MOZAMBIQUE News reports & clippings

268 31 May 2014 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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New Gorongosa battles

Renamo guerrillas attacked a government military convoy Thursday 29 May near Nhadue, the area in Casa Banana, Gorongosa, where Renamo head Afonso Dhlakama registered as a voter on 8 May. But reports are contradictory. Lusa, the Portuguese press agency, reports a second battle this morning, 31 May, near Dhlakama's former base of Sadjundjira.

Lusa (29 May) quoted local people to say that the government military was following the trail used by the registration brigade to meet Dhlakama in the bush and register him, and that government forces wanted to attack the Renamo base at Nhadue. Lusa says at least seven government soldiers were injured Thursday and none today.

Noticias (31 May) quotes the head of public relations of the Sofala police, Daniel Macuacua, to say the attack was on a convoy taking supplies to a military base at Casa Banana, and that there was heavy material damage but no injuries.

Renamo says that it had declared a unilateral cease fire, but that the government responded by increasing its military movements around Gorongosa.

In an interview with *Savana* (30 May) given Wednesday night, Dhlakama said his opponents Filipe Nyusi and Daviz Simango have already started campaigning and he wants to leave Gorongosa and start addressing rallies and talking to the press. "The problem is that I am surrounded, and stopped from travelling freely. On one side, at 10 km I am cut off, on the other side at 3 km I am blocked. … I want to leave, but not to leave only to run into an ambush."

Daniel Macuacua in his Friday press conference said Dhlakama is free to leave, and just as agreement was reached to allow him to register, arrangements could be made to allow him to leave Gorongosa. And senior Frelimo people claim that if they wanted to kill or capture Dhlakama, they would already have done it.

On his demand that the armed forces be totally restructured, Dhlakama told *Savana*: "What we have now is a Frelimo army. I want an armed forces loyal to whomever wins the elections. … If not, it is clear that we will have a coup as happened in Guiné-Bissau."

IMF warns Mozambique on farms, jobs, debt

In a pair of reports issued last week, the IMF praised Mozambique but went on to issue strong warnings on declining agricultural productivity, the failure to create jobs, and rising debt. The papers also show disagreements between IMF and government over the wage bill and use of capital gains, on-going repercussions of the Ematum $850 million bond issue, and falling spending on priority poverty reduction areas.

The IMF's progress report on the 2011-14 Poverty Reduction Strategy Paper (PRSP) warns that although government is meeting most of the formal indicators in the PRSP, the desired results are not occurring. It notes the continued downward trend in agricultural productivity of cereals and vegetables, and says "that the main challenges facing Mozambique still relate to increasing production and productivity in the agriculture and fishery sectors."

The PRSP report also points to the failure to create jobs. In another report, the IMF Second Review under the Policy Support Instrument (PSI), IMF staff warn that "making growth more inclusive by generating more employment is clearly a major challenge."

However the PRSP report says Mozambique is doing very well in the social sectors - health, education, water, and cash transfers.

In her speech to the IMF's Africa Rising conference in Maputo Thursday, IMF Managing Director Christine Lagarde stressed the need to build expensive infrastructure in Africa, and cited Mozambique as a good example with its electricity expansion. And she said more borrowing will be needed. But IMF staff in the PSI report and a linked debt sustainability analysis said that "while acknowledging Mozambique's infrastructure gap", they nonetheless warned that it is "essential" that Mozambique "moderate the pace of new borrowing". The report notes that public and publicly guaranteed debt had jumped from 33% of GDP in 2011 to 44% of GDP in 2013, partly due to the Ematum bond, and that Mozambique is already committed this year to non-concessional loans of $528 million from Brazil for the Maputo-Matola public transport system, the Moamba Maior dam, and the Nacala industrial zone.

The IMF also argues that Mozambique does not have the capacity to implement more infrastructure projects, and also that not enough money is being allocated for recurrent maintenance expenditure.

The IMF reports reflect the impact of last year's Ematum bond issue, agreed last year without serious discussion even within government, and for purposes not seen as priority. In the PSI report, IMF staff say "external borrowing can be used to fund the country's vast infrastructure needs, but should reflect transparent project selection based on the country's economic and social priorities." The debt sustainability report says Mozambique needs better "investment planning capacity to ensure that the most deserving public investment projects are selected."

