MOZAMBIQUE News reports & clippings

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Also in this issue:

Police, army, SISE heads changed

Ombud: officials 'comfortable with illegalities'

Government assumes aid cuts & economic crisis will continue in 2018

"We cannot see, in the short and medium term, the return of direct external support to the State Budget," said the Bank of Mozambique's Monetary Policy Committee on 26 October.

The economic crisis of last year and this year may continue into 2018, with increased inflation and further government spending cuts, Bank of Mozambique governor Rogério Zandamela told a press conference 26 October. "The huge efforts by the Tax Authority [Autoridade Tributária, TA] will not, in the short term, compensate for the substantial cuts in foreign aid," he said.

Zandamela contradicted his own government's budget for 2008, which predicts a 20% increase in tax revenue to MT 223 bn (\$3.7 bn at current exchange rates) from MT 186 bn (\$3.1 bn) last year. The budget accepts a slight increase in inflation, predicting 11.9% next year. In September (last month), annual inflation was 10.8%.

The Monetary Policy Committee pointed to "the difficulties that the public sector has in mobilizing

Recent reports

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

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

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resources to finance its expenditures" and said that an indication of the shortage of money is that domestic public debt rose \$ 46 mn in just two months, from MT 97.7 (\$ 1608 mn) bn on 10 August to MT 100.5 bn (\$1654 mn) on 25 October. (http://www.bancomoc.mz/)

The budget includes substantial cuts. Hiring of new teachers will fall from 8,300 this year to only 2,200 next year. Spending on education and health will increase, but spending on agriculture will fall by 27% and spending on water and public works will be halved, falling by 56%, because of cuts in aid.

Comment: Statements last week make clear that the Frelimo leadership has given up any hope of an IMF agreement and an increase in aid. Minister of Land, Environment and Rural Development Celso Correia is close to President Filipe Nyusi and on 24 October was pointedly speaking at a reception of the embassy of Germany, one of the countries to stop budget support, He said "the difficult moment in our relationship with our cooperation partners is instructive in making it increasingly urgent for our country to live with the resources that it has internally and to produce enough wealth to finance its own budget and development. Foreign aid should be an exception and not the rule. Foreign aid must be prioritized and not universalized." And Bank Governor Zandamela at his 26 October press conference said "We can live without aid, but it will be a difficult life. It requires fiscal reforms to be much deeper than what we had in mind. ... We have to work, redouble our efforts and our energy to deal with reality [because we will be] walking practically alone without aid for the state budget." (@Verdade 27 Oct)

It increasingly appears that the deal within the Frelimo leadership is that little more information will be released about the \$2 bn secret debt and that those involved will be protected. But in exchange, opposition to a peace deal with Renamo has ended, with acceptance not just of decentralisation but also of serious integration on Renamo guerrillas and commanders into a restructured army and police.

Frelimo now needs to get through October 2018 local elections and October 2019 national elections, with a peace deal but largely without aid money for government expenditure. That means two more years of juggling, in particular delaying payments to companies and civil servants while trying to extract more from them in tax.

Afonso Dhlakama and Renamo are now committed to participating in elections (see below). Their hope that there will be a backlash against Frelimo because of corruption, the secret debt, austerity and the failure to reduce poverty - the Trump and Brexit effect. Frelimo hopes its historic support, better organisation and control of the state apparatus will propel it successfully through the next elections.

Renamo will need to do well in the Nampula by-election and next year's local elections, electing mayors in some municipalities and at least forcing second rounds (where no candidate for mayor gains a majority in the first round) in some key cities. That would give Renamo and Dhlakama more credibility in national elections. *jh*

No one is paying

The Tax Authority (AT) on 23 October launched a campaign to audit companies to increase the payments of VAT. It says it is owed an unpaid MT 3.6 bn (\$60 mn). The TA has also launched a major crackdown on sales of beer, wine and spirits without tax stamps. Meanwhile the Social Security Institute (INSS) says it is owed MT 1.2 bn (\$20 mn) by employers. (AIM Pt 9, 20, 25 Oct; O Pais 24 Oct)

