

MOZAMBIQUE News reports & clippings

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"Mozambique and the Great Flood of 2000" available free on <http://bit.ly/Hanlon-books>

Also in this issue:

Secret debt update

Cyclone aid with heavy conditions

Lenders and donors are using the cyclones to increase their power when Mozambique is weak. The IMF has imposed austerity conditions on its post-cyclone aid and the World Bank has selected areas where its agendas have been controversial.

The IMF on 19 April approved a loan of \$118 mn to Mozambique from its Rapid Credit Facility "to address large budgetary and external financing gaps arising from reconstruction needs after Cyclone Idai". But government will be expected to make an equivalent domestic budget cut - in IMF speak "reallocating lower priority spending to emergency assistance to the poorest and for reconstruction". bit.ly/Moz_IMF_Idai

Tao Zhang, Deputy Managing Director and Executive Board Acting Chair, pointedly noted that "the bulk of emergency assistance and reconstruction needs will have to be covered by the international community mostly in the form of grants to ensure debt sustainability". He added that "emergency assistance and reconstruction costs are estimated to be enormous, making this storm the worst and costliest natural disaster to ever strike the country." And this was before cyclone Kenneth hit Cabo Delgado.

The World Bank on 3 May increased its funding under the Credit Response Window to a \$350 mn grant to cover both cyclones. The money is "to re-establish the water supply, rebuild damaged public infrastructure and crops, and support disease prevention, food security, social protection, and early warning systems in the impacted communities." World Bank projects in food security, agriculture and social protection have been controversial, taking a long time to implement and pushing agendas which are sometimes not appropriate for Mozambique.

The government will hold a donors conference in Beira on 30 May.

Battle for Anadarko: who will get the gas?

Chevron's \$33 bn bid for Anadarko, valued at \$65 per share, has been topped by Occidental with a bid valued at \$76 per share, and with more of that in cash. Occidental's bid has been backed by a \$10 billion investment commitment by Warren Buffet. (CNBC, Zitamar 6 May)

The main interest of both bidders is Anadarko's US assets in shale gas and oil and offshore in the Gulf of Mexico. Chevron sees the takeover of Anadarko as a way of becoming a global oil and gas major; it is already becoming an important LNG producer and saw the Mozambique project as an important addition to its portfolio.

Occidental only wants the US assets and has made a deal with the French company Total to sell Anadarko's African projects for \$8.8 bn in cash, if that deal goes through. The Cabo Delgado gas field would make Total the fourth biggest LNG seller, after Qatar, Shell, and Malaysia's Petronas. Total would probably see Cabo Delgado as more important than Chevron would because Total is aggressively expanding LNG production, and thus total would move faster on investment and production. Anadarko's other African interests which Total would buy include part interests in oil fields in Algeria and Ghana and an exploration licence in South Africa, but Total's main interest is Mozambique

Chevron has until Friday to raise its bid, so the outcome remains unclear.

Zitamar today (7 May) reports Anadarko chief executive Al Walker met with President Filipe Nyusi in Maputo today, and confirmed that FID (final investment decision) on the Mozambique LNG project will take place in mid-June. Work at the Afungi site, which was halted following attacks by insurgents on an Anadarko convoy in mid-February, will re-start tomorrow, Anadarko country manager, Steve Wilson, told journalists.

Economic squeeze worsens

Banks would not lend the government money and it could not pay its wage bill on 28 April. Payments were two days late.

Government tried to sell \$46 mn of treasury bonds on 23 April at rates of 10-14%. But banks only offered to buy at higher interest rates. Government finally agreed to sell \$3 mn of bonds at rates of 15-20%. This meant it was short of cash to pay wages.

The Bank of Mozambique warned on 25 April that the worsening of the current account deficit to more than \$2 bn was increasing the demand for foreign currencies and causing a deteriorating in the exchange rate. In addition real GDP growth was falling, from 4.9% in the final quarter of 2017 to 3.1% in the final quarter of 2018, and business confidence is also declining. This was before cyclone Idai, will make create more economic problems, hitting business activity and tax revenue. http://www.bancomoc.mz/fm_pgTab1.aspx?id=16

No one is checking gas & mining company claims

The Administrative Tribunal (TA), the state auditor, in its audit of the 2017 government budget said that no one is checking the claims of gas and mining companies about their costs or about the volume of minerals and gas exported. For example, customs authorities and the National Mining Institute do not verify the quantity of coal exported. Similarly the government simply accepts the claims of the gas companies as to their costs. (*O Pais*, 7 May)

Mozambique collects taxes on the value of exports, less the cost of development. One of the main ways that multinational companies reduce the tax they pay is by claiming lower value of exports and higher operating costs. Mozambique is probably losing tens or hundreds of millions of dollars by not checking.

