

## Business

# Mozambique's rail network project gathers momentum

## Public debt forces govt to hand over project to private sector

**RIBAUE, Mozambique:** Dozens of passengers line up in single file along the platform in the dead of night, ready to gather their luggage and pile into the ageing railway carriages. At the small railway station in Nampula, in northeastern Mozambique, the 4:00 am train to Cuamba in the north west is more than full, as it is every day, to the detriment of those slow to board and forced to stand.

In recent years, the government in Maputo has made developing the train network a priority as part of its economic plan. But mounting public debt has meant that authorities had no choice but to cede control of the project to the private sector.

Seconds before the train-six passenger coaches coupled between two elderly US-made locomotives-leaves Nampula station, the platforms are already entirely empty. No one can afford to be late. Inside, the carriages remain pitch dark until the sun rises as the operator has not installed any lighting. A blast of the horn and the sound of grinding metal marks the train's stately progress along the 350-kilometre (220-mile) line to Cuamba-more than 10 hours away. Five or six passengers cram onto benches intended for four without a murmur of complaint.

"The train is always full," said Argentina Armendo, his son kneeling down nearby. "Lots of people stay standing. Even those who have a ticket can't be sure of getting on. They should add some coaches!"

### 'Enormous growth potential'

"Yes, but it's not expensive," insists the conductor Edson Fortes, coolly. "It's the most competitive means of transport for the poor. With the train, they are able to travel." Sitting in a vast, ferociously air-conditioned office Mario Moura da Silva, the rail operations manager for CDN, the company operating the line, appears more concerned about passenger numbers as a measure of success than perhaps their comfort. In 2017, its trains carried almost 500,000 — a 265-percent increase on a year earlier. "Passenger traffic isn't profitable but it's a

requirement of the contract with the government," said Moura da Silva.

"It's not that which earns us money, it's more the retail," he added, referring to the company's commercial operation, which has grown by 65 percent in a year. Brazilian mining giant Vale, which owns CDN along with Japanese conglomerate Mitsui, began its Mozambican rail venture in 2005. Having won a contract to run the concession from the government, it restored the former colonial line, which linked its inland coal mines with the port at Nacala. It now operates a network of 1,350 kilometers (840 miles) following an investment of nearly \$5 billion (around 4 billion euros). "The growth potential is enormous," said Moura da Silva.

### Rail corridors

Mozambique's government is eyeing the project as a bellwether for the industry. "We have made infrastructure one of our four investment priorities," said Transport Minister Carlos Fortes Mesquita.

"Thanks to this investment, the country recorded a strong growth in the railway sector." Eight new "rail corridor" projects are now under way in Mozambique, all funded with private capital, as the state grapples with a long-standing cash shortage.

The government has been engulfed in a scandal linked to secret borrowing by the treasury, which is juggling debt amounting to 112 percent of GDP. As a result, a handful of large companies, attracted by Mozambique's vast mineral wealth, have taken the lead in developing the country's rail infrastructure. But it is unclear if their interest in the sector will continue in the long-term.

### Until the coal runs out?

"Today the Nacala line only exists because of coal. But once the mine closes, who will be able to justify continuing operations?" asked Benjamin Pequeno, an economist at the University of Cape Town in South Africa. "The private sector won't continue to invest if it knows it will lose money," he said.



RIBAUE: Street and food vendors approach passengers on the Nampula-Cuamba train in northern Mozambique. —AFP

But in the absence of any alternative, former parliament speaker Abdul Carimo accepts that public-private partnerships are the least worst option. Carimo, who remains close to the ruling party, now heads up the "Zambezi Development Corridor".

The scheme is managed by Thai group, ITD, and plans to build 480 kilometers of track between Macuse port and the coal mines at Moatize for a

price tag of \$2.3 billion. Carimo, who closely follows developments on the project, has vowed that "his" line will not only be used to carry minerals but will stimulate activity across the region it serves.

"I hate coal but I want this infrastructure to relaunch agriculture in Zambezi province," he said, adding that the region was "one of the richest in the country in the 1970s". —AFP

### Bayt.com weekly report

## Is your future boss good enough?

Employees work in the Middle East for an average of 8 hours per day, 5 days a week, and that comprises a huge chunk of their lives. It is therefore important for any job seeker or professional who is considering a new opportunity to get a deeper understanding of the employer before accepting any job offers.

Although gauging a bad employer isn't a simple process, there are certain warning signs that can help you make a better decision. From Bayt.com's career experts, here are five major warning signs to help you spot a bad employer:

### 1. Unprofessional conduct

The way the recruiter treats you during the hiring process is a major giveaway as to how they are as an employer. You must check if they are being courteous, professional and polite throughout the interview process and after. Clear signs of lack of professionalism include when the hiring manager doesn't show up on time, doesn't explain the role properly, fails to describe the hiring process well, repeatedly interrupts you, or when he or she refuses to give you any feedback on your application status.

