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Mozambique

Little happened on the domestic political scene, apart from the notable performance of a new political party. Foreign policy played out mainly at the economic interface, with major foreign interests featuring prominently. Mozambique's leap to become a major mineral-energy exporter dominated its economic performance. By the end of the decade, the country is expected to be the largest exporter in Africa of natural gas, electricity and high quality metallurgical (coking) coal. But poverty was not reduced during the year and socio-economic disparities remained a major challenge.

Domestic Politics

Municipal by-elections served as an indicator of **shifting political trends**. The new opposition party, the Mozambique Democratic Movement (MDM), headed by Daviz Simango, mayor of Beira (not to be confused with David Simango, Frelimo mayor of Maputo), was taken seriously by the dominant party, Frelimo. Of the 43 elected mayors, 42 were Frelimo, which in July instructed five to resign. Two in the south where Frelimo was dominant refused. But those in Quelimane (Zambézia province), Pemba (Cabo Delgado) and Cuamba (Niassa) agreed, and by-elections were set for 7 December. It is probable that Frelimo thought that the three unpopular mayors would lose local elections in 2013, and decided to move before the MDM had time to build its organising capacity. Frelimo won two of the cities, but the MDM's Manuel de Araujo won 62% of the vote in Quelimane, making him an important political figure. Renamo did not stand in the municipal by-elections. Its president, Afonso Dhlakama, had moved to Nampula in the north, and little was heard of him – except for regular statements promising anti-government demonstrations that never took place. MDM head Daviz Simango had been expelled from Renamo by Dhlakama in 2008 and other key figures, including de Araujo, had left Renamo to join the MDM. Although Renamo was the second largest party in parliament, it was fading, and it was widely expected that the MDM would replace Renamo as the official opposition after the municipal elections in 2013 and national elections in 2014. Frelimo remained the dominant party, with good organisation and broad support. Nevertheless, patronage remained a key part of party and government, and there were complaints that Frelimo party membership was required for promotion in the civil service, loans from the district development fund, licences, etc. Businesses linked to President Armando Guebuza and Frelimo had an inside track on government contracts, and teachers in several places complained in the press about being forced to make contributions to Frelimo. MDM support initially came largely from disillusioned Renamo members. The test would be MDM's ability to gain support from an increasingly disaffected youth.

There is a two-term limit for the **state president** and Guebuza was half-way through his second term. In a manoeuvre that was never adequately explained, Frelimo had told parliament in 2010 that it wanted a special commission to make changes to the constitution, but refused to say what they were. There was widespread speculation that Guebuza and his allies were looking for a way to keep him in power, either by changing the two-term limit or by strengthening the post of prime minister for him, as had happened in Russia. But gossip from within the party said that the younger generation rejected any attempt to keep Guebuza in power, saying it was time for the post-liberation-war generation to take over. The 10th party congress was to be held in September 2012, and by year's end there was no clear favourite for the position of party president and national presidential candidate.

Frelimo is noted for its strong party unity; few people have ever been expelled from the party, and potential opposition figures have been co-opted, while splits and disagreements have generally not been allowed to spill over. However, there were many fault-lines with the party: between generations, with the young feeling marginalised; between regions and languages, with people from the centre and Nampula province feeling discriminated against by those from the south and the far north; between supporters of former president Chissano and Guebuza backers; and between those who saw the party as mainly for self-advancement and others who saw it as the best way to promote national development.

The **media** remained particularly free and often highly critical of government. Although the front page of the government owned daily 'Noticias' reflected a pro-Frelimo line, articles inside the newspaper, particularly reports from the districts, were frequently highly critical.

Parliament had decided that elections should always take place in the first two weeks of October, but there were sharp divisions between Frelimo and the opposition on a number of other **electoral issues**, including the size and composition of the National Electoral Commission and on means to reduce ballot box stuffing and other fraud within polling stations, which meant that parliament did not meet its September deadline for drafting a new electoral law. The total number of **districts** had been increased to 150 by splitting 13 large districts in half and by defining provincial capitals as districts.

Other domestic events included the publication of a revised highway code, which set a rural speed limit of 120 km/h and banned the use of hand-held mobile telephones while driving. Over 800,000 guns and other items of military equipment had been collected since 1995 under the Mozambique Christian Council's "Transforming Guns into Hoes" programme. Mozambique's best know painter, Malangatana Valente Ngwenya, died on 3 January.

