

MOZAMBIQUE News reports & clippings

391 4 November 2017

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Also in this issue:

Drought food aid criticised

Most secret debt illegal, say bondholders

How to use blocked \$

Chinese projects

Maputo needs rain

The reservoir behind that Pequenos Libombos dam, which supplies water to Maputo and Matola, is only 20% full, which means that Maputo needs a good rainy season if it is to avoid further water restrictions. This is reported in the first of the National Hydrological Bulletins (Boletim Hidrológico Nacional) for this rainy season published by the National Directorate of Water Resource Management. These are not posted on the Ministry website, so we I am posting them:

Flood and reservoir bulletins are posted on <http://bit.ly/flood-17>

Southern Maputo province is predicted to have above average rainfall for the next two months, but below average for January-March 2018, according to the rainy season forecast by INAM

<http://www.inam.gov.mz/images/pdfs/Previsao-Climatica-Sazonal-para-a-epoca-chuvosa-2017-2018.doc-1.pdf>

The Pequenos Libombos dam is not predicted to become more than half full, in the flood projections of the National Meteorological Institute (Instituto Nacional de Meteorologia)

http://www.inam.gov.mz/images/pdfs/Informe_Nacional_Prognstico_Cenarios_Hidrolgico_Agrcola_2017-18.pdf

Recent reports

Special report on social protection <http://bit.ly/MozSocPro>

Secret debt documents and report:

Kroll full report (80 Mb!) <http://bit.ly/Kroll-Moz-full>

Kroll audit Executive Summary <http://bit.ly/Kroll-sum>

Parliamentary Report on the Secret Debt (complete, in Portuguese) bit.ly/MozAR-debt

Key points from the Parliamentary Report on the Secret Debt <http://bit.ly/MozAR-debt-En>

Mozambique should not pay the hidden debt <http://bit.ly/Moz-do-not-pay>

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

Other books and reports:

Government's detailed flood reports: <http://bit.ly/flood-17>

Local media monitoring of Mozambique elections (background of election newsletters)

<http://bit.ly/LSE-newsletter>

Chickens and beer: A recipe for agricultural growth in Mozambique book by Teresa

Smart and Joseph Hanlon, **free** English download <http://bit.ly/chickens-beer>

Há mais bicicletas - mas há desenvolvimento? book by Joseph Hanlon and Teresa Smart,

free Portuguese download <http://bit.ly/Mais-bicicletas>

Gas for development or just for money? <http://bit.ly/MozGasEn>

Minimum wages & exchange rates 1996-2017 <http://bit.ly/MinWage2017>

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

Late rains to hit farmers

Rains will be good in January-March in most of the country and should be good for agricultural production, according to INAM forecasts. But rains will be below normal and less than needed by the farmers in much of the country until the end of the year, particularly in some of the most productive regions of Nampula, Niassa and Cabo Delgado - as well as parts of Zambézia and Angónia in Tete. This will force farmers to delay planting in many areas.

For January-March, the forecast is **below normal rain in the south** (Maputo, and south of Gaza and Inhambane) and the north of Cabo Delgado; **above normal in the centre** (Tete, Zambézia, Sofala and Manica. plus north of Gaza and Inhambane); and **normal in the north** (Nampula, Niassa, and southern Cabo Delgado).

Little flooding is predicted for the rest of this year, but for January-March 2018 INAM predicts a moderate to high (50-75%) flood risk on the Incomáti, Save, Búzi, Pungue, Savane, Licungo, Megaruma and Messalo rivers, and a moderate risk on the Maputo, Umbeluzi, Limpopo, Gorongosa, Zambeze, Raraga, Ligonha, Monapo, Lúrio Montepuêz and Rovuma rivers. There is a high risk of flooding in some neighbourhoods of Maputo and Beira.

Harsh criticism of drought food aid that provoked threats & violence

Selective distribution of food aid in the 2016 drought in southern Mozambique is sharply criticised in a study for the United Nations Population Fund (UNFPA). The study found food stolen from beneficiaries. Quarrels arose when hungry children from non-beneficiary households tried to eat with beneficiary neighbours. In Sabie a team distributing food was threatened with beating and had to flee.

