

MOZAMBIQUE News reports & clippings

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Mining

EITI accepts Mozambique

Mozambique was declared "compliant" with the Extractive Industries Transparency Initiative on 26 October, which means Mozambique has an effective process for annual disclosure and reconciliation of all revenues from its extractive sector. This allows citizens to see how much Mozambique receives from oil, gas and mining companies.

This is an important first step. But the Public Integrity Centre (Centro de Integridade Pública, CIP) warned that there remain two big gaps. First contracts remain secret, even though they are public in some other countries. Thus the payments made by companies are published, but the way in which the payments are calculated remains secret. Second, the system for granting concessions is not transparent.

<http://eiti.org/news-events/mozambique-declared-eiti-compliant> <http://www.cip.org.mz/>

Government has 5% of Vale

The government bought 5% of Vale Moçambique for 16 million Euros (\$21 mn) earlier this year. The government's Empresa Moçambicana de Exploração Mineira (EMEM) is the formal shareholder. The original 2004 contract with Vale states that government would acquire 5% and local investors 10%, and discussions are continuing about how this will be done.

<http://www.oje.pt/noticias/africa/brasileira-vale-vende-5-a-mocambique-por-16-milhoes-de-euros>
O Pais & Noticias 23 Oct 2012

India coal delays

Concern over the delays in exploring India's coal concession in Tete were made public by Abdul Razak Noormahomed, vice minister of mineral resources, in a trip to India two weeks ago. The

state owned Coal India received an exploration licence in 2009 but did nothing with it until last year, and work continues to be delayed. A request by India for more exploration permits last year was turned down. Last week Coal India finally awarded the exploration contract for its Mozambique coal blocks to Tribeni Minerals. (Economic Times, Kolkata, 30 Oct 2012)
<http://www.livemint.com/Industry/zoll7d7fjrPtpeBtU0GIAO/Mozambique-concerned-over-delays-by-Coal-India.html>

The delays come after an Indian state company failed to carry out the rehabilitation of the railway line to carry the coal to Beira port. Indian press point to China's better relations with Mozambique.

- Mozambique will not demand compensation from the World Bank for the "errors it committed" on the Sena railway line rehabilitation, Transport Minister Paulo Zucula told the Portuguese press agency Lusa in August. Instead, Mozambique will try to gain "more advantages" in future negotiations with the World Bank, he said. The World Bank forced Mozambique to use an Indian contractor instead of the better qualified CFM, and earlier this year admitted its own performance had been "unsatisfactory". (See *News reports and clippings* 199)
noticias.sapo.ao/lusa/artigo/14859848.html

15,000-20,000 jobs

Mining employees 18,308 workers and gas employs 1,870, the new Prime Minister Alberto Vaquina told parliament on 25 October. He added that in Tete alone, there were 11,145 Mozambicans working in the mining sector, of whom 8,111 were from Tete province, and of those 1,633 from Moatize.

But the previous day Mining Minister Esperança Bias told parliament that there were only 15,000 Mozambicans employed in the extractive industries - 10,716 in Tete, 2,618 in Cabo Delgado, 1,110 in Nampula, 648 in Zambézia and 504 in Maputo. (Noticias 25, 26 Oct 2012)

No mineral money for cash transfers

Mineral revenue will not be distributed as cash to Mozambicans, Prime Minister Alberto Vaquina told parliament on 24 October. (O Pais 25 Oct 2012) Thus Mozambique will not follow the model of Bolivia, Mongolia, Ecuador, the US state of Alaska, and other places which distribute some of the money, normally in the form of a non-contributory pension, child benefit, or family grant.

The constitution of the US state of Alaska says that minerals belong to the people of Alaska, so each year some of the oil revenue is given directly to every resident; on 29 September the Alaska government announced that the payment for 2012 would be \$878 per person.

