

# MOZAMBIQUE News reports & clippings

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

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***Also in this issue:***

**Journalist still held by army**

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## Chang arrest confirmed

The arrest of Manuel Chang at the request of US authorities was confirmed this morning at Kempton Park magistrates court, Johannesburg. The court rejected the claim by his lawyers that the US request was not a formal extradition warrant, but only a request to arrest and hold him pending the issue of the extradition warrant. The US has charged Chang for his role in the \$2 bn secret debt.

The hearing continues tomorrow. The defence objected that Chang was held in a cell with 20 other people and it was agreed he would be given his own cell.

(<https://www.facebook.com/CIP.Mozambique/>)

## Business press says US prosecution could void loans

Even though Credit Suisse (CS) is not formally charged in the United States indictment on the \$2 bn secret debt, both Bloomberg and the *Financial Times* (FT) say that information in the indictment makes CS vulnerable to fines and claims.

Bloomberg (7 Jan) cites two experts. Mitu Gulati, a law professor at Duke University in the US and a debt expert, says "the debtor [Mozambique] probably has a good case to make that these were loans infected with corruption (by the agents who contracted the loans) and, therefore, voidable." Matthias Goldmann of the Max Planck Institute in Germany says "under international law, in my view, the government does not need to pay back anything. Investment tribunals would not grant protection if corruption was involved in the conclusion of the deal. So corruption charges are an independent reason to reject repayment." <https://www.bloomberg.com/news/articles/2019-01-07/mozambique-loan-bribe-claims-may-void-debts-law-professor-says>

Brooke Masters writing in the *Financial Times* (8 Jan), quotes Mozambican lawyer Florival Mucave saying "If Credit Suisse is found to have acted illegally [it] should have to pay back the investors." To which masters comments: "That only seems fair". <https://www.ft.com/content/b497aff4-1280-11e9-a581-4ff78404524e>

Both Bloomberg and the *FT* note that the indictment says that the three CS people were "acting within the scope of their employment ... with the intent, as least in part, to benefit" CS. They were senior CS staff working for the bank and for the benefit of the bank - and organising a loan that could not be repaid, based on bribes.

It seems likely that CS will be held responsible. Masters notes that the indictment shows that "the defendants were allegedly able to ignore, lie to or circumvent the bank's compliance department."

She continues, "if prosecutors conclude that the bank had shoddy controls or put business interests ahead of complain," the this would cause problems for CS.

Masters quotes a former prosecutor to says that the indictment "adopts the bank's narrative that these are rogues, they lied to us." But she says "the Swiss bank may not be home free. Two former prosecutors told me that it is standard operating procedure for an indictment to emphasise concealment efforts because that supports allegations of international wrongdoing."

Another Bloomberg report says that CS made \$100-300 mn in fees on the \$2 bn debt deal, and that the bank could be forced to return the fees and pay a fine of double those fees.

<https://www.dn.pt/lusa/interior/dividasmocambique-credit-suisse-arrisca-multa-de-ate-300-milhoes--bloomberg-intelligence-10409579.html>

The MAM and Proindicus loans were what is known as syndicated loans. The banks create a "syndicate" in which various investors make part of the total loan. Arranged fraudulently by CS, these loans are probably illegitimate. The Ematum loan was different - it was in the form of bonds purchased by investors. The conversion of the bonds issued by Ematum into Eurobonds issued by the government "makes things worse for the government", explained Mitu Gulati, the Duke professor. It is "modern money laundering", he said, turning illegitimate loans into legitimate government issued bonds. However, the indictment says this exchange was "fraudulent" and was organised by CS and VTB employees.

Finally, Gulati points out that if the loan is declared void, Mozambique will have to give back any loan funds it did receive. But Bloomberg notes this is not a problem because Mozambique did not receive a penny - all the money went directly to Privinvest in Abu Dhabi.

The US indictment is on <http://bit.ly/Changlndict>

## **Did Attorney General write the wrong letters to the US?**

The United States and other countries were accused Monday by the Attorney General's office (Procuradoria-Geral da República, PGR) of failing to reply to formal letters asking information and assistance relating to the secret debt. But that has generated an indigent response from both Mozambican lawyers and diplomats.

One lawyer said: "It is unacceptable that the PRG simply sat and waited for a reply. As well as following up with legal authorities, it is possible to work with diplomats in Mozambique."

Several countries did receive requests, but without the minimum information to implement. Some embassies in Maputo have been supporting the PRG in preparing adequate requests for mutual legal assistance (MLA). But somehow those proper letters were never sent. MLA requests are complex and require nationalities, passport numbers, bank accounts, etc.

Critics of the PRG says that the secret debt has never been a priority. The PRG has had access to local bank accounts for two years. It is a political hot potato, so it always goes to the bottom of the pile. Letters do not get written and investigations are not done.

This can also be convenient for Frelimo. In the big 2000 bank scandal, Banco Austral officials, some senior in Frelimo, stole \$150 mn from bank. The bank collapsed and Antonio Siba-Siba Macuacua, the Bank of Mozambique's head of banking supervision, took over as head of the bank; he began to investigate the frauds, and was assassinated in 2001. People were charged with fraud and murder, but the cases were politically sensitive, so were not a priority and dragged on for nearly a decade. Finally, in 2009 the PRG dropped the charges over the murder and in 2010 over the theft.

