COVID-19 Report

Exchange Mozambique

Abstract

Report on the effects of COVID-19 in Mozambique
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The information in this volume is destined to provide a description of the COVID-19 status and its impact on social and economic life in cooperation programmes of Exchange vzw. The ambition is to give insights, based on information gathered by Exchange's business development managers based in these countries. Exchange vzw. cannot be held responsible for errors, omissions or lack of accuracy and disclaims any liability in connection with the use of this information.

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Introduction

The Covid-19 pandemic is putting under stress not only African countries' health systems, but also their economies and societies, due to the lockdowns to enforce quarantines. According to a study from the London School of Hygiene and Tropical Medicine (LSHTP) Mozambique should be among the African country where Covid-19 progresses the slowest, with the study predicting that Mozambique would be reaching 1.000 cases around April 21-May 03 and the first 10.000 between May 11-23. In reality, the actual (official) progress is shown to be considerably less than the prediction.

Still on April 1st, the Imperial College of London published a report profiling a scenario where the global pandemic would affect 7bn people, with a mortality rate of 6%, with a forecast of 94% of the Mozambican population infected (with or without symptoms) and up to 65,000 deaths. Faced with this scenario, the report recommends social isolation measures to be promoted to reduce the mortality to 30,000 units.

Statistical information

As of the 3rd of June, Mozambique has the following statistics:

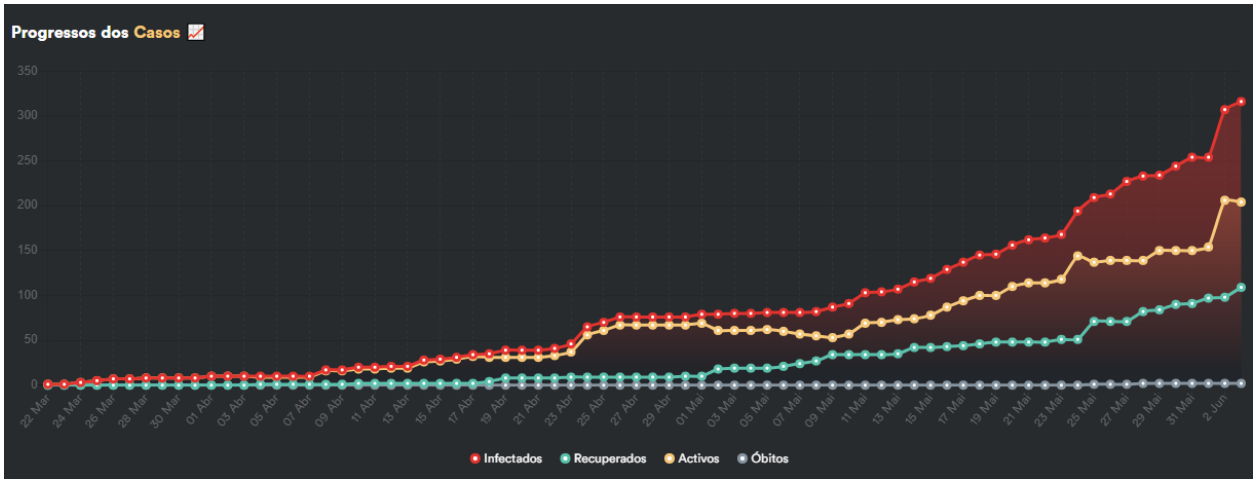
TOTAL CONFIRMED CASES	**316**
TOTAL LOCAL TRANSMISSIONS	290
TOTAL IMPORTED CASES	26
TOTAL RECOVERED	109
TOTAL TESTED	11563
TOTAL DEATHS	2

The primary epicenter of the COVID-19 outbreak in Mozambique has been the TOTAL site, the 23 billion natural-gas project in the Cabo Delgado province (North of Mozambique) which has been put under quarantine.[1] There is a large influx of French (and other nationalities), with TOTAL being the largest investor in the area[2]. There are confirmed 58 cases reported in the TOTAL campo (See map below).

The second epicenter is in Maputo City, the capital of Mozambique, where there are 36 confirmed cases. Other parts of Mozambique have only recently (mid May 2020) been identified with COVID19 cases, as can be seen on the map below.

[1] https://furtherafrica.com/2020/04/14/totals-lng-project-is-mozambiques-coronavirus-epicenter/
[2] https://allafrica.com/stories/202004030659.html

Visual representation of number of cases through Provinces of Mozambique



Graph showing total cases in Mozambique

Note: these are the formal statistics presented to the public through the website **https://covidmoz.netlify.app/**

However, there are maybe many more cases of infection in Mozambique, as the only Laboratory that can test for the virus is in Maputo, and can supposedly only do 10 tests per day. Nevertheless, as of the beginning of May, the health authorities did not report outbreaks among the population.

Following South Africa upcoming lockdown announcement, the organization of miners organized 23,000 Mozambican workers to reach Ressano Garcia border and cross to come back home. During this rush, the border control between South Africa and Mozambique was opened completely and people

allowed to cross without any control (not even stamping passports), as the officers where afraid to get infected by the travelers[3].

Neighbouring Cuntries

Países Vizinhos	
South Africa	35.812
Zambia	1089
Tanzania	509
Malawi	358
Swaziland	294
Zimbabwe	206

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Current Situation

As of the 1[t] of April, President declared a state of Emergency for 30 days, which was suddenly extended until June 29th . The Level 3 State of Emergency with the following restrictions:

- No meetings with more than 10 people
- Restrictions of gatherings in commercial
- Rotation at the work place to reduce number of staff in confined spaces
- Prohibition of any type of events, sports, social or religious

Travel, Visas and related matters

- The country has suspended all existing entry Visas, and will not be issuing any new visas for now.
- Identity and travel documents and any legal documents for nationals are not being issued, and any expired document will be extended until the 30th of June.
- Anyone (especially foreigner) coming into Mozambique from a high risk country will be automatically put into quarantine

Political interference

Social and Economic impact

It is uncertain how badly the economy will be hit by this situation, but there is strong debate on whether a Level 4 (Complete Lockdown) would be possible in a country where most of the population live on a

[3] https://allafrica.com/stories/202003270901.html

day-to-day basis, without any reserves to fall back on. The Government is also not able to provide subsidies to families, so the damage of being home would far outweigh the danger of getting infected with the COVID-19 virus. Children would go malnourished, and violence levels would increase, and the country would very possibly collapse into more chaos. Already now, many children are suffering for the school closure, as there is where they were used to receive their daily meal.

Policy response needs to reflect the structural features of African economies, limited fiscal space and small operational capacity to respond. Mozambique imposed level 3 State of Emergency restrictions. However, as the situation evolves, there are more questions about the suitability and effectiveness of some policies, such as strict confinement. The large size of the informal sector (89 percent of total employment); the precariousness of most jobs; the limitation of the social security system, and the predominance of micro, small, and medium-size enterprises in business activity (90 percent) need to be factored in, as they may make aggressive containment measures less effective. Potentially better options could be protecting vulnerable groups, ramping up testing, and promoting the wearing of masks.

Countries as Mozambique with underdeveloped financial markets should expect weak monetary transmissions and therefore differentiate their monetary policy response and focus on fiscal policy response.

