

MOZAMBIQUE News reports & clippings

316 17 April 2016 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Also in this issue:

Prosecutor gunned down

Renamo official gunned down as fighting increases

Political control of Notícias reversed

IMF cancels mission as Maleiane admits secret borrowing exceeds \$1 bn

"Undisclosed borrowing exceeds \$1 billion and significantly changes our assessment of Mozambique's macroeconomic outlook," IMF Africa director Antoinette Sayeh told a press conference in Washington on Friday 15 April. As a result, an IMF mission scheduled to arrive in Maputo this coming week "has been cancelled, pending a full disclosure and assessment of the facts."

Sayeh said that Finance Minister Adriano Maleiane, who is already in Washington for the Spring meetings of the IMF and World Bank "confirmed to us that borrowing and has also promised to give us additional information" and the IMF is "still waiting to receive more information from Mozambique on the nature of this borrowing, and the use of that borrowing."

The mission to Maputo would have discussed the second tranche of a loan due to be disbursed, but this has clearly now been frozen. Last year the government got into financial trouble because of needing to repay the Ematum bond and the lack of new income from the gas. The IMF agreed a loan of \$283 mn under its Standby Credit Facility (SCF) but only the first instalment of \$119 mn was released in December. The Ministry of Economy and Finance said on Saturday that it is sending an emergency technical delegation to Washington "to establish the necessary conditions for the IMF mission, currently cancelled, to visit the country".

The *Wall Street Journal* on 3 April revealed that in addition to the \$850 million Ematum bond issue in 2013, there was a second secret \$622 mn loan the same year to Proindicus, which is owned by Monte Binga, the Defence Ministry company. The loan was made by Credit Suisse and the Russian bank VTB, who were responsible for the Ematum bond, but was kept secret from the IMF, parliament, and investors who have just agreed to reschedule the Ematum bond. The *Wall Street Journal* suggests the loan was expanded to \$900 mn, but IMF Africa Director Sayeh now suggests

it is over \$1 bn. The *Journal* says that at least part of the money was to fund the purchases of navy ships and radar installations to protect against piracy.

The transcript of the press conference is at the bottom of this newsletter, and on <http://www.imf.org/external/np/tr/2016/tr041516a.htm>

The *Journal* article is on <http://www.wsj.com/articles/tuna-and-gunships-how-850-million-in-bonds-went-bad-in-mozambique-1459675803>

Loan made to Defence Ministry company when Nyusi was minister

President Filipe Nyusi has been able to duck the Ematum bond by saying it was a problem parcel passed by the outgoing administration of Armando Guebuza. But this loan was made to a Ministry of Defence company, Monte Binga, when Nyusi was Defence Minister. The Monte Binga website (montebinga.co.mz) says it is "a holding company owned 100% by the Mozambican State." That means taking the loan without parliamentary approval and keeping the loan secret violated Mozambican law and the agreement with the IMF.

Monte Binga, although set up by the Defence Ministry, is 100% owned by the government through the Instituto de Gestão das Participações do Estado (IGEPE). Monte Binga, in turn, owns 50% of Proindicus. @*Verdade* (5 April) says that the security services SISE (Serviço de Informação e Segurança do Estado) owns part of Proindicus. SISE and IGEPE are also owners of Ematum.

The Frelimo Central Committee, in a meeting which finished yesterday (Saturday), called on the government "to inform the public of the debt of Ematum and Pro-Indicus." The Central Committee also called for reductions in public expenditure (AIM 17 Apr), which also surely be demanded by the IMF.will

In the IMF press conference Sayeh noted that "we have advised the authorities that any undisclosed debt-related transactions, irrespective of their purpose, need to be reported transparently and publicly. Such disclosure is essential to ensure full accountability of the government to its citizens and Parliament [and] allow an accurate assessment of the previously undisclosed debt". She added that "the responsibility for having told us is really squarely with the Mozambicans."

Prosecutor gunned down

Public prosecutor Marcelino Vilanculo was gunned down and killed with an AK-47 assault rifle Monday evening 11 April as he returned to his home in Matola. Vilankulo was investigating the wave of kidnappings of businessmen (mostly of Asian origin) which has hit Mozambican cities since 2011. In particular he was investigating Danish Satar, suspected of being one of the masterminds behind the kidnappings. Danish Satar fled Mozambique in 2012, but Interpol arrested him in Italy and in December 2015 he was deported back to Mozambique. Danish is the nephew of Momade Assife Abdul Satar ("Nini"), one of the men convicted in 2003 of ordering the assassination of the country's top investigative journalist, Carlos Cardoso. Nini Satar was released on parole in 2014, after serving only half of his sentence of 24 years and six months for the Cardoso murder; Nini is believed to be living in the UK.

