

MOZAMBIQUE News reports & clippings

292 28 June 2015 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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The report, "**Gas for development or just for money?**" is on

<http://bit.ly/MozGasEn> in English and on <http://bit.ly/MocGasPt> in Portuguese.

Election study collaboration: We have detailed election data from 1999 through 2014

and are inviting scholars to use this data collaboratively.

<http://www.lse.ac.uk/internationalDevelopment/research/mozambiqueElections/home.aspx>

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Studies warn of problems

**Why are small agricultural machines used in Asia & Tanzania
but not Mozambique?**

Other economic news

More evidence Ematum was a fiasco, *but government defends fishing part*

Adriano Maleiane, brought in by the new government as Minister of Economy and Finance in part to clear up the mess of the Ematum \$850 million bond issue, admitted to parliament on 18 June that the bond was a bad deal and needed to be restructured. He said that only \$350 mn of the bond was actually for fishing boats.

Luisa Diogo, who in the early 2000s negotiated the HIPC debt cancellation for Mozambique by the World Bank and private creditors, told *Savana* (19 June) "once again, I am beginning to have nightmares about the Mozambican debt." She continued: "some countries can take on commercial debt but Mozambique still cannot. I think we went off the rails a little. We must use this term: we have derailed."

Maleiane said Ematum (Empresa Moçambicana de Atum, Mozambique Tuna Company) had obtained \$850 million on the European bond market in 2013, repayable over seven years, with a two year grace period, and at an interest rate of LIBOR (London Inter-Bank Offered Rate) plus 6.5 per cent. The LIBOR rates usually used are either three month or six month rates, which Friday were 1.13% and 0.89% per year.

When repayments start this year the debt will have risen to at least \$980 million, and the repayments over the next five years will be at least \$235 million per year. Diogo points out that to justify that large a repayment the company would need to have revenues of \$700-800 mn per year. The highest projected revenue for Ematum is only \$196 mn per year. Diogo added that as the debt is guaranteed by the state, the government will need to repay it. "Something is not right in the way the debt was structured. This debt is too heavy", commented Diogo.

The Ematum bond was initially negotiated in secret without the knowledge of many senior figures in government. It brought huge criticism from the international community, led by the IMF. The exact allocation of the \$850 million remains obscure, and eventually the government was forced to

agree to take on part of the debt as formal government debt. Last year, it was divided as \$350 mn government debt for the purchase coastal patrol vessels and other military equipment and \$500 mn commercial debt to be repaid by Ematum.

Maleiane told parliament on 18 June that he had looked more closely at how the money was to be spent, and now accepted that only \$350 mn was for the Ematum fishing boats, and \$500 mn was to be repaid by the state. Paying a very high commercial interest rate for military equipment is not normal. "Seven years is a short period to repay \$500 mn, even with a two year grace period", said Maleiane, "particularly at a high interest rate. We are trying to negotiate a longer repayment period and a lower interest rate."

Maleiane was vague about how the \$500 mn had been spent, and Venancio Mondlane, a Mozambique Democratic Movement (MDM) MP, demanded to know more detail. He also called for the arrest of former President Armando Guebuza and former finance minister Manuel Chang.

[Ematum](#) is 33% owned by the security services, SISE, through GIPS – Gestão de Investimentos, Participações e Serviços; 34% owned by the state through IGEPE – Instituto de Gestão das Participações do Estado, and 33% by the state fishing company Emopesca – Empresa Moçambicana de Pesca.

Mozambique's total government debt at the end of 2014 was \$7.7 billion, of which \$6.9 billion is foreign and \$839 million is domestic, Maleiane told parliament. (That makes Ematum about 13% of Mozambique's foreign debt.) There is a growing concern about the size of Mozambique's debt, which is approaching 50% of GDP. Carlos Nuno Castel-Branco, Fernanda Massarongo and Carlos Muianga have done an analysis (in Portuguese only) of the implications of this growing debt on http://www.iese.ac.mz/lib/publication/outras/ideias/IESE_Ideias71.pdf

A good set of graphs on public debt, trade, and poverty are in Carlos Nuno Castel-Branco's 17 June lecture at the University of Manchester, "Contemporary Mozambique: 'Miracle' or 'Failed State'? From a Political Economy Perspective, Neither!". His PowerPoint presentation is on http://www.iese.ac.mz/lib/noticias/2015/CNCB_Miracle_vs_FailedState_v1.pdf In the presentation he points to the danger of a bubble and warns of the need to restructure the current form of capitalist accumulation.

