

MOZAMBIQUE News reports & clippings

362 2 March 2017 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Key points from the Parliamentary Report on the Secret Debt <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to the \$2.2 billion secret debt <http://bit.ly/3WQ-hanlon>

Chickens and beer: A recipe for agricultural growth in Mozambique

book by Teresa Smart and Joseph Hanlon <http://bit.ly/chickens-beer>

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

Also in this issue:

Domestic violence

Election law action needed

IMF and inequality

Probably won't pay

Finance Minister Adriano Maleiane made clear to *O Pais* (28 Feb) that Proindicus probably will not make its next debt payment, \$119 mn due 21 March. Mozambique already failed to make a \$60 mn payment on its Ematum bond in January. Zitamar (28 Feb) warns that failing to make the Proindicus payment will hit Mozambican banks, which hold some of the debt.

Maleiane said he hoped to conclude discussions with advisors and have a concrete proposal for creditors by the end of March. Maleiane notes that although the \$2 bn secret debt is only 17% of Mozambique's total debt, it is short term and is half of the debt service due now. Thus a deal with creditors is essential to make the debt sustainable.

Peace talks to resume with new 'contact group'

President Filipe Nyusi Tuesday announced a "contact group" of seven ambassadors, which then met Wednesday with the two working groups in a formal start to new negotiations. Nyusi said "President Afonso Dhlakama and I have come to the conclusion that the groups can start work." There are two working groups, each with four members.

The Contact Group will be chaired by the Swiss and US ambassadors (respectively Mirko Manzoni and Dean Pittman). Also in the group are the ambassadors of China, the European Union, Norway, Botswana and of the United Kingdom. The contact group will not be present in the working group discussions, but will provide finance and technical assistance if asked. [corrected 2 March 2017]

For the decentralisation working group, Nyusi named two academics and jurists, Eduardo Chiziane and Albano Macie, the author of books on administrative law and parliamentary procedure. Dhlakama named Saimone Macuiana and Maria Joaquina - both former members of the National Elections Commission (CNE). Macuiana headed the Renamo side in the negotiations that produced the September 2014 agreement on a cessation of hostilities.

For the military working group, Nyusi appointed two retired army officers and veterans of the independence war, Ismael Manguera and Armando Panguene, who has served as Mozambican ambassador to Lisbon, London and Washington. Dhlakama named Andre Magibire MP and Leovilgildo Buanancasso, who is currently a member of the Council of State, a body that advises President Nyusi.

The current cease fire expires Saturday 4 March, but Renamo spokesman António Muchanga said on 1 March that it would be extended. (Lusa 1 Mar) At the opening of parliament Monday, the head of the Renamo parliamentary group, Ivone Soares (who is Dhlakama's niece) said she expected the truce to be "definitive".

It does seem both sides are finally willing to talk and make concessions. Veronica Macamo, speaker of parliament, in her opening statement Monday, made clear that she expects a debate on decentralisation in this session. Soares in her opening statement said "we in Renamo want to participate in municipal elections in 2008 with a legislative package on decentralization already approved". (*O Pais* 28 Feb)

Domestic violence high on the agenda

New legislation is needed on domestic violence, parliament speaker Veronica Macamo said in her opening statement Monday. "Violent crime is increasing and we are preoccupied with intra-family violence," said President Nyusi on 24 February, adding that "recent events of this nature oblige us to rethink our values and the basis of society." (*O Pais* 27, 28 Feb) Attorney General Beatriz Buchili raised domestic violence at the opening of the judicial year on 1 March. (Lusa 1 Mar)

Speaking Saturday, Inhambane governor Daniel Chapo said that the province now had four centres for victims of gender-based domestic violence. He said in that province alone, 2000 cases of domestic violence were reported in 2016, double the level of 2015.

The Lawyers Association Human Rights Commission issued a statement on 22 February "vehemently condemning the macabre acts of domestic violence that have been verified in our country at an alarming level." The lawyers argue that the present penalties are too weak; the penalty for most domestic violence is under two years in prison, which can be converted into a fine, whereas penalties from crimes against property can be more than 12 years in prison.

Meanwhile questions are being raised about the decision of the judge last week in the case of Rofino Licuco, former boyfriend of Josina Machel, who was sentenced to three years and four months in jail for beating her so badly on 17 October 2015 that she was blinded in her right eye. The judge also ordered him to pay Josina compensation of 200 million meticaís (\$2.9 mn) and said the jail sentence would be suspended if Licuco paid the compensation within 30 days. But lawyers are raising questions about that. The domestic violence law does not appear to permit suspended sentences, and Mozambican law has no provision for making suspension of a prison sentence conditional on paying indemnity or compensation.

