MOZAMBIQUE News reports & clippings

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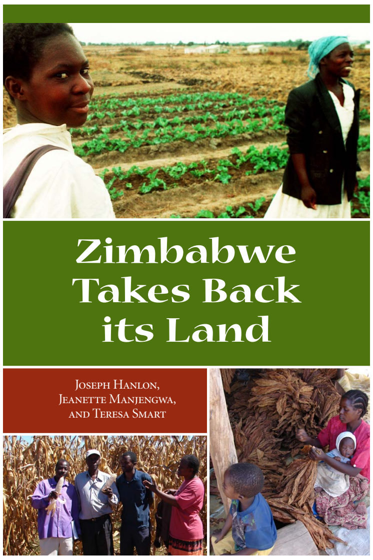
New Book:
Zimbabwe takes back its land



By Joseph Hanlon, Jeanette Manjengwa, and Teresa Smart
When 170,000 black farmers occupied 4,000 white farms in Zimbabwe in 2000, it caused world-wide shockwaves. A decade later, *Zimbabwe Takes Back Its Land* finds that the new farmers are doing relatively well, improving their lives and becoming increasingly productive, especially since the US dollar became the local currency.

To order the book: Paper $26.95 + p&p, Ebook $20.99
http://www.styluspub.com/clients/kum/books/BookDetail.aspx?productID=295374

In London: Book launch & discussion: Thursday **31 January** 2013, 1700, Chatham House, Royal Institute of International Affairs, with Sir Malcolm Rifkind, MP, Former UK Defence Secretary & Foreign Secretary. The meeting is open, but Chatham House requires pre-registration.
To reserve a place, sign up on http://www.chathamhouse.org/events/view/187431
Debate: Monday **28 January** 2013, 18.30, London School of Economics (LSE), New Theatre, East Building. Open, no registration needed.
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Mozambique finally has a development bank

The government has established a development and agriculture bank, eight years after one was blocked by donors. On Monday 10 December the government bought the remaining shares in BNI (National Investment Bank, Banco Nacional de Investimento). The bank was set up in 2010 by the Mozambican and Portuguese governments as a development and investment bank.

BNI was 49.1% owned by the Portuguese state bank Caixa Geral de Depósitos (CGD) and 1% by the Maputo based Banco Comercial e de Investimentos (BCI), itself majority owned by CGD. The remaining 49.1% was held by the Mozambique state holding company IGEPE (Instituto de Gestão das Participações do Estado) which has now bought the CGD and BCI shares. The bank has an initial capital of $70 million.

BNI was originally set up to finance large projects such as the new central-south power line and Cahora Bassa north bank power station. Finance minister Manuel Chang said the bank would now finance riskier sectors such as agriculture, infrastructure and development that private banks will not lend to. (O Pais 14 Dec 2012)

Adriano Maleiane, former governor of the Bank of Mozambique, is chief executive (CEO, Managing Director) and deputy chair of the board.

A development bank was first proposed in 2003 in the non-partisan *Agenda 2025* and then taken up as a key plank in Armando Guebuza's presidential campaign in 2004. The Bank had an informal promise of support from BNDES, the highly successful Brazilian development bank. But in late 2004, even before Guebuza was elected, donors said they would not allow Mozambique to have a development bank. Guebuza made an angry attack on the donors a year later, but did not push the issue. (See *Do Bicycles Equal Development in Mozambique?* Chapter 16) Only now does he feel strong enough to challenge the donors.

Promoting local business

Meanwhile, the government is moving to make more effective use of mineral revenues. In his state of the nation address to parliament on 12 December, President Armando Guebuza, said that Empresa Nacional de Hidrocarbonetos – Logística (National Hydrocarbon Logistics Company) has already been established to provide services in the gas sector to ensure Mozambican companies take a lead. A similar Empresa Moçambicana de Exploração Mineira - Logística e Serviços Mineiro (Mozambican Mining Exploration and Logistics Company) is also being set up. These are state-owned companies intended to provide and promote upstream and downstream links to the mega-projects. And the president noted that by putting the emphasis on local companies, there are now 190 local industries in the wood sector. (http://www.presidencia.gov.mz; http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/0/06DEA25005455373C1257AC900318ABA?OpenDocument)

