

MOZAMBIQUE News reports & clippings

251 15 April 2014 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Also in this issue:

**IMF & World Bank - education, 'frontloading' investment,
& warnings of social unrest**

Talks deadlocked again as Renamo demand "parity" of police and army commanders

The 53rd round of talks Monday ended in deadlock, after Renamo said it would disarm only if all senior levels of the military and police had equal numbers of Frelimo and Renamo officers. The head of the Renamo negotiating team, Saimone Macuiane MP, said that the senior leadership of the army are all from the old People's Liberation Army (Forças Populares de Libertação de Moçambique, FLPM) of more than 20 years ago, which was the army that fought Renamo, and that it was time to have equal number of Renamo officers. Renamo officers integrated into the army after the peace accord were turned in "advisors", retired, or marginalised, leaving only the old FPLM in charge. And this must be reversed. "We don't want our soldiers to just be cooks and 'advisors' to Frelimo; we want them to be real military men in the army," Macuiane added.

Agriculture Minister José Pacheco, the head of the government negotiating team, dismissed the demand as an "aberration." (AIM 14 April) *Notícias* this morning (15 April) reports that Renamo demands that the head of the general staff (Chefe do Estado-Maior) of the army and commander of the police be named by Renamo, and only their deputies named by the government.

Although the two sides have agreed that there should be international monitors, there is no agreement on their role. The government says they should monitor the cease fire and the disarmament and demobilisation of Renamo fighters. Renamo wants them to monitor the entire reorganisation of the military and police.

The next round of talks is tomorrow, Wednesday. Meanwhile, Renamo leader Afonso Dhlakama must register to vote in the next two weeks if he expects to stand for President.

World Bank says spend more on education - but IMF says spend less

Anticipated gas and coal revenues should be used to "frontload public investments", and Mozambique should increase spending on education and public health, and on infrastructure, the World Bank says in a new report, "Generating Sustainable Wealth from Mozambique's Natural Resource Boom". (<http://bit.ly/QiYwjt>) Such increased spending would be on "public goods and

services that offer high returns" and "benefit future generations".

But the IMF disagrees, and says the priority must be "containing the public wage bill". In its 2013 Country Report, it notes that the wage bill in the revised 2013 budget is half of government spending and 10.8% of GDP, and argues it should be pushed down to 8.5% of GDP. It accepts that "the lion share of the wage bill goes to education" and that there must be a reduction in salary increases and recruitment. (page 12 of <http://www.imf.org/external/pubs/ft/scr/2013/cr13200.pdf>) Government has effectively rejected this. In his "letter of Intent" to the IMF, published in January this year, Finance Minister Manuel Chang only commits to lowering the wage bill to 10.6% of GDP this year and 9% in the medium term. He retains a commitment to salary increases and to a resettlement subsidy for staff moving to rural areas. (page 6 of <http://www.imf.org/external/np/loi/2013/moz/122013.pdf>) But in a 14 March 2014 statement, the head of an IMF mission to Mozambique, Doris Ross, again calls for "moderation in new hiring" and reducing the wage bill - effectively hiring fewer teachers and nurses. (<http://www.imf.org/external/np/sec/pr/2014/pr1499.htm>)

(COMMENT: The use of "the public wage bill" as an indicator has a neo-liberal, pro-privatisation bias, because the more education and health care that is provided by the private sector, the lower the public wage bill. Thus the IMF is not objecting to more education, just to more state education. In late 2012, the Ministry of Education admitted that for more than two years students who graduated with good qualifications from the Pedagogic University had not been hired because university graduates are paid more than those without degrees, so the Ministry hired those without degrees. Education quality is low, but the best trained teachers did not get jobs - to meet IMF targets. See *News Reports 205. jh*)

This is part of a growing debate on whether or not Mozambique can spend some of the gas revenue now, even though the money is not expected for another decade. An IMF Working Paper "Natural Gas, Public Investment and Debt Sustainability in Mozambique" released in November argues strongly for an increase in public investment, anticipating some but not all of the future gas revenue. Money would be borrowed, and public debt could exceed 50% of GDP by 2020, the paper says. Their models show this to be more productive over the long term than either a conservative approach (waiting until there is money in hand) or an "aggressive approach" (spending all the anticipated revenue on investment in the next decade.) (<http://www.imf.org/external/pubs/ft/wp/2013/wp13261.pdf>) Mozambique's current foreign public debt is \$5.8 billion, according to Manuel Chang (*O Pais* 7 March) which is 39% of GDP.

