

MOZAMBIQUE News reports & clippings

235 11 November 2013 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Budget support & insecurity

\$850 million bond issue threat to budget support

An \$850 million bond issue sold on 5 September is becoming a serious threat to budget support, and there is growing pressure for a delay in some donor disbursements. The bond will be at the top of the agenda when the G19 budget support donors on Wednesday 13 November meet government for their regular "political dialogue" in Maputo. The meeting has already been postponed twice.

The bond was sold in semi-secret by a new Mozambican government company part-owned by the security services SISE. This is Mozambique's first dollar bond issue; these are government-guaranteed seven year bonds (average life 4.5 years) at a high 8.5% interest rate. Zambia recently sold bonds at 6.7% and Ghana at 6.1%. Because of the high interest rate the \$500 million offer was oversubscribed, and Mozambique unexpectedly accepted \$850 million.

Budget support donors are appalled the Mozambique is borrowing such a large amount of money with no apparent plans as to how it is to be used, and in semi-secrecy. Zambia received a low interest rate because it did a wide publicity campaign around the bonds, while there was no publicity for the Mozambique bonds.

Indeed, it appears that most of the government was caught by surprise by the bond issue. And in a surprisingly pointed interview in the *Notícias* economic supplement Friday 8 November, the Bank of Mozambique administrator Waldemar de Sousa warns that debt service payments have risen 25% in the past year. Mozambique must be careful to only take loans for projects which will generate enough profit to repay the debt, he cautions.

Donor response

Donors argue that such a large government guarantee given without parliamentary discussion and inclusion in the budget violates the budget law. Donors are also appalled at the total lack of transparency; even the IMF was not informed before its recent visit, and only discovered through its banking contacts.

Several G19 members are considering delaying disbursements, at least until more information is provided about the bond issue. The largest contribution to budget support comes from the World Bank, which expects to make a further payment this year and says it has no reason to delay. Next is the European Union, which has one small remaining payment this year. Third and fourth are the UK and Norway.

The main concern about the bond issue comes from the Nordic countries, Britain (UK), Germany and Canada. The Nordics, UK and United States (not a budget support donor) are lobbying the World Bank in Washington to delay the final disbursement. The EU is also being pushed to delay its small final payment of this year. Canada and Norway are already withholding some budget support payments over a different issue - corruption in the Ministry of Education.

The loan - and military spending

The bonds are issued by a new Mozambican state company EMATUM (National Tuna Company), part-owned by the security services SISE (Serviço de Informações e Segurança do Estado, State Intelligence and Security Service). EMATUM is 33% owned by GIPS (Gestão de Investimentos, Participações e Serviços; Management of Investments, Holdings and Services) which is owned by SISE, 33% by the state fishing company Emopesca, and 34% by IGEPE (Instituto de Gestão das Participações do Estado; Institute for the Management of State Holdings).

Thus this is a government guaranteed loan to a state company.

It has been announced that the money will be used partly for 24 fishing vessels, mainly for tuna, and for six coastal patrol boats. \$53 million has been set aside to make the first repayment. No other details have been released, but Mozambique is said to be shopping for military hardware and to have agreed to buy German radar stations, perhaps with this money.

Although tuna is an important fish in the Mozambique Channel, there are no studies to indicate the such a fishing fleet could be profitable enough to repay the loan. And Mozambique does not have trained people to crew the boats.

The IMF issued a strong statement (see *News Reports* 233) and apparently has reached agreement with the Ministry of Finance that what it calls "the non-commercial activities" will be included in the state budget. This would appear to be mainly spending on military hardware. Mozambique has had a very low military budget since the end of the war 20 years ago, and putting this money on budget would mean a sharp increase in the defence budget as a share of the total budget.

Donors have mixed feelings about this. The whole point of "general budget support" (GBS) is that money is given or lent to government to spend as it wants. Donors also accept that governments have arms spending, and would actually encourage improved patrolling of the Mozambique Channel. On the other hand they are unhappy with a big shift in spending from anti-poverty to military, and see no purpose in buying MiG 21s and an executive jet.

Budget support in Mozambique

General budget support (GBS) to Mozambique peaked in 2011 at \$535 million, 15% of public expenditure, and fell to \$400 mn last year. The 19 GBS donors to Mozambique are known, logically, as the G19.

Donor fashions change and GBS is not longer fashionable; the OECD Development Assistance Committee (DAC) predicts a fall in GBS generally and for Mozambique. However the EU backed GBS in May 2013, which led some donors to slow or reverse plans to cut GBS to Mozambique.

