

# MOZAMBIQUE News reports & clippings

470 5 March 2020 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.

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

Downloadable books: <http://bit.ly/Hanlon-books> Election data: <http://bit.ly/MozEIData>

---

## Also in this issue:

**Donor backing for government**

**Falling democracy levels**

**Heavy sands on tourist beaches**

**Statistics confronts Nyusi**

---

The report "Notes on the evolution of the Cabo Delgado war", published here last week, is available on <http://bit.ly/CDelgadoOrigins>

---

## **\$140 mn aid cut forced more borrowing**

Aid to government fell from \$762 mn in 2018 to \$622 mn in 2019 instead of increasing to \$926 mn as planned. Aid and credits fell by \$142 mn instead of increasing by \$164 mn as hoped, according to the 2019 Budget Execution Report (Relatório de Execução Orçamental - REO - Jan-Dez de 2019)

Taking into account tax and other income, including \$950 mn in capita gains tax from the sale of Anadarko to Total and of parts of ENI to Exxon, government still had to borrow \$460 mn to cover the deficit. To fill the deficit of the 2018 budget, government only had to borrow \$316 mn.

Of the 2019 borrowing, most (\$305 mn) was a loan from the Bank of Mozambique and only \$155 mn was from the sale of treasury bills and bonds.

Donor credits in 2019 included \$212 mn from Japan, \$145 from the World Bank, and \$119 from the IMF.

Social and Economic spending took a major hit from the cut in aid, falling slightly from \$2.25 bn to \$2.18 bn, rather than increasing as planned to \$2.8 bn. The biggest cuts were roads (down 37% in 2019 compared to 2018, in both cases actual spending), higher education (down 18%), transport and communications (down 13%), agriculture and rural development (down 13%), and health (down 5%).

The reporting is by Aderito Caldeira (@Verdade, 18, 20, 25 Feb, 1 March), one of the very few journalists in Mozambique to actually look closely at accounts published by the government. The article, including the deficit table, is in Portuguese on <http://bit.ly/2019Defice> and in English on [bit.ly/2019deficit](http://bit.ly/2019deficit)

During president Nyusi's term in office the government's domestic debt had risen from \$1.8 bn to \$2.5 bn. In 2019, government paid \$279 mn in interest on the domestic debt - paid to banks and

bondholders. But government says it finally paid off nearly all of its debts to suppliers, paying \$100 mn and leaving a debt of only \$8 mn.

In addition, the government is carrying guarantees of debts to state companies (called Acordos de Retrocessão) of \$1.9 bn of which almost nothing was repaid in 2019. The biggest state guaranteed debtors are Maputo Sul, for the building of the ring road and Katembe bridge (\$630 mn), Electricidade de Moçambique (EDM, \$474 mn) and Fipag (water, \$275 mn). Government admits there is a high risk the debts will not be repaid by the state companies. The full article (in Portuguese with tables) is on: [bit.ly/AcordosRetro](https://bit.ly/AcordosRetro)

The state airline LAM is losing nearly \$50 mn per year, and at the end of 2018 debts were \$130 mn more than assets. The airline has been technically bankrupt since 2015. Currently \$115 mn is overdue to suppliers, mainly for fuel and to the airports company of Mozambique, and \$100 mn is owned to domestic and foreign banks. The state put \$23 mn into LAM in late 2018. In October 2019 LAM announced plans to resume its flights to Lisbon, but on 26 February delayed the start again, this time to June.

## Turning to the IMF

Mozambique made a formal request to the IMF to begin new programme discussions. The IMF cut off support over the secret debt in 2016. Since then there have been informal talks, but the request for a resumption of budget support was made officially by Minister of Economy and Finance Adriano Maleiane to Deputy Director-General Tao Zhang in early February. A mission will be sent to Mozambique in late March.

But at a press briefing on 27 February, spokesperson Gerry Rice made clear the negotiations would not be easy. "Strengthening Mozambique's governance framework is critical," he said. He saw debt and "public debt sustainability" as a key issue, as well as the need for "a strong commitment to fiscal consolidation over the medium term" - that is, sorting out the secret debt and stopping borrowing to fund the budget.

