

MOZAMBIQUE News reports & clippings

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Secret debt documents and report:

Parliamentary Report on the Secret Debt (complete, in Portuguese) bit.ly/MozAR-debt

Key points from the Parliamentary Report on the Secret Debt <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to the \$2.2 billion secret debt <http://bit.ly/3WQ-hanlon>

Other books and reports:

Local media monitoring of Mozambique elections (background of election newsletters)
<http://bit.ly/LSE-newsletter>

Chickens and beer: A recipe for agricultural growth in Mozambique book by Teresa Smart and Joseph Hanlon, **free** English download <http://bit.ly/chickens-beer>

Há mais bicicletas - mas há desenvolvimento? book by Joseph Hanlon and Teresa Smart, **free** Portuguese download <http://bit.ly/Mais-bicicletas>

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

Minimum wages & exchange rates 1996-2017 <http://bit.ly/MinWage2017>

Previous newsletters and other Mozambique material are posted on bit.ly/mozamb

Also in this issue:

Kroll audit delayed again - to 12 May

Government troops leaving Gorongosa

Arrest warrant issued for Nini Satar

Parliament accepts & legalizes secret debt

Parliament effectively legalised the remainder of the \$2 bn secret loans and accepted them as legitimate government debt when it approved the state accounts for 2015 on Wednesday 26 April. This ends any attempt to refuse to pay on the grounds that the loans were illegitimate, and blocks any prosecution of those who signed the original illegal guarantees, according to Mozambican lawyers.

The vote was taken before the forensic audit by Kroll was completed, and thus accepted government responsibility for loans which are likely, in part at least, to be considered dubious.

Legal advice to this newsletter and the view of the Public Integrity Centre, CIP, is that by approving the accounts in this form, parliament legalised the previous illegal and unconstitutional debt guarantees, and that comments to the contrary made to parliament by Prime Minister Carlos Agostinho do Rosario on 13 April were not correct.

In 2013 two bond issues for \$850 mn were made for Ematum and in 2013 and 2014 three secret syndicated loans were made for \$1187 mn for MAM and ProIndicus. All three were new private companies controlled by the security services, SISE. The loans and bonds were to the private

companies, but had state guarantees signed by the Finance Minister or Treasury Director. Both the auditor general (Tribunal Administrativo) and a parliamentary commission ruled that the guarantees were illegal and unconstitutional, because only parliament can guarantee loans.

In March 2016 parliament approved the issue of new government bonds replacing the Ematum bonds, accepting state responsibility for the Ematum debt. Only afterwards did the three secret MAM and Proindicus loans become publicly known, leading to a cut off of both the IMF programme and donor budget support, precipitating a financial crisis. The three loans were included in the 2015 state accounts presented to parliament, and parliamentary approval of the accounts had the effect of retrospectively approving and legalising the guarantees.

In presenting the accounts to parliament, Prime Minister Carlos Agostinho do Rosario said that mentioning the loans and guarantees in the accounts did not commit the government to anything, and that inclusion of information on the guarantees in the accounts "was necessary to guarantee control and monitoring of the guarantees by the auditor general (Tribunal Administrativo)". This view was also taken in *Newsletter 367*. But Mozambican lawyers advise us that the Prime Minister was not correct. Saying in the accounts that the original decision was illegal did not reserve the matter for future consideration, and instead it did just the opposite, and asked parliament to rectify this by retrospectively legalising the guarantees. This has now been done. This is also the position taken by CIP: http://www.cipmoz.org/images/Documentos/Anti-Corrupcao/Legalizacao_de_garantias_da_MAM_e_Proindicus_CIP_comunicado_final.pdf

Furthermore, this severely limits legal action against those responsible. Because the debt guarantees are no longer illegal, those responsible for signing the guarantees can no longer be called to account. Action can only be taken where it can be proven that people acted with intent to defraud the state and or if money went into their personal accounts.

The 2015 state accounts were approved by the Frelimo majority. Renamo boycotted the vote and MDM voted against. MDM pointed out that the 2015 accounts legalised another illegal loan made that year, \$200 mn for the Chimuará-Nacala electricity line which had never been approved by parliament. For Renamo, Ivone Soares said "it is unacceptable that the Mozambican state accepts private debts that all Mozambicans are now obliged to pay."

