

MOZAMBIQUE News reports & clippings

198 6 June 2012 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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IMF warns of social tension

The IMF last week highlighted Mozambique as a country where the poor benefit less from growth, and warned of possible social tension. It added that the government is "particularly concerned".

Speaking at a meeting in London, Roger Nord, IMF Deputy Director for Africa, said that in Mozambique the poor "have benefitted less" than average from the rapid growth of the past decades. "It is an issue because it raises social tension. And it is an issue because if the poor don't benefit enough it is going to be very difficult for growth to be sustained. And it is certainly a topic we [IMF] are discussing in depth, for example in Mozambique, where the authorities are particularly concerned to make sure that the poor benefit as much as the rest of the country."

Nord was speaking at an ODI (Overseas Development Institute) meeting on 31 May to launch the IMF's 2012 *Regional Economic Outlook: Sub-Saharan Africa*. The report has a large section on current and future natural resource exporters, including Mozambique. And he says a key question is "what are countries going to do to avoid being the Nigerias and Angolas of the next generation?" He argues that the biggest difference is that countries including "Tanzania, Uganda, Mozambique over the last 10 to 20 years have built more robust democratic institutions [which are] more robust institutions than the early oil producers had."

The report warns that the capital intensive nature of the industry means that "much of the income generated by resource extraction accrues to foreigners" and that "the design of an appropriate licensing and taxation framework is of central importance if countries are to maximize the benefits they receive from their endowment of natural resources". The report also suggests that some resources be left in the ground to be "transferred to future generations".

Finally the IMF report warns that natural resource income often does not improve social indicators and that often "low productivity sectors (such as agriculture and many services) remain largely untransformed." Indeed, it notes that it is "striking" that several African natural resource exporters have not used the money to raise the "very low productivity" of agriculture.

IMF report: <http://www.imf.org/external/pubs/ft/reo/2012/afr/eng/sreo0412.htm>

ODI meeting videos: <http://www.odi.org.uk/events/details.asp?id=2936&title=report-launch-imf-regional-economic-outlook-africa-sustaining-growth-amid-global-uncertainty#audio-video>

Mega-projects: secret contracts & low tax

The EITI report on payments by the extractive industries to Mozambique for 2009 was finally published in March 2012. It shows that mining and gas companies paid only 1 billion meticaís (then \$39 million) to Mozambique; half came from gas companies Sasol and Anadarko, 20% from coal companies Vale and Riversdale, 9% from Cimentos de Moçambique, and 9% from Kenmare. Of the money paid, 8.5% (\$3 mn) was to a capacity building fund and 6.3% (\$2 mn) was to social projects. The rest was in taxes, fees and dividends paid to the state.

In an analysis of the report, CIP (Centro de Integridade Pública, Center for Public Integrity) argues that "the government should renegotiate and publish the contracts so as to alter the bleak picture characterised by the low contribution made by the mega-projects to state revenue, and the secrecy surrounding the contracts."

"The contribution of the payments by the extractive industry companies to total state revenue was just 2.25% although the production of these companies constitutes more than 5% of GDP," CIP reports, again calling for existing resource contracts to be renegotiated.

EITI is the Extractive Industries Transparency Initiative (ITIE, Iniciativa de Transparência na Indústria Extractiva) which requires both the extractive companies and the state to make public all payments. But contracts and the way these payments are calculated remains secret. Government could make the contracts public, and major companies active in Mozambique including Anadarko already work in countries such as Liberia where contracts are public. CIP notes that institutional capacity building and social projects funds from gas companies are channelled to the National Petroleum Institute (INP) but the contracts remain secret.

"Civil society organisations in Mozambique have been putting pressure on the government to publish the contracts with the understanding that they establish the formulas and terms used to determine how the costs and the profits will be shared between the government and the companies," CIP reports.

CIP also notes that the government's budget execution reports do not use the same categories as EITI, and include energy and other mega-projects, making it almost impossible to do a proper reconciliation.

The CIP report in English (Advances and stagnation of transparency in the extractive industry in Mozambique) and Portuguese and the Ernst & Young 2009 Relatório de reconciliação (in Portuguese only) are on <http://www.cip.org.mz/article.asp?lang=&sub=archive&docno=127>
The January 2012 CIP Newsletter on EITI is on http://www.cip.org.mz/cipdoc/113_CIP_Newsletter13.pdf

Resource notes

A restricted tender for coal exploration licences in Tete open only to Mozambicans was announced on 1 June 2012 by the Ministry of Mineral Resources.

