

MOZAMBIQUE News reports & clippings

405 11 March 2018 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Also in this issue:

Russian debt

IMF confirms hard line

Political Commission overrides Nyusi and backs down on ending election of mayors

Frelimo's ruling Political Commission at an extraordinary meeting 7 March overrode the deal agreed by President Filipe Nyusi and Renamo head Afonso Dhlakama.

The decentralisation agreement involved a constitutional amendment under which provincial governors, district administrators and mayors would be selected by the party (or parties) which won a majority of votes for provincial, district and municipal assemblies. Governors and district administrators are now appointed by the president, but mayors are elected. The end of elections of mayors caused an outcry, and also appears to be unconstitutional.

The Political Commission has accepted the proposal of Teodato Hinguana, a former Frelimo minister and a former judge on the Constitutional Council. (*O Pais* 27 Feb, this newsletter 1 Mar). Assemblies are elected based on a party list system, and he proposed that the head of the list of the largest party should automatically become mayor. This would still be seen as election, because the heads of party lists would campaign as potential mayors.

Turning this into law presents two problems - will Dhlakama accept the changes, and the lists for provincial assembly do not work the same way as municipal.

Both parties wanted to avoid the Daviz Simango problem, in which a mayor gains so much local popularity that they can challenge the party leadership, so both sides wanted party leaders to appoint. Dhlakama's original demand was that he have the right to appoint governors in the provinces where Renamo had the largest number of votes. And this was the agreement announced by Nyusi on 7 February. But in subsequent interviews Dhlakama said that it was Frelimo who refused to have elected mayors and governors, which he said he wanted. The Frelimo Political Commission proposal is closer to what Dhlakama said he wanted, so it would be hard for him to oppose.

The other problem is technical. In municipalities the assembly is elected from the entire city, so there is just one list, and therefore just one head of the list. For provincial assembly, the district is the electoral unit, and there is a different list for each district. Which head of list would be chosen?

The 7 February agreement had one surprise - district assemblies. Before the agreement there had been no discussion of district assemblies, so no discussion of whether there will be one electoral unit, or smaller ones based on town in the district.

Integration of the army will begin this month and be completed by June, Afonso Dhlakama

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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told *O País* (2 March). He stressed that there had to be parity: "If one battalion is commanded by the government, then the deputy must be from Renamo. Where a Renamo member heads a brigade, his deputy will be from the government." This applies to Renamo members integrated into the military since 1994, but who have been marginalised, as well as new entrants as part of the current integration.

Pacheco: Russian part of secret debt 'will be resolved'

"The director general of the Russian bank VTB was here [in Maputo] and there is now an understanding on how to resolve the debt" ("*sanar a dívida*") Foreign Minister José Pacheco told a joint press conference with Russian Foreign Minister Serguei Lavrov on Wednesday 7 March.

This relates to Russia's \$900 mn part of the \$2 bn secret debt, negotiated originally by Credit Suisse (CS). VTB was brought in when CS could not find enough investors to lend the money. VTB organised syndicated loans of \$535 mn for MAM and \$118 mn for ProIndicus, and \$350 mn of bonds for Ematum (these bonds were later nationalised). It is not clear how much of the debt is actually held by VTB, and how much was taken up by other lenders.

No details were given, but the high level Russian visit should be seen in context of the growing tensions between Russia and the United States, with the two trying to re-establish links with their Cold War allies. US Secretary of State Rex Tillerson is currently touring Kenya, Chad, Nigeria, Djibouti and Ethiopia.

Lavrov signed agreements in Maputo for an intergovernmental commission on natural resources and for military cooperation. (AIM Pt 7 Mar) Lavrov told the press conference that the Russian oil company Rosneft and ExxonMobil will work jointly on three oil and gas exploration areas they won in 2015 off Angoche and the Zambeze delta. US sanctions against Russia forced Exxon to withdraw from contracts with Rosneft in Russia, but Exxon said this did not apply to Mozambique. Tillerson was head of Exxon when the Mozambique joint exploration deal was agreed. (Zitamar 8 Mar)

Luisa Diogo: donors share responsibility for secret debt

Former Prime Minister Luisa Diogo called on donors to share responsibility for the \$2 bn secret debt. "Our cooperation partners must understand that they share responsibility on the debt issue. Mozambique did not take on this debt inside the country, did not do the operations outside the country, and did not eat the money outside the country. To take this debt, Mozambique had to go outside to work with partners. Therefore we have to find shared solutions." Diogo is chair of Barclays Bank Mozambique, and was giving a major lecture at ISRI (Instituto Superior de Relações Internacionais, Higher Institute for International Relations). (*O Pais* 9 Mar)

