

MOZAMBIQUE News reports & clippings

331 13 July 2016 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Comment: something will turn up: <http://bit.ly/28SN7QP>

Oxfam blog: Bill Gates & chickens:

<http://oxfamblogs.org/fp2p/will-bill-gates-chickens-end-african-poverty/>

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>

Also in this issue:

Pigeon peas, debt, better recruitment

Botswana ex-president Ket Masire confirmed as mediator; Tony Blair and Jakaya Kikwete also asked

Ketumile Masire, former president of Botswana, will be in Maputo next week as surprise mediator in the government-Renamo peace talks, the Global Leadership Foundation (GLF) confirmed this morning (Wednesday 13 July).

Having previously refused international mediation, government has now invited three very high profile mediators for the talks with Renamo. At talks between the two sides Thursday (7 July) it was agreed that as well as the three mediators chosen by Renamo there would be three mediators chosen by government. The three are:

- + Former Tanzanian President Jakaya Kikwete, seen as close to President Filipe Nyusi.
- + Tony Blair. On 20 January the Tony Blair African Governance Initiative (AGI) announced "it is in the early stages of developing a partnership with the Government of Mozambique and has appointed two advisors in Maputo." Blair visited Mozambique in February 2015, just after the inauguration of Nyusi. <http://www.africagovernance.org/article/agi-begins-work-mozambique> Press reports have said the invitation is to the Tony Blair Faith Foundation, but it said this morning that it does not work in Mozambique.
- + Global Leadership Foundation (GLF). (*O Pais* 13 July, *MediaFax* & *Zitamar* 12 July)

The London-based GLF confirmed this morning that it had been asked "to assist in the talks" and that Masire would go to Maputo next week. The foundation is co-chaired by F W de Klerk and the board includes Chester Crocker; the two are allies from the apartheid era. But another board member is Lynda Chalker, a former UK aid minister given honorary Mozambican citizenship by President Armando Guebuza in 2014. She has longstanding links and is a regular visitor to Maputo; her company Africa Matters is promoting Shell in Mozambique. (*Africa Energy Intelligence* 10 May) Masire is not on the board, but is a "member" of the foundation.

Comment: Matching Renamo's demand with its own high profile mediators is an unusually bold step. There will now be a very large group of 18 people around the table - 6 on each of the Renamo and government teams and 6 mediators. Nevertheless, the high profile of the mediators

could have three advantages:

First, they will not put up with the delays by both sides which led to such slow movement of previous talks, which could force the pace of the talks.

Second, the talks really need mediators who can think outside the box and find alternative ways forward.

Third, they may help with an item not on the agenda: money. Clearly Renamo head Afonso Dhlakama wants a lot of money, probably several hundred million dollars. A bankrupt government does not have that money to give, while Renamo will argue that it is bankrupt only because it stole so much money. The EU is both one of the six mediators and chair of the budget support donors, so its approval of giving money to Renamo would smooth the process. The obvious choice would be to set up the Afonso Dhlakama Democracy Foundation (similar to Chissano and Guebuza foundations) and provide substantial funding for that foundation, which Dhlakama could dispense as he wanted. *jh*

Failure to promote domestic production

Magid Osman blames IMF & no support for farming

Former finance minister Magid Osman blamed the International Monetary Fund (IMF) for the fact that Mozambique does not have policies that promote domestic production. The main reason is that the Metical has always been overvalued, which encourages imports and makes it hard for exports to be competitive. The IMF always says this is the case, but Osman says it "acted in collusion with the central bank" to keep the Metical overvalued.

But the blame for weak domestic production also lies with Mozambique. It has always said that agriculture is the basis of development but when resources are distributed, agricultural is not prioritised, Osman said. Mozambique has too few extension workers and there are no seed production centres in the country, so agricultural promotion work is very limited. Osman spoke last week in Maputo at a conference at the Polytechnic University. (*O Pais Económico* 8 July).

Comment

India visit was missed opportunity to help peasant farmers

On a one-day visit to Mozambique on 7 July, Indian Prime Minister Narendra Modi signed a Memorandum of Understanding to increase the import of pulses. Mozambique is expected to export 100,000 tonnes of pigeon peas to India this year, worth more than \$60 mn, and India wants to double this in four years. (*Zitamar* 6 July) Pigeon pea (feijão boer) is only a peasant crop, entirely for export to make dal (dhal).

Details of the MoU have not been released, but it obviously has much less in it than India had wanted. In a briefing before the visit, Amar Sinha, External Affairs Ministry secretary (economic relations) said the MoU will "ensure that the Mozambique farmers are paid their minimum support prices," and that "India may support a network of farmers in the African country who will be given logistical support, technology, and seeds." He said "pulses will be procured from them through government agencies". (*Asian Age* 5 July, *Financial Express* 6 July)

India assumed that like most countries (including India itself), Mozambique had a government agricultural marketing board and that a government-to-government agreement could be made to buy pigeon peas. But Mozambique was forced by the IMF and donors to close its marketing board and is not allowed to have "minimum support prices". Thus the government has no commercial relationship with peasant farmers - and, indeed, apparently has no way of thinking about this, so it could not respond to the Indian proposal. The final MoU is vague and says buying will be "either

through private channels or government-to-government sales through state agencies nominated by the two countries."

