

MOZAMBIQUE News reports & clippings

327 14 June 2016 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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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>

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:

War, tourism, IMF, agriculture

\$35 mn 'arrangement fee' paid to Russian bank for secret \$535 mn MAM loan

In order to obtain the secret \$535 loan in 2014 for Mozambique Asset Management (MAM), a highly unusual and expensive upfront fee of \$35 mn was paid to VTB Bank, Reuters (11 June) discovered. VTB is 61% owned by the Russian government; MAM is 98% owned by the State Security and Intelligence Service (SISE). MAM was supposed to set up shipyards in Maputo and Pemba and a floating dock for repairs.

<http://af.reuters.com/article/mozambiqueNews/idAFL8N19404L>

[Amended 15 June 2016. Further information on MAM will be published in the next newsletter.]

VTB told Reuters that the upfront charges were a mix of an arrangement fee and a highly unusual upfront interest payment. The total payments was 6.54% of the loan, compared to a normal 1-2%. Finance Minister Adriano Maleiane told parliament on 8 June that the interest rate on the loan is 12 month LIBOR plus 7.739%, but VTB says the interest rate is LIBOR plus 8.87%. LIBOR (London Interbank Offered Rate) changes daily, and on 10 June the 12 month US\$ LIBOR was 1.2735%.

MAM failed to make its first repayment, of \$178 mn on 23 May, the second anniversary of the loan, and Mozambican officials are talking to VTB, trying to renegotiate.

Civil society demands accountability: "The officials who broke the law in Mozambique need to be held accountable by the Administrative Court and the Central Office for Combating Corruption. This includes the lenders and financial institutions which facilitated these loans. In defence of the common good and against the continued impoverishment of the Mozambican people, we do not want, do not accept and will not pay the debts of EMATUM, ProIndicus and MAM," said Paula Monjane from the Fórum de Monitoria do Orçamento (Budget Monitoring Forum).

In the UK, the director of the Jubilee Debt Campaign, Sarah-Jayne Clifton, said on 13 June: "This is yet another example of private lenders and governments colluding together to hide new loans from public and parliamentary scrutiny. Lenders and borrowers are both responsible for ensuring that loans are contracted legally and democratically and invested productively so that they don't saddle populations with unjust and unpayable debts. Yet time and again we are seeing

irresponsible lenders being bailed out and the populations of countries paying the price. This should not be the case in Mozambique. Credit Suisse and VTB should pay the price for these illegitimate loans, and should not be bailed out by the IMF or anyone else."

English version of the civil society statement: <http://www.fmo.org.mz/documentos/Position-paper-Civil-Society-Moz.pdf>

Jubilee Debt Campaign statement: <http://jubileedebt.org.uk/press-release/campaigners-in-mozambique-call-for-non-payment-of-hidden-debts>

And a Reuters article: <http://uk.reuters.com/article/mozambique-debt-idUKL8N1953NN>

Third armed convoy started

In response to increasing attacks by Renamo, a third armed convoy has been introduced. The new convoy is on the N7, the road linking Chimoio and Tete, and covers the 270 km between Vanduzi, Manica, and the Luenha river which is the border between Manica and Tete provinces. Twelve vehicles were attacked and burned on that section of road last week. *O Pais* (13 June) reports that the first of the new convoys, on 11 June, was attacked.

The two existing convoys are on the N1 in Sofala. One is between the River Save and Muxungue, south of Inchope, which is the junction of the main east-west Beira-Chimoio-Zimbabwe road. The other is on the N1 north of Inchope, between Nhamapadza and Caia (on the Zambeze River).

Renamo has also twice attacked traffic on the only road to Marromeu, Sofala. In one incident a state electricity company vehicle was stopped and the six occupants were robbed of their money, mobile phones, documents, and bags containing clothes. In another incident, possessions were taken from a group of fishermen. Both ambushes took place near Inhamitanga, Cheringoma district, which is where Renamo twice shot at Vale coal trains.