Vaquina argued that cash transfers make people less likely to work and more dependent on government and companies, when they should be "struggling in a dignified, decent and honest manner to improve their own living conditions." The recent book *Just Give Money to the Poor* shows that in other countries the effect is just the opposite - giving poor people money encourages them to work, by improving diet and providing small investment funds.

Demanding more from mining companies?

Prime Minister Vaquina opened the door to renegotiating contracts on the mega-projects in his statement to parliament on 25 October, when he said "the contracts were made under particular conditions by the government and we will not alter hastily the basis on which we attracted these investments". But the word "hastily" (precipitadamente) is new. (Noticias 26 Oct)

And President Armando Guebuza told the Commonwealth Business Council in Maputo that more

minerals should be processed within Mozambique, to add value, create jobs and promote industrialisation. He added that mining companies will have to take more responsibility for the infrastructure they use. (Noticias 23 Oct 2012) This indicated a small shift to demanding more from big transnational mining companies.

Carlos Nuno Castel-Branco, director of the Instituto de Estudos Económicos Sociais (IESE), estimates that \$240 mn per year is leaving Mozambique because of unnecessary concessions made to investors of the big projects. And he also warns that these large companies are illicitly taking 7% to 9% of GDP out of the country. (O Pais 8 Oct 2012)

Tete resettlement problems continue

The Vale resettlement in Cateme, Tete, continues to cause problems. The displaced continued to say that the compensation is inadequate and the houses poorly built. Vale responds that Tete is hot and concrete shrinks and cracks in that heat, so of course the houses have cracks. Community leaders say Vale has included people on the list of those resettled who in fact have not received houses; the secretary of Chipanga bairro, Arnaldo Roia, says he is on the list but has no house.

But the real problem is lack of livelihoods, and lack of farmland. Noticias (18 Oct) quotes Angelina Fulane saying "we are suffering here. In my previous zone I had a farm of 4 hectares and I sold surplus maize. Here I have to buy maize." Vale is helping 12 of the families to grow chickens. (Also Diário de Moçambique, 8 Oct 2012; Canal de Moçambique 26 Oct)

- **KaTembe is not Cateme** the mayor of Maputo David Simango told local residents who are having to be resettled due to construction of the new bridge. Cateme (in Tete) is being done by the private sector; the KaTembe resettlement is being done by the state, and unlike the private sector, there "is always in discussion with the people". (Canal de Moçambique, 31 Oct 2012)

Mining in brief

- Of \$35 million (1 billion Mt) that government expects to receive from mining companies next year, 2.75%, almost \$1 million (28 mn Mt), will be **given to local communities** affected by mining. This will include places such as Moatize, Moma, and Guvuro.
- "The argument that we have to wait 40 or 50 years from minerals to benefit Mozambicans is not convincing", Renamo MP Arnaldo Chalaua told parliament. "We know that there are Mozambicans who in a very short time and at the cost of these projects have become ever richer, while most Mozambicans have become ever poorer." (Noticias 27 Oct 2012)
- **Coal production** in 2013 is predicted to be 6 million tonnes of coking coal and 1.5 mn t of thermal coal. (Noticias 22 Oct)
- **Kenmare** is opening the second phase of its titanium heavy sands open pit mine in Moma. But it also claims that the market is weak, particularly in the US, for white paint, which is the main use of titanium. (Noticias 19 Oct)
- **\$2.7 billion was spent by mining and gas** companies in 2011, Minerals Minister Esperança Bias told parliament. (Canal de Moçambique, 25 Oct 2012)

More mining concessions

Minerals Minister Esperança Bias gave parliament on 24 October a list of recently granted exploration licences:

