

MOZAMBIQUE News reports & clippings

328 19 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:

Tobacco, corruption, India gas industry, debt

Nyusi and Dhlakama talk on phone, with face-to-face delayed

President Filipe Nyusi and Renamo head Afonso Dhlakama spoke on the telephone Wednesday and Thursday (15, 16 June), Dhlakama said in a telephone press conference Friday (17 June). But face to face talks seem some time off. (An STV news report with part of the Dhlakama statement is on <https://youtu.be/m80dz0WzhZc>)

He stressed that the key concession was on international mediators, which had been publicly accepted by Nyusi on Thursday. The government is expected to formally invite the European Union, South Africa and the Catholic Church to send mediators. Dhlakama said that formal talks between the two sides with the mediators could start as early as the coming week, but it is not clear if mediators can arrive in time.

Dhlakama said he insisted that the joint commission doing the preparations be expanded from three people on each side to six on each side, and this was accepted by Nyusi. The joint commission met Friday and will meet again Monday. On the agenda will be Dhlakama's security when he leaves his camp on the Gorongosa mountainside.

But Dhlakama made clear he wants the talks about talks to continue before he meets face-to-face with Nyusi. He said that the priority is not the meeting between the two, but the consensus building by the teams set up by the government and Renamo. <http://opais.sapo.mz/index.php/politica/63-politica/41129-dhlakama-espera-mediadores-esta-semana-e-diz-que-tudo-depnde-das-equipas-de-negociacao.html>

He said that the four point agreed agenda for the talks includes two items from each side. From Renamo, "governing the six provinces won by Renamo and integrating Renamo military cadres into key positions in the armed forces." From government, an immediate end to hostilities and disarmament of Renamo.

He said he was sure a "cease fire" could be negotiated, but that it had to apply to both sides and the government would have to stop its military activities against Renamo. (*Noticias* 17, 18 June;

STV 17 June)

Peace and debt march: More than 500 people marched peacefully through Maputo Saturday morning to demand peace, security and clarification of the secret debt. There was a police presence. STV gave the march extensive coverage: <https://youtu.be/2CwaZ35wV6M>

Railway closed: Transport Minister Carlos Mesquita admitted Friday that the railway from Tete to Beira is not operating, following Renamo shooting twice at Vale coal trains. (AIM En 16 June)

Malawi trucks are avoiding Mozambique after Three Malawian fuel tank trucks and one other lorry had been burned in attacks on the N7 in Barué. Most Malawian fuel is transported by road from Beira to Malawi. Malawi Transport Minister Malison Ndau chaired a meeting of four ministers on Tuesday 14 June. He said the government of Malawi had already told transporters to avoid the Tete to Beira N7 road and use another route which he said is 103-kilometres longer but much safer. Ndau said Friday that after discussions with the Mozambican government, his government had accepted as adequate protection the military convoys now being operated on the N7. But Mozambique's Transport Minister Mesquita denied claims from Malawian officials that the Malawian government is in contact with the Mozambican authorities about security conditions on Mozambican roads. Ndau said that in the discussions he also raised, yet again, the possibility of river transport on the Zambeze. This has always been opposed by Mozambique and Ndau admitted it was only a "remote possibility". (Radio Moçambique 17 June; AIM En 16 June; Rhula 17 June citing *Nyasa Times*)

Mozambicans are fleeing Renamo in Espungabera, Manica, and crossing the border into Chipinge, Manicaland, Zimbabwe. Villageers are taking property including cattle and goats and asking permission to build temporary homes. (Rhula 17 June citing *Manica Post*)

