

MOZAMBIQUE News reports & clippings

376 9 July 2017

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Also in this issue:

Kroll, inequality underestimated

Troops are still in Gorongosa, so the question is: What did Nyusi & Dhlakama agree?

More than 200 soldiers have been removed from 8 army bases in Gorongosa, but they have only been transferred to other bases in the area, and there are still some troops in 3 of the 8, journalists discovered. Provocatively, most soldiers have been moved to Satungira, Renamo head Afonso Dhlakama's former headquarters which was captured by government troops in 2013.

Defence Minister Atanasio M'tumuke said on 30 June that 8 bases had been emptied and that he would take journalists to see. Finally on 5 and 6 July a restricted group of Mozambican journalists was taken to 7 of the bases and found 4 empty and 3 still with a military presence. Journalists found government forces in Nhamadijwa, Nhariroza and Magueiras, but saw no troops in Nhachenge, MaPanga-Panga, Nhancunga and Lourenco. The government military commander told the journalists at first that all 8 bases had been evacuated, but later admitted that the troops were still in the area. (*O Pais* 7 July)

There is a joint Renamo-government military commission, based in Satungira, overseeing the withdrawal of troops. On the government side of the commission, Borges Nordino told the journalists that the withdrawal had been verified. But João Buca for Renamo said "troops are not being withdrawn, they are just being rotated." For example troops were withdrawn from Maguerias but then troops being withdrawn from Nhachenge were sent to Magueiras, he said. (STV 6 July <http://bit.ly/2tUZVnl>)

Secret debt documents and report:

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>

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

Other books and reports:

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

The commander of forces in Gorongosa is named as Wind Wind Badford by *O Pais* and Winde Uani Bed Ford by *Savana*.

State media has been reporting that Nyusi only ordered the closure of the 8 bases, but Nyusi has never public commented. Dhlakama said that Nyusi had agreed to close all 26 bases and withdraw all troops from Gorongosa by 30 June. It remains unclear what was agreed on the telephone.

Two Mozambican journalists were kicked off the media delegation. André Catueira, who reports for *Savana* and the Portuguese press agency LUSA, was flown from Maputo by the military. But at the start of the trip into the Gorongosa area, the Defence Ministry press aide asked if anyone was from MISA, the Media Institute of Southern Africa, a regional journalist's association. Catieira confirmed he was Mozambique vice president and was immediately excluded. Also excluded at that point was the correspondent for *Zambeze*, Benedito Cobrissua. Asked for a reason, the press aide simply said 'orders from above'. When pushed for more information, he only said LUSA and *Zambeze* were banned, according to a MISA statement.

Comment: Blaming the Portuguese?

There is an important group within Frelimo using a nationalist and anticolonial position on the two most contentious issues in Mozambique today. They are trying to block negotiations with Renamo and keep Dhlakama in the bush, and trying to block investigations of the \$2 bn secret debt. Part of this involves blaming Portugal, the former colonial power. Thus the Portuguese press agency LUSA was banned from the Gorongosa trip.

Facebook has been used repeatedly to attack critics of the government and a post on 5 July on Facebook said that the media group Soico, owner of STV and *O Pais*, and the Budget Monitoring Group which was holding a public meeting on the Kroll report on 6 July, were working for the Portuguese Secret Service. Their goal is to convince the IMF and donors to not restore budget support, the Facebook post claims. And António Carlos do Rosário, SISE official and head of the three secret debt companies, took the line that Kroll was an agent of foreign powers and he was defending the motherland against them. (see Newsletter 374)

Such nationalism can be seen as a last refuge of people with their backs to the wall, but it does appear that such views are held at high levels of the military and security services. And they are likely to raise the pressure on the critics. *jh*

Civil society says don't pay secret debt

"We cannot allow the Mozambican people to be charged with the responsibility of paying with misery, blood and death the debts contracted on their behalf in an illegal and unconstitutional way," declared The Catholic Justice and Peace Commission on 4 July. It said the debt must be declared unconstitutional.