Lusa under attack for suggesting 100 bodies when only 20 have been found

The Portuguese press agency Lusa is under attack by the government and Frelimo for reporting peasant claims of a mass grave with 100 bodies north of Gorongosa in Sofala. So far, only 20 unburied bodies have been found, in two different locations. Sofala governor Helena Taipo insists there is no mass grave in the province, and has demanded that Lusa be held responsible for "damage to the image of the country". Some in Frelimo have demanded the expulsion of the Lusa delegate in Maputo, Henrique Botiquilha.

Lusa has refused to reveal the source of its story (confidential sources are protected under Mozambican media law) and local peasants were too frightened to talk to a parliamentary committee of 11 Frelimo MPs and one MDM MP when it visited the area. The commission is headed by Edson Macuacua, a former Frelimo press spokesman whom even journalists find intimidating.

Neither the media nor the commission was able to go to the area, an abandoned gold mine, cited by the peasants when they talked to the author of the original Lusa story, Mozambican journalist Andre Catueira. But Catueira did discover bodies under a road bridge. They were variously counted as 11, 13 or 15. The police then claimed they had been buried with no autopsy or attempt to identify them, but *O Pais* later discovered that not all had been buried. Last week the French news agency AFP found nine more bodies, bringing to total to between 20 and 24. The local peasant farmer who owns the field, Donca Sabir, told AFP that he had told the authorities two

months previously, but nobody had come to collect the bodies. All the bodies found so far are just across the boundary, in Manica province. (AIM En 31 May, 1, 3, 6 June; *O País* 5 June)

Frelimo discussing decentralization

An internal Frelimo group, including former ministers Oscar Monteiro, Alfredo Gamito, Teodato Hunguana, Alcinda Abreu and Lucas Chomera, is discussing decentralization and ways to respond to Renamo's demand for elected provincial governments. *O País* (9 June) reports that the team met with President Filipe Nyusi who told them they had the blessing of the Frelimo Central Committee.

Afonso Dhlakama has demanded the right to name governors in the provinces where he claims he won the most votes last year, and the existence of the team shows that Frelimo will at least partly concede on this in Dhlakama-Nyusi talks.

Governors have very wide ranging but ill-defined powers over their provinces. The Frelimo team is looking at how to limit and more clearly define those powers, to allow for the possibility of opposition governors (just as there are now four opposition mayors).

The constitution allows city mayors to be elected, but specifies that governors are named by the president, and changing that would require a referendum. Frelimo has already agreed work-arounds for similar problems - for example the President is required to name the election date, so the electoral law says that parliament gives the President a two week window during the dry season, and the President chooses the date in that period. As elections are traditionally on Wednesday, he really only has to choose between two days.

A common system of nominations in Mozambique, for example for university rector, is that the president is given a short list of three and chooses one. This was proposed in 2000 to allow Dhlakama to nominate some governors, but he turned it down. There is now reason to think he would accept a similar proposal. An alternative would be one or three nominations from the provincial assembly (several of which have opposition majorities).

Kidnap suspect kidnapped

Danish Abdul Satar, suspected by the Mozambican police of involvement in the wave of kidnappings of businesspeople, was himself kidnapped on Thursday 9 June, just three days after his release from preventive detention. According to witnesses in the exclusive Maputo neighbourhood of Sommerschield, Satar's car was blocked by two others; two men got out of one of the cars, fired two shots into the air, grabbed their victim, and dragged him into their car. (AIM En 7 & 11 June)

Satar was arrested in May 2012 in connection with the kidnapping of Gignissa Mansukulal. On 17 May 2012 he was granted bail, and almost immediately skipped bail and left the country. It is believed that went to Dubai, but in late 2015 he visited Rome where the Italian police arrested him. He was extradited to Mozambique on 31 December. Satar's lawyer had submitted a habeas corpus appeal, arguing that his client had not been formally charged and that the legally permitted period of 90 days preventive detention had been greatly exceeded. Satar had been in detention for 158 days. His release was ordered by judge Luis Mondlane, the head of the Supreme Court's criminal section, with strict conditions, including weekly reporting to the police and not leaving Maputo without court authorization.

