Mozambique

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Riots over the rising cost of living came days before a national survey showed that poverty levels had not fallen for six years – the first term of President Armando Guebuza. No one questioned his overwhelming victory for a second and final term in late 2009, but early 2010 brought a flurry of criticism from observers and donors over the conduct of the election, leading to a brief donor strike. Drug smuggling and its links to the ruling party also became an issue.

Domestic Politics

Growing poverty dominated domestic politics in the second half of the year. On 1-3 September, **demonstrations** in the capital Maputo against the high cost of living closed the city and left 13 dead and 300 injured. Government responded by reversing some price rises and subsidising the price of bread. In Maputo and neighbouring Matola, young people, coordinated by mobile telephone text message (SMS), blocked all main roads with burning tyres and other barriers on 1 September. There was some looting of shops and market stalls, and cars and buses were attacked. There were also disturbances in the Beira corridor (Beira, Chimoio, Gondola and Vila Manica). Police spokesman Pedro Cossa said repeatedly that the police were only using rubber bullets and not live ammunition, but in another example of Mozambique's press freedom, the government newspaper 'Noticias' quoted Natércia Duarte, clinical director of Hospital Geral José Macamo in Maputo, saying that 43 of those admitted had been shot by firearms. The Electoral Observatory, a coalition of civil society groups including the main religious denominations, called the demonstrations "a popular revolt against the established order" and said they were caused by poverty and hunger. There were also complaints by demonstrators about the growing ostentation of the better off, with ever-bigger houses and cars. In September, the government released the third national family expenditure survey ('Inquérito aos Orçamentos Familiares'; IOF), which showed that the percentage of the population living below the poverty line had not changed in six years – it was 54% in the 2002-3 survey and 55% in the 2008-9 survey.

Annual **inflation** at the time of the riots was 17%, but the Bank of Mozambique reported that the prices of fruit and vegetables had risen by 34% in the first half of 2010 – in part because a substantial amount of food is imported from South Africa and the Mozambican Metical depreciated significantly against the South African Rand – from 3.7 Mt to the Rand at the start of the year to 5 Mt to the Rand at the time of the riot. This highlighted the fact that Maputo food was being imported from South Africa instead of being produced domestically, which raised fundamental questions about development policy.

Frelimo and President Armando Guebuza had won an overwhelming victory in the 28 October 2009 elections, and when he resumed office in January, Guebuza made few **changes in the government**. Education Minister Aires Aly became prime minister, replacing Luisa Diogo, while Zeferino Martins became education minister. Iolanda Cintura became minister of women's affairs and social welfare. Carmelite Namashalua was named minister of state administration. In October, following the riots, Guebuza sacked the ministers for agriculture, industry and health. Interior

Minister and Frelimo Political Commission member Jose Pacheco was moved to agriculture; Armando Inronga was named trade and industry minister, Alberto Mondlane became interior minister, and Alexandre Manguele was named health minister. In parliament, Veronica Macamo was named speaker. Parliament also changed its rules to allow the third party in parliament, the 'Movimento Democrático de Moçambique' (MDM), to have a formal party bench, even though it had only eight seats. Renamo had 51 seats (its lowest total in four elections) and Frelimo 191.

Foreign Affairs

No one doubted the collapse of the opposition and overwhelming victory of Frelimo and President Armando Guebuza in the 28 October 2009 elections. But ballot box stuffing, deliberate invalidation of ballot papers, and incompetence and secrecy by the National Elections Commission (CNE: 'Comissão Nacional de Eleições') drew criticism from domestic observers and the Constitutional Council, which validated the election on 27 December 2009. The **international donor community** continued to pursue the issue in early 2010. The Commonwealth hit at the selection process of the CNE, which gave an impression of bias, and at the CNE's lack of transparency. In February, the EU observers issued their report and criticised the lack of transparency, the unlevel playing field, and legislation that makes it practically impossible to make a complaint.

