

MOZAMBIQUE News reports & clippings

326 10 June 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>

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**Debt: Won't default, but won't pay
Chickens, rubies**

The war: now it's talks about talks about talks

They had been seen as talks about talks - that is, meetings between the two 3-person teams to set up a meeting between Renamo head Afonso Dhlakama and President Filipe Nyusi. But at the Wednesday 4th meeting of the two teams, Renamo demanded that that only be talks about talks about talks. It wants these meetings to simply set up a working groups which would in turn set up the Dhlakama-Nyusi talks. (AIM En, *O Pais* 9 June)

Speaking at a press conference Wednesday evening (8 June) after a long meeting, the two sides made clear that there were still differences on the need for mediators, the need for working groups, and what Renamo calls the "terms of reference" of the talks. Renamo also wants guarantees of security for Dhlakama, and government team leader Jacinto Veloso said Renamo ought to specify precisely what measures of security it wants for its leader.

However both sides have agreed that the agenda should include Renamo's demand to govern the six northern and central provinces where it claims that it won the 2014 general elections; a cessation of all armed attacks; the situation of the defence and security forces; and the disarming and reintegration of the Renamo militia.

Meanwhile there were two Renamo attacks Wednesday. Renamo attacked a second Vale coal train at Inhamitanga, Sofala. Again the windscreen of the locomotive was shattered by gunfire and the driver injured by broken glass. And in another attack on the main road in Barué, Manica Renamo militia stopped five trucks, took the goods they were carrying, and burned the lorries. One person was killed and others were injured in the attack.

Won't default, but won't pay

Mozambique will not default on its debt, but it is not a "priority" to pay the loans of Proindicus and MAM, Prime Minister Carlos Agostinho do Rosário told parliament Wednesday (8 June). do Rosário also confirmed that many members of the incoming government which took office in

January 2015 were unaware of the Proindicus and MAM loans. The special session of parliament Thursday agreed unanimously to create a parliamentary commission of inquiry into the country's public debt. Finance Minister Adriano Maleiane told Parliament that he would soon present an austerity programme to cut total expenditure planned for this year by 10%.

The Prime Minister said that it was tempting to default on the debt but that would do damage to the good image of Mozambique. However, he continued, "to prioritize the payment of debts, particularly of Proindicus and MAM, to the detriment of the financing high-priority projects set out in the five-year the government program, such as agriculture, education, health, and water, would not meet its commitments to the Mozambican people."

He went on to say: "We would like to reaffirm, here and now, that the guarantees given by the government for the contracting of the debt of Proindicus and MAM, that the government only assumes that part of the debt that is proven to be applied to things in the public interest. It is for the justice system to decide what part is in the public interest and what part is commercial interest. We underline that these debts were taken by companies ... and they have the responsibility to repay." He added: "They have the responsibility to accept the debts and pay them, without burdening the state budget. The government restates its commitment to make the companies take their responsibilities".

do Rosário argued that it is for the Attorney General and courts, not parliament, to clarify the doubts about the legality of the state guarantees made on this loans.

do Rosário and Finance Minister Adriano Maleiane only went a small way toward accepting the demands of the donors and lenders. The Prime Minister said simply that the government will "continue to work with the IMF to evaluate the macroeconomic impact of the recent information supplied by the government on public debt [and] agree mechanisms with the cooperation partners, including the IMF, to achieve a Medium Term Fiscal Plan that does not lead to reduction of social indicators." Clearly the hope is that donors will return rather than allow the poor to suffer.

Maleiane went a bit further. He said they would increase the capacity of the Risk Management Office, which, he said, "is responsible for auditing, monitoring and management of fiscal risks, particularly with regard to internal and external loans, issuance of sovereign guarantees and reporting investors and rating agencies." He also wants transparency with respect to state guaranteed debt. And he pledged to parliament that he would "promote an independent assessment of the public debt database, in particular its system of recording, monitoring, reconciliation, sustainability analysis, and reporting, in order to prevent errors in the future." But that falls far short of the forensic audit and restructuring demanded by donors.

The three secret government guaranteed loans are to EMATUM (Mozambique Tuna Company), \$850 mn, already renegotiated; Proindicus, \$622 mn for a new company to provide maritime security services, and MAM (Mozambique Assets Management), \$535 mn for maritime repairs and maintenance, particularly of the EMATUM fishing boats.