Kroll delayed again - to 12 May

The independent audit of the \$2 bn secret debt has been delayed for the third time, this time until 12 May. The audit is formally commissioned by the Attorney-General's office (Procuradoria-Geral da República - PGR). The appointment of Kroll, one of the world's best known international forensic auditors, was announced on 4 November and the audit was to take only 90 days. The selection was agreed by the IMF, which demanded the audit, and by Sweden, which is paying for it. Even at the time, 90 days was seen as too short, and it was predicted that double the time would be necessary; after three delays this will be the case.

The most recent deadline was Friday 28 April, but on Wednesday Kroll told the PRG it could not meet the deadline and said it would hand in the report on 12 May. The PRG had no choice but to accept, and said the extra time was needed for "reverification works and a competent translation into Portuguese." (AIM Pt 27 Apr)

The report will be in three versions. A summary will be released quickly. The PRG has 90 days to launch further investigations and any prosecutions, and it is only required to release a redacted version (without names) within 90 days - by 11 August. The full version, with names and bank account details, will remain secret, but is widely expected to be leaked.

At the AGM of Credit Suisse Friday 28 April in Geneva, Thomas Kesselring of shareholder group ACTARES made a statement criticizing the bank's role in the secret Mozambique loans. Chair Urs Rohner defended the Ematum bonds as of benefit to Mozambique and declined to

comment on the ProIndicus syndicated loan due to commercial secrecy. There is a recoding of the shareholders meeting on <http://streamstudio.world-television.com/CCUlv3/frameset.aspx?ticket=61-65-18084&target=de-default-&status=ondemand&browser=ns-0-0-0-25-0&stream=flash-video-500>. Kesselring's intervention starts after 2 hours, 17 minutes and the discussion lasts 11 minutes. The video is in German, but there is an option for an English translation.

Comment

Harder debt talks

Accepting the entire \$2 bn debt as legal and the responsibility of the Mozambican government will make debt negotiations much more difficult. Repayment has already stopped, and payments are unlikely in the near future. Gas production will not start until 2023 at the earliest and there will be little money until then. So negotiations are essential, although serious talks may not take place until next year.

Creditors will probably aim to reschedule the entire debt repayment. They would accept more money over a longer period - perhaps over 25 years with no repayments for the first 10 years. Creditors will want government bonds with the same value (technically called "net present value", NPV) as the current bonds and loans.

Mozambique will want bondholders and lenders to accept some reduction in the value, and to take some responsibility. Bondholders and lenders will have signed what are colloquially known as "big boy clauses" - that they are "big boys" and professional lenders who know what they are doing, and in particular did their own research, known as "due diligence". Any proper due diligence investigation would have shown that the guarantees were unconstitutional and that income projections unrealistic and there was no chance of the loans and bonds being repaid by the companies. Bondholders, in turn, will say they trusted the banks, VTB and Credit Suisse, which must take some responsibility.

Mozambique would have been in a stronger position if the government had continued to not accept liability, and said that these were only loans to three private companies. But it can still argue that bondholders and lenders took a risk and must take a loss, known as a "haircut". The banks, in private, will make the political response - that the Frelimo leaders were personally compromised by the loans and thus would be forced to accept them, and thus the risk was not great. And, as expected by the banks, party leaders ordered Frelimo in parliament to do so last week.

Mozambique will continue to argue for a reduction in the value of the loan, and probably will gain some small concessions. But it does seem likely that long after the current Frelimo leadership has retired, part of the gas money will be paying the debt rather than developing Mozambique. *jh*

Government troops leaving Gorongosa

Government troops have abandoned two bases in Gorongosa, Sofala, and have been told to leave the third, at Namadjiua, which was once a major Renamo base, President Filipe Nyusi told journalists Thursday 27 April. This has been confirmed by Lusa, the Portuguese press agency, who say local people report troops moving out and that remaining troops are circulating unarmed. (AIM En 28 Apr, Lusa 29 Apr)

The current cease fire runs out on Thursday 4 May, but the withdrawal of government troops is seen as further confirmation that Renamo head Afonso Dhlakama will make an announcement this week extending the cease fire or making it permanent.

