

MOZAMBIQUE News reports & clippings

384 17 September 2017 Editor: Joseph Hanlon (j.hanlon@open.ac.uk)

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Also in this issue:

**Did secret loans fund sanctions-busting N Korea arms?
Dhlakama demands governors and high roles for generals**

Price of secret debt:

**IMF says no to new programme
talks, while World Bank calls
Mozambique a 'fragile' state**

The IMF Thursday made clear there was no chance of even discussing a new programme until Mozambique gives more information of how the money from the \$2 bn secret debt was used.

"We believe it is key for the authorities to provide the missing information, highlighted in the audit summary and in particular critical information gaps ... regarding the use of loan proceeds. So taking steps to fill the information gaps and to strengthen transparency and ensure accountability will be critical to progressing toward a new program," Gerry Rice, IMF spokesperson, told a Washington press conference on 14 September.

<http://www.imf.org/en/News/Articles/2017/09/14/tr091417-transcript-of-imf-press-briefing>

Meanwhile, in a report issued last month the World Bank for the first time declared Mozambique to be a "fragile country". The report is the annual "Country Policy and Institutional Assessment (CPIA) Africa" which ranks countries on 16 policy assessments. It notes that "the sharpest fall in the aggregate CPIA score was witnessed in Mozambique and South Sudan For Mozambique, the decline reflects the economic crisis in the country following the discovery of hidden debts in 2016." In 2016 Mozambique was considered to have had the biggest drop in economic management, and this was the first time that Mozambique total score was so low that it is considered fragile.

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:

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>

Mozambique is now in the same category as Sierra Leone and Malawi.

Mozambique had high CPIA scores and was well above average but started to fall in 2013 and by 2016 was low enough to be called "fragile." There are four categories. Compared to 2008, Mozambique is unchanged in "equity" and "public sector management", has fallen slightly in "structural policies", but has fallen dramatically in all sectors of "economic management". Particularly notable is that public debt was 125% of GDP last year, higher than all other sub-Saharan African countries except Cape Verde.

<http://documents.worldbank.org/curated/en/891501500349324004/pdf/117514-REVISED-96p-WB-CPIA-Report-July2017-ENG-v16.pdf>

Was the money used to import sanctions-busting N Korea arms?

Mozambique ordered missiles and communications equipment from North Korea as well as refurbishment of Soviet era military equipment in violation of United Nations sanctions, according to Security Council expert panel reports published 27 February and 5 September.

http://www.un.org/ga/search/view_doc.asp?symbol=S/2017/742

"Mozambique has yet to provide a substantive reply to the Panel's enquiries," the 5 September report says; requests have been made for more than a year. On 12 September Council of Ministers spokesperson, Deputy Culture Minister Ana Comoana, pledged full cooperation with the UN panel, and said the government would provide "due clarification at the opportune moment".

The little noticed 27 February report lists a \$6 million contract dated 28 November 2013 between the North Korean Haegeumgang Trading Corporation and Monte Binga, which is owned by the Mozambican Defence Ministry. ProIndicus, one of the three companies which took out the \$2 bn secret loans, is half owned by Monte Binga and half by the security services, SISE.

According to the expert panel, under the contract Haegeumgang was to upgrade and refurbish Soviet era equipment: P-18 early warning radar, AT-3 anti-tank missiles, T-55 tanks, and truck-mounted surface-to-air Pechora missile systems. It was also to supply "man-portable air defence system components and training equipment", 250 kg "glide induced bombs", radar systems, communications and electronics detection equipment, and a "chemical warfare monitoring command car" and related equipment. And it was to rehabilitate a gunpowder processing factory.

The secret \$622 mn loans to ProIndicus were arranged by Credit Suisse and VTB in February and June 2013 and thus it seems likely that that some of the loan was used for the November 2013 contract to purchase the North Korean weaponry. The three Mozambican companies which took the \$2 bn secret loans are controlled by the security services SISE, which refused to provide any information on how most of the money was used. Now, both the IMF and the Security Council are demanding information.

UN Security Council resolution 1874 in June 2009 banned countries from importing any arms or related material from North Korea. AIM (13 Sep) notes that North Korea no longer has an embassy in Mozambique.

Links:

27 Feb report: <https://undocs.org/S/2017/150> pp 40, 184-6

5 Sep report: <https://undocs.org/S/2017/742> pp 14-5

Embargo summary: https://www.sipri.org/databases/embargoes/un_arms_embargoes/north_korea

Dhlakama demands governors and high roles for generals

Renamo head Afonso Dhlakama set out two explicit demands in an interview on STV (*O Pais* 6 Sep). First, he wants all the agreed documentation on decentralisation to go to parliament this year, so that the constitution can be amended by February. That, in turn, is because President Nyusi must in early April 2017 announce the actual date for October 2018 national elections, and Dhlakama insists that he should announce that they will be for provincial governors as well as for provincial assemblies and national president and parliament. Although the deadline is tight, this seems possible.

The second demand is harder. Dhlakama demands that "Renamo commanders be given top leadership positions in the Mozambican army [FADM] to avoid that, in the future, some Frelimo-oriented elements in the FADM plan secret operations against Renamo as happened in 2015." He continued that it is necessary "to incorporate Renamo commanders in leadership positions at the centre of the FADM so that the armed forces stop belonging to Frelimo and instead are impartial and national."