An ongoing independent evaluation of general budget support (GBS) in Mozambique is very positive. Its preliminary conclusion is that Budget Support has allowed public spending to be 15% higher than it otherwise would have been. Additional spending was primarily in Education and Governance sectors. Budget support allowed expansion of education sector staffing, of non-salary recurrent spending, and of Development spending.

Public secret police demonstration

Hundreds of former secret police agents, as well as widows and children, demonstrated on Thursday in front of the office of President Armando Guebuza over what they say was the failure to pay their pensions. The former agents of SISE (Serviço de Informações e Segurança do Estado, State Intelligence and Security Service) say payment of the pensions should have started in 2010, but has not.

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Business association warns of 'climate of insecurity'

Security problems in Sofala and the wave of kidnappings have created an "unstable situation {that] is not healthy for attracting investment," warned the Confederation of Mozambican Business Associations (CTA) in a statement Thursday. "Several colleagues from the business sector have already felt obliged to leave the country. Families of workers on the large projects are abandoning the country".

"The CTA cannot remain indifferent to the climate of tension and insecurity generated by two phenomena that are happening at the same time – the attacks on civilian vehicles in the central zone, and the kidnappings in the major urban areas". The CTA notes that the kidnappers, who started off targeting rich business people, are now going after "peaceful citizens of the national middle class", AIM reports.

Despite the apparent crisis caused by the war and kidnappings, the Council of Ministers has not met since 22 October. The last two regular Tuesday meetings were both cancelled.

Last weekend (2-3 November) President Armando Guebuza met with Rio Tinto, Vale and other large investors. The meeting came after Rio Tinto withdrew the families of expatriate employees. Guebuza appealed, apparently successfully, for other companies not to follow Rio Tinto's example.

But Guebuza declined to meet diplomats despite repeated requests. Finally on Friday 8 November Foreign Minister Oldemiro Balói and the new head of the Criminal Investigation Police, Eúgenio Balane, met diplomats in an only partly successful attempt to reassure them on security issues, and about government policy on Renamo.

On Wednesday 6 November the South African High Commissioner in Mozambique, Charles Nqakula, on Wednesday stressed that Mozambique is safe for holidaymakers wanting to travel to Maputo or to the country's beaches, AIM reports.

War

Sunday 10 Nov: Renamo guerrillas again attacked Canda (Nhamadzi, Gorongosa, Sofala) but were repelled by government troops. TIM (Televisão Independente de Moçambique) showed film of the body of one of the attackers. Renamo has attacked a police post and health centre in Canda on Thursday.

Thursday 7 Nov: Mozambican soldiers and riot police occupied the house of Renamo leader Afonso Dhlakama's father, regulo (chief) Mangune. Lusa says that soldiers it interviewed claimed the main goal was to capture the 80-year-old chief, but he escaped during the attack because he was not recognised. The compound is apparently still occupied by the army. Mangune village is in a particularly remote area, 20 km from Chibabava town; Muxungué is also in Chibabava district.

Thursday 7 Nov: Mozambican soldiers badly beat a TIM journalist in Matola. He was filming a confrontation between local residents and soldiers in Malhampsene neighbourhood. Local residents say they have title to their ancestral land and have been expelled illegally by soldiers, while the military says it is their land. In a statement Sunday, the military said the violence was necessary to stop the TV cameraman filming in a military zone without permission.

Kidnaps

Friday 8 November: Police presented to the press a 44 year old man, named as O. Mussa, claiming that he had led a four member gang responsible for the abortive attempt to kidnap a 16 year old boy, the son of a local businessman, in t Namaacha in mid-August. AIM reports the kidnap went badly wrong because the boy's mother called for help from her neighbours who blocked the street and prevented the kidnappers from carrying the child away. They made their getaway in a Honda CRV car, but soon abandoned it. Mussa denies the charge. One other alleged member of the gang, a 27 year old woman named H Mandlate, was also arrested. A third died in a shootout with the police. The fourth is currently a fugitive.

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The new book

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

<http://www.jacana.co.za/book-categories/current-affairs-a-history/zimbabwe-takes-back-its-land-detail>

Now in paper at a reasonable price

Do bicycles equal development in Mozambique?

by Joseph Hanlon & Teresa Smart

is now available in **paperback**, for £17.99 (+ p&p)

from the publisher <http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

and on Amazon.co.uk for £17.09

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

tinyurl.com/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

Macauhub English: www.macauhub.com.mo/en/

Savana: www.savana.co.mz

Canal de Moçambique: www.canalmoz.co.mz

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

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

Good daily newsletters:

English: Mozambique Investor. Send e-mail to joaquim.fale@clubofmozambique.com

Portuguese: Mozambique Hoje. Send e-mail to moçambiquehoje@clubofmozambique.com

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