

MOZAMBIQUE News reports & clippings

320 14 May 2016

Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Mozambique material are posted on bit.ly/mozamb

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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>

Exposing the global links of secret Mozambique financial deals

Three important investigations were published this week into secret and dubious financial dealings, which underline the global nature of the problem. Two relate to the secret tuna and arms deals, and are available on free access from normally paid newsletters. The other, by Global Witness, is on a foreign investor.

Africa Confidential: **Secret security debts devastate economy**

The most comprehensive and understandable summary of the \$2 bn secret loans, with an excellent chart, was published Friday by *Africa Confidential* and is available free:

http://www.africa-confidential.com/article/id/11658/Secret_security_debts_devastate_economy

The newsletter talks of "growing calls for a forensic audit and an international police probe into the officials and entities involved in this massive fraud. ... Mozambicans now face the prospect of penury under the yoke of debt repayments on an epic scale." But it adds that "The role of the banks involved in the deals, whose terms were far above market rates, is also attracting regulatory interest and criticism." This issue is raised by the Zitamar investigation, below.

The *Africa Confidential* investigation goes further than the secret loans, and says: "Sources close to Rosário Fernandes, ex-head of the revenue authority, the Autoridade Tributária de Moçambique, have told us of systematic diversions of taxes straight into the pockets of the Frelimo elite, especially in the later years of President Guebuza's term of office, when he exercised enormous patronage. Massively inflated contracts were commonplace. The latest to emerge is the extravagant, nearly complete, Bank of Mozambique building in Maputo, which boasts a helicopter landing pad on the roof. Originally estimated to cost \$90 mn, the final cost is reckoned at at least \$300 mn, with kickbacks and 'commissions' accounting for the cost inflation, say Frelimo sources."

The newsletter claims that the Ematum boats, which are not being used, cannot be worth more than \$100 mn. While it had earlier been claimed that the rest of the loan went on military expenditure, it is now clear that was the ProIndicus loan - "so the unexplained sum may reach over \$700 mn."

"The authorities, including [senior security official] António Carlos do Rosário and senior military personnel, are now trying to give the impression that large amounts of defence equipment were

purchased, we hear. But security sources on the ground see little evidence of that, even though Mozambique's defence and security spending now equates to around a quarter of the national budget, *Africa Confidential* can reveal. As a percentage of gross domestic product, the amount allocated to defence is among the highest in the world, at a staggering 5%. But it has little to show for its money, and a more probable scenario is that the money enriched individuals."

Three Rosários: There are three Rosários in the recent news:

Rosário Fernandes, former head of the revenue authority (Autoridade Tributária de Moçambique)

António Carlos do Rosário, senior official of the intelligence and security service (*Serviço de Informação e Segurança do Estado*, SISE) and head of the three companies involved in the loan scandal

Carlos Agostinho do Rosário, Prime Minister

<Article corrected 15 & 19 May 2016>

Zitamar: Revealed: Ex-Credit Suisse banker in business with Ematum ship-builder

"A senior banker for Credit Suisse who was involved in putting together the deals the now threaten to bankrupt Mozambique left the Swiss bank shortly afterwards to go into business with a key beneficiary of the deals, Lebanese businessman Iskander Safa," the new Mozambican newsletter Zitamar reported on 11 May. The detailed article is available free on <http://zitamar.com/revealed-credit-suisse-banker-now-pay-ematum-ship-builder/>

The loan was for \$850 mn, of which \$17 mn was fees for the banks, and the remaining \$836 mn was transferred directly to Abu Dhabi Mar, a company owned by Privinvest, a Safa family holding company, according to Zitamar.

Global Witness: The deceivers: Edmonds and Groves: the former England cricketer, his business partner and their stock market empire built with bribery and scams

Phil Edmonds resigned as chair of Agriterra on 22 April. This was his third venture in Mozambique. He was behind the failed Procana sugar plantation in Gaza in 2008, which was always seen as dubious because it claimed it would produce four times as much ethanol as any similar project in Mozambique. He was also chair of African Medical Investments (AMI) which opened the AMI private hospital in Maputo in 2010; he resigned as chair in 2012. (See this newsletter 206, 289). Agriterra runs Mozbife and Deca in Manica province and plantations in Sierra Leone. <http://www.agriterra-ltd.com/>

Zambian born Phil Edmonds is a former England test cricketer (1974-87) who resigned as chair of Agriterra on the same day he replied to allegations about him by Global Witness, which published a detailed investigation on 12 May about Edmonds and his partner Andrew Groves: <https://www.globalwitness.org/thedeceivers/>

Global Witness says "Edmonds and Groves carried off a multi-million-dollar heist on their own shareholders, funnelling profits into offshore trusts." Edmonds and Groves deny any wrongdoing. According to Global Witness, they paid themselves substantial fee and salaries, and in the chapter on their Mozambique investments, Global Witness said "using secretive offshore companies as cover, they [Edmonds and Groves] siphoned off millions of dollars by selling assets to their own listed companies at bumped-up prices."

