

MOZAMBIQUE News reports & clippings

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No secret debt payments next year - or any time soon

No payments on the \$2 bn commercial secret debt are included in the 2018 state budget, Prime Minister Carlos Agostinho do Rosário told parliament Wednesday. And he said that there will be no payments until negotiations with creditors are concluded and the Attorney General's office has completed its actions related to the debt. This could be a several years away, which means no debt payments any time soon. (*O Pais*, *Zitamar* 30 Nov; *@Verdade* 24 Nov; *Savana* 1 Dec)

Comment: The past two weeks have reinforced the view that all parties - creditors and government - are acting in ways that suggest they want the debt issue deferred, to be dealt with by the new government in 2020. The Ematum bond holders continue to demand to be treated preferentially over the MAM and ProIndicus syndicated loan holders. Government has rejected this demand, and knowing this, bondholders seem to be intentionally delaying negotiations. Similarly, Finance Minister Adriano Maleiane pointed out to a parliamentary budget commission on 20 November that "we are lucky" that the syndicated loan holders had done nothing to go to court to try to enforce guarantees (which Mozambique says are invalid). In effect, Maleiane was saying that there would be no payments until the creditors force action.

Why are creditors so willing to delay? In part, they feel they will get a better deal in the early 2020s when the government will be under less pressure and the gas is coming on line. Also, creditors and

Recent reports

Special report on social protection <http://bit.ly/MozSocPro>

Secret debt documents and report:

Kroll full report (80 Mb!) <http://bit.ly/Kroll-Moz-full>

Kroll audit Executive Summary <http://bit.ly/Kroll-sum>

Parliamentary Report on the Secret Debt (complete, in Portuguese) bit.ly/MozAR-debt

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

Mozambique should not pay the hidden debt <http://bit.ly/Moz-do-not-pay>

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

Other books and reports:

Government's detailed flood reports: <http://bit.ly/flood-17>

Local media monitoring of Mozambique elections (background of election newsletters)

<http://bit.ly/LSE-newsletter>

Chickens and beer: A recipe for agricultural growth in Mozambique book by Teresa

Smart and Joseph Hanlon, **free** English download <http://bit.ly/chickens-beer>

Há mais bicicletas - mas há desenvolvimento? book by Joseph Hanlon and Teresa Smart,

free Portuguese download <http://bit.ly/Mais-bicicletas>

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

Minimum wages & exchange rates 1996-2017 <http://bit.ly/MinWage2017>

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bondholders can keep these loans as assets on their books at near to their face value - probably higher than any renegotiated value. Better to let sleeping dogs lie.

Finally there is the issue of misconduct by the lenders, and the longer the delay, the more likely that will be forgotten. Credit Suisse has significant responsibility because it organised the \$2 bn credit and has been accused of misleading lenders and facilitating corruption, and is being investigated by criminal and financial authorities in the US, UK, and Switzerland - but this is just part of broader misconduct which has made the bank unprofitable. Credit Suisse boss Tidjane Thiam on 30 November promised shareholders that he is cleaning up the bank and that it will be profitable for 2019. He will hope investigations drag on for years and he does not want to deal with Mozambique any time in the near future. Syndicated loan holders would need to bring legal action against Mozambique in London, and following a High Court decision on Ukraine debt, there is a strong chance they could lose - so they are in no hurry. And of course the Mozambique government always prefers the do-nothing option. So expect lots of words but no payments or negotiation for at least two years. *jh*

When no one has clean hands, who do you punish? is a London School of Economics blog by Joseph Hanlon, arguing that poor Mozambicans are being punished for the actions of a greedy elite and a major Swiss/British bank. The blog asks who should be punished: Is it the tempter, Credit Suisse, or is it the greedy group around Guebuza who succumbed to temptation, or is it the people of Mozambique who elected Guebuza as president?
<http://blogs.lse.ac.uk/internationaldevelopment/2017/11/30/when-no-one-has-clean-hands-who-do-you-punish/>

The wealthiest 1% owns 50.1% of the world's household wealth, the first time it has exceeded half, according to the Credit Suisse Global Wealth Report 2017.
<https://www.credit-suisse.com/corporate/en/articles/news-and-expertise/global-wealth-report-2017-201711.html>

The Kroll report has still not been published by the Attorney General, even though it was required to be published in September, the Mozambican Debt Group pointed out at a conference in Maputo last week. (*O Pais Económico* 1 Dec) The leaked Kroll report is still on my website along with other debt documents: tinyurl.com/mozamb

"Esse aeroporto de Nacala é muito grande mesmo, bem trabalhado. Só falta aviões."