The first step will be an agreement for a Policy Support Instrument (PSI), which would probably involve significant IMF intervention in Mozambican economic policy. According to the IMF, the PSI "delivers clear signals to donors, creditors, and the general public about the strength of the country's economic policies." Only with a PSI in operation will the IMF talk to Mozambique about money.

The IMF is still not happy about the secret debt, which is clearly in the front of minds of IMF staff. The new IMF Director General, Kristalina Georgieva, in a recent interview said. "What we are telling everybody is 1: Transparency. Do not allow, like in Mozambique, to have a mountain of debt hidden." (<https://www.dw.com/pt-002/diretora-do-fmi-recomendação-escondam-as-dívidas-como-moçambique/av-52432167> starting at 43 seconds of the interview, in English.)

### Comment

## Donor backing for government

Despite an election widely condemned for fraud and misconduct, falling international scores for democracy, and the on-going fallout from the \$2 bn secret debt, the international community has made clear it is backing Frelimo and the re-elected government of Filipe Nyusi. The World Bank poured in money during the election year 2019 - \$700 mn compared to \$530 mn in 2018 and \$104 mn in 2017, when Mozambique was still being punished for the secret debt. World Bank commitments this year are already up to \$400 mn.

In 2018 the World Bank launched a rural water and health post programme that became a central part of Nyusi's 2019 campaign. China also threw its weight behind Nyusi, promising to build 35,000

houses in 2019. Two weeks ago the World Bank announced \$75 mn for the new Secretary of State for Youth and Jobs to launch a programme to empower youth. (@Verdade 18 July 2019, 18 Feb 2020)

Donors queued to praise the new government and offer support. The United States, Britain, France, Portugal and Italy all issued early statements promising to support the government. The Mozambican presidency quoted various statements. Italian Prime Minister Giuseppe Conte praised the work of the Mozambican head of state in his first term. "I am sure that under your leadership, Mozambique will continue its path towards consolidating political stability and the reconciliation dialogue for the well-being and prosperity of the Mozambican people."

"I want to assure the President of my commitment to deepen and continuously strengthen the relationship between the United Kingdom and the Republic of Mozambique," the British Minister for Africa, Andrew Stephenson, was quoted as saying. He looks forward "to collaborating on the security and development of Mozambique" and attracting investments.

France and the US also promised support for the civil war in Cabo Delgado, but carefully have not said how. But there is a four-way struggle for dominance in the Mozambique Channel and around the gas fields between the United States, France, Russia and India.

There has been a total change. A decade ago the re-elected president Armando Guebuza was welcomed with donors withholding aid for three months to force Mozambique to make specific changes in the electoral law. Never again. This time, the re-elected President received an unqualified welcome.

Two things changed. First, in response to the revelation of the secret debt, in 2016 key donors cut off budget support and aid directly to government. But that back-fired. Frelimo survived, at a high cost, without budget support. Direct aid to government will never return, and donors have lost their biggest weapon - they have no power. Second, all the "partners" want part of the action in the multibillion dollar gas boom for their companies. As the UK's Stephenson stressed, it is now about investment.

Mozambique's democracy scores may plummet (see below) and the election may be fiercely criticised by EU and other observers. But now the foreign partners hold their nose and smile at the government, hoping for more contracts and investments, and in some cases for a military presence. The days of donor power are really over. *jh*

## Falling scores for democracy

Mozambique has steadily fallen in democracy ratings. In the Economist Intelligence Unit (EIU) democracy index in 2007, it was 96 out of 167 countries, and considered a "hybrid regime". In the 2019 index (issued 20 January 2020) it was 120 out of 176 and considered an "authoritarian regime." The ranking is based on five indices and lowest scores were for "functioning of government" and "electoral process and pluralism," which had dropped considerably since 2007. In the new report Angola scores slightly higher (at 119) and Zimbabwe lower (at 129). Higher ranks include Malawi (87), and Tanzania (95) - considered hybrid - and South Africa (40) and the USA (25) considered "flawed democracies", having free and fair elections but with problems. Elections in hybrid regimes have "substantial irregularities" including government pressure on opposition parties. In "authoritarian regimes" (Mozambique's status now) "political pluralism is absent or heavily circumscribed."

