MOZAMBIQUE News reports & clippings

260 6 June 2014 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Also in this issue:
Mining: war, land, coal

New evaluation says:
Budget support promotes better administration but not poverty reduction

"Budget support funding contributed significantly" to improved fiscal and macroeconomic management, according to an independent and detailed (218 page) evaluation released last week. "The major contribution of GBS [general budget support] funding as been to support the expansion of public spending in the education and good governance sectors," and to allow increased "domestically financed development spending".

But "the main shortcoming of budget support … has been the failure to reduce income poverty." budget support has failed to promote poverty reduction. In part this has been because of a failure to reduce rural poverty. This, in turn, is because the large majority of farmers fail to gain access to inputs or to the credit needed to finance their purchase. "There is a very strong and very large association between the use of fertilizer and pesticides and [agricultural] productivity," the evaluation says. "GBS dialogue had little impact on the development of policies to improve access to inputs and credit."

GBS has supported the creation of the "institutions of accountability" and "created more transparency" but it has been less successful in actually promoting anti-corruption actions. "Transparency has improved but with limited effects on accountability."

GBS has fallen out of fashion with both donors and government since 2010, the evaluation says, leading to "'half-hearted budget support' [which] is not sustainable". GBS has dropped from 34% of aid in 2007 to only 24% of total aid in 2012. From 2009, donor performance against agreed indicators "plummeted". The report points to the "increased readiness to suspend disbursements" and that donors did not disperse some promised GBS every year for the past four years, "undermining the trust between the government and the G-19." There has been a "deterioration in the quality of coordination across the G-19 [group of 19 budget support donors]", a failure to name experts and leads to working groups, and a decline in the ability of the G-19 to develop coherent policy positions. Since the 2010 donors strike, government, too, has lost interest in the budget support process, evaluators found in their interviews with people on the government side.

One reason for the decline in donor interest is "that the expectations held for budget support have been unrealistically high. Many DPs [development partners; donors] - in particular at headquarters level - expect to be able to use budget support to exert 'policy leverage' over partner governments so as to change the governance context and achieve fast improvements in PFM [public finance management] and other reforms. This has not happened in Mozambique nor in any other budget support recipient countries."

Another reason cited by heads of cooperation in Maputo is changing attitudes toward aid in their capitals, including "the desire of domestic politicians to see more *immediate* and *tangible* results, … declining interest in longer term institutional development, … [and] greater risk aversion."

Six of the G-19 members have made part of their budget support performance-related.
The evaluation covers 2005-2012, when GBS averaged $400 million per year, $16 per Mozambican per year. It was 15% of public spending and 30% of aid. In 2012 $70 mn was conditional, and only $49 mn was paid (70% of promise and 11% of total GBS). The evaluation finds "no evidence that expanded use of variable/performance tranches has generated positive incentive effects for the implementation of reforms", but it has allowed "some budget support providers to signal to their domestic constituencies."

The Performance Assessment Framework (PAF) by which donors assess how will government has done during the year is an "indicator-based assessment [which] focuses exclusively on what is measurable, which is not always what is important," the evaluation points out.

Other aid unpredictable and off-budget

The evaluation shines quite a harsh light on donors. It shows just how unpredictable aid funding is. During the evaluation period, budget support disbursements were close to 100% of what was promised. By contrast, donors gave only 56% of promised project aid and 85% of that was "off budget", not going through the government budget system and Treasury account.

Disbursement of ministry-based "common basket funds" (CBF) or SWAps was only 79% of what was promised. Management of these funds "excludes the Ministry of Finance and other central agencies" because sector ministries submit proposals directly to donors without involvement of the Ministry of Finance. "There are often conflicts of interest" which prevent proper supervision because "sector donors share the objective of sector ministries to increase the sectoral budget." Donors like CBF because "external donors have a majority representation" on CBF committees which decide allocations, the evaluation adds.

