

MOZAMBIQUE News reports & clippings

344 31 October 2016

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Following the donor-designed path to the \$2.2 billion secret debt <http://bit.ly/3WQ-Hanlon>

Special report on four poverty surveys: bit.ly/MozPoverty

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

Oxfam blog on 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>

Also in this issue:

Another Renamo official killed

Dhlakama meeting fails

Creditors promise rough ride

Special report on poverty

Comment

The house of cards has collapsed

Last week saw the final collapse of a house of cards built from greed and hubris. Mozambique admitted it cannot pay its debts; last week it was announced poverty and inequality increased; and it was accepted that inflation will hit 30% and devaluation will exceed 100%. The United States announced that LAM has accepted bribes from Brazil. And then the mediators went home in frustration as an unwinnable war continues, with Renamo demanding the impossible and Frelimo refusing to make essential concessions.

The results of the poverty survey announced last week showed that while in 2003, 55% of the rural population was below the poverty line, it had only been reduced to 50% last year. Two decades of lack of development mean that half the rural population is still below the poverty line. And President Nyusi, speaking in Mopeia, admitted that "very little" had been done to support agriculture - confirming what Joao Mosca and others have been saying for more than a decade.

Few people come out of this looking good. Over the past five years, how could so many people inside and outside of government turn a blind eye to corrupt, excessive, prestige projects? Why did it take the United States to announce last week that LAM has accepted bribes? How could the IMF not notice the exorbitant debt? Or was there too much joint interest in encouraging foreign companies to gain a share of the gas money? Inside Frelimo, was the money spread around so widely that no one objected? With brave journalists and campaigners being threatened and attacked, were people too afraid to speak out?

Frelimo has blown an incredible \$3 billion. Not just the \$2.2 bn in secret debt, but extra money for

the Katembe bridge, Nacala airport, the Bank of Mozambique building, and the presidential palace, as well as large state company debts. And last week the cost became clearer with the admission that Maputo will not now have an essential bus rapid transit system because it cannot guarantee the loan. This is being repeated across the economy.

Last week, the house of cards collapsed. This week many people will be trying to explain why they did not see that it was a house of cards and will be trying to defend their positions - in some cases to prevent themselves being dismissed, jailed, or losing contracts, money, or the confidence of their superiors.

And the future is not promising. The economic crisis will bite hard. Ongoing war and inflation and the taint of greed and corruption mean Frelimo could lose the next elections - but to whom, when the opposition has few alternative policies. Low gas prices and high debt hand huge power to international gas companies. Donors and lenders have to face the collapse of what they had billed as a success story. And infighting and recriminations within Frelimo and within the international community will slow the resolutions of the myriad problems.

Last week's events mean no one can deny the magnitude of the crisis. An IMF report in January warned that "high levels of inequality hamper government policies to reduce poverty" and "make it difficult to sustain growth". And it warned that the rising inequality "can lead to political instability." Threats of a demonstration on 29 April were met with new armoured cars on the streets of Maputo. A demonstration scheduled for 21 May was banned and an organiser of the march was beaten during an attempted kidnap. Maputo has been quiet since then, despite an escalating cost of living. But how long will ordinary people tolerate rising prices and a bankrupt and ineffective government?
Joseph Hanlon

Renamo official killed in 7th assassination

Luciano Augusto, Renamo head in Gurué, Zambézia, was shot and killed in his house on 27 October, according to Renamo. (Lusa 29 Oct) This is the 7th assassination this year of a Renamo official.

"The government reiterates that it is distancing itself from charges about the alleged creation of death squads and considers them totally unfounded and devoid of any sense," Prime Minister Carlos Agostinho do Rosário told parliament 27 October. (*O País* 28 Oct)

Renamo on 21 October attacked a convoy on the road between Catandica and Vanduzi, Manica. The gunmen concentrated their fire on a bus belonging to the company Linhas Terrestres de Mocambique (LTM). killed one person and seriously injured another. (AIM En 25 Oct)

Talks suspended again, as Dhlakama meeting aborted

Peace talks have been suspended again until 10 November, and mediators have returned home. This round consisted only of meetings between mediators and each side separately, and no joint meetings. Lead negotiator Mario Raffaelli told the press on Friday afternoon (28 Oct) that, based on the meetings with the two sides, he had given two very general documents to the two sides to consider before 10 November. One is a "packet of principles relating to decentralization" that should guide the drafting of a proposed law, which he hopes would be sent to parliament before the end of November. The other is "a 'road map' to tackle the other agenda points." (Lusa 28 Oct)

Meanwhile an attempt by mediators to meet Renamo head Afonso Dhlakama on Saturday 22 October failed. Raffaelli finally confirmed on Friday that, with the agreement of President Filipe Nyusi, a meeting between mediators and Dhlakama had been scheduled for 22 October, and was

called off at the last minute.

