

MOZAMBIQUE News reports & clippings

318 5 May 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>

Secret debt crisis:

All budget support stopped Spending cuts \$148 mn due this month IMF warnings

Revelations that the government of Armando Guebuza took on more than \$2 billion in debt in secret are creating a deepening economic crisis.

The Group of 14 (G14) budget support donors have all suspended their contributions to the government budget, the President of Portugal, Marcelo Rebelo de Sousa, confirmed yesterday. Portugal holds the rotating chair of the G14 and Marcelo Rebelo is on a visit to Maputo. (O Pais 5 May) The IMF had already announced that it would not release any more funds from the agreed standby credit. The G14 is already down from an earlier 19 budget support donors and lenders.

Economic and Finance Minister Adriano Maleiane yesterday announced the first spending cuts. These include a hiring freeze and limits to government travel. But he guaranteed that health and education would not be sacrificed. (O Pais 5 May)

Maleiane said that donor budget support was \$467 mn per year, corresponding to 12% of the state budget. (O Pais 5 May) Spending cuts will clearly be much more severe. The IMF issued a general warning Tuesday in its Africa "Regional Economic Outlook" that African countries, including Mozambique, that have been forced to turn to the IMF for support will need to cut their budget deficits. And Roger Nord, deputy director of the IMF Africa Department, told Bloomberg that it is still not clear how large are the Mozambican secret debts. (Lusa 4 May) This will fuel rumours that more debts are still to be revealed.

There are at least three loans to parastatal companies taken in secret in 2013. They are the Mozambique Tuna Company (EMATUM \$850 mn), revealed last year and recently renegotiated, and two newly revealed loans, Proindicus to provide maritime security, particularly for offshore oil and gas operations (\$622 mn), and Mozambique Asset Management (MAM), set up for maritime repair and maintenance (\$535 mn).

At a press conference Thursday 28 April Finance Minister Adriano Maleiane said that the

Proindicus loan is to be repaid in the next 5 years at an interest rate of LIBOR plus 3.75% with the first payment of \$24 mn due in May. Over the 5 year period, the repayments will be running at an average of \$119 mn per year. For the MAM loan, the repayment period is 4 years at an interest rate of LIBOR plus 7.7%, and the first payment of \$124 mn is also due in May. (AIM 28 April)

LIBOR is the London Interbank Offered Rate, the rate of interest at which banks offer to lend money to one another in the wholesale money markets in London. In April the 1 year US dollar LIBOR rate was 1.22%, making the interest rates 4.97% and 8.92%.

Thus payments of \$148 mn are due this month. An estimated \$321 mn in debt repayments will be due next year (2017) on the secret loans - Proindicus \$119 mn/year, MAM \$124 mn/y and Ematum \$78 mn/y. This comes on top of servicing the government's remaining debt.

In addition the government has admitted previously unannounced loans to the Ministry of Interior. These appear to be suppliers credits for \$221 mn taken between 2009 and 2014. No further details have been provided, but the items imported appear to include new armoured cars for riot control and equipment for the riot police, who have been doing most of the fighting against Renamo.

This huge increase in spending at a time of cuts to IMF and donor funds creates a serious financial hole for the government.

The Attorney-General's Office in a press statement Friday 30 April said that investigations into the Proindicus and MAM loans were ordered on 20 April, and that investigations into the Ematum loan were launched in August 2015.

<article corrected 15 and 19 May 2016>

Is the debt sustainable?

Mozambique's total public debt stood at \$11.64 bn as of 31 December 2015, Prime Minister Carlos Agostinho do Rosario told a Maputo press conference Thursday 28 April. Foreign debt was \$9.89 bn. Confirmed domestic debt was \$1.75 bn, while a sum of \$233 mn was still being reconciled. (AIM 28 Apr)

Fitch, the third largest credit rating agency, has downgraded Mozambique from B to CCC. It says the debt to GDP ratio is already 83% and with expected continued devaluation it is likely to exceed 100% this year - "the highest figure in 15 years and compared with only 37.8% in 2011".

The Mozambican Debt Group (GMD) points out that the government's own figure for total public debt, of \$11.64 bn, means that the debt now stands at 69% of GDP. The foreign debt is 53% of GDP. GMD is a civil society organization that has been working on debt issues for many years, and says the limit of sustainability is normally regarded as 40%, and Mozambique's debt is substantially over that.

Zitamar notes that ENH, the state hydrocarbons company, has to raise its share of the multi-billion dollar investment in the liquefied natural gas (LNG) production facilities in Cabo Delgado, which might be difficult with falling credit ratings. But in an interview ENH chair Omar Mithá says that investors will treat this as a standalone project and bonds will be repaid from revenues from ENH's share of the gas. He further argues that the project is viable even at today's gas prices, but that he expects oil prices to double to \$60-70 per barrel in five years when the project comes on line. (Zitamar 4 May) Mithá's position is supported by an interview in the *Financial Times* (4 May) with LNG entrepreneur Charif Souki, who argues that although there is an oversupply of LNG at the moment, exports from some producers such as Algeria are declining, and there will be a shortage by 2021-22 - which is just when Mozambique's gas will come on line.