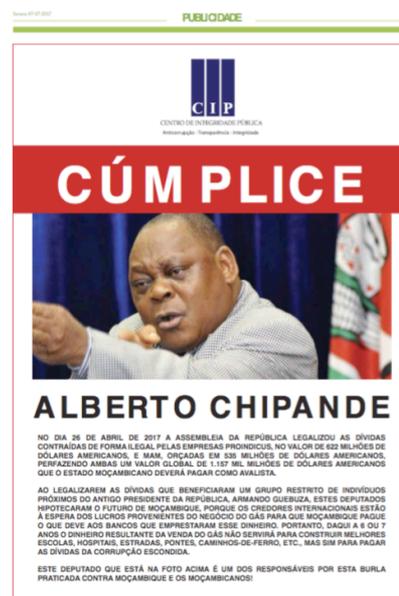
"We are surprised that the auditors indicate that they did not receive full collaboration from all those involved in the investigation, putting the brakes on the process, and even refusing to hand over some necessary documents", said the statement. The Commission called on the attorney general (PRG) to prosecute not just those responsible for the loan, but also those who failed to cooperate with Kroll audit.

Meanwhile the Budget Monitoring Forum has presented to the Constitutional Council a formal petition requesting that the original Ematum \$850 mn bond be declared unconstitutional. The bond no longer exists, because it was replaced by a government bond. There are two syndicated loans to MAM and ProIndicus which also have improper guarantees, but it remains unclear if the Constitutional Council would rule on them because government has never formally accepted those

guarantees. Thus a ruling on the now replaced Ematum bond could be applicable to MAM and ProIndicus loans.

The issue is whether parliament on 26 April in approving a budget statement that made reference to the two loans in effect legalised them. Civil society argues it did, and CIP (Centro de Integridade Pública, Public Integrity Centre) has been running a series of full page advertisements in newspapers with "wanted posters" headed "Accomplice" and the names and photos of members of parliament who voted in favour of the budget statement, saying "the parliament member pictured above is one of those responsible for the fraud against Mozambique and Mozambicans." CIP's campaign consciously turns on its head an anonymous campaign last year on Facebook against critics of the government which threatened those critics by posting wanted posters of them.

Savana 7 July



Comment: No IMF programme in sight

During more than two decades of struggle with the donors, Mozambican leaders have become skilled at gaining donor support by making promises which are then only minimally fulfilled. The case most relevant to the present debt crisis was the plundering of Banco Austral and the murder of its interim head, Siba-Siba Macuacua, in 2001. Donors were promised a forensic audit, which was conducted, and members of the board of directors were charged. In 2009 and 2010 all charges were dropped and it was ruled no one would be prosecuted for the murder or theft. By then there were no donor staff who even remembered the promises made seven years before, so there was no protest. (Reports on the Banco Austral case and the decision not to prosecute are reprinted in <http://bit.ly/2upF8XI>)

Clearly Frelimo and the government hoped to do the same thing with the secret debt, carrying out a forensic audit and perhaps bringing charges that could be dropped later. Perhaps Frelimo's kleptocrats are not as coherent as they were two decades ago. But the refusal of the security service SISE (Serviço de Informação e Segurança do Estado) and the Ministry of Finance to cooperate with Kroll, causing huge gaps in the report, seems to have caught donors and the IMF by surprise.

A long-planned IMF staff mission arrives in Maputo on Monday 10 July, and government had expected it would talk about a new programme. But the IMF statement on the mission makes clear this is not even on the agenda. It stresses that with respect to Kroll, "information gaps remain, in particular on the use of the loan proceeds." The mission will "discuss the results of the audit with the authorities and possible follow-up actions; including working with the authorities to address concerns related to the management of public resources. The mission will also use the visit to Maputo to reassess the macroeconomic situation and to discuss the authorities' priorities regarding the 2018 budget." But no mention of a possible new IMF programme. *jh* <http://bit.ly/2trX9k>

Comment: Little space for manoeuvre but 2 possible windows - DSA & prosecutions

Government will hope to charm the IMF and donors into some leniency, but the anger over Kroll makes this unlikely. Some concrete action is needed, and there are two possibilities.