And there will be political impact. The study notes that "during group discussions the sense of injustice was visible with expressions like: 'when it is time to vote we all do but with food some eat and others don't.'" In an area near a Renamo base a community leader was told his name would be given to Renamo guerrillas as a target because he excluded families; he said "they do not understand that the programme only accepts a total of 40 families".

And there was huge variation, with some agencies distributing up to ten times as much food and other products as other agencies.

The study was done in five districts of Inhambane, Gaza and Maputo provinces which are normally dry and badly hit. Foreign NGOs, the World Food Programme (WFP), and the government's own National Disasters Institute (INGC, Instituto Nacional de Gestão de Calamidades) tried to target those most in need, and distributed commodities. WFP distributed vouchers which could be used at a special market.

"All communities agree that the drought is affecting them all," the report notes. Thus "selecting just some localities and specific beneficiaries is creating a revolt amongst those excluded." One community in Magude agreed a secret arrangement to redistribute all the aid received so that everyone had aid.

The study calls for "universal distribution of aid in cash rather than goods. In the rural areas visited there is no great differentiation on levels of poverty and richness. In a poor country like Mozambique, especially in rural areas, it would be more effective to cover all in need. Cash would be the privileged form of aid, as it allows household members (especially women) to make choices based on their more pressing needs."

The study was concluded in December 2016, during the drought, but a one page summary was only published last month by UNFPA and DfID, and it only covers gender issues, not the criticism of selective commodity aid. <https://reliefweb.int/sites/reliefweb.int/files/resources/KB - Women and Drought in Southern Mozambique.pdf> The full report appears not to have been published, but it has been made available by Zitamar (36 Mb!) on <https://drive.google.com/file/d/0BzjeoV3aizNXZERDejlMaGtSVkk/view?ts=59fc1b18> and is now also on my website in condensed format (full report, poorer pictures, 1.1 Mb) on <http://bit.ly/2zckOeY>. The aid critique is on pages 35-39.

Drought hit women hardest

The title of the study, "Women and drought in southern Mozambique: more responsibilities, less power and increased vulnerabilities", tells the gender side of the study for UNFPA. The drought and the lack of agricultural activities made sharp changes:

- + Women were pushed into traditionally male economic activities, such a cutting wood and making charcoal. But household power dynamics did not change.
- + In an already dry area, collecting water took 10-12 hours per day instead of 2-5 hours. Girls were taken out of school to help.
- + Drought increased poverty and resource scarcity increased conflicts and violence within the household.
- + Men from these districts have always migrated to work in Maputo and South Africa, but the drought forced women and girls to migrate as well, sometimes to live with urban relatives and become domestic workers or market traders. Grandparents were left to care for smaller children.
- + Young women and girls were forced to become wives or lovers of richer men or to sell sex in bars.

The survey notes that "in all six districts there are reports of unplanned pregnancies of teenage girls." There are also indications of an increase in child marriages and in HIV (an issue because the tradition of migration already makes this a high HIV areas).

"In Funhalouro, the presence of a compound of male workers under SASOL for the installation of a pipeline in the area has driven young women who have no other opportunities in place to resort to sex with such workers in exchange of their needs. ... Engaging in transactional sex emerges as a coping mechanism to the actual drought."

Most secret debt illegal, say bondholders

"Mozambique is clearly not in medium-term debt distress. Rather, Mozambique has a short-term problem caused by its refusal - thus far - to follow the ruling of Mozambique's Administrative Tribunal and the evidence from the Kroll report, which would warrant the government disavowing the remaining \$1.2 billion in illegal guarantees on the MAM and Proindicus liabilities," argue the Ematum bondholders in a 25 October statement. "Disavowal of those purported guarantees and the liquidation of the insolvent MAM, Proindicus and Ematum entities is the appropriate restructuring that would accelerate Mozambique's economic recovery."

The bondholders are arguing that all of the original \$2 bn secret debt was illegal. But the \$800 mn Ematum bonds were then nationalised by the government, and made legal. So the bondholders should be paid, but not the other \$1.2 bn in creditors who participated in MAM and ProIndicus syndicated loans. <https://drive.google.com/file/d/0B3O1hc0SqbmZUIHUGNVV1AyZ3M/view>

Debt Comments:

1. No one wants to talk now

The bondholder statement also contains a lot of nonsense - that the government must pay in full, that the government has stabilised the economy and should use growing reserves to pay, and that bondholders will not sit at the same negotiating table as the syndicated loan holders. All of that is a way of saying that the bondholders do not really want to talk now. Vulture funds have been buying Mozambique bonds with the intention of holding them for several years.

