

# MOZAMBIQUE News reports & clippings

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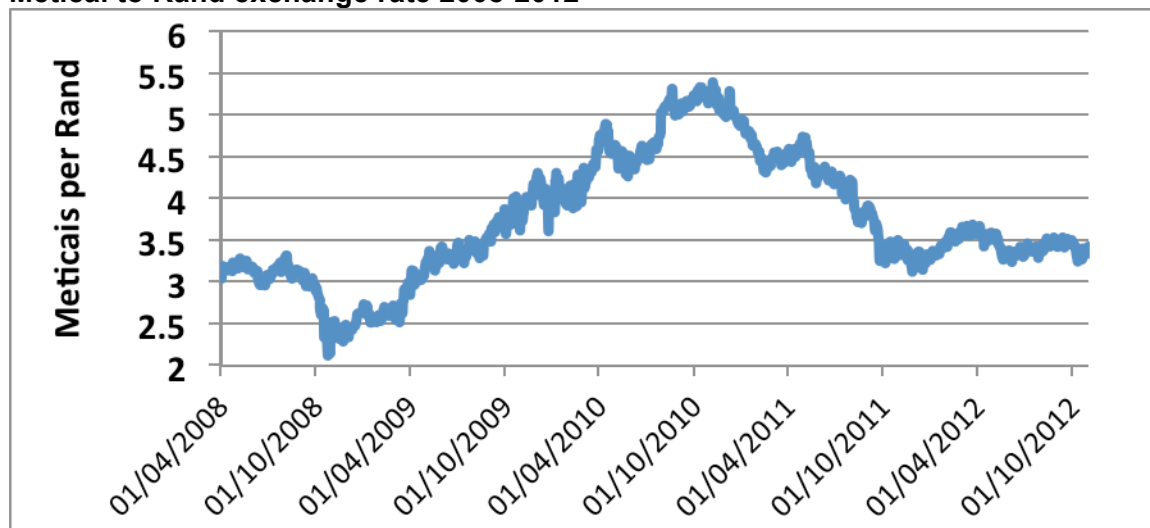
**Customs, teachers, justice & corruption**

## **Inflation under 2%**

Mozambique inflation is now very low. At the end of September the consumer price index was just 1.55% higher than a year before, for the country. For Maputo it was up 1.23% and Nampula 1.95%. Indeed, the Maputo consumer price index is actually 1% lower now than it was at the beginning of the year.

One reason is the strengthening value of the Metical against the Rand. Many Maputo consumer goods are imported from South Africa. The chart shows that in October 2008 just before local elections, there were only 2.1 Meticias to the Rand, making South African goods very cheap. For the October 2009 national elections it was 3.8 and moved up to 5.3 in October 2010 – which was a major cause of the September 2010 riots. By October 2011 it was down to 3.3, and has remained near the level for the past year.

**Metical to Rand exchange rate 2008-2012**



Source: Standard Bank, South Africa

Mozambique's First Lady, Maria da Luz Guebuza, urged farmers in the Maputo Green Belt to increase and diversify their production in order to reduce the country's dependence on imports from South Africa. Maputo residents should be eating Mozambican tomatoes and not ones imported from South Africa, she told a meeting of Maputo city peasant associations on 31 October. But the problem is that at 5.4 Meticals to the Rand, Maputo producers were competitive with South African imports, but at 3.4 they are not.

But the Governor of the Bank of Mozambique, Ernesto Gove, warned on 30 October against the knee-jerk belief that devaluing the currency automatically increases the competitiveness of an economy. Central bank goals include maintaining "exchange rate stability." Gove effectively ruled out any sharp devaluation of the metical, because he said devaluation caused inflation quite quickly. A gradual depreciation against the US dollar has been taking place over the last few weeks, falling from 28.2 meticais to the dollar in July to 29.4 now, and this seems likely to continue.

