

MOZAMBIQUE News reports & clippings

255 14 May 2014 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Also in this issue:

Customs fraud costs hundred of millions of dollars

IESE evicted from its offices

IESE was Monday given 15 days to vacate its institute building on Av Patrice Lumumba in Maputo. IESE (Instituto de Estudos Sociais e Económicos; Social and Economic Studies Institute) is Mozambique's best known independent research institute and it has occupied the building since 2007.

Officially, the reason is a dispute between two state bodies. IESE has been renting the building from Socimo, a company with close state and security sector links. But the state buildings agency APIE (Administração Do Parque Imobiliário Do Estado) has decided that Socimo has no right to the building, so is evicting IESE.

Although there is no hard evidence, the eviction is seen as political, responding to the criticisms of the government by some IESE researchers, particularly the first head of IESE, Carlos Nuno Castel-Branco. Three factors point to this interpretation. First, it would seem unusual to evict an internationally known research institute which has been paying rent in good faith, and give it only 15 days to find new premises and move its facilities.

Second, IESE had organised a plot of land to build its own institute. The land was agreed and approved last year, but it has been waiting for seven months for the signature of the mayor. This is normally a formality and done relatively quickly, but not in this case. Meanwhile, the mayor has also declined to meet with IESE to explain the delay.

Third, in December the Maputo city Attorney General's office opened criminal proceedings under the State Security Law against Castel-Branco, accusing him of insulting the head of state, President Armando Guebuza, in an open letter published on his Facebook page and subsequently widely republished. The open letter is a strong attack and starts "Mr President, you are out of control." Castel-Branco had been on sabbatical in London at the time, and although he has returned to Maputo, there has been no attempt by the Attorney General's office to interview him. The letter is on <https://www.facebook.com/JornalVerdade/posts/646623402026022> See also *News Reports and Clippings* 237, 12 December 2013.

Comment: Mozambique's bureaucracy can be slow and paperwork is often held up because officials do not understand the system and are afraid to ask advice. Being a Frelimo "comrade" definitely makes officials more flexible, helpful and prompt in moving papers. Frelimo and in part the government are patronage systems, and lower officials sometimes attempt to curry favour through vindictive acts against those seen as opponents of Frelimo, for example transferring teachers who stand for opposition parties. No one says anything explicit, but IESE does seem to be bumping into political barriers - perhaps ones erected at a higher level.

Historically Frelimo has been very open and tolerant of informed comment and criticism, and has allowed a particularly open media. Indeed, some in Frelimo saw the media and academic researchers as providing an alternate information channel, especially about events outside Maputo.

However the past year has seen a closing off of alternative opinion. Rogerio Siteo was dismissed as editor of *Noticias* and media were encouraged to use pro-Guebuza commentators as part of a campaign to improve the image of President Guebuza. Recently Guebuza has implied that criticism of him is anti-patriotic and against national unity.

And the victory of MDM in local elections, not just in Quelimane, but in Nampula and Gurué, and MDM winning over 40% of the vote in Maputo and Matola with hardly a campaign, could increase Frelimo's nervousness in the run-up to 15 October elections. *jh*

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Customs fraud costs hundred of millions of dollars

Mozambique is losing hundreds of millions of dollars a year from customs frauds, both by multinational companies and by local political parties, according to three recent reports.

International companies are depriving Mozambique of about \$187 million per year, according to a study funded by the Danish government. And two studies by CIP (Public Integrity Centre, Centro de Integridade Pública) show political parties, including Frelimo, misusing their tax exempt status on a grand scale.

False invoicing costs \$187 mn/y

"Fraudulent misinvoicing of trade" by big foreign companies is causing Mozambique to lose an average of \$187 million per year in tax revenue - 10% of total tax revenue - according to a new report *Hiding in Plain Sight: Trade Misinvoicing and the Impact of Revenue Loss in Ghana, Kenya, Mozambique, Tanzania, and Uganda: 2002-2011*. The report, published Monday, is by Global Financial Integrity and was funded by Danish Foreign Ministry.
<http://www.gfintegrity.org/content/view/686/70/>

The study was done by comparing a country's reported bilateral trade statistics to that of its trading partners, and covers the nine years 2002-10. Of the five countries studied, Mozambique had the lowest level of fraudulent invoicing, but it was still substantial.

There are four types of fraud:

+ **Import over-invoicing** (claiming imports to be more expensive than they really are) and **export under-invoicing** (claims exports have less value than they really do) are both ways of reducing the official profit of the company in Mozambique. This is important particularly for mining companies, and reduce the taxes and royalties they must pay to Mozambique, and allows them to export capital. The study estimates this as \$260 million per year.

