

MOZAMBIQUE News reports & clippings

197 21 May 2012 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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In this issue:

G8 targets Mozambique for agribusiness investment

Debt rising again

No roads paved last year

plus: Niassa, Cahora Bassa, tomatoes

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G8 says private investment will end hunger in Mozambique

The G8 has agreed a new programme to try to use private investment to end hunger in Mozambique and five other countries. The New Alliance for Food Security and Nutrition was proposed by President Barack Obama and USAID and has already started in three countries – Tanzania, Ghana, and Ethiopia – and will be expanded to three others – Mozambique, Cote d'Ivoire, and Burkina Faso.

President Obama, speaking in Washington on 18 May, said "we're going to mobilize more private capital. Today, I can announce that 45 companies – from major international corporations to African companies and cooperatives – have pledged to invest more than \$3 billion to kick off this effort." Some are well known multinational seed and agro-chemical companies including Cargill, Monsanto, DuPont and Diageo. And Obama warned that African countries must make "tough reforms" to attract this investment. USAID stresses that African countries must "improve investment opportunities".

Obama said: "we're going to speed up the development and delivery of innovation -- better seeds, better storage – that unleash huge leaps in food production."

The G8 "Camp David Declaration" agreed Saturday says: "Working with our African and other international partners, today we commit to launch a New Alliance for Food Security and Nutrition to accelerate the flow of private capital to African agriculture, take to scale new technologies and other innovations that can increase sustainable agricultural productivity, and reduce the risk borne by vulnerable economies and communities. This New Alliance will lift 50 million people out of poverty over the next decade, and be guided by a collective commitment to invest in credible, comprehensive and country-owned plans, develop new tools to mobilize private capital, spur and scale innovation, and manage risk; and engage and leverage the capacity of private sector partners – from women and smallholder farmers, entrepreneurs to domestic and international companies."

The *New York Times* (17 May) noted that G8 leaders at their meeting in L'Aquila, Italy, in 2009, pledged \$22 billion for food and agriculture projects, of which only \$6 billion was new and the rest had been promised before. And of the \$22 bn, only 58% has been disbursed. The G8 on Saturday said "we commit to fulfill outstanding L'Aquila financial pledges", in other words promising again to spend money which had already been promised twice before.

L'Aquila finance is linked to the World Bank Global Agriculture and Food Security Program, which so far does not include Mozambique.

Civil society organisations have been hostile to the new proposal. A final declaration of African civil society organisations meeting in Brazzaville 22-23 April said that foreign investments, "as they are now conceived, are not suitable instruments to support the family farms which are the very basis of African food security and sovereignty." It continues, "resources are targeted towards industrial agriculture" which is inappropriate for family farms.

Oxfam in a statement on 18 May said "the plan's top down approach does not reflect what many people in poor countries say they want or need." Oxfam's Lamine Ndiaye adds: "The New Alliance is neither new nor a true alliance." Oxfam says the G8 "focuses too heavily on the role of the private sector to tackle the complex challenges of food insecurity in the developing world." Oxfam "called instead for G8 leaders to keep the promises they have already made to help developing countries invest in sustainable solutions to hunger and poverty."

Background material:

+ G8 food factsheet: <http://www.whitehouse.gov/the-press-office/2012/05/18/fact-sheet-g-8-action-food-security-and-nutrition>

+ USAid factsheet: <http://www.usaid.gov/press/factsheets/2012/fs120518.html>

+ Camp David Declaration: <http://www.whitehouse.gov/the-press-office/2012/05/19/camp-david-declaration>

+ Remarks by President Obama at Symposium on Global Agriculture and Food Security, 18 May: <http://www.whitehouse.gov/the-press-office/2012/05/18/remarks-president-symposium-global-agriculture-and-food-security>

+ Press Briefing by US officials on Food Security, 18 May: <http://www.whitehouse.gov/the-press-office/2012/05/18/press-briefing-senior-administration-officials-food-security>

+ World Bank Global Agriculture and Food Security Program: <http://www.gafspfund.org/>

+ African civil society declaration: <http://kofic.s3.amazonaws.com/126/2251/African-Civil-Society-Declaration.pdf>

+ Oxfam statement: <http://www.oxfam.org/en/pressroom/pressrelease/2012-05-18/g8-food-security-alliance-answers-question-hungry-people-have-not->

Mozambique debt rising again

Mozambique's debt is returning to the unsustainable levels that existed before debt cancellation, warns the Jubilee Debt Campaign, in a new report issued today (21 May). Mozambique was one of the first countries qualifying for debt cancellation. Government foreign debt fell from 110% of national income at the turn of the millennium to 60% following HIPC (Heavily Indebted Poor Countries) cancellation, then 30% after the Multilateral Debt Relief Initiative (MDRI) in 2005. Payments fell from 12% of government revenue in 1998 to a low of 2% in 2007. But the IMF and World Bank predict Mozambique's foreign debt payments will increase rapidly in coming years, reaching 10% of government revenue by 2015-2016. Mozambique has been lent \$2.2 billion since 2005, \$1.3 billion (60%) of which is from the World Bank, and a further \$500 million from other multilateral institutions such as the IMF and African Development Bank, says Jubilee. <http://www.jubileedebtcampaign.org.uk/stateofdebt>