Gove also argued that Mozambique had avoided "Dutch disease", which sometimes occurred when countries had large inflows of money - aid in the case of Mozambique, but in future mineral revenues. The speech is on [http://www.bancomoc.mz/Files/GAB/DISCURSO%20DO%20GBM\\_JORNADAS\\_CIENTIFICAS\\_2012.pdf](http://www.bancomoc.mz/Files/GAB/DISCURSO%20DO%20GBM_JORNADAS_CIENTIFICAS_2012.pdf)

**COMMENT:** Some economists will see the overvalued Metical as exactly an example of Dutch disease. But providing the Maputo poor with cheaper food and clothing and perhaps preventing riots is probably a higher political priority than encouraging domestic production. The problem then becomes one of creating a subsidy system which compensates for the overvalued exchange rate but also encourage production. Fertilizer subsidies would do this, and the government could use coal and gas revenues for this. *jh*

## Interest rates: down but not down

Five interest rate cuts by the Bank of Mozambique have not worked their way though to bank loans.

The Bank of Mozambique's Monetary Policy Committee on 12 September cut its Standing Lending Facility (the interest rate paid by the commercial banks to the central bank for money borrowed on the Interbank Money Market) from 11.5% to 10.5%; this is the fifth cut, down from 15% in December 2011. The interest rate paid by the central bank to the commercial banks on money they deposit with it was cut to 2.5%. The Compulsory Reserves Coefficient – the amount of money that the commercial banks must deposit with the Bank of Mozambique – remains at 8%

Despite the sharp fall in both inflation and central bank interest rates, private banks continue to charge more than 20% interest - double the central bank rate. Minister of Planning and Development, Aiuba Cuereneia, on 10 September called on banks to cut their interest rates. (AIM 12 Sep; Noticias 13 Sept 2012)

And Mohanad Rafik, the chair of FARE, the government's Economic Recovery Support Fund, accused microfinance institutions of usury. He said FARE lent at 8-12% interest to microfinance but they on-lent to rural producers at 30-60% interest, which is "absolutely obscene and unacceptable". (AIM, 12 Sep; O Pais 14 Sept; Noticias 17 Sept 2012)

## Few rural banks

Banks are still concentrated on Maputo. There are 470 branches of commercial banks, of which 218 are in Maputo city and province. Of the 128 districts in Mozambique, only 58 have banks; only three of the 15 districts in Niassa, and four of the 16 districts in the neighbouring province of Cabo Delgado, have banks.

The picture is even worse when it comes to micro-credit. Of the 182 micro-credit operators in the country, 130 are in Maputo city and province.

There are 883 automatic teller machines (ATMs) of which 414 are in Maputo city and province. There are only 7,121 shops and other establishments that accept credit and debit cards, of which 4,057 are in Maputo city and a further 689 are in Maputo province, In Niassa, only 79 establishments in the province take bank cards, and in Cabo Delgado, 106. (AIM 24 Aug; Noticias 12 Sept)

- **Moza Banco** is to increase its share capital from \$40 million to \$45 mn, according to the bank chair, Prakash Ratilal. Capital had already been increased from \$30 mn in June. The largest shareholder in Moza Banco is Mocambique Capitais, a holding company of 376 Mozambican individuals and enterprises, with 50.4%. BES-Africa, part of the Portuguese Banco Espirito Santo Group, has 25.1% per cent, and Geocapital, the holding company of Macau billionaire Stanley Ho, has 24.5%.
- Sale of **government 3-year bonds** in August was oversubscribed four-fold, indicating substantial excess liquidity in the economy. The bond sale was for 3,1 bn Mt (\$110 mn), but 14 bn Mt was offered by potential buyers. (O Pais, 23 Aug 2012)
- The IMF says GDP grew 7.3% last year, will grow 7.5% this year and 8.4% next year. (Noticias, 3 Nov 2012)

## Where will the jobs come from?

The World Bank report "Jobs and Welfare in Mozambique" (by Sam Jones and Finn Tarp, see Newsletter 203) warned that 300,000 adults are joining the workforce each year, and there are no jobs for them. The Economic and Social Plan (PES) optimistically predicts that 215,592 jobs will be created in 2013, 53,898 from government projects (which includes the district development funds, the "7 million", which exaggerates the number of jobs created), and 161,694 from the private sector, but does not say where they will be. (PES 2013 is on the web on <http://www.dno.gov.mz/docs/OE2013/PROPOSTA%20DO%20PES%202013.pdf>)

But the government's own medium term plan for 2013-15 only predicts the creation of 172,000 jobs in three years, 29,625 in 2013, 51,844 in 2014, and 90,727 in 2015. (Noticias 8 Oct 2012)

