehensive manner. Donors, nongovernmental 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 previously inefficient Comissão 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, nongovernmental 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 mines are not the cause of Mozambique's underdevelopment, but they certainly compound it.

□ *Elliot is the demining researcher at the SA Institute of International Affairs, where he is sponsored by the Finnish government. He recently returned from a research trip into demining operations in Mozambique.*

Land mines devastate lives and economies, as the late Princess Diana learned in discussions with victims.

TRANSPORT *Air shipping firm calls for Maputo to lose sector's regional chairmanship*

Mozambique 'defies SADC transport protocol'

CT(DR) 9/9/99 (218) (279A)

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

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 co-operation minister Jacinto Veloso), the Mozambique Aero Club, private light aircraft companies STA and Asas de Mocambique, 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 authorisation 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

(218) BD 4|10|99

Ilja Graulich

Smelter will use twice Maputo's consumption of electricity

MAPUTO — About 3 500 cases of malaria — including six deaths — among construction workers are some of the operating difficulties that have had to be overcome since building of Mozal's new aluminium plant near Maputo began last year

Company sources last week confirmed the number of cases at the site, which has provided work so far for 9 000 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 when most employees are out of doors

During a visit to the site on Friday, Mozal chairman Rob Barbour said construction had reached a critical phase.

The pipelines and most 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 $1,3bn Mozal plant, in which London-based Billiton has a 47% stake, is the single biggest investment in Mozambique with most employees recruited and trained inside 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 Motraco substation, required to cope with the large 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 upside 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 contractors are already on site.

The plant also has favourable agreements with electricity suppliers that will mean greater margins until the electricity prices for the plant reach higher levels in 12 years time.

Barbour says his biggest joy has been proving to shareholders that it is possible to build the world's best and lowest- cost aluminium smelter in Mozambique, a country ravaged by civil war for more than 20 years.

Asked why Mozambique was chosen, Barbour said there were several benefits including cheap access to electricity and tax initiatives brought about by the proclamation of special industrial zones by the Mozambican government, designed to attract investment.

Mozal is also building its own dedicated berth in Maputo harbour with storage facilities for 60 000 tons of alumina.

The plant is due to go online towards the end of next year, creating a total of about 800 permanent jobs

Expansion depends on costs being kept under control, says executive

Mozal tagged as cheapest producer of aluminium

(218) CT(BR) 4/10/99

JONATHAN ROSENTHAL AND REUTERS

Maputo – The $1 3 billion Mozal aluminium smelter in Mozambique was expected to become the world's lowest-cost producer of aluminium project executives said on Friday.

The smelter which was scheduled to produce its first metal towards the end of next year would benefit from a combination of cheap electricity a favourable tax regime and operational efficiencies that were expected to surpass Billiton s Alusaf smelter in Richard's Bay

Mozambique's government fixed the smelter s corporate tax at 1 percent of turnover The group is expected to turn over about $400 million a year, of which almost $300 million would be spent on raw materials and electricity. The rest would go on wages, supplies and services which would provide a huge boost to Mozambican industries

The project has reached an employment peak of 9 000, of which 70% are local

The owners of the smelter were already mulling its expansion to double output but a go-ahead would hinge on the success of the initial production phase and privatisation of a key harbour.

Rob Barbour the chairman of the Mozal project, said the expansion would also depend on Mozambique maintaining a flourishing democracy as well as costs being kept under control

Provided that all those things come about I think there s a high probability this plant will be expanded "

Barbour said the project was ahead of schedule and below budget with 50 percent of the work complete and 80 percent of the project's fixed cost contracts awarded This was despite despite a plague of malaria that incapacitated 3 500 employees.

Mozal is one of Mozambique s largest single investments and one of the first since the country's crippling 16-year civil war ended in 1992.

The project has reached an employment peak of almost 9 000 workers, 70 percent of them Mozambican. When it is fully operational it will have 800 permanent [illegible]

Intern [illegible] mining company [illegible] a 49 per cent equity stake Japan's Mitsubishi 26 percent and South Africa s Industrial Development Corporation 25 percent The Mozambican government has a 4 percent interest through preference shares.

