

# MOZAMBIQUE News reports & clippings

407 26 March 2018 Editor: Joseph Hanlon ( [j.hanlon@open.ac.uk](mailto:j.hanlon@open.ac.uk) )

To subscribe: [tinyurl.com/sub-moz](http://tinyurl.com/sub-moz)

To unsubscribe: [tinyurl.com/unsub-moz](http://tinyurl.com/unsub-moz)

This newsletter can be cited as "Mozambique News Reports & Clippings"

Articles may be freely reprinted but please cite the source.

---

## Also in this issue:

**Maputo water crisis**

**Debt offer is 50% haircut; more talks next month**

---

## Another Norfund fiasco as Matanuska goes bust

The banana plantation in Monapo, Nampula, that was supposed to be a model for foreign farm investment and was promoted by Norfund, has finally gone bankrupt (@ *Verdade*, 16 March), at huge cost to Mozambique. Norfund is Norway's government owned development finance institution which is funded from the aid budget, and has had a string of failures in Mozambique.

Matanuska was one-third Norfund (\$27 mn invested) and two-thirds Rift Valley, It started in 2008, and at the peak had 2500 workers and was exporting 1400 tonnes of bananas a day. However, in 2013 the plantation was found to have Panama disease, which had never been seen in Africa before and devastates the bananas. Panama disease is caused by the fungus *Fusarium oxysporum* which lives in soil and enters the plant through the root, blocking the flow of water and nutrients. The fungus lasts in soil for decades and cannot be managed with chemical fungicides. It is easily transmitted in dirt on shoes and car tyres, and is probably impossible to control. Over the next few years it will probably spread across Mozambique.

Antonia Vaz, the head of plant pathology at Mozambique's Ministry of Agriculture, says the disease could destroy the banana industry in Mozambique in just a decade. (APA, 20 Mar) And it could spread to the rest of Africa. It came to Mozambique on the boots of two workers from the Philippines, Vaz said. (BBC 1 Feb 2018) In its early years there was a rapid turnover of management at Matanuska and poor local control, and the lack of phytosanitary control meant dirty boots were not checked.

Having allowed the poor management and introduction of a devastating disease, Norfund withdrew from Matanuska in 2014. This is not Norfund's only failure in Mozambique. It backed the 2011 take-over by a European company of the successful and locally run King Frango in Nampula; the new owners replaced the local management with Europeans, who drove the company into the ground. It was finally passed to a locally run company who salvaged it. The Nordics do not have a brilliant agricultural investment record; a decade ago a Nordic aid-funded investment company Norsad, along with the US and Dutch, funded Vilmar Roses in Manica. Former managers called the project fraudulent and said the Norsad money was siphoned off to the Netherlands.

Norfund was also an important investor in microcredit banks when that was fashionable a decade ago, but proved to be only of use to the urban middle class buying household goods; they had no development impact and most have closed.

Norfund's main investments in Mozambique are now in real estate, where it is competing with money launderers and global commercial investment funds. An odd areas in which to invest aid funds.

Norfund is also a partner in a 40 MW solar power plant in Mocuba, Zambezia, where construction began earlier this month. The \$76 mn plant is owned by Scatec Solar (52.5%), EDM (25%), and Norfund (22.5%). The World Bank has put in loans of \$38 mn. The company has signed a 25-year agreement to sell the power to EDM which will be fed into the grid.

#### References:

The Rural Observatory this month issued a paper on Matanuska:

<http://omrmz.org/omrweb/wp-content/uploads/Destaque-Rural-33.pdf>

<https://norfund.no/investmentdetails/matanuska-africa-article12030-1042.html>

<http://www.bbc.co.uk/news/business-42777803>

<http://omrmz.org/omrweb/wp-content/uploads/Destaque-Rural-33.pdf>

<http://www.bbc.co.uk/news/business-42777803>

<http://apanews.net/index.php/en/news/mozambique-rues-disease-blighting-banana-plantations>

This newsletter 301, 25 Oct 2015

*Galinhas e Cerveja*, p142

*Do Bicycles Equal Development*, p 30.

