

MOZAMBIQUE 185

News reports & clippings

3 Oct 2011

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Joseph Hanlon

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In this issue:

Coal – ban on new concessions

By-elections 7 December

What the donors tell us:

IMF admits inequality matters

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**Coal – 1st export &
new concession ban**

The first export of Tete coal in more than two decades left Beira port on 14 September. It was 35,000 tonnes from Vale for Dubai.

But the government has suspended issuing new coal licences in Tete and is planning a new mining law, while problems remain in Beira. (*Notícias* 9, 16, 28, 30 September 2011).

A total of 112 coal prospecting and mining licences have been issued to 45 foreign and national companies in just the past two years, and the government wants first to check which licences are actually being used – and revoke those which are not. The three biggest companies are Vale, Riversdale Rio Tinto, and Minas de Rivubue. Others include three Indian companies: Jindal Steel and Power Ltd (JSPL), Midwest Mozambique and Osho Gremach Mining, as well as the Russian Eurásia Natural Resources Corporation. Indian companies have been criticised, in Mozambique and elsewhere, for not using exploration licences.

Predictions are that Mozambique could export 40 million tonnes of coal per year (worth \$12 bn at present prices) from Tete, and a similar amount from Niassa, where exploration has only begun (with Vale and Riversdale again playing a key role). Meanwhile Beira port, operated since 1998 by Cornelde (part owned by the Guebuza family), does not have the capacity to handle this much coal. Cornelde marketing head Felix Machado says the current capacity is 6 million tonnes per year, through a terminal exclusively for Vale and Riversdale. Other companies which hope to start

exporting next year have made no arrangements for port facilities, although Cornelde has plans to expand the coal terminal to handle 18 million tonnes per year.

Meanwhile, 1,000 women demonstrated in front of the Beira City Council headquarters demanding just compensation for land and crops they are losing because of the construction of the new coal terminal. The women say there is inconsistent compensation for the loss of their small rice fields. The ports and rail company (CFM) representative, Rito Almirante, said that the different payments were due to different levels of damage. Those who could never use their land again were entitled to compensation of 5,000 meticais (\$187), said Almirante, whereas those who had only lost their rice harvest, would receive 1,500 Mt (\$56). (Diario de Mocambique, 18 Sept 2011)

Inspections and new law

Mining vice minister Abdul Razak Noormahomed told Noticias that the government is rushing to train mining engineers to ensure there are enough inspectors for the rapidly expanding mining sector. More than 1000 mining and prospecting licences have been issued, according to Eduardo Alexander, national director of mining. He noted that whereas a decade ago mining investment was only \$20 million per year, it is now over \$1 billion per year – and will continue to increase. Noormahomed estimates that \$15 bn will be spent by 2018 on installations to produce Liquified Natural Gas (LNG) in Cabo Delgado.

And Mozambique is revising its 2002 mining law. Afonso Mabica, inspector of the minerals ministry, says that Mozambique has gained huge experience in dealing with mining companies over the past decade and that the substantial exploration has given the government a better understanding of Mozambique's massive mineral resources. Therefore, it is time for a new law.

New Chinese mine

In what appears to be the first Chinese mining concession, Africa Great Wall is to mine titanium heavy sands in Sangage, Angoche, Nampula. Minerals Minister Esperança Bias says the company will invest \$30 million and pay the government \$4 million a year in taxes during the 15 year life of the mine. This will be the second large open cast heavy sands mine on the Nampula coast, and a third is planned. Kenmare currently mines in Topuito, Moma district, and Bias said there is another large reserve in Quinga, Mongicual district. (Noticias 3 Oct 2011)

And problems in Tete

The Moatize coal basin is so large and rich that all of Tete city and its surrounding area is sitting on coal, which is causing difficulties. A thick layer of coal has stopped the construction of the second bridge over the Zambezi River at Tete. The coal is only 16 metres below where one of the foundations is to be built, and Engineer José Frutuoso said he does not think a bridge has ever been built sitting on a coal seam like this, and that experts are being brought from Europe to see what to do. The coal seam also runs under the river. The new bridge is 5 km downstream from the old bridge and will be 715 metres long. (Noticias 21 Sept 2011) Meanwhile, the Portuguese-Mozambican company building and subsequently running the bridge will also take over the old bridge and 700 km of road in the Tete corridor linking Malawi and Zimbabswe. (Noticias 1 Oct 2011)

And the Frelimo party in Tete complained the central government is issuing coal mining licences without even telling local officials. Frelimo Tete First Secretary Xavier Sakambwera said that local officials found only from the press that permission had been granted to dig up the Tete airport to mine coal and that the airport would be moved. "Communities and investors are in constant conflict", he said. And he complained about Vale and Riversdale being allowed to cut roads, which has forced peasants to travel 50 kilometers instead of 15 to take their produce to market. (Noticias 6 Sept 2011)

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Elections 7 December for 3 mayors

By-elections for mayors (presidents) of Cuamba, Pemba and Quelimane will take place on Wednesday 7 December.