The advance team for the Modi visit met with the Export Marketing Company (EMC) in June. EMC is the main promoter and exporter of pigeon pea. It already has three pigeon pea processing factories in Mozambique and an Indian contract will probably be with them. Guilherme Machado, country director of EMC, says that improved seeds and extension services could raise productivity from 500 kg per hectare to 1.8 tonnes/ha or more. New seed varieties would be more drought resistance and produce peas with a thinner skin, which gains a higher price in the India market.

India imports nearly 6 million tonnes of pulses per year and prices jumped dramatically this year, causing political problems for the government. The Indian government wants a more assured supply and is clearly offering significant support in exchange, but Mozambique appears to have no way of responding. One model is already used for tobacco, under which an international tobacco trading company has exclusive rights to buy tobacco in a district and in exchange guarantees to buy and through a contract farming system provides seeds, fertilizer and extension services on credit. Mozambique Leaf Tobacco (MLT) is part of a huge multinational and used its own money (even to pay local bribes) and has made tobacco Mozambique's biggest agricultural export. A similar system could easily be used for pigeon pea, because, like tobacco, it does not have a local market. But EMC does not have the financial backing of a company the size of MLT, so to make contract farming work, government would probably need to share the risk with EMC (and to do so publicly, not in secret).

Unfortunately, there seems to be no one in government with the authority and knowledge to think creatively about supporting peasant farmers. So we end up with an MoU with vague hopes that EMC can double feijão boer exports and that India "may" help. Mozambique is losing out on tens of millions of dollars in potential peasant production - exactly the failure of support that Magid Osman is talking about. *jh*

+ The Modi visit also showed the success of the No to ProSavana campaign and other land campaigns. Originally the Indian government announced it wanted to lease land in Mozambique to grow pulses. But in his press briefing, Amar Sinha said the idea of leasing land to grow pulses had been dropped on the grounds that it is a "politically sensitive issue."

Debt crisis:

Inflation hits 20%; government halts payments

Inflation in June was 19.72%, compared to June 2015, the Instituto Nacional de Estatística (INE) reported on 8 July. Month on month inflation, June 2016 compared to May 2016, was 0.76%. One third of the inflation in June was a rise in food prices, including maize up 17.4% and cooking oil up 7.8%. Transport costs were also significantly up.

(Note that the data for individual cities on the INE home page (<http://www.ine.gov.mz/>) does not correspond to the data in the individual reports: <http://www.ine.gov.mz/estatisticas/estatisticas-economicas/indice-de-preco-no-consumidor/notas-de-imprensa>)

All government payments to private companies have been stopped, at least until a new budget has been approved by parliament, said Luís Sitóe, Executive Director of CTA, the economic associations confederation. This adds to already serious problems caused by long delays by the government in paying companies for services. He also noted that the economic crisis has caused "a very large number of companies to close," especially companies serving the gas and coal industry in Pemba, Nacala and Tete. (*O País* 12 July)

Tourism operators in Mozambique complain that Bank of Mozambique restrictions on transfers

means that some airlines that do not fly from Maputo will not accept orders from Mozambique for flights starting in Johannesburg. (@Verdade 27 June)

Credit ratings agency Moody's on 8 July cut Mozambique's sovereign debt rating to Caa3. The firm warns of "government defaults beyond debt guarantees to other classes of debt under Moody's definition, with potentially large losses for creditors." It continues: "Moody's expects that access to the IMF's \$283 million (2% of 2015 GDP) short-term credit facility will remain suspended and will not resume in the foreseeable future. Other aid support that had been suspended, including from the World Bank or the UK, are also unlikely to resume as a result. Corruption allegations too make the resumption of fund disbursement unlikely in the short run." (Caa3 is not the lowest possible Moody's ranking, but is considered as junk. Caa is "speculative of poor standing and are subject to very high credit risk," and Caa3 is the lowest in the Caa category. Ca and C are lower still.)

African Arguments has published a good commentary on the crisis by Adriano Nuvunga (head of CIP) and Paolo de Renzio (International Budget Partnership): "Bankrupting Mozambique: From poster child to cautionary tale" <http://africanarguments.org/2016/07/12/bankrupting-mozambique-from-poster-child-cautionary-tale/>

CIP has produced a video on the secret debts, called "Os moçambicanos exigem responsabilização dos culpados pela contratação ilegal da dívida", posted on <https://www.youtube.com/watch?v=fyRBSLSEljs>

And the hope that 'something will turn up': \$1.3 bn in capital gains tax?

Exxon Mobil and Qatar Petroleum oil have joined efforts to prepare the purchase of assets of US company Anadarko and Italy's ENI in Mozambique, Bloomberg reported on 6 July. It estimated that the capital gains tax on the sale could be \$1.3 bn, which would substantially ease the current fiscal crisis. The two have had joint projects for 15 years, but no final decision has been made yet. The two have the huge financial resources necessary to go ahead with the multi-billion dollar gas liquification trains that are part of the project.

