

# MOZAMBIQUE News reports & clippings

463 7 August 2019 Editor: Joseph Hanlon ( [j.hanlon@open.ac.uk](mailto:j.hanlon@open.ac.uk) )

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## Also in this issue:

**Cabo Delgado war continues**

**Hidden debt: Pearse fingers Guebuza, Safa and CS**

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## Secret peace accord signed yesterday

President Filipe Nyusi and Renamo head Ossufo Momade signed a peace accord yesterday, 6 August, in Maputo, in a public ceremony attended by various international dignitaries, including South African President Cyril Ramaphosa, High Representative of the EU for Foreign Affairs Federica Mogherini, and the president of the African Union Commission Moussa Mahamat.

This follows the signing of a ceasefire by Nyusi and Momade on 1 August in Chitengo, in Gorongosa National Park, Sofala. Momade had remained in Satunjira, the Renamo base on the Gorongosa mountain, but as soon as he signed the ceasefire he flew to Maputo to launch his campaign for the 15 October presidential election. Nyusi has been campaigning for more than a month.

Both documents are secret and the details are not known - a point underlined today in the press. (O Pais, Carta de Moçambique) They involve integration of some Renamo fighters into the national army and police, and demobilisation of others. The first 50 Renamo fighters were formally demobilised at a ceremony in Satunjira on 29 July, although they will remain temporarily at Satunjira. At the ceremony, Momade said the deal covers 5221 Renamo fighters. (STV 29 July, AIM 30 July)

This is the third peace deal. The first was the General Peace Agreement signed in Rome on 4 October 1992, by the then Renamo leader Afonso Dhlakama and President Joaquim Chissano. The second was the agreement on a cessation of hostilities signed by Dhlakama and Chissano's successor, Armando Guebuza, on 5 September 2014, which remains secret.

It appears that many issues have not been resolved in the negotiations. Nyusi is pushing for the demobilisation to be completed before the 15 October elections, but this is impossible. Only 6 of the first 50 being demobilised handed over weapons, and it appears that as in 1992 there is a tacit agreement that Renamo can retain weapons. It is likely that Renamo will retain armed men until after the installation of new governors early next year and Renamo is convinced that some real power has been given to Renamo governors.

Two issues remain unresolved. Renamo has been demanding the integration of Renamo fighters into SISE, the security services, and Frelimo continues to resist this. The settlement is often referred to as an "elite pact" and it is clear that the Renamo leadership expects significant monetary compensation. This will probably remain secret, but at the 29 July ceremony Momade pointedly said that for reintegration "be a reality" the government and the international community must "honour the promises of support they made". The European Union's Federica Mogherini, announced the availability of about \$56 million to finance the implementation of the agreement.

Meanwhile **Renamo dissidents** who call themselves the “Renamo Military Junta” are rejecting the cease fire. The head of the Junta, Mariano Nhongo, who held the rank of major-general in Renamo, told reporters in Beira, via a telephone link, that his followers would not disarm for as long as Ossufo Momade remains the President of Renamo. Nhongo said he had called a conference of Renamo fighters for 17 August, in order to elect a new Renamo president. (Carta de Mocambique, 5 Aug)

One person died and one was injured in an **attack by unidentified armed** men against four vehicles on 31 July on the N1, the main north-south highway, in Nhamapadza in Maringue district. In an apparently separate attack, a bus from “Nagi Investments” carrying 53 passengers from Nampula to Beira was struck by bullets, but none of the passengers or crew was hit. Nhongo denied that his group had anything to do with it. “When I want to start a war, I’ll let you know,” he said. (AIM, 2 & 5 Aug)

An **Amnesty Law** was unanimously passed by parliament (Assembleia da República) on 29 July. It grants amnesty for all those accused of crimes against state security or military crimes in the context of the military hostilities between the government and Renamo from 2014 to the present. Thus it grants amnesties to members of the government hit squads to killed Renamo officials as well as to those from Renamo who attacked road traffic.

