

MOZAMBIQUE 178

News reports & clippings

10 March 2011

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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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Attached file: This newsletter in pdf, with extra table.

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Guebuza: North Africa is a warning
Railway privatisation failure
Bank profits \$143 mn
Elite loans to be collected
In brief: oil, party dues

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Guebuza: North Africa is a warning

Uprisings in north Africa "serve as a warning for all of us. A warning that we have to take the needs of our people into account, and we have to intensify dialogue with the people," said President Armando Guebuza in an interview in Paris with Euronews last week.

Planning and Development Minister Aiuba Cuereneia on 10 February warned that Mozambique may once more face food shortages and higher food prices in the coming months, because Mozambique is a major importer of food and oil. There are wheat and fuel subsidies, but these are becoming unaffordable. And the government is clearly worried that rising prices could cause new demonstrations, like those in Maputo 1-3 September 2010.

Demobilised soldiers called off a planned demonstration after reaching an agreement with government on 22 February, after the government promised a new law giving special status to veteran soldiers. The request to the Maputo city council for the demonstration said it would protest against "the situation of total poverty to which the troops demobilized from the armed forces .. have been condemned."

An increase in minibus (chapa) fares was one of the triggers of 2009 demonstrations, and Minibus operators failed in an attempt earlier this month to increase fares by 50%. Current fares are 5 meticas (16 US cents) up to 10 km and 7.5 Mt for longer distances. Diesel for minibuses is subsidised, but even Transport Minister Paulo Zucula admits that fares should be doubled. But with a minimum wage starting at \$70 per month and many people paid less than that, people cannot afford to pay more.

FAO's world Food Price Index has risen to its highest level since the index was started in 1990, FAO announced on 3 March. Prices rose dramatically in the second half of 2010. Wheat, which Mozambique imports and which the government is subsidising since the riots in September, has doubled in price since July, from \$176 per tonne to \$353. (US fob Gulf)

The world prices of crops which Mozambique could export are rising dramatically: maize has doubled from \$156 per tonne in July to \$305 last week, cotton has jumped from 77¢ per pound in July to 145¢ (\$1.45) last week, and oilseeds are up 50% since July. However the government did nothing last year to promote increased production, so Mozambican farmers will not gain from the rising world prices.

More money from the mega-projects?

At present levels of revenue, Mozambique cannot afford increased subsidies for food and fuel. But increasingly commentators – even from the World Bank, IMF, and many donors – are arguing that rising global energy prices mean that Mozambique should renegotiate the contacts for the mega-projects – gas, coal, aluminium (using Mozambican electricity) where energy prices have all jumped and Mozambique could earn more – as well as titanium. Local economists have increased the pressure for renegotiation, stressing the need for more revenue to pay subsidies to try to prevent unrest.

On 28 January, Bank of Mozambique Governor Ernesto Gove became the first government official to say that conditions now exist for the renegotiation of contracts signed for some of the mega-projects a decade ago. Speaking at the closing session of a meeting of the Bank's Consultative Council in Mozambique, Gove said "In investment everybody has to win, otherwise social tensions are created".

So far the government has refused to even discuss the question of renegotiation. Many reasons have been suggested, especially the view that the elites are gaining in some way from their relationships with the mining companies. Alternatively, Frelimo leaders may be afraid of the power of the mining companies, which they showed in the most recent Australian election, and that in the renegotiation, mining companies might leak compromising details of the original contacts.

Privatisation – and management – failure

Rehabilitation of the Sena railway line from the port of Beira to the Tete coal fields was supposed to have been completed by September 2009, but it still not ready, and RICON, the company carrying out the rehabilitation is about to be dismissed.

RICON, a consortium of two Indian railway companies, Rites and Ircon, won the international tender to manage the Beira rail system, consisting of the Sena line, which had been destroyed by Renamo in the war and which it would rehabilitate, and the operating Machipanda line from Beira to Zimbabwe. RICON owns 51% of the Beira Railroad Company (CCFB) with 49% held by the state port and rail company, CFM.