Foreign Affairs

The Mozambican leadership remained sympathetic to Robert Mugabe in Zimbabwe and Muammar Kadhafi in Libya, and former president Joaquim Chissano continued as the unsuccessful SADC negotiator in Madagascar. **SADC** elected Guebuza as its deputy president at its meeting in Luanda, Angola, on 18 August. The next annual summit would therefore be in Maputo, when Mozambique would take over the rotating presidency from Angola. But in practice, international issues were predominantly economic, often related to investment. Mozambique was late submitting its application for membership of the **Export Industries Transparency Initiative** and even then the application was incomplete and was rejected on 23 August.

Tensions continued with **Malawi** over transport. Malawi and coal mining company Rio Tinto wanted to use the Zambezi River for barges to carry cargo to the sea, but the government rejected these proposals on environmental grounds – the extensive dredging required would have too much impact on river flows, and there was a danger of pollution if a barge sank. Despite lack of agreement with Mozambique, Malawi completed the construction of an inland port at Nsanje on the Shire River, which it was not able to use.

The government continued to resist heavy pressure from the international community to renegotiate contracts for so-called **mega-projects**. The first three – the Mozal aluminium smelter, which uses Cahora Bassa electricity, the export of natural gas from Inhambane to Sasol in South Africa, and the Kenmare titanium mine on the coast of Zambézia – benefitted from a wide range of tax and other incentives and contributed little to the Mozambican economy. Contracts agreed after 2007 had fewer incentives, but Mozambique did not gain much from the sharp rises in mineral and energy prices. An IMF staff report in May estimated that mega-projects and mining companies paid Mozambique only 5% of their profits, while they should have paid 30%. The IMF Executive Board, in a statement agreed

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on 24 May and published on 27 June, called on Mozambique to renegotiate mega-project contracts, and pointed out that other countries, including Peru and Tanzania, had renegotiated contracts. Economist Jeffrey Sachs, in a speech in Maputo on 13 January, also called for renegotiation of contracts. Mozambique Catholic bishops, in a pastoral letter on 20 June, said the mega-projects received "excessive" fiscal benefits and contracts should be renegotiated. But the government remained steadfastly opposed. The sale of the final 15% of Hydroelectrica de Cahora Bassa held by the Portuguese state was still delayed by disagreements over the price.

A **World Bank**-imposed privatisation of the central railways to an Indian company proved disastrous and was finally cancelled. Ricon was a consortium of two Indian companies, Rites and Ircon, and the World Bank gave a $ 104 m loan to upgrade the railway on condition that the Mozambican railways administration be kept at arms length. The project was essential to move coal from Tete to Beira port and should have been completed in 2009; the contact on the incomplete upgrading was finally cancelled.

The issue of **land grabs** came unexpectedly to a head when the major Brazilian daily 'Folha de São Paulo' quoted the president of the Mato Grosso Cotton Producers Association, who claimed that Agriculture Minister José Pacheco had offered 6 m ha of land, without environmental restrictions, free to Brazilian farmers when he visited Brazil on 27 April. This triggered headlines across the world, as well as an angry response from the government. It denied that it would sell land. Brazil could invest, but must create jobs and follow Mozambican regulations. The Council of Ministers had earlier imposed a temporary ban on new land concessions of over 1,000 ha. The local media outcry triggered a strong response from Guebuza; on 22 August he said Mozambicans' conquest of their land must be preserved and that the land law must be scrupulously followed, including with regard to deals between powerful agents. This was clearly aimed at Frelimo party people who had used their positions to obtain land, as well as those who promoted foreign investment.