Satar is the nephew of Momade Assife Abdul Satar (known as "Nini"), who was found guilty of ordering the assassination, in November 2000, of the country's foremost investigative journalist, Carlos Cardoso. Nini was released on parole in 2014 after serving just half of his 24 year sentence for the murder, even though he had not paid any of the compensation to Cardoso's children ordered by the court.

2151 illegally detained: Isaque Chande, named Justice Minister in March, says there are more than 6000 people being held in preventive detention, of whom 2151 have been held more than 90 days and thus are illegally detained, according to *O País* (13 June).

South African tourists up, business arrivals down, as hotels close

Six hotels in Vilanculos have closed and others have not paid salaries to the workers in six months, according to the Mozambican Hotel and Tourism Federation. The largest hotel in Inhambane, Barra Lodge, has dismissed 100 workers. Elsewhere, lodges have closed on the Quirimbas islands in the north and in the south in Bilene; the Pestana Inhaca Hotel is closed. (*O País* Economic supplement 10 June)

Renamo's stepped up attacks and worsening economies throughout the region are blamed. But data released by the Ministry of Culture and Tourism gives a more mixed picture, with visitors down but tourists up. The peak year was 2012, with 2.2 million foreign visitors to Mozambique, of whom 1.45 mn were tourists. The total number of visitors has fallen steadily to 1.6 mn in 2015, of whom 1.16 mn were tourists. In 2015 the number of South Africa visitors hit a record, exceeding 1 mn for the first time. By contrast, US and European tourists were sharply down, to half their 2012 levels. Broadly the number of tourists and religious missionaries is up, while those arriving for business, conferences, and visiting friends and family is down. The number of visitors arriving by car is up, while those arriving by plane are down. Thus the number of higher spending US and European visitors is falling, while the number of South Africans who drive across the border but spend less is increasing. Tourist spending peaked in 2012 at \$242 mn and had fallen in 2015 to \$193 mn.

The peak for foreigners staying in hotels was 2014 (333,801) which fell sharply in 2015 (to 256,077) with Inhambane, Sofala and Maputo city hardest hit, but Cabo Delgado and Nampula increasing. Tourism currently employs 58,000 people. Official data for 2011-5 are on <http://bit.ly/1Xj76ib>

Graphite: another unprocessed export

Syrah Resources has signed a contract to supply 50,000 tonnes of coated and uncoated spherical graphite per year from its mine in Balama, Cabo Delgado, currently under construction.

Syrah is an Australian company. It will process the graphite in the United States to sell it to the Japanese company Marubeni, who will supply it to customers for battery and anode production. Graphite is a form of carbon that is highly valued due to its properties as a conductor of electricity. It is used in batteries and fuel cells and is the basis for the "miracle material" graphene, which is the strongest material ever measured, with vast potential for use in the electronics industries. Syrah states that Balama will be the world's largest producer of high purity graphite and has sufficient reserves for forty years of production.

Yet again, Mozambique is exporting a raw material and all the processing and value added will be done elsewhere. (AIM En 9 June)

IMF admits: Neoliberalism oversold, but no changes

In a remarkable article entitled "Neoliberalism oversold" in the IMF journal *Finance & Development*, three senior IMF researchers conclude that "instead of delivering growth, some neoliberal policies have increased inequality, in turn jeopardizing durable expansion."
(<http://www.imf.org/external/pubs/ft/fandd/2016/06/pdf/ostry.pdf>)

They define "the neoliberal agenda" as resting "on two main planks". The first is increased competition achieved through deregulation and the opening up of domestic markets. The second is a smaller state, achieved through privatization and limits on deficits. But they conclude that while there is no evidence that neoliberalism promotes growth, "the costs in terms of increased inequality are prominent. ... Increased inequality in turn hurts the levels and sustainability of growth."