- + Diamonds and precious stones, Save basin and the north: Amílcar Paulo, Save S.A, Mpanda Lda, Preciosa-Sociedade de Exploração de gemas e pedras preciosas Lda, Geominas S.A, Monte Binga, Manica Land Corporation Lda and Sivas Ida. Bárúè, Manica: Sominha.
- + Coal: Tete Coal India, Vale, Reddys Global Industries Lda, Infra Engineering Moçambique Lda, Afriminas, Intelec Holdings Lda and King Ho.
- + Gas: Anadarko (USA), ENI (Italy), Petronas (Brazil), Sasol and DNO (South Africa).
- + Tuluá, Nacala-Porto, feldspar: Lagoa Matérias-Primas. (Canal de Moçambique, 25 Oct 2012)

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Agriculture

UNAC attacks ProSavana

The National Peasants Union (União Nacional de Camponeses, UNAC) has "strongly condemned" the Brazilian-Japanese ProSavana project in the Nacala corridor, which it says is a top down project being done in secret which will make peasants landless and impoverish rural communities.

Few details are available, but in its 11 October statement UNAC says ProSavana will take millions of hectares for mono-culture of soya, sugar and cotton, and only benefit Brazilian agribusiness. Local reality shows that such large tracts of land are not available and the land is already being used by peasant farmers, which means ProSavana will make people landless and create a landless people's movement as in Brazil, UNAC warns.

UNAC argues that instead of plantation agriculture, investment should be made in improving peasant farming.

<http://www.unac.org.mz/index.php/7-blog/39-pronunciamento-da-unac-sobre-o-programa-prosavana>

- **Delimitation of land** under the Millennium Challenge Account community land delimitation project appears to be costing about \$4 per hectare. So far 113 plots totalling just over 1 million hectares have been delimited and some formally legalised with DUATs, at a cost has been \$4 million. (Noticias, 24 Oct 2012)
- Civil society groups meeting in Pemba complained that **land concessions**, particularly for mining, are being granted in Maputo **without any local consultation**. In other cases, community leaders are induced to sign agreements with bribes or false promises of local benefits. (Noticias 20 Oct 2012)

Agricultural production rising only slowly

Agricultural production in 2012 is only predicted to be 3.4% above 2011, and the government's Economic and Social Plan (PES) released two weeks ago says that the increase in 2013 will be only 3.7%. For family farms, the increases expected are just 1.5% in 2012 and 3.4% in 2013. Grain production is expected to rise by only 2% in 2013. But when President Armando Guebuza launched the 2012/13 agricultural campaign on 25 October, he predicted an increase in agricultural production of 9.1%. The government's three year plan for 2013-15, released last month, predicts agriculture will grow by 6.5% per year.

Carlos Nuno Castel-Branco, director of the Instituto de Estudos Sociais e Económicos (IESE), warned that although agricultural production is increasing, more people are hungry. This is because only small groups are profiting, while agricultural growth in Mozambique and Tanzania fails to provide basic food at low cost. He said in other countries such as Rwanda and Ethiopia, agriculture had reduced poverty "because of strong domestic political pressure which was a threat to the established governments and forced them to adopt policies favourable to the great majority of the population."

(O Pais 22, 26 Oct, Noticias 8, 26 Oct)

PES 2013 is on the web on

<http://www.dno.gov.mz/docs/OE2013/PROPOSTA%20DO%20PES%202013.pdf>

Cuereneia: public agriculture investment comes before private

Most investment in agriculture is public. Private sector does invest, "but it is public investment that is crucial to create the basic conditions for the development of the private sector in agriculture," said Planning Minister Aiuba Cuereneia in a long interview after he returned from the IMF and World Bank meetings in Tokyo.

"For a long time African agriculture was seen as a sector which was not eligible for international finance", he continued, so the sector shrank. But at the recent annual meetings, "the World Bank responded to government proposals and will finance agriculture, and our expectation is that this finance will catapult the sector and reverse the current picture."

"Agriculture demands infrastructure, research, mechanisation, and a marketing network - and, why not, subsidies", he added.

Comment: Until now, "subsidy" has been the word which could never be mentioned, so his interview represents a real change in thinking.