This is at least the fourth amnesty law approved by Mozambique and it is opposed by Human Rights Watch because no one is held responsible for political killings and disappearances by both sides. “The amnesty law passed this week is a betrayal of the thousands of victims of Mozambique’s conflicts. Parliament ignored families long awaiting justice, as well as support and compensation from the state. Sadly, this law will do more than ensure impunity for past grave crimes. It will also likely pave the way for future abuses.”

<https://www.hrw.org/news/2019/07/30/broad-amnesty-mozambique-likely-fuel-future-abuses>

**"Prospects for a Sustainable Elite Bargain in Mozambique: Third Time Lucky?"** is the appropriate title of a good summary of the history of post war negotiation and conflict by Alex Vines, head of the Africa Programme at Chatham House, London. The report is on <http://bit.ly/Vines-Elite-Bargain>

"The October elections will be the first immediate test of the August agreement. If Renamo wins at least three provincial governorships, will it be enough to seal a new sustainable elite bargain?" asks Vines. "Corrupt elections could threaten the sustainability of the emerging elite bargain... The conduct of credible elections requires the political will of Renamo and Frelimo leaders to moderate their hard-liners and prepare for compromise. The results that emerge are unlikely to be fully democratic, but hopefully they will be partly democratic and improve political accountability and pluralism."

## **Cabo Delgado war continues**

An insurgent group raided a village 9 km from the town of Macomia on 1 August. They burnt most of the houses, but the local people had time to flee and there were no casualties. On 28 July in Demaio, Muidumbe district, farmers returning from their fields were ambushed by insurgents. Two farmers were beheaded and cars were burned. On 25 July five people were killed in an attack on Cogolo, Macomia; the attackers divided into two groups and one attacked civilians killing two elderly people and a child and burning houses, while the other attacked a military position killing two soldiers. (Carta de Moçambique, 29 July & 5 Aug)

About 9,000 smallholder have abandoned 13,000 hectares of farmland in Mocimboa da Praia district because of the ongoing armed violence in the region, Neves Salaova, of the Mocimboa da Praia District Economic Activities Service told STV on 2 August.

Zitamar has updated its excellent attack map, with 1345 attacks and 380 deaths between 5 October 2017 and 25 July 2019, free on <https://zitamar.com/cd-insurgency-attack-locations/>

Most of the graduates from the latest course for members of the riot police (Rapid Intervention Unit UIR) will be sent to Cabo Delgado, where they are doing most of the fighting. As part of the slow Renamo demobilisation, 10 Renamo fighters joined the UIR in 2 August. They will now undergo 45 days training. (AIM 2 Aug)

A Mozambican Air Force unarmed executive transport Bell helicopter crashed on 1 August in Muidumbe district, Cabo Delgado, injuring all six occupants. (Noticias, 2 Aug)

Meanwhile a **court in Pemba** on 31 July sentenced nine Tanzanian and Burundian citizens to 16 year jail terms for conspiracy against the state, attacks on public order and tranquillity, instigation to collective disobedience and membership of a criminal association. Three people, a Mozambican woman and two Tanzanian men, charged serious crimes, including murder and arson, were acquitted for lack of evidence. Judgement of five others was postponed to allow more investigation. (Noticias 1 Aug, AIM 1 & 5 Aug)

Judge Geraldo Patricio said those convicted had taken part in campaigns to instigate the population to disrespect state institutions, and particularly not to take their children to state schools. They also spread "messages that defended religious fundamentalism". But it was not proved that they had carried forbidden weapons or had committed "heinous crimes" (such as first degree murder).

AIM notes that several hundred alleged insurgents have been captured, and four trials have been held. Three more are planned. But since the testimony was heard behind closed doors, the trials have not thrown much light on the origins and motivations of the insurgency.