The new mining law, which the council of ministers approved on 18 December and now goes to parliament, will require mining companies to do procurement of goods and services though public tenders advertised in Mozambique. This is explicitly intended to increase the number of contracts to Mozambican companies, explained Minerals Minister Esperança Bias. (AIM 18 Dec 2012)

And the government is considering using some future mineral revenues to set up a sovereign wealth fund, Prime Minister Alberto Vaquina told a radio and TV programme on 23 December 2012. Such funds are commonly set up by petroleum countries like Norway to make long term investments which will continue to yield income when the oil and gas is finished. "There is no point in keeping money in foreign banks when we need that money for our own development" Vaquina said. (O Pais 26 Dec, Noticias 25 Dec 2012)

Nationalisations

A bankrupt Portugal is selling assets. The Mozambican government has also taken control of the Cahora Bassa dam, as well as of Aguas de Moçambique (Mozambique Water) when it bought the 73% owned by Aguas de Portugal for 6 million Euros in 2011 (which is a loan from BCI). The railways (CFM), airline (LAM), telecommunications (TDM and MCel) and electricity (EDM) were never privatised. This gives the government a major role in the economy. O Pais (14 Dec 2012) notes that for the past five years government has been critical of the private sector moving too slowly, and state ownership will allow the more rapid expansion of key infrastructure.

Rethinking government role in the economy

Justin Lin, the Chinese former World Bank chief economist (2008-2012), has challenged much of the received wisdom of recent decades on government and development. He notes China and the East Asian tigers followed what the World Bank said was the worst possible policy - a dual track approach mixing state and private. In a talk at ODI in London on 17 December he said they were hugely successful because they did not follow the World Bank recipe.

He notes that successful countries all have industrial policies and all try to "pick winners" - the most promising industries – to support. The "first movers", the innovative industries entering new areas, need temporary protection and support. And government has to provide finance and research, through a development bank or development agency.

These are precisely the things that the World Bank and donors have been preventing Mozambique from doing for the past 20 years. With the prospect of minerals money, Mozambique seems to be moving in Lin's direction.

Lin makes a provocative suggestion. He says that historically the successful countries developed their industrial policies by looking at similar countries with roughly double their per capita income, and that unsuccessful countries tended to look to much wealthier countries. This suggests Mozambique should looking at Ghana, Senegal and Kenya rather than South Africa, Brazil or Europe.

Finally, Lin continues to stress comparative advantage. The potential winners the government should back are where it has a comparative advantage, and where companies can profit quickly (in order to justify investment). He also emphasises that "agricultural development is crucial for developing countries ".

http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/events-presentations/1391.pdf
http://www.odi.org.uk/events/3023-developing-economies-grow

● **The role of government** and of politically favoured companies was a central issue in the recent South Korean election. South Korea's big companies like Samsung, Hyundai and LG produce half the country's gross domestic product. Known as "chaebols", they are family owned conglomerates which were politically close to the government of dictator Park Chung Hee in the 1960s and 1970s. The December 2012 presidential election was won by his daughter Park Geun-hye who is seen as conservative and allied to the chaebols, defeating a candidate who was highly critical of the chaebols. Thus, in South Korea at least, government led development remains popular. (http://www.bbc.co.uk/news/business-20752804)

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$50 billion joint gas processing agreed

Anadarko and ENI on 21 December signed a preliminary agreement for what Anadarko called "the coordinated development of the common natural gas reservoirs spanning both Mozambique's Offshore Area 1 (operated by Anadarko) and Offshore Area 4 (operated by ENI)." The two operators will conduct "separate, yet coordinated, offshore development activities", while jointly planning and constructing common onshore liquefaction facilities near Palma, Cabo Delgado, for LNG (liquefied natural gas). The first LNG plant design contracts were also announced on 21

December. (http://www.anadarko.com/ and http://www.eni.com/)

The specialist press reports that the collaboration agreement is unusual and is due to pressure from the Mozambique government, which wanted to avoid what is happening in coal, with each company building its own port and railway.

Liquefied natural gas (LNG) is natural gas (predominantly methane, CH_4) that has been converted to liquid at -162°C where it has a volume only 1/600th the volume of the gas, for ease of storage and transport. This is done with a series of units, known as a "train", which remove impurities such as dirt, water, carbon dioxide and some trace minerals, and then cool the gas in steps.