Riversdale expects to start sending coal down the railway in September, but this seems increasingly doubtful. CFM chair Rosario Mualeia inspected the line personally on 7-8 February, and declared that not a single kilometre of the 554 kilometre line is up to scratch. The most serious problems concern uneven ballast (the stone under the tracks) and poor drainage, which means the rails can go out of alignment, causing derailments. CFM also claims that lack of maintenance by RICON of the Beira-Zimbabwe railway caused 46 derailments in just two months. CFM says there were only 53 derailments in all of 2004, before RICON took over.

Mualeia blamed the World Bank for the crisis. Its \$104 million loan was conditional on the privatisation of the project with the state company CFM kept at arms length. "We were not allowed to supervise the project," he said. (Noticias 10 February 2011) Savana (11 February) reports that Rites and Ircon were recently thrown out of Tanzania after a similar failure.

COMMENT: Part of the railway on which Mualeia travelled was completed two years ago. Many CFM employees must have travelled that line and seen the problems. Did they not report to their superiors, to CFM officials, and to the Frelimo party that there were problems? CFM may have been kept at arms length, but it seems inconceivable that they did not realise the seriousness of the problems when the first deadline was missed in September 2009.

Could it be that middle level staff are afraid to tell their superiors when things do not work? On recent visits to Mozambique, there have been increasing reports of fear in the civil service – of people being afraid to question or discuss instructions, and afraid to admit that there are failures and that targets are not being met. People questioning orientations, and giving the "wrong" answers, are sometimes accused of being "unpatriotic" – as happened recently when the national family expenditure survey showed that poverty was not decreasing. Management by fear and diktat goes against Frelimo traditions of discussion, but seems to be becoming more common. *jh*

Bank profits \$143 mn

Mozambican banks made a 2009 profit of \$143 mn, according to the KPMG annual survey of the Mozambican banking sector, published 23 February (but not yet on the KPMG website). By far the largest and most profitable bank is Millennium BIM, earning half the sector's profits and having 37% of all national banking assets. BIM is 66.7% owned by BCP Internacional (Banco Comercial Portugues), 17.2% by the Mozambican state, 5% by INSS (Instituto Nacional de Segurança Social), 4.2% by EMOSE (Empresa Moçambicana de Seguros) and 1.2% by FDC (Fundação para o Desenvolvimento da Comunidade).

The second largest bank is BCI which is 51% owned by the Portuguese state owned Caixa Geral de Depósitos and 30% by Banco Português de Investimento, and 18% by the Mozambican group Insitec. The third big bank is Standard Bank.

Details of the assets and profits of the 13 main banks are in a table below, based on KPMG data.

2009	Profits		Assets (ativos)	
	Mt mn	\$ mn	Mt bn	\$ mn
BIM - Banco Internacional de Moçambique	1919	71	48.2	1785
Standard Bank	719	27	25.7	952
BCI - Banco Comercial e de Investimentos	714	26	34.7	1285
Barclays	166	6	9.3	344
African Banking Corporation	118	4	4.3	159
Procredit	83	3	1.6	59
Mauritius Commercial Bank	58	2	1.6	59
Moza Banco	56	2	1.6	59
ICB	26	1	0.6	22
Banco Mercantil e de Investimento	9	0	0.4	15
First National Bank	1	0	2.7	100
Banco Terra			1.2	44
Banco Oportunidade			0.1	4
TOTAL	3871	143	132	4889
2009 exchange rate: \$1 = 27 Mt				

Elite loans to be collected

A decade ago aid for import support was used to fund loans given by the state Treasury, mostly to state companies or members of the elite, and mostly not repaid. In 2002 the debt was 766 mn Meticais, then \$32 mn. Since then, only 36 mn Mt has been repaid, but two loans to key members of the elite have been completely paid off – by Mavimbi, a fishing company once (but no longer) part owned by President Armando Guebuza, and Inagrigo, 25% owned by Albano Silva, husband of former prime minister Luisa Diogo.

But 28 debts are outstanding, and Finance Minister Manuel Chang told a parliamentary committee 7 March that government was trying to collect. Some may be uncollectable – private bus company TSL, water company Agua Vumba, and tyre company Mabor are bankrupt, AIM points out. The largest outstanding loan (80 mn Mt, \$2.6 mn) is to the publicly-owned Maputo bus company, TPM, which operates at a loss.

