

Foreign currency operations liberalised

The Mozambican government announced on 30 October measures to liberalise foreign currency operations. The government decree allows individuals and institutions to open foreign currency bureaus.

These bureaus will buy and sell most of the main convertible currencies. The exchange rate of these currencies against the Mozambican currency, the metical, is to be set exclusively through the operation of the laws of supply and demand.

Anyone wishing to operate a foreign currency bureau must apply for a licence from the Bank of Mozambique. The licence will only be granted if the operator possesses suitable premises, registers with the Ministry of Finance for tax purposes, and pays a licence fee of US\$1,000 (or the equivalent in meticals).

At a Maputo press conference, the Governor of the Bank of Mozambique, Eneas Comiche, explained that the purpose of this measure was to absorb foreign currency transactions that currently take place on the black market, and to narrow the gap between the official and the parallel exchange rates for the metical.

Mr Comiche noted that the difference between the two rates had been growing in recent months. At the end of October, the Bank of Mozambique was quoting the US dollar at 913 meticals - but on the illegal currency market a dollar was fetching up to 2,200 meticals.

It was the consumer that suffered as a result of this, said Mr Comiche, since the transactions on the parallel market were reflected in the high prices for many imported goods in Mozambican shops.

Mr Comiche believed that the new foreign exchange bureaus (otherwise referred to as the "Secondary Foreign Currency Market") would lead to the disappearance of the black market in hard currency. There would no longer be any incentive to deal in currency on the street corners when it was cheaper to do so through legal mechanisms.

He stressed that the foreign exchange bureaus would work in a completely unbureaucratic manner, and that no questions would be asked about the origins of the foreign currency exchanged.

If the clients of the foreign exchange bureaus intend to take the hard currency they purchase out of the country, they need to show their passport and a valid air ticket when they make the purchase.

The official foreign exchange market, run by the Bank of Mozambique, which allocates much of the state's own hard currency, will continue. But it will no longer be burdened by the need to deal with requests from Mozambican citizens requiring hard currency for travel abroad, particularly for medical treatment or for educational purposes. These

citizens will now be able to buy the hard currency they need at the new exchange bureaus.

The decree states that each individual travelling abroad who buys the currency for his trip in the foreign exchange bureaus is limited to US\$1,000 a year, if the journey is to a neighbouring country, or to US\$2,000, if the destination is elsewhere.

There are higher limits for longer term educational or scientific trips.

Hard currency needed for small scale imports (of goods valued up to US\$500, for which no import licence is required) can also be obtained through the foreign exchange bureaus.

Asked how much foreign currency was circulating in Mozambique outside of official channels, Mr Comiche said the figure was thought to equal five per cent of the value of the country's annual imports. (Total imports are between US\$800 and 900 million, so the amount of hard currency circulating on the parallel market could be about US\$40 million).

The first foreign exchange bureaus were opened by the Bank of Mozambique itself in three branches in Maputo on 31 October. Here the buying rate for the dollar was 1,650 meticals, and the selling rate 1,732.5 meticals. (On the same day, the official rates were 919.5 and 937.9).

Over the next few days the black market rate fell to 1,800 meticals to the dollar.

Other institutions that should be able, in the near future, to open their own foreign exchange bureaus are hotels, tourist agencies, the Mozambican post office, and the national airline, LAM.



Eneas Comiche, Governor of the Bank of Mozambique