Focusing on the dual objectives of saving lives and protecting livelihoods requires a combination of short-term relief measures and stimulus measures to keep the economy running. Policies should primarily aim at strengthening health systems, providing income and in-kind support to formal and informal workers, and providing liquidity support to viable formal businesses while guaranteeing the provision of public services[4]. Workers, particularly those in the informal sector, should be supported with social protection programs. In the majority of developing Countries, cash transfers are the preferred method to pursue this objective.

Social assistance interventions and support measures for private sector might be viable in Mozambique only if the Government can receive development partners support. The FMI and the World Bank already agreed to disburse US$ 309mn under the Rapid Credit Facility (RCF) to help Mozambique meet urgent balance of payment and fiscal needs stemming from the COVID-19 pandemic[5]. Additionally, the FMI suspended US$ 15mn of debt servicing until October 2020, whilst private creditors did the same for at least until the end of the year. The European Union office in Mozambique announced a grant of US$ 120mn disbursed between 2020 and 2021 to support the Country fighting the Covid-19 crisis.

Minimizing disruptions in critical intra-African food supply chains and keeping logistics open are key to avert a looming food crisis in the region, already challenged by devastating locust invasions. Governments should reduce international and domestic trade barriers, and ensure that food system workers can go to work without problems is critical. Funding for agriculture and agribusiness needs to be protected. Digital technologies can help anticipate problems, smooth temporary shortages as well as build the resilience of food chains. Early warning systems for food shortages, and associated emergency food

[4] Levy, Santiago, (2020) Suggestions for the Emergency, UNDP LAC19 PDS N2

[5] https://www.imf.org/en/News/Articles/2020/04/24/pr20190-mozambique-imf-executive-board-approves-emergency-assistance-to-address-covid-19

provisioning systems, as well as trade will have to be adjusted to increase attention on rural and urban areas.

Support to private sector will need rapid, transparent and time bound support to address immediate liquidity challenges, prevent widespread layoffs and limit firm bankruptcies. Phase I emergency measures need clear exit strategies to mitigate the impact of an unforeseen disruption. Later, in the recovery phase, policies should be geared towards supporting growth-oriented enterprises, avoiding resource dilution to *zombie firms*[6]. However, in Mozambique, the "*zombie firms*[7]" are likely to represent a significant quota of registered Micro and Small enterprises, which even in normal circumstances struggle to grow due to a mix of factors, including low human capital, difficult access to credit, low capitalization and poor financial and management practices.

Targeting should be kept as simple as possible during the response phase, and gradually evolve during the recovery phase by taking into account new circumstances and firms' characteristics. Targeting can be hard to implement in settings where institutional capabilities are weak. It may open the door to rent-seeking behavior and ultimately run the risk of capture by well-connected firms, thus undermining the effectiveness of policy responses. Any targeting of policies in Phase I (Outbreak) is therefore best limited to the locations and sectors that are hit the hardest initially, and can expand as the effect of the shock propagates. During Phase II (Recovery), support policies could be targeted to more specific groups of beneficiaries[8]

2.1 Monetary Policy: Prime Rate

On April 1st, the Association of Banks of Mozambique and the BoM officialized that Prime Rate would increase from 18% to 18.4%. The measure came unexpected and countered World Bank and IMF recommendations of global practices to ease access to liquidity for businesses and individuals. The real interest rate has been positive and followed a growing trend for the past 12 months, with real interest rate of deposit set at 7.79% and that of monetary policy at 6.5%, whilst inflation rate was below 5%. In light of this, private sector expected that expansive measures would have been taken by BoM to support liquidity flowing in the economy.

The increase was the normal consequence of the revision of the interbank monetary market (reviewed monthly by BoM) and the prime, which is automatically calculated quarterly by the Association of Mozambican Banks (AMB) on the basis of the previous quarter (Dec, Jan, Feb) and accounts for the Country rating, the ratio of defaulted credits and the mandatory reserve coefficient. In December 2019 commercial banks wrote off a high volume of defaulted credits, which pushed the prime cost up by 40

[6] Adalet McGowan et al (2017): ""The walking dead: zombie firms and productivity performance in OECD countries"
[7] Zombie firms are those that earn just enough money to continue operating and service debt but are unable to pay off their debt, and in turn, unable to invest or grow, thus diverting resources away from healthy, viable firms
[8] World Bank, 2020 "Assessing the impact and policy responses in support of private-sector firms in the context of the COVID-19 pandemic"

base points, reflected in the increase of the Prime. The revision is therefore the result of a shortsighted decision. Neither BoM nor the AMB had proactively discussed measures to counter a possible COVID-19, which was just about to reach Mozambique. Discussions are now on-going, to evaluate if and how to revise Prime Rate to free liquidity in the system and yet try to control inflation, in light of rising depreciation of the Metical.

On May 4th, the Association of Banks of Mozambique (AMB) and the BoM lowered the Prime Rate to 17.9%, following a decrease of the MIMO to 11.25%[9]. Despite a compound reduction of MIMO of 150 base points decided by BoM on April 16th, the Prime could only absorb the reduction in two phases. Therefore, in May the Prime Rate only decreased by 50 base points compared to the month of April, the compounded effect of Prime Rate correction since January is practically null, having moved from 18% of March to 17.9% of May. BoM intends to follow a prudential approach to avoid compromising the fundamentals of the economy[10], balancing the need to lower the cost of commercial banks' services and keep inflation within parameters. Until the end of May, inflation was muted, given low aggregate demand and a depreciation of the South African Rand relative to the Metical, but further monetary loosening could accelerate the weakening of the national currency.

On May 29th, BoM announced that the Prime Rate for the month of June will be 16.9%, having absorbed the additional 100base points of reduction. The estimate impact of these measures on the cash flow of private sector companies under financial distress was calculated in US$ 2.8mn on the basis of summary data of the financial sector[11].

Month	Prime Rate	Debt Servicing (US$ mn) if no measures were adopted (Prime at 18.4%)	Debt Servicing (US$ mn) with updated Prime	Difference (US$)
April	18.4%	87.4		
May	17.9%	87.4	86.4	1
June	16.9%	87.4	84.6	2.8

2.2 BoM Special Measures

2.2.1 Reserve Ratio

On March 20th, the Bank of Mozambique reduced the reserve ratio by 150 bp from 13% to 11.5% in local currency and from 36% to 34.5% in Foreign Currency. This measure was taken in light of the prospects of an economic slowdown, the fall of exports and the need to import basic products. With this measure, BoM aims at reducing costs of commercial banks and free up liquidity, in the order of US$ 90mn, to be made available for lending to banks' customers. Banks welcomed this move but considered it timid given the high reserve requirements. The resulting liquidity injection has not translated into an increase in credit to the private sector due to elevated risk environment and lower demand due to the state of emergency.

