

MOZAMBIQUE News reports & clippings

330 11 July 2016

Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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This newsletter can be cited as "Mozambique News Reports & Clippings"

Comment: something will turn up: <http://bit.ly/28SN7QP>

Oxfam blog: Bill Gates & chickens:

<http://oxfamblogs.org/fp2p/will-bill-gates-chickens-end-african-poverty/>

Chickens and beer: A recipe for agricultural growth in Mozambique

by Teresa Smart and Joseph Hanlon is on <http://bit.ly/chickens-beer>

Gas for development or just for money? is on <http://bit.ly/MozGasEn>

In this issue: Debt, war

Special issue later this week: Energy, agriculture

Maleiane announces 10% \$375 mn budget cut; predicts 16.7% inflation

This year's (2016) state budget is being cut by 24 bn Meticaís (\$375 mn), Economy and Finance Minister Adriano Maleiane told journalists after a special Council of Ministers meeting Thursday (7 July). This is a 10% cut in the original 246 bn Meticaís budget. The main cuts will be in spending on new building projects and on fuel and travel, including per diems, he said. The budget does not include any payments on government guaranteed debts, which have been judged to be "non-essential", he said. Two weeks ago Maleiane froze all spending except salaries and pensions until the revised budget is approved by parliament. A revised budget is expected to be submitted to parliament Monday (11 July).

The Minister also made sharp changes to economic predictions. Whereas the original budget had projected inflation this year of 5.6%, he now forecast 16.7%. Economic growth had been projected at 7%, and this is cut to 4.5%. This is in line with IMF predictions, but Standard Bank on 23 June said growth would be only 2%. Fiscal deficit grows from 10.2% of GDP to 11.3%; projected international reserves are halved, from \$2.3 bn to \$1.2 bn, enough to cover just two months of imports.

Maleiane blamed the economic crisis on the usual collection of drought, flood, war, and global economic situation, but did also mention the drop in donor aid - without actually mentioning the secret loans. (*O Pais*, Zitamar, AIM 8 July)

9% devaluation in one month

The Metical fell 9% against the US dollar in the past month and 44% since mid-January; there are now 64.32 Meticaís to the US \$. This is important because most debt is denominated in dollars. But the South African Rand is more important in Maputo because much food and many consumer goods are imported from South Africa. There are now 4.23 Meticaís to the Rand, compared to 4.02 just a month ago and 2.68 in mid-January; the devaluation in the past month has been 5%.

	Meticaís per unit, mid rate - Bank of Mozambique			% devaluation at 8 July	
	15 Jan 2016	8 June 2016	8 July 2016	from 15 Jan	from 8 June
SA Rand	2.68	4.02	4.23	58%	5%
US \$	44.62	59.15	64.32	44%	9%

Maputo city stopped bakers from raising the price of bread on 1 July. In October last year the price of a 250 gram loaf went up from 6 to 7.5 meticaís (then \$0.15 and \$0.19). Under the most recent proposal, this size of loaf would cost 9 meticaís (now \$0.14). But this was blocked. (AIM En 5 July)

Ematum boats still being refitted

Ematum tuna boats are still being refitted. But they are being refitted in Maputo harbour, and the refit is to satisfy the Mozambican authorities, EMATUM Executive Director for Administration Herminio Tembe, told *Savana* (8 July). So far, 12 of the boats have been refitted and work on the other 12 boats is still under way, Tembe said. Finance Minister Adriano Maleiane told a parliamentary commission in June that the refitting was to meet European Union requirements, and *Savana* reports that the EU told the Mozambican authorities that it required modifications. It was initially reported that the boats were being sent to South Africa for the modifications. *Savana* asked Tembe, a former Permanent Secretary in the Fisheries Ministry, why Mozambican authorities were not consulted when the boats were being built; he declined to answer what he called an "historical" question.

Mozambique banks hold Proindicus, Ematum debt

The local banking sector holds some of the secret loans to Proindicus and Ematum, and thus will be hit by any default, according to *Africa Confidential* (8 July), which has been well informed on the debt crisis. Millennium BIM bought a "significant amount" of the Proindicus debt. Millennium BIM is 67% owned by Banco Comercial Português (Millennium BCP) and 22% by the Mozambican state. Moza (recently renamed from MozaBanco) also holds Proindicus debt.

BCI (Banco Comercial e de Investimentos, the largest bank in Mozambique, 51% owned by the Portuguese state owned Caixa Geral de Depósitos) bought more than \$30 mn of the original Ematum bond.

The third loan in the \$2.3 bn package of secret loans was to the security services owned Mozambique Asset Management (MAM) to finance shipyards. After the special council of ministers meeting Thursday Maleiane did tell journalists that there is still no deal on the MAM loans and negotiations between MAM and lenders are continuing. The \$535 mn loan came from the Russian state-owned bank VTB, which in turn passed on all but \$50 mn to other lenders.