Diogo calls for more open government

Formerly a member of Frelimo's Political Commission and member of parliament, Luisa Diogo used her ISRI lecture to challenge Frelimo's tendency to take key government policy decisions behind closed doors. (*O Pais* 9 Mar)

"An inclusive and participative government gives us the agility to build our development. It is participative government that lets use move together to the same objective", she said. "An inclusive and pro-active government makes us accept that we are part of the problem and therefore part of the solution. We cannot wait for events to happen, we have to make them happen."

IMF board confirms hard line on austerity, debt

The IMF's hard line demanding more information on the secret debt and substantially increased austerity was confirmed by a meeting of the IMF Executive Board, chaired by Managing Director Christine Lagarde, Monday 5 March. The only concession in the board statement published Wednesday appears to be a slight easing of pressure on state companies.

The board meeting was to consider the report of an IMF mission to Mozambique in December, known as an Article IV consultation, which is technically just to evaluate the Mozambican economy. But the Board clearly used its meeting to lay down hard conditions for any resumption of an IMF programme. The IMF press statement and mission report is on <http://bit.ly/2p1zg4O>. My report last week on how the mission report underlines a sharp clash between the IMF and government on whether Mozambique can continue its present economic course is on <http://bit.ly/2HgOIS7>

The board statement reiterated the IMF's hard line. Directors "stressed that providing full clarity on the use of the proceeds of the previously undisclosed loans contracted by three public companies will be critical to restoring confidence and encouraging private investment." They stressed the need to cut the fiscal deficit. "They urged the need to broaden the tax base by eliminating VAT and other tax exemptions and to reduce current spending."

Directors were not optimistic about the economy: "While inflation has declined rapidly, real GDP growth remains weak and macroeconomic imbalances are growing."

In the weeks before the board meeting, Mozambique moved to make some concessions to the IMF, which were recognised and welcomed. "Directors welcomed the authorities announced plans to resume discussions with private creditors and stressed that making progress in debt restructuring discussions would be an important step towards restoring debt sustainability. ... Directors welcomed the authorities' action plan to improve governance, transparency, and accountability. They noted that while Mozambique has a sound anti-corruption legal framework in place,

strengthening implementation and enforcement going forward is key to fighting corruption."

There was one interesting concession. IMF staff have been pushing for the privatisation of state-owned companies, which Mozambique has resisted. Directors "noted that restructuring ailing state-owned enterprises will be key to improving efficiency, and reducing financial losses." This, in effect, means the IMF has accepted that the companies will continue to be state owned.

Not paying bills causing high state company debt

The state electricity company EDM (Electricidade e Moçambique) owes \$80 mn to the Cahora Bassa Dam company (HCB, Hidroelectricidade de Cahora Bassa). The crisis is caused in part by Armado Guebuza's refusal, when president, to allow EDM to raise electricity prices, so EDM was selling electricity to consumers for half the price it was paying HCB. (*O País Económico* 9 Mar) EDM owns 92.5% of HCB, which plans to list on the Mozambique stock exchange this year and sell 7.5% of its shares to Mozambican investors. HCB says the proceeds of the share sale will be reinvested in the project but it could also be used to clear EDM's debt to the company. (*Zitamar* 9 Mar)

The state and state companies owe \$13 mn to EDM. Much of the debt comes from hospitals and others users who cannot be cut off.

Meanwhile the national airline LAM was partly grounded late last week, apparently because it could not pay for jet fuel in the north of the country. Transport and Communications Minister Carlos Mesquita admitted that LAM had a range of debts to fuel and spares parts suppliers and it was trying to reschedule the debt. Mesquita also blames the Guebuza government.

The Mozambique airports company has debts of \$300 mn to banks. (@*Verdade* 26 Jan 20187)

Comment: It appears that the government has decided to save the relatively well run state companies, such as HCB and EDM, and allow the historically corrupt and badly managed companies like LAM to go bankrupt, and that the IMF will allow this. LAM has been opened to foreign competition, and it is hard to see how it can survive. Lossmaking land line and mobile telephone companies TDM and Mcel have been merged; both were well run a decade ago but have not kept up with the rapid telecoms changes. A year ago they owed \$250 mn to banks and suppliers. (@*Verdade* 17 June 2017)

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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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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

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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