

MOZAMBIQUE News reports & clippings

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Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Following the donor-designed path to the \$2.2 billion secret debt <http://bit.ly/3WQ-hanlon>

Special report on four poverty surveys: bit.ly/MozPoverty

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

Oxfam blog on Bill Gates & chickens:

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

Chickens and beer: A recipe for agricultural growth in Mozambique

book 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:

Turkey president wants Maputo school closed

Floods and drought

Rising violence against women

IMF loan possible without secret debt deal

The IMF Thursday effectively agreed with Mozambique's policy of paying official bilateral and multilateral debt, but not making payments on the \$2 billion secret commercial debt. The IMF can have a programme and can lend to Mozambique if there are private debt arrears, but not if there are official debt arrears. This was made clear at an IMF press conference in Washington.

But it was also made clear there are three conditions: 1) the Kroll audit must be successfully completed, 2) Mozambique must negotiate an "adjustment program" - that is, an austerity programme - and 3) that Mozambique must be "making a good faith effort to reach a collaborative agreement with its private creditors." This does not require an agreement, just an offer of serious talks. Bondholders last week stressed that were not prepared to negotiate until after Mozambique has an IMF programme, which actually makes it easier for Mozambique because they simply need to offer in good faith to negotiate.

President Filipe Nyusi declared on Friday (27 Jan) that his government remains committed to winning back the trust of international financial institutions and donors. He was speaking at the inauguration of the new headquarters of the country's second largest retail bank, the BCI (Commercial and Investment Bank). He also said the Kroll audit is going ahead "at a good pace". Bank of Mozambique governor Rogério Zandamelo Wednesday (25 Jan) predicted that Mozambique will have 5.5% growth this year and 14% inflation.

Administrative Tribunal confirms loans illegal

MAM and ProIndicus loan guarantees were "a violation of the constitution and budget laws" because they were over the limit authorized by parliament, the Tribunal Administrativo

(administrative tribunal and government auditor) said in its 29 November 2016 report on the 2015 government budget. The report also notes that "the government has not made any mention of the final uses of these loans."

The 2013 ProIndicus loan was for 18,560 million Meticias, but the 2013 state budget only allowed guarantees of 183 mn MT. The 2014 MAM loan was only slightly over the limit - a 16,852 mn MT loan compared to a guarantee limit of 15,784 mn MT, the report said. (@Verdade, 24 Jan)

Comment:

Negotiate first with Crédit Suisse?

So far Mozambique has been saying that bondholders should negotiate through its advisors in London, Lazard Frères (financial) and White & Case (legal). But in the investment community, there is growing annoyance at the intermediate banks, Credit Suisse and VTB, and the belief that they must share the risk. Thus a suggestion is emerging that the Mozambique government should first hold private talks with Credit Suisse and VTB and then jointly open negotiations with lenders and bondholders. In private, Mozambique and the banks would admit that neither has clean hands and they do not want damaging material to become public: Mozambique gave an unconstitutional guarantee for the loans and used some of the money for military purchases, and there may have been corruption to be exposed by Kroll; meanwhile Credit Suisse and VTB due diligence failed to discover these obvious problems and that the feasibility studies were unrealistic and that the loans were unlikely to be paid. An agreement between Mozambique and Credit Suisse and VTB would keep all of this secret. Mozambique would also agree not to invoke its claim that the guarantees are unconstitutional, and it would all be a single package.

It is also noted that for most of the investors, the Mozambique loans and bonds are a small part of their portfolio and are small compared to other international loans they hold. Thus they would not want to waste time and money in a lengthy legal action, and would prefer to settle quickly and gain an asset they can value and sell. Investors knew they were lending to one of the poorest countries in the world with a high credit risk and know they must accept a "haircut" - loss on the value of their loans. Lenders and bondholder might accept new bonds worth half the value of the original loan - and those new bonds might come half from the government of Mozambique and half from Credit Suisse and VTB. For Mozambique, this would reduce the debt from \$2 billion to an acceptable \$500 million. jh

There is an article by me (jh) on the London Guardian development web page on the Mozambique debt: <https://www.theguardian.com/global-development/2017/jan/27/mozambique-fabulous-wealth-gas-reserves-pay-nurses-debt-crisis>

IMF press briefing quotes

IMF Press briefing, 26 January 2017. William Murray, deputy spokesman in the Communications Department, IMF.

<http://www.imf.org/en/News/Articles/2017/01/27/TR012617-Transcript-IMF-Press-Briefing>

I've got a number of questions here. ... on Mozambique and its recent default, please describe the timing of the IMF's review of a program and its relation to the ongoing audit and its status. Let me give you a few items on that.