Action needed this month on elections

The election laws involve very long time scales, so action is needed now for the 2018 municipal elections. Elections are in the first two weeks of October, and the specific date must be set by the Council of Ministers 18 months in advance - effectively by the end of March 2017.

The registration law requires that voter registration be done in the six months after the date of the election is marked - that is, April-September this year. But the national census will take place in August, and it will be extremely difficult to hold an electoral census as well. Thus there must be a change in the law, which will need to be agreed this month.

When could the voter registration be held? The National Elections Commission must set the number of local assembly members six months before the election, and that is based on the number of registered voters. Processing and checking the electoral role takes about two months. That means the registration must end by the end of January 2018, which suggests electoral registration in the municipalities in November and December 2017 and in the rest of the country in April-September 2018 for national elections the following year.

Taken together, this month (March 2017) the Council of Ministers will need to set the municipal election date and parliament will need to amend the registration law.

Comment

IMF, austerity, inequality

As the IMF discusses a new programme with Mozambique, an important debate with and within the IMF becomes relevant. After the secret debt fiasco, the IMF has the upper hand, but donors and civil society will need to monitor the discussions to ensure that a hard-nosed IMF negotiating team actually follows the new guidelines emerging from Washington.

For four years, IMF head Christine Lagarde has taken a lead in stressing that inequality reduces economic growth, most recently speaking at Davos in January. This triggered articles such as "The IMF is showing some hypocrisy on inequality" by Christopher Sheil and Frank Stilwell, who argue that "IMF leaders should practise what they preach when it comes to inequality." One response is an IMF blog by Prakash Loungani and Jonathan D. Ostry, entitled appropriately "Bridging Research and Reality".

Mozambique's new programme will be one of the first since Christine Lagarde's most recent Davos speech. Three factors will come into play. First the IMF will demand increased austerity. Second the IMF will want to at least slap the wrists of Mozambique for being a bad child by keeping the \$2 bn debt secret. But, third, inequality in Mozambique doubled in the past six years, and a year ago the then IMF resident representative Alex Segura-Ubierno warned that "high levels of inequality hamper government policies to reduce poverty", "make it difficult to sustain growth", and "can lead to political instability". This is confirmed in another new IMF study, by Stefania Fabrizio and others.

In a 16 February statement, the IMF says "increasing the income share of the poorest can boost growth, but raising the income share of the richest can actually harm growth." But Shell and Stilwell argue that IMF operational guidelines for its annual macroeconomic surveys make no reference to inequality, "nor has anything significant changed in the requirements that the IMF imposes on countries to which it provides financial assistance."

The IMF's Loungani and Ostry note that IMF programmes tend to focus on three policy areas: reducing budget deficits through austerity, liberalizing labour markets, and removing barriers to the movement of capital across borders. But they note that these policies "sometimes have the side effect of raising inequality". To counter this, they stress the need to protect public spending on health and education, and to encourage redistribution through cash transfers to low-income families and other welfare benefits. They also note that "spending on infrastructure reduces inequality." Fabrizio and his team point out that infrastructure investment efficiency matters, and they use the World Economic Forum (WEF) measure of "wastefulness of government spending". And WEF finds that for Mozambique, although corruption is a problem, government spending is relatively efficient.

Agriculture remains a key issue. Farm subsidies (always opposed by donors and the IMF) actually increase the incomes of workers, reducing inequality, Fabrizio et al look specifically at Malawi's fertilizer subsidy, and found that it both boosted maize production, raised the income of small and poor farmers, and reduced poverty and inequality. Cash transfers to the rural poor are an

alternative to farm subsidies.

Fabrizio et al argue there is a need to boost agricultural productivity, but they warn that in the short term this tends to only benefit the better off, increasing inequality, so it should be combined with cash transfers to the rural poor. In addition that call for investment in rural electrification and irrigation, more investment in agricultural R&D and services, and increased access to financial services.

All this requires increased spending and goes counter to austerity. The IMF forced Mozambique to adopt the Value Added Tax (a sales tax) but Loungani and Ostry point out that greater reliance on indirect taxes like VAT increase inequality. The Fabrizio team notes that "VAT rate increases adopted by LIDCs [low income developing countries] over the past two decades have been associated with higher inequality."

