

MOZAMBIQUE News reports & clippings

392 13 November 2017 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

To subscribe: tinyurl.com/sub-moz

To unsubscribe: tinyurl.com/unsub-moz

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

Articles may be freely reprinted but please cite the source.

Also in this issue:

IMF mission this month, but no new programme

Imports cut; export list

Three new deputy ministers

Investing via Mauritius

FBI investigating \$2 bn secret debt

The US Justice Department and Federal Bureau of Investigation are investigating the role of three banks in the \$2 bn Mozambique secret debt, the *Wall Street Journal* reported (*WSJ* 6 Nov). They are the Swiss bank, Credit Suisse, and the Russian Bank, VTB, which together organised the syndicated loans and bonds, the French Bank BNP Paribas, which was involved in the loan syndication. The FBI is looking at whether the banks facilitated improper payments to senior Mozambican officials, and the Justice Department is also examining whether the banks helped Mozambican officials borrow more debt than the country's economy could reasonably repay, the *WSJ* said. The investigation has been going on for more than a year, and the FBI was in Maputo in June 2016.

Authorities in the US, UK and Switzerland are also investigating possible security law violations and possible money laundering.

Recent reports

Special report on social protection <http://bit.ly/MozSocPro>

Secret debt documents and report:

Kroll full report (80 Mb!) <http://bit.ly/Kroll-Moz-full>

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

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>

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:

Government's detailed flood reports: <http://bit.ly/flood-17>

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

The *WSJ* reports: "Credit Suisse became involved in the deals in 2012, when the lender began discussions with defense contractor Iskandar Safa, who negotiated a deal to supply Mozambique with military and surveillance equipment through his company Privinvest Group. Mr. Safa asked Credit Suisse to help Mozambique borrow money to pay for the contracts."

"From 2013 to 2014, the Swiss bank, VTB and BNP raised \$2 billion in bonds and loans for companies owned by Mozambique's Defense Ministry, which contracted to buy equipment and services from Privinvest. About \$1.2 billion of the debt wasn't publicly disclosed and, in an unusual twist, proceeds from the deals went straight from the banks to Privinvest rather than going first to the state-owned companies that borrowed the money."

Credit Suisse under its new CEO Tidjane Thiam has been trying to rehabilitate its international image for more than a year and recently restructured the investment banking unit that handled the Mozambican deals. But so far CS has made no move to accept responsibility for its Mozambique fiasco.

<https://www.wsj.com/articles/u-s-investigates-credit-suisse-vtb-and-bnp-paribas-for-roles-in-selling-mozambique-debt-1509923961?mg=prod/accounts-wsj>

Bondholders maintain hard line

Bondholders, with an increasing representation of vulture funds, continue to take a hard line. In a statement last week to Lusa (11 Nov), Thomas Laryea for the Global Group of Mozambique Bondholders said the group was ready for negotiations with the government. But he stressed that "the only basis for discussions" is that the bondholders are treated preferentially and separately from other private creditors.

Mozambique's \$2 bn private debt was originally a package to three state-owned private companies - \$622 mn in secret syndicated loans in 2013 to ProIndicus, \$535 in secret syndicated loans in 2014 to MAM, and an \$850 mn Eurobond in 2013 to Ematum which was public. In early 2016, while the \$1,157 syndicated loans were still secret, the government agreed to nationalize the Ematum loan by issuing \$726 mn in government bonds, to be repaid as a single payment in 2023, with annual interest payment of \$78 mn (a very high 10.7% interest rate for government US dollar bonds). No interest payments have been made, however.

The bondholders maintain that all of the original loans were illegal and improper, but that by nationalizing the Ematum bond, the government made legal the initial illegal and improper bonds. Therefore, they say, bondholders should be paid but not the syndicated loan holders. And they will not talk of government as part of any negotiation that involves the holders of the illegal syndicated loans.