Each train being built in Cabo Delgado will cost $4-5 billion, and produce 5 million metric tonnes per annum. The initial plan is for two trains, but the overall plan is for ten trains, which would make it the biggest gas liquefaction plant in the world outside Qatar. The first LNG should be shipped in 2018.

Anadarko is from the US and is the operator of Offshore Area 1, with 36.5%; other partners are Mitsui (20%, Japan), BPRL (10%, Bharat Petroleum, India), Videocon (10%, India, hopes to sell its share to Shell for $3 bn), PTT (8.5%, Thailand), and ENH (15%, Empresa Nacional de Hidrocarbonetos, Mozambique state).
ENI is Italian and is the operator of Offshore Area 4 with 70%; other partners of the joint venture are GalpEnergia (10%, Portugal), KOGAS (10%, South Korea) and ENH (10%, Mozambican state). Most of the partners are potential buyers of the LNG.

The two companies also issued a set of competitive Front End Engineering and Design (FEED) contracts. For the onshore joint LNG plant, three companies will competitively develop full engineering, procurement and construction plans for 50 million tonnes, and a offer lump-sum turnkey price for the initial two 5 mn t trains. The three companies are
+ A joint venture of JGC (Japan) and Fluor Transworld Services (US)
+ A joint venture of CB&I (US) and Chiyoda (Japan)
+ International Bechtel (US).

In addition, Anadarko issued a set of offshore FEED competitive contracts to land the gas from its offshore Area 1. The contracts are to:
+ Technip (US)
+ A joint venture of Subsea 7 (US) and Saipem (ENI, Italy)
+ A joint venture of McDermott and Allseas (both US)

Government will renegotiate megaprojects

The government has set up a technical team to renegotiate the contracts for the older megaprojects, to try to increase government revenue, Finance Minister Manuel Chang told Noticias (27 Dec 2012).

Contracts signed a decade or more ago gave huge tax and other concessions to large investors; this was partly under pressure from the IMF which said investors would not come to Mozambique without being ensured very large profits. Even the IMF has reversed its position, and said investors were given too good a deal. Pressure grew for the government to renegotiate, but it always refused - until now. The older megaprojects most likely to be renegotiated are the Mozal aluminium, Sasol gas from Pande, Kenmare heavy sands, and coal (particularly Rio Tinto and Vale).

Minerals in brief

Capital gains tax. The government has set a 32% capital gains tax for sale of assets held by non-resident entities, it was announced on 17 December. This is aimed at the sale of mining and gas interests. Previously the government had negotiated a 12.8% rate, but this was ad hoc and not enshrined in law.

Learn from Angola. Domingos Fernandes, Mozambican ambassador in Angola, said Mozambique can learn from Angola about petroleum development. (Radio Moçambique, 25 Dec 2012)

Lula failed to charm Taipo. The Brazilian magazine *Veja* (3 December) reported that former President Lula came to Mozambique with Vale President Murillo Ferreira, at whose request Lula met Labour Minister Helena Taipo to appeal for a relaxation of the rule that 85% of Vale workers must be Mozambicans. Taipo was not impressed, and refused.

Contract secrecy. There has been pressure on Mozambique for contracts with mining companies to be made public as they are in some other countries. But Mining Minister Esperança Bias said on 18 December that companies could keep anything they wanted confidential.

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Pacheco says peasants protected, but Pro-Savana land grab debate continues

No farmer will lose their land as part of the Pro-Savana project in Nampula, Agriculture Minister Jose Pacheco told a joint Radio Moçambique/TVM "Direct Line" (“Linha Directa”) programme Saturday 22 December. Indeed, he said the objective was to expand the area of small farmers. He was responding to a 25 October statement by UNAC, the National Peasants Union, that family farmers would be pushed off the land by the joint Brazilian-Japanese project. (AIM 25 Dec 2012; http://noticias.sapo.mz/aim/artigo/652525122012154125.html; News Reports & Clippings 209)

But the rest of his intervention created more confusion. Pacheco explained that Pro-Savana is intended to be a "replica" of the Japanese-Brazilian programme 30 years ago in a region called the cerrado which he said was "identical" to the Nacala corridor. And this is being questioned.