Conspicuous monuments to dreams of mineral wealth

In early 2014, after the Ematum loan had already become public, the World Bank was still saying that anticipated gas and coal revenues should be used to "frontload public investments", and Mozambique should increase spending on infrastructure, education and health. "Due to its considerable stock of natural-resource wealth and projected future revenue streams Mozambique will have access to debt-financing options which would not otherwise be available, including credit collateralized against future revenues, loans to finance the government's equity stake in extractive industry projects or the use of public guarantees that will partially mortgage future income from extractive industries," said the World Bank said in its 2014 report, "Generating Sustainable Wealth from Mozambique's Natural Resource Boom". (<http://bit.ly/QiYwjt>) Mozambicans took that part of

the advice, but ignored the part of the report that said such increased spending should be on "public goods and services that offer high returns" and "benefit future generations".

The Maputo-KaTembe suspension bridge will be a dramatic landmark, but it comes with a high price tag - two loans from the Export-Import Bank of China totalling \$754 million. A more modest but totally adequate bridge could have been built for one-third of the cost.

And *O Pais* Monday (6 June) pointed to the "pharaonic" construction projects of the Bank of Mozambique - \$230 million for a new 30-storey headquarters in the baixa of Maputo, and \$47 mn for new office buildings in Nampula and Xai-Xai and expanding the ones in Chimoio and Beira. The new Maputo headquarters will consume more electricity than the entire city of Xai-Xai and required \$4 mn just for a new electricity line, *O Pais* says. Bank of Mozambique says that the current buildings, all inherited from the colonial Banco Nacional Ultramarino, are now inadequate.

Comment: *Africa Confidential* (13 May) says the Maputo headquarters was originally budgeted at \$90 mn, "with kickbacks and 'commissions' accounting for the cost inflation". And commissions clearly play a part in wanting grander projects. But using the unimaginable amounts of money from the gas to build one the biggest bridges in Africa or the most dramatic building in Maputo must also play a role. *jh*

Rebello: investigate those who took money, even if it splits Frelimo

Jorge Rebello, one of the founders of Frelimo who promoted Armando Geubuza to be the presidential candidate instead of Joaquim Chissano in 2004, launched a bitter attack on Guebuza in an interview in *Savana* (27 May).

In the interview, he said that "there are strong suspicions that a large part of the [secret loans] went into people's pockets. This must be investigated." He refused to name anyone, saying simply "everyone knows". But he went on to say "the children of presidents (and a grand part of the nomenclatura, and not just here) have a special aptitude for enrichment without work, thanks to their influence." Money stays within the family.

Savana asked if there should be something in Mozambique like the Brazilian "Lava Jato", which has led to the arrest and jailing of senior political and business figures. "This would amount to a real revolution. Are we prepared to unleash that? At this critical moment, would it not aggravate instability?" Rebello said: "An investigation into the source of wealth of the bosses is needed. Personally, I think it is justified because the stability in which we are said to live is clearly false."

Penalizing former President Guebuza "might provoke a break [inside Frelimo] because Guebuza has many supporters at various levels in government, that he has put there and who benefit from their links with him. I believe that this is why the present government is assuming responsibility for the mismanagement of the Guebuza government and refusing the blame them. My opinion is: if the break comes, let it happen. We have to prepare ourselves to meet that. We are a majority, the majority that is conscious, committed and not compromised by sordid interests.

"One phenomenon has left me puzzled: how is it possible that a comrade who has proven their nationalism and patriotism can, at some point, be dominated by greed and become a disgrace to their country and people?" But Rebello noted that "in some ways, we are responsible, because we did not react when this comportment was first detected. We were afraid and always praised him and considered what he did was right. We even gave encouragement. For example, we considered it normal and even desirable that our television constantly transmitted programmes praising the chief and the works of Armando Emilio Guebuza. The live transmissions on TVM for seven hours continuously of his birthday party. To feed the inflated ego of the chief.

"Now I am worried that we are doing the same thing with President Nyusi. ... We are all human

and when we hear this praise constantly repeated, we tend to accept it and consider ourselves infallible."

Gates and Odebrecht want to produce chickens

Bill Gates Tuesday (7 June) announced a plan to donate chickens to Africans to turn them into commercial farmers. Gates said a farmer starting with five hens could earn more than \$1,000 a year. Fewer than 2% of farmers in Mozambique earn that much money.