But three loans are owed by companies with political connections: Tecnica Industrial, part of the Portuguese-owned group Joao Ferreira dos Santos (36 mn Mt); Mecula transport, part owned by former Defence Minister Alberto Chipande (38 mn Mt); and transport company Trans-austral, part-owned by former the air force head Joao Americo Mpfumo (38 mn Mt), who is also president of the Chamber of Commerce.

The newsletter CanalMoz (11 January 2010) did a detailed article on Mpfumo's businesses. It said he has business links with a number of senior Frelimo (and Renamo) ex-military people. But it also alleged that that he has business links with two known South African criminals who were, CanalMoz says, accused of being involved in fraud and arms and drug dealing. The newsletter also notes that Mpfumo was shot and wounded by people unknown on 5 May 2010.

News in brief:

No oil, but more gas. The oil found in the Rovuma basin, on the northern border with Tanzania, does not exist in commercial quantities, National Petroleum Institute head Carlos Zacarias reported. (Noticias 26 Feb 2011) But there are substantial quantities of gas, and four companies are continuing exploration.

Samora Machel year. Frelimo has declared 2011 they year of Samora Machel. Some commentators have seen it an odd choice, because many people compare Samora's honesty and relative frugality to the corruption and ostentation of the present leadership. In a TV round table, veteran politician Maximo Dias said what many feel: "If Samora Machel was alive today, many government leaders would be in prison." But President Armando Guebuza called on those combatting corruption to be inspired by Machel's principles.

Claim teachers forced to pay Frelimo fees. Teachers at a primary school in Nampula complain that the management of the Murrapinua 2 Primary School are deducting 1% of the teachers' wages as membership fees for Frelimo. Teachers say this includes those who are not members of the party or who already pay at a neighbour party branch. According to O Pais (8 March) the school management claims that money is only deducted from teachers who are members of Frelimo, and are not paying their dues anywhere else. During the 2009 elections, there were also complaints about schools deducting Frelimo membership fees before wages were deposited the bank.

Somalia pirates. The 24 crew of the Mozambican fishing boat Vega 5 who were captured by Somali pirates on 27 December off the coast of Mozambique, in the pirates southernmost raid, have still not been released, although the pirates have apparently been in telephone contact with the families demanding money.

Constitutional council head accused. Two independent weekly newspapers have accused the President of the Constitutional Council (Supreme Court), Luis Mondlane, of serious abuse of power. Savana (4 March) claimed Mondlane had ensured that the Council paid off his mortgage for a central Maputo house that cost 24 million meticaís (\$800,000). Magazine Independente (9 March) printed details of alleged personal expenditure paid from the Council's budget including "personal furniture", a plasma television, and tapestries costing over 2 mn Mt (\$65,000). None of the purchases were put out to public tender. Savana also says Mondlane improperly sacked the former general secretary of the Council, Geraldo Saranga, because he refused to use the Council's money to pay for Mondlane's house.

Flood alerts lifted. Flooding alerts have been lifted throughout the country. Floods this year were not serious and did not do major damage.

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by Joseph Hanlon & Teresa Smart

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

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and on

Amazon.com for \$27.95

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**

<http://tinyurl.com/justgivemoney>

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Two working papers on the web

Poverty is not being reduced in Mozambique

LSE Crisis States Research Centre Working Paper No. 74 (series 2)

Benedito Cunguara and Joseph Hanlon, June 2010 t

<http://www.crisisstates.com/download/wp/wpSeries2/WP74.2.pdf>

Tambem em Portugues:

<http://www.crisisstates.com/download/wp/wpSeries2/WP74.2portuguese.pdf>

Mozambique's Elite – Finding its Way in a Globalized World and Returning to Old Development Models

Joseph Hanlon and Marcelo Mosse September 2010

WP/105 UNU-WIDER: The Role of Elites in Economic Development project

http://www.wider.unu.edu/publications/working-papers/2010/en_GB/wp2010-105/

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Mozambique media websites:

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

Savana: www.savana.co.mz

Canal de Moçambique: www.canalmoz.com

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

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