Government rejects IMF advice on windfall gains, salaries

Also published Thursday is the government's "Letter of Intent" - the government policy statement as negotiated with the IMF. The letter and PSI report make clear that government has rejected IMF advice on two issues:

- The IMF wants Mozambique to establish an explicit budget rule on the use of "windfall" revenue, such as capital gains taxes on sales of shares in gas companies. Mozambique explicitly rejects this, and says this is an issue to be left for the new government after the election; it only agrees the money should not be used to "finance recurrent spending increases".
- The government wage bill this year will be 11% of GDP, which the IMF says is too high. Government says no. This has been an important bone of contention, because most of the wage bill is for teachers and health workers. Government also points out that part of the increase is due to election-related hiring agreed with Renamo.

But government has agreed to treat Ematum as one of 15 "fully-owned state-owned enterprises created with social objectives". These companies submit plans, budgets and accounts to the Ministry of Finance. Government will include $500 mn of Ematum bonds as government-guaranteed debt. It notes that there are also 156 fully or partially owned "public corporations," which are supervised by IGEPE (Instituto de Gestão das Participações do Estado).

The Letter of Intent also sets out more explicitly than before several government policies and plans:
- "Priority spending", mainly social and anti-poverty spending, are two-thirds of the budget, but fell below that in 2013 because budget support donors again withheld money - $87 mn in late 2013. And this year (2014) priority spending will fall to 58% of the budget, due to extra spending on elections and on the military (notably the patrol boats bought on the Ematum loan).
- There are two previously unplanned expenditures for this year, $35 mn for extra election spending and $25 mn "to complete investment projects that lost foreign support in 2013", meaning Millennium Challenge projects not completed on time.
- Subsidies in 2014 will be 0.2% of GDP for fuel, and 0.1% of GDP for wheat flour for bread, public transport, and a school feeding programme.
- Of the huge backlog of VAT rebates, going back to 2012 and earlier, $100 mn will be repaid this year, with the money taken from capital gains tax payments.

Three IMF documents were released Thursday and Friday:
- IMF Country Report No. 14/148: Second review under the policy support instrument (PSI); staff report, etc: http://www.imf.org/external/pubs/ft/scr/2014/cr14148.pdf
- IMF Country Report No. 14/147: Poverty reduction strategy paper (PRSP) - progress report: http://www.imf.org/external/pubs/ft/scr/2014/cr14147.pdf
- Letter of Intent, Memorandum of policies, etc: http://www.imf.org/External/NP/LOI/2014/MOZ/042314.pdf

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Greed

Protests over huge pensions for MPs

Parliament unanimously agreed to give themselves large pensions and reintegration allowances on 24 April. But the decision has provoked an outcry and a demonstration of hundreds of people on 16 May. Daviz Simango, head of the MDM, was forced to publicly apologise that his MPs had voted in favour.

One banner at the demonstration set the tone: "4x4s for the ruling class, 'My Love' for the people". "My Love" (in English) is the colloquial name for the open lorries that carry dozens of commuters standing packed in the back in all weathers. They had been banned more than a decade ago, but are allowed again because of the lack of public transport in Maputo. Caught in traffic jams of expensive cars, they have become symbolic of the growing gaps between the rich and the rest.

The bill says that any deputy (MP) who has served for three terms (15 years) and has paid 15% of their wages in social security contributions is entitled to retire immediately on a monthly pension equivalent to the highest remuneration they received in parliament, updated to take inflation into account. Deputies who have completed just one term (five years) but have reached retirement age (60 for men and 55 for women) are also entitled to the full parliamentary pension for the rest of their lives. When the former MP dies, their families continue to receive the pension. When deputies end their term of office they can receive a “reintegration allowance” - a lump sum equivalent to 75% of their total parliamentary wages. In addition they are given rights to duty free imports and diplomatic passports. The head of the parliamentary constitutional affairs commission, Teodoro Waty, said that this was all necessary to maintain the "dignity" of former MPs.

The bill also gives privileges to former Presidents. It still must be approved by President Armando Guebuza, and campaigners are calling on him to veto it. (*Noticias*, AIM, Lusa 25 April, 15, 17, 21, 25 May)

We need more money, parliament's first deputy president, Lucas Chomera, told the Finish ambassador, Seija Toro, in order to carry out their full duties. He met the ambassador on 14 May, shortly after the parliament granted themselves their large pensions and reintegration allowances.

Red cross management sacked after audit

The Red Cross Secretary General, Américo Ubisse, and the entire executive council were dismissed on 17 May, after an audit by the International Red Cross Federation found that the organisation was badly run and was run for personal benefit. The audit followed an open letter by Red Cross staff earlier this year.

