

MOZAMBIQUE News reports & clippings

404 1 March 2018 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Also in this issue:

IMF and government clash on economy

Rubbish dump collapse in Maputo kills 18

Government says no payments on \$2 bn hidden debt until 2023

Mozambique intends to make no payments on the \$2 bn hidden debt for at least five years, according to the Mozambique Debt Sustainability Analysis (DSA) which will be submitted to an IMF board meeting Friday, 2 March.

Written in convoluted IMF speak, the DSA says "it is [the IMF] staff's understanding that the authorities plan to hold off on making payments on the defaulted loans" - that is the \$2 bn secret debt plus corrupt loans from Brazil - and that "external arrears ... are assumed to accumulate" until 2023, when the first gas revenues become available.

Government open to saying debt is illegitimate

Bank of Mozambique Governor Rogério Zandamela, in a roundabout way, admitted that the government is considering a claim that the \$2 bn debts are illegitimate and illegal and should not be repaid - probably the first public admission by a senior official that the government might simply say it would not pay.

At a Maputo press conference Monday 26 February Zandamela was asked about the debt. He responded, surprisingly, using the media phrase "hidden debt" ("dividas ocultas"). He said "There is a debate as to whether the hidden debt is legal or not. ... Let the lawyers debate and decide the legality of this debt, whether or not to be part of [government] accounts. It is a legal issue not only in Mozambique but also in the world, whether it is legitimate or not. Even outside Mozambique there is no agreement," he said. (@Verdade, 27 Feb)

Comment: This is the first public admission by a top official that Mozambique recognises the debate about illegitimacy, and, in effect, that international campaigners have made an effective case that the debt is illegitimate and should not be paid. We noted in Monday's newsletter that both the Tribunal Administrativo and the Ministry of Economy and Finance are both being careful not to put most of the hidden debt into the formal accounts. (See this bulletin 26 Feb for more details, <http://bit.ly/2oAy3kQ>) Combined with the DSA statement on no payments in the near future, this suggests Mozambique plans to take a hard line in its 20 March meeting with private creditors in London.

Four civil society groups demand information in Mozambique before the presentation to creditors in London on 20 March. The Kroll report should be published as was promised last year,

government should say if it intends to repay the "illegal and illegitimate debt", and more information should be given to parliament. In addition, CIP, IESE, MASC and OMR in their 26 February statement demand concrete actions to call to account those responsible for the debt.
<http://bit.ly/2F81m8B>

IMF and government clash on economy - can Mozambique carry on without change?

There are sharp disagreements between government and the IMF on the state of the economy - and if Mozambique can successfully continue on its current path. Bank of Mozambique Governor Rogério Zandamela told the Monday press conference that "without doubt, Mozambique is coming out of the crisis." (*O Pais*, 27 Feb) Inflation is falling and the economy is growing at a faster rate than the SADC average, he said in a statement to the Monetary Policy Committee.
<http://www.bancomoc.mz>

But the IMF is extremely negative in its report on the Article IV mission to Mozambique in December 2017. "Mozambique's economy is facing difficult challenges. While inflation has declined rapidly, real GDP growth continues to weaken." The linked Debt Sustainability Analysis (DSA) says "growth is expected to recover only in 2023 on the back of the start of production of natural gas products." And the IMF stresses that "two decades of high GDP growth have not yet resulted in significant poverty reduction."

The DSA makes clear that government and the IMF disagree, and that government predicts higher growth rates with current policies. But the IMF says "the 2018 budget targets are unlikely to be achieved."

The government continues to run a large deficit funded by borrowing and not paying its bills. The DSA says "Mozambique's debt is currently in distress, and total public debt is on an unsustainable path." The DSA continues: "the projected fiscal gap over the medium term is too large to be financed through a continuous accumulation of arrears." If the government continues with policies unchanged, "arrears to suppliers are expected to accumulate, reaching about 20% of GDP by 2023." Again, the report says government disagrees; Mozambique accepts the need to reduce the deficit, but believes this can be done gradually.

The IMF stresses that the economic crisis was caused by "the disclosure of the hidden loans in the spring of 2016 and the resulting freeze in donor support."