Meanwhile, Odebrecht, the large Brazilian construction company which built Nacala airport and is building the Maputo bus rapid transit system wants to build an \$82 million installation to produce one quarter of Mozambique's chickens. The company would go from field to fork, producing maize and soy for feed; having a hatchery, slaughterhouse and processing plant; and marketing. It would be located north of Mocuba, Zambézia. Odebrecht has already received \$550,000 from the Agriculture Fast Track Fund (set up by the US, Sweden and Denmark) and the Africa Development Bank. It hopes to raise money from the World Bank's International Finance Corporation. If successful, the project put out of business thousands of Mozambican small commercial chicken producers, who could not compete. Is this really the best way for the World Bank and African Development Bank to promote development?

But could either succeed? A large integrated project of the type produced by Odebrecht has never succeeded in Mozambique; indeed, all large agricultural plantations have failed. And on 9 March, Marcelo Odebrecht, the boss of the construction company, was jailed for 19 years for corruption.

Bill Gates, on the project's web page, says chickens "are easy and inexpensive to take care of." That has not been the experience in Mozambique, where commercial chicken raising has proved difficult. In our book "Chickens and beer: A recipe for agricultural growth in Mozambique" we looked at the successful value chain for soya and chickens. Eight years ago, local chickens were more expensive in the market than imported frozen Brazilian or South African chickens. It has taken a decade of work by TechnoServe and others to promote local soya production and bring the cost of chicken production down to competitive levels. This works only in a tightly controlled system. Several larger local chicken companies are profitable, and Novos Horizontes in Nampula is successfully promoting outgrower schemes. Keeping costs down, even for family producers, means 1) buying day old chicks and not hatching eggs (which is quite complex for commercial production), 2) having the right food and feeding regime so chickens grow fast enough, and 3) have disease control to limit losses. Of course families have chickens scratching around the yard and some eggs hatch and some chickens grow, and this works well for family consumption - but it is not commercial. No one will make \$1000 a year that way.

Indeed, a very common use of the "7 million" rural development funds has been in the form of grants to people to start chicken production, because, with Bill Gates, people think it is "easy". But nearly all fail, because it is so hard both to keep costs down and to ensure a market. Having to feed the chicken for just one extra week wipes out all profit.

Mozambique has succeeded in tightly controlled small scale chicken production. Should development banks support Odebrecht to replace those successful producers?

And, so far, just giving people a few chickens has been fine for family consumption, but has always failed to become commercial. Has Gates discovered something new?

Neither Gates nor his partner Heifer International have said if the programme will be run in Mozambique.

Gates: <https://www.gatesnotes.com/Development/Why-I-Would-Raise-Chickens?>

Odebrecht: <http://www.aftfund.org/en/integrated-poultry-project-local-impact>

Chickens and beer: <http://bit.ly/chickens-beer>

Conflicts over rubies in Montepuez

Bitter conflicts between a major ruby mine and local communities have been reported in articles by Mozambican journalist Estácio Valoi in *Foreign Policy* (3 May), *@Verdade* (2, 3 June) and *Zam* (12 April). More than 2000 people are being moved off the area and hundreds of houses have been burned, in some cases by the government riot police (FIR). As well as objecting to being moved, local communities claim to have a tradition of artisanal mining in this area. It is claimed that artisanal miners have been killed by security guards and FIR, both by being shot and by being buried alive.

Montepuez Ruby Mining has a concession on 32,000 hectares, protected by a large security force, which includes FIR. The company is 75% owned by the UK company Gemfields and 25% by Mwiriti, which is majority owned by Frelimo grandee Raimundo Pachinuapa. The rubies are of a very high quality and have earned more than \$150 mn at five auctions in recent years.

The conflict has been going on since the mine was given the land in 2011, and was reported in *Noticias* on 27 September 2012 by journalist Pedro Nacuo.

<http://foreignpolicy.com/2016/05/03/the-blood-rubies-of-montepuez-mozambique-gemfields-illegal-mining/>

<http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/58170-montepuez-ruby-mining-tem-concessao-para-extrair-rubis-e-matar-mocambicanos>

<http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/58156-os-rubis-de-sangue-de-montepuez>

<http://www.zammagazine.com/chronicle/chronicle-22/318-the-ruby-plunder-wars-of-montepuez>

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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

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Joseph Hanlon

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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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