Ernst & Young's 2012 Africa attractiveness survey for Mozambique predicts that foreign direct investment into Mozambique will be \$7 billion, but will create only 8000 jobs - a cost of \$875,000 per job. (<http://www.ey.com/ZA/en/Issues/Business-environment/2012-Africa-attractiveness-survey>)

Meanwhile, the deputy governor of the Bank of Mozambique, Pinto de Abreu, warned that the informal sector will not resolve the problem of unemployment. The informal sector is "a long term fallacy", he said on 11 October. "We cannot be satisfied that people are occupied by selling on the street." (O Pais 12 Oct 2012)

But Inhambane Governor Agostinho Trinta told a special session of the provincial assembly that he had no plans to restrict informal street selling because thousands of Mozambicans depended on it for their survival. Members of the assembly had been complaining about informal traders crowding the roadside of the main north-south EN1 road. Indeed, he continued, the freedom to sell goods in public was a conquest of independence, because it had not been permitted in the colonial era. (Noticias 25 Sept 2012)

## New customs system in trouble

A new system for processing customs paperwork which was supposed to simplify and speed up the process is having just the opposite effect, freight agents complain. The system is the Janela Unica Electrónica (JUE, Single Electronic Window). It was supposed to allow importers and exporters to input all the relevant information electronically - but it is proving very difficult to input data, the clearing agents complain. They say it was badly designed because it was implemented without talking to the users. (Noticias 18, 24 Oct, O Pais 18 Oct 2012)

Questions were raised about the whole project last year by CIP in its newsletter. The tender to install the new system was done very quickly in 2009 and there was only one bidder, a consortium of SGS and the Mozambican Escopil. SGS (formerly Société Générale de Surveillance) has experience in this area. Escopil is a company involved in maintenance, transport, making plastic foam, and e-government. It is owned by Vice Minister of Environment Ana Chichava, her husband

ex-minister of state administration Jose Chichava, and other members of their families.  
[http://www.cip.org.mz/cipdoc/77\\_CIP\\_Newsletter\\_10.pdf](http://www.cip.org.mz/cipdoc/77_CIP_Newsletter_10.pdf)      <http://www.escopil.co.mz/>

## \$ 1bn in World Bank projects

Planning Minister Aiuba Cuerenea reports that the World Bank has 18 projects in Mozambique worth \$1 billion. (Noticias 2 Nov) These include:

- + \$110 mn direct budget support
- + \$100 mn roads
- + \$50 mn Maputo
- + \$30 mn decentralisation
- + \$25 mn private sector
- + \$15 mn water
- + \$20 mn tourism & transfrontier parks
- + \$20 mn energy
- + \$20 mn spatial development
- + \$10 mn electronic infrastructure

### Education & health

- + \$71 mn education
- + \$40 mn university science and technology
- + \$37 mn professional and vocational education
- + \$44 mn & \$39 mn health

### Agriculture

- + \$26 mn Zambeze valley markets
- + \$70 mn water resources
- + \$70 mn irrigation

## Teachers should stop demanding sex & bribes

Beatriz Muhoro, president of the National Teachers Union (ONP), appealed to teachers to stop demanding sex or money from pupils to help them pass exams. Meanwhile, the Ministry of Education reported that three school directors and seven deputy directors were dismissed because of their involvement in fraud in July exams.

But Muhoro went on to note that in Nampula, some teacher are still owed money for overtime from 2009, in part because staff in the provincial education directorate had embezzled 11 mn Mt (\$400,000). And the new education minister, Augusto Jone, has set as a priority ending the systematic delays in the payment of teachers' salaries - which he blamed on decentralisation of payments to provinces and districts. (Noticias 10 Oct, 2,3 Nov 2012)