Journalists interrogated. *Zambeze* director João Chamusse and news editor Egidio Placibo were questioned by the Quelimane Criminal Investigation Police (PIC) Tuesday 14 June for three hours. They said the PIC agents quizzed them on reports that security forces were attacking civilians and about a story on Zimbabwean soldiers. Placido said he regarded this as intimidation. There was no need to send five police agents to the Zambeze office just to ask Chamusse and Placido to go to the PIC. Chamusse said the police wanted to know what evidence there was for a story that the security forces had been stealing chickens in Vanduzi (a crime which has also been attributed to Renamo). "We have credible sources", said Chamusse, and under Mozambican press law, journalists have the right not to reveal their sources. The other story was based on an item carried on 3 June by Nehanda Radio, an on-line radio station run by a Zimbabwean exile named Lance Guma, claiming Zimbabwean soldiers were caught in a shoot-out with Renamo rebels. The claim is almost surely not true, as there have been no credible reports of Zimbabwean soldiers in Mozambique and no reports of attacks where Guma said it took place, on the road from Machipanda, on the Zimbabwean border, to Chimoio. (AIM En, *O Pais*, Rhula, *Mediafax*)

Renamo's provincial headquarters in Manica Province was burned down on 14 June. (Rhula 17 June citing *Deutsche Welle Africa*)

500 families have abandoned their homes Pembe village, Homoine, Inhambane in 2014 because of fighting. Pembe is practically abandoned, and 200 families are living in a resettlement area in Ndambine village. (Rhula 17 June citing *Deutsche Welle Africa*)

Peasants complain - again - to President about MLT & tobacco contract it won through bribes

Peasants in Chifunde, Tete, on 27 May harangued President Filipe Nyusi about the failure of Mozambique Leaf Tobacco (MLT) to buy their tobacco or to pay the correct price. This meeting

with the Chifunde tobacco producers association took place just a decade after President Armando Guebuza heard angry peasants denouncing MLT at a public meeting in Chifunde on 5 May 2006.

Tobacco is grown on contract. The company supplies seed, fertilizer and technical assistance on credit. Farmers must sell to the company, and the company guarantees a market. The contract company has an exclusive right to buy in the district, so there is no competition. Peasants at the Chifunde meeting told Nyusi that MLT only bought enough tobacco to cover the cost of the credit, leaving the farmers with the rest of the tobacco and no market. And they said even good quality tobacco was graded as second class and they were only paid a low price.

MLT won the exclusive right to buy in 2006, in place of another US company, Dimon. Peasants protested to Guebuza then, saying they wanted Dimon, which had provided more support to peasant farmers. Daniel Kassamala told Guebuza, "if we could vote, I guarantee that MLT would not get one vote from the people of Chifunde."

In 2010, Universal Corporation (which owns MLT) admitted to the US Securities and Exchange Commission (SEC) that it had bribed Mozambique officials, including "a governor", with \$165,000. The SEC estimated that \$86,830 of the bribes related to the Chifunde exclusive contract, which brought it \$457,260 extra profit in the first year alone. Despite the public admission of the hugely profitable bribe, no one in Mozambique was ever charged with corruption, and MLT continues to hold the exclusive rights to tobacco in Chifunde.

The only speaker in favour of MLT was Rita Sande, from neighbouring Maravia district, who said she was so successful that she had a car and was sending her children to secondary school. Sande employs workers, including 21 Malawians. She said she succeeded because she followed the company advice on how to separate first quality tobacco from second and not pack it in the same bales. *Noticias* reported that her comments "were not well received by the more than 170 producers present in the room and a murmur went around the room accusing her of being paid by the company." But Agriculture Minister José Pacheco who was with the President praised Rita Sande, saying the others should "learn from her success". President Nyusi stressed the importance of growing tobacco, because of the export taxes that it paid. (*Noticias Economica* supplement, 10 June; AIM Pt 27 May)

Another tobacco producer, Benedito Clemence, said that farmers were producing other cash crops, including soya, beans, peanuts and maize. But he said that since there was no local market, they sold those crops in neighbouring Malawi. He called on the government to support the production and marketing of other crops so that farmers were not dependent on tobacco.