The Group of 19 **budget support donors** felt they had been snubbed by the CNE at a meeting during the elections and were angered by what they saw as the unfair exclusion of some MDM candidates. This compounded donor concerns about government unwillingness to act on justice, corruption and conflict of interest. In mid-December 2009, the G19 budget support donors suddenly launched a strike, refusing to release budget support funds until the government took action on these issues (although other aid was released on schedule). The decision was unexpected and the timing was odd, because it was between the election and the installation of the new government – perhaps as a way to remind the new government of donor power in Mozambique. Donor and lender money accounted for 44% of the 2010 budget, according to Planning and Development Minister Aíuba Cuereneia, so the donor strike mattered. But support was not total – the EU and the World Bank are both G19 members, but they released money early, before the strike formally started – so the strike only began to have an impact in March. The donors had not announced the strike, but the government did, on 6 March. By then donors were becoming worried; the financial year of one European donor ends in the first week of April, and they needed to disperse funds in March. The strike collapsed in mid-March; donors having accepted a letter from the government that said the government was already doing what the donors wanted.

On another issue. Donors, observers and government all agreed that election laws needed to be reviewed. The government had been minded to accept a civil society proposal for quite broad consultation and the writing of a completely new electoral code in 2011. Surprisingly donors were not enthusiastic, and one key donor official, who was leaving his post in August, wanted action before he left. So the major government concession to end the donor strike was to not carry out a broad consultation or write an entirely new code, as called for by civil society and electoral observers, but rather to simply revise the existing law with little public consultation, which was started in mid-year.

Government anger at the donor strike exploded in the 4 May government evaluation of donor performance, published as part of the annual budget support donor-government Aide-Mémoire. In an unprecedented **attack on the donors**, the government said discussions with donors "often degenerated into mutual accusations, suggesting that at some point the relationship between [the government and donors] ceased to be a partnership". The government continued: "The partners surprisingly tried to change the dynamic of 2010 commitments according to their perception of what happened in 2009 [and their view of] the need for the GoM to change the electoral law, improve transparency in economic governance, [and] accelerate the legal reform." This was in the name of political dialogue, but "'political dialogue' currently appears to be a cloak of confusion. ...

The question remains: at what levels can the ‘political dialogue’ be made, with whom, when and on what, and how to integrate it positively in the partnership’s framework?”

The annual Aide-Mémoire also contained an independent evaluation of donor performance. In interviews for the evaluation, government was sharply critical of donors. One official was quoted as saying: “Tt seems that any technical staff on the side of the partners can make political dialogue at any time, which is not admissible. Technical staff may not engage in this kind of dialogue, much less try to give instructions to national directors and ministers.” Another argued: “Partners continue to involve themselves in certain areas where they have no technical qualifications. Therefore, they want impossible things done in impossible times. Sometimes the dialogue is undermined by a lack of technical capacity to understand the questions. There is no coherence and unity among the donors on technical questions, with some saying one thing and others wanting something else.”

A further issue was the very large number of **donor missions**. The G19 sent 167 missions in 2009, which took up huge amounts of government time. On the government side, the arrogance of donors had simply become too much. But donors, too, were angry. In their part of the joint Aide-Mémoire they said they “consider the performance on governance as unsatisfactory”. Aid to Mozambique had been increasing, and it remained very high, but the increase stopped. Aid was not increased for 2010 and two donors cut their budget support, Switzerland by 40% and Sweden by a token 2%.