Exxon already has interests north and south of this area. It won three offshore exploration licenses in Mozambique in October for blocks to the south of the Anadarko and Eni finds. And it has a working interest in Statoil ASA's Block 2 in Tanzania, north of the Rovuma Basin.

The *Financial Times* (7, 8 July) said that ENI wants to cash in on some of its exploration successes and sell stakes in some major projects, including Mozambique. ENI CEO Claudio Descalzi said he hopes to sell some of the Mozambican gas field this year. There is a very good map of the gas field, showing how it straddles the border between areas 1 (Anadarko) and 4 (ENI) and the line of the proposed pipeline on <http://clubofmozambique.com/news/eni-eyes-mozambique-stake-sale-by-the-end-of-2016/>

+ Government confirms that diamonds have been found, particularly in Massangena, Gaza, in the Save River valley near the Zimbabwe border, which is downstream from the main Zimbabwe diamond mines. Mozambique intends to join the Kimberley Process and a team will arrive in September to evaluate Mozambican compliance. (*Noticias* 11 July, AIM Pt 12 July)

Pedro Couto opts for international recruitment, as the question is asked: Do unqualified managers & ghost workers explain power cuts & air ban?

Some of Mozambique's state companies were well run and profitable, but in the past decade many have become sloppy and inefficient, if not corrupt. Power cuts in Beira and Maputo reflected a

decade of deferred maintenance and slow responses to problems at Electricidade de Moçambique (EdM). MCell, the first mobile phone company and long the leader, has slipped into third place. Tickets on the airline LAM are expensive and the company is inefficient. Land line telephone company TDM is hugely in debt because it has allowed both private and public customers to not pay their bills, according to Transport and Communications Vice-Minister Manuela Ribeiro. It seems as if jobs are increasingly filled by friends and relatives who feel no responsibility to do more than the minimum, while management is lax. This leads to increasing pressure to privatise the remaining state companies and end an important area of Frelimo patronage. But change is happening in some areas.

The respected Energy Minister Pedro Couto on 24 June dismissed four senior executives and board members of EdM, leaving in place only the CEO Mateus Magala. Three of the executives had only been appointed in September 2014 under the former Guebuza government. On 8 July EdM launched an unprecedented (for Mozambique) international recruitment campaign to fill the posts. Preference will be given to Mozambicans and the four, and other EDM staff, can apply for the reconfigured jobs. The recruitment process is being run by South African recruiter Eileen Drysdale of Into Africa Recruitment. EdM has also published its first code of ethics. (Zitamar 29 June, 8 July) Marcelo Mosse writes in his newsletter (5 July) the the state holding company IGEPE wants to introduce a more disciplined selection process for administrators, similar to what Couto has done, but this is being resisted by the Council of Ministers who do not want to lose their patronage powers.

More than 26,000 civil servants have not given proof of their existence and have had their salaries stopped, it was announced on 5 July. There was a campaign between July and December last year to take biometric data from all civil servants, and over 309,000 employees had their fingerprints taken. *O Pais* (11 July) notes that most of those who failed to prove they existed are in cities, including 6,500 in Maputo and Matola, where the publicity campaign was greatest. This suggests they are "ghost workers", with officials pocketing salaries of non-existent staff. In the Ministry of Education and the army, nearly \$2 mn was siphoned off in this way.

The first coherent explanation of why the EU has banned flights by Mozambican airlines has been given by Alves Gomes, a pilot and vice president for transport of CTA, the confederation of economic associations. For more than two decades Mozambique has been ignoring the "recommendations" (which are in fact obligatory) of the International Civil Aviation Organization (ICAO) relating to the national airline LAM, Mozambique's airports, and the local civil aviation regulator. He explains that in 2010 LAM signed a contract with Air Seychelles, a subsidiary of Air France, to fly to Europe. Air Seychelles demanded upgrading of the airports, so LAM cancelled the contract, so parent Air France released the list of problems, and Mozambique was put on the EU blacklist. Gomes says, simply, "we'll never get off the black list" because the Civil Aviation Institute has many so many workers who are "not qualified" for their job, and because LAM, "now has a Board of Directors without anyone who understands aviation." (@Verdade 1 July)

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"Mozambique News Reports & Clippings, number XXX", DATE, bit.ly/mozamb, accessed XXX.

Previous newsletters and other Mozambique material are posted on bit.ly/mozamb

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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

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

Outside Mozambique, we have a few copies we can send from London.
Please email j.hanlon@open.ac.uk.

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publishers
https://www.riener.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-it-s-land-detail>

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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NOTE OF EXPLANATION:

One 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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Mozambique media websites, Portuguese:

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

Mozambique media websites, English:

Club of Mozambique: <http://clubofmozambique.com/>
Rhula weekly newsletter: <http://www.rhula.net/news-announcements.html>
Zitamar: <http://zitamar.com/>
Macauhub English: <http://www.macauhub.com.mo/en/>
AIM Reports: www.poptel.org.uk/mozambique-news

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