Funds short for elections

The elections budget is short of more than \$100 mn, and Finance Minister Adriano Maleiane says he has not gone to the donors to ask for the money because he has not been convinced that the cost of the election should have doubled since 2014 as claimed by the National Elections Commission. (*O Pais* 7 May) Costs of imported goods have doubled, because of the devaluation of the Metical, from \$1 = MT 31 in 2014 to \$1 = MT 64 now. But a big part of the costs is salaries, which have not gone up that much.

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Secret debt update:

Won't pay CS, but will pay Russians

The Mozambique government will refuse to pay the ProIndicus loan organized by Credit Suisse, as it was “criminally-obtained”. But it is negotiating with the Russian state-owned VTB bank to restructure the MAM loan and repay on a similar basis to the restructured Ematum bonds.

The Public Integrity Centre (CIP) called for the government to stop negotiating with VTB and to refuse to pay both the Proindicus and MAM loans because their structure is identical. Both are syndicated loans kept secret from parliament, both had illegal government guarantees and the New York indictment shows that the bribes paid related to both loans. CIP adds that it is opposed to the government’s intention to promise future gas revenues to repay illegal debts

<https://cipmoz.org/wp-content/uploads/2019/04/Governo-Deve-Desistir-da-Reestruturac%C3%A7%C3%A3o-das-Di%C3%81vidas.pdf>

In a letter to the International Monetary Fund on 10 April, Finance Minister Adriano Maleiane and the Governor of the Bank of Mozambique, Rogerio Zandamela, said the government intends to allow ProIndicus to go bankrupt, and has brought legal proceedings in London against the arranging bank, Credit Suisse, to have the guarantee ruled null and void. But in the letter they say they are negotiating with VTB and are close to reaching a deal similar to the one relating to the Ematum bonds.

Prinvest action against Mozambique

Prinvest has demanded arbitration of a \$200 mn claim against Mozambique, in a case that seems unlikely to succeed. This follows a legal action in London by Mozambique against Prinvest and Credit Suisse (after Mozambique changed its legal team in London) and the December New York indictment of senior Mozambican, Prinvest and Credit Suisse officials.

The \$2 bn secret loan was promoted by Credit Suisse and the Abu Dhabi based shipbuilding company Prinvest, owned by the French-Lebanese businessman Iskandar Safa. All of the money, less very large commissions, went to Prinvest at the start of the project. Officially Mozambique did not receive a penny, but Prinvest was to provide coastal protection, fishing boats, etc. The US and Mozambican indictments allege that Prinvest then paid substantial bribes to Mozambicans, Credit Suisse staff, and their own key people. The Kroll forensic audit said that much of the money could not be accounted for, and what could be explained usually involved overcharging by Prinvest (which denies the allegation).

Most global business contracts include the option of arbitration of disputes. In private, a mutually agreed arbitrator chooses between the cases presented by the two sides. (This is different from mediation, where a mediator tries to help the two sides reach agreement.) On 14 March Prinvest went to the Swiss Chambers Arbitration institution filing a demand for \$200 mn claiming the Mozambique had not carried out its side of the contract, including providing facilities for Prinvest shipyards. Subsequently Prinvest filed a similar claim with the International Chamber of Commerce in Paris. These are civil, not criminal, claims.

The contract and claim are unusual. Normally Mozambique would have received part of the loan for its costs, such as land preparation, but it did not. Normally, even if the money went directly to Prinvest, as sometimes happens, it would have been in stages to allow Mozambique to confirm that work had been done. With this unusual loan, neither happened. Not only did Prinvest get all the money up front, it is now asking for more.

The contracts with Privinvest remain secret, but normally arbitration is not allowed to resolve a dispute involving criminal actions, and both Mozambique and the US accuse Privinvest of bribery.