First, some argue that the Nacala corridor is very different, and not identical to the Brazilian cerrado. The cerrado had infertile land with high acidity and aluminium content, and heavy rains that leached the soil and made in less attractive to peasant farmers. By contrast, the Nacala corridor contains some of Mozambique's most fertile land and good rainfall, which means it is relatively densely occupied by peasant farmers.

The second conflict is over the model. The cerrado was turned into highly productive farmland but through very large mechanised farms, particularly growing soya. And much of the publicity on pro-Savana within Brazil is about how the huge Brazilian soya farmers are going to take over vast tracts of land in the Nacala corridor in a "replica" of the cerrado project. And a 1988 doctoral dissertation by Vera Pessoa in Brazil concluded that even though the cerrado was not very densely populated, very few of these small farmers benefited from the programme; most family farmers were evicted or became poorer as part of the cerrado project.
http://www.lagea.ig.ufu.br/biblioteca/teses/docentes/tese_pessoa_v_l_s.pdf

Pacheco said there was no place in Mozambique today from the grand "chartered companies" of the colonial era, and that any new investors must obey the land law (which gives occupants rights to their land). The plan is to have a mix of small, medium and large farms, he said.

But critics say that is not a "replica" of the Brazilian cerrado programme, which was dominated by very large farms.

Guebuza: claims of corruption are 'just talk'

In an interview in Brussels on 16 December 2012 with President Armando Guebuza, the questioner said: "One of the key questions in Mozambique is how to improve governance. Mozambique is still troubled by corruption problems and lack of transparency." Guebuza responded angrily: "I do not agree with that characterization. This is just talk." The interviewer citied Transparency International, but the President repeated: "Whoever might be saying this, it is just talk."

The interview was done for the magazine *Great Insights*, published by the European Centre for Development Policy Management in Maastricht, Netherlands, which published a special issue on Mozambique.
http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/C9912335D7E74BBCC1257AD4002D349B/$FILE/GREAT1-10final.pdf

The issue contained a number of critical articles. Paul Malin, head of the European Union delegation in Maputo, wrote that "while the economy may be changing rapidly, the political system is resistant to change. A multi-party democracy exists in which many of the practices of the one-party era continue. Access to information is limited and accountability mechanisms weak. There is confusion between party and state." And he warned that "there remain parts of the country largely unchanged since peace was established 20 years ago, but they are shrinking."

And Marc de Tollenare, who worked for more than a decade in Mozambique, including for the Swiss embassy, writes: "On the political front, all objectives were made secondary to securing continued rule by Frelimo. For Frelimo this is nothing less than complying with a historical mission resulting from the fact that it liberated the country from colonial rule."

"The point made is not that Frelimo intentionally tries to keep a majority of the Mozambicans poor. The point is rather that there are stronger political incentives than poverty reduction that have shaped the political economy of Mozambique," he continues. This "has produced a state apparatus that is not geared towards the production of collective goods and securing equal rights and protection for all citizens. The state is turned in[to] an executive branch of a party."

But he is critical of the donors as well. "The core activity of embassies is quickly shifting from aid to business. The good governance agenda has been put on hold, or transferred to the business sector."

No gains for Renamo

Renamo failed to extract any concessions from the government in three high level meetings in December. The government delegation was headed by Agriculture Minister and Frelimo Political Commission member Jose Pacheco, and the Renamo delegation by party general secretary Manuel Bissopo.

Renamo tabled five issues: elections, exclusion from the benefits of economic growth, party dominance of the state, defence and security, and access to public administration. In fact, all five relate to Renamo concerns that it has no patronage power or revenue sources. The main election demand was that Frelimo and Renamo should be able to appoint hundreds of people to the election administration. Similarly "benefits of economic growth" is interpreted to mean that only members of the Frelimo elite are appointed to the boards of state companies and to similar posts and that Renamo wants some of its people earning those salaries.

The final three areas are all linked, and relate to Renamo claims that civil service appointments, promotions, district development loans, and licences and permissions at local level all require

Frelimo membership, and that actions are taken against opposition supporters, including transferring opposition candidates.