The audit showed that proper accounts had not been kept for two years and that the organisation had more than 100 bank accounts. Contracts had been awarded without following proper procedures. The open letter said that the Red Cross was MT 11 mn ($360,000) in debt, bills and salaries had not been paid, and up to $900,000 had been misused. (*Notícias* 23 April, 7 and 21 May)

A senior tax official was shot and seriously injured on 29 April. Moises Marrime, Deputy National Director of Taxes, was shot outside his house in Mahotas, Maputo. Tax authorities have just launched a crackdown on illegal vehicle imports, and it is noted that four years ago, Orlando Jose, the director of customs investigations, was assassinated just after announcing a crackdown on illegal vehicle imports. No arrest have been made in either case.

There were 138 corruption trials in 2013, compared to only 88 in 2012, Attorney-General Augusto Paulino told parliament on 17 April. There has also been 14 trials of kidnapping cases and 17 people sentenced to prison.

Coal and gas

Vale claims $40 mn loss in 1st quarter

Coking coal prices fell below $100/tonne in March, compared to a peak of $330/t just three years ago. It costs Vale $66/t just to move the coal by rail from the mine to the port of Beira, so $100/t cannot be profitable. On 23 May Vale-Mozambique announced a first quarter loss of $44 million. On 12 May Pedro Gutemberg was named head of Vale-Mozambique, replacing Ricardo Saad.

Vale is investing an estimated $8 billion in Mozambique, including a claimed $4.5 bn for the 912 km railway from the Moatize, Tete, mine to the deep water port of Nacala. This will allow production of 22 million tonnes of coal per year (mn t/y). This would be 17 mn t/y of coking coal and 5 mn t/y of lower value thermal coal.

In an interview with *Notîcias* (26 May) Gutemberg said there was no chance that the mine would close - too much had been invested - but production might be slowed and the workforce cut. He claimed costs in Mozambique are high. But the new rail route to Nacala is much longer than the 575 km route to Beira, which could increase transport costs to close to $100/t.

Gutemberg downplayed the prospects for coal. He noted that there is talk of exports of 100 mn t/y, yet the entire world market for coking coal is only 300 mn t/y, of which half is mined in Australia and the rest in Canada, the US, and Russia as well as Mozambique.

He also gave a mixed message on a proposed coal-fired electricity generating plant. He said hydro-electricity from local dams will always be cheaper, and he would prefer to simply buy electricity. But he did not mention the issue of thermal coal, which must be mined in order to get to the coking coal below. Thermal coal prices have fallen below $75/t, so export is unviable, and the only use would be to burn it in a local power station.

Compensation: Vale will pay and extra MT 119,250 ($3,900) to each of up to 396 families who were relocated to Moatize town. This was not envisaged in the resettlement plan, but the families were resettled too far away from their fields to use them.

Sena railway: Another Vale coal train derailed in Chafundira, Mutarara district, Tete on 27 May, blocking the Moatize to Beira railway line; 32 wagons came off the rails, two of the train crew were injured, 150 metres of track was damaged, and 1,638 tonnes of coal lost. The line was repaired in two days. Improving the standard of the railway to reduce derailments and increase capacity is part of a rebuilding of the line that is progressing on schedule and should be completed by February next year. The line currently carries six coal trains a day from Vale and Anglo-American from Moatize to Beira (and which return empty). CFM also runs one goods train per day carrying molasses from the sugar mill at Marromeu, limestone for cement from Muanza, and timber from Doa. There are also two passenger trains a week - one from Beira to Marromeu, and the other from Beira to Moatize. The derailed train was carrying 2,386 tonnes of coal in 42 wagons pulled by two locomotives. The line is mostly single track, and the rebuilding includes extending the passing sidings from 750 metres to 1500 metres to allow trains of six locomotive and 100 wagons. This will raise the capacity from 6.5 mn t/y to 20 mn t/y. (Noticias 12 May, AIM 28 May)

Pemba port logistics contract awarded without tender

Port logistics for the gas industry in Cabo Delgado will be handled by a Mozambican state company in partnership with a Nigerian-Italian logistics company. Orlean Invest is an experienced logistics company in the Niger delta of Nigeria; earlier this month it flew Mozambican journalists to Nigeria in a company plane to demonstrate the scale of its operation.

A new port is to be built in Palma, where a gas liquification plant is to be built, and a second port is to be built in Pemba adjoining the small one now run by the state ports and railways company CFM (Portos e Caminhos de Ferro de Moçambique). Construction needs to start next year so that building of the gas plant can begin in 2015.