No roads paved last year

Not a single kilometre of national road was paved last year, despite plans to pave 450 km,

admitted the Director General of the National Road Administration (ANE), Ceclio Grachane. Just 11 kilometres of national roads were rehabilitated in 2011, rather than the 130 kilometres planned, while 108 kilometres of regional roads were rehabilitated out of the 150 planned. “Despite so much work done last year in hiring contractors and mobilising resources, we didn’t manage to finish a single kilometre of national roads”, Ouana said. “Progress is almost nil”, AIM reported.

The budget last year was \$435 million, 48% from foreign grants and loans. But last September Francisco Pereira, Vice Minister of Public Works, said delays by donors in releasing funds was delaying the roads programme. (See Newsletter 186) Donors on 12 April expressed concerns about the lack of maintenance of roads which were being rehabilitated.

The President of the Mozambican government’s Roads Fund, Elias Paulo, said considerable progress had been made in the preparatory activities for rehabilitating key national roads. Paulo also said the lack of money, exacerbated by the international financial crisis, makes it imperative to develop less expensive building technologies, based on local raw materials, and experiments are now under way in four provinces. Paulo also suggested tolls would be charged on more roads, through a switch to private management of some roads.

Elias Paulo was named president of the Roads Fund (Fundo de Estradas) last year replacing Pereira when he was named Vice Minister of Public Works. Paulo had been Director General of the Fund since 2010. Before that had been responsible for the construction of the Armando Guebuza bridge over the Zambezi at Caia.

Centro de Integridade Pública cites a possible conflict of interest in a report published in April (*Olhar Público* n.º 2/2012). Paulo's wife, Julieta Felicidade Afonso Paulo, is head of the Rural Water Department of the Ministry of Public Works but is also one of the owners of the construction company GSE Construtores, along with Margarida Talapa, head of the Frelimo parliamentary bench and a member of the Frelimo Political Commission.

Frelimo old guard loses Niassa reserve

Management of the huge Niassa National Reserve is being taken away from a group headed by former ministers. On 8 May the Council of Ministers decided not to renew the 10-year contract, which runs out in September, and not to continue with private, commercial management which it concluded has not worked. The reserve covers 42,000 square kilometres and contains 20,000 elephants as well as other wildlife – and 50 villages and 35,000 people. (<http://www.niassareserve.org>)

Since 2002 the reserve has been managed by a company 51% owned by the state and 49% by Investimentos Niassa, which was created in 1999 by a group which included former Industry Minister António Branco, then Environment Minister John Kachamila, then university rector Brazão Mazula, and businessman Inocêncio Matavel (chair of the Social Security Institute, INSS). Branco and Matavel were involved in the controversial privatisations of the insurance industry, metal working industry and Banco Comercial de Moçambique in the early 1990s. (*Metical*, 21 Sept 2001)

Mozambique takes Cahora Bassa; in exchange China & Portugal enter electricity transmission

Mozambique will take over the final 15% of the Cahora Bassa dam still held by Portugal, under a complex deal agreed 9 April by Mozambican President Armando Guebuza and Portuguese Prime Minister Pedro Passos Coelho.

Up until 2007, Portugal held 82% of the shares in Hidroelectrica de Cahora Bassa (HCB) and

Mozambique just 18%. Portugal eventually agreed to sell 67% of the shares to Mozambique for \$700 million, paid through a loan from French and Portuguese banks which is being paid off out of HCB's profits. Under the new deal, Mozambique will pay \$42 mn for another 7.5% (effectively much less than for the first shares).

The other 7.5% goes to the Portuguese company REN (Redes Energeticas Nacionais), which operates the Portuguese national electricity grid, and which in a partial privatisation agreed in February is selling 25% to State Grid Corporation of China and 15% to Oman Oil. But REN within two years will trade its 7.5% share in Cahora Bassa for shares in a new company to run CESUL (Centre-South), the proposed new electricity transmission line from Tete to Maputo. This new line will carry power from the proposed Mpanda Nkua dam, a second power station at Cahora Bassa, and coal fired power stations in Tete that will use the lower grade coal that mining companies do not export.

Tomato wars

Once Maputo ate tomatoes from Gaza brought into the capital at an affordable price by a state marketing company. But in the era of the "free market" and an overvalued exchange rate, tomatoes come from South Africa and are controlled by a cartel to keep the prices high. And in March and April the local press carried articles of how the cartel siezed trucks of tomatoes not operated by cartel members and held them in Komatipoort, on the South African side of the border, demanding more than \$3000 each to release them.

