

MOZAMBIQUE News reports & clippings

358 5 February 2017

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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

book 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:

Debt: Paris Club talks?

Another mega-project fails

Nyusi & Dhlakama suggest peace deal near

Peace talks will resume shortly in a new format, both President Filipe Nyusi and Renamo head Afonso Dhlakama said Friday 3 February. International mediation has ended, and instead there will simply be two small specialist groups - each with just two people from each side - to discuss decentralization and military issues.

Dhlakama spoke by telephone to journalists. Nyusi was speaking at the Hero's Day Ceremony, marking the anniversary of the 1969 murder of Frelimo's first leader, Eduardo Mondlane. Nyusi spoke in the presence of former presidents Armando Guebuza and Joaquin Chissano, who both spoke to journalists afterwards to support Nyusi. Both Nyusi and Dhlakama thanked the mediators, and said that their work was finished. (AIM En & O Pais web, 3 Feb; *Noticias* 4 Feb)

The cease fire announced 26 December, and was later extended, continues to hold. There have been no recent incidents and traffic has returned to normal on the three roads where there had been military convoys.

Comment

The announcement suggests significant progress on three sets of parallel negotiations - within Frelimo and within Renamo, and between Nyusi and Dhlakama. International mediators had been a Renamo demand, so dispensing with mediators and moving to two very small technical working groups suggests an agreement in principle has been reached. This must mean agreement on three points.

- First would be acceptance of some Renamo governors and a commitment to reduce the role of the Frelimo party in the state apparatus. Key people in Frelimo have already accepted this but it requires defining the roles of the governors and provincial assemblies, perhaps to be similar to mayors and municipal assemblies.

- Second is some role for Renamo in the army, with Renamo people in senior positions. This could be acceptable to Frelimo because it has always kept the army weak; the war with Renamo is being largely fought by the special riot police unit.
- Third is money, which has never been mentioned, and perhaps never will be. But it must be assumed that after the \$2 billion secret loan, Dhlakama has demanded and will receive a substantial amount of money.

Frelimo has been deeply divided on the negotiations, but in the past month it appears the Nyusi is now being allowed to assert control. He accepted the cease fire, and then replaced the Guebuza-appointed head of the security services, SISE, by someone linked to Chissano. The presence of both Guebuza and Chissano at the announcement of the resumed talks means the party now has an agreed position. Chissano is said to have become the senior person in the party and may have played a role in negotiations with Guebuza. It would seem likely that in exchange for stepping back and not disrupting, Guebuza has been promised protection over the \$2 billion secret debt.

It seems likely that in both Frelimo and Renamo, there is a recognition that the war and secret debt are having a more serious impact on foreign investment and development of the gas than had been expected. The elite needs both issues to be resolved if they are to profit from the large amount of money expected to flow into the country. Settling the war is the first essential step. *jh*

Talks about talks with Paris Club

Mozambique will need to renegotiate its debt, to reduce its volume and/or delay repayments. It has debts to multilateral institutions such as the African Development Bank and IMF, to individual countries (such as China and Brazil) which are called bilateral creditors, and to companies and other commercial creditors. Normally negotiations take place in parallel with all three groups and there is an attempt to have the same deal for all three groups. Mozambique's total foreign debt is \$10.1 bn, of which \$4.1 bn is to multilateral creditors, \$4.3 bn to bilateral creditors. and \$1.7 bn to bilateral creditors.

Zitamar (31 Jan) reported that sensibly Mozambique has "approached the Paris Club" of the main creditor nations and that Mozambique was discussed, at least informally, at the club's 12 January meeting. The Ministry of Economy and Finance issued a carefully worded response through its London financial advisors, Lazard. It said the Ministry "wishes to deny recent rumors in the media erroneously reporting that the Republic has approached the Paris Club for debt relief."

Mozambique will have to have negotiations with the Paris Club, and it appears that it has only opened initial discussions, before making a formal approach.

The Paris Club is an informal group of official (bi-lateral) creditors which negotiates as a block with debtor countries with payment difficulties. It has 22 permanent members (mainly the United States and most European Union countries) but also Brazil and Russia, who are important creditors to Mozambique. In addition, there are "as hoc participants", which includes China which is Mozambique's largest government creditor. Preliminary discussions with the Paris Club are likely to have included questions about the position of China.

The complete parliamentary debt report is now available on my website: <http://bit.ly/MozAR-debt>

Yet another foreign plantation failure

The Procana sugar project in Massingir, Gaza province, has failed for a second time. (Zitamar, 2 Feb) TSB, the third largest sugar company in South Africa, owned by RCL foods, was given 37,000 hectares near the Massingir dam in 2012 for a new plantation to produce 500,000 tonnes of sugar per year - more than all the other Mozambican sugar estates combined - and 240 million litres of

ethanol (as a biofuel that can be mixed with petrol).

