

# MOZAMBIQUE 189

## News reports & clippings

### 30 Nov 2011

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Joseph Hanlon

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Attached file: This newsletter in pdf

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*In this issue:*

## New Reports

**Corruption**      **Coal**

**Jobs**      **China**

**Banks: Guebuza, BIM**

**No big constitution changes**

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## Mozambique most corrupt in region

***but Mozambicans have most trust in media***

Mozambique is the most corrupt country in southern Africa, with 68% of people having paid a bribe in the past year, and 56% saying they think corruption is getting worse. These are the results of a survey carried out earlier this year for Transparency International and published 22 November. Police are most corrupt everywhere, but education and health in Mozambique are significantly more corrupt than in other countries, except the DRC.

Respondents were asked if they had paid bribes to various institutions. Of those who had contact with the police, 48% paid a bribe. For other institutions (only those who had contact with that institution), the portion who paid a bribe was: health 39%, education 35%, registry and permit services 35%, and customs 31%. Bribes were quite large, with 17% paying over \$100 in bribes in the past year. The most common reason to pay a bribe was "to speed things up", 61%.

Across the region more than half of people paid bribes in the past year and 62% think corruption is worsening. Zimbabwe and Zambia are seen as the least corrupt countries, although even in Zambia, the least corrupt, 42% of people said they paid a bribe in the past year.

Mozambique has by far the highest trust in the media, with 22% saying they trusted the media most to fight corruption. (Zimbabwe and DRC had the lowest trust of media.) Mozambicans put most faith in the media, followed by government 20%, and international organisations and NGOs 17% each.

1,000 people were surveyed in Mozambique in April and May 2011 by local company TRS through Gallup International. The data were weighted by age, gender and region to nationally representative.

"Daily Lives and Corruption, Public Opinion in Mozambique" will be posted on my website: [tinyurl.com/mozamb](http://tinyurl.com/mozamb)

"Daily Lives and Corruption, Public Opinion in Southern Africa" surveyed more than 6,000 people in the Democratic Republic of Congo (DRC), Malawi, Mozambique, South Africa, Zambia and Zimbabwe between 2010 and 2011. On the TI website:

<http://www.transparency.org/content/download/64242/1028614>

## Coal mines are not reducing poverty

The Vale and Riversdale-Rio Tinto coal mines in Tete are doing nothing to reduce poverty in the province, according to a study by Centro de Integridade Pública (CIP), to be published Thursday. "El dorado Tete: os mega projectos de mineração" (El Dorado Tete: the mining mega-projects) by João Mosca and Tomás Selemene will be available (in Portuguese only) on the CIP website on Friday: <http://www.cip.org.mz>

This is the most detailed study so far of coal mining in Tete, and it does not paint a happy picture. The main economic impact has been in the construction and services sector, and in inflation, for example of rents for flats and costs of hotel rooms.

The mines have not created a local economic dynamism nor entrepreneurial clusters, in part because here have been no incentives to promote local business linked to the mega-projects. Indeed, there seems to be no local planning to deal with rapid growth in the cities of Tete and Maotize, and municipal capacity is actually becoming weaker.

Resettlement of people living in areas to be dug up has been a serious problem, with families losing farmland and access to markets

Secrecy around mining is a serious problem. The authors note that Minerals Minister Esperança Bias, the provincial minerals director, the Tete vereador for urban administration, Vale, and Riversdale all publicly promised information which they did not provide. And the report criticises the non-transparency relating to contracts between government and companies. Indeed, even local officials do not know the terms of agreements.

+ Coal exports could hit 100 million tonnes per year with the government earning \$600 million per year, Casimiro Francisco, president of the Association of Coal Mining Companies, told a conference in Maputo on 23 November. (Noticias 24 Nov 2011)



## China only 10th investor

China is Mozambique's 10<sup>th</sup> largest investor, accounting for only 7% of Foreign Direct Investment last year, according to a study by IESE published 3 November.

The Investment Promotion Centre (CPI, Centro de Promoção de Investimentos) approved 13 Chinese projects worth \$39 mn, compared to \$88 mn for South Africa and \$154 mn for Portugal. (Note that approved investments are not always carried out, and not all investments go through CPI.) Chinese investment approvals in the past four years total \$206 mn, and they are largely industrial and near Maputo.