And the austerity policies pushed by the IMF "not only generate substantial welfare costs due to supply-side channels, they also hurt demand - and thus worsen employment and unemployment." They conclude that "since both openness and austerity are associated with increasing income inequality, this distributional effect sets up an adverse feedback loop. ... There is now strong evidence that inequality can significantly lower both the level and durability of growth".

This has clearly happened in Mozambique, where two decades of neoliberalism and austerity have led to growing inequality and no poverty reduction.

But the in the two weeks since the article was published, the IMF has rushed to deny and debunk it. IMF Chief Economist Maury Obstfeld argues that the IMF is always rethinking and that "nobody wants needless austerity." But, he says, the IMF has not "fundamentally changed the core of our approach." <https://blog-imfdirect.imf.org/2016/06/06/rethinking-policy-at-the-imf/#more-13010>

Indeed, a study published last month shows that in the last three years the IMF has actually been increasing the number of neoliberal structural conditions it imposes as part of its programmes. A *Washington Post* article <https://www.washingtonpost.com/news/monkey-cage/wp/2016/06/02/did-the-imf-actually-ease-up-on-demanding-structural-adjustments-heres-what-the-data-say/> and the full academic version: <http://dx.doi.org/10.1080/09692290.2016.1174953>.

The IMF has already made clear it plans to impose austerity on Mozambique as part of any programme agreed after the debt crisis. And in a press briefing after he met President Filipe Nyusi on Friday, the European Union representative Sven Burgsdorff said that budget support remained suspended and there can be no resumption until the conclusion of the dialogue with the IMF, which only begins with a mission later this month. (*O País* 13 June)

Salomão: We failed to take farming seriously

Former Finance Minister Tomás Salomão said it is time to recognise that one of the errors his government made was to always talk about agriculture but never to treat it seriously and never give it money. "We have to change because the answer to the present crisis is in agriculture," he said in one of two speeches in Maputo. "The future is not here in Maputo. Our future is in rural areas." (*O País* 18 May, 3 June)

"We import nearly everything we eat," said Jorge Rebelo in his *Savana* (27 May) interview. "This is the result of wrong policies that did not prioritise agriculture and industry for decades. Today, we are witnessing a kind of act of contrition by our former leaders. But in practice we do not see any

change."

New book shows agriculture requires government intervention, which donors won't allow here

But a new book by Channing Arndt, Andy McKay, and Finn Tarp called *Growth and Poverty in Sub-Saharan Africa* shows just how the IMF and World Bank prevented Mozambique from taking agriculture seriously. Arndt and Tarp know Mozambique well. They look at 16 African countries and point to the top 5 which have had relatively rapid economic growth, and corresponding poverty reduction: Ethiopia, Ghana, Malawi, Rwanda, and Uganda. They find that "an extended period of broad-based (and sometimes rapid) agricultural growth has been a substantial initial driver of both growth and poverty reduction."

"The cases of countries with relatively rapid growth and limited poverty reduction [including Mozambique] provide an interesting counterpoint. In none of these cases does solid evidence of sustained and substantial growth in agriculture, particularly smallholder agriculture, present itself."

Until recently, Mozambique played by the rules set by the international financial institutions (IFIs) and donors, which meant agriculture was left to the private sector. All five of the Arndt and Tarp countries were heavily interventionist. Take just two. Against huge donor pressure, Malawi introduced a fertiliser subsidy. When we raised this with senior officials in Mozambique, they said donors would never allow a fertiliser subsidy in Mozambique - they most they could do was give free seed.

Arndt, McKay and Tarp cite Ethiopia, where the government expanded the agricultural extension system - by 2010, some 45,000 extension agents were placed in villages. In 1999, Mozambique wanted to increase the number of extensionists from 1024, but the World Bank blocked the proposal, saying any new extension must be done by the private sector.