### **Comment?**

## **Do donors have no liability?**

Norwegian "aid" has destroyed companies and introduced a disease which will devastate the banana industry, costing far more jobs than have been created by that aid. Actions to resist the spread of Panama disease will cost tens of millions of dollars, surely more than Norway invested in the banana plantation. Norway's aid to Mozambique is about \$30 mn per year. Cleaning up the Matanuska mess will cost more than one year's aid. Can Norway simply walk away and wash its hands of the damage it has done?

Mozambique's notorious \$2 bn secret loan was promoted by Credit Suisse, a Swiss company based in London. Credit Suisse must have known that Mozambique could never repay that loan. The cost to Mozambique will be equivalent to 60 years of Swiss aid or 30 years of British aid. Norway's sovereign wealth fund is the second largest investor in Credit Suisse and government pension funds are also invested in the bank. Members of the Mozambican elite do not have clean hands, and Mozambique is being punished by these donors because of the elite's greed, yet they do not punish the bank they own and control and which corrupted the elite. It will take years of aid to repay Credit Suisse and its investors.

Norway, the UK and Switzerland are long term supporters of Mozambique, and have for many years promoted their companies in Mozambique. Surely when harm is done by their aid and their companies, they cannot simply turn their backs. Do they feel no responsibility?

## **Debt offer is 50% haircut; more talks next month**

Debt experts estimate that Mozambique's offer to commercial creditors last week (20 March) is effectively a 50% cut in the debt (and not just in the arrears). The bonds are traded and the value dropped from 85 US cents to the dollar down to 78 US cents; which means bondholders still think that can get more than 50%. (Bloomberg & *Financial Times* 20 March; <https://www.bloomberg.com/news/articles/2018-03-20/mozambique-proposes-eurobond-haircuts-as-it-lays-out-tough-times>; <https://www.ft.com/content/ea881512-2c81-11e8-9b4b-bc4b9f08f381>)

And Economy and Finance Minister Adriano Maleiane said that a next round of negotiations would take place along side the IMF-World Bank spring meetings in Washington 16-22 April. (*O Pais Económico* 23 Mar)

## Recent reports

**Special report on social protection** <http://bit.ly/MozSocPro>

**Mozambique corruption articles 2016-7** <http://bit.ly/2upF8XI>

## Secret debt documents and report:

**Kroll full report** (80 Mb!) <http://bit.ly/Kroll-Moz-full>

**Kroll audit Executive Summary** <http://bit.ly/Kroll-sum>

**Parliamentary Report on the Secret Debt** (complete, in Portuguese) [bit.ly/MozAR-debt](http://bit.ly/MozAR-debt)

**Key points from the Parliamentary Report on the Secret Debt** <http://bit.ly/MozAR-debt-En>

**Mozambique should not pay the hidden debt** <http://bit.ly/Moz-do-not-pay>

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

## Other books and reports:

**Government's detailed flood reports:** <http://bit.ly/flood-17>

**Local media monitoring of Mozambique elections** (background of election newsletters)

<http://bit.ly/LSE-newsletter>

**Chickens and beer: A recipe for agricultural growth in Mozambique** book by Teresa

Smart and Joseph Hanlon, **free** English download <http://bit.ly/chickens-beer>

**Há mais bicicletas - mas há desenvolvimento?** book by Joseph Hanlon and Teresa Smart,

**free** Portuguese download <http://bit.ly/Mais-bicicletas>

**Gas for development or just for money?** <http://bit.ly/MozGasEn>

**Minimum wages & exchange rates 1996-2017** <http://bit.ly/MinWage2017>

Previous newsletters and other Mozambique material are posted on [bit.ly/mozamb](http://bit.ly/mozamb)

Under the proposal, half of arrears (\$318 mn, half of \$636) would be written off and half capitalized and added to the existing nearly \$2bn debt. New instruments (bonds or loans) would be issued and exchanged on a 1 for 1 basis. For at least a decade there would be low interest payments, then the debt would be repaid 10 to 16 years from now. Expert say that means the new bonds or loans would have only half the value of the old ones, because of more than a decade of low interest payments.