In fact, job seekers expect direct communication about their job status, regardless of whether they are accepted or not. The Bayt.com 'Hiring Practices in the Middle East and North Africa' survey, has revealed that phone call (38%) is the most popular way of informing unsuccessful candidates for non-managerial positions, followed closely by emails (34%). According to this survey, almost 3 out of 10 firms do not inform a candidate at all.

### 2. How they conduct reference checks

Over 80 percent of employers conduct candidate reference checks before hiring. However, the way they conduct these checks can be a crucial indication as to how they are as an employer. If they do these in an accusatory and distrustful manner then they are not worth joining. Showing doubt and distrust in the initial stages of the hiring process

means that that they do not trust their employees or give them the benefit of the doubt and such a workplace isn't somewhere you'd want to be.

### 3. The work environment

90 percent of the respondents in the Bayt.com 'What Makes a Company an Attractive Place to Work?' poll are attracted to companies that offer supportive and great work environments. When you go in for an interview, always make sure to check the status of employees around you. Do they look happy or sad? In fact, you should even try starting a casual conversation with an employee and ask general questions about the workplace and the overall culture. Other things to look out for are how disorganized the workplace is, how open the office environment looks like, and if you think you will get along with fellow coworkers.

### 4. A bad reputation

Several websites online have ex-employees reviewing companies and sharing their experiences (see Bayt.com Salaries for example). You must always research a company before applying to make sure that their reputation is good. In fact, the Bayt.com 'What Makes a Company an Attractive Place to Work?' poll shows that 7 in 10 professionals wouldn't work for a company they aren't proud of; 6 in 10 give importance to an employer's brand name when judging a new job offer. You could reach out to former or current employees through dedicated professional platforms, such as Bayt.com Specialties, and chat with them about the workplace culture, salaries, and so forth.

### 5. Hiring you right away

Although it might seem like great news that the employer wants you on board right away, it could be a sign of something being amiss. The hiring process usually takes between 1 and 3 months, according to the Bayt.com 'Skills and Hiring trends in the Middle East survey and there should be certain steps and procedures to follow before making a hiring decision. Trust your gut feeling. If your instinct tells you that the employer is only hiring you because they're desperate, then it's better to avoid taking up their offer altogether.

## Japan 'rare earth' haul sparks hopes of cutting China reliance

**TOKYO:** The discovery of potentially millions of tons of valuable "rare earth" elements in sea sludge off Japan has raised hopes that Asia's number-two economy can reduce its dependence on Chinese supply. But experts warn that extracting the minerals-used in technology ranging from mobile phones to electric vehicles-is both costly and difficult, especially when buried miles deep in the ocean.

A Japanese study published last week revealed an estimated 16 million tons of rare earths, enough to feed global demand on a "semi-infinite" basis, with deposits to last hundreds of years.

The news made headlines internationally and in Japan, which is the world's second-largest consumer of these minerals but relies heavily on imports from China, which controls 90 percent of the highly strategic market.

China extracted around 150,000 tons of rare earths in 2016, according to experts, but has in the past restricted the supply amid political tensions. For this reason, "Japan is looking for several ways of freeing itself from any dependence on Chinese supply," said Gaetan Lefebvre, an expert at the French Geological Survey.

Japanese firms are working on recycling products containing rare earths to re-use the elements, developing technology without rare earths and investing in foreign mining projects in exchange for the minerals. And Japan is not alone in trying to diversify away from risky China-there are currently 38 projects outside China at various stages of development, according to Adamas Intelligence, a metal and minerals research firm.

In addition to wanting to cut reliance on China, the price of rare earths is rising due to a Chinese crackdown on illegal mining and surging demand for electric vehicles.

### 'Resource security'

The study's author, Yutaro Takaya from Tokyo's Waseda University, says his team hopes to develop ways to extract the prized elements within five years.

"We are not talking about some dream technology of the distant future. We are conducting studies to make this possible," he told AFP. The recent find "should contribute to the 'resource security' of Japan", he said. "It can also serve as a diplomatic card. Japan will be able to say, 'if prices are made to go above this level, we can look to developing sea-bottom rare earths'," added the researcher.

Ryan Castilloux, director of the Adamas Intelligence consultancy, acknowledged the find was "impressive" but recommended keeping the champagne on ice. "It takes up to 10 years or more to advance a rare earth project from discovery into a producing mine on land, so I do not imagine it will be faster in the sea," he said. "The discovery in Japan is still in its very early stages and it will take several years to determine if mining will be feasible," added Castilloux.

There is currently no profitable way of extracting rare earths from that sort of depth-more than five kilometers (three miles) below the surface. "Pilot mining tests have been performed, but it remains to be seen who will be the first to produce ore at a cost that is less than the value of the commodity," noted Mark Hannington from the Helmholtz Center for Ocean Research in the northern German city of Kiel. "Although 16 million tons is a large number, there is no evidence that this amount could be recovered economically or sustainably," added the expert.

