

MOZAMBIQUE News reports & clippings

296 13 August 2015 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Editors note: There will be no newsletters for the next month because I will be doing fieldwork for the next book. I will try to circulate a short note on the trial of Carlos Nuno Castel-Branco and Fernando Mbanze. *Joseph Hanlon*

Also in this issue:

Criminal defamation is still a crime

Resettlement finally includes livelihoods

Changes at top for oil and gas

Protecting foreign sugar producers but not domestic rice farmers

Import duties are being raised on sugar to protect foreign-owned sugar producers from competition from imports, but no such action is contemplated to protect Mozambican rice producers.

Mozambique sets a "reference price" for imported sugar and an import duty is imposed to raise the price of imported sugar to the reference price. The reference price, last changed in 2001, was more than doubled by the Council of Ministers on 4 August - from \$385 per tonne to \$806/t for brown sugar and for white refined sugar from \$450/t to \$932/t. The old reference prices were already higher than the world market price for sugar, which is currently \$250/t for brown sugar and \$350/t for white refined sugar. But the sugar companies currently charge Mozambican consumers \$1100/t (for sugar bought on small packets) compared to the import price of \$1000/t (in small packets). The four big sugar estates are all owned by major international sugar companies, who said they could not compete with sugar being imported from Swaziland and South Africa (and sometimes produced on their own estates). So the Council of Ministers increased the protection.

The four sugar mills produce 425,000 tonnes of sugar a year of which 255,000 tonnes are exported, mainly to the US and Europe, and 140,000 tonnes were sold on the domestic market. The most profitable part of sugar production is the refining, which is almost all done outside of Mozambique. Minister of Industry and Trade, Ernesto Max Tonela, said that only 10,000 tonnes of white refined sugar are produced locally. This creates a problem because local soft drink manufacturers use white sugar, so they import it. The international companies that produce the sugar have never been under pressure to refine more locally, although Tonela said he "hoped" that CocaCola would sign a contract to buy 10,000 t/y of locally refined sugar.

For the rice industry, the picture is very different. Mozambique imports 360,000 tonnes of rice per year, Mahomed Valá, National Director of Agriculture and Forestry, told a rice conference in Buzi, Sofala, recently (*Notícias* 8 Aug). Mozambique produces less than 200,000 tonnes of rice per year. The main reason is that local production costs are too high and local producers cannot compete with imported rice from Thailand. (Discussed in detail in our book *Galinhas e Cerveja*). but Vala's

message to domestic rice producers was very different to the message to multinational sugar producers. There was no talk of import duties to protect local production. Instead Valá gave the normal list of production problems - lack of affordable fertiliser, limited mechanisation, poor water management, and lack of credit. Farmers should raise their productivity from 1 tonner per hectare to 3 t/ha, he said.

This anomalous situation of protecting large foreign companies but not domestic small businesses dates back to 1995, when the World Bank prohibited Mozambique from protecting the cashew processing industry, which threw 10,000 people out of work and sharply cut the market for peasant cashew producers. Also in 1995, multinational sugar companies said they would only take privatised sugar estates if they were protected, and this was agreed by the IMF. This set the precedent that big foreign companies can be protected but not small domestic ones. The spectacularly successful revival of the cashew sector in Mozambique was only possible because, in secret and in total opposition to the World Bank and donors, Mozambique reversed the World Bank policy and protected the cashew industry - which continues to this day as donors turn a blind eye, but only if it is not extended to other sectors such as rice. (There is a chapter on this in our book *Do bicycles equal development?*)

Comment: Frelimo's lack of support for small commercial farmers may have other roots. Thailand became a major rice exporter from a policy which received strong support from two World Bank reports (see *Galinhas e Cerveja* chapter 1). Small commercial rice farmers with a few hectares were given substantial support with credit, fertiliser and markets. Foreign investment in farming was prohibited, but foreign investment elsewhere in the value chain was encouraged. The project was so successful that rice farmers became well off and politically powerful, and Prime Minister Thaksin Shinawatra's party was elected in 2005 with rural backing against the old ruling party of the Bangkok elite - which then overthrew Thaksin with military support a year later. The struggle since then has been between the "red shirts" who represent successful farmers and farm workers, and the "yellow shirts" who represent the urban elite and old ruling party. Is Frelimo worried that if it supports small commercial farmers and they become successful, they will turn against Frelimo in a way similar to Thailand? Is it safer to import rice from Thailand and encourage foreign farming companies? *jh*

Correction

Criminal defamation is still a crime

In contrast to what we said in Newsletter 295, criminal defamation is still a crime. Article 22 of the State Security Law has now been incorporated unchanged as article 387 of the new penal code, which took effect at the beginning of July. Defamation of the President, Ministers, and members of parliament is punishable by 1-2 years in jail or a fine; defamation of magistrates and secretary-generals of parties is punishable by 3-24 months in prison or a fine.