[9] http://www.bancomoc.mz
[10] As declared by Mr Jamal Omar, Administrator of Banco de Moçambique during the webinar hosted by CTA on 5th May to present the monetary policy measures adopted by BoM and their impact on private sector.
[11] CTA, Impacto das taxas de referencia no sector empresarial https://cta.org.mz/impacto-da-reducao-das-taxas-de-referencia-no-sector-empresarial/

2.2.2 Credit Line for import

On March 22nd, BoM introduced a line of credit for US$ 500mn to allow commercial banks to finance their clients' commercial transactions, particularly those connected to the import of essential consumer goods, raw materials and equipment[12]. The measure has been considered ineffective by banks. The principal reasons for limited take up are as follows:

- Loan-to-deposit ratio in FX is low, because of the prohibition to lend to non-exporters, so there is no structural reason for a demand for FX loans

- Scarcity of FX is expected to last longer than 9-month timeline of the credit line, so borrowers would struggle to pay back. In practice, importers require US$ to acquire goods from abroad, but they would not want to receive a loan denominated in US$, because their sales will be in Metical, hence they would not want to bear the currency risk. Instead, this credit line is released in US$ and needs to be repaid in the same currency.

- Cost is unattractive, as it adds to the 6-month LIBOR the "cost premium" calculated by the AMB, which is currently 5.6 percentage points.

Furthermore, the Association of Banks is still negotiating with BoM on the terms under which a client would be allowed to purchase foreign currency in order to re-pay its loan to the lender. Because of the ineffectiveness of this credit line, importers are struggling to find foreign currency to borrow, which at the end of April is said to be available only in one of the main commercial banks.

2.2.3 Credit Restructuring

BoM relaxed conditions for restructuring credits for commercial banks clients for US$ 500mn during 6 months. This in aligned to International Monetary Fund view that during this phase, banks should work constructively with affected borrowers and supervisors should encourage prudent loan restructuring where necessary to sectors or firms heavily impacted by the crisis. It is important to note that the restructuring decision is a business decision taken by the bank, based on the assessment of the borrower's capacity to pay under the new terms. Restructuring could take the form of renegotiated terms (maturity, interest rates, fees), moratorium policies or grace periods. Commercial Banks are therefore evaluating their client's position on a case by case basis. Private sector actors, however, are afraid that accepting to freeze their debt and capitalize interest will pave the way for a very hard and long recovery.

Irrespective of whether the loans are restructured or not, banks may face losses on their loan portfolios due the impact of the crisis. IMF recommends that loan classification and provisioning rules should not be relaxed. It is critical to measure NPL and potential losses as accurately as possible. Banks should not be encouraged to hide losses (creating moral hazard and transparency issues). Further, public authorities and supervisors need to rely on accurate data (losses, capital shortfall) to take appropriate decisions. The status of the exposures (performing vs. non-performing) and the level of provisioning should be reassessed on a regular basis to account for the evolution of the situation.[13]

Government may consider pairing this measure of the BoM with temporary amendment of the insolvency framework to facilitate the ongoing operations of MSMEs, to avoid inevitably pushing them

[12] (http://www.poptel.org.uk/mozambique-news/)
[13] IMF Repository

into liquidation**.** Governments should consider extending the period to propose a repayment plan and incentivize creditors to negotiate with debtors balancing the need to mitigate any unintended consequences on lenders.

2.2.4 Transaction Fees and Mobile Wallets

On March 25th, the Bank of Mozambique released a note announcing extraordinary measures to prepare fighting and to prevent the effect of COVID-19 on the economy. These focused on supporting the functioning and expansion of individual transaction accounts, including digital, to facilitate relief payments and remittances and incentivize social distancing, avoiding queues at the branches, through**:**

- Mobile money companies are exempt from charging transaction fees for Client-2-client transaction, up to MZN 1,000 per day (equal to approx. US$ 15.15).
- Limit for e-money transaction passed from MZN 25,000 to MZN 50,000 (US$ 757.5), annual limit extended to MZN 400,000.
- Commercial banks are exempted from charging transaction fees to online transactions up to MZN 5,000´[14]
- Commercial banks can reduce of 50% commission fees for transactions to mobile wallets
- Zero charges on all POS transactions

Mobile operators are under severe pressure to ensure continuity of the service, as broadband usage increased by 80% in the past weeks. During this critical time, continuity of service is the key pre-requisite to enable mobile payments, as well as any form of digitalization of business operations, particularly at the base of the pyramid.

2.2.5 Foreign Currency conversion and transactions

A temporary provision mandates that 30% of the value received in foreign currency must be immediately converted to Metical. This measure aims at redressing the scarcity of foreign currency, caused by the drop of exports, whilst addressing the need for foreign currency to finance import of basic goods. This measure should also contribute to reducing the volatility of the exchange rate.

BoM also exempted from the presentation of proofs all the transfers to foreign countries aimed at financing health, education, travelling family members, with the intention to facilitate catering for social needs of family members who may be living abroad.

Tabela 1: BoM measures to sustain economy (Source: BoM)

BoM Measure	Rationale	Impact Expected	Main beneficiary
Reduced the reserve ratio by 150 bp from 13% to 11.5% in local currency and from 36% to 34.5% in Foreign Currency	- Leave more liquidity and foreign currency available in the system -	- Reduce commercial banks costs - Inject US$ 90mn in the system to be available for lending	Medium and large firms
Reduced MIMO from 12,75% to 11,25% that lead to Prime Rate reduction to		- Lower cost of lending	Medium and Large firms

[14] http://opais.sapo.mz/banco-central-anuncia-medidas-extraordinarias-para-a-mitigacao-dos-efeitos-da-covid19

16.9% (from 18% March, 18.4% April, 17.9 May)		- Lower interest rate to borrowers	Employed workers (private and public sector)
Relaxed conditions for restructuring credits for commercial banks clients for US$ 500mn during 6 months	- Counter the increased risk of credit default due to Households income reduction, and private sector cash flow reduction	- Reduced monthly obligations due by families and firms, freeing up values for other necessities	Medium and Large firms Employed workers (private and public sector)
Introduced a line of credit for US$ 500mn for banks for 9 months	Avail more Foreign Currency in the system	- Fulfill temporary foreign currency needs of the commercial banks	Import firms Transformative industry firms
Suspension of commissions on digital transactions: **- Up to MZN 5,000/day in the banks** **- Up to MZN 1,000/day for mobile wallets**	Maintain banking service active whilst respecting social distancing and limitation of movements Sustain transaction volumes for lower end customers	- Lower transaction costs for the most vulnerables - Stimulates the usage of electronic payments - Reduce notes circulation	Micro and informal firms Lower income groups
50% reduction of commissions and fees on transfers from bank account to mobile wallets			
50% increase on the daily limit of transaction on mobile wallet platforms			
Mandatory conversion of 30% of values received in foreign currency to Metical	- Prevent scarcity of foreign currency reserves in the system	- Avail foreign currency in the banking system - Reduce volatility of the exchange rate	Import firms Transformative industry firms
Waive to proof the reason for transferring foreign currency abroad for health, education, family related expenses	- Increased social assistance needs	Increase flexibility of some operations	Families

3.Commercial Banks measures to support borrowers

Commercial Banks understand the need for immediate measures to deal with cash flow problems of private sector and individuals. Most individuals already spend over 100% of their monthly salary, and

extremely few are used to save. Article 123 of the Labor Law, allows employers to suspend employment contracts for economic reasons, as those resulting from market, technological, catastrophes or other occurrences which affect the normal activity of the company. The law allows employers to reduce salaries for the initial three months of the suspension, by 25%, 50% and 75% respectively and can thereafter lay-off permanently the workers (without any remuneration) if the conditions remain. Banks segment their clients in three main categories, namely (i) individuals who are formally employed in private sector companies, (ii) public servants, (iii) private sector companies. Banks, expect to see increasing volumes of credit defaults on those clients that are at risk of losing incomes (categories (i) and (iii) mainly). Additionally, banks understand that social distancing measure and limitation of movement will badly affect the informal sector, leading to extended family aggregates to be catered for by those who have salaries.,

Financial institutions consider the State the most stable circuit in the Country. They do not expect to see job losses in the public sector, and they hope there won't be salary reductions. However, a debt moratorium to public servant would be given as a subsidy to help them support extended family members who maybe left unemployed or with loss of informal income. Other financial institutions focused on lending to public servants via SISTAFE, such as Letshego and Bay Port, did not adopt specific measures to date, not expecting to see salary reduction of their borrowers.