There is a complex chain of companies. In January PCD (Ports of Cabo Delgado, Portos de Cabo Delgado) was given the lease to run port and logistic terminals in Pemba and Palma. PCD is a state company owned half by CFM and half by the state oil and gas company ENH (Empresa Nacional de Hidrocarbonetos).

Without a public tender, on 23 April PCD granted the concession to ENHILS, which in turn is 51% owned by ENH Logistics (owned by ENH) and 49% by Orlean Invest, whose majority shareholder is the Italian billionaire Gabriele Volpi and a minority shareholder is Atiku Abubakar, the former Vice-President of Nigeria, who was publicly accused by the US Senate Permanent Sub-Committee on Investigations of using Orlean for money laundering. Orlean runs the Nigerian port of Onne. ENHIL is also in a technical partnership with Sonangol Integrated Logistic Services (SONILS), part of the Angolan Sonangol group, which is responsible for running the logistical base for the hydrocarbon industr, in the Angolan capital, Luanda.

According to PCD executive director Andre da Silva, ENHILS had been chosen without a public because of its technical capacity and guarantees of immediate financing from Orlean for the construction work. (*Notîcias* 24 April) But CIP (Centro de Integridade Publica) argues that the whole process was irregular. (http://www.cip.org.mz/article.asp?lang=&sub=actual&docno=301)

Confusion continues over gas liquification

There are two main offshore natural gas blocks, and the government has always insisted that there should be a joint gas liquification plant, at an estimated cost of $40 billion. The companies have always been reluctant to share facilities. And on 15 April the Italian company ENI published an advertisement in the Mozambican press asking interested companies to submit proposals for the construction of a floating gas liquification plant. (Currently there are no such plants in the world, but there are proposals). But on 9 May the ENH administrator insisted that despite this, the two companies would still use a joint on-shore facility.

Meanwhile there have been a series of changes in ownership and increases in estimated gas reserves. The whole Rovuma basin is said to have 180 trillion cubic feet (tcf) of recoverable gas. The two main areas are:
Area 1: Anadarko Petroleum (26%), ENH (15%), ONGC Videsh (India, 20%), BRPL Ventures (India, 10%), Mitsui&Co (Japan, 20%) and PTT Exploration & Production (Thailand, 8.5%). Reserves are now estimated at 70 tcf.
Área 4: ENI (50%), China National Petroleum Corporation (20%), and ENH (10%), Korea Gas (10%), and Galp Energia de Portugal (10%). Reserves now estimated at 85 tcf.

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End of a socialist dream

Têxtil de Mocuba was going to be the largest textile factory in Africa, part of Samora Machel's dream to have a textile factory in every province. In the early 1980s East Germany supplied the most modern machinery for Mocuba and hundreds of Mozambicans were sent to Germany for training. Some buildings were built on the site. But the war intervened. The tiny railway to Mocuba was attacked and the equipment was never moved, and was left to rot on the dock in Quelimane. Now even the railway is gone, its tracks pulled up and sold.

In the final indignity for the socialist dream, on 5 May the Council of Ministers named the 19 ha Têxtil de Mocuba site as a duty free industrial zone, awaiting capitalist investment. Companies in a duty free zone are expected to export 70% of their production.

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Agriculture:

Cotton insurance: This sharp fall in cotton production last year is partly blamed on climatic factors, and this season the National Cotton Institute (Instituto do Algodão de Moçambique, IAM) is experimenting with climate insurance covering 18,160 producers in Lalaua district and 21,500 in Monapo district. The producer price this season is 11.75 MT/kg ($0.38) for first grade and 8.7 MT/kg ($0.28) for second grade, for the marketing campaign starting 30 June, IAM has announced. This is up just 0.5 MT/kg on the previous season. IAM predicts 140,000 tonnes of cotton will be exported this year, worth $100 million. Production in 2011/12 was 184,141 tonnes, but fell sharply to 67,392 in 2012/13, IAM says. (www.iam.gov.mz; http://www.iam.gov.mz/attachments/article/142/Project_Desenvolvimento%20de%20seguro%20agrario.pdf)

Sesame (gergelim): Sharply increased demand in Europe and Japan Is pushing up the producer price of sesame, from 30 MT/kg ($1) last season to a minimum of 40 MT/kg ($1.31) now and with forecasts of 50 MT/kg ($1.63) later in the marketing period. Export Trading has contracts with some small commercial producers, in which they agree to pay an agreed price and supply seed, fertilizer and pesticide (the cost of which is deducted from the sale price). But producers in Monapo, Nampula, claim there was a problem last year. They say they were promised a fixed price of 52 MT/kg which sometimes was not paid, or was paid late, and that the cost of inputs deducted was inflated. (*Noticias* 12 Apr & 26 May 2014)