In the Freedom House "Freedom in the World 2020" published 4 March, Mozambique had the second largest fall from 2019 (only Benin was worse); the fall was due to "flawed elections and state repression of dissent". Mozambique now ranks 131 out of 209, and has a score of 45 out of 100. Last year (2019) it ranked 124 with a score of 51. In 2013 it ranked 113 with a score of 59. Mozambique is still considered "partly free". Scores over 71 mean for Freedom House a country is

"free" while below 35 it is "not free". Freedom House is a conservative think tank and one of its "individual rights" is that people are "allowed to purchase and sell land", which is barred in the Mozambican constitution in an attempt to prevent landlessness. But Freedom House is also critical of the United States which has fallen dramatically from a rank of 37 and score of 93 in 2013 to a rank of 53 and score of 86 now. The US has fallen 16 places while Mozambique fell 18 places since 2013. Portugal ranks 14 and has a score of 96.

**Internet score falling too:** Mozambique was once a leader for the internet, and had e-mail in the early 1990s before many other countries, due to the importance given to it by the main university, UEM. Now, Mozambique is trailing. The Economist Intelligence Unit (EIU) does an annual inclusive internet index, and its 2020 issue (2 March) finds Mozambique 94 of 100 countries ranked. Its neighbours Tanzania, Zambia, Zimbabwe and Malawi are ranked 86, 90, 95 and 97. In significant part the low rank for Mozambique is due to poor availability of the internet. South Africa is ranked 33, the UK 8, the US 3, and Sweden is number 1.

<https://theinclusiveinternet.eiu.com/explore/countries/performance>

## 400 sq kilometres of Inhambane beach to be mined

Mozambique's famous beaches are being fought over between tourists and miners. Those beaches are "one of the most attractive undeveloped mineral sands deposits in the world," according to David Archer, chief executive officer (CEO) of the British company Savannah Resources. In partnership with Rio Tinto, Savannah this year has been given a 400 sq kilometre area (equivalent to a block 20km on each side) on Inhambane beach in which it will strip the ancient sand dunes to extract titanium (mostly to make white paint) and zircon (used in foundry casting as well as nuclear fuel rods, catalytic fuel converters and in water and air purification systems.) Savannah has applied for another 138 sq km in the same area.

The concession include 20 km of the main north-south N1 road between Inharrime and Maxixe, as well as part of the link road through Jangamo to Inhambane. This is a coastal area of lagoons popular with tourists. The Savannah press release with a good map is on

<https://clubofmozambique.com/news/mining-concession-issued-for-the-mutamba-heavy-mineral-sands-project-mozambique-148884/>

There are three other heavy sands miners in operation. The Irish miner Kenmare was the first and has been mining on the coast further north, in Moma, Nampula, since 2007, where it produces 7% of the world's titanium.

The Chinese miner Haiyu's heavy sand mining operations have been sieving the coastal dunes in Angoche, Nampula, since 2011. Amnesty International in 2018 said Haiyu altered the coastal landscape so severely that it is responsible for flood damage in 2015 that destroyed 48 homes. Haiyu was accused of bulldozing sand dunes, clearing vegetation, dumping mining waste over a wetland, and burying two major lagoons and the waterways that connected the lagoons to the sea. Fishers along the coast have lost their livelihoods. China's Ministry of Foreign Affairs denied the charge. Haiyu wants to open a new mine near Vilankulu, Inhambane.

<https://qz.com/africa/1430196/sand-mining-in-mozambique-by-chinese-firm-destroys-lives/>

Chinese company Dingsheng Minerals, owned by Anhui Foreign Economic Construction, began heavy sands mining in Chibuto, Gaza in 2017 and expects to process 100,000 tonnes of sand a day. The concession is 100 sq km and 1500 households will have to be resettled.