Candidates must submit signatures of 1 per cent of local voters by Saturday 8 October. That means 1208 signatures in Quelimane, 813 in Pemba, and 417 in Cuamba (based on the old 2009 register).

Candidate must also submit a set of other documents – copies of identity card and electoral registration card, certificate of no criminal record, and a certificate of residence in the municipality – In a meeting with the National Elections Commission (CNE), Manuel de Araújo of the MDM (Movimento Democrático de Moçambique) raised the problem of local officials delaying residence certificates for opposition candidates, and others have pointed out that there should be no need for such a certificate since the voters' card gives the city of registration. (Notícias 16 & 19 Sept 2011)

Registration of new voters will take place from 13 October to 1 November. CNE expects to register 15,000 new voters. The by-elections are taking place after Frelimo ordered five of its mayors to resign; three did, but two did not.

Did government boycott opposition tourist lodge?

Manuel de Araújo accuses the government of withdrawing promotional support for his tourist lodge when it was announced he would be MDM candidate for mayor in Quelimane. He is owner-director of Zalala Beach Lodge and Safaris, a new \$3 million four-star lodge in Nicoadala. He says that on 20 June the provincial government announced that the lodge would be inaugurated on World Tourism Day, 27 September, by Prime Minister Aires Ali and Tourism Minister Fernando Sumbana. But this was cancelled on 19 September, after his candidacy was announced. (O País, 26 Sept 2011)

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Lessons from the donors

IMF admits equality promotes growth and policy pushed for 35 years was wrong - and says US inequality caused crisis

"Equality appears to be an important ingredient in promoting and sustaining growth," according to two senior IMF officials in the IMF journal *Finance & Development* in September 2011. And the article admits that IMF policy pushed for 35 years has been wrong.

"In his influential 1975 book *Equality and Efficiency: The Big Tradeoff*, Arthur Okun argued that pursuing equality can reduce efficiency (the total output produced with given resources)." His argument was that "not only can more equal distribution of incomes reduce incentives to work and invest, but the efforts to redistribute - through such mechanisms as the tax code and minimum wages - can themselves be costly." Therefore the IMF forced Mozambique and other countries not to be redistributive.

But none of it was true. New research shows no evidence for Okun's claim, and indeed shows the opposite, that "inequality is strongly associated with less sustained growth."

The article goes on to say "The recent global economic crisis, with its roots in US financial markets, may have resulted, in part at least, from the increase in inequality" in the United States.

The article was written by Andrew Berg, Assistant Director, and Jonathan D. Ostry, Deputy Director, in the IMF's Research Department.

<http://www.imf.org/external/pubs/ft/fandd/2011/09/Berg.htm>

Lack of money, not bureaucracy, obstructs investment

Difficulty in accessing financing is the biggest obstacle to doing business in Africa, according to the World Economic Forum Global Competitiveness Report 2011–2012. In the section "The most problematic factors for doing business: Sub-Saharan African average", corruption comes second and inadequate infrastructure third. Only fourth comes the one always highlighted by the World Bank and others, "Inefficient government bureaucracy". Regulation comes even further down the list. The report was published 7 September 2011. <http://www.weforum.org/issues/global-competitiveness>

46 million poor in the US

There were 46.2 million people in poverty in the United States in 2010, the largest number since estimates began to be published 52 years ago, reported the US Census Bureau on 13 September; 22% of US children live in poverty. The number of people without health insurance rose to 50 million. Inequality increased. (http://www.census.gov/newsroom/releases/archives/income_wealth/cb11-157.html) Meanwhile, on 20 September in New York, USAID, administrator Rajiv Shah said the US would increase aid to Mozambique and continue to show it how to reduce poverty.

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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)

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Amazon.com for \$27.95

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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**

<http://tinyurl.com/justgivemoney>

Two working papers on the web

Poverty is not being reduced in Mozambique

LSE Crisis States Research Centre Working Paper No. 74 (series 2)

Benedito Cunguara and Joseph Hanlon, June 2010

<http://www.crisisstates.com/download/wp/wpSeries2/WP74.2.pdf>

Tambem em Portugues:

<http://www.crisisstates.com/download/wp/wpSeries2/WP74.2portuguese.pdf>

Mozambique's Elite – Finding its Way in a Globalized World and Returning to Old Development Models

Joseph Hanlon and Marcelo Mosse September 2010

WP/105 UNU-WIDER: The Role of Elites in Economic Development project

http://www.wider.unu.edu/publications/working-papers/2010/en_GB/wp2010-105/

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O Pais: www.opais.co.mz

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Savana: www.savana.co.mz

Canal de Moçambique: www.canalmoz.com

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

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