At a press conference 24 October, the Economic Associations Federation (CTA) objected to renewed pressure that companies should pay more taxes. Kekobad Patel said that "companies are making a monumental effort to simply not close because of the crisis." CTA Executive Director Eduardo Sengo pointed out that the government was trying to get more money from companies

when it owned them \$400 mn in unpaid VAT rebates. "How can we pay 17% VAT when there is no money in the till?" (*O Pais* 25 Oct)

Sengo also alleged that government had debts to companies for goods and services dating back to 2014 of MT 29 bn (\$477 mn). (*MediaFax* 25 Oct)

Interest rates were cut by 0.5% (50 basis points) on 26 October by the Monetary Policy Committee. The new interest rate, introduced in April, the Interbank Money Market Rate (MIMO), falls from 21.5% to 21% per cent. The central bank's interventions on the interbank money market to regulate liquidity are based on this rate. The Standing Lending Facility (FPC, the rate paid by commercial banks to the central bank for money borrowed on the Interbank Money Market) falls from 22.5% to 22%, and the Standing Deposit Facility (FPD, the rate paid by the central bank to the commercial banks on money they deposit with it) falls from 16% to 15.5%. In addition, the Compulsory Reserves Coefficient - the amount of money that the commercial banks must deposit with the Bank of Mozambique – was reduced from 15% to 14%.

Economy decelerating: Economic growth in the second quarter fell to an annual rate of 3%, compared to historic levels of 7%, and early indications are that economic growth declined further in the third quarter, the Monetary Policy Committee said.

China cancels interest but offers another debt, in a deal signed 26 October. China has cancelled \$35 mn in interest payments and it has offered \$15 in "financial support" (presumably a new loan) toward the \$50 mn Xai-Xai airport announced by President Nyusi on 19 April. (O Pais 27 Oct)

Peasants must work harder and produce more food President Filipe Nyusi said at the opening of the agricultural campaign in Moamba. (*O Pais* 26 Oct)

Government bank guarantees for fuel importers have been ended, and fuel importers will have to take full financial responsibility. (*Noticias*, AIM Pt 28 Oct)

Police, army, SISE heads changed

In a post-Congress reshuffle triggered by ill health and the need to prepare for the integration of Renamo forces, President Filipe Nyusi last week appointed new heads in the military, police and security services.

Lagos Lidimo steps down as director general of the State Intelligence and Security Service (SISE), while Graca Chongo retires as armed forces (FADM) Chief of Staff. Both are known to be seriously ill. And the deputy commander of the national police (PRM), Jose Weng San, died two weeks ago after a lengthy illness.

Lazaro Menete, formerly commander of the army, is promoted to be the new armed forces head, replacing Chongo. Prior to his army service, he was a rear admiral and navy commander. The armed forces deputy chief of staff Raul Dique was named by Nyusi last year, and is one of the senior officers who came from Renamo after the 1992 peace accord. Menete is replaced as army commander by Ezequiel Muianga, former chief of staff of the Presidential Guard.

Julio dos Santos Jane, who had been named police commander by Nyusi in March 2016, replaces Lidimo as head of SISE. He is a lawyer who received military training in the USSR. During the 1982-92 war, Jane was in charge of the military unit protecting Maputo and successfully repelled Renamo. (*O Pais*, 4 Mar 2016) Jane was later marginalised by Guebuza. Bernardino Rafael, formerly head of the Maputo City Police, was promoted to police commander to replace Jane. Timoteo Bernardo, formerly head of the Manica provincial police, becomes the new police deputy

commander, replacing Weng San.

Comment: This reshuffle confirms that Nyusi finally consolidated his power at the Frelimo Congress, nearly three years after he took office as President. But it also is looking ahead to the integration of Renamo into the military and security services.

In an attempt to remove key people linked to former President Armando Guebuza, Nyusi looked back to people of the Chissano generation, who were relatively old but had no loyalty to Geubuza. Lidimo had been made armed forces chief of staff by Chissano and was sacked by Guebuza in 2008. Lidimo was born in 1950 and was already ill when Nyusi pulled him out of retirement early this year to reduce the Guebuza influence in SISE.