Financial institutions know that the private sector is very granular. Measures for private sector are tailored to the individual client needs and aim particularly to alleviate the shortage of working capital. Among the measures announced, Banco Comercial de Investimento will provide a moratorium of 6 months on capital repayment for existing loans for economic operators that are being affected by COVID-19. Absa Bank anticipated three months of payments to all its suppliers. One commercial bank established a debt moratorium of 6 months for individuals in private sector and extended the same for 3 months to public servants.

Standard Bank, through its network of digital startups and developers, launched a call for FinTech solutions could be leveraged to improve SME access to financing and COVID-19 crisis prevention. Digital technology offers an unprecedented opportunity to mitigate the impact of the COVID-19 crisis on MSME financing. Tech-focused firms could be included in government emergency funding programs. In Mexico, for example, financial institutions leveraged online platforms for conducting reverse-factoring transactions to facilitate supply-chain finance to MSMEs and shorten the maturity of the payments involved. This is unlikely to happen in the short term in Mozambique, where factoring not practiced for SMEs. However, other locally relevant digital FinTech solution may be identified and implemented.

These measures can only be taken by few commercial banks that are stable and capitalized enough to survive without revenues for the period and are ultimately business decisions dependent on the shareholders interest and commitment to contribute to the economy and social stability of Mozambique. However, Banks understand that the space for Fiscal and Monetary policies is extremely limited, and the economy needs everybody´s contribution in order to survive the crisis.

4.New measures to support private sector announced

On Friday 15th, the Prime Minister announced that Government will avail a credit line of MZN 600mn sourcing from funds of the National Social Security Institution (INSS) and disbursed via Commercial banks. The PM further announced a concessional credit line for private sector affected by covid

measures financed by Govrnment and disbursed by the National Development bank (BNI). Details, terms and conditions of these lines are yet unannounced[15].

Private Sector and SMEs

The private sector in Mozambique is characterized by a high degree of informality, and a large number of micro enterprises. The informal sector is estimated to be 89% of enterprises[16] and 30.9% of GDP.[17] The sector consists mainly of smallholder farmers in the agricultural sector, as well as other informal enterprises, mostly "household enterprises" in urban and rural areas that conduct their activity for necessity.

The majority of formal firms are small. 74% of the 43,000 formally registered firms in Mozambique are micro firms, employing less than five people, while only 2% of firms employ 100+ workers. Firms in the formal sector are also relatively new, with 50% of the micro firms being only six years old or less. In turn, 50% of the larger formal firms (with five or more employees) were open at least 12 years ago. Geographically, a large proportion of the firms are located in Maputo, with the density of firms decreasing as one moves away from the capital. As the extractive firms are mostly in the North, the region concentrates 21% of all firms.[18]

Commerce, hotels and restaurants, manufacturing and other services are the largest sectors, accounting for the highest percentage of formal firms and formal sector jobs. Around 58% of firms are in trading activities, including wholesale and retail. This is followed by hotels and restaurants, other services, and manufacturing (Figure 3). The share of manufacturing in employment has been stable over time. However, this sector is still small and underdeveloped, consisting mostly of micro businesses that produce basic goods and selling to private individuals in their same locality or region. Food, wood, furniture, and fabricated metal products are the largest sub-sectors in manufacturing, followed by publishing and printing, garments, basic metals, plastic and rubber, and non-metallic mineral products. All together, these sub-sectors account for over 95% of the manufacturing activity.

Despite the ongoing investments, the extractive sector represents a small share of employment (Figure 3). Half of the firms in the extractive sector are exporters, but this sector is responsible for less than 2% of total jobs.

The private sector records the lowest level of confidence in the economy of the past 10 years[19]. Employment prospects recorded the worst decrease, with small and medium companies presenting the highest worries. The sector that reported the steepest fall in economic climate index are hotelery, recording 35% lower than the average, and commerce, 10% lower. 60% of the companies active in non-financial sector recorded limitation of their activity in April. All sectors recorded loss of economic activity (Fig 3), with 80% of the hotelery industry affected, followed by Transport (69% of companies),

[15] https://cartamz.com/index.php/economia-e-negocios/item/5163-inss-injecta-fundo-as-pme-afectadas-pela-covid-19

[16] Authors using Mozambique 2018 Enterprise Survey data. 2019.

[17] Medina and Schneider. 2018. Shadow Economies Around the World: What Did We Learn Over the Last 20 Years? IMF WP/18/17.

[18] INE. 2015. CEMPRE.

[19] http://www.ine.gov.mz/estatisticas/estatisticas-economicas/icce/indicadores-de-confianca-e-de-clima-economico-abril-2020.pdf

construction (59%) and industry (50%). The commerce sector has been increasingly affected (+9% in the month of April), mirroring the increasing difficulty of consumers, due to their income reduction.