Meanwhile, existing European investors came into **conflict with local communities** in several parts of the country. The pressure for high profits had pushed foreign companies into seizing land, displacing farmers and threatening their livelihoods and food security. The government accused the Global Solidarity Forest Fund (GSFF), which involves Nordic churches and a major Dutch teachers pension fund, of occupying thousands of hectares of land it had not been allocated, while peasants said they had been pushed off land, and responded by burning forests and chopping down trees. GSFF was forced to replace its entire management in Sweden and Mozambique during the year. Another confrontation was between a Portuguese company, Quifel, a local small soya bean producer backed by the Cooperative League of the USA (Clusa), and the Bill and Melinda Gates Foundation. In 2009, Quifel had told would-be investors it had 30,000 ha for soya in Mozambique, when in practice it apparently had none. In the last concessions before the land freeze, Quifel was given 10,000 ha, but the land included 490 ha occupied by 244 farmers, who had a right to be there as they had occupied the land for more than ten years. Quifel mainly took over a small amount of land already used by the peasant farmers and thus already cleared. By year's end it was still using only a small amount of land, and had never identified the other 20,000 ha it claimed it had been granted. Because land concessions must be put into production within two years, a further confrontation might be expected. But Quifel is well connected; it is controlled by Miguel Pais do Amaral, a Portuguese aristocrat and racing car driver, and Quifel also owns LeYa, which in turn owns two of the most important publishers in Mozambique, Texto Editores and Ndjira, which have published books by local politicians, such as the recent memoires of former president Joaquin Chissano. The land concession freeze was ended in October, and in the final three months of the year five companies were given 330,000 ha – all for trees except for 20,000 ha for sugar and cotton. Meanwhile, SAPPI (originally South African Pulp and Paper Industries), decided not to go ahead with a 150,000 ha eucalyptus plantation in Zambézia province. SAPPI noted that the areas targeted for plantation development had high agricultural potential. They were therefore densely populated, and current land use clearly showed that they were important areas, both at a local and national level, for food production. As a result, any plantation development (own operations and out-grower) would be in direct conflict with agriculture. Trees could only be grown profitably on good farmland which has other potential agricultural uses, and this would lead to conflict with local communities.

China became Mozambique's 10th largest investor, with 7% of FDI in 2010. Chinese companies became increasingly involved in the manufacturing sector, including two cement plants and a cotton gin. China did not have any major involvement in agriculture or mining, although it had been given a heavy sands exploration licence. Illegal shipments of hardwoods continued, organised largely by Chinese businessmen. In July, 561 containers loaded with $ 2 m in valuable timber was stopped at Nacala port; another 1,000 containers of illegal logs were seized elsewhere. There were complaints that government officials were bribed, but government was cracking down. In September, the provincial director of customs in Nampula (which includes Nacala) was sacked. Agriculture Minister Jose Pacheco told parliament on 17 November that more inspectors had been hired, and that 16 Mozambican and foreign companies (including several owned by Chinese citizens) involved in the illegal export of logs and ivory had had their licences cancelled.

Socioeconomic Developments

Tete province has the world's largest known unexploited reserve of high quality **metallurgical (coking) coal**, and exports of thermal and coking coal were predicted to reach 10 m tonnes in 2013 and 100 m tonnes per year by the end of the decade. Coal mining and exports finally started with the first two mines owned by the Brazilian mining giant Vale and Rio Tinto, which bought the Australian mining company Riversdale. More than 30 mining companies were operating in Tete, mostly developing coal mines, but also iron, vanadium, titanium and rare earths. The Indian company, Jindal Steel and Power, expected to produce 6.6 m tonnes of coal per year. A key problem was transport of the coal to port. The newly upgraded railway to Beira can only carry 6 m tonnes per year and even with further upgrading could only handle 12 m t/y. Vale announced its decision to build a new railway to the much better deep-water port of Nacala. This would involve 60 km of new track in Tete, a 137 km new railway across Malawi (for which agreement was announced on 28 December), and a major rebuilding of the existing 650 km railway to Nacala port. The project would take three years and cost $ 3 bn. The northern Mozambique railway line and Malawi railways were operated by a company controlled by Vale, with minority shares owned by a Mozambican consortium headed by Insitec.

Plans were made for three large coalfired **power stations** to be built in Tete. The two big coalmining companies, Vale and Riversdale-Rio Tinto, each planned 2,000 MW plants, and on 3 October, the government authorised Jindal Steel and Power to build a 2,640 MW plant. The main market for the electricity would be South Africa. Meanwhile the Rovuma basin, offshore to the north of Mozambique, was proving to be one of the biggest **gas** fields in Africa. During the year, just one US company, Anadarko, raised its estimate of gas reserves from 10 trillion cubic feet to 30 trillion, and was proposing a plant to produce Liquefied Natural Gas that could process a billion cubic feet of gas a day. The Italian company ENI declared there were 22 trillion cubic feet in its block. Total investments could exceed $ 20 bn. There were no finds of commercial quantities of oil, but there were reports that Niassa province, inland near Lake Malawi, had reserves of high quality coal at least as important as those in Tete, as well as substantial reserves of gas.

