

# MOZAMBIQUE News reports & clippings

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Editor: Joseph Hanlon ( [j.hanlon@open.ac.uk](mailto: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>

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## Frelimo under pressure on debt: parliament, party elders, US, other donors

Two parliamentary commissions will quiz the government on the secret debt. The parliamentary Standing Commission agreed Monday (9 May) that the both Plan and Budget Commission and the Defence and Public Order Commission would question the government. The parliament session is scheduled to resume in June, but commissions meet during recesses so the hearings could be soon. The secret debt was taken without parliamentary approval (thus the Budget Commission) and is said to be for patrol boats and others arms (thus the Defence Commission). Renamo boycotted the Standing Committee session.

This is a total reversal of the position of Frelimo in parliament, which last month rejected a debate on the debt. More than \$2 billion in secret loans and bonds were taken on in 2103-14 by a small group around the then President Armando Guebuza. Many MPs are seen as aligned to Guebuza, and the reversal of position is an indication of increasing pressure on Guebuza and Frelimo.

On Saturday the politically influential Veterans Association (Associação dos Combatentes da Luta de Libertação Nacional, ACLLN) said the government should investigate possible conflicts of interest of the still secret individual investors in the three companies whose debts were guaranteed by the state - Ematum, ProIndicus and MAM. It also said that the state should only accept the military part of the debt and not that of the three companies. Last month the Frelimo Central Committee had demanded a public explanation of the secret debt.

In a speech to the Mozambican Bar Association on 4 May, Rui Baltazar said the country is going through "a profound political, economic and social crisis." In an obvious reference to the Guebuza government, he said Mozambique has gone through "a prolonged period of exercise of political power with an authoritarian nature and great opacity." He cited "deepening corruption, misuse of state property, nepotism, [and] an assault on public goods that should be exploited for the benefit of the people. ... Politics seems to be only about the conquest and preservation of power as a means to have unauthorized access to resources, promoted by a premature and dangerous euphoria based on energy El Dorados, encouraging wastefulness and megalomania, with all the harmful consequences that now we will have to face."

AIM (6 May) calls Baltazar "a moral beacon for Mozambican society". An anti-fascist in the late colonial period, he was one of the few lawyers who defended Mozambican nationalists. After independence he became Justice Minister and then Finance Minister. Eventually he became the first chair of the Constitutional Council.

## Donors and lenders tighten the screws

The United States said on Monday that it "endorsed the recent decision by the group of 14 countries (G14) providing general budget support to suspend such assistance until they are provided more clarifications and accountabilities." It also said it was "reviewing our aid, in particular any aid to the government." The US has never been a budget support donor, and provides its largest support to the health sector. "Most of this assistance directly benefits the people of Mozambique, and the United States does not wish to reduce this assistance." The US says it is the largest bilateral donor to Mozambique.

<http://portuguese.maputo.usembassy.gov/dividademocambique.html>

Donors and lenders met with the government last week and laid down a hard line. They stressed that it is for the government to present a clear roadmap or preliminary action plan, built around three key phrases: transparency, corrective measures and accountability. The first two of these were emphasised by the US in its statement Monday: "the government must now act quickly to publicly account in a full and transparent way for these loans and how the funds were used, as well as outlining a plan to mitigate its impact on the economy of Mozambique."

Transparency means providing a complete list of government guaranteed debts - it is believed that there are more which have not been revealed - and documenting in detail what the money has been used for. With Ematum donors were satisfied when the IMF forced the loan onto the government books, without actually asking for an accounting of how the money was used. But with two new secret loans revealed, this is no longer enough, and donors are demanding that government at least reveal in some detail what the money was used for.

Corrective measures mean filling the financial hole (of which more below), and a range of measures to make public enterprises more accountable, make sure procurement follows the rules, and ensure that there are more public and detailed evaluations of future investments.

Accountability is more complex. Some donors and lenders want forensic audits, which would identify corrupt payments and where they money went. In past corruption cases, Mozambique has only allowed one forensic audit and it was never allowed to be used (of which more below). Some donors want Guebuza named, shamed and prosecuted, while others realise this is unlikely. There are rumours that some in Frelimo want to offer former Finance Minister Manuel Chang as the scapegoat.