Fernando Mazanga, spokesman for the Renamo parliamentary bench, told O Pais (21 Dec 2012) that he would go for talks in Sanjundjira, Gorongosa, Sofala, where Renamo head Afonso Dhlakama is now staying. But he said "Renamo has exhausted all peaceful means to find solutions."

Comment: Anecdotally, there is seems some basis for these allegations, but Renamo has never documented cases or produced a dossier, which makes it easy for Pacheco and his team to dismiss vague claims. Undoubtedly, opposition supporters do get jobs, loans and promotions. But there is increasing pressure to be in Frelimo, and there does seem to be increasing difficulties for people in local leadership positions of opposition parties.

But the real issue is patronage; Frelimo can reward its loyal supporters and Renamo cannot. Frelimo probably should have given a few sinecures to Renamo, but it has not. Indeed, Frelimo has taken a hard line that in an electoral democracy, patronage belongs to the winners. *jh*

Other economic news

Inflation & growth on target

Inflation will be under the target of 5.6% this year, Bank Of Mozambique Governor Ernesto Gove said on 18 December. Gross Domestic Product (GDP) is expected to increase by 8.0% in 2012, above the 7.5% planned. Foreign Direct Investment now constitutes 17% of GDP, compared to 5% in 2009.

During the year the Metical remained stable at 3.5 Meticais to the South African Rand; this is important to prevent riots, since many key goods in Maputo are imported from South Africa. By contrast, the Metical devalued 9.7% against the US dollar, to 29.6 Meticais to the dollar. (O Pais 21 Dec 2012)

PM says use social pressure to force '7 million' payments

"There must be social pressure from the community so that people feel uncomfortable and ashamed if they use money from the community for personal benefit," Prime Minister Alberto Vaquina told the special joint RM/TVM Linha Directa programme with government ministers on 22 December.

He admitted repayment rates were low on loans from the District Development Fund (FDD), known as the "7 million", and that some people did not carry out the project for which they had been given the loans. Vaquina said that this is community money and the community must "put pressure on the borrowers."

● **The IMF continues to love Mozambique**. In a 21 December 2012 statement it said "Despite the difficult global environment, Mozambique's economic performance in 2012 has been remarkable." It continues: "The prudent execution of the 2012 budget has contributed to a judicious policy mix that has fostered economic stability despite global uncertainty." http://www.imf.org/external/np/sec/pr/2012/pr12506.htm

And two excellent *Noticias* articles

Noticias has some of the best journalism in Mozambique, and two articles by Pedro Nacuo in Cabo

Delgado which were deep inside the paper deserve reading by those who read Portuguese

Naparamas were an irregular militia force in Nampula that fought against Renamo in the 1980s, now largely forgotten. *Noticias* had an article about a former Naparama, Abreu Fabião, who has become a successful commercial tomato farming on irrigated land next to the Rio Lurio. http://www.jornalnoticias.co.mz/pls/notimz2/getxml/pt/contentx/1540890/20121124

In *News Reports and Clippings* 209 we reported that 75% of ruby mines owned by Raimundo Packinuapa had been sold to a British company, Gemfields. *Noticias* on 27 September 2012 had a full page investigative article detailing how those companies were pushing local people off the land, and how there had been demonstrations and police actions. It also noted how the companies had won support of the senior traditional leader by building a monument to his ancestors. Worth reading, on http://www.jornalnoticias.co.mz/pls/notimz2/getxml/pt/contentx/1513516/20120927

Comment: The ruby incident raises an important point. There is no agreed resettlement system for people displaced by mining. Peasants have right to farmland, which cannot simply be taken away and given to farming investors. But the land can be taken away and given to mining companies - because mines are not covered by the land law in the same way. Indeed, the land law makes it very difficult to find good farmland for people who are resettled from big projects. *jh*

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The new book

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publisher
http://www.kpbooks.com/Books/BookDetail.aspx?productID=295374

Book launch & debate:

Thursday **31 January** 2013, 1700
Chatham House, Royal Institute of International Affairs, 10 St James's Square, London SW1Y 4LE
To reserve a place, sign up on http://www.chathamhouse.org/events/view/187431
Monday **28 January** 2013, 18.30, London School of Economics (LSE), New Theatre, East Building.
Open, no registration needed

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