Indeed, it now looks like the three main parties all want to wait for at least three years until there is a new government and the gas is closer to production and Mozambique has some hope of paying. The three sides are the ex-Ematum bondholders, Credit Suisse and the holders of syndicated loans to MAM and ProInducus, and the government.

Government has no money to pay and will not for the next three years, so it simply will not pay and sees no reason to talk to creditors. Bondholders think they will get more money later when the gas comes on stream, and can keep the government bonds in their portfolio until then.

With respect to Credit Suisse and the syndicated loan holders, the position is more complex. So long as Mozambique simply does not pay, it would be up to the lenders to go to court against the government, and any legal action would be in an English court. The court would take into account Credit Suisse's obvious misconduct in the loans, and the decision in the English High Court on 29 March on Ukraine debt means the court will also have to take into account Mozambique's constitution and that fact that government has never acknowledged the secret debt. (see this newsletter 372, 2 June). Thus the creditors seem unlikely to sue because they could easily lose.

Credit Suisse is not going to rush any legal action or negotiations. Tidjane Thiam only recently became CEO of the bank and he is trying to clean up some of the worst problems. In three years he will be able to say that problems with Mozambique took place under an old poorly run administration and his bank is now clean and has no responsibility for what happened nearly a decade earlier.

So no one has any interest in talking about the \$2 bn secret debt now. Perhaps in 2020. *jh*

2. Bondholders back state not paying

Bondholders' use of the word "disavow" is important, because it means to deny responsibility - it is very different than defaulting. Of course this is in the interest of the bondholders - pay us and not the others, they say. But this is actually very important support for Mozambique. The bondholders represent major global bond traders and investment funds, such as Franklin Templeton, and for them to say the syndicated loans are illegal adds major weight to those who say Mozambique should not pay. *jh*

3. Finding ways to give \$ to government

To support water supply in Maputo, Netherlands on 30 October gave \$2 mn to FIPAG (Fundo de Investimento e Património do Abastecimento de Água; Water Supply Investment Fund), which describes itself as "a public institution with administrative autonomy under the Ministry of Public Works, Housing, and Water Resources."

We raised this with the Dutch, who explained that Netherlands has not given budget support since 2013, but that after the disclosure of the hidden debts, the Minister for Trade and Development - in line with the GBS donors - decided to suspend all Dutch aid to central government channelled through the Treasury. Netherlands suspended contributions to the common funds in health and water. But Dutch support to FIPAG does not fit into this category because the funds are earmarked

to specific activities and specific requirements apply for reporting; disbursements are made through a separate bank account, not through the Treasury.

INAS (Instituto Nacional de Acção Social; National Social Action Institute) has similar administrative autonomy under the Ministry of Gender, Children and Social Action. Donors have been looking for ways to support social protection and cash transfers and to use money that had been planned for budget support. (See our recent social protection special report, <http://bit.ly/MozSocPro>)

Some donors treat INAS as a central government fund. But if the Dutch can find a way to treat FIPAG differently, surely the EU and other donors could find a way to channel money through INAS to support the extension of basic grants for children and the elderly. *jh*

Electricity problems if debt crisis continues

"If the debt situation continues for the next two or three years, we will be affected," said Carlos Yum, operations manager of EDM (Electricidade de Moçambique, Mozambique Electricity). EDM needs to borrow more than \$600 mn for "urgent" and "critical" investment; if that is not available, infrastructure could collapse, he said. (*O País Económico* 3 Nov)

EDM accounts show the company lost MT 900 mn (\$15 mn), partly due to low energy prices which had been forced by previous president Armando Guebuza. But Yum also pointed to the economic crisis which caused shops and restaurants to close and caused a general fall in electricity consumption in 2015 and 2016.

The accounts also show that personal costs and salaries rose MT 700 mn (\$12 mn) in 2016. EDM's administrative council, which includes Yum, has salaries only 30% paid in Meticais and the rest in US dollars. Thus the dramatic 2016 devaluation forced an increase in Meticais costs. There are six members of the administrative council, and *O País* (3 Nov) estimates their salaries at MT 1.2 mn (\$20,000) per month each. Eleven former council members also receive payments.

