

MOZAMBIQUE News reports & clippings

316 24 April 2016 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon is on <http://bit.ly/chickens-beer>

Gas for development or just for money? is on <http://bit.ly/MozGasEn>

News reports below

Comment

Secret loans: What happens now?

Like a naughty schoolboy caught smoking in the bike shed who is then summoned to the school principal's office, Prime Minister Carlos Agostinho do Rosario flew to Washington to appear before IMF Managing Director Christine Lagarde. Apparently he confessed to her that at least \$1.35 bn in loans were taken out in secret without telling parliament or donors - or, most importantly, the IMF.

At least \$2.2 bn - equivalent to all government spending for five months - has been squandered in secret on boats of dubious necessity and, it is widely assumed, on corrupt payments. So, what happens now?

There are two guiding principles which will shape whatever happens. First, Frelimo is obsessed by maintaining unity at all costs. Ever since Eduardo Mondlane was assassinated in 1969, Frelimo has realised that it can only gain and keep power by not splitting up. That means no one is expelled from the party no matter how corrupt or incompetent they are; anyone who might be a threat is given a sinecure. Disputes are settled within the party and the aim is for win-win agreements. The Ematum bond was said to benefit allies of the former President Armando Guebuza. One of the secret loans just revealed benefitted the military when the current president, Filipe Nyusi, was defence minister.

The second guiding principle is that the big multinational lenders and donors - the IMF, World Bank and EU - as well as the bigger bilateral donors, need to provide money to Mozambique. Aid officials are mainly judged and promoted based on how much money they dispense. Despite war and scandal, Mozambique is seen as a country they can work with and which largely follows donor policies; Maputo is a pleasant place to work.

The result is a tacit agreement. During the scandals of 1990s when more than \$400 mn was stolen from banks, and again with Ematum, the donors and lenders have tried to curb the most egregious excesses. But mostly they only made angry noises. In particular, they have never required Frelimo to publicly identify the culprits - those senior in the party who stole huge amounts and even ordered murders. That, in turn has allowed Frelimo to stay united.

Despite being offended, Christine Lagarde will not cut off Mozambique, because that would look bad for the IMF. Similarly the World Bank and EU will argue they have large development

programmes which benefit most Mozambicans, so they should not stop those. A few European donors with conservative governments might take their aid elsewhere, but most will not. The willingness to never name the crooks is because the network of patronage has been skilfully constructed; anyone who is identified will name others. That, in turn, could split the party. Both Frelimo and the donors and lenders fear that a split party could lose the next election, and most donor and lender officials would not want a government run by the present opposition. This, in turn, gives substantial negotiating power to Nyusi, Guebuza, do Rosario and Finance Minister Adriano Maleiane. *jh*

Comment

Small war: Are civilians official targets?

On Sunday 17 April Renamo dug a trench across the main N7 road in Barue and set fire to three vehicles that stopped. On Monday 18 April, Renamo official António Sautane Chulo, the second deputy chair of the Inhambane Provincial Assembly, was shot and seriously injured outside his house. From his hospital bed, Chulo said that he had earlier come under pressure to order Renamo gunmen in the Inhambane districts of Funhalouro and Mabote to disarm, which he said he could not do because he had no control over them. Also on Monday two Renamo party offices in Chimoio, Manica, were burned and money and IT equipment stolen. And on Thursday 21 April Renamo killed a child in an attack on a district administration car near the town of Canda, Sofala.

In recent weeks Renamo has been shooting at civilian buses and other road traffic, while two senior Renamo officials were shot in Beira. President Filipe Nyusi declared in Brussels on Friday that democracy is not compatible with the existence of armed political parties.

Has the government decided that as Renamo is waging war as an armed party, its party officials can no longer be treated as non-combatants? As Renamo guerrillas escalate the war, do civilian party officials increasingly become legitimate targets? *jh*

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News reports

Secret debt: \$1.35 bn and rising

Secret loans taken in 2013 total at least \$1.35 bn and it appears more will be revealed. This is on top of the \$850 mn Ematum loan.

Reuters on Friday listed four loans. Proindicus, a state firm owned by the Ministries of Interior and Defence and the State Security and Intelligence Service (SISE) was lent \$504 mn by Credit Suisse and \$118 mn by Russia's VTB. The third loan was \$535 mn to Mozambique Asset Management, a state company creating the gas logistics terminal in Pemba. Fourth, the Interior Ministry borrowed \$130-\$200 mn. Those four loans total between \$1287 mn and \$1357 mn. It is believed this is not all, and more loans are to be revealed.

According to a February 2013 Credit Suisse document obtained by Reuters, the money was earmarked for acquiring high-speed naval interceptors, radar stations, off-shore patrol vessels and aircraft.

A history of hiding debt

The set of five loans taken in secret in 2013 totals \$2137 to \$2207 mn. But this is just part of

Mozambique's total foreign debt. And it appears that Mozambique has been telling different stories to everyone, from the IMF to bondholders to its own parliament and courts, over its debt.

Zitamar reported Tuesday (19 Apr) that in 2012 (before the secret loans) the public was told the debt was \$4.8 bn but Ematum bond investors were told it was \$5.2 bn - already a \$400 mn gap, suggesting an earlier secret loan.

In 2013 the gap was already \$1 bn - the public was told public debt was \$5.8 bn while investors were told \$6.8 bn. Ematum bondholders were told last month that in 2014 (after the five secret loans were taken) Mozambique's debt was \$8.2 bn while the public statement was \$7 bn. This difference looks like the four secret loans.