The IMF remains fully engaged with the authorities. We continue to follow the ongoing independent audit of Ematum, Proindicus, and MAM, and pursue our discussions on possibility of a new IMF supported program. In terms of our policy on lending into arrears to private debt holders, as in other cases the IMF will follow the policies as approved by the IMF's Executive Board, and by extension membership. The policy stipulates that the Fund can provide financial support to member countries with external arrears to private creditors,

provided that prompt Fund support is considered essential for the successful implementation of the member's adjustment program, and the member is pursuing appropriate policies and making a good faith effort to reach a collaborative agreement with its private creditors.

IMF Press Briefing, March 26, 2015. by William Murray, Deputy Spokesperson, Communications Department, IMF.

<https://www.imf.org/en/News/Articles/2015/09/28/04/54/tr032615>

The Fund does maintain a policy of non-toleration of arrears. That's the name, "Non-toleration of Arrears." The Fund does maintain a policy of non-toleration of arrears to official bilateral creditors. This policy requires the elimination of existing arrears and the non-accumulation of new arrears during the program period with respect to official creditors.

Turkey president Erdogan claims there are 'terrorist cells' in Maputo, including school

Turkish president Recep Tayyip Erdogan visited Maputo with a large 150 member delegation on Tuesday (24 Jan). He offered Turkish investment in exchange for Mozambique combatting "terrorist cells". "We know that cells from this group are present here in Mozambique and are replicating their initiatives and their hidden agendas in various parts of the world," Erdogan said. Thus Mozambique is caught up in a crack-down in Turkey.

Fethullah Gulen was an ally of Erdogan until 2013, when they fell out over corruption allegations. Based in the United States, Gulen's movement runs a network of international schools, including the highly respected Willow schools in Maputo and Matola. About a year ago, Erdogan began pressing African countries to close Gulen schools, and this was stepped up after he accused Gulen of being behind a failed coup on 16 July 2016. There have been widespread arrests and dismissals of people alleged to be linked to Gulen in Turkey, and Erdogan was visiting Mozambique, Madagascar and Tanzania, asking for cooperation against Gulen.

Marcelo Mosse in his e-mail newsletter says that Turkey has given Mozambique a list of 24 Turkish citizens living in Mozambique and alleged to be linked to the coup, including prominent investors in the real estate sector of Maputo. He says the owner of a property under construction near the Piri Piri restaurant has already been detained in Turkey. Turkey also claims these people help finance the PKK (Kurdistan People's Party), a Kurdish party under attack by the government.

But Erdogan's appeal was not well received. The chair of the CTA business association Rogerio Manuel told *MediaFax* that if Turkish businessmen are forced out of Mozambique on political grounds, it would be a setback in terms of lost investments. Also a number of businessmen send their children to Willow School. And the former chair of the Mozambican Bar Association (OAM), Gilberto Correia, told *O Pais* that Erdogan "is not known as a champion of democracy and of respect for human rights" and that Turkey should provide evidence and written requests.

Floods and drought

Flash floods on the River Save caused heavy damage to the riverside town of Machanga, Sofala. last week. On 22 January district administration offices, schools and the district hospital were under water. Patients who were undergoing treatment in the hospital were moved by three helicopters to higher ground. Two bridges on roads linking Machanga to the main highway (EN1) have been washed out.

There have been heavy and damaging rains in Maputo, Matola and Inhambane province. Flooding continues on the Buzi and Pungoe rivers in Sofala, but on no other rivers. At least 44 people have been killed by the heavy rains and high winds. The bridge between Madal and Quelimane collapsed last week, but *Notícias* (27 Jan) attributes this to the government failing to maintain the bridge, allowing the bridge piers to eventually be undermined by erosion in the rains.

Rain is falling almost everywhere, except that the drought continues, with little rain so far this year, in Nacala on the coast of northern Nampula province, leading to crop failures, and in the southwest of Mozambique and in neighbouring Swaziland, leading to water shortages in Maputo and Matola.

Attacks on presidents' daughters highlight rising violence against women

"Violence against women and girls is rising," warns Fórum Mulher (Women's Forum). "The latest tragic and shocking events have shown that violence against women and girls in the country affects all social strata." The events cited were the murder by her husband of Valentina Guebuza, daughter of former President Armando Guebuza, and Rofino Licuco on trial for savagely assaulting Josina Machel, the daughter of Mozambique's first President, Samora Machel and former education minister Graça Machel.