Education gaps

Spending on education is falling as a share of the government budget, from 20% in 2009 to 17% now, reports *O Pais* (9 April). The government share is 65% of the total education budget, with 35% from donors. But 90% of the government share goes on salaries. So government is totally dependent on donors for new schools even the desks,

Mozambique will not meet the Millennium Development Goals for primary education according to the Ministry of Education. Although nearly all children start primary school, 14% drop out and only 86% finish the first five years. This is, however, an improvement on the 73% of 2007. (*O Pais* 11 Apr) Also, not all girls go to school, although girls are now 48% of children attending primary school and 42% of children attending secondary school. (*Notícias* 14 Apr)

World Bank cites Renamo action as evidence that mineral revenue could cause 'social unrest'

Renamo's military actions and threats "to disrupt coal exports are reminders that social unrest

related to the development of the extractive sector are a real possibility," says the World Bank report "Generating Sustainable Wealth ...". The report continues: "The risk of unmet expectations may be exacerbated if citizens and communities believe they are not receiving an equitable share of the benefits of natural resources". And it warns that falling post-war poverty rates "have gradually given way to less equitable growth, persistent poverty, and rising inequality, with over 50% of the population still living below the official poverty line".

The report points to the danger that "the potential misuse of public funds can encourage cynicism and popular discontent" and that citizens may assume mineral revenue has been squandered even if no misuse of funds has occurred. "If expectations are unmet this could lead to grievances that could result in widespread dissatisfaction, social unrest, and even outright conflict."

"Effective natural-resource policy requires managing popular expectations and building enduring consensus, which in turn requires a high degree of transparency and accountability." It also requires a high standard of public financial management, and it warns that "Mozambique's current capacity on managing public investments is relatively weak. Mozambique scores particularly low on project appraisal." (Confusingly, the World Bank report "Generating Sustainable Wealth ..." is dated January 2014 but was revised in late March 2014 and appears to have only been released last week.)

Doris Ross of the IMF, in her 14 March statement, underlined similar concerns: "we urge the authorities to make substantive efforts to bring more transparency to investment priorities and decisions, ensure value-for-money, and overcome considerable weakness in public investment planning." And she linked the increased concerns to the controversial \$850 million Ematum bond issue.

Caution on wealth fund & development bank

The World Bank report argues that "instead of translating natural resources into financial wealth (to be saved in a sovereign wealth fund)" it should instead be used for public investment. It notes that there are two types of resource funds. A wealth fund for saving purposes might be appropriate in the longer term. But a buffer or stabilisation fund to take account of revenue and gas price volatility could be useful. Money would be deposited when prices were high and withdrawn when prices were low, to stabilise government income. But the report admits that "international experience has been mixed, and the advantages of resource funds appear to be largely contingent on the underlying quality of governance."

"The government of Mozambique has announced its intention to create a development bank to fill some of the gaps identified in the country's financial sector," the report notes, warning that "this strategy also entails its share of risks". And it notes "there is a risk of political interference in the operations of a development bank, as the presence of such an institution creates opportunities for cronyism and graft."

Other IFI notes

"There's now just overwhelming evidence that those user fees actually worsened health outcomes. There's no question about it. So did the Bank get it wrong before? Yeah, I think the Bank was ideological," admitted World Bank President Jim Yong Kim in an interview with the London *Guardian*. (4 April)

\$9 billion per year is the government hydrocarbon revenue predicted by 2032, of which 90% will be from gas and 10% from coal, according to the World Bank's "Generating Sustainable Wealth ...". The IMF in its "Natural Gas ..." report says Mozambique has the largest proven natural gas reserves in Africa, and the 8th largest in the world.

Use mineral money for agriculture, said Finance Minister Manuel Chang, speaking at an IMF

press conference 12 April. He said Mozambique wanted to use revenue from mineral resources to "be able to prioritize financing to the more traditional sectors, for example, agriculture, which is the basis of development for our country." <http://www.imf.org/external/np/tr/2014/tr041214c.htm>

Government should intervene to reduce the risk to commercial banks for lending to Mozambican businesses, the head of the IMF Africa Department, Antoinette Monsio Sayeh, told *Notícias* (12 April). Risk sharing rather than directives to banks is the best way to increase lending and reduce interest rates, she said. The IMF 2013 Country Report cites lack of access to credit, particularly by SMEs, as an issue of "major concern". Finance Minister Manuel Chang at a press conference at the IMF spring meeting in Washington noted that the central bank has pushed down interest rates, but the commercial banks have not followed. His response is to ease the regulations to allow yet more banks to open, and also to allow the banks to have agents in rural areas who can take deposits and grant loans. (*Notícias* 14 Apr)

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Zambézia youth tell Guebuza: give us jobs, justice

"Youth want jobs" was the main headline on page 1 of *Notícias* Friday (11 April). And the front page article was unusually outspoken for *Notícias* under its new director. President Armando Guebuza, as part of his open presidency tour, met with young people in Alto Molocué, Zambézia, who told him in strong terms that more had to create jobs for the youth. More money to invest and a school of mining and agriculture to train people were suggested. One young man, Gildo Moela, told the president that unemployed young people were simply seen as "surplus".