Africa Confidential also reports that Banco de Moçambique (BdM) is not being even handed in responding to the US\$ shortage. "Influence is all and Frelimo sources say the companies with the best connections to the elite get the best treatment" in obtaining dollars, the newsletter says. It also reports that BdM is preventing local banks from selling dollars at the high rates some customers are willing to pay, because that would accelerate the devaluation of the metical.

Africa Confidential's article is headlined "Frelimo's ostrich plan" and starts out: "Faced with an economic emergency, the country's leaders pray for indulgence from donors and hope hungry citizens do not revolt. President Filipe Nyusi still refuses to take special measures to deal with the economic crisis and is butting heads with donors over what is to be done. Meanwhile, he and his government are under extreme pressure from hardliners not to investigate fully the secret loans scandal." The article is reprinted in the Rhula *Weekly Media Review* (1 July to 8 July, from page 48) which should be available this week on <http://www.rhula.net/downloads.html>

Comment:

Warnings of riots and lost elections

Events in Zimbabwe last week should worry Frelimo. Since 2009 Zimbabwe has used the US dollar as its main currency but the government is short of dollars. It has not paid civil servants since May, and has tried to block imports from South Africa. Last week saw a widely observed general strike, organised on social media, protesting at the economic crisis - and also against the growing number of police checkpoints where money is demanded. Mozambique is very import dependent and is also running out of US dollars; increasing devaluation of the Metical and import restrictions are causing inflation and there is worry that Mozambique cannot keep borrowing domestically to pay civil servants. Riots in 2008 and 2010 were triggered by similar but much less serious economic squeezes. As in Zimbabwe, police checkpoints and an increased police presence could increase the tension.

Last month former security minister and Frelimo maverick Sergio Vieira warned that Frelimo is at risk of losing the next elections (municipal in 2018 and national in 2019). Frelimo had already received "yellow cards", in the shape of its declining vote in the 2013 and 2014 municipal and general elections, he told *Magazine Independente* (14 June). "The Party no longer brings together workers, peasants and intellectuals", he added. "Right now it is dominated by various kinds of functionaries, business people, and even those who loot the state". There was "a crowd of new crooks" who had entered Frelimo "and they are persecuting honourable, efficient and hard working people". (AIM En 15 June)

Vieira's interview caused waves, because Vieira is the first to say publically what many have been thinking privately. Donors and Frelimo are caught in a growing confrontation, with each expecting the other to blink first. Former President Armando Guebuza and most of the Frelimo leadership seem convinced that donors will back down, because they always have, and thus Frelimo only has to wait. Donors are still holding firm, demanding a new agreement with the IMF and an international forensic audit (which is totally unacceptable to Frelimo). This stand-off looks likely to continue for some months, during which the economy deteriorates.

Municipal elections are only two years away, and neither donors nor Frelimo have thought about the impact of a significant Frelimo loss. And if Frelimo were facing a loss in national elections in 2019, how would donors, Frelimo leaders, and the security services respond? Similarly, senior officials seem convinced that a show of force can stop economic riots - but if not? *jh*

Using scenarios to look ahead

The respected economic analyst Roberto Tibana has done an interesting table setting out three scenarios in response to the debt crisis for the next five years: "Dig in your heels", "Muddle through" and "Bite the bullet" (or "take the bull by the horns"). The first means the hard line inside Frelimo holds and there is no settlement with Renamo, no resolution of the debt crisis, hyperinflation and riot. Muddle through means selling enough assets to settle some of the debt, accepting austerity and gaining some donor/lender support without a forensic audit. The outcome would be high inflation and continued contraction of the economy, but there would be a settlement with Renamo and protests would be limited. The third involves meeting the donor/lender demands and regaining budget support, but at a high price in austerity and also dramatic political changes including the rise of political forces different from Frelimo and Renamo. The chart is posted on <http://bit.ly/29w7tou> (in Portuguese only in the most recent version).

Comment: Scenario planning is subject to many criticisms and all scenarios are subject to debate, particularly because the outcome is usually built into the assumptions. Nevertheless, Tibana's scenarios are a useful first attempt. Most interesting is his conclusion that Frelimo loses out by giving in to donors and IMF because that provokes political change, and in political terms Frelimo does better with the middle "muddle through" scenario because it continues to hold power.

"Muddle through" is similar to my "something will turn up" and *Africa Confidential's* "ostrich position" and does seem to be what Frelimo is doing. *jh*
(My "Something will turn up" is on: <http://bit.ly/28SN7QP>)

War

Dhlakama: Mediators arrive Monday

Mediators could arrive on Monday (11 July) but no date has been set for the resumption of talks, Renamo head Afonso Dhlakama told *O País* (7 July) in a telephone interview. Invitation letters to name mediators were delivered to the European Union and Apostolic Nunciature in Maputo on Friday 1 July, to be forwarded to Brussels and the Vatican City in Rome. (Lusa 6 July)

Dhlakama also confirmed that the enlarged teams (6 people on each side) which had originally been set up only to organise the meeting between Dhlakama and President Filipe Nyusi would now become full negotiating teams.