Josina testified in court that Licuco attacked her in October 2015 and beat her on the face so badly that she was blinded in her right eye. Josina is demanding compensation of MT 300 mn (\$4.3 mn). She told the court that she would use the money to support women who are the victims of violence. Asked whether the accused would be able to pay such a large sum of money, Josina replied "Yes, the Rofino I know can pay". But Licuco denies the charge, and says that that Josina had been drinking and tripped and fell. He claims to be the victim and has opened libel proceedings against Josina for statements that she allegedly made in the South African press. The trial has been adjourned until 2 February. (*O País* 17, 19 Jan; AIM En 16 Jan)

Meanwhile *Diário de Notícias* (26 Jan) reports that the prosecution says that jealousy and a bruised ego led Zófimo Muiane to kill Valentina Guebuza. In October 2016 he hid her passport, air ticket and mobile phone and locked her in her room to prevent her going to South Africa, because he thought she was going to meet a lover. Valentina asked the two god parents (*padrinhos*) to mediate and they met the couple on 14 December, and Valentina was highly critical of Zófimo. The meeting failed and the god parents left. Zófimo attacked his wife with his fists and then shot her. He then told an aide of Valentina: "I was offended in front of the god parents ... she humiliated me."

More than 9500 women reported gender-based violence last year, up 40% on 2015, according to Fórum Mulher. Maria Paula Vera Cruz, president of the forum, attributes this rise in part to publicity campaigns which are leading more women to denounce violence. (*Notícias* 27 Jan)

News in brief

Further problems for Agriterra: Inspectors confiscated a tonne of rotten beef from the Mozbife butcher shop in Chimoio on 20 January. Mozbife is owned by Agriterra, which last year announced it would close its three Mozbife cattle ranches in Manica. Agriterra is a Guernsey-based trading company which was chaired by Phil Edmonds, who had been responsible for the failed Procana sugar project. He was subject of an investigation by Global Witness and resigned as chair of Agriterra last year. (*O País* 24 Jan, also see this newsletter 320, 14 May 2016, and 329, 26 June 2016). Agriterra's London share price has fallen from £180 per share in April 2006 to £0.70 in June 2015 to £0.13 on 27 January 2017.

MozaBanco: Shareholders agreed to recapitalise MozaBanco at a meeting on 23 January. It is the fourth largest commercial bank and the only one majority owned by Mozambicans, with 51% owned by Mocambique Capitais, with 400 Mozambican investors. The Bank of Mozambique intervened on 30 September 2016, appointing a new board of directors. Banks must not allow their solvency ratio (income divided by liabilities) to fall below 8%, but in MozaBanco's case the ratio was less than 0. The 49% foreign investor was Banco Espirito Santo (BES) of Portugal which had to be bailed out by the Portuguese central bank in 2014. Its healthy assets (including MozaBanco) were put into a new entity, Novo Banco, which has now agreed to inject new funds. Bank of Mozambique initially put 8 billion Meticias (now \$117 mn) into the bank and shareholders have agreed to put up this money to reimburse the central bank. (AIM En 3 Oct 2016, 24 Jan 2017)

Currency remains stable: The rate of exchange remains stable and on 27 January was MT 70.5 = \$1 and MT 5.27 = Rand 1 compared 27 December rates of MT 71.9 = \$1 and MT 5.16 = R1.

Nyusi names old boss to head CFM: Miguel Matabele has been named head of the state railways CFM, replacing Victor Gomes who last month was named deputy chair of the Bank of Mozambique. Matebele was briefly chair of the state owned insurance company, EMOSE, but prior to that he had worked at CFM for 40 years. He was Director-General of CFM North when now president Filipe Nyusi returned from Czechoslovakia with his mechanical engineering degree and was sent to CFM North. (AIM En 25 Jan, Marcelo Mosse 26 Jan)

Three traffic police have been caught extorting money from motorists by people filming the encounter on smart phones and posting it on social media. In December, Jose Soares, head of the traffic police at the Moamba toll gate on the Maputo-South Africa motorway, was filmed extorting money from South African tourists. "Open up!", Soares can he heard saying on the video. "4000, 4000. Seat belts. That will be 8000 meticais" (\$112). Soares was eventually arrested, and was in possession of over 28,140 meticais (\$400) in three currencies (meticais, US dollars and South African rands). Soares admitted to reporters that his wages are only 15,000 meticais (\$213) a month. Two others have been arrested after a video was circulated on social media showing them taking money from drivers in Matola.

Used car sales down: Devaluation has led to sharp fall in imported three-year-old cars from Japan, because the local price has doubled. At least 10 Maputo used car lots have closed. (O Pais 26 Jan)

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

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Books by Joseph Hanlon

Bangladesh confronts climate change: Keeping our heads above water
by Manoj Roy, Joseph Hanlon and David Hulme Published by Anthem Press
<http://www.anthempress.com/bangladesh-confronts-climate-change-pb>

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon
In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>
E-book for Kindle and iPad, <http://www.amazon.com/dp/B00NRZXXKE>

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

Outside Mozambique, we have a few copies we can send from London. Please e-mail 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.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-it-s-land-detail>

Do bicycles equal development in Mozambique? by Joseph Hanlon & Teresa Smart

is available 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:

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

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

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

Carlos Serra Diário 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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