"Mr President, we want justice" said the banner at the very unusual protest when Guebuza spoke in Quelimane on 7 April. The protest was to demand action over the killing of the musician Max Love by security guards at the governor's palace during celebrations 21 November after the MDM victory in municipal elections. (*Diário de Zambézia*, 12 April)

Meanwhile, in Morrumbala, Zambézia, the substitute district administrator Arcélio Madede called for more government investment in agriculture. The entire district has only five agricultural extension officers and too few farmers use fertiliser and improved seeds. (*Noticias* 11 Apr)

Still introducing Nyusi

President Guebuza continues to use Open Presidency rallies to introduce the Frelimo candidate for president, Filipe Nyusi, as his successor. Nyusi finally responded Saturday to on-going criticism, saying he was not using the meetings for campaigning - that he was merely carrying out political activity for his party. (*O País* 14 Apr). But that is precisely the criticism - that a tour funded by the government is being used for Frelimo political activity.

StarTimes and digital migration is an old story - but no one noticed

The signing of an agreement to give the contract for conversion of radio and TV from analogue to digital ("digital migration") without public tender to a company in which the Guebuza family has interests caused some controversy earlier this month. But the Public Integrity Centre (CIP, Centro de Integridade Pública) points out that it reported the agreement three years ago, and that *O País* and IBIS Moçambique raised it in 2010 and 2012.

Government has justified the secrecy of the negotiation on the grounds that it is being financed by

ExImBank of China. The contract is with the Chinese company StarTimes Software Technology. The Guebuza family company Focus 21 owns 15% of another company in the group, StarTimes Media Company Mozambique. Focus 21 is 80% owned by the President Armando Guebuza and 5% each by four of his children, one of whom, Valentina da Luz Guebuza, is now taking a leading role in the family businesses.

Two other issues are being raised about the contract. First, the deadline for the migration is next year, 2015, and the first agreement was signed in China in 2010. Time is now very short - why the delay? Second, the partner company that has been created for transmission of digital signals only includes public broadcasters, and not private ones.

http://www.cip.org.mz/cipdoc/98_CIP_Newsletter11.pdf

http://www.cip.org.mz/cipdoc/298_CIP%20Newsletter%20n%C2%BA02_2014.pdf

Biofuel collapse

Biofuel production never took off, in Mozambique or most other countries, and little land is being cultivated. A pair of studies by ODI in London shows that international campaigners claimed that 500,000 ha had been allocated for biofuels in Mozambique. The real amount was 209,000 ha, for 48 different projects, but of that, only 6,000 ha was ever planted. By 2012 only two companies had survived, NIQEL, the only jatropha producer, and Cleanstar, producing ethanol from cassava. Since then, Cleanstar has stopped production. NIQEL, despite problems of low production, is continuing with 2,300 ha. (*Notícias* 30 Oct 2013) Some of the existing sugar estates, which date back to the colonial era, have always produced ethanol and are expanding production.

Meanwhile, the ODI study also looks at the broader implication of plantation agriculture. It says a set of studies show that plantation "projects improve the livelihoods of their employees. ... however, these benefits are not shared by all of the people affected by the project." There is "a high risk to the food security of local communities" because people lose access to local resources, and corporate social responsibility projects in the affected communities are often not done because companies run out of money,

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8867.pdf>

<http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/8394.pdf>

More cholera riots

Health workers in Natatar village, Mossuiril, Nampula, were attacked and beaten by local residents and accused of spreading cholera. Police said seven people had been arrested for spreading false rumours. (*O Pais* 11 Apr) This is an on-going problem in coastal Nampula province where local people are unwilling to believe that powerful people will ever help them, and thus blame health workers for cholera.

North of Cabo Delgado still cut off

Eight districts of northern and central Cabo Delgado, including the on-shore areas of the gas fields, are still cut off from the capital and main port, Pemba, because the bridge over the Messalo River on the only main road north was washed out in heavy rain two weeks ago. (The photo on the next page is from the 12 April *Notícias*). Fuel normally arrives by tanker lorry from Nacala port, and is running out. Shops are said to be pushing up prices of the remaining goods on their shelves. Some goods, including fuel, are being sent across the Messalo River by boat.



"Comment: Why I don't go to Mozambique"

A comment with this title from Paul Ash, deputy editor of the Johannesburg *Sunday Times* Travel Weekly, was published 6 April, and is worth quoting in part: "On my last trip, two cops tried to extort R1000 from me for turning left at an intersection in a car with SA plates. We sat on the kerb for an hour until they got bored and left. Minutes later, the same pair pulled me over again, this time for driving straight down a straight road. Another hour wasted. The cops have, of course, learnt bad habits from the convoys of aggressive South Africans in gleaming 4x4s the size of a Maputo apartment, who roll in like conquering armies, push the locals around and who will ... just pay bribes because they are in too much of a hurry to beat the police at their own game."
<http://www.timeslive.co.za/travel/2014/04/06/comment-why-i-don-t-go-to-mozambique>

Wrong Carrilho: An article in *News Reports* 250 should have referred to Júlio Carrilho, the former Public Works Minister. It cited an article in *Correio da Manhã* (4 April), but in a letter to that publication, Júlio Carrilho denies evicting people who have a right to remain in the project area.

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The next book

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon will be launched 2 July in Maputo.

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-its-land-detail>

Now in paper at a reasonable price

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

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

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

Good daily newsletters:

English: Mozambique Investor. Send e-mail to theinvestor@clubofmozambique.com

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