Spokespeople from the group of bondholders telephoned media immediately after the London meeting and said they were rejecting the proposal, which was "a total non-starter", and this was reported in the local press as well as by Bloomberg. But they clearly did not get support for the hard line from some of the bondholders, and only issued a formal statement the next day (21 March) which was more conciliatory, seeing the London proposals as a first step in good faith negotiations. The bondholders statement is on <http://bit.ly/2G48Cn2>

An important change is that bondholder spokespeople Charles Blitzer and Thomas Laryea had been saying that Bank of Mozambique governor Rogério Zandamela had painted a picture of Mozambique's economy being in such good shape and with large reserves so that the debt could be repaid now. Bondholders clearly felt that was total nonsense and that position has been dropped, and instead they only want a negotiated solution.

On one issue a hard line is maintained. Mozambique insists on a combined settlement with Ematum bondholders and MAM and ProIndicus syndicated loan holders. Bondholders reject this.

## Trust, calculations, and trade-offs

The large audience at the London debt meeting was surprised by the detail of the presentation, and also by the starting point of a 50% haircut - many had predicted a larger 65% haircut as the starting point.

Bondholders "consider that the public presentation has important gaps and thus does not provide a basis of support for the restructuring guidelines included in the presentation." This is a polite way of saying that few in the audience believed Maleiane's claim that he could squeeze government spending to end new borrowing by 2023. Mozambique's Public Integrity Centre (CIP) in a 25 March paper (in English) said Maleiane's package of measures is "not credible" and that it was not possible to cut spending and increase revenue as he predicted. CIP also criticised Maleiane for

claiming as recent cuts things that had been done some time ago, such as ending fuel and flour subsidies <https://cipmoz.us13.list-manage.com/track/click?u=a7c3e8361f9003ecde724d3a7&id=bf6dfac7be&e=84055bda81>

In private the response of Mozambicans was that the lenders had initially accepted much more unrealistic calculations to show that the debts could be repaid, and thus made loans which obviously could not be repaid. One way of accepting some responsibility is to accept these less unrealistic calculations.

One reason for the slower and more cautious response by creditors is that the offer contains an implicit deal. Any new bonds and loans would be approved by parliament and be legal; it was pointed out that if no deal was agreed, then legal proceeding claiming the old loans and bonds are illegal and illegitimate would continue. So creditors can get half their money, or choose to face court fights they might not win.

Some creditors at the meeting last week talked of "gas warrants" - that the new bonds and loans be backed up by guarantees of some part of Mozambique's gas. So far that has not been offered.

**Comment: Encouraging poor reporting:** Mozambique's London lawyers White & Case who ran the 20 March meeting barred the press from attending the meeting or listening to the meeting (some of us who were barred from the webcast could, in fact, still listen) and barred the Mozambican press for the post-meeting press conference. The underlines CIP's complaint that government is talking to creditors without informing the people or parliament. And barring the Mozambican press can only lead to distorted reporting, as media depends on second hand sources. What was gained by the government and White & Case by barring the Mozambican press? *jh*

**More projects are being halted** because of a lack of government funding due to the financial crisis caused by the secret debt. Work has stopped on the Maputo ring road, where work is funded by a Chinese export credit, but there is no government money to resettle 500 families that will be displaced to make way for the road. (*O Pais* 14 Mar)

## Is this some of the \$?

80 military vehicles allegedly exported from China were delivered to the port of Maputo on 2 March, according to *Indian Ocean Newsletter* (16 March). The deal is understood to have been facilitated by the founder of Blackwater, Erik Prince, through his Hong Kong-registered firm Frontier Services Group (FSG), and the accord was finalised with President Filipe Nyusi and Defence Minister Atanasio Salvador Mtumuke. The vehicles are stored in warehouses in Matola and military hangers at the airport, and are due to be deployed in Chimoio, Manica.

Prince is going into a joint venture with Ematum, he told a Maputo press conference on 13 December, and said that he may later get involved in protecting Mozambique's oil and gas assets. (See this newsletter 396, 13 Dec 2017) Meanwhile Prince is also being linked to Russian interference in the US presidential election campaign, which is alleged to have worked in favour of Donald Trump.