Support for tuna fishing

Frelimo MPs speaking in the 18 June debate made a strong defence of Ematum and tuna fishing. Jaime Neto, said that the 129 tuna vessels that currently fish in Mozambican waters pay just \$4.1 million per year in licence fees. But when EMATUM's full fleet of 24 vessels is operational, its projected revenue will be \$196 million per year.

Francisco Mucanheia MP said that the Indian Ocean Tuna Commission estimates the tuna potential of the south-western Indian Ocean at more than 700,000 tonnes a year. But Mozambique derives little benefit because the tuna is fished by "foreign fleets, from the European Union, China and Japan".

"It is clear that about 35,000 tonnes of tuna are caught in our waters in the four months of peak fishing activity, although the foreign fleets only report three or four thousand tonnes", Mucanheia said. Legal access to the Mozambican tuna fishery was through licences. But he said foreign vessels gave the Mozambican authorities false information about how much tuna they caught, to reduce the taxes to Mozambique and to avoid criminal proceedings for overfishing. Foreign vessels never docked at Mozambican ports so "there are no benefits in terms of employment, improved food security, or value added by domestic processing of tuna". Foreign operators oppose Ematum "because they want to continue fishing illegally, without any control". (AIM 18 June)

Studies warn of problems

On both left and right there are warnings that the failure to reduce poverty and create jobs may cause problems of Mozambique.

Carlos Nuno Castel-Branco's paper "Growth, capital accumulation and economic porosity in Mozambique: social losses, private gains" in the *Review of African Political Economy* has just won the Ruth First prize. In it he argues that although Mozambique has become one of the most attractive economies for foreign direct investment (FDI) in sub-Saharan Africa, it has been ineffective at reducing poverty and providing a broader social and economic basis for development. This article focuses on economic "porosity", which he defines as the loss of income to economies abroad, and "the diversion of income for the benefit of developing a national capitalist class – hence, a social loss for private gain."

<http://www.tandfonline.com/doi/pdf/10.1080/03056244.2014.976363>

And on the other end of the political spectrum, Chatham House, Britain's very establishment Royal Institute of International Affairs, is sympathetic to the new Nyusi government, but also warns of troubles on the horizon. Alex Vines, head of the Africa Programme, calls for "more inclusive growth". He adds: "There are populated provinces in the centre and the north of the country such as Sofala, Zambézia and Nampula that remain dirt poor [and] Mozambique's new president, Filipe Nyusi, will need to find strategies to iron out such extreme wealth disparities – it is not by coincidence that it is in these provinces that the main opposition Renamo (the former rebels) and the smaller Democratic Movement of Mozambique (MDM) are particularly strong. ... Inequality and a sense that Frelimo only rewards its own have contributed to the polarization of national politics over the last decade. ... In addition to political violence, there is persistent unrest in Mozambique over social issues, with food prices or land claims at the centre of most protests and outbreaks of violence."

This builds on a Chatham House report "Mozambique to 2018: Managers, Mediators and Magnates" by Vines, Soren Kirk Jensen, Henry Thompson, and Elisabete Azevedo-Harman which warns that foreign investments and other development projects have the "potential to create serious conflict through the disaffection of local people .. In addition to political violence, there is persistent unrest in Mozambique over social issues, with food prices or land claims at the centre of most protests and outbreaks of violence." The report especially highlights the problem of finding jobs for the growing number of young people. The report also backs some decentralisation and some concessions to Renamo.

Vines' comment is on <http://www.chathamhouse.org/expert/comment/mozambique-40-delicate-opportunity>

The full report is on <http://www.chathamhouse.org/publication/mozambique-2018-managers-mediators-and-magnates> - sthash.J4ME6vtv.dpuf

Mozambique leads Pride in London

The Mozambique flag led the giant Pride in London parade Saturday, along with flags of Ireland and the United States. They were given the lead because of advances in lesbian, gay, bisexual, and transgender (LGBT) rights in those three countries this year. Mozambique's new penal code contains no prohibitions against homosexuality. The previous code, dating for the 19th century colonial code, had articles which could be used to prosecute homosexual acts, but had apparently never been used since independence 40 years ago.

Bribe allegations lead to arrest of heads of Brazilian construction companies with big projects in Mozambique

Marcelo Odebrecht, head of the Odebrecht group, Latin America's largest construction conglomerate, was arrested on 19 June in Brazil and held in detention, as part of an investigation of firms paying corrupt officials in order to get lucrative contracts with Petrobras, the Brazilian state oil company.

Odebrecht has a major presence in Mozambique. It designed and built the new Nacala airport, and is installing the bus rapid transit system in Maputo. It is a major contractor for Vale, expanding the Moatize coal mine and building to coal port in Nacala. It is now moving into agriculture in the Nacala corridor, with chicken and cassava production projects.