In the interview, Aiuba Cuereneia cited the recently issued *2013 World Development Report* as reflecting the changing mood. Two quotes from the report are relevant to Mozambique and show the extent of the change in World Bank thinking:

+ "Because yield enhancing technologies are fertilizer intensive and sensitive to the availability of water, public investments in infrastructure - including roads and irrigation facilities - are often essential. The Brazilian government, for example, viewed investment in adaptive agricultural research as a prerequisite for development. It therefore supported a research corporation (EMBRAPA) that focused on technology generation and transfer and played a critical role in the success of the Brazilian agribusiness sector."

+ "In low-income countries, enhancing extension services may have a large impact on farm productivity and, thus, on poverty reduction."

These reflect important changes for Mozambique. A decade ago the World Bank actually stopped Mozambique from hiring new extension officers and forced a cutback on agricultural research, at a time when state research units like EMBRAPA were anathema to the World Bank. EMBRAPA is now helping Mozambique, and the Bank now admits it "played a critical role" in Brazil. Unfortunately, no one is demanding compensation from the World Bank for two decades of misguided agricultural policies in Mozambique, but hopefully government - and donors - will take advantage of the total reversal in thinking. jh

Rice problems

Rice production in Zambézia is facing problems because of difficulties with irrigation. A report by Joseph Hanlon found that Irrigation pumps installed in Nante, Zambézia, for the visit of President Armando Guebuza in May 2010 have never been used. Cepagri (Centro de Promoção da Agricultura) was given the job, and rushed to meet the deadline; pumps and motors were installed and connected to electricity. Neither pump was ever used. The motors installed by Cepagri did not match the pumps they installed, so they could not work, so were never handed over to the local communities. In his State of the Nation address to parliament in December 2010 President Guebuza cited Nante as an example of increasing rice production. But it is not happening. Because there is no irrigation water, local cooperatives have only been able to produce small amounts of rice. (Serviço de Partilha de Informação nº17/2012_Para Presidente ver, cip.org.mz, English version will be posted on tinyurl.com/mozamb)

Meanwhile, Olam-Moçambique is having problems with its irrigation scheme in Mopeia, Zambézia,

which has halted rice production. It blames Hidroáfrica, part of the Portuguese group Visabeira, for installing an irrigation system that leaks. (Noticias 26 Oct 2012)

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Poor quality work & lack of transparency in districts

Decentralisation has moved more spending to district level, but a new report by the Public Integrity Centre (Centro de Integridade Pública, CIP) shows serious problems. The report looks in detail at the spending of six district funds in each of 12 districts in 2011.

District government did not carry out half of the projects in the 2011 plan, due to poor planning, late arrival of money from the central government, and the shift of money to other areas not in their plan. District Consultative Councils are marginalised from the planning process. The quality of work done is often poor because money is shifted away from projects, work is sometimes rushed to be completed in time for visits by the President or governor, tendering procedures are not followed, there is a lack of transparency in issuing contracts, and work is not monitored or inspected.

This is the first detailed look at district spending, and is particularly interesting because of its study of the district development fund (FDD), the "seven million" whose use for food production and job creation is locally determined. The 12 districts were allocated 97 mn Mt (\$3.3 mn), but only 90 mn Mt actually arrived in the districts. The study found most money went to members of consultative councils, community leaders, heads of localities and administrative posts, and other civil servants. Of the projects financed, 15% did not have contracts and 75% had no repayment plan. Many of the projects did not satisfy the official criteria.

The other funds are linked to the normal budget and plan and are more centrally controlled. Of the district investment fund (FID), 75% of projects were completed during the year and 21% still in progress; 85% of the projects had problems with quality. There was a total lack of transparency in the local schools fund (ADE). Two thirds of the road maintenance fund (FE) was not used for road repairs in the district plan; often it was used to repair roads to be used for high level visits; quality of works was often poor. Half of the water and sanitation fund (AASR) was used for costs of presidential visits or to pay debts on previous projects; wells were opened at houses of officials rather than in places that needed water. For the classroom construction fund (FASE), of 50 classrooms visited, work had been completed on 20 and the rest were under construction, but CIP also checked on 24 classrooms which had been under construction at the end of 2010 and found 14 completed but 10 were abandoned unfinished. CIP also pointed to the poor construction quality of the classrooms.