ProAgri and ProSaude "clearly suffered" from lack of budgetary control, the evaluation argues. "In both cases a disproportionate share of the CBF [common basket funds] was dedicated, not to service delivery functions, but to expenditures on sectoral administration processes at the headquarters level, including workshops. … CBF funds were also used to finance staff salaries, often in contravention to public service rules. … In the case of ProSaude over 5000 health workers are financed through the common fund." ProSaude has no written rules covering budget revisions, and "circumvents, ratter than follows, government procedures." Not surprisingly Ministry of Health official prefer ProSaude because money is used for top-ups, per diems and other expenses which cannot be paid from the government budget.

"The views of health partners have begun to diverge. … These fragmented views have proved to be a major distraction. They have reportedly made it more difficult than previously to develop common DP [development partner] positions and have lowered the productivity of the dialogue."

By 2011 separate vetrical funds accounted for 61% of the health budget (compared to 24% government and 15% CBF). "The majority of the vertical funds budget is for HIV/AIDS through PEPFAR, leading to an imbalance in programme funding. Estimates indicate that spending on HIV/AIDS in 2011 and 2012 exceeds 40% of the health budget. HIV/AIDS is clearly and necessarily a priority area, but it is not the only one. There is nothing in the PESS [common strategic plan] or other documents that would support such a heavy bias of spending in its favour."

Agriculture failure

The evaluation points to a total breakdown between donors and government over agriculture. "ProAgri I [1999-2006] based disbursements on planning and financial management procedures [which] led ProAgri I being criticized for being too concerned with processes rather than results." ProAgri II had new performance indicators "driven by donors on an ad hoc basis" as well as GBS indicators. "The indicators bear little relation to the policy priorities emerging from research and evaluation. In particular, none of the 20 indicators used over 2005-2012 related to the degree of access or use of fertilisers, improved seeds or pesticides, despite the fact that agricultural survey data point clearly to input use as the principal determinant of agricultural productivity, especially for smallholders." Therefore, the indicators were "not taken seriously by MinAg [Ministry of Agriculture]." In addition, the ministry had to deal with "a large number of not always well coordinated development partners." The evaluation continues: more recently "government has developed policies outside the policy framework supported by ProAgri and has allocated significant resources to these processes."

***Comment*:** The evaluation repeatedly points to the failure of donors and GBS to have any positive impact on farm income, because the essential use of improved technologies, particularly fertilizer, has actually decreased. The authors of the report do not go into the reasons for this. But for the entire period of the study, there was a donor consensus that agriculture had to be left entirely to the private sector. Thus aid and indicators were all related to areas which did not involve government intervention, either internal ministry processes or changes to improve the "climate" for the private sector. This clearly did not work. Evidence from the neighbouring countries - and from the history of the donors themselves - is that growth of small and medium farming requires huge government intervention, from input subsidies to subsidised credit and state agricultural banks. As this violated the donor consensus, but has been increasingly challenged by African agencies like Nepad, it is hardly surprising that after 2009 the Ministry of Agriculture felt freer to develop its own politics independent of donors. *jh*

***Comment 2:* Statistics & econometrics:** The evaluation unintentionally provides a salutary warning about taking regression analysis and other econometric techniques too seriously. In an econometric analysis of education data, the authors find that smaller class size and better trained teachers are both correlated with an *increase* in repetition rate - the percentage of pupils who do not pass on to the next class. Temporary (mud) classrooms have a positive association with increased attendance.

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5 attacks on N1 in 4 days and threat to divide country

In the four days Monday-Thursday there were five attacks by Renamo on convoys of vehicles on the 100 km stretch of the N1 between the River Save and Muxungue. There was one attack Monday, two on Tuesday, and one each on Wednesday and Thursday. CanalMoz is the only agency to so far report an attack yesterday afternoon, with no casualties.