Nyusi said the truce was holding. There had been no attacks except for one case "where someone

entered the zone of the others without informing them first. Nobody knows why, but we think it was a communication failure”.

Nyusi revealed that the government and Renamo have decided to set up two centres to observe and verify the truce, in Maputo and in Gorongosa. The Maputo team consists of four officers – two from the government (Air Force Brigadier Aguia Abdula and police Chief Superintendent Jose Machava), and two from Renamo (Col. Martinho Macambula and Lt-Col Jose Vergonha).

The team in Gorongosa will be larger. Operating out of Namadjiua, it will consist of four government (Col. Borges Nortedino, Chief Superintendent Raul Uamusse, Lt-Col Zeca Cebolinha, and Viriato Tamele) and four Renamo (Col. Joao Buca, Lt-Col. Brito Caetano, Maj. Carlos Chumbo and Capt. Augusto Martinho).

Arrest warrant issued for Nini Satar; killer of Carlos Cardoso accused of kidnapping

An international arrest warrant has been issued for "Nini" Satar (Momad Assife Abdul Satar) in connection with the wave of kidnappings since 2011, the Attorney-General's Office (PGR) announced 25 April.

The announcement follows the escape on 24 April under very suspicious circumstances of Jose Aly Coutinho. He is one of the three men accused of the 11 April 2016 murder of prominent Maputo prosecutor Marcelino Vinanculos, who was investigating the kidnappings. Another of the three accused, Abdul Tembe, escaped from Maputo central prison on 24 October 2016. Nini Satar and Jose Coutinho are charged with working together on at least two of the kidnappings, according to the PRG.

Nini Satar was one of the three business figures convicted in January 2002 of ordering the November 2000 murder of the country's foremost investigative journalist, Carlos Cardoso. Nini was sentenced to 24 years and six months imprisonment, but was improperly released on parole in 2014 after serving half his sentence, on the ground that he had shown "good behavior" while in the Maputo top security prison.

AIM and Savana (27 & 28 April) detailed the history: Far from being a model inmate, Nini Satar had been active, from his prison cell, in planning other crimes, including the kidnappings of business people. Nini never had any problem in acquiring mobile phones, even though they are banned inside prisons. On 6 February 2012, a year after the first kidnappings, the director of the Criminal Investigation Police (PIC), Dias Balate, ordered the transfer of Nini Satar, and two of his accomplices in the Cardoso assassination, his brother Ayob Abdul Satar and former bank manager Vicente Ramaya, from their cells in the top security prison (known as the BO) to cells in the Maputo City Police Command. PIC believed that the kidnappings were being coordinated from the BO. Although labelled as "top security", in reality the security at the BO was always lax.

Two months after Nini had been moved to the police command, Balate ordered the arrest of three other family members, Danish Satar, Rachida Abdul Satar, and Sheila Adao Issufo - the nephew, sister and wife of Nini Satar - in connection with the kidnappings. But a few days later a court ordered their release on the grounds that the police had not provided enough evidence against them.

In April 2012, the police arrested seven members of a kidnap gang, who named Danish Satar as one of those who ordered the kidnappings. Shortly afterwards, Danish fled from Mozambique, ignoring a court order for him to remain in the country.

Police believed that Danish was a middleman between the kidnapers on the ground, and the men ordering the kidnaps. One of those men giving the orders was thought to be Danish's father and Nini's brother, Asslam Abdul Satar, last heard of living in Pakistan. Asslam and Nini were among

the masterminds of the gigantic bank fraud of 1996, in which \$14 million was siphoned out of the country's largest bank, the Commercial Bank of Mozambique (BCM), on the eve of its privatization.

The investigations into the seven detained kidnappers were concluded by May 2012, and the Public Prosecutor's Office charged Nini Satar as well. But a Maputo city court judge, Aderito Malhope, refused to indict Nini. The trial went ahead with the seven kidnappers but none of the people who had given them their instructions.

On 5 September 2014, Nini Satar was released on parole, after serving just half of his sentence for the Cardoso murder, despite not paying any of the compensation to the children of Carlos Cardoso which the court had ordered, and despite having a further prison sentence for the bank fraud. The judge who signed the parole order – against the will of the Public Prosecutor's Office – was none other than Aderito Malhope.