Financial sector reforms are sure to be part of any IMF programme for Mozambique, but the Fabrizio team point out that "financial sector reforms can exacerbate inequality if financial access is limited to a small share of the population" - which is the case in Mozambique.

Donors will play a key role because they have effectively made a return to a normal aid programme conditional on a new IMF programme. Donors have put the IMF in charge, but will need to keep tabs on the negotiations, to ensure that in Mozambique the IMF really does "walk the talk" and does not impose an austerity package that further increases inequality. *jh*

Further reading:

IMF, Stefania Fabrizio et al, 26 January 2017, "Macro-Structural Policies and Income Inequality in Low-Income Developing Countries" <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2017/01/26/Macro-Structural-Policies-and-Income-Inequality-in-Low-Income-Developing-Countries-44526>

Christopher Sheil and Frank Stilwell, 13 Feb 2017, "The IMF is showing some hypocrisy on inequality" <https://theconversation.com/the-imf-is-showing-some-hypocrisy-on-inequality-72497>

IMF 16 Feb 2017 "Response to Article: 'The IMF is Showing Some Hypocrisy on Inequality'" <http://www.imf.org/en/news/articles/2017/02/16/vc02162016-response-to-article-the-imf-is-showing-some-hypocrisy-on-inequality>

IMF, Prakash Loungani and Jonathan D. Ostry, 22 Feb 2017, "The IMF's Work on Inequality: Bridging Research and Reality" <https://blog-imfdirect.imf.org/2017/02/22/the-imfs-work-on-inequality-bridging-research-and-reality/> - more-16886

On Mozambique inequality, this newsletter 306 and 308, 4 and 16 January 2016.

World Economic Forum, 27 Sep 2016, "The Global Competitiveness Report 2016–2017" http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf (Mozambique ranks 133 out of 138 countries on global competitiveness, but on key issues it ranks much better - wastefulness of government spending (91), burden of government regulation (90), and strength of investor protection (86))

IMF again sets leadership standards

Rodrigo Rato, managing director of the IMF 2004-2007, was sentenced 23 February to four and a half years in jail for misusing funds of a Spanish bank, Bankia, of which he was chair and which collapsed and was taken over by the government in 2012. Top officials of the bank were given "black credit cards" which could be used for unlimited personal spending. Rato and 64 Bankia other directors and executives used the cards for €12.5 mn (\$13.2 mn) in illegal purchases. In a separate ongoing trial, Rato and others are accused of misrepresenting the bank's financial

soundness at the time of a public share offering in 2011. Bankia claimed it made a profit of € 11 mn in 2011, but a later audit showed a loss of €3 billion. (*New York Times* 23 Feb, BBC 25 Sept 2016)

This means the last three managing directors of the IMF have been involved in scandals. Dominique Strauss-Kahn (2007-2011) resigned under a cloud of various sexual and financial scandals. He was succeeded by Christine Lagarde, who was confirmed in her post immediately after being convicted, on 19 December 2016, of "negligence with public money" for approving a payment of €400 mn when she was French finance minister.

Transportes Carlos Mesquita, named after and part owned by the Transport and Communications Minister, was given a MT 20 mn (\$290,000) contract without a public tender on 17 February by the government's disasters agency INGC (Instituto Nacional de Gestão de Calamidades), which has caused an outcry in the independent press. (*O País* 28 Feb) On 24 February, acting as Minister, Carlos Mesquita authorized a new 20 mn tonne per year terminal in Beira port to handle exports of Mozambican coal, plus iron ore from a Zimbabwean mine owned by Essar of India. The operator of Beira port is Cornelder de Moçambique; Carlos was chair of Cornelder before he became minister, and his brother Adelino is now chair. (Zitamar, 27 Feb and 11 Jan).

Books we missed

Chris Alden and Sérgio Chichava, ***China and Mozambique: From Comrades to Capitalists***, 2014, Auckland, South Africa: Jacana

This is the best and most detailed book on China in Mozambique, with studies that counter some myths. For example, there is no land grab and little involvement in agriculture; the only large farm project, of rice in Xai-Xai, has proved problematic. But it does confirm stories of Chinese involvement in illegal exploitation of timber, especially hard wood. The biggest involvement is in construction and China has become Mozambique's biggest creditor. But business involvement has been very hard-nosed, and China has refused to fund projects that Mozambique wanted, such as the Mphanda Nkuwa dam. The authors note "the danger, recognised by Mozambicans as well as outsiders, is that these opportunities presented by China can reinforce a trend that is already in danger of transforming the political elite into a business class with predatory intensions." For example, "Chinese companies involved in the illegal extraction of timber are associated with groups of powerful Mozambicans and senior government officials." And in protests against the Xai-Xai rice project in August 2013, "the Gaza provincial governor was named as one of the land usurpers."