The trial of Carlos Nuno Castel-Branco and Fernando Mbanze will start 31 August. The charges relate to an open letter attacking then President Armando Guebuza that Castel-Branco published on his Facebook page in November 2013 and which was widely reprinted, including by Mbanze in *MediaFax*. Castel-Branco was accused of defaming the president under article 22 of the State Security Law (lei 19/91). Mbanze is charged with abusing the freedom of the press by publishing the letter. The amnesty law passed by parliament in August 2014 as part of the agreement with Renamo apparently applies to all state security offences committed between March 2012 and August 2014, and thus should cover Castel-Branco's alleged offence.

LNG plant

Resettlement finally includes livelihoods

Anadarko agreed on 29 July to pay \$180 million to resettle the 5000 people from the Afungi Peninsula, Palma, Cabo Delgado, where Anadarko plans to build \$20 billion gas liquification plant. This is about \$36,000 per person.

Asked at the signing why this resettlement should work when virtually all mega-project resettlements have failed, including those at coal mines in Tete, Minister of Land, Environment and Rural Development, Celso Correia, replied "previous projects first prioritised physical resettlement and only afterwards did they move on to the implementation of development projects for the communities. And this resulted in tensions". For the first time, "this is more than a resettlement agreement, because it is also an agreement for the development of communities",

Half of the funds, \$90 million, is earmarked for development projects in agriculture, fishing and other activities that will facilitate the resettled households so that they become self-sufficient. The other half will be spent on compensating households for lost fields, trees and other assets, and on building houses, schools, health units, and roads in the new town where they are to be resettled. Correia accepts that there are still likely to be difficulties. "The fact that we are better organised and have an agenda does not mean that there will be no tensions", he said, "because changes are always changes, and even when we change for the better, we have tensions". (AIM 30 July)

However @Verdade (6 August) argues that the process is illegal, because there have been no consultations with the local communities as required by the land law. It also argues that the transfer of the land title (DUAT) to the state oil company ENH and on to Anadarko is improper because the law does not permit the simple transfer of land - only buildings and infrastructure can be transferred and the land can go with them. This is to try to prevent land sales.

Finally, it is not clear what arrangements have been made with the people who currently have rights to the land which will be occupied by the 5000 people being moved.

Dhlakama promises violence as talks remains stalled

"There will be violence" if his demands are not met, Renamo head Afonso Dhlakama promised in an interview with the BBC (8 August).

The Monday negotiating sessions reached their 113th round on 10 August with no action. Government accused Renamo of attacking police in Tete. The negotiations are supposed to move on to a discussion of a more equitable distribution of the country's economic resources, but neither side has submitted a proposal. Renamo appears to be waiting for government to make a financial offer while government says Renamo put the topic on the agenda so should table its demands.

Two Renamo military observers have become the first to be demobilised and join government forces. Abilio Mucuepa joined the police as an assistant superintendent and Manuel Lavimo joined the army with the rank of major. The two were part of the 35 sent by Renamo to take part in EMOCHM, the international commission intended to oversee Renamo demobilisation, but now disbanded. Afonso Dhlakama was clearly annoyed as he is trying to prevent demobilisation, and called it a "disgrace".

Renamo has refused to send members of parliament to accompany President Nyusi on his recent official visits to France, Portugal and India.

Changes at top for oil and gas

The two top people for oil and gas have been replaced by President Filipe Nyusi. Omar Mitha is moved from deputy minister of industry and trade to become chair of ENH, replacing Nelson Ocuane who had been chair since 2007. Prior to joining the government in January, Mitha was chief economist at the country's largest commercial bank, the Millennium-BIM. INP director for exploration Carlos Zacarias is promoted to chair, replacing Arsenio Mabote who had chaired the INP since it was set up in 2004.

National Hydrocarbon Company (ENH, Empresa Nacional de Hidrocarbonetos) is the state body responsible for research, prospecting, production and marketing of petroleum and gas products. In all the natural gas concessions ENH has a stake of between 10% and 15%. The National Petroleum Institute (INP, Instituto Nacional de Petróleos) is the regulatory body for hydrocarbons, and is responsible for organizing the on-going bidding rounds for gas and oil exploration.