He said he could only leave his Gorongosa mountain base when he had guarantees that no one would shoot him, which required Renamo commanders in the FADM leadership. He stresses the events of 2015 when he and his entourage was twice ambushed and shot at in Manica.

Finally, he said he cannot speak of "disarmament" of Renamo forces, but rather of the legitimate incorporation of armed Renamo fighters into the army and police.

Comment

Nyusi confirmed for Frelimo Congress

The Frelimo Political Commission unanimously agreed to propose Filipe Nyusi for a second term as party president at the Frelimo 11th Congress which starts Tuesday 26 September in Matola. Other candidates can be proposed from the floor, but the Political Commission decision means that various half-hearted attempts to unseat Nyusi have failed and he will be the Frelimo presidential candidate in October 2019 national elections.

The Frelimo leadership is composed of various overlapping factions with former presidents Joaquim Chissano and Armando Guebuza still having power. Thus the election of new people to the Political Commission at the Congress and subsequent ministerial changes by Nyusi will be the most important part of the Congress.

The shifted balance of power will be important in the debate inside the party on three issues:

- + negotiations with Renamo and what concessions will be allowed on decentralisation and inclusion of Renamo generals;
- + economic policy and further response to the Kroll report and the \$2bn secret debt (Will information be released on the use of the money as demanded by the IMF, will there be prosecutions, and will there be an attempt to recover money?); and
- + election policy for 2018 local elections and 2019 national elections, with one group within the party simply saying that Frelimo always wins and has the only effective electoral machine, but with another group warning that the secret debt and failure to reduce rural poverty has tarnished Frelimo and could result in a Trump-style anti-establishment backlash.

None of these will be explicitly decided at the Congress. But Frelimo works by consensus, and the Congress will decide the internal balance of forces which in turn will shape the internal negotiations over the coming months. *jh*

Comment

Is 'do nothing' still an option?

In the run-up to the Congress, the Frelimo government has done as little as possible to rock the boat. On the \$2 bn secret debt, the donors were kept calm by allowing the Kroll audit, but much essential information was withheld so the leadership was not compromised. On the private debt itself, Mozambique continued to promise to pay when it could but made no actual payments (and even delayed bilateral repayments to China and Brazil). Foreign exchange reserves were boosted by unexpectedly high coal and aid revenues. There were no real domestic spending cuts and government survived simply by not paying bills, particularly for construction projects. Because Mozambique uses a cash accounting system, unpaid bills do not appear on the books. No one seems to know how large government debts are, but they are probably getting up to \$100 mn.

After the Congress, the next big hurdle will be 2018 local and 2019 national elections. Could Frelimo follow the same "do nothing" strategy to get through national elections? In 2020 the re-elected (or new) president could point to their mandate and turn to donors for help.

On debt, it now seems apparent that holders of bonds and syndicated loans are not prepared to go to court - in part because that would release evidence pointing to the responsibility of the banks, Credit Suisse and VTB, in improper lending - making loans which were impossible to repay and not following normal practices. And it does seem that the bond and loan holders are prepared to wait for a new government and closer prospects of gas before negotiating. So Mozambique could probably get away with not paying now and promising to pay some day - at least until after elections.

On Kroll and the debt, there seems little chance of releasing sufficient new detail on the use of money to satisfy the IMF, so Mozambique may as well assume no IMF programme until after elections. And donor budget support will never return. On the other hand, Mozambique will be getting more than \$300 mn in capital gains tax from ENI in the coming months, coal revenues seem likely to hold up, and the World Bank and some donors seem happy to pour dollars into Mozambique so long as the projects do not go through central government budgets. That should maintain foreign currency reserves and provide some money for Frelimo election spending.

The biggest problem is likely to be domestic spending in Meticaís. With elections coming up the government will not want to cut civil service wages, and also will not want to cut the perks of more senior officials who are expected to organise Frelimo votes in the election. Infrastructure projects will have to be cut, and growing debts will remain unpaid.

But it looks possible that the Frelimo government can follow the "do nothing" option until after the elections. *jh*

Good rainy season forecast

Reasonable rains with neither droughts nor severe floods are forecast for the coming six months. Isaias Raiva of the National Meteorological Institute (INAM) announced the forecasts on 13 September. INAM always tweaks the forecasts of the Southern African Regional Climate Outlook forum (SARCOF) which meets in August, and both have good forecasting records.

For the first half of the rainy season (October to December 2017) the southern and central provinces will have normal rainfall, with a tendency to above normal. This will be good for Maputo, where reservoirs are still less full than normal. But rainfall in the north of the country is forecast to be below average in this period, which could delay planting.

The second half of the rainy season (January to March 2018) is more important and perhaps more variable. From south to north: For Maputo and southern Gaza and Inhambane the prospect is for

normal to below normal rains. In the central zone, the forecast is for normal to above normal rains in northern Gaza and Inhambane, as well as in much of Sofala, Manica, Tete and Zambezia. Nampula, Niassa and southern Cabo Delgado are forecast to be normal. But northern districts of Cabo Delgado could be below normal. The National Water Resource Management Directorate (DNGRH), warns of possible flooding in the Save and Incomati river basins, and in Cabo Delgado. (AIM En 14 Sep)

\$6 mn farm fraud

The trial began Tuesday of 28 people including the chair of the government Agricultural Development Fund (FDA) for stealing 170 million Meticaís, \$5.9 mn when the fraud started in 2012. The charges are that MT 107 mn was for fake projects, and the rest was improper payments to FDA staff.

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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

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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: kapicua@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 sociologo: <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

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