The full report "O Distrito como Polo de Desenvolvimento: Um Olhar da Sociedade Civil" is on <http://www.cip.org.mz/>

Ministries not spending their budgets

Budget execution remains poor, and a decreasing share of the government budget is going to priority (anti-poverty) sectors, a new report by the Public Integrity Centre (Centro de Integridade Pública, CIP) shows. Looking at budgets from 2008 through 2011, CIP finds that for the four years, agriculture, health and infrastructure (water, roads, etc) each failed to spend 24% of their budget. Education underspent by only 11%.

One reason for the underspend may be that government has consistently predicted that aid will be 20% higher than the amount actually donated.

CIP also notes that in 2008, two-thirds of the budget went to official priority sectors, whereas by 2011 it was down to half. It notes that an increasing amount of money is going to the President's office, the Presidential guard (Casa Militar) and the police and military, which in 2010 and 2011 spent 18% more than their budgets; the Presidency spent 49% more than its budget.

Although the report could be done from public records, indicating increasing transparency, CIP found considerable difficulty in doing the report because of inconsistencies in categories and definitions. The full report "Execução Orçamental e Suas Implicações para a Implementação dos Programas Prioritários do Governo no Período 2008-2011" is on <http://www.cip.org.mz/>

Rwanda opposition figure murdered

The former director of the Rwandan Development Bank (BRD), Theogene Turatsinze, was murdered in Maputo Friday 12 October. His car was found abandoned at Robert Mugabe Square in the baixa near the waterfront, and the body was found tied up and floating in the bay near Costa do Sol, 10 km away. In the past two years, three Rwandan exiles have been murdered, and a journalist investigating a failed attempt in South Africa was killed in Rwanda. This has led opposition figures to say Turatsinze was killed by the Rwandan government of President Paul Kagame. This view was supported by the way the assassination was announced by the Rwandan embassy in South Africa before anyone in the Mozambican media knew about it.

Mozambican President Armando Guebuza took over as chair of the Southern African Development Community (SADC) in early August, and one of his first tasks was to meet Kagame in Kigali on 28 August to deliver a message from the SADC heads of state summit in Maputo on 17-18 August, which accused Rwanda of interfering in the DRC by supporting the rebels of the M23 movement. The murder of Turatsinze might be seen as a reply.

Turatsinze headed the Rwandan Development Bank (BRD) from 2005 to 2007. Allegedly the bank was being looted by the ruling Rwandan Patriotic Front (RPF), and in 2007 Turatsinze disobeyed an order from the Finance Ministry to declare the BRD bankrupt. Turatsinze was dismissed and his replacement declared the BRD bankrupt and cancelled all the debts of RPF members. Opposition figures say Turatsinze was collaborating with an IMF/World Bank audit of the BRD. In Mozambique, Turatsinze was Deputy Vice-Chancellor of the Sao Tomas University, a Catholic Church-owned university in Maputo, and vice president of the foundation of Cardinal Dom Alexandre, former archbishop of Maputo. (AIM, O Pais, Noticias 17, 18, 19 Oct 2012)

Guebuza calls for delay in EU accord

The controversial European Union Economic Partnership Agreements should be delayed for two years, Armando Guebuza said in Brussels, speaking as head of SADC (Southern African Development Community). The EU is demanding that all African countries sign what is effectively a free trade agreement opening their markets to European companies, and saying that any country which does not sign before the end of next year will lose all EU trade benefits. Guebuza says this should be delayed until 2016 to allow more time for negotiation. (O Pais, 18 Oct 2012)

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by Joseph Hanlon & Teresa Smart

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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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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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