Dhlakama says Frelimo is not serious about negotiating. And each side says the other should stop military action. Nyusi in Nampula said Renamo should stop attacking civilians. Dhlakama replied: "Who has sent armoured cars 1500 km to shell my centre here? We in Renamo have not gone 1500 km to shell the palaces of Frelimo." And he said again that Frelimo's plan was to kill him.

The war continues and recent reports show that Renamo has guerrillas in quite diverse parts of the country. Fifteen armed Renamo men stole medicines from a health centre in Banga, Tsanganho, Tete on 6 July and also vandalised the office of the local Frelimo secretary, according to the police. AIM (En 8 July, Pt 7 July) says fighting continues in Tsanganho and Moatize districts in Tete. Renamo attacked the house of the head of Mepinha locality, Morrumbala, Zambezia on 2 July; he fled and was not hurt. *Diário da Zambézia* reports that the road between Mepinha and Morrumbala town has already come under attack. Schools are also closed in Morrumbala; of 10,030 children expected to start school this year in Morrumbala, only 2,711 new pupils registered. In Manica, 61 schools are closed due to the war, 19 in Barué and 42 in Mossurize. (AIM En 5 July) Traditional healers in Gaza are having difficulty acquiring herbal medicine due to the presence of armed Renamo men in the forests where they usually collect their ingredients. (*Rádio Moçambique*)

On Tuesday (5 July) gunmen killed two people in Namacurra, Zambézia. One was the brother of a Renamo member of the Zambézia provincial assembly and district political delegate for Namacurra. Family sources told *Diário da Zambézia* that the victim was probably mistaken for the delegate, who was not at home at the time, and that they were killed by a government death squad.

Autopsies will be carried out on 11 bodies found in an advanced state of decomposition under a road bridge on the N1 in Macossa, Manica. The bodies were found after reports circulated of a mass grave in nearby Gorongosa, Sofala. The police buried the bodies in situ on 7 May rather than removing them immediately for further examination. The bodies were exhumed on 23 June and taken to the morgue at Beira Central Hospital for autopsies by the public prosecutor's office (*Diário de Moçambique*)

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This newsletter can be cited as "Mozambique News Reports & Clippings".

If you need to cite it for academic purposes, treat it as a blog. The normal citation format would be:

"Mozambique News Reports & Clippings, number XXX", DATE, bit.ly/mozamb, accessed XXX.

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Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozElecData>

Chickens and beer: A recipe for agricultural growth in Mozambique

by Teresa Smart and Joseph Hanlon

E-book for Kindle and iPad, for \$9.32 from US Amazon -

<http://www.amazon.com/dp/B00NRZXXKE> - £5.14 from UK Amazon.

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon. Copies are in Maputo bookshops or from

KAPICUA, Rua Fernão Veloso 12, Maputo; Tel.: +258 21 413 201 or +258 21 415 451

Telm.: +258 823 219 950 E-mail: kapicuadir@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London.

Please email j.hanlon@open.ac.uk.

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publishers

https://www.riener.com/title/Zimbabwe_Takes_Back_Its_Land also as an e-book and

<http://www.jacana.co.za/book-categories/current-affairs-a-history/zimbabwe-takes-back-it-s-land-detail>

Do bicycles equal development in Mozambique?

by Joseph Hanlon & Teresa Smart

is now available in **paperback**, for £17.99 (+ p&p)

from the publisher <http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

Just Give Money to the Poor:

The Development Revolution from the Global South

by Joseph Hanlon, Armando Barrientos, and David Hulme

Most of this book can now be **read on the web**

tinyurl.com/justgivemoney

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NOTE OF EXPLANATION:

One mailing list is used to distribute two publications, both edited by Joseph Hanlon. This is my own sporadic "News reports & clippings", which is entirely my own responsibility. This list is also used to distribute the *Mozambique Political Process Bulletin*, published by CIP and AWEPA, but those organisations are not linked to "News reports & clippings" Joseph Hanlon

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Mozambique media websites, Portuguese:

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

@Verdade: <http://www.verdade.co.mz>

Diario de Moçambique (Beira): <http://www.diariodemocambique.co.mz>

Carlos Serra Diario de um sociologo: <http://oficinadesociologia.blogspot.com>

Mozambique media websites, English:

Club of Mozambique: <http://clubofmozambique.com/>

Rhula weekly newsletter: <http://www.rhula.net/news-announcements.html>

Zitamar: <http://zitamar.com/>

Macauhub English: <http://www.macauhub.com.mo/en/>

AIM Reports: www.poptel.org.uk/mozambique-news

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