The Tribunal Administrativo statement last November on government finances said there were only three government guaranteed loans - Ematum, the airports authority, and the road fund. But even that was not correct. Zitamar points out the Finance Ministry Spokesman Rogerio Nkomo admitted on STV on 15 April that the ProIndicus loans were government guaranteed.

Government guaranteed loans must be approved by parliament, but it appears that the IMF and donors, parliament, and the Tribunal Administrativo were not informed about some loans. "It is probably one of the largest cases of the provision of inaccurate data by a government the IMF has seen in an African country in recent times. They deliberately kept from us at least a billion dollars, possibly higher, of hidden loans," an anonymous IMF official told the *Financial Times* (18 Apr)..

The Ematum rescheduling prospectus issued earlier this year said total debt in 2015 was \$11 bn, of which \$9.7 was foreign debt, according to Zitamar. The jump from \$8.2 bn to \$11 bn is not explained.

The IMF issued a terse note on Saturday 23 April saying: "Following a meeting held earlier this week between Carlos Agostinho do Rosario, Prime Minister of Mozambique and Ms. Christine Lagarde, IMF Managing Director, a technical team led by the Vice-Minister of Finance, Ms. Isaltina Lucas, worked intensively with the IMF Mozambique staff team. The authorities acknowledged that an amount in excess of \$1 billion of external debt guaranteed by the government had not previously been disclosed to the Fund. Staff welcomed the authorities' extensive disclosure of information which constitutes an important first step toward full restoration of trust and confidence." The IMF has, however, suspended further lending to Mozambique, including the second tranche of an already agreed loan.

There has been no similar "extensive disclosure" in Mozambique, however.

Response to the secret debt revelations

The Bank of Mozambique said it made \$200 mn in repayments in foreign loans last month, mostly for Ematum, only by dipping into resident's dollar deposits. (Zitamar 21 Apr) The central bank also raised the base lending rate from 10.75% to 12.75%.

Meanwhile the Metical has plummeted as people try to buy dollars. Rates of up to Mt 60 = \$1 were reported on the parallel market. On Friday the Bank of Mozambique quoted Mt 53 = \$1 and Mt 3.7 = Rand 1. This is compared to 50 and 3.2 a month ago, on 24 March, and 47 and 3.0 on 29 February.

Mozambique's former Information Minister, Teodato Hunguana, and a member of the Frelimo Central Committee, told *O Pais* (22 Apr) that at its meeting the previous week the Central Committee "demanded that explanations be given, not only to Frelimo members, but to the nation. The nation has to know what is really going on." At the Central Committee meeting, "it was clearly said that we have to see what" part of the debt is for military purposes and what part for "private interests, and it is those interests that must be called upon to answer". He warned there was a

danger of Mozambique being recolonized by the international creditors, as happened with Greece and Portugal.

The Budget Monitoring Forum (Forum de Monitoria do Orcamento), has demanded "an exhaustive audit of the Mozambican public debt ... in order to know the real amounts involved, the creditors and the payment period for each of the debts". The Forum is a coalition of some of the main civil society organisations, including the Community Development Foundation (FDC), the Centre for Public Integrity (CIP), and the Community Radio Forum (FORCOM). The report (in Portuguese) has a good list of all known non-concessional debt. <http://bit.ly/Moz-commercial-debt>

CIP has published a report (Portuguese only) pointing to "the fact that the government has not yet seen the necessity of informing the Mozambican people or giving an explanation to parliament," three weeks after the secret loans were revealed. "Desastre da dívida pública em moçambique: O governo vem violando o princípio de transparência orçamental". <http://www.cip.org.mz/article.asp?sub=moc&docno=459>

Credit Suisse has come under heavy criticism for making secret loans for military equipment and not telling other borrowers or the IMF. The *Financial Times* quoted a "foreign diplomat" to say "Credit Suisse has some quite big questions that so far it has not really wanted to answer." Credit Suisse has some record of misjudged secrecy; earlier this month it said it faced potential operational losses of \$3.6 billion, in part because \$1 bn in illiquid trading positions were kept secret from top bank officials.

The war continues

On Sunday 17 April Renamo used local community members to dig a trench 1 m wide and 50 cm deep across the N7 road in Honde, Barué, the site of repeated Renamo attacks. Three trucks which were stopped were set on fire. An article posted by Club of Mozambique has pictures of a car stuck in the trench and the burning lorries, including one carrying timber. <http://clubofmozambique.com/news/renamo-digs-hole-on-national-road-7-in-manica-mozambique-police/>

On Monday police shot and killed two people trying to sabotage a bridge nearby. (AIM Eng 19, 20 Apr)

In the early hours of Monday morning two Renamo offices in Chimoio were set on fire and money and IT equipment stolen. They were the Renamo provincial headquarters in the city centre and the Soalpo neighbourhood office.

On the evening of Monday 18 April, Renamo official António Sautane Chulo, the second deputy chair of the Inhambane Provincial Assembly, was shot and seriously injured. The attack occurred outside his home in Maxixe.

Renamo claims at least 12 party members were murdered during the first three months of 2016 in Gorongosa, Sofala. Renamo said that in February nine people were taken from their homes and executed in Canda, Gorongosa, along with a man who hoisted the party's flag in the Mapombwe neighbourhood of Gorongosa village. On 27 March a demobilised Renamo man was allegedly shot dead after he was dragged from a public taxi while he was en-route to his farm in the district. On 28 March, two taxi-bike drivers were allegedly shot at Macossa crossroads after they were accused of taking food to party leader Afonso Dhlakama, who returned to his Gorongosa base early in January. (VOA Pt)

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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

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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:

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

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

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

CanalMoz on Facebook: <https://www.facebook.com/CanalMoz>

Macauhub English: www.macauhub.com.mo/en/

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

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

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