Details of 52 Chinese projects in Mozambique

China had at least 52 official government projects worth \$2.3 bn in Mozambique during the period 2000-2014 according to a new and comprehensive data set produced by AidData, based at William and Mary College in the United States. I have extracted some of the Mozambique data into a summary table which is attached as a pdf and also available on <http://bit.ly/ChinaProj> For more data, definitions, explanations and other recipient countries, please consult the full global data set on <http://aiddata.org/data/chinese-global-official-finance-dataset>.

On-going news

Further meetings between Dhlakama and Nyusi will be held this month, Renamo head Afonso Dhlakama told *Savana* (3 Nov). He said the purpose would be to make adjustments to documents on decentralisation which are being drawn up by a working group formed by the government and Renamo. He said he and President Filipe Nyusi would agree documents on the constitutional amendment to allow elections of provincial governors and legislation on provincial finance to be submitted to parliament. "There is no decentralisation or autonomy of a town, district or province unless these places have the capacity to organise their budget", explained Dhlakama. Nyusi and Dhlakama last met on 6 August, near the Renamo base in the bush of Gorongosa, where Dhlakama has been living since late 2015. A second working group is dealing with military questions, and Dhlakama said this was "a practical matter" that did not need to go to parliament. Dhlakama wants some form of parity between Renamo and the government in the military, as exists in the election machinery. He said that "Frelimo will have to retire some of its officers to

make way for ones from Renamo”.

75 to 100 people have been arrested following attacks on police in Mocimboa da Praia on 5-6 October. The Cabo Delgado provincial government has finally admitted that the were the work of Islamic fundamentalists, in a joint press statement from the Cabo Delgado provincial government and the Islamic Council of Mozambique said. Central government still avoids using the term. (AIM En 1, 3 Nov) The secretary of the neighbourhood of Nanchamele, in Mocimboa da Praia, Selemene Sumail, was killed on 1 November in his house by five men with knives. (AIM En 3 Nov)

Meanwhile, author Mia Couto, who has worked in the area as an environmental consultant, told *O Pais* (31 October): "What happened in Mocimboa da Praia should be studied carefully, because it is not a new thing. When I worked in Palma some time ago, I saw a certain radicalism that was settling in, and I think we responded late. There were already signs that showed there were new people with a more intolerant attitude, and that, sooner or later, attacks would happen."

At least \$3 mn in tax payments has been stolen by diverting cheques paid to the tax authority since 2013. Assistant general director of taxes, Domingos Muconto, said that the scheme involved accountants, company officials, and banks. (AIM En 2 Nov)

Yara is not moving yet on the \$2 bn fertiliser plant, Yara CEO Svein Tore Holsether told Reuters (3 Nov). It won an international tender for gas for the fertilizer in July, but there is no construction schedule and Yara is looking for potential outside funding.

Licensing of mining areas is prone to corruption said Minister of Mineral Resources and Energy Leticia Klemens on 1 November. (*O Pais* 2 Nov)

Malaria is increasing and remains a major health problem. In 2016 there were 4.6 mn cases, leading to 900 deaths. In the first 10 months of this year, there were already 5.6 mn cases with 754 deaths, reported Minister Nazira Abdula. (*Notícias* 18 Oct)

Only 10% of children speak Portuguese when they enter primary school. according to Ismael Nheze. director of the National Education Development Institute (INDE, Instituto Nacional de Desenvolvimento da Educação). The rest speak a local mother tongue, underlining the importance of bi-lingual primary education. (*O Pais* 3 Nov)

Only 6 companies are listed on the Mozambique stock exchange (Bolsa de Valores de Moçambique, BVM), which began operation in 1999. (AIM Pt 4 Nov)

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This newsletter can be cited as "Mozambique News Reports & Clippings".

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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Other books and reports by Joseph 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/>

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 (Karibu at airport, Livaria UEM, Bazar Pariso, Mivany) or from **KAPICUA**, which recently moved to Av de Maguiguana (nr Lenine), Maputo; Tel: +258 21 413 201.
Telm.: +258 823 219 950 E-mail: kapicudir@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>
Há mais bicicletas - mas há desenvolvimento? free download of Portuguese edition (5 Mb)

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 be **read on the web** tinyurl.com/justgivemoney

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

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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