

MOZAMBIQUE News reports & clippings

399 7 January 2018 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Editor's note: Late December always sees a flood of announcements, as donors rush to hold conferences and release reports before the end of the year, and Mozambicans clear their desks to go on holiday. This is the second of three issues in which we try to catch up with December events.

The first catch-up issue is on <http://bit.ly/2m86WwY> and headlined **No elected governors** and ongoing **Islamic violence**.

New year message:

No concessions to donors - Mozambicans are 'resilient' and can go it alone

Mozambique is successfully resisting the donor strike and will not give in. That was a key point of New Year messages of President Filipe Nyusi and Bank of Mozambique Governor Rogério Zandamela.

Both were open that the economic crisis was caused by the sudden cut in budget support and aid directly to the government in April 2016, when the IMF and donors discovered \$2 bn in secret debt. An audit by Kroll could not account for more than half the money, and it is assumed some of it went into the pockets of senior Frelimo figures. IMF and donors have said that direct aid will not be restored until Mozambique says what it did with the money, which, in year-end statements, it steadfastly declined to do.

In his state of the nation speech to parliament on 20 December, Nyusi said that the debts "contracted by the companies Proindicus, MAM and Ematum but authorised by the government in 2013" were not included in information given to the International Monetary Fund. As a result, the "IMF and international budget support partners have suspended, since 2016, financing of the state budget". In response, the government gave more information to parliament and the IMF and initiated the Kroll audit. It also made budget cuts, increased tax collection, increased borrowing, and improved management. These all show how "resilient" the people are, Nyusi said.

"The Government has adopted economic measures with a view, on the one hand, to stabilize the economy, and on the other, to restore the confidence of the partners. These are essential steps for the resumption of direct budget support," Nyusi told parliament. The message was clear: the President expects donors to end their strike in response to better economic management and because the country has shown it can survive without direct aid, but without additional concessions on information on the secret debt.

"Even with the adversities that the country has faced, the national economy shows positive signs. ... Because we are a resilient people, we can, with all pride and without fear, affirm that the State of the Nation is challenging but encouraging," he concluded.

The hidden debts were 'authorized' and 'guaranteed' by the state, Nyusi told parliament. "The Government has been following the process of restructuring the business plans of the companies benefiting from the state guarantees so that they can resume the fulfilment of the

Recent reports

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

Mozambique corruption articles 2016-7 <http://bit.ly/2upF8XI>

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

commitments assumed." And the Administrative Tribunal report issued in November refers to "loans taken out with guarantees".

The full state of the nation speech (in Portuguese) is on: <http://bit.ly/2lVvt8e>

Zandamela: return to normal limited by aid cuts due to hidden debt

In 2017 "there was a gradual return to the normality of the economic and financial indicators, which had deteriorated substantially in the previous year," Bank of Mozambique Governor Rogério Zandamela said in his end of year statement on 18 December. But the crisis is not over.

"Government revenue remains below that required to finance expenditures, because of the suspension of direct support to the budget by donors and cooperation partners, which poses an additional challenge to the fiscal sector." http://www.bancomoc.mz/fm_pgTab1.aspx?id=111

Zandamela highlighted that inflation peaked at 27% in 2016 but has fallen to 7%; devaluation reached \$1 = MT 80 but the Metical has recovered to \$1 = MT 60; and reserves which fell to less than 3 months of imports are now at 7 months, due in part to the payment of \$352 mn in capital gains tax by ENI relating to the sale of part of its gas field.

Banks profit from secret debt

Nyusi proudly told parliament that government had found more Mozambican investors, in response to the need to sell more treasury bonds in order to finance the government deficit caused by the cut in aid. In the three years since Nyusi took office, domestic debt has tripled from Mt 30 bn (then \$1 bn) to MT 101 bn (now \$1.7 bn)

Adérito Caldeira of @Verdade (4 Jan, 6 Dec) points out that most bonds are short term so government is actually selling MT 115 bn in bonds each year. The 2018 budget includes MT 19.2 bn (\$ 320 mn) for interest payments for this domestic debt (at a time it is not repaying foreign commercial debt). By analysing their accounts Calderia found that the three big banks are the main bondholders and are making large profits. In 2016 their profits from government bonds were:

Millennium Bim (MT 4.4 bn, \$ 73 mn), Banco Comercial e de Investimentos (MT 2 bn, \$33 mn), and Standard Bank (MT 2.3bn, \$ 38 mn).

