

MOZAMBIQUE News reports & clippings

342 24 October 2016

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Mozambique material are posted on bit.ly/mozamb

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Comment: something will turn up: <http://bit.ly/28SN7QP>

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

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

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:

Renamo assembly member killed

Gas: industrialization, negotiations

Controversial new minerals minister

Interest rates up 6%; base rate now 23.25%

**BdM governor says
inflation will exceed 30%**

The new governor of the Bank of Mozambique (BdM), Rogério Zandamela, on Friday night pushed up interest rates by 6% and imposed further restrictions on commercial banks. He said that with inflation now over 25%, the interest rate was effectively negative in real terms. Zandamela predicted that inflation will exceed 30% by the end of the year. (*O Pais* 24 Oct, <http://www.bancomoc.mz/>)

The base rate, the rate at which BdM lends to commercial banks (taxas de juro das Facilidades Permanentes de Cedência de Liquidez - FPC), was raised to 23.25%, and the interest rate paid on compulsory deposits with BdM (taxas de juro das Facilidades Permanentes de Cedência de Depósitos - FPD) was raised to 16.25%. In addition, the commercial banks must deposit with the BdM 15.5% of their deposits (up from 13% for Meticais and 15% for foreign currency deposits). This is partly to mop up what Zandamela said was an excess of liquidity in the commercial banks of \$60 million.

A renewed acceleration of devaluation, and concerns about secrecy in foreign exchange trading by the banks, led Zandamela to rule that commercial banks must notify BdM three times a day of their rates of exchange on foreign currency, and this will be published. Furthermore, commercial banks can now only go to BdM to borrow money twice a week.

Foreign currency reserves fell to \$1,693 million at the end of September, which is equivalent to three months of imports, normally seen as the lowest acceptable level. Reserves fell by \$92 mn in the third quarter after BdM gave \$182 mn in hard currency to commercial banks and paid \$66 mn in debt service.

Zandamela was clear about the cause of the crisis: "suspension of foreign aid, reduction in foreign direct investment, an increase in debt service payments," and falling exports, leading to a shortage of foreign currency.

The Metical depreciated another 3% against the Rand last week, and Zandamela noted that inflation is driven in part by the increasing cost of food imported from South Africa. On Friday 21 October, 1 Rand cost 5.62 Meticias and \$1 cost 78.28 Mt.

Renamo Nampula assembly member killed in 6th assassination

Flor Armando, Renamo Ribaué district political delegate and a member of the Nampula Provincial Assembly, was killed in a drive-by shooting along with a Renamo member named only as Zeca. The two were on a motorcycle going from Iapala to Ribaué on 18 October. (AIM En 19 Oct) This the sixth assassination of a senior Renamo politician this year.

International mediators met separately with Renamo and government 18 and 19 October. The coordinator of the mediating team, the Italian Mario Rafaelli said "the next meetings will also be bilateral, in order to look into the matters discussed in greater depth". (AIM En 20 Oct) This underlines the failure to make progress in face to face talks. The mediation process was further complicated by the arrival last week for the first time of yet another mediator, former Tanzanian President Jakaya Kikwete, who had been nominated by Frelimo but had so far not participated.

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Mining and Gas

Gas industrialisation proposal deadline extended

A call for proposals to use the Rovuma Basin gas to produce diesel fuel, fertilizer and electricity starting in 2022 had had its deadline extended for a month, to 17 November. The National Petroleum Institute (Instituto Nacional de Petróleo, INP) issued this first call for proposals for domestic industrial use of gas in August. But INP is offering very little gas, 100-400 million cubic feet per day (using 1-4 tcf of reserves).

It has always been assumed that some gas would be used to produce electricity, and some of the initial electricity will be used for other gas linked projects and for urbanization in Cabo Delgado.

Fertilizer has always been seen as the first step in industrialisation. The gas can be used to produce urea, which is the most common nitrogen fertilizer. INP wants to link this to the development of deposits in Moma, Nampula, of phosphorous pentoxide to produce phosphate fertilizers. Nitrogen increases yield and phosphate improves crop quality. The Norwegian company Yara is the world's largest mineral fertilizer producer and has been pushing the project in Mozambique; Japanese companies are also interested. A fertiliser plant would take 70 million cubic feet of gas a day and cost more than \$1 billion. Mozambique uses little fertiliser, and a contract to sell inexpensive fertilizer locally and export the rest would be a huge boost for Mozambican agriculture.