More debt problems

Moody's became the second credit ratings agency to downgrade Mozambique over debts and particularly over repayments of the \$850 million loan to the Mozambique Tuna Company (EMATUM). Standard and Poor's last month downgraded Mozambique's rating from B to B minus. Moody's downgraded one level from B1 to B2 and changed the outlook for Mozambique to negative. Moody's says the government "has run large fiscal deficits resulting from a high volume of government capital expenditures (16.5% of GDP in 2014), fast-growing current spending and decreasing grants from the international community".

Meanwhile China has become Mozambique's biggest creditor, with debt of \$884 mn in 2014 according to the Portuguese bank BPI. And this does not fully include three major loans - \$400 mn for a new 600 km power line to Zambézia and Nampula announced 21 July, \$413 mn for the power station on the north bank in the Cahora Bassa dam, and the Mpanda Nkua dam. (AIM 11 & 2 Aug)

Meanwhile one of government's biggest domestic debts is over \$200 million in VAT rebates owed to companies. This issue has been dragging on for years, and the new Minister of Economy and Finance, Adriano Maleiane, decided to pay the outstanding rebates in government bonds. Companies could hold the bonds and be paid over time, or sell the bonds to banks at a discount, typically of 10% to 20%. Not surprisingly, businesses are angry at being charged an extra penalty. (AIM En 27 July)

Lula pressured Chissano to give Moatize mine to Vale

Joaquim Chissano, then president of Mozambique, came under heavy pressure in 2004 from the administration of Brazilian president Lula da Silva to give preference to Companhia Vale do Rio Doce, Odebrecht and Andrade Gutierrez according to a new book *Moçambique, o Brasil é aqui* by Brazilian journalist Amanda Rossi. (@Verdade 11 Aug) A decade ago coal was valuable, and Vale was competing against BHP Billiton, Rio Tinto and Anglo American. Brazil's largest debt cancellation, of \$315 of Mozambican debt, clinched the deal. Loans followed from the Banco Nacional de Desenvolvimento do Brasil (BNDES, Brazil National Development bank) for \$466 million for Andrade Gutierrez to build the Moamba-Major dam in Maputo province and \$125 million for Odebrecht to build the Nacala international airport. The heads of Odebrecht and Andrade Gutierrez were arrested in Brazil on 19 June and charged with paying corrupt officials in order to win contracts.

No money to buy keeps grain stores empty

The Chokwe Agro-industrial complex has one of several grain mills and silos built by government recently with a \$60 million Chinese loan. It was opened by President Nyusi in April. But they have not been given money to buy grain, so they remain nearly empty. Aim (Pt & Eng 6 Aug) reports that the Chokwe unit has a capacity of 15,000 tonnes, but has only been able to buy 2000 tonnes.

Local processing of minerals?

Mozambican graphite being mined in Montepuez by the Australian company Metals of Africa is being used to produce graphene, a new material which is one carbon atom thick and is the best conductor of heat and electricity ever discovered. This underlines the way that Mozambique grants mining concessions with no requirements for local processing and thus gains nothing from new technologies like graphene.

The Montepuez mine is near the Syrah Resources' Balama graphite project which holds the largest known deposit of graphite in the world, at an estimated 1.15 billion tonnes. Syrah is trying to raise \$154 million to develop the mine.

Triton of Australia is said by EIU to have \$3.5 billion in contracts with China to purchase graphite from mines in Ancuabe and Nicada (all Cabo Delgado). Triton points to development incentives in the new mining tax law which provide tax incentives to encourage companies to develop processing within Mozambique rather than send the raw minerals abroad for processing. EIU suggests this could lead to value added processing in Mozambique..

Council of state members named

Daviz Simango, head of the second opposition party, the Mozambique Democratic Movement (MDM), and mayor of Beira, was appointed Tuesday to the Council of State by President Filipe Nyusi. The Council advises the President. Renamo head Afonso Dhlakama is already a member (as runner up in the last presidential election) but has never taken his seat on the grounds that all Mozambican elections have been fraudulent and that he is the genuine president.