## **CIP names 2 accused**

In an excellent timeline of the \$2 bn secret debt based on the US indictment, CIP (Public Integrity Centre, Centro de Integridade Pública) has provided some of the missing names. The US indictment did not name two of the Mozambican accused who have not yet been arrested, as well as three Mozambican "co-conspirators" who are believed to have cooperated with US authorities and agreed deals. <https://cipmoz.org/wp-content/uploads/2019/01/Aspectos-chave-do-“golpe”-da-dívida-ilegal.pdf>

CIP says the two accused are António Carlos de Rosário and Teófilo Nhangumele. António Carlos de Rosário was a senior SISE (security service) official who is the CEO (PCA, Presidente do Conselho de Administração) of the three SISE-owned companies that took the loans, Proindicus, Ematum and MAM.

Teófilo (Teo) Nhangumele is less well known, but is alleged to be the person who sold the original Proindicus loan to Mozambique. At the time he was he was managing partner of a "business facilitation agency", Gloca. His profile on bayt says he has a masters degree from de Monfort University, Leicester, UK; worked for the British High Commission 1995-2001 to promote British companies in Mozambique; for BP Mozambique 2001-8 in particular dealing with the government on fuel prices; and 2009-2011 was the deputy director general of the committee to organise the 2011 Africa games in Maputo. On LinkedIn he says he was managing partner of Glocal 2008-13, then country manager for Petro SA 2013-5, then country manager for McDermott Marine Construction (a contractor in the gas projects) 2015-6, and since 2017 running his own company, Jostro Capital.

Only limited information is provided on the first two "co-conspirators" but the third co-conspirator is identified as an employee of the Ministry of Finance who was also a director of Ematum. CIP says only Henrique Gamito and Isaltina Lucas Sales satisfy that. Henrique Gamito signed the Ematum loan agreement and is brother of Hermenegildo Gamito, president of the Constitutional Council. Lucas is now Deputy Minister of Finance and was director of treasury. She is said to be very knowledgeable about the secret debt, and was also part of the team that has negotiated with the IMF.

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## Cabo Delgado journalist still detained

Security analyst Sam Ratner writes in *Zitamar* today:

"As I write this column, my *Zitamar News* colleague Amade Abubacar sits in a military prison cell in Mueda. He was illegally arrested Saturday morning while photographing civilians in Macomia fleeing to refugee camps to avoid the ongoing violence in Cabo Delgado. *Pinnacle News* reported that he has been beaten and falsely accused of managing a pro-insurgent Facebook account, but we cannot confirm the report because the military will neither acknowledge that they have arrested him nor allow him free communication with the outside world. Regardless of the accusations, the only real reason for Abubacar's detention is his effort to inform the Mozambican public about the conflict in Cabo Delgado. I join many others in calling for his immediate release."

"Abubacar's ordeal is part of a pattern of government action against journalists in Cabo Delgado. The army held investigative journalist Estacio Valoi, Amnesty International researcher David Matsinhe, and their driver Girafe Said for two days in December without charge. Their phones and computers were confiscated (and have yet to be returned), putting their sources at risk of further extralegal persecution. Other journalists have been detained for shorter periods, and the Gabinete de Informação has refused accreditation to foreign journalists seeking to cover the conflict."

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## Background reading

### Special reports

#### Mozambique heroin transit trade

English - LSE - <http://bit.ly/Moz-heroin>

Portuguese - Pt - CIP - <http://bit.ly/Moz-heroina>

#### Gas for development?

Gas\_for\_development\_or\_just\_for\_money?\_2015 [bit.ly/MozGasEng](http://bit.ly/MozGasEng)

Gás\_para\_desenvolvimento\_ou\_apenas\_dinheiro?\_2015 [bit.ly/MozGasPt](http://bit.ly/MozGasPt)

Social protection report - 2017 Mozambique - <http://bit.ly/MozSocPro>

Special report on four poverty surveys: [bit.ly/MozPoverty](http://bit.ly/MozPoverty)

2018 Constitution - <http://bit.ly/2KF588T>

Minimum wage and exchange rates 1996-2018 -- <http://bit.ly/MinWage18>

#### \$2bn secret debt - in English

Kroll - Full report on \$2bn debt - <http://bit.ly/Kroll-Moz-full>

Kroll report summary - <http://bit.ly/Kroll-sum>

Key points of Mozambique parliament report - Nov 2016 - <http://bit.ly/MozAR-debt-En>

Following the donor-designed path to Mozambique's \$2.2 bn debt - <http://bit.ly/3WQ-hanlon>

#### In Portuguese:

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

**Election study collaboration:** We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. <http://bit.ly/MozEIData>

Election newsletters are on <http://bit.ly/2H066Kg>

**Eight books by Joseph Hanlon can be downloaded, free:** <http://bit.ly/Hanlon-books>

Bangladesh confronts climate change (2016)

Chickens and beer: A recipe for agricultural growth in Mozambique (2014)

Há Mais Bicicletas – mas há desenvolvimento? (2008)

Moçambique e as grandes cheias de 2000 (2001)

Paz Sem Benefício: Como o FMI Bloqueia a Reconstrução (1997)

Peace Without Profit: How the IMF Blocks Rebuilding (1996)

Mozambique: Who Calls the Shots (1991)

Mozambique: The Revolution Under Fire (1984)

#### Two more will be available shortly to download:

Apartheid's 2nd Front (1986)

Mozambique and the Great Flood of 2000

#### These are still available for sale:

Galinhas e cerveja: uma receita para o crescimento (2014) (free in English)

Zimbabwe takes back its land (2013)

Just Give Money to the Poor: The Development Revolution from the Global South (2010)

Do bicycles equal development in Mozambique? (2008) (free in Portuguese)

Beggar Your Neighbours: Apartheid Power in Southern Africa (1986)

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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>

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

#### Mozambique media websites, English:

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

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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