Both bidders for Cove Energy's 8.5% stake in the Rovuma Offshore 1 gas field in Cabo Degado have been approved by the Mozambican government, AIM reported Monday 4 June. The Thai state oil company PTT has offered \$1.9 billion, while Royal Dutch Shell has offered \$1.8 bn. The auction continues and other bidders remain possible. Cove also has a 10% stake in the Rovuma Onshore block. Any takeover will require approval by the Mozambican government and will be subject to a 12.8% capital gains tax.

Recent reports

Reality checks in Mozambique, by Inge Tvedten. Apr 2012.

[http://www.orgut.se/reference-library/then Books & publications, then search on Mozambique.](http://www.orgut.se/reference-library/then%20Books%20&%20publications,then%20search%20on%20Mozambique)

Very interesting detailed reports on three districts in Niassa Province (Lago, Majune and Cuamba) commissioned by the Swedish embassy in Maputo. These are the first of five "Reality Checks" to take place annually in these districts.

Interviews give a view from below and highlight the need for economic development, job creation, and simply more money (for example more "social protection measures for the very poorest".) Roads are not enough, and "the development effect will depend on the presence of economic activities that can be expanded and commercialised." Also:

+ "Increased emphasis should be given to improved [agricultural] technologies, primarily through enhanced access to extension services."

+ "Policies and intervention for economic development should focus on businesses and individuals in a position to create employment," including more access to credit and "a more focussed implementation of the 7 million MTn scheme."

Comment: The key point, which is now being more widely recognised, is that the very poorest should simply be given money, while economic development activity should not be targeted at the poorest of the poor, but rather at a better off group which can create jobs. Joao Carrilho notes that he has been saying this since a paper in 2002, <http://purl.umn.edu/56057> In 2008 this was also noted in *Do Bicycles Equal Development in Mozambique?* *jh*

Rastreio da Despesa Pública nos Distritos (Public Expenditure Tracking in Districts), CIP - Centro de Integridade Publica, www.cip.org.mz.

CIP (Centro de Integridade Pública) is tracking public expenditure in 15 districts, and the second year of reports (for 2011) is now being published. Budgets, including roads and schools, are being compared to works carried out, and the district development fund (FDD), the "7 million", is looked at in detail.

In Ngauma (Niassa), Bilene (Gaza), and other districts, the investigators found poor quality construction work, with rainwater infiltration, cracked walls, poor quality timber, and delayed completion. Works were not monitored and contractors were dishonest. In contrast, building works in Chokwe were seen as "reasonable", in part due to regular inspections. In Ngauma, projects not completed in 2010 had still not been finished in 2011. In most districts surveyed, large parts of the district development fund went to civil servants (including police and teachers) and members of the local consultative committees. In a few cases, as in Ribaue in 2010, money was diverted into personal accounts of district staff.

These reports show what can be done with initiative and persistence to use existing transparency regulations.

Mozambique in 2011: Staying the Path, by Kai Thaler, Portuguese Institute of International Relations and Security (IPRIS) Lusophone Countries Bulletin: 2011 Review, pp 27-32. <http://www.ipris.org/php/download.php?fid=710>

Yet another report noting that "The economy lacks diversity, however, and remains structured in such a way that growth has not trickled down to the poor majority, exacerbating inequality in the country. ... Agricultural policy should shift from an emphasis on biofuels and export-oriented production to small farms that aim to produce for the domestic market and that can bolster food security."

Desafios da Economia Moçambicana, by Antonio Franco. USAID Support Program for Economic and Enterprise Development (SPEED), Nov 2011. <http://www.speed-program.com/library/resources/documents/speed-notes-2011-012desafioeconomiamocambicana.pdf>

Mozambique needs to create 300,000 jobs a year, and the private sector is creating only 15,000 per year. Big companies, particularly those linked to the mega-projects, always receive special treatment, but they are capital intensive and create few jobs. Small and medium enterprises create jobs and need support. In particular, there must be a significant increase in agricultural productivity.