Mozambique is under heavy pressure to complete a Debt Sustainability Analysis (DSA) - an IMF and World Bank tool to look at external debt and how it could be managed, or renegotiated if

necessary. <http://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/39/Debt-Sustainability-Framework-for-Low-Income-Countries> The government has been dragging its feet because of internal disagreements as to how to deal with the \$2 bn secret debt, which is technically still mostly private debt. Perhaps the most sensible and bold step would be for Mozambique to say in its DSA that it has no intention of paying at least the MAM and ProIndicus debt, and perhaps the Ematum debt as well. It appears that the IMF would accept this in a DSA if it is official policy. This would have two advantages. First, it would take repayment of the secret debt out of the IMF negotiations, making the talks easier. Second, it would tell the MAM and ProIndicus lenders that they would have to go to court in England if they wanted their money, which they would be reluctant to do, and thus could enter negotiations willing to take a substantial loss.

The other window of opportunity would be to launch prosecutions. "The ball is now in the court of Attorney General Beatriz Buchili, who is supposed to decide who shall be prosecuted," comments *Africa Confidential* (7 July). "Buchili's key problem is that, regardless of public pressure for those responsible to be held to account, she hasn't got the clout to force cooperation from SISE, however real her zeal and motivation." Nevertheless, she might be able to follow the Banco Austral model and bring charges, with the intent of later dropping them. Those who signed the unconstitutional guarantees would make convenient scapegoats.

Are SISE and factions within Frelimo so strong that they can continue to simply obstruct, or can they make low cost concessions? Officially saying in a DSA that the debt will not be paid only confirms what is happening in practice already, and there would be little cost in starting some prosecutions. And in a few years when everyone has forgotten, those decisions could be reversed. *jh*

Where did the secret debt start?

"Contrary to popular belief, this idea [of the secret debt] did not come from the top down. It came from the bottom up. SISE officers prepared everything and convinced Guebuza," in part by first involving his sons Mussumbuluko and Ndambi, argues *Canal de Moçambique* (5 July). "This makes no sense", responded *@Verdade* (7 July)

Canal argues that a key group of three high officials of the security services are still so powerful that Nyusi's new head of SISE, Lagos Lidimo, cannot impose his will on them. The three are António Carlos do Rosário, a senior SISE official and CEO of the three companies; former SISE director Gregório Leão; and Agi Anlaué, a SISE engineer who was administrator of two of the companies and seems to have been involved in arms procurement. Guebuza had the highest trust in the three.

Canal published a famous picture (right) with Mussumbuluko Guebuza examining an assault weapon at Israel Weapon Industries (IWI) with Agi Anlaué present (circled). *Canal* (5 July) suggests that Privinvest did not send any weapons to Mozambique, and that arms were sent instead by IWI.



@Verdade (7 July) argued instead that too many people were linked to President Filipe Nyusi when he was defence minister. These included Victor Bernardo, a former air force official who headed the defence ministry company Monte Binga, which became half owner of ProIndicus (the other half owned by SISE), but who was also vice minister of planning under Guebuza. Similarly Eugénio Henrique Zitha Matlaba signed various agreements when he was advisor to the Ministry of Defence. There was also an intergovernmental commission which involved the ministers of

fishing, interior, finance, and defence. In all, argues @Verdade, a dozen key people were involved, only three of whom were in SISE. @Verdade also has a good graphic showing all the various connections: <http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/62719-antigo-vice-ministro-de-guebuza-assinou-primeiro-acordo-entre-proindicus-e-o-credit-suisse->

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Other economic news

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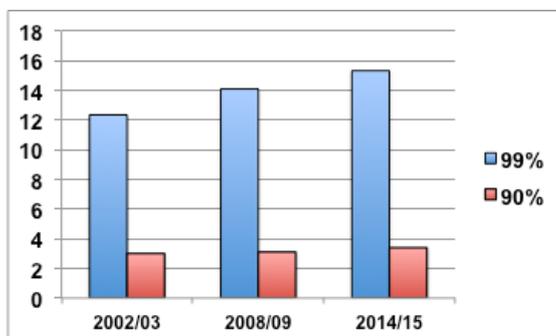
Inequality is worse than reported