+ **Import under-invoicing** (claiming imports have less value than they really do) is a way of reducing the VAT and import duties on imported goods, particularly luxury goods and cars. The study estimates this at \$250 million per year for Mozambique.

+ **Export over-invoicing** (claiming exports have more value than they really do) is a way of capturing export credits and bonuses, and is less common in Mozambique, and appears to have happened in only two of the study years, 2008 and 2009.

Fraud occurs in two ways. Often transactions are between different parts of the same company, so they charge artificial prices to shift profits to a company registered in a low tax jurisdiction, particularly British-controlled tax havens. The other way is bribing customs officials.

Looking at customs duties, VAT, and corporation and other taxes, the study estimates that the Mozambican government loses \$187 million per year.

Parties selling customs exemptions

Political parties are allowed duty free imports of vehicles and goods for their own use, without restriction. An investigation by CIP has found that most political parties, including Frelimo, are using this right to import goods commercially and then selling them on, charging only part of what would have been normal customs duties, and keeping that money for themselves.

In March CIP reported that in 2013 the Green Party imported 234 cars, PARENA 120 and the Mozambican Socialist Party (PSM) 73. None of these parties have any representatives in a local or national assembly, or any visible political presence. (<http://bit.ly/1h6Mkwq>; *News reports & clipping 247*, 26 March)

Tuesday, CIP reported on Frelimo, and its large scale duty-free imports, such as 2291 Chinese motorcycles in 2012 and 2013 and 7009 Chinese freezers in the past two years, some of which were sold through the shops of Rassul Trading. Frelimo also imported 5000 car tyres just when it was banning retreaded tyres. <http://www.cip.org.mz/article.asp?lang=&sub=iafl&docno=303>

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Corruption blamed for motor accidents

In 2012 there were 1574 people killed in traffic accidents in Mozambique; this is a high rate of 300 deaths per 100,000 motor vehicles, compared to 200 for South Africa and 15 for Portugal and the United States. Government and police traditionally blame bad driving, speeding, drunken driving etc. But a report published last week CIP blames corruption at all levels which allows unqualified drivers and unroadworthy vehicles.

The CIP investigation found corruption at all stages. New drivers are supposed to have passed an approved driving course. But a certificate will be issued without attending, if the would-be driver pays for the course plus \$500 - the most expensive part of the process. For the exam, it is possible to pay someone to take the written part, and passing the actual driving tests costs only \$30-60 to the inspector (the higher amount is required if the driving quality is really poor). A false medical certificate costs only \$7.

The next step is for people who have an ordinary licence to have it upgraded to one that allows the person to drive a "chapa" - a commercial minibus. Staff at the licence agency INATTUR (Instituto Nacional dos Transportes Terrestres) modify an existing non-commercial licence for \$50-100.

And of course the transit police and municipal police are notorious for demanding bribes. But even if something is wrong with the car, or an illegal manoeuvre is made, or the driver is drunk, \$2-3 is enough.

Vehicle inspection was introduced five years ago, but the pass rate is now 97%, and the cost of a pass is low - \$3.50.

Corrupção: a causa oculta dos acidentes de viação:

http://www.cip.org.mz/cipdoc/302_CIP_A_Transparencia_n%C2%BA04_2014.pdf

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The next book

Galinhas e cerveja: uma receita para o crescimento

by Teresa Smart & Joseph Hanlon will be launched 2 July in Maputo.

Zimbabwe takes back its land

by Joseph Hanlon, Jeanette Manjengwa & Teresa Smart is now available from the publishers

https://www.riener.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-its-land-detail>

Now in paper at a reasonable price

Do bicycles equal development in Mozambique?

by Joseph Hanlon & Teresa Smart

is now available in **paperback**, for £17.99 (+ p&p)

from the publisher <http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503>

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 now be **read on the web**

tinyurl.com/justgivemoney

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

Also on the web: Previous newsletters and other Mozambique material are posted on

tinyurl.com/mozamb

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NOTE OF EXPLANATION:

This 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:

Noticias: www.jornalnoticias.co.mz

O Pais: www.opais.co.mz

On Facebook:

@Verdade: <https://www.facebook.com/JornalVerdade>

CanalMoz: <https://www.facebook.com/CanalMoz>

Macauhub English: www.macauhub.com.mo/en/

AIM Reports: www.poptel.org.uk/mozambique-news

Carlos Serra Diarrio de um sociologo: <http://oficinadesociologia.blogspot.com>

Good daily newsletters:

English: Mozambique Investor. Send e-mail to theinvestor@clubofmozambique.com

Portuguese: Mozambique Hoje. <http://mail.clubofmozambique.com/mailman/listinfo/mhoje>

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