Joint Evaluation of Support to Civil Society Engagement in Policy Dialogue: Mozambique Country Report, by Bente Topsoe-Jensen et al, commissioned by Austria, Denmark and Sweden on behalf of 6 donors. Apr 2012. http://fagligtfokus.ngoforum.dk/multisites/fagligtfokus/images/stories/fagligtfokus/Pdf/Mozambique_Country_Report_final_200412_to_go_3.pdf

Conclusions include:

+ Civil society organisations (CSOs) "tend to align their activities with donor priorities, and opportunities for implementing their own agendas are relatively limited. ... CSOs criticised support where it is often supply-driven and determined by donor priorities (environment, justice, governance etc.). The frequent change of DP [development partner] policies according to new trends influences the CSOs to change their core activities to match the donor priorities."

+ "Invited spaces that government has created for information provision and dialogue have been used by the ruling party to legitimise decisions taken by the government (and consequently to consolidate their power) rather than to genuinely engage with CSOs. The Development Observatories, a donor-supported government initiative to encourage and support national policy dialogue on poverty and development, are controlled by government and are not in reality a space for open and inclusive debate."

+ "The main success in CS [civil society] engagement in and influence over policy has been through more formally organised policy advocacy undertaken by largely national or provincial CSOs that bring research-based evidence into dialogue."

+ "The current tendencies for concentration that lead various development partners (DPs) to support fewer and stronger CSOs (such as IESE, CIP, LDH) all based in Maputo do not favour the general strengthening of CS in Mozambique."

The Changing Dynamics of Foreign Aid and Democracy in Mozambique, by Carrie Manning & Monica Malbrough, UNU-Wider Working Paper 2012/18. Feb 2012. http://www.wider.unu.edu/publications/working-papers/2012/en_GB/wp2012-018/_files/87144848910450704/default/wp2012-018.pdf

"Over the course of the last decade the shift from project aid to budget support has had profound impact on donor approaches," according to this broad survey of aid agencies, notably USAID and the G19. Other points include:

+ "This shift from democracy to governance and administration, and from central to local level, appears to be driven at least in part by donor disenchantment with national political processes."

+ "While the framework for government accountability to *donors* is elaborate, there is no plan whatsoever through which government can be made accountable to its own citizens for how it uses foreign aid."

+ The budget support "framework creates a strong relationship of accountability between the Mozambican government and donors, but it does not do the same for horizontal accountability within the Mozambican government or between state and society."

Hands on or hands off for budget support? by Heidi Tavakoli, ODI Blog Post, 23 May 2012. <http://www.odi.org.uk/opinion/details.asp?id=6585&title=budget-support-independent-commission-aid-impact-icai-uk>

"Enthusiasm for budget support has waned. Last year four major bilateral budget support donors (the UK, Germany, the Netherlands and Sweden) signalled plans to slash their allocations for general budget support."

Guia da Legalidade na Estrada, CIP - Centro de Integridade Publica, May 2012.
<http://www.cip.org.mz/article.asp?lang=&sub=actual&docno=131>

Very useful list of key points of revised driving regulations. Important both in terms of what you cannot do, and to challenge violations invented by the traffic police.

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Now in paper at a reasonable price
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>
and on Amazon.co.uk for £17.09

**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**
<http://tinyurl.com/justgivemoney>

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Two working papers on the web

Poverty is not being reduced in Mozambique
LSE Crisis States Research Centre Working Paper No. 74 (series 2)
Benedito Cunguara and Joseph Hanlon, June 2010
Tambem em Portugues:
<http://www2.lse.ac.uk/internationalDevelopment/research/crisisStates/Publications/phase2papers.a>
spx

Mozambique's Elite – Finding its Way in a Globalized World and Returning to Old Development Models

Joseph Hanlon and Marcelo Mosse September 2010
WP/105 UNU-WIDER: The Role of Elites in Economic Development project
http://www.wider.unu.edu/publications/working-papers/2010/en_GB/wp2010-105/

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Also on the web: Previous newsletters and other Mozambique material are posted on tinyurl.com/mozamb

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NOTE OF EXPLANATION:
This 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:
Noticias: www.jornalnoticias.co.mz
O Pais: www.opais.co.mz
Macauhub English: www.macauhub.com.mo/en/
Savana: www.savana.co.mz

Canal de Moçambique: www.canalmoz.co.mz

AIM Reports: www.poptel.org.uk/mozambique-news

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

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