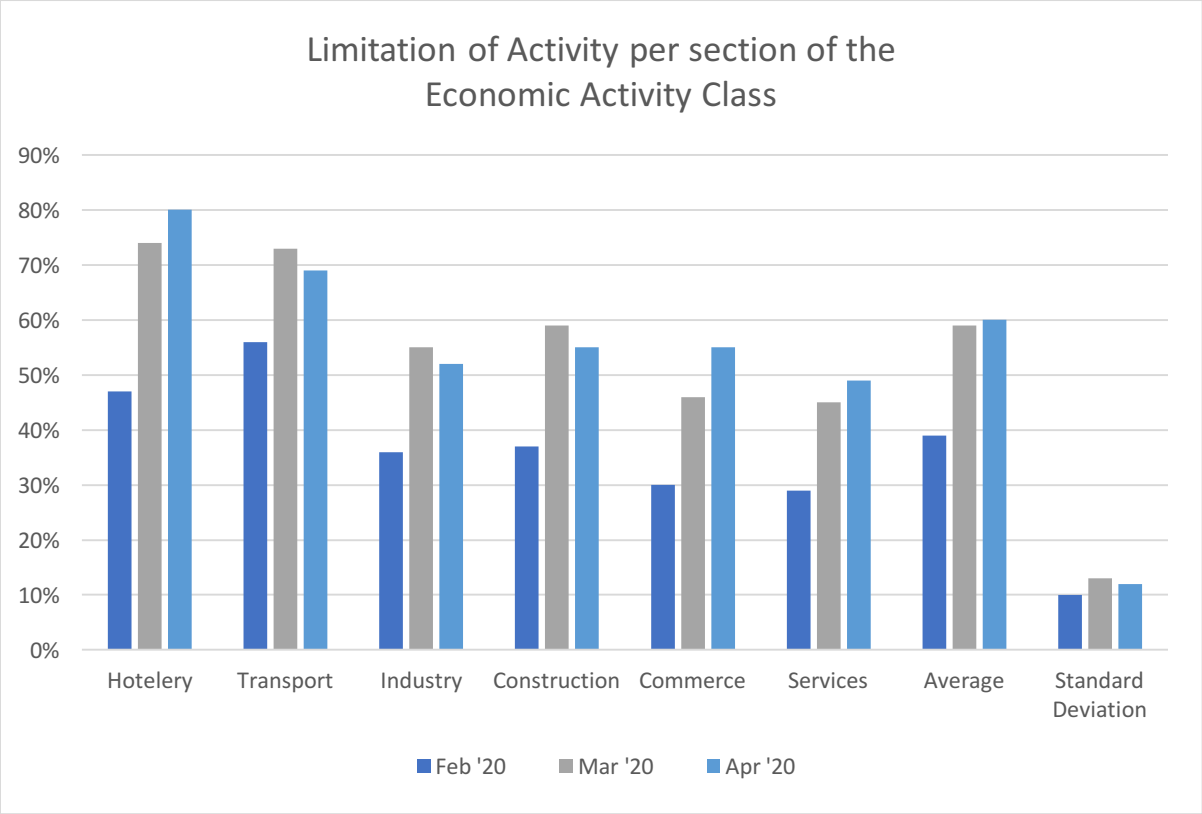

Figure 1: Limitation of activity per Economic Class between Feb and April 2020 (INE, 2020)

The CTA presented an estimate that the Mozambican business sector may experience losses between US$ 234mn and US$ 375mn on account of COVID. On the basis of the survey conducted among member firms, the CTA highlighted some of the sectors impacted and proposed to adopt fiscal, customs and labor measures to ensure the survival of companies and the recovery of their activities. The analysis made broad estimates, that require further investigation as the effect of the preventive measures unfold.

As of April 30th, 1175 firms suspended activity and over 12,000 workers have been laid off from their firms[20]. On May 30th, the Minister of Labour and Social Security reported that 789 companies suspended activity, affecting 2790 workers.

4.1.1 Measures approved affecting private sector in Mozambique

The table below provides a summary of the measures already approved to support private sector, as of May 30th 2020.

[20] https://www.diarioeconomico.co.mz/negocios/empresas/covid-19-empresas-somam-prejuizos-e-despedem-mais-de-12-mil-trabalhadores/

FINANCIAL SUPPORT		
Indirect Liquidity Support for Business	The Bank of Mozambique has introduced a financing facility in foreign currency, for commercial banks authorized to trade in foreign currency, in the amount of USD500 million for a period of nine months, starting on 23 March 2020.	The Financing facility is not yet operational because the terms need to be clarified, including interest rate to be applied. Commercial Banks do not endorse this line to their clients because the debt needs to be repaid in US$, exposing the debtor to a high risk of default due to currency depreciation. Additionally, there is no provision on the terms for the debtor to purchase US$ in order to repay the debt (an importer pays in US$, but sells and earns in MZN).
	The Bank of Mozambique reduced the rate for mandatory reserves on deposits of commercial bank clients in local and foreign currency by 150 basis points (1.5 percentage points) to 11.5% and 34.5%, respectively. Also Rate of Ease of Deposit and Ease of Credit by 150bp to 8,25% and 14.25%	Commercial Banks are renegotiating terms of loans with their clients by capitalizing interest during the period of repayment suspension, which will increase the cost of debt at time of recovery.
	Prime Rate reduced to 16.9% in June from 18.4% in April (MIMO lowered by 150bp to 11.25%)	
	Prime Minister announced a Credit Line of US$ 14mn managed by BNI at concessional rates for SMEs affected by COVID.	Official announcement, terms and conditions not yet released.
Direct Financial Support for Employees	Support for Labor Cost: Minister of Labour announced a credit line of US$8.7mn financed by INSS, disbursed by commercial banks and repayable at 4% interest rate.	Official announcement, terms and conditions not yet released.
	Labor Law provisions on suspension and termination of contract: Art.123: During the Suspension of activity, employees need to be paid respectively 75%, 50% and 25% of their salary, provided this is higher than the minimum wage for the sector. If contract is terminated at the end of the period, employee is entitled to receive 45 days of wage for every year worked. Art.128: Employer can rescind ore or more employment contracts due to structural, technological or market related reasons that make rescission essential to the competitiveness of the business. Employee should receive 3 to 30 days of wage per year of service, according to the ration between the wage and the minimum salary.	1175 firms already suspended activity At least 21,507 workers have been laid off in the tourism sector alone. Employers may consider more convenient rescinding contracts rather than incurring the risk of paying a higher cost due to employees whose contract was suspended.

	The Council of Ministers approved a decree published on BR n.79 Serie I of the 27th April that contains measures to ease fiscal and customs requirements, being in terms of income taxes and customs duties. These include: a. Corporate income tax "per account" due in 3 instalments during 2020 is waived for companies with turnover lower than MZN 2.5mn b. Special advance payment `Special per account" was postponed to January, February and March 2021 for companies with turnover lower than MZN 2.5mn; c. Taxpayers with VAT credits will be allowed to compensate such credits with other taxes owed by them until 31 December 2020; d. The import of products to be used for the prevention and treatment of COVID-19 will benefit from pre-clearance release until 31 December 2020. The clearance process shall be completed within 90 days from clearance of goods	A clarification is expected on whether point c) is applicable to all companies or only to those included in a) and b). Tax Authority needs to clarify how many firms fulfil the criteria, in order to assess the impact of this measure on economy and on State resources. VAT measure only applies to cases already decided in court, and the majority of the cases are still in court and court cases are suspended. One would still need to present the information that all is in order to benefit, and unless all was already in order, it won't be until Emergency state finishes.
BUSINESS PROTECTION		
Changes to the rights of property	The Mozambican Government declared a State of Emergency on 30 March 2020 (the State of Emergency), effective from 1 April for a period of 30 days, extended until 29th of June.	
	Property owners: The eviction of tenants in residential leases is prohibited. There are no additional rights with respect to commercial leases, however because the courts are closed except for urgent legal proceedings, the effect will be the same for all other leases.	
	Utility companies: Measures were announced by the minister who oversees the area of water resources during the State of Emergency, including (but not limited to) the suspension of water charges for customers with consumption of up to 5 m3 and exemption of the collection of fines. Fuel price reduced by 3.36MZN/L for diesel and 2.27MZN/L for petrol Kitchen Gas bottles prices are cross-subsidized by the Government, to avoid an increase of 9.13 MZN/kg, leading to an increase of 127MZN/bottle.	The Association of Tourism Sector already formally requested for reduction of energy bills Fisheries: Request to reduce Fuel price by 50% to 306 USD per metric ton from 956.35 that currently is. CTA Requested postponement of fixed tax and cut by 50% for industry and tourism