Some donors now argue that there has been such good will toward Mozambique that the country has been allowed to get away with past corruption scandals. One admitted: "donors have not wanted to accept that this is not a success story. So much has been invested that they do not want to lose face - or their own hopes." But many donor representatives feel personally offended - government ministers and officials lied to them about low levels of military spending and about investments. They say the Mozambique leadership does not yet realise how serious has been the smashing of trust, and how this will have in impact in their home capitals.

A full renewal of aid will be dependent on Mozambique having an IMF programme. The previous one was based on misleading data from the government, so the IMF will want to start from scratch, and this could take more than a year. But the IMF will surely demand harsh austerity measures and tight controls of both government spending and the money supply. Investment will be frozen, wages might be cut, and devaluation will continue, raising Maputo food prices (which in the past has caused riots).

## World Bank cites loss-making state companies with big debts

The first World Bank Mozambique economic update, published last week, hammered Mozambique for unaccountability of state companies. "Some public companies are implementing large public investment projects and are not profitable, but are still receiving non-concessional credits. For example, the government invested heavily in financing the expansion of airports by credit, but the state company Airports of Mozambique does not generate any dividends." Similarly Empresa de Desenvolvimento Maputo Sul is a state company which took non-concessional loans to build the Maputo ring road and the Catembe bridge, but has no income. The airline LAM, Telecomunicações de Moçambique (Tdm), and the mobile phone company Mcel are all state companies and losing money, the report notes. On top of this are new companies such as Ematum created without a business or investment plan. (The report was written before the recent revelations of at least two other large loans and two other new state companies.)

*(Mozambique economic update: navigating low prices)*

<http://documents.worldbank.org/curated/en/2016/04/26292421/mozambique-economic-update-navigating-low-prices>

## Filling the \$2 bn hole

Pressure is growing on Mozambique to fill the hole created by the secret debt. Although some budget support donors will in future only fund projects, others want to continue budget support. But they will not allow their money to be used to make repayments on the more than \$2 billion in secret debt. In order to satisfy those donors, to bring debt levels back to sustainable levels, and to find funding for the government's share of the Liquefied Natural Gas projects, Mozambique is going to have to find substantially more than \$2 bn - without taking on new debt or simply rolling over the old loans. And the current crisis means Mozambique cannot return to the bond market. President Filipe Nyusi's unexpected visit to China 16-21 May might be intended to raise money, but more loans will not help.

There seem to be three ways to raise this money. First is to recover money siphoned off for corruption as part of the secret loans and bonds. The three loans were all organised by Credit Suisse and the Russian bank VTB. It will be argued that the two banks misled bondholders by not telling them that there were three different loans and that the money was for arms. At the very least, the banks will be under pressure to reveal where the money went, or, alternatively, in secret to organise some return of money in foreign bank accounts. Similarly those members of the Mozambican elite who benefitted might be pressed to quietly return some money.

Second, there has always been hostility from the IMF and World Bank to state companies. In the early part of this decade, with gas money in prospect, Frelimo was able to protect state companies. As the World Bank report cited above makes clear, this is no longer tenable, and government will probably be forced to privatise state companies. Last week Finance Minister Adriano Maleiane suggested that the new state companies like Ematum might be privatised. But state companies with assets like LAM and Electricidade de Moçambique are more likely targets because foreign companies (or domestic business people) might pay for them.

Third is gas - Mozambique's share of the gas and initial gas revenues. The state company ENH (Empresa Nacional de Hidrocarbonetos) owns part of the two gas fields and will gain a share of the gas produced and of company profits. But it must pay its share of the LNG plants - \$1 bn or more. Once it would have expected to go to the bond markets, but this is no longer possible. The two main gas companies, ENI and Anadarko, have indicated that they are prepared to organise the funding - but they would be expected to be repaid out of ENH's first gas or profits, or out of the government's first royalties. This would delay any gas profits to Mozambique for several more years. ENH would either mortgage its initial profits, or sell off its first years of gas in advance.