Mozambique's Maragra sugar mill reopens

(218) CT(BR) 12/10/99

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 R330 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

Illovo 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 70 000 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 \$30 million needed to re-establish 6 200 ha of sugarcane fields would be borne by private growers and Maragra Commercial

Jorge Petiz, 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

(218) M+G 22-28/10/99

Mercedes Sayagues

One of Africa's most pristine coastal areas may soon be lost if the Mozambican government carries out its plan to build a deep sea port just south of the Maputo Elephant Reserve

The project is a $515-million partnership recently approved between the state railways Caminhos de Ferro de Moçambique (CFM) and the firm Porto Dobela The latter is linked to two South African businessmen supported by investors based in New York The partners have formed Society Porto Dobela Development headquartered on the Isle of Mann

Spreading over 20 000ha in Matutuine district, the project includes an industrial zone a highway and a railway It promises 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 Matutuine district

The port would alter water supply for the nearby Piti coastal lagoon the largest in Matutuine, 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 sits in the middle of the 226 000ha granted in concession for ecotourism to American billionaire James Ulysses Blanchard III, who died in March

The decision may be partly explained by the fiasco of the Blanchard project Of the $800-million Blanchard boasted he would invest little materialised. So the government is trying with another mega project, in completely 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 land use The World Bank counts on it for its Trans Frontier Park project So does the spatial development initiative signed between Mozambique, Swaziland and South Africa.

What irks Antonio Reina, regional director of the Endangered Wild life Trust, is, first, the lack of transparency in the deal Official documents are not available And, secondly, that the agreement was signed without an environmental impact assessment study

"If the deal falls through because of its negative environmental impact, the Mozambican government looks like a fool in front of its citizens and in front of the world he says.

The area is considered among the world's 240 areas of great biodiversity Africa has roughly 25 of these To lose one would be foolish

Mozambican prawn industry revolutionised

(218) BD 26/10/99 (218)

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

Spotting 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 Investment 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 this 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

(218)

Ilja Graulich

BD 5/11/99

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, Rand Merchant Bank, BoE, Nedbank, Standard Bank and FirstRand Bank. The loan was secured from Germany's Bayerische Hypo-Und Vereinsbank 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 CE Khaya Ngqula.

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 $1,34bn smelter is divided equally between shareholder equity and senior loans. The $152m forms part of the senior loan portion and will be utilised 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 EDC 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.

[redacted]

IDC gives credit facility the nod

Sowetan 5/11/99 (218)

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 Bayerische Hypo-Und Vereinsbank AG has signed a R930 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 Billiton South Africa (47 percent), IDC 24 percent, Mitsubishi 25 percent and the Mozambican government has four percent.