Reaction to the debt

Taking over \$2 bn in secret government debt without parliamentary agreement violates various Mozambican laws, and has caused a substantial outcry. Although President Filipe Nyusi, as Defence Minister in the previous government, must have known about the loans, it is becoming clear that many in the new government, including the Prime Minister and Finance Minister, were not initially told about the secret loans. Prime Minister Carlos Agostinho do Rosario said that the transition from one government to the next "meant that we became aware and had gradual contact with the dossiers on these debts, as we dug deeper".

There were threats of demonstrations on Friday and a huge police presence in Maputo, including new armoured cars - leading to the local comment that this was part of a new transparency, showing the people what the secret money had been spent on. In the event, despite social media messages, there were no demonstrations. But government offices were closed, giving many people an unexpected four day weekend (Monday was May Day holiday).

President Nyusi has been trying to play down the seriousness of the crisis. He told journalists yesterday (4 May) that "I believe the no donor is interested in sacrificing Mozambicans". Nyusi said the problems is not the debt itself, which he claims is sustainable, but the "incorrect way it was contracted." (Noticias & O Pais, 5 May) But he admitted it was necessary to "disinfect the house" in order to regain the confidence of donors. (Lusa 4 May)

But Teodato Hunguana, a former Constitutional Council judge and still influential in Frelimo, accused the government of violating the Constitution. Taking this debt in secret implies that "we have two constitutions: one that was adopted by the Parliament and the other we do not know, that is not public." (Lusa 4 May) Former security minister Sergio Vieira calls the loans "a crime against the country".

Comment: Political power

The secret loans and other recent reports raise questions about where power rests in the Mozambican government.

Finance Minister Adriano Maleiane confirmed last week the Ematum and Proindicus are both owned one-third each by the Institute for the Management of State Holdings (IGEPE), the public fishing company Emopesca, and the State Intelligence and Security Agency (SISE). MAM is owned 98% by SISE and 1% each by IGEPE and Emopesca.

In practice, SISE is controlled by the presidency and not by the ministries of defence or interior. And it is notable that huge military investments for coastal patrols are under SISE and not the navy.

Meanwhile @Verdade (4 May) revealed that in 2012-4, after the 2010 riots, the government set up a monitoring centre to intercept mobile telephone, SMS and internet traffic. The equipment was bought for \$140 mn from the Chinese ZTE Corporation. But the purchase was done through Msumbiji Investment Limited, where the son of the former president, Mussumbuluku Guebuza, is Chief Executive Officer (CEO). And the monitoring centre is under Casa Militar, the presidential guard. The equipment also contain the ability to deal with encrypted communication, and to locate specific mobile telephones. <http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/57818-governo-de-mocambique-esta-a-ouvir-e-a-ler-as-comunicacoes-de-todos-os-cidadaos>

In Mozambique the military has always been weak, in part to prevent a military coup. Under Guebuza, the power of the military was further weakened. The war against Renamo is largely being fought by the riot police under the Interior Ministry. The power of security services under SISE and Casa Militar has been increased. Has President Nyusi gained control over interior and security, or are Guebuza-allied forces still dominant there? *jh*

<article corrected 15 May 2016>

+ In a comment two weeks ago I argued that Frelimo will try to maintain unity by not expelling or disciplining corrupt members. But it has been noted that predominant parties do sometimes split when there are economic crises. And I've been pointed to an interesting thesis by Marthe Vaagen. She argues that "electoral authoritarian regimes have remained more resilient in the face of economic crisis than other varieties of authoritarian regimes." Her thesis compares the PRI in Mexico, which split after an economic crisis, with the UMNO/BN in Malaysia, which did not. <http://bora.uib.no/handle/1956/7284>

13 bodies found but no confirmation of mass grave

Nine decomposing bodies have been found under a bridge on the main north-south N1 road and four other bodies have been found in a field nearby. The site is a bridge over the river Piro in Macossa, 80 km north of Gorongosa. This is about 4 km from Canda, where Lusa reported that local peasants reported a mass grave in an abandoned gold mine. (O Pais 5 May)

Human Rights Watch issued a statement Wednesday, not posted on their website, saying: "On April 27, 2016, Deutsche Welle and LUSA news agency reported the discovery of a mass grave in Canda administrative post Local people interviewed by journalists said they discovered the grave after noticing the strong smell of decomposing bodies. They said they had counted between 100 to 120 bodies in a hole once used as an open-pit gold mine. When LUSA and Deutsche Welle journalists visited the area on April 30 [but] due to the presence of security forces, the journalists were unable to reach the site of the mass grave seen by local residents."

Government denies the existence of the mass grave and there has been no independent confirmation, but journalists have seen and photographed the 13 bodies.

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

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Joseph Hanlon

===== 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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