Raffaelli, mediator Jonathan Powell, and two members each of Renamo and government military had gone to Gorongosa Saturday morning (22 Oct). They were to go on to a Renamo base at Siwe, in the bush, later that morning. But Dhlakama phoned to tell them that government forces were attacking the Siwe base, and it was not safe to continue. Raffaelli and Powell returned to Beira and flew back to Maputo.

Dhlakama accused Nyusi of lying, saying he had promised to pull troops back from two government bases near Siwe but instead the bases were strengthened and Siwe attacked. He said he was "convinced" that Frelimo "wanted to capture me during the meeting. ... It is obvious they have a plan to kill me."

The incident was first revealed on the Facebook page of Unay Cambuma on the day (22 Oct) and more details were given in an interview with Dhlakama in *Canal de Moçambique* (26 Oct). At first, Raffaelli denied the incidents as false rumours. But in his Friday press conference Raffaelli apologised to the *Canal de Moçambique* journalist. (*CanalMoz* 28 Oct)

Comment: The killing this year of seven Renamo political officials, some very senior, suggests the existence of a hit squad, perhaps linked to the security service SISE. The Prime Minister's response in parliament was convoluted and he said he wanted to "distance the government" from the accusations. Although government had not commented, one must assume that there was military action near the meeting place after President Nyusi said there would not be. Together these point to two possibilities. Either the President and government really do not have control over part of the military and security services, or as part of their negotiating strategy and an attempt to not make concessions, they are presenting a picture of not controlling their own forces. *jh*

Creditors promise rough ride on debt renegotiation

In a week of rapid action, Mozambique released its debt report Monday October 24 and presented it to creditors on Tuesday and appealed for renegotiation of debt held by banks and other investors. The Financial Times (*FT* 25, 27 Oct) reported that borrowers gave the proposal a "thumbs down" and that the price of the tuna bonds had dropped from 81.2 US cents to \$1 of face value of the bonds on Monday down to 60 US cents on Wednesday.

Bondholders told the *FT* that Mozambique's plan to get a deal with private creditors by the end of the year before negotiations with the IMF in January was "unrealistic" and that "complex negotiations are expected". Government told bondholders Tuesday that it has appointed Lazard and White & Case to advise on restructuring and asked creditors to form negotiating committees.

Prime Minister Rosario confirmed to parliament Wednesday that the government has asked creditors to restructure the debt.

The Jubilee Debt Campaign said Friday "We suspect some of Mozambique's private external debts have already been bought by vulture funds, and they are owed under English law." Under a 2010 UK law, countries are protected from vulture funds, but only for loans granted before 2004.

http://www.mpd.gov.mz/images/Presentation_by_the_Ministry_of_Economy_and_Finance_-_25_October_2016.pdf

<https://www.ft.com/content/7eee7ef0-9c5d-11e6-a6e4-8b8e77dd083a>

<https://www.theguardian.com/global-development/2016/oct/27/mozambique-debt-crisis-first-sign-global-financial-shockwave>

Essential audit moves forward

New IMF representative Ari Aisen confirmed 25 October that there must be an independent external audit of Mozambique's secret debt. Then the debt must be made sustainable. Third, he stressed that "certain priority public spending must be protected so that the social situation of the most vulnerable people does not deteriorate." (*O Pais* 26 Oct)

In a press conference on 27 October, Gerry Rice of the IMF Communications Department confirmed that the IMF cannot lend money to Mozambique while it is in "debt distress". Rice said "we cannot disburse funds in a situation where we think the debt is not sustainable." He also underlined the demand for an audit which "would be conducted in an independent way by a reputable international auditing company" and that "we expect the terms of reference for this audit to be completed soon." Rice also confirmed that the IMF will continue discussions with Mozambique while the audit is under way and will not wait until the audit is complete.

Prime Minister Carlos Agostinho do Rosario told Parliament 26 October that the Attorney General's Office will soon launch a tender for an independent international auditor to audit the three secret loans.

Comment: All IMF statements demand an independent external audit, and some have demanded that it be made public. But the IMF has also agreed that the audit can be carried out under the Attorney General's office. And it is interesting that the IMF has never demanded prosecutions once the audit is done. Is there an implicit deal to follow the pattern of Banco Austral nearly two decades ago, where there was a forensic audit but there were no prosecutions and members of the Frelimo elite were never sanctioned? *jh*

Half of Mozambicans are still below the poverty line

Poverty is decreasing, but only very slowly, while inequality is increasing, according to a new analysis by the Ministry of Economy and Finance presented on 26 October. The analysis is based on four national family expenditure surveys, carried out every six years.

We have done a detailed analysis of the surveys, and a special supplement is attached, and available on bit.ly/MozPoverty

Although the percentage of people living in poverty has fallen in the past 18 years from 69% to below 50%, population has been growing faster, so the actual number living in poverty has risen from 11 million to 12 million. The report also notes that although there have been significant falls in urban poverty, rural poverty is declining only slowly - from 55% in 2002/03 to 50% in 2014/15.