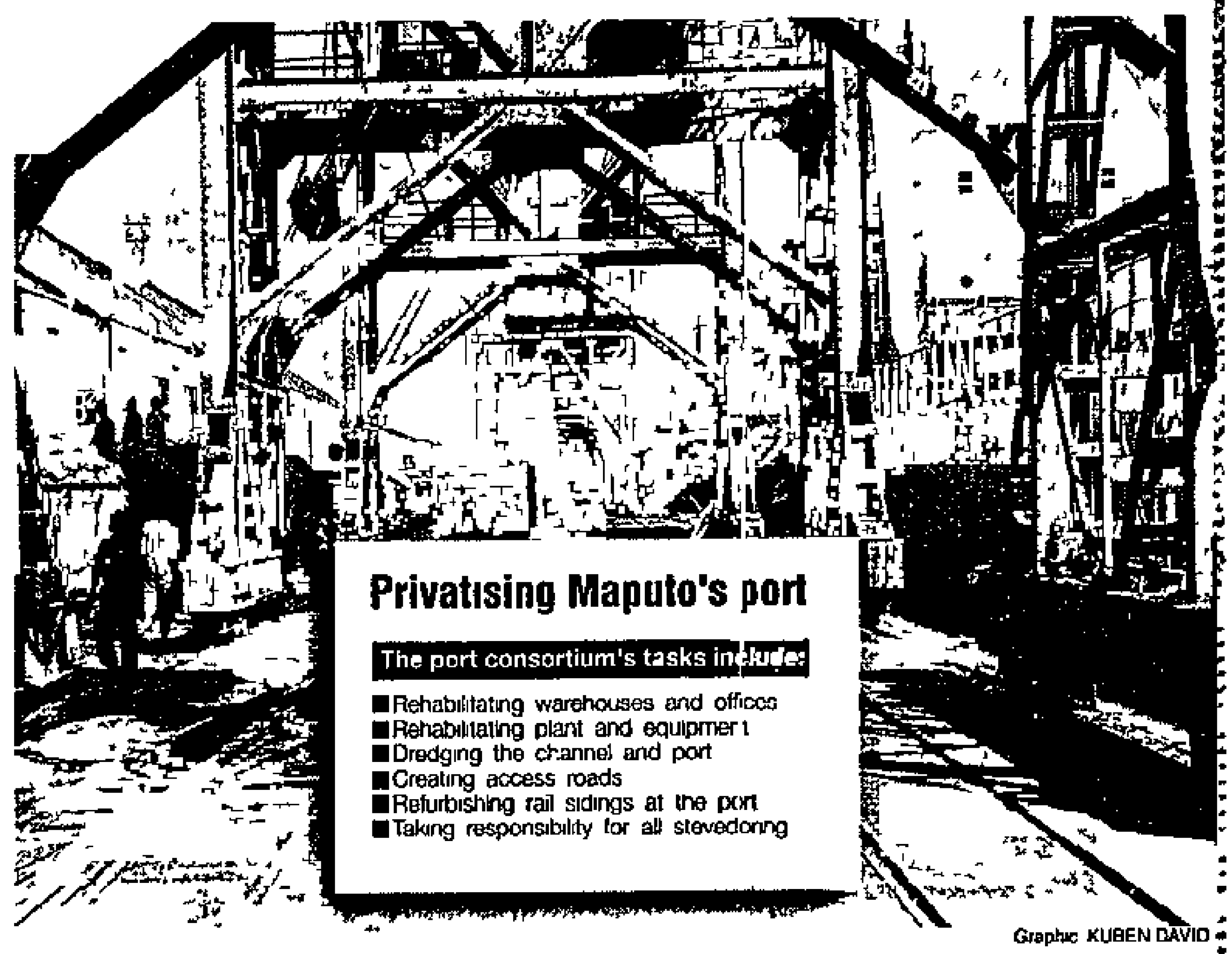
AFRICA

Govt signs deal to kick-start privatisation of harbour

BD 18/11/99 (218)

International consortium will inject $50m into rehabilitating rusting Maputo port

Claire Pickard-Cambridge



Graphic KUBEN DAVID

THE privatisation of Maputo's rusting port took an important step forwards yesterday with the signing of a framework agreement between 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 business claiming that slow progress was hobbling development

The Maputo Port Development Consortium which was chosen last year as the preferred bidder to operate the port is led by Britain s Mersey Docks & Harbour Company Other partners are the Swedish construction company Skanska BOT Projects, the Portuguese terminals operator Liscont-Operadores de Contentores and local firm Mozambique Gestores

The consortium says it can quadruple the volumes handled during its 15-year lease, and will inject $50m into rehabilitating Maputo port and the Matola section a few kilometres upstream

Some regard the port complex as the lifeblood of the economy, but its success remains dependent on the development of a co-ordinated rail and road network to serve it

While construction of the Maputo corridor road route to Gauteng appears on track, concern remains about privatising the management of the three railway lines to Swaziland, Gauteng and Zimbabwe The state-run CFM, which operates the ports and railways, claims rail negotiations are well advanced with neighbouring countries and says an outcome is expected soon But business sources remain doubtful that deals will be sewn up quickly