Aid to Mozambique remained the same in 2009 as in 2008, at exactly $ 2 bn, according to data released by OECD in early 2011. Donors and lenders of over $ 50 m were: USA ($ 256 m), World Bank ($ 213 m), EU ($ 205 m), IMF ($ 153 m), Germany ($ 114 m), Denmark ($ 105 m), the Netherlands ($ 99 m), Sweden (99 m), Norway ($ 80 m), Canada ($ 75 m), AfDB ($ 75 m), Spain ($ 69 m), Portugal ($ 68 m), Ireland ($ 64 m), Japan ($ 61 m), UK ($ 55 m). Meanwhile, the **United States** directly intervened in Mozambican politics. On 1 June, President Barack Obama named as a “drug kingpin” Mohamed Bachir Suleman (MBS), one of Mozambique’s most prominent and wealthy businessmen. The designation makes it illegal for US citizens and businesses to conduct financial or commercial transactions with him or three of his businesses: Grupo MBS Limitada, Grupo MBS – Kayum Centre, and Maputo Shopping Centre. The US Department of the Treasury said: “Mohamed Bachir Suleman is a large-scale narcotics trafficker in Mozambique, and his network contributes to the growing trend of narcotics trafficking and related money laundering across southern Africa. … Suleman leads a well-financed narcotics trafficking and money laundering network in Mozambique that is centered on his family-owned business conglomerate Grupo MBS Limitada.” MBS is close to Frelimo and the respected independent weekly ‘Savana’ reported that he donated $ 1 m to the Frelimo electoral campaign in 2009. Government said little except to claim the US had not provided any evidence for its claim.

Mozambique has been an important **heroin transit** and warehousing centre for more than a decade. Heroin is shipped from Pakistan to northern Mozambique, brought ashore in small boats, then warehoused (particularly in Nacala) and, when orders are received, shipped out in containers from Mozambican and South African ports. This was first publicly reported a decade ago, but the international community decided not to make an issue of it. Since then, large buildings have been built in Maputo and Nampula by people who have no obvious legal source for such high income. Over the past decade there have been no heroin seizures and no public battles between groups of drug traders, which has suggested that the heroin trade was tightly regulated by senior people in the government, police and military. Four cables released by **Wikileaks** show that Todd Chapman, United States Charge d’Affaires (acting ambassador) in Maputo (until he was posted to Afghanistan in May), made a wide range of serious and often false accusations against prominent Mozambicans. The cables were sent by Chapman in July and November 2009 and January 2010. The jumble of accurate and false information is shown by the part of the cables dealing with drug trading. Chapman notes the “close relationship” between MBS and both Guebuza and former president Joaquim Chissano, which seems to be true. But Chapman went on to say that “the main drug organizations are rumoured to support extremist Islamist elements in Mozambique”, which seems totally false.

Hugely exaggerated claims were made about the Chinese, Indian and South African presence in Mozambique. Widespread publicity was given to totally spurious reports of hundreds of white South African farmers settling in Mozambique and of **China** investing billions of dollars and being given vast tracts of land. In fact, China had only a tiny presence. Mozambique's Investment Promotion Centre estimated Chinese business investment between 2000 and 2009 at $ 115 m, plus a number of construction projects including a new Maputo airport terminal and, in June, China promised further loans of $ 200 m, including a second phase of Maputo airport. In December, Tong Jian Investment Company of China signed a contract for a $ 200 m vehicle assembly plant and a $ 150 m hotel in Maputo. A proposal by Tong Jian for the development of the Katembe municipal district, on the opposite side of Maputo Bay from the centre of the city, was rejected because Tong Jian had wanted to build a complex for Chinese workers. Historically, Frelimo has never become dependent on one sponsor. During the liberation war, it won backing from both China and the Soviet Union. In recent years it joined both the British Commonwealth and the Portuguese equivalent, the 'Comunidade dos Países de Língua Portuguesa'. In dealing with foreign investors and partners, it is now following the same pattern, but its decisions are more commercial and less political. Former prime minister Luisa Diogo gave a talk on 24 November at the School of Oriental and African Studies, London, and said China had a "very specific manner" of cooperation, and thus was a "non-traditional partner". Traditional partners, such as Sweden and the UK, do programme and budget support and work through NGOs. Japan is more project-oriented. The US does projects plus private sector programmes. China does not do budget support but does wider project support, such as building the new foreign ministry and high court. The US and Europe would not even look at such a project, but China would, she said. Similarly China supports infrastructure and is involved in dams, roads, airports, electricity and telecoms. But it was not all good, she continued. China wanted Mozambique to give some guarantees, such as natural resources, "which we cannot do under Mozambican law". Any use of natural resources – minerals, land, fish, timber – should be based on project proposals. By law, Mozambique could not set aside resources for anyone, and Mozambique was very careful in following the laws.