At the *Financial Times* Mozambique Investment Summit in Maputo on 9 November (tickets \$1599 each) Prime Minister Carlos Agostinho do Rosario said he was optimistic and believed economic growth is picking up. The IMF predicts growth in 2017 will be 4.7%. "The dynamism in our economy leads us to forecast that, as from 2019, we shall resume annual growth levels of six to seven per cent", do Rosario said. Inflation next year will be 12%, he predicted.

This optimistic prediction and the build up of international reserves has led bondholders to say the economy is doing so well that they can now be paid.

Michele Lamarche of Lazard Freres, who has been advising the government on debt, told the FT conference that the position with the bondholders was "evolving" but she stressed she wanted to talk with both bondholders and syndicated loan holders, and was "pretty confident" about a restructuring next year. But *Zitamar* (10 Nov) expressed the common view that "given the creditor intransigency thus far, that sounds optimistic."

"Frelimo believes that the debt issue will die over time, donors will forget, and sooner or later we will return to have 'business as usual', but I think that negotiations with creditors will only start in 2020," after the 2019 elections, economist Roberto Tibana told Lusa (6 Nov). The agency concludes that "financial analysts who accompany the Mozambican economy converge on the idea that the government wants to avoid external aid and that negotiations with creditors will be complex and time-consuming, making economic recovery difficult."

There was an FT supplement "Investing in Mozambique" on 9 November to correspond with the conference. <https://www.ft.com/reports/invest-mozambique>

Government has improved the management of the public debt because of the crisis, a rueful Prime Minister Carlos Agostinho do Rosario told the FT conference. With the support of the IMF, the government has set up a Risk Management Office to analyse financial and fiscal risks, including those risks arising from the public companies, and to monitor the evolution of the public debt portfolio. (AIM 10 Nov)

Conference in Basel, Switzerland, Saturday 18 November on the Mozambique debt. Speakers Jürgen Kaiser, Joseph Hanlon, Carlos Nuno Castel-Branco. http://www.apartheid-reparations.ch/documents/news/keesa_flyer_2017_web2.pdf

IMF mission this month, but no prospect of new programme

An IMF mission will come this month but not to negotiate a new programme. It is what is known as an "article 4 consultation," where a team of IMF economists visits to discuss the country's economic and financial policies. The last article 4 mission to Mozambique was in October 2015. (O Pais Económico 10 Nov, *Notiicas* 13 Nov)

Mozambique remains a member of the IMF, and Economy and Finance Minister Adriano Maleiane, at the FT conference, told the FT Africa Editor David Pilling, that Mozambique "urgently" needed an IMF programme and donor aid. Maleiane said he hoped that reforms now under way would lead to a resumption of the IMF programme and donor support to government.

But IMF representative Ari Aisen made clear that this was not enough, and resumption of the IMF programme and aid can only happen when Mozambique satisfies the demands for information on what happened to the money from the \$2 bn secret debt.

Government needs \$1 bn to restructure state companies, and \$300 mn to sort out the government pension fund, Maleiane told the FT meeting. "We need to reform and strengthen the National Institute of Social Welfare (Instituto Nacional de Providência Social) which today ... depends on the government's current expenses budget. This process requires something like \$ 300 mn to fund and pay past liabilities," the minister said.

Crisis cut imports 38% in 2016.

With no money to pay, imports fell 38%, from \$7.4 bn in 2015 to \$4.5 bn in 2016 (excluding foreign funded mega projects), according to trade data published on 8 November by the National Statistics Institute (INE). Vehicle imports fell 74%, food 31%, and clothing 31%. South Africa remains the largest supplier, with 31% of imports, but imports from that country dropped 45% in 2016. Imports from China fell 40%.

Exports remained steady, falling only 2.5%, from \$3.4 bn in 2015 to \$3.3 bn in 2016. Mozambique has become a resource economy, with coal, electricity, aluminium and gas the main exports. Tobacco is the only major agricultural export.