## Justice in brief

- **Augusto Paulino** has been re-appointed for a second five year term as Attorney-General (procurador-geral). He is highly respected and has built up the Central Office for the Fight against Corruption (Gabinete Central de Combate à Corrupção, GCCC), which operates out of his office. The GCCC is currently investigating **549 cases of alleged corruption** and theft of state funds, according to its director, Ana Maria Gemo. (O Pais 13 Aug 2012)
- **Disciplinary action** was taken against about 5,000 public servants over the past ten years, according to the Minister for the Public Service, Vitoria Diogo; nearly half were dismissed from their jobs. (AIM 15 Aug 2012)
- But O Pais (5 Sept 2012) accused officials in Zambezia prosecutors office of **stopping 25 cases** of corruption from going to court, one dating back to 2006.
- A public meeting with the provincial prosecutor in Chimoio, Manica, produced an outpouring of complaints of corruption, including demands for bribes in hospitals. (O Pais, 23 Aug 2012)

- President Armando Guebuza has appointed seven more judges to the **Supreme Court** bringing the formal total to 16. But three are not taking up their seats and two others are about to retire. The five new judges who will take up their posts are the current director of the Legal Aid Institute (IPAJ), Pedro Nhatitima, former Attorney-General Antonio Namburete, appeals court judge Osvalda Joana, judge Matilde de Almeida. and jurist Augusto Hunguana. Also appointed as Supreme Court judges are Justice Minister Benvinda Levy (who will only join in 2015 after a new government takes office) and Attorney-General Augusto Paulino (who was just reappointed in that post until 2017). One of the existing judges, Norberto Carrilho, has been seconded to the Constitutional Council. (AIM 17 Sept 2012)
- Newly appointed Supreme Court judge Osvalda Joana warned of serious problems of **corruption in the Mozambican judiciary**. She said it had become normal for citizens to request audiences with judges, and at the end of the audience they leave on the table an envelope containing money. She was speaking at a Mozambique Bar Association meeting, and another participant, Orlando Jorge, argued that not all gifts are bribes. He gave the example of a victim of stock theft, who went to court. The case was resolved in his favour, and the thief was found guilty. The farmer then offered a cow to the judge in thanks. "Is this a crime?" asked Jorge. "Is receiving gifts forbidden in this country?" Joana said, for judges, yes it is forbidden; there was no such thing as a free gift, and behind something that appeared to be offered with the best of intentions, there was often a trap. (AIM 17 Sept 2012)
- Bar Association chair Gilberto Correia said **administration of justice is in crisis**, and is in need of profound reform. "It is simultaneously a crisis of resources and results, of speed and quality, of predictability and credibility", he said. "We still have an inefficient judiciary incapable of responding to the demand and to the needs of this country's citizens". Justice is expensive, very slow, and difficult for citizens to access. (AIM 13 Sept 2012)
- The National **Human Rights Commission (CNDH)**, an independent body created by parliament in 2009, finally took office. It has 11 members. Commission chair is Custodio Duma, a prominent human rights lawyer, appointed by the Bar Association. The three members appointed by the Prime Minister are Augusto Zacarias (deputy chair), Luis Nahe and Dalmazia Cossa. The four from civil society are Farida Mamad, Amilcar da Paz Andela, Maria Hunguana and Anastacio Nhomela. Two members chosen by Frelimo are prominent Muslim cleric Aminuddin Mohamad and Alberto Viegas, a well known figure in educational and cultural matters. Renamo selected academic Eduardo Namburete.
- A judge in Matola on 1 October ordered the release of businessman Bakhir Ayoob, who had been arrested on 21 September on suspicion of involvement in the wave of **kidnappings** of people in the Asian-origin business community, apparently because of lack of evidence - other than police claims that he had lost \$3 million gambling in South African casinos. In a statement the spokesperson for the police General Command, Pedro Cossa, said the police continued to believe in Bakhir's guilt. (AIM 2,3 Oct; O Pais 2 Oct 2012)

## ***Agriculture in brief***

- Government has expressed concern about **contract farming for sugar** and the way producers are paid, and is undertaking a study, Noticias (22 Oct 2012) reported. The study has been delayed because the sugar companies are refusing to participate. This year the sugar sector expects to produce 3.9 mn tonnes of cane, giving 470,000 tonnes of sugar and 155,000 tonnes of molasses, substantially up on last year.
- The 1400 ha **Matanuska banana plantation** in Monopo, Nampula is now exporting to the Middle East (Kuwait, Saudi Arabia, UAE and Iraq) and employs 2500 workers. The \$50 mn investment involves Norfund, IDC, Rift Valley Holdings, and Chiquita. (Noticias 25 Oct 2012)
- **Agricultural research**, where spending is increasing to reverse cuts imposed in the 1990s, is beginning to bear fruit, with 16 new varieties of cassava released in the past two years, some of which can produce 10 tonnes per hectare. Hybrid maize has also been released. (Noticias 26 Oct 2012)
- Reversing another imposition, 387 new **agricultural extension** technicians will be hired in the coming year, to add to the 997 which the government already has. In addition there are 1215 private sector extensionists. (O Pais 15 Oct, Noticias 26 Oct) But the UN Food and Agriculture Organization (FAO) estimates that Mozambique needs 10,000.