A new law was introduced which required that by 2012 petrol must contain 10% ethanol and diesel 3% **biodiesel**. There had been rapid expansion of sugar production, partly for ethanol. But the production of jatropha for biodiesel was proving much more difficult. Originally billed as a miracle crop, which was pest resistant and grew on poor soils, it turned out to be productive only on good soils, where it competed with food crops and had serious pest problems. The most advanced foreign investor, the British company Sun Biofuels, went bankrupt in August, and there was no large-scale production of biodiesel from jatropha. One programme, run by a Portuguese consortium headed by GALP, had the first out-grower scheme, involving 300 small farmers growing jatropha.

The **IMF**, in a report of 24 May published on 27 June, said Mozambique's economic growth had not been as pro-poor as in other countries with comparable high and sustainable growth episodes. It had become less pro-poor over time. It also said that "poverty reduction did not reach the magnitude observed in other high-growth countries", and cited the "sharp contrasts" with China, Vietnam, Brazil "and even Uganda". Expenditure declined for the bottom 30% of the population – the poorest were getting poorer. The report warned that, "as income inequality rises, so does the risk of social conflict – as recent events in the Middle East provide a topical reminder of". Mozambique should put more emphasis on economic diversification, the IMF continued. The stagnation in income poverty reduction and the unrest in September 2010 were clear warning signals that the growth model needed complementation by well-targeted efforts to broaden the country's productive and export base and create employment opportunities. Mozambique needed to "diversify its economy away from capital-intensive, low-valued added products" and should "increase production and productivity in labour-intensive sectors, particularly in agriculture". And, in a total reversal of past World Bank and IMF agriculture policy, an IMF staff report called for "subsidized credit in the form of credit guarantees" and "the provision of public goods such as basic research, infrastructure, and agricultural extension services".

The 2009/10 agriculture census, published on 22 November, showed Mozambique to have the lowest **agricultural productivity** in southern Africa. There were 3.8 m farms in the country, but the average farm was only 1.5 ha. Only 4% of farmers used fertiliser and most of those were tobacco farmers in Tete; only 2% were able to obtain credit, and more than one-third of those were Tete tobacco farmers receiving inputs on credit. Only 3% of farmers used pesticides and only 5% used irrigation. Of all farms, 42% did not produce enough food to feed the farmer's family properly. Major policy shifts were set out in the **Strategic Agriculture Plan** 2011–2020 (PEDSA) approved by the Council of Ministers on 3 May. Donors and foreign investors received hardly a mention; the emphasis was on domestic investment and the development of small and medium commercial farms, making them more productive and competitive. The strategy gave a much more interventionist role to government, explicitly reversing the disastrous farm policies of the World Bank, IMF and donors over the past two decades. There was to be a major expansion of rural extension and agronomic research, both blocked by the World Bank in the past. Priority for state intervention would be input production and supply (including local production and bulk imports of fertilisers), provision of technology packages, animal traction and mechanisation, increased use of water and electricity, and agro-processing. Government would also intervene to ensure seasonal credit for farmers and credit for traders and suppliers, and the provision of insurance, and there would be an expansion of contract farming. The World Bank had also forced the run-down of the **marketing board**, the Mozambique Cereals Institute (Instituto de Cereais de Moçambique – ICM), but the Council of Ministers decided on 28 June that the ICM would return to its traditional role as buyer of last resort, promising to purchase all grain that private traders failed to buy. Agriculture Minister Jose Pacheco declared that one could not risk that farmers increased productivity and output without guaranteeing a market for their surplus.

Another World Bank imposition bit the dust in May, when the state railways company Caminhos de Ferro de Moçambique (CFM) resumed training of permanent way (railway line) maintenance staff. The World Bank had forced privatisation of **railway maintenance** and the dismissal of all the experienced staff who had previously done this work. Other reversals of World Bank policy included the decision not to privatise the state-owned mobile telephone company, mCel, and a decision to open a state-owned grain processing factory in Tete.

A contract was signed in April between the Mozambican government and the Brazilian Development Bank (BNDES) to convert the Nacala military air base into a **commercial airport** with the capacity to handle between 500,000 and 600,000 passengers a year, to promote tourism to northern beaches. The Mozambican government already provided $ 40 m, with the total cost estimated at $ 120 m. Work was to be carried out by the Brazilian company Odebrecht.