Exports over \$ 20 mn were: (\$ mn)

- 687 coal
- 378 electricity
- 378 aluminium
- 370 gas & oil
- 208 tobacco
- 162 titanium & related
- 82 boats
- 76 precious & semiprecious stones
- 49 sugar etc
- 39 cashew
- 39 machinery
- 38 prawns
- 27 wood
- 25 beans
- 23 banana
- 21 cotton

<http://www.ine.gov.mz/estatisticas/estatisticas-sectoriais/comercio-externo/estatisticas-do-comercio-externo-importacoes-mocambique-2015-2016-volume-i>

Government's delay in paying for road maintenance is causing many contractors to abandon works, even after they have started, Daniel Machaieie, the delegate of the Sofala National Road Administration, told *Canalmoz* (7 Nov) Dozens of projects have been stopped or not started, he said.

Construction ground to a halt with the economic crisis last year, and losses are mounting at companies who are still paying salaries and maintaining their equipment without getting any work, according to Manuel Pereira of the construction industry federation, the FME. The exuberance that followed the gas discoveries led to overcapacity in commercial real estate, and the government's budget squeeze caused cancellation of public sector projects. (*Zitamar, Savana* 10 Nov)

Three new deputy ministers: Land, Health, Interior

Three new deputy ministers were named by President Filipe Nyusi on 8 and 10 November. **Celmira da Silva**, the highly respected governor of Cabo Delgado, was promoted to be Deputy Minister of Land, Environment and Development (Terra, Ambiente e Desenvolvimento Rural), which is proving to be one of the more active ministries. She is from Beira and studied for a masters degree in Lisbon in social and economic development in Africa.

João Leopoldo da Costa was named Deputy Health Minister. He was rector of the Instituto Superior de Ciência e Tecnologia de Moçambique (ISCTEM). From 2007 to 2013 he was the much-criticised head of the National Elections Commission (Comissão Nacional de Eleições, CNE). During his tenure at CNE, Leopoldo continued in his post as ISCTEM rector, even though this was prohibited by the electoral law. (*Mozambique Political Process Bulletin*, 1 Oct 2007) The respected Mouzinho Saíde had been dismissed without explanation in June, and made director of Maputo Central Hospital.

Helena Mateus Kida, a Maputo provincial judge, was named Deputy Interior Minister, a post which has been empty since January. CanalMoz points out that she is a native of Cabo Delgado, and is the daughter of a former Veterans' Minister, Mateus Kida. She is perhaps best known for dropping the charges in 2012 against Bakhir Ayoob, a man whom the police accused of being the mastermind behind the wave of kidnappings of business people. Ayoob is the son-in-law Mohamed Bashir Suleimane (MBS), branded a "drugs baron" by the US government in 2010. Ayoob was arrested on 21 September 2012 and held for nine days without being allowed visits from his family