- Clearly stung by the on-going comments about recent World Bank reports showing no improvement in Mozambican agriculture, the Bank's director for Mozambique Laurence Clarke said that **World Bank** aid to Mozambican agriculture "is not marginal". Since 1984, agriculture has received \$230 mn from the Bank, which is 6% of Bank lending to Mozambique. (Noticias 26 Oct)
- **Cotton** has an unusual marketing structure, with a floor price agreed before the season and buying companies given concession areas for contract farming. A meeting between cotton buyers and producers hosted by the government's Cotton Institute failed to reach agreement on the price for the coming season, with the producers demanding that the present floor of 10 Mt/kg (\$.30) be maintained, while the companies want to cut it to 8 Mt. Meanwhile, producers are accusing the British company Plexus, the largest buyer, of failing to buy cotton and that it is now too late to buy all the cotton before the rains. (Noticias 24 Oct 2012)

## **Other news in brief**

- **30 elderly people were murdered** in the first half of this year just in Sofala province, provincial health director Marina Karagianes reported to a meeting Buzi. And first lady Maria de Luz Guebuza issued a strong appeal to families to stop abusing older people. Families kill old people saying they are witches, or that the state should take care of the elderly, she said. (Noticias 18, 26 Oct)
- **A cement shortage** is being caused by the breakdown of the factory in Nacala, but Industry and Commerce Minister Armando Inroga said matters were being made worse by an organised group hoarding cement to push up the price. (Noticias 24 Oct 2012)
- Parliament has agreed that **elections will always be held in the first half of October** (sensibly before the rains) but there is still a huge battle over the composition of the National Election Commission and an opposition veto.
- **MDM** (Mozambique Democratic Movement) has announced its **first congress**, in Beira in December; 40 delegates are being elected. (O Pais 16 Oct 2012)
- Mozambique will **not open the national airspace** until the national airline, LAM, is more competitive, according to Deputy Transport Minister Manuela Rebelo. Under the Yamoussoukro treaty of 1999, airspace should have been liberalised by 2002, but few African countries have actually done so. "We are not prepared" for domestic airline competition, Rebelo admitted. "The sovereignty of a country needs a well equipped airline that is able to compete on a footing of equality with other countries". (O Pais 11 Sept 2012)
- Mozambique has one of **highest traffic accident death rates** in the world. In the first half of this year, 730 people were killed on the road. (Noticias 9 Sept 2012; For comparisons, see [http://en.wikipedia.org/wiki/List\\_of\\_countries\\_by\\_traffic-related\\_death\\_rate](http://en.wikipedia.org/wiki/List_of_countries_by_traffic-related_death_rate))
- Edmundo Galiza Matos Jr is the new spokesperson of the Frelimo parliamentary bench.
- Mozambique has been transformed into a "grand supermarket" said the Bishop of Pemba, Dom Ernesto Maguengue, in a prayer at the time of the Frelimo 10th Congress. "Services, work, land, the human body, organs, people, children, women, time, education and even school marks, marriage, health, sex, recreation, votes and even voters, the conscience of citizens, and even religions enter in the circuit of buying and selling." (Noticias 29 Sept 2012)
- Mozambique has 33 mobile telephones for every 100 people. (Noticias 19 Sept 2012)
- The Ministry of State Administration (Ministério da Administração Estatal, MAE) is considering a proposal to increase the number of districts from 128 to 141. The number of municipalities might also be increased from 43. (O Pais 13 Aug 2012)
- The anti-dam campaign International Rivers, which has long opposed Mpanda Nkuwa, has issued a new report saying that climate change will have a substantial impact on the Zambeze River, making the dam less effective than its promoters argue. <http://www.internationalrivers.org/resources/a-risky-climate-for-southern-african-hydro-7673>
- Work on the Montepuez/Ruassa road which links Cabo Delgado to Niassa has been halted for several months by the Italian company CMC because the African Development Bank is refusing to make the interim payment. (Noticias 3 Nov 2012)
- With the construction of a new bridge over Maputo harbour, mayor David Simango predicts that the population of KaTembe, which can now only be reached by ferry, will jump from 20,000 to 400,000. (Canal de Moçambique)