In 2010, 71% of projects were industrial, 21% construction, 6% services, and just 2% agriculture, projected to create 2,391 jobs. The biggest ongoing project appears to be the \$26 mn Henan Haode Mozambique Industrial Park in Marracuene to produce textiles and clothing.

"Investimento directo chinês em 2010 em Moçambique: impacto e tendências", by Sérgio Chichava, Ideas Boletim 39, IESE - Instituto de Estudos Sociais e Económicos, [http://www.iese.ac.mz/lib/publication/outras/ideias/ideias\\_39.pdf](http://www.iese.ac.mz/lib/publication/outras/ideias/ideias_39.pdf)

## Mozambique must create 20x more jobs

The economically active population is growing by 300,000 per year, yet fewer than 15,000 formal sector jobs are being created, warns a USAid study by Antonio Franco. Formal sector jobs in 2007 were 532,000 in the private sector, 245,000 in government (including education and health), and an incredible 61,000 in NGOs, embassies and international agencies (aid really is Mozambique's biggest industry).

The paper warns that "the big companies, in particular those linked to the mega-projects, always receive special and individual treatment by the authorities, because of the large amounts of money being invested and the international demonstration effect. The problem is that, in general and almost without exception, these companies are capital intensive and, comparatively, create few jobs." It is the small and medium companies that create jobs but they face bureaucracy and a poor business climate. Thus "the business climate discriminates against national entrepreneurs."

He calls for increased agricultural productivity (without which, he notes, poverty reduction is impossible) and improved business climate, but offers no ideas how to do this.

But he does have two concrete proposals. He points out that virtually all revenue is coming from non-renewable resources, so he calls for the creation of a "sovereign wealth fund" which would invest some of the money (as Norway does), rather than simply spend it (as the UK did). He also argues that the metical is over-valued (although he does not mention that attempts to set a more realistic value caused riots last year). This makes it harder for local producers to export and to compete with imports.

"Desafios da Economia Moçambicana", USAID Speed Program, 2 Nov 2011 <http://www.speed-program.com/library/resources/documents/speed-notes-2011-012desafioseconomiamocambicana.pdf>

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## Frelimo backs off on constitution

After a year of confusion and inconclusive internal debate, Frelimo has backed off on attempts to make substantive changes to Mozambique's constitution. Proposals finally tabled last month are all minor, and most involve wording and grammar changes.

Frelimo caused surprise in parliament last year when it demanded the setting up of an ad hoc commission to change the constitution, but repeatedly refused to say what changes it wanted. It was widely reported that one wing of Frelimo was trying to find a way for President Armando Guebuza to retain some official power, even though he cannot stand again in 2014. Others in the

party clearly opposed this, and it appears that no internal consensus could be reached.

Speaking in parliament on 24 October, the head of the Renamo group, Angelina Enoque, asked why \$850,000 had been wasted on setting up a special ad hoc commission, when these minor changes could have been dealt with by the parliamentary Commission on Constitutional Matters.

As well as many wording changes, the main Frelimo proposals are:

- + The Constitutional Council would become a Constitutional Court, with more powers, but still sitting above the two supreme courts (justice and administration), which are also renamed.
- + Defines the age of majority as 18.
- + Presidential elections would always be in October. Presidential candidates would have to live in Mozambique for the two years before election. Voting abroad would take place before voting in Mozambique.
- + Define that "community authorities are traditional chiefs, village and neighbourhood secretaries, and other legitimate leaders recognised as such by communities" – thus giving the secretaries an official position.
- + Underline that the provincial government is named centrally (and thus not by the new provincial parliaments).