Pressure mounts on Credit Suisse

"Mozambique deal haunts resurgent Credit Suisse" said the headline on the Wall Street Journal (1 May). It added that "pressure mounts for bank to forgive secret loans and pay damages). The influential newspaper reported Denise Namburete speaking to the 26 April Credit Suisse annual general meeting challenging the chair on CS's role in the fraudulent \$2 bn secret debt. It was a point picked up by several other speakers at the AGM. Namburete is from the Budget Monitoring Forum (FMO – Fórum de Monitoria do Orçamento), a civil society coalition which has taken the lead in campaigning on debt. <http://www.fmo.org.mz/> Afterwards, FMO met with senior CS officials.

But CS profits are increasing and the bank is believed to be taking a hard line, demanding the same deal as given to bondholders and being offered to Russia. It wants to ignore past misconduct and only make promises about improving future lending practice. But board members at the AGM were embarrassed and will put pressure on management to resolve the Mozambique case.

FMO will continue to try to build international pressure on CS. There will be a visit to London to demand legal action there - the loans and alleged bribes were negotiated by the London branches of CS and VTB. And pressure will be increased on Norway, where the sovereign wealth fund is one of the largest investors in CS.

Meanwhile, the Swiss pressure group Public Eye has used a Swiss legal procedure to make a complaint to the attorney general against Credit Suisse; the attorney general must consider the complaint and decide whether to open criminal proceedings.

Hidden debts: Administrative Tribunal Bypassed

(reprinted from AIM, today)

Maputo, 7 May (AIM) – Mozambique's Administrative Tribunal, the body that supervises the legality of public expenditure, has claimed it was unable to assess the legality of the country's "hidden debts" because it was kept at arm's length from the whole deal.

The term "hidden debts" refers to the loans of over two billion US dollars granted in 2013 and 2014 to three fraudulent, security-related companies, Proindicus, Ematum (Mozambican Tuna Company) and MAM (Mozambique Asset Management), by the banks Credit Suisse and VTB of Russia, on the basis of illicit loan guarantees granted by the government of the day, under President Armando Guebuza.

The companies never had the slightest chance of repaying the loans, but the guarantees issued, in blatant violation of the Mozambican budget law, and the Constitution, ensured that the state became liable for repaying the entire amount.

The chairperson of the Administrative Tribunal, Machatine Munguambe, interviewed by AIM on Tuesday, said the Tribunal was kept out of the loop, and was never given the opportunity to declare the entire operation as irregular, and thus prevent the three companies from contracting illegal debts.

"The Mozambican control institutions didn't have the space to comply with their mission", he claimed. "Business that is done under the bed, in the dark, or in international fora, is done in such a way as to annul any capacity to control it, and that's what happened".

Munguambe argued that the Mozambican audit bodies, such as the Administrative Tribunal had not failed in their mission to check the legality of the "hidden debts" – instead, they were deliberately bypassed so that they did not intervene to stop illegal acts.

"We cannot consider that we failed in our mission to control, because we can only control what the government does in the light of day", said Munguambe.

Nonetheless, it was clear to him that the loans were illicit because the country's parliament, the Assembly of the Republic (the only body, under the Constitution, which can authorise this type of public debt) had not been consulted.

The contracts involved had not been submitted to the Administrative Tribunal for approval – and Munguambe added that, since the contracts were illegal, the Tribunal would never have approved them.

The Attorney-General's Office (PGR), in January 2018, referred to the Administrative Tribunal all the "financial infractions" involved in the three fake companies and the loans. Munguambe assured AIM that the Tribunal is working seriously on the matter, but warned that given the complexity of the case, the investigations would still take some time.

Meanwhile, the PGR has pushed ahead with criminal charges against 20 people, accused of blackmail, forgery, use of false documents, abuse of their position, embezzlement and money laundering. Those accused include the former head of the Intelligence Service (SISE), Gregorio Leao, the SISE officer who headed all three fraudulent companies, Antonio do Rosario, and the former President's oldest son, Ndambi Guebuza.

(AIM)

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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

Gás_para_desenvolvimento_ou_apenas_dinheiro?_2015 bit.ly/MozGasPt

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

Special report on four poverty surveys: 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

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

O País: 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

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