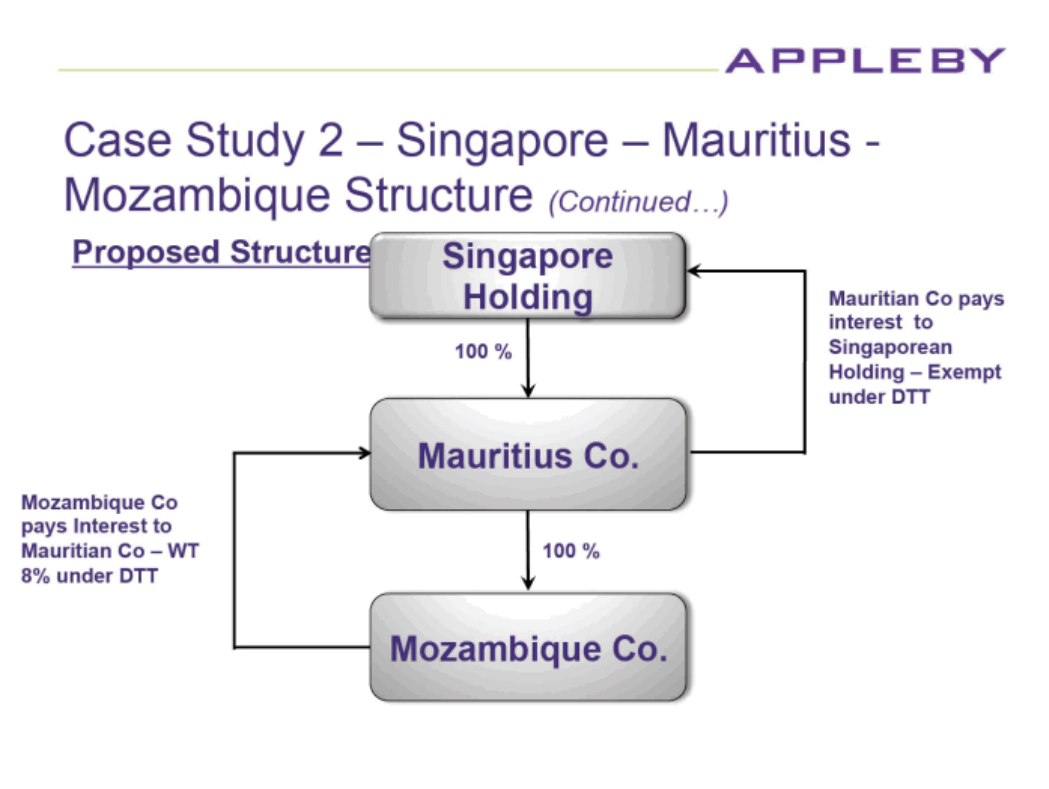
or his lawyer. He was interrogated, for the first and only time, by Kida, who ordered him released since no evidence was presented and there was no reason for continuing to hold him in preventive detention. A fresh warrant was issued for Ayoob's arrest in February 2013 – but by then he had left the country. But Attorney-General Beatriz Buchili blamed the Criminal Investigation Police (PIC). Its failures to investigate important crimes had been blamed on serious corruption within the police. Last year PIC was replaced by a new Criminal Investigation Service (Serviço Nacional de Investigação Criminal, SERNIC) which is not subordinate to the police, and is instead under the Ministry of Interior and the Attorney General's office.

Investing via Mauritius cuts Mozambique tax

Foreign investors pay Mozambique much less tax if they create a company in Mauritius to do their investment, because they would pay 8% tax instead of 20%. Appleby, the offshore law firm exposed last week in the "Paradise Papers", has a special presentation on tax avoidance in Mozambique and says it has served investors in Mozambique.

Appleby points out that under a 1997 tax treaty, Mauritius companies pay only 5-10% tax in Mozambique, compared to the normal rate of 20%. The Mauritius company then pays no tax when transferring the money to its beneficial owner. The cost of setting up a Mauritius company is estimated at \$30,000 per year.

Appleby's speciality is setting up chains of companies through tax havens such as Mauritius to legally avoid paying taxes. It is notable that it uses Mozambique as one of its case studies, in a 2011 presentation.



<https://www.icij.org/investigations/paradise-papers/tax-haven-mauritius-africa/>
<https://www.documentcloud.org/documents/4164976-Presentation-Overview-of-the-Global-Business.html> - document/p2
<https://www.documentcloud.org/documents/4164977-Mauritius-Treaties.html>

Nampula by-election & temporary management

The assassination of Nampula Mayor Mahamudo Amurane on 4 October has caused chaos. According to law, the speaker of the municipal assembly, Manuel Tocova, steps in as acting mayor until a by-election is held. Both were elected in 2013 as members of the second opposition party, the Mozambique Democratic Movement (MDM). But the local party fell into infighting over allegations of corruption, and Amurane had said he would stand as an independent in municipal elections in October 2018. (AIM En 10 Nov)

Tocova sacked all 10 local ministers (department heads) and six heads of administrative posts who had worked with Amurane, and replaced them with people he trusted. The Nampula Administrative Tribunal ruled that these sackings and appointments were invalid and could not be done by an acting mayor.