Tim Hansford, CE designate of the consortium, concedes it is crucial that rail and road links are improved in tandem with the port. But, he says, the consortium accepts government's assurances that rail concessioning is "progressing in the right way"

Hansford fends off criticism that port negotiations are slow

"This is a complicated process with many concerns to address Proper contractual agreements had to be made with government and CFM "

Privatisation of British Rail took five years By those standards "we are ahead of the game", he says Most of the consortium's $50m investment, which includes dredging Polana Channel and Maputo Bay is to be spent in the first three years Hansford says the consortium's responsibilities will include the initial dredging of sand to a depth of 9,4m to give access to bigger ships

It will have overall responsibility for stevedoring, handling and safety measures at Maputo port and Matola "There is a lot to be done, including rehabilitation of the entire port, warehouses and offices, the creation of access roads and the refurbishing of rail sidings at the port "

Port improvements began some time ago and the citrus, coal and sugar terminals are already under private managers A consortium made up of Rennies of SA, CFM and Australia's P&O Ports has been refurbishing the container terminal

The port concession is part of a World Bank-backed plan to commercialise Mozambique s ports and railways, and is expected to stimulate new traffic as well as win back traffic from SA ports such as Durban which have become congested

Other ports in Mozambique are the Beira and Nacala ports, with a large $500m port planned at Ponta Dobela on the southern coast Asked whether Ponta Dobela will siphon off business from Maputo, Hansford says Ponta Dobela is still in the planning stage. "If it goes ahead it will probably take another six to eight years before it is up and running By that time we will have a super-facility at Maputo "

He expects Ponta Dobela to be developed as a bulk facility which will not compete with the type of cargo handled in Maputo.

Peter Watford of British Trade International which is linked to the UK trade and industry department, says most major hurdles have been cleared in the port s privatisation leaving smaller details to be resolved

"This is an important step in rehabilitating Mozambique, and demonstrates its attractiveness as an investment destination "

The commercial attaché at the SA high commission in Maputo George Monyemangene says SA firms are upbeat about the pending injection of capital into the port "We see the development as critical to accelerating development of the Maputo corridor, as well as for increasing the movement of cargo into landlocked areas like Swaziland and our provinces," he says

Mozambique pulls plug on resort complex

THE Mozambican government has pulled the plug on plans for a huge game park and resort complex dreamed up by a now-deceased American millionaire businessman who had planned to raise $80m for the project

Cabinet withdrew its 1996 approval for the ecotourism project in the country's southern Matatuine district on Tuesday

James Blanchard III's grandiose scheme called for a five-star hotel, floating casinos and bush lodges with access to the tropical coast and interior

Blanchard was a New Orleans businessman who made his fortune dealing in gold and holding mining interests in SA and Botswana

Blanchard, who helped Oliver North support anti-communist rebels in Nicaragua, also backed the conservative Mozambique National Resistance in its civil war with the then-Marxist government

Blanchard died earlier this year, but his company, which was set up to develop the project, remained in operation The government had approved an initial $20m investment

Three years later, nowhere near this amount has been invested, and the only visible work is some new fencing at the Maputo elephant reserve, which Blanchard s representatives have said cost $3m

Some environmentalists and local residents opposed the project saying it would upset the natural ecosystem, throw people off their land or deny their livestock access to grazing.

However, the government had placed great stock in the promise of new jobs and revenues — Sapa-AP

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Maputo reserve hangs in the balance

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Mercedes Sayagues

This week, the Mozambican government revoked the controversial concession of 236 000ha granted in 1996 to American James Ulysses Blanchard III who died in March this year.

Officially Blanchard paid nothing for the land stretching south of Maputo to KwaZulu Natal. The area is likely to be declared a World Heritage Site for its wealth of biodiversity.

The right wing paraplegic American billionaire had promised an $800-million ecotourist development but did only a bit of upgrading at the Maputo Elephant Reserve.