The same issue caused a diplomatic incident with **India**, when Indian Coal Minister Sriprakash Jaiswal, who was accompanied by state-owned Coal India officials, at a meeting with Minister of Mineral Resources Esperanca Bias, made a request for a further five coal exploration licences in Tete. This was rejected on 10 January 2011 because Coal India already had two licences in Moatize, Tete, which it had not yet begun to exploit. There were also problems with India over the contract to upgrade the railway line from Beira port to the Tete coal mines, which should have been completed by September 2009, but had not been finished by the end of 2010, and there were major criticisms over the poor quality of the work. RICON, the company carrying out the upgrade, is a consortium of two Indian railway companies, Rites and Ircon. The chair of CFM, the Mozambican state railway and ports company, Rosario Mualeia, blamed the World Bank, saying the $ 104 m loan was conditional on the privatisation of the project but the state company CFM could have done a better job.

Socioeconomic Developments

The results of the 2008-9 IOF, which showed that the percentage of the population living below the **poverty** line had not changed in six years, and was 55% in the 2008-9 survey, was not unexpected, following data from the 2008 rural income survey ('Trabalho de Inquérito Agricola') released earlier in the year. Officially, 70% of Mozambicans were classed as 'rural' and the 2008 survey showes that most rural Mozambicans were poorer in 2008 than they had been in 2002, and most rural Mozambicans had a cash income of less than $ 1 per week (most rural 'income' comes from the imputed value of self-produced food). Between 2002 and 2008, mean rural income rose while median rural income fell, which meant the better off were getting richer, but the poor majority were getting poorer. Also released during the year was a series of studies on the impact of the 2006-9

Poverty Reduction Strategy, PARPA II ('Plano de Acção para a Redução da Pobreza Absoluta, 2006-2009'). They conclude that "PARPA II failed to enhance farmers' income, and thus poverty incidence in rural Mozambique may have remained fairly constant over the last six years (…) PARPA II failed to increase agricultural production and productivity and thus reduce poverty." Chronic malnutrition (low height for age) fell from 48% of children under five in 2003 to 44% in 2008, but remained 'very high' by WHO standards.

The failure to reduce poverty brought increasing criticism from economists of the government's development policy, which relies on foreign investment and the free market to end poverty. Eminent economists used speeches and newspaper articles during the year to call for more government support for economic sectors, particularly agriculture, but there was little response. In its 24 May "Letter of Intent" to the IMF, the government said it would concentrate on major projects and mining. Agriculture was mentioned only with respect to "social spending". Nothing was said about supporting Mozambican entrepreneurs. "The focus of the central government's investment strategy will be in transport and electricity infrastructure", the government told the IMF.

A damning study on the **agriculture** sector was completed in August by the ministry of finance inspectorate. It cited the Maputo Declaration of 2003, which said that 10% of government budgets should go to agriculture, and noted that in the 2009 budget, agriculture received only 3.3% of current expenses and 5.7% of investment. Information on the family sector was "non-existent" and there was no information on the impact of funds spent by the ministry. Extension services reached only 5% of farmers and reports exaggerated the impact of extension. Use of irrigation was very low, in part due to lack of training. "There do not exist packets of technologies locally appropriate and available." No **land concessions** of over 1,000 ha were approved in 2010, reversing a policy of large concessions for foreign investors wanting to plant biofuel crops and forests.