Mozambicans are a bargain

The Brazilian airplane company Embraer had to pay smaller bribes to Mozambique than to other countries when selling aircraft, according to the US Securities and Exchange Commission (SEC). The action involved sales to four countries. Bribes in the Dominican Republic were \$3.52 mn on a contract of \$96.4 mn (3.6%), Saudi Arabia \$1.65 mn bribe on a \$93 mn order (1.8%), and India \$5.76 mn bribe on a \$208 mn order (2.8%). For Mozambique, the bribe was \$800,000 on a \$65 mn order which is just 1.2%. Clearly Mozambicans cost less and should be raising their prices.

According to the SEC, Embraer initially only offered \$100,000-\$160,000, but this was rejected. The Mozambican intermediary demanded \$1 mn. Eventually \$800,000 was offered and accepted. The money was paid by Embraer's US subsidiary to a Portuguese bank account. The use of the US subsidiary meant that the SEC could bring the case under the US Foreign Corrupt Practices Act.

The SEC says that the \$12 mn in bribes generated a profit to Embraer of \$83 mn. On 24 October the SEC announced that Embraer had agreed to pay \$205 mn in penalties to the US government to settle the case. Mozambique's Assistant Attorney-General Taibo Mocubora said on Friday that prosecutors will investigate the case of the bribe to an official of Mozambique Airlines (LAM). Mocubora noted that the Central Office for the Fight against Corruption (GCCC) announced in September that it was prosecuting the former LAM financial director, Jeremias Tchamo, for signing 25 contracts with a building company owned by his brother, who was also a LAM employee. LAM paid this company a total of 5.3 million meticaís (\$190,000 at the exchange rate of the time). (AIM En 28 Oct)

The SEC complaint is on <https://www.sec.gov/litigation/complaints/2016/comp-pr2016-224.pdf>

Other economic news

Bus stop: Maputo's bus rapid transit project, due to start this year as a vital addition to public transport and reducing congestion, is not going ahead, confirmed João Matlombe, vereador (local minister) for transport. This is due both to the inability of Maputo to obtain the necessary \$225 million in finance because Mozambique cannot guarantee debt, and because Brazil suspended this along with other projects in Mozambique due to suspicions of corruption. Odebrecht had won the tender. The two routes would have transported 7,500 passengers per hour into central Maputo. (O Pais 28 Oct, @Verdade 24 Aug)

Ematum will lose MT 55,000 (\$700) per boat per day, about \$230,000 per year from its 27 boats, estimates Mário Dimene, the former director of the coastal shipping company Navique and the ship repair company Somonav. This is because Ematum planned to export whole fish, he told *Domingo* (30 Oct). But he does believe that by processing tuna and also fishing for shark and prawns Ematum could be made profitable. The detailed calculations are in <http://www.jornaldomingo.co.mz/index.php/economia/8390-pesca-e-possivel-rentabilizar-a-ematum>

Fuel subsidies were ended on 1 October, and the price of diesel fuel rose to MT 45.83 (\$0.60) per litre, but there will still be a subsidy of MT 14.83 (\$0.20) for licensed bus and minibus operators. This will cost the government MT 589 million (\$7.6 mn) per year, transport minister Carlso Mesquita told parliament 26 Oct. (O Pais 27 Oct)

Food is being imported that could be grown in Mozambique, according to Bank of Mozambique economist Filisberto Navalha Outro. In 2015 \$30 mn of maize was imported compared to \$9 mn in 2005. Vegetable imports jumped from \$1 mn in 2005 to \$22 mn in 2015. (O Pais 27 Oct)

Cotton prices have been raised in Meticaís but are cut in dollars. The minimum price for first grade cotton increases from MT 14.5/kg last year (then \$0.35) to MT 20/kg (now \$0.26). For second grade cotton the increase is from MT 10.5 to 14.5, \$0.26 to \$0.19 (AIM En 25 Oct; In October 2015 \$1 = 41 and in October 2016 \$1 = MT 78)

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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.

Previous newsletters and other Mozambique material are posted on bit.ly/mozamb

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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>

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Books by Joseph Hanlon

Bangladesh confronts climate change: Keeping our heads above water

by Manoj Roy, Joseph Hanlon and David Hulme Published by Anthem Press
<http://www.anthempress.com/bangladesh-confronts-climate-change-pb>

UK book launches:

Wednesday, **16 November**, 18.00 - 20.00, London School of Economics, NAB 2.06 (New Academic Building)

Thursday **7 December**, 17.00-18.30, Theatre B, Roscoe Building, University of Manchester.

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>
E-book for Kindle and iPad, <http://www.amazon.com/dp/B00NRZXXKE>

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 e-mail 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.rienner.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 available 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:

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

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

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

Carlos Serra Diário 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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