	Postponement of fixed tax and 50% Reduction of Electricity bill for individual customers of low income. Reduction of 10% electricity bill for companies.	
EMPLOYMENT		
Changes introduced to employment law (including social security entitlements and health and safety requirements)	Employment conditions: The Mozambican Government has approved some (temporary) measures to alleviate the impact of COVID-19 for employers, during the State of Emergency: a. Suspension of all procedural and administrative deadlines, including disciplinary proceedings; b. Suspension of all prescription or statutes of limitations periods related to all processes and procedures; c. The number of employees in the workplace must be reduced to no more than one-third, except for industries of essential products, with a turnover of service teams every 15 days; d. Companies should implement measures to allow employees to continue their work from home, if conditions exist (e.g. remote work and the use of information and communication technology).	Prescription d) has proven challenging to implement for prolonged periods of time even by several service sector businesses, because most employees do not have appropriate conditions to work from home. They face challenges of space availability, electricity stability, cultural barriers (i.e. women at home are more likely to be expected to take care of home duties by other family members)
	Social Security: The National Institute of Social Security (INSS) will forgive fines and reduce interest on late payments resulting from non-compliance with social security contributions. Remuneration for absences by employees who are infected by COVID-19, or by employees who are to take care of family members infected by COVID-19 would be covered by the INSS.	Although the measures above have been publicized in Mozambique media, such measures are yet to be published in the official gazette.
BUSINESS OPERATIONS		
When do business have to close properties	No lockdown has been declared yet in Mozambique, so businesses continue to operate with few limitations. Notwithstanding, and with the intent of preventing the spread of COVID-19, cultural, recreational and sporting activities held in public spaces have been prohibited. As a result of this restriction, certain establishments have been closed, including but not limited to nightclubs, sports gym, museums, libraries, monuments.	
	The holding of fairs and exhibitions have also been suspended, with exceptions of the sale of raw materials and agricultural products.	

	The following services and activities have been deemed to be essential and are authorized to continue during the pandemic: - medical, hospital and medication services; - water, energy and fuel supply; - the sale of food and essential goods; - loading and unloading of animals and perishable foodstuffs; - post-offices and telecommunications; - airspace and meteorological control; - sanitation services; - firefighters; - private security; - Funeral Services	
INSOLVENCY		
Changes to the law to protect against claims by creditor	None. However, procedural time limits for insolvency have been automatically suspended.	
ACCESS TO JUSTICE		
Litigation procedures been adjourned/postponed nationwide	Yes. All legal procedures have been postponed for a period of 60 days, effective 1st April to 30th May 2020.	
Suspension of procedural time limits	Procedural time limits have been suspended, and will be reinstated on after the State of Emergency period.	

Tourism

The extent of the disruption in travel and tourism will depend on the severity of the outbreak of COVID-19 within the region, as well as the travel restrictions imposed by countries in the region on travelers from countries with greater numbers of COVID-19 confirmed cases (for example, China, US and Europe). To date, travel restrictions already caused mass cancellations of bookings for the entire semester, and December peak may fall victim of the post-crisis recession. It is expected that the tourism sector will record losses between 80% and 95% in the first semester of 2020, when compared to last year. According to the CTA, this can translate to financial losses in a range between US$ 51.5mn and US$ 70mn.

To date, 65% of the firms that suspended activity and 29% (3,500) of the workers laid off were from the Tourism sector. Touristic establishments and hotels that operate as conference centers have been suffering a total collapse of income for the past two months and are now challenged by high utility costs and salaries to be paid. One of the major hotels in Maputo closed its doors reporting to incur an average cost of US$ 6,000 per day to operate, which is not justified without any occupants. For that, the sector demanded for discounts on their utility bills, as a way to support their cashflow through this difficult period of time. However, a distinction must be made between large hotels in the major cities and small

establishments in touristic destinations, particularly on the coast in Maputo, Gaza, Inhambane, Nampula, Cabo Delgado.

Transport

The transport sector recorded a pick of demand of services in March 2020, which dramatically fell in April, following the implementation of the State of Emergency[21]. Civil Aviation already recorded losses in the order of 60%, and it is expected to reach over 70% compared to the same period in 2019, caused by the expansion of the crisis at a global level, with consequent financial loss of US$ 27mn. This may just aggravate the position of LAM and Aeroportos de Moçambique that were already in technical bankruptcy, having recorded accumulated debts for over 260mn to commercial banks.

Government measures aimed at preventing the spread of the pandemic had established that public transport could only load 30% of its passenger capacity. The limitation was lifted on the following week, after social unrest already burst in Nacala. Aggregate losses of the sector for the semester may vary between 50% and 70%, aggravated by the closing of the Ressano Garcia boarder with South Africa and the limitation of internal travels from one region to another within the Country. These routes are also a preferred mean of transporting goods for informal trade within the country and across the South African boarder, via the so called *Mukero*, hence the loss in goods trade is likely significantly **higher.**

The cost of fuel represents 45% of the operational costs of private transporters. The price of fuel was lowered by 5% for diesel (3.36MZN/L) and 3.63% for petrol (2.27MZN/L). The size of the reduction was limited by the inclusion in the price structure of the "margin of establishment of the stocking warehouses"[22], priced at 1.22MZN/L. Additionally, it should be considered that the price adjustment was adopted on the basis of oil purchased in January and February 2020, before the plummeting of international oil prices from US$ 67 per barrel to US$ 20.84. Private sector is expecting further decrease of fuel price from the month of June.

Agriculture sector

The sector contributes for 25% of GDP, employing 71% of workforce in the Country. The challenge of accessing export markets may affect all cash crops in the agribusiness sector, including tobacco, cashew, legumes, fruits, whilst the expected depreciation of the Metical and the restrictions to global trade might affect the capacity of farmers to access imported quality inputs across cultures, including smallholders producing for local supply chains (i.e Soybean and maize for poultry, poultry itself) and for subsistence.

Local agri-food supply chains experienced disruptions, including reduced access to inputs and services, labor movements, transport and roadblocks, and credit or liquidity. In the initial days of the State of Emergency, some boarders did not implement the rules correctly, causing restriction to the trade of essential goods and agriculture inputs. As an example, the second largest poultry producer in the central region has been constrained to start a new production cycle since chicks and feed inputs are forbidden to cross the border from Zimbabwe. In Milange, agro-dealers were expecting to export to Malawi tons of Maize that was kept stored to be sold off-season at approx. US$ 15 per 50kg bag. However, trade with Malawi is currently not allowed, leaving the traders with the only option than to sell in Nampula, at US$ 7.5 per bag, against a cost of US$ 10. Financial institutions lending to these traders proposed them to keep

[21] INE "Indicadores de Confiança e de clima económico", May 2020 www.ine.gov.mz

[22] Decree Law 89/2019, 18th November

repaying their debt with a 50% discount on the interest, which may still benefit them. Additionally, some of the smallholder farmers, particularly those living in sub-urban neighborhoods, were challenged to reach their plots, due to the restrictions of movements. These episodes caused days of delays in productions and losses of some of the produces. However, the difficulties to import goods will open a window of opportunity for local farmers to place their products in the local market.

Prices of agriculture products fluctuated, with spikes registered at the beginning of the state of emergency, in response to the initial difficulties to keep importing from South Africa. Some pressure on prices will keep being registered on products that were informally traded, whose trade has not been replaced by more formal trade.