Interest rates down 1.5%

The Bank of Mozambique's Monetary Policy Committee (CPMO) on 22 December cut its benchmark interest rates by 1.5%. The Interbank Money Market Rate (MIMO - effectively the base or prime rate) falls from 21.0% to 19.5%. The Standing Lending Facility (on money borrowed by commercial banks from the central bank) falls from 22.0% to 20.5% per cent, and the Standing Deposit Facility (the rate paid by the central bank to the commercial banks on money they deposit with it) falls from 15.5% to 14%. The Compulsory Reserves Coefficient - the amount of money that the commercial banks must deposit with the Bank of Mozambique – remains unchanged at 14%. (AIM En 22 Dec)

Importing food that could be grown locally

Chickens, eggs, onions, tomatoes and other foodstuffs that are commonly grown in Mozambique were not produced in sufficient quantity for the festive season, admitted the deputy director of internal trade of the Ministry of Industry and Commerce, Susana Mafuiane. Instead, the ministry had to arrange imports from South Africa, Malawi, and Zimbabwe. Imports of tomatoes reached 130 tonnes per day. (AIM Pt 3 Jan)

Good for the top, bad for the rest, says civil society

"The State of the Nation was good for the top leaders of the country, but bad for the rest of the population," says a joint civil society report released 19 December. "In 2017, the population remained unemployed, insecure and poorer" - without public transport, without medicines, "a victim of a systematic violation of human rights" by the police whose inability "to fight the crime means the population lives in fear ". However, "the elite of the country continues with their pattern of luxurious consumption." <http://bit.ly/2IWWeZV>

State auditor confirms 2016 payments

The Tribunal Administrativo (TA, state auditor) in November submitted to parliament the 2016 accounts, and some parts on the secret debt are published in *Savana* (5 Jan). The TA refers to the MAM and ProIndicus debts as "guaranteed", and show ProIndicus "debt payments" of \$67.5 mn in 2016: \$59 mn to Credit Suisse London (\$24.8 mn in capital repayments and \$33.9 mn in interest), \$ 895,000 in interest to VTB capital, and \$7.9 mn to Palomar. The Kroll report (3.7.1) says that the \$7.9 mn was paid to Palomar for advice to the Ministry of Finance. Palomar is owned by Prinvest, the contractor which received all of the loan money (less bank commissions) and Andrew Pearse, who worked for Credit Suisse on some of the Mozambique loans (*Wall Street Journal* 11 Aug 2016).

Savana also reports that the state holding company IGEPE (Instituto de Gestão das Participações do Estado) in 2015 took a \$20.5 mn loan from that state owned Banco Nacional de Investimento (BNI). The loan was guaranteed by the National Treasury Directorate and was used to make a payment on the Ematum bonds to Credit Suisse. At the time, Adriano Maleiane was chair of BNI. The following year Maleiane became finance minister. *Savana* also points to Maria Isaltina Sales Lucas, who was National Treasury Director and signed one of the illegal loan guarantees. She later received \$95,000 from Ematum, according to Kroll, and is now Deputy Finance Minister.

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More complex links of Prince and Ematum

"The Trump administration is considering a set of proposals developed by Blackwater founder Erik Prince and a retired CIA officer - with assistance from Oliver North, a key figure in the Iran-Contra scandal - to provide CIA Director Mike Pompeo and the White House with a global, private spy network that would circumvent official U.S. intelligence agencies, according to several current and former U.S. intelligence officials and others familiar with the proposals. The sources say the plans have been pitched to the White House as a means of countering 'deep state' enemies in the intelligence community seeking to undermine Donald Trump's presidency", reports investigative website The Intercept (5 Dec). <https://theintercept.com/2017/12/04/trump-white-house-weighing-plans-for-private-spies-to-counter-deep-state-enemies/>

The Intercept was set up in 2013 by Glenn Greenwald, Laura Poitras and Jeremy Scahill. Greenwald is highly respected and won the Pulitzer Prize for a series of reports published by *The Guardian* newspaper detailing the United States and British global surveillance programmes, based on classified documents disclosed by Edward Snowden.