Other financial

Interest rates were cut by 1.5% on Monday 26 February by the Monetary Policy Committee to reflect the view that the economy is improving. The Interbank Money Market Rate (MIMO) is cut from 19.5% to 18%. The central bank's interventions on the interbank money market to regulate liquidity are based on this rate. The Standing Lending Facility (the interest rate paid by the commercial banks to the central bank for money borrowed on the Interbank Money Market) falls from 20.5% to 19%, and the Standing Deposit Facility (the rate paid by the central bank to the commercial banks on money they deposit with it) falls from 14% to 12.5%. These rates are still very high, as annual inflation is just 3.8%. The Compulsory Reserves Coefficient - the amount of money that the commercial banks must deposit with the Bank of Mozambique - remains unchanged for local currency at 14%, but for foreign currency jumps from 14% to 22%.

The metical is devaluing again, from \$1 = MT 58.9 on 16 January to \$1 = MT 61.4 on 23 February and from Rand 1 = MT 4.78 to R 1 = MT 5.28 in the same period. The IMF estimates that the Metical is overvalued by 15-20%.

Recent reports

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

Mozambique corruption articles 2016-7 <http://bit.ly/2upF8XI>

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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International reserves declined from the beginning of the year to mid-February by \$96 mn, due to the central bank's sale of dollars on the Interbank Exchange Market (largely to pay for imported fuels), and to servicing the bilateral and multilateral foreign debt. There was no servicing of what even Zandamela called the "hidden debts". Reserves now stand at \$3.2 bn, enough to cover seven months imports of goods and non-factor services (excluding the imports of the foreign investment mega-projects). (AIM Eng 27 Feb)

Domestic government debt rose from MT 98 bn in December to MT 105 bn in February (\$1.6 bn to \$1.7 bn at current exchange rates.) This is largely through the sale of high interest treasury bills and bonds, but the interest rates demanded in the auctions is falling - from 22.5% (90 days) to 23.8% (year) in December to 19.5% to 20% in February.

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Rubbish dump collapse in Maputo kills 18

Torrential rains in Maputo on Monday 19 February caused part of the gigantic 50 metre high rubbish dump in the neighbourhood of Hulene to collapse, destroying seven houses and killing 18 people.

As part of his 2013 re-election campaign, Maputo mayor David Simango had promised to close the Hulene dump. In 2014 he announced that a site had been identified for a new, modern landfill, in Matlamele, Matola, that \$40 mn had been allocated, and that it would open the next year. But nothing was done. Since housing land is short in Matola, which is now Mozambique's largest city, people moved on the Matlamele site. Meanwhile, attempts were made to move people away from the towering rubbish mountain in Hulene, but they kept returning, because many made their living recycling the rubbish. For example, plastic picked from the rubbish can be sold for 8-12 US cents per kilogram. (AIM En 20, 21, 26 Feb)

The current rainy season has not been abnormal and there have been no major floods. But storms and very heavy rain have caused at least 50 deaths and have affected about 130,000

people, according to the National Disaster Management Institute (INGC). Storms have destroyed 7,268 houses and 201 school classrooms. (*O Pais* 22 Feb)

Water rationing was re-introduced in Maputo on 15 February despite the heavy rains. Each neighbourhood of Maputo and Matola will receive water only on alternate days. A ban on using water from the Umbeluzi river for irrigation has been in force for a year, creating problems for banana exporters. The Umbeluzi river rises in South Africa and Swaziland and in Mozambique flows into the Pequenos Libombos reservoir, which can hold 400 mn cubic metres of water. But the national water bulletin yesterday reports that the reservoir is only 25% full, following two years of drought and then less than normal rainfall in Swaziland and southern Mozambique this summer. Maputo City councillor for environment, Luis Nhaca, described the water situation in the capital as critical, and said climate change will make it worse. (AIM En 16, 23 Feb) Most predictions show that Mozambique will be one of the countries least affected by climate change (despite the desire of donors to spend climate change money there), with total rainfall remaining unchanged, but rain itself becoming more irregular (forcing more agricultural irrigation). The one exception to this positive picture is the dry southernmost part of Mozambique, which will receive less rainfall, causing water supply problems for the growing capital area.

Backlash over fewer elections in Nyusi-Dhlakama deal

Opposition is growing to the decentralisation deal agreed by President Filipe Nyusi and Renamo head Afonso Dhlakama, announced 7 February. The deal calls for a rapid constitutional amendment to allow governors, district administrators and mayors to be named by the parties that receive a majority of the votes in the provincial, district and municipal assembly elections. This would end the direct election of mayors and give the choice to party leaders.