Tocova then fled, telling STV he had gone into hiding because he had been threatened, only to return a day later saying it was all a lie. Then he was arrested for illegally renting the gun, a pistol, from Pedro Mahia, a former Renamo MP, for \$ 50 per month.

Finally on 10 November, Minister of State Administration, Carmelita Namashalua, said she would appoint a management commission to run the municipality until the mayoral by-election.

The by-election will be on 24 January. Proponents of candidates for mayor (registered political parties and independent groups of citizens) should register and submit their candidates between 15 and 30 November.

From 5 to 21 January the polling station monitors from the political parties and independent groups must register. Spokesman Paulo Cuinica warned that the CNE (National Elections Commission) will not accept late registration of monitors, because the Constitutional Council has severely criticised the CNE in the past for bending the legal deadlines and allowing registration of monitors to continue up to the eve of an election.

Other news

Accused of deliberately spreading cholera, 50 traditional chiefs and other community leaders in Memba, Nampula, say that they have come under attack from local people. And in Cuamba, Niassa, eight people have been arrested for spreading rumours about vampires which led to violence. (AIM 6, 7 Nov)

147 police were expelled in the first nine months of the year for crimes including corruption. (O Pais 8 Nov)

The Paris climate change accord was ratified by parliament on 8 November. The US is now the only country to not ratify it. (AIM Pt 8 Nov)

LGBT organisation Lambda must now be given formal recognition, after the Constitutional Council struck down the 1991 law that had been used to deny official registration. The ombud, Jose Abudo, had made the appeal to the council in September after a decade of failed attempts to gain recognition. The Council responded quickly. The 1990 constitution left the regulation of associations to parliament, which in a 1991 law introduced vague concepts of “moral order” and not offending “the public good”, which were in turn used as an excuse not to register Lambda. The Council pointed out that the 2004 Constitution states that associations are only banned if they are military or paramilitary in nature or if they “promote violence, racism or xenophobia or pursue aims contrary to the law”. Thus the Council said the 1991 law clearly violated the 2004 constitution. (AIM En 9 Nov)

Significant quantities of cashew are being sold in Tanzania where the price is much higher, according to the excellent cashew newsletter *Kohiwa* published in Portuguese by Nkalo.com. Producer prices for cashew are ranging from MT 50/kg (\$.82) in Zambézia to MT 70/kg (\$.1.15) in Cabo Delgado, but are MT 95-105/kg (\$1.55-1.70) in Tanzania.

From other publications

Two prize winners

Two books reviewed here on 22 February (newsletter 361) have won prizes. *The Portuguese Massacre of Wiriyamu in Colonial Mozambique, 1964-2013* by Mustafah Dhada, won the American Historical Association Martin A. Klein Prize in African History. *Women, Migration & the Cashew Economy in Southern Mozambique 1945-1975* by Jeanne Marie Penvenne was joint runner-up for the Aidoo-Snyder book prize awarded by the Women's Caucus of the (US) African Studies Association.

Engage with communities

Although it is important to deal with a small number of people said to control Mozambique, "many companies have experienced significant challenges in the day-to-day running of their operations not because of actions by the government, but because of their failure to effectively engage with local communities. Companies that have failed to properly understand the communities in which they are based have faced protests, sabotage, stock theft, and other operational and security challenges," according to a new report by Control Risks.

[https://www.controlrisks.com/~media/Public Site/Files/Our Thinking/20171019Moz_Tangled webs2.pdf](https://www.controlrisks.com/~media/Public%20Site/Files/Our%20Thinking/20171019Moz_Tangled%20webs2.pdf)

=====

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

If you need to cite it for academic purposes, treat it as a blog. The normal citation format would be:

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

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

=====

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>

=====

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

=====

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

=====

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

=====

This mailing is the personal responsibility of Joseph Hanlon, and does not necessarily represent the views of the Open University.