Export oriented products, such as cotton, cash crops, shrimps and some fruits macadamia, are expecting to be affected by a collapse of international demand when sales season will start. Some crops, such as sesame, should have been collected at the beginning of April. 90% of this culture is produced for export and sold to India, where ports are currently closed. The crop will be stored in warehouses, but it will lose quality and therefore value after being stored for one month. Other private sector organizations trading commodities are reviewing their forecast based on the depth of the economic recession in their export destination countries, be it Europe or India. For some products, such as cashew nuts, India and Vietnam are the global leaders of processing and export and the major destination of unprocessed cashew from Mozambique. Due to the collapse of demand from US and Europe, these countries were left with enormous stocks of their own produce, which lead them to establish protective measures to prevent import. These productions are crucial for Mozambique. Cashew nuts value chain alone employs 150,000 people.

The COVID-19 crisis has the potential to create a severe food security crisis in Africa. Agricultural production is likely to contract between 2.6% in the optimistic scenario and 7% in the scenario with trade blockages. Food imports also decline substantially (from 13 to 25%) due to a combination of higher transaction costs and reduced domestic demand.

Industry

The transformative industry in Mozambique represents 8% of the annual GDP[23]. The industry is largely dependent on imported inputs and raw materials (80% of the total). The food and beverage industry represent 39% of the sector, with a large stake taken by flour and bread production and brewery). The industry has stock to cover 60 days of production, but it is expected to suffer from price increases due to depreciation of the Metical, as confirmed by the results of the Indicators of the confidence on the economic climate[24]. Most factories face restrictions on working conditions and a reduction of workforce. Forecast growth of the sector for 2020 has been revised from the initial 4% expected to a range between 0.2% and -1.7%. Since the beginning of the crisis, the sector recorded a reduction of the activity in the order of 70%, resulting in reduced monthly incomes by 60%, equal to US$ 58mn per month, with brewery, sugar, soap and oil being the most affected[25].

The Government approved a reduction of 10% of the cost of energy for private sector. This applies to companies that can prove to have suffered a loss of income equal or higher to 30%, due to the COVID

[23] INE, 2020.
[24] INE "Indicadores de Confiança e de clima económico", May 2020 www.ine.gov.mz
[25] https://cta.org.mz/escassez-de-divisas-afecta-a-importacao-de-materias-primas-para-o-sector-industrial/

pandemic. Additionally, the fixed tax on the energy bill will be differed by 6 months, for all companies consuming low voltage energy with a power installed up to 200kV[26]. This measure, compounded with the reduction of 50% of electricity bill for the social tariff for the next six months, will cost EDM US$ 1mn.

The measure was therefore designed to address the needs of the small and medium enterprises, that are fragile and hardly affected by the crisis. On average, the cost of labor accounts for these companies spend 28% of their sales on labor costs and 6% on energy costs. However, if their sales have reduced by a minimum of 30%, the share of sale spent on labor costs moved to 40% and energy cost moved to 8%, whilst, as explained before, the share of sales allocated to cover costs of raw materials and other inputs represented 41%. Under these circumstances, small and medium companies affected by a loss of sales of 30%, would need to spend at least 90% of their income on labor, electricity and input costs. These figures contributes to explain why the medianfirm in Mozambique would have 6 to 10 weeks of survival time without revenues.

This reduction may have only a marginal effect on the largest industry. Industrial plants with a continuous production cycle pay an average of US$ 75,000 per month to EDM, that accounts for an average of 12% of their production costs, whilst the cost of labor accounts for 36% of total costs.. According to the CTA, a more effective measure to support cash flow of the industry would be to suspend payment of the fixed tax and the tax for power installed, leaving companies to pay only for their actual consumption.

4.2.4.1 Mining Industry

The mining sector reported significant drop in activity, volumes and employment. According to the study presented by CTA on May 29th, 24 mining companies suffered a reduction of income in the order US$ 248mn, accounting for 54% of their income. Companies responded to the contraction by reducing jobs in the order of 42% in the mining sector and 29% in the oil and gas, with a compound 36% of workers left unemployed. 85 of the 500 registered SMEs providing services to the value chain of mining companies have been forced to close. 160 of the active SMEs recorded a significant loss of income and reduction of activity, for an estimate income loss of US$ 12.6m[27]. In response, concessionaries reduced staff by 74%, suppliers cut jobs by 65% and sub-contracted companies by 15%.

Construction

The construction sector is highly dependent on import of material from abroad. The depreciation of 15% of the Metical to the US dollar in the first four months of the year reflected in increased production costs. The Director of Cimentos de Moçambique reported that in the first semester of 2020 they already recorded losses in the order of 15 to 20%, and their forecast for the year needed to be entirely downscaled, since the pick season for construction is between April and September[28]. Many small and medium construction companies are at high risk of default due to the reduction of revenues, as they would usually spend 32% of their sales to pay salaries, 16% on raw materials and 18% on other inputs. Additionally, most construction materials are bulk imported from China, because of significant cost advantages, in the order of 30%. Until restrictions will be imposed on products from the Asian market,

[26] Daily Newspaper "O Pais", 29th May 2020
[27] O Pais Economico, 30th May 2020 release, as retrieved on http://digital.opais.co.mz/o-pais-economico
[28] INE "Indicadores de Confiança e de clima económico", May 2020 www.ine.gov.mz

Mozambican companies may resort to import from South Africa, with a consequent probable reduction of volumes, due to increased prices of materials.

Commerce

According to traders interviewed for this paper in April 2019, as a consequence of the measures to prevent the spread of the Covid-19 pandemic, logistics costs to import from overseas increased by 300%.

Additionally, traders are faced with difficulties to obtain foreign currency from commercial banks. At the end of April, only one commercial bank has foreign currency available for exchange and for lending, which represents a even higher restriction to traders. Comments on this are in Section 3.

Nevertheless, the highest – and likely worst - repercussions on the economy in the middle to long term will come from how the Oil and Gas Sector react to it. For a start, Exxon Mobil and the Rovuma Maputo Venture already announced that their Final Investment Decision will not happen in the first Semester (as it was planned, after it could not be officialized in 2019, as scheduled, due to increased insecurity and decreasing oil prices). An official date for FID has not been yet set, and some analysts speculate whether Exxon will read FID at all, given increased insecurity and plummeted oil and gas prices. According to Bernstein Analysts, the project needs an average price of US$ 7 per million British thermal units (mmBtu) throughout its life to be profitable, and LNG prices just hit a record low of US$ 2.7 mmBtu.[29] Total, who operates Area1 of the Concession, recently declared it won't downsize the project, despite adverse conditions[30]. However, the confirmed cases of positive staff living in the remote Afungi Camp will affect operations for the coming week, at least.

Expectations on the development of the Oil and Gas industry have been the major driver for development of real estate and the hospitality industry in the capital, expansion of tourism offering in coastal destinations, financial services and several other sectors that could have grown with the arrival of many professionals from abroad, as well as from the expansion of employment base.