Jane is from Manica, but has been a personal friend of Nyusi since the time he was provincial police commander in Nampula and Nyusi was head of the northern railways. Lidimo was appointed in part because he was Makondi and it seemed important to use his Makondi backers to consolidate control of SISE - and now seems to have always been a short term appointment. By contrast, naming Jane gives Nyusi personal control of SISE.

It now appears there is at least outline agreement with Afonso Dhlakama on integration of Renamo generals and soldiers into the army, police and SISE, and that this will need to start early next year. This is a is a touchy issue, both because hard-liners, notably in the Guebuza wing of Frelimo, had opposed this, and because Dhlakama felt, with some justification, that his generals and soldiers were marginalised in the new joint army in 1994.

Thus Nyusi appears to be appointing people who are both loyal to him and willing to seriously integrate Renamo. Menete was only named army commander in June 2016, but Nyusi used the installation ceremony to say that reconciliation inside the armed forces (FADM) is one of the great victories achieved by the Mozambican people: "this reconciliation, which today joins together officers who yesterday were on opposing sides, must continue to inspire the values of inclusion and professionalism inside the family of the defence and security forces". A clear message that Menete would oversee integration.

Much of the fighting against Renamo in 2015/16 was done by the special police riot squad, and not by the army, which was limited to ineffective shelling of Dhlakama's mountain headquarters. Thus Renamo is unlikely to have personal grudges against Manete.

Under President Joaquim Chissano, Mozambique intentionally kept only a weak army, in part to prevent a military coup. Few soldiers from either side joined the new army in 1994 but many officers did, and they had with little to do. Guebuza built up a larger military, with weaponry bought partly with the \$2 bn secret loan. The obvious choice now would be to return to the Chissano model - an ineffectual military which could allow Renamo generals in senior positions because all army posts would be sinecures. *jh*

Is there a deal?

Mozambicans prefer consensus decision making, which means the discussions can be long and tortuous. There is no white smoke or light in the tower. But it does seem there is slow progress toward an accord between Dhlakama and Nyusi, which must cover three issues: decentralisation and the election of provincial governors, integration of Renamo generals and fighters into the police and security services, and - the issue that is never talked about in public - substantial amounts of money for Renamo and Dhlakama (which will require at least informal donor and IMF agreement).

Parliament opened last week with no proposals tabled, but with all three parties stressing that when agreed proposals were presented, they would be accepted. Only Ivone Soares, head of the Renamo bench, was concrete, saying there would have to be agreement on a constitutional amendment on electing provincial governors, plus laws on provincial finance and provincial

administration. (O Pais, 24 Oct) Prime Minister Carlos Agostinho do Rosário said recently he expected agreement this year. (O Pais 13 Oct)

Renamo and MDM leaders Afonso Dhlakama and Daviz Simango have both confirmed that their parties will participate in the Nampula by-election, caused by the murder of the MDM mayor on 4 October. (O Pais 26 Oct)

Export of unprocessed cashew banned

Export of unprocessed cashew will be banned until all local processing factories have been supplied with raw material, the National Cashew Institute (Instituto Nacional de Fomento de Caju, Incaju) announced on 27 October. There will be a check point on the road to Nacala port to enforce the ban. The 14 factories in the north employ 13,000 people and need 71,000 tonnes of unprocessed cashew nuts. (AIM Pt, *Noticias* 28 Oct)

Cashew kernels are in hard outer shells and must be roasted and then shelled by hand. This announcement is the final step in a two decade struggle to reverse the World Bank's destruction of the local industry. In 1995 the World Bank forced Mozambique to end protection of the local factories and encourage the export of unprocessed cashew to India. All the factories closed and 10,000 people, mostly women, were thrown out of work. The World Bank believed that a free market would stimulate production and benefit peasants, but the opposite happened. In 2000 Incaju, working largely in secret, began promoting local production, including - also in secret but negotiated with traders - a requirement to supply the new local factories first. The announcement makes public the final part of government's rebuilding of the cashew industry.