After the 1–2 September 2010 riots in Maputo, the government had provided bread subsidies, which in March were announced to be replaced by a subsidised food basket and a subsidised bus pass. By June, however, the government denied that any such thing had been promised, and the ideas were dropped. One reason was action by the Bank of Mozambique to reduce the **exchange rate**. Most food in Maputo is imported from South Africa and in the first half of 2010 the exchange rate had risen from 3.5 to 5 Mozambican Meticais to the South African Rand, causing a major increase in the price of imports, which led to the riots. By the end of 2011, the exchange rate had been pushed back to 3.25 Meticais to the Rand. However, the low exchange rate made it impossible for local producers to compete with imported vegetables.

Minimum wages were raised substantially in April to a minimum for agricultural work of $ 65 per month, a minimum for civil servants of $ 77 and minimum levels in other sectors of $ 90–$ 105 (with one exception – the financial services minimum of $ 173 per month). A study published by the Washington-based Center for Global Development found that there had been a real deterioration of **welfare** in terms of income, food consumption and nutritional status between 2007 and 2008. Meanwhile, a study by KPMG found that Mozambican banks made a profit of $ 143 m in 2009.

The Insitec group became the largest business group, with interests in the second largest bank (BCI), the northern railway and port system, and the company that had the concession for the proposed Mpanda Nkuwa dam (for which the $ 2.4 bn funding was still to be raised). In June, it bought Mozambique's largest building and engineering company, CETA.

In one of the most high-level **corruption** cases, the president of the Constitutional Council (Supreme Court), Luis Mondlane, resigned in disgrace on 17 March after the exposure of his misuse of nearly $ 1 m and his improper dismissal of a court official who had objected. The new president was the highly respected Hemenegildo Gamito. Former transport and communications minister Antonio Munguambe was finally jailed for his part in a $ 3 m corruption case, after his sentence was reduced to four years. On 20 June, Attorney-General Augusto Paulino warned that **organised crime** was directing its profits to real estate. He noted that the Mozambican economy was too small for buildings of the size constructed in the major cities, particularly in the capital. Some of the hotel and private mansions appeared to be funded by drug money.

A revised **budget** was approved by parliament in June. The $ 5 bn budget was financed to 56% by taxes and other state revenue, 42% by aid, and 2% by domestic debt.

Deputy Education Minister Leda Hugo said that the number of higher **education** institutions had increased from 11 in 2000 to 38 in 2010 and the number of students on degree courses increased from 13,200 to 82,000. She also warned about sub-standard higher education institutions and courses. Eduardo Mondlane University (UEM) was to revert to its previous academic curriculum. The previous rector (vice-chancellor), Filipe Couto had decided to shorten four-year undergraduate courses to three years to fit in with the Bologna international standard of three years, and reduce medical training from seven years to six. Couto's deputy, Orlando Quilambo, became rector in May, and in October announced the return to the former curriculum because the Bologna model was not viable for UEM. Maria Celeste Onions, Education Ministry head of human resources, said in October that the pupil/teacher ratio in first level primary education (first to fifth grades) was falling slowly, from one teacher per 71 pupils in 2008 to 67 in 2009 and to 66 in 2010. Of the 147,000 employees of the Ministry of Education, including teaching and non-teaching staff, at least 2,216 had died as a result of HIV/AIDS over the previous three years, and 1,999 were living with the HIV virus, of whom 1,738 were taking antiretroviral drugs (ARVs).

Health Minister Alexandre Manguele reported on 26 April that **malaria** remained the main cause of death, despite a reduction in the number of cases. In 2010, the country registered about 3.3 m cases of malaria, a 21% reduction compared with 2009. Deaths fell 25%. Manguele promised that mass distribution of mosquito nets in the provinces would soon start, prioritising areas that had not benefitted from spraying. Mine clearance was still not complete, and mines from three wars continued to kill. It was reported that land mine explosions had killed seven people and maimed a further 24 in 2010. UNDP estimated it would cost $ 21 m to complete mine clearance.

There was a series of kidnappings of at least 15 members of the Asian-Mozambique community and ransoms of up to $ 2 m were demanded. It was believed that members of the Asian community were involved in the kidnappings. Wild animals killed 86 people, and injured a further 60, according to government spokesperson Deputy Justice Minister Alberto Nkutumula. Over 20 elderly people were killed because they were accused of being witches.

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