Meanwhile the *Washington Post* (3 April 2017) published an article on Erik Prince's links to Trump, Sheikh Mohamed bin Zayed al-Nahyan of Abu Dhabi (where Prince and Prinvest, the secret debt contractor, are both based), close associates of Vladimir Putin, and the Seychelles. https://www.washingtonpost.com/world/national-security/blackwater-founder-held-secret-seychelles-meeting-to-establish-trump-putin-back-channel/2017/04/03/95908a08-1648-11e7-ada0-1489b735b3a3_story.html?utm_term=.259e70580bc3

Blackwater Security founder Erik Prince is going into a joint venture with Ematum, he told a Maputo press conference on 13 December, and said that he may later get involved in protecting Mozambique's oil and gas assets. (See this newsletter 396, 13 Dec 2017)

Reshuffle finished

Career diplomat Maria Manuela dos Santos Lucas has been named Deputy Foreign Minister, replacing Nyeleti Mondlane, who was promoted to Minister of Youth and Sport in late November. Lucas was previously Mozambican ambassador to Italy, and before that ambassador to Holland and Belgium, and head of the Mozambican mission to the European Commission. Lucas will back up the new Foreign Minister, Jose Pacheco, who has no diplomatic experience.

Ragendra de Sousa has been promoted from deputy minister to Minister of Industry and Trade. Sousa. He replaces Max Tonela, named Minister of Mineral Resources and Energy earlier in the month.

Meanwhile Defence Minister Atanásio N'tumuke has reshuffled his own office, replacing national directors and deputy directors, as well as the head of his office. (Rhula 15 Dec)

New passport & ID producer named

The German company Muhlbauer Mozambique Ltd won the government's international tender for the production of biometric identification documents, including passports and ID cards, and will manage visas at 100 border posts. It replaces the Belgian company Semlex, which won the contract to produce the documents under dubious circumstances in 2009, when Armando Guebuza was president and José Pacheco (now foreign minister) was interior minister. The contract was given to Semlex in 2009 in secret, without a public tender, in violation of Mozambique's procurement rules. (*Noticias*, AIM En 22 Nov)

Semlex promised to invest \$100 mn during the 10 year contract, but in fact invested only a quarter of that. Passports had errors and sometimes were not machine readable. The contract was finally cancelled in April 2017 and Semlex left Mozambique on 30 September, not having trained Mozambican staff nor installed the expected equipment.

As part of the contract, prices were pushed up, with the extra money going to Semlex. Passports increased from \$5-10 (depending on type) to \$100, and identity cards from \$2 to \$6. An investigation by Reuters showed how this model had been used by Semlex in several countries in Africa - Comoros, Madagascar, Gabon, Democratic Republic of Congo, and Guinea-Bissau - where the prices of passports were sharply increased and a percentage of the increase (sometimes millions of dollars) was passed back to national officials. There is also an issue of selling passports, which has also happened elsewhere. South Africa authorities reported to Mozambique that in one week in early 2017, 1500 Mozambicans crossed the border with diplomatic passports. (*Savana*, 14 Apr 2017; this newsletter 269)

<https://www.reuters.com/investigates/special-report/africa-passports-karaziwan/>;
http://www.cip.org.mz/cipdoc/365_CIP-a_transparencia_16.pdf;

Corruption round up

Setina Titosse, former **chair of the government's Agricultural Development Fund (FDA)**, was **jailed** for 18 years for organising a \$5.6 mn fraud, in which money for fake projects was paid to individuals, many of whom were also convicted. The prosecution was based on a lengthy investigation by the Central Office for the Fight against Corruption (GCCC).

Senior figures in the National Social Security Institute (INSS), and in the private company CR Aviation, have been **charged** with embezzlement and abuse of office. They include Rogerio Manuel, **former chair of the CTA** (Confederation of Mozambican Business Associations), who owns 49% of CR Aviation, and **INSS chair** Francisco Mazoio. The case involves one of an improper investment of \$3 mn by INSS in CR, which was exposed in 2016 by *Magazine Independente*. AIM (En 26 Dec) notes that the deal was negotiated in the final year of the previous government, headed by President Armando Guebuza, and was one of several dubious investments by the INSS. The most notorious was the decision to sink social security funds into a tiny bank, Nosso Banco ("Our Bank") which failed last year.