## Nampula victory surprised both sides

Neither side expected the Renamo victory in Nampula. On 13 March, the day before election day, Afonso Dhlakama accused Frelimo of "gross violation" and of transporting large numbers of illegal voters, even from Cabo Delgado 150 km away and Maputo 1500 km away. He threatened to abandon the negotiations with President Nyusi if the fraud was carried out. (*Voice of America* 13 Mar; *O Pais* 14 Mar) Clearly he assumed Renamo would lose.

And the state television station TVM had planned an analysis programme for the evening of polling

day on the assumption of a Frelimo victory. When the Renamo victory became clear, the pundits were sent home and a Mexican telenovela was broadcast instead. (*CanalMoz* 15 Mar)

The Frelimo central committee is meeting this weekend. A key item on the agenda is approval of a plan for upcoming elections, which after the Nampula defeat is likely to be hotly debated.

It is suggested that the Catholic radio station in Nampula, Rádio Encontro, was jammed just before the election. For three days the frequency was taken over by music broadcasts.

## Maputo water crisis to continue for a year

This rainy season only raised the water from 19% to 25% of capacity behind the Pequenos Libombos dam, which provides water for Maputo and Matola. With careful use, that will last until the next rainy season starts in November.

The rainy season is nearly over and has been good in all parts of Mozambique except the southwest and in the watershed areas of South Africa and Swaziland, which have suffered their fourth year of drought. Arácio Tembe of the National Meteorological Institute warns that the coming year will have the El Niño phenomenon in the Pacific Ocean which causes drought in southern Africa. Hélio Banze, director of ARA-Sul, the regional water administration, points to the current water crisis in Cape Town, and warns that Maputo could be next and that there must be cuts in water use, for example for gardens and car washing. (*O País*, 23 Mar)

The rapid population growth of Maputo and Matola has increased water consumption at the same time as the long drought. The Moamba Maior dam was supposed to add capacity by now, but work was stopped because the Lava Jato scandal involved the main Brazilian contractor and Brazil cut the funding. A dam is being built at Corumana that should be ready in 2019, but that will require a 90 km pipeline to reach Maputo.

=====

This newsletter can be cited as "Mozambique News Reports & Clippings".

If you need to cite it for academic purposes, treat it as a blog. The normal citation format would be:

"Mozambique News Reports & Clippings, number XXX", DATE, [bit.ly/mozamb](http://bit.ly/mozamb), accessed XXX.

**Previous newsletters and other Mozambique material** are posted on [bit.ly/mozamb](http://bit.ly/mozamb)

=====

**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>

=====

## Other books and reports by Joseph Hanlon

**Special report on four poverty surveys:** [bit.ly/MozPoverty](http://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/>

**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 (Karibu at airport, Livaria UEM, Bazar Pariso, Mivany) or from

**KAPICUA**, which recently moved to Av de Maguiguana (nr Lenine), Maputo; Tel: +258 21 413 201.

Telm.: +258 823 219 950 E-mail: [kapicudir@tdm.co.mz](mailto:kapicudir@tdm.co.mz) / [kapicuacom@tdm.co.mz](mailto:kapicuacom@tdm.co.mz)

Outside Mozambique, we have a few copies we can send from London. Please e-mail [j.hanlon@open.ac.uk](mailto: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](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>

***Há mais bicicletas - mas há desenvolvimento?*** free download of Portuguese edition (5 Mb)

---

## ***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 be **read on the web** [tinyurl.com/justgivemoney](http://tinyurl.com/justgivemoney)

=====

### 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

=====

### **Mozambique media websites, Portuguese:**

Notícias: [www.jornalnoticias.co.mz](http://www.jornalnoticias.co.mz)

O País: [www.opais.co.mz](http://www.opais.co.mz)

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

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

Carlos Serra Diário de um sociólogo: <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](http://www.poptel.org.uk/mozambique-news)

=====

This mailing is the personal responsibility of Joseph Hanlon, and does not necessarily represent the views of the Open University.