There are huge discrepancies in reports about dead and injured. STV reported that the attacks on Tuesday killed three bus passengers. O Pais (5 June) interviewed the driver one of the buses in the Tuesday attack when he arrived in Maputo, and he said one passenger was killed on his bus and the conductor seriously injured. But Sofala provincial police spokesman Daniel Macuacua claimed there were no deaths. Canal de Moçambique (4 June), probably using Renamo sources, said 15 government soldiers had been killed Tuesday and 1 on Monday. José Jeco, CanalMoz correspondent in Muxungue, reported today that two people had died while being transferred to hospital in Beira yesterday. Jeco also said that the head of the rural hospital in Muxungue, the nearest health unit to the attacks, has been ordered not to give any information on casualties to the press.

Meanwhile Renamo Secretary-General Manuel Bissopo, speaking at a rally in Morrumbala, Zambézia, threated that Renamo would divide the country if the government does not agree to totally restructure the army and give half of all senior posts to Renamo. (*O Pais* 4 June) Renamo has repeatedly threatened to divide the country at the River Save, and as the NI road bridge is the only one across the river, the attacks on the road do, in effect, divide the country.

The regular Monday negotiations are now totally deadlocked. Formally, the two sides are trying to discuss the role of the international monitors/mediators. But that, in turn, is linked to what they are supposed to monitor, which is turn is linked to Renamo's refusal to disarm unless there is a complete restructuring of the military and security services, modelled on the changes in the electoral process. Half of all senior people would be Renamo and half Frelimo, and each would have a deputy from the other party. This is totally unacceptable to Frelimo.

At the negotiations Monday, the head of the Renamo delegation, Saimone Macuiana MP, added a new demand. He said there is a proliferation of weapons “in the hands of security companies linked to the ruling party”, and “all this must be corrected before there is any agreement”. There are a number of private security companies, many staffed by former soldiers and some headed by people from the Frelimo elite. The companies are registered by the Ministry of the Interior. Indeed, it has always been unclear why Afonso Dhlakama did not register his "presidential guard" as a private security company, which would allow them to continue to be armed.

On the other side, the deputy head of the government delegation, Gabriel Muthisse, said Monday it was “out of the question” for the government to withdraw its forces from their current positions surrounding Renamo head Afonso Dhlakama in Gorongosa. This effectively makes it impossible to Dhlakama to leave and campaign.

Land and agriculture

'No to Pro-Savana' campaign

Nine civil society organisations Monday (2 June) launched a "No to ProSavana" campaign to try to stop the joint Japanese-Brazilian-Mozambican project in the Nacala corridor and Niassa. Initially designed to promote investment by large Brazilian agri-business, there is a fear that peasants will be evicted from their land. A year ago, 23 Mozambican organisations wrote an open letter to the three governments asking more information. They say their has been no reply and nothing has been done to assuage their fears of a land grab, leaving them no choice but to oppose the programme. The 9 organisations are all Maputo-based and led by the National Peasants Union (UNAC, União Nacional de Camponeses). Other groups include Fórum Mulher, Justiça Ambiental and the Liga Moçambicana dos Direitos Humanos. The Nampula civil society platform, which signed the letter last year, is not part of the new campaign. (http://www.brasildefato.com.br/node/28730; http://farmlandgrab.org/post/view/23577)

Green Resources takes over Chikweti

Green Resources (GR) took over the troubled Global Solidarity Forest Fund (GSFF) and all its Mozambican assets, including Chikweti Forests, on 1 May. GR is buying GSFF for 17.8 million new shares at $5.90 each, which valued GSFF at $105 million, according to Phaunos Timber Fund, which is the largest shareholder of GR, with 18.9% of shares. GR is a private Norwegian company based in London. The Norwegian government's Norfund is also an investor in GR.