Nini apparently never went to India. In detailed reports on his Facebook page, he claimed he went to London instead and travelled to Geneva, Paris and Lisbon. Malhope's dispatch allowed Nini to leave Mozambique for 90 days, but he has never returned and until last week no attempt was made to re-arrest him. Also last week, under pressure from the Attorney-General's Office, the City Court finally rescinded Nini Satar's parole.

Meanwhile Nini's nephew Danish was located by Interpol in Rome in November 2015, and he was returned to Maputo. The Supreme Court ordered his release in June 2016, because the 90 day legal period of preventive detention had been greatly exceeded; the police had held Danish for 158 days. Three days later, Danish was snatched from the streets of Maputo in what seemed, at first sight, to be another kidnapping. But there has been no word subsequently from the alleged kidnappers, and Danish has not reappeared, living or dead. Police suspect that this was not a kidnapping at all, but just a way to spirit Nini's nephew out of the country.

4000 miners evicted to protect 'responsible sourcing' of rubies

Police say that since February they have expelled over 4,000 artisanal miners from the Namanhumbir area of the northern province of Cabo Delgado. (AIM En, *Notícias* 24 Apr) "The defence and security forces have clear orders not to allow anyone to practice illegal mining. The playing about is over, and illegal mining will no longer be tolerated," the spokesperson for the Cabo Delgado provincial police command, Malva Brito, said. The Namanhumbir rubies are officially exploited by Montepuez Ruby Mining Ltd, which is 75% owned by the British company Gemfields. The concession covers 33,600 hectares.

"Gemfields is a world leading supplier of responsibly sourced coloured gemstones, specialising in rubies from Mozambique and emeralds and amethysts from Zambia," its website says. "Our approach centres on facing up to the very real challenges of mining in countries where bribery and corruption, land rights, environmental impacts and sustainable development are either endemic or require extremely sensitive handling." <https://gemfields.co.uk/rubystories>

Al Jazeera's *Africa Investigates* did a report on intimidation and violence at the mines, by Mozambican journalist Estacio Valoi <https://www.youtube.com/watch?v=-wRNT5dl0pw>

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"Mozambique News Reports & Clippings, number XXX", DATE, bit.ly/mozamb, accessed XXX.

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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>

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Other books and reports by Joseph Hanlon

Special report on four poverty surveys: bit.ly/MozPoverty

Comment: something will turn up: <http://bit.ly/28SN7QP>

Oxfam blog on Bill Gates & chickens:

<http://oxfamblogs.org/fp2p/will-bill-gates-chickens-end-african-poverty/>

Bangladesh confronts climate change: Keeping our heads above water

by Manoj Roy, Joseph Hanlon and David Hulme Published by Anthem Press

<http://www.anthempress.com/bangladesh-confronts-climate-change-pb>

Chickens and beer: A recipe for agricultural growth in Mozambique by Teresa Smart and Joseph Hanlon

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

E-book for Kindle and iPad, <http://www.amazon.com/dp/B00NRZXXKE>

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon.

Copies are in Maputo bookshops (Karibu at airport, Livaria UEM, Bazar Pariso, Mivany) or from

KAPICUA, which recently moved to Av de Maguiguana (nr Lenine), Maputo; Tel: +258 21 413 201.

Telm.: +258 823 219 950 E-mail: kapicuir@tdm.co.mz / kapicuacom@tdm.co.mz

Outside Mozambique, we have a few copies we can send from London. Please e-mail 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-it-s-land-detail>

Do bicycles equal development in Mozambique? by Joseph Hanlon & Teresa Smart

is available from the publisher <http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

Há mais bicicletas - mas há desenvolvimento? free download of Portuguese edition (5 Mb)

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 be **read on the web** tinyurl.com/justgivemoney

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NOTE OF EXPLANATION:

One 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, Portuguese:

Notícias: www.jornalnoticias.co.mz

O País: www.opais.co.mz

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

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

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

Mozambique media websites, English:

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

Rhula weekly newsletter: <http://www.rhula.net/news-announcements.html>

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

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

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

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