Also arrested on 19 June was Otavio Azevedo, boss of Andrade Gutierrez, the construction company building the Moamba Major dam in Maputo province.

Reports cite improper tendering of services

CIP (Centro de Integridade Publica) has issued two reports on misconduct in the tendering of public contracts under Public-Private Partnerships.

[*How PPPs are Used to Benefit the Elite and Harm the State*](#) shows how a contract to set up a plant to produce motor vehicle licence plates was awarded to companies linked to Armando Guebuza and Graça Machel. The factory was never built and the licence plates are still imported. [*ID production: an example of how not to make a Public-Private Partnership*](#) (in Portuguese only) shows how the Belgian company which was given the contract to produce identity cards is failing to fulfil the contract, and cards now take longer to obtain than when the state ran the process.

Riot police break up Kenmare strike

Riot police were called to break up a strike at the Kenmare heavy sands titanium mine in Moma, Nampula. Tear gas was used and one worker was injured on Thursday, Independence day. Kenmare issued a statement Wednesday saying it had suspended operations because of the strike, and confirmed that the strike was against cost cutting measures, with Kenmare wanting to dismiss 162 workers and sharply reduce the extra pay for night shift work.

<http://www.verdade.co.mz/tema-de-fundo/35-themadefundo/53739-kenmare>

<http://www.kenmareresources.com/~media/Files/K/Kenmare-Resources-PLC/pdf/press-releases/2015/2015-06-24 KMR Unofficial Strike.pdf>

The Kenmare project has been one of the most troubled and least profitable mining projects in Mozambique, and was subject of a CIP report "Mining without Development" in 2013.

www.cip.org.mz/cipdoc%5C279_Kenmare%20Mining_report.pdf

Comment

Why are small agricultural machines used in Asia & Tanzania but not Mozambique?

*The past 50 years witnessed a remarkable spread of smaller-scale rural mechanization in some regions of South Asia, mostly characterized by the spread of single-cylinder diesel engines. These engines have been used for multiple purposes, such as providing power for shallow tubewell pumps, riverboats, two-wheel tractors, road and track transport vehicles, harvesters, threshers,

grain mills, timber mills, and processing equipment", note Stephen Biggs and Scott Justice in a new paper "[Rural and Agricultural Mechanization - A History of the Spread of Small Engines in Selected Asian Countries](#)". Bangladesh, for example, has 500,000 two-wheel tractors in use, and Thailand nearly 3 million. (International Food Policy Research Institute, Discussion Paper 01443)

Tanzania has seen a rapid increase in the import of two wheel tractors (also called power tillers) from less than 100 in 2000 to more than 5000 in 2012 (60% from China and 25% from Thailand), according to a recent PhD thesis by Andrew Agyei-Holmes ("Tilling the Soil in Tanzania: What Do Emerging Economies Have to Offer?" Open University 2014) and a more recent paper "Walking the Tight Rope of Tillage Technology Choice" http://www.globelicsacademy.net/2013_pdf/Full_papers/Agyei-Holmes_full_paper.pdf

A power tiller can plough about 1 hectare per day, and they are broadly profitable. Agyei-Holmes found that small tractors have some limitations; for example, they are hard to use for dry ploughing before the rains.

Biggs and Justice note that "In Bangladesh, Nepal, Sri Lanka, and Thailand, [two wheel tractors] are owned by people who may have some land, but generally their services are hired out to others for multiple purposes," including transport because they can be used to pull a trailer. Agyei-Holmes reported the same thing, and also noted that farmers made a profit hiring out power tiller services, whereas hiring out larger tractors was not profitable. He finds for Tanzania "Small machines are generally more profitable than large ones. Most large machines, regardless of their source, do not break-even in terms of profitability."

A key constraint is the income of the farmer. Chinese two wheel tractors are less robust, lasting only 2-4 years, but are still preferred in both South Asia and Tanzania because of lower initial cost. Many farmers hope to raise their income and save to buy a higher quality Japanese one.

Finally, Agyei-Holmes found that underlying poverty means that the adoption of two wheel tractors requires some push by government or donors through subsidies and credit and the establishment of service centres selling machines and parts.

Both studies point to out that these technologies give a huge boost in production and productivity to small and medium farmers, and are much more effective at that level than four wheel tractors. Yet Mozambique (along with many other countries) continues to emphasise big tractors. *jh*

Other economic news

More cement: Cimentos de Moçambique, which currently operates four cement plants in Matola, Beira and Nacala, has announced another cement factory for Nacala, with an investment of \$250 million, and expected to open in 2018. Its second Matola factory opening in 2013. Cimentos de Moçambique is owned by Cimpor, which is part of the InterCement group, which in turn is ultimately controlled by the private Brazilian group Camargo Corrêa, which in turn is controlled by the Camargo family. Meanwhile the Turkish company Limak Holding has promised to invest \$38 million in a cement factory in Matola.