The former **spokesperson** for the Mozambican **police** in Gaza, Jeremias Langa, went **on trial** on 13 December for extorting \$2,000 from a citizen in exchange for putting him in the police academy (ACIPOL) without passing the entrance examination. Langa's scheme failed, and the victim was not admitted to ACIPOL. (AIM En 15 Dec)

More than 2400 officials are **refusing to declare their assets**, in violation of the 2012 Law on Public Probity, which obliges them to declare their assets. Lucia do Amaral, chair of the Reception and Verification Commission (CRV) which implements the law, told a Maputo seminar 21 December that 7,056 officials are obliged to declare their assets on taking office. They are supposed to update their declarations every year, and then make a final declaration on leaving office. But to date, the CRV has only received declarations from 4,454 officials. Those who should declare their assets include members of the central and provincial governments, members of parliament and of the provincial assemblies, judges, prosecutors, members of the board of the Bank of Mozambique, and managers of public institutions, public funds, and companies which are owned by the state or where the state has a holding. (AIM En 21 Dec) The declarations are not public.

Hundreds of **traffic police** have been reassigned, with many demoted. Two reasons were given. First, many do not have driving licences and sometimes misinterpret the highway code. And others were found to be corrupt. (Rhula 15 Dec)

One tonne of ivory from Mozambique was seized in Sihanoukville Port, Cambodia, on 5 December. (Rhula 15 Dec)

Brazil's treasury is paying Mozambique's corrupt bills. Mozambique is not repaying loans to the Brazilian development bank BNDES for two major contractors caught up in the lava jato (car wash) scandal - Odebrecht and Andrade Gutierrez. Both are now considered in default, so the Export Guarantee Fund paid \$22.4 mn to BNDES in December, according to *Folha de São Paulo* (15 Dec) quoted in *Savana* (5 Jan). One non-payment is for Nacala airport, won by Odebrecht through a bribe, but completed and now an unused white elephant. The other is the Moamba Major dam, now paralyzed because the Brazilians halted the work because of Andrade Gutierrez. Ironically the dam is urgently needed to provide water to Maputo, and there are no suggestions of corruption on the Mozambican side, but Gutierrez was heavily involved in corruption in Brazil.

Other news

17 bodies were found, plus two people found alive, in northern Sofala just before Christmas. They are believed to be Ethiopians who were asphyxiated in a container, probably being smuggled to South Africa. (*O Pais* 29 Dec)

25,000 women and children were victims of violence in the first six months of 2017, according to the police. (*O Pais* 29 Dec)

Mozambique was among the 128 countries which supported the 21 December resolution at the United Nations General Assembly which effectively demanded that the United States withdraw its recognition of Jerusalem as the capital of Israel. US President Donald Trump said he would cut aid from those countries voting for the resolution.

Changes to the labour law proposed by President Nyusi in November will remove workers rights and make more jobs precarious, and will only benefit the multinationals, according to Alexandre Munguambe secretary-general of the Mozambican Workers Organization (Organização dos Trabalhadores Moçambicanos - OTM). (*@Verdade* 13, 26 Dec)

Drones are being used to monitor flooding in two areas of Sofala, Beira and Nhamatanda. The experiment is being carried out by the National Disasters Management Institute (INGC - Instituto Nacional de Gestão das Calamidades). (*O Pais* 3 Jan)

Cornelder has withdrawn from the management of Quelimane port, which has been little used and poorly managed in recent years. (AIM En 20 Dec). Government spokesperson Deputy Minister of Culture and Tourism Ana Comoana said government would manage the port and try to promote its use, and also try to prevent conflicts with the planned deep water mineral port at Macuse, just north of Quelimane.

Payment arrears by state companies of over \$100,000 to Electricidade de Moçambique (EDM) in Niassa have caused such serious financial problems, that EDM is forced to reduce plans to improve its local electricity distribution lines. (AIM Pt 5 Jan)

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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: kapicuardir@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://oficinasociologia.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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