A key issue for the government was the **exchange rate**. From 2002 to 2008 the Metical was pegged at between 24 and 26 to the $, but from mid-2009 it began to be devalued, reaching 32 by April, then jumping to 37 Mt to the $ by the time of riots in September, which were caused in part by the high cost of imported food. Faced with the riots, the Bank of Mozambique pulled the exchange rate back to 32 by the end of the year.

Mozambique has 11 different minimum wages, set in April each year. Those set in 2010 ranged from $ 49 per month for sugar workers to $ 82 for electricity and gas workers, and then a separate and much higher $ 108 for the finance sector (all at 32 Mt = $1).

Meanwhile, Mozambique was becoming a major **mineral-energy** exporter. It already exported gas and electricity to South Africa and significant amounts of titanium, but Tete province in west-central Mozambique had the world's largest untapped reserve of high quality coking coal. Both Vale of Brazil and Riversdale of Australia were developing mines and expected to begin exporting in 2011. In late 2010, Rio Tinto made an offer for Riversdale, which effectively valued its Tete reserves at $ 3 bn. India and China were both interested; Tata had a shareholding in Riversdale and India was undertaking coal exploration, but Mozambique was explicitly refusing to do political deals with India and China for exploration rights, saying that it was only interested in companies that were prepared to move forward to exploit the reserves. Extensive exploration for gas and oil had been going on for several years along the north coast near the border with Tanzania. Significant marketable quantities of gas had been found, but the oil was probably not exploitable.

The government confirmed its commitment to the Extractive Industries Transparency Initiative (EITI). A coordinating committee was set up, consisting of four representatives of the government, four from civil society, and four from mining and oil companies. Under the EITI, all revenue received by governments, and all payments made by companies, resulting from mining and hydrocarbon exploitation, are made public. The Frelimo party company SPI won the third **mobile telephone licence** in a consortium with a Vietnamese firm Vietel.

Mozambican **banks** made a 2009 profit of $ 143 m, according to the KPMG annual survey of the Mozambican banking sector, published on 23 February 2011. By far the largest and most profitable bank was Millennium BIM, earning half the sector's profits and having 37% of all national banking assets. BIM is 67% owned by BCP (Banco Comercial Português) Internacional and 26% by the Mozambican state and state-linked institutions. The second largest bank is BCI, which is 51% owned by the Portuguese state-owned Caixa Geral de Depósitos, 30% by Banco Português de Investimento, and 18% by the Mozambican group Insitec. The third largest bank is Standard Bank.

Corruption became a higher profile issue in Mozambique, with somewhat mixed consequences. Five people were convicted on 27 February of stealing 91 m Mt ($ 3 m) from the Mozambique Airports Company (ADM). Former transport minister Antonio Munguambe was sentenced to 20 years in jail, former ADM chair Diodino Cambaza was sentenced to 22 years, and former ADM financial director Antenor Pereira received 20 years. Maputo City Court Judge Dimas Marroa made clear that he was handing down exemplary sentences. “A large part of the state budget comes from donors, and we cannot allow this money to be stolen. We can’t continue like this.” He added: “I call on all those who manage the public sector to keep their hands off state money.”

The man indirectly responsible for Joaquim Chissano’s election victory in 1999 was jailed for 12 years on 7 December for stealing 3.6 m Mt ($ 100,000). Orlando Comé had been head of the government Data Processing Centre (CPD). He was convicted of putting CPD money in his own bank account, and using CPD funds and credit cards for personal travel, school fees, dinners, house rent, and even casino spending. But Comé was better known as having been computer director for STAE, the technical secretariat of electoral administration in the CNE, for the 1994, 1999, and 2004 elections. Comé had remained as head despite complaints after every election of poorly written, untested and insecure computer systems. It is believed that lack of computer security allowed results to be changed in 1999, ensuring the election of Joaquim Chissano as president. The 1999 election was very close, and at the 2004 elections when he was heading an observation mission, former US President Jimmy Carter publicly questioned the 1999 outcome. Comé was believed to have protection at the highest levels of the Chissano circle, and the director of STAE and president of the CNE had no control over him, and thus were unable to demand better computer systems. After Armando Guebuza took office as president in 2005, protection melted away. Comé was quickly dropped as computer director of STAE. Workers at the CPD began to publicly protest about Comé’s mismanagement and corruption. In 2008, he was dismissed as head of CPD and in 2009 charged with corruption.