Vilanculo was also looking into the assassination in March 2015 of the prominent Franco-Mozambican constitutional lawyer, Gilles Cistac.

Police spokesperson Inacio Dina said there had been indications that the prosecutor "was being followed by criminals" but he seems not to have been given police protection. This murder bears similarities with the assassination in May 2014 of judge Dinis Silica. He was also investigating

kidnappings and was shot by unidentified gunmen as he was driving from his home to the Maputo City Court. (AIM 11,12,13 En Apr)

Renamo official gunned down as fighting increases

A high Renamo figure was gunned down in Beira Saturday night 9 April shortly after getting off an airplane from Maputo. He was one of two passengers leaving the airport in a “txopela” 3-wheeled taxi; the driver and the other passenger were also killed. The man was Jose Manuel, a Renamo-nominated member of the National Defence and Security Council. He was also one of the Renamo officers on EMOCHM, the international observer mission set up to monitor implementation of the 2014 cease fire agreement between government and Renamo.

Meanwhile fighting has been increasing. In several hours of fighting on 10 April along the N7 road at Nhassacara, Barué, Manica, the army claims it killed 15 Renamo fighters and lost just one soldier. There has been extensive fighting in that area and traffic now moves under armed convoy on that part of the road between Chimoio and Tete. According to the police, before the clashes broke out Renamo announced to the local people that it was now governing the area - apparently the first time it has attempted to carry out its threat to seize power in six central and northern provinces (AIM En 12 Apr)

Renamo head Afonso Dhlakama has set up his base in Satunjira on the heavily forested slopes of the Gorongoa mountain in Sofala, and there has been increased fighting near there. The government says they killed five Renamo fighters near Satunjira Tuesday 12 April, while one member of the riot police (Unidade de Intervenção Rápida UIR) was seriously injured. Government claims that the next day they prevented a Renamo attack on a police post outside Gorongosa town. (AIM 14 Apr). *Savana* (8 April) has a long article about Isidio Bila, a young government soldier killed in fighting near Satunjira on 30 March. The article said two dozen soldiers were killed in that battle.

A survey by the Education Ministry has shown fighting between Renamo and government have forced the closure of 97 schools, affecting 38,000 pupils in Zambézia, Sofala, Tete and Manica. More than 9,000 primary school pupils in Sabe, Morrumbala, Zambezia, are being transferred to other areas to attend school. Sabe is where Renamo is setting up a military base which it calls its “general staff headquarters”. (AIM En 4, 8 Apr)

The United Nations High Commission for Refugees (UNHCR) announced on Friday that it has begun to relocate Mozambican refugees in southern Malawi from areas close to the border to Luwani, 320 kilometres away. UNHCR says that 10,000 Mozambicans have fled into Malawi from Nkondezi, Tete, near the Malawian border, to escape fighting between Renamo and the government. Luwani housed Mozambicans who fled into Malawi during the 1982-92 war and the Malawian government authorized its reopening.

Political control of *Notícias* reversed

Former *Notícias* editor Rogério Siteo was elected by parliament on 12 April to be a member of the national media council (Conselho Superior de Comunicação Social CSCS). One of Mozambique's best journalists, Siteo ensured that President Armando Guebuza's picture was not on the front page every day and the lead story was not always about him. But Siteo was sacked as editor in July 2013 at the height of Guebuza's attempt to take tighter control of the media to promote his image, in part in the hope he might be able to serve a third term as president.

Siteo was replaced by Jaime Langa who had no journalistic experience but had been a Frelimo vereador (local minister) for economic activities in the Matola city council. Initially he put Guebuza's picture on the front page most days. Langa was sacked on 4 April.

Julio Manjate has been named Editor Director and Delfina Mugabe assistant director. Both are highly respected *Notícias* journalists. Their appointment puts good journalists back in control of the country's main daily newspaper; Siteo's naming to the CSCS is tacit recognition of the error of his dismissal.

Other news

The next Frelimo Congress will be held in Matola 26 September to 1 October 2017, the Central Committee decided in a meeting which ended Saturday. The last Congress was in 2012 in Pemba. (AIM 17 Apr)

Faults have been found in the construction of grain silos in several provinces. Irregularities were detected in the hiring of the contractors to build the silos, and of the companies that were supposed to supervise the jobs, leading to poor construction work. Work began in 2009 and 26 silos to hold 40,000 tonnes of grain have been completed. Speaking on 5 April at the end of the weekly meeting of the Council of Ministers, government spokesperson, Deputy Health Minister Mouzinho Saide, effectively admitted that the silos are not being used. He said the Ministry of Industry and Trade had been instructed to present a plan for the management and operation of the silos.