Chikweti had 52,000 hectares (ha) in Niasssa and on 1 April was granted another 29,000 ha. GR has 126,000 ha in Lurio, Nampula, for planting eucalyptus, and has planted 1,543 so far. In NIassa, before acquiring GSFF, in a deal with Malonda Foundation it had 20,428 ha on which it has planted

1825 ha of pine and eucalyptus, and it is trying to obtain carbon credits with support from Norad. Green Resources Niassa claims to be the only forestry plantation in Mozambique that has achieved the Forest Stewardship Council certification (FSC) for sustainable forest management. Green Resources' 5200 ha Niassa Reforestation Project was registered on 14 January 2014 as the first afforestation/reforestation project in in Mozambique under the UNFCCC Clean Development Mechanism (CDM) and is the third registered CDM project in Mozambique. (http://greenresources.no/; http://www.londonstockexchange.com/exchange/news/market-news/market-news-detail.html?announcementId=11951977; *Mozambique News Reports* 252)

Coal and other economic

The Indian company Essar ports is to invest $25 million in a new 10 million tonne per year (mn-t/y) **coal terminal in Beira**, through New Coal Terminal Beira, a joint venture between Essar (70%) and CFM (Mozambique Port and Rail Authority, Caminhos de Ferro de Mocambique). Meanwhile, CFM says it has spare capacity on the Sena railwya line from Moatize to Beira. It can carry 5.8 mn-t/y of coal, but last year only carried 3.8 mn-t.

The Ministry of Defence company Monte Binga (10%), the state company Empresa Moçambicana de Exploração Mineira (EMEM – Mozambique Mining Exploration Company, 10%) and the Chinese company Kingho Investment (80%) have formed a consortium to explore for coal in Changara, Tete. This is south of the Zambeze River near where the Indian company Jindal is already operating a mine. The new Defence Minister, Agostinho Mondlane, attended the signing ceremony on 3 June.

EMEM was created in 2009. "EMEM's aim is to build a co-ordinated and efficient state mining company, a company that will operate for the benefit of Mozambique as well as the industry as a whole," said Antonio Manhica, EMEM's CEO, in 2013. EMEM was created when Mozambique realised it was gaining little profit from the coal, and it has set up several joint ventures, including holding 5% of an exploration licence in Moatize with the Indian company Midwest Africa, and 20% of a company with the Australian-Indonesian company Cokal.

Kingho is said to be the largest coal mining company in China. In May 2013 President Armando Guebuza met the chair of Kingho in Shanghai. In 2011 *Noticias* reported that Kingho was to spend $20 mn on a coal terminal in Beira, but it appears that this will now be built by Essar.

The first exports of coal from the new port under construction at Nacala-a-Velha, Nampula, will take place in December, Transport Minister Gabriel Muthisse said on Wednesday. The new port and coal terminal is being built and will be run by the Nacala Logistics Corridor (CLN), which is owned 80% by Vale and 20% by CFM. The coal terminal and railway costs $4.4 billion and will handle 11 mn-t/y initially and 18 mn-t/y by 2017. Coal trains from Moatize will be 1.5 km long, with 120 wagons and four locomotives.

EcoBank has bought 96% of Banco ProCredit from its owners the DOEN Foundation (founded by Dutch lottery charities) and ProCredit Holding (part owned by the German development bank KFW, DOEN Foundation, and the World Bank's IFC). Ecobank is in 36 African countries; Wikipedia describes it as "the leading independent regional banking group in West Africa and Central Africa"; it was set up with the support of Ecowas and now is in an alliance with the South African Nedbank. Banco ProCredit Mozambique was founded in 2000 and now has 67,000 clients.

Rubies from Montepuez Ruby Mining (MRM) will be auctioned by the British company Gemfields in Singapore. Gemfields owns 75% of MRM and the rest is held by a company led by Samora Machel Junior, chair of MDM, and Raime Pachinuapa, son of Raimundo Pachinuapa, who was one of the senior guerrilla commanders in the independence war. Half the present stock of 7 mn karats will be sold, and will be worth more than $350 mn.

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The next book

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon

Launch postponed to 30 July in Maputo

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Joseph Hanlon

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