Many foreign companies, notably Shell and Sasol, have been promoting "gas to liquids" (GtL), converting gas to diesel fuel for cars, buses and lorries. Locally produced diesel would replace imports, reducing the need for foreign currency. There are three problems with GtL. First, with

diesel prices currently very low and expected to stay low for a long time, would this be profitable, or would it make more sense to export gas or LNG and import diesel? Second, GtL would probably take all the available gas, leaving none for fertiliser or electricity. Third, GtL would create few jobs. The smallest GtL plant would need 250 mn cubic feet per day of gas and would cost at least \$5 bn.

In the report "Gas for development or just for money?" (<http://bit.ly/MozGasEn>) we discussed these options in more detail, but also pointed out that Mozambique could call for proposals that would create more jobs and spur industrialization through the production of plastics and chemicals. Chinese industry has taken a lead in some of these sectors, and in recent meetings Mozambique has been trying to promote Chinese industrial investment. But INP is not calling for proposals for chemicals and plastics.

Leticia da Silva Klemens named Minister of Mineral Resources and Energy

Leticia da Silva Klemens, with no experience in government or of minerals, was controversially named Minister of Mineral Resources and Energy last week, replacing the highly respected Pedro Couto, sacked in September. She was chair of the general meeting of the country's largest commercial bank, the Millennium-BIM, and chair of the Association of Mozambican Businesswomen (FEMME). In swearing in Klemens, President Filipe Nyusi tacitly recognised her inexperience, arguing that "due to the complexity of the industry, no one is competent enough to satisfy everyone."

"Anadarko, ExxonMobil and Delonex get Couto's head on a platter" reported *Africa Energy Intelligence* (18 Oct). "Very cautious and reputedly incorruptible," the gas and oil companies clearly felt Couto was pushing too hard in Mozambique's interests and delaying their projects. Nyusi came under heavy pressure to dismiss Couto when he talked to oil in gas companies on his visit to the US in September. Both *Africa Confidential* and *Africa Energy Intelligence* say Couto failed to win the backing of the Frelimo old guard. *MediaFax* (19 Oct) said Couto resisted the demands of business networks involving leading figures in the government and party. "They say Couto argued excessively for the interests of the population, when you consider that, today, it is 'politically correct' to also accommodate the desires of the business in the promiscuous relationship between businessmen and politicians." Couto was too careful and too honest.

The 44-year old Klemens is part of the new generation of Frelimo children, and she is in business with the children of the key leaders of the independence struggle: former presidents Samora Machel, Joaquim Chissano, and Armando Guebuza as well as influential figures Alberto Chipande and Tobias Dai.

Exxon close to buying Area 4

The US oil company ExxonMobil is close to taking control of offshore Area Four of the Rovuma Basin, according to Oscar Mitha, chair of Mozambique's National Hydrocarbon Company (ENH). Mitha told reporters on 20 October believed that the US company would become the Area Four operator, with ENI a minority shareholder. The share purchase will result in several hundred million dollars of capital gains tax to Mozambican, partially easing the current debt and foreign exchange crisis.

The Italian energy company ENI is currently the operator of Area Four, which is owned 50% by ENI, 20% by the China National Petroleum Corporation (CNPC) and 10% each by Galp Energia of Portugal, Kogas of South Korea, and ENH.

Mitha was confident that ENI will announce its Final Investment Decision for Area Four in November, or at the latest in December. ENI and its partners intend to produce liquefied natural gas (LNG) from a floating liquification plant installed above the Coral South gas field.

Earlier this month, ENI and its partners signed an agreement in London to sell LNG to BP Poseidon, a company fully controlled by British Petroleum (BP). The contract with BP covers the sale for 20 years of all the LNG that will be produced at the Coral South facility. This floating factory will have the capacity to produce over 3.3 million tonnes of LNG a year. (AIM En 21 Oct, O Pais 22 Oct)

No Anadarko Area 1 LNG decision for another year

Plans for Anadarko's liquefied natural gas (LNG) plant are moving forward, according to Chair of Mozambique's National Petroleum Institute (INP), Carlos Zacarias, and Anadarko Vice-President John Grant, at a joint Maputo press conference Friday 21 Oct. This followed a meeting between Grant and Prime Minister Carlos Agostinho do Rosario, which in turn followed a meeting between President Filipe Nyusi with Anadarko in Houston in September. But speaking to reporters earlier in the week, ENH chair Oscar Mitha said he was not expecting a final investment decision until the third quarter of 2017.

A key issue in the meetings last week was the resettlement of people living in the Afungi Peninsula, Palma, Cabo Delgado, where the gas liquification plants (known as trains) will be built.