## Hidden debt: Pearse fingers Guebuza, Safa and CS

The role of Armando Guebuza's son Ndambi, Prinvest head Iskandar Safa, and Credit Suisse were highlighted in the guilty plea in New York on 19 July of Andrew Pearse, the managing director at Credit Suisse Securities Europe, who arranged the \$2bn secret debt. The full text of his court hearing is on: <http://bit.ly/Pearse-plea> Key points of his confession include:

+ "During and after my employment at Credit Suisse, Prinvest, with the knowledge of its executives, Jean Boustani, Iskandar Safa and Najib Allam, wired me millions of dollars in unlawful kickbacks from loan proceeds. ... I took these actions to enrich myself and my co-conspirators and to benefit Credit Suisse, which gained substantial profits from the ProIndicus and Ematum loans."

+ "Boustani told me that Prinvest had paid the son of Mozambique's then president at least \$50 million."

+ Prinvest received all of the loan money directly and paid a "subvention fee" to Credit Suisse. "While I was a managing director a Credit Suisse Securities Europe Limited, in or about late February 2013, Credit Suisse was in the process of closing a \$372 million loan to ProIndicus. I led the deal team. Boustani offered to pay me half of the amount by which I, together with others, reduced a subvention fee to be paid by Prinvest in connection with the loan. I accepted Boustani's offer, successfully made efforts to reduce the fees paid by Prinvest, and received payments by wire from Prinvest into a bank account I opened in the United Arab Emirates with the assistance of Prinvest employees. Safa was aware of my agreement with Boustani to secretly split the amount Prinvest saved from the reduction of the subvention fee. ... I subsequently reached similar agreements with Safa and Boustani to receive a percentage of the loan proceeds from the Ematum and MAM transactions" as well as the increase in the ProIndicus loan.

+ "I believe the overall loan amount for the Ematum project was larger than was required by the Mozambicans to establish a tuna fleet and that it was sized according to the available financing offered by Credit Suisse and VTB to Privinvest."

+ "While employed by Credit Suisse, I and others at Credit Suisse knew that projects in emerging market countries, such as those involving Safa and Mozambique, presented a high risk of bribery. At that time, I was not concerned about the bank's or my potential exposure because I had observed that Credit Suisse had used intermediating brokers in transactions that featured a high risk of corruption with the apparent view that doing so insulated itself from legal liability."

As part of a plea bargain, Pearse pleaded guilty to "wire fraud" but non guilty to securities fraud, bribery and money laundering. Mark Bini for the government noted items which would be presented to the court if the case went to trial, which Pearse confirmed were true. These included, in Bini's words:

+ "Many wires related to the payment of bribes and kickbacks to corrupt foreign officials and bankers passed through the Eastern District of New York."

+ "The government would prove that in March of 2016, co-conspirators flew to John F Kennedy Airport in Queens in order to attend a road show to promote an exchange of the Ematum loan participation notes for a Eurobond in furtherance of the scheme."

Perse will have to return to New York to be sentenced, which could include prison sentences and forfeiture of assets. He has been allowed to return to his home in the UK. He must post \$2.5 mn bail, accept electronic monitoring, report weekly to his lawyer in London and by phone to the FBI, and surrender his passport and use it only for travel between New York and the UK.

**Comment:** Pearse's short confession, written with agreement of the court, contains five important points. First, his stress on Credit Suisse turning a blind eye to obvious corruption suggests that US authorities now want to prosecute Credit Suisse. Second, the direct involvement of Safa and Privinvest in bribery, which suggests they, too, will be prosecuted. Third, his admission that the loan was larger than could be justified by what Privinvest was supplying. Fourth, the confession includes his agreement that the Eurobonds negotiated to replace the original Ematum bonds were also corrupt. Fifth, that all three loans, to ProIndicus, MAM and Ematum were corrupt.

These all make it much easier for Mozambique to argue that the whole loan package, including the bonds, were corrupt from the start, that Mozambique should not pay, and that Credit Suisse and Privinvest are liable.