According to Global Witness, a company owned by Edmonds, Groves and Vivek Solanki in 2008 bought a property on Av Julius Nyerere in Sommerchield for \$2.2 mn and sold it to AMI, which they

controlled, for \$5.5 mn. AMI then built its hospital there. The report includes more details of opaque deals in Mozambique.

The looting machine

Financial Times correspondent Tom Burgis last year published *The Looting Machine: Warlords, Oligarchs, Corporations, Smugglers, and the Theft of Africa's Wealth* in which he argues that "the looting [of Africa] now is accelerating as never before. As global demand for Africa's resources rises, a handful of Africans are becoming legitimately rich but the vast majority, like the continent as a whole, is being fleeced. Outsiders tend to think of Africa as a great drain of philanthropy. But look more closely at the resource industry and the relationship between Africa and the rest of the world looks rather different. In 2010, fuel and mineral exports from Africa were worth \$333 billion, more than seven times the value of the aid that went in the opposite direction."

His book does not deal with Mozambique, but the similarities are there. African elites are indeed getting rich, but it is western corporations, banks, and stock market speculators who are really profiting. And the three investigations published this week show how linked the Mozambican crisis is to these dubious global networks.

What will Nyusi learn in China next week?

A top adviser to the former Chinese president Hu Jintao will be tried on corruption charges, accused of taking "massive" bribes, it was announced Friday. Ling Jihua was side-lined in a corruption scandal in 2012. Hu was replaced as president by Xi Jinping at the end of 2012, and he began an anti-corruption campaign. The (London) *Guardian* today quotes analysts to say that Xi has had to move slowly to consolidate power, and could not initially move against those close to his predecessor. The decision to put Ling on trial means only now, more than three years after taking office, does Xi feel that he has sufficient power to tackle corruption at that level.

<http://www.theguardian.com/world/2016/may/13/china-to-put-former-presidential-aide-ling-jihua-on-trial>

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Economic squeeze

Debt, falling commodity prices, falling exports, war and less investment have combined to create an economic squeeze since late last year. Little new construction is starting in Maputo and some building projects have slowed or stopped. Many companies are reducing staff. Rents, especially in older buildings, are falling significantly. Since late last year, government has been delaying payments to its suppliers, which has a knock-on effect within the private sector as overdue receivables increase and companies have no cash to pay their own bills. The cut in IMF support and budget support is already have an impact on the state budget, and there is a shortage of dollars.

@*Verdade* (13 May) and *African Energy Intelligence* (10 May) report that last month British Petroleum (BP) stopped supplying fuel to LAM, the national airline, because of an unpaid debt of \$3 mn. LAM's flights from Maputo to Johannesburg now leave with enough fuel for the return trip because they cannot refuel in Johannesburg. And some internal flights are said to have to stop in Beira to refuel.

The urban consumer price index rose 2.23% in April, bringing inflation in the first four months of this year to 8.71%, the National Statistics Institute (Instituto Nacional de Estatísticas - INE) said on 11 May.

Deaths

In the past weeks we have lost two people in the diplomatic community who were supportive of Mozambique and became friends of many in Maputo. **Mette Maast** was Norwegian ambassador and was, by choice, on her third posting to Mozambique. She died on 27 April. I personally came to know her through her excellent PhD thesis on support for peasant agriculture in Zimbabwe, which still has an important lesson for Mozambique - if you raise producer prices, peasants produce more. Mette, who will be sadly missed in Maputo, was a great academic and diplomat who always made time to share ideas and debates with friends and colleagues, and supported Mozambican initiatives. **Roberto Chavez**, World Bank resident representative in Maputo 1993-97, died on 5 April. He tried to defend Mozambique against many of the misguided policies being imposed from Washington at that time. He mentioned this in a public lecture in Maputo, and was forced by the Bank to undergo a psychiatric assessment on the grounds that a World Bank representative who spoke out publicly against Bank policy must be disturbed. After that he was marginalised by the Bank but in 2007 was given a Lifetime Achievement Award by the World Bank Urban Community. He is perhaps best remembered in Maputo as the introducer of the cement-based paving stones used on Rua Carlos Cardoso and on the extension of Av Lenine.

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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
KAPICUA, Rua Fernão Veloso 12, Maputo; Tel.: +258 21 413 201 or +258 21 415 451
Telm.: +258 823 219 950 E-mail: kapicudir@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London.
Please email j.hanlon@open.ac.uk.

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publishers
https://www.rienner.com/title/Zimbabwe_Takes_Back_Its_Land also as an e-book and
<http://www.jacana.co.za/book-categories/current-affairs-a-history/zimbabwe-takes-back-its-land-detail>

Now in paper at a reasonable price

Do bicycles equal development in Mozambique?

by Joseph Hanlon & Teresa Smart
is now available in **paperback**, for £17.99 (+ p&p)
from the publisher <http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

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

by Joseph Hanlon, Armando Barrientos, and David Hulme
Most of this book can now be **read on the web**

tinyurl.com/justgivemoney

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This newsletter can be cited as "Mozambique News Reports & Clippings"

Also on the web: Previous newsletters and other Mozambique material are posted on bit.ly/mozamb

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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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