Chinese companies are moving on electricity, according to *Macauhub* (23 June), following their move into Portuguese electricity companies. Paul Muxanga, chair of the Cahora Bassa company (HCB), said recently that construction of the north bank electricity generating plant could begin soon. The dam was built with its electricity turbines on the south bank of the Zambeze river, but with space for additional turbines on the other side, which would now cost \$413 million and generate 1,250 megawatts. China State Grid which is the largest shareholder of Portuguese power grid company REN, which owns 7.5% of HCB, is an obvious choice. Its main competitor is China Three Gorges which is the largest shareholder (with 21.35%) of EDP (Energias de Portugal).

Meanwhile China State Grid also says it will fund and build the 1,500 megawatt Mpanda Nkua dam, downstream from Cahora Bassa. The dam project had been given to Camargo Corrêa of

Brazil, which failed to fund it. Government has changed the share structure and *Macuahub* says Camargo Corrêa is demanding compensation. *Macuabub* suggests a final shareholding may be something like 40% China State Grid, South Africa's Eskom as buyer of the electricity 20%, Électricité de France (EdF) and Brazil's Eletrobras 10-15% each, and smaller shares for the Mozambican state power company EDM and private Mozambican companies.

The new power line from the dam to South Africa would be built and operated by Sociedade Nacional de Transporte de Energia (SNTE). owned 46% by China State Grid which has responsibility for financing the project, REN 14%, Eskom 20% and EDM 20%.

<http://www.macauhub.com.mo/en/2015/06/23/hydropower-projects-in-mozambique-attract-chinese-groups-three-gorges-and-state-grid/>

Mozambican rubies were sold for \$29.3 million at an auction in Singapore 16-21 June., by Montepuez Ruby Mining, which is 75% owned by the British company Gemfields and 25% by Mwiriti, which in turn is owned by Raimundo Pachinuapa.

Banco Terra is to cut rural lending said President Manuel Aranda da Silva, as part of its attempts to correct "several mistakes were made in the past." The bank was initially promoted by GAPI as a development bank and intentionally named Banco Terra (Land Bank), but its European backers always saw it as a traditional commercial bank. The shift away from "granting loans for rural development, agriculture and agri-business" will be indicated in a name change, to Banco Terra Moçambique and using the new acronym and symbol BTM. Portugal's Montepio holds 45%, the Dutch Rabobank 45%, and the remaining 10% is split between the original development partners, Norfund of Norway and GAPI of Mozambique.

There are ever fewer Mozambican miners in South Africa, and the number will continue to fall with mechanisation, mine closures, and new regulations restricting the number of foreign miners. In 1974 78% of all miners in South Africa were from the neighbouring states, and in 1970 there were 113,000 Mozambicans working the South African mines. By 2003 it was down to 55,000 and it is now down to 32,000 and still falling. But remittances from miners are still \$61 million per year. (*Noticias* 26 June)

"We will trample any opposition" to ProSavana "and advance", Agriculture and Food Security Minister José Pacheco told a public meeting on 12 June in Maputo on the ProSavana agricultural development project. Civil society representatives at the meeting walked out in protest. Pacheco said opponents of the project had "obscurantist agendas" - phrase used over many years by Frelimo to mean using superstition to oppose development. (*Canal de Moçambique*, 15 June)

"Linking business to development policy" is the title of an article in the journal *D+C Development and Cooperation*, which reports on new links between Germany's Federal Ministry for Economic Cooperation and Development (BMZ) and the Southern African-German Chamber of Commerce and Industry (AHK) to promote German investment in Mozambique. The agreement will give aid staff a greater role in promoting German trade and investment.

<http://www.dandc.eu/en/article/new-chamber-commerce-and-industry-mozambique-wants-engage-private-sector-companies>

<http://www.dandc.eu/en/article/giz-and-german-chamber-commerce-cooperate-closely-maputo>

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Chickens and beer:

A recipe for agricultural growth in Mozambique

by Teresa Smart and Joseph Hanlon

E-book for Kindle and iPad, for \$9.32 from US Amazon -

<http://www.amazon.com/dp/B00NRZXXKE> - £5.14 from UK Amazon.

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon. Copies are in Maputo bookshops or from
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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-its-land-detail>

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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>

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:

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

===== **Mozambique media websites:**

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

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

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

CanalMoz on Facebook: <https://www.facebook.com/CanalMoz>

Macauhub English: www.macauhub.com.mo/en/

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

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

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