Notes: The SEC did not name the governor that MLT admitted it had bribed. There were two Tete governors in that period. Tomas Mandlate was governor until he became Minister of Agriculture in 2005, where he remained until 2007, later becoming an MP. In 2013 he was accused by the Environmental Investigation Agency of improper links with a Chinese company illegally exporting hardwood logs and evading taxes. In June 2014, Mozambique's Central Office for the Fight Against Corruption (GCCC) said it found no evidence that Mozambican citizens held shares in the companies - which was not the EIA allegation. Mandlate was followed as governor by Ildefonso Muanantatha until he was dismissed in 2009, after he had made public death threats against a *Noticias* journalist who had raised possible corruption issues around local construction contracts.

Noticias article, "Tobacco continua a dividir produtores e fomentadora", <http://bit.ly/1V4nbSN>
Galinas e Cerveja, chapter 8, p 162 Pt and p 69 En (<http://bit.ly/chickens-beer>)
Do Bicyclese Equal Development, ch 6, p 54.

EIA: <https://eia-international.org/wp-content/uploads/EIA-First-Class-Connections.pdf> and
<https://eia-international.org/wp-content/uploads/First-Class-Crisis-English-FINAL.pdf>

Muanantatha: <http://opais.sapo.mz/index.php/sociedade/45-sociedade/169-governador-de-tete-ameaca-jornalista-do-noticias.html>

Corruption costs 4% of GDP

Corruption in Mozambique in the 12 years 2002-2014 cost \$4.9 billion, about 4% of GDP, according to a study. More than half was accounted for by lost customs revenue. Other large areas of corruption include under pricing of liquid fuels and corruption in procurement in telecommunications, public works, and construction. Ematum is included in the estimate, but the more recent MAM and Proindicus loans are not.

The study was carried out by Centro de Integridade Pública (CIP), Chr. Michelsen Institute (CMI), and U4 - Anti-Corruption Resource Centre and published 31 May.

http://www.cip.org.mz/images/Documentos/Anti-Corrupcao/CIP-Custos_da_Corrupcao.pdf

The study is based on a mix of interviews to identify areas of corruption and then plausible estimates of the levels. Thus, based on interview, they estimate that traffic police earn four times their salary in bribes, and thus that they earn \$29 mn per year in bribes. For the Maputo ring road, they say that the contract cost \$5 mn per kilometre or road compared to normal levels of \$2.5-3 mn/km, and thus the corruption cost was \$40-50 mn.

Other recent CIP studies include:

+ Over invoicing by Inhambane city council, including the issuing of contracts to two different companies to rehabilitate the local football pitch.

http://www.cip.org.mz/images/Documentos/Conflicto_Interesses/Obras_publicas_inhambane_-_violacao_de_contratacao_publica.pdf.pdf

+ High failure rate in schools.

http://www.cip.org.mz/images/Documentos/Financas_Publicas/Reprovacoes_em_massa_Educacao-CIP01.pdf

+ The first of four reports analysing the government's own report on budget execution.

http://www.dno.gov.mz/docs/orc_estado/execucao/REO_JAN_DEZ_2015.pdf

http://www.cip.org.mz/images/Documentos/Financas_Publicas/O_RELATRIO_DE_EXECUO_DO_ORAMENTO-1.pdf

Anti-corruption office moves against officials

Grand corruption may not yet be subject to judicial proceedings, but the Office to Combat Corruption has been moving against government officials at local level. Three Inhambane district administrators, of Govuro, Massinga and Panda districts, have been charged with misusing the district development fund, known as the 7 million. (*Diario de Moçambique*) Two army officials have been arrested and one is still at large, charged with stealing \$660,000 by paying themselves large amounts of money. (AIM Pt 12 & 21 May) A former ambassador to Russia and other embassy officials have been charged with stealing \$500,000. (AIM Pt 20 Apr) Customs, tax and identity card officials have been charged with accepting bribes

India want to make fertilizers & chemicals in Mozambique

India wants to set up a reverse Special Economic Zones (SEZ) in Mozambique to produce fertiliser and petrochemicals from Mozambican gas, Press Trust of India (16 June) reports. The plan is to establish reverse SEZs in oil and gas rich countries with dedicated exports to India, Minister for Chemicals and Fertilizers Ananth Kumar said. The first would be in Iran and the second in Mozambique. The Iran SEZ was announced after Prime Minister Narendra Modi visited there. Modi will visit Mozambique, Tanzania, South Africa, and Kenya in July.