In our forthcoming book *Galinhas e cerveja: uma receita para o crescimento* we estimate that typical production of sesame is 700 kg/hectare(ha) and that the seed and preparation costs are 5000 MT/ha. At 50 MT/kg, the sale price would be MT 35,000, which would leave a profit of MT 30,000/ha - $1000. That is substantial for a small commercial farmer, because the median cash income in rural Mozambique is only one ninth of that - 3400 MT/yr ($111) for an entire family.

Maize prices are falling dramatically. In Angonia the price paid to farmers dropped 22% in a week, to 8 MT/kg - just enough to be profitable - but in Mutarara the producer price fell to 3.7 MT/kg, below the cost of production. (*Notîcias*, 19 May)

Insecurity and kidnappings, as well as an inability to obtain land, are blamed by the Portuguese Grupo Valouro for their decision to not make a planned 140 mn Euro investment in chicken and animal feed production. (Lusa 13 May)

Other news

Malaria: Health units diagnosed 3.9 million cases of malaria and recorded 2091 deaths from the disease in 2013, Health Minister Alexandre Manguele said on 25 April. He said that 9 million insecticide treated mosquito nets had been distributed over the last three years. But he said many people were refusing to allow the Ministry of Health to spray their houses with insecticide.

Av Julius Nyerere: The Portuguese company Constutora Britalar is being forced to repave 1.6 km Av Julius Nyerere in Maputo. The work ran over the deadline and the asphalt began to break up even before it was completed. Laboratory tests showed poor quality materials.

Kidnaps: A verbal battle has ensued between the jailed murderer of journalist Carlos Cardoso, Nini Satar, and the General Commander of the police, Jorge Khalau. In letters to the media, Satar claims he is helping the police identify kidnappers. Khalau in an interview in *Noticias* (19 May) said that not only was this not true, but that "Nini is behind most of the kidnappings. The truth is that Nini is the boss of the kidnappers" and is orchestrating the kidnaps from his prison cell.

Garimpeiros: Artisanal and illegal mining of gold and precious and semi-precious stones has been expanding rapidly. A collapse of an illegal gold mine on 12 May in Memba, Nampula, killed up to 25 miners; 15 were rescued alive. Minerals Minister Esperança Bias ordered the mine closed for a second time, but the miners again returned. One miner who returned told *Notîcias* (22 May) that even though the mine was dangerous, it would be "suicide" to stop mining because gold is his only means of subsistence. There are said to be thousands of artisanal gold miners digging in the area.

Electricity demand has been growing by 15% a year. Keeping pace with that demand requires raising generating capacity by at least 100 megawatts a year, Energy Minister Salvador Namburete said on 8 May. There are plans for five new hydro-electric power stations, four on the Zambezi River: a north bank power station at Cahora Bassa (1,245 megawatts - MW), Mphanda Nkuwa, on the Zambezi, 60 km downstream from Cahora Bassa (1,500 MW in phase one and an additional 900 in phase two), Lupata (600 MW), and Boroma (200 MW). A small 120 MW dam on the Rio Lurio is also proposed. In addition at least three coal mining companies want to install power stations at the mouth of their mines to burn the coal that is not of export quality. In a 22 April briefing, the Minister said over the last five years the Mozambican government has invested $530 mn in rural electrification, and that 121 of 128 district capitals now had electricity. In the last five years, he added, 7,500 km of electricity transmission lines were built.

Mozambique is living on foreign savings warns economist João Mosca. Local interest rates remain prohibitively high, so investment can only be made with foreign finance, he explained. (O Pais 2 May)

Long forgotten metro plans are coming back to haunt the government. In 2011 the government signed an agreement with the Italiana company Salcef Costruzioni Edili e Ferroviarie to design, build and run a light rail metro system linking Maputo and Matola, under a public-private partnership. The company claims that the contract was cancelled without explanation, but that the plan was then used of JICA (Japanese International Cooperaitn Agency) for its more recent bus rapid transit system proposal. The Italian company is suing the government for 100 million Euros.

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The next book

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon will be launched in July in Maputo.

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

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by Joseph Hanlon & Teresa Smart
is now available in **paperback**, for £17.99 (+ p&p)
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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:
This 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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