

MOZAMBIQUE News reports & clippings

305 9 December 2015

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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>

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon is on <http://bit.ly/chickens-beer>

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

Also in this issue:

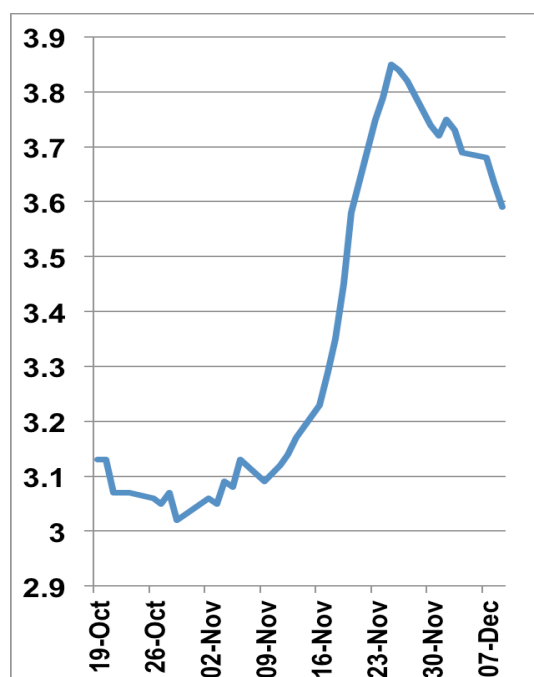
15% of gas for Mozambique

Corruption comes cheap

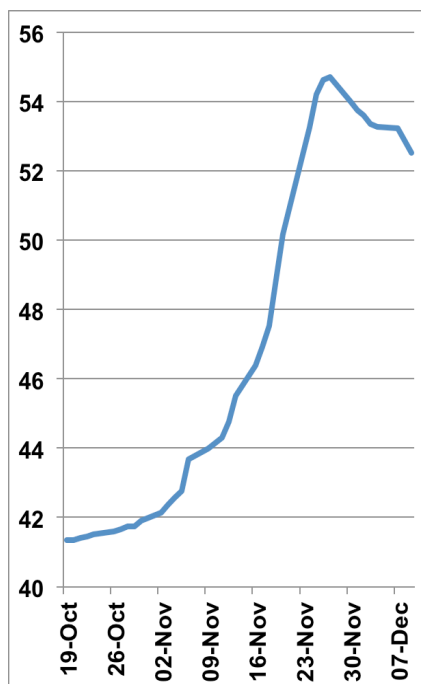
Devaluation halted at 28% in 3 weeks; controls introduced

In just three weeks the Metical was devalued by 28% against the dollar and 25% against the Rand. On 5 November there were 42.8 Meticaais to the US dollar and 3.1 MT to the South African Rand. By 26 November, it was 54.6 and 3.8 (Bank of Mozambique buying rate). Then, just as suddenly, the devaluation was reversed, and exchange rates today (9 Dec) are 52.5 and 3.6, a gain of 4% and 6% against the \$ and Rand.

Meticaais per Rand



Meticaais per US \$



Devaluation since the beginning of the year is 62% against the dollar (reflecting the very rapid rise in the dollar against most currencies) and 29% against the Rand, from 32.5 to the US dollar and 2.8 to the Rand at the beginning of 2015.

The crisis follows the decision to take a loan from the IMF and a recognition that Mozambique is over indebted and that revenues are falling, in part due to falling commodity prices and delays in the exploitation of the natural gas.

Monday (7 Dec) the Bank of Mozambique issued a new regulation, effective 1 January, that an individual will not be allowed to use credit cards for more than 700,000 Meticaís (\$13,000) in foreign expenditure per year. This applies to the total on all credit cards held by the individual. (http://www.bancomoc.mz/fm_pgTab1.aspx?id=9)

Uncontrolled credit and debit card spending abroad was one of the factors contributing to the recent sharp depreciation of the metical, and that this type of spending has risen dramatically, Bank of Mozambique governor Ernesto Gove said on 30 November. Bank cards abroad were used to pay for \$300 million in 2012 but this had jumped to \$800 mn in 2014. The owner of one card (whom Gove did not name) used it for \$ 2mn in purchases abroad in a single year. Gove said credit and debit cards are to pay for such things as holiday, health and education expenses, but not to make commercial imports, bypassing Bank of Mozambique normal control mechanisms. (AIM En 1, 8 Dec)

But the new rule will not apply to everyone. Individuals have the right to apply to the Bank of Mozambique for a higher limit, and there are fears that political pressure will be applied to allow important people to continue to take money out of the country.