In the midst of the crisis, some opportunities arise, particularly for the companies that have a stable cash reserves and will survive the short term reduction of business. The IT industry might prosper, as corporates require to implement systems to allow their employee to work remotely, track their performances and ensure data protection. Cowork spaces may see an increase in demand, as companies will keep adopting smart working practices, downscale on redundant staff and focus physical office work on the essential tasks requiring presence.

Informal and micro firms

A firm is considered informal in Mozambique when it lacks either an operating license, a business registration certificate, or a taxpayer's identification number (NUIT) in the name of the owner.

Studies on developing economies agree that the focus of short term interventions should be on the workers, formal or informal, instead of on the firm itself, while the priority to save the economy populated of micro and informal firms should be on supporting incomes. This is in light of the fact that the

[29] https://www.reuters.com/article/us-health-coronavirus-exxon-mobil-mozamb/exclusive-coronavirus-gas-slump-put-brakes-on-exxons-giant-mozambique-lng-plan-idUSKBN2173P8
[30] https://zitamar.com/total-not-downsizing-in-mozambique-despite-covid-19-and-security-threat/

majority of formal businesses are small, and operate in sectors such as retail, food services, and hospitality that already in normal times face exit rates that are 2-3 times higher than exit rates in manufacturing or skill-intensive services. This means that, even in the absence of the shock, some of them could have exited the market anyway. Therefore, to avoid dispersion of funds, in the context of a granular, small, weak private sector, focus should be placed on sustaining income of workers.

About 80% of the Mozambican labor force works in the informal sector, mostly in agriculture and informal self-employment (World Bank 2018). Very few workers are employed formally: social security only covers a mere 6% of the labor force. The informal sector in Mozambique is estimated to account for 31% of GDP.[31] However, informal firms sell about 14 times less than formal micro firms, make 17 times lower profits and are 2-3 times less productive. They employ fewer workers, use less capital and raw material, are less likely to have access to finance and banking, adopt fewer good business practices and have fewer skills at their disposal. An estimated 72% of informal firms are in retail, against 52% of formal enterprises. Other common industries are other manufacturing (7.4%), personal service activities (6.1%) and food manufacturing (4.8%). Informal firms are on average smaller than formal firms. The average size of an informal enterprise is 1.6 employee, while the average size of a formal enterprise is 14.1. For the retail sector, the most common informal enterprise, the average size is 1.5, against an average size of 5.6 of formal firms in the retail sector. About 62% of informal firms only have one person engaged, and practically no informal firm (0.1%) has more than five employees. Informal firms are also more likely to be owned by women. Almost half (49.5%) of informal firms are majority-owned by women. Last, informality is lowest in Maputo City and it increases moving north[32].

The large differences in both inputs and outputs between formal and informal enterprises suggest that informal firms might require different targeting than formal enterprises. Policies that are designed to target formal enterprises, even small ones, might be less effective for informal enterprises, who have lower levels of skills, human capital and access to finance. During the infection phase, whilst social distancing is desirable to try minimizing the impact of the disease from a health perspective, it may lead thousands into food insecurity and deep personal financial crises.

In Mozambique, in the 2019 State Budget, the Social Action Sector was allocated US$ 105mn, occupying a 2% share of the entire State Budget and 0.7% of expected Gross Domestic Product. The self-reliance of the Social Protection sector signals the Government's commitment to the sector, as well as sustainability and ownership of sectors' programs that do not depend on external funding and donor design[33]. In 2019, INAS Programs targeted 609,405 beneficiary households, approximately 22% of poor and vulnerable households[34]. These are meant to increase to 726,000 beneficiaries in 2020[35]. These

[31] Aga, Gemechu A.; Campos, Francisco Moraes Leitao; Conconi, Adriana; Davies, Elwyn Adriaan Robin; Geginat, Carolin. 2019. *Informal Firms in Mozambique : Status and Potential (English)*. Washington, D.C. : World Bank Group. http://documents.worldbank.org/curated/en/275211562775522380/Informal-Firms-in-Mozambique-Status-and-Potential

[32] Ibid.

[33] The largest external investment is the World Bank credit to the Productive Social Action Program (PASP); Although this is tracked as external resources in the State Budget, the PASP program is de facto fully internally-funded as the Mozambican Government will have to pay back the loan and the corresponding interest.

[34] https://www.social-protection.org/gimi/

[35] Prime Minister Report to Parliament on 15th May 2020, as reported on https://www.diarioeconomico.co.mz/

programs cater for children, elderly and people with disabilities. With very limited budget space, there has been no signals to date that covid-19 crisis will lead to the exception of creating social assistance cash grants directed to working age adults left unemployed, even if temporary. In fact ,in Q1 of 2020 Government spending on Social protection has decreased by 23% as compared to Q1 2019[36].

Mass unemployment and precarity are structural enduring features of the Mozambican economy further compound as private sector shrinks. Over 80% of the Mozambican workforce work for low wages without a proper contract, or simply cannot find work at all. Economic distress was the norm for many before the coronavirus outbreak. Illness and economic precarity existed long before this pandemic. The outbreak only makes the economic crisis broader, deeper and more visible. Even returning to business as usual means poverty, suffering and ongoing economic distress. The State allows informal trading as a compromise to its inability to change these structural conditions.

The Government approved a reduction of 50% of the cost of electricity for the Social category consumers, starting from 1st June until the end of November 2020. This will benefit 3000 households, which are the ones consuming monthly up to 125kW . Local Governments have mobilized resources to activate cash transfers programs. As an example, the social assistance program will cater for additional 81,000 people with a cash transfer of US$ 45 paid every two months from June to November 2020, as an incentive for families to stay home and not seek for their daily income conducting survivalist trading in the streets[37]. The monthly amount rounds around 25% of a minimum salary in the Country.

The effects of the pandemic

The effect of the spread of the virus on the population are yet unknown. Whilst speculations claimed that the virus is much more deadly when hitting elderly people in developed Countries, the Mozambican health system is so weak and under-resourced that any contagion would have deadly consequences. So far, no clear data are available on the effect of the virus to HIV positive patients who are on Antiretroviral treatment[38].

Concerns raise also with regards to food security. Whilst it is true that most of the population living in rural areas is already self sufficient, many in urban areas might suffer from the drastic reduction of their income, and therefore their capacity to purchase food. For that, international organizations in coordination with the Ministry of Health are activating community based initiatives to try stemming the spread of COVID-19 itself. Crucial preventative measures – from promoting hand-washing and social distancing to imposing restrictions on gatherings and movement are essential to slowing the impacts of the virus including on food systems and producers.[39]

The Government in Mozambique started the campaigns and restricting large gatherings quite early, even before the first case was confirmed. The firs restriction was in the beginning of March, of gathering up to 300 people, then 2 weeks later to 100 people, and then 50, now 10. According to a report by Oxford Economics on the impact of Covid-19 on the African continent, countries "have been swift to enforce

[36] Relatório Execução Orçamental de Janeiro á Março 2020 , as retrieved on www.mef.gov.mz on 22.05.2020
[37] Daily Newspaper "O Pais", 29th May 2020
[38] https://www.avert.org/coronavirus/covid19-HIV
[39] https://africanarguments.org/2020/03/25/covid-19-africa-food-systems/

physical distancing measures, where possible, and limiting transport mobility in a bid to slow the pace of contagion". However, concerns remain over the ability of Government to test and track the speed of the contagion.