Debt crisis

IMF arrives but without \$; interest rates up; MT down 11% in month

An IMF team arrived in Maputo Thursday 16 June and will remain until Friday 24 June. The purpose of the mission is "to continue the fact-finding process linked to the previously undisclosed borrowing and to assess the macroeconomic situation. That will be the objective of that mission. So, it will not be discussing at this point further financial support. First of all, it's the fact-finding and the assessment," said IMF spokesman Gerry Rice at a press conference in Washington on 16 June.

Interest rates were raised again last week. The base rate, that Standing Lending Facility rate paid by commercial banks to borrow from the central bank, was raised 1.5% to 14.25%, the Bank of Mozambique (BdM) announced on 13 June. This is the sixth rise since October, when the rate was 7.5%. The rate paid to commercial banks for money deposited with the central bank, the Standing Deposit Facility, was also raised by 1.5% to 7.25%. A change in reserve requirements announced in April took effect on 7 June - commercial banks must deposit with the central bank 15% of the deposits (*passivos*) they hold in foreign currency, an increase in the previous 10.5%, and a welcome influx of perhaps \$70 mn US dollars. For Meticaís, the reserve requirement remains 10.5% of deposits.

Reserves down: BdM also announced on 13 June the continued fall of reserves. At the end of May, foreign currency reserves were \$1.71 bn, equivalent to 3.1 months of imports (not including the mega-projects), compared to 3.7 months at the end of March.

Devaluation continues. In the past month (18 May to 18 June) the Metical has devalued 11% against the US\$ and 15% against the Rand. The current bank rate (www.oanda.com) is \$1 = MT 60.64 compared to \$1 = Mt 54.81 a month ago, and Rand 1 = Mt 4.00 compared to Rand 1 = Mt 3.48 a month ago. (Five months ago, in mid January, the rates were \$1 = Mt 45.25 and Rand 1 = 2.69, giving devaluations since then of 34% and 49%.)

Mcel wants to sell its towers

In an attempt to raise money, Mcel is trying to sell its transmissions towers and then lease them back, according to Zitamar (15 June). Four companies which own mobile phone towers in other African countries might be interested.

The mobile company Mcel is 26% owned by the state holding company IGEPE and 74% by the fixed line company TDM, which in turn is 90% owned by IGEPE. The other two mobile telephone companies are Vodacom, owned 85% by Vodacom International, and Movitel, a joint venture of the Vietnamese military company Viettel and the Frelimo party holding company SPI. Zitamar says that Mcel and Vodacom could easily share towers.

For the past year the government has been trying to merge the two state companies, Mcel and TDM. Both have suffered from lack of investment in recent years. Government is under huge pressure to reduce its debts and privatise its state companies, but attempts to privatise Mcel have so far failed, in part because of large Mcel debts, including to TDM. CIP in 2015 and 2016 reports noted that although Mcel paid more than \$7 mn in dividends to the state in 2006-13, its accounts

are not transparent, and it owes \$50 mn to TDM and \$10 mn to the state.