On Monday the Bank of Mozambique (BM) also issued a statement to deny an article in *Expresso* (Lisbon, 5 Dec) by Mozambican journalist Lázaro Mabunda, which claimed that all US dollar accounts in Mozambican banks will be automatically converted into Meticaís when they are used for any transaction, including payment of wages. BM says the change in rules issued on 24 November was only minor, and was intended to stop arbitrage - profiting from exchange rates differences by moving money between accounts or banks. The law remains the same, which is that half of export earnings must be converted to Meticaís and half can be kept in foreign currency. However, the 24 November statement, posted on a new and obscure BM webpage, seems to be broader and says that "revenue from exports of goods and services and investment income abroad can only be used to repay foreign currency loans." ("deve somente estar adstrita à amortização de empréstimos em moeda estrangeira.") The two BM press statements are on http://www.bancomoc.mz/fm_pgTab1.aspx?id=198. The *Expresso* article is on <http://expresso.sapo.pt/economia/2015-12-05-Mocambique-decreta-conversao-de-dolares-em-meticais>

Prices are rising faster than the devaluation in markets across the country. In a surprise visit to the Zimpeto wholesale market in Maputo on 3 December, President Filipe Nyusi noted that prices have already risen in response to the sharp devaluation. He appealed to urged vendors not to engage in any price speculation during the approaching Christmas season.

The Council of Ministers at its weekly meeting on 2 December decided to increase intervention in the foreign exchange market, and that foreign currency will be made available to import basic goods to try to ensure price stability.

State employees received their wages a week late in November, admitted Minister of Economy and Finance, Adriano Maleiane. Normally they are paid in the third week of the month, but this happened only on 27 and 30 November. (AIM En 1 Dec)

Rhula and Africa Confidential point to a set of reasons for the rapid devaluation of the Metical. Rhula claims the Bank of Mozambique actually ran out of dollars on 12 November, and points to massive debt repayments in September, including \$103 million on behalf of Ematum. *Africa*

Confidential claims that until a few weeks ago, the Bank of Mozambique had a system called “administrative exchange” under which it sold dollars at a discounted exchange rate to companies, particularly those belonging to former President Armando Guebuza and his allies.

Anadarko agrees 15% of gas for Mozambique & reaches border deal with ENI

Anadarko has signed a memorandum of understanding with the government to provide 15% of the gas being produced for Mozambique’s domestic use. This is what was expected, and could provide a basis for Mozambican industrialisation.

The Mozambique government owns 15% of the gas field and thus hoped to take 15% of the gas. The rest would then be turned into Liquefied Natural Gas (LNG) and exported. In a statement on 3 December, Anadarko only said the gas would be provided “at pricing that is fair to all parties and supports local natural gas development.”

Under this agreement, Anadarko says, “Area 1 will provide initial volumes of approximately 50 million cubic feet of natural gas per day (MMcf/d) per train for domestic use in Mozambique”. Anadarko will build two trains initially, so it is offering 100 MMcf/d. At an unidentified later stage it is offering 300 MMcf/d, which effectively assume six additional trains.
<http://investors.anadarko.com/phoenix.zhtml?c=80451&p=irol-newsArticle&ID=2119865>

An LNG processing plant is called a “train” because it is a series of units. Two trains will probably cost \$15 billion. Each train will require about 750 MMcf/d of gas so Anadarko is offering Mozambique 15% of production.

Our report “Gas for development or just for money?” considers possible uses of Mozambique's share of the gas. It was published earlier this year and is on <http://bit.ly/MozGasEn>. The gas on offer is not sufficient for all proposals. Mozambique's first priority ought to be fertilizer, which would require most of its share of just one train. This is widely agreed as the priority, both because it is easiest to do, and because it provides essential support for agricultural development.

We argued that the next step should be production of methanol, chemicals and plastics, which would promote a broadly based local industrialisation. This would require the share from two trains, but could start with the gas available from the second train.

But there are two competing proposals, which are being promoted as providing more short term money but less industrial development. One is a gas to liquids process to make diesel fuel, which would require Mozambique's share of at least 3 trains; with still falling oil prices, this seems less profitable. The other is to pipe gas directly to South Africa, taking a portion as fuel for cities along the coast, but requiring Mozambique's share of at least 7 trains.

The calculations of gas needed are done in the report and based on the share of gas reserves required (calculated by assuming the gas fields last for 30 years). Each train requires 6 trillion cubic feet (Tcf) of reserves, so Mozambique's 15% is about 1 Tcf per train, or 2 Tcf for the two initial trains and another 6 Tcf for the additional six trains. A fertiliser plant would need 0.7 Tcf of reserves - less than its share from the first train. Methanol, chemicals and plastics would require 2 Tcf. Gas to liquids would need 3 to 7 Tcf. A pipeline would need 7 to 10 Tcf.

Under the contract, Mozambique will eventually get more than 15% of Anadarko's gas, but only after a decade or more. And Mozambique will also receive a share of ENI's gas, which is still to be negotiated. So more projects will be possible in coming decades. But initially, a choice must be made, probably between selling gas to South Africa for more immediate profit, or promoting domestic industrialisation.