The largest tobacco buyer in Mozambique (and the world), Universal corporation (trading as Mozambique Leaf Tobacco, MLT), admitted paying bribes totalling $ 165,000 to “a governor in Mozambique” and to officials (and a brother and a wife of officials) in the ministry of agriculture between 2004 and 2007. On 6 August the company pleaded guilty to charges brought by the US Securities and Exchange Commission (SEC), and paid fines and penalties of $ 9 m. Between October 2005 and July 2006 MLT had paid cash to “a governor” and given “gifts including supplies for a bathroom renovation, personal travel on a company jet, and cash payments to officials in Mozambique”. These payments related to the grant of an exclusive license to buy tobacco in Chifunde district, Tete – one of the best districts for tobacco. The SEC said that $ 86,830 in bribes relating to Chifunde had brought MLT an extra $ 457,260 in profits in the first year alone. This was the second time a company had admitted bribing Mozambican officials. In September 2009, the British construction firm Mabey and Johnson (M&J) had pleaded guilty in a London court to giving Carlos Fragoso, then National Director of Roads and Bridges in the Mozambican Ministry of Public Works, $ 450,000 between 1997 and 2000. The money had been paid into a Swiss bank account. Other unnamed Mozambican roads officials had also been bribed, the company admitted. Despite companies admitting to bribing senior Mozambican officials, the Mozambican government made no comment, and took no action against those said to have received the bribes.

Orlando Jose, director of investigations, audit and intelligence of the Customs Service was gunned down outside his house on 26 April. He had been responsible for several very high profile customs raids in the previous weeks. On 21 April, a car was stopped heading for Zimbabwe with $ 400,000 in cash hidden in the door panel, apparently intended for the purchase of diamonds from Zimbabwe. On 26 April, just three hours before he was assassinated, Jose held a press conference promising a crackdown on smuggling, and he displayed three luxury cars that had been apprehended, one of which belonged to a powerful Nampula economic group. Jose had only been in the job for a year, and was challenging corrupt networks inside Customs.

Cholera riots continued, with poor people, particularly in northern coastal areas, convinced that health workers and better off people were trying to poison them by putting cholera in the water, when in fact they were putting chorine in the water to prevent cholera. In Gurue district, Zambezia province, where 19 people had died and 670 cases of cholera were registered, seven people were killed in disturbances.

Malaria remained the main cause of death, leading to 29% of all deaths, compared with 27% for HIV/AIDS, according to the National Survey on the Causes of Mortality in Mozambique published on 24 March by the National Statistics Institute. Peri-natal illnesses accounted for 7% of deaths, diarrhoeal diseases 4%, pneumonia 4%, accidents and other "external causes" 4%, and tuberculosis (without HIV/AIDS as a contributing factor) 3%. The HIV prevalence rate was declining; it was 16% of people aged between 15 and 49 in 2004 and had fallen to 12% in 2010.

National Demining Institute director Julio Braga said that only 63 of the country's 128 districts could be declared free of mines. It was announced that **mine explosions** had killed 15 people and injured a further four in 2009. Under its project 'Transforming Guns into Hoes', the Christian Council of Mozambique had collected and destroyed 700,000 illegally held guns since 1995.

Somali pirates seized a Mozambican fishing boat in Mozambican waters on 27 December in their southernmost attack so far. The boat, Vega 5, was later turned into a mother ship to allow the pirates to work further afield. The crew consisted of 19 Mozambicans, three Indonesians and two Spaniards.

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