Anadarko is the operator of Rovuma Basin Offshore Area One, with a holding of 26.5%. The other members of the consortium are Mitsui of Japan (20%), PTT of Thailand (8.5%), and ENH (15%), as well as three Indian companies ONGC Videsh (16%), Oil India (4%) and BRPL Ventures (10%). Area One is estimated to contain more than 75 trillion cubic feet of recoverable natural gas reserves. The consortium hopes to begin LNG production in the first quarter of 2020. Initially, Anadarko plans to produce 12 million tonnes of LNG a year, using two trains, later raising production to 20 million tonnes a year. (AIM En 22 Oct)

Rising mineral prices

Rising coking coal and titanium prices will benefit Mozambican companies. The Irish company Kenmare Resources always seems to lose money despite high production levels. Its mine on the Nampula coast at Moma mainly produces ilmenite (titanium iron oxide), plus rutile (titanium dioxide) and zircon (zirconium silicate). It reports that the main consumer of ilmenite is China and the ilmenite price in China has risen by 70% so far this year. (AIM En 18 Oct)

Coking coal prices have jumped to \$245 per tonne, triple the level of \$72 a year ago. At this price it again becomes profitable to export coal from Mozambique. (Further Africa 22 Oct) Vale is increasing production and two Indian companies which suspended production are restarting. Jindal has resumed mining in Chirodzi and ICVL is looking for a contractor to reopen the Rio Tinto mine in Benga. (Zitamar 20 Oct, 27 Sep)

Other news

26.6 kilos of heroin were found 21 October by South African customs officials hidden behind the door panel of a minibus which had just crossed to the South African side of the Lebombo/Ressano Garcia border post with Mozambique. (AIM En 22 Oct)

A 12th cement factory has opened, in Metunge, Cabo Delgado, with \$24 mn of Chinese investment. National installed capacity is 4 million tonnes per year and 72% of the cement used in Mozambique comes from domestic production. Of the factories, six are in Maputo and the others in Sofala, Nampula and Cabo Delgado. (AIM En 21 Oct)

Companies cannot pay VAT because the Mozambique Tax Authority (AT) ran out of forms in September because it did not pay its bills to the printer. (AIM En 19 Oct)

Zimbabwe owes Mozambique \$9 mn for electricity and the Cahora Bassa dam company has threatened to pull the plug if it is not paid this year. (Further Africa 22 Oct)

New report and book by Joseph Hanlon

Following the donor-designed path to Mozambique's \$2.2 billion secret debt deal is published in the academic journal *Third World Quarterly* and can be downloaded from bit.ly/3WQ-Hanlon

Strenuous efforts by donors and lenders over four decades turned Mozambique from a socialist success story into a neoliberal capitalist one. The private sector dominates; a domestic elite dependent on foreign companies has been created. But a secret \$2.2 billion arms and fishing boat deal involving Swiss and Russian banks and Mozambican purchases from France, Germany, and Israel, with large profits on all sides, was a step too far down the donor's capitalist road. The International Monetary Fund cut off its programme and western donors ended budget support.

Bangladesh confronts climate change: Keeping our heads above water

by Manoj Roy, Joseph Hanlon and David Hulme, is published by Anthem Press (<http://www.anthempress.com/bangladesh-confronts-climate-change-pb>)

Living in a low-lying and densely populated country on the front line of climate change, Bangladeshis are taking a lead in adapting to rising temperatures and campaigning to limit climate change. Global warming will worsen this country's existing environmental problems – causing a rise in sea level, more flooding and stronger, more damaging cyclones.

Bangladeshis know what is coming, and how to respond, because they are already effectively combating environmental and social challenges. Cyclone shelters and warning systems have cut the fatality rate dramatically; new varieties of rice have raised nutrition levels; women's education has slowed population growth; land is being raised to respond to sea level rise. Bangladeshis will keep their heads above water, but at huge costs. Will the industrialised countries curb their greenhouse gas emissions and pay for the damage they have already done?

UK book launches

Wednesday, 16 November, 18.00 - 20.00, **London** School of Economics, NAB 2.06 (New Academic Building)

Thursday 7 December, 17.00-18.30, Theatre B, Roscoe Building, University of **Manchester**.

Joseph Hanlon is a Visiting Senior Fellow in the Department of International Development at the London School of Economics and a Visiting Senior Research Fellow in Development Policy and Practice at the School of Politics, Philosophy, Economics, Development and Geography of the Open University, Milton Keynes, England.

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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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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: kapicuir@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

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 sociólogo: <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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