Ombud: officials 'feel very comfortable with illegalities & injustices'

Many senior officials "feel very comfortable with arbitrary behaviour, abuses, illegalities and injustices", the ombud (Provedor de Justiça), Jose Abudo, told parliament in his annual report 25 October.

Arising from the complaints received, in the period April 2016 to March 2017, Abudo made 27 recommendations, of which 8 had been accepted and 4 rejected. But the state bodies affected by the other 15 had simply not replied, thus violating the law which gives them just a fortnight to reply. Among the bodies which did not reply were the ministries of Interior, Mineral Resources and State Administration, as well as the Inhambane provincial government, and the Maputo and Matola Municipal Councils.

Odebrecht gave 500 books to the Nacala libraries of Universidade Politécnica and Instituto Superior de Ciências e Gestão, as part of its social responsibility programme. (*O Pais* 16 Oct) Nothing was said at the ceremony, however, about whether social responsibility extends to the \$900,000 bribes paid by Odebrecht to win the contract for the \$216 mn white elephant Nacala airport.

The trial of an alleged killer of prosecutor Marcelino Vilanculos began 25 October in the Matola prison where the suspect, Edith d'Campta da Camara Cylindo, is being held. (A longer AIM article is below.)

Prosecutor Marcelino Vilanculos trial AIM English articles

1071017E JOURNALISTS BARRED FROM VILANCULOS MURDER TRIAL

Maputo, 26 Oct (AIM) – The trial of one of those allegedly involved in the April 2016 assassination of prominent prosecutor Marcelino Vilanculos began in the southern Mozambican city of Matola on Wednesday – but journalists were denied access, in flagrant violation of the legal principle that trials, with very few exceptions, are open to the public.

To ensure greater security, the trial is being held, not in a normal Matola courtroom but in the grounds of the prison where the suspect, Edith d'Campta da Camara Cylindo, is being held.

[Journalists were banned from the first day of the trial, but *Notiticas* was able to attend the second day.]

What is known so far of the prosecution case is that Edith Cylindo is accused of following Vilanculos's car between his home and his office for four days prior to the murder, thus familiarising herself with the route.

She had been contacted by one of the assassins, Jose Aly Coutinho, to help those recruited as hitmen, Amad Mabunda and Abdul Tembe, to identify the victim. So not only did she follow the prosecutor's car, but she also photographed Vilanculos, and gave the photos to Coutinho.

According to the prosecution, after the murder Coutinho paid Cylindo 500,000 meticais (about 8.200 US dollars).

Cylindo's case is being heard separately because she was arrested later than Coutinho, Mabunda and Tembe. The case against them was well advanced before she was detained.

Of the three, only Mabunda remains in custody, Tembe, believed to have driven the car used in the killing, escaped from Maputo central prison on 24 October 2016. This led to the arrests of the director of the prison, Castigo Machaieie, and eight other prison staff.

Coutinho was murdered on 24 April this year, presumably in order to silence him. He, and another prisoner, Jose Muchanga, apparently not involved in the Vilanculos murder, were released from police custody, when an armed gang attacked the vehicle carrying them at around midday in a narrow street in central Maputo.

It was initially thought that the gang had intervened to rescue Coutinho and Muchanga, but their bodies were later found in a shallow grave about 70 kilometres north of Maputo. They were killed only a few hours after they had been seized from the police.

The Attorney-General's Office was convinced that Coutinho was in league, not only with Cylindo, but also with one of the country's most notorious assassins, Momade Assife Abdul Satar (better known as "Nini").

In January 2002, the Maputo City Court found that Satar was one of the three business figures who had ordered the murder, in November 2000, of the country's foremost investigative journalist, Carlos Cardoso. Satar was sentenced to 24 years and six months imprisonment, but was released on parole in 2014 after serving just half his sentence, on the ground that he had shown "good behaviour" while in the Maputo top security prison.

Police and prosecutors, however, were convinced that, far from being a model inmate, Satar had been active, from his prison cell, in planning other crimes, including the kidnappings of business people. Satar never had any problem in acquiring cell phones, even though such devices are not allowed inside prisons.