Mozambique is not repaying its debt to Brazil for the empty Nacala airport, reports the BBC Brazilian service in a detailed article. <http://www.bbc.com/portuguese/brasil-42074053>
The project was promoted and constructed by the Brazilian company Odebrecht, which has admitted it paid a \$900,000 bribe to Mozambicans to gain agreement and 0.1% of the value of the contract to an official of the Brazilian president's foreign trade office to gain approval of the \$125 mn loan by BNDES, the Brazilian Development Bank, the BBC reports. So far, there are only two flights a week landing at the airport - LAM flights from Maputo using Brazilian Embraer planes, also bought because of a bribe. The BBC quotes a taxi driver, Carlos José, saying "it's a grand airport, really well built. It's only lacking planes."

Negotiations have resumed on the Moamba-Major dam. The \$320 mn project was to have been funded by Brazil's development bank, BNDS, but this was stopped in 2016 after contractor Andrade Gutierrez and the dam were caught up in the Brazilian corruption scandal. (*O Pais Económico* 1 Dec) The dam will supply water to Maputo and Matola.

The debt crisis is not slowing foreign investment. Vale and Mitsui have organised \$2.73 bn in refinancing for the railway to Nacala and coal terminal there, initially built and funded by Vale. \$2 bn comes from Japanese banks, \$400 mn from South African banks, and \$300 mn from the African Development Bank; the World Bank's International Finance Corporation

changed its mind and decided not to participate, probably reflecting pressure on the World Bank not to fund coal on climate grounds. Meanwhile, Dutch brewer Heineken is starting construction on a new brewery north of Maputo, having won a three-year partial tax concession. (Zitamar 1 Dec)

Plans for the Tete-Zambézia railway moved forward with the agreement that it should go to Chitima, Moatize, Tete. The 639 km railway will carry coal from Tete to a new offshore port at Macuse, 50 km north of Quelimane, and will cost \$2.7 bn. Transport Minister Carlos Mesquita said construction would start in late 2019. The railway will be 60% owned by the Italian Thai Development Company. (AIM En 28 Nov)

Vale has doubled coal production, from 6 mn tonnes in 2016 to an expected 13 mn tonnes this year. All coal is now shipped to Nacala-a-Velha by rail, via Malawi. Currently there are five trains a day, each carrying 120 wagons of coal; the trip from Moatize to Nacala-a-Velha takes 30 hours. Each train carries 7,560 tonnes of coal. (AIM En 21 Nov)

Parliament agreed to cut wages to only 41 times the minimum wage.

Parliament agreed to cut its 2018 budget by 5.6% compared to 2017, after having initially proposed at 43% increase. Government said in this austerity era, it simply did not have the money to pay the increase. Members of parliament will receive MT 163,794 (\$2,685 US dollars) a month in wages and allowances, a cut of 16% instead of the proposed increase of 31%. This is 41 times the minimum wage in the public administration of MT 3,996 (\$66) a month.

An IMF mission will be in Mozambique until 13 December, but it is only to evaluate the state of Mozambique's economy (called an Article IV consultation) and not to discuss a new programme, which still awaits more information on the secret debt.

Business Association CTA cuts own subsidy: The Confederation of Economic Associations of Mozambique (CTA) has been receiving a subsidy of \$122,000 per year since 2006, but decided that at a time it is urging the government to spend less, it will not longer take the government subsidy. (*O Pais*, Lusa 29 Nov)

Government will sell 7.5% of the Cahora Bassa dam company HCB on the Mozambican stock exchange, it was announced 28 November. The state owns 92.5% and will sell 7.5%; the remaining 7.5% is held by REN (National Electricity Networks) of Portugal. HCB last year paid off the loan that was used to buy most of the Portuguese share in 2012. HCB will invest \$500 mn over the next six year. (AIM, Lusa, *O Pais* 28 Nov)

The number of new teachers is being drastically cut, from 8306 this year to only 2213 next year, because of the economic crisis and the cut of aid to the government budget, triggered by revelation of the \$2 bn secret debt. Finance Minister Adriano Maleiane admitted to parliament that this will mean larger classes. (@*Verdade*, 23 Nov)

"Under and over-invoicing in both exports and imports" is cutting government revenue, Minister of Industry and Commerce Max Tonela warned. Tighter regulations will be imposed, he said. (*Noticias*, *O Pais* 20 Nov).

Government domestic debt exceeded MT 100 bn (\$1.6 bn) for the first time in September. Half is treasury bills and bonds, and the other half other Bank of Mozambique debt. (@*Verdade* 20 Nov).

Ematum workers went on strike 20 November, saying that had not been paid for the previous four months. (*O Pais*, AIM En 21 Nov) The workers also say that for the past two years, Ematum has not paid contributions to the National Social Security Institute (INSS), even though they have been deducted from the workers' wages. The workers say they have little to do except guard the premises, since the Ematum boats no longer put out to sea.