If Mozambique has trouble filling the \$2 bn hole, perhaps because parts of the Frelimo elite refuse to return corruptly gained money, Mozambique might be forced to sell more gas in advance. This could also be where China comes in. Might China buy the airports company or make an advance gas purchase?

Whatever happens, this suggests that Mozambican revenue from gas will be deferred for several years. Combined with IMF austerity, it looks like the next five years will be hard.

## **Comment**

### **Will heads roll?**

In China, a few corrupt officials are made examples and executed. In Mozambique, some donors want at least metaphoric heads to roll. But Frelimo's history suggests otherwise.

Perhaps the best model of what will happen is an old story. As a condition of IMF support, the then People's Development Bank (BPD) was privatised in 1997 to the Southern Bank Berhad (SBB) of Malaysia (30%) and Investor (30%), a Mozambican company headed by Octavio Muthemba, former Industry Minister and chair of SPI - Gestão e Investimentos, the Frelimo party holding company. The state kept 40% of the renamed Banco Austral. Through a mix of direct theft and bad loans to themselves and others in the Frelimo elite, the bank was drained of at least \$150 million and then handed back to the state in 2001. Antonio Siba-Siba Macuacua, the Bank of Mozambique's head of banking supervision, was named head and tried to collect on some of the loans and prepare the bank for reprivatisation to ABSA of South Africa (later Barclays). In an unsuccessful attempt to stop the sale, Siba-Siba was murdered at the bank's offices on 11 August 2001.

In 2009 and 2010, the Public Prosecutor's Office (PGR) finally announced that no Mozambicans would be prosecuted for plundering and bankrupting Banco Austral or for the 2001 assassination. The Public Prosecutor's Office (PGR) said it would not prosecute Muthemba, who was chair of the Banco Austral board of directors, Jamu Hassan and Omaia Salimo, who were members of the board, and Alvaro Massinga, who sat on the bank's supervisory board, even though the four received large loans for themselves and their companies, knowing this was in violation of both the law (Lei 28/91) and the bank's Credit Policy Manual. Three received loans in excess of \$2 mn which were not being repaid. Donors forced a forensic audit of Banco Austral and made symbolic governance issues of the bank collapse and murder, for nearly a decade raising them each year in negotiations with the government - in the end, to no avail. (*Mozambique News Reports and Clippings* 160, 17 April 2010)

Some of those involved in the plunder and murder were identified inside Frelimo and were sent away, to Johannesburg, Washington and elsewhere, in 2002 - some with well paid jobs. In recent years, some have quietly returned to Maputo.

Similarly, Frelimo did not allow Joaquim Chissano to stand again for president in 2004 because of the aura of corruption that surrounded his presidency. After that, he kept a low political profile, but set up a foundation in Maputo, became an international elder statesman and mediator, and in 2007 won the \$5 mn Mo Ibrahim prize (because he did not stand again). In recent years he has become more prominent in Mozambican politics.

There has only been one exception to this rule. Former Interior Minister Almerino Manheneje was convicted of corruption in 2012 and jailed. He had lost his protection within the party.

So, if Frelimo felt that the internal and external pressure was strong enough, it might help senior figures of the previous government to move to Johannesburg or Dubai or Paris and keep a low profile for a while. But no prosecutions are likely. *jh*

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## **Other news**

### **Judges want protection**

In a meeting on the second anniversary of the killing of judge Dinis Silica, judges and prosecutors noted that there have been four more assassinations since then, and they demanded more protection. (*O Pais* 10 May)

### **Unidentified bodies buried**

The 13 bodies found in Macossa, Manica, were buried on Saturday, apparently without any attempt to identify them or determine the cause of death. They were buried in the same place they were found, near a bridge on the N1 road north of Gorongosa, the police said. (*O Pais* 10 May)

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by Teresa Smart and Joseph Hanlon

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## ***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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**Mozambique media websites:**

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

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

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

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

Macauhub English: [www.macauhub.com.mo/en/](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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