Satar was charged in a 2013 kidnap case – but the presiding judge scrubbed his name from the list of suspects. That same Maputo judge, Aderito Malhope, later in 2014, authorised Satar's request to travel abroad, supposedly for medical treatment, though it was not stated what condition he suffered from which required treatment outside of Mozambique.

He was supposed to go to India, but the parolee never set foot in that country. Supposedly, he changed his mind and went to London instead. He has never returned to Mozambique, but keeps a Facebook page detailing at least some of his travels, including to Geneva and Lisbon.

The PGR, however, continued to investigate Satar's connections with the kidnappings and his name is on the charge sheet in two cases opened earlier this year. The PGR only went public with this information after Coutinho was sprung from police custody.

During the latest investigations, said a PGR statement in April, "it was found that the accused, Momad Assife Abdul Satar, formed a criminal organization with the purpose of kidnapping Mozambican citizens, so that later large amounts of money in ransom could be demanded". To this end, he formed "a criminal alliance" with Coutinho, and with Edith Cylindo.

In light of these findings, the PGR issued an international arrest warrant, and asked the Maputo City Court to revoke Satar's parole status. The City Court agreed and cancelled Satar's parole in a dispatch dated 21 April. From that moment, Satar became a fugitive. If he is returned to Maputo and found guilty of any of the crimes of which he is now accused, he will also have to serve the remainder of his sentence for the Cardoso murder.

Vilanculos, a man with a reputation for great integrity, was murdered outside his Matola home on 11 April 2016. He was the lead prosecutor in several sensitive cases, including some of the kidnappings of business people.

He was known to be investigating Danish Satar, nephew of Nini Satar, accused of being one of those behind the kidnappings, who was deported from Italy to Maputo by Interpol in December 2015.

Danish Satar was released from preventive detention on 6 June 2016, but three days later he too was kidnapped in the Maputo neighbourhood of Sommerschield. He has not been heard of since, and police suspect that this was not a genuine kidnapping at all, but merely a way of spiriting Satar out of the country.

(AIM)

1161017E ACCUSED DENIES INVOLVEMENT IN VILANCULOS MURDER

Maputo, 27 Oct (AIM) – Edith Cylindo, one of those charged with the assassination of prosecutor Marcelino Vilanculos, on Thursday, the second day of her trial in the southern city of Matola, denied that she had anything to do with the killing.

Journalists were barred from covering the trial on its first day, but the Maputo daily "Noticias" managed to cover the second day's events.

Cylindo told the court that she had no person motive for joining the group that murdered Vilanculos in April 2016.

"It wasn't me who ordered the murder", she said. "I'm not the material author of this crime and I never had any interest in his assassination. I don't know why they are involving me in this matter".

The judge, Samuel Pedro Artur, reminded Cylindo of her statements during the preliminary investigations. Then she admitted spying on Vilanculos for the death squad that killed him. She had followed him from his office in Maputo City to his home in Matola.

According to the prosecution, she had taken photographs of Vilanculos and had given them to another of the murderers, Jose Ali Coutinho, for purposes of identifying the victim.

Cylindo now denied her earlier statements. She said she had been coerced into making them by members of the riot police.

The prosecution noted that more than 2.2 million meticais (about 36,000 US dollars) was deposited in her bank accounts precisely at the time when she was allegedly spying on Vilanculos, between 29 March and 11 April 2016. Of this sum, a million meticais was deposited on 11 April, the date of the murder.

Cylindo, who is a jurist who has worked in commercial banks, and in the Maputo City Financial Directorate, claimed that the money resulted from her own businesses, which included selling clothes, renting out a house belonging to her father in the northern city of Pemba, advising a mining company, foreign exchange dealings and loansharking (the latter two activities are clearly illegal).

The trial has been adjourned and the judge has not yet set a date for resuming it. (AIM)

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

Election study collaboration: We have detailed election data from 1999 through 2014 and are inviting scholars to use this data collaboratively. http://bit.lv/MozElecData

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Other books and reports by Joseph Hanlon

Special report on four poverty surveys: <u>bit.ly/MozPoverty</u>
Comment: something will turn up: <u>http://bit.ly/28SN7QP</u>
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: kapicuadir@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 https://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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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

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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