Analysts also point to the relatively weak concentration-less than one percent-of rare earths actually in the sea mud.

"Producing just 1,000 tons of rare earth oxide from this source would require mining over one million tons of mud," said Castilloux. And the United States Geological Survey estimated last year there were 120 million tons of rare earth deposits worldwide, with 44 million in China, 22 million in Brazil and 18 million in Russia. "There are millions and millions of tons of rare earths in other known land-based deposits around the world that, in my view, would be more attractive options for development," he said. —AFP

## EXCHANGE RATES

### BAHRAIN EXCHANGE COMPANY WLL

CURRENCY	BUY	SELL
<b>Europe</b>		
British Pound	0.420247	0.427747
Czech Korune	0.006631	0.015931
Danish Krone	0.045764	0.050764
Euro	0.365555	0.373055
Georgian Lari	0.124419	0.124419
Hungarian 0.001099	0.001289	
Norwegian Krone	0.034613	0.039813
Romanian Leu	0.062629	0.079479
Russian ruble	0.004808	0.004808
Slovakia	0.008921	0.018921
Swedish Krona	0.031978	0.036978
Swiss Franc	0.306344	0.317344
<b>Australasia</b>		
Australian Dollar	0.224444	0.236444
New Zealand Dollar	0.214944	0.224444
<b>America</b>		
Canadian Dollar	0.233194	0.242194
US Dollars	0.296450	0.300850
US Dollars Mint	0.296950	0.300850
<b>Asia</b>		
Bangladesh Taka	0.003188	0.003772
Chinese Yuan	0.046285	0.049785
Hong Kong Dollar	0.036198	0.038948
Indian Rupee	0.004097	0.004738
Indonesian Rupiah	0.000017	0.000023
Japanese Yen	0.002724	0.002904
Korean Won	0.000270	0.000285
Malaysian Ringgit	0.073581	0.079581
Nepalese Rupee	0.002398	0.003163
Pakistan Rupee	0.002499	0.002789
Philippine Peso	0.005685	0.005985
Singapore Dollar	0.223954	0.233954
Sri Lankan Rupee	0.001604	0.002184
Taiwan	0.010136	0.010316
Thai Baht	0.009278	0.009828
<b>Arab</b>		
Bahraini Dinar	0.790584	0.799084
Egyptian Pound	0.014223	0.019941
Iranian Ryal	0.000083	0.000085
Iraqi Dinar	0.000202	0.000262
Jordanian Dinar	0.419288	0.428288
Kuwaiti Dinar	1.000000	1.000000
Lebanese Pound	0.000148	0.000248
Moroccan Dirhams	0.023276	0.047276
Omani Ryal	0.774331	0.780011
Qatar Ryal	0.078264	0.083204
Saudi Ryal	0.079060	0.080360
Syrian Pound	0.001273	0.001493
Tunisian Dinar	0.121786	0.129786
Turkish Lira	0.067919	0.078219
UAE Dirhams	0.080403	0.082103
Yemeni Ryal	0.000976	0.001058

## Fears grow Zambia hiding debt like Mozambique

**LUSAKA:** International lenders and markets are growing increasingly concerned about "hidden debt" in Zambia, a situation similar to the one that plunged neighboring Mozambique into a deep financial crisis.

For several weeks financiers have demanded answers about the level of the country's true external borrowing-but officials have rubbished any suggestion of concealed debts.

Zambia, the second largest copper producer in sub-Saharan Africa, insists that its debt pile stands at \$8.7 billion-but there have been suggestions it could be double that.

The allegations have raised fears among Zambians and foreign investors for whom the memory of Mozambique's hidden debt fiasco is still fresh in the mind. In 2016, international donors froze fiscal support to Mozambique after it emerged that the country had taken \$2 billion of "off-book" loans to

finance maritime vessels and military equipment.

That move plunged the impoverished country into serious economic and financial crisis. Maputo has since suspended repayments to creditors and is seeking to renegotiate its debt mountain.

Japanese finance giant Nomura recently questioned the size of Zambia's public debt, suggesting the government is concealing a substantial amount of short-term external debt.

In a note last week, the director of the political risk advisory firm EXX Africa also warned of "mounting evidence of undisclosed loans" and said that Zambia had miscalculated its total debt.

"Based on documentary evidence, we assess that external debt could be as high as \$15.6 billion, while local debt seems almost incalculable given the opacity in lending to state-owned entities from local banks," wrote Robert Besseling.

### 'Hiding the figures?'

But Zambian authorities have brushed aside the growing concerns over the actual size of its external public debt, which has been putting pressure on the value of government bonds. Former finance minister Felix Mutati last year told parliament that foreign debt stood at \$17.2 billion-but retracted the figure days later saying he had misstated it and insisted that the debt burden was just \$7.2 billion. —AFP