The full list of proposed changes was published in Noticias on 14 October 2011:  
<http://www.jornalnoticias.co.mz/pls/notimz2/getxml/pt/contentx/1317007/20111014>

## **Banks**

### **Guebuza bank**

Banco Unico, a new bank part owned by the family of President Armando Geubuzá, will be modelled on Banco BIC in Angola, according to MacaHub (7 November). Banco Unico is 85% owned by Gevisar of Portugal, which is 70% owned by Américo Amorim and 30% by Visabeira. Amorim, one of the wealthiest men in Portugal, owns 25% of BIC in Angola, with Isabel dos Santos, daughter of Angola's President José Eduardo dos Santos; he has no known other interests in Mozambique, but this could indicate plans to make other investments. Visabeira owns the Girassol hotel group, TV Cabo, and various other businesses in Mozambique.

Mozambican shareholders hold 15%, and include the bank's Chief Executive Officer, Joao Figueiredo, formerly chief executive of Millennium BIM. Other shareholders include Mozambique's National Social Security Institute of Mozambique (INSS), Rural Consult, DHD (owner of O Pais and STV), SS, and Agro-Alfa. Africa Monitor reports that SS is linked to Salimo Abdula, until recently the president of the CTA business confederation and very close to President Armando Geubuzá. Africa Monitor links Agro Alfa to Mussumbuluko Armando Guebuza, businessman son of President Armando Guebuza, and says both are members of the boards of Banco Único.

The World Bank International Finance Corporation announced in May that it proposed to take 10% of the bank and lend it \$15 mn.

- + Banco Comercial Português (BCP) profits fell 73% in the first nine months of the year, and reports in Portugal last week were that BCP could need state intervention, or could be forced to sell Millennium BIM in Mozambique (although profits from the Mozambique bank were up 45%).  
[http://www.jornaldenegocios.pt/home.php?template=SHOWNEWS\\_V2&id=521691](http://www.jornaldenegocios.pt/home.php?template=SHOWNEWS_V2&id=521691)  
[http://economico.sapo.pt/noticias/lucro-do-bcp-recua-73-nos-primeiros-nove-meses-do-ano\\_130379.html](http://economico.sapo.pt/noticias/lucro-do-bcp-recua-73-nos-primeiros-nove-meses-do-ano_130379.html)

### **Even more gas**

US oil group Anadarko Petroleum announced Monday it had found more natural gas in the Rovuma basin, upping its estimate of reserves from 10 trillion cubic feet (238 billion cubic metres) to between 15 and 30 trillion cubic feet of recoverable natural gas. Anadarko has 36.5% of its

block, with the remainder in the hands of Mozambique's ENH (15%), Japan's Mitsui (20%), India's BPRL (10%), India's Videocon (10%), and UK's Cove (8.5%). (Macauhub 29 Nov 2011) ENI has declared 22 trillion cubic feet in its block of the Rovuma basin.

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**Now in paper at a reasonable price**

## **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>

and on

Amazon.com for \$27.95

Amazon.co.uk for £17.99

## **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**

<http://tinyurl.com/justgivemoney>

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## **Two working papers on the web**

### **Poverty is not being reduced in Mozambique**

LSE Crisis States Research Centre Working Paper No. 74 (series 2)

Benedito Cunguara and Joseph Hanlon, June 2010 t

<http://www.crisisstates.com/download/wp/wpSeries2/WP74.2.pdf>

Tambem em Portugues:

<http://www.crisisstates.com/download/wp/wpSeries2/WP74.2portuguese.pdf>

### **Mozambique's Elite – Finding its Way in a Globalized World and Returning to Old Development Models**

Joseph Hanlon and Marcelo Mosse September 2010

WP/105 UNU-WIDER: The Role of Elites in Economic Development project

[http://www.wider.unu.edu/publications/working-papers/2010/en\\_GB/wp2010-105/](http://www.wider.unu.edu/publications/working-papers/2010/en_GB/wp2010-105/)

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#### **Mozambique media websites:**

Noticias: [www.jornalnoticias.co.mz](http://www.jornalnoticias.co.mz)

O Pais: [www.opais.co.mz](http://www.opais.co.mz)

Macauhub English: [www.macauhub.com.mo/en/](http://www.macauhub.com.mo/en/)

Savana: [www.savana.co.mz](http://www.savana.co.mz)

Canal de Moçambique: [www.canalmoz.com](http://www.canalmoz.com)

AIM Reports: [www.poptel.org.uk/mozambique-news](http://www.poptel.org.uk/mozambique-news)

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