## **Cynical personal comments**

### **Dhlakama returns to the bush**

Renamo president Afonso Dhlakama on 12 October moved from his house in Nampula to a village in Gorongosa, Sofala, where he also claims to have a force of 800 men. I am afraid I do not take this seriously. Dhlakama does something like this to periodically frighten the new diplomatic folk and foreign media who don't know the history (the institutional memory of the international community is very very short), and who get all upset, and so suddenly he regains importance.

From 1992 Dhlakama has had only one tactic - boycott - which can be sensible when you are the weaker party. The Mozambique peace accord was unusual in that it recognized the existing government and constitution, and introduced a series of changes which made Renamo the official opposition party. Boycott worked during the 1992-94 period when the UN under Aldo Ajello was running the reintegration of forces and first election, and it worked in the first parliament. The threat of returning to war was plausible and Renamo won a number of concessions by simply refusing to participate in meetings unless demands were met. But boycott failed when the 1998 local elections went ahead despite a Renamo boycott.

Renamo's high water mark was the 1999 national elections, when Dhlakama and Renamo did very well. That was his big chance and he actually forced the government into serious negotiations, and Chissano offered him a role in appointing governors in 6 provinces. That was unprecedented and would have been a real game changer. But Dhlakama turned that down, and went for all or nothing -- either he could personally appoint all 6 governors, or he would not play. So he got nothing. And it has been all downhill since then.

Raul Domingos, who could have played an important role, was expelled from the party because Dhlakama saw him as a threat. Over the following decade Dhlakama failed to build a party base (having an organised party like Labour or Conservatives in the UK with grass roots activists was seen as "socialist" and what Frelimo did). With each set of election negotiations he continues with the all or nothing line, demanding an effective veto in the CNE which he will never get, so no one looks for the changes that would actually benefit Renamo. In 2008 Dhlakama marginalised and then expelled the person who had the best chance of rebuilding the party, Daviz Simango. Finally in 2009 during the election campaign he retreated to Nampula, taking him out of any of the Maputo political dynamics. Ever since, he announces national demonstrations every couple of months which never happen. Now he retreats to rural Sofala, as if it were 1993 and he was still negotiating with UN rep Ajello. And of course the diplomats and foreign media get worried.

In my view, Dhlakama simply is not a player any more. The interest should be on MDM, the Simangos, Arujo, others - taking care not to overwhelm them with donor support.

And what is Dhlakama doing in Gorongosa? Retiring *jh.*

### **Remembering Brecht**

In a long essay in Noticias (10 October) Pedro Chibamo Vilanculo asked: Who is to blame for the problems and lack of development in Mozambique? Most people blame the government, the elite, or even the opposition parties. But Vilanculo argues that instead of blaming the government, the fault really lies with the governed - the people, us.

It reminded me of a 1953 poem by Bertolt Brecht "The Solution" ("Die Lösung"), in translation:  
Some party hack decreed that the people  
had lost the government's confidence  
and could only regain it with redoubled effort.  
If that is the case, would it not be simpler,

if the government simply dissolved the people  
and elected another?

jh

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### **NOTE OF EXPLANATION:**

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Joseph Hanlon

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### **Mozambique media websites:**

Noticias: [www.jornalnoticias.co.mz](http://www.jornalnoticias.co.mz)

O Pais: [www.opais.co.mz](http://www.opais.co.mz)

Macauhub English: [www.macauhub.com.mo/en/](http://www.macauhub.com.mo/en/)

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Canal de Moçambique: [www.canalmoz.co.mz](http://www.canalmoz.co.mz)

AIM Reports: [www.poptel.org.uk/mozambique-news](http://www.poptel.org.uk/mozambique-news)

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

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