Inequality is worse in Mozambique than previously reported, because the consumption of the better off is under reported, according to a study by Channing Arndt and Kristi Mahrt at the United Nations University - Wider. For example, the consumption at the top 1% was 13.6 times as much as the median according to the 2014 family expenditure survey, but when it is corrected to account for missing income, it is 15.3 times as much. And inequality is increasing.

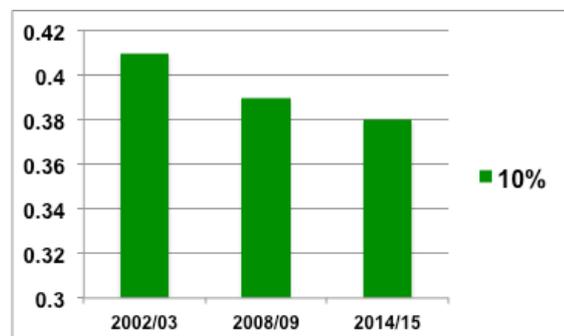
Data is calculated by percentiles. Picture the population standing in a queue by income. The following people are selected: the person at 99% (that is 1% are richer and 99% are poorer), the person at 90% (10% are richer), 50% (the halfway point), and 10% (90% are richer), and we compare the richer and poorer to the 50% person in the middle. In 2002 the 99% person earned 12.4 times the person in the middle, but by 2014 the 99% person earned 15.3 time the middle person. By contrast in 2002 the 10% person earning 41% of the middle person, but by 2014 this had fallen to just 38%. The rich have been getting richer and the poor poorer.

<https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2017-153.pdf>

Per capita consumption - percentile compared to median (50%)



99% is the person with income greater than 99% of the population (and less than the top 1%), compared to the person exactly in the middle. The rising ratio shows the rich getting richer.



10% is the person with income greater than the lowest 10% of the population (and less than 90%), compared to the person exactly in the middle. The falling ratio shows the poor getting poorer.

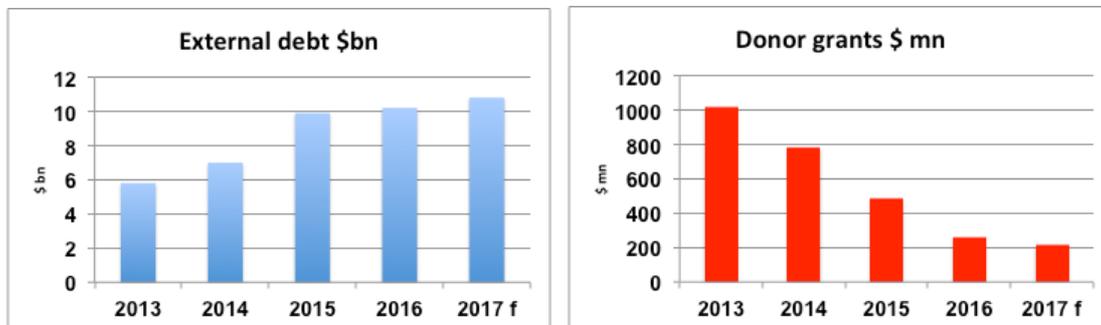
Optimistic prediction for 2018 from Standard Bank

Standard Bank's chief economist in Maputo, Fáusio Mussá, in a 4 July presentation, predicted that the Metical will remain at MT 60 = \$1 this year but improve to MT 50 = \$1 by the end of next year. Inflation will average 18.3% this year but fall to 11.9% in 2018 - still well above 2012-5 average of 3.3%.