The two-year deadline stipulated by Mozambican law for investors to start development has lapsed. Little was done: an unfinished electrified fence around the reserve, restocking with three dozen kudu and waterbuck, and improved anti poaching patrols.

Lacking co investors, Blanchard Moçambique Enterprises was wooing South African magnate Anton Rupert. Blanchard's estate, represented by his lawyer David Kirstin, was eager to get rid of its white elephant. At a price. They claim they made a $5 million investment.

On November 5 Maputo's posh Polana hotel booked a guest with impeccable environmental credentials: Maurice Strong, United Nations under secretary general and convener of the 1992 Earth Summit in Rio de Janeiro.

Together with Ted Turner and Jane Fonda and with Graça Machel as their guide, they toured Inhaca Island. Rumours say that Turner's United Nations Foundation and a consortium of international conservationists could step in to protect the wilderness.

Strong is said to be brokering the deal. Also interested are Vince G Martin, president of the Wild Foundation, and Teresa Heinz of the Heinz Family Philantrophies.

A takeover of the area by environmentalists might save it from uncontrolled building and plundering that would wreck its beauty and ecosystems. Corruption and disorganisation are rife in the government. Top officials could parcel out the land for unchecked development or for speculation.

One drawback for the conservation lobby is the government's recent approval to build a $515 million industrial port just south of the reserve. The state railway company and two South African businessmen dusted off the Porto Dobela colonial project from the 1960s, planned to export coal from the Transvaal.

The project does not make economic sense. Nearby Richard's Bay is expanding and Gauteng's coal deposits of export quality are estimated to end in about 20 years. Experts say $515-million cannot build a deep sea port from scratch.

The principals of Porto Dobela Development company based on the Isle of Man are Barry Swart and Colyn Braun. Swart was dismissed as managing director of First National Bank in South Africa in 1996 for awarding his daughter a corporate contract worth millions of rands. Braun was general manager of Lonro in Mozambique. Both are tight lipped on their funding and investors.

It wouldn't be the World Bank. It has just approved a $100-million loan to Mozambique to upgrade the port railway systems in Maputo, Beira and Nacala.

Moreover the World Bank wants to link South Africa's Tembe Park with the Maputo Elephant Reserve along the Futi River recreating traditional migratory patterns. The port railway would cut the Futi corridor in two.

"The port and ecotourism cannot co exist here. It's got to be one or the other," says Helena Motta, coastal adviser at Mozambique's Ministry of the Environment.

Ecologists warn the port would damage the world's southernmost coral reef, the world's highest vegetated sand dunes, unique bird and butterfly species, two species of turtles, the 200-elephant herd at the reserve and a complex ecosystem of wetlands, freshwater coastal lakes, sand forest and savannah.

Until the fate of Porto Dobela is decided, tourism investment in the area will not materialise.

The area is of unparalleled beauty today, ~~wholly pristine~~. But Mozambique needs to earn resources from its uniqueness.

A wildlife expert familiar with the reserve believes $1 million would be enough to set up efficient poaching controls, start serious restocking, and build a tented camp and thatched lodge.

Environmentalists say that this wilderness should be managed as a whole, linking the south with the St Lucia wetlands, the Futi elephant corridor and parks in KwaZulu Natal and Swaziland.

It is an exciting idea: cross-border management to protect and sustainably use an area of dazzling biodiversity and beauty.

Placer sets itself a mammoth task

Rural job-creation is 'like a circus', lacking basic co-ordination, writes Reneé Grawitzky

(218) BD 29/11/99

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 retrenchment 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 (NGO's) 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 retrenchments 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 Aliminium Smelter will have the desired effect of encouraging foreign investment

Eugenio Numaio, 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 come from such sources Agriculture remains the backbone of the economy while up to 30% of export earnings are derived from deferred pay of up to R282m 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 retrenchments 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 mines 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 retrenchment 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 expressed 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

BD 7/12/99 (218)

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 Petiz family, but ceased operating in 1984 due to civil war At the end of the conflict, the Petiz 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