Tanja R Muller, ***Legacies of Socialist Solidarity: East Germany in Mozambique***, 2014, London: Lexington Books.

In 1982, 899 Mozambican children were sent to a special Friendship School in the then East Germany (GDR), where they stayed for six years. For this book, Tanja Muller interviewed some of these former pupils in Mozambique, and found that "one of the strongest legacies of participants' time in the former GDR is an identity based on a belief in values of social solidarity. ... Ironically or tragically, at the time when the SdF [Friendship School] graduates returned to Mozambique, those values turned out to be a hindrance rather than a help in establishing a successful professional and personal life." Thus "Mozambique has firmly closed the door to making use of their potential contributions to societal development." Friendship School graduates complain about the shift from the collective to the individual with a focus on personal wealth, partly caused by an IMF and World Bank enforced structural adjustment and neoliberalism.

As well as the East German programme, 3,764 Mozambican students went to Cuba, which trained 35,000 students from 37 developing countries. The only similar study of Cuban students I have seen was by Hauke Dorsch. "Thanks to the quality of the education and their internalized discipline, they were quite successful" on their return to Mozambique, although "they were not received the

way they were told they would be: as the country's future elite." But an "education that stressed patriotic responsibilities and humbleness", combined with a readiness to work in the provinces when western educated returnees expected to live in the cities, meant they were welcomed into the system and are now national directors, heads of departments, etc.

Hauke Dorsch, "Black or Red Atlantic? – Mozambican Students in Cuba and their Reintegration at Home", *Zeitschrift für Ethnologie* 136 (2011) 289–310 (the article is in English)

Ephraim Chirwa and Andrew Dorward, ***Agricultural Input Subsidies: The Recent Malawi Experience***, 2013, Oxford: Oxford University Press

Low maize yields and low fertiliser use are "a major cause of continuing poverty in sub-Saharan Africa," argue Chirwa and Dorward. One reason is the "maize low productivity trap", which is particularly true in Mozambique. Fertilizer is too expensive and the farmgate price of maize is low, and, combined with lack of credit and unstable markets, means that most poor farmers cannot make the leap to use better seed and fertiliser to raise production. Two of Mozambique's neighbours, Malawi and Zimbabwe, have intervened to support small farmers to escape from the low productivity trap. This book looks at the first years of the Malawi fertilizer subsidy and the learning and adaptation process. And the subsidy really did work, with increased maize production, improvements in school enrolment and child health, increased income and assets, and better general well being.

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"Mozambique News Reports & Clippings, number XXX", DATE, bit.ly/mozamb, accessed XXX.

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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>

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Books and reports by Joseph Hanlon

Special report on four poverty surveys: bit.ly/MozPoverty

Comment: something will turn up: <http://bit.ly/28SN7QP>

Oxfam blog on Bill Gates & chickens:

<http://oxfamblogs.org/fp2p/will-bill-gates-chickens-end-african-poverty/>

Bangladesh confronts climate change: Keeping our heads above water

by Manoj Roy, Joseph Hanlon and David Hulme

Published by Anthem Press

<http://www.anthempress.com/bangladesh-confronts-climate-change-pb>

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon

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

E-book for Kindle and iPad, <http://www.amazon.com/dp/B00NRZXXKE>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon. Copies are in Maputo bookshops or from

KAPICUA, Rua Fernão Veloso 12, Maputo; Tel.: +258 21 413 201 or +258 21 415 451

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

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Zimbabwe takes back its land

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-it-s-land-detail>

Do bicycles equal development in Mozambique? by Joseph Hanlon & Teresa Smart
is available 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:

One 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, Portuguese:

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

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

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

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

Mozambique media websites, English:

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

Rhula weekly newsletter: <http://www.rhula.net/news-announcements.html>

Zitamar: <http://zitamar.com/>

Macauhub English: <http://www.macauhub.com.mo/en/>

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

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