The Massingir Agro-Industrial Project (MAI) was scheduled to begin production last year. TSB holds 51% of the company and the remaining 49% is held by SIAL (Sociedade de Investimentos Agro-Industriais do Limpopo), a Mozambican company chaired by former Minister of Industry, Octávio Muthemba. The original cost estimate was \$740 mn, which TSB said it would pay. But Zitimar says that a detailed feasibility study showed the investment cost to be \$1.2 billion, which John Du Plessis, sugar head at RCL, said “was considered very high ... and made it quite difficult to get a reasonable return on the project” - especially with falling global sugar and petrol prices. The Mozambican company SIAL proved unable to raise the additional investment needed, and Du Plessis said the project was effectively ended last year.

The original project was called Procana and was promoted by the Zambian-born cricketer Phil Edmonds and his Zimbabwean partner Andrew Groves, who are both said to have good links to Robert Mugabe. They obtained 30,000 ha and proposed to produce 600 million litres of ethanol per year. This assumed they would produce three times as much ethanol from sugar as anyone had ever done in Mozambique, which always made the proposal dubious. It collapsed in 2008

They then set up the Maputo Private Hospital in 2010; Edmonds resigned as chair in 2012. Next was Agriterra and Mozbife, a major beef ranching and marketing project in Manica and Tete provinces. Last year it was announced that the ranches would close, and on 20 January inspectors confiscated a tonne of rotten beef from the Mozbife butcher shop in Chimoio. (The story has been covered extensively in this newsletter, including: 206, 17 Oct 2012; 289, 5 June 2015; 320, 14 May 2016; 329, 26 June 2016; 356, 29 Jan 2017)

Edmonds and Groves were the subject of an investigation by Global Witness last year which said “Edmonds and Groves carried off a multi-million-dollar heist on their own shareholders, funnelling profits into offshore trusts.” <https://www.globalwitness.org/thedeceivers/> Edmonds and Groves denied any wrongdoing. But Edmonds resigned as chair of Agriterra on 22 April 2016, shortly after the report was published; Groves remains CEO. <http://www.agriterra-ltd.com/News.aspx?ArticleId=24305905> Agriterra’s London share price fell from £180 per share in April 2006 to £0.15 now.

Octavio Muthemba, as well as being a minister in the 1990s, was also chair of SPI – Gestão e Investimentos, the Frelimo party holding company. In 1997, the then People’s Development Bank (BPD) was privatised to the Southern Bank Berhad (SBB) of Malaysia (30%) and Investier (30%), a Mozambican company headed by Muthemba. (The state kept 40%.) Muthemba became chair of Banco Austral. Bad loans to the Frelimo elite drained the bank of at least \$150 million and the bank was handed back to the state in 2001. Antonio Siba-Siba Macuacua, the Bank of Mozambique’s head of banking supervision, was named head and tried to collect on some of the loans and prepare the bank for reprivatization to ABSA of South Africa (later Barclays). In an unsuccessful attempt to stop the sale, Siba-Siba was murdered at the bank’s offices on 11 August 2001. In 2009 and 2010, the Public Prosecutor’s Office (PGR) finally announced that no Mozambicans would be prosecuted for plundering and bankrupting Banco Austral or for the 2001 assassination. The Public Prosecutor’s Office (PGR) said it would not prosecute Muthemba, who was chair, or three members of the board of directors or supervisory board, even though the four received large loans for themselves and their companies, knowing this was in violation of both the law (Lei 28/91) and the bank’s Credit Policy Manual.

The Banco Austral story was published in *Metical* in September 2001. An English version of those articles is on <http://www.mol.co.mz/noticias/metical/2001/en010917.html>

Limpopo floods, but no risk

A flood peak raising the level of the Limpopo River by 2.5 metres is reaching Chokwé (5 Feb) today and will reach Xai-Xai tomorrow, according the government's Boletim Hidrológico Nacional released this afternoon. These daily bulletins are posted on my website: <http://bit.ly/flood-17>

Although higher than the "alert" level, this flood peak poses no threat to towns along the river. But families with fields in low lying areas along the river have had to move. (AIM Pt 5 Feb) And levels are falling in the Limpopo behind the flood crest. Meanwhile floods levels on the Pungué river in Sofala are falling slowly and some roads have reopened. But the dams that provide water to Maputo and Matola are filling only very slowly; Pequenos Libombos dam has only risen to 15.8% full, compared to 14% in mid-January.

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"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>

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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>

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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