O Pais and other newspaper reported that the number of trucks crossing the border with tomatoes fell from 60-80 per day to 25-30, while the price at the main Zimpeto wholesale market jumped from \$7-9 for a 22 kg box of tomatoes to \$20 or more.

(For those with long memories, the story of how the state-owned Hortofruticola broke just such a cartel, kept prices low, and still made a profit in 1986 is told in *Peace Without Profit*, page 114. But such state intervention is no longer allowed. *jh*)

Defining districts, posts & below

Parliament has approved a bill which for the first time defines the four levels of territorial organisation.

+ Provinces are divided into **districts**, which should cover 2,000-20,000 square kilometres and have at least 100,000 inhabitants in provinces of high population density, 40,000 in medium density provinces, and 10,000 in provinces of low population density.

+ Districts are divided into **administrative posts** of 1,000-5,000 square kilometres and 2,000-50,000 people.

+ Next come **localities** of 500-2,000 square kilometres and 1,000-10,000 people.

+ Below that is the **povoação** (a village or group of villages) of 100-700 square kilometres and 100-3,000 people.

This bill is a necessary prelude to a government proposal to split several existing districts into two.

In brief:

The death of Malawi president Bingu wa Mutharika in April and his replacement by Joyce Banda has allowed the neighbours to repair a relationship which had become increasingly fraught. Banda visited Mozambique 13-15 May and met with President Armando Guebuza. She said she intended working "side by side" with Guebuza, as brother and sister. Mozambique will reconsider is

rejection of using the Zambeze River for barges.

The first ombud is former Justice Minister (1995-2004) Jose Abudo. The post is in the 2004 constitution, and the ombudsman is elected by parliament, requiring a two-thirds majority. Renamo refused to vote on an ombud unless there were two assistant ombuds – one chosen by Frelimo and one by Renamo. This politicisation was unacceptable to Frelimo. But Frelimo now has 75% of the seats and could go ahead with a vote. Abudo was elected over opposition lawyer Maximo Dias, proposed by the Mozambique Democratic Movement (MDM).

Five public companies received subsidies in 2010, according to state accounts presented to parliament: Rádio Moçambique (\$6 million), Televisão de Moçambique (\$4 mn), the Chokwe irrigation system (\$500,000), and the public transport systems of Maputo (\$3 mn) and Beira (\$2 mn). (O Pais, 1 May 2012)

Port privatisation has proved more successful than the disastrous railway management privatisation. Prime Minister Aires Ali said on 19 April that the decision to farm out management of the port of Maputo to a private company has made the port more financially robust and more competitive, offering a speedy response to the concerns of its users. The Port is expected to handle 14 million tonnes of cargo compared with 4.5 million tonnes a year prior to the 2003 privatisation. Maputo Port Development Company (MPDC) is a consortium between the private Portus Indico (51%), the publicly owned port and rail company CFM (33%), and the Mozambican state (16%). Portus Indico, in turn, was sold in 2005 and is now 48.5% Dubai Ports World, 48.5% Grindrod International of South Africa, and 3% by the Mozambican company Mocambique Gestores (one of whose shareholders is President Armando Guebuza).

A second gas fired power station using gas from Inhambane is to be built by Electrotec, which already has a gas fired power station in Vilanculos. (Correio da Manhã) Electrotec is part owned by Visabeira of Portugal and the Mozambican Intelec. A founding shareholder of both Electrotec and Intelec was President Armando Guebuza, and the chair of Electrotec is close Guebuza associate Salimo Abdula.

Minimum cotton prices for this year have been set by the government 30% lower than last year, due to falling global prices: First-grade cotton at 10.5 Mt/kg (\$0.38, down from 15 Mt) and second-grade 8 Mt (down from Mt 11.5).

The Malhazine munitions dump near the airport in Maputo, where an explosion in 2007 killed 107 people and injured another 515, is to be turned into a 568 ha park and nature reserve.

Inatur (the National Tourism Institute) has launched an international public tender for construction and exploration of a tourist resort between Inhassoro and Vilanculos. (Macauhub) The area is 1,750 hectares and has 5 kilometres of beach. An investment of \$800 million is required for a 3000 room resort with casino, golf courses, gyms, and business centres.

Ceta, Construção e Serviços, Mozambique's largest engineering and construction company, was acquired in May 2011 by Mozambican group Insitec, which in April 2012 sold 25% to 300 Mozambican shareholders for \$16.5 million.

5% of Vale's coal mine in Tete has been transferred to Mozambican state mining company Empresa Moçambicana de Exploração Mineira (EMEM) as part of a 2004 agreement which reserved a 5% for the State and 10% for the Mozambican private sector.

And a nice cartoon from Harn Lay, staff cartoonist for The Irrawaddy, based in Chiang Mai, Thailand.



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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**

<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

Tambem em Portugues:

<http://www2.lse.ac.uk/internationalDevelopment/research/crisisStates/Publications/phase2papers.a.spx>

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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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>

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