Article 2 of the Constitution states that "sovereignty resides in the people", but if parties name mayors, "then there is no doubt that sovereignty passes to the parties", warns Teodato Hunguana, writing in *O Pais* (27 Feb). A former Frelimo minister, Hunguana is one of the country's top constitutional lawyers and a former judge on the Constitutional Council. He also points out that the constitution says that any proposed changes to the constitution must be given to parliament 90 days before the start of the parliamentary debate, precisely to allow time for public discussion.

Indeed, parliament's Commission on Constitutional and Legal Affairs was given just 15 days to produce a written opinion on the amendments. But the Commission chair, Frelimo's Edson Macuacua, has gone back to parliament's governing board, its Standing Commission to ask for more time.

Some Frelimo MPs are also privately expressing disquiet at the loss of democracy, and the third party, MDM, is opposed.

The two sides blame each other for the end of elections. Dhlakama said it was a Frelimo demand, but privately Frelimo points out that the original Dhlakama demand was for the right to appoint governors, which he has won. In practice, neither side wants elected governors and mayors with their own power base independent of the party leader.

Hunguana suggests an alternative which he says would be constitutional - that the head of the list of the largest party in the assembly would be named governor or mayor. But that reduces the freedom of the party leader to choose a party loyalist.

Meanwhile 23 civil society organisations published a joint statement opposing the reduction in democracy, and instead calling for a constitutional convention - or that the parliament elected in 2019 could serve as a constitutional convention to do a major rewriting of the constitution. (*O Pais* 23 Feb)

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In NGOs

Adriano Nuvunga announced on 23 February that he would not accept another five year term as director of the Public Integrity Centre (CIP, Centro de Integridade Pública), arguing that he had done what he had set out to do - turning CIP into a tighter and more professional organization producing accurate and provocative research on government and natural resource development. Nuvunga was one of the founder members, with Marcelo Mosse in 2005, and he became director in 2012 - a period which corresponded to the end of the Guebuza era and the harassment of critics, including CIP and Dr. Nuvunga. The new director will be chosen in June, and must be either a staff member now or a founder member, and is selected by the founder members. Adriano was deputy editor of the Mozambique Political Process Bulletin and its Election Bulletins from 2003 and CIP is now publisher of that Bulletin.

AWEPA was made bankrupt and liquidated by the District Court of Amsterdam on 24 October 2017, after €1.6 mn went missing and its financial officer disappeared. It was founded in 1984 as the Association of West European Parliamentarians for Action Against Apartheid. With the end of apartheid it became a democracy related aid agency, and provided important support to Mozambique's first multi-party parliament. It was the initial publisher of the Mozambique Political Process Bulletin, still edited by Joseph Hanlon but now published by CIP. <https://www.awepa.org/>
<http://www.dutchnews.nl/news/archives/2017/10/inquiry-as-e1-6m-goes-missing-from-amsterdam-based-africa-aid-agency/>

Professor Iraê Lundin of the Centre for Strategic and International Studies of the Higher Institute of International Relations (ISRI) died on 29 January. An exile from the Brazilian military dictatorship she moved to Sweden and eventually Mozambique, where she did important research on the peace process. She was also local coordinator of Diakonia which channelled Nordic funds, making her important in the Maputo NGO community.

German Agrarian Action is leaving Zambézia after 40 years. Deutsche Welle (15 Jan) quotes beneficiary Regina Chá-Verde to say that that because of Acção Agrária Alemã (AAA) she now has shovels, spades and watering cans. "Before, we did not have that." She adds that "we learned how to prepare soya porridge and how to graze livestock." It seems quite little for 40 years. AAA is part of Welthungerhilfe, and Zimbabwe Country Director Regina Feindt said that "we consider ourselves as a learning organisation and hence monitoring and evaluation is standard" but the evaluations of Mozambican projects are not available. No evaluation has been done on their 40 years in Mozambique because it "would be a very costly exercise."

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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.

Previous newsletters and other Mozambique material are posted on bit.ly/mozamb

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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: kapicua@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

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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>

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

Carlos Serra Diário de um sociólogo: <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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