TDM is in partnership with the Portuguese group Visabeira, which also owns the Girassol hotel group in Mozambique; each owns 50% of TVCabo and Televisa.

http://www.cip.org.mz/cipdoc%5C383_CIP-a_transparencia_24.pdf

http://www.cip.org.mz/images/Documentos/Anti-Corruptcao/CIP-Custos_da_Corruptcao.pdf

MAM moving in Pemba

The full scope of the MAM contract "is far wider than has been reported to date. It includes ... a transfer of technology and an IP [intellectual property] licence package ... a number of sites, a wide programme of logistics and maintenance support with substantial assets, ... and the supply of mobile and fixed maintenance and shipbuilding facilities, a naval training school, spare parts and maintenance services for the whole fleet," according to London-based Stuart Leasor, Managing Director of Woodstock Leasor, which "acts as the international media relations consultants for Prinvest, the main contractor in the Mozambique maritime contracts."

Responding to Maputo media reports that nothing had happened since Mozambique Asset Management (MAM) had obtained its loan in 2014, Leasor released some additional information about the heretofore secret contract - while stressing that some parts remained confidential.

MAM plans shipyards in Maputo and Pemba port, but has so far been unable to obtain access to a site in Maputo where it plans to build boats using Prinvest technology. In the north there is significant work going on at MAM installations at the Pemba Naval School and Pemba Naval Base, including the expansion of the land area. Some instructors are on site. However, there have been delays because of the inability to obtain customs clearance for equipment and materials imported by Prinvest.

MAM has a loan of \$535 mn from the Russian government owned VTB bank, for which an unusual and expensive upfront fee of \$35 mn was paid (Reuters, 11 June). MAM is 98% owned by the State Security and Intelligence Service (SISE). The loan is part of a package of at least four secret loans from 2013-4 worth at least \$2.4 billion which, when they became public earlier this year, caused donors to stop budget support and the IMF to suspend its loan. IMF Managing Director Christine Lagarde said that in keeping the loans secret, the Mozambique government was "clearly concealing corruption."

MAM failed to make its first repayment, of \$178 mn on 23 May. VTB CEO Andrey Kostin said the bank did not expect any significant losses from its operations in Mozambique, despite experiencing problems with a major loan, in part because it had shared the bulk of its \$535m loan with undisclosed other investors. "We have a portfolio sold out on the market, so any significant losses for the bank should not be expected," said Kostin. (*Business Day Live*, 17 June; <http://www.bdlive.co.za/world/europe/2016/06/17/vtb-not-worried-over-mozambique-despite-tardy-payment>)

There are three main companies involved in the secret loans, all owned by SISE. They are the fishing company Ematum, MAM, and the marine security company Proindicus. Prinvest is involved with at least two of them. It is owned by French-Lebanese businessmen brothers, Akram and Iskandar Safa, and is based in Beirut and Abu Dhabi. It owns the shipyard in France which built the Ematum fishing boats. Reflecting the Russian and Middle East links, Stuart Leasor is a "senior advisor to EM, the leading Russia-focused financial communications agency, and has partnerships with FinMark Communications, one of the leading financial and corporate communications agencies focused on the Middle East." (<https://woodstockleasor.com/#leadership>)

Other news

Employers are refusing to use prison labour, according to Eduardo Mussanhane, director-

general of the prison service. Only 128 prisoners are working on outside labour contracts, he said. (Noticias 9 June)

More than 100 companies in Cabo Delgado closed last year, putting more than 1000 people out of work. This was due to the collapse of the gas sector, and due to delays by the new government in 2015 in releasing money for projects. (Noticias 17 June)

LAM is still banned from the EU, it was announced on 16 June. LAM has been banned since 2011 "due to a lack of safety oversight by the aviation authorities." That means the regulator, the Mozambique Civil Aviation Authority (IACM), does not meet EU standards for keeping tabs on LAM's safety and maintenance, and for the past five years has been unable to set up systems to do so.

Bolivia rejected Bill Gates' donation of hens, the London *Guardian* reported. (See newsletter 326 and https://www.theguardian.com/world/2016/jun/15/bolivia-rejects-bill-gates-hens-donation?CMP=share_btn_tw)

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

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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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by Joseph Hanlon & Teresa Smart
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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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