## **Safa sued; 4 remain in detention**

Mozambique is suing Lebanese-French billionaire Iskandar Safa for fraud, targeting the chief executive officer and founder of the shipbuilding company Privinvest at the centre of the \$2 billion debt scandal. The government, represented by Peters & Peters Solicitors LLP, filed the case on 31 July in the High Court of Justice's commercial court in London, according to a filing, which didn't provide further details. (Bloomberg 1 Aug) Mozambique has already sued Credit Suisse, but again there is no information.

Maputo City Higher Appeal Court on 31 July rejected the requests for conditional release made by three of the people detained in connection with the hidden debts scandal. They are Ndambi Guebuza, the oldest son of former President Guebuza; Antonio do Rosario, the former head of economic intelligence of the Mozambican Security and Intelligence Service (SISE), who became chairperson of all three fraudulent companies; and Sergio Namburete, a businessman said to have ties with SISE.

The next extradition hearing of Manual Chang in the South Africa High Court will be Tuesday next week, 13 August. Jean Boustani has denied all charges and is awaiting trial in a New York jail.

In an unrelated corruption case, the Supreme Court denied the habeas corpus petition filed for the former Mozambican labour minister Helena Taipo, detained four months ago. Also a former ambassador to Angola, Taipo is accused of illegally benefiting from \$1.6 mn of Social Security funds.

## Medimoc sale is end of an era

Health was a priority for Mozambique's post independence government, and it followed - indeed took a leading role - in the international thinking of the era. The Alma-Ata conference of 1978 set the goal of "health for all" and prioritised primary health care. The World Health Organization (WHO) published the first essential medicines list (EML) in 1977. WHO notes that "in 1977, a few months before WHO published the first EML, Mozambique had already created its national pharmacopeia, a list consisting of 430 essential medicines. The country has managed to increase local access to medicines from 10% of the population in 1975 to 80% in 2007."

<https://www.who.int/medicines/events/fs/en/> Medicines on the list were all generic (that is, not brand name) and were all bought on international tender for the entire country, which sharply reduced the price. Medimoc was set up in 1977 to import and distribute medicines, and it was one of the biggest successes of the socialist era.

But the pharmaceutical industry and particularly the United States had strongly opposed essential medicines lists and import restrictions. With the end of the war in 1992, donors and international finance agencies arrived and imposed a neo-liberal agenda. In 1998 Mozambique was required to allow private imports of medicines. Medimoc was marginalised by donors who were paying for many of the imported medicines. And in recent years the IMF has been pushing hard for the privatization of the remaining state enterprises.

On Friday 1 August, the state holding company IGEPE, announced that Medimoc is up for sale. (O Pais, 6 Aug) The company is 2/3 owned by the state and 1/3 by its employees. The proposed sale marks the successful end of a 40-year campaign to return medicines supply totally to the private sector, as it was in the colonial era.

## LNG construction starts

President Filipe Nyusi on 5 August laid the first stone in the construction of a liquefied natural gas (LNG) plant in the Afungi Peninsula in Palma district, Cabo Delgado. Two LNG processing plants (known as "trains" because they have a series of units) will be built at Afungi. Nyusi said they will produce 12.6 million tonnes of LNG a year, of which 11.1 million tonnes are already earmarked for sale through medium and long term contracts. (AIM, 5 Aug)

The total investment will be \$25 billion of which \$14bn dollars will come from bank loans and \$11bn from the partners in the Area One Concession. Anadarko claims up to \$2.5 bn of this could be spent with Mozambican contractors, and up to 5,000 Mozambicans could be employed in the construction. It has been agreed that all cement and aggregate will be bought in Mozambique, with a value of \$150 mn, according to Anadarko chair for Mozambique, Steve Wilson. (Carta de Moçambique, 6 Aug)

The final investment decision for this project was signed on 18 June in Maputo between the government and the consortium exploiting the natural gas resources in offshore area one of the Rovuma Basin. The US company Anadarko Petroleum is the operator of the project and currently holds 26.5% of Area One. Its partners are the Japanese company Mitsui (20%), PTTEP of Thailand (8.5%), the three Indian companies ONGC Videsh, Bias Rovuma Energy, and BRPL Ventures (each 10%), and Mozambique's National Hydrocarbon Company (ENH, 15%).

