

# MOZAMBIQUE News reports & clippings

381 26 August 2017

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

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## *Kroll full report 1*

# Kroll calls for UK action on Credit Suisse

Kroll suggests that Credit Suisse may have violated British Law by failing to undertake an adequate due diligence enquiry on the loans to ProIndicus and Ematum. It calls on the attorney general's office (Procuradoria-Geral da República, PGR) to "request, under the Mutual Legal Assistance arrangements in criminal matters, that the UK Authorities request the details of enhanced due diligence documentation from Credit Suisse." Kroll also calls on the PRG to formally request the security services (SISE, Serviço de Informações e Segurança do Estado) to provide all such documents. It says both Credit Suisse and SISE have so far refused to provide any information on the due diligence.

The UK agency is the Financial Conduct Authority (FCA). Kroll's view that the apparent failure of Credit Suisse to do an enhanced due diligence investigation is a criminal matter will increase the pressure on both the FCA and the bank.

Under IMF and donor pressure, Kroll was contracted to do a forensic audit of \$2 bn of secret 2013-4 loans to three new state companies controlled by SISE. Kroll's summary was released by the PRG on 24 June and the full report was finally given to donors last week. The full report is significantly stronger than the summary.

Kroll says: "Credit Suisse, as a UK financial institution, has an obligation under the UK Money Laundering regulations to undertake enhanced due diligence where there is the prospect of Politically Exposed Persons ("PEPs") being a party to the financial transaction - in this instance the Mozambican Companies are recognised as state-owned companies and consequently those *responsible officers* i.e., Person A, should be regarded as PEPs. Further, Credit Suisse has an obligation under the UK Money Laundering regulations to establish the Ultimate Beneficial Owner(s) of the Mozambique Companies."

### **Secret debt documents and report:**

**Kroll audit Executive Summary** <http://bit.ly/Kroll-sum>

**Parliamentary Report on the Secret Debt** (complete, in Portuguese) [bit.ly/MozAR-debt](http://bit.ly/MozAR-debt)

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

**Mozambique should not pay the hidden debt** <http://bit.ly/Moz-do-not-pay>

**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>

Kroll warns of the "risk" that "Credit Suisse has not undertaken adequate due diligence" and that loans may have been used "contrary to stated purpose".

Subsequently, António Carlos do Rosário, a SISE senior official and CEO of MAM, ProIndicus and Ematum, confirmed that he is the Person A. Kroll notes that he personally refused to provide any of the due diligence documents.

Indeed, the full report makes clear the unwillingness of parts of the government to cooperate with the audit. Kroll asked for and did not receive management, operations and training plans. The companies only "provided limited financial data, including incomplete trial balances and bank statements, and incomplete supporting documentation."

In particular, "the Mozambique Companies, despite repeated requests, have not provided Kroll with any evidence that comprehensive due diligence was undertaken to assess the suitability of the Contractor(s) for the Mozambique Project." The "Contractor" is the Prinvest Group, which includes Prinvest Shipbuilding and Abu Dhabi Mar.

Kroll did analyse business plans and feasibility studies, which said that the three companies "were expected to generate combined operating revenues of \$2.3 bn by December 2016." Instead, "negligible revenue has been generated". Kroll recommends "an independent review of the business plans and feasibility studies ... undertaken by an appropriately qualified expert." And it says "there is a significant risk that the Mozambique Project will not become operational."

## **At least \$713 mn overcharge**

Kroll admits that it could not undertake a full valuation of the assets supplied because documentation contains no details. A ProIndicus invoice for \$611,986,800 was just one page. No documents were provided for MAM.

But it did undertake a price comparison "with the support of an industry expert" of assets and services provided to Ematum and ProIndicus and it found the price charged was \$713 mn more than the prices estimated by the independent expert.

In addition, do Rosário and the ministries of defence and finance gave inconsistent explanations of the use of \$500 mn from the Ematum loan and gave unsatisfactory documentation, so "at least \$500 mn of expenditure of a potentially sensitive nature remained unaudited and unexplained".

The actual loan proceeds, after commissions, of \$1.8 bn were directly transferred "to the Contractors bank account in the United Arab Emirates, in advance of the corresponding assets and services being delivered." This means the Mozambican companies "have no control or leverage over the delivery of the supply contracts" and the contractor and the Mozambique companies can "enter into a closed arrangement enabling funds to be transferred without transparency."

Kroll also finds a series of unexplained financial transfers. It says Ematum had an account at Moza Banco which was not recorded in the company's accounts, and that SISE transferred \$53 mn into the account in 2014 which was used to make interest payments to Credit Suisse. In turn, Kroll says that the Ministry of Finance made significant transfers to SISE, which "indicates that the Ministry of Finance has funded several principal and interest payments for the Mozambique Companies".

There are also unexplained payments to two individuals, Quilua Holdings, and SEN Consultoria. And \$31.4 mn in fees paid for restructuring the Ematum debt do not appear to represent value for money.

Finally, Kroll calls for a review of "all existing contracts" with the Contractor (Prinvest Group) and with Palomar, a Prinvest company, because their involvement in structuring the project and arranging the loans means there is a risk that the contracts are "disadvantageous" to Mozambique.

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"Mozambique News Reports & Clippings, number XXX", DATE, [bit.ly/mozamb](http://bit.ly/mozamb), accessed XXX.

**Previous newsletters and other Mozambique material** are posted on [bit.ly/mozamb](http://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>

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## Other books and reports by Joseph Hanlon

**Special report on four poverty surveys:** [bit.ly/MozPoverty](http://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: [kapicua@tdm.co.mz](mailto:kapicua@tdm.co.mz) / [kapicuacom@tdm.co.mz](mailto:kapicuacom@tdm.co.mz)

Outside Mozambique, we have a few copies we can send from London. Please e-mail [j.hanlon@open.ac.uk](mailto: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](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)

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**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](http://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](http://www.jornalnoticias.co.mz)

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

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

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

Carlos Serra Diário de um sociologo: <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](http://www.poptel.org.uk/mozambique-news)

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