A red alert, the highest disaster alert, has been declared in several drought affected provinces in the south and centre, which has threatened at least 1.5 million people with hunger. The government guaranteed that this month it is distributing food aid to 600,000 victims of the drought.

Transcript of IMF African Department Press Briefing

Washington, D.C.
April 15, 2016

PROCEEDINGS

MR. KANYEGIRIRE: Thanks for making the time to come to this briefing on the African Department here at the IMF. And we'll start with some opening remarks from the Director of the African Department. It's Madame Antoinette Sayeh -- after which, we shall take some questions. Please keep the questions brief and precise. I'll invite Antoinette now to make her opening remarks.

MS. SAYEH: Good morning, and welcome to everyone.

...

Finally, I would like to close by providing an update on Mozambique, given recent press reports about the existence of new loan transactions associated with the security and defense sectors. We have received confirmation this week from the authorities of the existence of a large amount of borrowing that had not previously been disclosed to the IMF. The undisclosed borrowing exceeds \$1 billion and significantly changes our assessment of Mozambique's macroeconomic outlook. We are currently ascertaining, in cooperation with the authorities, the facts regarding this borrowing. We have advised the authorities that any undisclosed debt-related transactions, irrespective of their purpose, need to be reported transparently and publicly. Such disclosure is essential to ensure full accountability of the government to its citizens and Parliament, allow an accurate assessment of the previously undisclosed debt on the macroeconomic outlook, and assess the impact of these possible transactions on the IMF-supported arrangements with Mozambique. The mission that was scheduled to initiate discussions next week for reviews of Mozambique's arrangements under the policy support instrument and standby credit facility has been cancelled, pending a full disclosure and assessment of the facts. Thank you very much for your attention. Let me now open the floor to your questions.

...

QUESTIONER: Thank you very much. I am interested in the Portuguese speaking countries in Africa. ... And going back to Mozambique, it is a country that depends on external dollars to keep up with its domestic budget so on this new secret loan isn't it affecting the countries international credibility and are you happy with explanations that Mozambique has given to you in the past few days?

MS. SAYEH: ... On Mozambique, certainly this is a very major development that we are still seeking to fully understand and that all of Mozambique's partners I am sure are eager also to understand and to appreciate the impact the macroeconomic impact of this considerable volume of debt, and how that impacts their ability to continue to provide their planned financing to Mozambique. We have certainly had discussions with the Minister here who has, as I said in my opening remarks, confirmed to us that borrowing and has also promised to give us additional information so that we have all the facts we need to make our assessment. So on that basis I certainly am comfortable with waiting to get the promised information from the Minister and then to pursue our assessment of the overall impact both on the macroeconomic prospects for Mozambique and for what next steps our relationship will have.

...

QUESTIONER: Could you tell us? Did the Mozambicans give you any indication, where this billion dollars came from, and where it went?

MS. SAYEH: As I said before, we are still ascertaining all of the information, and still waiting to receive more information from Mozambique on the nature of this borrowing, and the use of that borrowing. We certainly have learned from the Mozambicans that that borrowing came from two sources, and as you saw this was also reported in The Wall Street Journal, and in other sources. One of those sources was Credit Suisse, and the other was VTB Bank, the Russian bank. So, that's what we know today, and we expect that we will learn more about the nature of the borrowing, and eventually how it was used as well. We don't have more details on that.

...

QUESTIONER: My question is what responsibility the banks have to disclose loans like this when they know there is IMF borrowing, if any. And also, Credit Suisse and DTB, obviously they knew about these loans and they were not disclosed to the IMF. And then also the question is why give a loan in the first place after the initial disclose that the money was used for gunships instead of tuna boats in the initial transaction?

MS. SAYEH: I think that's a question for the banks that you may need to put to them in terms of how they make their own investment and lending decisions. Certainly they would need to evaluate whether that lending and investment makes sense from their own perspective of profit making. And I'm not in a position to answer why they did what they did. I think you need to ask them about that. Certainly we would have wished that we would have heard about these loans earlier, but the responsibility for having told us is really squarely with the Mozambicans in our partnership with them in the form of the program that we had with them and as a member of our institution.

(error in penultimate paragraph corrected on advice of press office)

<http://www.imf.org/external/np/tr/2016/tr041516a.htm>

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Chickens and beer:

A recipe for agricultural growth in Mozambique

by Teresa Smart and Joseph Hanlon

E-book for Kindle and iPad, for \$9.32 from US Amazon -

<http://www.amazon.com/dp/B00NRZXXKE> - £5.14 from UK Amazon.

In pdf format, 6 Mb file, free on <http://bit.ly/chickens-beer>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon. Copies are in Maputo bookshops or from
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Joseph Hanlon

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O Pais: www.opais.co.mz

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Diario de Moçambique (Beira): <http://www.diariodemocambique.co.mz>

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