Anadarko is being sold to Occidental Petroleum, which in turn is selling all of Anadarko's African assets, including Rovuma Basin Area One, to the French energy giant Total.

The liquefaction process involves cooling the gas to a temperature of minus 162 degrees Celsius, which requires the removal of all impurities, thus the "train" of processing units. At this temperature, its volume shrinks to just one six-hundredth of its gaseous state. The LNG will be exported in tanker ships that will dock at special berths to be built at a new port in Palma. There will be five berths, four for LNG and one for condensate. Each of the tanker ships will be 300 metres long and can hold the equivalent of about a million barrels.

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## Background reading

### Special reports

#### Mozambique heroin transit trade

English - LSE - <http://bit.ly/Moz-heroin>

Portuguese - Pt - CIP - <http://bit.ly/Moz-heroina>

#### Gas for development?

Gas\_for\_development\_or\_just\_for\_money?\_2015 [bit.ly/MozGasEng](http://bit.ly/MozGasEng)

Gás\_para\_desenvolvimento\_ou\_apenas\_dinheiro?\_2015 [bit.ly/MozGasPt](http://bit.ly/MozGasPt)

Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>

Special report on four poverty surveys: [bit.ly/MozPoverty](http://bit.ly/MozPoverty)

2018 Constitution - <http://bit.ly/2KF588T>

Minimum wage and exchange rates 1996-2018 -- <http://bit.ly/MinWage18>

#### \$2bn secret debt - in English

Kroll - Full report on \$2bn debt - <http://bit.ly/Kroll-Moz-full>

Kroll report summary - <http://bit.ly/Kroll-sum>

Key points of Mozambique parliament report - Nov 2016 - <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to Mozambique's \$2.2 bn debt - <http://bit.ly/3WQ-hanlon>

#### In Portuguese:

Parliamentary Report on the Secret Debt (complete) [bit.ly/MozAR-debt](http://bit.ly/MozAR-debt)

**Election study collaboration:** We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozEIData>

Election newsletters are on <http://bit.ly/2H066Kg>

**Eight books by Joseph Hanlon can be downloaded, free:** <http://bit.ly/Hanlon-books>

Bangladesh confronts climate change (2016)

Chickens and beer: A recipe for agricultural growth in Mozambique (2014)

Há Mais Bicicletas – mas há desenvolvimento? (2008)

Moçambique e as grandes cheias de 2000 (2001)

Paz Sem Benefício: Como o FMI Bloqueia a Reconstrução (1997)

Peace Without Profit: How the IMF Blocks Rebuilding (1996)

Mozambique: Who Calls the Shots (1991)

Mozambique: The Revolution Under Fire (1984)

#### Two more will be available shortly to download:

Apartheid's 2nd Front (1986)

Mozambique and the Great Flood of 2000

#### These are still available for sale:

Galinhas e cerveja: uma receita para o crescimento (2014) (free in English)

Zimbabwe takes back its land (2013)

Just Give Money to the Poor: The Development Revolution from the Global South (2010)

Do bicycles equal development in Mozambique? (2008) (free in Portuguese)

Beggar Your Neighbours: Apartheid Power in Southern Africa (1986)

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**Mozambique media websites, Portuguese:**

Notícias: [www.jornalnoticias.co.mz](http://www.jornalnoticias.co.mz)

O País: [www.opais.co.mz](http://www.opais.co.mz)

@Verdade: <http://www.verdade.co.mz>

Carlos Serra Diário de um sociologo: <http://oficinadesociologia.blogspot.com>

**Mozambique media websites, English:**

Club of Mozambique: <http://clubofmozambique.com/>

Zitamar: <http://zitamar.com/>

Macauhub English: <http://www.macauhub.com.mo/en/>

AIM Reports: [www.poptel.org.uk/mozambique-news](http://www.poptel.org.uk/mozambique-news)

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