In Mozambique, the only agricultural successes are four cases where the government was interventionist. In two, local production has been protected - but these are sugar and tobacco, where local production is controlled by foreign corporations. Donors and the IMF will allow foreign companies to be protected, but not local producers of rice and other crops. The third example was cashew, destroyed by the World Bank in 1995 and rebuilt literally in secret; government intervention created a market and a fair producer price through secret support for industry and export restrictions to protect that industry, breaking all the World Bank rules. The fourth was soya, where a set of international agencies over nearly a decade intervened heavily to create a new industry.

Further on chickens

In the previous newsletter I noted Bill Gates' plan to give chickens to Africans. This triggered a discussion with Ed Wethli, who worked with chickens in Mozambique. Gates argues that if a family is given five hens, it can earn \$1000 a year producing chickens. Only 2% of Mozambican farmers earn that much.

Mozambicans don't need chickens. Most family have chickens already, and the "7 million" rural development fund has been widely - and largely unsuccessfully - used to try to produce them commercially. Larger flocks for commercial production increase disease and other problems. What Mozambicans need are markets and technical assistance and support.

Wethli argues that simple management interventions and improved husbandry could considerably improve the production levels of these chickens. These include vaccinating against Newcastle Disease (also part of the Gates package), improved housing, reducing chick mortality, internal and

external parasite control and selective breeding. "What is needed is for village farmers to be transformed from passive to active chicken producers using basic chicken management knowledge and skills," he writes. Even so, it would be hard for farmers of village chickens to earn more than \$100 per year - one tenth of what Gates suggests.

Nevertheless, he confirms that "village chickens are the true 'free-range' chickens in that they wander around wherever they like with no boundaries, often roosting in trees at night. They find most of their own feed, are good at hatching and mothering young chicks and they have the ability to survive under harsh conditions. Although overall production of meat and eggs is low compared to intensive poultry, the village chicken costs the farmer almost nothing." In contrast, in commercial chickens, the broodiness trait has been bred out.

So there seem two ways forward to using chickens to raise local incomes - technical support to increase the productivity of village chickens, or outgrower schemes for more intensively reared chickens.

And non-Mozambique book notes

Two of my non-Mozambique books continue to have some impact. Jeanette Manjengwa, the Zimbabwean co-author of our 2013 book "Zimbabwe Takes Back its Land", has been appointed to Zimbabwe's new Land Commission, which is intended to "ensure accountability, fairness and transparency in administration of agricultural land." It's main task will be to update land holdings after the 2000 land reform, including stopping people from having more than one farm.

<http://www.herald.co.zw/president-appoints-land-commissioners/>

And the renewed interest on basic income and cash transfers has led to new citations of my 2010 book "Just Give Money to the Poor", including in a new book "Utopia for Realists."

<https://medium.com/utopia-for-realists/why-we-should-give-free-money-to-everyone-2b37d7f8f70a#.vv880te40>

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Chickens and beer:

A recipe for agricultural growth in Mozambique

by Teresa Smart and Joseph Hanlon

E-book for Kindle and iPad, for \$9.32 from US Amazon -

<http://www.amazon.com/dp/B00NRZXXKE> - £5.14 from UK Amazon.

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>

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: kapicuadir@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London.

Please email 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.riener.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-its-land-detail>

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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>

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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Mozambique media websites:

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

@Verdade: <http://www.verdade.co.mz>

Diario de Moçambique (Beira): <http://www.diariodemocambique.co.mz>

CanalMoz on Facebook: <https://www.facebook.com/CanalMoz>

Macauhub English: www.macauhub.com.mo/en/

AIM Reports: www.poptel.org.uk/mozambique-news

Carlos Serra Diario de um sociologo: <http://oficinadesociologia.blogspot.com>

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