Equal shares for Anadarko & ENI: Gas fields do not follow the neat boundaries of exploration maps, and two fields straddle both Offshore Area 1 (operated by Anadarko) and Offshore Area 4 (operated by ENI). After long negotiations, they have agreed to simply split the gas, Anadarko said in its 3 December announcement. Each will separately take out 24 Tcf and then they will set up a joint-venture operator to exploit the rest.

Corruption comes cheap

A provincial court judge found guilty of corruption and abuse of office was jailed for 15 days and fined 4,533 Meticaís (\$87). Raul Mahece, presiding judge of the Panda, Inhambane, district court, took 10,000 Meticaís (\$190) to arrange the release of Ernesto Raimundo who had been arrested for illegal driving. But the court official who brought to release papers to the jail, Abneiro Faife, demanded an additional bribe of 1,000 Mt (\$19). This was a demand too far, and after paying and gaining his release, Raimundo complained to the local anti-corruption office (GCCC). (AIM En, *Noticias* 8 Dec)

The former mayor Chokwe, Gaza, Jorge Macuacua, was on 30 November sentenced to two years imprisonment on charges of corruption. (*Noticias* 1 Dec)

More than 1.2 mn Mt (\$22,650), intended to build a police training centre at Metuchira, Sofala, has disappeared and the centre has not been built. (*Diario de Mocambique*)

Documents proving the issue of fraudulent cheques by the finance department of the Mozambican Army Command have disappeared. (*Noticias* 27 Nov) Prosecutors of the Anti-Corruption Office (GCCC) have arrested three officers who worked in the finance department and five civilians in connection with the theft of 33 mm MT (\$623,000). The army still uses a manual payroll system, but there should be a copy of every cheque issued. These are missing.

The computerised state financial management system (e-SISTAFE) was set up to be more reliable, and less prone to corruption, than paper systems for wages and other state payments. But this is contested by Ana Maria Gemo, director of the GCCC, who says e-SISTAFE is being used by dishonest officials to steal large sums from the public treasury. Gemo says that the system makes it easier to hide false payments which continue undetected for long periods. (AIM En, *Noticias* 8 Dec)

Other news

Renamo amendment rejected: Renamo's proposed amendment to the constitution, to create elected provincial governments (similar to municipalities), and which would have allowed Renamo to nominate five governors, was rejected by the Frelimo majority in parliament on 7 December. Meanwhile, in his only reported public appearance since he disappeared on 9 October, Renamo President Afonso Dhlakama addressed a meeting with young supporters somewhere in Sofala on 30 November, according to *Magazine Independente*. In a brief 8-minute speech, he said that Renamo would take power in the northern and central provinces next year.

Carlos Jeque, a lawyer and politician, was shot and injured on the Maputo ring road in Marracuene Tuesday 8 December. The assailants beat Jeque and forced him to run while they took pot shots at him, eventually hitting him in the leg. The motive for the attack is unknown, and the gang made no attempt to steal the vehicle. He had been chair of the Board of Directors of Mozambique Airlines (LAM) for a year in 2013/4, and had stood as an independent in Mozambique's first presidential elections in 1994, coming 9th of 12 candidates.

Kidnappers were tipped off twice about a police raid and fled. The first time they took with them their hostage, Hariche Arquissandas, a businessman of Indian descent and owner of the Hariche Group, one of the 100 largest companies in Mozambique. The second time, on 2

December, they left the victim behind in a house in Liberdade, Matola.

Two kidnappers were convicted in Maputo City Court 4 December and sentenced to 23 years in jail for kidnapping an unidentified woman in April. The victim was shot and dragged into the car, and has not reappeared; the court feared that she is no longer alive. One of those convicted was Celio Mazuze, a lawyer in the Ministry of Justice.

Interest on China's loans to Mozambique due starting next year will be cancelled, following a meeting between President Filipe Nyusi and Chinese President Xi Jinping in Sandton, Johannesburg, on 3 December.

Mozambique is free of land mines, it has formally confirmed at a meeting in Geneva of the States Parties to the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction, commonly known as the Ottawa Convention. Since 2000 about 214,700 land mines have been removed and destroyed. They had been planted during the colonial war prior to independence in 1975, during incursions by the Rhodesian armed forces in the late 1970s, and during the 1980-92 war of destabilisation. In addition to having cleared all known mines, Mozambique has also destroyed 37,818 stockpiled mines.

Corrections and additions to News Reports and Clippings 304

Mário Machungo was variously Economic Coordination Minister, Planning Minister and Prime Minister.

Medicine thefts may only have been 1%, not 10%. AIM appears to have miscalculated.

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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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Telm.: +258 823 219 950 E-mail: kapicudir@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London.
Please email j.hanlon@open.ac.uk.

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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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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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Also on the web: Previous newsletters and other Mozambique material are posted on

bit.ly/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

@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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