The President appoints four members. In addition to Daviz Simango, he named former Prime Minister Alberto Vaquina and reappointed Alberto Chipande and Graca Machel. The other members of the Council of State are:

- + Speaker of parliament (Veronica Macamo)
- + Prime Minister (Carlos Agostinho do Rosario)
- + Chair of the Constitutional Council (Hermenegildo Gamito)
- + Ombud (Jose Abudo)
- + Former Presidents of the Republic (Joaquim Chissano and Armando Guebuza)
- + Former speakers of parliament (Marcelino dos Santos and Eduardo Mulembue)

In addition 7 "figures of recognized merit" are to be chosen by Parliament, by convention proportionally according to seats, but this has not happened due to a deadlock.

The mathematics is not obvious. Frelimo has 144 members, Renamo has 89, and MDM 17. In a group of 7 that give Frelimo 4.032 members, Renamo 2.492 and MDM 0.476. Decimals less than .499 are usually dropped, which means 4 Frelimo and 2 Renamo - which is 1 short. There are two choices - the largest decimal method (used to allocate parliament seats to provinces) gives Renamo the position, while the d'Hondt method (used for election of MPs) would give it to MDM.

So Renamo wants 4 Frelimo and 3 Renamo but MDM and Frelimo want to name 4 Frelimo, 2 Renamo and 1 MDM. Deadlock.

CSCS, Media Council: Similar problems had beset the Higher Media Council (Conselho Superior da Comunicação Social, CSCS). Nyusi named journalist Tomas Vieira Mario as chair and on 11 August named prominent author Paulina Chiziane as a member. The journalists union (Sindicato Nacional de Jornalistas, SNJ) names three and selected Sacur Latibo, Suzana Espada and Pedro Nacuo. Magistrates name one, Jose Macarringue. Media companies have the right to name one member but have not done so, and Parliament is unable to name its 4 members. But the nomination of Chiziane means the CSCS has 6 of its 11 members and can function without the missing nominees.

Other news

Drought & hunger: Drought in Gaza and Inhambane mean that 137,784 people face hunger, the Council of Ministers was told 4 August. There is also drought in parts of Niassa and Tete. Most projections of climate change do not predict very serious implications for Mozambique, except a fall in rainfall in the already dry zones of the south - precisely those now affected by drought.

Plastic bag ban: Plastic bags made of recycled materials cannot be used for foodstuffs under a ruling agreed by the Council of Ministers on 30 June. This is the type of thin, black plastic bag found almost universally in Maputo shops, and the ban takes effect in 6 months. Also, shops will be required to charge for plastic bags that are less than 30 micrometres thick.

The urban land law is unconstitutional according to an opinion submitted to parliament by the Attorney General Beatriz Buchili. The land law and constitution guarantee the right to occupy land in many circumstances, but a 2006 Council of Ministers decree says this right expires in some circumstances. Parliament's permanent commission agrees this appears to be unconstitutional and has asked the Constitutional Council what it should do. (AIM 7 & 10 Aug)

More millionaires: Johannesburg-based research company New World Wealth predicts that by 2024 the number of people with net assets of more than US\$1 million (excluding their primary residence) will more than double in Mozambique to 2,200.

One quarter of all Indian investment in Africa is in Mozambique, Indian Prime Minister Narendra Modi said during the visit 5-7 August of President Nyusi.

Tete crocodiles have killed 175 people in the past five years.

The inflation rate will be "well below" the government forecast of 5.1%, according to projections from the local branch of Standard Bank in its July economic bulletin. This has permitted the Bank of Mozambique to take some action on Mozambique's inflated exchange rate. The Metical has moved from 2.82 Meticias to 1 Rand in June to 3.08 to 1 Rand last week, which will make imports from South Africa more expensive.

Lynching: Two young men accused of burglary in Nampula city were recently lynched to death by an angry mob, who beat them before necklacing them in the streets. This is the 10th reported lynching in Nampula since the beginning of this year. In Beira, three alleged thieves were lynched in a week. (@Verdade)

Administrator caught: Lucia Salimo, administrator of Ngauma district, Niassa, has been convicted of embezzlement of \$31,660. She was also convicted of putting money into her personal account, allegedly as a temporary measure since if it was unspent at the end of the 2014 financial year, there was a serious risk that it would be returned to the Treasury in Maputo. She was fined \$20 and has agreed to return the money.

Diamond mining has been started by Mustang Resources along the Save River near the Zimbabwe border. Initial equipment can process 1000 tonnes of gravel per day and the dredging depth is 3.5 metres. So far 12.5 ct of diamonds have been found, including a 2.6 ct gem diamond.

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by Teresa Smart and Joseph Hanlon

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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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O Pais: www.opais.co.mz

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

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

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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://oficinadesociologia.blogspot.com>

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