Prospecting licences for titanium for the entire coast from Pemba, Cabo Delgado south to the Zambeze river and from Inhambane city south to Xai Xai have already been issued. British MRG Metals wants a 20 sq km mining area near the village of Koko Masava, Gaza, in an important agricultural zone.

The Ministry of Mineral Resources has posted an excellent map of all mineral tenure and mining contracts, and it is possible to click on each one for details. It is on <https://portals.landfolio.com/mozambique/en/> and is up to date. Perhaps most remarkable is that the map shows that *all* of Cabo Delgado that is not national park has been licensed for mining, gas, or prospecting. There is nothing left for people or farms.

## Stats Institute publishes projections which challenge Nyusi

Population projections by province up to 2050, based on the 2017 census, were published on 5 March by the National Statistics Institute (INE, Instituto Nacional e Estatística) and are on <http://www.ine.gov.mz/iv-rgph-2017/projeccoes-da-populacao-2017-2050>

Last year, the National Elections Commission (CNE) said it has registered 1,166,011 voters in Gaza province, and the INE said that was more than the number of voting age adults. President Filipe Nyusi demanded that the INE change the census numbers and when it refused, the highly respected head of the INE was publicly humiliated and forced to resign, and the head of the census was dismissed.

But the new projections say that in 2019 there were only 717,635 voting age adults, 448,375 fewer than were registered. Population projections go up to 2050 and the projection of voting age adults in Gaza for 2050 is 1,139,469 - still fewer than were registered to vote in 2019.

These ghost voters played a significant part on Nyusi's landslide victory, so it is a brave action by the INE to publish these numbers now, effectively backing their sacked bosses.

=====

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)

=====

## Background reading

### Special reports

#### Mozambique heroin transit trade

English - LSE - <http://bit.ly/Moz-heroin>

Portuguese - Pt - CIP - <http://bit.ly/Moz-heroina>

#### Gas for development?

Gas\_for\_development\_or\_just\_for\_money?\_2015 [bit.ly/MozGasEng](http://bit.ly/MozGasEng)

Gás\_para\_desenvolvimento\_ou\_apenas\_dinheiro?\_2015 [bit.ly/MozGasPt](http://bit.ly/MozGasPt)

Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>

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

2018 Constitution - <http://bit.ly/2KF588T>

Minimum wage and exchange rates 1996-2018 -- <http://bit.ly/MinWage18>

#### \$2bn secret debt - in English

Kroll - Full report on \$2bn debt - <http://bit.ly/Kroll-Moz-full>

Kroll report summary - <http://bit.ly/Kroll-sum>

Key points of Mozambique parliament report - Nov 2016 - <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to Mozambique's \$2.2 bn debt - <http://bit.ly/3WQ-hanlon>

#### In Portuguese:

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

**Election study collaboration:** We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozEIData>

Election newsletters are on <http://bit.ly/2H066Kg>

**Eight books by Joseph Hanlon can be downloaded, free:** <http://bit.ly/Hanlon-books>

Bangladesh confronts climate change (2016)

Chickens and beer: A recipe for agricultural growth in Mozambique (2014)

Há Mais Bicicletas – mas há desenvolvimento? (2008)

Moçambique e as grandes cheias de 2000 (2001)

Paz Sem Benefício: Como o FMI Bloqueia a Reconstrução (1997)

Peace Without Profit: How the IMF Blocks Rebuilding (1996)

Mozambique: Who Calls the Shots (1991)

Mozambique: The Revolution Under Fire (1984)

**Two more will be available shortly to download:**

Apartheid's 2nd Front (1986)

Mozambique and the Great Flood of 2000

**These are still available for sale:**

Galinhas e cerveja: uma receita para o crescimento (2014) (free in English)

Zimbabwe takes back its land (2013)

Just Give Money to the Poor: The Development Revolution from the Global South (2010)

Do bicycles equal development in Mozambique? (2008) (free in Portuguese)

Beggar Your Neighbours: Apartheid Power in Southern Africa (1986)

=====

**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>

Carlos Serra Diário de um sociólogo: <http://oficinadesociologia.blogspot.com>

**Mozambique media websites, English:**

Club of Mozambique: <http://clubofmozambique.com/>

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.