Mussá argued that "monetary policy tightening was severe enough" to restore macro-economic stability in Mozambique, but at a price of a sharp cut in imports (from \$10.6 bn In 2015 to \$8.0 bn in 2016) and a "collapse in economic activity not always reflected in GDP statistics". He hopes for

"a private sector led recovery but prospects [are] highly contingent to progress in natural gas" and on an IMF programme to improve confidence and release increased donor assistance - which, with IMF and donor disappointment over obstruction of the Kroll report, now seems unlikely.

The drop in donor grants is dramatic, to one fifth the level of five years ago - aid grants were \$1 bn in 2013 but are forecast to fall to just \$216 mn this year. The gap has been filled by borrowing, with foreign debt nearly doubled from \$5.8 bn in 2013 to a forecast \$10.8 bn this year.



Fáusio Mussá, Standard Bank; 2017 is forecast

Another try to revive coastal shipping

Alberto Chipande, former Defence Minister and now patron of President Filipe Nyusi, is looking to try again to find foreign investors for coastal shipping - something that has failed repeatedly since independence. His Companhia de Assistência Marítima put an advertisement in *Notícias* on 12 June looking for finance and know-how to run coastal shipping. The state-owned Transmarítima has been looking, unsuccessfully, for similar partners for a year. With a coastline of 2740 km, coastal shipping seems obvious but it has always failed because no one could create an integrated transport system with lorries at the ports which were both rapid and efficient. So it remained easier to use lorries end-to-end, even over the long distance. (Zitamar 14 June)

The 2016 annual statistics have been published by the National Statistics Institute (INE) and are on <http://www.ine.gov.mz/estatisticas/publicacoes/anuario/nacionais/anuario-estatistico-2016>

Projects approved or under way:

The railway from Tete to Macuse moved a step further with the signing of a \$2.4 bn agreement to build the line, as a partnership between the Portuguese company Mota Engil and the China National Complete Engineering Corporation. There would be an offshore port at Macuse, just north of Quelimane. Coal production is resuming in Tete but prices remain low and transport is now the main cost. Macuse is 500 km from Tete coal mines, half the distance to Nacala. The project is led by Thai Moçambique Logística, which is 60% owned by the Thailand based Italian Thai Development Company, 20% by the Mozambican state railway CFM, and 20% by Mozambican investors in Codiza (Corredor de Desenvolvimento Integrado do Zambeze). Finance still needs to be raised. (Zitamar 15 June)

An MoU for fertilizer production from gas was signed by **Yara** of Norway on 3 July. Yara wants 80-90 million cubic feet of gas per day (MMcf/d) from the 400 MMcf/d that is available for domestic production from Anadarko and area 1. Yara will produce 1.2-1.3 million tonnes per year of ammonia and urea, most of which will be exported but enough used inside Mozambique to lower the domestic price of fertiliser. The waste heat will be used to produce 30-50 MW of electricity.

Shell signed a memorandum of understanding (MoU) on 19 June for its 38,000 barrel per day gas to diesel, naphtha and kerosene project. It would use 310-330 MMcf/d and produce 50-80 MW of electricity. Both paid security deposits - Yara \$1 mn and Shell \$2 mn - which are lost if the project does not go ahead. The gas price has still to be negotiated. Anadarko is unlikely to be exporting liquefied natural gas (LNG) until 2024-5 and the Shell plant would come on line two years later.

(Zitamar 4 July, 21 June)

The Ressano Garcia gas fired power station jointly owned by the Mozambican electricity company EDM and Sasol of South Africa will be rehabilitated with \$200 mn from the World Bank's IFC. (Zitamar 16 June)

And finally, Maputo artists: The *Financial Times* (24-25 June) published a very good feature on Gonçalo Mabunda (best known for recycling weapons) and other Maputo artists with a nice discussion of the history, putting contemporary artists in context:

<https://www.ft.com/content/34fd0fe6-5283-11e7-a1f2-db19572361bb?mhq5j=e1>

And my favourite batik artist, Beto, is written up on the Good Holiday website, with pictures:

<http://thegoodholiday.com/beto-batik-artist-of-maputo-mozambique/>

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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: kapicua@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

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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

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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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