PM: Use gas to promote industrialization

Up to 25% of the natural gas extracted should be earmarked for the domestic market, in order to stimulate industrialisation, Prime Minister Carlos Agostinho do Rosario told parliament on 30 November. He called for "the promotion of national content, through linkages between the large oil and gas projects and small and medium Mozambican enterprises, in order to maximise benefits in generating employment and income". (AIM En 30 Nov)

The Ministry of Mineral Resources and Energy will this month choose a consultant to advise on pricing of gas for the three projects already approved - Yara fertilizer, Shell gas-to-liquids, and a power station - and advise on developing downstream industry. (*Zitamar* 23 Nov) Our report on downstream gas industrialisation is posted on <http://bit.ly/MozGasEn>.

Attorney general points to judicial corruption

"Corruption and the infiltration of criminals within our institution not only makes it impossible to investigate, but also jeopardizes the physical integrity of colleagues," Attorney-General (Procuradora-geral) Beatriz Buchili on 23 November told a joint meeting of the Attorney-General's office and the new National Criminal Investigation Service (Sernic, Serviço Nacional de Investigação Criminal) which replaces the corrupted Criminal Investigation Police (PIC). (*O Pais* 24 Nov)

"We assert that we cannot fight corruption and organized crime with corrupt colleagues lacking integrity." She noted that the institutions of justice have a very poor image in Mozambican society, and called on her fellow professionals to overcome this by changing the way they work. "We must rescue the trust of citizens in our institutions", she said.

Corruption and nepotism remain rampant in the forestry inspectorate, Land, Environment and Development Minister Celso Correia said last week, leading to continued illegal destruction of forests. (*O Pais Económico* 1 Dec) More than 100 containers of precious woods intended for illegal export were seized in Beira port. (*O Pais* 30 Nov)

Dishonest contractors in just one province, Inhambane, have cost government \$500,000. Governor Daniel Chapo said companies took money and then disappeared, leaving building unfinished, including 27 classrooms, six school administrative blocks, nine water sources, and four health units (*Notícias* 28 Nov)

Nyusi says military threat is external

President Filipe Nyusi gave another statement pointing to the end of the war with Renamo and integration of Renamo into a restructured military when he spoke to the Ministry of Defence coordinating council on 23 November. He called for more clarity about the threats faced by the nation, which he mostly saw as about "territorial integrity" and international terrorism. (*O Pais* 24 Nov) This seems a statement that a new integrated army command will not have an internal domestic role.

Other news

8328 people have been killed in traffic accidents in the five years 2012-16; in the first nine months of 2017 there were 1282 accidents which killed 862 people, half in Maputo city and province. (*O Pais* 1 Dec)

Denmark closed its embassy on 1 December; the decision predates the debt crisis and reflects policy changes in Copenhagen. Aid had been running at \$40 mn per year and will finally finish in 2019. (*Zitamar* 1 Dec)

Comment **Weak civil society and strong donors**

Alice Mabota was dismissed as director of the Human Rights League (Liga dos Direitos Humanos, LDH) on 18 November. One of the founders of LDH 25 years ago, she has always been its public face. She was dismissed for arrogance, weak management, and poor project management. (*Domingo*, AIM Pt 19 Nov; *Savana* 24 Nov)

But the underlying story is how Alice Mabota was first built up by the donors, as a forceful anti-Frelimo voice not linked to Renamo, and then brought down by the donors, who became unhappy with LDH's spending and accounting. Three years ago the main donors sharply cut back on funding which was essential for LDH's survival; having lost donor backing, LDH finally dismissed Mabota. The Electoral Observatory and other organisations have followed a similar trajectory, being built up and then knocked down by donors.

Mozambique has few membership organisations - largely faith groups and trades unions. But a large number of what might be called "public interest organizations" (PIOs) have grown up, acting for the public good, but accountable only to their own staff and their funders. Some, ranging from community radio stations to Maputo-based advocacy groups, have proved themselves effective and highly motivated. Others only provide jobs for the growing middle class. All compete for international donor funding and receive little money locally.

At a national level, PIOs have led the debate on agriculture, gender, and the \$2 bn secret debt, and at local level PIOs have been important in exposing corruption and land grabs. But PIOs exist in a fickle donor world, where they have to guess donor intentions, and where PIOs and their leaders can be built up to feel invincible one year, only to be dropped and crushed the next. *jh*

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If you need to cite it for academic purposes, treat it as a blog. The normal citation format would be:

"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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Other 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 (Karibu at airport, Livaria UEM, Bazar Pariso, Mivany) or from **KAPICUA**, which recently moved to Av de Maguiguana (nr Lenine), Maputo; Tel: +258 21 413 201.
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 e-mail j.hanlon@open.ac.uk.

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>
Há mais bicicletas - mas há desenvolvimento? free download of Portuguese edition (5 Mb)

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 be **read on the web** tinyurl.com/justgivemoney

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

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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